



THE PUBLIC FINANCE & FINANCIAL ACCOUNTABILITY (PEFA) FRAMEWORK

Module 1: What is PEFA?
Initiative & Mechanics of the Framework

PEFA and PFM

- An open and orderly PFM is one of the enabling elements to achieve the three desirable budgetary outcomes:



- **Aggregate fiscal discipline**

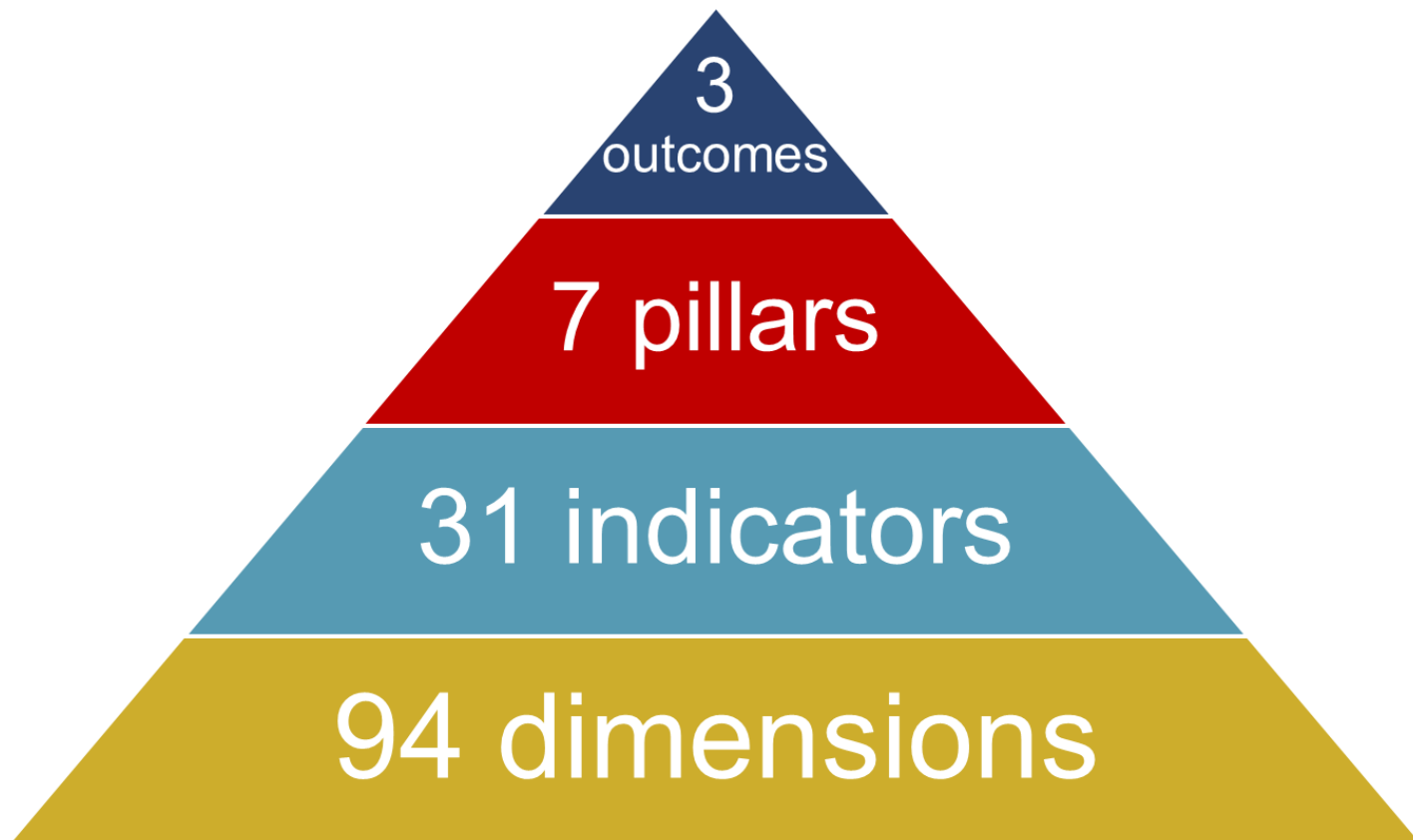


- **Strategic allocation of resources**



- **Efficient service delivery**

PEFA 2016 PFM performance assessment



7 PEFA pillars of PFM 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

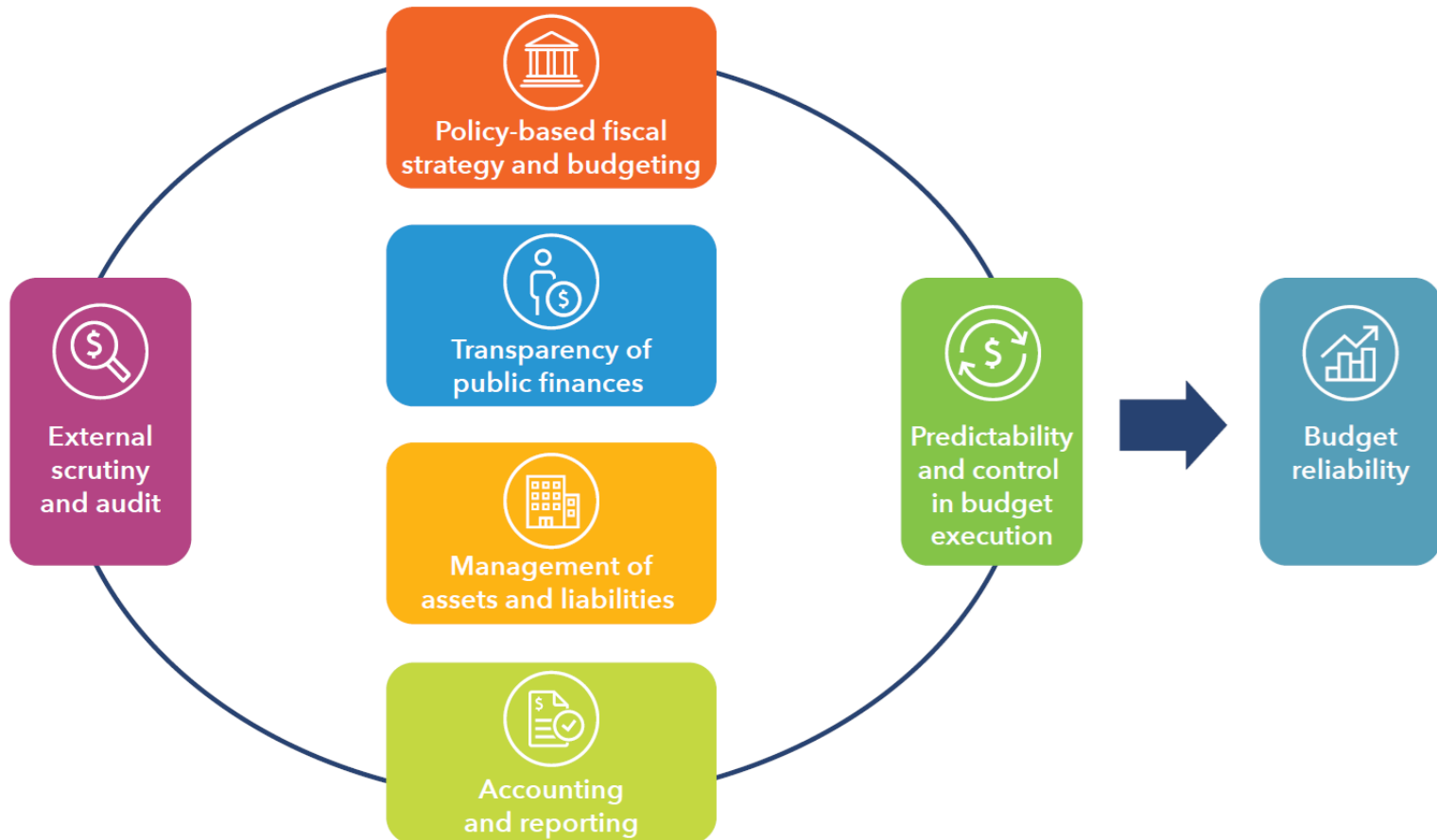


Pillar Six
Accounting and
reporting



Pillar Seven
External scrutiny and
audit

PEFA and the budget cycle



PEFA is a programme

- PEFA: **P**ublic **E**xpenditure & **F**inancial **A**ccountability
- Founded as a partnership in 2001, now 9 members:



PEFA Goals

Assess the **status of country PFM systems** and develop a practical sequence of reform and capacity development actions, in a manner that:

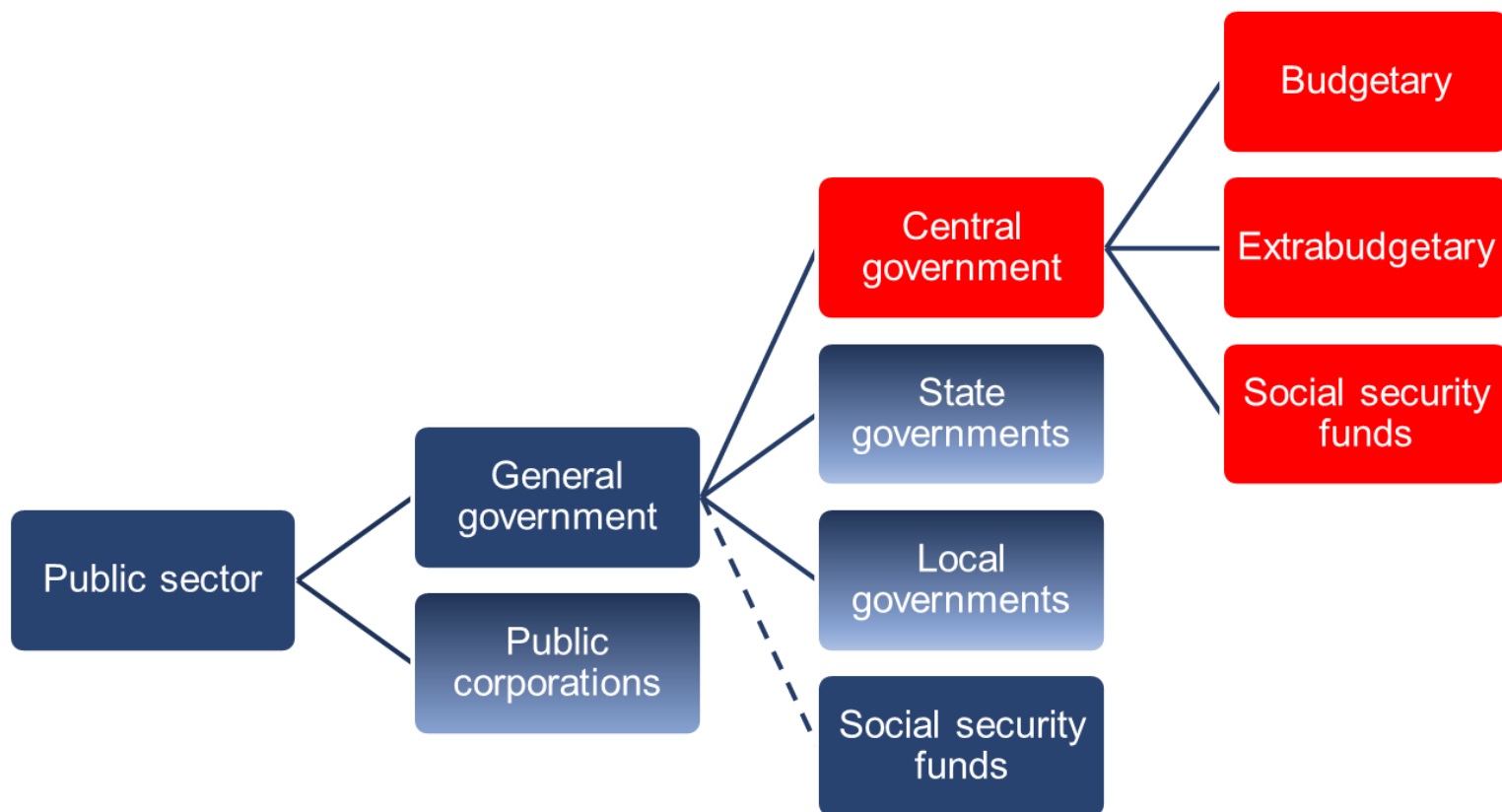
- Encourages country ownership;
- Reduces the transaction costs to countries;
- Enhances donor harmonization;
- Allows monitoring of progress of country PFM performance over time;
- Better addresses developmental and fiduciary concerns;
- Leads to improved impact of reform.

PEFA Framework in a nutshell

- **PEFA is a standardized methodology with two components**
 - A standard set of high level PFM indicators to assess performance
 - A concise, integrated performance report
- **Its purpose is to:**
 - Provide a thorough, consistent and evidence-based analysis of PFM performance at a specific point in time
 - Assess how PFM impacts on the key budget outcomes - fiscal discipline, efficient resource allocation, efficient service delivery
 - Establish the basis for developing and implementing improvements in PFM
- **PEFA does not:**
 - Assess causes for good or poor performance
 - Assess government policies

What does the PEFA framework cover?

(PEFA and GFS 2014 structure of the public sector)



What does the PEFA Framework not cover?

PEFA is not used for:

- **Assessing PFM performance of public corporations**
 - Corporate governance standards are different
 - Part of public sector not central government sector
 - (Exception is potential fiscal risk to central government)
- **Directly assessing sector level PFM performance**
 - However, information from a government PEFA assessment can be used to inform sector analysis

Benefits of PEFA

- Measures progress over time through a set of standardized indicators
- Builds momentum for PFM reform
- Facilitates donors' decisions on priorities and use of country systems
- Fosters stakeholder coordination around one common assessment, including donor coordination (as many PEFA's are done jointly)
- Extensive international acceptance
- Conclusion: What matters more is what you do with your PEFA assessment once completed...

How many PEFA assessments prepared?

636 assessments completed ... 22 planned...
(as at January, 2020)

How many PEFA assessments prepared?

637 assessments prepared in 152 countries –
*EU Lead for **187** Assessments and contributor in other **63***
(as at January, 2020; Source: PEFA Secretariat)

Type of assessment	Baseline assessments	Successive assessments	Total
National level	151	217	368
Sub-national level	223	46	269
Total	374	263	637

Which countries are using PEFA?

A PEFA assessment has been undertaken in:

- 97% of Low Income Countries (LIC)
- 100% of Lower Middle Income Countries (LMIC)
- 75% of Upper Middle Income Countries (UMIC) and
- 35% of High Income Countries

Source: PEFA Secretariat, January 2020.

PEFA assessments by region

