New Approach to Subnational PEFAs

Webinar - March 25, 2021

Public Financial Management Systems at Subnational Levels: PEFA Lens

PEFA Secretariat

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SNGs represent a significant share of public sector expenditure

- **Total expenditure**: 24%
- **Public investment**: 39%
- **Education expenditure**: 57%
- **Public staff expenditure**: 35%
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**

- HLG-1.4: Predictability of transfers
- PI-19: Revenue administration

**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**
Service Delivery module in a nutshell

• A set of diagnostic questions for each relevant dimension
  – Detailed in the add-on

• In the report
  – No score and as a separate annex to the main PEFA assessment report
  – In the executive summary: impact of PFM performance on service delivery
  – In section 1: arrangements for service delivery and in section 3, subsection 3.3: conclusions on SD

• Before the assessment, the need
  – To have a good understanding of how service delivery is organized, the distribution of responsibilities between SNG and CG, other layers of subnational governments, and other stakeholders
  – To decide to which service delivery the approach will be applied
Ongoing PEFA assessments and projects