

# **PFMP** Philippines-Australia Public Financial Management Program

Supporting the Philippines towards improved efficiency, accountability and transparency

# Monitoring and Evaluation Framework

4 December 2012

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# 1. Introduction

This document outlines the Monitoring and Evaluation (M&E) Framework for the Philippines-Australia Public Financial Management Program (PFMP).

The document sets out the conceptual framework for M&E. It provides the basis for the Program Steering Committee to comment on and endorse the approach to M&E before the operational details are finalised.

The approach to M&E for the PFMP is built around recognition of the fact that PFM reform is a complex process. It is therefore extremely important that M&E provides a strong basis for learning and improvement. The approach is not simply about collecting data for performance indicators. It is about using a range of tools to provide robust analysis that not only *describes* the progress of the Program, but *explains* the reasons for progress (or lack of progress).

The document begins by outlining two foundational elements for M&E: the Program's theory of change, and its results framework. It then outlines the features of the approach to M&E at each level of the results framework, and concludes by summarising the next steps.

It does *not* set out a complete M&E system. The full system (i.e., comprising performance indicators, detailed methodology, implementation responsibilities and timelines) will be finalised following further consultation and analysis. The intention is to align the PFMP system with the M&E requirements of the Government of the Philippines (GoP) as it implements its Philippines PFM Reform Roadmap.

## 2. The Program

### 2.1 Theory of Change

A theory of change describes the central mechanism through which a program expects change to occur.<sup>1</sup> A theory of change is important because it helps a Program to explicitly describe *why* a series of interventions is expected to produce the desired results. By specifically referencing the theory of change, M&E can more easily draw linkages between the Program's activities and the results being achieved.

The PFMP theory of change is that:

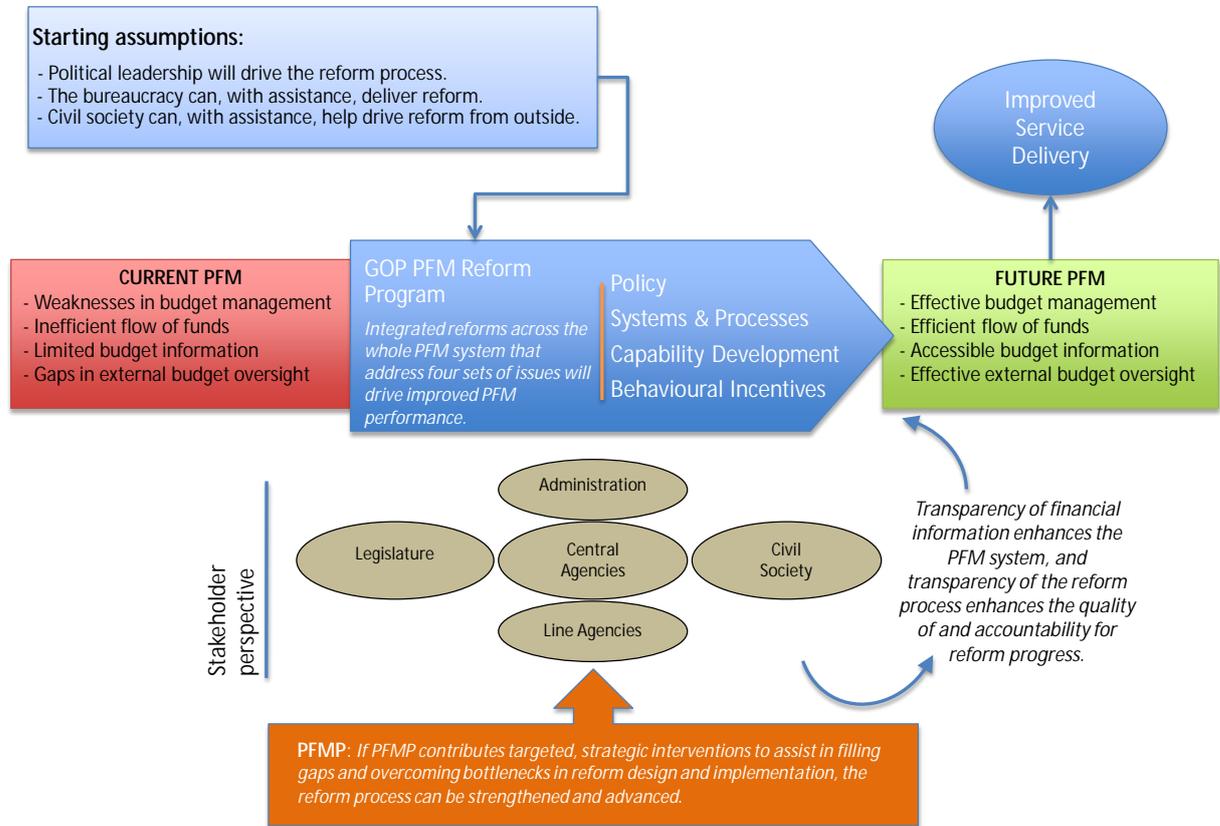
*Given adequate political imperative for reform, and a sufficiently functioning bureaucracy to deliver that reform, targeted and strategic support to four elements of reform (PFM policy, processes and systems, capability development and behavioural incentives) will improve institutional practices across the budget cycle. Reform outcomes can be further strengthened through a transparent reform process and effective engagement from civil society.*

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<sup>1</sup> Funnell, Rogers, 2011

The theory is represented in diagram 1 below and the discussion that follows describes the key elements of this theory.

Diagram 1: PFMP Theory of Change



## Starting Assumptions

There are two main assumptions that make the theory of change possible, which are drawn from the experience of public sector reform worldwide.

- › *That effective political leadership drives fundamental reform.* Political commitment is a prerequisite for significant public sector reform.
- › *That the bureaucracy can, with the right assistance, deliver that reform.* The bureaucracy must be sufficiently well functioning to deliver reform of fundamental public administration processes.

These are reinforced by the further assumption that *civil society can, with the right assistance, contribute to reform and improved PFM outcomes.*

As demonstrated by its PFM Reform Roadmap (2011-2016), the GoP has made clear its commitment to significant PFM reform, and the bureaucracy does have the sufficient capacity in place to move forward with reform. The GoP also intends to broaden and deepen engagement with civil society organisations (CSOs), acknowledging their place in the political

landscape. This is explained in the GoP's Good Governance and Anti-Corruption Cluster Plan (2012-2016).

All of this means that a window of opportunity exists to invest in strengthening and advancing PFM reforms in the Philippines.

## Four Elements of Reform

The experience of PFM reform in a wide variety of countries (both OECD and non-OECD) suggests that successful PFM reform requires coordinated action on several fronts. For the purposes of this discussion, these are summarised under four elements of reform, provided below. The outcomes of reform depend on the manner in which these four elements interact to drive performance. Understanding these interactions is particularly important for sequencing reform activities.<sup>2</sup>

- › **Policy.** Refers to Government's overall objectives for PFM, and the legislation and supporting regulations through which the PFM system is operationalized. The overall objectives of PFM reform need to be clear as they provide the context for the other elements of reform. Without a clear policy framework, an integrated, properly resourced, and coordinated reform process is unlikely to be possible.
- › **Processes and systems.** Refers to the formal business processes that are used to manage public finances, and the systems that support those processes. The premise is that strengthening processes and systems (in particular through automation) improves the efficiency and effectiveness of all aspects of PFM, and also improves the accuracy and timeliness of information. These in turn enable improved decision-making across the budget cycle and improved accountability and transparency.
- › **Individual and organisation capability.** "Capability" refers to the skills and knowledge of individuals, the supporting organisational infrastructure that helps to drive performance (organisation structures, human resource *management* practices, human resource *development* practices), and the broader management systems and structures within organisations (including leadership). All of these factors enable organisations to perform their functions effectively.
- › **Behavioural incentives.** Refers to the wide range of less tangible factors that influence individual and organisational behaviour. These include organisational culture and the underlying assumptions, mindsets and values about work practices. It also includes the 'political economy': the mandates and motivations of PFM stakeholders and the power relationships between them. It is important to understand the dynamics of all these incentives as they have a powerful impact on behaviour, and often account for discrepancies between formal procedures and how they are implemented in practice.

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<sup>2</sup> World Bank research has suggested that understanding the political economy is crucial to getting the sequencing of major reform initiatives correct (World Bank, 2001).

## Targeted Support

PFMP is investing in these four elements. However, it is important to clearly locate the Program's role within the broader PFM reform agenda, recognising firstly that PFMP's scope is a subset of the overall reform agenda, and secondly that PFMP necessarily plays an advisory and facilitation role, whereas it is Government that is ultimately responsible for delivering reform.

Overall, the focus is on strengthening the reform *process*,<sup>3</sup> and helping to advance the *substance* of reform in selected areas (as defined in the results framework).

PFMP's support is targeted at particular gaps and bottlenecks within the reform process. Given the many interconnections within PFM (across the budget cycle, across organisations, and across the four elements of reform described above), sequencing and integration are critical concerns. Managing these issues effectively requires deep expertise, and PFMP plays a key role in this respect.

## Stakeholder Groups

It is important to identify the stakeholder groups that act in the reform process because they each have different perspectives and priorities. There are five groups:

- › **Administration.** The President and his Cabinet are the main drivers of overall PFM policy, and for the overall Government policy narrative that the budget supports.
- › **Central agencies.** Central agencies are responsible for providing the framework within which spending agencies develop, execute and report on their budgets.
- › **Spending agencies.** Spending agencies are responsible for delivering services. They represent the interface between PFM and how services are delivered to the community.
- › **Legislature.** These are elected officials. The Legislature is responsible for approving and overseeing Government expenditure.
- › **Civil society.** CSOs can contribute to policy dialogue, and help to hold both spending agencies and central agencies accountable for performance. They rely on access to information and effective dialogue with Government to fulfil these functions.

## Transparency

Transparency of financial information is essential to effective PFM, and this is captured in Strategic Objective 3 of the Program. Transparency is also relevant to the theory of change. A transparent reform *process* that engages all relevant stakeholders will be more effective because it enables more views to be brought into the debate, and enhances accountability for

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<sup>3</sup> Research suggests that the characteristics of the reform process are a significant determinant of reform success (Overseas Development Institute, 2010). Indeed, some research has indicated that reforms most commonly fail because of the nature of reform process itself – not because of the technical substance (Polidano, 2001).

reform outcomes. The President has indicated his wish for greater transparency in Government. PFMP has an opportunity to help build on that intention.

### The Link to Service Delivery

The link between improved PFM and improved service delivery by Government is fundamental to the overall rationale for the Program, and is captured in the goal statement of PFMP: *improvements in the efficiency, accountability and transparency of public fund use in the Philippines will lead to better service delivery for the community.*<sup>4</sup>

The Program Design Document elaborates on the reasoning and experience behind this statement, and is not repeated here. However, it is noteworthy that AusAID’s *Effective Governance* strategy reinforces that “how partner governments plan, allocate, spend and monitor public money will greatly impact on that country’s development path”. PFMP’s support addresses all aspects of this statement.

It is more likely that evidence of improved service delivery arising specifically from PFM reform will be observed toward the end of the lifetime of PFMP.

### 2.2 PFMP Results Framework

The Program Design Document defines the four strategic objectives for the Program. In order to provide more operational direction and a strong basis for monitoring progress, supporting outcomes are required that spell out the more specific contributions that PFMP makes to those objectives within the funding period.

The Program’s *Results Framework* is attached at Annex 1. The conceptual structure for this is summarised in diagram 2 below. The theory of change and the results framework together provide the foundation for M&E.

Diagram 2 – Conceptual Structure for Results Framework



<sup>4</sup> The goal statement has been paraphrased in order to show the theory of change inherent within it.

Diagram 1 shows the linkages between the different levels of the results framework, and places them within expected timeframes. There is a clear distinction between intended program outcomes and strategic objectives. Whereas the program outcomes define changes to specific practices within organisations, the strategic objectives define the impact of those practices on the overall performance of the PFM system.

### 3. Approach to Monitoring and Evaluation

M&E of governance initiatives is inherently difficult, with little by way of established 'best practice'. AusAID's Governance strategy notes that assessing governance performance remains a 'frontier area' for research.<sup>5</sup> Underlying this is a related absence of robust theories of change for institutional reform, which impacts not only evaluation but planning and implementation.<sup>6</sup>

Specifically in relation to PFM, there is very little analysis of PFM systems or – in particular – the factors that underpin successful PFM reform.<sup>7</sup> Even the internationally-adopted Public Expenditure and Financial Accountability (PEFA) Framework acknowledges that it does not attempt to describe or assess the factors that drive performance.

The M&E Framework for PFMP *must* attempt to examine change drivers if it is to be a useful tool for helping to guide the direction of the Program – it is not just about assessing the PFM system (a difficult enough task in itself).

#### 3.1 General Features of the M&E Approach

The design of the M&E framework is built around some key considerations, particularly important in light of the discussion above.

First, the approach is built around the idea of ***broad investigation***, rather than looking only for evidence of expected (planned) outcomes. This is important given the complexity of PFM reform. M&E must consider both the PFM system and the reform process as a whole, and locate the Program within that landscape.

Similarly, it is important that there not be a sole reliance on performance indicators. Indicators play an important role, however performance indicators by definition require *ex ante* definition of what is examined. It is important to complement indicator-based analysis with more open-ended questions and methodology that allow for unexpected results or issues to be identified, and for changes in context to be properly understood.

#### **Systems and Complexity**

Much of PFM's complexity arises from its fundamental nature as a *system*. A system involves a number of elements, and outcomes emerge out of how those elements interact. In complex systems, outcomes are often unpredictable, even given a relatively well understood set of starting conditions.

<sup>5</sup> AusAID, 2011

<sup>6</sup> World Bank, 2001

<sup>7</sup> Overseas Development Institute, 2010

Second, *triangulation* is important. This means using more than just one data source for analysis. This helps to ensure the validity and reliability data. This is not possible (or necessary) for *all* data collection, but is particularly important for analysis of more subjective issues (such as the quality of engagement with civil society, or the substantive quality of the budget).

Third is the principle of *engagement*. As far as possible, M&E activities are participative, drawing on input from both advisers and government staff in collecting and analysing performance information. The more M&E is seen as a core part of the Program by decision-makers, the more likely it is that stakeholders will maximise the potential for learning and action through the M&E process.

### 3.2 M&E Structure

This section outlines the approach to M&E at each level of the results framework (goal, strategic objectives, program outcomes and activities). However, the framework also comprises a general ‘evaluation question’ that cuts across all levels of the hierarchy, and links to the theory of change.

Outlined are the areas of focus within each level of the results framework and some general aspects of the methods that are used. Detailed indicators or methodology are *not* prescribed. These will be developed following agreement to the general approach to M&E outlined in this document. (See also the section on *emerging methodology*).

#### General Evaluation Question

Conclusions about the Program’s overall effectiveness will be drawn together from analysis of the individual levels of the results framework. However a critical question that cuts *across* the results framework relates to how PFMP is positioning itself within the reform context, or, more specifically:

- › *Is the Program being targeted and strategic?*

It is important the M&E approach gives consideration to PFMP’s success in operationalising its position within the theory of change. Answering this question requires periodic analysis of the nature of the reform process as a whole, to assist the Program use the right levers to help drive reform. Two specific questions are analysed:

- › *Are reform activities being correctly prioritised and sequenced?*
- › *Is the Program working in an integrated manner across the relevant parts of the PFM system (including with civil society)?*

These questions are considered in the context of analysing individual Program Outcomes, with analysis brought together to provide general conclusions about the Program’s strategies.

## Program Goal

The PFMP goal addresses the link between improved PFM and service delivery. In so doing, the goal places the Program clearly with the context of the Philippines' overall development.

Across-the-board improvements in service delivery attributable to PFM reform are more likely to be observed towards the end of the Program. PFM reform (of the scale currently underway) generally requires ten or more years to be properly institutionalised. Thus, the focus of M&E during the Program is on better understanding what drives the link between PFM and service delivery, so the Program is correctly targeted to contribute to long term development benefits.

Annex 1 lists the evaluation questions. These are analysed drawing on data from analysis of progress toward program outcomes, as well as from additional analysis that is undertaken (principally through case studies). Specific studies will be proposed in successive Annual Action Plans.

## Strategic Objectives

Substantive progress toward the strategic objectives should be observed over five to ten years. Analysis at this level focuses on the major performance improvements in the PFM system that arise from the combined effect of the Program Outcomes (i.e., better budgets, better budget execution, and strengthened accountability).

Annex 1 lists evaluation questions that will be analysed in order to draw conclusions about progress toward the strategic objectives. Analysis aims to show the extent to which a satisfactory foundation is established, and how the combined effect of the immediate outcomes being achieved by the Program is having on the longer term achievement of the strategic objectives.

## Program Outcomes

The program outcomes *are* expected to be achieved within the Program's first five-year phase, and are defined in terms of partner performance: specific actions, practices or behaviours that that partner organisations will exhibit. The program outcomes are the priority for M&E, as this is the level at which the Program has the most direct impact.

### Key Result Areas

The results framework at Annex 1 defines *key result areas* (KRAs) for each program outcome. The KRAs define key elements of the outcome that the Program is addressing. Performance indicators and related methodology for assessing KRAs will be defined following further consultation. (See also the *emerging methodology* and *next steps* sections of this document.)

### Focusing on Performance

Defining program objectives and outcomes in performance terms is important because it is only *action* by partner organisations that will lead to improved PFM. Improved policy, systems or capacity are important, but it is only when they translate into new ways of working that reform objectives can be met. Focusing clearly on performance helps to make sure that *all* the factors that drive performance are considered, and not just the 'typical' factors such as capacity development.

Program objectives and outcomes are defined in terms of *partner* performance so that PFMP is clearly focused on stakeholder needs. It is PFMP's role to *advise* or *facilitate*, but it is up to Government (and civil society) to *deliver* reform.

### **Assessing Progress**

The KRAs help define the *end point* for each outcome.<sup>8</sup> It is also important to have a robust process for determining the *adequacy of progress toward that end point* over the course of the Program. The M&E Framework employs two techniques to do this.

The first aspect of assessing progress is through monitoring annual milestones. Indicative milestones are defined during the baselining process, and confirmed in the context of each year's annual planning process. Wherever possible, milestones simply draw on the performance indicators defined for each KRA. Incremental performance improvements also target relevant KPIs for each year.

Where the KRA involves complex institutional change (as is commonly the case), a different approach to defining milestones may be required. PFMP outcomes may not be observed until the latter stages of the Program, due to the need for a range of *preconditions* to be met first.<sup>9</sup> In such cases, milestones focus on the extent to which these preconditions are being established.

The second aspect involves examining the continued appropriateness of the *scope and sequencing of work*. Given the complex and dynamic nature of PFM reform, it is essential to periodically review the context to ensure that the Program's strategies remain appropriate.

The structure for this analysis is provided by the four elements of reform outlined in the theory of change: policy, systems and processes, capacity, and behavioural incentives. While these four concepts are implicit in all M&E work undertaken, they are explicitly considered in the six-monthly review process for each strategic objective, which aims to ensure that the Program is tapping into the most effective change drivers (see Annex 5).

Analysis of progress toward each outcome is summarised in a *'traffic light' system*, which is described at Annex 2. Narrative-based analysis is provided in both the Six-Monthly Update and the Annual Accomplishment Report, the templates for which are provided at Annexes 3 and 4 respectively.

### **Program Activities**

Activity-level M&E focuses on the scope and quality of activity delivery.

The PFMP Team Leader, Program Coordinator and Technical Advisory Team are responsible for technical / substantive oversight of activities. Operational staff are responsible for monitoring activities from a contractual compliance perspective.

The M&E Specialist works with other technical and operational staff so that appropriate reporting and monitoring requirements are defined for individual activities. (Wherever

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<sup>8</sup> In most cases, KRAs define specific elements of Partner practice that form part of the program outcome. In some cases, KRAs define prerequisites for the overall achievement of the program outcome where those prerequisites represent the critical challenge that the Program will address.

<sup>9</sup> For example, improving the quality of financial information requires a wide range of factors to be addressed (harmonisation of accounts and implementing a GIFMIS) before fundamental improvements will emerge.

relevant and feasible, activity implementers are tasked with data collection activities for program outcomes and strategic objectives).

### Defining PFMP Contribution to Reform Outcomes

As explained above, the principal focus of the M&E Framework is on the achievements of the *Government's* reform program. However, it is important to be able to draw conclusions about the specific role that PFMP has played in those outcomes. Attributing outcomes to specific programs is a notoriously difficult issue, particularly in complex environments.

PFMP's approach is to assess the Program's contribution through the principle of *plausible association*. Taking the overall PFM outcomes as the starting point, analysis then draws on feedback from stakeholders about the full range of factors that have driven those outcomes, to identify where a plausible association can be made between PFMP's work and reform outcomes.<sup>10</sup>

### 3.3 Emerging M&E Methodology

Regular M&E activities are likely to comprise the following:

Method	Results Reference	Likely Focus
Budget Review	<ul style="list-style-type: none"> <li>› Strategic Objective 1</li> <li>› Program Outcome 1.1</li> <li>› Strategic Objective 3</li> <li>› Program Outcome 3.2</li> </ul>	Examine both the budget process and quality of resulting documentation. Likely to include documentation review plus collection of stakeholder feedback through interviews and/or questionnaire.
Annual Reports Review (aggregate)	<ul style="list-style-type: none"> <li>› Strategic Objective 1</li> <li>› Program Outcome 1.2</li> </ul>	Examine quality of financial reporting (and audit reports). Also collect stakeholder feedback on perceptions of the accuracy and usefulness of reporting.
Annual Reports Review (selected agencies)	<ul style="list-style-type: none"> <li>› Strategic Objective 2</li> <li>› Program Outcome 2.1</li> </ul>	
Business Process Analysis	› Selected Program Outcomes across all Strategic Objectives	Analysis of internal practices, conducted jointly / collaboratively with partner organisations. Requires agreements with partner organisations about access to information.
Civil Society Perceptions Survey	<ul style="list-style-type: none"> <li>› Strategic Objectives 1-4</li> <li>› Program Outcomes 4.1-4.3</li> </ul>	Covers a range of issues to do with the quality and transparency of budgeting and financial reporting, as well as issues more specifically related to civil society / government engagement.
Six-Monthly Progress Review	› All Strategic Objectives and Program Outcomes	Focus on validating performance data and providing analysis of strategic context. (See Annex 5.)

<sup>10</sup> The six-monthly progress reviews outlined at Annex 5 make a significant contribution to this analysis. A fuller explanation of the principles on which this approach is based is provided in "Quick and Dirty Evaluation of Capacity Building", Rick James, 2005.

Detailed M&E methodology (and performance indicators) will be developed in consultation with program partners. As this process takes place, the availability of timely and reliable data, and the ability of PFMP staff to access that data are critical considerations.<sup>11</sup>

A large number of *possible* indicators can be derived from the results framework, however it is likely that the final group of indicators is a much smaller subset. Careful attention is needed so that M&E focuses on collecting information that delivers the biggest return, balancing:

- › The cost and effort of collecting the information; and
- › The likely value of the information in demonstrating progress within the required timeframes.

## Gender

As explained in the PFMP Design, PFM reform can contribute to improving gender equity outcomes principally through program budgeting (which involves strengthening and making more transparent the links between budgets and policy). Specific approaches to M&E for gender outcomes will therefore be considered in light of how this work evolves, and is likely to focus on the extent to which PFM systems enable proper consideration of gender equity issues in the budget process.

The M&E system collects gender-disaggregated data on participation in Program activities.

### 3.4 Communicating Findings

There are two main reports produced on a regular basis:

- › ***Six-Monthly Program Update (Annex 3)***, which provides a brief implementation update, focusing on highlights of activity delivery and any issues impacting implementation; and
- › ***Annual Program Accomplishment Report (Annex 4)***, which, in addition to the information provided in the Six-Monthly Program Update, provides analysis of overall developments in the sector and progress toward outcomes. It summarises key conclusions from evaluation/analytical work undertaken during the reporting period. The Program Accomplishment Report also provides the basis for the completion of AusAID Quality at Implementation Reports.

Both of these reports include a traffic light update (see Annex 2).

There will also be occasional reports produced from major evaluation activities, particularly focused on issues to do with the strategic objectives and goal.

Finally, short factsheets will be produced for a non-specialist audience, focused on key program achievements and their relevance to PFM reform and improving service delivery.<sup>12</sup>

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<sup>11</sup> For example, information about risk management practices or other internal procedures may be difficult for PFMP to access.

<sup>12</sup> A more detailed approach will be developed as part of the Program's Communication Strategy.

### 3.5 Linking to Partner M&E Systems

Wherever possible, donor program M&E systems should link with or support partner government M&E systems. The GoP does not currently have strong monitoring mechanisms. There is limited monitoring or reporting on the progress of the PFM reforms, and outside of the PEFA framework there is no formal system for monitoring the effectiveness of the PFM system as a whole.<sup>13</sup>

PFMP's approach to supporting Government M&E is two-fold:

- › Provide assistance (partly through the Program Management Office) with establishing a monitoring system for the reform process. It is expected the focus will be on assisting the PFM Committee and the six Project Implementation Units (PIUs) with monitoring implementation progress against the Program Implementation Plan.
- › Demonstrate the value of good M&E through the Program's own M&E. The Program Steering Committee will be the principal audience for analysis of Program progress, and through them, it is hoped that increased interest in M&E will be generated.

## 4. Implementing the Framework

### 4.1 Next Steps

This document outlines the overall conceptual framework for M&E, and suggests likely tools to be used. There are several steps to be taken to elaborate the framework into a full M&E *system*, namely:

- › Develop indicators and methodology for Program Outcomes and their KRAs (this includes analysis of Government data availability, reliability and accessibility);
- › Develop initial milestones for KRAs;
- › Design initial studies for the Strategic Objectives and Goal evaluation questions;
- › Establish baseline information for all relevant areas;
- › Finalise implementation arrangements for the M&E system, including clearly defined roles, responsibilities and resource requirements.

It is important to use the above process to clearly define the priorities for M&E. Resources for M&E are finite, and it is important that key stakeholders agree on where the best return for investment in M&E lies. In particular, it is critical to limit the number of performance indicators, to avoid a common risk for M&E activities: that excessive resources are used to gather information that then proves either unreliable or not sufficiently useful. Focusing attention on selected key variables is more important than trying to be comprehensive.

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<sup>13</sup> The last major analysis of the PFM system was the PEFA Assessment conducted by the World Bank, finalised in 2008 and published in 2010.

## **4.2 Annual M&E Plans**

An M&E Plan is included in each Annual Action Plan. It defines:

- › Any in-depth studies to be undertaken (particularly in relation to the goal and strategic objectives);
- › Any other case studies (for example in relation to individual activities or reform issues);
- › Any in-depth data collection activities required as part of progress monitoring (e.g., surveys or detailed studies); and
- › Any external resources required for specialised activities (e.g., surveys or technical analysis)

## Annex 1 – PFMP Results Framework

This annex defines the strategic intent of the Program by elaborating the ‘top’ three levels of the results framework: the goal, the strategic objectives, and the program outcomes. (Activities that operationalise the framework are defined annually.)

The conceptual structure for PFMP’s Results Framework is summarised in the diagram to the right.

For the **goal**, the annex outlines the general hypothesis that underpins PFMP: that improved PFM will contribute to strengthened service delivery. It defines the performance questions that will be examined to understand the continued validity of the hypothesis, and to ensure that the Program’s approach continues to support this hypothesis appropriately.

For the **strategic objectives**, the document defines performance questions that provide the basis for analysing the progress of PFM reform.

**Program outcomes** are grouped under the strategic objective to which they contribute. Key Result Areas (KRAs) are defined for all program outcomes to help define the critical elements of performance that needs to be delivered within the initial Program timeframe.

(There is one program outcome that cuts across all strategic objectives, which relates to the manner in which the reform process is managed.)

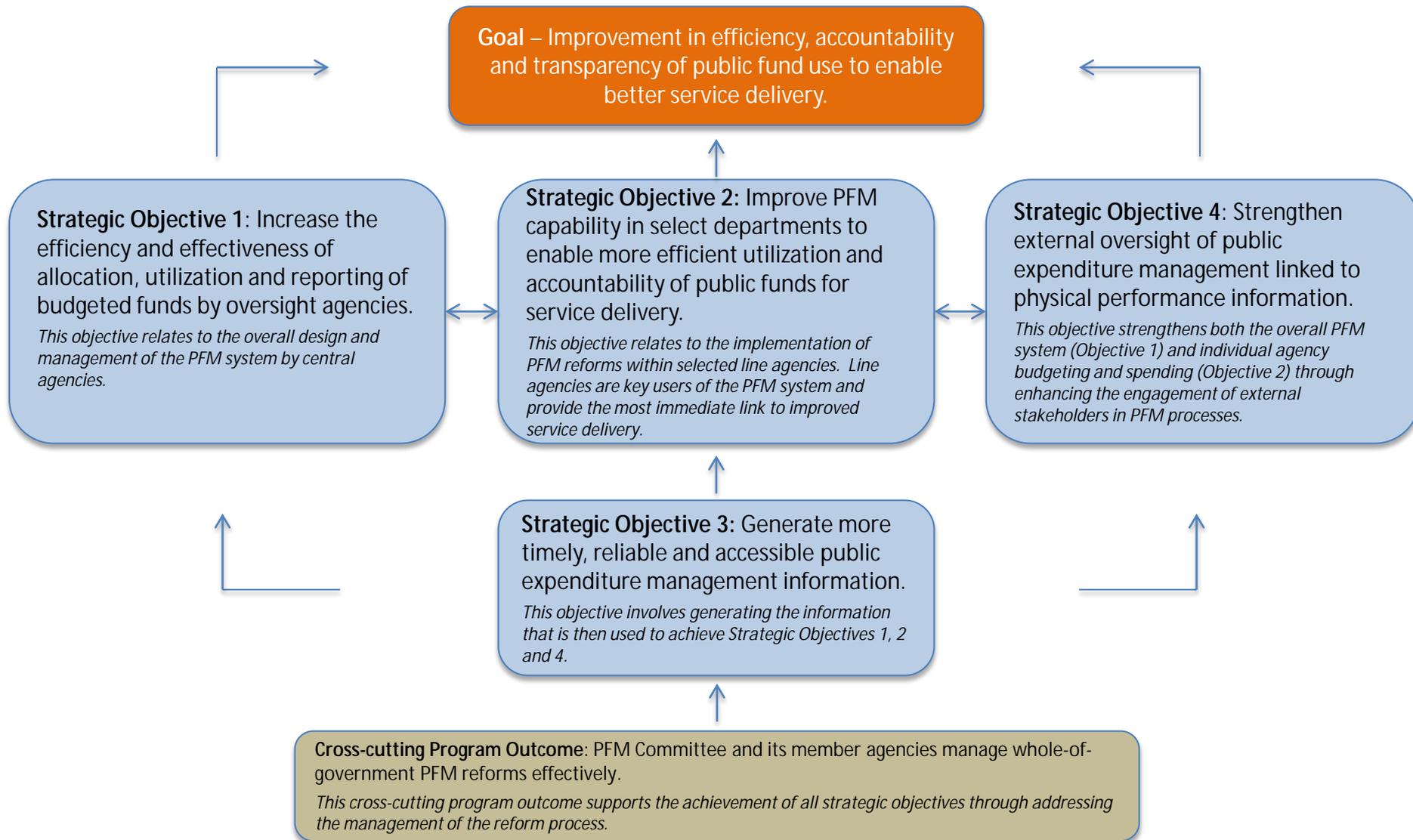
For each of the above levels, the annex sets out the general approach to M&E methodology. More specific indicators and techniques are in the process of being developed and will be documented separately following further consultation.



The following page provides a summary of the Program’s strategic objectives, and shows how they interact. Although each program outcome is grouped under a single strategic objective (with the one exception already noted), there are connections across the components that are critical to how the Program works.

Particularly important is the connection between Strategic Objective 3 and the other objectives. This reflects the centrality of the GIFMIS initiative to PFM reform. However, it also reflects that GIFMIS is not the objective in itself, but the mechanism through which more substantive outcomes are achieved over the longer term.

# High Level Summary of Results Framework



## PFMP Goal: Improvement in efficiency, accountability and transparency of public fund use to enable better service delivery.

**Hypothesis to be tested:** *That strengthened PFM practice can in turn improve service delivery.*

Results at this level are more likely to be observed towards the end of PFMP. The focus for M&E is therefore on building understanding of the links between PFM and improved service delivery in order to remain confident that the Program is investing in the right things.

### Performance Questions

- How effectively does the PFM *reform agenda* allow for service delivery issues to be prioritised?
- To what extent does PFM reform address the service delivery *performance* of line agencies?
- What are the institutional issues in central and line agencies that impact on service delivery?
- To what extent are the effects of PFM reforms enhanced or constrained by public sector issues outside of PFM?
- Is the Program's theory of change still valid, and do the four reform elements (policy, systems and processes, capability building and incentives) remain relevant?

#### Cross-cutting Program Outcome

PO 0-1: PFM Committee and its member agencies manage whole-of-government PFM reforms effectively.

#### Key Result Areas

- PFM Reform Roadmap is appropriately prioritized, costed and delivered according to agreed timeframes.
- PFM Committee makes decisions informed by evidence and good practice.
- An appropriate whole-of-government approach to reform is maintained, supported by effective relationships among stakeholders.
- Effective project management practices are established and maintained to support reforms (including integrating PMO into Government).
- Change management practices are appropriately prioritized, resourced and implemented by GOP.

#### M&E Approach

These KRAs relate to the fundamental functions of reform management; the method for monitoring will focus on a qualitative assessment of those functions. Key characteristics of each function will be defined as the basis for that assessment.

This will be a priority area for M&E, given that the successful performance of the reform management function cuts across all other Strategic Objectives. M&E for this outcome will be undertaken in close collaboration with the PMO.

**Strategic Objective 1: Increase the efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by oversight agencies.**



**Performance Questions**

- To what extent is the budget linked to GOP’s policy narrative?
- To what extent is the budget informed by past performance?
- To what extent does the budget define clear expectations for future performance?
- To what extent have timeliness, relevance and accuracy of in-year and out-turn budget reporting improved?

**M&E Approach**

These questions address how strengthened budgeting, execution and reporting practices impact the quality of the budget. Analysis will review the budget content and process. While some more specific indicators will be developed to structure this analysis, there will also be a broader ‘exploratory’ aspect to the analysis, drawing on perceptions of budget quality amongst different stakeholders (including civil society).  
*Relevant PEFA Indicators: PI-1, PI-2, PI-6, PI-24, PI-25.*

**Program Outcomes**

PO1-1: Government implements improved systems for budget formulation and communication.

**Key Result Areas**

- GOP introduces more effective systems and processes to enable a shift to program budgeting within an MTEF.
- Management and analytical capability is improved to support a stronger focus on results.
- Greater use of performance information in the annual budget cycle.

**M&E Approach**

These KRAs relate to the fundamentals of good budgeting. They will be assessed through both reviews of budget documentation (assessed against specific performance indicators / benchmarks) and reviews of the budget process, drawing on structured feedback from participants in that process. *Relevant PEFA Indicators: PI-11, PI-12*

PO1-2: Oversight agencies improve management and systems for budget execution, accounting, and reporting.

- Budget classifications and unified account code structure is implemented across Government.
- Centralised cash management procedures are strengthened through TSA and other systems.
- Oversight agencies adequately support line agencies to meet budget reporting and performance standards.

The KRAs focus principally on the *process* of and *preconditions* for improving the quality of budget execution, accounting, and reporting. M&E of the Program Outcome will use leading indicators to help determine the *likely* emergence of the desired outcomes over time. *Relevant PEFA Indicators: PI-5, PI-16, PI-17*



**Policy | Systems and Process | Capability | Behavioural Incentives**

# Strategic Objective 2: Improve PFM capability in select departments to enable more efficient utilization and accountability of public funds for service delivery.



### Performance Questions

- To what extent are major spending programs in select departments being disbursed in accordance with plans?
- To what extent is improved financial information leading to more effective decision-making for using public funds?

### M&E Approach

The focus of this analysis is on the impact of improved systems on actual expenditure and decision-making at agency level. Analysis will draw on reviews of reporting by selected agencies, assessed against specific indicators or benchmarks. Analysis of documentation will be supplemented by examining perceptions of external stakeholders.

### Program Outcomes

PO2-1: Targeted national government agencies operationalise enhanced budget and expenditure management systems.

### Key Result Areas

- Better organised financial management information systems are in place that strengthen link between planning and execution.
- Agencies implement budget, accounting and reporting practices more conducive to efficient budget execution.

### M&E Approach

The implementation of appropriate FMIS is fundamental to better expenditure management. However, the specific issues may vary between agencies. More specific performance indicators will be defined in the context of initiatives with individual agencies.

PO2-2: Targeted national government agencies improve compliance with internal control rules and procedures.

- Management systems and practices are in place to implement NGICS.
- Risk management becomes a core component of management systems.
- Improving compliance with internal audit systems and procedures prescribed in PGIAM

These KRAs focus on three core elements of control, and refer to the specific GOP mechanisms that provide the framework for these. In theory, defining specific performance indicators will not be difficult given the structured and well documented nature of the work. However, obtaining access to that information may be difficult in practice, with a resultant need to focus on secondary factors that suggest what levels of performance are being achieved ('proxy indicators'), such as the perceptions of central agencies, level of understanding of senior agency staff of internal control concepts etc.



Policy | Systems and Process | Capability | Behavioural Incentives

## Strategic Objective 3: Generate more timely, reliable and accessible public expenditure management information.

### Performance Questions

- To what extent have automated solutions improved the quality and disclosure of public expenditure information?
- To what extent do spending agencies understand and have buy in to the roll out of GIFMIS?

NB: Better information also links directly to performance questions in Strategic Objectives 1, 2 and 4.

### M&E Approach

Although fundamental improvements in the quality of public expenditure information may not take place until the latter stages of the Program (after the introduction of GIFMIS), incremental change will still occur as a result of preparation for the GIFMIS, and the changes of mindset about financial disclosure associated with its introduction. The first two performance questions focus on these incremental improvements and the latter focuses on a key condition for the successful introduction of GIFMIS. *Relevant PEFA Indicators: PI-24, PI-25*

### Program Outcomes

PO3-1: A working Government Integrated Financial Management Information System (GIFMIS) is introduced.

PO3-2: National oversight agencies enhance transparency through more disclosure of relevant financial information

### Key Result Areas

- GOP establishes policy coherence and consistency on GIFMIS implementation.
- GOP implements necessary business process changes.
- GOP commits adequate resources (people, finances) to support system development and implementation.

- Oversight agencies provide budget and expenditure information in a user-friendly format for the public.

### M&E Approach

These KRAs focus on key aspects of effectively managing the introduction of GIFMIS. Some more specific performance indicators (or 'performance characteristics') will be developed, but there will be a strong focus on qualitative analysis that draws on a range of stakeholder perspectives. M&E for this outcome will be undertaken in close collaboration with the PMO, and will be a priority, given the centrality of GIFMIS to the reform process.

The focus of these KRAs is on *access*, and the extent to which oversight agencies strengthen their practices related to disclosure of financial information. This will be assessed through analysis of the Public Accounts and selected Audit Reports, and the manner in which they are made available to the public. Analysis of reports may need to be supplemented by other analysis of perceptions of financial reporting, and/or examining underlying business processes. *Relevant PEFA Indicator: PI-10*

Policy | Systems and Process | Capability | Behavioural Incentives

## Strategic Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information.



### Performance Questions

- To what extent does the public understand Government expenditure?
- To what extent is government responsive to citizens' needs?
- To what extent is interaction between the executive, legislature and civil society contributing to strengthening external oversight of public expenditure?

### M&E Approach

These questions focus on the quality of oversight that results from improved public expenditure information (generated through Strategic Objective 3) and improved engagement between government and civil society. They will be examined through quantitative and qualitative analysis, including stakeholder perceptions of the quality and usefulness of external oversight. *Relevant PEFA Indicators: PI-6, PI-10*

### Program Outcomes

PO4-1: Civil society organizations [CSOs] strengthen their participation in the budget process.

### Key Result Areas

- More meaningful engagement with government on budget preparation, execution and accountability.
- Deepened understanding of public administration (including PFM) and sectoral policies and programs.
- Strengthened capability for research, analysis and advocacy.

### M&E Approach

The KRAs focus on the core challenges to be addressed by civil society in improving their engagement in the budget process. More specific performance characteristics will be defined in each area. As far as possible, the approach to M&E for this Program Outcome will be a participative one, to help the M&E process be part of the process of learning and development for civil society.

PO4-2: National Government agencies enhance their engagement with civil society.

- Government implements its policy for participatory governance and constructive engagement.
- Wider appreciation of the benefits of civil society engagement across the bureaucracy.
- Mechanisms for effective engagement and dialogue are working.

The KRAs focus on two issues underlying Government's engagement with civil society – the attitudes that drive that interaction, and the formal mechanisms through which it takes place. M&E for the mechanisms themselves will focus on formal procedures and implementation of those procedures; assessing the underlying attitudes can take place through surveys and/or interviews, cross-referenced against patterns of engagement.

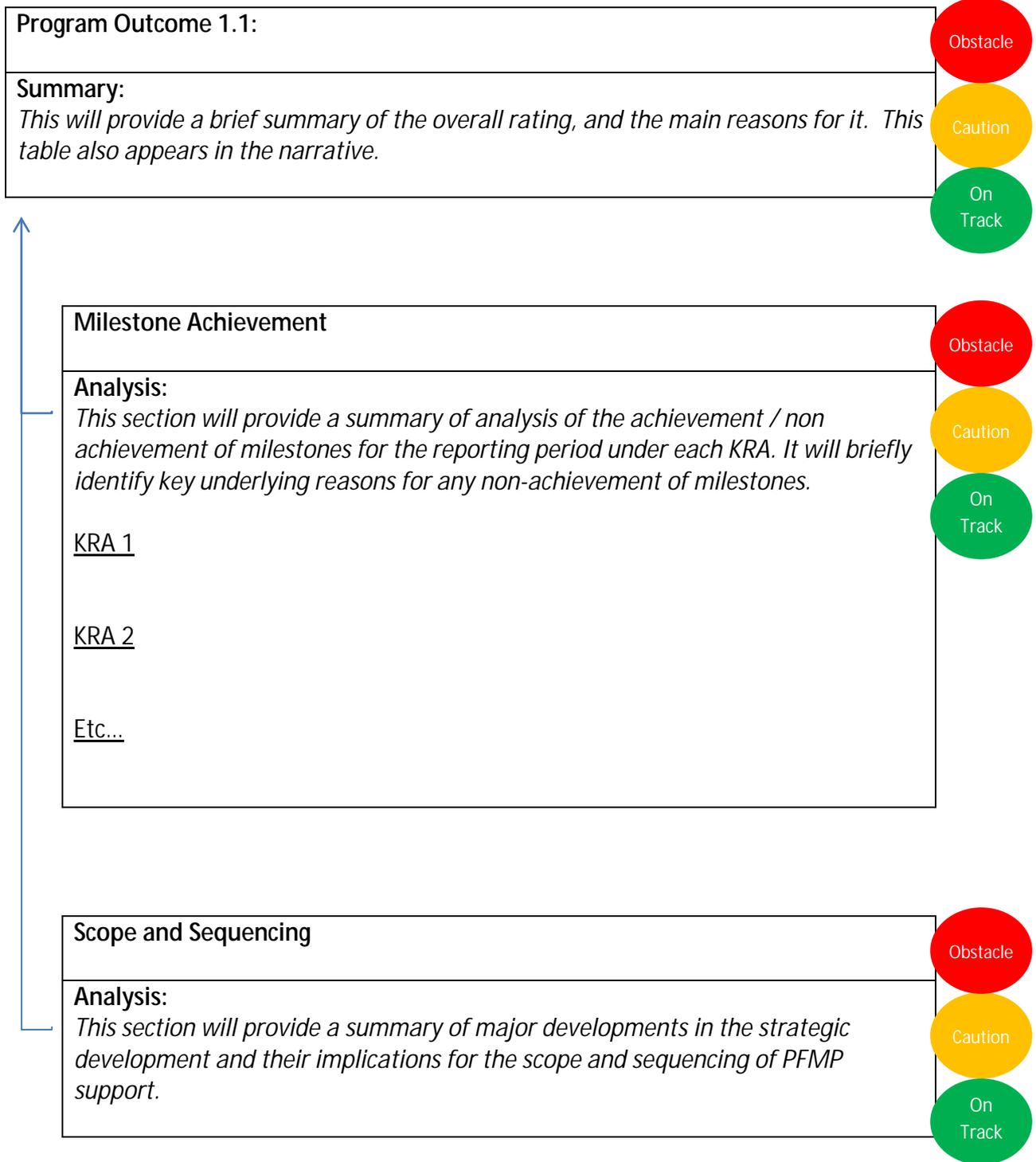
PO4-3: The budget oversight functions of Congress are more effective

- Mechanisms for congressional oversight of budget outturns are improved.
- Congress expresses more demand for information and analysis from technical bodies.
- Congressional appreciation of PFM and the benefits of reform is enhanced.

Similar to PO4-2, these KRAs focus on both mechanisms for oversight / interaction, and the underlying attitudes that drive that interaction. The approach to M&E will thus be similar, examining both the tangible and intangible aspects of interaction.

Policy | Systems and Process | Capability | Behavioural Incentives

## Annex 2: Traffic Light System for Program Outcomes



### Traffic Light Rating Definitions

<i>Program Outcome</i>		
This is the summary traffic light, so the rating is the result of the ratings in the two components below.		
Green	Amber	Red
Both components are green.	A combination of green and amber in the components.	Either or both component traffic lights are red.



<i>Milestones</i>		
Green	Amber	Red
All annual milestones met.	Some milestones either delayed, or not completed to a satisfactory standard, but can be corrected without significant implications for maintaining progress toward Program Outcome within expected timeframe.	Milestones either delayed or not completed to a satisfactory standard meaning that Program Outcome is unlikely to be achieved to the expected standard within the Program lifetime. Requires either significant intervention to correct issue, or redefinition of program outcome.

<i>Scope and Sequencing</i>		
Green	Amber	Red
There have been no material developments in the strategic environment, and the external conditions required for continued progress are being met.	The strategic context has changed, requiring some modification to either the sequencing or scope of activities, but without any material impact on the feasibility of program outcomes.	External obstacles are impacting progress toward outcomes to the extent that the program outcome is no longer considered feasible within the timeframe.

## Annex 3 – Six-Monthly Program Update Template

This is a short (5-10 page) report that captures key Program achievements and issues. It is not intended to be a comprehensive analysis of progress toward outcomes. Rather, its purpose is to alert the Program Steering Committee to key issues that require its attention.

### Overview

*Summarise the key points of the report, drawing together the overall progress about the progress of the Program and reform process.*

### Achievements

*Summarise key activity achievements under each strategic objective. This should not be a discussion of every activity, nor even (necessarily) every Program Outcome. It should present Program highlights for the reporting period only.*

*Discussion should draw on milestones achieved, as well as any other significant achievements.*

### Implementation Issues

*Discuss any issues currently affecting Program delivery.*

*This should address issues that affect the Program as a whole. It should not focus on detailed issues within individual activities. Issues should include any significant variations from the approved workplan, in particular delays that have implications for downstream activities and feasibility of achieving the intended outcomes.*

*For each issue identified, identify what action has been taken to address the issues, and/or provide any recommendations for the Steering Committee?*

*Provide updates on previously reported issues. Have they been resolved or are they still active?*

### Budget

*Briefly summarise expenditure compared to the approved budget, highlighting any material deviations and any action required.*

Annex 1 – Traffic Light Summary

Annex 2 – Activity Progress Summary

## Annex 4 – Annual Program Accomplishment Report Template

This document is the major analytical product of the M&E Framework produced every year.

### Executive Summary

Include a one page traffic light summary (see Annex 2).

### Operating Context and Strategic Direction

Identify any significant developments or changes in the sector that affect the relevance of the Program and its approach.

Summarise general findings from any analysis undertaken of the evaluation questions about the Program Goal. What are the implications for the Program, particularly in relation to the continued validity of the Program's theory of change.

### Analysis of Progress Toward Results

This section should be presented under Strategic Objective / Program Outcome headings.

For each **Strategic Objective**, summarise the main conclusions from any relevant analytical work undertaken during the reporting period. Draw together analysis from the Program Outcomes under the Strategic Objective in order to draw conclusions about the cumulative effect of Program Outcome achievements (or obstacles) on longer term progress toward the Strategic Objective.

For each **Program Outcome**, incorporate the 'traffic light' assessment:

Program Outcome 1.1:

**Summary:**

This will provide a brief summary of the overall rating, and the main reasons for it.



In the narrative, answer the following questions:

- > What is the adequacy of progress to date? This discussion should be based principally around the achievement (or non-achievement) of milestones for the reporting period.
- > What are the main factors that have affected progress – either positively or negatively? (These factors must include factors within and external to the Program itself.)
- > What is the likelihood of achieving the program outcome? Were the milestones for the reporting period achieved?
- > What was PFMP's main contribution to the outcome?

## Sustainability

Based on analysis in the sections above, what conclusions can be drawn about likely sustainability? In particular, consideration should be given to:

- > Continued political support for reform.
- > Capacity to sustain reform – in terms of individual and organisational capacity, as well as (where relevant) financial capacity.

What strategies has the Program employed to maximise the likelihood of sustaining Program outcomes?

## Cross-Cutting Issues

Comment on any cross-cutting issues required for the AusAID Performance Assessment Framework.

## Implementation Issues

Discuss any issues currently affecting Program delivery.

This should address issues that affect the Program as a whole. It should not focus on detailed issues within individual activities. Issues should include any significant variations from the approved workplan, in particular delays that have implications for downstream activities and feasibility of achieving the intended outcomes.

For each issue identified, identify what action has been taken to address the issues, and/or provide any recommendations for the Steering Committee?

Provide updates on previously reported issues. Have they been resolved or are they still active?

## Program Management

### Strategic Planning

What strategic planning activities were undertaken? Were there any amendments to the Program strategy / scope agreed during the reporting period? (Brief)

### Monitoring and Evaluation

What M&E activities were conducted during the reporting period? (Brief)

What key lessons emerged from analysis during the reporting period (not been discussed elsewhere in the report)?

What changes, if any, are recommended to the M&E Framework?

### Risk Assessment

Have any risks materialised? What was the Program's response?

Have any changes to the risk assessment been made? Is there any material impact on the overall risk profile of the Program?

**Attachment 1 – Traffic Light Detail** (see traffic light system at Annex 2 of M&E Framework.)

**Attachment 2 – Activity Progress Summary**

## Annex 5 – Six-Monthly Progress Review Session

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### Purpose

The purpose of the sessions is to provide a structured framework within which to collect feedback from stakeholders about progress toward program outcomes, and draw conclusions about the scope and sequencing of Program support and the nature of PFMP’s contribution. The Monitoring and Evaluation Specialist will analyse the themes that emerge from discussion at the sessions, and include key findings in the major Program progress reports.

This document presents a possible discussion framework. It is likely that as the Program proceeds, discussions will become more focused on specific issues as they emerge over the course of the Program.

### Participants

Participants may include:

- > Government representatives (from central and line agencies);
- > Civil society organisations;
- > Development Partners; and
- > PFMP personnel.

As far as possible, participants should remain consistent over the course of the Program.

### Timing

Two half-day sessions will take place per year, one each in the lead up to the Six Monthly Program Update and the Annual Program Accomplishment Report.

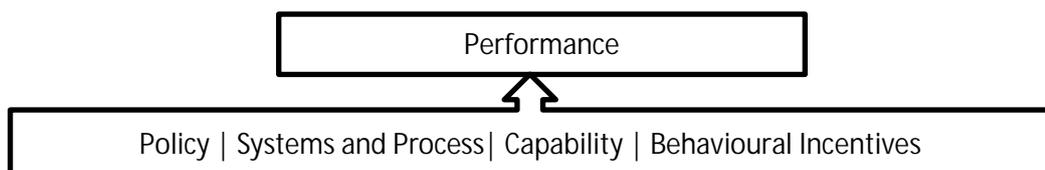
### Session Structure

The Monitoring and Evaluation Specialist will lead the sessions. Group and plenary discussion will be broadly structured around the questions below. Four discussion groups will be formed – each focused on discussing the program outcomes within one of PFMP’s four strategic objectives.

1. *What have been the main two or three developments relevant to each program outcome during the reporting period?* [Group discussion.]

The term ‘developments’ is left deliberately broad to allow participants to identify any issues that they think are significant – changes in practice, a change in policy, changes in personnel, other donor initiatives, and so on. Developments may be positive *or* negative developments.

With the assistance of the Facilitator, groups will plot the developments to the central framework of the Program’s theory of change, shown below.



2. *What were the main factors that caused those developments?* [Group discussion]

Again, the question will be left quite open but discussion should, in most cases, cover a range of factors internal and external to PFMP.

3. *Is progress toward program outcomes satisfactory? If not, what changes are required?* [Group discussion]

Each group will present its key conclusions following discussion of Questions 1-3.

4. *What are the implications of the above conclusions for overall reform progress?* [Facilitated plenary discussion]