



PEFA

PEFA for Subnational Governments: What's new?

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Introducing the presenters



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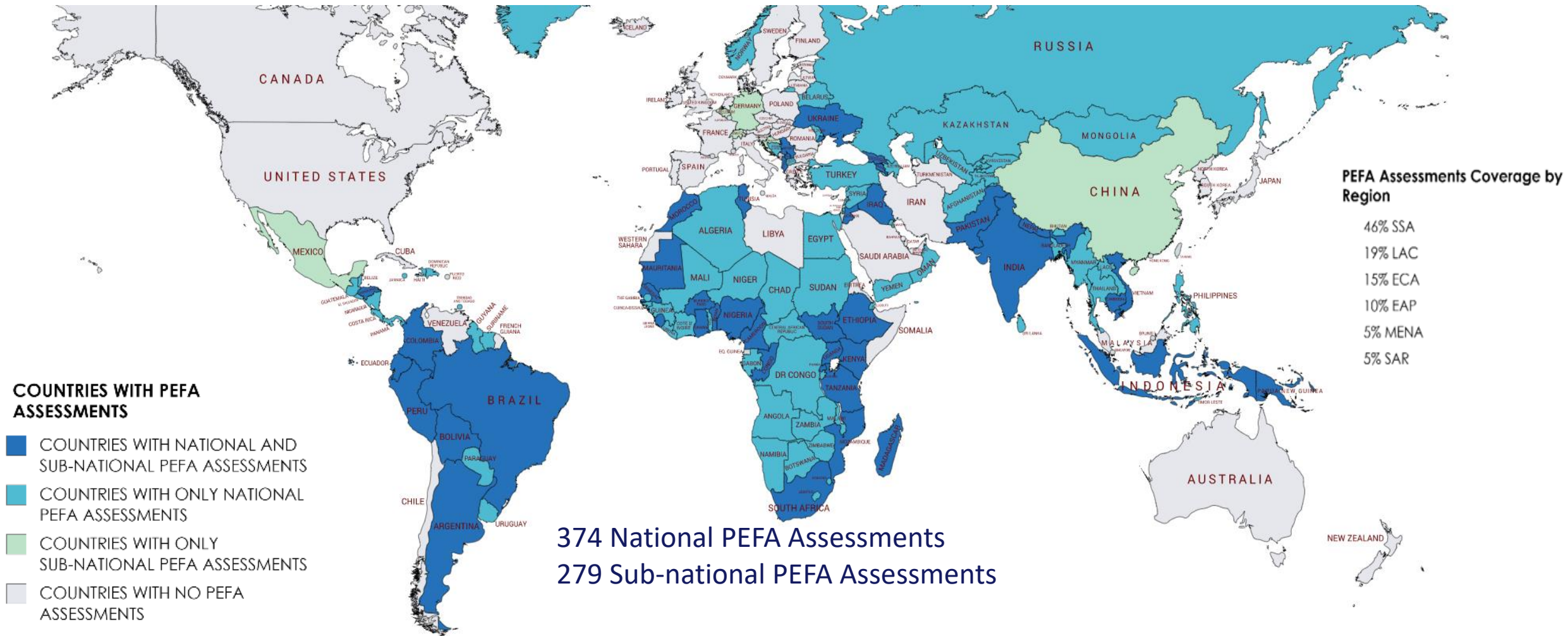
About the presentation

**1. Subnational
PEFA trends**

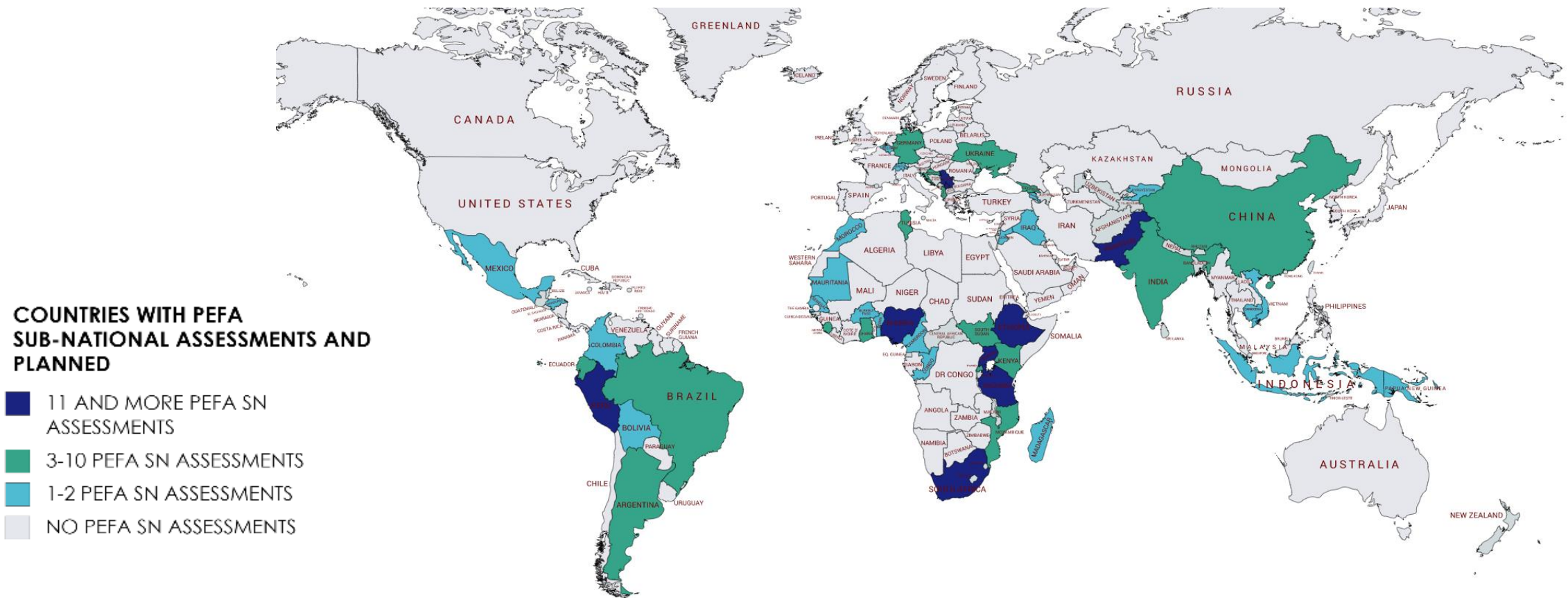
**2. Subnational
guidance main
elements**

3. Pilots

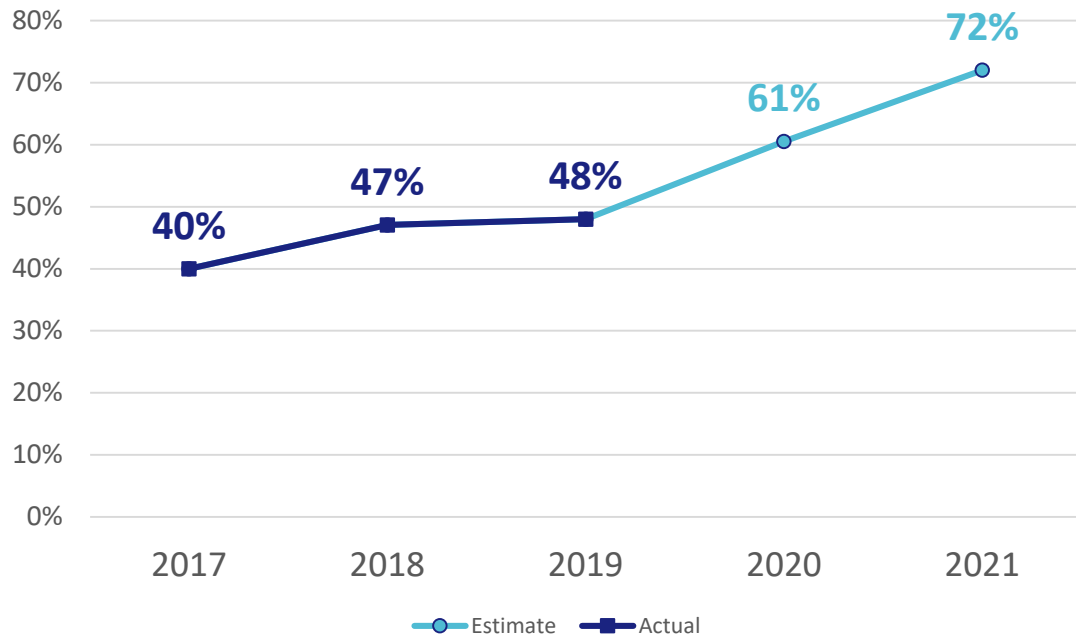
PEFA used in 653 PEFA Assessments in 153 countries - *October 2020*



PEFA used in 279 Subnational Assessments in 47 Countries - *October 2020*



SNGs have become majority of PEFA reports

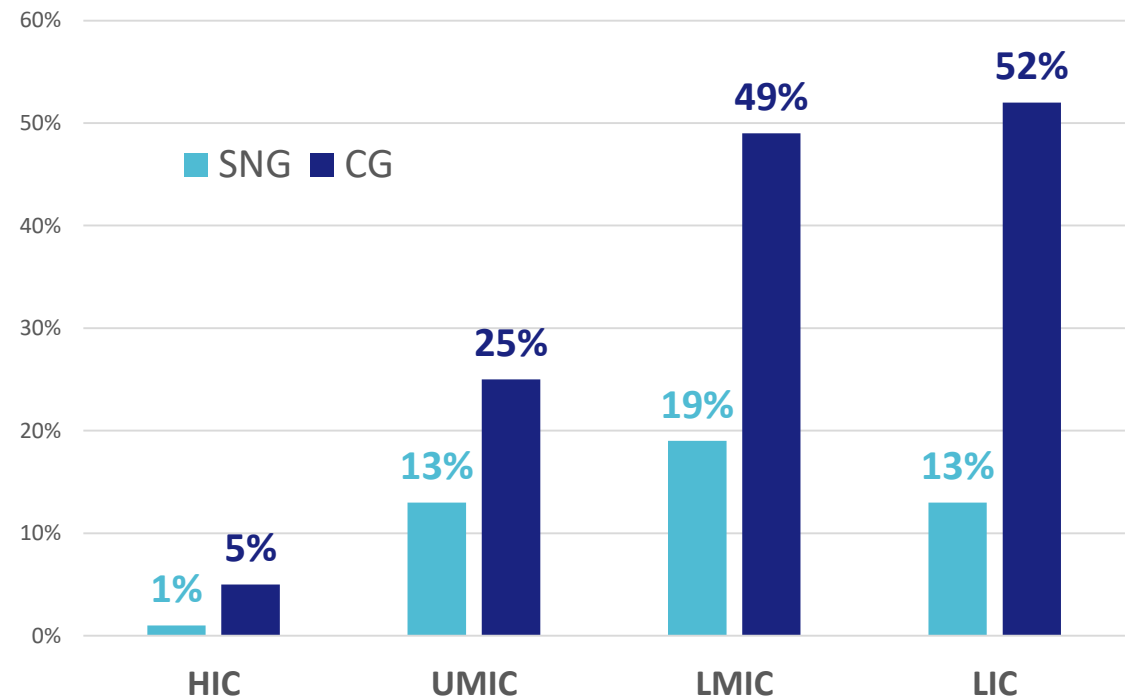


In stock SNG reports represent 42% of all reports

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

NEW DIMENSIONS ADDED TO EXISTING INDICATORS



HLG-1.4: Predictability of transfers

PI-19: Revenue administration

MERGED & REDESIGNED



MERGED PI-14-15-16

NOW PI-14:

Medium-term budget strategy

ADJUSTMENTS (e.g. coverage, calibration, data requirements, etc.)



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

PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES	
PI-10 FISCAL RISK REPORTING	
PI-10.1 Monitoring of public corporations	<ul style="list-style-type: none"> ➤ Are the SNG's public corporations engaged in delivering public services? If this is the case what kind of services? How are such services financed, delivered, and managed? ➤ Are the SNG's public corporations (i.e. local utilities) prepare annual financial statements? Are those annual financial statements audited? ➤ If yes, do the audit reports provide information on the financial performance (including concerns/ considerations) and associated fiscal risks that can affect service delivery?
PI-10.2 Monitoring of subnational governments	<ul style="list-style-type: none"> ➤ Does the lower tier of SNG report on the provision of services, which are delegated by the SNG (being assessed)? ➤ Can the SNG ascertain how the delegated services are implemented by the lower tier of government?
PI-10.3 Contingent liabilities and other fiscal risks	<ul style="list-style-type: none"> ➤ Is the SNG using PPPs to deliver services to the communities? If this is the case what kind of services? How are such services financed, delivered and managed? ➤ Are services delegated to other nonprofit organizations through subsidies? Is there a reporting on the results?

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

Score	Central government (CG)	Subnational government (SNG)
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

Focus	Question
Regulation	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ Has the CG provided templates for performance information? ➤ Is there a national information system for information on performance that SNGs can access?

Pilot countries

