

**UPDATE OF THE PERFORMANCE ASSESSMENT MATRIX:**  
**PUBLIC FINANCE MANAGEMENT AND PUBLIC ADMINISTRATION REFORM**

**Key issues for discussion**

1. **What is the status of the pay and grading policy?** The main delay in reform implementation is related to the pay and grading policy. Detailed technical work was initiated in 2005. The MoF and IARCSC presented a draft policy to the ARTF donors in September 2006. Further work and consultations have been conducted since, raising a number of important additional issues (such as the need to make parallel progress on pension policy). However, the pay and grading policy has not been finalized. In the meanwhile, civil servants' salaries continue to increase at a rate higher than inflation, de facto making the pay and grading package less attractive. What are the Government's plans to move toward a decision on this policy? How are general pay increases and the pay and grading policy coordinated? What are the fiscal implications for the Government and the financial implications for ARTF?

2. **With respect to fiscal policy, what should be the involvement of Parliament and donors?** The Fiscal Strategy and Budget Framework (FSBF) report was prepared in October 2006, but was not finalized or sent to Cabinet at that time. Hence there was no strong Cabinet commitment behind the budget ceilings sent to line ministries when the budget formulation process was initiated. Subsequently, the Medium-Term Fiscal Framework was finalized and presented to Cabinet at the end of March 2007, after the budget was approved. The objective of finalizing the FSBF at an early stage of the budget preparation process is a good practice. What will be done differently in 1386, in preparation for the 1387 budget, to ensure that this can happen? When should there be a consultation with donors, especially ARTF donors, to ensure full coordination between the fiscal framework and external assistance? Should the budget strategy be communicated to Parliament and how should Government engage Parliamentarians on this issue? What is the Government's policy in terms of disclosure of the MTFP (the MTFP has never been made public so far)?

3. **What are Government's plans to extend public finance management reforms from MoF to line ministries and provinces?** There is a broad recognition that the next steps in deepening public finance management reform, including to further improve the ARTF eligibility ratios, require to expand reforms beyond the MoF. There are plans for procurement reform (especially the concept of granting procurement authority to line ministries after they reach a certain level of performance) and for Moustofiat reform (including a clearer separation between treasury and revenue functions). What is the status of these reforms? What are the plans to reform the budget and financial management functions in line ministries?

4. Finally, the Government has been refining its monitoring frameworks. On the public administration side, a new monitoring framework, which breaks down the Compact benchmarks into a number of key indicators and milestones, was adopted by the public administration reform Steering Committee in April 2007. On public finance management, the Cabinet endorsed a public finance management action plan on April 2007. Once Government establishes the monitoring of these frameworks, these frameworks and the monitoring process supporting them should be reflected in the PAM to ensure full coordination and consistency.

**ANNEX: PERFORMANCE ASSESSMENT MATRIX (PAM)**

PUBLIC FINANCIAL MANAGEMENT										
Broad Area	Specific Area	Objective(s)	Short-run Actions		Indicators	Baseline and Projections				
			Expected	Actual		1384 <sup>1</sup>	1385 target	1385 est.	1386	1387
Moving Toward Fiscal Sustainability	Revenue mobilization	Revenues cover operating costs	Implement Cust & Rev plans; LTO well-functioning		Rev.-GDP ratio Rev-operating exp (Achievement of PRGF prog targets)	5.7% 64%	6.4% 61% (PRFG prog targets)	6.5% 67% [prel. Est.]	7.2% 67% (PRFG prog targets)	7.6% 73% (PRFG prog targets)
	Medium-Term Fiscal Framework	Progress toward fiscal sustainability on expenditure side	Strengthen MTFF, embed in budget schedule.	New MTFF approved by Cabinet and used as input to budget	Operating expenditures/GDP (Achievement of PRGF prog targets)	9.4%	8.9% (PRFG prog targets)	9.7%	10.5% (PRFG prog targets)	10.1% (PRFG prog targets)
Improving Service Delivery: PFM Aspects	Spending mix for service delivery	Appropriate share of non-salary spending	Budget adequate non-salary for service delivery	1386 budget includes increase in non-salary expenditures	% of non-salary in total civilian recurrent exp  % of non-salary spent in provinces	32%  <20%	Increase over previous year  Increase over previous year	n.a.  n.a.	Increase over previous year  Increase over previous year	Increase over previous year  Increase over previous year
	Linkage between budget & strategy	Budget reflects ANDS priorities	Dev ANDS priorities to inform budget	Piloting of program budgeting in education, health, and MRRD	No. of costed sector strategies, bus. plans	na	na	Ministerial strategies available	6	9
Improving Public Financial Management Performance and Combating Corruption	Budget Formulation	Timely and effective budget process	Finalize budget schedule & start 1386 budget process with Fiscal Policy Strategy	Budget finalized as per PFM Law (early Feb) and approved mid-April Fiscal Policy Strategy drafted but not sent to Parliament	New budget schedule adhered to;  participation in programmatic budgeting	Budget sch adhered to;  1st MTFF	Budget sch adhered to;	Budget approved by Cabinet on time, but fiscal strategy (MTFF) finalized only after budget  Improved MTFF	Budget sch adhered to;  Improved MTFF linked to bud. process	Budget sch adhered to;  Improved MTFF linked to bud. process
	Budget Execution	Performance in relation to annual budget targets	Effective mid-term review in 1385	Done	Budget execution ratio	TBD	TBD	Above 50%	TBD	TBD

<sup>1</sup> 1384 serves as the baseline.

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	Procurement	Implement new Procurement Law	Create PPU in MoF Approve Procurement Regulations	Done	No. of Mins with procurement databases & capacity	na	Procurement regulations approved and gazetted	Procurement rules issued by MoF	Procurement responsibilities transferred to 3 ministries.	Procurement responsibilities transferred to 6 ministries.
	Control Framework	Improving fiduciary standards	Implement ARTF Monitoring Agent recommendations and Verified Payroll Plan	Underway; internal control assessment to be completed in May	ARTF ineligibility ratios  % of staff w. Individual Salary Payment	85.6% salary eligibility 74.3% non-salary; 10% VSP	95% salary eligibility 90% non-salary;  20% VSP	96% salary; 88.3% non salary (preliminary) 80,000 employees under individualized salary payments	Maintain / improve  50% VSP	Maintain / improve  70% VSP
	Accounting and Reporting	Quality of regulatory framework and reporting transparency	Adopt regulations for PFEM law; public access to key fiscal information	Regulations adopted; Accounting manual prepared	Implementation of PFEM regulations. Fiscal documents available to public	Law approved;	Regulations approved; [to be provided]	Regulations gazetted Monthly reports on website	Compliance with PFEM law	Compliance with PFEM law
	Legal framework against corruption	Establish an effective legal framework against corruption	Adopt the UN Convention against Corruption	Adopted by Cabinet, not by Parliament	The existence of relevant legislation and reports from monitoring mechanism	na	UN Convention against Corruption ratified	Not done	National legislation adapted	A monitoring mechanism is in place to oversee implementation
	External Accountability, Audit, Scrutiny	Timely availability of audit financial statements and review by Parliament	Prepare 1384 fin statements by July & audit by Sept; review by Parliament	Done	Month fin statement & audit for previous year' review by Parliament	Statement: 7 Audit: 12	Statement: 7 Audit: 9	Statement and audit submitted in October (7 <sup>th</sup> month)	Statement: 7 Audit: 9	Statement: 7 Audit: 9
Capacity Development and Reform of PFM Institutions	MoF reform strategy	Implement MoF reform strategy, including at provincial level	Finalize, approve, and disseminate MoF reform plan	Approved in August 2006	Implementation of MoF reform plan	MoF ref plan drafted	MoF ref plan approved	MoF ref plan approved	Satisfactory implementation	Satisfactory implementation
			Design & initiate Mustufiat reforms	Reform initiated	No. of mustufiats reformed	None	Plan approved, pilots	Underway	2 Mustufiats reformed	6 Mustufiats reformed
	PFM reform & capacity in line ministries	Effective financial management capacity in line ministries	Develop "model FM / Budget unit" in one ministry	Not done	No. of ministries with effective Financial Management/ Budget Units	TBD	TBD	-	TBD	TBD

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### AID EFFECTIVENESS AND MUTUAL ACCOUNTABILITY

Broad Area	Specific Objective	Objective(s)	Short-run Actions		Indicators	Baseline and Projections				
			Expected	Actual		1384	1385 target	1385 estimate	1386	1387
PFM Performance	Government's PFM system	Improve / maintain PFM performance	Finalize and approve PFM Action Plan	Approved by Cabinet in April 2007	PEFA PFM Performance Ratings	See PFM Rev Table 2.1	Review in 2 <sup>nd</sup> half 2007	Tbd	Not monitored	Review in 2 <sup>nd</sup> half 2009
Improving effectiveness of ARTF	Predictability of ARTF funding	More predictable ARTF funding on annual basis	ARTF donors to discuss and work toward this objective	Significant dialogue and progress to establish an annual schedule of payments to ARTF	% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25%	60%	60%	10% increase over previous year	10% increase over previous year
		More predictable ARTF funding on annual basis	ARTF donors to discuss and work toward this objective		% of total ARTF pledges deposited by donors by end of fiscal year	77%	90%	94%	Increase over previous year	Increase over previous year
		More predictable ARTF funding over the medium term	ARTF donors to discuss and work toward this objective		Amount of ARTF funding committed / pledged over next 3 years/current years level	180	320	102 at the beginning of 1385	10% increase over previous year	10% increase over previous year
Increasing National Ownership	Increase flexibility of ARTF resources	Give government increased ownership and flexibility to allocate resources to national priorities	Decrease donor preferencing in ARTF contributions	Discussions emphasizing importance & advantages of unpreferred funds contributions	% of un-preferred pledges (ARTF)	73%	70%	67.4%	75%	80%
	Increase flexibility of all core budget assistance	Give the government increased ownership and flexibility to allocate resources to national priorities	Increasing un-preferred funds channeled through development budget	n/a	Discretionary resources as share total core development budget		30%	n/a	45%	60%
	Use of national budget channels	Increase share of aid through Core Budget	Follow up re Paris Declaration	Survey ongoing, but issues with quality of data	Direct Budget Support as % of total ODA disbursed (per PD Survey)	27%	35%	n/a	Increase over previous year	Increase over previous year

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**PUBLIC ADMINISTRATION REFORM**

Broad Area	Specific Objective	Objective(s)	Short-run Actions		Indicators	Baseline and Projections				
			Expected	Actual		1384	1385 target	1385 estimate	1386	1387
Structure of Government	Restructured and Rationalized Civil Service	Restructured small civil service which reflects core functions and eliminates duplication of functions; standardization of new position-based grading system across government	Develop plan to ensure robust controls over implementation of pay and grade reform; development of costed options for severance; develop PRR Stage Two proposals for unstructured departments, ministries and agencies; finalize new grading structure; review of RIMU at MoE; finalize guidelines for establishment of RIMU	Pay and grading and retrenchment policy not finalized; review of RIMU at MoE completed, guidelines for RIMU drafted	Number of civil servants (in line with MTF)	300,000	300,000	300,000	310,000	320,000
					Number of government ministries and agencies with approved restructuring plans (PRR Stage Two) including new organizational structures with ToR (center and sub-national)	10/44 Ministries and agencies	18	10/44 Ministries and agencies approved at PRR Stage 2, 20/44 partially approved	5	30
					% of positions re-graded in line with approved 8-grade structure	N/A	0.16%	0	9.84%	40%
					Number of Ministries with established RIMUs (Reform Implementation and Management Units)	0	1	2 (MoEd and MoJustice)	5	10
Human Resource Management	Merit-based Appointments	All CS appointments merit-based; civil servants' skills and qualifications match requirements of the position	Appointments Regulation reviewed, finalized and sent to MoJ;	Appointments and Appeals procedures with M of Justice for review	Number of civil service appointments made through merit-based procedure	7,462	15,000	Around 9,000 (of which over 1,400 senior positions)	50,000	120,000
					Annual independent quantitative and qualitative review of process and outcomes of merit-based appointments	Annual Review by IAB	Annual Review by IAB	Review done, Action plan adopted	Annual Review by IAB	Annual Review by IAB
	Performance Management	Senior staff are performing in line with the requirements of	Performance appraisal procedure developed; training provided to ministry	Performance Appraisal regulation with	% of senior civil servants for whom annual performance evaluations are conducted	0%	0%	0%	15%	35%

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		their position	staff on performance appraisal	MoJustice for review. Implementation under pilot in M of Agriculture with support from IARCSC						
<b>Capacity Development</b>	Extra-normal Appointments to line positions	Fill key senior civil service positions central to leading the reform effort with qualified staff; reduce need for donor top-ups	PAR SC to decide on scope over medium-term and costings; ARTF proposal developed and approved on building administrative capacity	Management Capacity Program designed and initial funding approved by ARTF	Number of female and male line positions filled through new project	N/A (81 through LEP)	N/A (100 through LEP)	N/A	170	240
	Leadership and Managerial Capacity	Civil Servants who can lead and manage the reform process and the establishment of an effective and efficient civil service	Conduct assessment of training to date; transfer delivery of training to CSI	Review of Civil Service Leadership Development training completed and delivery of training transferred to CSI	Number of female and male senior civil servants that have completed leadership training (provided by IARCSC)	140	310	N/A	450	590
	Common Functions	Departments are able to carry out basic common functions (admin, finance, HR, policy-making, project mngt, etc).	Interim strategy for development of capacity in the common functions	[tbd]	TBD	TBD	TBD	TBD	TBD	TBD