

# Public Expenditure and Financial Accountability (PEFA)

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PEFA Secretariat



PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY PROGRAM



# Objective

To provide an overview of PEFA as a tool for objective assessment of a government's financial management practices



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# Who Runs the PEFA Program?

- A Steering Committee with representatives from the funding agencies, at present the World Bank, IMF, EC, UK-DFID, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the Swiss State Secretariat for Economic Affairs
- The OECD/DAC Task Force on PFM is the interface between PEFA and all other donors and selected partner governments
- A Public Expenditure Working Group (PEWG) of WB and IMF experts, that advises the Steering Committee
- A small Secretariat based in Washington DC that is a member of the PEWG



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# What has it done?

- With OECD-DAC developed the Strengthened Approach to Supporting PFM Reform (Feb. 2005)
- Developed the PFM performance measurement framework to provide reliable information on the performance of PFM systems, processes and institutions over time (June 2005)
- Annual reviews of experience from application of the Framework
- Support to training and implementation (for details see [www.pefa.org](http://www.pefa.org))

# The Strengthened Approach

- A country-led agenda - a country led PFM reform strategy and action plan.
- A coordinated program of support- a coordinated IFI-donor integrated, multi-year program of PFM work that supports and is aligned with the government's PFM strategy.
- A shared information pool – a framework for measuring results that provides consistent information on country PFM performance, including progress over time

See OECD/DAC Guidelines on Harmonizing Donor Practices for Effective Aid Delivery, volume 2, February 2005.

# Coverage of a PEFA Assessment

- All financial management systems and processes of a government, covering revenue, expenditure, assets and liabilities
- Basic framework applies to central government only, but can also be used for assessing subnational government, using SNG Guidelines
- Covers system outcomes, **not** underlying factors such as FM capacity or legal framework
- Recommended frequency is every 3-5 years

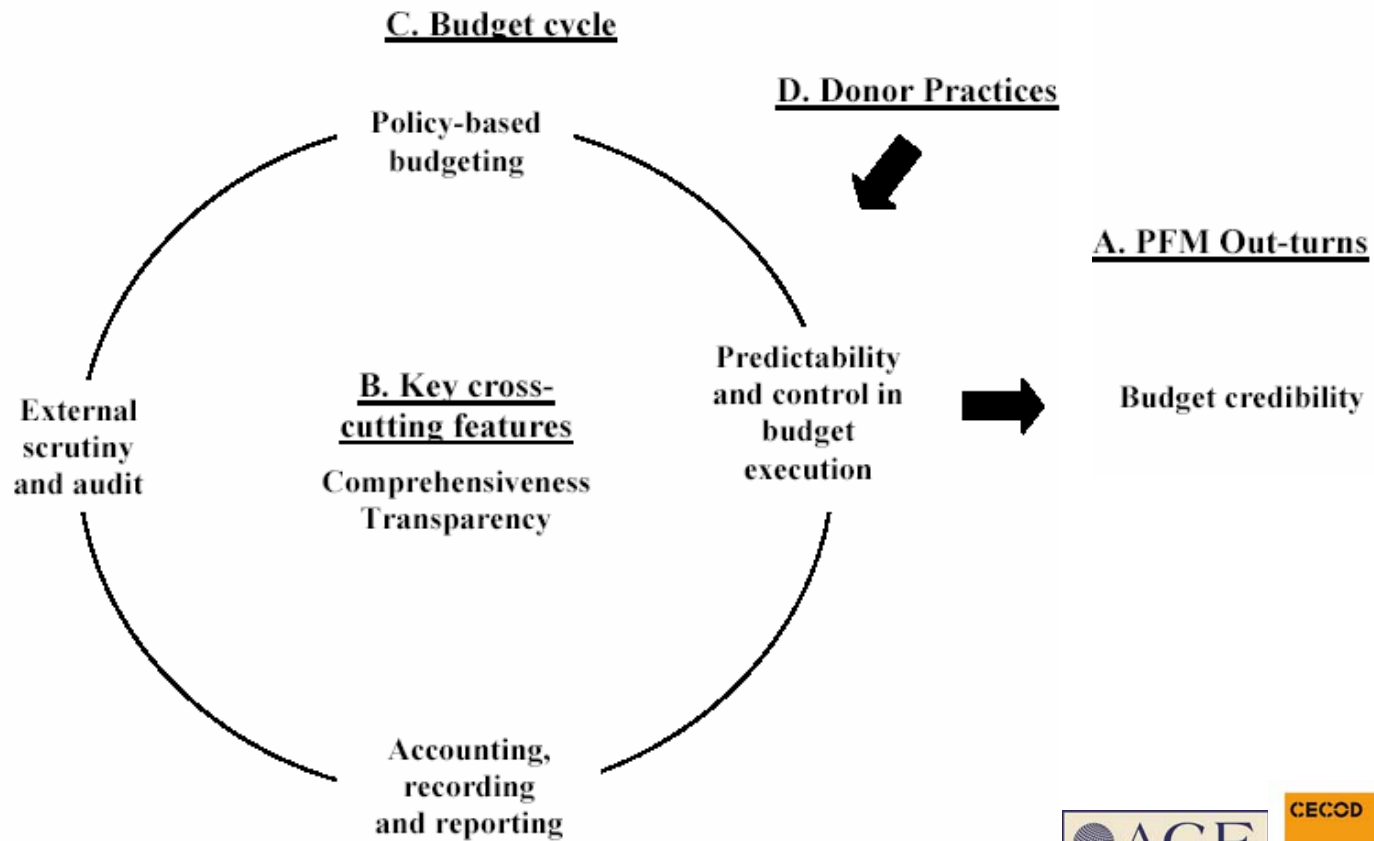
# How is a PEFA assessment made?

- A stakeholder at country level initiates
- Interested donors and government representatives form a Steering Committee and agree on the purpose and scope of the assessment and the roles of the stakeholders (set out in Concept Note or TOR)
- Consultants and local counterparts are mobilised
- Desk review of previous diagnoses
- Introduction workshop
- Field interviews and analysis
- Draft report prepared, quality assured
- Comments received, report finalised and issued

# Critical dimensions of performance

- Budget credibility (indicators 1-4)
- Comprehensiveness and transparency (indicators 5-10)
- Policy-based budgeting (indicators 11-12)
- Predictability and control in budget execution (indicators 13-21)
- Accounting, recording and reporting (indicators 22-25)
- External scrutiny and audit (indicators 26-28)

# PEFA in a nutshell



# The indicator set

- 28 standard indicators apply to the government and its external scrutiny
- 3 standard indicators apply to donor practices that have a major impact on system outcomes

# If scope of assessment includes sub-national government

- Most indicators at central level apply equally at provincial or local government level, with appropriate changes in terminology
- One further indicator is needed for the predictability of transfers from the higher level of government (HLG-1)
- Full explanation given in Guidelines issued by the PEFA Secretariat (see [www.pefa.org](http://www.pefa.org))

# Scoring

- Where an indicator has more than one dimension, rate each dimension separately
- The score for a dimension is the highest rating (A, B, C or D) for which ALL the requirements are met
- Combine the dimension ratings into an overall indicator rating using Method 1 or Method 2 as directed

# Combining Dimensions

- Most indicators have dimensions that are interdependent, so the rating is based on the 'weakest link', eg. if the four dimensions of PI-18 on payroll are scored A, B, C, B then the weakest link is C. As other dimensions are better than C, it is rated C+. This is called M1 method.
- 8 indicators have dimensions that are separate and independent. Their dimension ratings are averaged using the conversion table. If the dimensions of PI-12 are rated A,B,C,B then the average of these (C,B,B,A) is B. This is M2 method.

# Evidence

- The rating is acceptable only if supported by factual evidence and a named source. These are reported along with the rating
- Performance is actual (past) performance achieved, not expected performance
- Any issues or reservations on the rating (the period covered, partial coverage, etc) are also reported transparently
- Compare indicator ratings with ratings in last PEFA assessment (if any), and refer to factors causing any changes over the period

# The Performance Report

- Presents the government's PFM performance in a standard format and briefly
- Contains a summary assessment, an introduction, background information, assessments of indicators in each core area, and a brief description of the Government reform process

# Thank you for your attention



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