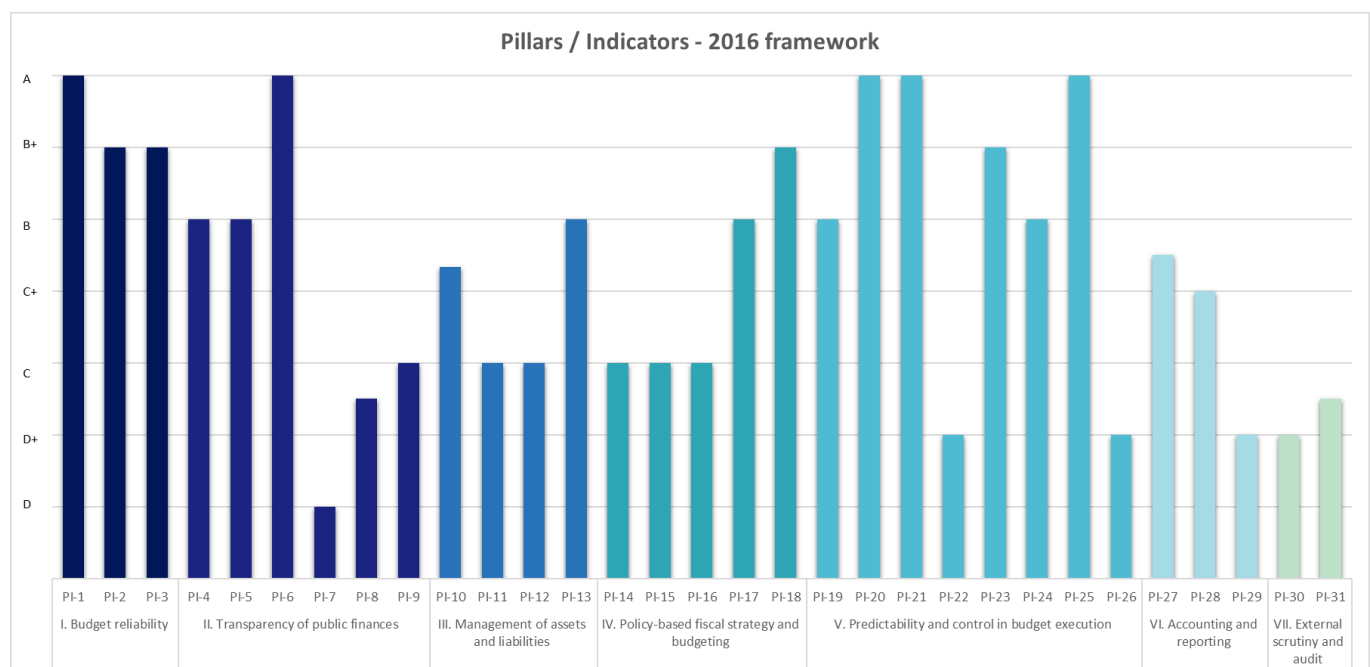


Pefalia-Main results of the PFM assessment using PEFA methodology

The PEFA assessment highlights a good PFM performance in Budget reliability (Pillar 1) and Predictability and control in budget execution (Pillar V). Even though the budget preparation does not incorporate international good practices, budget units do implement the budget law under the strict control of the Ministry of finance.

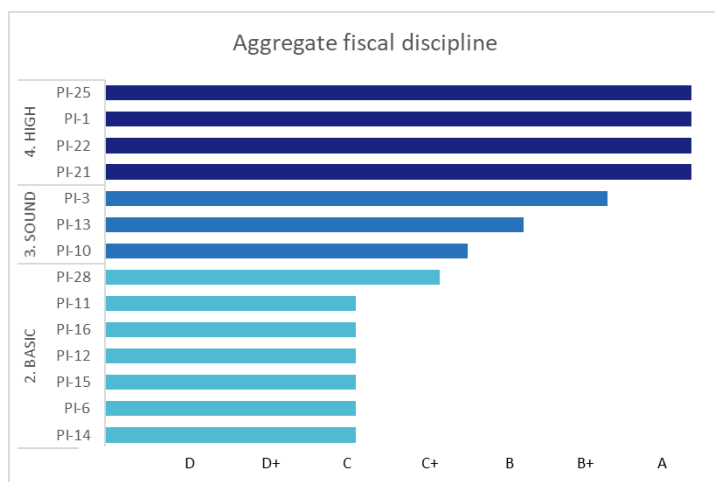
Other aspects of the PFM system are functioning at a satisfactory level. Nevertheless, various areas could be further improved, such as multiyear budget programming; implementation of risk analysis and audit approach; performance information on service delivery; capturing and publishing the list of public assets; issuing more detailed budget execution reports; and improving the (financial) independence of the SAI and scrutiny of the Parliament on budget proposals and execution reports.

Figure 1: Scores results of the PFM assessment by indicators



Impact of PFM Systems on the Three Main Budgetary Outcomes

The PFM evaluation in Pefalia shows good monitoring mechanisms that ensure that **aggregate fiscal discipline** is at a high operational level. **Strategic allocation of resources** and **efficiency of service delivery** perform at a lower level, even though still good, because all efforts are essentially focused on the revenues collection and control of expenditure.

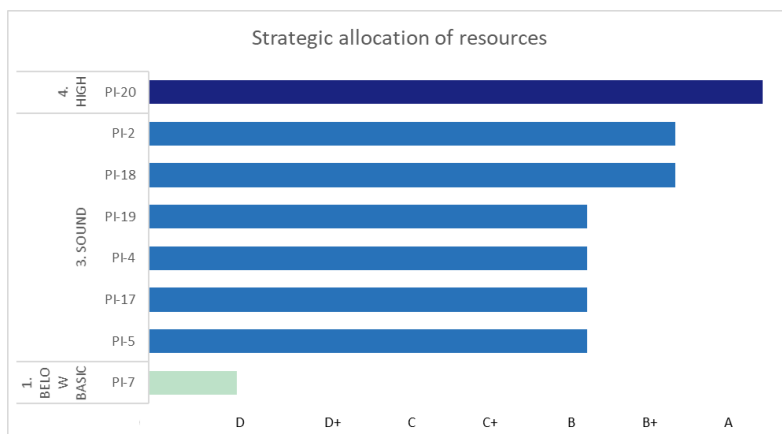


Aggregate fiscal discipline

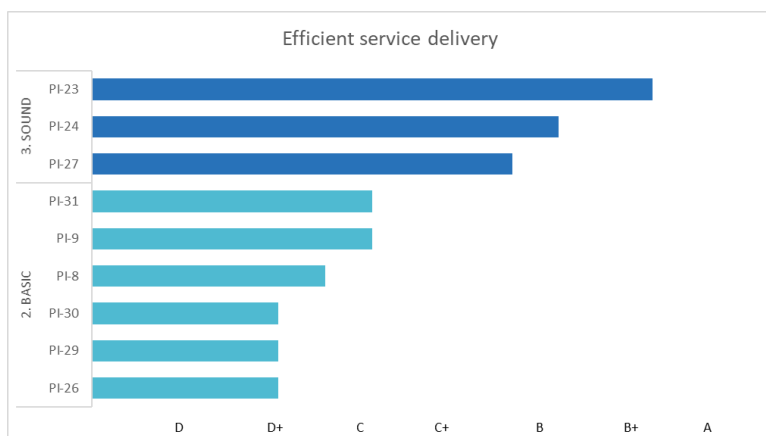
Effective budget revenues and expenditure are closed to the initial estimates mainly because the budget execution is well controlled. There are few arrears and fiscal risks are limited. However, budget preparation is not optimized and there are significant expenditures outside the budget even if they are reported to the Treasury.

Strategic allocation of resources

The strategic allocation of resources is enforced by the effectiveness of tax collection and accounting, the respect of the procedures in presenting the budget to the Parliament, but is undermined by the weakness of budget preparation, and the lack of transparent transfer procedures to subnational governments.



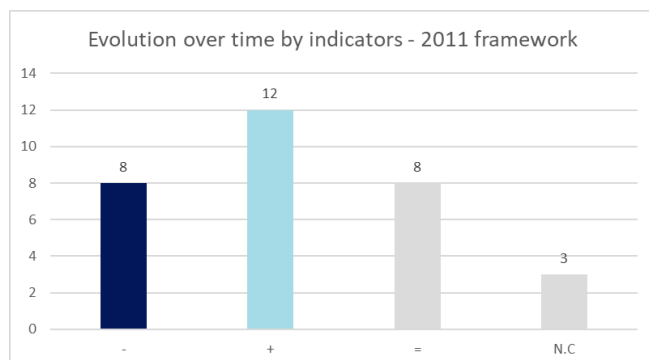
Efficient service delivery



Efficient service delivery

Efficient service delivery is reinforced by the efficiency of tax collection and the high level of budget control but undermined by the weaknesses of budget reports and annual financial statements that are not compliant with best international standards. The lack of transparency in transfer procedures to subnational governments also affects the efficiency of public service delivery.

Performance Changes since the previous PEFA assessment



The previous PEFA assessment from 2012 covered the assessment period for years 2009-2011.

The 2018 PEFA assessment does not present significant differences with the 2012 PEFA assessment. Scores improved for 12 indicators, decreased for 8, and remained the same for 8. 3 indicators are not comparable.

A more detailed analysis shows a small deterioration in budget execution. Expenditures and revenues not included in the end of year report increased, but the PEFA 2012 did not consider Agency 1 in their assessment. The score related to bank accounts reconciliation worsened, but it seems that only Treasury Single Account (TSA) was considered for the previous assessment.

There are no records of decisions on actions to be implemented by the executive following the audit of financial reports by the SAI. There may be a deterioration of the situation if records were provided to the previous assessment team.

In summary, PFM has generally improved and perceived deterioration mostly results from a different appreciation of the previous assessment.

Performance indicator		1	2	3	4	
I. Budget reliability						
PI-1	1. Aggregate expenditure outturn	A				A
PI-2	2. Expenditure composition outturn	B	B	A		B+
PI-3	3. Revenue outturn	A	B			B+
II. Transparency of public finances						
PI-4	4. Budget classification	B				B
PI-5	5. Budget documentation	B				B
PI-6	6. Central government operations outside financial reports	B	A	A		B+
PI-7	7. Transfers to subnational governments	D	D			D
PI-8	8. Performance information for service delivery	D	D	A	D	D+
PI-9	9. Public access to fiscal information	C				C
III. Management of assets and liabilities						
PI-10	10. Fiscal risk reporting	B	A	D		B
PI-11	11. Public investment management	C	C	C	C	C
PI-12	12. Public asset management	C	C	C		C
PI-13	13. Debt management	A	A	D		B
IV. Policy-based fiscal strategy and budgeting						
PI-14	14. Macroeconomic and fiscal forecasting	C	C	C		C
PI-15	15. Fiscal strategy	C	C	C		C
PI-16	16. Medium term perspective in expenditure budgeting	A	D	D	NU	D+
PI-17	17. Budget preparation process	A	D	A		B
PI-18	18. Legislative scrutiny of budgets	B	B	A	B	B+
V. Predictability and control in budget execution						
PI-19	19. Revenue administration	A	C	C	A	B
PI-20	20. Accounting for revenue	A	A	A		A
PI-21	21. Predictability of in_year resource allocation	A	A	A	A	A
PI-22	22. Expenditure arrears	A	A			A
PI-23	23. Payroll controls	A	A	A	B	A
PI-24	24. Procurement management	A	D	B	A	B
PI-25	25. Internal controls on nonsalary expenditure	A	A	A		A
PI-26	26. Internal audit	B	C	D	D	D+
VI. Accounting and reporting						
PI-27	27. Financial data integrity	D	B	A	B	B
PI-28	28. In_year budget reports	A	C	C		C+
PI-29	29. Annual financial reports	D	B	D		D+
VII. External scrutiny and audit						
PI_30	30. External audit	C	A	B	B	C+
PI_31	31. Legislative scrutiny of audit reports	A	C	D	D	C