

# Use of PEFA Assessments for PFM Reform Formulation and Monitoring

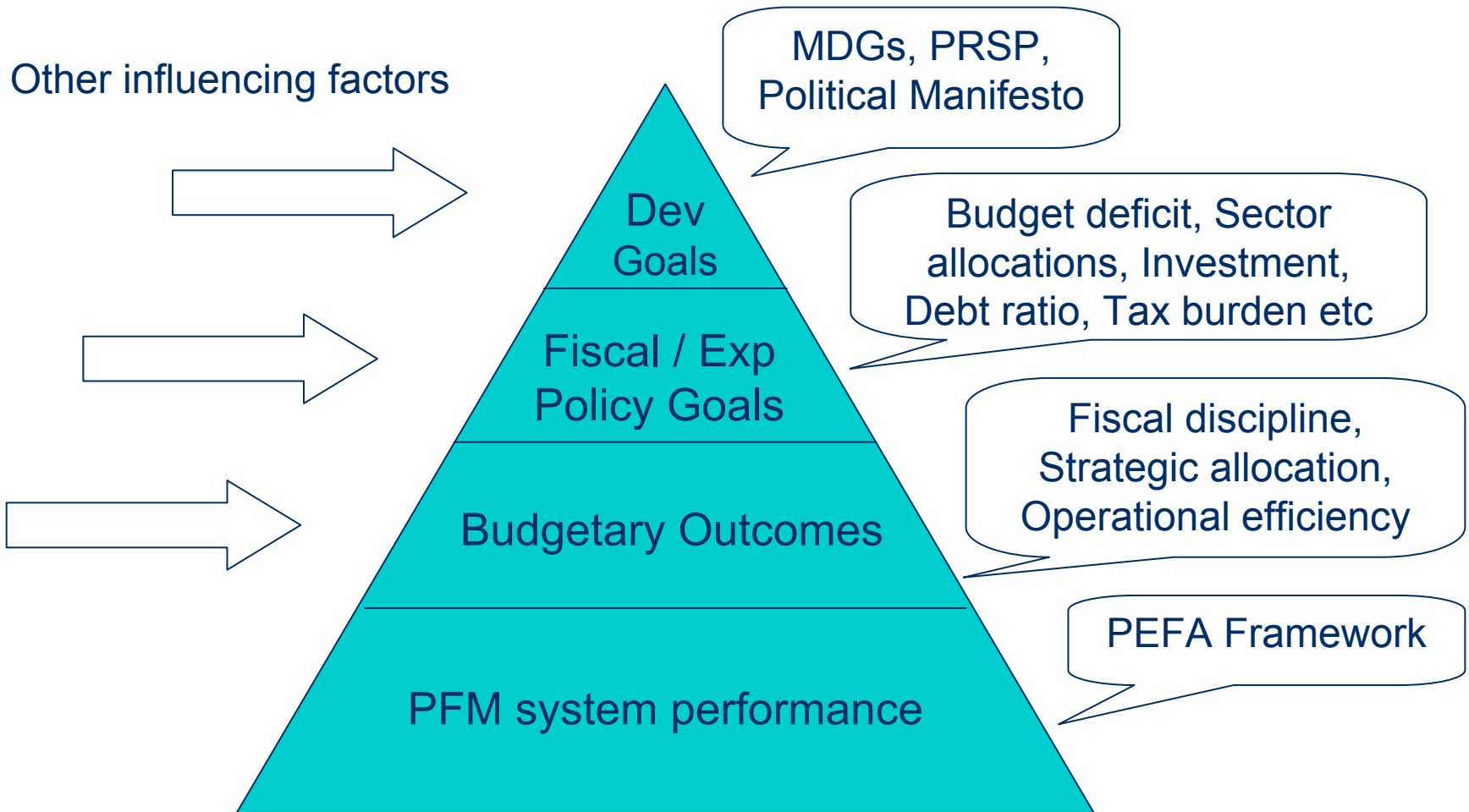


PEFA Secretariat



PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY PROGRAM

# PFM Links to Development Goals

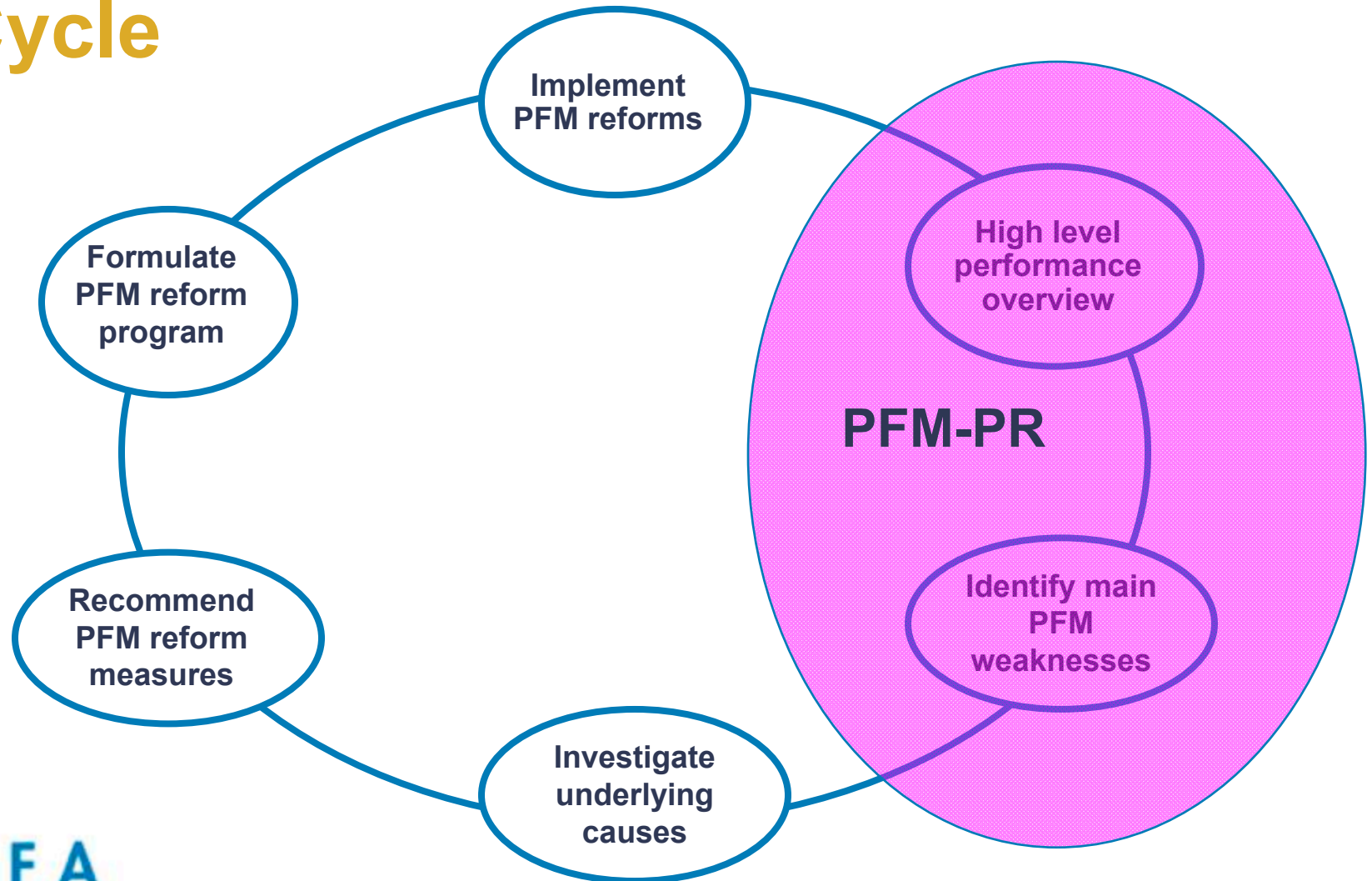


# What can countries use the PEFA Framework for?

- Inform PFM reform formulation, priorities
- Monitor results of reform efforts
- Harmonize information needs for external agencies around a common assessment tool
- Compare to and learn from peers



# Coverage of PFM-PR in the Reform Cycle





# PFM Performance Report (PFM-PR)

- Useful as a separate output
- Helps to meet International Agency fiduciary requirements
- Can be produced in less time than an integrated diagnostic or an in-depth review with reform recommendations
- Limited value as a development tool for PFM without in-depth study to go with it
- Relationship and sequencing should be agreed up front



## Use of results:

# Dialogue on PFM Reform Program


- Use the identified strengths and weaknesses to identify further in-depth work needed on underlying reasons for poor performance
- Use data to further develop reform action plan

# PEFA reports for reform sequencing (1)

- PEFA report is one of several inputs
  - Identification of main strengths and weaknesses – and potential impact on budgetary outcomes
  - Other factors: political economy, culture, constitution/legal, resources, capacity at entry
- Ownership means government decisions on priorities
  - Government to consider all factors in deciding priorities
  - Reform dialogue with International Agencies to allow ample space
- Do not use Indicator scores simplistically
  - A low score is not sufficient justification for reform
  - Other factors: relative importance of subject, complexity /timeframe for improvement, interdependence with other elements

# PEFA reports for reform sequencing (2)

- Complementary analysis to PEFA required
  - Detailed analysis of underlying causes needed for formulation of detailed action plan
  - Limit such analysis to priority areas
  - Drill-down tools – some exist, others under development
- PEFA preparing guidance on using reports in reform formulation
  - Stock-taking of conceptual approaches used
  - Country case studies illustrating good practice and potential misuse (proposals welcome)
- Other elements of the Strengthened Approach
  - Enhancement of government ownership
  - Improvement of coordinated International Agency support
  - To be promoted through other means (e.g. the DAC-JV)



# Use of results: Sequencing the PFM Reform Program - Example: Mozambique

- Used identified strengths and weaknesses to reformulate ongoing plan
- Quick wins: often at no or little cost - “BPR”
- Short-term: result of ongoing reforms
- Medium-term: new structural reforms
- Long-term: development of institutional capacity

# Use of SN assessment for reform discussions

- Some indicators may score low, but SN government has no powers to change systems
  - Typically legislative/regulatory issues e.g. classification systems and accounting standards determined centrally for all of general government
- Important to discuss with national authorities, but not part of reform action plan at local level



# Use of PFM-PR for reform planning – Pakistan Provinces

- A PFM-PR prepared in each province as a separate assessment
- The PR identifies main weaknesses in terms of ‘C’ & ‘D’ indicator scores
- A subsequent report prepared to establish causes for poor performance in those weak areas only
- Provides in-depth analysis but only in weak areas
- Used for formulation or revision of reform action plan

# Country case - Norway

- Findings of Norad-managed self-assessment presented to OECD-DAC in December 2007
- The assessment showed low scores for 7 areas
- MoF reaction:
  - Weaknesses in procurement practices & follow-up to external audit findings need to be addressed
  - 3 areas of low scoring not considered priority at present (Multi-year program/sector budgeting, Limited extent of internal audit, no consolidated overview of risks from autonomous agencies & public corporations)
  - 2 indicators scored low but are municipal responsibilities; central government will not get involved.



# Use of Results:

## Fiduciary risk assessment

- All stakeholders need to assess the risk that public funds may not be used for prescribed purposes
- Some International Agencies are devising standard methods of risk assessment, based on PEFA indicator ratings and special inputs on the assessment of corruption, as a basis for decisions on budget support

# Use of results:

## PFM performance monitoring

- Discuss with government units the potential of incorporating the PEFA indicators in their own M&E system
  - Will make much of the data collection a routine exercise, implemented by the government
  - Will enhance government ownership of the tool

**Thank you for your attention**

