PEFA: a springboard for PFM reform

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Head of PEFA Secretariat
POLL #1: What is your experience with PEFA?

1. User of PEFA reports
2. PEFA assessment manager
3. Government official providing data for a PEFA assessment
4. PEFA assessor
5. Peer reviewer
6. No experience with PEFA
WHAT IS PEFA?

1. Set of PFM performance indicators
2. PFM performance report
3. Database of PFM performance information
4. Tool to identify fiscal challenges
5. Means to highlight PFM trends
6. Basis for identifying PFM strengths & weaknesses
7. Support government to achieve policy goals
POLL #2: What is PEFA?

1. Set performance indicators
2. PFM performance report
3. Database of PFM performance information
4. Tool to identify fiscal challenges
5. Means to highlight PFM trends
6. Basis for identifying strengths and weaknesses in PFM performance
7. Support for government to achieve PFM policy goals
TRANSFORMATION OF PEFA
BENEFITS OF PEFA

EXTENSIVE INTERNATIONAL ACCEPTANCE

FOSTERS STAKEHOLDER COORDINATION

MEASURES PROGRESS OVER TIME

BUILDS MOMENTUM FOR PFM REFORM
GLOBAL OUTREACH

- 547 TOTAL
- 434 FINAL (301 PUBLIC)
- 84 DRAFT
- 29 PLANNED

Used by 150 Countries

Applied 560 Times
COUNTRIES WITH PEFA ASSESSMENTS BY REGION (total 150)

- Sub-Saharan Africa: 46
- ASIA & PACIFIC: 30
- Europe & Central Asia: 22
- Latin America & Caribbean: 33
- North America: 1
- Middle East & North Africa: 12
USE OF PEFA 2016 IS GROWING

Number received (cumulative)

- Concept notes
- Draft reports
What does the PEFA framework cover?

PEFA and GFS 2014 structure of the public sector
POLL #3: What should a good PFM system achieve?

1. Fiscal discipline
2. Allocative efficiency
3. Efficient service delivery
4. Transparent, timely and reliable data
5. Confidence in policy implementation
6. Effective accountability
7. All of the above
8. Something else
Core elements of PEFA

- 3 outcomes
- 7 pillars
- 31 indicators
- 94 dimensions
PEFA and PFM

- An open and orderly PFM is one of the enabling elements to achieve the three desirable budgetary outcomes:
  - Aggregate fiscal discipline
  - Strategic allocation of resources
  - Efficient service delivery
7 PEFA pillars of PFM performance

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 and the budget cycle

- Policy-based fiscal strategy and budgeting
- Transparency of public finances
- Predictability and control in budget execution
- Budget reliability
- Accounting and reporting
- Management of assets and liabilities
- External scrutiny and audit
What does the PEFA Framework **not** cover?

**PEFA is not used for:**

- Assessing PFM performance of **public corporations**
  - Corporate governance standards are different
  - Part of public sector not central government sector
  - (Exception is potential fiscal risk to central government).
- Directly assessing **sector** level PFM performance
  - However, information from a government PEFA assessment can be used to inform sector analysis
PEFA assessment cycle

1. Dialogue on the need for PEFA assessment
2. Develop the Concept Note
3. Prepare for the assessment
4. Assessment launch
5. Data collection and analysis
6. Draft report preparation
7. Peer review and refinement
8. Final report and publication
9. Reform dialogue
10. Monitoring and follow-up

Start process / Repeat as appropriate
Summary of 2016 PEFA assessment results

- 19 of 31 indicators score good performance
- Weak performance in Budget reliability and downstream indicators
PEFA report for reform reformulation

- Implement PFM reforms
- High-level performance overview
- Identify main PFM weaknesses
- Investigate underlying causes
- Recommended PFM reform measures
- Formulate PFM reform program
PEFA report for PFM dialogue

Strengths

• A stand-alone **high-level** assessment
• Provides an **overview** of PFM performance

Inputs

• Strengths and weaknesses identified by PEFA to be used to **prioritize** further work on underlying reasons for poor performance
Post-PEFA assessment PFM dialogue: Key stages

PERFORMANCE INDICATOR

1. IDENTIFY KEY PFM WEAKNESSES
   - Specify indicator/dimension

2. AGREE ON FURTHER ANALYSIS REQUIRED
   - Present a summary of key findings from the PEFA assessment

3. DETERMINE CAUSES OF PFM WEAKNESSES
   - Specify further analysis taken by authorities to identify the causes or contributing factors to the weaknesses identified

4. AGREE ON PROPOSED PFM REFORMS
   - Summarize the main causes of the weaknesses identified in the follow-up analysis
   - Present the proposed PFM reform initiatives for the weaknesses identified. This could be described as one major reform

5. PRIORITIZE PFM REFORMS
   - Set out the agreed priority of the reform
   - Deadlines and milestones for specific tasks will be set out in table 2
### Key elements of a PFM reform action plan or strategy

<table>
<thead>
<tr>
<th>PFM REFORM</th>
<th>KEY TASKS</th>
<th>RESPONSIBILITY</th>
<th>TIMEFRAME</th>
<th>MILESTONE</th>
<th>PROPOSED TECHNICAL ASSISTANCE</th>
<th>MONITORING ARRANGEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specify reform initiative</td>
<td>Set out the individual tasks required to implement the reform</td>
<td>Identify responsibility for completion of each task</td>
<td>Set out the deadline for each task</td>
<td>Establish specific milestones (and timeframes) for each milestone</td>
<td>Set our required capacity development needs and proposed sponsor</td>
<td>Specify monitoring arrangements. Note relevant PEFA PI for longer term monitoring. (Further details on the monitoring of specific tasks to be included in action plan).</td>
</tr>
</tbody>
</table>
“After PEFA we are more aware of the need to provide relevant information to the public and partners about our public finances.”

“The PEFA assessment helped to engage staff from various directorates and create a common knowledge and sense of responsibility, through the intensive training of civil servants.”

“Doing a PEFA assessment meant we had to train our staff not only in PEFA methodology but consequently also in different aspects of PFM. This has led to increased staff capacities across different PFM institutions.”

“PEFA has accompanied our reform program, strengthened it and gave us clear ideas for the future of PFM.”
POLL #4: What are the highest priorities for PFM reform in your country?

1. Budget reliability
2. Transparent and comprehensive information
3. Better management of assets and liabilities
4. Effective fiscal strategy linked to medium term budgets
5. Predictability and control of budget execution
6. Accurate and timely reporting
7. Effective independent scrutiny and audit
8. Other
POLL #46: What are your country’s priorities in reforming PFM?

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WHERE TO
FROM
HERE?
PHASE 1: Development
2001—2005

PHASE 2: Dissemination
2006—2008

PHASE 3: Integration and enhancement
2009—2012

PHASE 4: Global public good & upgrade
2012—2016

PHASE 5: PEFA’s impact on PFM
2017—2021
Better PFM
Better public services
More sustainable development

Better PFM
PEFA and PFM reform

Support high quality PEFA assessments
Expand and share knowledge on PEFA and PFM
Use PEFA to improve PFM
1. SUPPORTING HIGH QUALITY PEFA ASSESSMENTS
2. EXPANDING AND SHARING KNOWLEDGE ON PEFA AND PFM
3. USING PEFA TO IMPROVE PFM