



Improving public financial management.  
Supporting sustainable development.

# PAST PRESENT FUTURE

## Summary Report of the PEFA Conference

Budapest, Hungary  
April 26—27, 2016



## Acronyms and abbreviations

<b>AFD</b>	French Development Agency (Agence Française de Développement)
<b>CARTAC</b>	The Caribbean Regional Technical Assistance Center of the IMF
<b>CIPFA</b>	Chartered Institute of Public Finance and Accounting
<b>DFID</b>	The United Kingdom Department for International Development
<b>DeMPA</b>	Debt Management Performance Assessment
<b>EC</b>	European Commission
<b>IMF</b>	International Monetary Fund
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>GIFT</b>	Global Initiative for Fiscal Transparency
<b>GFS</b>	Government Finance Statistics
<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>ODI</b>	Overseas Development Institute
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PIMA</b>	Public Investment Management System
<b>PFM</b>	Public Financial Management
<b>PNG</b>	Papua New Guinea
<b>PER</b>	Public Expenditure Review
<b>TADAT</b>	Tax Administration Diagnostic Assessment Tool
<b>SECO</b>	Swiss State Secretariat for Economic Affairs
<b>SIDA</b>	Swedish International Development Cooperation Agency
<b>SNG</b>	Subnational Government
<b>WBG</b>	World Bank Group

# TABLE OF CONTENTS

Page 4	EXECUTIVE SUMMARY
Page 6	HOW DID WE GET HERE AND HOW PEFA PARTNERS BECAME INVOLVED IN PEFA
Page 9	INTRODUCING PEFA 2016
Page 14	IMPACT OF PEFA ON PUBLIC FINANCIAL MANAGEMENT PERFORMANCE
Page 17	USING PEFA WITH OTHER PUBLIC FINANCIAL MANAGEMENT DIAGNOSTICS
Page 20	THE FUTURE OF PEFA – OPPORTUNITIES TO INCREASE ITS VALUE FOR PUBLIC FINANCIAL MANAGEMENT
Page 21	PEFA at the Subnational Level
Page 24	Strengthening Public Financial Management Through PEFA
Page 28	Using PEFA to Improve Accountability and Internal Control
Page 30	What More Could PEFA Do in the Future?
Page 32	BEYOND THE CONFERENCE: WHERE DO WE GO FROM HERE?



## EXECUTIVE SUMMARY



The event was facilitated by **Marius Koen**, Lead Financial Management Specialist at the World Bank.

**PEFA 2016, the upgraded Public Expenditure and Financial Accountability (PEFA) Framework, was launched in Budapest, Hungary on 26–29 April, 2016.**

More than 300 participants from 76 countries attended the event which discussed how PEFA has evolved since the program was established in 2001, examined the main features of “PEFA 2016”, and considered how the PEFA program could add even more value to reforming country Public Financial Management (PFM) systems.

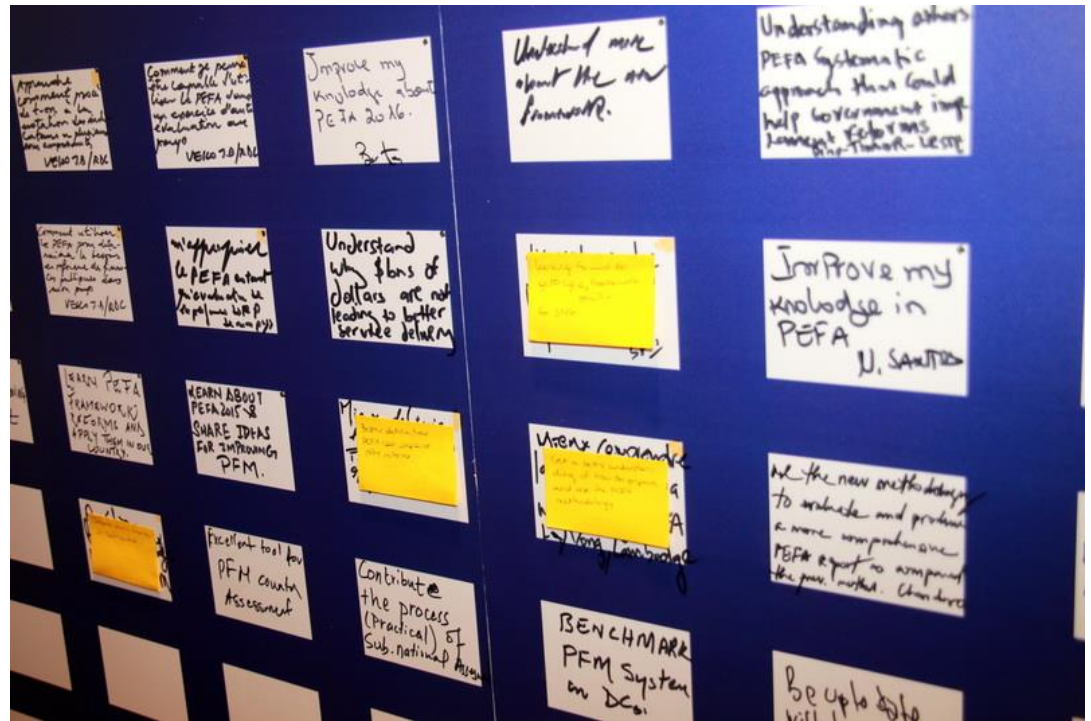
**The event was hosted by the seven PEFA Partners and the PEFA Secretariat.** Representatives from national and subnational governments, international financial, development and standard-setting organizations, research and training institutions, public financial management practitioners, PEFA assessors, and academics, participated in the conference.

**During the first two days of the event, participants heard how and why the seven Partners decided to create the PEFA Framework.** The Partners wanted to create a common tool for obtaining information needed by governments and development institutions about the performance of country financial management systems. It was crucial that diagnostic work would be country-led, and that the information would be shared amongst all stakeholders.

Participants heard how PEFA has developed into the ‘gold standard’ of high-level PFM assessments, with more than 500 reports produced in 150 countries at national and subnational levels. They also heard about the Partners’ plans to strengthen the usefulness and impact of PEFA through greater involvement by users in providing feedback and sharing knowledge on good practices.

**The conference sessions, led by PEFA Partners, comprised a number of inspiring presentations on the use of PEFA and related PFM reform experiences from various parts of the world,** including Papua New Guinea (PNG), Vietnam, Morocco, Tunisia, Liberia, Costa Rica, Brazil, Timor-Leste and Bangladesh. Conference participants heard how PEFA assessments have been instrumental in obtaining political support for PFM reforms, coordinating efforts to build understanding, identifying priorities and sequencing PFM reform actions, as well as monitoring and evaluating progress over time.

**Additional perspectives on PEFA and the challenges of analyzing PFM performance and achieving effective change were provided by international organizations** such as the Global Initiative for Fiscal Transparency (GIFT), the Chartered Institute of Public Finance and Accounting (CIPFA), the Overseas Development Institute (ODI), the Swedish International Development Cooperation Agency (SIDA)’s Gender Responsiveness project, and other experienced PEFA users. All noted that PEFA provides users with information to apply a focused, coordinated, and evidence-based approach to institutional strengthening and capacity building in PFM. PEFA can also be a catalyst for a coordinated approach to reform, owned and led by countries themselves. Several of the panelists emphasized that PEFA scores should not be used simplistically as the sole basis for PFM reform design.



Participants' expectations from the event.

**Participants were able and encouraged to exchange experiences and ideas during group discussions on four important areas** where PEFA is being strengthened as part of the upgraded program: PEFA at subnational government; strengthening PFM systems through PEFA 2016; using PEFA to improve internal control; and what more could PEFA do in the future. These sessions generated a wealth of information on how to improve the effectiveness of PEFA which is being analyzed by the PEFA Secretariat and will be used in strengthening guidance and other aspects of the program over the coming months.

**In addition to focusing on PEFA, the conference hosted a unique “marketplace” to inform the participants on other PFM diagnostic tools and analysis.**<sup>1</sup> Many of the products on display were complementary to PEFA, but either drilled down into specific aspects of PFM or considered it in the context of a wider system of public administration and management.

**The PEFA Partners have commissioned a study to map the range of PFM analytical techniques that have emerged over the last decade.** The study seeks to explain the relationship between PEFA and other techniques and to provide advice to governments and their development partners on how to choose the right technical support methods for their needs. The initial findings of the study were presented at the event.

**The newly developed PEFA 2016 training workshop was delivered in Budapest for more than 250 participants.** The training program provided an overview of PEFA 2016, detailed explanation of the scoring methodolo-

gy, indicators and dimensions and the PEFA report content. It introduced participants to the four phases of the PEFA assessment cycle, and the ten steps to making the best use of PEFA. Overall, the participants were satisfied with the workshop and particularly enjoyed the practical exercises and case studies, in addition to the peer-to-peer learning amongst participants.

**The Budapest event was an important step on the journey to transform PEFA into more than a respected and widely used methodology for PFM performance assessment.** The PEFA Secretariat outlined a number of initiatives, including: creating an online PEFA Handbook, which will provide users with detailed technical guidance on all aspects of PEFA including how to plan, implement and use PEFA 2016; improving database accessibility through the new PEFA website; developing an online PEFA assessment tool (e-PEFA); refining the guidance for SNG assessments; and strengthening capacity for using PEFA 2016 through better learning tools and events. Most importantly, the Secretariat announced its plans to increase exchange of information on good practices and PEFA success stories and to facilitate dialogue between users by establishing a global PEFA knowledge sharing network.

<sup>1</sup> PFM diagnostic tools displayed in the marketplace included: *IMF*: Fiscal Transparency Code and Evaluation; *PPP* Fiscal Risk Assessment Model; *Public Investment Management Assessment*; *WBG*: BOOST Initiative to Promote Open Budgets; *Debt Management Performance Assessment (DeMPA)*; the *Procurement Framework*; *INTOSAI*: SAI Performance Measurement Framework (SAI PMF); *Tax Administration Diagnostic Assessment Tool*; *ODI*: Innovative Research and Technical Assistance for Public Financial Management Reform; *OECD*: Ten Principles of Good Budgetary Governance; *CIPFA*: The Financial Management Model; *GIFT*: Indicator of Public Participation in Fiscal Policy; *IBP*: The Open Budget Index.



## HOW DID WE GET HERE AND HOW PEFA PARTNERS BECAME INVOLVED IN PEFA



PEFA partners speaking at the event. From left to right: **Elena Arjona Perez**, European Commission; **Monica Rubiolo**, Swiss State Secretariat for Economic Affairs; **Rajesh Kishan**, UK Department for International Development; **Jennifer Thomson**, The World Bank; **Håkon Mundal**, Norwegian Agency for Development Cooperation; **Rachel Ruamps**, Ministry of Foreign Affairs and International Development, France; and **Brian Oiden**, International Monetary Fund.

**PFM systems contribute to reaching the sustainable development goals through the efficient provision of services to citizens, and ensuring that public funds are used transparently.** Due to these links there has been a keen interest in understanding how well PFM systems are performing in countries across the world, and hence the widespread use of the PEFA Framework, which is designed to offer that understanding. PEFA 2016 reflects the evolution of expectations regarding the achievement of sustainable development goals, improvements in service provision as well as efficiency and transparency: all have moved on since the original framework was launched in 2005.

**The need to harmonize the many PFM assessment tools that were in use in the early 2000s, was the main reason for the Partners to become involved in PEFA.** The Swiss State Secretariat for Economic Affairs (SECO) and the Norwegian Ministry of Foreign Affairs (NORAD) explained how their interest in the PEFA program had developed from the emerging aid effectiveness agenda at the time, in particular the focus on strengthening government systems and reducing the transactions costs for partner governments through harmonization of assessments and greater use of country systems. An important means for contributing to that agenda was programmatic support, in particular budget support, which was always linked to the performance of PFM systems and their gradual strengthening.

The PEFA program’s objective and its “strengthened approach to supporting PFM reform” appeared to provide a way forward. SECO and NORAD as relatively small contributors of development support, had not developed their own PFM assessment tools and relied on assessments initiated by the larger development agencies using their respective tools. As those tools were many, often overlapping, and applied with little coordination, the PEFA program’s objective and its ‘Strengthened Approach to Supporting PFM Reform’ appeared to provide a way forward. SECO and NORAD found it easy to collaborate in the partners’ group and to get internal support in their respective organizations, as they were not tied to the use of any of the prevailing assessment instruments.

A contrasting experience was offered by the IMF, who despite having recognized the need for harmonization of the many overlapping PFM assessments taking place at the time, were initially concerned that a single tool such as PEFA would prove to be too difficult to manage, especially in terms of ensuring the quality of assessment reports that would be produced by the decentralized PEFA assessments process. However, these concerns were gradually overcome following PEFA issuance of detailed guidance material to help ensure the consistency of assessment standards, and the development of a well-regimented and largely successful quality assurance system.




**MONICA RUBIOLO**  
HEAD, MACROECONOMIC SUPPORT DIVISION  
SWISS STATE SECRETARIAT FOR ECONOMIC AFFAIRS

*“PEFA 2016 will provide an improved basis for measuring PFM performance.”*



**ELENA ARJONA PEREZ**  
SENIOR PUBLIC FINANCE OFFICER  
DG INTERNATIONAL COOPERATION AND DEVELOPMENT,  
EUROPEAN COMMISSION

*“PEFA allows us to support PFM reforms in partner countries and thus help them to collect more revenues and spend money better.”*



**JENNIFER THOMSON**  
DIRECTOR OF OPERATIONAL STANDARDS, PROCUREMENT & FINANCIAL MANAGEMENT  
THE WORLD BANK

*“PEFA is a common approach for partners to understand what good PFM systems are.”*



**HÅKON MUNDAL**  
SENIOR ADVISOR  
NORWEGIAN AGENCY FOR DEVELOPMENT COOPERATION

*“We have been involved in PEFA since the start and we remain committed to it.”*




**BRIAN OLDEN**  
DEPUTY DIVISION CHIEF,  
FISCAL AFFAIRS DEPARTMENT  
INTERNATIONAL MONETARY FUND

*“PEFA assessments arm us with sufficient information to apply a focused, evidence-based approach to capacity development.”*



**RAJESH KISHAN**  
GOVERNANCE ADVISER,  
FINANCIAL ACCOUNTABILITY & ANTI-CORRUPTION TEAM  
UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

*“PEFA provides a holistic and common perspective on the quality of PFM.”*



**RACHEL RUAMPS**  
PROGRAM OFFICER ON ACCOUNTABILITY  
MINISTRY OF FOREIGN AFFAIRS & INTERNATIONAL DEVELOPMENT, FRANCE

*“PEFA has also been effectively applied at the subnational level.”*



## How has PEFA met the Partners' needs, and what is the key expectation for the future of PEFA?

**The Partners agreed that the PEFA Framework had met important organizational needs for all of them, which was reflected in the tool's rapid roll-out and extensive use across all regions.** The PEFA Partners goals were to develop a common tool, with the shared database, that could contribute to PFM reform dialogue. However, those goals were just a means to the real objectives of achieving better public financial management, and improving the use of public funds for the benefit of citizens and for sustainable development more broadly. PEFA has played an important role in achieving those wider objectives. The PEFA Framework can help governments to identify the strengths and weaknesses in PFM, and subsequently how the identified strength and weaknesses could affect success or failure in achieving better use of public funds. Through systematic application of PEFA assessments over time, governments can see how they are improving and what else is needed to achieve reliable and robust PFM systems. They can also see how to get the best outcomes for public services and sustainable development.

The World Bank Group (WBG), European Commission (EC) and the UK Department of International Development (DFID) elaborated on how the PEFA Framework had met their needs. Key benefits of PEFA were emphasized: clear linkages to higher level development goals; ability to create a common starting point for dialogue on PFM issues; scope and quality assurance systems which made PEFA assessments credible as a strong and realistic basis for both dialogue on reform priorities and for monitoring the impact of reforms on performance over time; and monitoring governments' results and actions related to development partners' operations.

**The Partners' expectations ranged from where and how PEFA 2016 is applied to how the assessments are made available and used.** Whilst it is anticipated that many countries will use the tool at national/central government level, there is also a clear expectation that it will be used increasingly at the sub-national government (SNGs) level: more guidance will be issued on how the Framework

would best fit that purpose. Better coordination was also expected between system-wide PEFA assessments and drill-down diagnostics on selected sub-systems.

**There was a common expectation amongst PEFA Partners that the PEFA reports would increasingly provide a rich narrative with a clear story line to support the subsequent policy dialogue in PFM reform.** While the PEFA scores provide guidance on areas of weaknesses in PFM they should not be used simplistically. The PEFA assessments should place less emphasis on individual indicator scores, so that PFM reform dialogue can get away from a focus on any and all low scores, and become more selective in addressing the issues which are particularly relevant to the specific country circumstances, such as political economy, cultural, legal, institutional, and administrative and resource factors as well as capacity to initiate reform in each area when needed.

**Transparency and accountability will be enhanced through the publication of reports and their use by in-country stakeholders.** The publication rate of assessment reports is improving and it is expected that additional progress will be made. This is important for ensuring a broader use of the reports by in-country stakeholders such as civil society organizations. It would also help academia and researchers to get access to the rich information in the reports. Additionally, there was an expectation that PEFA assessments could contribute to inter-country knowledge sharing and cooperation by enabling comparisons of PFM systems across countries and exchanging experiences and ideas on strengthening the PFM systems.





# INTRODUCING PEFA 2016

## PEFA pillars of public financial management performance



**Pillar One**  
Budget reliability



**Pillar Two**  
Transparency of public  
finances



**Pillar Three**  
Management of assets  
and liabilities



**Pillar Four**  
Policy-based fiscal  
strategy and budgeting



**Pillar Five**  
Predictability and  
control in budget  
execution



**Pillar Six**  
Accounting and  
reporting



**Pillar Seven**  
External scrutiny  
and audit

PEFA has developed into the ‘gold standard’ for high level PFM assessments, with more than 500 reports produced on 150 countries at national and subnational levels. In the 15 years since the PEFA program began, the simple goals of developing a shared tool and a common data base, have matured into a globally respected standard for measuring PFM performance. Around half of the reports are ‘successive assessments’ in countries that had previously undertaken at least one previous assessment. Countries and their development partners have used the reports to highlight strengths and weaknesses in PFM systems, and have prepared PFM programs and reform action plans drawing on PEFA findings. They have also used PEFA performance indicators to monitor progress against their reform action plans. Additionally, the PEFA database has been used in a growing number of research studies on the quality of PFM, and the factors contributing to change, or lack of change.

PEFA has been adopted by international institutions and it has been a model for developing related diagnostic tools. It has been adopted by international insti-

tutions to measure their own impact on global PFM. It has been included within the United Nations (UN) ‘sustainable development goals’ and the 2016 anti-corruption summit communique. It has been the model for development of related tools such as the Tax Administration Diagnostic Assessment Tool (TADAT), the Debt Management Performance Assessment (DeMPA) and the International Organization of Supreme Audit Institutions (INTOSAI)’s SAI PMF.

**Development of PEFA 2016, which marks the most comprehensive upgrade to the PEFA framework since it was first published in 2005, was undertaken through a global consultation process, involving numerous stakeholders.** In 2012, the PEFA Partners launched the upgrade including a wide consultation process, during which the PEFA Secretariat received more than 800 specific suggestions for further refinements of the Framework. Stakeholders including PEFA and PFM experts and practitioners from governments, international institutions, private sector and non-government organizations, were involved in the consultation process.



**Lewis Hawke**, Head of the PEFA Secretariat, presenting PEFA 2016.



A revised, 'Testing Version' of the Framework was released in January 2015 (*PEFA Framework, Testing Version, 2015*), incorporating refinements drawn from the global consultation and preliminary testing processes. The Testing Version was eventually used officially in 27 countries across almost all regions, income groups and political and administrative heritage systems. Supplementary 'shadow testing' was conducted in many of those countries to examine the implications of additional refinements, intended to address apparent shortcomings of some indicators in the Testing Version.

**The PEFA Steering Committee approved the final version of the PEFA 2016 Framework and released it on February 1, 2016.**

The key features of the upgraded version, called PEFA 2016 are:

- 31 indicators, containing 94 specific performance measures, across these 7 pillars of PFM.
- Expanded scope to include more coverage of central government performance and to include non-tax revenue.
- Greater emphasis on transparency of government plans and achievements.
- More attention to non-cash aspects of public finances, such as assets, liabilities and non-financial performance.
- Stronger focus on fiscal strategy, risk management and internal control.
- More precise measurement and, in some case, standards for scores have been increased in line with good PFM practice.
- Better alignment of terminology and measurement with global standards and related tools.

**Since the release on February 1, 2016, the PEFA Secretariat noted that around 16 assessments based on PEFA 2016 Framework have already started.** During the testing phase, many countries preferred using both 2015 to

set the new baseline and 2011 to track performance changes over time. Many of the reports based on the 2015 testing version are being aligned to PEFA 2016.

**As PEFA 2016 is more demanding than the previous version, the conference participants expressed their concern about maintenance and enhancement of quality assurance.** It is acknowledged that the PEFA 2016 is expanded in scope and depth will lead to challenges for assessors in writing the report. Quality review of draft reports by the Secretariat will provide assurance that the assessments are consistent with the upgraded PEFA requirements. The Secretariat continues to offer guidance and is committed to be more accessible to assessors, in particular during the preparation and planning phase of an assessment, which is crucial.

**The PEFA Secretariat will provide continued support to managers, assessors and other stakeholders on PEFA 2016.** The Secretariat is creating an online PEFA Handbook, which will provide users with detailed technical guidance on all aspects of PEFA including how to plan, implement and use PEFA 2016.

**The PEFA Handbook will be the primary source for guidance materials for managers, assessors and other stakeholders on PEFA 2016.** The Handbook is a dynamic document that will be updated progressively in response to clarifications, improved content and additional information to help users. The user guidance also includes a glossary of terms and Frequently Asked Questions (FAQs) which will be regularly updated in response to questions, queries and clarifications raised by the PEFA community. Other guidance on PEFA includes previous versions of the Fieldguide (2012), template forms and discussion papers for use in tracking performance changes over time when an earlier version was used in the previous assessment.



**Elena Arjona Perez**, European Commission (Chair of the session).

From left to right: **Tony Bennett**, Chartered Accountant; **John Otieno Ogallo**, The World Bank; **Brian Olden**, International Monetary Fund; **Elena Arjona Perez**, European Commission (Chair of the session); and **Ken Ngangan**, Secretary for Finance, Government of Papua New Guinea.



**Ken Ngangan**, Secretary for Finance, Government of Papua New Guinea.



**John Otieno Ogallo**, The World Bank.



**Brian Olden**, International Monetary Fund.

## PEFA SUCCESS STORY



**KEN NGANGAN**  
SECRETARY FOR FINANCE  
GOVERNMENT OF PAPUA  
NEW GUINEA



### The experience of Papua New Guinea with the PEFA Framework Testing Version: Using PEFA framework gave PNG one single roadmap which helped to align all stakeholders

*Previous assessments of PNG were carried out in 2005 and 2009. PNG used the PEFA framework testing version at the request of the IMF to set the new baseline and the 2011 framework to monitor progress since the previous assessment. As the scope of the testing version framework was broader than the previous framework reflecting recent advances and current expectations in PFM reform, the assessment provided a more in-depth analysis of PFM system and identified more weaknesses. The assessment provided a pool of objective information to assist all stakeholders understanding the current status of PFM and on decisions on future reforms. The PEFA assessment guided development of an action plan and reform program: PEFA Road Map 2015-2018. Aiming at enhancing transparency and accountability, the PEFA assessment report was published.*

*The next challenge for PNG will be to use the PEFA 2016 framework at the SNG level.*

# TOP 5

## QUESTIONS FROM THE AUDIENCE



### What was the rationale for the upgrade to PEFA 2016?

PEFA 2016 reflects the changing landscape of PFM reforms and the evolution of good practices over the last decade. 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.

### What are the most significant changes to the scope of the Framework?

The most significant changes to the scope of the framework included stronger emphasis on transparency and internal control along with the introduction of service delivery performance management, although this may be challenging for many countries. The good practices of setting clear fiscal policy objectives as well as publishing robust fiscal forecasts are now also addressed, as is the extent to which a country can plan and respond better to unexpected changes in the macroeconomic environment. Other major additions include the introduction of an indicator dealing with the often neglected area of asset management (including non-produced assets such as natural resources, and also dealing with disposal), and the investment process is also now captured, as are contingent liabilities.



*During the conference, participants were asked to send their questions to the panelists using an online system called sli.do. All the questions raised at the conference will be addressed on the PEFA website and in guidance materials.*



Participants asking questions during the event, using their mobile phones.

## Is it not the time to prepare a PEFA framework dedicated to subnational governments?

PEFA has always been a uniform assessment tool. The PEFA Partners have noted the importance of the tool for SNG, based on analytical research on the PEFA data basis since 2005. The PEFA Secretariat is working on the review of SNG guidance to identify where it can be strengthened and made more useful to governments and development partners.

## 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?

The Secretariat has published 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 website.

Achieving precise comparability during the transition to PEFA 2016 is challenging, but the subjects covered in all versions of PEFA are largely the same. This allows the measurement of changes over time to complement PEFA 2016 assessments in most areas. New topics introduced by 2016 cannot be compared but they will supplement information from other subjects that have been retained. Within a few years PEFA 2016 reports will provide the baseline for future tracking of changes over time.

## What were the reasons for removing the three 'donor' indicators?

The three donor indicators have not been eliminated, but many of the issues have been captured through the expansion of other indicators, e.g. Pillar I now includes external sources of revenue and related expenditure. This will allow adjustment for those countries where donor assistance is important, but also cover countries where no external aid exists. Similarly, assessment of expenditure and revenue outside financial reports, budget preparation and financial reporting all cover external resources. Donor use of country systems is no longer captured, but will be assessed by other tools. PEFA Secretariat is working on this with the OECD.



# IMPACT OF PEFA ON PUBLIC FINANCIAL MANAGEMENT PERFORMANCE



From left to right: **Matthew Smith**, The Caribbean Regional Technical Assistance Centre, IMF; **Simon Gill**, Overseas Development Institute; **Herbert Soper**, Ministry of Finance and Development Planning, Liberia; **Håkon Mundal**, Norwegian Agency for Development Cooperation (Co-chair of the session); **Lewis Hawke**, Head of PEFA Secretariat (Co-chair of the session); **Aziz Khayati**, Ministry of Economy and Finance, Kingdom of Morocco; and **Martha Cubillo Jiménez**, Ministry of Finance, Costa Rica.

In assessing the achievements and lessons that have been learned from the last 10 years of using PEFA, conference panelists noted the importance of PEFA assessments and how they have been used to reform PFM systems, improve service delivery, and monitor progress over time. The conference panelists also noted the importance of a country-led approach, donor coordination and the intention of development partners to use and strengthen country PFM systems.

**The PEFA program’s objective and the “strengthened approach to supporting PFM reform” has contributed to the strengthening of country systems,** although there had been limited success in achieving greater use of

these systems by donors. The three elements of the ‘strengthened approach’ require a country (rather than ‘donor’)-led approach, the use of a common assessment tool (i.e. which was the driver behind the development of the PEFA Framework), and a coordinated and harmonized donor community.

**Successful PFM reforms tend to be evolutionary rather than revolutionary.** There was general agreement that successful reforms tend to be evolutionary rather than revolutionary, and that ‘taking stock’ following a PEFA assessment allowed for the consolidation of PFM activities in the specific country context, taking into account the weaknesses identified as well as the political economy.

Experience suggested that in several countries, assessment results have been useful as an introduction to reform, although the priorities and sequencing have been very much determined by exogenous factors: the danger of following a ‘pro-forma’ approach to reform programs was noted. Simon Gill from ODI encouraged countries to follow Norway’s example in considering carefully the implications of PEFA scores for the effectiveness of their country’s PFM system and only making changes which would be compatible with better PFM performance, not simply because they received a low score.

**PEFA assessments have been used to reform PFM systems, improve service delivery and monitor progress over time.** Achieving the best possible value for money from public resources through transparent and accountable public finances is an effective way to achieve sustainable improvements in the range, quality and access to essential public services. Conference participants shared specific examples of how weaknesses revealed by the PEFA assessments, helped in designing country’s PFM reform program, and subsequently monitor progress over time. It was also noted that some issues identified as weaknesses in a PEFA assessments may be politically challenging, possibly requiring changes to the country’s Constitution, and hence may be unlikely to be addressed in the short term.

**An undue concentration of ‘form over function’ and too great a focus on the Ministry of Finance, were identified**

**as potential difficulties in designing reform programs.** However, a meaningful dialogue about the prioritization of reforms could overcome these pitfalls. Once agreed, reform programs can be monitored by the intermediate use of particular PEFA indicators or dimensions; embedding them into the government’s monitoring and evaluation framework; or, including PEFA indicators or dimensions in a results framework for country reforms. In addition, a successive assessment—a few years later—can help to focus on the gaps or more persistent challenges in reform efforts, for example, PFM systems can degrade over-time, which may be a problem if attention is focused only on limited areas identified for reform.

**In summary, the country case studies showed different approaches to using the results of a PEFA assessment.** For example, some reform efforts focused on many areas of weakness identified by the PEFA assessment while others focused on a few. There was a certain sense in which reform programs follow “pro forma” recipes, although in some cases the prioritization of activities was determined by the political economy environment. All the case studies demonstrated the use of the PEFA tool for monitoring progress over time: not necessarily by using all the indicators, or at the recommended frequency of three or four years. More regular self-assessments of some indicators had been invaluable in some of the illustrations provided.

“After PEFA we are more aware of the need to provide relevant information to the public and partners about our public finances.”



**MARTHA CUBILLO JIMÉNEZ**

NATIONAL TREASURER  
MINISTRY OF FINANCE,  
COSTA RICA



“PEFA has accompanied our reform program, strengthened it and gave us clear ideas for the future of PFM.”



**AZIZ KHAYATI**

HEAD OF BUDGET  
EXECUTION  
MINISTRY OF ECONOMY  
AND FINANCE, MOROCCO



**SIMON GILL**

PROJECT DIRECTOR, BUDGET  
STRENGTHENING INITIATIVE  
OVERSEAS DEVELOPMENT  
INSTITUTE



“PEFA is a great invention and great contribution to PFM. When translating PEFA to PFM reforms I advise you to think like Norway! PEFA is established to drive forward a country-led approach.”

“Country ownership in reforming PFM is key. Therefore it is important that countries make PEFA as part of their cycle of thinking and managing reforms. This is something we have supported in the Caribbean countries.”



**MATTHEW SMITH**

PUBLIC FINANCIAL MANAGEMENT  
ADVISER, CARIBBEAN REGIONAL  
TECHNICAL ASSISTANCE CENTRE  
INTERNATIONAL MONETARY FUND





**Aziz Khayati**, Ministry of Economy and Finance, Kingdom of Morocco; and **Martha Cubillo Jiménez**, Ministry of Finance, Costa Rica.



**Matthew Smith**, Caribbean Regional Technical Assistance Centre, IMF.



**Simon Gill**, Overseas Development Institute; and **Herbert Soper**, Ministry of Finance and Development Planning, Liberia.



**Håkon Mundal**, Norwegian Agency for Development Cooperation and **Lewis Hawke**, Head of PEFA Secretariat (Co-chairs of the session).

## PEFA SUCCESS STORY

### Liberia uses PEFA assessments to reform its PFM and monitor progress over time

*Liberia has been using PEFA assessments to streamline its PFM reform program. Liberia has prepared three PEFA assessment (2007, 2012, and 2014). PEFA self-assessment helped the country gather evidence-based information across different aspects of PFM to pinpoint key challenges as well to understand where progress was made. These created important learning loops which were included into the design of country's PFM reform program.*



*The results of the self-assessment showed significant improvements compared to the 2012 assessment. The positive results had been achieved as a consequence of the continued strong political commitment to the PFM reform strategy and the determination in implementing reforms despite the human resource constraints coupled with scarce economic resources. Importantly, the self-assessment also revealed what PFM areas need to be strengthened. These included internal controls, revenue mobilization, medium-term budgeting, cash management, commitment controls, and fiscal decentralization. Consequently, the government has made important steps in reforming its PFM system in line with the assessment findings, including rolling-out the IFMIS to additional ministries and agencies, and strengthening the external audit performance.*





## USING PEFA WITH OTHER PUBLIC FINANCIAL MANAGEMENT DIAGNOSTICS

**There is an increasing number of PFM diagnostic tools available**, mainly reflecting emphasis on more specific and detailed aspects of matters outside the scope of PEFA, or where PEFA only provided a high-level perspective.

**In broad terms, there are two main categories of tools.**

The first category includes those tools that take a narrative approach i.e. Public Expenditure Review (PER), and provide detailed explanations, for example of the causes of weaknesses. They tend to be more tailored to specific situations and focus on interpretation and analysis. The second category includes diagnostic tools (such as PEFA), which apply a more standardized set of benchmarks or principles. These tools are useful for measuring changes over time and highlighting strengths and weaknesses, but less suited to taking into account country-specific nuances.

**The PEFA Secretariat has sought to liaise closely with development partners responsible for other diagnostic tools.**

Considering the overarching nature of PEFA compared to the more detailed drill down diagnostic analyses of the other tools (TADAT, PIMA, DeMPA, MAPs, etc.), the Secretariat has tried to harmonize indicators, scoring and calibration with those tools.

**Additionally, the PEFA Secretariat has commissioned a research project to identify the main characteristics, strengths and limitations of the various tools available to diagnose a country's PFM system and to provide practical advice on how best to use them in the context of reform actions and the sequencing of reforms.**

The project involves updating work undertaken in November 2011 by the Organization for Economic Cooperation and Development (OECD) taskforce on PFM, by looking at the characteristics and objectives of more than 50 diagnostic tools to identify which are: (i) broad diagnostics; (ii) tools specific to particular PFM elements; and (iii) donor-specific arrangements at national and subnational levels. The project report, which is expected to be finalized in September,

2016, will include a draft guide of using PEFA 2016 framework as a baseline, to help governments identify the best instrument for their needs, and where additional instruments may be useful. This will contribute to a clearer understanding of how the various tools can support governments to achieve their PFM goals.

**The possibility of strengthening the links between other diagnostic tools and PEFA could be addressed in a number of ways.**

One option would be to coordinate the diagnostic tools around the reform cycle. While PEFA is designed to provide a high level view of the PFM performance, understanding the factors and underlying causes that generate weaknesses requires drill-down diagnostics to provide the basis for a reform action plan. Another option would be to ensure that the technical aspects of all PFM diagnostic tools are aligned and compatible. Finally, harmonizing instruments at the country level, by improved planning and coordination of missions to reduce the burden on partner governments and minimize the risk of generating different results. This may also have an impact on the quality of the reports and the availability of good evidence.



Rajesh Kishan, UK Department for International Development.

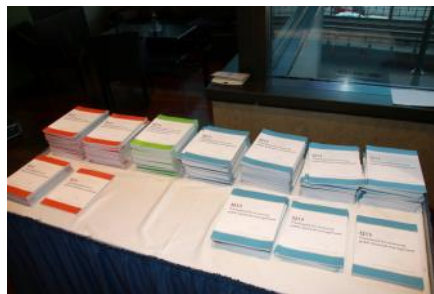


**Fred Mear**, Lecturer, De Montfort University, United Kingdom.



**Frans Ronsholt**, PFM Expert and Former Head of the PEFA Secretariat.

The event also featured a “market place” where the diagnostic tools were displayed and representatives were available to discuss their characteristics with participants.



# TOP 5

## QUESTIONS FROM THE AUDIENCE



### What necessitates the use of drill down tools?

PEFA can only say so much about the breadth of the topics included in an assessment, so when weaknesses are identified specific drill down tools are required to look at the underlying features more closely.

### With 50 PFM tools, which are better?

PFM tools based on scoring are more suited to establish differences from particular standards but tend to lose the specificity of information that narrative tools provide, for example, PERs and expenditure tracking surveys identify where money is going and what is actually happening.

### Should we aim to consolidate all diagnostic tools into one PEFA?

No, because one tool that covers everything would be so enormous as to be effectively unmanageable. Coordination is a better solution than overlapping.

### Do all benchmarking tools adopt the same international standards?

PEFA has adopted recognized good practice standards that come from other instruments, statistical frameworks and professional standards. Recognition that international standards are not static was a major driver of the upgrade to PEFA 2016.

### What tools would pick out the problem that PEFA misses?

PEFA is not a catch all tool, and for example does not cover performance of State Owned Enterprises. Tools should be selected based on the purpose of the assessment and what needs to be measured and assessed. However, if a number of diagnostic tools are to be used, the aim should be to share knowledge and information generated.



## THE FUTURE OF PEFA – OPPORTUNITIES TO INCREASE ITS VALUE FOR PUBLIC FINANCIAL MANAGEMENT

The conference group sessions focused on the future of PEFA and the opportunities to increase its value for public financial management reform.

Conference participants engaged in more in-depth discussions on PEFA's future and presented their hands-on experience with PEFA.

Four concurrent group sessions were held to discuss PEFA's strengths and opportunities.

W O R K I N G  
G R O U P  
S E S S I O N S

**#1 PEFA at the Subnational Level**

**#2 Strengthening Public Financial Management through PEFA**

**#3 Using PEFA to Improve Accountability and Internal Control**

**#4 What More Could PEFA Do in the Future?**



# PEFA at the Subnational Level



**Jean-François Almanza**, Agence Française de Développement; and **Franziska Spörrli**, Swiss State Secretariat for Economic Affairs (Co-chairs of the session).



**Kamilia Hmila**, Municipality of Sousse, Tunisia; and **Graziela Luiza Meincheim**, Government of Santa Catarina, Brazil.



Participants discussing strengths and opportunities of PEFA at the subnational level.

The working group through the presentation of two case studies and peer-to-peer learning, took stock of the lessons learned from using PEFA at the SNGs level, to identify good practices, and to reflect on potential forthcoming steps in the use of PEFA at SNGs. While initially most of the PEFA assessments were carried out at the central government level, the number of assessments at the subnational level has been growing. As at the end of June 2016, almost 40 percent of all the assessments have been undertaken at a variety of subnational governments, including federated states inside a national federation, provinces, regions, districts, departments, and municipalities.

The main issues which came from the discussion that followed the case studies can be summarized as follows:

- **Among PEFA strengths:** it is an independent and objective methodology; it focusses on transparency and disclosure to citizens; attention is paid to service delivery; it helps the decentralization process and facilitates dialogue between SN entities and the CG, private sector investors, donors, other SNs; and, it can be used as a self-assessment tool (e.g. for service delivery);
- **Motivations** for launching a PEFA evaluation are important; also the issue of who has the initiative;

- **PEFA can be used as part of a communication strategy** of a SNG to attract investors and project a positive image of sound governance. In this case PEFA is not only a starting point for reforms to be undertaken, but also a way of spreading information about reforms already achieved;
- **PEFA should be used only to assess areas where there is real autonomy** and freedom for SNG decisions about the use of resources;
- The methodology is not designed for making comparisons, however they are often used in this way either by donors or other entities;
- **SN entities and central government:** PEFA applies to any type of system, federal or unitary.
- The PEFA framework does not match all situations; for some people, the 'PEFA fit all' approach is not applicable; some SN need specific indicators;
- Key factors for the success of PEFA SNG assessment are:
  - \* Government initiative and impulse by political leaders together with a constructive dialogue with donors
  - \* Training of staff, sharing of knowledge
  - \* Transparency and publication (visibility as a basis for credibility).

## PEFA at subnational level: Municipality of Sousse, Tunisia



**KAMILIA HMILA**  
DIRECTOR OF FINANCE  
MUNICIPALITY OF SOUSSE,  
REPUBLIC OF TUNISIA



Tunisia has embarked on a decentralization reform as outlined in the country's new Constitution enacted after the 2011 revolution. The main reason for conducting the six PEFA municipal assessments was to set the baseline to compare the status of PFM at SN level prior to decentralization reform and subsequent improvements. Sousse is the third largest municipality in Tunisia, with 235,000 inhabitants, and representing 3.3 % of overall subnational budget. The objective of Sousse PFM managers was to compare their performance and achievements relative to other municipalities.

Prior to PEFA, the government of Sousse launched an internal partial assessment, which was not published and subject to "excessively favorable interpretation" by elected political leaders. Amongst the main weaknesses revealed by the PEFA assessment, was the lack of a structured internal control system, including internal audit, and reliance on the existing limited controls based on alerts. PEFA assessment helped to introduce new tools such as a monitoring systems for arrears, fiscal calendar and to create a small internal audit unit.

PEFA has confirmed that the level of revenue is not sufficient if there is no credible system in place for revenue allocation. PEFA will increase visibility and credibility of SNG. Tunisian legislation provides more resources to SNG outside the littoral, which don't benefit from tourism, therefore SNGs on the littoral will be obliged to be more efficient with less resources, and to convince their partners. PEFA highlighted the importance of transferring more resources from central government to improve PFM performance. PEFA also served as a common basis for dialogue with donors, i.e. SECO, to obtain more resources.

However, PEFA has some constraints and limitations, as it does not provide explanation on the underlying causes of poor/good performance, thus the government has to find the proper explanation, using other specific tools. PEFA allows SNG to score well without any merit, when the system is managed by central government (e.g.: PI-19 procurement system, PI-14 & 15 tax collection). Consequently it is important to strike a balance and ensure that PEFA assesses only areas where a true local autonomy exists.

## PEFA at subnational level: Santa Catarina State, Brazil

Santa Catarina (SC) State is the size of Portugal and has the 6th highest GDP in Brazil. The initial proposal to conduct a PEFA assessment came from the WB, which was then accepted by SC Government. The main motivation for a PEFA assessment was not to have access to resources but the need for obtaining an international recognition of the good PFM practices, which were already identified at the national level.

The assisted self-assessment was managed by a Steering Committee comprising staff from various directorate. The assessment team prepared the preliminary PEFA assessment report by conducting interviews, reviewing documentation, gathering and analyzing data during the field visits. The preliminary assessment report was submitted to the PEFA Secretariat for review. The PEFA assessment helped to engage staff from various directorates and create a common knowledge and sense of responsibility, through the intensive training of civil servants. Overall, the experience of Santa Catarina with PEFA is a concrete example of the range and diversity of SNGs using the PEFA Framework.

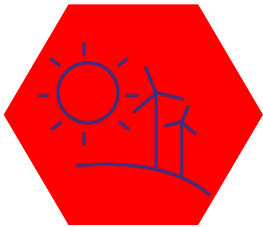


**GRAZIELA LUIZA MEINCHEIM**  
ACCOUNTANCY DIRECTOR  
SANTA CATARINA STATE,  
BRAZIL

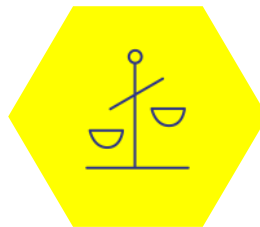


# STRENGTHS

# OPPORTUNITIES



SN-PEFA contributes to people wellbeing, because SN-entities are closer to service delivery



Adjustment of some PEFA indicators to make them more relevant to subnational governments

Allows strengthening capacities of civil servants to improve service delivery



PEFA assessment framework needs to be calibrated for SNGs

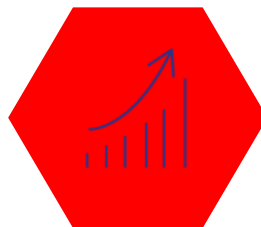


Very clear assessment framework with clear and self-explanatory benchmark

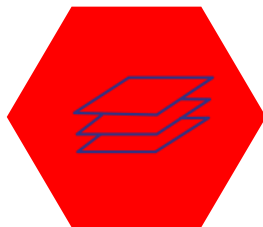


PEFA can help governments to diagnose the weaknesses and give recommendations for improvement

Tool that facilitates comparison between different SNGs



Vast room for self-assessment using PEFA across government sectors



PEFA provides an objective basis for a dialog between the SNG and central government, as well as donors and other institutions

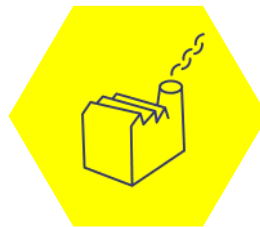


Evidence led fiscal decentralization reforms

Promotes confidence in decentralization of fiscal policy



PEFA might contribute to a dialog between SN-level and central level about roles & responsibilities



To establish the link between PFM and the delivery of local public service

# Strengthening Public Financial Management through PEFA



From left to right: **Lewis Hawke**, Head of PEFA Secretariat; **Matthew Smith**, The Caribbean Regional Technical Assistance Centre, IMF; **Brian Olden**, International Monetary Fund (Co-chair of the session); **Rafika Chaouali**, The World Bank (Co-chair of the session); **Quyen Vu**, The World Bank, Vietnam Office; and **Januario da Gama**, Ministry of Finance, Timor-Leste.

**The working group focused on PEFA's contribution to PFM reforms, the role it has played as a monitoring and evaluation tool to better understand PFM reform achievements; and PEFA's input to the design and implementation of PFM action plans and tracking progress over time.** Conference participants who have been involved in managing and using PEFA assessments presented their experience and examples of good practice, and provided the foundation for discussions on how the role of PEFA could be further strengthened in supporting their PFM reform programs, and achieving budgetary outcomes.

**PEFA has guided PFM reform plans and their successful implementation in many countries.** The experiences of Timor-Leste, Vietnam, and the Caribbean countries were presented. **Timor-Leste** has prepared three PEFA assessments (in 2007, 2010, and 2013). The assessments have been important to evaluate progress in managing resources and establish a policy framework by using particular performance indicators in the following priority areas of the policy framework: revenue collection; performance

budgeting and linking it to the service delivery; modernizing the legal framework; and, the quality of infrastructure.

**In Vietnam**, the government decided in 2010 to conduct a PEFA self-assessment. The PEFA assessment provided the government with the analysis of the state of PFM performance, its strengths and opportunities, and potential for improvement. The government was pleased with PEFA process and findings, and made the final report available to the public.

The experience of the **Caribbean countries** in using PEFA to feed the PFM reform programs was presented in the conference. As many PEFA assessments have been carried out in the Caribbean it has made it possible to build a time series of reforms in some of the countries involved. The importance of being realistic in the sequencing of reforms, and of reporting the progress that has been achieved, was highlighted.





Januario da Gama, Ministry of Finance, Timor-Leste.



Quyen Vu, The World Bank, Vietnam Office.



Participants discussing strengths and opportunities of PEFA and its impact on PFM reforms.

The experience of these countries showed that PEFA has played an important role not only in guiding the development of PFM reform action plans, but also in monitoring progress over time. In Timor-Leste, the government is still in the process of identifying the causes of some of the problems revealed by the PEFA assessments, although they have a baseline for determining the fiscal envelope for future years and have produced regulations and legal framework. There is a strong commitment to implement the recommendations.

In Vietnam, PEFA has played a significant role in reforming PFM by helping the government to link the indicators to the three budgetary outcomes. The government identified eight priorities for a reform program over the next five years. From a longer list of priorities, the Minister identified 40 proposals for action: some of the most significant changes have taken place in the area of moving the budget law towards the medium-term fiscal framework; strengthening of fiscal transparency; changes to the budget classification process; the adoption of the International Public Sector Accounting Standards; and development of consolidated financial statements.

The PEFA assessments in the Caribbean countries led to the introduction of many of PFM reforms. The Caribbean experience stressed the importance of the appropriate sequencing and prioritization of reforms for their successful implementation. It highlighted that the PEFA report can act as a 'good practice note' for developing action plans and that a selection of indicators can be used to monitor progress without waiting for a full repeat assessment three years down the line. It also highlighted the importance of remembering to pay attention to the basics.

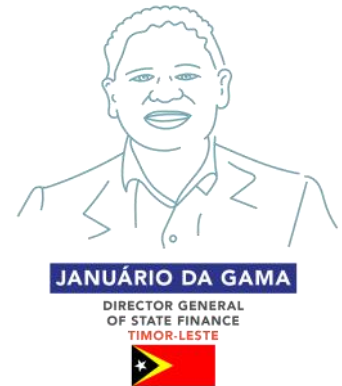
All three case studies emphasized the value of using PEFA to identify priority areas for improvement by shifting the incentive for action to government, and the use of the tool to measure what can be monitored. They also noted the importance of prioritizing areas for reforms and the differences in approach: in Timor-Leste of focusing on legislation; in Vietnam in streamlining planning processes; and in the Caribbean, of remembering to pay attention to the basics.

## PEFA has helped Timor-Leste understand the status of PFM reforms and provide guidance for the future

*“The rationale for PEFA assessments Timor-Leste has been to assess our progress in the implementation of a PFM reform and to know exactly what the position of Timor-Leste in PFM reforms is so that further recommendations could be given.*

*As it is stated in the most recent PEFA report, Timor-Leste has made solid progress in strengthening PFM and achieving fiscal transparency over the last three years. PEFA especially highlighted the need to improve the link between planning and budgeting.*

*We adopted a principle ‘one plan, one budget, and one system’. In that same document the Government explained the reform plan to link planning and budgeting within a multi-year perspective which began last year. So here is a clear example of how PEFA has contributed to PFM reform in Timor-Leste.”*



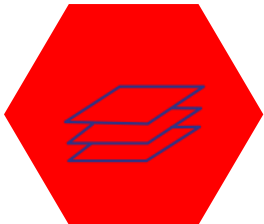
## PEFA 2016 contributing to development of a reform strategy: City of Danang, Vietnam



*“PEFA has been a valuable tool for Vietnam to help improve understanding of the strengths and weaknesses of PFM in the country. Danang will perform a facilitated self-assessment using PEFA 2016 framework, following the successful approach used by the national Vietnam government in undertaking their PEFA assessment, published in July 2013. In Danang, the PEFA self-assessment process was particularly important in building knowledge and ownership of the report”, said Ms Quyen Hoang Vu, the World Bank’s Senior Economist and Manager of the Technical Assistance program for Danang. “It provided the foundation for government and development partners to work out a strategy for reform which is now being implemented with support from the Swiss and Canadian Governments and the World Bank”.*

# STRENGTHS

# OPPORTUNITIES

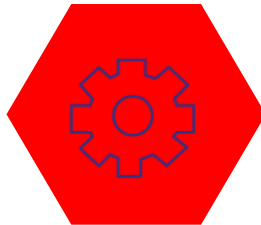


PEFA as an integrated comprehensive baseline for PFM system and



Indicators and outcomes should better inform political decisions and ownership of reforms

Evidence-based assessment of the entire PFM cycle to identify areas of strengths and weaknesses



Facilitate larger dialogue on prioritization and use evidence of real life examples from PEFA assessments that show how reforms were successfully achieved

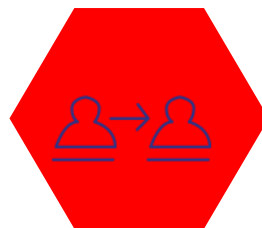


Enables a better clarity on the status of PFM

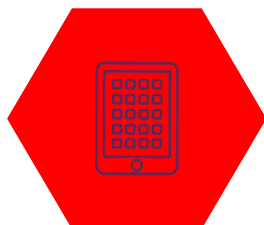


PEFA could offer more specific guidance on reforms prioritization and how to bridge gaps and involve all relevant actors in reforming PFM

PEFA is a PFM capacity development tool for government officials



Its role as eligibility criteria for budget support should be reexamined as decisions are often too political

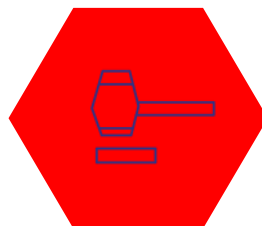


PEFA is used by most donors as a single tool for the government dialogue on reform program



Countries should be able to do PEFA assessments themselves and use other countries as peer reviewers

PEFA is an internationally recognized tool with strong quality assurance process



PEFA should feed the government M&E framework and this linkage should be established at the moment the PEFA exercise starts not after



# Using PEFA to Improve Accountability and Internal Control



**Nyankor Matthew** from the Auditor General's Office of Liberia presenting the group findings at the plenary.



Participants discussing strengths and opportunities of PEFA to improve accountability and internal control.

This working group aimed at presenting good practices in using PEFA to strengthen internal control as well as related processes and institutions. It explored options on how PEFA can be used to further improve and strengthen such arrangements. The enhancement to the PEFA 2016 Framework with regard to internal control was explained and opportunities to enhance this role of PEFA was discussed.

**Internal control is the bed-rock of public finance management.** As highlighted by CIPFA, it is critical that appropriate functioning systems are in place, because if they do not function adequately, it is difficult to see a country achieving the three PFM objectives. Ensuring that “money is spent as it was meant to be “spent”, are at the center of efforts to improve transparency, accountability and fight corruption.

**PEFA 2016 recognizes the importance of effective internal control throughout the framework, which is closely evaluated in a number of indicators.** In addition, the PEFA report has been strengthened by incorporating a specific subsection dedicated to internal control within the conclusions of the analysis of PFM systems. Assessors are asked to provide an evidence based description of how the internal control system is organized and how effectively it operates, based on a set of components identified by international standards, and structured around the five components of internal control.

**Implementation of an effective internal control system is difficult, as strong political will is required.** Additionally, there is often a lack of clarity amongst stakeholders about the exact role and objectives of internal control. An

ethical culture has to be generated within the institution, when there are new demands and initiatives that put pressure on already stretched resources. However, the efforts are worthwhile, as effective internal control result in better PFM systems and generally improves decision-making processes.

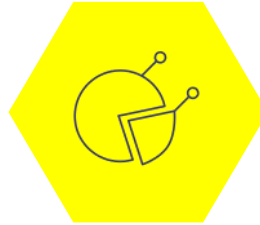
However, PEFA as an independent and credible tool has been central to convince political authorities of the existence of weaknesses and the consequences of those weaknesses and this prompts efforts for reform. Country cases such as Bangladesh illustrate how PEFA assessments facilitated the introduction of a set of initiatives for reform that aim to strengthen internal control systems.

**Building an institutional and legal framework for internal controls will not automatically lead to compliance and application of the rules.** Lack of capacity and political will may undermine the reform process. As demonstrated in Liberia, reform should not only focus on setting things up, but also on delivering the institutional and human resource capacities to adequately utilize the new instruments put in place.

**There may be significant challenges to be overcome to implement internal control reforms.** The challenges range from reducing the capacity of political appointees to override the system, making them more accountable for breaches of procedure, and requiring an improved attitude towards monitoring internal controls by producing regular documents, to creating protocols and opportunities to meet with ministers and explain what things are happening.

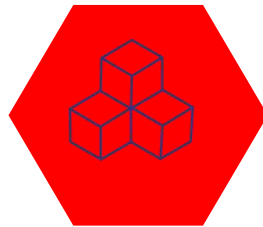
# OPPORTUNITIES

## STRENGTHS

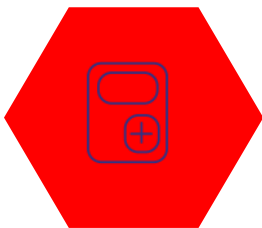


Support for internal control reforms can provide information about political influence and how it affects political outcomes

External nature of PEFA assessment makes findings about internal controls more robust and acceptable to government



Raise political awareness and visibility of the importance of the internal control environment



It helps to identify systematic issues in internal control and provides a single central point of reference on country systems

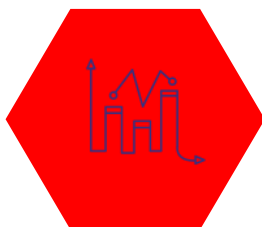
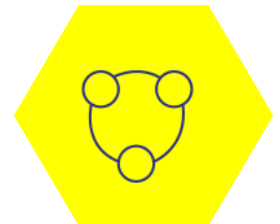


The use of the COSO framework in public institutions to improve internal control programs and work plans in the country

PEFA helps to identify gaps in capacity for implementation of internal control reforms: i) professionalism, ii) technical skills, number of staff, sufficient resources, and iii) ethical standards – knowledge and sanctions



Link to lower level diagnostic tools for internal controls or build on COSO

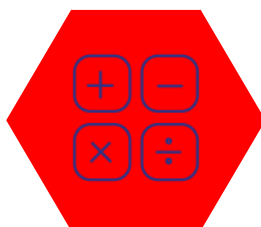


Provides benchmarks for improvements in internal control and PFM, in general



PEFA report (provided QA and peer review) offers a basis for comparability and identification of good practice

Allows governments to prioritize key weaknesses and develop an action plan for reform



Opportunity to use internal control framework and COSO to align objectives and donor support in countries



# What More Could PEFA Do in the Future?

The discussion of the working group was structured around three specific initiatives, each introduced by a short presentation. This was followed by group discussions of the synergies between the initiative and PEFA as well as the potential for combining PEFA with each initiative.

## **A PFM system constitutes an important ingredient in pursuing the development objectives of a government.**

The system does not exist in isolation and it has to interact with other parts of the administrative system to deliver services to citizens. For example, public procurement and investment management systems are important for the development of a country's private sector, but many other government policies, regulations and administrative capacities are equally needed for that development objective to be achieved. Hence a PEFA assessment can offer an insight into the performance of administrative systems in central government agencies, thus acting as a barometer of overall institutional effectiveness.

## **14 out of 31 performance indicators of PEFA 2016 require public access to government documents and processes, as part of the scoring criteria.**

In addition, many other government documents and processes are embedded in PEFA's indicator scoring criteria, but **without** reference to public access. Considering the strong emphasis on public access, PEFA assessments could be implemented in coordination with other fiscal transparency assessments such as the Open Budget Survey (OBS).

## **Public participation could be subject of an optional add-on indicator, similar to standard PEFA indicators.**

Such an indicator had been formulated to cover public service delivery, investment management and external audit and is undergoing testing in two countries. It would complement the processes of public procurement, revenue management, and budget scrutiny already covered by PEFA.

## **Gender impact is integral to a country's development objectives which – like other development objectives – requires adequate budget allocations and a strong PFM system to ensure those allocations are made and implemented as planned.**

Examples of the appropriateness of gender-related allocations in the sports and health ministries were cited, and the new indicator PI-8 on performance information for service delivery could provide a suitable starting point for enhancing PEFA by assessing the availability of performance data disaggregated by gender.

**As the conclusions emerged from the discussion it was clear that the conference participants overall saw strong synergies between PEFA and each of public sector reform, fiscal transparency and gender response budgeting, because selected elements of the**

## **PEFA Framework are relevant to each of the initiatives.**

In fact, the three initiatives are just examples of initiatives of similar relevance, e.g. Gender Responsiveness Budget corresponds to parallel issues of budget responsiveness to poverty, inequality and child development concerns amongst others. The question is therefore rather how such synergies could be transformed into opportunities for operational collaboration. Suggestions from the conference participants ranged from expanding selected PEFA indicators, to adding an annex to a PEFA report with more detail on the chosen subject, to designing add-on indicators.

## **Ultimately, the issue is whether there is a stakeholder interest in a country to combine a PEFA assessment with another type of supplementary assessment that would widen the scope or provide more detailed information on a topic considered of particular importance in that country context.**

Supplementing a PEFA assessment would be easier to manage where assessment instruments already exists (say, on fiscal transparency) or where these can be built on to existing indicators (e.g. adding sex disaggregated data to the output and outcome requirements of PI-8), whereas for other topics a format and a methodology may have to be developed for a supplementary assessment instrument.



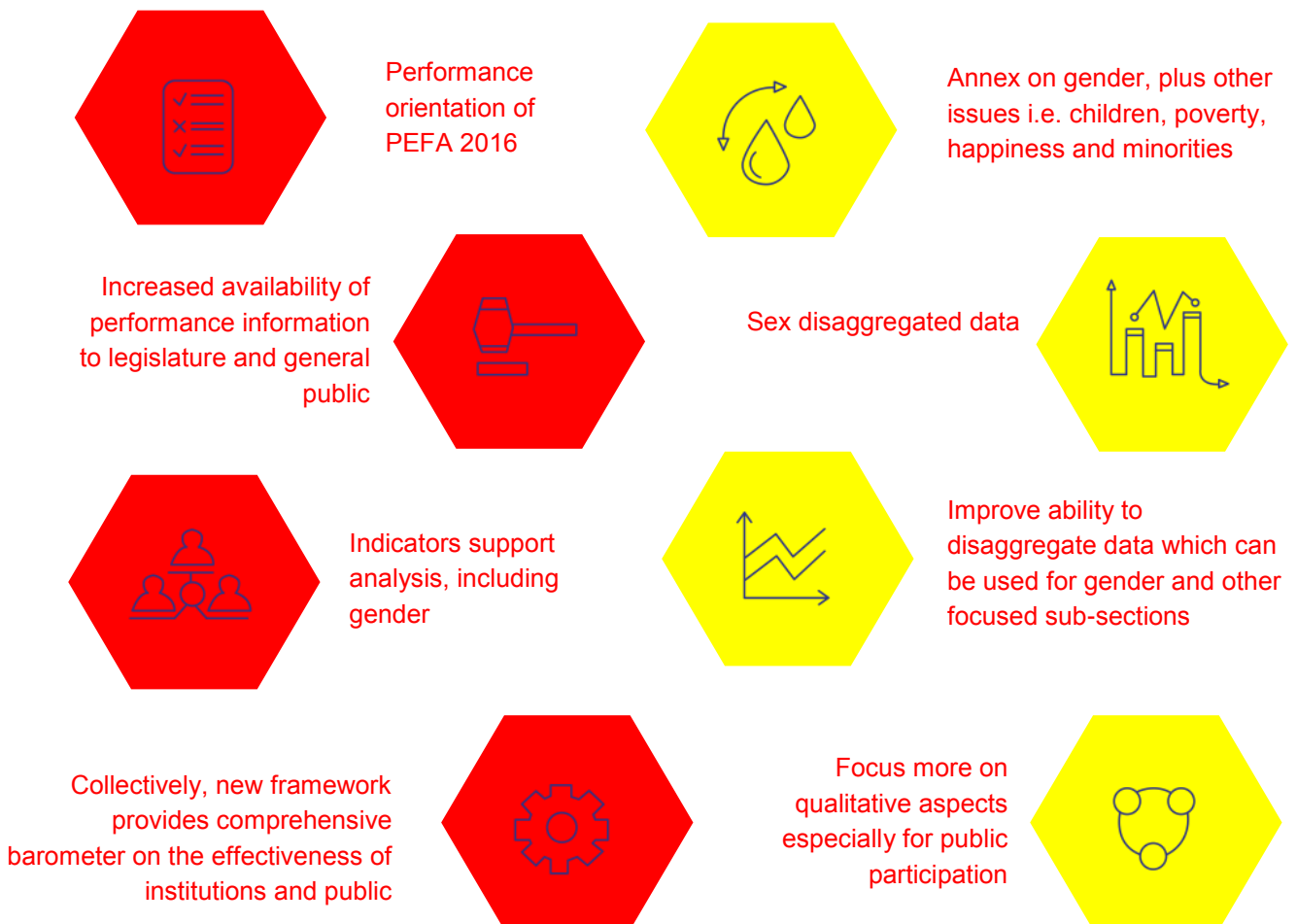
Juan Pablo Guerrero, Global Initiative on Fiscal Transparency (GIFT).



**Maja Bosnic**, SIDA funded Project “Gender Responsive Budgeting in Ukraine”.

Participants discussing future opportunities of PEFA.

# STRENGTHS OPPORTUNITIES





## BEYOND THE CONFERENCE: WHERE DO WE GO FROM HERE?



PEFA Secretariat staff during the conference.

**There were clear benefits for starting the PEFA Partnership in 2001 and developing a common assessment tool** (such as reducing the burden on partner governments). Other tools – often modeled on the Framework – have been introduced in the intervening years, but the increasing number of PEFA assessments completed, underway or planned demonstrates that the benefits of establishing PEFA remain valid today.

**PEFA 2016 is acknowledged to be an improvement on the earlier version of the Framework.** New features such as a focus on performance information and the way it is managed, broadening coverage to include macro-fiscal issues, the management of assets and liabilities (in particular, contingent liabilities), and the fact that transparency issues permeate a number of indicators all contribute to a more holistic picture of the state of a government's finances.

**The PEFA Partners, through the Secretariat, are providing support to users,** including training on the upgraded Framework, in an effort to reinforce the country-led approach that PEFA strives towards. This partly aims to avoid the risks of a simplistic use of the indicators and partly aims to strengthen the capability of countries to undertake their own assessments. In addition, measures to

make the program more inclusive are underway, by improving communication with and between users. There are also attempts to increase collaboration between PEFA and other initiatives.

**As the program moves into the next phase,** more work will be done to analyze and strengthen the role of PEFA in PFM reform and ultimately the role of PEFA in enhancing effectiveness in public service delivery and sustainable development. This is a linkage that is very difficult to explain considering the issues related to causality – attribution versus contribution. However, this is an area that the PEFA Steering Committee and PEFA Partners would like to invest some resources in the months and years to come.

**In future, PEFA will seek to use improvements in technology** to assist the preparation of assessments and to facilitate data and knowledge sharing. The new PEFA website provides a foundation for better tools to help assessors, researchers and users of PEFA data.

Through all aspects of PEFA development and application, the PEFA program will strive to increase its contribution to improving PFM performance and support sustainable development.



# CONFERENCE AGENDA

## DAY 1

April 26, 2016



08:00 – 09:00	REGISTRATION
09:00 – 09:30	CONFERENCE OPENING
09:30 – 10:30	<b>PEFA – HOW DID WE GET HERE?</b>
10:30 – 11:00	COFFEE/TEA BREAK
11:00 – 13:00	<b>INTRODUCING PEFA 2016</b>
13:00 – 14:00	LUNCH
14:00 – 15:30	<b>IMPACT OF PEFA ON PFM PERFORMANCE</b>
15:30 – 16:00	COFFEE/TEA BREAK
16:00 – 17:15	<b>PEFA AND OTHER PFM DIAGNOSTIC TOOLS</b>
17:15 – 17:40	PLENARY CONCLUSION
17:40 – 18:30	MARKET PLACE – PFM DIAGNOSTIC TOOLS

## DAY 2

April 27, 2016



09:00 – 09:15	<b>THE FUTURE OF PEFA – OPPORTUNITIES TO INCREASE ITS VALUE FOR PUBLIC FINANCIAL MANAGEMENT</b>
09:15 – 11:00	Participants break into smaller groups: <b>#1 PEFA at the Subnational Level</b> <b>#2 Strengthening Public Financial Management Through PEFA</b> <b>#3 Using PEFA to Improve Accountability and Internal Control</b> <b>#4 What More Could PEFA Do in the Future?</b>
11:00 – 11:30	COFFEE/TEA BREAK
11:30 – 13:00	Reporting back from discussion groups
13:00 – 14:00	LUNCH

## PEFA Partners



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