

# United Nations Development Programme Georgia



**OUTCOME 2.7: Public sector reform in support of efficient, effective, responsive and pro-poor public services promoted and supported through policy advice and capacity development activities.**

## Evaluation Report

Assistance to the Ministry of Finance

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## 2. Introduction

The following report forms the Assistance to the Ministry of Finance part of an evaluation report commissioned by UNDP to assess Outcome 2.7 of UNDP's Country Programme Action Plan 2006-2010 (CPAP). It examines assistance for the Ministry of Finance (MoF) implemented through a dedicated project titled Modernization of Financial System of Georgia. Two phases of the project have been implemented since 2001 involving a package of capacity building measures enhancing policy formulation and effectiveness of the MoF by introducing contemporary management approaches, modern Information and Communication Technologies (ICTs) and new Treasury controls. Significant financial contributions have been provided by Dutch and Belgian governments.

The evaluation was tasked to examine the extent to which the MoF project activities have produced the intended outputs contributing to the Country Programme Actions Plan (CPAP) outcome.

### 2.1 Background

The evaluation examined the activities undertaken during Phase Two of the project Modernization of Financial System of Georgia (hereafter referred to as the project). Both phases have been implemented by a dedicated project team of national experts contracted under UNDP. Phase Two of the project was designed in close co-operation with MoF to deliver reform activities within three main components. These components are listed below with the accompanying reform objectives.

#### Component 1: Development of Management Capacity

- Improvement of Management of the MoF
- Improvement of Public Relations of the MoF
- Improvement of ICT infrastructure of the MoF

#### Component 2: Development of Human Resources

- Improvement of Human Resource Development and Personnel Management of the MoF
- Development-Improvement of Personnel Attraction and Selection System
- Creation of the Efficient System for Personnel Motivation
- Further Development of Training System
- Workshops and Seminars
- Publications

#### Component 3: Implementation of Treasury Single Account

- Implementation of TSA methodology and practices
- Implementation of GFSM-2001 compliant budget classification and Treasury General Ledger
- Development and implementation of special software for simplified procedures of expenditure financing
- Development and implementation of special software to introduce e-Treasury application
- Further development of ICT-infrastructure of the State Treasury HQs and regional units
- Training
- Seminars, workshops, events
- Publishing

### 2.2 Overall impressions

Overall impressions from the evaluation interviews indicate that the project has been effective in delivering all of the different reform outputs listed above. However, the effectiveness and impacts of these outputs are difficult to ascertain objectively due to the absence of tangible impact monitoring data for much of the different project work.

A limited amount of output monitoring data was available in project reports and this was restricted to lists of quantified physical outputs concerning numbers of trainees or types of materials produced. The evaluation was unable to identify any evidence regarding the results and impact of the utility of the guidance materials, publicity campaigns, software systems and hardware investments. Nevertheless, a large volume of anecdotal evidence was provided during stakeholder interviews to explain the relevance and benefits of the different project outputs. Consideration of this evidences strongly suggest that the project has been effective in achieving of the following results:

- assisting the Government of Georgia in management of financial resources and reversing of budgetary crisis through better coordination within the agencies of financial system; and
- enhancing mechanisms for policy formulation through increasing the effectiveness of the MoF by introducing modern approaches to management and modern ICT.

Extracts from the stakeholder interviews are provided below in summaries of the evaluation key findings for each component.

### **2.3 Component 1 - Development of Management Capacity**

Both of the Deputy Ministers who were interviewed demonstrated a good understanding of the MoF project's management capacity outputs. This indicates that the project work plan has been demand driven and based on MoF's priority needs. Examples were quoted when MoF officials had asked the project team for assistance with development of ICT infrastructure and a new Customs Code. Other important project support noted by the Deputy Ministers included publications for citizens and MoF staff as well as manuals and guidance materials for MoF staff and policy makers. The Deputy Minister also explained the regional benefits from the centralised systems which included delivery of regional training sessions and improved efficiency of centralised support for regional offices.

Project support has been targeted at Ministerial priorities via the MoF's aid co-ordination plan. A commonly noted priority was the establishment of the new Ministerial tax agency consolidating three previous organisations. Project support during development of staff consolidation methodologies was highlighted as particularly relevant to the MoF's management needs.

When asked how the project measures the success and impact of its activities the Deputy Minister suggested two types of qualitative assessment methods: project manager feedback; and meetings with Ministers. Deputy Ministers both indicated that they were satisfied with the project's successes but the limited interview times restricted further analysis regarding their opinions about the quality of the success and evidence of effectiveness.

Analysis of project effectiveness was elaborated by the MoF's Head of ICT who explained that in his opinion the project has been more effective than other donor projects. This was due to the following factors:

- UNDP provides support for priorities identified by the MoF and is not dictated by donor demands;
- the project team had developed good working relations with the MoF staff. The project team were trusted and respected as reliable colleagues within the MoF;
- the project team's in-house location assisted the good working relations and no other donor was asked to establish an in-house presence;
- UNDP operational procedures proved to be more flexible than other donors allowing the project team to react quickly to MoF requests; and
- the project team delivered what they said they would when they said they would, whereas the MoF had less confidence in other donors due to considerable slippages experienced by some projects.

#### **2.31 Positive Impressions**

A very positive impression of the project was portrayed by the MoF interviewees. A suggested indicator of the project's success was the fact that the MoF now actively invests in its own ICT systems. This helps confirm the relevance and benefits of the project which has been instrumental in establishing the capacity, confidence and competences that are now in place within the MoF's ICT department.

It was reported that the MoF had allocated co-finance in its budget to continue supporting the type of ICT activities progressed through the project. This was highlighted as an indicator of the project's relevance in helping the MoF identify its capacity building needs.

The Head of ICT noted that the main benefit of on-going project support would be that it could allow "more things to happen quicker". The importance of ICT's role in increasing the efficiency of the MoF was stressed by the project team as well as the urgency for the increase in efficiency.

The additionality of the project's support was further reinforced by the MoF's Head of Staff. Additionality was reported in terms of project inputs allowing important Public Relations work to progress faster than would have been possible without the project assistance and financing for materials. Technical assistance had been deployed to attract experienced professionals during the preparation and implementation of a national Public Relations campaign to improve the public image of MoF activities.

All these activities appeared to be based on well researched MoF needs but no structured or systematic performance monitoring procedures had neither been considered, nor used to measure the effectiveness of the Public Relations campaign. Nevertheless, the Head of Staff considered that the project had been "98% effective".

The project team has actively promoted transfers of their outputs to MoF staff in order to mainstream and sustain the benefits from Component 1 investments. Transfer of knowledge regarding management of ICT hardware involved a step by step process with the project team handing over management responsibilities incrementally followed by informal monitoring by project staff of MoF competences in operating the ICT systems.

Advisory inputs from the team were considered to add important value to the MoF's management reform efforts and help deliver more effective results. Examples were noted included branding guidance for the new consolidated tax agency's website and advice regarding optimal distribution methods for Public Relations activities.

## **2.4 Component 2 - Development of Human Resources**

MoF's Head of Human Resources highlighted the importance of project support during the development of modern HRD working methods within MoF. These included support for the development of new procedures for designing job descriptions, personnel evaluation systems, recruitment and promotion processes for all MoF staff as well as a wide range of dedicated training measures. Methodologies to assist the consolidation of staffing within the new institutional structures being progressed by MoF were noted as particularly useful in facilitating MoF strategic reform priorities. Experts had also been recruited to analyse and develop new staff motivation systems to help MoF attract and retain quality staff.

A suite of new and dedicated personnel management software had been developed, tested, introduced and updated for MoF throughout the project to fit the Ministry's changing needs. Software demonstrations were provided during the evaluation visits. All of the new systems appeared to have been developed based on a bottom-up needs analysis process involving the end users throughout the design and testing stages. No evidence of supply-led solutions was noted.

The personnel management programme was identified as being a particularly important and useful innovation containing records of over 4,000 staff which help the Ministry plan resource deployments and facilitate more efficient management of personnel issues, such as co-ordinating annual leave cover across the Ministry. Strengths and weaknesses were discussed with MoF staff who noted that the system now needed updating to allow further innovations in personnel management. The evaluation considers that adequate capacity had been built within MoF for staff to operate the new software systems effectively and independently.

Project support during Component 2 activities was noted as helping speed up the Ministry's reform process and allowing the introduction of improvements to happen more rapidly. All Component 2 activities appeared to be based on well researched MoF needs but no structured or systematic performance monitoring procedures had neither been considered, nor used to measure the effectiveness, relevance and impact of the majority of the new HRD innovations. "Approval of the Minister" was considered an effective performance indicator for the new institutional structures and personnel management procedures. No other systematic monitoring procedures appear to be in place to track and analyse performance of the new software systems or personnel management methodologies.

An exception to this rule was the MoF Training Centre which operates good practice monitoring procedures involving detailed evaluation of the relevance and effectiveness of all their training programmes. This includes monitoring of trainees' opinions regarding the quality and significance of their training as well as feedback from the trainees' line managers to assess their opinion of the training effectiveness. An example, was quoted whereby trainee feedback from a document management training course had led to adjustment and improvements in the relevance of the training package provided.

The Training Centre Manager noted that the Centre was acknowledged as a model of good practice by other Ministries and confirmed that the Centre now had sufficient capacity to operate independently. New funds were highlighted as being necessary to allow more and better targeted training.

## **2.5 Component 3 - Implementation of Treasury Single Account**

Component 3 provided a dedicated set of integrated measures to improve the efficiency of national budget management systems and procedures. Findings from evaluation of Component 3 mirror the previous comments whereby interviews provided strong opinions that the investments had led to effective outcomes.

Deputy Ministers highlighted the benefits and appreciation for the project support during successful efforts to introduce Georgia's first unified national financial management system. The project investments resulted in consolidation of a vast array of small budgets within one centrally controlled Treasury system which now allows the Treasury to work in a "real time regime" during management of the government's budget with the Central Bank.

No performance indicators were established during the project design and so no formalised impact indicators are in place to track the performance of the new systems. Nevertheless, the anecdotal evidence indicates that these innovations have significantly improved the effectiveness of government capacity to manage its finances and so help address the project's strategic objective of reversing the budgetary crisis faced by Georgia during the programming phase. Treasury representatives no longer considered that a budgetary crisis existed.

Interviewees explained that the new systems had helped to change attitudes within the Treasury by increasing staff confidence in their ability to manage the State budget. All staff were considered to know their own responsibilities and divisional functions were well defined. The architecture of the new Treasury systems and associated support services were carefully designed to interface with regional Treasury departments but the system does not connect to Local Authority budgets which remain locally controlled.

Further efficiency improvements were thought necessary to overcome cash management bottlenecks between the Treasury and the Central Bank and the piloting of e-Treasury applications was expected to expand. Sustainability of the

project benefits may be limited by the high growth rate in state transactions which may require a further upgrade of budget management capacity in several years.

Component 3 involved a study trip for MoF staff to discuss capacity building issues with Lithuania's MoF. Positive effects from the study trip included enhanced knowledge regarding ICT solutions, budget management procedures, cash management and Treasury Single Account models.

## **2.6 Horizontal Evaluation Findings**

All interviewees were asked what the most important outcomes of the project support had been but only one mentioned any high level impacts such as contributing to reversing the budgetary crisis. A few references were made to improving confidence levels within the MoF but this could not be supported by evidence for such high level capacity building impacts. Most responses to the question about important outcomes focused on the lower level project outputs. This suggests a need for strengthening project cycle management techniques and implementation of more results-based and performance-oriented monitoring procedures to allow the MoF to track effectiveness of its own operations.

More evidences of the project effectiveness and relevance was noted by the added value benefits that have been generated by some of the project outputs. The project team reported that a number of the publications and software systems produced by the project for the MoF have been gifted to other Ministries who recognise the relevance to their own reform programmes. For example, project staff were able to provide technical support and training to assist the Ministry of Education and Science as well as the Ministry of Justice adapt and adopt new management software systems.

## **2.7 Project Team**

The project team's support was recognized as highly valuable by Ministry stakeholders from all three components of the project. Interviewees confirmed that the team had successfully built capacity in their departments to a level where they can undertake their tasks independently. Nevertheless the same stakeholders also highlighted the importance and challenge of attracting on-going donor funding to help strengthen the capacity that has been built.

The main challenges noted by project team members included difficulties associated with managing the change process created by turnover of Ministry staff. This involved considerable effort each time to bring new staff "up to speed". Analysis and production of more effective succession planning materials could help overcome this problem including user friendly operational procedures which included tips and Frequently Asked Questions (FAQs), as well as formal guidance procedures.

No concerns were raised by the project team regarding their ability to measure the performance of individual capacity building activities or the overall project. However, no systematic or on-going results or impact monitoring systems could be identified during the evaluation visits. The project team's close working relations with the Ministry were considered to provide adequate feedback regarding any performance problems as well as a good understanding of client needs and satisfaction with the outputs.

Important outputs from the project highlighted by the team were:

- the Ministry's improved accounting systems;
- knowledge transfer to the public and increased awareness about the Ministry's activities;
- staff trained by the project have been actively head hunted by other Ministries and government bodies;
- Ministry staff want to keep working with the project team; and
- Ministry recognizes the relevance of the project in its strategic documents highlighting priority areas for future project support.

Project team staff discussed their overall capacity building performance and considered that the project had been successful in shifting the Ministry's priority needs from basic to intermediate and advanced. For example, the reform priorities have shifted from hardware to software, from general introductory training courses to more advanced topic-specific training programmes and from essential staff record systems to sophisticated personnel development processes. The impetus for all of this new and on-going work comes from the Ministry staff. The project team provide less of an advocacy role and more of a reactionary technical support service. An example was provided whereby regional MoF staff contacted the team directly for advice about IT issues. In such situations the team is providing important help desk functions for MoF staff but these help desk functions should be provided by MoF and the team's role should focus on building capacity within MoF to assist Ministry staff provide their own help desk facility, rather than relying on the project team to provide the facility directly.

Such instances indicate that the project team is now delivering core MoF functions and their technical additionality is therefore less evident than it would have been at the start of the project. This in itself is an indicator of the project's success. The project's comparative advantages now seem to relate more towards the operational benefits noted by the Head of ICT, namely:

- UNDP's willingness to support bottom-up demands;

- project team’s good working relations and in-house presence generates trust and confidence in their ability to deliver quality support; and
- UNDP’s external decision making process offer flexibility and an ability to react more rapidly than alternative options.

The Ministry has become accustomed to these operational advantages and now a risk exists that reliance may have developed. Such reliance may be counter-productive to capacity building and reform agendas in the long term. Hence, at some point the project will need to start to introduce an exit strategy which weans the Ministry off its reliance on the availability of such accessible and effective external support. The exit strategy should be based on helping the Ministry develop and mainstream internal processes and attitudes which deliver the same type of advantages currently provided by the current project.

## 2.8 Exit Strategy

Exit strategy work should actively promote the concept of results-based performance monitoring to assist the Ministry track and measure the effectiveness of its operations via systematic, relevant and transparent performance indicators. This will provide the Ministry with the essential management information it needs to help its decision makers effectively steer reforms and operations in order to maximize its own potential.

Further evidence of the potential for an exit strategy phase was illustrated above regarding the capacity building successes in the MoF. Interviewees confirmed the important role that the project had played in introducing essential reforms which were now operating effectively. On-going assistance was noted as useful and important to help address the high demand for additional outputs. MoF representatives from all three components confirmed that they now had adequate capacity to operate the new reform measures which the project has established. The main need for on-going donor support appeared to be strengthening their ability to deliver their remit faster, rather than establish new essential reforms. This indicates that an exit strategy phase is now feasible.

Consultations with other donors signal that the Ministry is in the process of receiving a significant amount of new capacity building resources via the World Bank to finance reform activities which build on the successes of the project. The new resources will be available in the form of grant aid provided to the Ministry for investments in activities which align with its strategic action plan for reform.

Any exit strategy phase should ensure that the activities also complement the Ministry’s reform action plan and efficiencies will be secured by maintaining the skills and knowledge that have been built up in the project team. The project team represents a highly valuable resource and options analysis should be undertaken to determine the best way of retaining and conserving such beneficial institutional memory.

## 2.9 Conclusions

The evaluation considers that the MoF project has produced an effective set of outputs. Evaluation conclusions are presented in the following set of comments and recommendations:

Key evaluation findings concerning the MoF project can be summarised as:

- the project appears to have been both popular and productive in its capacity building efforts;
- accurate assessment of project effectiveness was restricted by the lack of tangible evidence from project monitoring systems;
- a great deal of anecdotal evidence strongly suggests that all three components have been effective in producing the intended outputs;
- some evidences suggest outputs have already made important contributions to the project outcome, such as the new Treasury management systems, ICT hardware and software and skills teaching delivered through the MoF Training Centre;
- areas of uncertainty remain regarding the effectiveness of investments in publicity campaigns and some of the HRD innovations which will require more systematic impact analysis to determine the quality of effectiveness;
- scope now exists to beginning implementing an exit strategy phase from the three components;
- exit strategy phase should be carefully planned to help MoF address new priorities aligned with its strategic action plan for reform;
- new strategic actions should consider how best to incorporate performance monitoring procedures;
- institutional memory held within MoF project team offers effective efficiencies regarding the delivery of new reform action plan activities;
- project team should liaise with other MoF donors to identify opportunities for synergies which fill gaps in the MoF reform action plan, possibly via a partnership approach capable of leveraging new CBF sub project support.