European Commission

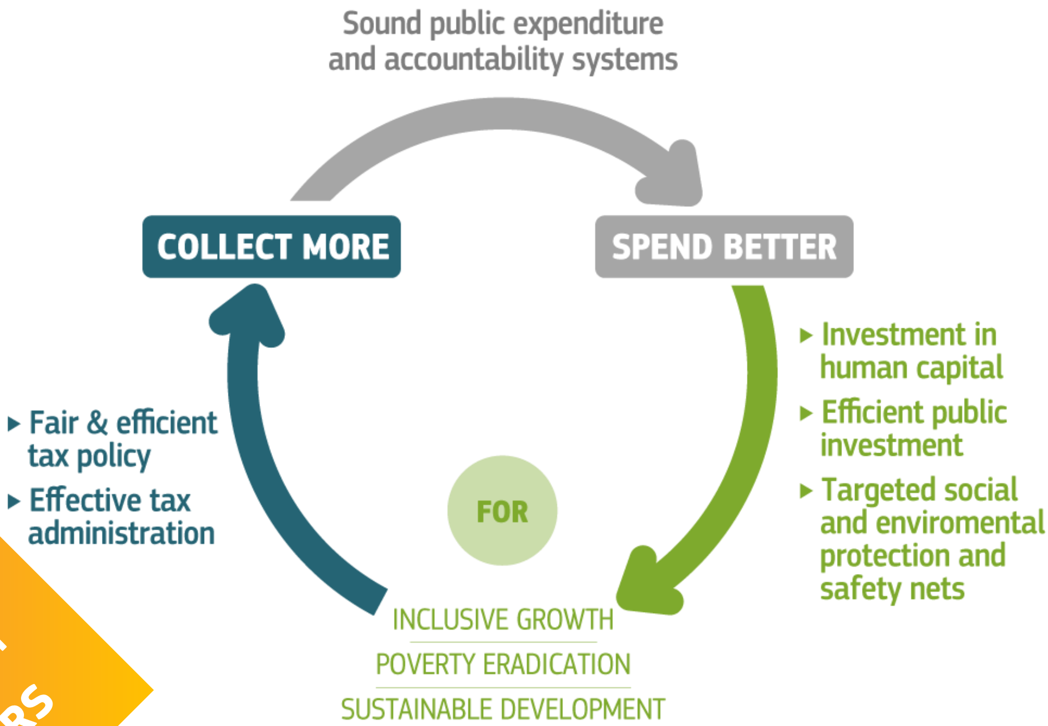
Evaluation of the European Union External Action

Thematic Evaluation

Evaluation of EU Collect More Spend Better (2015-2020)

Volume I – Main Report

June 2023



EVIDENCE MATTERS

International Partnerships

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Framework Contract EuropeAid/140122/DH/SER/multi (EVA 2020)

Contract No 2020/300011198

Contract title Evaluation of EU Collect More Spend Better (2015-2020)

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PDF	ISBN 978-92-68-05368-3	ISSN 2529-3338	doi: 10.2841/01058	MN-03-23-363-EN-N

Manuscript completed in June 2023.

Luxembourg: Publications Office of the European Union, 2023.

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

ACRONYMS

ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
BS	Budget Support
CD	Capacity Development
CB	Capacity Building
CM	Complementary Measures
CEMAC	Economic Community of Central African States
CGT	Capital Gain Tax
CIT	Corporate Income Tax
CMSB	Collect More and Spend Better
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organization
DAC	Development Assistance Committee
DeMPA	Debt Management Performance Assessment
DG ECFIN	DG for Economic and Financial Affairs
DG INTPA	Directorate-General for International Partnerships (formerly known as DG DEVCO)
DG NEAR	Directorate-General for Neighborhood and Enlargement Negotiations
DG TAXUD	Directorate-General for Taxation and Customs Union
DMF	Debt Management Facility
DRM	Domestic Revenue Mobilisation
EAC	East African Community
EC	European Commission
EIP	External Investment Plan
EITI	Extractive Industries Transparency Initiative
EM	Evaluation Matrix
ENI	European Neighborhood Instrument
ENP-E	European Neighborhood Regions East

EPA	Economic Partnership Agreement
EQ	Evaluation Question
ESI	Estimated Sustainable Income
EU	European Union
EUD	European Union Delegation
EUR	Euro
FDI	Foreign Direct Investment
FMIS	Facility Management Information System
FPI	Foreign Policy Instrument
FWC	Framework Contract
GD	General Direction
GDP	Gross Domestic Product
GDT	General Department of Taxation
GNI	Gross National Income
HCI	Human Capital Index
HQ	Headquarter
HR	Human Resources
IFI	Independent Fiscal Institutions
IFMIS	Integrated Financial Management Information Systems
IL	Intervention Logic
IMF	International Monetary Fund
IMF-RTAC	International Monetary Fund Regional Technical Assistance Center
IO	International Organisations
IP	International Partnership
JC	Judgement Criteria
LA	Latin America
LT	Long Term
LTU	Large Taxpayer Unit
MAPS	Methodology for Assessing Procurement Systems
MDTF	Multi Donors Trust Funds

MFA	Macro-Financial Assistance
MINECOFIN	Ministry of Mine and Economic Planning
MLI	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
MNRW	Managing Natural Resource Wealth
MoF	Ministry of Finance
MS	Member States
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Frameworks
NGO	Non-Governmental Organization
NTR	Non-Tax Revenue
NYU	New York University
OBI	Open Budget Index
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PI	Preliminary Indicators
PIMA	Public Investment Management Assessment
PIT	Personal Income Tax
RA-GAP	Revenue Administration Gap Analysis Programme
RAP	Rapport d'Achèvement de Projet
RIPs	Regional Indicative Programmes
RoW	Rest of the World
RG	Reference Group
RMF+	Risk Management Framework Plus
RMTF	Revenue Mobilization Thematic Fund
RRA	Rwanda Revenue Authority
SARTTAC	South Asia Regional Training and Technical Assistance Center
SBC	State Building Contract
SDG	Sustainable Development Goals

SDG-C	Sustainable Development Goals Contract
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium-Sized Entreprises
SoE	State-owned Entreprise
SRBC	State and Resilience Building Contract
SRPC	Sector Reform Performance Contract
ST	Short Term
SWD	Staff Working Document
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TI	Transparency International
TIN	Taxpayer Identifier Numbers
TORs	Terms of Reference
UN	United Nations
UNTC	United Nations Tax Committee
VAT	Value-Added Tax
VT	Variable Tranches
VTI	Variable Tranche Indicator
WAEMU	West African Economic and Monetary Union
WB	World Bank
WDI	World Development Indicators

EXECUTIVE SUMMARY

Main findings and conclusions

The European Union's CMSB approach: a comprehensive scheme guiding a paradigm shift in supporting Public Finance Management.

The 2030 Agenda for Sustainable Development adopted in September 2015 acknowledges the essential role of domestic public finance system in achieving the overall objectives of inclusive growth, poverty eradication and sustainable development. The implementation of public policies is highly dependent on the proper functioning of these systems, which must ensure fiscal discipline, strategic allocation of public resources and efficient public service delivery. The international community also recognises that i) intensifying efforts to improve Domestic Resource Mobilisation (DRM), ii) providing the right mix of public goods and services – particularly investment in human capital, infrastructure, social protection and safety nets, as well as environmental protection – and iii) creating an enabling environment for broad participation are key dimensions to be further strengthened.

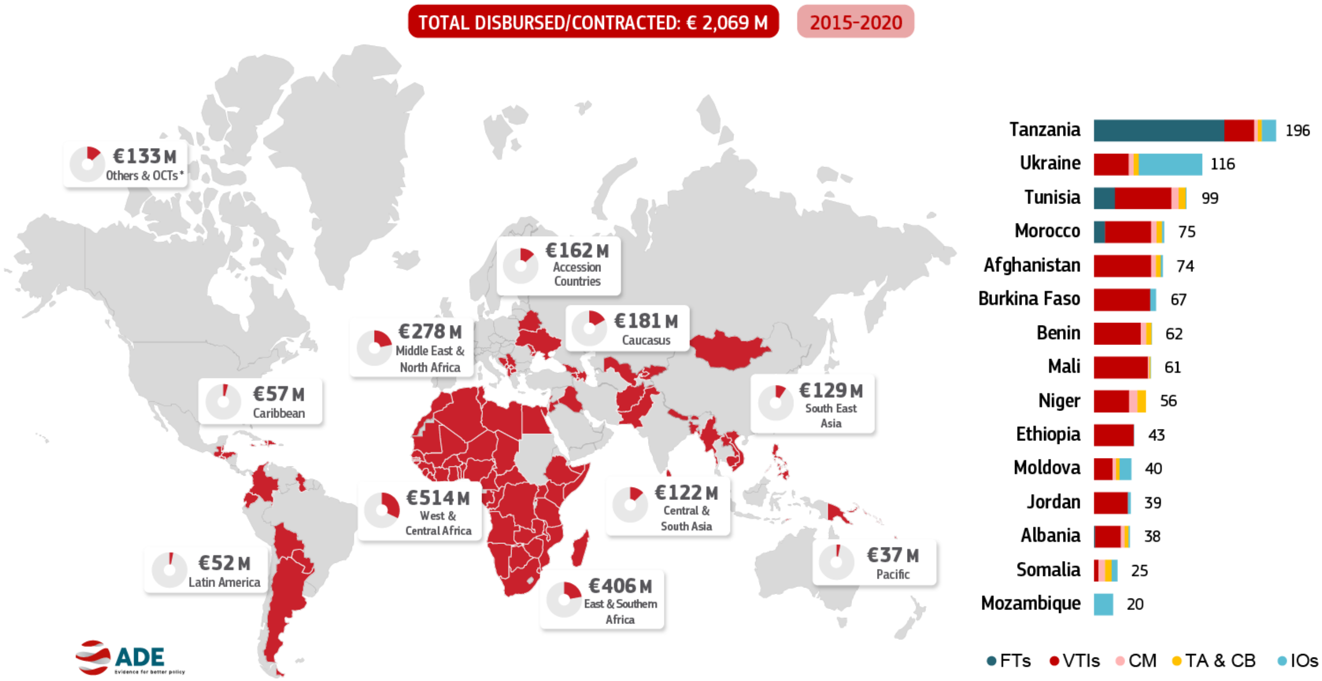
The European Union (EU) launched the "Collect More Spend Better" (CMSB) approach[1] as a contribution to the discussions on domestic public finance held in Addis Ababa in 2015 and the Post-2015 Development Agenda. This approach aimed at providing a holistic perspective regarding domestic resource mobilisation and public finance, covering the full spectrum of possible actions. These ranged from mobilising domestic revenue ("Collect More") to managing public spending and debt ("Spend Better"), all within a strong focus on transparency and accountability, to be promoted for both the "Collect" and "Spend" strands ("Global Public Finance").

Over the last 20 years, the EU has been a key supporter of the consolidation of Public Finance Management (PFM) systems in developing and emerging countries. This has been particularly notable in the significant budgetary support it has provided since the early 2000s. Between 2015 and 2020, the EU disbursed EUR 7.5 billion in support that was directly or indirectly related to CMSB. Of this sum, EUR 2 billion (27%) directly addressed priorities raised by the CMSB approach. Budget Support has been the main channel through which direct EU support has been delivered to public finance at country level, via i) variable tranche performance indicators (VTIs) in CMSB areas, ii) fixed tranches of the 12 Sector Reform Performance Contracts (SRPCs) specifically dedicated to PFM support, iii) complementary budget support measures in CMSB areas, and iv) high-level policy dialogue and technical dialogue on PFM/DRM. In addition to Budget Support, the EU has also used v) Technical Assistance/Capacity Building projects focused on CMSB, and vi) many partnerships with international organisations (IOs) related to CMSB, at both national, regional and international levels.

The area that received by far the largest amount of EU core CMSB funding was Africa, in particular Western and Central African countries. Beneficiaries from the Eastern and Southern Neighbourhoods, and, to a lesser extent, candidate countries and potential candidates from the Western Balkans also benefitted from significant support in implementing the CMSB approach.

[1] European Commission, Staff Working Document (SWD) "Collect More and Spend Better – Achieving development in an inclusive and sustainable way", 2015

Figure 1. Geographical mapping of EU core CMSB funding (in EUR million)



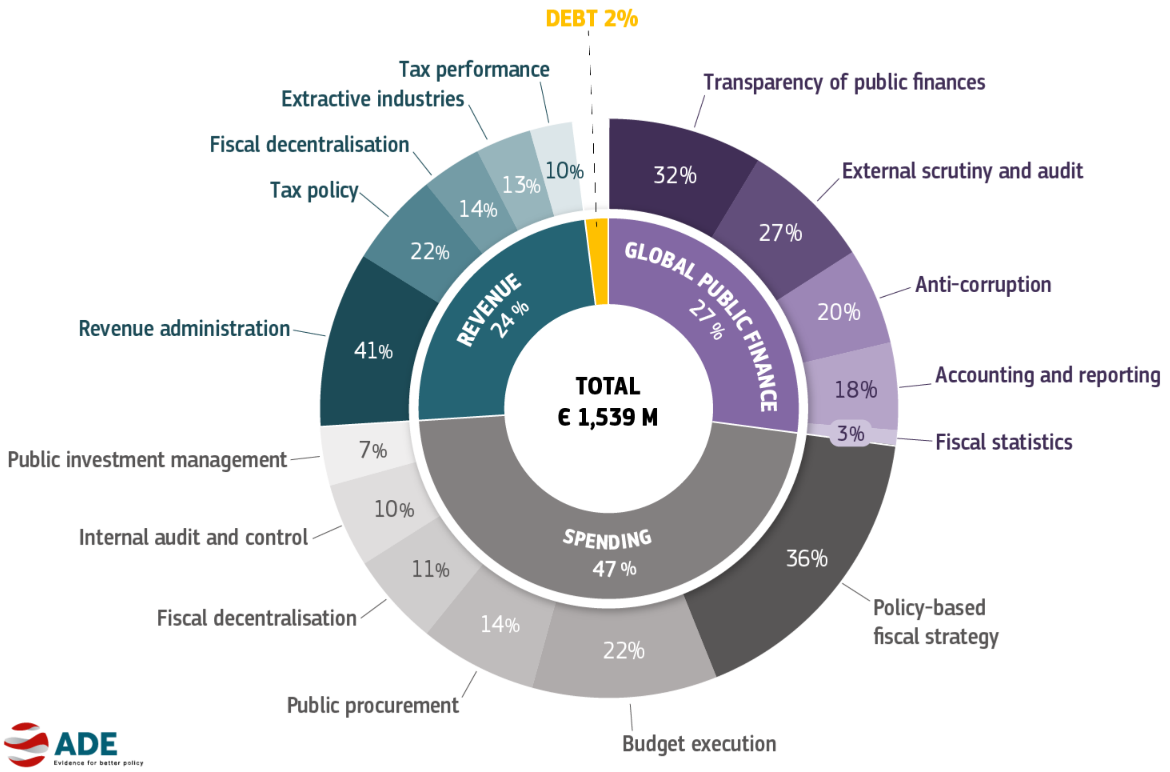
* € 125M to Others (regions/continents that do not fit in the regional classification) and € 8M to Overseas Countries and Territories (OCTs) such as the Greenland

FT: Budget support fixed tranches; VTI: Budget support variable tranche indicators; CM: Budget support complementary measures; TA: Technical assistance; CB: Capacity-building; IO: Partnerships with international organisations.

Source: EC Budget Support database and CRIS

Overall, EU support to DRM/PFM/debt at the country level addressed Global Public Finance, DRM and Spending fairly comprehensively and covered many of the diverse areas of the CMSB approach simultaneously. The EU put emphasis on transversal issues such as the formulation of PFM reforms, transparency, accountability and external scrutiny. Significant support was also provided to the "Spend Better" strand of the CMSB approach, notably policy-based budgeting, budget execution and internal control, as well as to a lesser extent, public procurement. The objectives linked to the ''Collect More'' strand of the approach received less attention in the design of EU support to public finance. Still, the EU devoted growing attention to domestic revenue mobilisation during the period under review, notably the strengthening of tax administration systems, in line with the agenda of the Addis Tax Initiative. Areas such as debt management, public investment management, fiscal statistics and the governance of State-Owned Enterprises (SOE) did not feature prominently in EU CMSB support, especially at the country level. Instead, it rather used international partnerships to address growing public debt issues and to support, jointly with other donors, the use of comparable, standardized and reliable revenue statistics.

Figure 2. Distribution of budget support performance indicators related to core CMSB by main areas (commitments, in EUR million) (2015-2020)



Source: EC Budget Support database

At the country level, the EU's approach was pragmatic and adapted to different contexts and needs. It was facilitated by a mix of aid modalities and instruments, but underestimated the strong political economy dimension of PFM reforms.

At the country level, the EU's CMSB approach was not a "one-size-fits-all" approach. The EU took pains to consider the contexts, needs and institutional specificities of the beneficiaries, as well as other partner interventions. The EU established close partnerships with beneficiaries, and its support was fully aligned with the policies and priorities of partner governments. National PFM reform strategies and action plans were largely informed by international diagnoses (e.g., Public Expenditure and Financial Accountability (PEFA), Tax Administration Diagnostic Assessment Tool (TADAT), encouraged by the EU. These diagnoses provided a solid understanding of the strengths and weaknesses of PFM systems of the beneficiary countries.

Combining incentives for reforms and capacity building through a mix of EU aid modalities and instruments (e.g., budget support; various Technical Assistance/Capacity Building interventions, including support through trust funds, twinning and TAIEX; partnerships with international institutions) allowed the EU to be adaptable in its response. This flexibility provided an opportunity to address the needs of the different partners and to adapt to specific contexts. In parallel, policy dialogue was progressively reinforced, especially at the strategic level.

Figure 3. A mix of aid modalities to support the CMSB approach

Budget support programmes

- Macro-economic & PFM eligibility criteria
- Financial flows
- Policy dialogue & PFM-related variable tranche indicators
- Complementary measures / Technical assistance

Technical assistance / Capacity-building programmes
(funded through NIPs/RIPs)

- Short-term and/or long-term technical assistance to support reform processes engaged in beneficiary countries

Partnerships with international institutions
(e.g. IMF, WB, OECD)

- Tax good governance
- Piloting / developing PFM assessment tools, incl. to assess cross-cutting issues (e.g. PEFA Climate, PEFA Gender, PIMA Climate)
- Capacity-building at country and regional levels
- Participation costs of partner countries in international PFM-related fora

Overall, while the EU interventions were highly relevant to the needs identified, their design, especially that of budget support programmes, was often too optimistic regarding the pace of PFM reforms and the leverage effect to be expected from the selected performance indicators (in particular those at outcome level). The EU often underestimated the time needed for partners to make progress on PFM reforms and for reforms to take effect. This resulted in the setting of somewhat unrealistic or overambitious performance indicators or targets. The PFM reforms targeted by the process indicators have not been systematically monitored after being adopted, although their implementation has remained challenging. The short duration of budget support programmes compared to the time needed for reforms did not facilitate a long-term vision being adopted.

The EU's CMSB support was often scattered, with few synergies within the country portfolios and with other EU interventions.

The comprehensiveness of the approach has led to a wide portfolio of EU CMSB support being developed. The support has often been scattered, with the different interventions varying in terms of scale and displaying relatively few synergies between them. While EU support in areas such as transparency and accountability has generally been multidimensional and has benefitted from considerably solid funding, other areas have only been addressed through a few performance indicators and/or complementary support with modest budgets. Obtaining a clear view of the EU's strategic priorities to support CMSB at the country level was not an easy task. The synergies within EU CMSB support and with other interventions, although promising, were still rather timid, especially 1) within budget support programmes (performance indicators and complementary measures), 2) between capacity-building support provided through TA, budget support complementary measures and international partnerships; 3) between EU CMSB support and other EU interventions in the field of sector policies, especially with Sectoral Reform and Performance Contracts implemented in priority sectors (education, agriculture, social protection). Overall, the integration of IMF/WB capacity development operations (partly funded by the EU) into the rationale of EU support provided at the country level remained underdeveloped.

In financing international partnerships, the EU has made a significant contribution to fostering a strengthened and joint response from the international community, but this contribution has remained mostly financial.

By channeling EUR 315 million (15% of CMSB support) through international partnerships – a significant portion of which was allocated to the IMF (for the Regional and Technical Assistance Centres (RTACs) and thematic funds in the field of domestic revenue mobilisation) –, the EU made a significant contribution to increasing overall capacities to support the strengthening of PFM systems, in a wide range of CMSB areas such as debt management, public procurement, anti-money laundering, tax policy and tax administration, international tax governance and cooperation, and the fight against tax evasion. The EU has been perceived as an important partner, especially financially speaking; its participation in major international fora has increased and become more visible in these areas. But its role in technical and strategic terms has remained limited, at least in guiding the technical support provided by the IFIs in these areas.

The EU's in-house technical expertise, especially at the country level, was not commensurate with the ambition of the EU's approach.

The comprehensive, pragmatic approach adopted by the EU requires strong capacities both in numbers and skills, especially at the country level. The role of EU Delegations range from ensuring the relevance and coherence of EU actions vis-à-vis the national context and international initiatives, feeding policy dialogue at the technical and strategic levels, monitoring external experts contracted by the EU, and coordinating with other development partners. The resources at headquarters have partly contributed to filling technical gaps and to feeding strategic dialogue. External experts have often played a key role, sometimes going beyond what their role should be, especially in conducting policy dialogue with the national authorities. EU Delegations have not always had the time and resources to steer the support provided in a close enough manner.

The EU has contributed to the design and implementation of more relevant public finance management reforms, but overall, modest progress was made in the performance of public finance management systems.

EU support to public finance has made a strong contribution to the formulation of relevant wide-reaching approaches to PFM reforms covering all the pillars of a good PFM system. One of the main contributions of the CMSB approach has been to shed lighter on the "Collect More" strand of the approach. EU-supported reforms have led to progress being made in small steps, mainly paving the way for improved tax administration efficiency. Beyond that, the EU has mainly contributed to advancing reforms related to transparency and accountability and to spending management, in particular the adoption of policy-based budgeting. Compared to other donors, the EU has played a role i) in establishing processes/tools to promote transparency within the various components of the PFM system; ii) in strengthening the actors responsible for ensuring budgetary control and accountability, iii) in beginning to emphasise the fight against corruption, and iv) in rolling out PFM reforms in priority sectors.

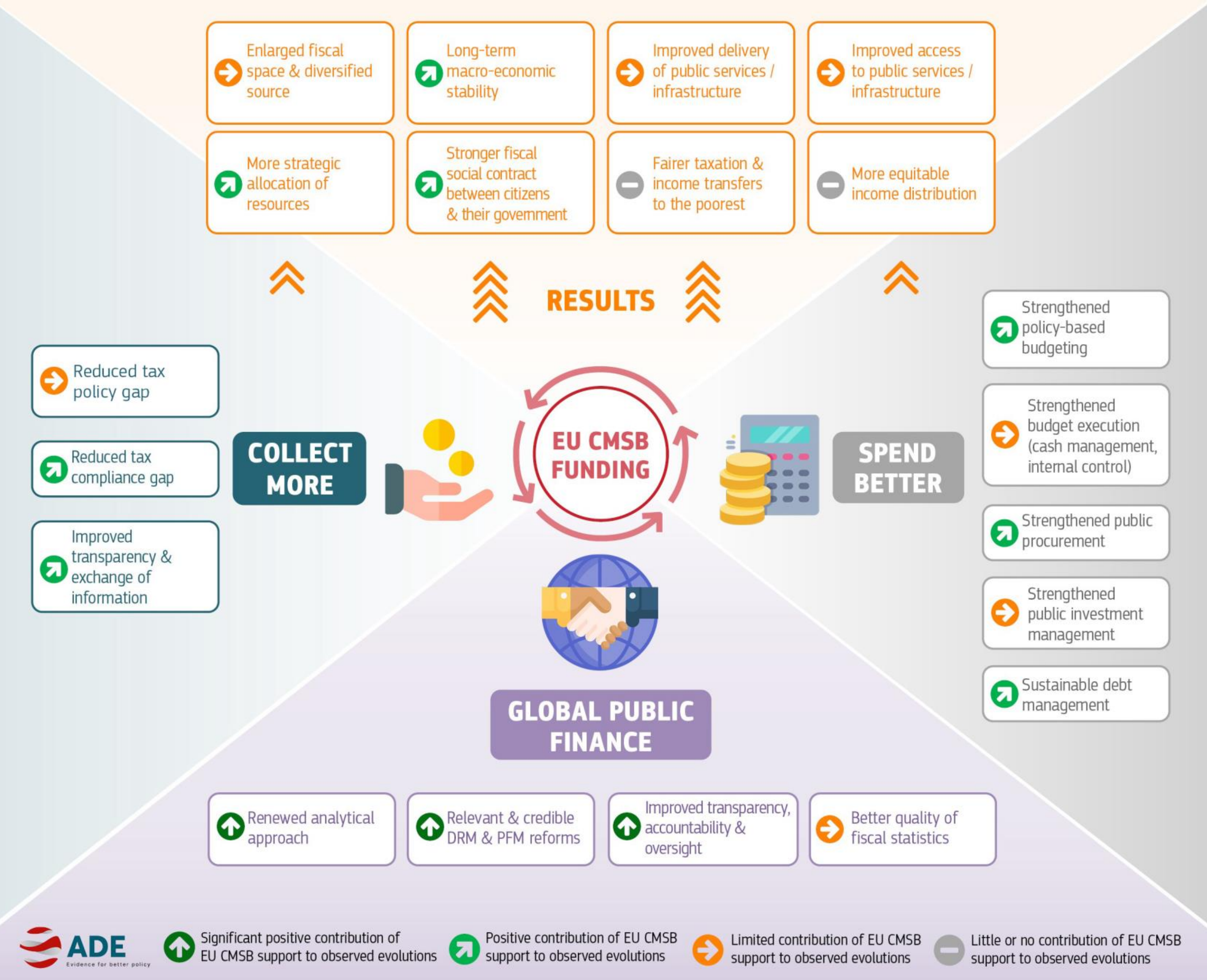
While reforms were adopted in the different segments of the PFM system between 2015 and 2020, the performance of beneficiaries' PFM systems as measured by the PEFA[2] only moderately improved.

[2] PEFA is an internationally recognised methodology for assessing public financial management performance, initiated in 2001 and extensively used since then. It is one source for measuring PFM progress but does not cover all countries and is not systematically carried out on a regular basis.

The evolution emerging from the comparative analysis of PEFA scores is largely confirmed by qualitative analyses of case studies[3].

Overall, the EU, together with its main partners, has contributed to strengthen some components of PFM systems in the Collect, Spend and Debt strands. The PEFA pillar on policy-based fiscal strategy and budgeting, has been one of the best performing PFM pillars in most countries, indicating the robust progress made over the years in budget preparation. However, it still displayed stark shortcomings in terms of fiscal strategy and the alignment of budget with strategic plans. Slights improvements were also observed in terms of budget execution, particularly in internal control. Several components of PFM systems have remained at low performance levels (such as payroll controls, internal audits, public procurement, public investment management or external control).

Figure 4. Contribution of EU CMSB support to observed evolutions in public finance management (2015-2020)



[3] The comparative analysis of PEFA scores is based on a comparison of average scores during the period 2015-2019 (62 reports published) and the following 2020-2022 period (28 reports published).

Looking at the outcomes, these slight improvements in PFM systems have not led to sustainably widening the fiscal space. In turn, this has not allowed a significant increase in public spending.

Besides, the countries' financing patterns have changed little over the last decade. At the same time, there is limited sustainable improvement in resource allocation and public service delivery. Evidence on front-line service delivery indeed remained patchy. Finally, the outcomes observed in the areas of transparency and accountability remained modest, notably in terms of public participation and budget transparency.

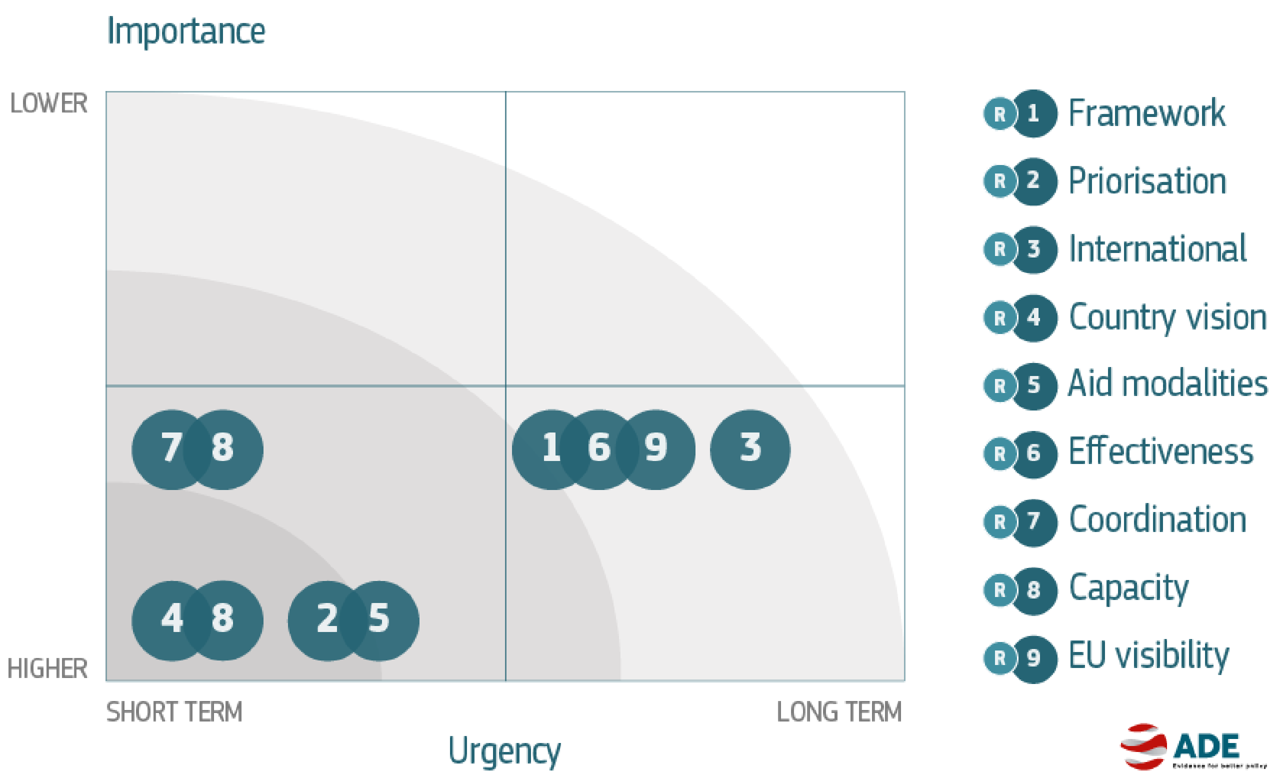
The support provided by the EU under the CMSB approach has been based on solid advantages that have enabled the EU to provide relevant responses to the needs of partners and that have reflected their policies.

Several weaknesses have affected the design and implementation of EU CMSB support and the leverage effect of the EU's portfolio as a whole: the lack of a country strategic framework, the dispersion of the EU's portfolio, limited synergies and limited EU in-house expertise.

But overall, the main factors that have constrained the implementation of PFM reforms are related to the international and national contexts. PFM reforms and progress remained mainly an issue individual to each country, depending on political commitments and local political economy. At the national level, slow-moving political and institutional environments, plagued by vested interests that resist change, limited absorption capacities and insufficient means to steer and coordinate PFM/DRM processes, often including poor inter-ministerial coordination, have hindered the reform process. Weak political support for decentralisation has also constituted an obstacle to the roll-out of reforms in the areas of policy-based budgeting, procurement and public investment management. Moreover, the COVID-19 crisis followed by the war in Ukraine and its repercussions on international markets have strongly affected the financial situations of partner countries, making it difficult to fully implement budget reforms.

Recommendations

Figure 5. Priorisation of recommendations



		Strengthening the EU's global strategic approach in the areas of DRM, PFM and debt management:
Framework	R1	Promoting the CMSB approach as a comprehensive framework for EU support to public finance, emphasising its importance in implementing the Global Gateway.
	R2	Prioritising EU support in CMSB areas where the EU has a comparative advantage and specific interests, while keeping open a logic of opportunity to support areas of the PFM/DRM reform plans where leverage effects can be activated.

		Consolidating the EU's approach at the international level and at the country level:
Policy	R3	Continuing the efforts made in developing a joint approach to supporting public finance at the international level and in helping to rationalise the use of diagnostic tools and trust funds, while ensuring that more space is given to developing countries, and that all efforts contribute to the EU's long-term objectives.
	R4	At the country level, ensuring a more coherent and comprehensive vision of EU support to public finance across the various aid modalities used, as well as implementing adequate monitoring and evaluation mechanisms.

		Improving the implementation of EU support under the CMSB umbrella:
Implementation	R5	Making better use of the instruments and aid modalities available, especially to strengthen the incentive effects of Budget Support programmes, the related strategic policy dialogue and the complementarities between EU instruments.
	R6	Reinforcing multi-dimensional approaches for strengthening transparency and accountability, making stronger use of Sector Reform Contracts to address PFM issues. Moreover put more emphasis on change management.
	R7	Continuing to promote coordination and complementarities between different donor interventions at the country level by reinforcing national leadership to steer and coordinate PFM/DRM reforms plans, including coordination of related external support.

		Enhancing EU technical capacities and expertise in public finance to support the EU's ambitious approach, and improving EU visibility:
Staff & Visibility	R8	Designing and implementing an internal capacity-building strategy for CMSB support to strengthen internal staff skills and improve sustainable access to external expertise, while at the same time reinforcing partner countries' understanding and ownership of EU CMSB support.
	R9	Make EU support to public finance at the international and country level more visible.

1. INTRODUCTION

This evaluation aims to provide an overall independent assessment of the **EU's Collect More Spend Better approach (2015-2020).** It encompasses EU support to Public Finance Management and Domestic Revenue Mobilisation as outlined in the 2015 Staff Working Document (SWD) "Collect More and Spend Better – Achieving development in an inclusive and sustainable way". The audience includes Commission services, the wider development community and the general public. The evaluation began towards the beginning of 2021 and was finalised in early 2023.

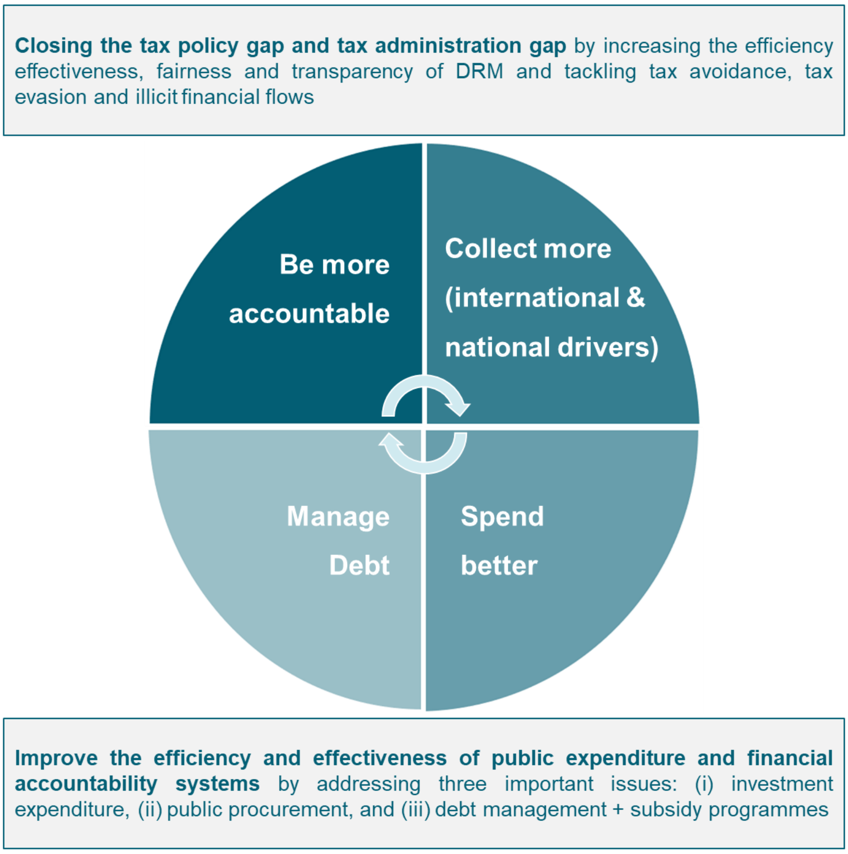
This synthesis report presents the main findings and conclusions of the evaluation and proposes a set of recommendations to enhance the relevance, coherence, effectiveness and efficiency of EU CMSB support. An important piece of work in this almost two-year work has been to map all the support provided by the EU in the field of public finance. This work (presented in Vol II) has provided a clearer picture of EU action in public finance over the 2015-2020 period. It shows a wide range of interventions, including the funding of numerous international partnerships implemented by international organisations. The evaluation was driven by a set of 9 evaluation questions, the detailed analysis of which is presented in Annex 4. 16 case studies were undertaken to feed into the analysis, as well as a broad consultation of European stakeholders being made (within the EUDs and at headquarters) through a survey (Annex 5).

1.1 Context and scope of the evaluation

Over time, both the vision of the public finance management (PFM) system and of the means to improve its functioning in developed and developing countries have undergone a number of changes. These reflect lessons learned from concrete experiences, the appearance of new technologies and the ever-evolving role of state institutions. The recognition that inclusive growth, poverty eradication and sustainable development will not be achieved without strong public policies and increased public resources has led to increased attention being paid to public resource mobilisation and management, within an approach that reflects the continuum of resource mobilisation, expenditure and debt management, and public service delivery and evaluation. In 2015, in Addis Ababa, the international community agreed on a set of commitments to further strengthen an effective use of domestic resources, as well as to reinforce debt management and debt sustainability.

Over the last 20 years, the EU has been one of the main supporters of the consolidation of PFM systems in developing countries; this particularly hinges on the importance of the budgetary support it has provided since the early 2000s. But EU support in this area has never been the subject of a fully-fledged strategy and has mainly been driven by the approach developed for Budget Support in 2011 and by specific insights on tax reforms as formulated in the "Tax and Development – Cooperating with Developing Countries on Promoting Good Governance in Tax Matters" communication in 2010. The "Collect More Spend Better" approach was developed by the EU as a contribution to the domestic public finance discussions and the Post-2015 Agenda. It aimed providing a holistic take on domestic resource mobilisation and public finance, covering the full spectrum of possible action. This ranged from mobilising and using domestic revenue ("Revenue") to the management of public finance and debt ("Spending"), together with a strong focus on transparency and accountability, to be promoted for both "Revenue" and "Spending" sides ("Global Public Finance").

Figure 6. The EU's CMSB approach



The EU staff working document,[4] set out ten objectives to implement the **Collect More Spend Better approach** and support developing and emerging countries in improving the mobilisation and use of their domestic public finance:

1. Promoting the principles of good tax governance at national and international level and developing international standards.
2. Improving coordination among key players at international and regional levels.
3. Strengthening transfer-pricing legislative and regulatory frameworks.
4. Strengthening capacity-building in tax policy and tax administration.
5. Improving revenue statistics.
6. Supporting the development and implementation of fiscal assessment tools.
7. Improving transparency and accountability in the extractive industry sector.
8. Improving transparency, accountability and oversight in domestic public finance.
9. Promoting efficiency in public investment and public procurement.
10. Strengthening sustainable debt management.

The evaluation aimed to capture to what extent the CMSB approach that was developed in 2015 to formalise the CMSB approach has facilitated the implementation of relevant and efficient EU support to contribute to implementing sound PFM reforms and reinforcing the performance of PFM systems and their contribution to development goals. It covers EU interventions initiated under this approach in the countries and regions that fall under the mandate of DG INTPA and DG NEAR over the 2015-2020 period. Its scope covers all the aid modalities and mechanisms used by the EU to support CMSB,

[4] Source: European Commission, Directorate-General for International Cooperation and Development, Publications Office of the EU; Collect more – spend better: achieving development in an inclusive and sustainable way; Staff Working Document, 2015.

i.e. budget support programmes, capacity-building/technical assistance programmes, and partnerships with international institutions.

More precisely, the evaluation aimed to assess the performance of the CMSB approachalong the lines of the OECD/DAC evaluation criteria, as well as examining its coherence with other EU-funded initiatives and coordination with other EU Member States and major international institutions (International Monetary Fund (IMF), World Bank (WB), OECD, United Nations (UN).

Based on its findings and conclusions, the evaluation was expected to identify key lessons learnt and to produce recommendations on how to improve current and future interventions with regard to current EU policy objectives (including the Green Deal, Digitalisation, Equality and Jobs and Growth) and the requirements in a post-COVID reconstruction context and, if relevant, feed into discussions on the Commission's Collect More Spend Better 2.0 internal paper and its subsequent implementation.

1.1.1 Limitations

This evaluation faced several constraints; the measures that were taken to mitigate them are illustrated in the table below.

Table 1. Constraints encountered and mitigation measures taken

Constraints encountered during the evaluation	Mitigation measures taken
The **scope** covers multiple programmes and initiatives across the full PFM and DRM spectrum. Moreover, support was implemented with numerous partners in a wide variety of geographic contexts.	• We drew on **ADE's extensive experience** in conducting complex evaluations that cover a wide scope. • We further **clarified the thematic scope** during the inception phase, e.g., through interviews with reference group members and the mapping exercise. The **ToR** were slightly adapted to better delineate the areas that fall under the CMSB framework. A **rider** to the contract was signed to reflect methodological and organisational changes proposed to adequately cover the scope in its depth and breadth. • We used a **mix of data collection and evaluation tools** to cover the scope both in its breadth (e.g., through the comprehensive mapping of EU funding to CMSB and the e-survey) and in its depth (e.g., through the 16 case studies).
The reference group closely followed and validated the **choice of the partner countries/beneficiaries** to be examined in depth. DG NEAR countries such as Morocco, Tunisia and some countries in the Western Balkans which received a significant portion of EU assistance falling under CMSB were not selected for in-depth review. The main reasons included: ongoing budget support or country-level evaluations addressing CMSB issues, and availability and interest of EUDs to take part to the exercise.	To partially compensate for this gap: • We drew on **recent country-level evaluations** that had been carried out, e.g., ones for Morocco and Tunisia; • We used an **e-survey** that was sent to all EU staff (HQ and EUDs) involved in EU CMSB support.
How geographically representative the e-survey respondents were. While the overall response rate (44%) to the e-survey sent to EU staff is satisfactory, some geographical areas are underrepresented. Countries in the Mediterranean area such as	• We mostly used the average of the responses from all geographical areas. • We only referred to geographical specificities when we had a sufficient number of respondents to ensure the robustness of the findings.

Constraints encountered during the evaluation	Mitigation measures taken
Morocco and Tunisia have not replied to the e-survey. Latin America & the Caribbean is also not well covered by EUDs respondents.	
Assessing the results reached by EU support to CMSB. To evaluate such a general and basic policy area as CMSB, it is difficult to refer to counterfactuals. Cross-sectional statistical analyses cannot give us a conclusive answer on the actual contribution to outcomes made by the support, because there are too many factors at play.	• Our work recognised that the effectiveness of CMSB actions in a society is deeply conditioned by **factors governing political economy and power structures**. Support to CMSB can make it possible to balance, modernise and increase the efficiency and transparency of PFM systems, but cannot determine their orientation. • We undertook a **detailed analysis of the intervention logic** to clearly identify the different levels of expected products and results and their sequence. The effectiveness assessment then examined the outputs and intermediary outcomes reached through EU CMSB support as well as the global outcomes to which EU CMSB support may have contributed. • We **triangulated data** emerging from various information sources to ensure the robustness of the findings.
The need for **remote evaluation techniques to work in a post COVID-19 era.**	• We drew on **ADE's extensive experience with remote data collection**, honed through its work in unstable countries and, more recently, during the COVID-19 crisis. Meetings with the reference group were mostly held remotely. This favoured the participation of EU staff working in EUDs. The team was able to conduct 9 field visits in the selected countries/beneficiaries. The mission in Washington covering EU support to international partnerships was held remotely.

1.2 Evaluation framework and tools

The methodological approach followed the **EU's (INTPA and NEAR) methodologies** for strategic evaluations and drew on ADE's extensive experience in policy evaluations.

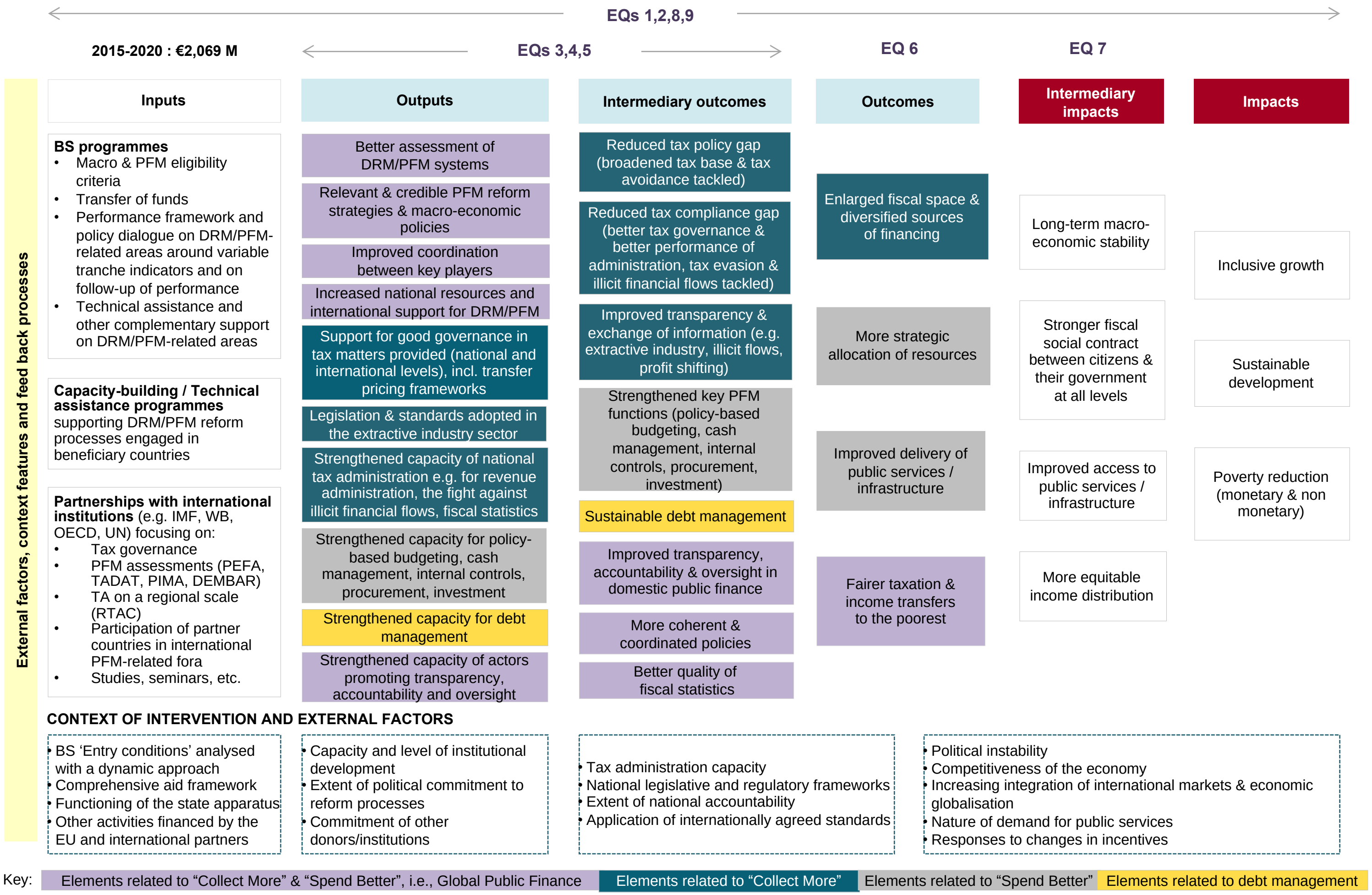
We used **contribution analysis**. This step-by-step approach enabled us to assess the contribution of EU CMSB support to observed results at each level of the results chain. The reconstruction of the intervention logic (IL) provided a reference against which the EU CMSB support has been evaluated and the evaluation matrix formulated.

1.2.1 Evaluation framework

Intervention logic of EU support to CMSB

The EU used three main aid modalities to support CMSB: i) budget support programmes with their package (eligibility criteria, transfer of funds to the State budget, performance indicators, policy dialogue and complementary measures), ii) various technical assistance programmes deployed at the country level, and iii) partnerships with international institutions. Outputs were expected at the level of global public finance management, and more specifically for the "collect more" strand, the "spend better" strand and for debt management. Intermediary outcomes targeted strengthening the PFM system in terms of tax collection, transparency and accountability as well as key PFM functions. They aimed to contribute to enlarging fiscal resources and reinforcing their allocation, and improving public service delivery. Overall, the EU CMSB approach aimed to facilitate long-term macroeconomic stability and to contribute to development goals, in particular by improving access to public services/infrastructure and by ensuring more equitable income distribution. The intervention logic also includes context features and external factors that influence results throughout the results chain.

Figure 7. Intervention logic of EU support to CMSB



ADE

Set of Evaluation Questions

Data collection and analysis was organised around a **set of nine Evaluation Questions** (EQs) covering the OECD-DAC criteria, as well as coherence, coordination and complementarity. An evaluation matrix was used to answer each evaluation question. This matrix (see Annex 4) outlines the proposed judgement criteria for each EQ, as well as the associated indicators and sources of information.

Table 2. Set of Evaluation Questions

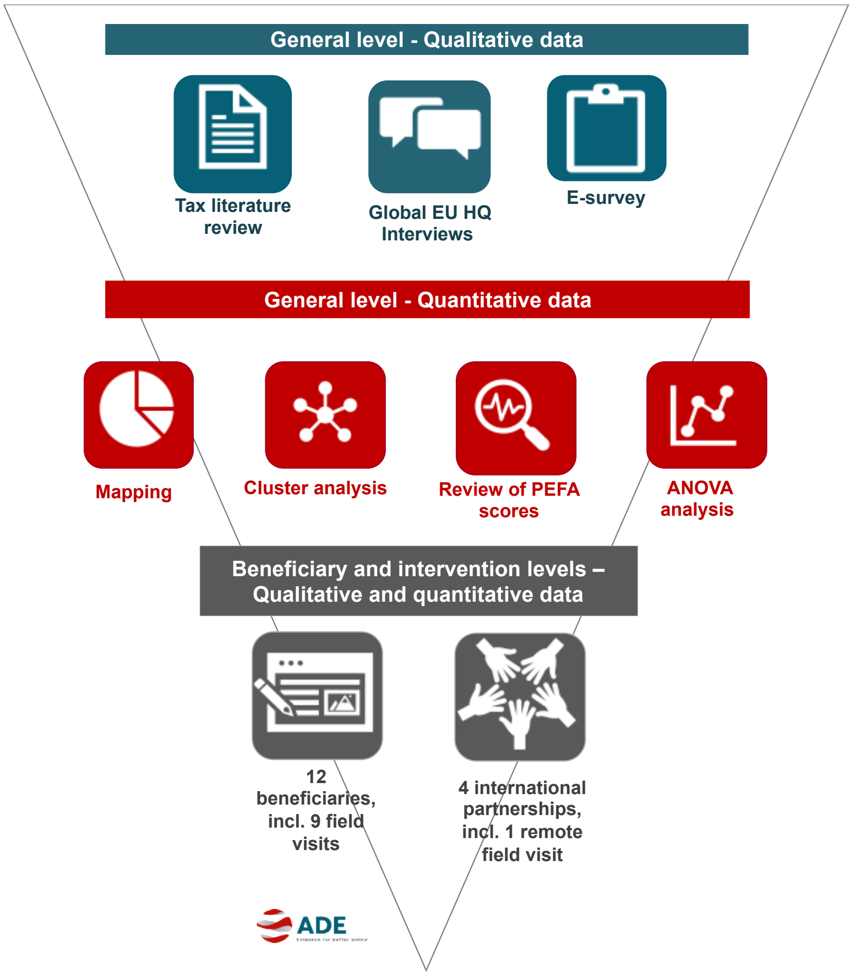
EQs	Evaluation criteria	Theme	Question
EQ1	**Relevance**	Adequacy of support	To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalization, greener economies)?
EQ2	**Coherence, coordination & complementarity**	Internal coherence, coordination & complementarity	To what extent has EU support to DRM/PFM/Debt been consistent with each other and with other EU policies/actions, both at international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate the achievement of the intended results?
EQ3	**Effectiveness (outputs and intermediary outcomes)**	Overall DRM/PFM agenda	To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?
EQ4		Collect	To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?
EQ5		Spend & Debt	To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?
EQ6	**Effectiveness (outcomes) & Sustainability**	Global outcomes: improved DRM and public sector management	To what extent have the intended outcomes in terms of improved DRM and public sector management materialized (i.e. fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What have been the explanatory factors that have hindered or facilitated the achievement of these intended outcomes?
EQ7		Intermediary impacts: long-term drivers for inclusive growth	Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?
EQ8	**Coherence, coordination & complementarity**	External coherence, coordination & complementarity	To what extent has EU CMSB support been consistent and coordinated with other donor support at international level and in partner countries?
EQ9	**Efficiency**	Implementation process & capacities	To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?

ADE

1.2.2 Evaluation tools

Data was collected and analysed using **mixed-methods approaches** (see Annex 4), relying on both qualitative and quantitative data at three main levels: a general level, a country/beneficiary level and an intervention level.

Figure 8. A mix of data collection and analysis tools



- The general level brings together overarching themes related to the CMSB approach (e.g. how useful the agenda is to define EU support to public finance, the human resources deployed to implement the CMSB approach), the evolution of variables of interest (e.g. tax to GDP ratio) in EU CMSB beneficiary countries, the tax policy and revenue administration reforms undertaken by partners, etc.
- The beneficiary level. This was obtained by thorough analysis of EU CMSB support provided in 12 case studies (see Annex 2):
  - Nine countries (Cambodia, Cameroon, Dominican Republic, Georgia, Ghana, Malawi, Mongolia, Niger, and Rwanda) were the subject of documentary analysis, statistical analysis (e.g. of key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data) and on-site field missions to meet with the main stakeholders (EUD staff involved in the design and follow-up of EU CMSB support, national authorities, other Technical and Financial Partners (TFPs), civil society, etc.);
  - Three other beneficiaries (Bangladesh, Kosovo*[5], and Timor-Leste) were the subject of documentary and statistical analysis, and remote interviews with EUD staff;
  - The beneficiaries were selected with the following criteria: representativeness of the sums provided by the US in terms of EU core CMSB funding; results of the cluster analysis; diversity of country contexts (e.g. income level, fiscal situation, fragility, importance of natural resources, rents); key CMSB areas covered; and use of a mix of aid modalities,

[5] Kosovo* is considered a beneficiary, and this designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

including countries having benefitted from large amounts of budget support and countries having benefitted from SRPCs dedicated to PFM).

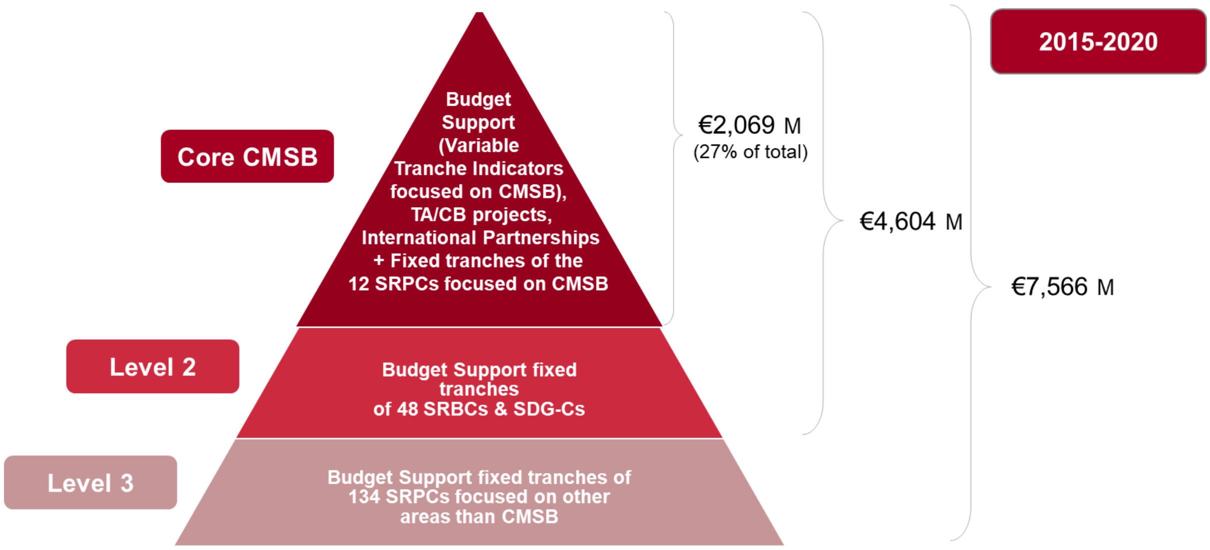
- The intervention level. This was obtained by a thorough analysis of four international partnerships (co-)funded by the EU (see Annex 2): the Debt Management Facility (DMF) II, the Revenue Mobilisation Thematic Fund (RMTF), regional technical assistance centres of the IMF (RTACs), and the international partnership with the UN-OECD on global tax cooperation. The main criteria used to select these partnerships were the following: importance of the budget allocated by the EU to the international initiatives supported; coverage of the key areas of the CMSB approach by the initiatives supported; partnerships with various international partners (IMF, WB, OECD and UN).

Case studies at country/beneficiary level and at intervention levels were a key tool for gathering evidence to answer the evaluation questions. We prepared case study notes (see Annex 2) that proposed answers to the set of evaluation questions for each country/ beneficiary and international partnership under review. We drew on these case study notes (see Annex 2), the literature review (See Annexes 9 & 10), the mapping (see Annex 1), the e-survey results (see Annex 5), the ANOVA analysis (see Annex 7), a quantitative review of PEFA scores (see Annex 8), and the HQ interviews to gather all the necessary information on the theory of change at the level of each indicator. We then triangulated the information from these various sources in order to validate (or invalidate) the judgement criteria, while ensuring the solidity of the findings. The triangulation of information informed the answers to the EQs (see Annex 6), to develop evidence-based conclusions and lessons learned as well as prioritised and sequenced recommendations.

2. MAPPING OF EU CMSB SUPPORT

The EU disbursed EUR 7.5 billion between 2015 and 2020 that was directly or indirectly related to CMSB (see figure below). **EUR 2.069 billion (27%) directly addressed priorities raised in the EU CMSB staff working document. This is the EU's core CMSB funding.** It encompasses all amounts linked to (i) variable tranche performance indicators (VTIs) in CMSB areas, (ii) fixed tranches of the 12 Sector Reform Performance Contracts (SRPCs) specifically dedicated to PFM support, (iii) BS complementary measures in CMSB areas, (iv) TA/CB projects targeting CMSB, as well as (v) partnerships with international organisations (IOs) both at national and international levels that targeted CMSB. The rest of this section only discusses core EU CMSB funding[6].

Figure 9. The three layers of EU support to CMSB (in EUR million) (2015-2020)



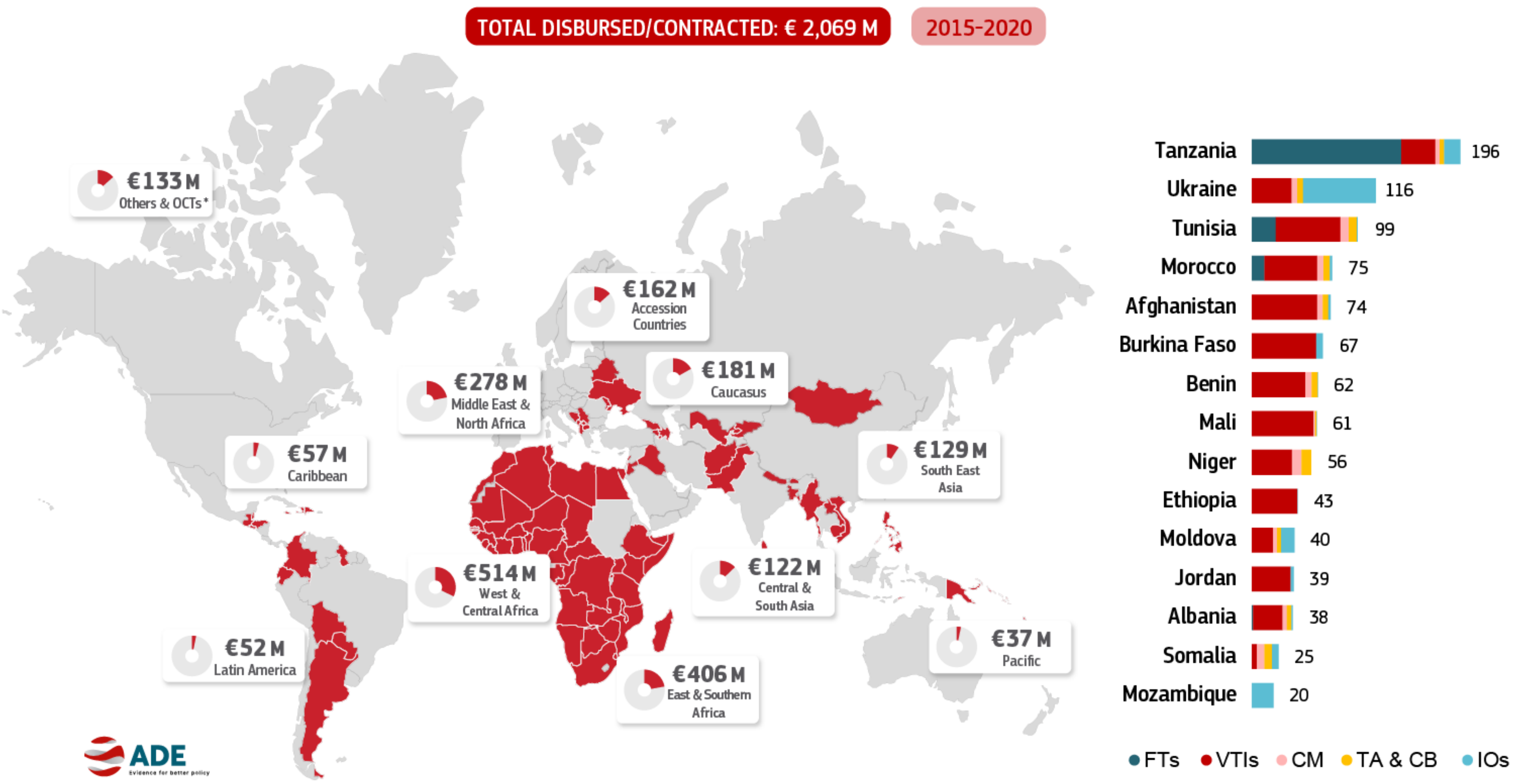
Note: EU core CMSB funding includes EU disbursed amounts through performance indicators and FTs of BS related to CMSB and EU contracted amounts through complementary measures, projects and international partnerships related to CMSB

Source: European Commission Budget Support Database (2015-2019) for BS, and Common RELEX Informative Systems (CRIS) for BS Complementary measures (CM), for Technical Assistance / Capacity Building (TA/CB) projects, and for partnerships with International Organisations (IOs)

EU core CMSB funding targeted developing and emerging countries, with an emphasis on Africa. Africa received by far the largest amount of EU core CMSB funding, in particular Western and Central African countries, with over EUR 300 million disbursed through variable tranche indicators related to the CMSB approach (see figure below), after an assessment of the general condition on PFM. Beneficiaries from the Eastern and Southern Neighbourhoods, and, to a lesser extent, candidate countries from the Western Balkans, have also benefitted from significant support to implement the CMSB approach, channeled notably through performance indicators, particularly for Southern neighbours. In absolute terms, Asian and Latin American countries received significantly less core CMSB funding.

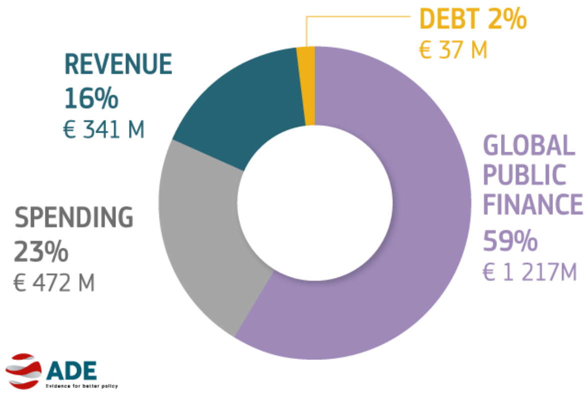
6 See Annex 3 – Mapping of EU support to CMSB for a full view of the mapping.

Figure 10. Geographical mapping of EU core CMSB funding (in EUR million) (2015-2020)



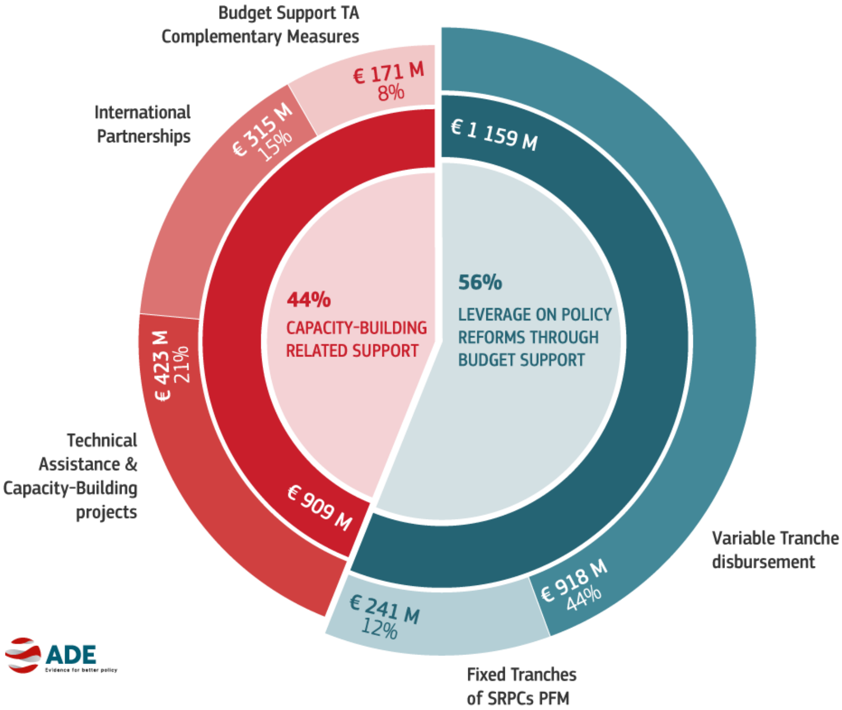
The EU covered many of the different thematic areas across the wide spectrum of the CMSB approach. Over half (59%) of EU core CMSB support disbursed between 2015 and 2020 targeted both the ''Collect More'' and Spend Better'' strands of the CMSB approach, denoted as ''Global Public Finance" below. This label includes transversal interventions affecting several dimensions of public finance systems, including interventions aiming to enhance transparency or to fight corruption. Then, the EU dedicated its financial resources to "Spending" (23% of EU core CMSB funding), followed by Revenue (16% of EU core CMSB funding). Debt was barely represented in EU CMSB support, with only 2% of total contracted amounts.

Figure 11. Thematic distribution of EU core CMSB funding (in EUR million) (2015-2020)



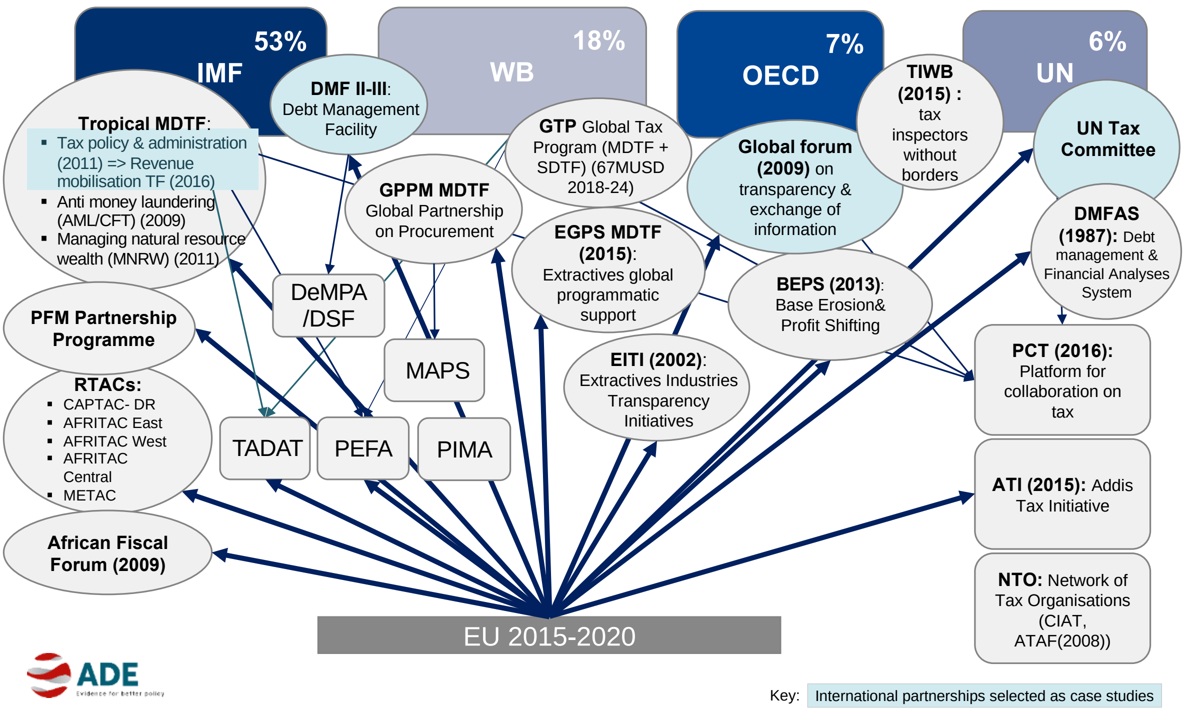
The EU used various aid modalities to support the CMSB approach. Budget support (BS) has been the main support channel to deliver EU support to public finance at the country level, with disbursements through both dedicated variable tranches indicators (amounting EUR 918M) and fixed tranches of Sector Reform Performance Contracts dedicated to PFM (amounting EUR 241M). BS complementary measures dedicated to PFM/DRM, technical assistance and capacity-building interventions represented 28% of core CMSB support. The EU also channeled 15% of core CMSB funding through international organisations. Funding to international organisations covered both contributions to international initiatives aiming to improve international governance (approximately EUR 145 million) and trust funds to reinforce PFM/DRM at national level (EUR 173 million).

Figure 12. Aid modalities used to implement EU core CMSB funding (in EUR million) (2015-2020)



With support to international governance, the EU supported a great variety of international initiatives and bodies, without obvious coherence (see figure below). The IMF benefitted from over half (53%) of total EU contracted amounts to international governance.

Figure 13. EU funding to international partnerships by implementing partners (2015-2020)



3. DESIGN AND RELEVANCE OF EU SUPPORT TO DRM/PFM/DEBT IN RELATION TO THE CMSB APPROACH

3.1 In general, a comprehensive EU approach to PFM reform implemented to fulfil Addis Agenda commitments, but unevenly anchored in the CMSB approach(EQ1,2&8)

From 2015, the EU increasingly invested in global public finance, making it a key player in fulfilling the Addis Agenda commitments. The EU has been a key partner in meeting the commitments made by development partners in Addis Ababa to increase support to DRM, and more broadly to PFM, within a more joint approach and with a common agenda. It has massively increased its PFM support since 2015. According to OECD-DAC figures, ODA from the EU targeting global public finance nearly tripled between 2015 and 2018, with support to DRM increasing from year to year. The EU disbursed more than EUR 2 billion between 2015 and 2020 to address PFM priorities. It channeled EUR 1.7 billion through the EU country programmes and EUR 315 million (15%) through international organisations. By channeling support through international partnerships, the EU largely contributed to increasing overall capacities in some specific related areas e.g., tax policy and tax administration. It also aimed to leverage technical expertise to support EU priorities/programmes, to be involved in high-level discussions, and to benefit from the credibility and influence of those international institutions.

Overall, EU support in the area of DRM/PFM/Debt addressed the key objectives promoted by the CMSB framework. But the 2015 EU staff working document on CMSB has not served as a fully comprehensive strategic framework to guide the design and implementation of EU support to public finance. Indeed, this policy framework was still unfamiliar to almost 40% of EU survey respondents.

EU support to public finance promoted and used internationally recognised PFM and DRM standards and good practices. The EU promoted joint standardised PFM/DRM diagnostic tools and cooperation frameworks (e.g. the African Fiscal Forum), developed between key players, at both the international and country levels. The EU significantly supported the generalist PEFA diagnostic tool. It has been involved in almost one third of all the PEFA assessments conducted during 2015-2020. It (i) financed international (e.g. PFM Partnership Programme) or national multi-donor trust funds (MDTF) that have contributed to finance PEFA assessments in several countries, (ii) provided technical support and actively participated to the PEFA Secretariat, (iii) (co-)funded and coordinated national PEFA diagnostic exercises at the country level in the framework of its bilateral cooperation, and (iv) in some countries, made its budget support conditional on the completion of a PEFA assessment or the development of a national PFM reform strategy (Timor-Leste). The EU also contributed financially to international initiatives that promoted international diagnostic tools with a more technical profile than the PEFA: e.g., the PFM Partnership Programme, that is used to carry out PIMAs, and the Revenue Mobilisation Trust Fund (RMTF) for the TADATs. Moreover, at the country level, the EU promoted the implementation of tax and PFM international standards in specific areas. This includes fiscal transparency and the fight against illicit financial flows for Cameroon; public accountability and audit for Ghana; transfer pricing for Rwanda; and support to adopt the working methods of audit institutions with INTOSAI standards in Cameroon and in Niger. EU CMSB support has not supported the implementation of the Extractive Industries Transparency Initiative (EITI) particularly strongly. In the NEAR countries, the EU has largely promoted the use of SIGMA diagnoses.

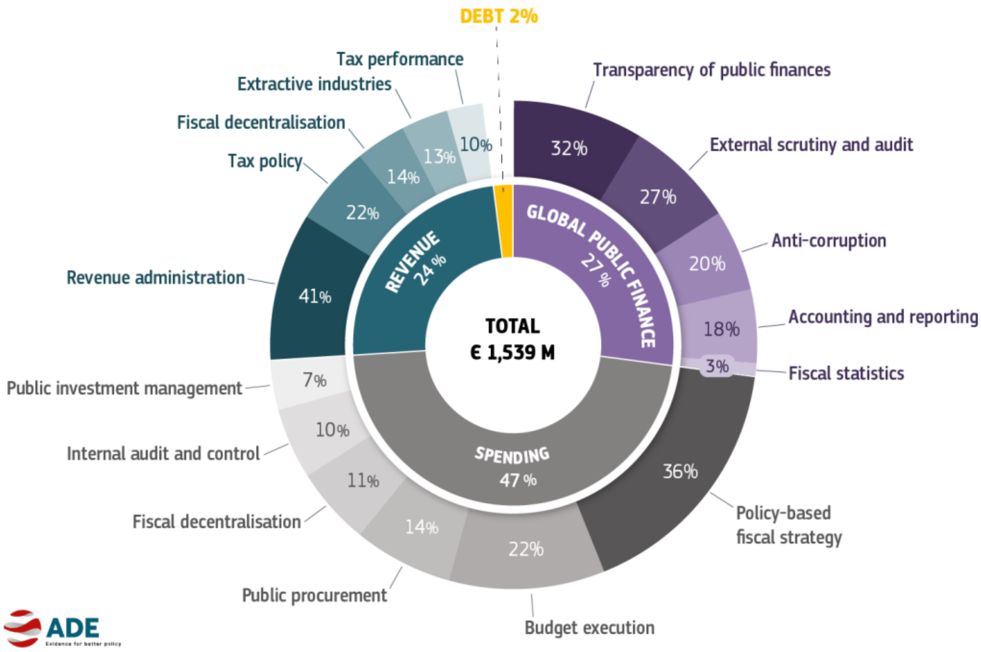
The use of these diagnostic tools and international standards contributed to the definition, adoption and implementation of better articulated PFM reform strategies and plans by partner countries. They also ensured the consistency of these PFM strategies with international public financial governance standards and regional standards (e.g., WAEMU) when relevant. These diagnostic tools, including repeat assessments, provided a basis of internationally agreed metrics to measure progress on DRM and PFM systems over time. Partner countries/beneficiaries viewed repeat PEFA assessments as the yardstick for measuring improvement over time. The normalised TADAT diagnostic approach, which covers the area of tax administration reform and the establishment of result frameworks for national DRM strategies, is still in its learning curve. A limited number of countries/beneficiaries (13) have completed their first repeated assessment, meaning that it has only recently begun to inform the development or revision of DRM strategies. In candidate countries and potential candidates, it is instead the need for approximation to the EU acquis that has driven a more systemic approach to PFM systems than simply complying with international good practice.

3.2 EU support taking a fairly comprehensive approach at the country level, emphasising PFM/DRM reform processes, transparency, oversight and accountability as well as emerging issues such as digitalisation (EQ1&2)

Overall, EU support to DRM/PFM/debt at the country level addressed Global Public Finance, DRM and Spending fairly comprehensively, and addressed many of the diverse areas of the CMSB approach simultaneously. The EU put emphasis on transversal issues such as the formulation of PFM reforms, transparency, accountability and external scrutiny. Significant support was also provided to the "Spending" strand of the CMSB approach, notably policy-based budgeting, budget execution and internal control, and public procurement. The objectives linked to the ''Collect'' strand of the approach received less attention in the design of EU support to public finance. Still, the EU devoted growing attention to domestic revenue mobilisation during the period, notably the strengthening of tax administration systems, in line with the agenda of the Addis Tax Initiative. Areas such as debt management, public investment management, fiscal statistics and the governance of State-Owned Enterprises (SOE) have not featured significantly in EU CMSB support.

The distribution of core CMSB performance indicators of budget support contracts, which accounted for half the total EU CMSB support in financial terms and often also guided the areas addressed by capacity building, illustrates the main sectors covered by EU CMSB support. The Spending strand (and within it, policy-based fiscal strategy and budgeting) was the most targeted sector, representing 47% of the commitments, followed by the transversal issues, in particular transparency and external scrutiny and audit.

Figure 14. Distribution of core CMSB performance indicators between sectors and sub-sectors (commitments, in EUR million) (2015-2020)



In five of the twelve case study beneficiaries (Cambodia, Cameroon, Ghana, Kosovo*, Niger), the EU has been mindful of the multi-disciplinary nature of interventions in the areas of transparency, oversight and anti-corruption. The EU has also been addressing the demand and supply sides for domestic accountability and has supported the wide range of stakeholders involved, i.e., internal and external bodies as well as parliaments and civil society organisations.

> In Niger, the EU combined capacity building for internal control (General Inspection of Finance), external control (Court of Auditors), parliamentary control (Finance Committee of the National Assembly) and the authority in charge of the fight against corruption.

At the international level, the EU supported a great variety of initiatives that fitted well with the CMSB approach. Indeed, these initiatives covered a wide range of CMSB areas, such as debt management, public procurement, anti-money laundering, tax policy and tax administration, international tax governance and cooperation, and the fight against tax evasion. They mostly provided narrowly focused technical responses. Most of the funding was allocated to the IMF, to its Regional and Technical Assistance Centres (RTACs) and to thematic funds in the field of domestic revenue mobilisation.

The EU promoted cross-cutting issues more during implementation than during the design process. One reason is that these issues have not been systematically mainstreamed in the PFM reform strategies and plans of partner countries. The EU often supported the national government's IT-based financial management systems through BS complementary measures, thus responding pragmatically to the lack of resources that countries face in developing their systems. It also regularly promoted gender sensitivity in its CMSB support, notably through the implementation of PEFA gender and gender budgeting. The environment and climate change were generally not tackled specifically in EU CMSB support. Gender, the environment and climate change have been increasingly integrated in international reference tools for PFM diagnostic assessments (e.g., PEFA, PIMA), with EU support (e.g. support on Climate-PIMA via the PFM-Partnership Programme with the IMF).

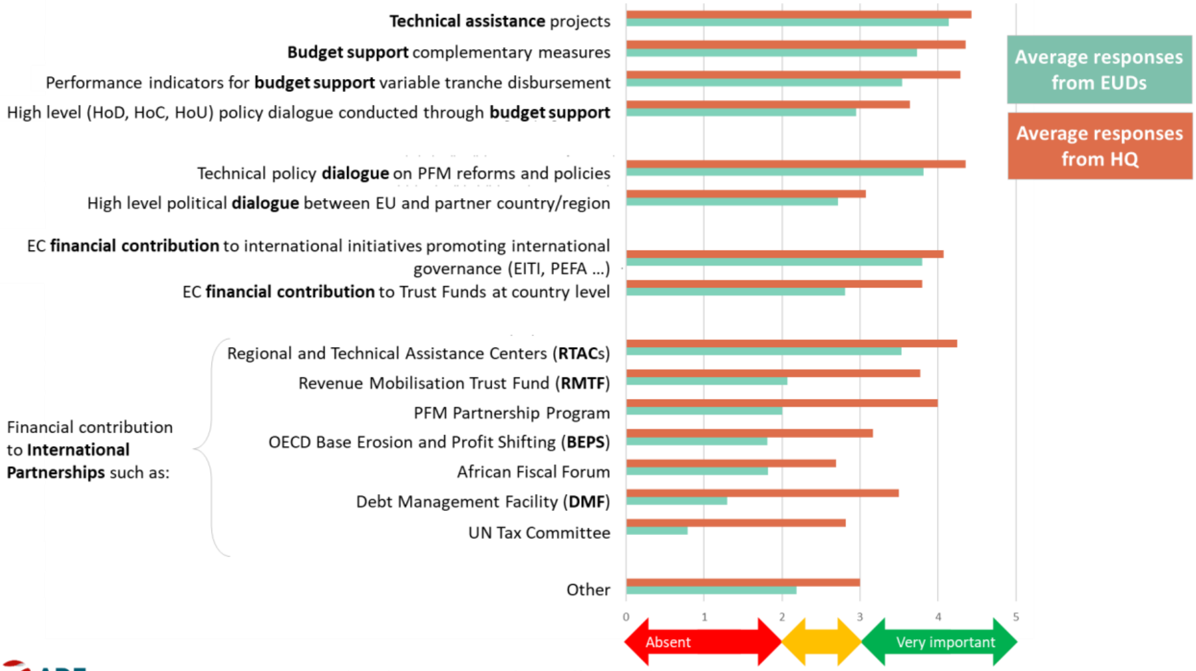
3.3 A mix of aid modalities with a key role for budget support operations and technical assistance projects

The EU relied on a wide range of instruments and aid modalities to support PFM/DRM/debt reinforcement at the country level. Financially speaking, the mapping[7] (see section 2) shows budget support (performance indicators related to CMSB and fixed tranches of SRPCs dedicated to PFM) as the predominant aid delivery channel for EU support to public finance at the country level. Capacity building, provided through dedicated TA interventions and BS complementary measures, comes next. The survey and case studies shown that using a mix of instruments and modalities has been used in a systematic way and designed according to the context. According to EUDs and HQ staff having responded to the survey, the instruments and aid modalities the EU has relied on the most to support PFM/DRM at the country level have been: 1) TA projects; 2) Technical policy dialogue on PFM; 3) BS complementary measures; and 4) Performance indicators for variable tranche disbursement. The EU also increasingly used the IMF regional and technical expertise centres (largely funded by the EU). Interestingly, TA projects remained by far the main aid modality to reinforce PFM/DRM for the EUDs, followed by technical policy dialogue.

[7] See section 2 and annex 3

Figure 15. EU staff perception regarding EU instruments and aid modalities used to support PFM/DRM reinforcement at the country level

(by order of importance, scale from 1 to 5)



Source: ADE, based on responses of EU staff to an online survey, 2022

Alongside this package, survey respondents – in particular EUDs – considered that they made less significant use of high-level policy dialogue (HoD, HoC, HoU) and high-level political dialogue between the EU and partner countries to support DRM/PFM, at least from the point of view of EUDs. The countries where the EU already had well-established cooperation frameworks (e.g. Stabilisation and Association Agreements with the Western Balkans or Association Agreements with North African countries and Eastern partners) witnessed reinforced regular EU policy dialogue in conjunction with the national authorities on key public financial governance reforms. The dialogue benefitted from the specific network of EU Stabilisation or Association Councils, Committees and Sub-committees. Survey respondents – in particular EUDs – also indicated they made less significant use of EU financial contribution to trust funds at the country level, and similarly less significant use of the capacity development provided by thematic trust funds or international initiatives (RMTF, PFM-PP, DMF, OECD BEPS), except RTACs.

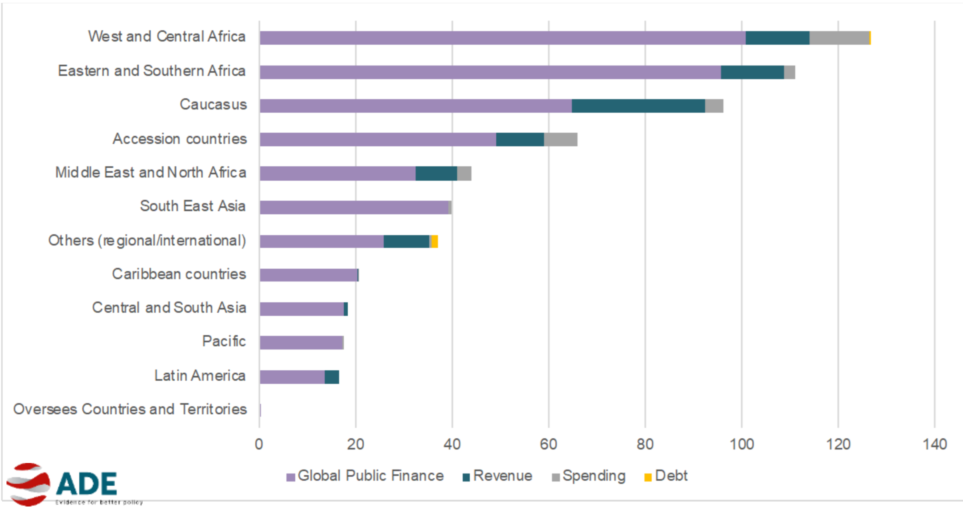
Both HQ and EUDs survey respondents considered that using a mix of instruments and aid modalities was beneficial (average score of 4.4/5). Survey respondents pointed out the strong linkages between budget support, providing the necessary incentives for PFM/DRM reforms, and TA providing a space for technical cooperation and policy dialogue at the technical level. They noted the following benefits linked to the use a mix of aid modalities: tackling different issues across the wide spectrum of action of the CMSB approach ; working with a wide variety of PFM actors; tackling issues that are complex and multidimensional from different angles; adapting to different needs and contexts; having different entry points for supporting PFM/DRM reforms (e.g. using TA to deepen and sustain PFM/DRM reforms that were triggered by performance-based disbursement conditions); providing flexibility to respond to emerging needs in times of crisis. They also underlined that these benefits had been limited by the lack of partner capacities to absorb and use all available instruments.

In the countries/beneficiaries under review, EU support to CMSB has been delivered through a response that combines capacity development (through BS complementary measures, TA/Capacity Building, partnerships with international organisations) and incentives for reform that use performance indicators and technical dialogue. Overall, the mapping shows that performance indicators were the main channel used in financial terms, and the most used to address specific issues in the revenue strand and in the spending strand.

Strong links exist between budget support and the CMSB approach, as reinforcing DRM and PFM is central to the successful implementation of BS operations. In Low Income Countries (LICs) and Lower to Middle Income Countries (LMICs), the comprehensiveness of the EU's approach was mainly driven by budget support and facilitated by the regular monitoring of BS eligibility conditions. This was even more the case with the SRPCs dedicated to PFM/DRM. More generally, the BS guidelines and the requirement to meet the four general conditions before the programme can be approved and before each disbursement is made have contributed to building a shared vision that integrates the objective of macroeconomic stability, the strengthening of the different components of the PFM system, and the transparency and control requirements. The criterion related to stability-oriented macroeconomic policies contributed to expanding the approach by including macro-fiscal policies and making the link with IMF analyses that also cover fiscal and budgetary policies.

EU CMSB support included a strong capacity-building component to accompany PFM reform processes.[8] Capacity-building represented 32% of EU core CMSB funding, either as separate/individual technical assistance interventions (23% of EU core CMSB funding) or as part of the complementary budget support measures (9% of EU core CMSB funding). Capacity building through TA projects/ complementary measures were most often designed as support to global public finance (see figure below).

Figure 16. Amount of complementary measures and TA/capacity building contracted by sector for each region (2015-2020)



Source: CRIS

These interventions have generally aimed:

i. to help guide the institutions of beneficiary countries in designing and/or implementing PFM reform processes (all except Rwanda and Timor-Leste);

ii. to address institutional weaknesses identified in PFM systems;

iii. to provide technical expertise on specific topics, especially control and external oversight (Cameroon, Georgia, Niger, Timor-Leste), implementation of programme budgeting tools (Niger, Georgia, Mongolia), and public procurement (Cambodia, Dominican Republic, Ghana);

iv. to support national PFM policies that were also supported by performance indicators (Georgia, Kosovo*); and/or

v. to finance information technology equipment (Niger).

8 The main recipient of CMSB capacity building (CB) support was Ukraine. The situation of Ukraine stands out: it received most of its CB support through three Special Measure programmes following the Orange Revolution in 2014. Between 2017 and 2020, it benefitted from EUR 41.7 million through capacity building in support to PFM (EUR 36.4 million under the 2017 Special Measure II and EUR 5.3 million under the 2016 Special Measure to PAR). It also received EUR 14.5 million under the Special Measure 2016 for Anti-Corruption and EUR 14.5 million under a classic Annual Action Programme contract in 2020.

According to the Anova analysis, the countries which only benefitted from EU CMSB support through capacity-building interventions were those with a significantly higher Human Capital Index (HCI).

The EU's financial contributions to international partnerships (15% of EU core CMSB funding) also consisted in capacity development through support to international initiatives and trust funds aiming to reinforce PFM/DRM at the country level. External coherence between the various international partnerships funded by the EU has been ensured mainly by the implementing partners themselves. The IMF, as the central institution for ensuring sound fiscal and budgetary policies and providing a wide range of technical support through the RTACs and thematic funds, was a key player in this respect. The IMF has increasingly integrated capacity development in its surveillance activities and lending programmes. The evaluation found limited evidence of close cooperation between IMF trust funds and international partnerships implemented by other partners. The EU itself has not paid particular attention to the coherence between these partnerships.

3.4 At the country level, a pragmatic approach adopted by the EU that fitted the context, needs and institutional capacities of beneficiaries, but showing dispersion and lacking synergies, (EQ1,2,8)

3.4.1 A pragmatic approach, fitting different contexts and well aligned with the priorities of partner countries/beneficiaries (EQ1, EQ2)

The EU generally adopted a pragmatic approach in its support to public finance at the country level. It responded to the demands of countries with environments in which PFM reform could be enabled. It also adapted its support to the countries with challenging governance environments or institutional fragilities. In countries where PFM reforms were more advanced and institutional capacities stronger (e.g. Cambodia, Dominican Republic, Georgia), the EU adopted a demand-driven approach that aptly fitted the needs expressed by partner countries. Partners were closely involved in framing the objectives and defining the activities of the interventions. In countries that presented challenging governance environments (e.g., Malawi) and/or institutional fragilities (e.g. Bangladesh, Timor-Leste), the EU put emphasis on change management (e.g. Malawi, Bangladesh).

> In **Bangladesh**, international partners, including the EU, put stronger emphasis on change management to ensure that changes in practices would become institutionalised. The second phase of the MDTF adopted a stronger political economy and change management lens. As such, the PFM Action Plan devoted one of its components to the governance structure for PFM reform and the change management approach.

EU CMSB support provided at the country level has been fully aligned with the priorities of partner Governments. National PFM reform strategies and plans were largely informed by international diagnoses (e.g. PEFA, TADAT, etc.), which provided a solid understanding of the strengths and weaknesses of PFM systems of beneficiary countries. Drawing on the results of these diagnoses, the EU often put emphasis on giving new impetus to PFM/DRM reform processes instigated by partner countries, by supporting the design and/or implementation of single PFM strategies and plans integrating all previous reform initiatives. In all case study countries except Timor-Leste,[9] EU CMSB support reflected a comprehensive and shared vision of the beneficiaries' DRM/PFM reform strategies and plans. HQ survey respondents considered that the EU's approach to public finance had been comprehensive enough to address the needs of partner countries (score of 4/5). EUDs' views were less positive, with a score of 3.2/5. According to survey respondents, two factors significantly enhanced the relevance of the EU's approach to public finance: the EU's strong understanding of key

[9] Although there was no formal PFM reform strategy in Timor-Leste during the period reviewed, a Budgetary Governance Roadmap (2017), a new PFM reform and Action Plan have been developed and await final endorsement from the government.

strengths and weaknesses of PFM systems and the alignment of EU support with national PFM/DRM policies and reform process (score above 4/5).

EU support to international initiatives generally also reflected the evolving demands and needs of partner countries, while supporting the development of common strategic frameworks. For instance, EU support to the IMF-managed RMTF, which has piloted the Medium-Term Revenue Strategy (MTRS) Initiative, contributed to promoting country-owned DRM reform planning and sequencing as well as coordination and alignment of donor support with national reform priorities. The EU also supported the promotion of international tax standards, notably through the OECD BEPS and Global Forum programmes. The latter aimed to integrate developing countries into international standards and institutions. But some of these standards have not been a high priority for many developing countries.

3.4.2 Support that has shown some dispersion and limited synergies (EQ2)

The wide range of issues addressed by the EU at the country level has led to some dispersion of EU CMSB support. In the literature, simultaneously pursuing multiple reforms on various fronts is negatively associated with the likelihood of achieving results. Performance indicators for variable tranche disbursement usually covered a wide array of areas, e.g., global public finance reforms, monitoring frameworks, legal and regulatory reforms, tax revenue efforts, tax expenditures, the fight against corruption and oversight, and policy-based budgeting. The EU also supported capacity-building interventions with a broad scope of actions across the CMSB approach. This resulted in some dispersion in the support provided.

Synergies between aid modalities generally remained underexploited. This reflected the fact that EU strategic priorities to support CMSB were not clearly grounded in an integrated strategy at the country level in a way that covered all instruments and modalities, including capacity development provided by international partners funded by the EU.

- For EU CMSB support provided at the country level, EUDs survey respondents ranked effective synergies between aid modalities outside budget support as satisfactory, but needing improvement (score of 3.4/5). They also ranked effective synergies within budget support programmes – between performance indicators and complementary measures – as satisfactory, but not fully exploited (score of 3.6/5). Some country case studies (Ghana) showed that isolated performance indicators without any other support in the targeted area are difficult to monitor and to use during policy dialogue. Still, SRPCs dedicated to PFM have contributed in some case studies (Cambodia, Georgia, Kosovo), through a catalytic effect, to strengthen the coherence of EU CMSB support.
- For capacity-building support provided through TA, BS complementary measures and international partnerships: it was difficult to create interactions between various EU TA interventions that covered different strands of the CMSB approach (revenue, spending, and accountability). In several case study countries (Cameroon, Cambodia, Ghana, Niger), this reflected the lack of collaboration between units within Ministries and with other institutions. Moreover, the integration of the TA component in BS programmes was often left very broadly defined in the financing agreement, which offered flexibility but limited the search for synergies. There had so far been little integration of Trust Fund/RTAC Capacity Development support within the "EU country portfolio", but some changes were underway, even if there is still considerable room for improvement.
- Complementarities between EU CMSB support and other EU interventions in the field of public policies were uneven and under-exploited. This especially concerns the SRPCs implemented in priority sectors (education, agriculture, social protection). Cases of attempts to build bridges with the decentralisation process by addressing fiscal decentralisation were rather unsuccessful (Ghana). Interactions with Public Administration Reform (PAR) have been well established in candidate countries and potential candidates (Georgia and Kosovo*).
- In countries that benefitted from DG ECFIN Macro Financial Assistance (MFA), complementarities were quite effective, reflecting a facet of the integrated "One-EU" approach for neighbouring countries and especially for candidate countries and potential candidates.

Linkages between EU CMSB support at the country level were diligent in taking into account international tax/PFM governance in countries with a political agenda of EU accession/stabilisation or in countries with major international governance issues for their relations with the EU, such as those related to: (i) the Financial Action Task Force (FATF) list of high-risk jurisdictions, (ii) the EU list of non-cooperative jurisdictions for tax purposes (transparency, fair taxation and OECD BEPS minimum standards) or (iii) the EU list of high risk third countries with strategic deficiencies in their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regimes. In other countries, the support provided at the country level has not specifically been designed in light of international tax/PFM governance issues.

The evaluation also found little evidence of actual synergies between EU CMSB support and other EU external policies, e.g., linkages with trade policies and assistance (Cambodia, Kosovo*, Mongolia, Timor-Leste) on issues related to economic integration and especially taxation, including the implementation of Economic Partnership Agreements (as in Ghana) were poorly explored.

3.4.3 Some caveats in the choice of performance indicators (EQ1)

Overall, the performance indicators for variable tranche disbursements of budget support operations have covered the PFM gaps across most of the spectrum of the CMSB approach. They reflect the areas where the EU intended to set incentives for PFM/DRM reforms. In all case study countries, they were deduced from PFM strategies and plans or national development strategies. HQ and EUDs survey respondents generally considered that the performance indicators were well aligned with the national performance frameworks (average score: 3.8/5). Moreover, the choice of the performance indicators on DRM followed the indicative areas proposed in the 2017 guidelines for EU budget support. They focused on the following elements: registering new taxpayers (Ghana); modernisation of tax & financial management information systems (Niger, Timor-Leste); assessment and publication of tax expenditures (Ghana, Niger); VAT refund systems (Cambodia, Georgia); and BEPS (Dominican Republic).

However, the case study countries show some caveats in the choice of performance indicators.

- The EU often underestimated the time needed for partner countries to make progress on PFM reforms. This resulted in the setting of partially unrealistic / too ambitious performance indicators or targets or insufficient follow-up of performance indicators over time (e.g. Cambodia, Kosovo*, Timor-Leste). In Kosovo* and Timor-Leste, this resulted in a high number of targets that failed to be met in BS interventions.
- BS interventions mostly included performance indicators targeting processes or outputs, seeking a leverage effect or quick wins in specific areas. These indicators may have proven useful to initiate policy dialogue and gradually develop larger ambitions on specific issues (e.g. public procurement in Cambodia) but have not been the most effective tactic to ensure the implementation of PFM reforms.
- When results indicators were used, the ones selected had little leverage effect. For instance, the increase in revenue collection (in absolute terms or as a share of GDP) was selected as an indicator in several countries under review (Cambodia, Dominican Republic, Niger), with little leverage effect on the policy dialogue and on the macro-economic evolutions observed. The 2017 budget support guidelines also advise against “setting broad quantitative revenue targets (e.g. revenue to GDP), which may not be relevant and may overlook specific issues to tackle”.
- On DRM, the literature review indicates that registering taxpayers is far from being the top priority in developing and emerging countries, while there is also lively discussion on whether measures other than the establishment of a VAT are more effective in generating revenue.
- The use of performance indicators to ensure budget allocation/execution in line with sector policy priorities was not convincing.

4. IMPLEMENTATION OF EU CMSB SUPPORT

4.1 Delivery as planned and adaptability of EU CMSB support (Q9)

Timeliness of implementation of EU CMSB interventions varied across aid modalities. Whilst BS disbursements were generally made according to plans, EU CMSB support delivered through e.g., TA, twinning or trust funds often encountered significant implementation delays.

EU CMSB support delivered through budget support has often showed flexibility in the face of changing circumstances i.e., political and economic changes and/or COVID-19. It was the case in 10/12 case studies (Bangladesh, Cambodia, Cameroon, Dominican Republic, Georgia, Ghana, Kosovo*, Mongolia, Niger, Timor-Leste).

> In **Cambodia,** the SRPC on PFM benefitted from a further EUR 22 million and its duration was extended until 2021 due to good results. Moreover, one of the SRPCs (Sub-National Democratic Development) was discontinued at the end of 2017 due to rising political risks.

Adaptations to COVID-19 mostly took the form of: frontloading BS disbursements planned in 2020 or in subsequent years earlier in 2020, changing a variable tranche into a fixed tranche, neutralising variable tranche indicators made irrelevant and/or no longer monitorable due to the pandemic, approval of top-ups on existing programmes, modification of performance indicators/targets, extension of the duration of programmes, and/or design of dedicated SRBCs to support partner countries in coping with the negative effects of the pandemic.

> In the **Dominican Republic**, payments for the SRPC on PFM & DRM were frontloaded in 2020 (payment of the first variable tranche made in August 2020 instead of December 2020) and two unmet indicators on revenue mobilisation were neutralised to support the country's effort in its COVID-19 response.

Moreover, these adaptations to COVID-19 led to a change in the sector distribution of EU commitments made under the performance indicators related to CMSB. After COVID-19, the latter decreased especially in the areas of revenue administration, policy-based budgeting, budget execution, and fiscal decentralisation.

Budget support has often enabled the EU to initiate or deepen both high-level policy dialogue and technical dialogue on CMSB-related issues. The SRPCs dedicated to PFM/DRM - with their accompanying TA and performance indicators - have proven particularly powerful to start or steer high-level policy dialogue and technical dialogue on public finance issues (e.g. Dominican Republic, Georgia). In candidate countries and potential candidates (Georgia, Kosovo*), it is rather the priority areas outlined in the Association Agreements and the respective EU policy agenda developed for these countries that framed the scope of policy dialogue on PFM/DRM. In some countries (e.g. Ghana), started a renewed dialogue with the authorities on PFM through BS was a challenge, due to a combination of factors: limited financial leverage of the EU BS programmes, fading political will and commitment, with central policies leaning towards centralisation of revenues in view of the unprecedented increase of internal debt, even before COVID-19; dropping of all the specific of the SRPC and the SDG-C following COVID-19.

4.2 Limited adequacy of EU capacities and guidance (EQ8,9)

EU capacities, particularly at the level of EUDs, have been too limited – both in number and skills – to effectively accompany the implementation of the CMSB approach. The EU had to rely on international partners and to mobilise external technical capacity for its portfolio under direct management.

At the country level, staff was insufficient to be able to simultaneously manage all the PFM-related interventions, meaningfully engage in high level policy dialogue and technical dialogue on a wide range of PFM/RDM topics, participate to regional and global initiatives, coordinate with other partners, follow trainings, etc. EUDs especially lacked PFM/DRM specialists, including at top management level. As a result, EUDs had to rely on external support for programme design and monitoring, in particular for specific reform areas where their technical capacity was limited. Overall, they succeeded in mobilising external high-quality technical support in a relatively swift manner. Still, this proved challenging in some countries, with framework contracts not being perceived as enabling to attract experts with high-quality expertise.

Regarding staff, the EU has had less comparative advantage than institutions “specialised” on the technical dimensions of PFM and DRM such as the IMF or the WB. It therefore entered into partnership with them (though e.g. contribution to IMF trust funds and RTACs, and the often WB-managed MDTFs) to deliver high standard technical capacity development in developing and emerging countries to support the CMSB approach. For instance, RTACs have been able to quickly mobilise in-country expertise and capacity development missions with good technical and institutional knowledge.

> **RTACs** operate around a core group of Resident Advisors, complemented by short-term experts, who work in close collaboration with IMF Headquarters and with national administrations. This enables RTACs to quickly respond to emerging needs. RTACs also benefit from the solid diagnostic and analytical capacities from the IMF HQ technical services, including the country teams in charge of monitoring surveillance and lending IMF bilateral operations. In addition, the planning process of RTACs is demand-driven, i.e. guided by the identification of needs by member countries. There is still room for improvement regarding the adequacy of the duration of short-term expertise and capacity development missions, the necessary mix with long-term in-country expertise, and the assessment of national institutional ownership and absorption capacity, as well as the monitoring of the implementation of recommendations.

EUDs also relied on timely and useful technical advice from HQ staff, which often had stronger capacities on PFM/DRM/Debt management. Staff in HQ was also missing to manage effectively the various international partnerships. According to IMF staff, EU capacities progressively got stronger at HQ level to exchange on technical PFM/DRM issues. This had a positive impact on the level of involvement and collaboration at technical level within the frame of the RMTF and the RTACs.

HQ and EUDs survey respondents have diverging views on the appropriateness of existing EC guidance, tools and training courses on PFM/DRM/Debt management to cover knowledge management needs. EUDs respondents gave an average score of 3 whilst HQ gave a score of 3,9. In some case studies, guidance from HQ and the regional PFM helpdesk were judged to be of good quality and were greatly appreciated but were considered as minimal regarding the high level of technical competence required to engage in policy dialogue with the national partners.

4.3 Growing national ownership & monitoring of PFM/DRM reforms but capacities often remained weak (EQ1,3,8,9)

Country ownership of PFM/DRM reform processes has grown over time. Whilst the agenda was initially driven by the international community, it has become more entrenched, and reversals have been rare. A sign of it is the rising number of countries where initially all-encompassing reform approaches are being purposely prioritised and sequenced in phases that build upon each other (Cambodia, Dominican Republic, Georgia, Niger since 2018, and Rwanda since 2021).

> The **Dominican Republic** is one of the clearest examples in the sample of a country that has fully appropriated its reform priorities. When preparing the PFM Reform Action Plan (2020-2022/23), the Government brought together - with support from an EU financed TA - all the reform initiatives that arose from the gaps identified in the diagnoses (2016 PEFA and others). For reform actions on revenue management already underway with other cooperating partners such as the IADB, the MoF ensured that no duplication took place. Through its SRPC on PFM, the EU complemented an ongoing IADB-led programme in supporting the implementation of BEPS.

Overall, there has been progress on the clout of governance structures that coordinate PFM or DRM plans, such as PFM reform units**. But public administration in partner countries often presented structural weaknesses that affected their capacity to steer and coordinate PFM/DRM reform processes.** Overall, case study countries show progress on the commitment of partner countries to governance structures that coordinate PFM/DRM plans. But the technical capacity of PFM reform units and their insulation from the complexity of the political landscape remained a concern. In several country case studies (e.g., Bangladesh, until 2016 at least, Ghana, Niger, Timor-Leste), reform implementation also suffered from a lack of political commitment. Overall, PFM reform outputs remained partially internalised by partner governments, which needed to continue relying on technical assistance to ensure continuity in the new tasks and procedures put in place, even in countries with stronger capacities (i.e., Dominican Republic). In a few country case studies (Cambodia, Dominican Republic, Georgia, Rwanda), partner governments have led, often through the leadership of the Ministry to Finance, donor coordination mechanisms through specific coordination fora and/or technical councils or working groups. Furthermore, in some case studies (e.g. Ghana, Kosovo*), partner governments have not well understood the BS aid modality. This resulted in poor ownership of BS interventions.

- In the **Dominican Republic**, where the long-term EU TA had the substantial added value of linking up MoF departments that had been used to a large degree of autonomy, and had thus suffered from a lack of institutional channels of interaction.
- In **Bangladesh**, empowering the Finance Division (FD) to establish a cross-institutional team in 2017, with members from the MoF, the Office of the Comptroller and Auditor General, the Planning Commission, and the National Board of Revenue was a crucial step in jumpstarting the lengthy consultative process that led to the PFM Action Plan (2018-2021). The establishment of the governance structure of the PFM Action Plan confirmed the FD as a leading institution for PFM reform. During this period, management within the FD also remained relatively stable.

National monitoring, reporting and institutional arrangements to follow PFM reform strategies and action plans often remained weak (e.g., Ghana, Kosovo*, Niger, Mongolia). In several case study countries (e.g., Mongolia), progress reports on PFM reform action plans mostly focused on activities and lacked supporting analysis or adopted a “short-termism” lens in the analysis of the changes related to BS interventions (e.g., Niger). Even in countries where partner governments were closely involved in monitoring the implementation of the PFM reform, reporting remained activity-based, without comprehensive information on the costs and results achieved (i.e., Cameroon, Georgia) or largely driven by EU complementary TA (i.e., Dominican Republic). Besides, measuring and tracking the outcomes of RTACs interventions through a logical framework approach was still work in progress mid-2022.

4.4 Strong promotion of coordination and complementarity with other partners (EQ8)

Ensuring a coordinated approach with other development partners active in public finance has been an EU priority. The EU delegated an important part of its CMSB support to other IFIs or Member States through financial contributions to in-country and international MDTF, regional organisations and to delegated agreements. This also reflected the EU’s limited technical and human resources capacities to address alone all the dimensions required by the demanding CMSB approach. Moreover, the EU has systematically participated to existing national coordination mechanisms of donor interventions in the areas of PFM/DRM and has been eager to improve exchange of information, complementary and synergies with other partners.

The use of EU Budget Support has often fostered coordination with other IFIs that were providing financial and on-budget support and with key players involved in PFM/DRM cooperation, including the IMF in the context of its lending and surveillance activities. It also promoted the development of complementarities between interventions supporting public financial governance reforms. But the concertation process during the design of donor budget support performance assessment frameworks, especially on PFM and DRM indicators, remained uneven. In addition, the lack of systematic joint programme reviews has been missed opportunities for stronger coordination and harmonisation of interventions.

The EU's increasing financial contribution to the IMF RTACs and the IMF or WB-administered international MDTFs on PFM/DRM has also fostered coordination with these key stakeholders. In the most optimal situations, this has also promoted space for joint policy dialogue with the national authorities and synergies between interventions. Whereas the IMF or the WB remained in the lead in setting the strategic priorities of these international trust funds and regional centres, the EU has been increasingly involved in advocating for stronger in-country complementarity and synergies between all these interventions. Learning from previous management issues, progress has been recorded in the efficiency of in-country WB-administered MDTFs, to which the EU often contributed. Exchange of information, coordination and strategic discussions between donors supporting PFM improved within MDTFs. Another advantage of these trust funds is that they promote sector-wide approaches and commonly agreed objectives.

Several other factors have impacted coordination, synergies and joint policy processes in PFM/DRM areas. The effectiveness of national capacities to steer and coordinate PFM/DRM reform process and to take the lead on coordination mechanisms has remained a key enabler, like the existence of nationally-owned PFM or DRM reforms strategies. In that respect, the systematic deployment of joint standardised diagnostics tools such as PEFA and, more recently TADAT or PIMA - which have been strongly supported by the EU either directly or through contributions to dedicated MDTF - also contributed to streamline and harmonise donor support and dialogue with the national authorities. If delegated agreements with EU Member States and the progressive development of twinning and TAIEX in CMSB areas have favoured exchange of information, mutualisation of expertise and stronger complementarity between EU interventions, Team Europe approach and EU programming in the area of PFM and DRM have not yet fully materialised.

4.5 Low EU visibility in public finance (EQ9)

Overall, EU visibility in public finance remained low. Survey respondents considered EU visibility has been well promoted (average score of 3,5/5). Still, EU visibility was reported as being low in several country case studies (Bangladesh, Kosovo*, Niger, Mongolia) and in the four international partnerships examined. Whilst EU funding was acknowledged in relevant publications, the interventions supported by the international partnerships (co-)funded by the EU remained barely known outside specialist policy circles. EU's visibility has been ensured in a few case study countries.

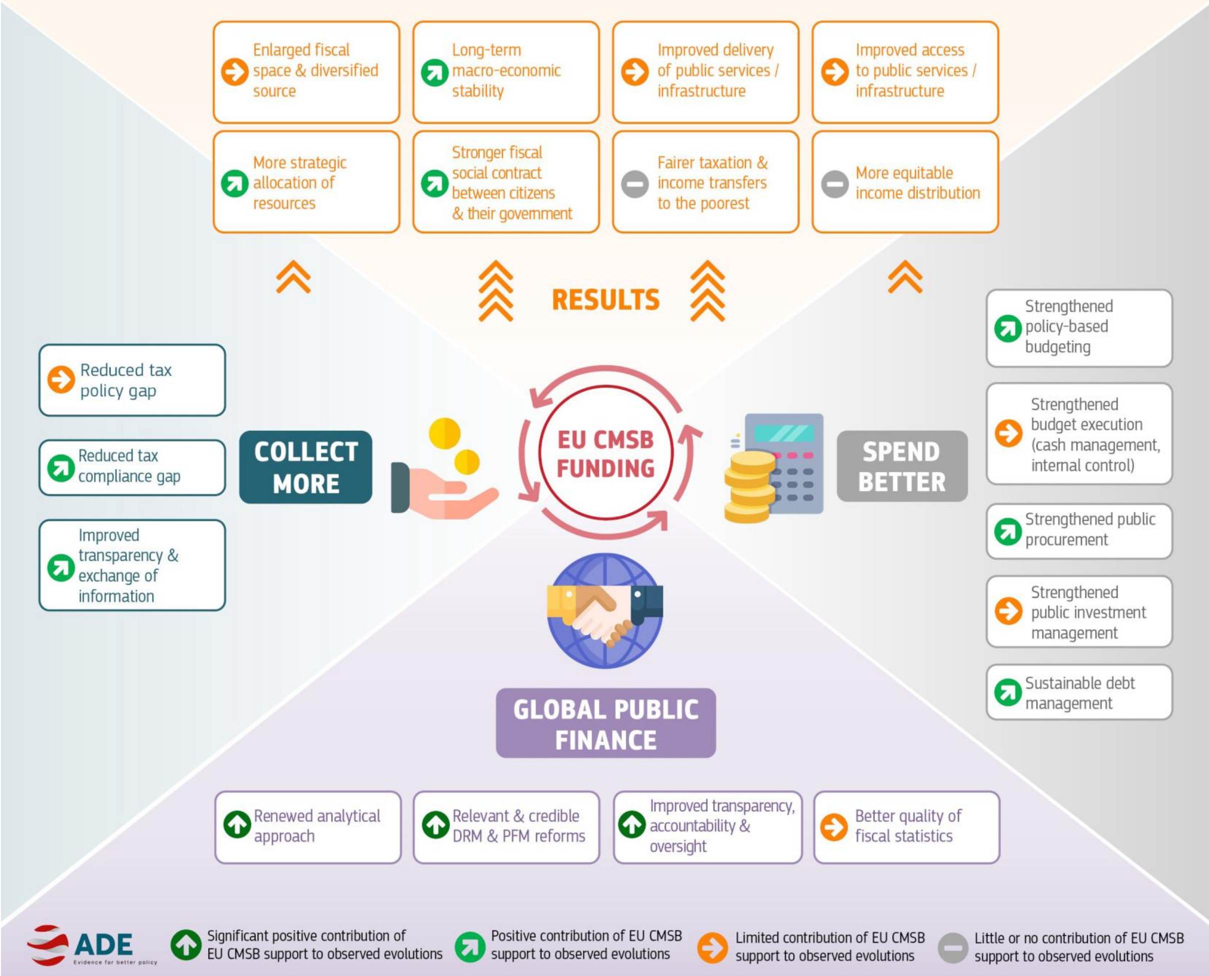
- In **Cambodia**, the EU has been visible and recognised as one of the main contributors to the PFM reform process. It has been regularly invited to intervene in official meetings or workshops on PFM issues and on the reform process.
- In **Cameroon**, a communication and visibility plan on budget support was adopted and a communication campaign organised in 2020. Particular EU visibility was noted in (i) the support given to the implementation of the PEFA and the preparation and monitoring of the PFM reform process; (ii) the EU's position as lead donor in the donor-Government dialogue; and (iii) the completion of the audit on the COVID-19 funds and the advocacy carried out to ensure its public dissemination.
- In the **Dominican Republic**, several communications and visibility events hosted by the MoF were organised end 2020 and during 2021 to highlight progress in the PFM Reform Action Plan.

  These events have been a record of the contribution of the EU to the strengthening of PFM in the Dominican Republic. Moreover, regular meetings with the MoF Minister, the Vice Minister of Treasury and the MoF coordination team offered an opportunity to follow up the overall implementation of PFM reforms and to impulse some key decisions for the advancement of the reform agenda.

5. EFFECTIVENESS OF EU CMSB SUPPORT

5.1 Overall assessment of the effectiveness of EU CMSB support to public finance

Figure 17. Contribution of EU CMSB support to observed evolutions in public finance (2015-2020)



Overall, the EU has contributed to developing a more systemic approach for PFM reforms, covering all the pillars of a good PFM system. Within these areas, in line with the priorities pursued, the EU has mainly contributed to advancing reforms related to transparency and accountability and to spending management, in particular the adoption of policy-based budgeting.

The survey, case studies and mapping clearly demonstrate the EU's leading role in helping beneficiaries formulate and adopt holistic PFM reform plans that respond to clearly identified needs. The other significant contribution made by EU CMSB support concerns the establishment of processes/tools to promote transparency within the various components of the PFM system and the strengthening of the actors responsible for ensuring budgetary control and accountability, an area in which the EU has shown specific interest compared to other development partners. The results of the survey, which are fully in line with the qualitative analysis carried out through the case studies, also showed that beyond the transversal dimensions already mentioned, EU CMSB support has contributed particularly to the expenditure side, especially policy-based budgeting, internal control and execution, and to a lesser extent, public procurement management.

The survey (and case studies) also confirmed that for some of the objectives pursued in the CMSB approach, there are few or very few results that are linked to EU support, mainly because the EU has not been very active in those areas. In particular, this is the case of strengthening legislative and regulatory frameworks for transfer pricing, improving of the fairness of tax systems, the fight against tax evasion and illicit flows, the reinforcement of the management of natural resources, and to a lesser extent, the strengthening of sustainable debt management.

Interestingly, the HQ and EUD survey respondents were in almost complete agreement on the main achievements of EU CMSB support (see figure below). There are some differences of opinion, in particular on the role of the EU in the improvement of the quality of fiscal statistics and the importance of digitalisation needs, on which the EUDs have a more positive view, largely confirmed by the case studies. Conversely, the EUD respondents considered the EU's contribution to debt management to be very limited, unlike those at HQ, which is more directly involved in the implementation and follow-up of the Debt Management Facility support.

Figure 18. EU staff perception on the degree to which the objectives have been achieved or are likely to be achieved in the areas listed below

Source: ADE, based on responses of EU staff to an online survey, 2022

5.2 A strong contribution to the formulation of relevant wide-reaching approach PFM reform strategy and action plans, based on a renewed analytical approach (EQ3)

By now, most CMSB beneficiary countries have moved beyond blanket diagnostics of challenges and opportunities for reform, and are focusing on PFM/DRM specifics. The EU has guided them well, through its budget support and technical assistance, by helping them focus more on rolling priorities and sequencing. The main success areas have included raising the profile of PEFA and other diagnostic tools, providing technical support for fleshing out PFM and DRM reforms, and reinforcing them with comprehensive and monitorable action plans.

The PEFA has, so to speak, become part of the landscape, and has even raised its profile in recent years. The EU has remained one of the actors, if not the key driving force, behind it being seen in developing countries not just as an 'entry-level' diagnostic tool (see Mongolia, or Bangladesh), but also as a yardstick for measuring improvement over time through repeated PEFA assessments. The EU has constantly supported the exercise with financial resources, expertise, and advocacy, in various combinations depending on the beneficiary countries' individual situations. The EU has been involved in almost one third of all PEFA assessments conducted over 2015-2021 (26 on 95). The case studies show that a country's willingness to undergo a PEFA exercise – and even more so, a repeat PEFA – is positively correlated with its aid dependency. Yet even in less aid-dependent countries, there is evidence that the tool has managed to boost its profile thanks to the tenacity of the EU and the commitment of donors to promoting it.

In parallel, narrowly-focused analytical tools, such as TADAT, PIMA, DeMPA, and MAPS, which have a more technical profile than the generalist PEFA, were obtaining increasing acceptance and began to play a role in the design of EU CMSB support, especially in countries that already had some experience of the EU BS instrument, and where much of the initial analytics already taken place. However, their diagnostic indicators are not yet making substantial inroads into EU PFM SRPCs, notably VTIs. The EU has been giving financial support to these specialist tools, particularly TADAT (Ghana, Niger), albeit to a more limited extent than PEFA and often through Trust Funds, and has been raising the profile of them in its policy dialogue. Moreover, Debt Management Performance Assessments (DeMPA[10]), as implemented through the EU-supported Debt Management Facility (DMF) managed by the World bank, have been the only conduit that have allowed the EU to have some presence in the discussions on debt.

- In **Malawi**, the EU Budget Support Road Map included a target to use specific PFM and procurement diagnostics (PEFA and MAPS) between 2018 and 2019 to inform the updating of the 2018-2021 rolling PFM plan.
- In **Niger,** to underpin reforms in the area of tax administration, the EU has managed to set up a virtuous dynamic between the 2017 and 2021 TADAT evaluations and the strategic plans of the DG of Taxation, which were prepared internally and with national funding.
- The **PFM Partnership Programme**, an EU TF, has been used to carry out many PIMAs, and the **Revenue Mobilisation Trust Fund** (RMTF) used to carry out TADAT assessments.
- Multi-donor arrangements (**Bangladesh, Cambodia, Ghana, Malawi, Rwanda**), in which the EU has mostly participated financially, or single-donor trust funds that the EU has supported in their entirety (**Georgia, Mongolia**), have also been producing valuable analytical material on specific topics, and in a few cases (**Bangladesh, Dominican**

[10] DeMPA, launched in 2008 and revised in 2015 and 2021, has become a diagnostic and reform management tool that is widely accepted because of its highly standardised nature, the authority and mandate of the WB and the IMF, and the reputational risks countries may incur on the financial markets if they do not show compliance.

Republic, Kosovo*) have facilitated the design of an incoming budget support programme.

The literature and the case studies show that donor support, within which the EU has played a pivotal role, has continued to be instrumental in advancing the PFM and DRM reform agenda across the developing world, but that country ownership has also grown (see section 4.3 above).

An interesting sign of the advancing 'domestication' of PFM reforms is the extent to which EU CMSB support has become more material not only on the budgeting and expenditure side, but also in the more politically difficult DRM area, while EU CMSB support has also increasingly invested in areas such as PFM information systems and debt. In this context, work with the IMF gives signs of becoming more strategic in responding to EU priorities and concerns. On average, EU survey respondents (see Annex 5) rated the articulation between the ''Collect More'' and ''Spend Better'' strands in a very positive way, even though HQ-based staff had a more positive view of this articulation than field staff.

- In **Ghana**, the 5-year PFM strategy integrated the 'collect more' and the 'spend better' dimensions into one document for the first time in 2022.
- In **Malawi,** a country not known for a steadfast level of commitment to reforms and clear policy direction, the EU's "Chuma Cha Dziko" PFM capacity-development project has nonetheless managed to integrate the DRM dimension into the PFM reforms, with two dedicated modalities of intervention (direct technical assistance to the revenue agencies, and a contribution to the IMF Revenue Mobilisation Trust Fund), which resulted in the adoption of the first ever National DRM Strategy.

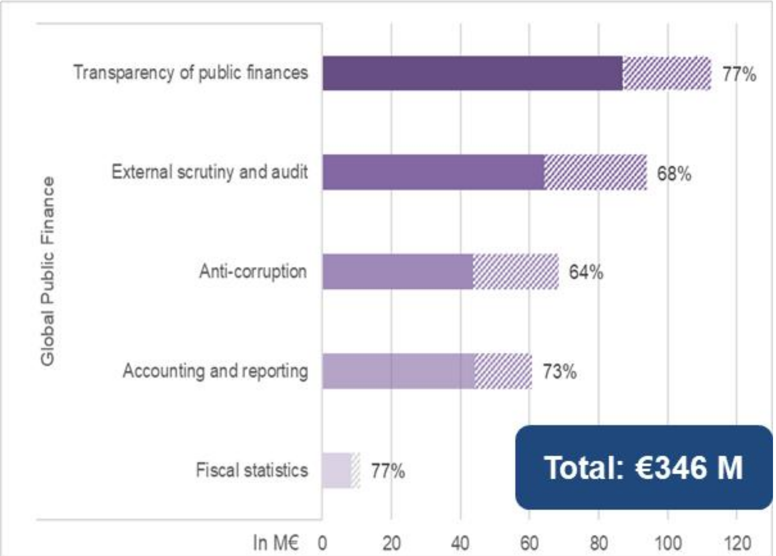
The question of the operational usefulness of the CMSB approach as a framework, that is unfamiliar to a significant proportion of the staff working in EUDs (40% of EUDs survey respondents) nevertheless remains open. In no country is it evident that the rationale behind EU interventions in the PFM/DRM domains has been the holistic approach suggested by the CMSB approach, as opposed to country-specific dynamics or windows of opportunity, and in some cases (Niger, notably) regional integration commitments. Although the areas that EU support focused on usually – and increasingly – include elements from both sides of the CMSB equation, the areas selected for support – both as VTIs linked to budget support and as technical support – have corresponded more to priorities established by the government or to the search for complementarity with other external partners. This even applies to a country like Kosovo*, where the EU did have sufficient weight to secure a comprehensive tax policy review through a performance indicator of the SRBC, a long-standing requirement of the IMF that had remained unmet until that point.

5.3 Focus placed on transversal CMSB issues – transparency of public finances including reporting, budget oversight, and fight against corruption – with still modest results (EQ3)

The EU has been supporting transparency and accountability in practically all countries/beneficiaries studied, in various forms but in an increasingly prominent way. On many components, the EU has clearly stepped up its involvement and visibility in recent years, such as budget transparency through the regular publication of financial reports in Cambodia, Cameroon and Rwanda, external audits in Cameroon, Georgia, Ghana, Niger, Timor-Leste, the reinforcement of internal audits in Cambodia, Ghana and Timor-Leste, but also procurement in Cambodia, Ghana and the Dominican Republic, and transparency in fiscal transfers to sub-national administrations in Cambodia and Ghana.

These efforts can be shown to have been successful in terms of engaging beneficiary governments, particularly in transparency and external oversight. As the following figure shows, EU financial investment through BS performance indicators has been particularly substantial regarding the transparency of public finances and external scrutiny and audit. The amounts allocated to performance indicators related to anti-corruption measures and accounting were also high. The share of VTI targets attained is also very high in areas such as public finance transparency (77% of the targets met), fiscal statistics (77%) and accounting (73%). Transparency and fiscal statistics are in fact among the best performing PFM areas in meeting VTI targets, along with policy-based budgeting (80% of the targets met) and revenue administration (77%).

Figure 19. Commitment and execution rate of CMSB support through performance indicators in the field of Global Public Finance



Source: ADE Mapping

Nevertheless, transparency and accountability outcomes overall, as measured by PEFA assessments, have not matched this high level of engagement. Most indicators related to transparency and accountability including outside financial reports on central government operations (PI-6), payroll controls (PI-23), internal audits (PI-26), and the two performance indicators (PIs) included under the 'external scrutiny and audit' section (PI-30 and PI-31) remained very low (see table 3), except annual financial reports (PI-29) which improved significantly and to a lesser extent, accounting for revenue (PI-20). Likewise, the quantitative analysis undertaken on all CMSB beneficiary countries shows no significant correlation between the level or the type of CMSB support and the country's performance on the Open Budget Index ranking.

For the case studies in which the OBI was assessed (see table below), there was a noticeable improvement in budget transparency, whereas on the public participation side, no clear progress was seen.

Table 3. Open Budget Index (OBI) scores

Country case study	Transparency		Public participation		Budget oversight	
	2015	***2019 (2021)***	***2015***	***2019 (2021)***	***2015 (2017)***	***2019 (2021)***
Cambodia	8	32 (33)	8	6 (0)	43/50*	50 (41)
Cameroon	7 (2017)	28 (34)	7 (2017)	11 (11)	24/33*	33 (33)
Dominican Republic	51	75	23	31	70/58	57 (63)
Georgia	66	81	46	28	N/A	82
Ghana	51	54 (56)	29	15 (20)	N/A	50 (39)
Mongolia	51	56 (60)	19	15	N/A	80
Niger	17	17 (27)	4	0 (0)	(39)	43 (43)

*Figures separated with a slash are respectively for oversight by the legislature and for external audit

While concrete outcomes are sometimes elusive, and bear witness to the long-term and multidimensional nature of the work to be conducted in this area, there are individual success stories regarding EU support for <u>public transparency</u> (Cameroon, Cambodia, Georgia, Rwanda and Niger) that emerge from the qualitative case studies. These success stories on the EU side manage to tap windows of opportunity for policy engagement with institutions other than ministries of finance, promoting strong complementarities between VTIs in BS and high-quality expertise, and the spillover of indicators related to transparency and accountability to programmes that do not have a focus on PFM, including ECFIN's MFA.

- In **Cambodia**, budget transparency, mainly related to the publication of easily accessible budget documents, has improved significantly, although the 2021 score remains rather low as regards international benchmarks. The score on budget oversight carried out by the government improved substantially until 2017, but deteriorated afterwards; at the same time, public participation practically does not exist. The EU has nevertheless played a key role, which has been underlined by the Cambodian interlocutors. A central purpose of the SRPC PFM and VTI was to improve transparency in areas such as procurement, the transparency of fiscal transfers to sub-national administrations, budget transparency through the regular publication of financial reports and external scrutiny and more generally, through a well-functioning FMIS. In parallel, the partnership established with SIDA/Sweden and funded through the complementary measures of the SRPC PFM attempted to implement a very comprehensive agenda involving audit institutions, parliament, and civil society, and contributed to reinforcing their capacities. Unfortunately, it shows limited added value, bringing many stakeholders together under the same umbrella in a setting where social capital is in scarce supply.
- **Mongolia**'s OBI transparency score increased, possibly as a result of the Glass Accounts Law 2014 (GAL), which requires all public agencies to publish data on a common, publicly accessible Glass Accounts Portal. The TA provided under the EU-financed TF supported Mongolia's participation in the BOOST international budget transparency initiative, the development and publication of Citizens' budgets and execution reports and the reorganisation of the Glass Portal. Still, public participation in the national budget process was practically inexistent during the period.
- Since 2019, **Georgia** is ranked 5th in the world on the OBI (with 81 out of 100 points), based on an analysis of 117 nations' budget transparency scorings, participation and oversight. While the country's political commitment is unquestionable, the effect of EU support has been boosted by two successive SRPCs on PFM, with performance indicators related to parliamentary oversight, external audit, and the citizen's budget. Extensive technical assistance has been given to the key audit institution, as well as the presence of some complementary policy benchmarks (notably, resolution of public procurement disputes) in DG ECFIN's 2018/2020 MFA programme.
- In **Rwanda**, the present study has found extensive and relatively timely public circulation of the government's budget proposal, approved budget, and end-of-year budget reports, information on public debt and publicly guaranteed debt, as well as external audit reports on the government budget, the only exception being in the SoE sector. The EU worked through both the PFM basket fund, and the inclusion of some VTIs targeting the Energy SRPC stating the timely publication of mid-year budget reviews and quarterly reports on energy matters. This combination has proved effective for extending the cultural change from the MINECOFIN to other line ministries that formerly lacked business processes and tools.
- **Niger**, which started from a very low base, and where public participation in the budget remains non-existent, has been able to make progress on budget oversight, with a comprehensive package of support from the EU that combines grants to all the oversight institutions, including the anti-corruption authority, and a focus of related VTIs on the parliament's engagement with the budget execution law ('loi de règlement').
- In **Cameroon**, the general condition regarding budget transparency, and the advocacy that led to the establishment of BS, triggered progress such as the publication of the 2017 PEFA evaluation, the publication of budget information on the MoF website, and two decrees being issued - on the timetable for budget preparation and on the timetable for the publications of public finance statistics - designed with technical assistance from the EU.

In parallel, the EU stepped up its work on the demand side of transparency, where it took advantage of its broader mandate, which includes the promotion of democracy. Steps were increasingly taken to involve parliaments, especially budget committees (Bangladesh, Cambodia, Ghana, Niger, Rwanda), also occasionally through indirect management (Timor-Leste). Lack of parliamentary leadership may be an obstacle, particularly in regimes that are less committed to democracy (Cambodia, Cameroon), but an example worthy of note is the multi-country work done with Portuguese-speaking parliaments in the framework of the EU-PALOP cooperation effort, which could leverage an already existing and extensive capital of contacts and trust between Portuguese-speaking countries. The promotion of citizens' budgets has been another area of intense EU policy dialogue and, sometimes, technical support (Georgia). Civil society organisations working on accountability have also been given significant support in Cambodia, Ghana and Mongolia, leading to some small steps forward.

> In 2016, on the EU's request, the Government of **Cambodia** accepted the inclusion of representatives from CSOs in the PFM Technical Working Group led by the EU to discuss the implementation of the PFM reform. The EU has encouraged and sustained its policy dialogue on budget transparency with a range of actors, including the National Assembly and civil society, which has for example permitted the conclusions of the OBI and PEFA reports to be discussed with CSOs.

A general finding from analysing this area relates to the limitations of a 'narrow' PFM approach that ignores wider interactions with political and juridical processes. Even successful support given to oversight institutions falters if follow-up is not ensured by the government or the judicial system. In Bangladesh, donor and EU support to audit institutions has taken relatively much time to become successful: its institutional environment is rather complicated, and there was ample room for professional upgrading. Relationships with such institutions have been less easy for the EU to set up, and less robust to incorporate internal changes of strategy (Georgia, Timor-Leste). The limited follow-up of the recommendations from oversight bodies is being addressed, for instance, in Niger, where the new SBRC includes a VTI on the overall follow-up of cases transmitted to the State Judicial Agency, and similar (not always successful) VTIs have featured in the Kosovo* BS programmes, which have – innovatively – included the ombudsperson institution.

The tension between the 'narrow' PFM approach and the wider 'governance' challenges pervades EU work on the fight against corruption. EU support to the fight against corruption has rarely taken the kind of multidimensional approach that is required to fight against corruption effectively, and that extends beyond PFM issues to embrace wider rule of law and governance areas. EUDs have rarely taken a high-visibility stance on the issue of corruption outside EU potential candidate countries such as **Georgia** or **Kosovo*** (although there are cases where HQ recommends broaching the issue in policy dialogue, for instance in the **Dominican Republic**). In the cases sampled, the EU interventions targeted anti-corruption authorities less often. In **Ghana**, **Niger**, and **Timor-Leste**, EU CMSB support has worked through VTIs linked to budget support programmes and/or TA (including direct grants). Only in **Ghana, Kosovo*** and **Timor-Leste** has the fight against financial crime become the thrust of a multidimensional EU approach, with a particularly elaborate and successful combination of instruments in place in **Kosovo***, due inter alia to the high stakes posed by its statehood and EU accession bid. To a lesser extent, **Ghana** is an example of what the EU could do in an ACP country in order to create a mutually reinforcing dynamic between PFM/DRM work and work on anti-corruption, rule of law and accountability.

> **Ghana** has benefitted from an EU anti-corruption, rule of law and accountability programme (ARAP), which supported the CHRAJ (Commission for Human Rights and Administrative Justice), that was in charge of conducting joint anti-corruption civic education campaigns and other activities in line with the National Anti-Corruption Action Plan (NACAP) adopted in 2014. NACAP's medium-term action plan failed to receive the required funding from the government, in spite of its commitment under the 2017-2024 7-year national development strategy. However, according to a final evaluation of the project, despite an ambiguous policy environment, ARAP did create institutional buy-in on a comprehensive methodological approach involving combined institutional capacity enhancement in the areas of education, prevention and prosecution. The project has

especially contributed to building a coalition of civil society, law enforcement, parliamentarians and international partners to influence the OSP bill, which in 2018 established the Office of the Special Prosecutor (OSP) (supported by a specific VTI of the EU SDG-C). This is not yet reflected in the OBI indicators.

In parallel, the EU has been taking a more active interest in supporting reporting, fiscal data and statistics, which are key ingredients in accountability and transparency. There are two intertwined but distinct components to this workstream. One is the design and roll-out of the IT infrastructure, the other is the control of the quality of the information processed in the system. While the common opinion is that the EU traditionally works more on the second of the two components, especially the reliability of budgetary information, and the improvement of the authorising and oversight environment, **the reality is that the EU increasingly engages in the development of IT systems as well** (as observed in 6 of the 12 case studies: Cambodia through the CAP3+2, Cameroon, Malawi, Niger, Rwanda through the PFM basket fund, and Timor-Leste) **with mixed results**. According to EUD survey respondents, "improving quality of fiscal statistics" and "better addressing digitalisation" are the 6th and 7th objectives (likely to be) met by EU support to public finance.

- In **Niger,** the EU made a major contribution to the adaptation of the integrated budgetary and accounting management system (CEGIB) to the new provisions of the LOLF by providing support for the first part of the implementation of the CEGIB platform in 2015 (preparation of the budget and general accounting) and its second part (budget execution), as well as by financing the cabling and interconnection of the sectoral ministries to the MF and the supply of technical and computer equipment. Support was also provided for the computerisation of public investment management and the automation of government employees' payroll. The adaptations made to the CEGIB made it possible to ensure the switch to a programme budget on 1 January 2018, even if adjustments or consolidations had to be made in 2019. Long-standing EU engagement has led to functioning budget preparation and accounting, as well as budget execution modules. Still the FMIS does not yet have all the necessary functionalities, is not fully deployed and is not sufficiently interfaced, the EU continues to fund the connectivity with line ministries, has just successfully finished funding payroll automation, and is moving towards the integration of the public investment programme in the system and its execution.
- In **Cambodia**, the EU played a key role in supporting the setting up of FMIS through the sums disbursed from the PFM SRPC which were fully allocated to the funding of the PFM Reform Programme (38% of the PFM RP budget was spent on developing the FMIS). Detailed VTIs, over two successive PFM SRPC programmes, established some milestones for the development of the FMIS, namely the operationalisation of FMIS (Phase 1) in the Cambodian MEF and provincial treasuries, the drafting of a blueprint for FMIS Phase 2, the production of IPSAS-Cash compliant Government Financial Statements in 2016, the procurement of equipment and licenses for FMIS Phase 2, the installation of FMIS in line ministries and the capital and provincial offices of the department of Economy and Finance, the piloting of FMIS modules on budget preparation, and procurement and contract management.
- In the aftermath of the Cashgate scandal, supporting the national information systems in order to foster fiscal compliance, accountability and oversight has been at the heart of the EU CMSB approach in **Malawi**. The development of the IFMIS system was a key area the EU intended to support by contributing to the WB MDTF between 2014 and 2018. But while procuring and applying a new IFMIS, it was considered critical to implement better accounting and financial management control, and in view of the outdated and inefficient system in place, a new IFMIS was not launched. The project then attempted to enhance the existing system with new hardware and software as well as new interfaces, which led to unstable or unaccomplished results that affected the optimal operation and application of controls as well as the overall quality of financial reporting.
- In **Cameroon**, the EU provided support – on very different scales – to several information systems. By far the most important support given was the development of the SIGIPES II

integrated human resources management system, for the management of over 400,000 working and retired civil servants. This proved to be a failure as the implementation was not completed due to strong resistance to change in a critical area of expenditure management when it should have come to the system's implementation.

VTIs in this area have not always built on each other over a reasonable number of years, failing to target the key junctures in the reform in sequence. While in some cases VTIs have been useful to signpost critical steps of the reform (**Cambodia** is the best example), in many cases (**Malawi** is an example) international agencies have found that building blocks such as accounting controls, payroll management systems, a proper internal audit framework, or even the independence of the external auditor, needed to be fully in place 'on paper' before they could be hardwired into an MIS.

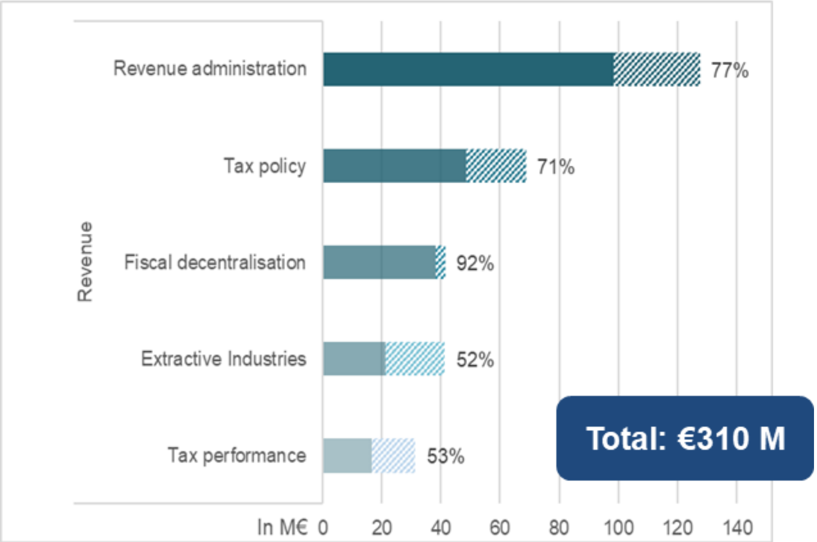
In some cases, a well-designed long-term TA that enjoys the trust of the beneficiary institution has been more effective than BS in the fine-tuning of interventions necessary to promote the potential of an FMIS. This is particularly the case when the TA addresses the 'change management' involved in linking a financial information system with the audit processes.

Finally, the EU mostly shuns involvement in the financial management of state-owned enterprises (SoEs), including issues related to the transparency of their financial documents, even though in some countries (**Dominican Republic, Georgia, Mongolia** and perhaps **Rwanda**), this point may be a key source of fiscal imbalance and hidden liabilities. The work that has been done has mainly consisted in mapping and reporting the fiscal risks involved, rather than addressing the risks.

5.4 Collect More (EQ4): a contribution to a more modern and efficient tax administration, but with still limited effects on DRM

Overall, according to the mapping, over the 2015-2020 period, euro 400 M was allocated by the EU in terms of direct support to "Collect More", including nearly euro 310 M allocated to VTIs that were dedicated to mobilising resources. The EU adopted fairly differentiated support profiles in the various regions, favouring the use of VTIs in countries that received significant BS, such as countries in West and Central Africa (euro 147 M), as well as other countries in the Middle East, North Africa and Central and South Asia. On the other hand, in the Caucasus and in accession countries, EU support for DRM was almost exclusively in the form of capacity-building support; this was also the case in Latin America, but the EU targeted the DRM component very little in this region, and equally little in Southeast Asia.

Figure 20. Commitment and execution rate of CMSB support through VTIs in the field of DRM



As indicated by the mapping, the survey and the case studies, in general terms, improving tax policy has not been a priority objective of the EU. The VTIs that directly targeted a goal related to tax policy represented only one quarter of the total amount of the DRM (euro 70 M), less than half of the amount dedicated to tax administration.

There may be several reasons why improving fiscal policy was not one of the EU's main goals for the countries studied: an explicit choice made by the government in question, the objective importance of tax administration priorities, and differences between DPs priorities and IMF positioning on these issues. It is important to highlight the role played by the highly targeted capacity-building activities implemented by the IMF's regional technical assistance centres (co-financed by the EU). The EU's largest direct contributions principally involved support for developing national domestic revenue mobilisation strategies (Cambodia, Malawi), the adaptation of tax legislation and its alignment with international standards (Malawi, Kosovo*, Georgia), the introduction of capital gains and personal income taxes (Cambodia), VAT reform (Malawi), as well as e-commerce taxation and information exchange procedures (Kosovo*).

EU support for the introduction of a personal income tax in Cambodia: As part of PAT (Partnership for Accountability and Transparency in Cambodia), funded by the European Union and managed by the Swedish Cooperation Agency (SIDA), in March 2018 a feasibility study on personal income tax (PIT) was carried out and presented to the General Department of Taxation (GDT). More relevant studies were carried out as the PIT legislation began to be compiled. The initial goal was to introduce a personal income tax which had simple rules that the GDT would find easy to implement, and that could be easily understood and complied with by taxpayers. Besides broadening the tax base, the PIT was also designed to increase the progressivity of the tax system and to generate potential positive effects on social welfare. Finally, in line with the second revenue mobilisation strategy currently in force, the government decided that the PIT would be divided into two parts: a capital gains tax (CGT) launched in 2020, and an income tax, the outline of which is still under study and which is unlikely to be introduced before 2024.

EU contribution to Niger on tax exemptions: The issue of tax expenditures was taken into account in the policy dialogue with the government, based in particular on an additional indicator added to the VTIs of the SBC II relating to the total amount of current exemptions (cumulative taxes and customs, but excluding the security sector given the national context). Today, we can see some progress in this area: the adoption of a bill in 2017 to review certain provisions of the 2014 Investment Code and limit the losses generated by tax exemptions; the creation of a centre within the Ministry of Finance that is in charge of ensuring that tax exemptions are systematically recorded, monitored and analysed; and an annual report issued on tax expenditures, appended to each budget law.

Even if the UE does not contribute directly to the formulation of tax policy in these countries, it seeks to participate in the dialogue that takes place there on tax policies. In these cases, the EU relies on indicators of its budget support that is earmarked for DRM. It can thus regularly monitor how this is evolving and performing, and make it a political talking point between the EUD and the government, as, for example, in Timor-Leste.

While not highlighted as such by the survey, specific support by the EU CMSB was provided on issues of transfer pricing and international transactions that has taken on increasing importance in developing countries (Rwanda, Malawi).

Consolidating the foundations for a good transfer pricing policy in Rwanda: Targeted support on the issue of transfer pricing was funded by the EU via several successive rounds of TA. First, an in-depth review of international transaction legislation was completed, including specific transfer pricing regulations. Then, changes were made to TP regulations/directives in order to consolidate their effects. The new guidelines have thus clarified and strengthened the application of TP with respect to comparability analysis, selection of TP methods and taxpayer documentation requirements. In order to reinforce the effect of the new guidelines, a TP declaration form has been developed that contains information on potentially risky transactions and how to better select audits. This has enabled the RRA (Rwanda Revenue Authority) to gather information from more companies and to improve risk assessment. Recommendations have also been made to change the law so that TP audits can be carried out separately from other CIT (Corporate Income Tax) matters, but the new law has yet to be passed.

Overall, EU support for international partnerships (Global Forum, BEPS and UN Tax Committee programmes) yielded positive contribution both in terms of improved tax compliance and effects on tax revenue. The EU, in conjunction with the OECD/G20 BEPS project,[11] has supported at least five of the countries studied[12] to adopt and **implement instruments aimed at combatting tax evasion** (Dominican Republic, Mongolia (which was in this way able to join the Inclusive Framework on BEPS in 2018), Georgia, Ghana (training) or Kosovo* (preparatory activities for BEPS)).

All the countries in the sample benefitted from EU contributions to strengthening tax administration, albeit with points of focus and scales that varied very widely. The EU has, in most countries in the sample, focused its support on tax administration issues.

The TADAT assessments and their recommendations have been an important source of information, both for setting priorities nationally and also for EU interventions. All the countries in the sample, except Timor-Leste, carried out at least one TADAT assessment between 2015 and May 2022. And four countries (Kosovo*, Rwanda, Georgia and Niger), carried out two assessments, which provided an important basis for measuring progress, recorded using the 28 high-level indicators included in the tool.

Very important advances were made by the development of tax and customs information systems and the establishment of platforms for electronic declaration and electronic payment (Bangladesh, Ghana, Niger, Timor-Leste), as well as the development of risk management systems (Georgia, Ghana, Kosovo*). Other areas were given support depending on the reform agendas of the countries concerned, such as, for example, statistics and projections on tax revenue (Malawi).

The use of VTIs linked to tax administration reforms has been quite widespread (equivalent to approximately euro 130 M in total) and the targets have most often been met, as seen in the achievement rate in this area of 77%, one of the of the highest CMSB components; In general, the

[11] The OECD BEPS Project (OECD/G20 BEPS Project), carried out under the aegis of the OECD and the G20, includes a package of 15 actions that are intended to equip governments with national and international tools to combat tax evasion by ensuring that profits are taxed where they are generated and where the value creation actually takes place.

[12] Cameroon and Rwanda also received assistance but it was not highlighted during the interviews

goals that had been set by the EU in terms of tax administration reform and performance – in particular via the budgetary support VTIs – were achieved. However, it is not always clear what the EU's contribution is to the policy dialogue on reforms. Significant indirect contributions should also be mentioned, via support from the IMF's regional TA centres or the IMF's Revenue Mobilization Trust Fund.

- EU contribution to strengthening revenue projection in **Malawi**: The support provided by the EU here is part of a step-by-step approach that covers different areas: analysing quality of information, software development, support for forecasting and analysing results, and adaptive strategies. The goal is to strengthen the forecasting function of the Revenue Policy Division (RPD). Regarding the first area, the Chuma Cha Dziko project carried out an in-depth assessment of tax and non-tax revenue statistics and the availability of information. A report submitted to the RPD pointed out shortcomings and made a series of recommendations. Regarding the second aspect, a tender has been put out to purchase computer equipment and revenue forecasting software. In addition, a first set of short- and medium-term revenue forecasts, including tax expenditures, have already been made available. Finally, it was suggested that the project work with the RPD team by applying PDIA (Problem Driven Iterative Adaptation) techniques which ensure that the needs of the beneficiaries are properly met and that the use of resources is optimised.
- In **Kosovo***, the EU deployed all available tools to support strengthening tax administration. Firstly, it took part in political dialogue in the framework of monitoring budget support programmes and indicators targeting tax administration reform priorities (e.g. the EU4Resilience indicator relating to the publication of sales prices in real estate transactions). It then funded an IMF-executed project that helped the Tax Administration of Kosovo* (TAK) implement several compliance projects. The objective is that in the medium term, more than 90% of the TAK's operational activities will be guided by compliance strategies; the plans developed aim to mitigate the main risk areas (for example, compliance risks related to the industrial sector). In addition, two important agreements were finalised and ratified in 2020: the FISCALIS 2020 agreement (which allows the TAK to be part of the EU programmes on the exchange of information and the exchange of experiences with Member States members in the field of taxation) and the CUSTOMS 2020 programme.
- In **Ghana**, following the 2017 TADAT assessment, the competent authority (the Ghana Revenue Authority - GRA) approved two successive strategic reform plans, covering the 2016-2019 and 2020-2022 periods, respectively. Here the EU has supported the national reform process indirectly through the Revenue Mobilization Trust Fund (IMF-RMTF) and the AFRITAC West II centre (co-financed by the EU). The activities focused on policy dialogue, advice and capacity building, on one hand with a specific focus on the design and implementation of ICT in tax administration, and on the other hand, the development of effective risk management strategies. The EU has no direct technical involvement in the activities but it participates in policy dialogue with the government and other DPs, based on two VTIs linked to its budget support (SDG-C) regarding tax compliance and tax registration respectively.

EU support for the mobilisation and management of non-tax revenue (NTR) has been rather limited in the sample countries. Rather than being a deliberate decision, this situation was instead the result of the limited importance given to non-tax revenue in ongoing reforms. The EU provided direct support in this area in four countries. This focused on carrying out certain studies (such as a study on parafiscal taxation in Cameroon) or certain strategy documents (the NTR master plan in Cambodia), strengthening the monitoring and control of NTR collection (Malawi), or forecasting revenues to be obtained from extraction industries (Ghana).

Overall, the efforts undertaken to fulfil the Collect More strand have not yet really shown clear results in terms of the evolution of the tax ratio. Generally speaking, the analyses carried out at the beginning of the period studied highlighted a persistent weakness in the countries' domestic revenues, especially in low-income countries where revenue did not exceed 15% of GDP (compared to around 17% for lower-middle-income countries). With regard to the sample of countries selected, in general terms, we note that the efforts undertaken around the Collect More component have not yet really produced the results hoped for in terms of the evolution of the tax ratio which remained relatively unchanged over the 2015-2020 period for most of the countries in the sample, with only two countries (Cambodia and Mongolia) showing a clear increase in the ratio between 2015 and 2019.

Table 4. Tax revenue (% of GDP)

Country	2015	2016	2017	2018	2019	2020
Bangladesh	8.5	7.3	7.0	7.7	7.6	7.0
Cambodia	14.6	14.8	15.6	17.1	19.7	17.9
Cameroon	12.1	11.7	11.9	12.3	12.0	10.9
Dominican Republic	12.8	12.9	13.0	13.0	13.3	12.4
Georgia	22.8	23.5	23.3	22.4	23.1	21.4
Ghana	11.7	11.1	11.6	12.2	12.0	11.3
Kosovo*	..	..	..	..	..	..
Malawi	15.2	15.5	12.2	12.2	12.0	11.7
Mongolia	11.9	11.4	13.5	16.7	16.9	14.1
Niger	12%	9,9%	9,5%	11%	10%	9.6%
Rwanda	13%	14%	13%	14%	15%	15.7%
Timor-Leste	36%	15%	20%	25%	23%	na

Sources: IMF

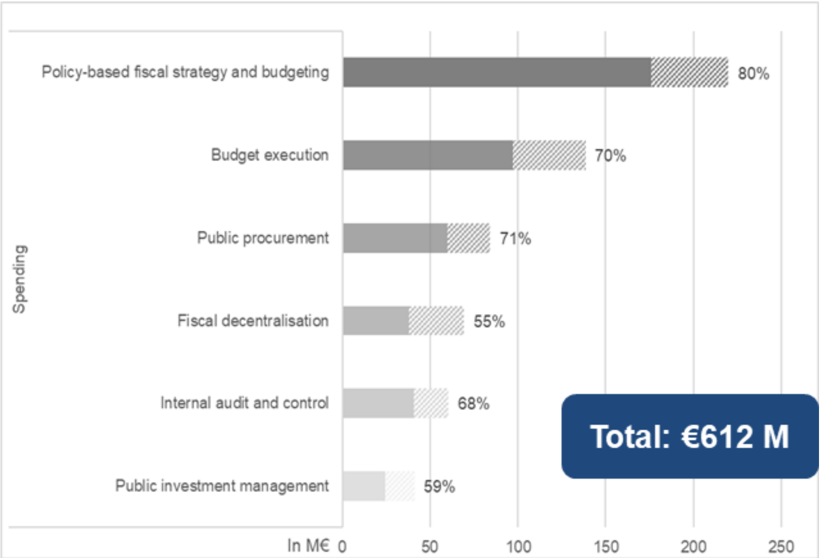
Several of the country reports highlight the difficulty of measuring quite how much the EU has contributed to reforms that have been implemented in the field of taxation and tax administration. The results obtained are due to several interwoven factors, including the relevance and coherence of the national DRM strategy, the internal capacities regarding the main tax services, the IT systems in place for taxes and customs, the quality of tax governance and policy dialogue, how aligned DP support is with government guidelines, how complementary this support is, the commitment of civil society around tax issues, etc.

Similarly, the use of one lever or another is not in itself a guarantee of success. This is particularly true for VTIs that are linked to budget support, where the relationship between input, output and outcome is far more complex than that observed in a TA project. The case studies thus show that for some countries, the VTIs had a striking effect both in terms of driving political dialogue and the effective implementation of reform measures, while for other countries, they do not seem to have had any special role in providing incentives. The COVID-19 health crisis brought additional disruptive effects, obviously negatively affecting the revenues themselves and the dynamics of reform, but also undermining the use of VTIs.

5.5 Spending Better (EQ5): contribution made to stronger policy-based budgeting (mainly on current budget), while execution processes are evolving very slowly, limiting the improvement of the quality of spending

The CMSB approach specifically targets four PFM domains in its approach to the spending side and the issue of quality. These domains are subsidy programmes, public investment, public procurement and debt management. Additional areas such as policy-based budgeting, internal control of expenditure commitment and auditing were also included in this evaluation as major components of the PFM cycle. Policy-based fiscal strategy, budgeting and budget execution were the factors most addressed by the EU when supporting the Spend Better strand, followed by public procurement, public investment, fiscal decentralisation, internal audit and control, and public investment (see figure below).

Figure 21. Commitment and execution rate of CMSB support through VTIs targeting the "Spend Better" strand



Source: ADE Mapping

5.5.1 EU contribution to budget programming

As many countries are moving from the traditional line-item budgeting to results-oriented programme budgeting in order to improve the strategic allocation of resources and have a budget that is both planned and executed in line with government priorities (9 out of 12 countries in the case study have developed some form of performance budgeting), **EU CMSB support has contributed to the implementation of policy-based budgeting, but progress was achieved at a slower pace than anticipated. Some results were achieved in the building of macro-fiscal tools and the adoption of programme budgeting.**

Macroeconomic modelling tools were developed in some countries with EU support (Bangladesh, Cambodia, Georgia, Kosovo*, Mongolia), strengthening the technical capacity of those countries in the elaboration of macroeconomic scenarios to support budgeting, thereby contributing to improving budget credibility, as shown in Cambodia and Mongolia by higher scores in the projections of aggregate expenditure outturn, the composition of expenditure outturn and aggregate revenue outturn in the 2015 and 2021 PEFAs. A better articulation between planning and budgeting could also be observed in countries that benefitted from EU support, such as for instance in Cameroon, Dominican Republic and Niger, where some form of performance budgeting was adopted. However, the complexity of developing macroeconomic planning tools has not always been anticipated during the formulation of the EU programme. The achievement of the variable tranche targets associated with this dimension of the reforms was often disappointing. The difficulties encountered were mainly due to poor statistical data and in the linkage between the macro level (MTBF/MTFF) and the sector level (MTEF) related to poor communication between the MOF and line ministries and the lack of planning at sectoral level.

The roll-out of the reforms to the sector and local levels, particularly in countries that are adopting performance budgeting, has proved to be an area of EU intervention that has great potential, but that has had mixed results. While the EU provided support to the roll-out of the budgeting and reporting tools at the sector ministerial level (e.g. Niger, in the context of the adoption of WAEMU directives, Cameroon in the context of CEMAC, with a variable tranche indicator on the improvement of the quality of public expenditure in the rural sector), the results were limited due to the still weak managerial and technical capacities related to performance budgeting at the sectoral level. At the same time, from the Ministry of Finance side, the routines of the previous type of budgeting still prevail in communications with the line ministries. The articulation between the sectoral and central level has also been undermined by the lack of synergies between EU support provided at sectoral level and support provided for implementing the reform at a more central level (see section 3.4.2).

The EU has promoted the linkage between the PFM reform and decentralisation policies in some countries (e.g. Georgia, Ghana, Cambodia and Timor-Leste), knowing that most public services are delivered at the local level and that the effectiveness of sector policies ought to be seen at that level. But results were disappointing, mainly due to a lack of genuine political commitment to implementing the decentralisation strategy (Ghana and Cambodia).

> The entry point of the CMSB approach through the decentralisation lens intended by the EU in **Ghana** has indeed faced strong political resistance, or at least, a lack of genuine political commitment that has considerably undermined the attainment of results, as witnessed by the low level of achievement in the VTI of the SRC. The strong "top-down" approach to decentralisation/devolution promoted by the EU in this sector until 2020 has been particularly challenged and was effectively reviewed under a new Joint Programming Document of 2021-2027, where a more "bottom-up" approach was applied.

In some countries (Cameroon, Bangladesh, Cambodia, Niger) the EU put strong emphasis on the adoption of such an approach, but there is still a long way to go before this budgeting process is fully operational. Despite some positive examples, the implementation of policy-based budgeting has faced notable difficulties and delays. Reforms in this area have therefore been much slower than initially anticipated and as a result, the adoption of macro-fiscal tools and the introduction of performance budgeting are, in most cases, still far from being completed or consolidated. The length of public finance reforms seems to have been underestimated when designing PFM budget support programmes and TA projects and could have jeopardised the achievement of some variable tranche indicators related to policy-based budgeting. Despite the progress made so far, there is a sense of frustration, as the expected results are not achieved within the time initially foreseen and tend to exceed the duration of the EU programmes. Several factors can explain the delays, namely the absence of a performance management culture in the public administration, political resistance to delegating powers to the lower levels of the administration (line ministries and local governments), weak technical capacity and high turnover of qualified staff. Performance budgeting implies a move from the traditional administrative culture to results-oriented management, and such a process requires significant cultural and institutional changes, which can constitute an obstacle to change.

Overall, PEFA scores indicated slight improvements during the period in terms of budget programming (notably the medium-term perspective in expenditure budgeting (PI16) and to a larger extent macroeconomic and fiscal forecasting (PI14)), but strong weaknesses are still highlighted as far as fiscal strategy is concerned (PI15) and even in terms of medium-term budgeting.

5.5.2 EU contribution to budget execution and internal control

EU support has contributed to reinforcing the budget execution and control process, mainly at the internal audit and expenditure control stages, but there is no evidence of systemic improvements in the budget execution cycle, covering formal appropriations to expenditure commitments, verification, order of payment, payment, and accounting. In this area, the EU has favoured support to the internal audit function. In some cases (e.g. Niger and Timor-Leste) EU support provided a framework that integrated the fight against corruption with the strengthening of budgetary control and oversight (both internal and external).

There were improvements in different areas, such as the installation and reinforcement of internal control units, revision of legislation, improvement of financial control, follow-up of recommendations, expenditure and payroll controls, and audit planning. EU programmes and projects made significant contributions to improving the management of staff and payroll, a critical category of public expenditure, given its weight in total expenditure. Interventions included the development of IT systems to manage both staff and payroll while maintaining consistent interfaces. This allowed the updating of staff and payroll procedures, as well as payments through the banking system and timely reporting.

- **Cambodia**: some elements of the internal audit function have been strengthened. Following the variable tranche targets of EU budget support, an internal audit manual has been approved; the internal audit units now cover at least 80% of line ministries, representing at least 50% of recurrent government expenditure; at least 75% of audit plan engagements were completed; there was an effective and timely follow-up of internal audit findings. Despite those partial improvements, there was no visible effect on the overall performance of the audit function (comparing 2015 and 2021 PEFAs, the score relative to internal audit remained low (C).
- **Georgia**: the support provided to the internal audit, together with other development partners, led to the establishment and operation of the internal control system. Internal audit units were established in all line ministries, functioning according to the regulation approved.
- **Malawi**: EU support had a direct impact on the improvement of internal control systems and the reliability of financial transactions, as well as the deployment of compliance officers in line ministries, departments and agencies (MDA) in charge of the pre-audit of transactions. The EU BS roadmap has also favoured a progressive strengthening of the commitment control system, and payroll control and reconciliation. Based on EU recommendations, the budget division has developed a stand-alone tool to better register all government commitments.
- **Timor-Leste**: training staff with EU budget support has contributed to increasing performance, which is reflected in improved reporting. Moreover, a variable tranche target was an effective incentive to regulate civil servants' pay, which is transferred to bank accounts.

On the execution side, progress is also noted but many components are still at very low performance levels: the three indicators that cover internal controls and audits have improved during the period, especially the one related to internal controls of non-salary expenditure (PI25) which was already at a high standard. Payroll controls (PI23) and internal audits (PI26) are nevertheless still at a worrying low level.

5.5.3 EU contribution to public procurement systems

In line with the CMSB approach, the EU has dedicated particular attention to supporting the improvement of procurement systems, particularly in countries that have benefitted from budget support, with some progress achieved in terms of procurement transparency and access to information.

Procurement was seen as a key instrument for improving the efficiency of public expenditure: weak public procurement practices adversely affect the quality of budget execution and the efficiency of government expenditure. In some cases, this was also seen in the context of a multidisciplinary approach to combatting corruption, which implies the integration of transparent procurement processes. In this respect, a distinctive feature of EU support was the complementarity given to procurement with the domains of budget oversight and combat against corruption.

The EU approach to procurement has not focused on any particular area of the procurement system or cycle, but it has instead been oriented to the purpose of filling the gaps in each country's procurement system and in the target areas considered as core areas of the system, such as the institutional and legal framework (Georgia), the access of the public to bidding information, particularly through the development of procurement portals (Dominican Republic, Kosovo*, Malawi), and the improvement of procurement statistics (Cambodia). EU interventions in the domain of procurement through budget support faced some implementation issues, as manifested in the relatively low execution rates (71%) of the indicators on procurement included in the variable tranches. But as reflected by the case studies (see the box below), some progress has been made in particular in transparency and access to information, and in some cases in the reduction of corruption, such as in Rwanda.

- **Dominican Republic**: the EU played a key role in supporting the reinforcement of the public procurement system through a combination of aid modalities, such as dedicated capacity-building and budget support with performance indicators and technical assistance. As a result, online procurement for all central government institutions has been unified, public access to information has improved, the vendor registry has been refurbished and gender issues have gained greater visibility in bidding. Elaboration of a policy on green public procurement was also one of the results.
- **Georgia**: the EU contributed to strengthening the capacity of the institutions in charge of public procurement, particularly the State Procurement Agency (SPA). It also supported the drafting of legislation envisaging the convergence with the EU. A twinning contract with the SPA enhanced its institutional, human and technical capacities, to facilitate the approximation of the Georgian public procurement legislation with the EU acquis and to introduce EU and international best practices within this framework.
- **Kosovo***: the EU has had a critical role in contributing to the substantial progress of the regulatory procurement framework, in accordance with the EU acquis. Progress has also been made in the publication of procurement information on the e-procurement platform; the obligation to use that system in all tenders has also had some success in the fight against the abuse of negotiated procedures.
- **Rwanda**: the EU contributed, although indirectly, through a Trust Fund, to the strengthening of the procurement system, including the development of an e-procurement portal, which is currently fully operational. In particular, it contributed to higher transparency in the bidding process, with an impact on reducing the incidence of corruption and increasing the effectiveness of the procurement process. The EU support to oversight institutions (parliament, Office of the Auditor General and the ombudsman) reinforced the institutional set-up and complemented the procurement system in ensuring greater transparency and combatting corruption.

Procurement has been reinforced according to PEFA score on PI 24 (increased to 2.5 equivalent to C+), but remains a major challenge, as stressed in the last PEFA report "There is prevalent use of non-competitive methods, which has implications for the quality and efficiency of government expenditure. Nearly 63% of countries (or 50 countries) awarded contracts (valued at more than 40% of the total value of contracts) through non-competitive procurement methods".

5.5.4 EU contribution to Public Investment Management

Public investment management gained greater visibility with the 2016 edition of the PEFA and the 2017 Budget Support Guidelines, thus recognising not only its importance in the composition and quality of public expenditure, but also the fact that it can be a key driver of economic growth. Public investment is an essential domain of public management, which has a major impact on the quality of public expenditure. To that end, a rules-based, transparent management system is essential for ensuring efficiency, effectiveness and accountability in the use of public financial resources. Ultimately, together with procurement, public investment determines the efficiency and effectiveness of public services in terms of quality and coverage. **However, this domain has not been considered a major priority in most EU support programmes** (less than €50 million was committed through VTI targeting PIM). Moreover, the low execution rate (59%) indicates significant implementation issues. Some improvements in the public investment systems supported by the EU have been reported, but the overall results of EU intervention in this domain look disappointing, with the exception of Cameroon, where PIM was strengthened in sectors benefiting from EU BS.

- **Georgia:** the adoption of a project appraisal mechanism and its inclusion in the state budget.
- **Dominican Republic:** the preparation of a planning manual and an institutional performance plan.
- **Cambodia:** the legal framework has been developed, but this did not change the overall negative PEFA assessment between 2015 and 2021.
- **Kosovo*:** the prioritisation of project proposals.
- **Mongolia:** an appraisal-based selection methodology has been developed, allowing major projects to now be prioritised before their inclusion into the budget according to the defined criteria. Moreover, the investment project monitoring system has improved, allowing for periodic reporting**.**
- **Cameroon:** improved public investment project management envisaging the rationalisation of projects at the sector level (MINADER and MINEPIA). For these two ministries, the strengthening of public investment management was undeniable, with achievements made at four levels: (i) rationalisation of the project portfolios to be included in the MTEFs and the budget; (ii) operationalisation of the project database; (iii) effective centralisation of all activity reports and financial reports of projects and EPA/EP; (iv) annual reviews conducted of project portfolios and EPA/EP**.**

The poor record of the EU in improving Public Investment Management could partially be explained by the fact that public investment management is an area dominated by other multilateral organisations such as the World Bank, the regional development Banks and the IMF, suggesting a limited role left to the EU. It could also reflect a more general difficulty in improving Public Investment Management, as suggested by the average PEFA score observed on Public Investment Management (PI11) over the whole period, which remained close to 1 (equivalent to a D score). The management of public investment remains largely problematic; the PEFA report underlined the "widespread weaknesses in capital budget investments as for instance 63 countries (80%) do not include projections of the total life-cycle cost for major investments or a year-by-year breakdown of costs in their budget documents".

As the PIMA assessments showed, public investment decisions are generally characterised by low transparency and not always governed by clear rules. The discretionary nature of investment expenditure introduces a political dimension into investment decisions, which often considers the application of appraisal, selection and prioritisation rules as low priority.

5.6 Better Managing Debt (EQ5): an indirect EU contribution through (mainly financial) support provided to the Debt Management Facility

EU support for debt management has been mainly channelled through an international partnership with the IMF and the WB. In that context, the EU is not seen as a major actor and therefore is rarely involved in policy dialogue with governments on debt issues. A limited number of VITs were used to address debt management issues with a low achievement rate; more success was seen in the reduction of arrears, but this was only partial.

Figure 22. Commitment and execution rate of CMSB support through VTIs – debt management

Source: ADE Mapping

The main objective of the EU in contributing to the DMF was to facilitate access to technical expertise to partner countries for strengthening debt management frameworks and processes and contribute to alleviating the burden of growing debt. This objective is highly relevant in view of the growing concern around debt sustainability in LICs and LMICs, and is broadly achieved. The relevance and quality of the technical expertise provided is largely recognised but the outcomes remain modest in terms of debt sustainability and fiscal space. Technical support provided through the DMF for the last 10 years has permitted the debt diagnosis to be improved quite substantially, through the DeMPA tool developed[13], the formulation of medium-term debt strategies and the adoption of a reform plan. The implementation of reforms has been more difficult to achieve and is largely still work in progress. The DeMPA tool helps track this through repeat assessments, some of which have already taken place, but the framework is demanding, and few countries clear all the hurdles to achieve an A or B rating.

Looking at the PEFA indicator that assesses three main components of debt management (Performance Indicator (PI)13 – recording and reporting debt and guarantees, approval of debt and guarantees, and debt management strategy), debt management was rated as very satisfactory and has further improved in recent years, reaching an average score of over 3 (equivalent to B).

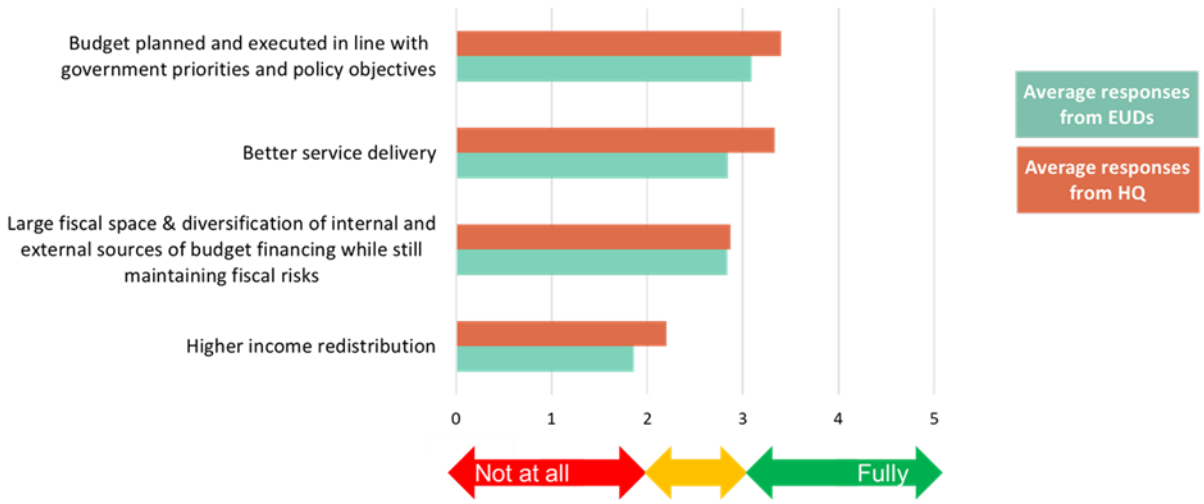
In contributing to the DMF as for other IPs, the EU is also pursuing another objective, that of participating in discussions on the issue of debt and macroeconomic sustainability at the international level and possibly also at the level of each country. More generally, this is part of the EU's attempt to strengthen its overall footprint in supporting the CMSB approach and to appear as a legitimate and credible participant in CMSB as a whole. On this point, the contribution to the DMF probably does not entirely fulfil its objective. The EU monitors the evolution of public debt in the context of its assessment of macroeconomic stability for eligibility purposes, but it is not seen as an actor in this field and is rarely involved in policy dialogue on these issues. The EU's contribution to the DMF is mainly financial, since the DMF's strategic and technical orientations remain largely driven by the WB institutions. At the country level, technical assistance or training provided through the DMF are perceived as WB/IMF support. Debt Management Performance Assessments (DeMPA) have been the only conduit that have allowed the EU to have some presence in discussions on debt.

[13] DeMPA was launched in 2008 and was revised in 2015 and 2021. It has established a diagnostic and reform management tool that is widely accepted because of its highly standardised nature, the authority and mandate of the WB and IMF, and the reputational risks a country may incur on the financial markets for not showing compliance.

5.7 Contribution of EU CMSB support to outcomes: stronger budget discipline and debt management without widening the fiscal space; no visible improvements observed in resource allocation and public service delivery (EQ6)

EU staff's perception as reflected in the survey (Figure 20) was fundamentally correct. Although unevenly, EU CMSB support is very likely to have contributed to paving the ground to stronger policy-based budgeting and execution, but with limited visible outcomes up to now in terms of sustainable improvement in public service delivery. EC support has contributed to some extent to improving budget planning and execution in line with policy objectives. There is slightly less optimism, particularly in field-based staff, that better service delivery has ensued, and the contribution to widening the fiscal space and sources of funding for the budget in the long term is also seen as moderate. Finally, the redistribution objective is shown to have not really been integrated into the CMSB approach.

Figure 23. EU staff perception on the contribution of EC support to the following outcomes through its support to PFM/DRM



Source: ADE, based on responses of EU staff to an online survey, 2022

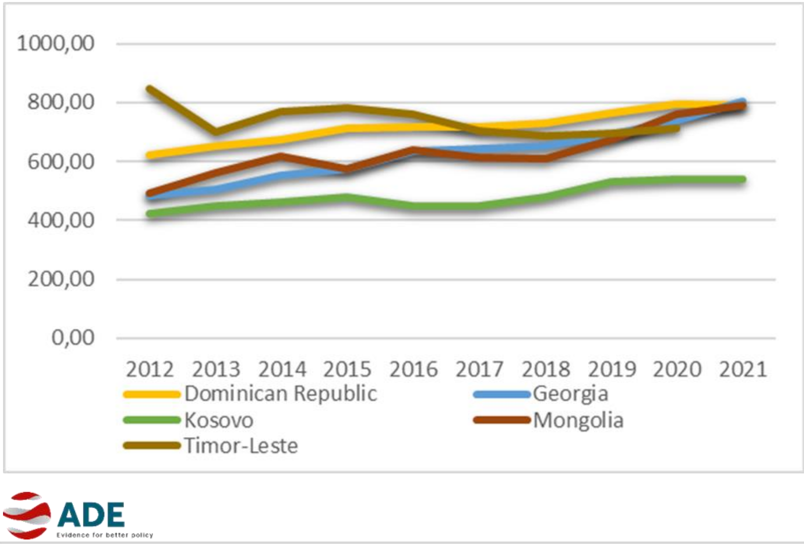
5.7.1 No evidence of sustainably widening fiscal space and sources of financing able to boost development expenditures in the long run

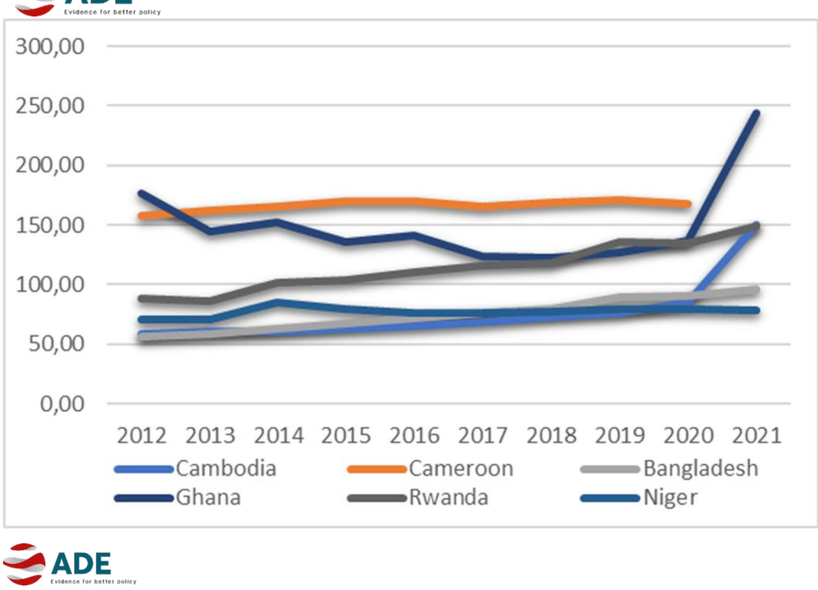
The diversification of sources of financing remained limited and mainly observed in the short run. A visible short-term effect of EU BS – not CMSB support per se – in budget financing has contributed to preserving social expenditures in some countries. Much more limited evidence has been seen of a long-term effect in widening the fiscal space in a lasting way, and allowing governments to cover development expenditure with their own resources. However, some evidence, although very spotty and ambiguous, indicate an effect of CMSB support in facilitating access to financial markets (internal and external) and additional aid.

The strengthening of PFM/DRM systems has not led to sustainably widening the fiscal space. What is sure is that in the short term, BS programmes have contributed to increasing budget funding, especially in the most aid-dependent countries, and to covering unavoidable, or hard-to-cut expenditures – or have ensured the maintenance of basic social expenditures. In the long term, however, the case studies and the available data on public expenditure fail to show conclusively that the PFM/DRM reforms supported by the CMSB Approach have contributed to sustainably widening the fiscal space and reinforcing national financing capacities for development expenditure. Quantitative analysis also fails to show that the level or type of CMSB support has a significant impact on the share of social expenditure (health and education) as a proportion of GDP, nor indeed on the share of general government expenditure.

In the countries used as case studies, the government's final consumption expenditure mostly remained stable or slightly picked up, except in **Timor-Leste**, that faced strong adjustment needs. This is in line with the effectiveness of the stability-oriented macroeconomic policies that have prevailed in most countries, barring cases like **Ghana** or **Mongolia,** where COVID-19 loosened the policy framework. CMSB support does not have a significant effect on changing the level of public expenditure per capita, even though BS in general is likely to contribute at least to stabilising social expenditure in the short term.

Figure 24. Evolution of the final general government consumption expenditure per capita (constant 2015 US$) from 2012 to 2021 in the case studies[14]



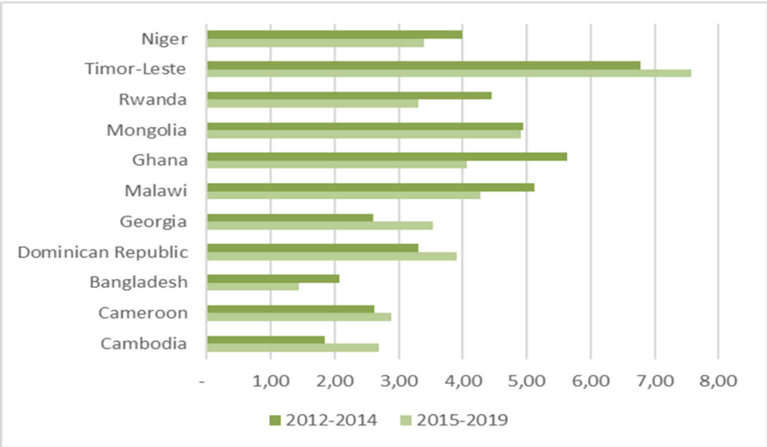


Source: ADE's calculations on the basis of WDI database

There is no clear pattern in the evolution of government expenditure on education. Several countries in our sample have seen their public spending on education decline as a percentage of GDP since 2015 (such as Niger, Rwanda, Malawi, Ghana), while in a few cases, it has increased.

[14] In order to better understand these figures, one should recall that the level of government expenditure per capita remains more than ten times lower in the case studies than in OECD countries (for example, it is between 8,000 and 9,000 US$ in the United States).

Figure 25. Evolution of government expenditure on education (2012-2014 to 2015-2019) in the case studies



Source: ADE's calculations on the basis of WDI database

The absence of any clear upward movement observed in case studies is consistent with what is observed at a more global level. The level of government expenditure on education in LIC has fluctuated at around 3% of GDP since 2012. In LMIC, a rising trend was observed until 2017, followed by two years of decrease, coming back to the 2012 level. In the health sector, the situation is very similar: in LIC, the level of government expenditure was around 1% GDP while in LMIC, it reached 1.5% in 2016-2017 before declining steadily. Interestingly, the spending gap between UMIC and LIC/LMIC is much more pronounced in the health sector, showing the potential for much higher spending. In UMIC, government spending was estimated at 3% of GDP with a peak in 2015 of 3.3%.

Figure 26. Evolution of government expenditure on education and health (2012-2020)

Source: ADE's calculations on the basis of WDI database

Countries' financing patterns have changed little over the last few years. Nor, sadly, has much change been observed in the capacity of these economies to sustain public investment and long-term development financing (with very few exceptions, in our sample essentially only the **Dominican Republic** and to some extent **Cambodia,** and **Georgia**)**.** No case study displays much movement occurring in terms of gross fixed capital formation, i.e. changes in the available stock of capital, at least to the extent that quality data are available. Gross fixed capital formation in the countries under review (for which data were available) stayed at a low level (between 5 and 10% of GDP) and even decreased in countries such as the Dominican Republic, Ghana and Timor-Leste. While the deterioration of financing conditions in the last few years has many causes, many of which have little to do with policy, the truth is, CMSB support on its own mostly lacks enough leverage to have a visible impact on financing conditions, and on the prudent use of natural resource revenue.

- In **Niger**, diversification of financing has not really been successful, with budget support still representing 7.5% of general government expenditure in 2020, almost the same as in 2017 (8%).
- Similarly to Niger, **Malawi** has not seen its unstable macroeconomic situation change perceptibly during CMSB support.
- In **Timor-Leste**, unsustainable withdrawals from the Petroleum Fund have continued to be the main source of financing of the public budget, with estimates that if the present trend continues, the Fund could be depleted in less than 20 years from now.
- The **Ghana** case study finds fiscal risks have, if anything, increased during the evaluation period, in view of the rapidly increasing public debt and growing debt service burden, and the difficulties in conducting fiscal adjustment.

The lack of EU impact on financing conditions also arises from the fact that while debt financing is part of the CMSB framework, and EU engagement is being stepped up through its contribution to the DMF, in development policy terms, it has been relatively marginal in the EU INTPA's scope of action, and in the outcomes sought. CMSB support, either in the form of BS or other forms, does not have an identifiable impact on the borrowing decisions of beneficiary governments. This is shown in the quantitative cross-section analysis undertaken for this study, where there is no significant correlation between the level and type of CMSB support, and the levels of either external debt stock or public debt. Yet debt financing, in addition to increased revenue mobilisation, will remain key to ensuring development financing for the foreseeable future.

Evidence is too limited to strongly support or disprove that CMSB support contributed to improved access to financial markets, or to diversifying the sources of grants. Although the evidence is spotty, a sizeable scale-up of BS can sometimes be seen as a sign of confidence in a country, which has some effect on investor behaviour. In this respect, however, individual country situations are poles apart. These range from the Dominican Republic, one of the Latin American "tigers" that has traditionally enjoyed strong access to financial markets, and has been able to comfortably cover current account deficits through FDIs, to Niger, a country that despite its sound macroeconomic policies, is constantly at risk of macroeconomic imbalances due to slowing growth, rising public debt – either concessional or, since 2016, taken out on the regional WAEMU bond market – and a recent accumulation of arrears.

- A positive effect of BS on reputation could probably be claimed in **Cameroon**, where structural reforms have been supported since 2017 by very large BS engagements taken up by different partners (300 M€ for France, 602 M€ for the IMF, 407 M€ for the WB, 351 M€ for the AfDB et 134,25 M€ for the EU), and have changed the international perception of the country, enabling it to raise its first Eurobond at a good interest rate (5.95%).
- It can also be argued that **Niger** could not have gained the access to the WAEMU bond market that it did (the August 2021 ten-year bond issuance at a 6.3% interest rate, spectacularly oversubscribed by 250%), without the BS grants from the EU and other partners, which had more than tripled over the previous six years.

Finally, it is worth mentioning that the 'density' of EU support for PFM/DRM did not seem to supplant the capacity of the beneficiary country to raise additional aid resources from different donors. If we limit our scope to grant financing, the quantitative analysis does show a positive correlation between the value of CMSB support per capita, on the one hand, and the proportion of ODA and grant revenue on GDP, on the other. This statistical result does not prove causality, but suggests that high level of CMSB support per capita does not negatively impact the level of funding provided by other partners, on the contrary. A similar observation was made for countries that receive only project support from the EU as they have significantly higher level of ODA than ones that receive other types of aid.

5.7.2 Policy-based budgeting improved, but not yet translated into budget allocations and execution.

While multi-annual frameworks, costed sector strategies, and programme budgeting have been gaining increased acceptance in most countries in the case study, a high level of dependence on external financing of the development budget, or a centralised authorising authority, undermines the capacity to fully allocate financial resources according to national priorities. Further, especially in countries with cash flow challenges, a policy-driven budget allocation process does not mean that actual expenditure follows in a timely fashion.

Substantial progress in expanding the use of programme budgeting around the world has been seen at the design and roll-out stage during the evaluation period. Programme budgeting has worked at the budget formulation level, but has not yet always led to adjustments in budget execution. In general terms, **the evolution of PEFA scores across countries shows an improvement in the budget preparation process, especially the clarity of the preparation phases, and some limited advances in the consistency of actual expenditure with the previous year's budget estimates**. The quality of the legislative review process, and the match of budget estimates with sector plans, are not yet satisfactory. One of the reasons is that programme budgeting schemes, which have been implemented on a large scale across many countries, are still mostly at their roll-out phase.

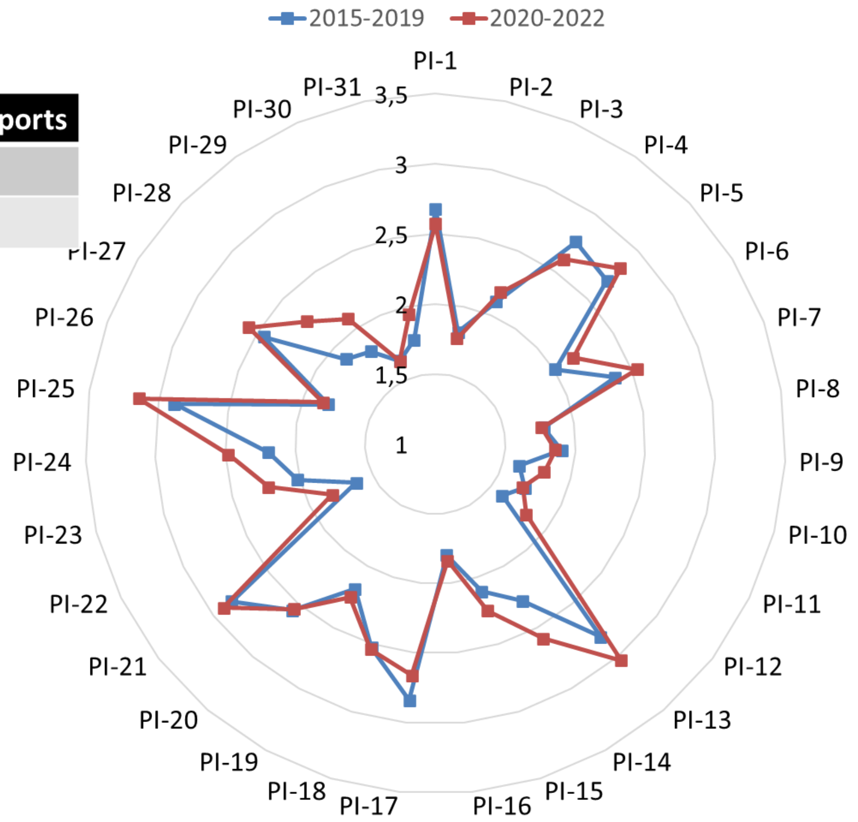
Overall, the PEFA pillar on policy-based fiscal strategy and budgeting, that includes five indicators, is one of the best performing PFM pillars in most countries, indicating the robust progress made over the years in budget preparation, but still displaying stark shortcomings in terms of fiscal strategy and the alignment of budget with strategic plans. The progress seen varies depending on the areas of budget preparation when comparing the PEFA assessments performed over the 2015-2019 period and those from 2020 to 2022 under the 2016 Methodology (see figure 24).

Globally, the timeliness of the budget approval process (PI17) continues to be one of the best-performing aspects of PFM. In 53 countries (66%), the annual budget was approved before the start of the year in at least two of three fiscal years. The quality of legislative scrutiny of the budget (PI-18) has not improved. Instead, there is a misalignment of budget estimates and strategic plans in most expenditure policy proposals prepared by the governments, partly due to the weaknesses in fiscal strategy (PI-15), an indicator that did not improve in spite of significant progress made on macroeconomic and fiscal forecasting (PI-14). Consistency of budgets with estimates made the previous year is among the top three weakest-performing areas of PFM, with two African countries being nonetheless being among the top performers (Ethiopia and Rwanda), but the situation shows signs of improving. Governments in only six countries (8%) were able to adequately explain all or most changes to expenditure estimates in medium-term budgets. The dimension performs poorly even though in most instances most governments (68%) adhere to clear rules for in-year budget adjustments.

One of the reasons why a policy-driven budget allocation process does not mean that actual expenditure will follows and that policies will be implemented as a result, is that many countries struggle with cash flow challenges. Improving the timeliness of EU CMSB disbursements, including VT disbursements, as the EU has largely managed to do in the period under evaluation, does not change this problem much. So far, the evidence has also failed to support the view that ringfencing sectoral allocations through customised VTIs has been effective. Strengthening parliamentary control and external audit on the use of donor pledges appears to be a more sustainable way of ensuring that fungible aid resources like BS do indeed benefit the sectors that are most in need.

Figure 27. Average PEFA scores (methodology 2016) – All countries

Period	Nbr of reports
2015-2019	62
2020-2022	28



Source: own calculations based on PEFA Database

5.7.3 Tiny evidence of improved service delivery

Evidence on front-line service delivery is patchy, and it is not clear that any improvement can be traced to improvements in the PFM framework. One should consider that the evidence base on front-line service delivery is thin in many countries in the sample, and virtually absent in a few (**Timor-Leste)**. In most countries examined, CPIA on public sector management, or policies for social inclusion and equity, a very imperfect proxy to examine this question, have stagnated. Qualitative information mainly derives from WB public expenditure reviews or evaluations of EU or donor-funded sector programmes, when they have been implemented.

- **The Cambodia** PER published in 2019 by the WB highlights that the significant increase in spending in social sectors, namely education (where spending almost doubled), health, labour, and social affairs, enabled by rising domestic revenues, did not solve the difficulties of improving the performance of public services, even in sectors which have received increased budgets.

A common thread in our qualitative analysis is the importance of sound sectoral policies, owned by the government and supported by donors, while core CMSB areas only provide an enabling framework. Another common remark is that sound sectoral policies deliver even better outcomes when the finance ministry actively mainstreams budget formulation based on programmes, and ideally, on past performance information. This is a virtuous process that will still take a long time to unfold but might just be beginning in the **Dominican Republic**, where outcomes in areas such as health and education, and even more seriously water and sanitation, are lower than most of its poorer Caribbean peers, but coexist with social protection programmes that have been successful in targeting the base of the pyramid and preventing an increase in the poverty gap. In **Rwanda**, advances in key human development outcomes, for example net enrolment and completion rates of primary education and mortality rates of newborn infants, have been celebrated as a success story – though progress was already stalling before the onset of COVID-19. Here, relatively strong budgeting and control systems developed over the years with support from the EU and other partners have played a role. Having VTIs in sector budget support programmes that highlight outcomes can be credited with some results – in a contributive, not attributive sense – when the right sector policies were in place.

- **In the Dominican Republic,** the SRPC on PFM&DRM has put an indicator in place regarding the number of central government agencies that formulate their budgets based on financing and physical information, which is essential to making the budget a more credible policy tool, but is still not sufficient to capture the quality of these formulations.

Finally, **the spatial dimension of development continues to receive very little attention in the PFM systems in most countries studied**, even though the EU has worked on intergovernmental transfers in a few of them (Ghana in particular). As a result, Cameroon's latest public expenditure review showed that the regional distribution of the health budget failed to consider the needs of the population in each region, their socio-economic status, the burden of disease or the security context.

5.7.4 More attention was provided to social protection following the COVID-19 crisis

Overall, fiscal response to the COVID-19 crisis appears to have been effective in most case studies, and beyond. This might have buttressed – in overall terms – citizens' confidence in their governments. The additional fiscal space needed has usually been created through the reduction in non-priority expenditure, typically the acquisition of goods and services (Bangladesh, Cambodia), in a context of overall IMF leniency.

The most effective forms of COVID-related support have been a question that far exceeds the scope of the present study, and it is unclear that the EU has taken a stance on this matter. Most countries opted for increasing social spending, and taking over the payment of private sector salaries, but a few others channeled this support to SMEs – for example, in Bangladesh, while social protection spending was also scaled up, the bulk of COVID-19 stimulus support was designed in the form of an interest subsidy for working capital loans and loans to Cottage, Micro, Small and Medium Enterprises (CMSMEs).

There is very limited evidence that the response to the COVID-19 crisis has led to an enduring rebalancing of spending priorities, even if in some countries it has led to some rethinking of social protection policies, including contributory schemes. In the country studies, these include the Dominican Republic and Cambodia. In this field, and even before the COVID-19 crisis, the EU funded a pilot programme implemented by ILO and UNICEF to improve synergies between Social Protection and PFM, with valuable insights in terms of fiscal space analysis and sustainable sources of funding, as well as for strengthening social programme budgeting and execution.

- In the **Dominican Republic**, a country coming relatively unscathed out of the crisis, the pandemic has been a wake-up call for the need to prioritise vaccination and health prevention, to boost spending in health in the medium term, and to step up investment in affordable housing.
- **In Cambodia**, the government plans to transform its crisis cash transfer programme into a long-term family allowance programme, and the EU contributed to this development through the EU-funded "Improving synergies between SP and PFM" programme, implemented by the ILO, UNICEF and Oxfam.
- Conversely, **Kosovo*** might be on the verge of missing an opportunity that COVID-related social spending could have provided – a financial agreement with the World Bank to reform the pensions scheme has failed twice to secure the 2/3 Parliamentary majority that is needed for its adoption.

5.8 The EU contribution to the outcomes is mainly visible in terms of macroeconomic stability and in the reinforcement of the "fiscal social contract" (EQ7)

A recent study conducted by NYU[15] has found no link between improvement of PFM system and development progress: "Evaluations that look back from improved development results at the national or sector level and ask whether these are attributable to donor interventions in PFM have largely drawn a blank – whether these concern general development progress, as measured by economic growth and poverty reduction or improvements in the health sector. Similarly, evaluations have not shown that improved development results can be attributed to improvements in PEFA ratings…".

This evaluation did not find any new evidence of such links. Although many countries under review have maintained growth in a range of 4% to 7% before the COVID-19 pandemic and were able to recover rapidly from the pandemic (as for all LICs and LMICs – see graph below), there is little evidence that this was partly due to more public revenues collected and better public spending. Overall, countries are still facing strong structural vulnerabilities at the economic and social level. Most of them and their population are extremely vulnerable to external shocks such as insecurity, natural disasters and diseases, which threatens the sustainability of recent progress.

5.8.1 Consolidation of macroeconomic stability

The main visible outcome of CMSB support at this level was the consolidation of macroeconomic stability essentially through better fiscal discipline and debt management during the pre-pandemic period. But this did not translate into much higher and better spending (as explained above). Since the beginning of the evaluation period and before the pandemic struck, macroeconomic stability was on a consolidating trend in spite of considerable fluctuations of raw materials prices and political or

[15] New York University, Advice, Money, Results, Rethinking International Support for Managing Public Finance, Report by an International Working Group, June 2020

security problems in several countries (Cambodia, Niger, Malawi). Reforms undertaken together with significant BS where needed and IMF facilities implemented have contributed to stronger fiscal governance management in all 12 countries under review, including those facing higher risks (Niger, Malawi). Support to improve financial compliance in budget management in order to rein in public expenditure and thus better control fiscal deficits were particularly useful, as were those that improved cash and spending management (such as commitment control and more secure and improved IFMIS).

Until 2018-2019, governments made efforts to limit and reduce domestic primary deficit[16] in all the countries under review.[17] Debt trajectories were broadly maintained on a sustainable path (after having benefitted from the HIPC initiatives during the previous decade). Except for Ghana and Mongolia, the general government gross debt increased only very slowly throughout the period, with the overall level maintained at below 50% of GDP. Nevertheless, changes in the composition of the debt (with an increasing share of non-concessional debt) taint this picture somewhat.

Figure 28. General government primary net lending/borrowing (in % GDP)

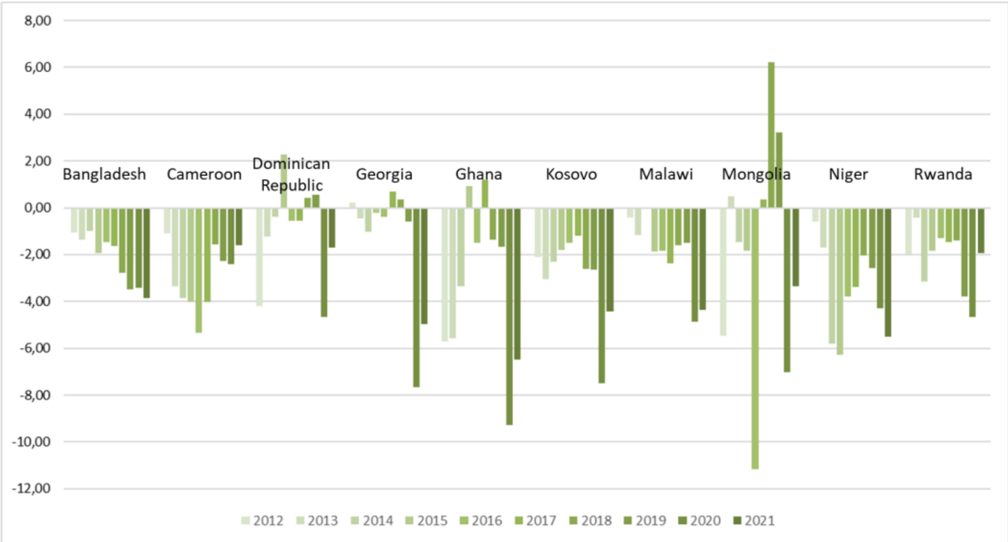
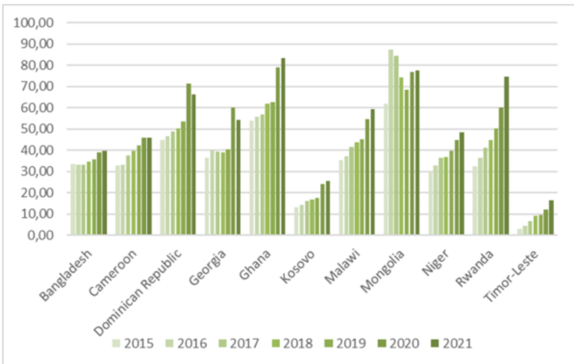


Figure 29. General government gross debt (in % GDP)



Source: ADE's calculations on the basis of WDI database

[16] Domestic primary balance measures revenue minus expenditure, excluding grants, interest and foreign-financed expenditure. This indicator measures the deficit on the basis of the aggregates over which the government has influence.

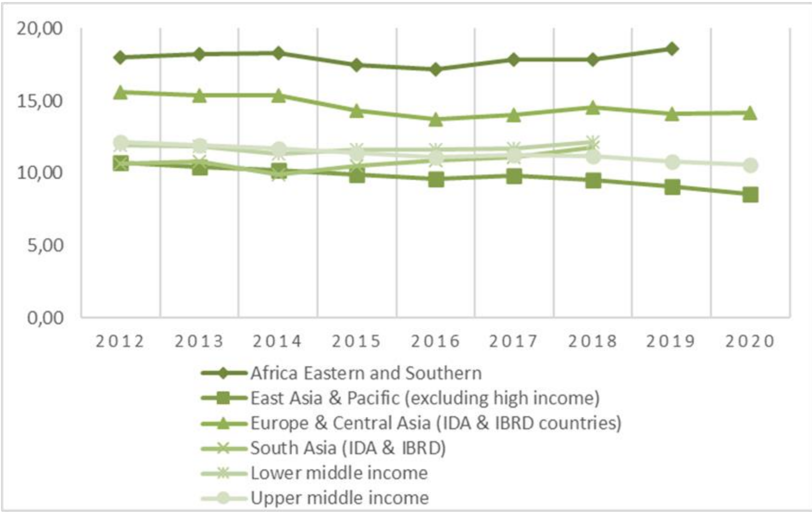
[17] Timor-Leste has not been included because the primary deficit is over 30% of GDP and it is highly dependent on oil revenues

Macroeconomic stability has nevertheless not been translated into enlarged fiscal space that can authorise a significant increase in public expenditure. The limited fiscal buffers accumulated have been used to cope with the COVID-19 and the war in Ukraine, leaving many countries today with a deteriorated macroeconomic situation (see evolution of primary balance and debt ratio). This remains a strong impediment to delivering better public services and infrastructures, and even at the very least for keeping up with needs that are growing due to demographic trends.

If we assume that the SDGs cannot be achieved without an increase in capital and in current expenditure on service delivery, we must acknowledge that the period that has just ended has contributed little to this movement as stated above.

Several issues appeared as factors that are limiting developing budgets that are more oriented towards development priorities, with the following appearing as the predominant ones. Firstly, as shown by figure 27, revenues remained insufficient to achieve developmental and social targets in a fiscally sustainable way (Bangladesh) while countries continued to face limited fiscal buffers/overall limited fiscal space to cover investment needs and social expenditures (Mongolia, Niger, Ghana, Timor-Leste (which depends exclusively on oil prices)). Secondly, resistance to reforms has significantly affected the t pace of fiscal reforms and lengthened time needed to implement reforms and ensure their full applications. Changes can only be very gradual, resulting from compromises negotiated in the policy dialogue. Thirdly, the still-weak transparency in budget choices and decisions and limited public participation in the decision-making process were also seen as an obstacle to a more socially-oriented public finance. Fourthly, the very limited progress achieved in terms of the fight against corruption (except in Georgia and Kosovo*) directly affected the credibility of the budget and public action among citizens.

Figure 30. Tax revenues in % of GDP



Source: IMF database

5.8.2 Contribution to progressively building a social contract on fiscal issues

Even if there were no signs of significant improvements in terms of transparency and the fight against corruption, most of the country case studies have reported a positive evolution in terms of the "fiscal social contract" that links citizens and governments on fiscal issues, some of them being directly related to the support provided by the EU. On the DRM side, progress was made due to facilitating procedures for taxpayers and improving transparency in taxpayer obligations, most often related to the implementation of digitalised procedures (Cameroon, Cambodia, Ghana). Even though it may still be only beginning, enhancing the transparency of public procurement was also reported as a factor that improves the "fiscal social contract" and that potentially helps to improve the negative perception of the government held by citizens (Dominican Republic, Cambodia). Parliament oversight has somewhat been improved, but in all countries under review, very substantial gaps remained in the parliament's capacity to effectively hold the government accountable. Budget transparency increased in many countries (Cambodia, Niger, Dominican Republic). Nevertheless, public participation remained low and did not improve during the period despite support provided to CSOs (in the 12 case studies) and in some countries (Malawi), to the media and the university/research centres to engage on PFM and budget-related public debate. The demand for good governance and more accountability has increased in many countries under review, but access to the policy-making process is still hard to obtain.

Redistribution targets have been addressed very little on the revenue side, but are gaining importance in the political agenda on the expenditure side. **Changes in income redistribution and poverty during the period were hard to evidence and to relate to the implementation of the CMSB approach**. Recent data were not readily available most of the time. In most countries under review, available data show a slight improvement in income distribution (marked by a reduction on the Gini index) since 2014, but no clear change of direction (except perhaps in Malawi and Rwanda). In some countries such as Cameroon and Kosovo*, inequalities have instead increased once again, showing that reversing these dynamics remains very difficult in political environments that are dominated by those with the highest incomes.

Overall, the poverty rate continued to decline but at a slow pace (except in Cambodia), with a large part of the population still living under the poverty line. These developments are the result of a number of factors, including better oriented public policies. **It is very difficult to establish links between these developments and PFM reforms.** Tax policy is not an area where EU VTIs or technical assistance have contributed much in general. In most case studies, and notably Cambodia, the Dominican Republic, or Timor-Leste, tax systems were still in the process of being developed, and the idea of “fairness”, while present in some policy documents, is not yet clearly translated into specific features in the design of the tax system, also given the relative scarcity of international good practices – or indeed international policy consensus. The mainstream ideas underpinning the desired evolution of tax systems in developing countries are to establish of a very limited number of broad-based personal and corporate income taxes at moderate marginal rates, together with a modulation of VAT to enhance its progressivity, and sometimes a modest level of taxation on capital gains and real estate ownership. Taken together, these elements would probably come close to what might be considered a “fair” revenue generation system.

Most of the case studies fall very far from this objective. The EU staff survey confirms that promoting a fairer tax system is seen as one of the areas where the achievement of the CMSB objectives were the most underwhelming, while the staff largely considers higher income redistribution the worst performing policy outcome of CMSB support. In addition, it can also be noted that until recently very little attention was paid to social protection issues, be it social assistance programmes or the extension of contributory systems to the more vulnerable populations in the informal sector. Since COVID, this issue has garnered more attention, notably through a dedicated by EU programme (“Improving synergies between Social Protection and PFM”[18]) as well as through SRPCs dedicated to Social Protection (Cambodia, Senegal, Paraguay).

[18] The Action “Improving synergies between Social Protection and Public Finance Management (SP&PFM)”, is funded by the EU and co-implemented by ILO (lead agency), UNICEF and the Global Coalition for Social Protection Floors (GCSPF). With a budget of 22,9 MEURO including 20 MEURO from the EU, it aims to contribute to improving the design and implementation of gender-sensitive, disability-inclusive and shock-sensitive SP systems and to expanding universal SP coverage in 24 partner countries.

6. THE STRENGTHS AND WEAKNESSES OF EU CMSB SUPPORT

EU support provided under the CMSB approach has relied on strengths that helped to consolidate its relevance and effectiveness. Several weaknesses or limiting factors have also been identified.

Strengths	Limitations
Promotion and extensive use of international diagnostic tools	**Lack of knowledge of the overall CMSB approach**
Existence of a clear EU strategic framework (such as the Association Agreement, the Acquis Communautaire) or international benchmarks	**The EU's low profile on the international public finance scene**
Political role of the EU and the importance given to fundamental values (rule of law, human rights and transition to democracy)	**Limited attention to decentralisation, public investment management and public-private partnerships**
Leveraging PFM reforms provided by Budget Support	**Dispersion/ fragmentation of EU CMSB portfolio of interventions**
Multidimensional approach based on a mix of aid modalities including capacity building	**Limited synergies between the various EU CMSB interventions**
SRPCs dedicated to PFM	**Weaknesses in the design of BS variable tranche and in interactions with complementary measures**
Strong in-country presence	**Limited in-house technical expertise**
Enhanced access to partners' high-level technical expertise	**Sensitive political economy dimensions not always properly addressed or captured**
A more strategic policy dialogue	**Low visibility**
EU cooperation "culture" to promote donors' coordination and joint donors' policy dialogue	**Partners' limited understanding of EU BS modality**

6.1 Factors that have influenced the relevance of the EU response under the CMSB approach

Contributing factors

 # Extensive use of methodological tools to define and monitor PFM reforms and action plans
The EU promoted methodological tools for shared diagnostics, such as generalist PEFA diagnostics, as the yardstick for measuring improvement through repeat assessments, as well as specialist diagnostic tools (e.g. TADAT, DeMPA, MAPS, PIMA, SIGMA monitoring reports and papers, Economic Reform Programmes [ERPs] tools), used in the design of interventions and policy dialogue carried out on a regular basis (every 3-5 years). The use of these diagnostic tools and international standards contributed to the definition, adoption and implementation of better-articulated PFM reform strategies and plans by partner countries, including tax reforms and debt management strategies.

 # The existence of an internationally-recognised framework of relations helped to strengthen the EU's position on public finance in international fora and in the beneficiary country. The existence of the (Stabilisation and) Association agreements within the context of accession to the EU, that set common political and economic goals between the EU and the partner countries, has clearly facilitated the implementation of a more systemic approach to strengthening the PFM system. The EU's promotion of internationally-recognised and standardised PFM and DRM diagnostics to frame and steer national reform processes in partner countries has also supported the alignment of national reform processes with international practises in public finance and tax governance. Similarly, the Stabilisation and Association process has also encouraged national public finance and tax system alignment on/compliance with international tax/PFM governance standards (Global Forum on Transparency and Exchange of Information for Tax Purposes, the inclusive framework of BEPS), and has supported national capacities to participate more actively in international tax fora and related governance initiatives.

When looking more specifically at the DRM side, the main factors that contributed to the relevance of EU support were 1) the availability of specific national benchmarks (on tax issues: domestic revenue mobilisation strategy and strategic tax administration plans) 2) an EU intervention framework referring to medium-term support priorities for the DRM, targeting clear objectives and a specific communication area; 3) in-depth analysis and consideration of the different logics linked to tax policies (financial, political, etc.) as well as their contradictions (e.g. maximisation of revenue versus reduction of burdening businesses); 4) more globally, the active participation of developing countries in defining the direction and priorities of international partnerships regarding tax issues.

 # Adopting a multidimensional approach using a mix of aid modalities and instruments.
The use of a mix of aid modalities and instruments (BS, TA/CB, Policy dialogue) in a consistent way has been beneficial in adapting to varying contexts, in involving various stakeholders and in covering a wide range of needs across the spectrum of the CMSB approach. The widespread use of capacity-building support with enhanced access to high-level technical expertise covered the partners' needs well.

 # A shared commitment to the fundamental values of human rights, democracy and the rule of law under Budget Support and attention to social spending. This gave the EU the opportunity and to address the issues of accountability, oversight and the fight against corruption and reinforced legitimacy in doing so. The EU is more political than other IFIs, and has thus also emphasised interventions in social sectors to strengthen the sectoral policies of partner governments, including social protection mechanisms.

 # Budget Support as a powerful aid modality to support PFM reforms
EU CMSB support has had significant financial leverage on global public finance reforms linked to the sums allocated to partner countries' budgets through budget support. Budget support programmes and their package have provided strong incentives for implementing PFM reforms. The general eligibility conditions (especially regarding relevant and credible PFM reforms and budget transparency and oversight) and the specific conditions related to performance indicators have been largely used to encourage comprehensive PFM reforms. Budget support has favoured the development of a strong and well-structured dialogue with each country's Ministry of Finance and the various departments in charge of DRM and PFM.

 # SRPCs dedicated to PFM have contributed to strengthening the alignment and coherence of EU CMSB support. Combining TA, performance indicators and policy dialogue dedicated to PFM/DRM, they proved powerful for initiating or steering high-level policy dialogue and technical dialogue on public finance issues and for providing a more coherent and articulated framework in the spending strand, particularly in countries with weaker PFM systems.

 # The key role of capacity building to accompany PFM reform processes. Alongside or in connection with budget support, TA/CB projects have been an essential part of the package, not only for partners that have weak institutional capacities. Through TA projects and BS complementary measures, the EU has generally provided good quality technical support, especially when this was integrated into a longer-term approach and responded to a clearly expressed need of the partner country/beneficiary.

Limiting factors

 # The lack of a recognised and shared strategic framework guiding the design of EU support to public finance. The CMSB approach is not well known by EU staff and experts in charge of designing and implementing EU support to Public Finance. Neither does it cover all the dimensions of PFM systems.

 # The EU has a rather low profile on the international scene, not reflecting the significant amounts deployed to support the CMSB approach and the EU's increasing participation in international fora. The EU has been an increasingly important actor supporting public finance systems on the international scene, but it has kept a rather low profile in international fora. Following the commitments taken in Addis Ababa, the EU has actively taken part in a more joint and coordinated approach. The EU's growing support to international partnerships has contributed to strengthening high-level technical capacities and responses within the international community. But this EU support to international partnerships remained quite scattered. The EU took more of a back seat in terms of strategic orientations, following the lead of the IMF on Domestic Revenue Mobilisation – a topic closely related to macroeconomic stability – and to a lesser extent following the lead of the WB on debt issues and the strengthening of budgetary management and public service delivery. It has had limited strategic influence in analysing issues related to the strengthening of public finance systems, in the areas of revenue mobilisation, expenditure and debt management or fiscal risks, or when considering wider challenges, such as climate change, social protection or gender equity.

 # Overall limited attention given to key issues for the delivery of public services such as public investment management, decentralisation or public administration reform, as well as to the fiscal risks arising from the growing use of public-private partnerships. Overall PFM reforms were still disconnected from or weakly articulated to other institutional reforms (decentralisation, public administration, civil service and human resource management) negatively affecting the effectiveness of PFM reforms. While the EU has been quite active in supporting transparency, oversight and accountability with a multidimensional approach, the links with the legal system were still underexplored especially in the framework of EU involvement in the fight against corruption.

 # Dispersion/fragmentation of the EU CMSB portfolio and difficulties in ensuring coherence and synergies. The many different channels used (BS, projects, delegated funds, IMF financing, trust funds, etc.) made it more difficult to read the EU's overall contribution to each CMSB area. Budget support interventions were characterised by dispersion regarding the areas covered, especially the performance indicators and to a lesser extent the complementary measures and poor synergies between the various components. The complementarity between EU country support and international partnerships actions at the country level has also been poorly exploited.

 # Under-estimation of the political economy dimensions which significantly influenced PFM reforms and their existing interrelations with other key reform processes (e.g. public administration reform, human resources management, civil service, judicial systems). The issue of duration of reforms and resistance to change remained a strong impediment to achieving the desired effects. In this context, the EU's vision was in some cases too short-term (such as short-term support (through performance indicators or TA/subsidies) bringing short-term outcomes, with no guarantee that the measures adopted were actually implemented nor that the progress achieved would be sustainable in the long-term.

6.2 Factors that influenced the implementation and follow-up of EU CMSB support

Contributing factors

 # Policy dialogue at both technical and strategic levels has been essential in ensuring the effectiveness of EU CMSB support. The evaluation confirms the **key role of policy dialogue at the technical level.** EUDs have progressively acquired in-house experience alongside other development partners, notably on DRM initiatives, and have established good practices (including the development of tools to ensure the continuity and follow-up of the technical dialogue) and joint policy dialogue on PFM. The evaluation also highlights a gradual evolution towards a more strategic dialogue. Policy dialogue in the areas of transparency has tended to be increasingly effective in delivering progress, especially when supported by policy-savvy TA.

Although it is not yet used as much as technical dialogue, **high-level policy dialogue conducted through budget support** on public finance reforms has gained momentum. It has grown and has gained a higher profile, less hampered by technicalities. It has improved the leverage obtained from the assessment of general eligibility conditions (especially on relevant and credible PFM reforms and on budget transparency and oversight). Strategic policy dialogue nevertheless remained limited on revenue generation and on debt management. These issues have rarely garnered the EU support that should correspond to them. Moreover, in itself, EU policy dialogue has remained insufficient – beyond the special cases of EU candidate countries and potential candidates – to initiate legal, regulatory, and institutional reforms. The heat felt when a country starts losing access to concessional funding or financial markets has been a much stronger incentive.

High-level political dialogue between the EU and partner countries touched less on CMSB issues. Still, high EU political engagement, including that of defending Fundamental Values (human rights, rule of law, democracy) has contributed to intensifying EU work on the demand side of transparency. The EU has taken advantage of its broader mandate, which includes the promotion of democracy, including from a PFM and accountability angle.

 # Growing collaboration with the IMF-RTAC delivering high quality expertise and a response that was closer to the beneficiaries' needs. The EU's increasing financial contribution to the IMF-RTAC has contributed to consolidating the collaboration and to further strengthening coordination with the IMF, although challenges remain. At the same time, the IMF's actions have gained in relevance, and are recognised as being increasingly tailored to each recipient's needs and changing circumstances as well as also increasingly integrated with monitoring and lending programmes and driven by the 'systems' diagnostics (PEFA, TADAT, PIMA). This has positively impacted the implementation of the EU's interventions, notably by facilitating beneficiaries' access to top technical expertise for implementing their PFM reforms plans.

Limiting factors

 # Strong country presence but limited in-house technical expertise within the EU. The strong EU in-country presence provided the capacity to align/promote ownership to each country's own objectives and to adopt a pragmatic and flexible approach. With its pragmatic approach, the EU has been ready to intervene in almost all aspects of PFM where needs were identified and prioritised by partner governments, including areas where it has limited specific knowledge or grounded expertise, such as IT systems and to some extent, the area of tax policy. EUDs have capacities that are too limited – both in numbers and skills – to effectively accompany the implementation of such an approach. At the country level, staffing levels were insufficient to be able to simultaneously manage all the PFM-related interventions, meaningfully engage in high-level policy dialogue and technical dialogue on a wide range of PFM/DRM topics, participate in regional and global initiatives, and coordinate with other partners. EUDs especially lacked PFM/DRM specialists, including at top management level. Therefore, the EU relied extensively on external expertise to conduct sector analysis and accompany programme design and monitoring. While mobilisation was relatively swift, it remained challenging to attract high-quality experts. Up to now, technical expertise provided by EU-funded international partnerships such as RTACs or the RMTF have not been used to reinforce EU capacities in their areas.

Capacities regarding PFM/DRM/Debt management were stronger at HQ than in EUDs. Technical guidance provided by HQ was well appreciated, notably the headquarters' missions that brought both technical support and political leverage to the work of EUDs. It could however be more tailored to specific country needs.

EU staff working on CMSB have generally not relied on EU in-house public sector expertise on topics covered by the EU as a whole (for example on regional integration processes, environmental policies, cross-border issues, etc.).

 # Weak capacity of PFM M&E systems which have in general constituted an obstacle to the definition and verification of indicators for the variable tranches of budget support contracts. Moreover, poor M&E of EU CMSB support as a whole beyond budget support disbursement files made it difficult to obtain an objective measure of the effectiveness of performance indicators, complementary measures and TA/CB together and of the political dialogue between the EU and partner governments.

6.3 Factors that influenced cooperation with partners

Contributing factors

 # The EU's cooperation "culture" on aid effectiveness principles contributed to promoting donor coordination and joint donor policy dialogue on public financial governance with the national authorities. The use of EU budget support has fostered coordination with other international and financial institutions that provide financial and on-budget support and key players involved in PFM/DRM cooperation, including the IMF in the context of its lending and surveillance activities. The EU's increasing financial contribution to the IMF-RTACs and the IMF or WB-administered international multi-donor PFM/DRM trust funds has also facilitated coordination with these key stakeholders. In optimal situations, it has promoted spaces for joint policy dialogue with the national authorities. While the IMF or the WB have continued to take the lead in setting the strategic priorities of these international trust funds and regional centres, the EU has been increasingly involved in advocating for stronger in-country complementarity, synergies and exchange of information. The EU has strongly contributed to promoting joint standardised diagnostic tools, and their systematic deployment has also streamlined and harmonised donors' support and dialogue with national authorities.

Limiting factors

 # Growing beneficiary ownership of PFM/DRM reform processes, but structural weaknesses still affecting partner governments' capacities to implement, steer and coordinate them. The willingness of partner governments has grown regarding moving forward with the PFM reform; in some countries, in an autonomous way and under their own direction and coordination. There has been progress made on the power given to governance structures that coordinate PFM or DRM plans, such as PFM reform units. Nevertheless, public administration in partner countries has often presented structural weaknesses (national monitoring, reporting and institutional arrangements to follow PFM reform strategies and action plans) that has limited their capacity to steer and coordinate PFM/DRM processes. Overall, the administrations of Ministries of Finance remained compartmentalised with insufficient coordination between them. This compartmentalisation between budget, policy and planning departments has also often been an issue in line ministries. Problems experienced in inter-ministerial coordination have affected reforms that have aimed to strengthen budgetary programming at the sectoral level and at secure budget allocations to sectoral ministries. It has also affected the reinforcement of the mechanisms for selecting and implementing public investments.

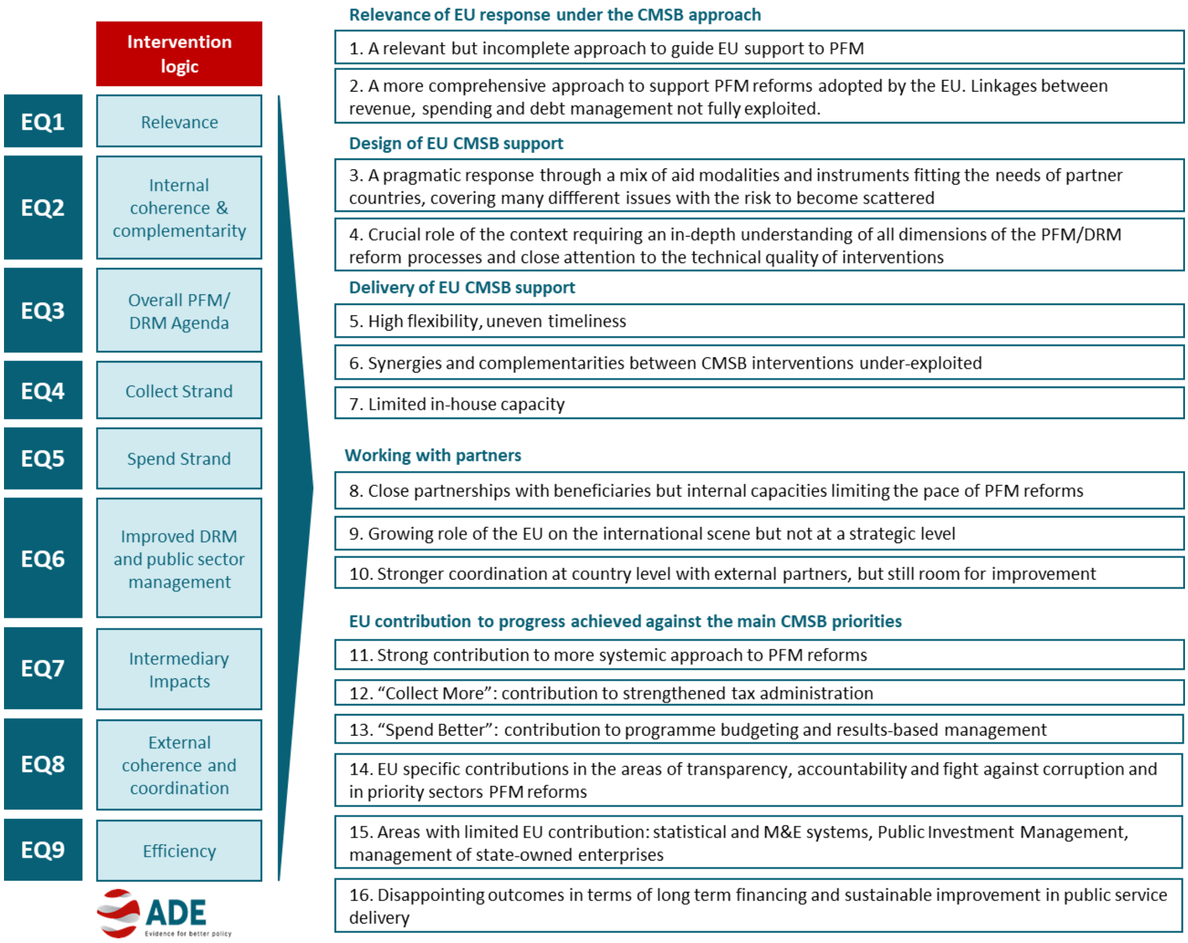
 # In some case studies, partner governments have not correctly understood the EU budget support aid modality. This has resulted in poor ownership of budget support interventions. More broadly, the lack of partner capacities has limited the absorption and use of all available EU instruments.

7. CONCLUSIONS

The conclusions are structured under five headings:

(i) The relevance of the EU response under the CMSB approach;
(ii) The design of EU CMSB support;
(iii) The delivery of EU CMSB support;
(iv) Working with partners;
(v) The EU contribution to progress achieved against the main priorities of the CMSB approach.

Figure 31. Summary of conclusions



7.1 Relevance of the EU response under the CMSB approach

C1 **The CMSB approach has provided a relevant but incomplete framework to guide EU support for reinforcing public finance systems. One of the main contributions has been to shed more light on the Collect strand of the approach.**

The need to adopt a more comprehensive approach for PFM reforms, linking revenue, spending and debt management, is shared by all international and national actors. An enlarged fiscal space with well-managed resources is essential in order to move towards an enhanced provision of a mix of public goods and services in line with population needs, with a focus on investment in human capital, infrastructure, social protection and safety nets. The 2015 CMSB approach developed by the EU has provided a relevant framework in this respect to guide EU support for reinforcing public finance systems.

The CMSB approach has nevertheless not served as a fully comprehensive strategic framework to guide the design of EU support, either at international or country levels. First, it has not covered all the dimensions of the PFM system, especially as far as the spending strand is concerned. The CMSB approach highlights three key domains where quality of spending needs to be improved, namely subsidy management, public investment and public procurement. But it does not specifically address the issue of the budget/spending cycle as a whole, including policy-based budgeting, internal control of expenditure commitment and external audit. Another reason why this policy framework has been little used is that it was still unfamiliar to nearly 40% of the EU staff involved in the area.

So far, the CMSB strategic framework has mainly focused on putting increased attention on DRM. Of the ten objectives promoted by the CMSB approach, some have received more attention from the EU than others: 1) improving coordination among key players at the international and regional levels (objective 2); 2) strengthening capacity-building in tax administration; 3) supporting the development and implementation of fiscal assessments tools (objective 6); 4) improving transparency, accountability and oversight (objective 8); 5) promoting efficiency in public procurement (objective 9). The last area is the only one of the three in the “Spend better” strand that has really received specific attention from the EU. The other two have been addressed only very partially, if at all (subsidy component).

C2 **EU support in general has tackled the full spectrum of PFM reforms in a more all-encompassing way. The linkages between revenue, spending and debt management still remained to be fully exploited.**

Overall, EU support at the country level has addressed Global Public Finance, DRM and Spending in a relatively comprehensive way, following the holistic CMSB approach. It has simultaneously addressed many of the diverse areas of the CMSB approach. Whereas the EU during the period remained actively engaged in transversal issues such as accountability, transparency and oversight and in Spending issues, it also became progressively more involved in the DRM area in line with the Agenda of the Addis Tax Initiative. EU support reflected a comprehensive and shared vision of the DRM/PFM reform strategies and plans of the beneficiary partners. International diagnostic tools played a key role in developing a more systemic approach to PFM reforms. They provided a solid understanding of the strengths and weaknesses of PFM systems of beneficiary partners in an integrated way. The EU played a leading role in beneficiary partners formulating and adopting holistic PFM reform plans that responded to clearly identified needs. The revenue strand has been systematically integrated into countries’ reform plans, following the requirements of the diagnostic tools (mainly PEFA and TADAT) which have been used widely since 2015.

As far as the “Spend Better” strand is concerned, the only one of the three areas that has really received specific attention from the EU is public procurement. The other two have been addressed only very partially, if at all (subsidy component).

The interactions between the three vertices of the triangle (Revenue-Expenditure-Debt) have not yet been fully explored in the 2015 CMSB approach and in the partner countries’ reform plans. Each is still approached in a fairly independent manner. Beyond the integration of the different components in the reform plans, the dimensions they share have not really been explored (such as, for example, the links between fiscal space and priority expenditure, the redistributive function of the budget which includes a revenue and expenditure dimension, the contributory component of social protection, or to a lesser extent, the transparency and external control of the three components).

The linkages with larger issues that have significant implications on PFM performance were not systematically taken into consideration by national and international stakeholders. EU attempts to build bridges with the decentralisation process by addressing fiscal decentralisation were rather unsuccessful. Interactions with Public Administration Reform (PAR) generally remained limited. They have been well-established in neighbouring and enlargement countries, where support to public administration reform plays a central role in the EU accession process.

In addition to support at country level, the EU has played an increasing role on the international scene, contributing massively to international partnerships in a wide range of CMSB areas such as debt management, public procurement, anti-money laundering, tax policy and tax administration, international tax governance and cooperation, and the fight against tax evasion. Through the development of common diagnostic tools (e.g., PEFA, TADAT) and the promotion of international tax standards, notably through the OECD BEPS and Global Forum programmes, the EU has contributed to the adoption of a more comprehensive approach to PFM reforms. The coherence between all these initiatives is not obvious, neither in view of the multiplication of initiatives that have often operated in isolation, nor the multiplication of diagnostic tools. While these international partnerships have played a growing role in addressing the objectives of the CMSB approach, they have mainly covered all its components separately, without seeking to promote an integrated approach.

At the international level, the role of the EU has been more financial than technical. Even though the EU’s participation in major international has increased and become more visible in these areas, the EU was still perceived as playing “second fiddle” to the international and financial institutions, both at the international and country levels. The key issue is the lack of critical mass of the EU’s technical, strategic and analytical capacities compared to international and financial institutions that are “specialised” in PFM/DRM. For instance, the EU continued to punch below its weight on tax policy issues, as prospects for reform have been dimming in many emerging and developing countries as a consequence of the COVID-19 crisis.

7.2 Design of EU CMSB support

C3 **The EU provided a pragmatic response through a mix of instruments and aid modalities that fitted the needs of each partner country/beneficiary adequately and covered many different areas, but with the risk to become scattered.**

The EU has generally adopted a pragmatic approach in its support to public finance at country level: it has responded appropriately to the demands of beneficiaries which have enabling environments for PFM reform and has adapted its support to partners that have challenging governance environments or institutional fragilities. Moreover, EU support to international initiatives has generally reflected the evolving demands and needs of beneficiaries, while supporting the development of common assessment tools. Overall, the EU has articulated its response by mobilising a large mix of instruments and aid modalities. This has enabled the EU to tackle a wide range of complex and multidimensional issues from different angles, and to adapt to different contexts.

The mix of EU aid modalities and instruments (e.g., budget support, various TA/CB interventions, including support through trust funds and policy dialogue) ensured greater flexibility in the response provided and better capacity to respond to various partners' needs and to adapt to specific contexts. Budget support has been a cornerstone of the EU's CMSB support. Overall it has provided significant financial leverage to global public finance reforms linked to the amounts allocated to the budget of the partner countries, as long as the amounts allocated met specific needs/objectives in the budget (in aid-dependent countries, macroeconomic stabilisation and financing of priority sectors; in less dependent countries, the financing of clearly specified reforms).The two general conditions related to the relevance and credibility of reforms and budgetary transparency have been important elements for understanding the needs analysis and for formulating and monitoring programmes, as well as for feeding into policy dialogue (though not sufficiently strong at the level of high-level policy dialogue). The credibility analysis did not, however, always capture the main constraints and potential difficulties in implementing the reform plans.

Alongside or in connection with budget support**, Technical Assistance/Capacity Building** projects have been an essential part of the package, and not only in countries with weak institutional capacities. PFM reforms require a technically robust approach and adequate support. In addition to performance indicators, the complementary measures contributed to the beneficiaries' greater adherence to the PFM reform programme, provided additional resources to cover the cost of the reforms, and provided institutions with the means to perform their functions and carry out their reform agenda. Capacity building provided through long-term technical assistance based within the public administration and working closely with civil servants maximised both the ownership and the sustainability of the intended outcomes. Projects based on political economy analysis and a problem-driven iterative and adaptative approach, including the application of behavioural economics to PFM and fiscal reform processes, provided some interesting insights for addressing change management issues.

While relatively complementary, synergies between complementary TA/BS measures and international partnerships were nevertheless not fully exploited.

The mix of aid modalities also allowed the EU to work with **a wide variety of PFM actors,** encompassing institutional and civil society stakeholders, which was particularly relevant in the area of transparency, accountability and oversight.

The comprehensive, pragmatic and flexible EU approach has nevertheless often led to an observed dispersion/lack of clear pattern/fragmentation of the EU CMSB portfolio of interventions, both at the country level and within the international initiatives promoted by the EU. At the country level, the EU simultaneously addressed a wide range of different issues through performance indicators and capacity-building interventions, leading to some dispersion. The EU has contributed to many international partnerships with no clear pattern being followed and with no particular attention paid to the coherence between those partnerships. It has been left it to the implementing partners themselves to ensure coherence and synergies between them.

C4	**The EU paid close attention to the partners' context and institutional specificities. Yet political economy dimensions of PFM reforms were underestimated.**

There is no "one-size-fits-all" approach. In general, the EU assessed and took into account the context within which the various CMSB interventions took place. The approach followed by the EU was also often adapted to the specificities of the partners. But internal institutional and/or political factors – which strongly influenced PFM reform processes – were not always taken into consideration sufficiently well in the design of EU CMSB interventions. Overall, the time needed to implement PFM reforms was underestimated. Dimensions regarding resistance to change and political economy were not taken into account sufficiently well.

Overall, the selection of performance indicators and fixing of targets were particularly important in the design of EU CMSB support. It is difficult to determine general practices to be followed, as their relevance depends mainly on the context of the intervention. Nevertheless, it is possible to highlight some shortcomings in **the use of variable tranches** to support PFM/DRM reforms. The EU often underestimated the time needed for partner countries to make progress on PFM reforms. This resulted in the setting of partially unrealistic/too ambitious performance indicators or targets, or insufficient follow-up of performance indicators over time. The short duration of BS programmes compared to the time needed for reforms has not facilitated the adoption of a long-term vision. In addition, the strong EU constituencies' demands for results-based or outcome-orientated budget support indicators may have also hindered the adoption of a more progressive and iterative approach, an approach able to guide and adapt to the necessary development of PFM/DRM institutional reforms over time. The use of one lever or another is not in itself a guarantee of success. The choice of indicators appeared to be the most relevant in terms of its ability to drive policy and political dialogue, and to foster the implementation of reform measures in the long term. The use of certain indicators proved to be inappropriate as they were not realistic and not sufficiently contextualised; this was for instance the case of indicators in sector budget support programmes that aimed to increase the share of specific sectors (health, education) in total expenditure; this has often not worked to sustainably improve policy alignment and budget allocations.

7.3 Delivery of EU CMSB support

C5	**EU CMSB support showed high flexibility but its timeliness was uneven.**

EU CMSB support delivered through budget support has often showed itself to be flexible in the face of changing circumstances i.e., political and economic changes and COVID-19. The main characteristics of this flexibility have been: financial top-ups according to changes in context, adjustment of performance indicator targets, and open choice in the allocation of complementary support. Both high-level policy dialogue and technical dialogue initiated by CMSB-related issues or deepened by them contributed to delivering more flexible support.

While BS disbursements were generally made according to plan, EU CMSB capacity-building support delivered through modalities such as TA or Twinning of Trust Funds often encountered significant delays in implementation due to setbacks in the design and implementation of the interventions, in the dialogue with partners, and capacity constraints in the management and implementation of a comprehensive reform agenda.

C6 Synergies and complementarities between EU CMSB interventions and with other EU cooperation efforts remained underexploited.

The synergies within EU CMSB support and with other EU interventions, although well perceived, were most of the time still not fully exploited, especially 1) synergies within budget support programmes (between performance indicators and complementary measures), 2) synergies between capacity-building support provided through TA, BS complementary measures and international partnerships; 3) Complementarities between EU CMSB support and other EU interventions in the field of sector policies, especially with Sectoral Reform and Performance Contracts implemented in priority sectors (education, agriculture, social protection); 4) the integration of the IMF/WB capacity development operations into the rationale of EU support provided at the country level. These difficulties could partly be explained by the fact that the EU's strategic priorities to support CMSB were not clearly grounded in an integrated country strategy that covered all instruments and aid modalities, including the capacity development provided by international partners funded by the EU.

EU support to international partnerships was largely disconnected from EU support provided at the country level. In the tax area, the limited complementarities between EU supported interventions to implement international tax frameworks and the support provided to increase DRM at the country level has not facilitated a common vision.

A lack of synergies between the partnerships implemented by the different donors was still observed and recognised. This led to the creation of platforms to reduce the risk of overlap, such as the Platform for Collaboration on Tax gathering set up by the OECD, the UN, the IMF and the WB.

C7 The limited in-house technical expertise on specific CMSB areas posed a real challenge to EUDs, especially in terms of engaging in policy dialogue.

In the context of the comprehensive pragmatic approach adopted by the EU, the role of EUDs has been particularly important. This role is to ensure the relevance and coherence of EU actions *vis-à-vis* the national context, to feed the policy dialogue at technical and strategic levels, to monitor the external experts, and to coordinate with other development partners. But the human resources and technical guidance provided to EUDs to achieve all these required tasks remained far too inadequate, sometimes leading EUDs to rely on external consultants to take on responsibilities that should have been assumed by official EU representatives, notably in the negotiation of BS interventions and the setting of priorities. Access to high-quality expertise was therefore a key determining factor of the relevance and effectiveness of EU CMSB support. It also remained challenging in framework contracts and in international partnerships.

At the same time, technical capacity to contribute to technical PFM/DRM issues has been strengthened at the headquarters level. This had a positive impact on the level of involvement of HQ within the frame of international partnerships such as the RMTF and the RTACs. Guidance tools and technical support provided by headquarters to EUDs has been appreciated in an uneven manner, but overall, have been considered as minimal, considering the high level of technical competence required to engage in policy dialogue with national partners.

7.4 Working with partners

C8	**The EU established close partnerships with beneficiaries; their fairly weak capacities and their slow-moving political and institutional environments significantly affected the pace of PFM reforms.**

EU CMSB support was implemented in close cooperation with beneficiaries and was aligned with national policies and priorities. This implied that EU support also had to adapt to the strengths and weaknesses of the national PFM reform frameworks, including monitoring and evaluation frameworks. Reinforcing government capacities for fleshing out PFM and DRM reforms and providing them with action plans that could be implemented and monitored has been a cornerstone of EU CMSB support. There was still plenty of room for improvement: PFM reform units were often still working outside the complexity of the beneficiary's political and public administration reform landscape. Weaknesses in PFM monitoring and evaluation systems also constituted an obstacle to defining and verifying the performance indicators of the variable tranches of budget support contracts.

Slow-moving political and institutional environments, along with the resistance to change of vested interests also severely constrained the design and implementation of EU CMSB support. Poor political commitment for reinforcing solid internal and external controls were for instance quite common.

In countries with p**oor institutional capacity, weak human resource management in public administration** has not helped to sustain the gains of capacity development. Excessive staff turnover, frequent organisational changes and lack of capitalisation significantly reduced the effectiveness of the support provided.

Among the institutional and political factors affecting the pace of PFM reforms, some could have been better anticipated and better considered in developing interventions. EU CMSB support has not significantly built on the analyses carried out in the framework of the Risk Management Framework (RMF+). These analyses monitor elements that are related to public governance and structural weaknesses in PFM to assess country systems and mitigate the risks that could impair the achievement of Budget Support objectives. Nevertheless, the political economy dimension is not explicitly assessed in the RMF+, nor in in PFM reports attached to budget support programmes.

C9	**On the international scene, following the commitments taken in Addis Ababa, the EU has taken a growing role in implementing a more joint and coordinated CMSB approach. In terms of strategic orientations, it has somewhat taken a back seat.**

Ensuring a coordinated approach with the other development partners has been an EU priority. The EU has been very proactive in this respect: in addition to its direct bilateral cooperation (budget support and capacity development), it has delegated an important part of its CMSB support to other international and financial institutions or EU Member States through financial contributions to in-country and international Multi-Donor Trust Funds, regional organisations and delegated agreements. This dual approach has in turn called for more demanding efforts to ensure consistency and coordination between these different intervention channels.

By channelling significant funding to international initiatives (mostly allocated to the IMF for the RTACs and thematic funds in the field of DRM), the EU has contributed to expanding the international response supporting public finance. More specifically, it supported the IMF/WB resources for capacity development activities and increasing overall capacities in some specific – and sometimes highly technical – areas related to tax policy and tax administration. Through the Addis Tax Initiative, it has also undertaken a significant work in mobilising international efforts on DRM as well as promoting common commitments. The EU also intended to benefit from the credibility/influence of those other institutions and to join high level discussions with them. This has materialised in many cases, but there is still some way to go before one can say that this is a joint approach. Overall, the EU's contribution has been more financial than technical, except for instance in the Addis Tax Initiative. For the rest, the EU has taken more of a back seat in terms of strategic orientations, following the lead of the IMF on Domestic Revenue Mobilisation – a topic closely related to macroeconomic stability – and to a lesser extent following the lead of the WB on debt issues and the strengthening of budgetary management and public service delivery. This is not always consistent with the role the EU intended to play in the strategic and technical policy dialogue.

C10	**At the country level, the EU has been increasingly involved in donors' coordination (especially those providing budget support) with positive results. The EU's visibility has nevertheless remained low. National capacities for monitoring PFM reforms and external support have remained too weak and insufficient to ensure a full coordination process.**

At the country level, the EU has played a key, proactive and demanding role in order to promote the comprehensive CMSB approach and to coordinate PFM/DRM interventions. EU budget support, EU financial contribution to Multi-Donor Trust Funds and EU delegated agreements with EU Member States have been modalities that have been conducive to promoting stronger working relationships on PFM/DRM with partners that include the IMF and the World Bank. These modalities have also provided leverage to the EU in gaining credibility and obtaining a seat at the table where PFM/DRM technical and policy issues are discussed with national authorities and other key IFIs. Financial support provided through budget support has been considered by the IMF as instrumental in supporting macroeconomic stabilisation processes. Joint international and standardised PFM and DRM diagnostic tools, strongly supported by the EU, have fostered the coordination, complementarity and alignment of donor interventions. They have also supported the emergence of joint and harmonised policy dialogue with national authorities.

EU leadership in terms of strategy and coordination, especially with regards to the other international and financial institutions, has been stronger when partner countries/beneficiaries have signed EU (Stabilisation and) Association Agreements. In these countries, and others, the European Commission's delegated agreements with EU Member States (including twinning programmes) have been efficient vehicles for further strengthening coordination, synergy and leverage of EU PFM/DRM interventions.

The willingness of other donors, especially international and financial institutions, has not always demonstrated the same commitment, concern and proactivity with regards to the coordination and synergies of interventions, including the context of Multi-Donor Trust Funds co-financed by the EU. However, progress in terms of coordination has been observed through a more systematic exchange of information and joint policy dialogue, especially between budget support providers, but was still limited regarding the definition of performance indicators used for budget support contracts or performance assessment frameworks for PFM/DRM, as well as regarding joint budget support reviews.

Experiences with MDTF were rather uneven in terms of coordination and synergies with other EU interventions. Over the past few years, MDTF have nevertheless positively enhanced the processes of information exchange, coordination and strategic discussions among donors on their financial and technical bilateral support to PFM at the country level, and have envisaged the promotion of a sector-wide PFM approach and common agreed objectives.

The existence of national domestically-owned PFM/DRM reform strategies with monitoring and evaluation frameworks, as well as functioning PFM/DRM sector working groups, have been the key enablers for coordination and joint policy dialogue. Even though the EU has contributed to reinforcing capacities to steer and coordinate PFM/DRM processes, weak institutional capacities or lack of genuine political will have so far limited national leadership in organising and steering coordination mechanisms at the country level and institutionalising the coordination of working groups between donors and national authorities, including monitoring and evaluation systems in each national administration.

Overall EU visibility in public finance remained below its financial weight both at the country level and the international level. While EU funding was acknowledged in relevant publications, the interventions supported by the international partnerships (co-)funded by the EU remained barely known outside specialist policy circles.

7.5 Effectiveness: contribution of EU support to public finance to the progress achieved regarding the main priorities of the CMSB approach

Where the EU has provided consistent, long-term support involving the various levels of stakeholders, progress has been made. EU support to public finance has strongly contributed to the formulation of relevant wide-reaching approaches to PFM reforms. EU-supported reforms have led to progress being made in small steps, mainly paving the ground for improved policy-budgeting and tax administration efficiency. However, the performance of PFM systems did not improve significantly. While budget discipline and the financial resources provided have contributed to ensuring macroeconomic stability, the fiscal space was not enlarged. Improvements in resource allocation fall short of expectations. There were no visible improvements in public service delivery. In the end, PFM reforms were slow to play a determining role to the achievement of development goals.

C11 **The EU has contributed to developing a more systemic approach to PFM reforms, covering all the pillars of a good PFM system.**

By now, most beneficiaries have moved beyond blanket diagnostics of PFM challenges and opportunities and are focusing on the specifics of PFM/DRM. The EU has guided them in implementing more coherent and coordinated PFM policies and in helping them focus more on rolling priorities and sequencing. The main success areas have included raising the profile of PEFA and other international diagnostic tools and their use in policy dialogue and communication; strengthening the coverage and granularity of PFM and DRM reform strategies; reinforcing partnerships in the development of comprehensive action plans and monitoring and evaluation frameworks and for the roll-out of PFM reforms and action plans.

C12 **The "Collect More" strand of EU CMSB support has mainly contributed to strengthening tax administration systems, albeit with widely varying focuses and at different scales, with limited results up to now in terms of domestic revenue mobilisation.**

Very important advances were made on i) the development of tax and customs information systems and platforms for electronic tax declarations and electronic payment, ii) the development of risk management systems, and iii) in some specific cases, statistics and projections on tax revenue or transfer pricing. Reporting mechanisms on tax expenditures were also developed with EU support. These advances were also made possible by the direct support and financial contributions made by the EU to the IMF regional TA centres or the IMF Revenue Mobilization Trust Fund.

Overall progress in terms of tax policy and non-tax revenue were far more modest. These are areas in which the EU has not been very active. As far as non-tax revenue (NTR) is concerned, the EU contribution has been rather non-existent, mainly owing to the limited importance given to non-tax revenue in the ongoing reforms. It has been more difficult for the EU to address the "tax policy" dimension in cooperation with the beneficiary countries. Several reasons were identified, including i) the complexity of the issues at stake in countries where the tax base remained very narrow, ii) the objectives of increasing tax pressure not always being shared by the beneficiary countries, iii) the technical nature of the field, and iv) the fact that the reforms to be carried out within the framework of international regulations have not always been perceived as contributing to increasing levels of revenue. But in several cases, this has not prevented the EU from participating actively in political dialogue on how tax policies are formulated and their potential results, through the choice of budget support variable tranche performance indicators geared towards DRM.

The articulation between domestic and international drivers of the tax gap has proved to be difficult. This is partly because EU support has been provided through different channels within the EU (TAXUD via OECD BEPS & Global Forum on the one hand, and DG INTPA & NEAR on the other), with synergies not always easy to establish at country level with the EU CMSB portfolio.

The efforts undertaken to fulfil the Collect More strand have not yet shown clear results in terms of the evolution of the tax ratio; persistent weaknesses in domestic revenues were observed, especially in Low Income Countries where revenues did not exceed 15% of GDP.

C13 **The main changes observed in the "Spend Better" strand related to EU support are the introduction of programme budgeting and results-based management, including medium term budgeting.**

Programme budgeting and results-based management are a far-reaching reform, affecting multiple components of the PFM system, and leading to numerous changes in public accounting, management information systems, and a way of working that implies the devolution of responsibilities, between ministries of finances and line ministries and monitoring and evaluation. The adoption of this budgeting approach has seen increased momentum in developing and emerging countries with the support of various partners, including the EU. The reform was still underway in late 2022, with significant work to be done before its effects could be fully felt, notably at sector and centralised levels.

While the EU has contributed to reinforcing the budget execution process with some progress noticed at the internal audit and expenditure control stages (such as the installation and reinforcement of internal control units), there is no evidence of systemic improvements in the budget execution cycle.

The strengthening of public procurement management has received particular attention from the EU, particularly in countries that have benefitted from budget support, with some progress achieved in terms of procurement transparency and improved public access to bidding information, through e-procurement, on which the EU has put considerable focus.

Overall, albeit unevenly, EU CMSB support has contributed to paving the ground for implementing stronger policy-based budgeting and to a lesser extent, execution, but to date, the outcomes in terms of sustainable improvements in public service have not been visible.

C14 **Compared to other donors, the EU has distinguished itself in the role it has played to improve transparency and accountability and to start reinforcing the fight against corruption, as well as to roll out PFM reforms in priority sectors, including in social protection. Overall, results observed in these areas still remained modest.**

Transparency and accountability issues were at the heart of EU CMSB interventions in almost all countries studied. The EU support adopted an increasingly prominent multi-dimensional approach, working across spending and oversight institutions, and in most cases, across the broader democratic accountability chain (parliament and civil society). The support was also closely linked to the fight against corruption. But wider interactions with political and judicial processes have not been sufficiently promoted. Transparency has been a key entry point, with support for it addressing various issues: transparency in public procurement, publication of financial reports, citizen budgets, and support for the development, roll-out and interface of financial information systems. While the outcomes are not yet clearly visible in the indicators that are traditionally monitored in this field (such as the Open Budget Index), especially regarding public participation, the evaluation shows certain success stories which have contributed to the fiscal social contract beginning to be strengthened. This is particularly the case in countries where the EU has seized windows of opportunity for policy engagement with institutions other than ministries of finance, where there have been strong complementarities between BS performance indicators and high-quality technical expertise, and some spill-over of performance indicators or benchmarks related to transparency and accountability in EU programmes with limited focus on PFM, such as SRPCs or DG ECFIN's macro-financial assistance.

Secondly, **through its dual approach (central-sector), the EU has also provided support to the roll-out of PFM reform to the lower levels of administration, with mixed results up to now**. Both sector and decentralised levels are essential for the implementation of the budget and to ensure public service delivery. Principally through SPRCs, specific attention has been given to strengthening capacities within line ministries in priority sectors of EU cooperation (agriculture, education, health, and justice) to formulate, implement and monitor budgets, and to increase their budget negotiation capacity vis-à-vis the Ministry of Finance. Although capacities have been enhanced in some ministries, overall policy-based budgeting at the sectoral level remained weak and communications with the Ministry of Finance complicated. Overall, actual synergies between CMSB support and SRPCs implemented in priority sectors were not fully exploited. While general conditions have contributed to highlighting the need for a credible and relevant PFM reform process and policy dialogue being fed in that regard, specific conditions and complementary measures implemented to support budget process at sectoral level were poorly connected with EU PFM support to the Ministry of Finance at the central level.

Weak political support for decentralisation and deconcentration, coupled with weak technical capacity and limited resources, also constituted an obstacle to the roll-out of reforms in the domains of policy-based budgeting (MTEF and programme-budgeting), procurement and public investment management.

Thirdly, the EU has increasingly been supporting **the development of social protection systems** in an exploratory way, with a budgetary and PFM anchor. There are strong synergies between social protection and PFM, and this area requires more development. Contrary to what might have been expected, the COVID-19 crisis has not led – with very few exceptions – to a significant rebalancing of fiscal priorities. However, some actions have emerged to revamp social protection with EU support, including contributory schemes.

C15 **Some PFM areas – not heavily supported by the EU – have shown very limited progress while they remain key for improving PFM systems.**

EU support for the development of statistical and M&E systems has been limited despite the need for valid, reliable and timely information to monitor the different national and sectoral programmes, to feed into budgeting programmes, and ultimately, to report back to the different stakeholders, both internal and external, including the EU. The lack of information has systematically impeded the accurate and timely evaluation of the effectiveness and efficiency of the programmes supported by the EU.

Public investment has received less attention from the EU than might have been expected, given its role in ensuring the quality of public expenditure. Even though public investment is a privileged intervention area for the IMF and WB, there seems to be scope for wider EU support. The options to maximise results include direct intervention, based on a division of labour with those organisations rather than support via trust fund or delegation agreement, continuing to focus on a piecemeal or specific approach, or reorienting the support provided to more strategic or systemic interventions. An EU intervention in the domain of public investment could also be justified in connection with other areas like procurement and the fight against corruption. Finally, financing through blending, as part of the EU financing strategy in some sectors, could also be a justification to dedicate more attention to public investment management.

The EU has often shunned involvement in the financial management of state-owned enterprises (SoEs). This includes issues related to the transparency of their financial documents, which may be a key source of fiscal imbalance and hidden liabilities. The work supported by the EU has mainly consisted in mapping and reporting the fiscal risks involved, rather than addressing these risks themselves. Other areas of particular interest in the context of the new aid modalities implemented by the EU under the External Investment Plan (blending and guarantees), have received little support, in particular the fiscal risks arising from the growing use of public-private partnerships and debt financing. The EU's growing engagement in blended finance opens new avenues for a policy dialogue on debt financing as well as on increasing awareness of fiscal risks.

C16 **Overall, the EU, together with its main partners, has contributed to strengthen some components of PFM systems, in the Collect, Spend and Debt strands. The outcomes achieved are nevertheless disappointing: budget discipline and debt management were strengthened without widening the fiscal space. At the same time, there were no visible sustainable improvement in resource allocation and public service delivery.**

Except in a few of the more advanced countries, there was no evidence of a sustainably widened fiscal space and a reinforcement of national financing capacities for development expenditure, notably for public investment and in social sectors. Policy-based budgeting has improved (mainly the budget preparation process) but this has not yet been translated into budget allocations and execution. This was well summarised by the PEFA 2022 report: "PFM systems struggle where it matters most for efficient service delivery: budget execution. This undermines the potential benefits of stronger performance at the budget preparation stage".

While EU contributions to outcomes have been visible mainly in terms of macroeconomic stability, countries' financing patterns have changed little over the last few years. Macroeconomic stability has not been translated into enlarged fiscal space that can authorise a significant increase in public expenditure. Nor has much change been observed in the capacity of these economies to sustain public investment and long-term development financing.

As underlined, systemic PFM reforms take time, and their effects are only visible in the long term, all the more so as they are strongly dependent on the economic environment, itself weakened since 2020. In this context, the slight reinforcement of the "fiscal social contract" that links citizens and government on fiscal issues, some of them directly related to the support provided by the EU, should be noted.

8. RECOMMENDATIONS

The evaluation provides a set of practical recommendations for improving the design and implementation of future EU interventions made under the CMSB framework. The first two recommendations relate to strengthening the EU's global strategic approach in the areas of DRM, PFM and debt management under the umbrella of the CMSB approach. R3 provides orientations for consolidating the EU's strategic approach at the international level and at the country level (R4). R5 suggests improvements in the implementation of the mix of aid instruments and modalities, and R6 focuses on the main features that EU support could adopt in the different CMSB areas covered. The last three recommendations are to improve coordination and complementarities with partners (R7), to enhance EU technical capacities (R8), and to promote the visibility (R9) of EU CMSB support.

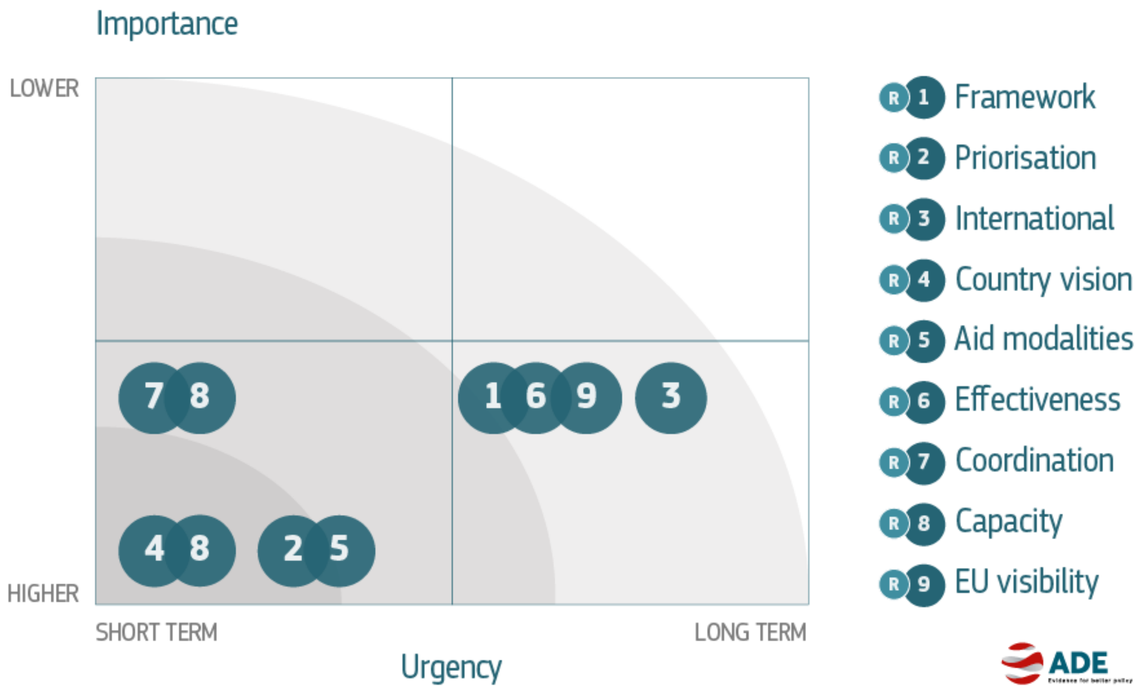
Figure 32. Priorisation of recommendations

			Who?	Importance	Urgency
Framework	R1	Promote the CMSB approach as a comprehensive strategic framework	HQ	6/10	6/10
Framework	R2	Prioritise support in CMSB areas where the EU has a comparative advantage and specific interests	HQ & EUDs	8/10	6/10
Policy	R3	At international level, further develop joint approaches while ensuring more space given to developing countries	HQ, EUDs & IPs	6/10	7/10
Policy	R4	At country level, ensure a comprehensive and coherent vision of EU support to public finance	HQ & EUDs	8/10	8/10
Implementation	R5	Make better use of EU instruments and aid modalities and of their synergies	HQ & EUDs	8/10	7/10
Implementation	R6	Strengthen effectiveness of EU CMSB support in priority areas & promote change management	HQ & EUDs	6/10	6/10
Implementation	R7	Continue promoting coordination and complementarities between different donor interventions at country level	HQ, EUDs, NAs & IPs	6/10	8/10
Staff & Visibility	R8	Design and implement a capacity building strategy for CMSB support	HQ & EUDs	8/10	8/10
Staff & Visibility	R9	Make EU support to public finance at the international & country levels more visible	HQ, EUDs & IPs	6/10	6/10

EUDs: EU Delegations
IPs: International partners
NAs: National authorities

ADE Evidence for better policy

Figure 33. Priorisation of recommendations



8.1 Strengthening the EU's global strategic approach in the areas of DRM, PFM and debt management

R1	**Promote the CMSB approach as a comprehensive strategic framework for EU support to public finance, emphasising its importance in implementing the Global Gateway.**	
	Based on: C1, C2	**Directed at:** EU Headquarters
	Urgency: 6/10	**Importance**: 6/10

Lessons learned/arguments:

The **EU's CMSB approach** was viewed by all involved actors as a highly relevant approach **for guiding EU support to public finance**, and more generally for reinforcing the contribution of partner governments to development processes. The leading role that governments are expected to play in achieving development goals requires both greater fiscal space within a sustainable macroeconomic framework and better delivery of a range of public goods and services. An effective budget and a sound PFM system are key in increasing investment in human development and developing a solid enabling infrastructure. They are also necessary to implement sound policies to ensure sustainable food and environmental systems, peace and security, and the priorities of Global Gateway in general.

Linking revenue, spending and debt management more closely has helped an increasingly comprehensive approach to PFM reforms being adopted, with a greater emphasis on the revenue side. Nevertheless, the EU CMSB approach is not yet considered a clear frame of reference. This is reflected in the fact that approach is still not well known among EU staff. The interactions between revenue, expenditure and debt (including income redistribution, social protection, transparency and control, e.g., control of both revenue and expenditure) should also be further explored.

Giving greater visibility to this framework while further developing the interactions between the three vertices of the triangle would enhance the overall coherence of EU support to public finance within a clear, shared strategy.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Cover all the components of the budget cycle in the CMSB approach and put greater emphasis on the linkages between the "Collect" and "Spend" strands of the approach.	• Update the 2015 CMSB document to better tackle the budget cycle as a whole, notably to include budget programming and the spending chain. • Further detail interactions and common challenges when addressing DRM, public spending and debt management.
Put the Sustainable Development Goals (SDGs) at the heart of the CMSB approach.	• Clearly present PFM strengthening as a means to reach the SDGs and detail its expected contribution to reach the SDGs.
Ensure better knowledge and visibility of the CMSB approach among specialised EU staff as a fundamental cornerstone of the global gateway strategy	• Ensure more active communication around the CMSB approach, based on more concrete and pragmatic guidelines. • Further refer to the CMSB approach into EU training courses on PFM I & II, DRM and BS • Favour peer-to-peer exchanges and communities of practice.

R2	**Prioritise EU support in CMSB areas where the EU has a comparative advantage and specific interests, while keeping a logic of opportunity to support areas of the PFM/DRM reform plans where leverage effects can be activated.**	
	Based on: C3, C6, C14, C15	**Directed at:** EU Headquarters, EUDs
	Urgency: 6/10	**Importance**: 8/10

Lessons learned/arguments:

The EU has deployed its support following a **demand-driven approach**, aligned with PFM/DRM strategies and reform plans. This has enabled it to respond as closely as possible to the needs of beneficiaries. However, it has also led to a dispersion of aid, with i) interventions in areas where the EU had little comparative advantage and not always the technical resources required, and ii) few synergies with the rest of the portfolio.

This evaluation shows that the EU has benefitted from a **comparative advantage** due to its multi-dimensional approach, the mix of aid modalities used (BS, incentives for reforms, capacity development, multi-donor trust funds) and its political role. This has particularly been the case in addressing **transparency and accountability**, working across spending and oversight institutions, and in most cases across the broader democratic accountability chain (parliament, civil society), with some success stories.

The EU has also been involved in supporting **the roll-out of PFM reforms to sector ministries,** and to a lesser extent to decentralised administration levels. Mainly through SRPCs, specific attention has been given to strengthening capacities within line ministries in priority sectors of EU cooperation (e.g. agriculture, education, health, justice) to formulate, implement and monitor their budget, which is a key step to strengthen public service delivery. A post-COVID-19 world may well lead the EU to grapple with the relative priority of generalist PFM/DRM reform programmes, given the growing needs of the sectors.

The EU also has **specific interests** in its cooperation efforts that have implications for public finance management. Through the Global Gateway strategy, the EU emphasises several priorities that have direct links to the budget and PFM processes, among them digitalisation, climate change, human development and peace and security. Moreover, new EU aid modalities (European Fund for Sustainable Development - EFSD+) in the framework of the External Investment Plan also have strong links with PFM, especially with public investment management, public procurement and debt management.

The EU and donors in general paid little attention to the fiscal risks arising from the growing use of public-private partnerships. As the EU itself expands its footprint in blended finance, increased awareness of this risk factor will be instrumental.

The flexibility and wide scope of intervention offered by budget support, including complementary measures, also allowed the EU to **open windows of opportunity** and prepare the ground for further involvement.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Prioritise support in the area of transparency and accountability, with a multi-stakeholder approach that is more explicitly linked to the fight against corruption.	• Adopt a systemic comprehensive long-term approach to support transparency and accountability including internal control, procurement and public investment management systems, institutions responsible for budget control, and oversight and law enforcement agencies.
Give greater importance to public service delivery, with a focus on fiscal and budgetary management within sector ministries and deconcentrated and decentralised authorities, especially in areas targeted by the Global Gateway strategy (climate change and environmental protection, education, health, social protection, peace and security, inclusive growth).	• Provide capacity development to sector ministries and decentralised authorities to roll out PFM reforms. • Include PFM dimensions in Team Europe Initiatives at sectoral and decentralised levels.
Focus more on public investment management, public procurement and debt management within the framework of the support developed by the EU to boost investment, including public-private investment.	• Put more emphasis on the assessment and monitoring of fiscal risks. • Link EFSD+ with public investment management and public procurement reforms. • Link blended finance to debt management.

Promote climate change adaptation and mitigation and digitalisation better and transversally – in line with the Global Gateway – when supporting PFM reforms.	• Apply PEFA and PIMA with the new modules developed on climate change and existing tools for climate change budgeting or public expenditure review (Climate Change Public Expenditure and Institutional Review (CPEIR)). • Provide transversal support, always considering climate change issues, to topics such as green procurement, expenditure for environmental protection, and fiscal policy reforms. • Continue supporting digitalisation reforms (e.g., information systems, fiscal administration (e-tax)).

8.2 Consolidating the EU's approach at the international level and at the country level

R3 **Continue the efforts made in developing a joint approach to supporting public finance at the international level and in helping to rationalise the use of diagnostic tools and trust funds, while ensuring that more space is given to developing countries, and that all efforts contribute to the EU's long-term objectives.**

Based on: C2, C3, C9	**Directed at:** EU Headquarters, EUDs, International partners
Urgency: 7/10	**Importance:** 6/10

Lessons learned/arguments:

The EU is not yet **playing a role in PFM/DRM that is commensurate to its financial commitments** even if the EU has actively taken part in a more joint and coordinated approach to support progress in public finance. By channelling significant funding to international initiatives, the EU contributed to expanding the international response to supporting CMSB and capacity development activities, and notably of the IMF. While the support provided by the IMF was recognised as increasingly tailored to recipient needs (but still leaving room for improvement), it was also increasingly integrated with the lending and surveillance role of the IMF in line with its own mandate, with limited evidence of cooperation with other partners' initiatives.

The international eco-system involved in supporting the CMSB approach remains overall quite scattered, with limited synergies between all the existing trust funds and initiatives. Complementarities have been progressively built (UNTC vs OECD BEPS/GF or among IMF/WB trust funds) but there is still a need for rationalisation, to avoid the accumulation of initiatives that have their own agendas and little connection to existing ones.

There are converging views on the need to rationalise the set of existing diagnostic tools (over 60 according to a recent analysis made by the PEFA secretariat) that use different methodologies and potentially overlap. The EU has funded nearly all of them, often indirectly through trust funds. Increased complementarity should be sought between the generalist PEFA and specialist diagnostic tools such as TADAT, PIMA, MAPS, DeMPA, etc., while retaining/promoting only those that are most relevant.

Reducing the number of trust funds and encouraging more synergies on the DRM side (RMTF, MNRW, TADAT etc.) will reinforce the coherence of the response to DRM issues. But this should be carried out with the participation of developing countries. In the area of tax compliance, adapting international standards to the needs of developing countries may be a more effective way of supporting "Collect More" than encouraging developing countries to meet minimum international standards.

EU support provided within the framework of international initiatives should be pursued in a balanced way, taking three criteria into account: the added value of EU funds compared to other alternative sources of funding available; the impact of these initiatives on the "Collect More Spend Better" objectives in the long-term; and the effective consideration of the needs and demands of developing countries.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Take the vision of having the SDGs at the heart of the CMSB approach to international circles.	• Emphasise the role of the budget as a means of implementing public policies, deploying public investments and services that achieve the SDGs • Build on improved analytical tools and analysis, advocate for more robust engagement and policy dialogue to expand public fiscal space. • Continue to revamp social protection, including contributory schemes • Support the integration of Developing countries in the way IPs evolve the system (such as for the PEFA with DC representatives in the steering committee
Clarify the terms of the partnership with the IMF, using an approach that integrates all the financing provided by the EU to the various IMF trust funds/RTACs.	• Analyse how the funds allocated to the IMF are used. • Define how interactions between IMF and EU staff should be. • Set out the expected objectives throughout the results chain, as well as the intended interactions with EU-managed interventions.
Ensure synergies and complementarities between existing trust funds and international initiatives.	• Work towards joint positioning on international governance issues between DG INTPA, DG NEAR and DG TAXUD. • Support initiatives that consolidate the medium-term macro-fiscal framework, integrating all revenue and expenditure to guide medium-term fiscal policy choices (e.g., Integrated National Financing Framework (INFF)). • Continue supporting the trust fund reforms which aim for greater efficiency and rationalisation (e.g., Umbrella "2.0" Programmes as of 2022). • Use initiatives such as the ATI to ensure the overall coherence of development partners' support to public finance.
Rationalise and increase complementarities between existing diagnostics tools.	• Increase complementarities between PEFA and more specialised tools such as TADAT, PIMA, MAPS, DeMPA, as well as more specific IMF tools (RA-GAP).

R4	**At the country level, ensure a more coherent and comprehensive vision of EU support to public finance across the various aid modalities used, as well as implementing adequate monitoring and evaluation mechanisms.**	
	Based on: C3, C6, C7	**Directed at:** EU Headquarters, EUDs
	Urgency: 8/10	**Importance**: 8/10

Lessons learned/arguments:

EU support to DRM/PFM/debt at the country level addressed many of the diverse areas of the CMSB approach simultaneously, and although it was well adapted to specific country contexts and challenges, it remained quite scattered, with poor integration of the IMF/WB-led capacity development operations and little complementarity within the EU's wider portfolio of interventions.

At the country level, the EU should hence consider developing a coherent and comprehensive vision of its full support to public finance and at least a dynamic mapping, integrating global and long-term commitments to increase EU focus and make CMSB interventions clearer, more effective and more visible, also in international partnerships. It should select the main CMSB priorities to be supported at the country level. It should define its expected objectives throughout the results chain. It should identify the aid modalities to be used and the partners to work with, depending on the needs and objectives pursued. The EU should also frame PFM issues not only in the 'narrow' technical terms concerning day-to-day changes, but also consider their two-way linkages with broader public administration reform and economic policy reforms (in the case of Associate countries).

Moreover, the EU has carried out little monitoring or evaluation of its support to CMSB. The analyses carried out in the context of the budget support disbursement files provide a useful basis for assessing the progress made by the country in terms of PFM, and the achievements of performance indicators. But they do not aim to assess how all the support provided by the EU contributes to strengthening public finances. The EU should monitor and evaluate the attainment of objectives more systematically. This would provide useful support for managing the CMSB portfolio and for discussing strategic options.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Develop a global vision of the EU portfolio of CMSB interventions deployed at the country level.	• Identify the main national and international actors involved in PFM and the PFM initiatives they support. • Identify all ongoing EU-supported actions at the country level, including the ones financed through international partnerships. • Identify which CMSB priorities the EU should pursue in its portfolio at the country level. • Define the hierarchy of intended objectives throughout the results chain. • Select the aid modalities to be used to deliver the support and the partners to work with. • Assess the main risks (drawing on the RMF plus) and identify mitigation responses.
Systematically frame PFM issues within broader PAR and economic policy reforms.	• Consider broader PAR and economic policy reforms when designing new PFM interventions. • Invest more in PAR as a necessary condition for achieving expected PFM outcomes.

Ensure coherence between EU DG INTPA/NEAR support and i) support provided to international taxation initiatives; ii) trade policies.	• Ensure coherence regarding what is required from tax administrations: e.g., coherence between the requirements regarding exchange of information for the fight against tax evasion; double taxation; tax revenues; etc. • Ensure coherence between international cooperation policy and trade policy, considering taxation as a key entry point for trade policies.
Continuously monitor and evaluate the EU CMSB portfolio of interventions deployed at the country level.	• Monitor and evaluate EU CMSB interventions: • Identify and use the most relevant PEFA indicators/sub-indicators to monitor progress in relation to EU support. • Ensure linkages with existing monitoring reports on national PFM reforms. • Ensure regular feedback to the HQ

8.3 Improving the implementation of EU support under the CMSB umbrella

R5	**Making better use of the instruments and aid modalities available, especially to strengthen the incentive effects of Budget Support programmes, the related strategic policy dialogue and the complementarities between EU instruments.**	
	Based on: C4, C5, C6, C7	**Directed at:** EU Headquarters, EUDs
	Urgency: 7/10	**Importance**: 8/10

Lessons learned

The use of BS to accompany reforms has been decisive in most countries under review. However, there is still room for improvement: weaknesses in the use of variable tranches to support the CMSB approach and the lack of complementarity between different measures and performance indicators limited the sustainability of the reforms. While the evaluation confirmed the key role of both technical level policy dialogue and high-level policy dialogue, EU policy dialogue has been insufficient – beyond the special cases of EU candidate countries and potential candidates – to maintain pressure to achieve legal, regulatory and institutional reforms once financial leverage was no longer in place.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Strengthen the incentive effect of BS variable tranches in line with programmed reforms.	• Identify performance indicators, not only in relation to institutional capacities (as stated), but also to the effective leverage of EU support. • Ensure performance indicators are technically relevant and in line with current practices (rely more on technical expertise of IFIs for the design of BS interventions, especially key technical performance indicators). • Ensure continuity in the sequence of performance indicators and in their monitoring over a long period of time. Performance indicators should ideally build on each other over a reasonable number of years, and target the key junctures in the reform in sequence. • Ensure a strong commitment from the authorities on the selected indicators and the targets set. • Avoid setting overambitious targets for the performance indicators.
Strengthen the application of the general BS eligibility conditions to ensure more credibility of PFM/DRM reforms plans and budget allocations.	• Ensure that the credibility of PFM reforms is met by expanding the use of political economy analysis. • Widen the application of the general condition to include the credibility of sector policies to increase the share of specific sectors in the allocation and execution of total expenditures. • Consider using more performance indicators that target strengthening sector plans.

Reinforce and consolidate policy dialogue at strategic level	• Ensure regular high-level strategic dialogue on BS programmes, involving the EUD (HoD and HoC), as well as EU HQ as required. • Develop further strategic policy dialogue with beneficiaries on revenue generation, fiscal space, sources of financing and debt management.
Strengthen complementarities between EU instruments and aid modalities and better identify and articulate the role of CD and TA in the package	• Better articulate performance indicators and complementary measures to provide capacity building in the areas targeted by the reforms while avoiding providing TA that is directly linked to performance indicators. • Reinforce synergies among EU CMSB support (VTI/CM-TA/IPs) and with other EU support to public policies.

R6 **Reinforce the effectiveness of EU CMSB support by reinforcing multi-dimensional approaches for strengthening transparency and accountability, making stronger use of Sector Reform Contracts to address PFM issues, and focusing EU support on priority areas in the various strands. Moreover, put more emphasis on change management.**

Based on: C4, C5, C6, C12, C13, C14, C15	**Directed at:** EU Headquarters, EUDs
Urgency: 6/10	**Importance**: 6/10

Lessons learned

Overall, the results in terms of performance of the PFM system as measured by the PEFA over the period under review were mixed in almost all areas of CMSB. Various factors explained the limited progress observed, most being not within the EU's powers. Nevertheless, the evaluation highlighted some limitations of EU support in the various areas of intervention. This recommendation summarises the points that can be strengthened/improved in each area for EU support to be more relevant and effective.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Further develop multi-dimensional approaches for strengthening transparency and accountability.	• Adopt an integrated, multi-disciplinary approach that includes the articulation of the internal control, procurement and public investment management systems and gives direct support to the institutions responsible for budget control and oversight, as well as to law enforcement agencies. • Promote programme budgeting, or results-based budgeting – where it is implemented – to other PFM stakeholders such as audit institutions, parliaments and civil society, who are not always familiar with it. • Advocate for more participation of the public in the budgetary process, and in particular for 1) participation of civil society in budget debates in parliament; 2) participation of CSOs in thematic working groups/the PFM coordination group; 3) implementation of citizen budget at local level. • Build on IFMIS support – where it is implemented, or will be – to improve IT linkages with internal and external audit institutions, an area where some good practices are emerging.

Make better use of SRPCs to address sectoral PFM issues and in particular to support the implementation of budget reforms at sectoral level.	• Better articulate EU PFM support provided at sector level with support provided at central level, especially as far as capacity building is concerned. • Strengthen priority sector budget programming and execution in parallel to the work done on building sound sectoral policies. • Consider sector issues in PFM performance indicators in BS programmes and PFM performance indicators in SRPCs.
Priorities for the Collect Strand	• Promote the use of repeat TADAT assessments. • Plan EU support in the medium term by integrating other partners supports (including RMTF) and targeting clear and agreed objectives with national authorities. • Better address the "political economy" challenges of tax policy, including resistance to change and competing goals (e.g., maximising revenues versus lessening the burden on businesses). • Put more focus on forecasting risks. • Advocate for putting more emphasis on non-tax revenues in reform plans.
Priorities for the Spending Strand	• Continue promoting the profile of repeat PEFA assessments and use PER & PETS more systematically at sectoral level, searching for simpler and lighter methodologies. • Put more focus on public investment management including at sectoral level. • Put more emphasis on the need for sound and reliable statistics for programme budgeting or results-based budgeting. • When supporting the development, roll-out and interfacing of financial information systems, make sure the engagement is for the long haul and all building blocks are in place; promote the potential of IFMIS as a tool for more transparency. • Put more emphasis on the management of Stated Owned Enterprises.
Promote change management approaches.	• Incorporate analysis of political economy and behavioural issues in the diagnostic tools used to assess the strengths and weaknesses of PFM systems at the country level, and better identify potential institutional challenges to fiscal/budgetary reform processes (human resources, resistance to changes etc.). • Apply a problem driven iterative and adaptive (PDIA) approach to interventions on fiscal/budgetary governance reforms in order to develop national ownership and appropriation throughout national public administration. • Involve all key actors to identify issues and ensure appropriation within the national public administration.

R7	**Continue promoting coordination and complementarities between different donor interventions at the country level by reinforcing national leadership to steer and coordinate PFM/DRM reforms plans, including coordination of related external support.**	
	Based on: C8, C9, C10	**Directed at:** EU Headquarters, EUDs, National authorities, International partners
	Urgency: 8/10	**Importance**: 6/10

Lessons learned/arguments:

The EU has been all the more **proactive in ensuring a coordinated approach** with the other DPs involved in PFM/DRM cooperation, notably through the use of BS and financial contributions to in-country and international MDTF, regional organisations and delegated agreements, and in supporting existing national coordination mechanisms. While exchange of information and coordination have increased, including joint policy dialogue on PFM, the evaluation highlights room for improvement in several areas:

- While joint financing of PFM assessments (PEFA, TADAT, PIMA) has contributed to streamlining and harmonising donor support and dialogue with the national authorities, the concertation process during the design of donor BS performance assessment frameworks, especially on PFM and DRM indicators, remained uneven, as did joint programme reviews. Both could contribute to stronger coordination and harmonisation of interventions.
- Progress has been recorded in the way the EU is involved in IMF RTACs and WB MDTFs, but more coordination is still required between EU staff, with support directly managed by the EC; in addition, more information about the results achieved and more involvement in planning the support is required.
- Existence of national domestically-owned PFM/DRM reform strategies with monitoring and evaluation frameworks as well as functioning PFM/DRM sector working groups remain key enablers for coordination and joint policy, but are still to be consolidated in many countries.

Aid modalities used have enabled the EU to gain credibility and obtain a seat at the table for technical and policy dialogue regarding PFM/DRM with national authorities and other key IFIs. However, the EU delegated interventions have sometimes complexified EU coordination. Indeed, if increasing EU contributions to international or in-country MDTF translates the need to use IFIs' technical capacities to implement the CMSB approach, it is important that the EU can strike the proper balance between (i) delegating responsibilities to implementers with stronger technical comparative advantages and (ii) remaining involved in strategic priority setting and coordination.

Regarding intra-EU coordination, if delegated agreements with EU MS and the development of twinning in CMSB areas have favoured exchange of information, sharing expertise and stronger complementarity between EU interventions, Team Europe initiatives and EU programming in the area of PFM and DRM have not yet fully materialised. The EU's strategic and coordination leadership has been stronger in countries undergoing EU Association or Stabilisation processes, especially in comparison to other IFIs. In these countries, but not only, the European Commission delegated agreements with EU Member States (including twinning programmes) were considered to be efficient vehicles for further strengthening coordination, synergies and leverage of EU PFM/DRM interventions.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Promote the internalisation of the coordination of reform processes within national authorities and strengthen national capacities.	• Strengthen national strategic coordination capacities, including monitoring and evaluation systems in national administrations. • Institutionalise working groups to coordinate donors and national authorities. • Continue promoting the profile of repeat assessments, PEFA and other joint international and standardised PFM and DRM diagnostics tools, and promote self-assessments as far as possible. • Support PEFA training and PEFA self-evaluations.
Strengthen consultation processes between budget support providers, especially on the definition of VTI or performance assessment frameworks on PFM/DRM, as well as joint budget support reviews.	• Organise systematic consultation processes during the design of BS interventions, especially on performance assessment frameworks. • Better inform partners on the EU's strategy for supporting CMSB in country and on the specifics of its aid modalities, including its Budget Support. • Undertake systematic joint programme reviews including TA/capacity-building support.
Reinforce EU involvement in trust funds and RTACs capacity development.	• Obtain systematic information on TA missions planned within the framework of trust funds/RTACs. • Participate at the start and at the end of the IMF missions. • Receive reports prepared by the implementing partner as soon as they are issued.
Promote EU joint programming in the PFM/DRM areas.	• Seek more synergies with the EU Member States that contribute to the various international trust funds to develop common positions. • Joint EU-EU MS approach in the context of twinning/TAIEX. • Develop specific Team Europe Initiatives on transparency and accountability, DRM, PFM dimensions regarding the decentralisation process and the implementation of public sector policies.

8.4 Enhancing EU technical capacities and expertise in public finance to support the EU's ambitious approach, and improving EU visibility

R8	**Designing and implementing a capacity-building strategy for CMSB support that will strengthen internal staff skills, improve sustainable access to external expertise while at the same time, reinforcing partner countries' understanding and ownership of EU CMSB support.**	
	Based on: C7	**Directed at:** EU Headquarters, EUDs
	Urgency: 8/10	**Importance**: 8/10

The CMSB area is a very technical one, whether in terms of tax policy, the functioning of tax administrations, budgetary and control processes, public accounting, or debt management. Programme formulation, monitoring and, above all, participation in technical and strategic dialogue circles with the authorities or with other partners, all require a mastery of these different themes and the related political issues. The evaluation highlighted the limited capacities of EUDs – both in terms of staff numbers and skills – to effectively guide the implementation of the CMSB approach and to conduct policy dialogue on PFM and even less so DRM and debt management.

The boundary between tasks that should be reserved for EU staff and for external experts is also unclear. In some cases, the lack of capacity leads to a reliance on external experts for dialogue, and even negotiation with the authorities, whereas EUDs' involvement needs to be promoted at all stage of these outsourcing exercises, especially to guarantee the ownership of the related policy dialogue components.

The EU's in-house expertise still needs to be consolidated, especially in EUDs, both in staff numbers and in skills. As the prospects for increasing staffing levels in this area are very limited, there is a need to implement an explicit capacity-building strategy in this area that will reinforce internal staff skills, guarantee sustainable access to suitable external expertise and promote solid understanding from partner countries.

This strategy should aim, on the one hand, at upgrading the skills of EU staff through targeted training and access to technical guidance in response to specific issues related to the challenges faced in the country, and on the other hand, should target a more sustainable integration of external expertise in support of the priorities of the CMSB portfolio.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Design and implement a comprehensive capacity-building strategy for EU services to deploy their CMSB support.	• Make an internal assessment of main weaknesses in terms of EU capacities, including interactions between EUDs and EUHQs. • Clearly delineate the role of EU staff versus external technical expertise.

Further develop internal training programmes related to CMSB areas.	• Establish a description of the functions of the staff in delegations and the skills required. • Take stock of the on-going Training Needs Assessment undertaken through the EU's knowledge sharing programme. • Develop clear training and learning pathways. • Develop training modules related to transparency and accountability as well as PFM in priority sectors. • Promote in-country training courses on EU BS, PFM, fiscal space analysis, budget analysis and control, bringing together EUDs, national government counterparts, CSOs and external partners.
Further reinforce interactions between HQ and EUDs through HQ missions, more specific technical guidance, and regular exchange of information.	• Facilitate HQ missions and participation in high level policy dialogue. • Further develop access to internal HQ expertise and helpdesk facilities. • Set up regular meetings between INTPA E1, NEAR, BS focal points and EUDs to exchange on EU CMSB support implementation at the country level, especially on implementing decentralised aid modalities such as EU technical assistance projects and/or contribution to multi-donor trust funds.
Provide more durable access to high level technical expertise for EUDs and HQ.	• Facilitate access to IMF expertise through the RTACs or PFM partnership programme (notably when formulating programmes and for feeding policy dialogue). • Consider the possibility for EUD staff and their national counterparts to attend CMSB-relevant in-country training sessions delivered by the IMF RTACs or by other EU-funded trust funds or international partnerships. • Create durable relationships with recognised international centres of expertise in specific areas of CMSB, which could provide technical expertise and carry out capitalisation work.
Facilitate access to suitable international profiles for short-term missions that have the expertise and the complex cultural and linguistic affinities required.	• Facilitate access to TAIEX, SIGMA and twinning with EU MS institutions.
Facilitate inclusion of staff (local staff / junior staff, etc.) to help the programme managers at EUD level.	
Reinforce partner countries' understanding and ownership of BS programmes.	• Provide more systematically training sessions on EU BS guidelines for national counterparts. • Set up a coaching plan to guide national partners in the implementation of CMSB support.

R9	**Make EU support to public finance at the international level and at the country level more visible.**	
	Based on: C10	**Directed at:** EU Headquarters, EUDs, International partners
	Urgency: 6/10	**Importance**: 6/10

Overall, EU visibility in public finance remained low, especially when contributing to international partnerships trust funds (with the exception of the PEFA). At the country level, participation in official meetings and workshops on PFM issues, the adoption of more systematic communication campaign, the leadership in the donor-government dialogue or the advocacy carried out to ensure audit and external oversight public dissemination have contributed to giving more visibility to EU support.

What should be strengthened, changed, or discontinued?	*How should this be done?*
Ensure increased visibility of the EU's contribution to IMF&WB trust funds and IMF capacity development activities in general.	• Communicate on joint IMF/EU projects.
Improve visibility of EU-funded actions at the country level.	• Participate in official meetings or workshops on PFM issues and on the reform process. • Produce documents to inform citizens – in web or print format – of the (expected) contribution of EU CMSB interventions to development results. • Upon approval of a BS programme and at each disbursement, inform the media and stakeholders about the programme, its different components and the progress made.
Work more directly with CSOs, medias and Parliament to initiate public debate on budget issues.	• Move up a gear for strengthening capacities of civil society actors including medias (e.g. budget office in parliament). • Continue to promote innovative tools to improve public budget consultations (e.g. citizen budget).

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