

Public Expenditure and Financial Accountability (PEFA) - PEFA Secretariat



Objective and features

1. Objective

The PEFA framework aims to assess and report on the strengths and weaknesses of a country's PFM system at specific points in time using evidence-based indicator scores to measure performance and changes over time and provide a foundation for reform planning, dialogue on strategy and priorities, and progress monitoring.

2. Institutional coverage

National and subnational governments (Guidance for subnational government PEFA assessment is also available).

3. Technical coverage

The PEFA framework covers seven pillars of an open and orderly PFM system:

- Pillar I: Budget credibility
- Pillar II: Transparency of public finances
- Pillar III: Management of assets and liabilities
- Pillar IV: Policy-based fiscal strategy and budgeting
- Pillar V: Predictability and control in budget execution
- Pillar VI: Accounting and reporting
- Pillar VII: External scrutiny and audit.

4. Application method

(1) Self-assessment or (2) External assessment by others than government (staff from different institutions and/or consultants).



Methodology

5. Methodology

Within the seven broad areas marked by the seven pillars, the PEFA framework's 31 high-level indicators are further broken down into 94 dimensions to measure and monitor PFM performance across all phases of the budget cycle. Most indicators have multiple dimensions, each assessed separately. The indicator-level assessment is integrated into a narrative report with a standardized format. The PEFA framework does not provide recommendations for reforms.

The PEFA handbook provides a comprehensive set of guidance on (1) the PEFA assessment process (Volume I), (2) scoring (Volume II or Field Guide), (3) the preparation of the PEFA report (Volume III), and (4) how to use PEFA reports for PFM improvements (Volume IV). Specific guidance documents are available for using the PEFA framework at the subnational level.

6. Benchmarking system

Benchmarking with scoring. The dimensions are scored on a cardinal scale: A (high level of performance that meets international good practices), B (sound performance in line with the elements of international good practices), C (basic level of performance), or D (below basic level of performance). The overall score for an indicator is based on the scores for individual dimensions. The scores for multiple dimensions are combined into the overall score for the indicator using either the Weakest Link (WL) method or the Averaging (AV) method, with the method for each indicator identified in the framework.

7. Linkage to PEFA framework

Not applicable.

8. Complementarity with PEFA framework

Not applicable.

Development and use

9. Development and coordination

The PEFA program was initiated in 2001 by seven international development partners: World Bank; International Monetary Fund; European Commission; and the governments of France, Norway, Switzerland, and the United Kingdom. In 2019 the governments of Luxembourg and Slovak Republic joined as partners of the PEFA program. The PEFA program is managed by a steering committee composed of nine development partners and a secretariat housed in the World Bank.

The first version of the PEFA framework was published in 2005. Minor amendments were introduced in the second version released in 2011. An upgraded third version of the PEFA framework was published in 2016, building on the previous versions and the evolving PFM landscape by (1) introducing a new pillar – management of assets and liabilities, (2) adding four new performance indicators, (3) expanding and refining existing indicators, and (4) updating existing benchmarks and incorporating new ones.

10. Assessment management

PEFA assessments can be initiated by any stakeholder (a donor or a group of donors providing technical assistance in PFM and/or budget support with government approval, or a government). A standard PEFA assessment process usually follows ten steps divided into four phases as explained in the Guidance: *The PEFA Assessment Process –Planning, Managing and Using PEFA, Second edition*.

An institutionalized quality assurance system (PEFA Check) is practiced, which includes quality reviews by the PEFA Secretariat. PEFA Check verifies that good practices in planning and implementing an assessment have been followed. It also verifies that the PEFA report fully complies with the PEFA methodology by:

- presenting sufficient evidence to support the assessment and its findings; and
- providing an accurate reflection of the status of PFM systems and institutions of the government subject to the assessment as measured through the indicator scores and narrative assessment.

The same quality assurance system is applied, irrespective of who is leading or commissioning the assessment.

11. Uses by the government and members of the PFM community

The PEFA framework is used as (1) a diagnosis on strengths and weaknesses of a country's PFM system with a summary of changes over time (in case of successive assessments); (2) an input to the government/donor PFM reform design and implementation; (3) a tool to monitor the implementation of PFM reform plans or actions; and (iv) an input to individual donor assessments of fiduciary risk and/or the use of country systems, for example, preparatory to budget support.

12. Sequencing with other tools

PEFA, being a tool with a broad focus on multiple PFM functions, can be sequenced with tools focused on a single PFM function.



13. PFM capacity building

The Guidance *PEFA Assessment Process –Planning, Managing and Using PEFA, Second edition* guidance emphasizes the importance of an introductory workshop for stakeholders (particularly for government staff), and a closing workshop (or presentation). The workshops are intended primarily to facilitate the assessment exercise, as well as to build broader understanding of international standards and practices. The guide, *Using PEFA to Support PFM Improvement*, provides guidance on how to use PEFA reports as inputs to preparing a country's PFM reform strategy. The guidance sets out a seven-stage approach to developing and implementing PFM reform initiatives - from initial identification of problems (including weaknesses identified in PEFA and other diagnostic assessments), to designing, sequencing and implementing the reforms, and monitoring the progress achieved.

14. Tracking of changes and frequency of assessments

The PEFA framework can be applied in "successive assessments" to track changes over time, with the results documented in a PEFA assessment report. The recommended frequency for PEFA assessments is every three to five years.

15. Resource requirements

The cost of PEFA assessments depends on the application method. Costs are around US\$180,000 for a PEFA assessment of a national government.

The time taken for completion of PEFA assessments from initiation of dialogue with the governments to the final report may take 6 to 10 months. A team of three to seven PFM experts may be needed depending on the size, scope, and coverage of the assessment and on the country's circumstances.

Transparency



16. Access to methodology

All standard documents, such as the PEFA framework, all volumes of the PEFA handbook, other guidance materials and report templates are available on the [PEFA website](#) searchable catalogue. The PEFA handbook and other guidance materials are available in English, French, and Spanish.

17. Access to assessment results

Final assessment reports can be accessed by the public if released by the respective governments. Scores of past assessments of the country and between different countries can be compared using the [Scores Download](#) feature on the PEFA website.