

PUBLIC FINANCIAL MANAGEMENT SYSTEMS AT SUBNATIONAL LEVELS: PEFA LENS



WORLD BANK GROUP
Governance

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Why do we need subnational PEFA?

- Subnational PEFA can be instrumental for development partners in: (i) informing project/program design; (ii) calibrating interventions for TA activities
- Subnational PEFA can inform central governments to help their subnational governments in managing their financial resources better
- Subnational PEFA can be the basis for improving intergovernmental fiscal architecture and service delivery outcomes

World Bank Subnational Lending: What is the universe?

- How many lending (IPF, PforR, DPL) and non-lending projects (TA/ASA) do we have in the Bank that can use subnational PEFA?
 - Ongoing IEG evaluation--802 lending projects and 864 ASA approved/delivered between FY2008-2017
 - FY2017-2020 additional 300+ lending projects

Capacity everywhere.....but it is vaguely defined

India - Bihar Panchayat Strengthening Project (P102627) PDO:
“..to support Bihar’s **capacity** to promote and strengthen inclusive, responsive, and accountable PRIs in selected districts across the state”

Burkina Faso – Local Government Support Project (P157090) PDO:
..to strengthen the central government’s **capacity** for administrative and fiscal decentralization and the institutional capacities of communes in six regions, and to improve accountability linkages between local policy makers and citizens”

El Salvador – Local Government Strengthening Project (P118026)
PDO: “...o improve the administrative, financial and technical processes, systems and **capacity** of local governments to deliver basic services, as prioritized by local communities, in the medium and long-term”

Black Box: What is capacity?

Academic literature

‘Black box’ theories of public management have highlighted that capacity is a critical determinant of outcomes in the public sector. According to these theorists, ‘management systems’ (financial management, human resource management, performance management and information technology (IT) management) constitute the capacity required to achieve public service improvement.

See:

Ingraham, P. W. and Donahue, A. K. (2000) ‘Dissecting the Black Box Revisited: Characterizing Government Management Capacity’ in C. J. Heinrich and L. E. Lynn (eds) *Governance and Performance: New Perspectives*. Washington, DC: Georgetown University Press.

Ingraham, P. W., Joyce, P. G. and Donahue, A. K. (2003) *Government Performance: Why Management Matters*, Baltimore, MD: Johns Hopkins University Press.

Andrews, R. and Boyne, G. A. (2010) “Capacity, Leadership, and Organizational Performance: Testing the Black box Model of Public Management” *Public Administration Review*

Andrew, R. and Brewer, G. A. (2013) “Social Capital, Management Capacity and Public Service Performance: Evidence from US States” *Public Management Review* 15 (1): 19-42

What is PEFA?

PEFA is about financial management capacity:

The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance.

The goals of the PEFA Program are to strengthen capacities to assess the status of country PFM systems and develop a practical sequence of reform and capacity development actions....

How to use PEFA?

- Inform projects/program of development assistance institutions
 - Single subnational government (San Juan)
 - Multiple subnational governments (Hunan)
 - Sector projects (health, education, etc.)
- Country driven assessments
 - South Africa example
- Performance grant design
- Capacity improvement interventions

Thank you!