PEFA: Creating a public good for the management of public finances

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Content

1. History, objectives, experience to date
2. Revision of the PEFA Framework
PEFA Framework

A joint approach to assessing and strengthening Public Financial Management

With OECD DAC Task Force on PFM
Background

The Strengthened Approach in Reform of Public Financial Management

- **Ownership**: a country-led agenda reflecting country priorities and implemented through government structures

- A **coordinated** program of support from donors and international finance institutions

- A **shared information pool** on public financial management based on a common assessment framework
What was new?

• Measures progress through a set of standardized indicators
• Builds capacity for PFM reform through diagnostic and periodic progress monitoring
• Facilitates donors’ decision on use of country systems
• Promotes joint country analytical work
• Fosters stakeholder coordination around one common assessment tool
PEFA Performance Measurement Framework

A. PFM Outturns

B. Comprehensiveness and Transparency
   (PI-5-10)

   C(1)
   Policy-based budgeting
   (PI-11-12)

   C(2)
   Predictability and control in budget execution
   (PI-13-21)

   C(3)
   Accounting, Recording and Reporting
   (PI-22-25)

   C(4)
   External scrutiny and audit
   (PI-26-28)

C. Budget Cycle

D. Donor Practices
   (D-1-3)

Budget Credibility
   (PI-1-4)
The PEFA Framework

**Objectives**
To assess the extent to which a country has the tools to deliver three main budgetary outcomes:

- **aggregate fiscal discipline**
- **strategic resource allocation**
- **efficient use of resources for service delivery**

**PEFA in PFM Reform Cycle**
Results/Applicability
Global adoption by partner countries and donors

- 357 assessments undertaken in 143 countries; 187 publicized reports
- PEFA Framework used by governments in most countries to take control of their PFM reform agendas
- Government ownership critical for:
  - Assessment credibility
  - Integration into reform dialogue
- “Repeat assessments” demonstrate changes in performance – monitoring results of reform efforts

Geographical PEFA experience

Country focus and decision

- Application entirely decentralized to the country level (if, when, how to use Framework)
- The Framework does not ‘belong’ to any single organization
- Applicable for central government level as well as sub-national level
- PEFA data provides opportunity for peer learning and research
Content

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External evaluation of the program (2011)

“Resoundingly positive”

• Created credible framework for PFM assessment
• Assessments comparable over time & constitute common information pool on PFM performance
• Used by practically all major DPs working with PFM systems (design, monitoring, or FRA)
• Adopted by many governments to inform design of PFM reforms, monitor progress over time & assess quality of PFM at sub-national levels
… but, the main challenge is

- Maintaining relevance to users (evolution of standards & good practices)

… hence, a key priority is

- Review & update the Framework, to reflect newly accepted good practices (but recognizing need for time series to allow progress tracking)
Purpose of revising the Framework

• Incorporate editorial ‘clarifications’
• Update new ‘good practices’
• Improve areas of weakness
• Gaps

Key considerations:

• Purpose remains the same
• Balance between comparability and relevance
Revision process - progress to date

• Steering Committee approves process
• Initial consultation through website
• Baseline workshop to discuss how the Framework could be improved
• 4 Task Teams formed & began work under the Steering Committee supervision
• 200+ Clarifications incorporated into the Framework
Revision process- next steps

- Finalize revision proposals
- Check for internal consistency
- Test in country (pilot the draft revised Framework)
- **Wide consultations for comments by stakeholders** (draft revised Framework, results of pilots, website, regional events)
- Revise and refine draft
- Approve ‘New release’ by PEFA Partners
- “New release” - 2015
Thank you for your attention