

Updating the PEFA Performance Measurement Framework

Joint IMF-World Bank Seminar
New Fiscal Transparency Code & PEFA Framework
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PEFA Secretariat

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1. PEFA PROGRAM OVERVIEW

The PEFA Program

- **Aim:** contribute to development effectiveness via the **'Strengthened Approach'** to support PFM Reform (*country-led; harmonized PFM analytical work; common data pool*)
- **The Performance Measurement Framework**
 - the PEFA Framework (*Blue Book*) 'flagship' of the PEFA Program launched by 7 Partners in June 2005
- Applicable to countries with different traditions, & at different stages of development



Purpose of the PEFA Framework

It provides:

- High level overview of all aspects of a country's PFM systems performance, including revenue, expenditure, procurement, financial assets/liabilities

It does not provide assessment of:

- underlying causes for good / poor performance
- government fiscal/expenditure policies

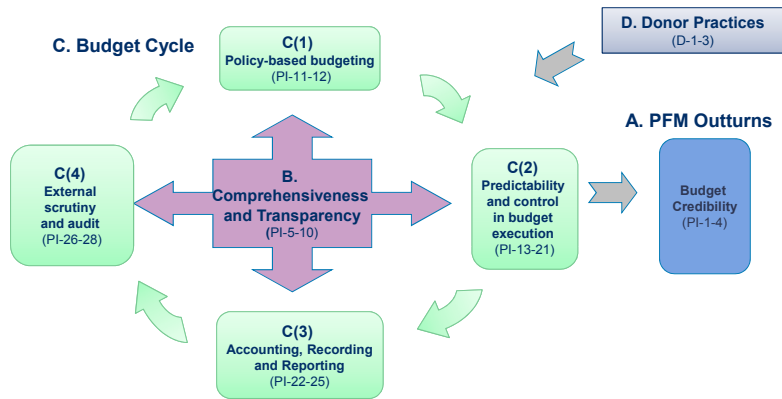
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Components of the PEFA Framework

- A standard set of **high level PFM indicators** to assess performance against 6 core pillars of a PFM system
- A concise, integrated **performance report** – the PFM-PR – developed to provide narrative on the indicators & draw a summary from the analysis

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Structure of the PEFA Performance Measurement Framework



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PEFA Scoring

- **Most indicators have 2, 3 or 4 dimensions**
- Each dimension must be rated separately
- **Calibrated on a four point ordinal scale (A, B, C, D)**
- Reflecting internationally accepted 'good practice'

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The PEFA Framework – Objectives

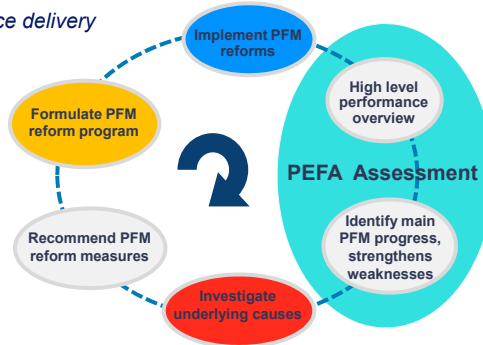
To assess the extent to which a country has the tools to deliver three main budgetary outcomes:

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

PEFA in PFM Reform Cycle

Countries can use PEFA to :

- Inform PFM reform formulation
- Monitor reform efforts results
- Harmonize information needs
- Use PIs in monitoring system
- Compare to & learn from peers



2. PEFA FRAMEWORK UPDATE

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Purpose of updating the Framework

- Reflect evolution of ‘good practices’
- Improve areas of weakness and fill recognized gaps (e.g. public investment management)
- Incorporate ‘clarifications’

Key principles:

- Purpose remains the same
- Universal applicability
- Balance between comparability and relevance

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Key principles (cont.)

- Indicator ratings remain focused on **“generally accepted good practice”** = ‘A’ rating
- “C” rating = basic level of functionality
- Aim for **similar number of indicators** or less
 - but possible to add dimensions to the existing indicators (e.g. monitoring of contingent liabilities)
- Proposals must **be subject to testing**

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Update process - progress to date

2012

- Open “pre-consultation” stage - what needs to be updated
- Baseline technical workshop – on how to improve the Framework

2013

- Review issues identified by assessors in the field (e.g. clarity, calibration, multiple criteria)
- Research of “thematic/environmental” issues (natural resource revenue, transparency/accountability, investment management)
- 4 teams of technical experts worked under the Steering Committee supervision

2014

- Initial testing at country level began April 2014 – preliminary draft indicators tested in coordination with ongoing PEFA assessments
- Draft of the Updated PEFA Indicator set released for **public consultation** August 7 – deadline for **feedback by October 31**

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Update Indicators - major proposals

- **Introduce three new indicators** to address issues not covered in the existing Framework: (i) “Credible Fiscal Strategy”, (ii) “Public Investment Management”, (iii) “Public Asset Management”
- Reformulate **revenue indicators (PI-13, 14, 15)** to broaden coverage beyond taxation (tax & non taxes revenues)
- Incorporate **performance information** in **PI-23** on service delivery
- **Strengthen focus** on transparency, liability management & fiscal risks (contingent liabilities, guarantees, PPPs) and Internal Control
- Remove **Donor indicators** – donor funded revenue & expenditure **incorporated** into other indicators

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New Indicators

- **Credible Fiscal Strategy (CFS):**
 - i. Setting fiscal objectives/targets
 - ii. Preparing macroeconomic forecasts
 - iii. Forecast & outturn of CG fiscal balance (GFS)
- **Public Investment Management**
 - i. Project appraisal/selection
 - ii. Project budgeting
 - iii. Project monitoring and reporting
- **Public asset management**
 - i. Financial asset monitoring
 - ii. Non-financial asset monitoring
 - iii. Transparency in the sale of non-financial assets

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Indicators reformulated

- **Revenue Indicators:** expanded to include non-tax revenues (including natural resources)
 - ✓ PI-13 focuses on forecasting
 - ✓ PI-14 focuses on administration & compliance
 - ✓ PI-15 focuses on accounting
- **PI-20 – Internal control :** stronger focus on a wide range of internal controls (segregation of duties, commitment controls, compliance with payment controls)
- **PI-23 - Service delivery:** incorporates performance information on service delivery (disclosure of annual targets and results)

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3. NEXT STEPS IN THE PROCESS

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Next steps

- Update of the PFM Performance Report format/content
- Testing continuing to aid finalization of the updated methodology
- Further adjustments based on feedback from stakeholders and tests
- “New release” – 2015

Transitional arrangements

- All assessments to use updated Framework after publication
- Issue of detailed guidance (incl. data requirements, bridge table, comparability and tracking of change in repeat assessments)
- Announcement of cut-off date for use of the existing Framework

Thank you for your attention