



European Commission

Lessons learnt, best practices and recommendations emerging from the Evaluation of EU support to “Collect More Spend Better” (2015-2020)



Overall approach to support public finance: EU strategic framework



What overall approach to adopt?



Promote the Collect More Spend Better (CMSB) approach* as a comprehensive strategic framework for EU support to public finance, emphasising its importance in implementing the Global Gateway and in achieving the Sustainable Development Goals (SDGs).

LESSON



The leading role that governments are expected to play in achieving development goals requires both greater fiscal space within a sustainable macroeconomic framework, better allocation of resources and better delivery of public goods and services. An effective budget and a sound PFM system are key to increase investment in human development and develop a solid enabling infrastructure.

They are also necessary to implement sound policies to uphold sustainable food and environmental systems, peace and security, and the Global Gateway priorities.

RECOMMENDATIONS



1. 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.
2. Put the SDGs at the heart of the CMSB approach to strengthen the link between PFM reforms and their purpose, in particular increasing access to quality public services.
3. Ensure better knowledge and visibility of the CMSB approach among specialised EU staff as a fundamental cornerstone of the global gateway strategy.

EVIDENCE MATTERS

Where to focus EU support?



Highlight and take advantages of EU comparative advantages in relation to the EU Global Gateway.

LESSON



Compared to other international partners, the EU has developed several comparative advantages, including its multi-dimensional approach, the mix of aid modalities used (budget support, incentives for reforms, capacity development, multi-donor trust funds) and its political role. This was particularly the case when addressing transparency and accountability, as well as when supporting the roll-out of PFM reforms to sector ministries, and to a lesser extent to decentralised administrations. The extensive use of Sector Reform Performance Contracts giving attention to the budget process within line ministries in priority sectors of EU cooperation (e.g. agriculture, education, health, justice) is a key strength of EU CMSB support.

RECOMMENDATIONS



1. Prioritise support in the area of transparency and accountability, with a multi-stakeholder approach that is more explicitly linked to the fight against corruption.
2. 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).
3. 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.
4. Promote climate change adaptation and mitigation and digitalisation better and transversally when supporting PFM reforms.

EU support to CMSB at the international level



How to consolidate the joint approach at the international level?



Take a greater part in strategic orientations and advocate for more space to developing countries. Ensure more visibility, complementarity, and coherence among all initiatives supported by international partners.

LESSON



Through the significant funding channeled to international initiatives and at country level, the EU has taken on a growing role in supporting PFM reforms and is increasingly recognised as a full partner in the IFIs. Nevertheless, the EU does not yet have a strategic role commensurate with its financial commitments. The EU has rather followed the lead of the IMF on Domestic Revenue Mobilisation – a topic closely related

RECOMMENDATIONS



1. Take the vision of having the SDGs at the heart of the CMSB approach to international circles.
2. Clarify the terms of the partnership with the IMF, using an approach that

to macroeconomic stability – and to a lesser extent of the WB on debt issues and the strengthening of budgetary management and public service delivery. This is not always consistent with the specific role the EU intended to play in the strategic and technical policy dialogue.

At the international level, the growing provision of analytical tools, international standards and capacity building has led to a complex and not always clear system, whose development benefits primarily the institutions that support it. The lack of involvement of the beneficiary countries in its management deserves to be questioned.

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

integrates all the financing provided by the EU to the various IMF trust funds/ RTACs.

3. Ensure synergies and complementarities between existing trust funds and international initiatives.
4. Rationalise and increase complementarities between existing diagnostics tools.

EU support to CMSB at the country level



How to improve EU strategic approach at the country level?



Develop systematically a coherent and comprehensive vision of EU support to public finance management tackling broader reforms (Public Administration Reform, digitalisation) across the aid modalities and instruments. Enlarge the monitoring and evaluation mechanisms.

LESSON



Through the comprehensive and pragmatic approach adopted, EU support to DRM/PFM/debt at the country level has covered many of the diverse areas of the CMSB approach and been well adapted to specific country context and challenges. There is a flip side to the coin: pursuing simultaneously multiple reforms on various fronts without a fully integrated EU response covering the wide range of available instruments and aid modalities, including IMF/WB-led capacity development operations, has often led to dispersion and loss of EU leverage effects. Supporting PFM reforms requires adopting a broad view, both regarding the areas targeted and the timeframe. A too ‘narrow’ technical approach of PFM issues focusing on day-to-day changes has been a limiting factor.

RECOMMENDATIONS



1. Develop a global and dynamic vision of the EU CMSB portfolio at the country level in support of public finance, and of the related results chain. Highlight the main CMSB priorities to be supported and aid modalities to be used, as well as the partners to work with.
2. Systematically frame PFM issues within broader public administration reform and economic policy reforms.
3. Ensure coherence between EU DG INTPA/NEAR support and support provided to i) international taxation initiatives and ii) trade policies.
4. Monitor and evaluate more systematically the EU CMSB portfolio at the country level, beyond the analyses carried out in the context of the budget support disbursement files. Assess the extent to which the support provided contributed to strengthening public finances and to attain the expected outcomes in terms of fiscal discipline, allocation of resources and public service delivery.



How to make better use of instruments and aid modalities available and reinforce the relevance and effectiveness of EU CMSB support in a context not favourable to rapid reforms?

Focus EU PFM support on priority areas with sustainable wins.

LESSON



Systemic PFM reforms take time, and their effects are only visible in the long term. Resistance to change and the weakening of the economic environment since 2020 were strong impediments to achieving desired effects. While the EU has contributed to developing a more systemic approach to PFM reforms, covering all the pillars of a good PFM system, leading to the implementation of more coherent and coordinated PFM policies, performance of PFM systems as measured by public expenditure and financial accountability (PEFA) assessments, only slightly improved: fiscal discipline was strengthened without widening fiscal space; resource allocation and public service delivery did not show sustainable improvements.

RECOMMENDATIONS



1. Expand the use of political economy analysis when assessing the general budget support eligibility conditions to guarantee the credibility of PFM/DRM reform plans and budget allocations.
2. Reinforce and consolidate policy dialogue at strategic level on EU priorities, including if relevant discussions on revenue generation, fiscal space, sources of financing and debt management.
3. Strengthen the incentive effect of budget support variable tranches in line with programmed reforms.
4. Better identify and articulate the role of capacity development and technical assistance in the EU package.
5. Put more emphasis on change management approach into technical assistance (TA) projects.

PRIORITIES FOR THE COLLECT STRAND

- Promote the use of repeat tax administration diagnostic assessment tools (TADAT).
- Plan EU support by integrating other partners supports (including regional technical assistance centres (RTACs) & revenue mobilisation thematic fund (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 public expenditure reviews (PER) & public expenditure tracking surveys (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 financial information systems, make sure the engagement is for the long haul; promote the potential of integrated financial management information system (IFMIS) as a tool for more transparency.
- Put more emphasis on the management of State Owned Enterprises.

The use of Budget Support to accompany PFM reforms has been decisive in most countries under review, mainly through its financial leverage. The incentive effects could be further strengthened in line with a consolidation of policy dialogue at strategic level. This involves ensuring the credibility of PFM/DRM reforms as a condition for budget support eligibility, the relevance of performance indicators and the leverage of complementary measures as well as stronger complementarities with other EU interventions. While the evaluation confirmed the key role of both technical level policy dialogue and high-level policy dialogue, EU policy dialogue remained insufficient – apart from 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.

STRENGTHEN THE INCENTIVE EFFECT OF BUDGET SUPPORT **VARIABLE TRANCHES:**

- Identify performance indicators, not only in relation to institutional capacities but also to the effective leverage of EU support.
- Ensure performance indicators are technically relevant and in line with current practices. This includes relying more on the technical expertise of International Financial Institutions for the design of budget support interventions.
- 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.

How to enhance EU involvement in policy dialogue and strategic orientations?



Strengthen access to internal and external technical resources in line with EU ambition.

LESSON



The CMSB area is very technical, 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, 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, to conduct policy dialogue on PFM and even less so on DRM and debt management.

RECOMMENDATIONS



1. Design and implement a comprehensive capacity-building strategy for EU services to deploy their CMSB support.
2. Further develop internal training programmes related to CMSB areas.
3. Further reinforce interactions between HQ and EUDs through HQ missions, more specific technical guidance, and regular exchange of information.
4. Provide more durable access to external high level technical expertise for EUDs and HQ.

Best practices when designing and implementing EU support to CMSB



- **Incorporating an analysis of political economy and behavioral issues and systematically identifying potential institutional challenges to fiscal/budgetary reform processes that will contribute to consolidate change management approaches:** the EU's vision was in some cases too short term with no guarantee that the measures adopted were actually implemented nor that the progress achieved would be sustainable in the long-term.
- **Promoting national leadership to steer and coordinate PFM/DRM reforms:** EU support has been implemented in close cooperation with beneficiaries and had to adapt to the strengths and weaknesses of the national PFM reform frameworks, including monitoring and evaluation frameworks, that still constituted an obstacle to defining and verifying the performance indicators of the variable tranches of budget support contracts. Internalizing the coordination of reform processes within national authorities is key for successful PFM reforms plans.
- **Actively promoting coordination between donors,** including strengthening concertation process between budget support providers, especially on the definition of performance indicators and increasing joint policy dialogue.
- **Ensuring good understanding of EU Budget Support from partner countries and stronger country ownerships.**
- **Better integrating capacity development interventions funded partly by the EU** (Trust Funds, RTACs) through more EU involvement and information related to support provided at country level.



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