



PEFA 2016

# 10 Things You Need to Know

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Improving public financial management. Supporting sustainable development.

# PEFA FRAMEWORK



**PILLAR ONE**  
Budget reliability



**PILLAR TWO**  
Transparency  
of public finances



**PILLAR THREE**  
Management of  
assets and liabilities



**PILLAR FOUR**  
Policy-based  
strategy and...

## ABOUT

PEFA is a tool for assessing the status of public financial management. A PEFA assessment provides a thorough, consistent and evidence-based analysis of PFM performance at a specific point in time. The PEFA methodology can be reapplied in successive assessments to track changes over time.

2016 marks the most comprehensive upgrade to the PEFA framework since it was first published in 2005.

## PEFA 2016

1

### **Supports achievement of sustainable development goals**

PEFA 2016 incorporates new and updated benchmarks on international good practices. It provides more information for evaluating public financial management performance and its vital contribution to sustainable development.

2

### **Introduces a seventh pillar for assessing the management of assets and liabilities**

The additional pillar focuses on the importance of prudent planning and management of public investments, assets and liabilities as key elements of public finance.

3

### **Covers additional aspects of PFM performance**

PEFA 2016 introduces four new indicators to assess public investment and asset management, macrofiscal forecasting and fiscal strategy. It examines performance information for service delivery, broadens the assessment of revenue management, and gives prominence to the internal control framework.

4

### **Strengthens analysis of government revenues**

PEFA 2016 expands coverage to include both tax and nontax revenues. It broadens the assessment to consider the variance in revenue composition and the reliability of revenue forecasts.



**PILLAR FOUR**  
Credible fiscal and budgeting



**PILLAR FIVE**  
Predictability and control in budget execution



**PILLAR SIX**  
Accounting and reporting



**PILLAR SEVEN**  
External scrutiny and audit

5

### Increases the focus on medium-term planning and budgeting

PEFA 2016 strengthens emphasis on key building blocks for credible and effective medium-term fiscal policy. It examines the use of macrofiscal forecasts, the medium-term fiscal strategy and outlook, the extent of its medium-term perspective in expenditure budgeting, and the alignment of strategic plans with budget allocations.

6

### Places greater emphasis on transparency and openness

PEFA 2016 promotes greater public access to more comprehensive financial information, including budget documentation, financial reporting, procurement, fiscal strategy, and fiscal risks.

7

### Integrates assessment of the external development impact into indicators of system performance

The impact of donor practices on PFM outcomes is examined through refined and expanded indicators and a more focused report narrative rather than separate indicators.

8

### Increases consistency in approach and terminology

PEFA 2016 has adopted a consistent approach to considering the size and materiality of performance throughout an indicator set. This results in a clearer scoring system, and replaces PEFA-specific definitions with terminology used in the IMF's Government Finance Statistics Manual, where practicable.

9

### Implements a clearer and simpler scoring system

The 'D' score applies for all practices below the basic level of performance and where there is insufficient information to validate a higher score. 'D' also replaces the 'NR' (not rated) code used previously where there was insufficient information on an indicator.

10

### Establishes a more user-friendly report structure

PEFA 2016 reports include an executive summary for a quick snapshot of the key findings and implications. The revised report format provides a more logical structure and clearer presentation of the operating environment, performance characteristics and implications for PFM outcomes. It is easier for users to find the information they need in PEFA 2016 reports.

# GOVERNANCE

In 2001 the Public Expenditure and Financial Accountability (PEFA) program was initiated by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom.

The PEFA Partners jointly establish the objectives and scope of the PEFA Program, define the content of the PEFA brand and criteria for its use, provide institutional support for its implementation and mobilize the necessary resources for its activities.

The PEFA Program is managed and implemented through a structure involving the PEFA Steering Committee composed of PEFA Partners, which directs and monitors the PEFA Program, and the PEFA Secretariat, which implements the program's activities.

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## PEFA Partners



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