

# PEFA



Improving public financial management.  
Supporting sustainable development.

## PEFA 2016 BUDAPEST CONFERENCE AND WORKSHOP QUESTIONS FROM DELEGATES



### PEFA Partners



The questions from delegates are grouped into the following topics. Click on the boxes below to access the topic or scroll down to review all the questions.

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To access key PEFA guidance materials or other PEFA products referred to in the questions, please click the images below.

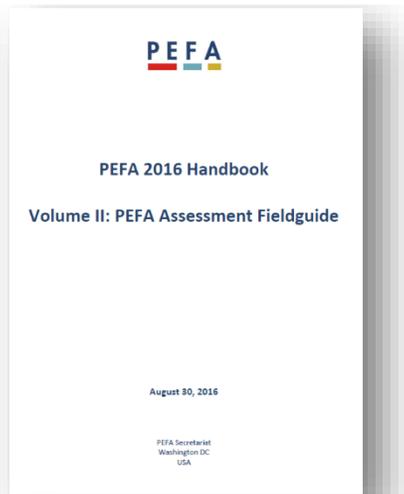
PEFA Website  
<https://pefa.org/>



PEFA 2016 Framework



PEFA Handbook Volume II: PEFA Assessment Fieldguide



PEFA 2016: 10 Things You Need to Know



PEFA 2016 In Brief



# RATIONALE FOR THE UPGRADE TO PEFA 2016

## 1. What was the rationale for the upgrade to PEFA 2016 and what are the main improvements?

PEFA 2016 reflects the changing landscape of PFM reforms and the evolution of good practices over the last decade. It also incorporates various clarifications and refinements based on user experience.

PEFA 2016 builds on the foundations of the 2005 and 2011 versions through the addition of four new indicators, the expansion and refinement of existing indicators, and a recalibration of baseline standards for good performance in many areas. PEFA 2016 introduces a stronger focus on the elements of internal financial control that can be observed in PEFA assessments, and establishes a clearer and more consistent structure for reporting PEFA findings.

Other improvements include:

- Strengthened requirements for greater public access to more comprehensive financial information, including budget documentation, financial reporting, procurement, fiscal strategy, and fiscal risks
- Increased emphasis on the use of macro-fiscal forecasts, the medium-term fiscal strategy and outlook, a medium-term perspective in expenditure budgeting, and the alignment of strategic plans with budget allocations
- Expansion of coverage of revenue administration to include both tax and nontax revenues
- Service delivery performance
- The adoption of a consistent approach to considering the size and materiality of performance throughout an indicator set, resulting in a clearer graduated scoring system, and replacement of PEFA-specific definitions with the terminology of the IMF's Government Statistics Manual (GFSM 2014), where practicable
- The application of a 'D' score for all practices below the basic level of performance and where there is insufficient information to validate a higher score. 'D' also replaces the 'NR' (not rated) code used previously where there was insufficient information on an indicator.

The PEFA Secretariat has published a separate brochure 'PEFA 2016: 10 things you need to know' that highlights the key changes.

## 2. Does PEFA 2016 offer an assessment of public financial and budgetary measures themselves, which was not considered in PEFA 2011?

PEFA assesses the effectiveness of PFM institutions and systems. It does not assess government policies.

## 3. How often is the PEFA framework upgraded?

PEFA 2016 is the first major upgrade since the program was established in 2001 (a minor revision of 3 indicators took place in 2011). PEFA 2016 is expected to remain in its current format for many years. One of the key benefits of PEFA is its capacity to track progress over time. However, it is also important that the tool remains contemporary to reflect current perspectives on PFM.

## SCOPE AND COVERAGE OF PEFA 2016

4. **The PEFA framework is growing to incorporate new areas. Does this mean PFM is getting harder?**

The scope of PEFA 2016 is broader than the previous framework reflecting recent advances and current expectations in PFM reform. It includes an additional pillar, four new indicators and revised dimension and scoring calibrations.

5. **PEFA 2016 constitutes an almost brand new baseline for PFM systems evaluation. Should all countries do an assessment using PEFA 2016 quickly and will partners push for that to happen?**

PEFA is intended to be a country-led assessment. Countries will take into account various factors when undertaking an assessment, including the current status of their PFM reform program and time elapsed since the most recent PEFA (if any).

6. **Is there anything that is still missing from the 2016 framework that reformers need to be aware of?**

PEFA 2016 is intended to be a high-level diagnostic tool of PFM performance. It does not, generally, identify the underlying reasons for good or poor PFM performance, nor assess government policies. Other assessments and diagnostic tools may be required to be able to fully develop a PFM reform strategy and action plan.

7. **Does PEFA 2016 assess gender issues in relation to performance measurement?**

The measurement guidance included in PI-8 notes that more advanced performance measurement systems may also seek to assess the gender responsiveness of budget resources through collecting and analyzing gender disaggregated data on outputs and outcomes.

Countries wishing to have a better assessment of performance information on gender impact could expand coverage to include the extent to which countries capture gender disaggregated data.

8. **What is the importance of PI-8 to PEFA 2016?**

PI-8 (Performance information for service delivery) represents a significant enhancement of the PEFA framework. This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation and in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded.

The objective of PEFA is not only improving PFM but supporting sustainable development through strategic allocation of resources and efficient service delivery. To demonstrate improvements in the latter it is essential to have systems in place that are part of country's PFM framework that can measure the outputs and outcomes of service delivery programs.

**9. Can PEFA be applied to countries across the full range of income groups, including OECD and fragile states?**

PEFA 2016 indicators, dimensions and calibrations have been developed to enable assessments to be conducted in countries with different levels of PFM performance and capacity. Its aim is to provide guidance to countries on areas of PFM performance requiring further investigation and/or strengthening.

**10. Will IPSAS implementation improve PEFA scores? Has IPSAS implementation relevance to improved PFM systems?**

PI-29 assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. While certain countries have their own public sector financial reporting standards, set by government or another authorized body, in many cases, national accounting standards for the private sector, regional standards, or international standards such as IPSAS are applied. In any event, the outcome of good accounting practice should be a set of financial reports that are both complete and consistent with generally accepted accounting principles and standards.

**11. Most indicators are quantitative, e.g. count of programs with outcome indicators. Should there also be room for qualitative assessments?**

The PEFA assessment report is not intended to be used simplistically based on indicator and dimension scores only. The PEFA 2016 framework and report format includes scope for extensive qualitative explanation and analysis for each indicator and assessment. In addition, the PEFA report format requires assessors to report on the implications of the assessment on the seven pillars of PFM performance as well as the extent to which PFM systems support the overall achievement of the three main fiscal and budgetary objectives i.e. aggregate fiscal discipline, strategic allocation of resources, and efficient use of resources for service delivery.

**12. Why doesn't PEFA include indicators of i) efficiency (unit cost) ii) Profitability (ROE) iii) Effectiveness (poverty reduction)?**

PEFA is intended to measure the performance of PFM institutions and systems. It includes the extent to which governments capture information on the outputs and outcomes of service delivery.

PEFA's mission statement has two components – Improving public financial management and supporting sustainable development. The PEFA partners and secretariat acknowledge that further work is required on measuring the impact of PEFA in terms of the latter.

### 13. How were the good practices in PEFA 2016 chosen?

The upgrade benefited from significant feedback from partners, users, beneficiaries, and observers of PEFA during global public consultation in 2014, followed by extensive testing during 2015. The calibration of the dimensions reflect good international practices in public financial management.

### 14. Why is there an annex on internal control? Is it so important?

According to international standards, internal control is an integral process designed to address risks and provide reasonable assurance that, in pursuit of the entity's mission, the following general objectives are being achieved: (i) executing orderly, ethical, economical, efficient, and effective operations; (ii) fulfilling accountability obligations; (iii) complying with applicable laws and regulations; and (iv) safeguarding resources against loss, misuse and damage.

To achieve those general objectives, the internal control system should consist of five interrelated components: a control environment, risk assessment, control activities, information and communication, and monitoring. This integrated approach is designed for public entities to establish effective controls customized to their objectives and risks. PEFA 2016 therefore provides a basis on which internal control can be described and evaluated.

### 15. Why is PI-18 'Legislative scrutiny of the budget' no longer under the 'External scrutiny and audit' pillar?

Legislative scrutiny of the annual budget is more appropriately addressed as part of pillar four - policy based fiscal strategy and budgeting. The legislative scrutiny that takes place at this stage of the budget relates to the government's fiscal and budget policies. Pillar seven (external scrutiny and audit) on the other hand relates to the scrutiny and audit of actual budget revenues and expenditure.

### 16. Does the Secretariat think that PIs should be developed to measure revenue against expenditure to ascertain the budget status and financial health of the country?

PI-15 assesses the extent to which governments have set out a fiscal strategy with quantitative fiscal goals and targets and/or qualitative objectives, whether governments report against goals, targets and objectives, and explanation and action take to address any deviations.

### 17. How is 'efficient service delivery' measured under PEFA 2016?

PEFA 2016 does not measure 'efficient service delivery' per se. Rather it assesses – through the 31 performance indicators and examination of the country's economic and fiscal circumstances and institutional and regulatory framework – how the performance of PFM systems, may affect the government's ability to deliver the desired fiscal and budgetary outcomes, including 'efficient service delivery' and to identify the main weaknesses of the PFM system in that respect

PI-8.1 and PI-8.2 measure, respectively, the extent to which information on performance plans and actual performance achieved is reported. PI-8.4 considers the extent to which the design of public services and the appropriateness, efficiency, and effectiveness of those services is assessed in a systematic way through program or performance evaluations. PEFA itself doesn't measure 'efficient service delivery'.

## **18. Why does the PEFA framework not require assessments to include specific recommendations?**

PEFA provides a high level overview of PFM performance across 31 indicators and 94 dimensions. Development of recommendations requires more detailed analysis of the underlying reasons for good or poor performance. This can include use of drill down diagnostic tools as well as economic, fiscal and political factors beyond the scope a PEFA analysis.

## **19. What should a PEFA assessment say about the political issues underlying poor PFM performance?**

PEFA assessment scores highlight strengths and weaknesses of a PFM system and thus constitute an important input to the priority setting and sequencing of PFM reforms. However, PEFA scores are only one - of several - inputs to the reform formulation process. Many other important factors must be considered simultaneously, such as political economy, cultural, legal, and administrative and resource factors as well as the capacity to initiate reform in each area.

Governments themselves need to thoroughly consider these factors – in addition to the PEFA assessment findings – in order to come to conclusions about priorities and sequencing.

## DONOR INDICATORS

### 20. What was the rationale for eliminating donor indicators from PEFA?

The impact of donor practices on PFM outcomes is examined through refined and expanded indicators and a more focused report narrative rather than separate indicators, while assessment of donor disclosures and the use of country financial management systems have been left to other diagnostic tools, such as the Global Partnership for Effective Development Cooperation.

## APPLICATION TO SNGS AND SECTORS

### 21. What is the future strategy for PEFA assessments at sub-national level?

The PEFA Secretariat is developing a strategy paper to put forward to the PEFA Steering Committee that sets out a number of options for managing PEFA assessments at the subnational level. In the meantime, supplementary guidance on the undertaking PEFA assessments at a subnational level is available on the PEFA website ([www.pefa.org](http://www.pefa.org)).

### 22. To what extent are PEFA assessments which are done at different levels making the connection to different levels of Governments?

PI-7 assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning.

Subnational PEFA assessments use the same indicators as the national government, with some adaptation, plus an additional indicator, “HLG-1,” for assessing transfers and earmarked grants to subnational governments from higher-level governments.

HLG1 assesses the extent to which transfers to the subnational government from a higher-level government are consistent with original approved high-level budgets, and are provided according to acceptable time frames.

PI-10.2 also assesses the extent to which information on financial performance, including the central government’s potential exposure to fiscal risks, is available through the audited annual financial statements of subnational governments. It also assesses whether the central government publishes a consolidated report on the financial performance of the subnational government sector annually.

### 23. Is there a danger that a subnational PEFA could have undue influence on how a country develops its inter-governmental fiscal arrangements?

In addition to helping the assessed SNG to improve its own PFM system, PEFA assessments of a sample of SNGs may help CGs to assess the performance of their fiscal decentralization and be a basis for further improvement of the decentralized PFM.

### 24. Are there any plans to prepare a PEFA instrument/adaptation for use at sector level e.g. for education, health, etc.?

PEFA in its current form has not been designed as a diagnostic tool for specific sectors. However, information from a PEFA assessment may be useful in supporting sector analysis. PEFA partners may wish to consider the application of PEFA at a sector level for the next phase of the PEFA program.

## TRACKING PERFORMANCE TO PREVIOUS VERSIONS OF THE PEFA FRAMEWORK

25. Will it be possible to monitor progress between periods where different PEFA frameworks were applied? Does the PEFA Secretariat plan to provide guidance on this?

Yes. The Secretariat has published separate guidance on monitoring progress between periods where different PEFA frameworks were applied. The document, *Guidance on tracking performance across time: Comparing PEFA 2016 against PEFA 2005 or PEFA 2011*, can be found on the [pefa.org](http://pefa.org) website.

## COUNTRY EXPERIENCE WITH PEFA

### 26. Which countries have already conducted PEFA 2016? What are the main lessons learned?

As of August 31, a number of countries have completed an assessment using the PEFA 2016 methodology, and several more are currently in progress, although only one country has published its PEFA report based on this methodology. All PEFA published PEFA reports are available on the PEFA website ([www.pefa.org](http://www.pefa.org)).

### 27. How should PEFA assessments be more sensitive to different contexts?

PEFA assesses PFM performance against a standard set of indicators at a particular point in time. PEFA is has been designed to assess all kinds of PFM systems.

In addition to the framework, the PEFA Handbook (in particular Volume II–PEFA Assessment Fieldguide) will help users to apply the dimensions and indicators in different PFM systems.

Contextual information is also provided in the PEFA report including country economic situation; fiscal and budgetary trends; legal, regulatory and institutional arrangements for PFM; recent and ongoing PFM reform actions.

### 28. Why have so few donor countries undertaken a PEFA assessment?

Some 28% of countries classified as high income have undertaken a PEFA assessment either of their national government or one or more subnational governments. The PEFA partners and PEFA Secretariat encourage all countries, including high income countries to undertake PEFA assessments. However, the PEFA assessment is a country-led process.

### 29. How does institutional analysis fit in this whole PEFA framework? You can't assess without understanding institutional mandates?

Section 2.3 of the PEFA report template (p.90 of PEFA 2016) requires assessors to describe the legal and regulatory for PFM. Section 2.4 of the PEFA Report template (see p92 of PEFA 2016) requires assessors to describe the structure of the overall public sector and central government respectively and the responsibilities of the main entities involved in PFM. It further notes that the information serves as the basis for understanding the coverage and boundaries of the assessment. Many of the performance indicators and dimensions are intrinsically linked to institutional performance. Weaknesses in institutions that impact on indicator performance can also be addressed in the report narrative for that indicator.

### 30. Do you think PEFA framework should make use of political economy analysis approach to overcome structural constraints?

These issues are beyond the scope of PEFA. Nevertheless, indicator, pillar and budget outcome analysis may highlight areas and priorities for further analysis.

**31. Is there a possibility of adding a separate annex in PEFA reports in which PEFA scores are adjusted for country's maturity in PFM reforms?**

PEFA applies a standard methodology to countries. The calibration of the indicators reflects PFM good international practice in PFM.

**32. What challenges have countries faced when using PEFA as an input into PFM reforms, including prioritization of reforms?**

Key issues include prioritization and sequencing of reforms, government ownership and commitment to the reforms. It is also important not to use PEFA findings, in particular the scores, simplistically. Once a PEFA has been completed, further work is required to identify the causes of any PFM weaknesses including additional research and/or drill down diagnostics. Ownership by government is critical to the successful implementation of reforms.

**33. To what extent does progress on IFMIS implementation lead to improvements in PEFA scores? Is there any mapping by PEFA secretariat on impact of IFMIS on PEFA?**

While there is no empirical evidence, anecdotally sound IFMIS systems strengthen budget management, execution and internal control. Currently there has been no mapping of the impact of IFMIS on PEFA assessment scores.

**34. What would be the main differences between self-assessment and a donor-led PEFA exercise?**

The assessment may be undertaken by means of one of the following three assessment models: (a) a self-assessment undertaken by the government (with arrangements for external validation); (b) a joint assessment i.e. government working with other stakeholders – e.g. development partners, domestically-based academia and civil society organizations; (c) an external assessment led by a non-government stakeholder, with technical and logistical support provided by government, (may be preferable if the government is facing capacity and time constraints).

The assessment process is the same for each model. The model chosen will largely depend in resources and capacities of the government.

## PFM REFORM ISSUES

### 35. What happens next to countries after the PEFA assessment?

Following the completion of the PEFA report, a dialogue should be initiated within government, and with other stakeholders, on the implications of the assessment findings for public financial management.

This dialogue would typically be the next step towards identifying the need for, and prioritizing, measures to improve PFM system performance (perhaps formalized in a new or revised PFM reform strategy or action plan) in the light of weaknesses exposed by the PEFA assessment. The length of the dialogue process will depend on the depth and nature of the PFM weaknesses identified in the PEFA assessment report, and the extent of political, legal, institutional and capacity constraints to implementing reform measures.

### 36. How could PFM reforms planning, implementation and monitoring be enhanced with the new PEFA indicators?

The expanded coverage of PEFA 2016 will be expected to be reflected in the design of PFM reform strategies and action plans.

### 37. Do you see governments assigning more priorities to strengthen PFM systems and processes after PEFA assessment when compared to scenarios in the past?

The broader scope of PEFA 2016 will inevitably lead to governments assessing a wider range of PFM functions than previously and therefore potential areas for reform. However, it is important that governments prioritize their reform activities in accordance with level of importance and impact and available resources.

### 38. Should PEFA indicator scores be used to prioritize PFM reforms?

PEFA assessment scores highlight strengths and weaknesses of a PFM system and thus constitute an important input to a priority setting and sequencing of PFM reforms. However, PEFA scores are only one - of several - inputs to the reform formulation process. Many other important factors must be considered simultaneously, such as political economy, cultural, legal, and administrative and resource factors as well as capacity to initiate reform in each area.

Governments themselves need to thoroughly consider these factors – in addition to the PEFA assessment findings - in order to come to conclusions about priorities and sequencing.

PEFA assessments alone do not provide enough detail to establish a detailed reform action plan. Due to its high level nature and broad overview, the PEFA assessment needs to be complemented by detailed analysis of the underlying causes and capacity factors (institutional, organizational and human resource factors) that result in unsatisfactory performance. Such complementary analysis may be restricted to only areas identified as priority and part of the first stage in a sequence. Other, more subject specific diagnostic tools are available for this type of detailed (drill-down) analysis.

Indicator scores should not be used simplistically in reform formulation. A low indicator score (such as a D) is not in itself enough justification for making reform for the system element a priority. The relative importance of the subject, the complexity and timeframe for improving the system element and its interdependence with the performance of other system elements all need to be taken into consideration.

**39. Tommasi uses core indicators to measure the basis for PFM reform from an annual budget to a MTEF. Is there a similar group indicators for PEFA 2016?**

The PEFA Secretariat has published discussion papers on sequencing of reforms and related core PFM functions including a Good Practice Note on Sequencing PFM Reforms (Diamond, J, 2013), Background Paper 1: Guidelines for Sequencing PFM Reforms (Diamond, J) and Background Paper 2: The Core PFM Functions and PEFA Performance Indicators (Tommasi, D, 2013).

At this stage, similar guidance and discussion of core PFM indicators has not been developed for PEFA 2016.

**40. Once the PEFA assessment is completed, what is the next step in implementing PFM reform?**

Following the completion of the PEFA report completion, a dialogue should be initiated within government, and with other stakeholders, on the implications of the assessment findings for public financial management.

This dialogue would typically be the next step towards identifying the need for measures to improve PFM system performance (perhaps formalized in a new or revised PFM reform strategy or action plan) in the light of weaknesses exposed by the PEFA assessment. The length of the dialogue process will depend on the depth and nature of the PFM weaknesses identified in the PEFA assessment report, and the extent of political, legal, institutional and capacity constraints to implementing reform measures.

Successful implementation of reform requires high level political buy-in. The reform program should normally be led by a central agency (e.g. ministry of finance).

To facilitate the dialogue the government may appoint a technical team to prepare draft PFM reform initiatives and/or PFM reform strategy.

**41. Moving forward can we think of integrating PFM reform with civil service reform?**

PEFA assessments and PFM reform initiatives are often considered and undertaken in the context of wider public administration reform. Many of the elements of PEFA are germane to broader public administration reform. However, the scope of such initiatives depends on capacities of individual countries.

**42. What is the recommended timeframe for repeat (follow-up) PEFA assessments?**

One of the key benefits of PEFA is to measure progress over time. The PEFA Secretariat recommends that repeat assessments are conducted no more than every three years.

**43. Is there any follow up tool to support the areas of improvement identified in PEFA?**

Various diagnostic tools exist that can provide further drill down analysis to address areas of good and poor performance identified in a PEFA assessment. These were identified during the conference and include, among others, TADAT, FTE, DeMPA, PIMA, SAI Framework and so on. The PEFA Secretariat has commissioned a paper to review the range and effectiveness of these tools which is expected to be published in coming months.

**44. How can governments be assisted to develop PFM reform strategies or actions following a PEFA assessment?**

Development partners and other stakeholders can provide assistance by supporting governments to engage in a PFM reform dialogue as well as to support the development of reform strategies and initiatives.

**45. Can the PEFA Secretariat consider providing guidance on improvements that can be made to Monitoring and Evaluation of PFM programs that address PEFA findings?**

The PEFA Secretariat is currently developing a comprehensive handbook to support PEFA users in the design, implementation and application of PEFA assessments. Volume 1 will set out the key phases, steps and specific tasks involved in undertaking a PEFA assessment. This will include the importance of establishing a dialogue on PFM reform following the completion of the PEFA, the need to develop and implement a PFM reform strategy or program, and the importance of monitoring and evaluating progress against the reform strategy.

## COUNTRY GOVERNMENT ENGAGEMENT AND OWNERSHIP

### 46. Should a PEFA assessment be led by the country being assessed or by development partners?

PEFA emphasizes a country-led approach to performance improvement. Country ownership and involvement is therefore fundamental to the success of PEFA.

PEFA 2016 has been strengthened in areas which can only be assessed with government involvement including, for example transparency – some 14 of 31 indicators require documentation to be publicly accessible – and performance information. Donors can support PEFA assessments through technical assistance, capacity development and funding.

Development partners can support PEFA assessments through technical assistance, capacity development and funding. For PEFA assessments led by development partners, it is important that there is a dialogue with government to agree the scope, coverage and type of assessment before the assessment commences. Development partners led assessments should, involve government officials as part of the assessment team.

### 47. How can governments be incentivized to undertake and 'own' PEFA assessments? What is the role of PEFA and donor organizations in strengthening ownership? Are there any lessons for building ownership from countries' experiences?

The benefits of PFM reform are well recognized in the development community and by governments generally. Development partners need to identify the reasons for any reluctance by governments to undertake a PEFA and to highlight the benefits that can be derived from PEFA.

An important role of the PEFA Secretariat is to support the application of PEFA through outreach and learning activities. This can be useful in explain to governments the benefits of undertaking the assessment and subsequent reform dialogue among stakeholders.

The key lesson from country experiences is the importance of securing engagement and ownership at a very early stage of the process. This requires a dialogue between government and stakeholders, including development partner. Participation of government officials in assessment, including being part of the assessment team often helps to alleviate government concerns. It is also important to emphasize the opportunity to review and comment on the draft report and that it is the government that approves the final report and decides whether or not the report is published.

### 48. How can we ensure that a country self-assessment is objective?

A PEFA assessment is first and foremost evidence-based. It incorporates a PFM performance report for the subject government that presents evidence-based indicator scores and analyzes the results based on existing evidence. A robust PEFA assessment will provide sufficient evidence to enable a score to be replicated by other stakeholders.

The PEFA methodology also emphasizes a country-led approach to performance improvement and the alignment of stakeholders around common goals. The PEFA CHECK and peer review processes, including review by the PEFA Secretariat, have been developed to provide quality assurance of the process.

The evidence-based nature of PEFA and robust quality assurance processes are intended to mitigate concerns regarding objectivity.

**49. What role could the PEFA have when the political will leans towards not implementing PFM reforms? How can it be used as a tool for generating public interest?**

The PEFA Assessment is a diagnostic. It is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time.

The framework emphasizes a country-led approach to performance improvement and the alignment of stakeholders around common goals.

**50. Should indicators that get a low score be the priority for PFM reform?**

How countries prioritize their reform effort when multiple weaknesses are identified will depend on a range of factors including nature of the problem, complexity and links with other indicators/issues, country capacity, availability of technical support, and political commitment.

Identifying the causes of weaknesses identified will also require further in depth analysis and possibly even the use of additional diagnostic tools. In this regard countries, in addition to prioritizing reform efforts have to prioritize further investigative analysis of weaknesses identified.

**51. Which department and agency will be more suitable and held responsible to undertake the PEFA assessment of their country?**

The management and oversight arrangements for a PEFA assessment will be country specific. The managing agency should have sufficient authority to ensure that data is provided to the assessment team and that data sources are accessible. Good practice suggests the process should be managed by a central government agency such as the Ministry of Finance.

**52. If a PEFA assessment has to be conducted as a joint assessment (hybrid of self-assessment and Donor assessment), are there any good practices on best practices?**

Volume I of the PEFA Handbook – The PEFA Assessment Process – will provide guidance on management and oversight arrangements for conducting a joint assessment.

### 53. Can a PEFA assessment be 'enforced' on governments?

No. PEFA is predicated on a country-led approach to performance improvement. Even in the case of donor led assessments, government cooperation (egg access to officials and data) is essential.

### 54. Don't you think that PEFA should also assess, even implicitly, the political will in implementing PFM reforms?

PEFA scores provide a snapshot of the PFM system of a country (or a SNG) at a certain time. Only the comparison between two successive PEFA set of scores could provide an overview of the reform process. The narrative parts of the report (explanations of scores and their evolution in section 3; country background information – section 3 and government reform process – section 5) give information on the PFM reform process in the country, including the involvement of different institutions. However, the political will is not assessed and does not constitute a requirement for a dimension or an indicator of the framework.

## PUBLIC ACCESS TO PEFA REPORTS

### 55. How do we motivate Governments to disclose PEFA results publicly?

The government's willingness to publish will depend on its level of ownership and involvement in the process. The chances of publication are also enhanced if a coherent PFM reform strategy or program has been developed to respond to any weaknesses identified in the report.

### 56. Will there be a push to increase the number of PEFA reports made public to enhance transparency and avoid crowding out domestic constituencies from PFM reform dialogue?

The PEFA Secretariat strongly encourages countries to publish their PEFA reports.

## MEASURING THE IMPACT OF PEFA

### 57. Do you think it is possible to objectively assess the effectiveness of PEFA in terms of its impact on sustainable development? If so, how?

PEFA's mission is to improve public financial management and support sustainable development. PEFA's success will be measured against those benchmarks. Evidence of repeat PEFA's assessments indicates, in general, improvement in PFM performance over time. Some of this will be attributable to undertaking the PEFA assessment in the first place – the benefit of PEFA is to highlight the areas of weakness so that a reform strategy can be developed to address these. However, PEFA is not the only enabling factor for these objectives.

The PEFA partners are mindful of the importance of being able to measure the impact. Partners have indicated their desire to look more into PEFA's role in PFM reform and ultimately the role of PEFA in enhancing the effectiveness in public service delivery and sustainable development, while acknowledging this link will be very difficult to explain given the issues related to causality – i.e. attribution versus contribution.

In the meantime, the PEFA Secretariat is keen to hear from countries and practitioners 'success stories' relating to the impact of PEFA. The Secretariat will publish 'success stories' it receives on the pefa.org website.

### 58. Does the PEFA Secretariat follow-up on the implementation of PFM reform recommendations following a PEFA assessment?

PEFA does not provide recommendations for reforms or make assumptions about the potential impact of ongoing reforms on PFM performance.

However, PEFA does acknowledge actions taken by governments to reform PFM systems by describing recent and ongoing measures. The PEFA report thus summarizes the government's reform agenda but does not evaluate that agenda. Such considerations inform the actions to be taken after a PEFA assessment and form part of the dialogue between relevant stakeholders that contribute to the development of a new PFM improvement initiative.

Under the current phase IV of the PEFA program, the PEFA Secretariat does not have a role in following up PFM reform strategies or action plans.

### 59. It is suggested that it is too simplistic to weave PFM reforms around poor PEFA scores. What then is the usefulness of PEFA to development partners and partner governments?

While the PEFA scores provide guidance on areas of weakness in public financial management they should not be used simplistically. The PEFA report is also intended to provide a comprehensive narrative assessment of each indicator and dimension highlighting the evidence for a particular score. In addition, the PEFA report will provide an overall assessment of performance against the seven pillars – budget

reliability, transparency in public finances, management of assets and liabilities, policy based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external audit and scrutiny - as well as an assessment of the impact on the three budgetary outcomes – aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

**60. Why does PEFA not address the issue of why some past PFM reform have worked & why some haven't?**

The PEFA report describes recent and ongoing actions taken by governments to reform PFM systems. While the PEFA report summarizes the government's reform agenda it does not evaluate that agenda. Such considerations inform the actions to be taken after a PEFA assessment and form part of the dialogue between relevant stakeholders that contribute to the development of a new PFM improvement initiative.

**61. Can PEFA be used to compare performance across countries at the national or subnational level?**

PEFA is not intended to be used for direct country comparison. However, some researchers have used PEFA data to identify statistical trends in results across countries and regions.

**62. How does PEFA assess the impact of PFM reform on achieving the desired budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, efficiency service delivery?**

PEFA assesses – through the 31 performance indicators and examination of the country's economic and fiscal circumstances and institutional and regulatory framework - how the performance of PFM systems, may affect the government's ability to deliver the desired fiscal and budgetary outcomes, and to identify the main weaknesses of the PFM system in that respect.

The assessment and link between the three desired budgetary outcomes will vary from country to country as will indicator scores and analysis.

**63. Aside from the new (and welcome) PI 8, what other 2016 PEFA indicators relate to the efficient use of resources for service delivery?**

PI-8 measures the availability, coverage, and timeliness of performance information on the delivery of public services and on the extent to which such information is likely to promote improvements in the effectiveness and operational efficiency of those services. Promoting operational efficiency in public service delivery is a core objective of the PFM system. The inclusion of performance information within budgetary documentation is considered to be international good practice. It strengthens the accountability of the executive for the planned and achieved outputs and outcomes of government programs and services.

However, assessing the impact of PFM performance on efficient service delivery is much broader than PI-8. PEFA assesses – through the 31 performance indicators and examination of the country's economic and fiscal circumstances and institutional and regulatory framework - how the performance of PFM systems as

a whole, may affect the government's ability to deliver the desired fiscal and budgetary outcomes, including 'efficient service delivery' and to identify the main weaknesses of the PFM system in that respect.

#### **64. Is there any updated guidance for PEFA annual self-assessment in order to allow consistent and credible tracking of PFM reform?**

Guidance on monitoring PFM reforms is included in the PEFA Handbook Volume 1: PEFA Assessment Process. In this regard, when a reform strategy or PFM action plan is implemented, PEFA provides one means to monitor progress on important aspects. Monitoring can be done at the indicator or dimension level and can involve frequent or occasional reassessment of indicators at important milestones.

Successive PEFA assessments are often planned after three years to assess progress across the entire framework. In this context, the PEFA Framework could be integrated as part of the Government's monitoring and evaluation (M&E) system with respect to its overall reform program.

The issue of whether to link disbursements to performance improvements is a matter for discussion between the respective countries and development partners.

#### **65. What are the key enablers to translate PEFA assessment into improved PFM performance?**

Following the completion of the PEFA report, a dialogue should be initiated within government, and with other stakeholders, on the implications of the assessment findings for public financial management.

This dialogue would typically be the next step towards identifying the need for measures to improve PFM system performance (perhaps formalized in a new or revised PFM reform strategy or action plan) in the light of weaknesses exposed by the PEFA assessment. The dialogue usually includes discussion of other relevant information and focuses on the additional reform priorities, the need for a comprehensive and integrated strategy and reform program, and how such a reform program agenda could be financed.

The length of the dialogue process will depend on the depth and nature of the PFM weaknesses identified in the PEFA assessment report, and the extent of political, legal, institutional and capacity constraints to implementing reform measures.

The dialogue should involve consultations with the OT, senior government officials, development partners and other key stakeholders. The dialogue would discuss the PEFA report findings as well as other relevant information including other diagnostics and current reform initiatives and focus on the need for a comprehensive and integrated strategy and reform program, and how such a reform program agenda could be financed.

In terms of using the PEFA reports for prioritizing and sequencing PFM reforms, it should be kept in mind that:

- PEFA assessment scores highlight strengths and weaknesses of a PFM system and thus constitute an important input to a priority setting and sequencing of PFM reforms.
- PEFA scores are only one - of several - inputs to the reform formulation process. Many other important factors must be considered simultaneously, such as political economy, cultural, legal, and administrative and resource factors as well as capacity to initiate reform in each area.

- Governments themselves should thoroughly consider these factors – in addition to the PEFA assessment findings - in order to come to conclusions about priorities and sequencing. Governments require ample space for this process and the reform dialogue with donors needs to take this into consideration.
- Indicator scores should not be used simplistically in reform formulation. A low indicator score (such as a D) is not in itself enough justification for making reform for the system element a priority. The relative importance of the subject, the complexity and timeframe for improving the system element and its interdependence with the performance of other system elements all need to be taken into consideration.
- PEFA assessments alone do not provide enough detail to establish a detailed reform action plan. Due to its high level nature and broad overview, the PEFA assessment needs to be complemented by detailed analysis of the underlying causes and capacity factors (institutional, organizational and human resource factors) that result in unsatisfactory performance. Such complementary analysis may be restricted to only areas identified as priority and part of the first stage in a sequence. Other, more subject specific diagnostic tools are available for this type of detailed (drill-down) analysis.

## 66. How can PEFA frameworks make best use of a political economy analysis approach to overcome constraints?

The PEFA report lists and summarizes the laws and regulations that determine the structure and guide the operation of the PFM system and describes the structure of the overall public sector and the central government respectively, in terms of the number of institutions involved and the financial importance of each segment.

The report also describes the key features of the PFM system. The degree of centralization of the PFM system, the extent of earmarked revenue or extrabudgetary units, the type of control exercised by the external oversight bodies, and any recent changes, should be included. This subsection also explains any legal provisions and institutional structures for public participation in budget management, complementary to the role of the legislature as the representative of citizens' interests.

Together with the indicator scores and narrative, the report will highlight PFM systems and institutional weaknesses that provide the basis for a dialogue on PFM reform.

## QUALITY ASSURANCE OF PEFA ASSESSMENTS

### 67. What measures does the PEFA Secretariat take to ensure quality of the reports?

The PEFA CHECK is a mechanism for confirming the adequacy of the quality assurance processes used in planning and implementing a PEFA assessment. The objective is to increase users' confidence in the findings of a given PEFA assessment and confirm that the assessment contributes to a pool of reliable information on PFM system performance. PEFA CHECK requirements need to be considered early in the PEFA planning process, when preparing the concept note or terms of reference.

The PEFA CHECK verifies if good practices in both planning and implementing an assessment have been followed. The PEFA CHECK is therefore not a judgment of the quality of an assessment's technical content but a verification of its compliance with practices commonly accepted and used in conducting PEFA assessments.

The PEFA Secretariat is not involved in performing or managing PEFA assessments and thus cannot judge the quality of their technical content. Through PEFA CHECK, the Secretariat provides an independent evaluation of whether the quality assurance arrangements surrounding assessments included adequate peer-review processes that involved partner countries and engaged PFM institutions.

### 68. Should the PEFA CHECK be mandatory for all PEFA assessments?

The PEFA CHECK process is not mandatory. It is up to the country governments and development partners to decide whether to follow and submit the assessment to the PEFA CHECK processes.

### 69. What are the major requirements/qualifications for PEFA assessors?

It is important that the assessment team has a broad range of skills, expertise and experience to assess the PEFA performance indicators. PEFA 2016 extends the range of expertise required. In some cases it may be necessary to engage additional external expertise to review particular aspects of the framework where that experience is not available on the assessment team.

Selection of assessors is the responsibility of the country in the case of a self-assessment, and the country and development partners, in the case of a joint assessment.

The core AT members should be PFM practitioners, each having a sound understanding of most areas of PFM. The core members should be complemented by additional inputs particularly in specialist areas not covered by the core members. The team leader should be an experienced PFM practitioner and have previous experience in conducting PEFA assessments. A good mix of skills is required to cover all seven pillars of the PEFA assessment including economics, upstream and downstream budgeting, accounting, tax policy and administration, internal financial control and audit. The ability of the assessors – and crucially the team leader – to understand the linkages between the different components of the PFM system and the impact of their performance on the broad outcomes of fiscal management is more important than highly specialized ability in one area but little ability in others.

The PEFA Handbook–Volume I: The PEFA Assessment Process–provides further guidance on the composition, skill set and qualifications of the assessment team.

**70. Is there a database of PEFA consultants with the PEFA secretariat? If so, can it be shared?**

The PEFA Secretariat does not currently maintain a formal or publicly accessible database of PEFA consultants.

**71. Should assessors be encouraged to do institutional analysis to understand the country PFM process, systems, institutions and core mandates before starting the assessment?**

The PEFA Handbook–Volume I: The PEFA Assessment Process–highlights the importance of the planning phase of a PEFA assessment. It includes a template and instructions for the preparation of the Concept Note or Terms of Reference. These guidelines include the requirement to include the main characteristics of the political system, key institutions and how they are structured: the existence of a constitution and when it was established; the overall political structure (confederation, federation, unitary state, etc.); features of the legislature, and how legislators gain seats (e.g., by direct/indirect election, by executive appointment); the existence and powers of state audits; the basis of government and its main powers and authority; and the relationship of the executive to the judiciary.

**72. Does the PEFA secretariat plan to require publication of technical annexes including working papers justifying analyses and rating of components and indicators?**

This is currently not a requirement of the PEFA process. However, it is expected that the PEFA report will include sufficient evidence to clearly justify the scores of each indicator and dimension.

**73. To what extent does subjectivity and judgement of individual assessors impact PEFA scores? How do we ensure objectivity?**

PEFA 2016 is intended to provide an objective, evidence-based framework for assessing PFM performance. Indicators, dimensions and calibration have all been designed

**74. How are assessors for PEFA assessments selected? Can assessment teams include representatives for peer countries?**

The selection and appointment of assessors is a matter for the country being assessed, and in the case of the joint assessments, in consultation with the development partner. A number of countries have included within their assessment team officials from peer countries who have had first-hand experience in undertaking PEFA assessments and developing good PFM reform strategies.

With the right experience and expertise, assessors from peer countries can provide valuable insight into the PEFA assessment, play a role in strengthening government ownership and supporting the dialogue on PFM reform that follows the assessment.

## DONOR SUPPORT/COORDINATION

### 75. What impact has PEFA had on the level of direct budget support provided by development partners?

PEFA aims to improve public financial management and support sustainable development. With increased PFM capacity – leading to strengthened fiscal discipline, more effective prioritization of budget resources and more efficient delivery of public services - the expectation is that development partners will have greater confidence in countries' ability to manage budget support.

However, factors influencing the level of budget support extend beyond PEFA and including both domestic and external influences. Further analysis is required to assess the relationship between improvement in PEFA performance observed through PEFA assessment and (i) the level of budget support and (ii) the level of budget support that would have been provided without improvements in PFM performance.

## WEBSITE/KNOWLEDGE EXCHANGE

### 76. Does the PEFA Secretariat have a communications strategy for broadening the understanding of PEFA 2016?

The PEFA conference and training in Budapest is part of a comprehensive learning, awareness and outreach strategy being developed by the PEFA partners and secretariat. The secretariat is mindful of the need to make PEFA more 'accessible' and to demonstrate the importance of strengthening PFM in improving the delivery of, and access, to public services and longer term sustainable development.

Other elements of the strategy will include a comprehensive four volume handbook for PEFA assessors and users that will be accessible online, simple brochures and guides to explain the framework and PEFA 2016 upgrade, an upgraded pefa.org website that will include a broad range of information on PEFA including videos and success stories.

### 77. When is ePEFA expected to be launched?

The PEFA Secretariat has recently launched an upgraded website. The website is integral to the partners' and Secretariat's strategy for learning and outreach to the PEFA community. The development of ePEFA, which is intended to improve the efficiency and reliability of PEFA assessments and consistency of application of the PEFA framework, is considered a high priority for the next phase of website development. Proposals for the development of ePEFA are currently being considered by PEFA partners.

### 78. When will the PEFA 'community of practice' be established to promote knowledge exchange?

Following the Budapest conference the PEFA Secretariat and Partners are every keen to establish a PEFA community of practice. It is expected that this will be launched in the second half of 2016 following the upgrade and release of the new pefa.org website.

### 79. What learning materials will be available for PEFA assessors and consultants?

The PEFA 2016 framework and extensive guidance, including the four volume handbook and various booklets and guides, will be publicly available on the PEFA website. All published PEFA assessments are accessible on the PEFA website. Please note that some PEFA training materials will only be accessible on the PEFA website following registration with name and email address. There will be no restrictions on who can register.

### 80. What learning opportunities are available to country officials?

The PEFA Secretariat will continue to provide range of learning options to PEFA users. In addition to the range of materials available on the PEFA website, a number of regional training events are planned over the next 12 months. One of the objectives of the events will be to promote peer-to-peer learning and sharing of experiences among countries within the region.

The PEFA Secretariat also recommends that an introductory workshop is delivered to country officials and stakeholders and the beginning of a PEFA assessment.

## COSTS OF A PEFA ASSESSMENT

### 81. Is there a standard cost of undertaking a PEFA assessment?

The resources required to undertake a PEFA depends on many things including the location, scope of the assessment, whether it will involve tracking of performance since the previous assessment, how will it be managed, availability of data and the extent of government involvement. The PEFA Secretariat does not have a lot of data on the cost of assessments using the final PEFA 2016 framework but a rough average cost, based on our information from assessments using the testing version of the upgraded framework, is around USD 200,000, but it must be costs have varied from USD 150,000 to USD 350,000. This is based on a small sample, so should only be used as an indicative figure.

## COORDINATION WITH OTHER DIAGNOSTIC TOOLS

### 82. How does PEFA coordinate with other diagnostic tools?

PEFA liaised closely with development partners responsible for a range of other diagnostic tools including TADAT, PIMA, DeMPA, MAPs and others. As far as possible, given the overarching nature of PEFA compared to the more detailed drill down diagnostic analyses of the other tools, the Secretariat has tried to harmonize indicators, scoring and calibration with those tools.

The Secretariat is also keen to promote closer collaboration and liaison with the developer of the other diagnostic tools as evidenced through the establishment of the 'market place' at the Budapest conference in May 2016.

The PEFA Secretariat has also commissioned a research paper that will, among other things, provide an updated 'stock take' of existing diagnostics instruments and how these can be coordinated more effectively. The report is expected to be finalized in June will be published once approved by the PEFA Steering Committee. The report will include a draft guide, using PEFA 2016 framework as a baseline, to identify the best available instrument, where additional instruments may be useful to supplement PEFA and where alternative instruments may be more suitable.

### 83. Is PEFA intended to replace Public Expenditure Tracking Survey (PETS) and Public Expenditure Reviews (PERs)?

No. PEFA provides a framework for assessing and reporting on the strengths and weaknesses of PFM using quantitative indicators to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time.

The Public Expenditure Tracking Survey (PETS) is a quantitative survey of the supply side of public services. The unit of observation is typically a service facility and/or local government i.e. frontline providers like schools and clinics. The survey collects information on facility characteristics, financial flows, outputs (services delivered), accountability arrangements, etc.

A Public Expenditure Review (PER) is a key diagnostics instrument used to evaluate the effectiveness of public finances. A PER typically analyzes government expenditures over a period of years to assess their consistency with policy priorities, and what results were achieved. A PER may analyze government-wide expenditures or may focus on a particular sector as Health Care, Education, or Infrastructure.

### 84. How does PFM diagnostics link to broader public administration and public sector capacity assessments?

PEFA assesses public financial management processes, systems and institutions. A PEFA assessment may be standalone or part of a broader Public Administration assessment or reform program.

## PEFA 2016: GENERAL TECHNICAL ISSUES/GUIDANCE

- 85. Is it possible to have an additional annex explaining about the PEFA key or technical words i.e. a glossary of terms?**

A glossary of terms is included in Volume II of the PEFA Handbook–PEFA Assessment Fieldguide on the pefa.org website as soon as it has been completed.

- 86. Can PEFA methodology provides guidance on prioritization of key indicators where progress are prerequisite for improvement of overall PFM performance?**

The framework itself does not prioritize indicators. Priorities will be determined by the country often in consultation with development partners. Good practice and background papers by Diamond and Tommasi available on the pefa.org website discuss the issues of sequencing reforms and core PFM indicators under the previous framework.

- 87. Can the PEFA Secretariat emphasize the necessary conditions for effective PFM?**

The PEFA framework highlights the enabling elements needed for desirable fiscal and budgetary outcomes, namely, aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

In addition, the PEFA framework identifies seven pillars in an open and orderly PFM system that are essential to achieving these objectives. The pillars also reflect what is feasible and desirable to measure.

- 88. What constitutes good practice and are they relevant in all countries and contexts?**

PEFA framework includes 31 indicator and 94 dimensions. Indicator and dimension scores are calibrated around good international practice

- 89. Can the PEFA Secretariat include a matrix showing link between pillars and budget outcomes?**

Elements of all pillars have some impact on all budgetary outcomes. The PEFA Handbook Volume II: PEFA Assessment Fieldguide includes a section that highlights the ‘impact on budgetary outcomes’ for each performance indicator.

- 90. Please explain D, D+ and D\*.**

This is explained in section 2.1.1 on page 7 of the framework.

**91. How to integrate (calibrate) scoring where different elements of CG use different systems?**

The framework and guidance indicates coverage for each dimension.

## PEFA 2016: PERFORMANCE INDICATORS RELATED QUESTIONS

### PI-8.1

92. It has been common practice to substitute efficiency measures for (nebulous) outcome measures where not easily identified or controlled. Is this reasonable?

The PEFA Handbook Volume II: PEFA Assessment Fieldguide uses the following definitions:

- Performance information refers to output and outcome indicators and planned or achieved results against those indicators.
- An output is the actual quantity of products or services produced or delivered by the relevant service (program or function). An outcome is the measurable effect, consequence or impact of the service (or program or function) and its outputs. An activity is a specific task or function related to service delivery.
- Key performance indicators are the means for measuring planned outputs and outcomes. Output indicators measure the quantity of outputs produced or services delivered or planned. Outcome indicators measure the effects, consequences, impact of the services and their outputs.

### PI-8.4

93. Clarify whether the requirement is for evaluations to assess both efficiency and effectiveness.

For an 'A' or 'B' score under PI-8.4, the evaluations must cover both the efficiency and effectiveness of service delivery. For a 'C' score the evaluations may cover efficiency or effectiveness.

94. Is legislative scrutiny of audit reports (as in pillar 7) limited to financial audit or does it include 'performance audits' under PI-8.4?

Under PI-30.2 legislative scrutiny of audit reports explicitly refers to financial reports. It does not include 'performance audit' reports. Note, however, that under PI-9 Public access to fiscal information, element 7 requires 'all nonconfidential reports on central government consolidated operations to be made available to the public within six months of submission' which is defined in the PEFA Handbook Volume II: PEFA Assessment Fieldguide to include performance audit reports.

### PI-9

95. Elements 1, 3, 4 and 5 state 'made available to the public'. Element 2 refers to document being 'publicized'. Is this a deliberate difference?

The terms ‘public access’, ‘made available to the public’, ‘publicly reported’ and ‘publicized’ means that a document is available without restriction, within a reasonable time, without a requirement to register, and free of charge, unless otherwise justified in relation to specific country circumstances. Justification provided by government for limits on access, where applicable, should be noted in the report.

Publication and published means that the document has been made available to the public either in print or in readable form on a publicly accessible website. Publication also involves an expectation that users are made aware of the document’s availability and how they can access it.

Timeframes with respect to the above terms are specified in the relevant indicators.

## **PI-11**

96. **Define public investment project. New framework seems to see it as only infrastructure projects, but many countries now treat social programs under PIM systems and those don’t lend themselves to traditional cost-benefit analysis.**

Major public investment project for the purpose of this indicator refers to capital projects that meet the following criteria:

- The total investment cost of the project amounts to 1 percent or more of total annual budget expenditure; and
- The project is among the largest 10 projects (by total investment cost) for each of the 5 largest central government units, measured by the units’ investment project expenditure.

### **PI-11.1**

97. **Multicriteria analysis is not (by definition) solely an economic analysis. May it be presumed that all of the analyses in this section must involve an assessment of economic impact?**

Dimension 11.1 assesses the extent to the extent to which robust appraisal methods, based on economic analysis are used to conduct feasibility or prefeasibility studies for major investment projects on the basis of an analysis of its economic, financial, and other effects; whether the results of analyses are published, and whether the analyses are reviewed by an entity other than the sponsoring entity.

There are different types of economic analyses with different coverage and areas of emphasis. Regardless of the approach to economic analysis, the objective should be to scrutinize and analyze the projects and ensure that selected projects are compatible with the available resource envelope and offer value for money.

Appraisals based on economic analysis should include analysis of economic externalities—sometimes referred to as social or economic costs and policy benefits—and health and environmental impacts. Social or economic costs refer to the total costs to society of an economic activity and the benefits refer to the

total increase in the welfare of society from an economic action. Environmental impact refers to considering the effect of investment projects on, for example, air and water quality; while the health considerations include analysis of the impact of major investment projects on, for example, workplace of poor housing conditions.

Economic analysis frequently involves the application of specific techniques such as cost–benefit analysis, cost-effectiveness analysis, and multicriteria analysis. Cost-benefit analysis, which is often used in performing economic analysis, seeks to quantify in monetary terms as many of the costs and benefits of a project proposal as feasible, including items for which the market does not provide a satisfactory measure of economic value. Cost-effectiveness analysis compares alternative approaches that have different impacts and calculates cost-effectiveness ratios.

## **PI-11.3**

### **98. What constitutes life-cycle costing?**

The report should provide evidence on whether the government forecasts investment projects over a multi-year horizon that includes publication of projections of the full costs of investments over their life-cycle. Life cycle costs should include all design, development, implementation, operation, maintenance, and disposal costs. The dimension does not require calculation of net present value.

## **PI-12**

### **99. If we recognize the importance of performance indicators, should we be looking at rates of return, asset turnover, etc. in relation to assets and liabilities?**

PI-12 assesses the management and monitoring of government financial and non-financial assets and the transparency of asset disposal. Rates of return and asset turnover can vary significantly depending on category, type of investment etc., and would be difficult to measure and calibrate. These are not addressed in PEFA 2016.

## **PI-13.3**

### **100. Does the debt management strategy presume a public sector investment strategy or similar (or is it sufficient to just list amount of debt and not purpose).**

A debt management strategy should cover existing and projected debt. It should describe the nature of the debt, timeframe and terms. Past and proposed future public investment will influence the level of current and projected debt.

## PI-14

### **101. Why does the forecasts have to include estimates of interest rates and not estimates of the money supply?**

Dimension 14.1 requires information of the key macroeconomic indicators to provide the broad economic context to the assessment. The measurement guidance define the key macroeconomic indicator as a list of at least 4 indicators: GDP growth, inflation, interest rates and exchange rates. Money supply is not part of this list. However, if the government or assessors believe is relevant to the economic context data could be added to the table and an explanation provided in the narrative part.

## PI-19, 20

### **102. Are tax concessions and tax expenditure included in PI-19 and PI-20?**

PI-19 assesses the extent to which individuals and enterprises have access to information about their rights and obligations, and also to administrative procedures and processes that allow redress, such as a fair and independent body outside of the general legal system (ideally a “tax court”) that is able to consider appeals. Such information should include eligibility for tax expenditures and concessions.

## PI-21.4

### **103. What is meant by significant in-year adjustments?**

PEFA 2016 notes that the significance of adjustments is assessed in relation to the percentages specified in the PI-2 rating criteria.

## PI-22

### **104. Does the new framework continue to assess reliability and completeness of expenditure arrears?**

Dimension 22.1 assesses the extent to which there is a stock of arrears. The framework states that the stock is preferably identified at the end of the fiscal year and compared to total expenditure for the considered fiscal year. It also states that assessors should comment on any recent change in the stock over the period under consideration. The PEFA report narrative for this dimension should also mention any known significant stocks of arrears within central government units outside BCG and any significant stocks of unprocessed VAT refunds or extensive delays in payment of those obligations.

### **105. Please include a definition of arrears.**

The definition of arrears can vary between countries. PEFA 2016 requires the PEFA report to explain how expenditure arrears are defined and through what means this definition has legal status (legislation, tender

documents, contracts, court decisions). Dimension 22.2 captures data on the stock, age, and composition of expenditure arrears. Additional guidance in the PEFA Handbook Volume II: PEFA Assessment Fieldguide notes that If there are no local regulations or locally widely accepted practices, the default for the assessment would be internationally accepted business practices according to which a claim will be considered in arrears i.e. if payment has not been made within 30 days from the government's receipt of supplier's invoice/ claim (for supplies, services or works delivered) unless the supplier has been notified within the same period that the invoice is incorrect or in other ways unacceptable. If the payment deadline used in the country exceeds 30 days, this should be noted in the PEFA report narrative along with a comment that good international practice provides for payment deadlines of 30 days or less.

## **PI-23**

### **106. Need guidance on scoring in cases where payroll is decentralized.**

The PEFA Handbook Volume II: PEFA Assessment Fieldguide notes that if payroll management involves a large number of significant entities or is highly decentralized, complete information on government's payroll controls may be impractical to collect. Assessors may consider using a sampling methodology. Assessors should then explain the reason for the use of sampling and justify the sampling approach they adopt.

## **PI-25**

### **107. Need guidance on scoring in cases where internal control is decentralized.**

The PEFA Handbook Volume II: PEFA Assessment Fieldguide assessors need to establish if different systems of commitment control for different government entities (e.g. if government is extensively decentralized) and different types of expenditure (e.g. for one-off contracts, indefinite contracts such as rent and utilities, ad hoc staff compensation/allowances, etc.) and assess the indicator on the basis of the completion of coverage and average (weighted) effectiveness of such systems.

Comprehensive controls exist when all CG entities are prevented from incurring unauthorized commitments through system controls, regulations and procedures, additional pre-commitment checking arrangements and audit or review arrangements that ensure compliance.

## **PI-28.3**

### **108. Determining accuracy for this dimension will be difficult as the in-year report are not audited. Can this be validated against the Audit Report at the end of the year?**

Dimension 28.3 assesses the accuracy of the information submitted, including whether expenditure for both the commitment and the payment stage is provided.

Assessors should describe the nature and comprehensiveness of the analysis provided in the execution reports, as well as the issues raised concerning data accuracy (with cross-reference to PI-27).

### **PI-29.3**

109. **This dimension mentions most international standards. Is it cash-based IPSAS and what happens if the accounting is based on modified cash-basis?**

The dimension covers cash and accrual based systems.

### **PI-30.1**

110. **Inconsistency: Page 79 indicates ISSAI only; Page 80 indicates ISSAI and ISA (IFAC).**

The footnote to the reference on page 80 states that the ISSAIs on financial audit are based on the corresponding ISAs, which guide the conduct of the audit of financial statements, including related compliance audit requirements such as consideration of laws and regulations in an audit of financial statements.