PEFA for Subnational Governments: What’s new?

PEFA Virtual Open House – October 20, 2020
Introducing the presenters

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About the presentation

1. Subnational PEFA trends
2. Subnational guidance main elements
3. Pilots
PEFA used in 653 PEFA Assessments in 153 countries - *October 2020*

374 National PEFA Assessments
279 Sub-national PEFA Assessments
PEFA used in 279 Subnational Assessments in 47 Countries - October 2020

COUNTRIES WITH PEFA SUB-NATIONAL ASSESSMENTS AND PLANNED

11 AND MORE PEFA SN ASSESSMENTS
3-10 PEFA SN ASSESSMENTS
1-2 PEFA SN ASSESSMENTS
NO PEFA SN ASSESSMENTS
SNGs have become majority of PEFA reports

In stock SNG reports represent 42% of all reports

Upward trend with high projections for 2020 and 2021

Coverage of all income groups is lower at the subnational level compared to national

But significant developments in new user countries: Belgium, Spain, China, Mexico, Argentina
What is the content of the revised Subnational Guidance?

• **Adjusted PEFA Framework:**
  - New indicators and dimensions
  - Adjusted existing indicators and dimensions
  - Tailored approach to the applicability of dimensions

• **Adjusted process**
  - Simplified concept note for peer review
  - Annex to the concept note

• **Additional optional modules:**
  - Service delivery module
  - Influence of CG on SNG performance

• **Simplified report format**
Adjustments to the Framework

**Two New Indicators**
- HLG-2: Fiscal rule & monitoring of fiscal position
- PI-9bis: Public consultation

**Merged & Redesigned**
- MERGED PI-14-15-16
- NOW PI-14: Medium-term budget strategy

**New Dimensions Added to Existing Indicators**

**Adjustments (e.g. coverage, calibration, data requirements, etc.)**

**HLG-1.4: Predictability of transfers**
- PI-19: Revenue administration
- PI-8: Performance information for SD
- PI-10: Fiscal risk reporting
- PI-11: Public investment management
- PI-12: Public asset management
- PI-14: Medium term budget strategy
- PI-19: Revenue Administration
- PI-20: Accounting for revenue
- PI-29: Annual Financial reports
- PI-30: External Audit

**Total Indicators = 32**  **Dimensions = 98**
PEFA performance indicators for SNGs

**SNG Pillar: INTERGOVERNMENTAL FISCAL RELATIONS**

- HLG-1. Transfers from a higher level of government
- HLG-2. Fiscal rules and monitoring of fiscal position

**— BUDGET RELIABILITY —**

- PI-1. Aggregate expenditure outturn
- PI-2. Expenditure composition outturn
- PI-3. Revenue outturn

**— Transparency of Public Finances —**

- PI-4. Budget classification
- PI-5. Budget documentation
- PI-6. Subnational government operations outside financial reports
- PI-7. Transfers to subnational governments
- PI-8. Performance information for service delivery
- PI-9. Public access to fiscal information
- PI-9bis. SNG Public Consultation

**— MANAGEMENT OF ASSETS AND LIABILITIES —**

- PI-10. Fiscal risk reporting
- PI-11. Public investment management
- PI-12. Public asset management
- PI-13. Debt management

**— POLICY-BASED FISCAL STRATEGY AND BUDGETING —**

- PI-14. Medium-term budget strategy
- PI-17. Budget preparation process
- PI-18. Legislative scrutiny of budgets

**— PREDICTABILITY AND CONTROL IN BUDGET EXECUTION —**

- PI-19. Revenue administration
- PI-20. Accounting for revenue
- PI-21. Predictability of in-year resource allocation
- PI-22. Expenditure arrears
- PI-23. Payroll controls
- PI-24. Procurement
- PI-25. Internal controls on non-salary expenditure
- PI-26. Internal audit

**— ACCOUNTING AND REPORTING —**

- PI-27. Financial data integrity
- PI-28. In-year budget reports
- PI-29. Annual financial reports

**— EXTERNAL SCRUTINY AND AUDIT —**

- PI-30. External audit
- PI-31. Legislative scrutiny of audit reports
Service delivery module

- Taking the opportunity of a PEFA assessment
  - Sampling the SD
  - Using the documents collected
  - Asking additional questions

- A set of diagnostic questions for each relevant dimension
  - But no scoring
  - Detailed in the add-on

- Findings in a separate annex with reference in the report
Influence of CG on SNG performance

- Helping to further analyze role of CG in local PFM performance
  - Useful for set of assessments
  - Analyze of the share of responsibilities
  - Analyze the influence (tools, regulations)

- A set of diagnostic questions for each relevant dimension

- Findings will feed a synthesis report

- Not yet tested

Table 1.2.1 Influence of the central government on performance

<table>
<thead>
<tr>
<th>Score</th>
<th>Central government (CG)</th>
<th>Subnational government (SNG)</th>
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</table>
| A     | Budget calendar is clear.  
       | Budget calendar allows budget units at least six weeks to complete their estimates. | Budget units generally adhere to the budget calendar.  
       |                                | Budget units complete meaningfully their detailed budget estimates on time. |
| B     | Budget calendar is clear.  
       | Budget calendar allows budget units at least four weeks to complete their estimates. | Most budget units by far adhere to the budget calendar.  
       |                                | Most budget units complete their detailed estimates on time. |

Table 1.2.4 Questions to identify the influence of the central government on performance

<table>
<thead>
<tr>
<th>Focus</th>
<th>Question</th>
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| Regulation | - Has the CG set rules on performance- or program-based budgeting and more specifically performance plans?  
- Has the CG defined the key performance indicators? |
| National tools and systems provided to SNGs | - Has the CG provided templates for performance information?  
- Is there a national information system for information on performance that SNGs can access? |
Pilot countries

- Involvement PEFA Sec - Achieved
- Involvement PEFA Sec - Project
- Limited test - No involvement - Achieved
- Remote support - Ongoing
- Remote support - Project
- Undefined Projects