



# PFM and services delivery

27 October 2021

*DG International Partnerships (INTPA E1)*

# The objectives of PFM - Reminder

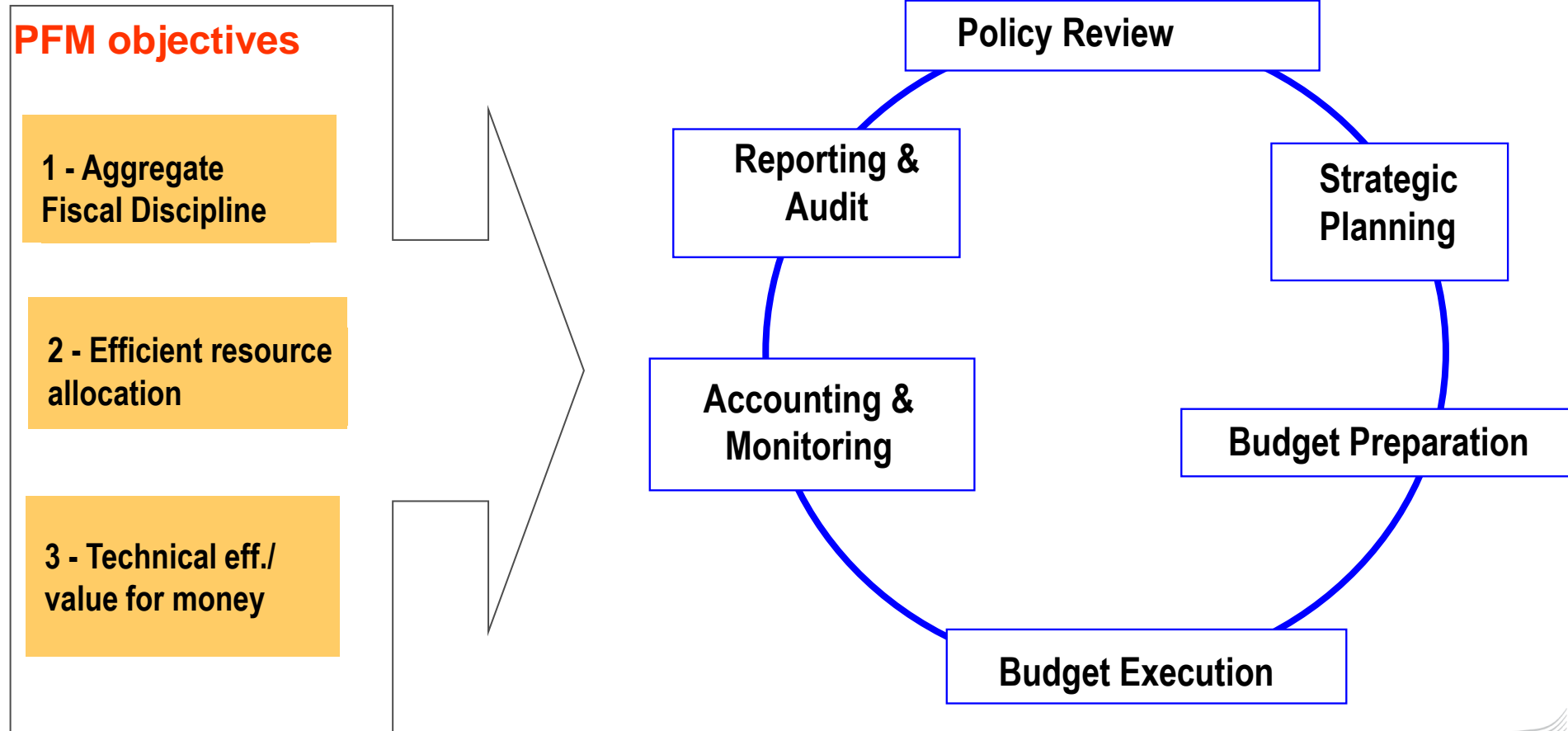
## Objectives of 'traditional' approach

1. Financial compliance (budget discipline)
2. Compliance to the budget law

## Objectives of 'modern' performance-oriented approach

1. Aggregate fiscal discipline
2. Strategic allocation of resources in compliance with public policy objectives
3. Efficient delivery of public services

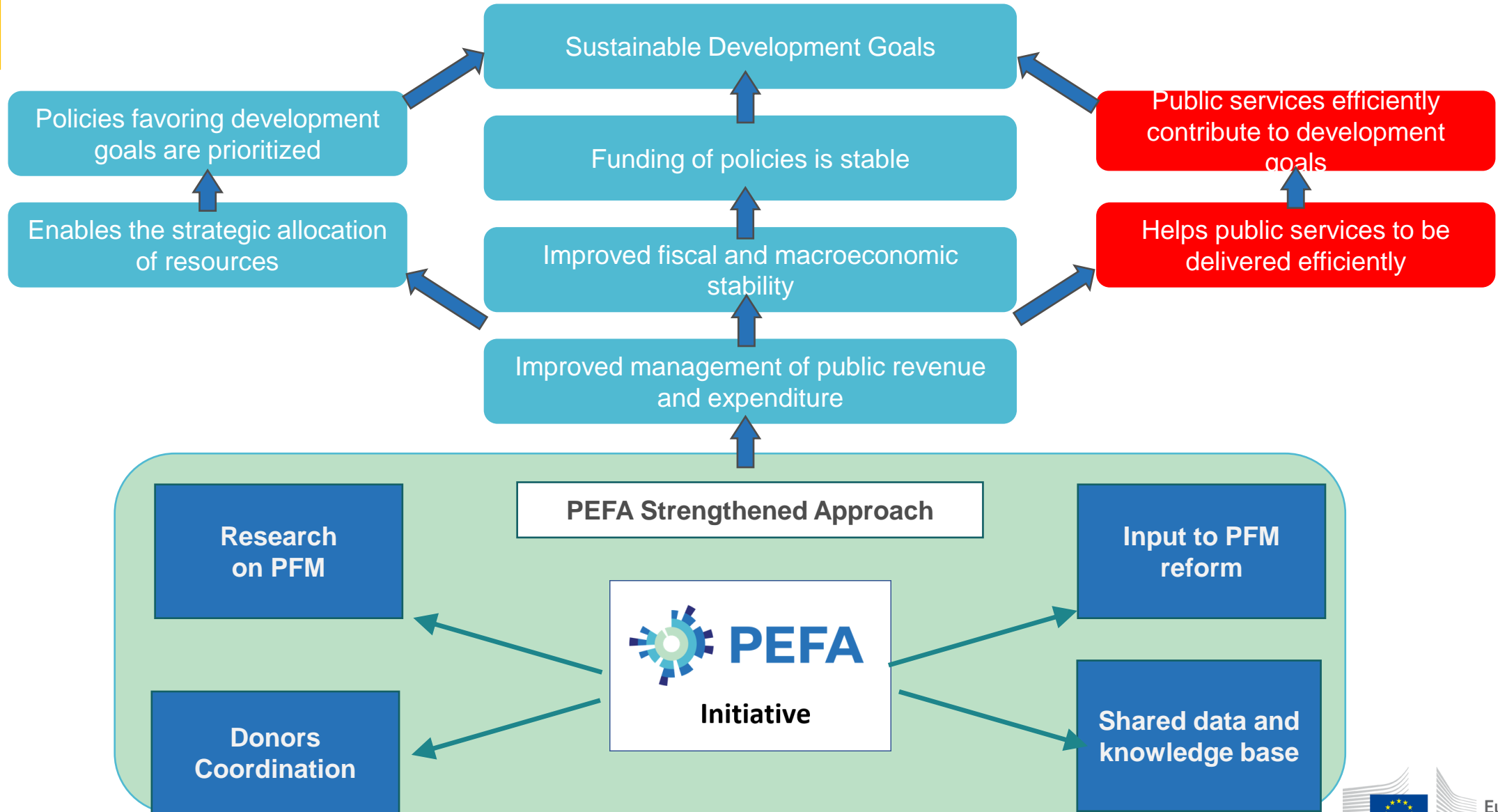
# PFM objectives and budget cycle



# PFM and service delivery?

- **Around the world, there are major failings in the provision of core public services**
- **Public Financial Management (PFM) matters for service delivery**
- **Need to understand and assess PFM systems**
- **Assessing PFM performance at the SD level comes with significant challenges**

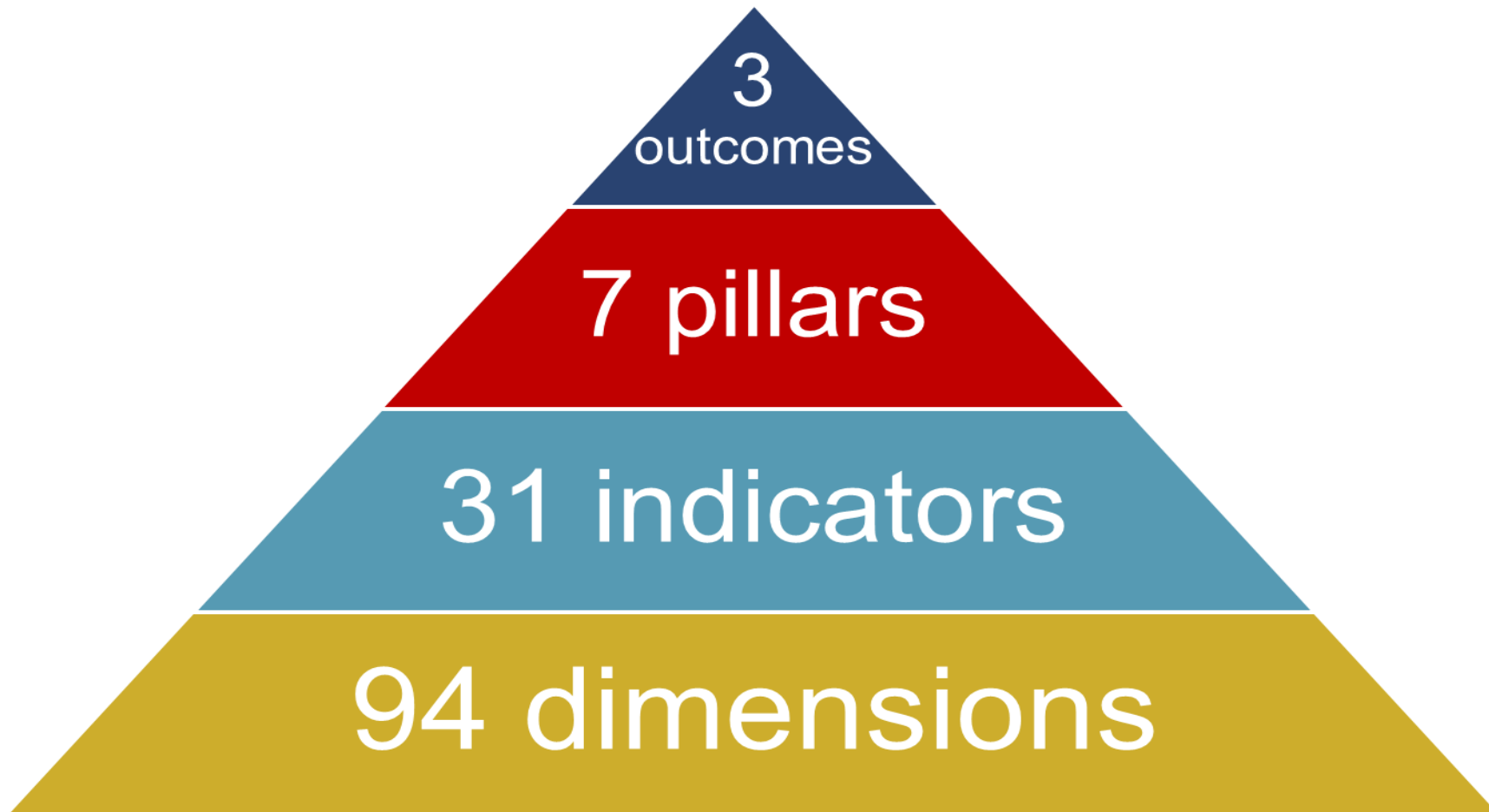
# PEFA and PFM



# 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

# The PEFA diagnostic tool



# 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

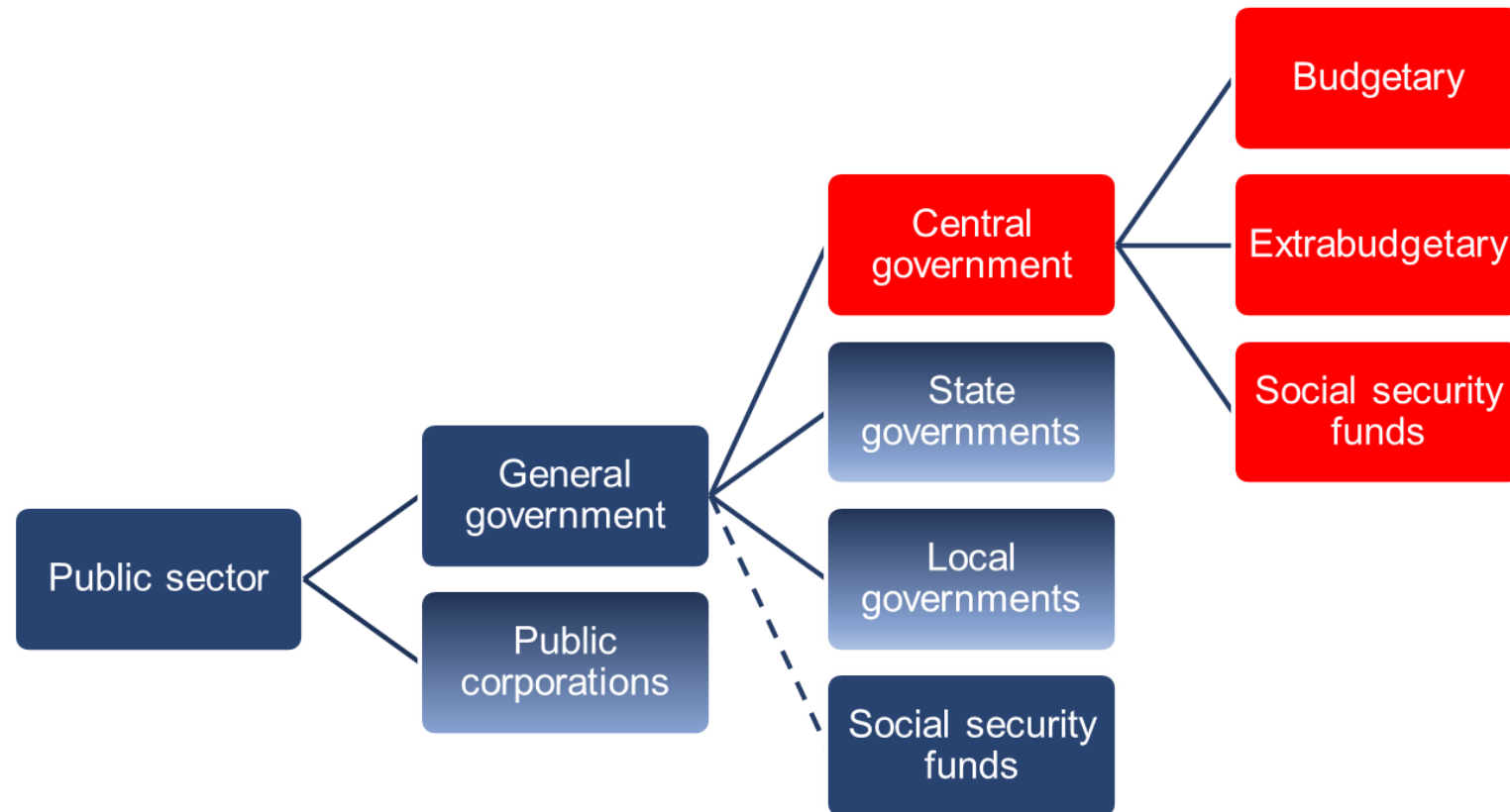


**Pillar Seven**  
External scrutiny and  
audit



# 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...

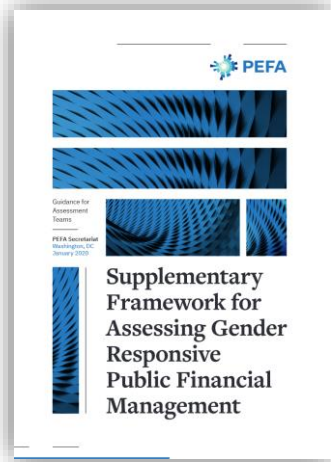
# Sub-National PEFA Assessments

- Increasing trend: more than 1/2 of all assessments are ‘SNGs’
  - State, province, region, canton, district, city...
- Reasons for undertaking vary, need may be from:
  - SNG (e.g. public service delivery, borrowing power);
  - CG (e.g. political dialogue, oversight, reform);
  - donors (e.g. fiduciary risk, loans etc.).

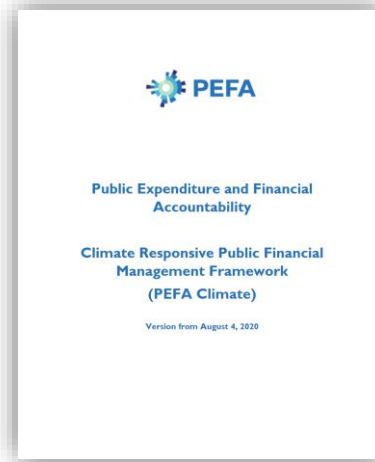
# PEFA and service delivery

- **Strengthening the links between PFM and SD is an issue of increasing interest and importance**
- **PEFA Work in progress: Additional module?**
- **PEFA 2016 includes only one indicator (PI.8) on performance information for SD**
- **Strengthening the PEFA approach to sectors could consist in better using the information in the reports to improve understanding of the PFM context in the sectors**

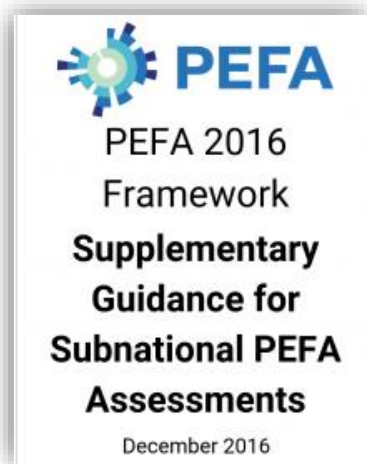
# PEFA New Products that support SDGs



**PEFA Gender supporting Gender Equality SDG 5**



**PEFA Climate supporting Climate Action SDG 13**



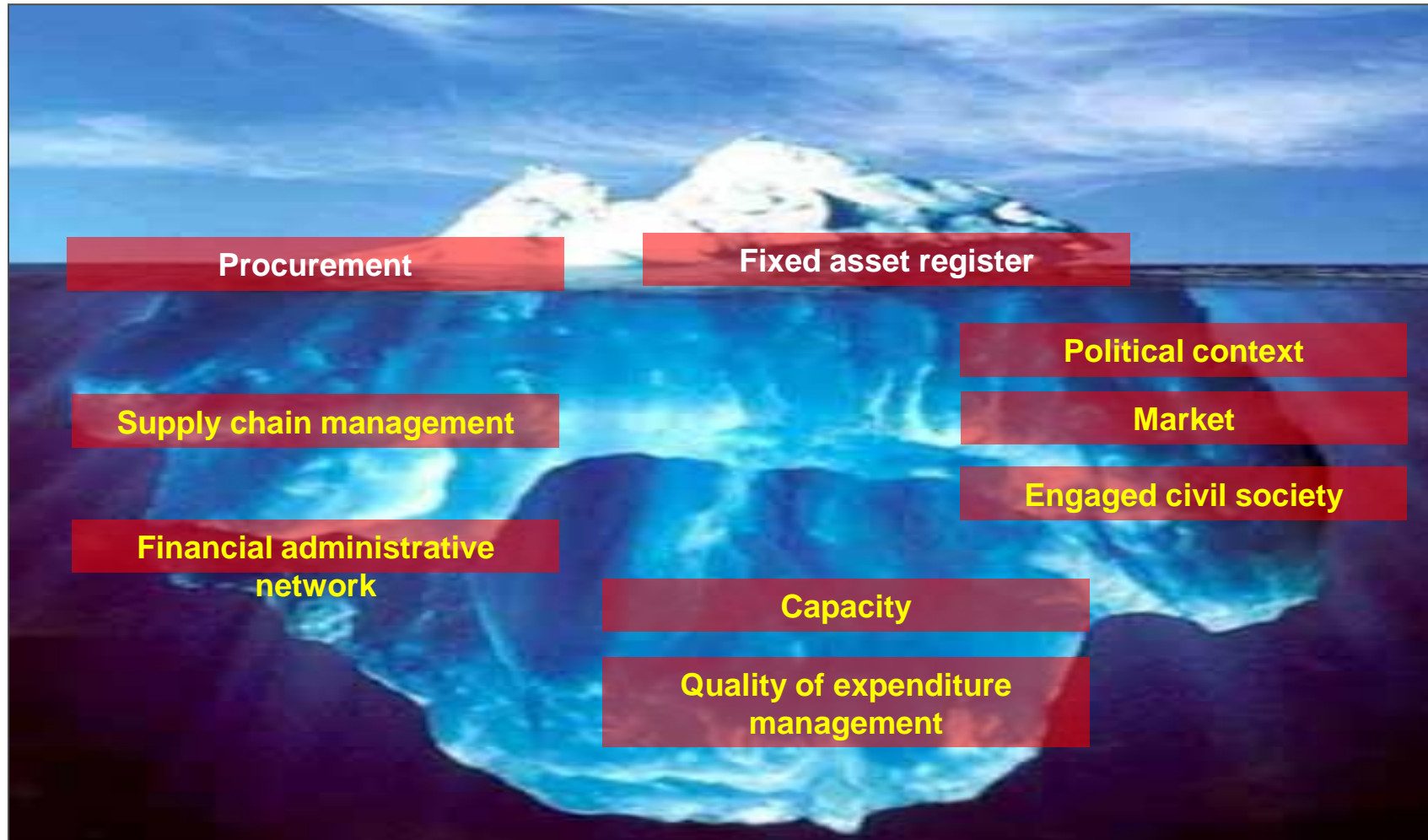
**PEFA for Subnational Governments with Service Delivery Module supporting SDG 3 and SDG 4**



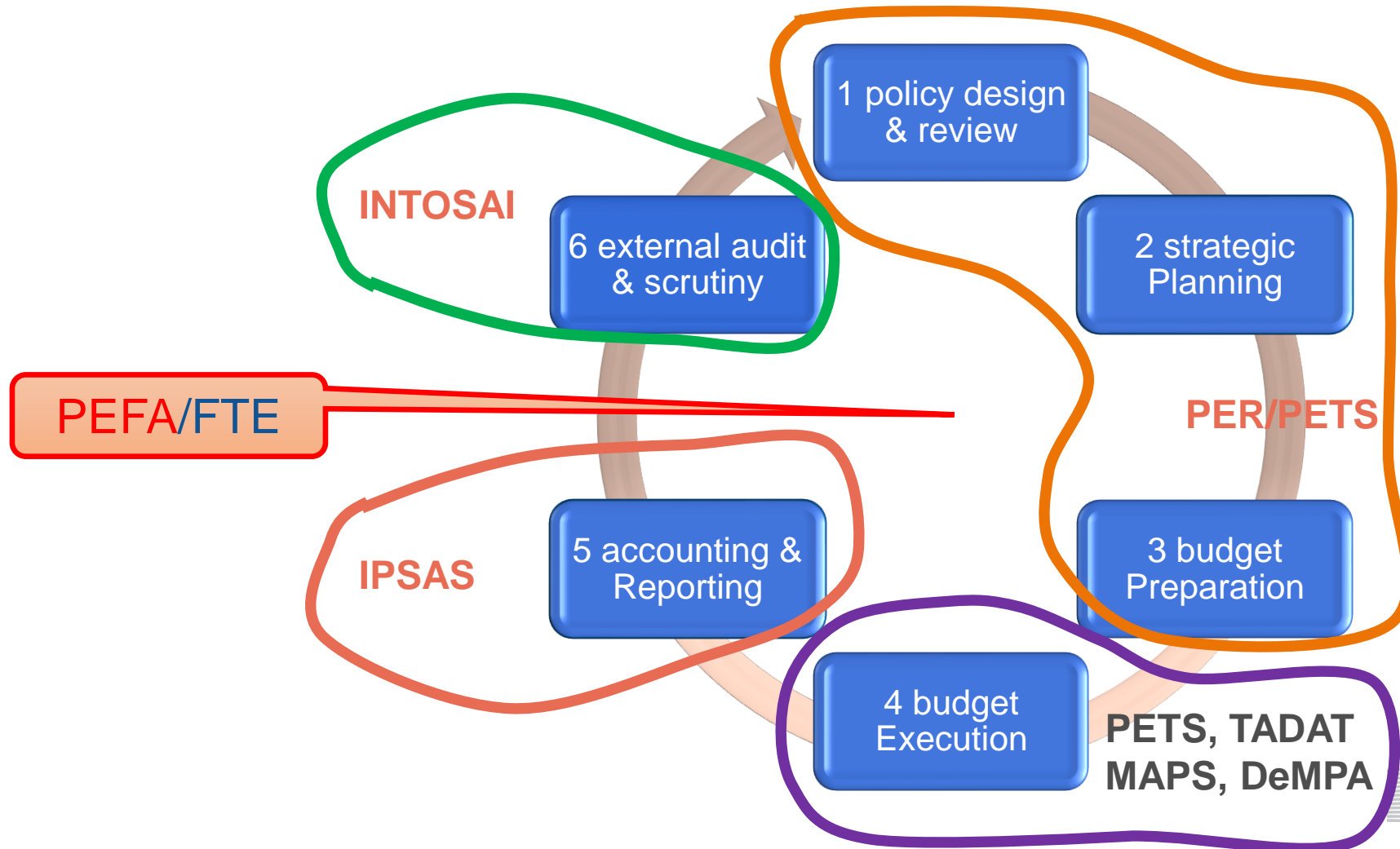
**PEFA Global Report 2020 supporting sharing data**

# The PEFA diagnostic tool

The PEFA Iceberg – how comprehensive?

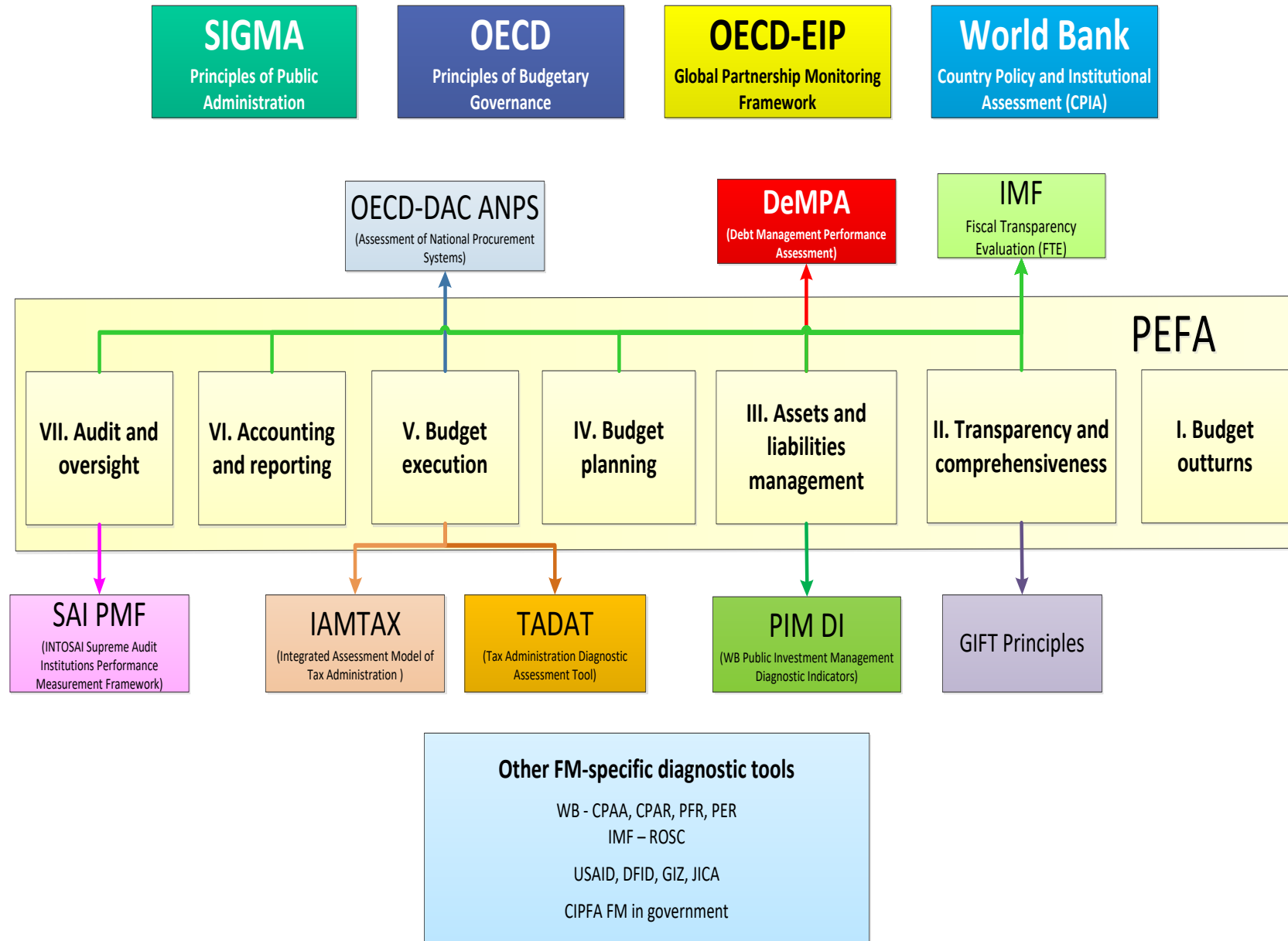


# PFM assessment & diagnostic tools





# Broad-based PFM frameworks: Central government



# Conclusions

- **Consensus that weaknesses in the PFM system can have consequences for SD outcomes**
- **The PEFA framework is the most used PFM diagnostic tool and could help sectors better understand the PFM bottlenecks on better SD and how these can be mitigated**
- **But not enough....**

**What do you think?**