



How the PEFA framework can make a difference

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Lewis Hawke
Head of PEFA Secretariat

Improving public financial management. Supporting sustainable development.

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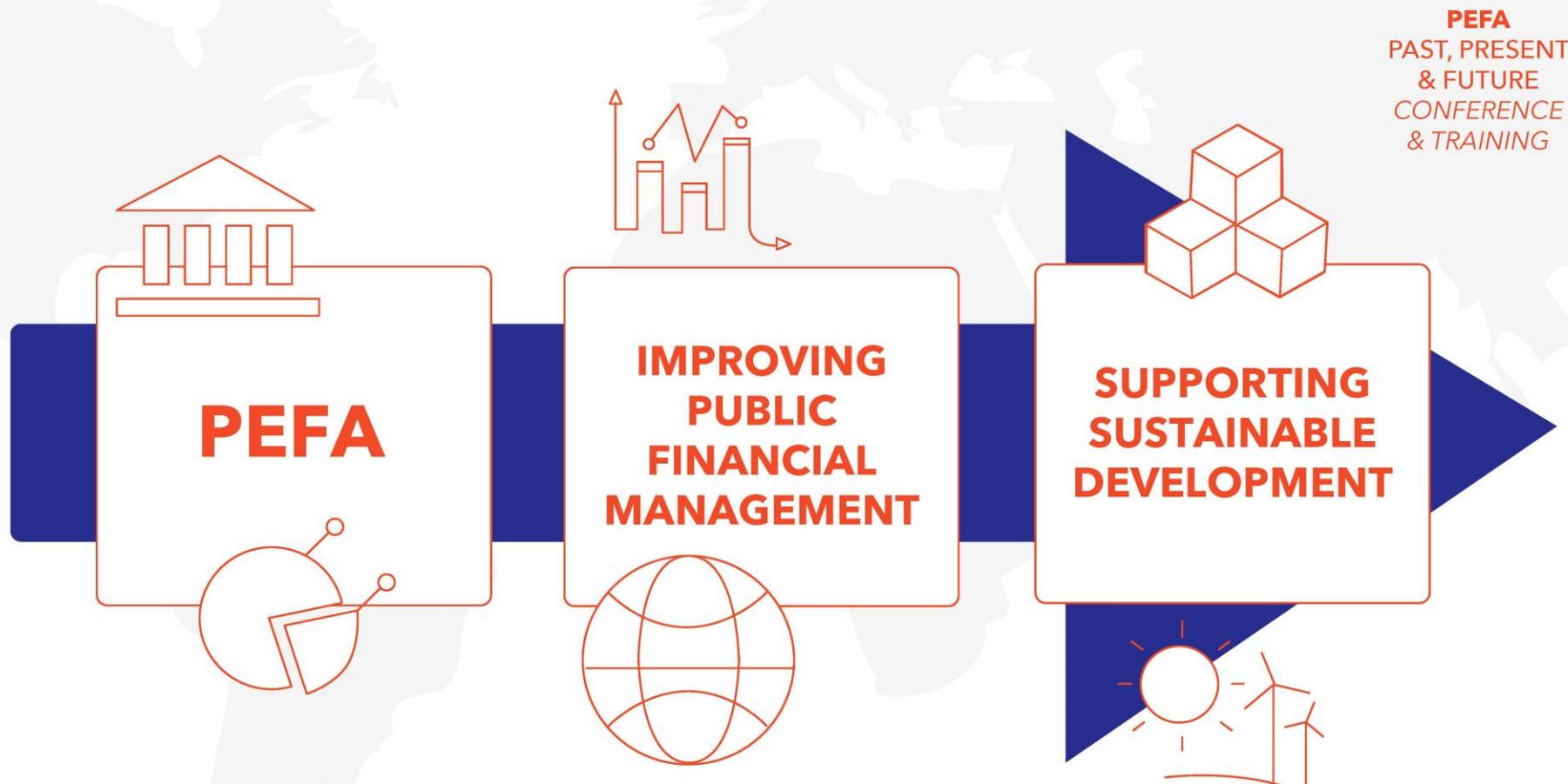
PEFA IN BRIEF

The PEFA program

- PEFA: Public Expenditure and Financial Accountability
- Founded as a partnership in 2001



PEFA objectives



PEFA Framework in a nutshell



- PEFA is a standardized methodology with two components
 - A standard set of high level PFM indicators to assess performance
 - A concise, integrated performance report
- Its purpose is to:
 - Provide a thorough, consistent and evidence-based analysis of PFM performance at a specific point in time
 - Assess how PFM impacts on key budget outcomes - fiscal discipline, efficient resource allocation, efficient service delivery
 - Establish the foundation for analyzing and improving in PFM
- PEFA does not:
 - Assess causes for good or poor performance
 - Assess government policies

Benefits of PEFA

- Measures progress over time through a set of standardized indicators
- Builds momentum for PFM reform
- Facilitates decisions on priorities and use of country systems
- Fosters stakeholder coordination around one common assessment
- Extensive international acceptance

How many PEFA assessments prepared?

531 assessments prepared in **150** countries

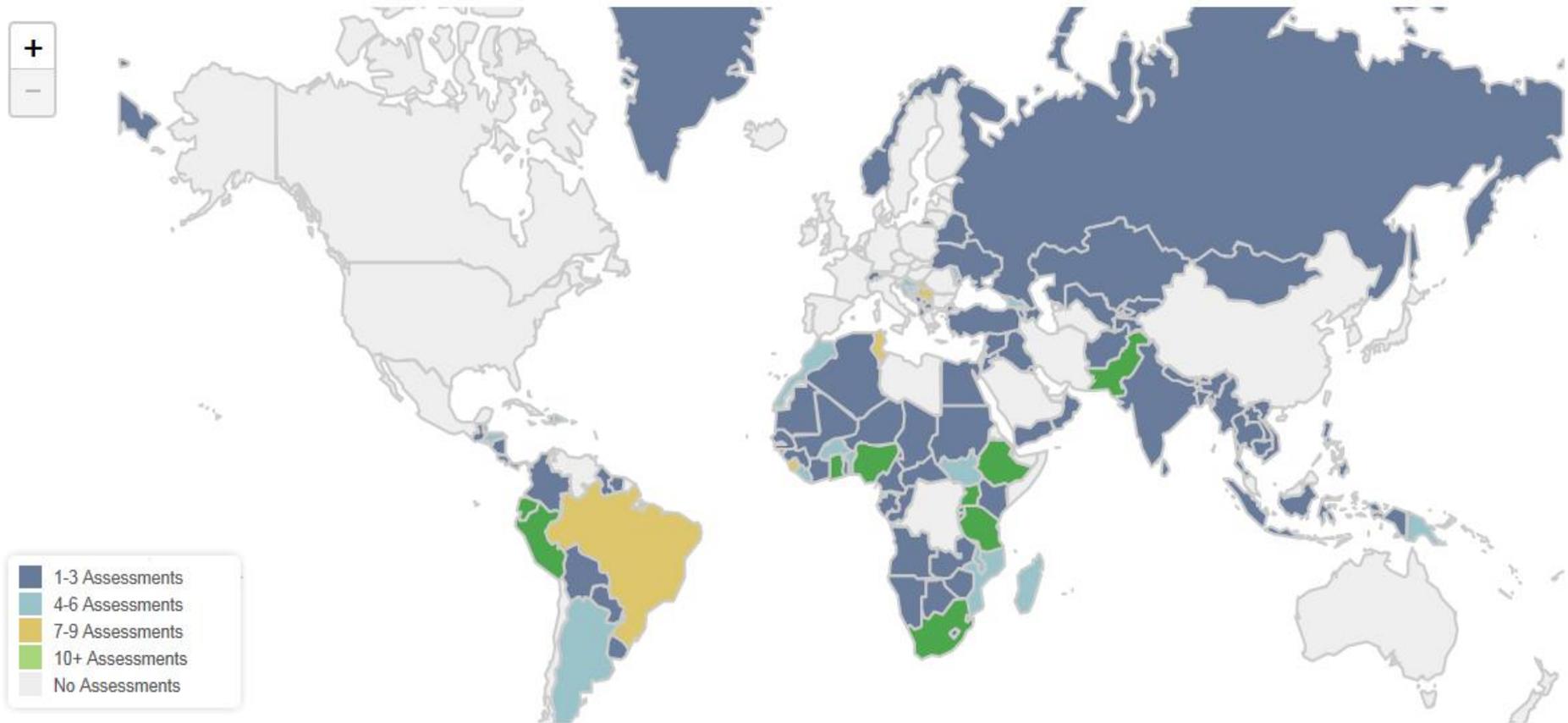
(as at August 1, 2016)

Type of assessment	Baseline assessments	Successive assessments	Total
National level	156	181	337
Sub-national level	163	31	194
Total	337	212	531

Which countries are using PEFA?

- A PEFA assessment has been undertaken in:
 - 94% of Low Income Countries (LIC)
 - 100% of Lower Middle Income Countries (LMIC)
 - 80% of Upper Middle Income Countries (UMIC) and
 - 28% of High Income Countries

PEFA assessments by region



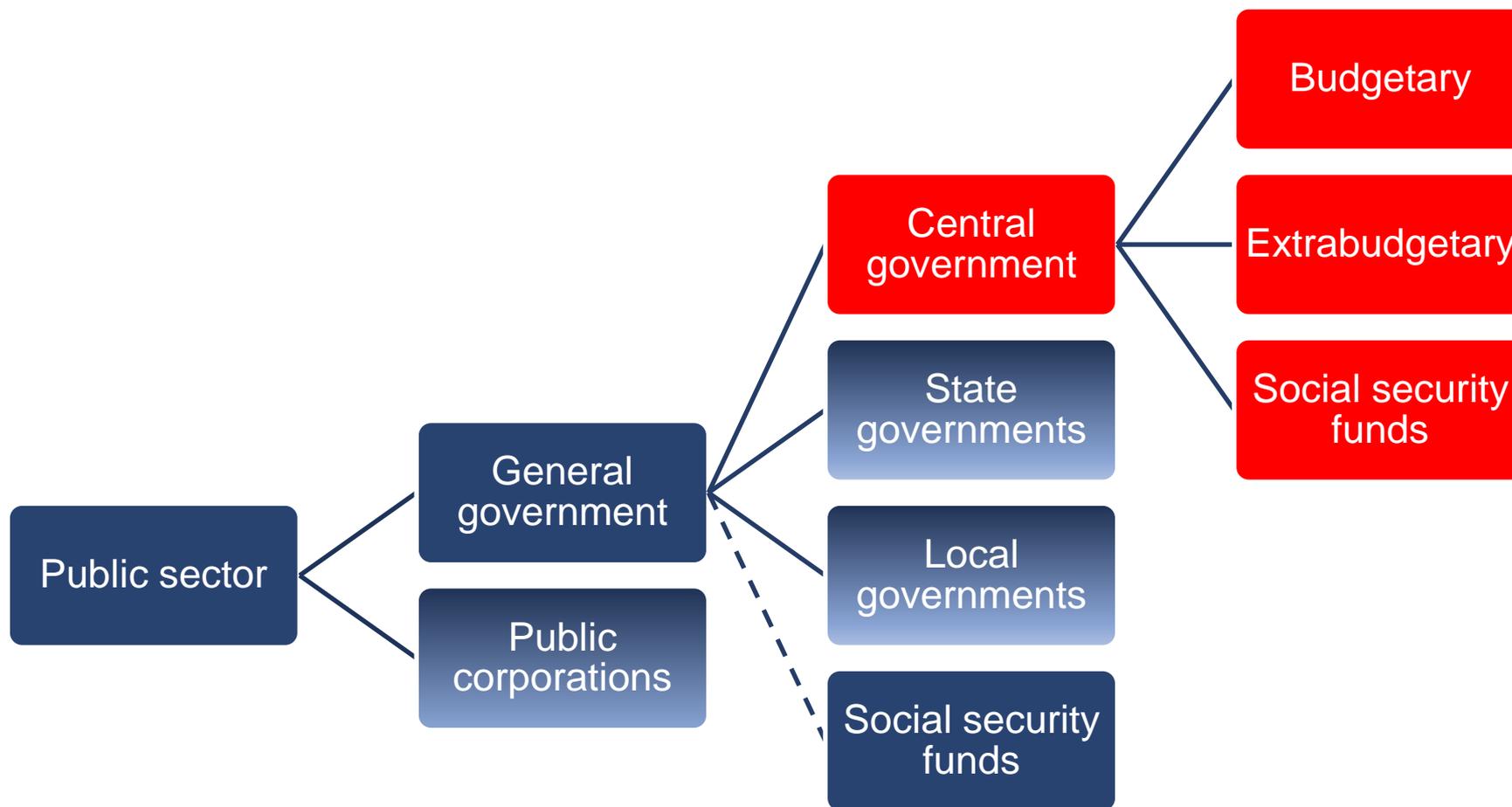
Source: <https://pefa.org/countries-regions#/>



PEFA 2016: AN OVERVIEW

What does the PEFA framework cover?

(PEFA and GFS 2014 structure of the public sector)



DESIRABLE FISCAL AND BUDGETARY OUTCOMES



Aggregate fiscal discipline



Strategic allocation of resources



Efficient service delivery



THE PEFA ASSESSMENT PROCESS

PEFA assessment cycle





PEFA PERFORMANCE FRAMEWORK

PEFA 2016 FRAMEWORK



7

Pillars

31

Indicators

94

Dimensions

PEFA 2016 pillars



PILLAR ONE
Budget reliability



PILLAR TWO
Transparency of public finances



PILLAR THREE
Management of assets and liabilities



PILLAR FOUR
Policy-based fiscal strategy and budgeting



PILLAR FIVE
Predictability and control in budget execution

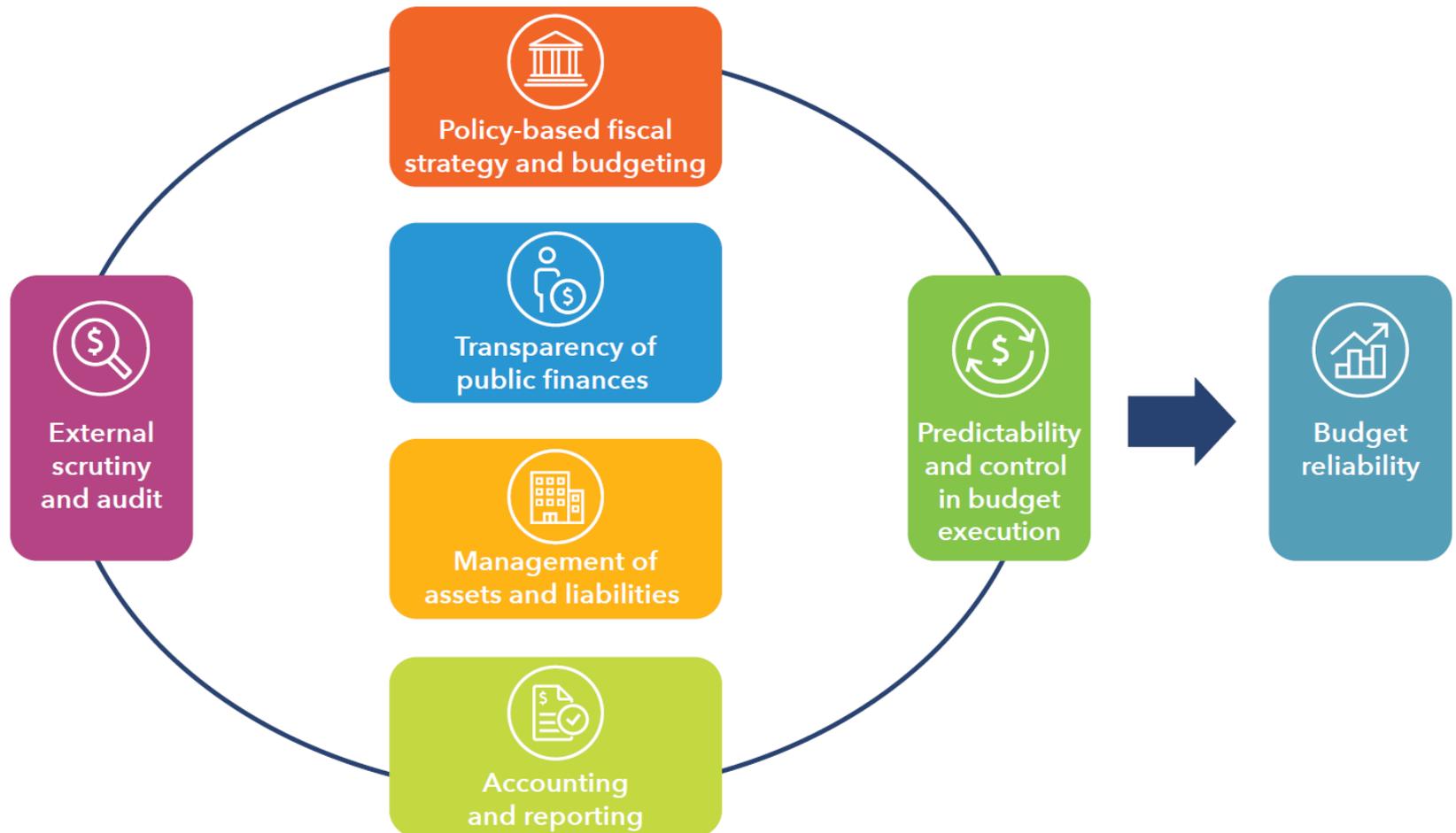


PILLAR SIX
Accounting and reporting



PILLAR SEVEN
External scrutiny and audit

PEFA 2016 and the budget cycle



Performance indicators

I. Budget reliability:

1. Aggregate expenditure outturn
2. Expenditure composition outturn
3. Revenue outturn

II. Transparency of public finances:

4. Budget classification
5. Budget documents
6. Central government operations outside financial reports
7. Transfers to subnational governments
8. Performance information for service delivery
9. Public access to fiscal information

III. Management of assets and liabilities:

10. Fiscal risk reporting
11. Public investment management
12. Public asset management
13. Debt management

IV. Policy-based fiscal strategy and budgeting:

14. Macroeconomic and fiscal forecasting
15. Fiscal strategy
16. Medium term perspective in expenditure budgeting
17. Budget preparation process
18. Legislative scrutiny of budgets

V. Predictability and control in budget execution:

19. Revenue administration
20. Accounting for revenue
21. Predictability of in-year resource allocation
22. Expenditure arrears
23. Payroll controls
24. Procurement management
25. Internal control on nonsalary expenditure
26. Internal audit

VI. Accounting and reporting:

27. Financial data integrity
27. In-year budget reports
28. Annual financial reports

VII. External scrutiny and audit:

30. External audit
31. Legislative scrutiny of audit reports



THE PEFA REPORT

PEFA 2016 report format

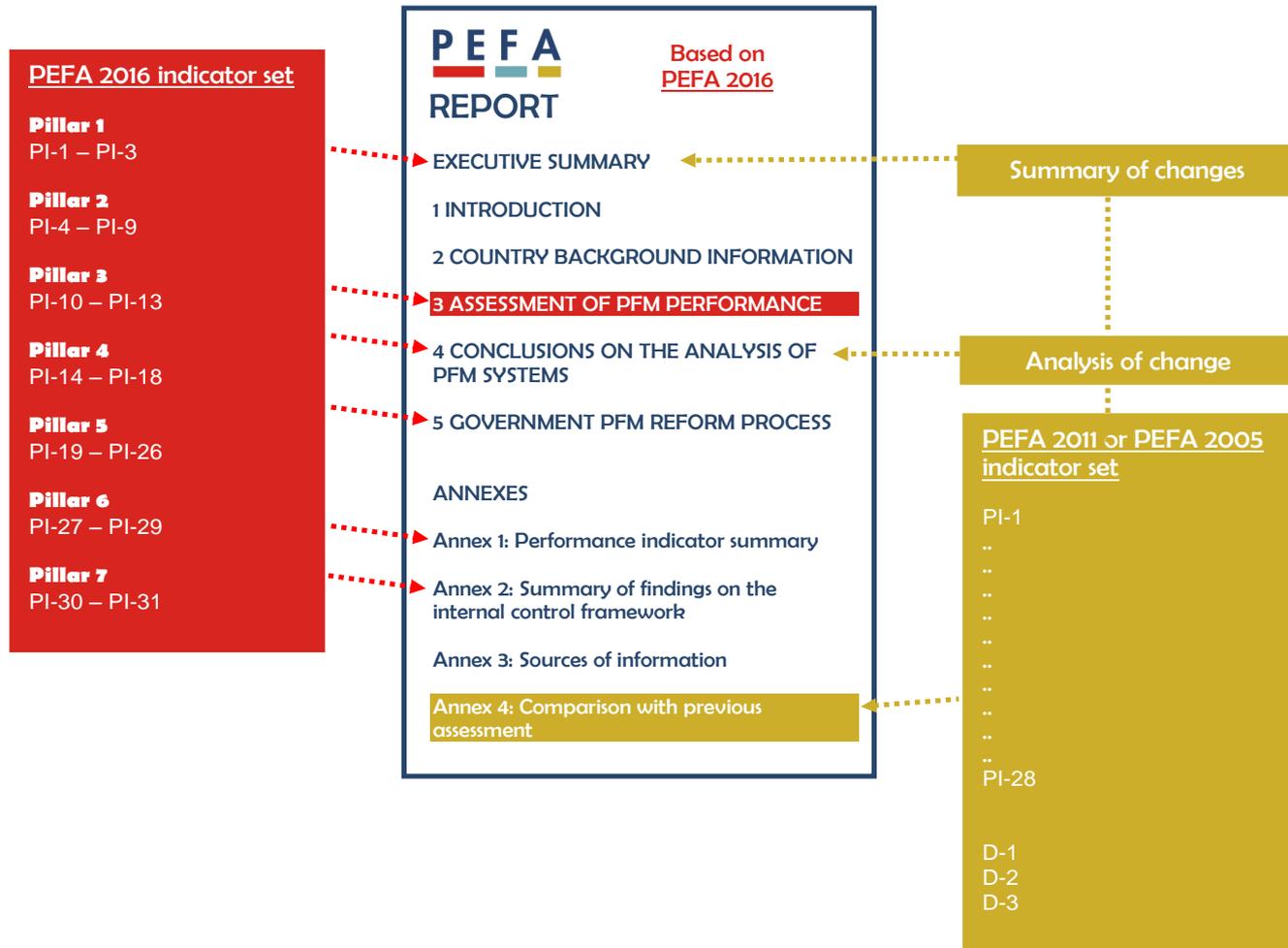
Executive summary

1. Introduction
2. Country background information
3. Assessment of PFM performance
4. Conclusions on the analysis of PFM systems
5. Government PFM Reform Process

Annexes

- i. Performance indicator summary
- ii. Summary of observations on the internal control framework
- iii. Sources of information
- iv. Supplementary annex: Tracking performance to previous PEFA using an earlier version of the framework

Tracking performance using PEFA 2016





CHANGES TO PEFA METHODOLOGY

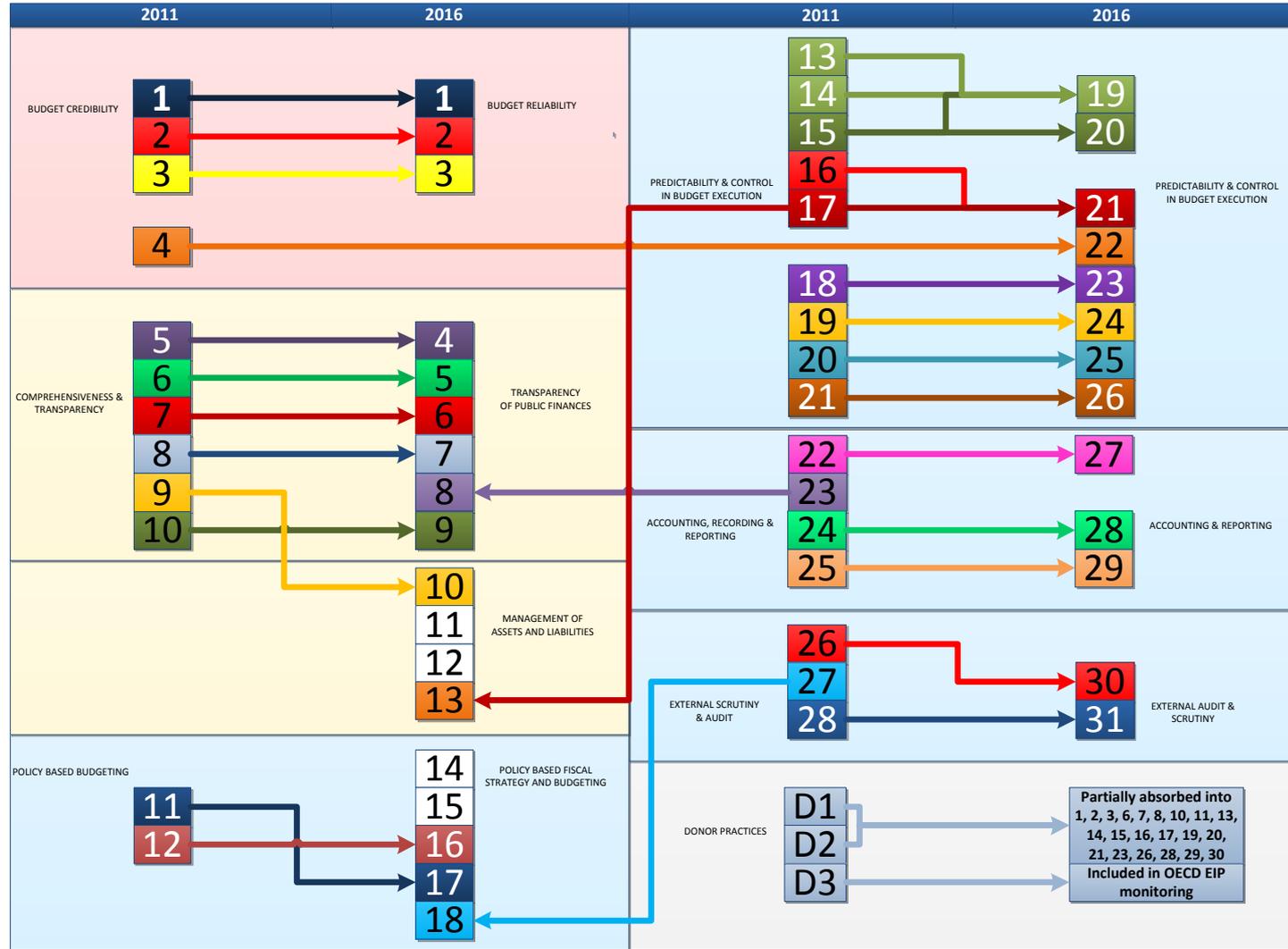
Why was the framework upgraded?

- To align with most up-to-date accepted good practices
- To fill in major subject gaps
- To improve relevance and clarity
- To incorporate clarifications issued since 2005 (200+)



Links between PEFA 2011 and PEFA 2016 indicators:

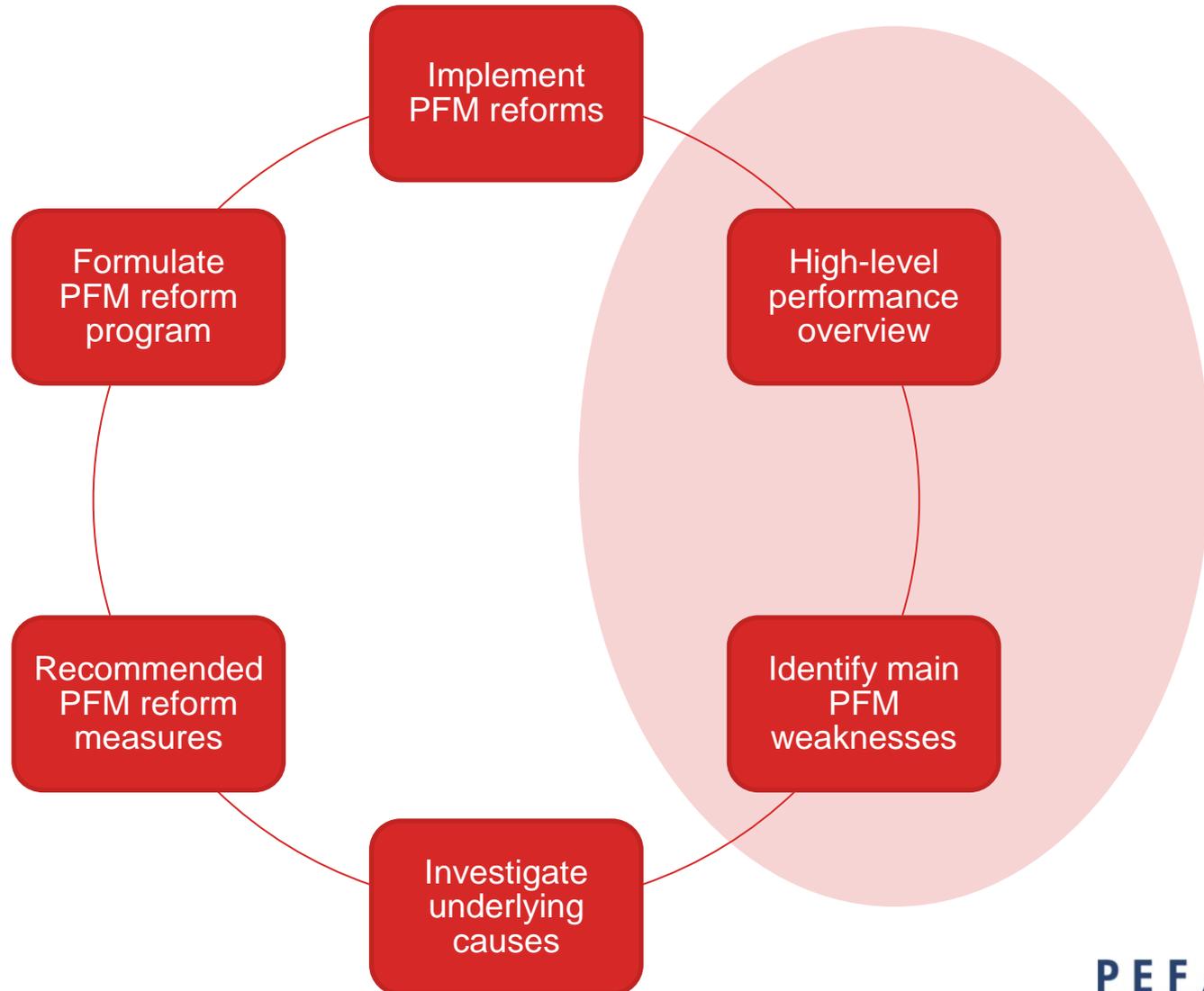
- Every 2011 indicator links to at least one PEFA 2016 indicator (except donor indicators)
- Indicators are re-organized and re-numbered under seven pillars (=six critical dimensions of 2011 plus one new pillar)





PEFA AND PFM REFORM

PEFA report for reform reformulation



Key steps

9. PFM reform dialogue

- Discussion about PEFA assessment findings and need for reforms or reform program
- Develop and implement reform program
- Identify a reform ‘champion’ and establish a team

10. Monitoring and follow-up

- Monitoring reforms
- Impact on PFM weaknesses
- Updating as required

PEFA report for PFM dialogue

Strengths

- Stand-alone assessment
- Report normally produced in less time than an integrated diagnostic or an in-depth review with reform recommendations

Inputs

- Strengths and weaknesses identified by PEFA to be used to prioritize further work on underlying reasons for poor performance

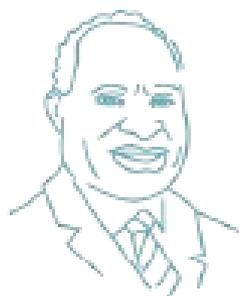
PEFA report for PFM dialogue

Complementary studies needed

- In-depth study may be needed to complement the snapshot on PFM performance from the PEFA assessment
- Detailed analysis of underlying causes needed for formulation of detailed action plan
 - Such analysis to be limited to priority areas
- Drill-down tools available
 - Fiscal transparency (FTE), tax administration (TADAT), debt management (DEMPPA), public investment (PIMA), procurement (MAPS)

Experience with the PEFA upgrade

The experience of Papua New Guinea with the PEFA Framework Testing Version: Using PEFA framework gave PNG one single roadmap which helped to align all stakeholders



KEN NGANGAN
SECRETARY FOR FINANCE
GOVERNMENT OF PAPUA
NEW GUINEA



Previous assessments of PNG were carried out in 2005 and 2009. PNG used the PEFA framework testing version at the request of the IMF to set the new baseline and the 2011 framework to monitor progress since the previous assessment. As the scope of the testing version framework was broader than the previous framework reflecting recent advances and current expectations in PFM reform, the assessment provided a more in-depth analysis of PFM system and identified more weaknesses. The assessment provided a pool of objective information to assist all stakeholders understanding the current status of PFM and on decisions on future reforms. The PEFA assessment guided development of an action plan and reform program: PEFA Road Map 2015-2018. Aiming at enhancing transparency and accountability, the PEFA assessment report was published.

The next challenge for PNG will be to use the PEFA 2016 framework at the SNG level.

PEFA and PFM reform

"After PEFA we are more aware of the need to provide relevant information to the public and partners about our public finances."



MARTHA CUBILLO JIMÉNEZ

NATIONAL TREASURER
MINISTRY OF FINANCE,
COSTA RICA



"PEFA has accompanied our reform program, strengthened it and gave us clear ideas for the future of PFM."



AZIZ KHAYATI

HEAD OF BUDGET
EXECUTION
MINISTRY OF ECONOMY
AND FINANCE, MOROCCO



SIMON GILL

PROJECT DIRECTOR, BUDGET
STRENGTHENING INITIATIVE
OVERSEAS DEVELOPMENT
INSTITUTE



"PEFA is a great invention and great contribution to PFM. When translating PEFA to PFM reforms I advise you to think like Norway! PEFA is established to drive forward a country-led approach."

"Country ownership in reforming PFM is key. Therefore it is important that countries make PEFA as part of their cycle of thinking and managing reforms. This is something we have supported in the Caribbean countries."



MATTHEW SMITH

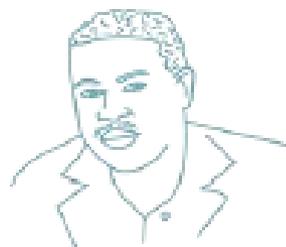
PUBLIC FINANCIAL MANAGEMENT
ADVISER, CARIBBEAN REGIONAL
TECHNICAL ASSISTANCE CENTRE
INTERNATIONAL MONETARY FUND



PEFA and PFM reform impact

Liberia uses PEFA assessments to reform its PFM and monitor progress over time

Liberia has been using PEFA assessments to streamline its PFM reform program. Liberia has prepared three PEFA assessment (2007, 2012, and 2014). PEFA self-assessment helped the country gather evidence-based information across different aspects of PFM to pinpoint key challenges as well to understand where progress was made. These created important learning loops which were included into the design of country's PFM reform program.



HERBERT SOPER

FINANCIAL
MANAGEMENT SPECIALIST,
MINISTRY OF FINANCE &
DEVELOPMENT PLANNING
REPUBLIC OF LIBERIA



The results of the self-assessment showed significant improvements compared to the 2012 assessment. The positive results had been achieved as a consequence of the continued strong political commitment to the PFM reform strategy and the determination in implementing reforms despite the human resource constraints coupled with scarce economic resources. Importantly, the self-assessment also revealed what PFM areas need to be strengthened. These included internal controls, revenue mobilization, medium-term budgeting, cash management, commitment controls, and fiscal decentralization. Consequently, the government has made important steps in reforming its PFM system in line with the assessment findings, including rolling-out the IFMIS to additional ministries and agencies, and strengthening the external audit performance.

PEFA at subnational level

PEFA at subnational level: Municipality of Sousse, Tunisia



KAMILIA HMILA
DIRECTOR OF FINANCE
MUNICIPALITY OF SOUSSE,
REPUBLIC OF TUNISIA



Tunisia has embarked on a decentralization reform as outlined in the country's new Constitution enacted after the 2011 revolution. The main reason for conducting the six PEFA municipal assessments was to set the baseline to compare the status of PFM at SN level prior to decentralization reform and subsequent improvements. Sousse is the third largest municipality in Tunisia, with 235,000 inhabitants, and representing 3.3 % of overall subnational budget. The objective of Sousse PFM managers was to compare their performance and achievements relative to other municipalities.

Prior to PEFA, the government of Sousse launched an internal partial assessment, which was not published and subject to "excessively favorable interpretation" by elected political leaders. Amongst the main weaknesses revealed by the PEFA assessment, was the lack of a structured internal control system, including internal audit, and reliance on the existing limited controls based on alerts. PEFA assessment helped to introduce new tools such as a monitoring systems for arrears, fiscal calendar and to create a small internal audit unit.

PEFA has confirmed that the level of revenue is not sufficient if there is no credible system in place for revenue allocation. PEFA will increase visibility and credibility of SNG. Tunisian legislation provides more resources to SNG outside the littoral, which don't benefit from tourism, therefore SNGs on the littoral will be obliged to be more efficient with less resources, and to convince their partners. PEFA highlighted the importance of transferring more resources from central government to improve PFM performance. PEFA also served as a common basis for dialogue with donors, i.e. SECO, to obtain more resources.



FUTURE DIRECTIONS

IMPROVE KNOWLEDGE OF PEFA

SUITE OF PEFA GUIDANCE

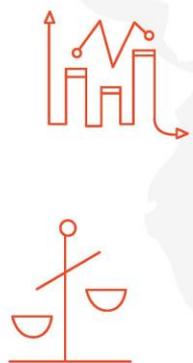
PEFA
PAST, PRESENT
& FUTURE
CONFERENCE
& TRAINING



IMPROVE KNOWLEDGE OF PEFA

NEW AND IMPROVED TRAINING

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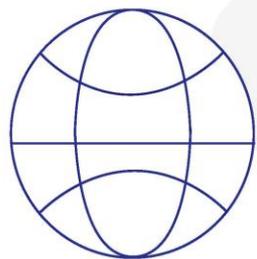
EASIER, QUICKER AND EFFICIENT PEFA PROMOTING GOOD PRACTICES

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PEFA AND PFM REFORM RESEARCH

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SHAPING THE FUTURE

EXPAND AND INTENSIFY
USER INVOLVEMENT

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Guidance materials at the PEFA website

www.pefa.org

 	 	 	 	 
FAQs about PEFA 2016	PEFA assessment cycle overview: 10 steps for planning, implementing and using PEFA	Guidance on reporting performance changes in PEFA 2016 from previous assessments	Aligning PEFA testing version assessments with PEFA 2016	Template and guidance for the preparation of a PEFA assessment Concept Note

And many more...

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