PFM and services delivery

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DG International Partnerships (INTPA E1)
The objectives of PFM - Reminder

Objectives of ‘traditional’ approach

1. Financial compliance (budget discipline)
2. Compliance to the budget law

Objectives of ‘modern’ performance-oriented approach

1. Aggregate fiscal discipline
2. Strategic allocation of resources in compliance with public policy objectives
3. Efficient delivery of public services
PFM objectives and budget cycle

PFM objectives

1 - Aggregate Fiscal Discipline
2 - Efficient resource allocation
3 - Technical eff./ value for money

Policy Review

Strategic Planning

Reporting & Audit

Accounting & Monitoring

Budget Preparation

Budget Execution
PFM and service delivery?

- Around the world, there are major failings in the provision of core public services
- Public Financial Management (PFM) matters for service delivery
- Need to understand and assess PFM systems
- Assessing PFM performance at the SD level comes with significant challenges
Policies favoring development goals are prioritized. Enables the strategic allocation of resources. Funding of policies is stable. Improved fiscal and macroeconomic stability. Improved management of public revenue and expenditure. Public services efficiently contribute to development goals. Helps public services to be delivered efficiently.

PEFA and PFM

Sustainable Development Goals

PEFA Strengthened Approach

Input to PFM reform

Shared data and knowledge base

Research on PFM

Donors Coordination

PEFA Initiative

PEFA
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 the key budget outcomes - fiscal discipline, efficient resource allocation, efficient service delivery
  - Establish the basis for developing and implementing improvements in PFM

• PEFA does not:
  - Assess causes for good or poor performance
  - Assess government policies
The PEFA diagnostic tool

- 94 dimensions
- 31 indicators
- 7 pillars
- 3 outcomes
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
What does the PEFA framework cover?
(PEFA and GFS 2014 structure of the public sector)
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
Benefits of PEFA

- Measures progress over time through a set of standardized indicators
- Builds momentum for PFM reform
- Facilitates donors’ decisions on priorities and use of country systems
- Fosters stakeholder coordination around one common assessment, including donor coordination (as many PEFAs are done jointly)
- Extensive international acceptance
- Conclusion: What matters more is what you do with your PEFA assessment once completed…
Sub-National PEFA Assessments

• Increasing trend: more than 1/2 of all assessments are ‘SNGs’
  – State, province, region, canton, district, city…

• Reasons for undertaking vary, need may be from:
  o SNG (e.g. public service delivery, borrowing power);
  o CG (e.g. political dialogue, oversight, reform);
  o donors (e.g. fiduciary risk, loans etc.).
• Strengthening the links between PFM and SD is an issue of increasing interest and importance

• PEFA Work in progress: Additional module?

• PEFA 2016 includes only one indicator (PI.8) on performance information for SD

• Strengthening the PEFA approach to sectors could consist in better using the information in the reports to improve understanding of the PFM context in the sectors
PEFA New Products that support SDGs

PEFA Gender supporting Gender Equality SDG 5

PEFA for Subnational Governments with Service Delivery Module supporting SDG 3 and SDG 4

PEFA Climate supporting Climate Action SDG 13

PEFA Global Report 2020 supporting sharing data
The PEFA diagnostic tool
The PEFA Iceberg – how comprehensive?
PFM assessment & diagnostic tools

1 policy design & review
2 strategic Planning
3 budget Preparation
4 budget Execution
5 accounting & Reporting
6 external audit & scrutiny
INTOSAI
IPAS
PEFA/FTE
PER/PETS
PETS, TADAT MAPS, DeMPA

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Broad-based PFM frameworks: Central government

SIGMA
Principles of Public Administration

OECD
Principles of Budgetary Governance

OECD-EIP
Global Partnership Monitoring Framework

World Bank
Country Policy and Institutional Assessment (CPIA)

VI. Budget execution
IV. Budget planning
III. Assets and liabilities management
II. Transparency and comprehensiveness
I. Budget outturns

VII. Audit and oversight
VI. Accounting and reporting
V. Budget execution

OECD-DAC ANPS
(Assessment of National Procurement Systems)

DeMPA
(Debt Management Performance Assessment)

IMF
Fiscal Transparency Evaluation (FTE)

SAI PMF
(INTOSAI Supreme Audit Institutions Performance Measurement Framework)

IAMTAX
(Integrated Assessment Model of Tax Administration)

TADAT
(Tax Administration Diagnostic Assessment Tool)

PIM DI
(WB Public Investment Management Diagnostic Indicators)

GIFT Principles

Other FM-specific diagnostic tools
WB - CPAA, CPAR, PFR, PER
IMF – ROSC
USAID, DFID, GIZ, JICA
CIPFA FM in government

PEFA

CIPFA FM in government

Broad-based PFM frameworks: Central government
Conclusions

• Consensus that weaknesses in the PFM system can have consequences for SD outcomes

• The PEFA framework is the most used PFM diagnostic tool and could help sectors better understand the PFM bottlenecks on better SD and how these can be mitigated

• But not enough….

What do you think?