PEFA -
What difference has it made?

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PEFA

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY PROGRAM

PROGRAM OVERVIEW

What is the PEFA program?

- **PEFA = Public Expenditure & Financial Accountability Program**

- **Objective:**
  - Results orientation in development of PFM systems
  - harmonization of PFM analytical work

- **Established:** in 2001 by seven agencies.
  - Working in tandem with the (25) members of OECD-DAC Task Force on PFM

The Strengthened Approach to Supporting PFM Reform

- **A country-led public financial management (PFM) reform program**
  - including a strategy and action plan reflecting country priorities; implemented through government structures
- **A donor coordinated program of support**
  - covering analytical, technical and financial support
- **A common information pool**
  - based on a framework for measuring performance and monitoring results over time
  - i.e. the PEFA PFM Performance Measurement Framework

Components of the PEFA Framework

- **Objective**
  - determine if a country has the tools to deliver three main budgetary outcomes
- **A standard set of high level PFM indicators**
  - 31 performance indicators, covering all main aspects of PFM systems
  - A compromise between simplicity and comprehensiveness
- **A standard report format** – the PFM performance report, developed to provide country background, evidence on the indicators and an integrated summary

Implementation modalities

- **Country focus and decision**
  - Application of the PEFA Framework is entirely decentralized to the country level (if, when, how to use Framework)

- **Inclusiveness**
  - All stakeholders can be involved and any agency can in principle undertake any role in its implementation
  - The Framework does not ‘belong’ to any single organization

Role of the PEFA Secretariat

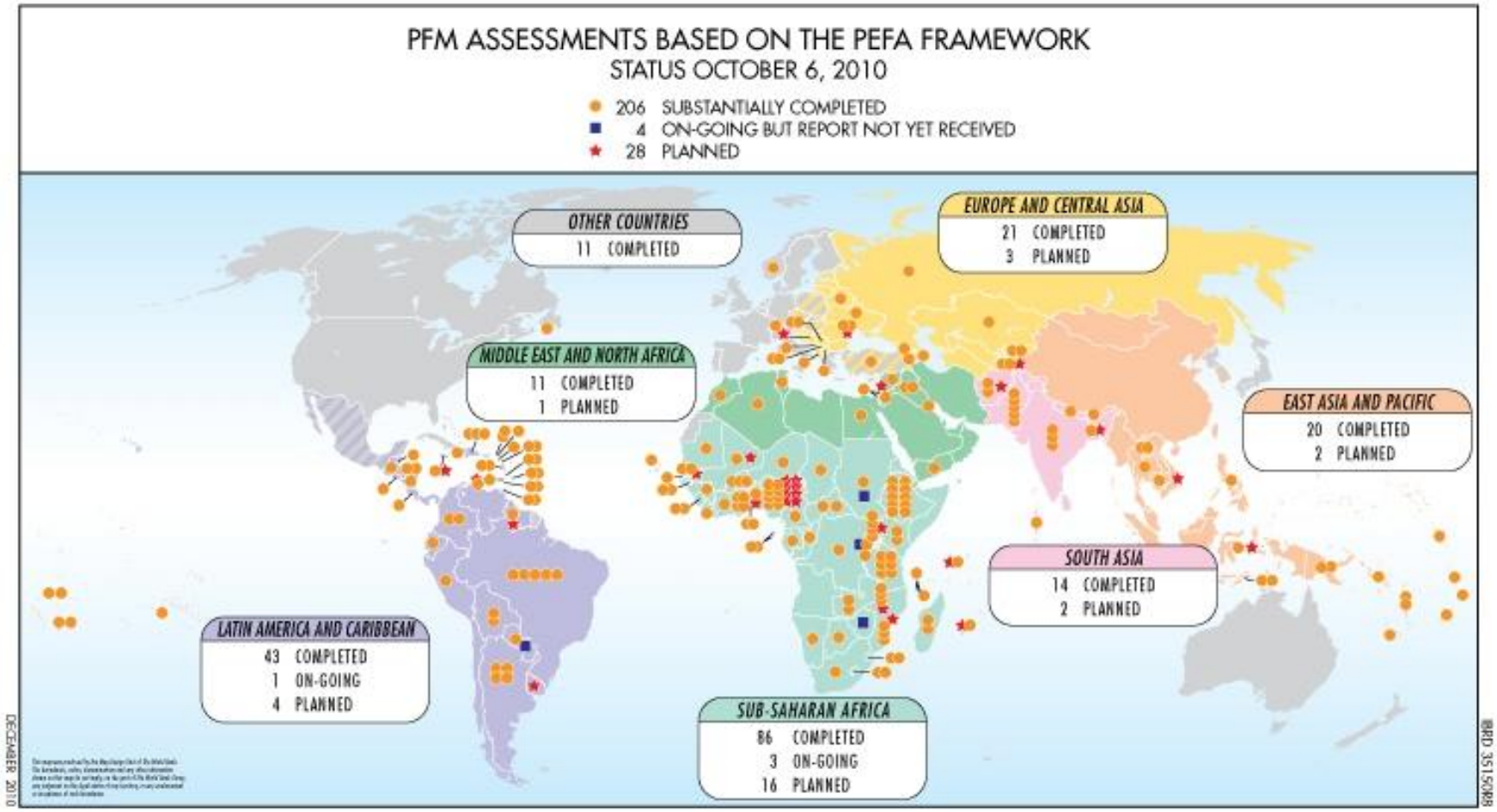
- **Neutral body**
  - supporting any user of the Framework
  - does not represent a particular interest
  - does not undertake or finance assessments
  - support services are free of charge

- **Development and maintenance of the framework**
  - Issues guidance, clarifications, training materials

- **Quality reviews of assessments**
  - Both at concept note and report stage, on request

USE & IMPACT

PEFA Assessments – Global adoption



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PEFA Framework adoption

- **Very good progress – globally**
  - 200+ assessments substantially completed, covering 120+ countries.
  - Since 2010, mostly repeat assessments and sub-national assessments

- **High country coverage in many regions**
  - Africa and Caribbean 90% of countries
  - Latin America, Eastern Europe, Asia, Pacific 50-80%

Assessment in HICs & MICs - examples

- **OECD/HICs**
  - Norway (national), Switzerland (Canton/state)
- **Large Upper MICs**
  - Brazil, Turkey, Belarus, Russian Federation, South Africa
- **Large Lower MICs**
  - India, Kazakhstan, Ukraine, Morocco, Egypt, Thailand, Philippines, Indonesia, Colombia, Peru

Stakeholder involvement

- **Government leadership/self-assessment**
  - Increasing, but not yet the norm
  - Active government participation is key to use for reform priorities
  - Full self-assessment may be very demanding on govt. capacity
  - Self-assessment with expert assistance and external validation; issued as a government document (e.g. Zambia, Nepal, Kosovo, Norway, India)
- **Development Agencies**
  - About 25 development banks and donor agencies involved (leading, financing or in reference group)
  - World Bank and EU taking the lead in 85% of all assessments
  - Increasing frequency of joint work and partner inclusiveness

Harmonization of PFM diagnostic tools

- **Common information pool**
  - Considerable use of PEFA assessments for many different purposes
  - Several earlier instruments replaced by PEFA
- **Transactions costs in PFM diagnostics**
  - Globally, do not seem to decrease, due to:
  - Still several **overlapping assessment instruments**
  - Many **uncoordinated fiduciary assessments**
  - Proliferation of new **'drill-down' PFM tools**
  - Few countries have **multi-year plans** for analytical work

Use of PEFA assessments for Partners' Internal Processes

- **Used by all seven PEFA partners** for internal processes (GBS/DPL, FRA, CPIA, Debt Limits etc)
- Similarly used by several **other development agencies**
- Increasingly, PEFA assessments are directly **mentioned in internal guidelines** as key or preferred input
- PEFA assessment information is **rarely considered the only source** of information to a process
- Most of the processes have **financial consequences** for partner countries – though impact of PEFA is usually indirect.

PEFA contribution to results orientation

- **From PFM assessment to reform program**
  - PEFA assessment frequently used as basis for reform dialogue, **but**:
    - PEFA report is one of several inputs
    - Do not use Indicator scores simplistically
    - Ownership means government decisions on priorities
    - Complementary analysis to PEFA required to identify root causes
  - Indicators used to set targets for reform project results
- **Measuring changes**
  - Results from 33 repeat assessments indicate pace of progress in different areas of PFM – global patterns emerging
  - Database available to researchers – almost 100 reports made public
- **Peer learning**
  - Used as basis for discussions in regional groups of government PFM experts (e.g. Eastern Europe, West Africa, Caribbean)

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Thank you for your attention

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