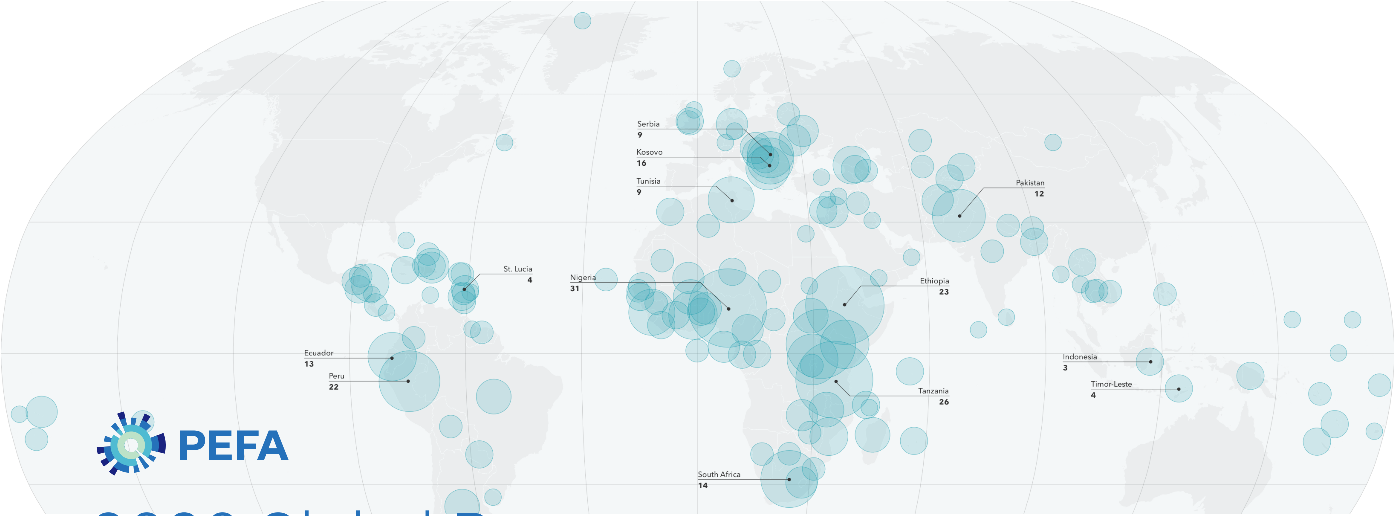


2020 Global Report on Public Financial Management

READ REPORT >

EXECUTIVE SUMMARY

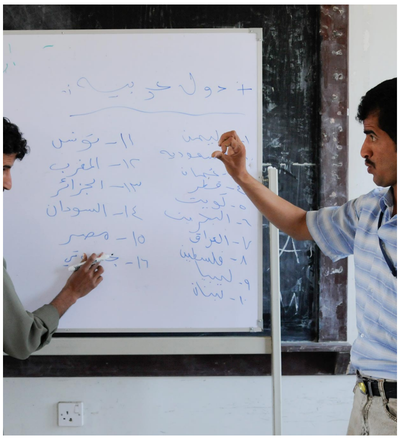
The Global Report presents trends in public financial management (PFM) using Public Expenditure and Financial Accountability (PEFA) data. The report—which is only available online—contains data visualizations accompanied by short analyses and country examples. It gives an overview of the methodology used for assessing PFM performance, highlights key trends in PFM across seven key areas of the budget cycle, and presents ideas on how the data analysis and findings could influence future research on PFM. The report contains an overview of PEFA assessment findings from 2019 and presents four case studies: Argentina, Ethiopia, Ukraine, and West Bank and Gaza. It also showcases key findings from the initial application of the recently launched PEFA framework for assessing gender responsive public financial management.

KEY MESSAGES

- Countries on average perform better in preparing their budgets than executing them.
- Internal audit, management of fiscal risks, external audit, and scrutiny by Supreme Audit Institutions and the legislature remains the weakest areas of PFM.
- The budget preparation process, predictability of in-year resource allocation, internal controls on nonsalary expenditure, and debt management were the highest scoring areas.
- Gender considerations in the design, implementation, and evaluation of budget policies are not yet mainstreamed in most countries, though some countries have made important advances in this area.

SECTIONS

Learn about the PEFA program, global trends in public financial management (PFM), and ideas for future research.



BACKGROUND

What is PEFA?

This section introduces the PEFA program and methodology. It describes what PEFA partnership is, how PEFA measures PFM performance, as well as what the advantages and limitations of the PEFA data set are.

BACKGROUND

Methodology

This section describes the methodological issues for cross-country quantitative analysis of PEFA data. It highlights the challenges in converting the PEFA letter grades to numerical values and the challenges in weighting and aggregating these numerical values.

REPORT

Global PFM Performance

This section presents key trends in PFM performance by region, income, time period, and the seven PFM pillars using the PEFA 2016 methodology. It provides more detailed analysis on indicators and pillars of the PEFA framework throughout the budget cycle.

REPORT

Year in Review

This section focuses on PEFA assessments finalized in 2019 and highlights selected case studies (Argentina, Ethiopia,

REPORT

Gender Responsiveness

This section presents the initial findings from the recently launched PEFA supplementary

GET ENGAGED

A Call to Action

This section suggests potential areas of future research for PEFA data, including links with other policy areas. This list is

Ukraine, and West Bank and Gaza) to understand specific country characteristics and key assessment findings.

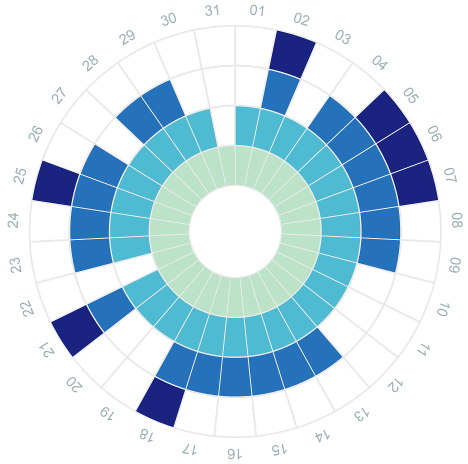
framework for assessing gender responsive public financial management.

not meant to be exhaustive, and researchers are encouraged to use PEFA data for additional research.

The Global Report on Public Financial Management presents trends in public financial management (PFM) using PEFA data. The report—which is only available online—contains data visualizations accompanied by short analyses and country examples.

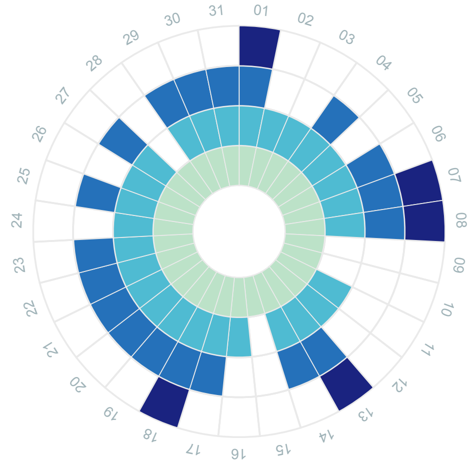
ARGENTINA

VIEW ›



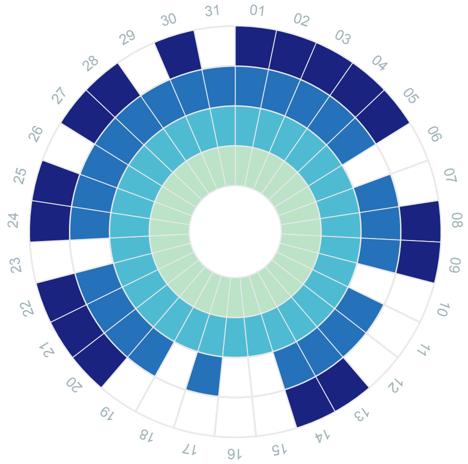
ETHIOPIA

VIEW ›



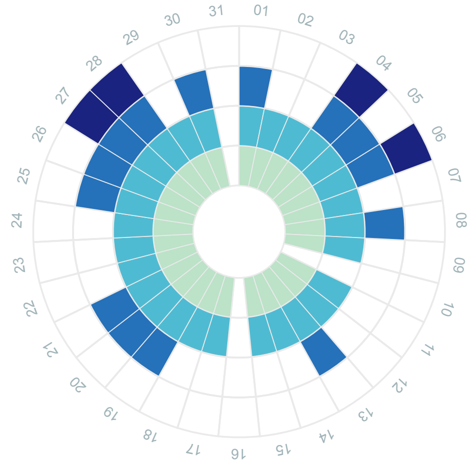
UKRAINE

VIEW ›



WEST BANK AND GAZA

VIEW ›



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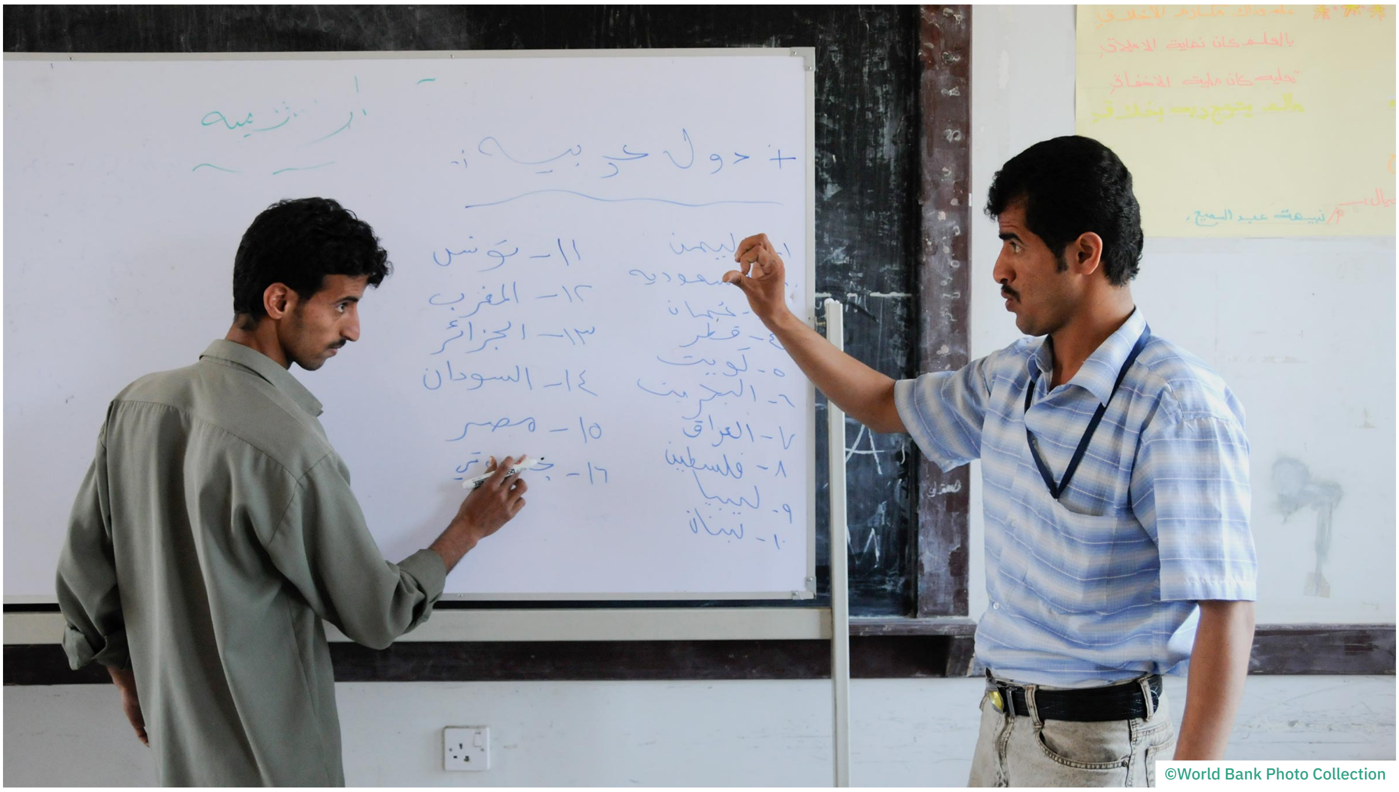

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BACKGROUND SECTION 1

What Is PEFA?

This section introduces the Public Expenditure and Financial Accountability (PEFA) program and methodology. It describes what PEFA partnership is, how PEFA measures public financial management (PFM) performance, as well as the advantages and limitations of the PEFA data.

The PEFA Partnership Program

PEFA is a partnership program of the European Commission, the International Monetary Fund (IMF), the World Bank, and the governments of France, Luxembourg, Norway, the Slovak Republic, Switzerland, and the United Kingdom. The partnership was set up to establish a uniform approach to collecting information on countries' public financial management performance.

The PEFA framework identifies 94 characteristics (known as dimensions) within 31 key components of PFM (known as indicators) in seven broad areas of PFM (known as pillars).

LEARN MORE >

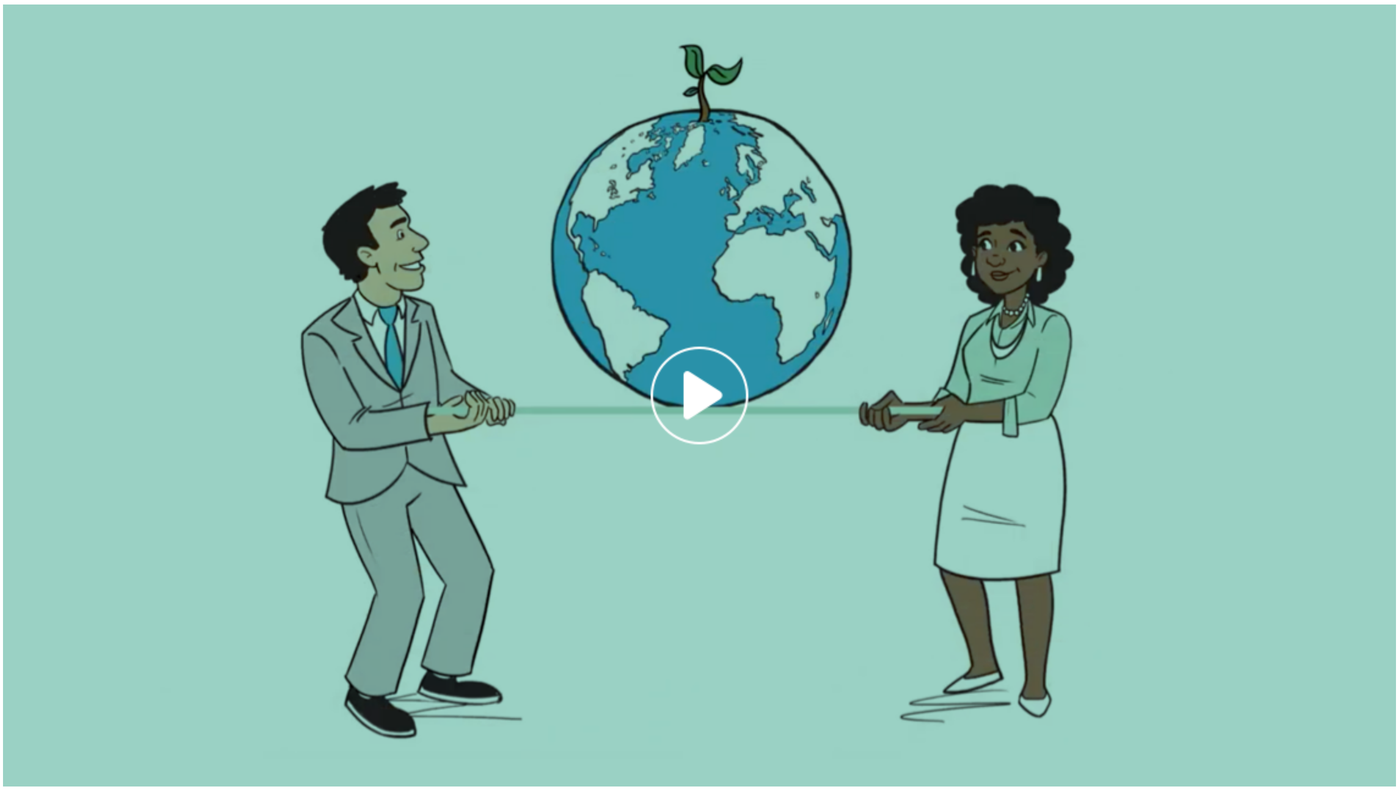
The PEFA Framework

The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of PFM using a letter-grade scoring system to measure performance. PEFA is designed to provide a snapshot of PFM performance at a specific point in time. The methodology can be replicated in successive assessments to document changes in performance over time.

> "The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of PFM."

PFM in instrumental in the achievement of broader development objectives: macroeconomic stability, efficient resource allocation, and service delivery. Good PFM is "the linchpin that ties together available resources, delivery of services, and achievement of government policy objectives. If it is done well, PFM ensures that revenue is collected efficiently and used appropriately and sustainably" (PEFA Secretariat 2016).

PEFA EXPLAINER VIDEO



The PEFA framework identifies 94 characteristics (known as dimensions) within 31 key components of PFM (known as indicators) in seven broad areas of PFM (known as pillars).

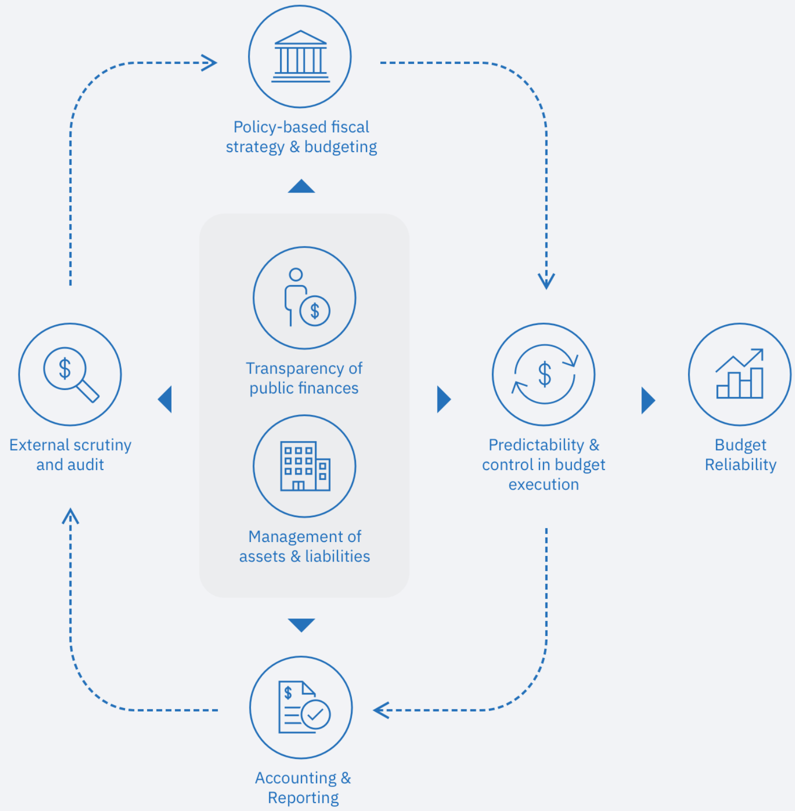
PEFA 2016 Framework

The updated PEFA framework was launched in 2016 (often titled PEFA 2016) and is based on the stages of the annual budget cycle. It recognizes that a good PFM system is instrumental in supporting the objectives of aggregate fiscal discipline, strategic allocation of resources, and efficient delivery of services. The framework can be applied at both national and subnational levels.

> "The updated PEFA framework is based on the stages of the annual budget cycle."

The figure illustrates the PFM system as outlined in the PEFA 2016 framework. It includes seven pillars corresponding to the phases of the budget cycle—*policy-based fiscal strategy and budgeting*, *predictability and control in budget execution*, *accounting and reporting*, and *external scrutiny and audit*. It also includes two cross-cutting pillars on the transparency of *public finances* and the *management of assets and liabilities* and a pillar on *budget reliability* that represents an output of the budget process.

THE PFM SYSTEM ACCORDING TO THE 2016 PEFA FRAMEWORK



Source: PEFA Secretariat 2016. Note: PFM = public financial management. PEFA = public expenditure and financial accountability.

PILLARS

BUDGET RELIABILITY

The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

TRANSPARENCY OF PUBLIC FINANCES

Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on performance in service delivery, and ready access to fiscal and budget documentation.

MANAGEMENT OF ASSETS AND LIABILITIES

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

POLICY-BASED FISCAL STRATEGY AND BUDGETING

The fiscal strategy and budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

PREDICTABILITY AND CONTROL IN BUDGET EXECUTION

The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

ACCOUNTING AND REPORTING

Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

EXTERNAL SCRUTINY AND AUDIT

Public finances are independently reviewed, and there is external follow-up on the implementation of recommendations for improvement by the executive.

Framework 2016 Stats

PILLARS	INDICATORS	DIMENSIONS
7	31	94

The table below presents the 7 pillars, 31 indicators, and 94 dimensions of the PEFA framework.

More information on the PEFA 2016 methodology is available on the FAQ section of the PEFA website or in the 10 Things about PEFA 2016 leaflet.

THE 2016 PEFA FRAMEWORK INDICATORS

PILLARS
I. BUDGET RELIABILITY
II. TRANSPARENCY OF PUBLIC FINANCES
III. MANAGEMENT OF ASSETS AND LIABILITIES
IV. POLICY-BASED FISCAL STRATEGY AND BUDGETING
V. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION
VI. ACCOUNTING AND AUDITING
VII. EXTERNAL SCRUTINY AND AUDIT

Want to know more about the previous 2011 version of the framework and its indicators set?

LEARN MORE >

Previous Versions of the PEFA Methodology

The PEFA methodology has evolved over time. First released in 2005, updated frameworks followed in 2011 and 2016. Unlike the 2016 framework, the 2011 framework did not represent a significant departure from the 2005 framework, as only three indicators were revised (PI–2, PI–3, and PI–19).

Using PEFA to Measure Changes in Performance over Time

The 2016 framework represents a significant revision from previous versions. While some indicators remain directly comparable, other indicators have been revised, dropped, or added, rendering them less comparable or, in some cases, incomparable.

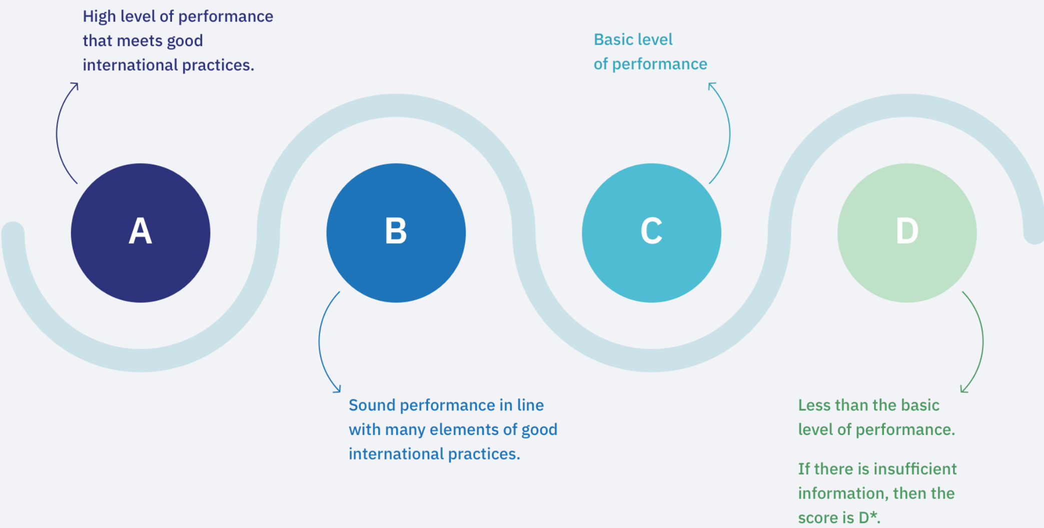
The transition to the 2016 framework has been managed by the continued use of the 2011 framework in an accompanying annex. This dual assessment approach generated one more wave of comparable assessments within the data set, creating a larger sample of comparable indicators with which to observe changes in PFM performance over time.

A high-level overview of how PEFA indicators and dimensions of 2016 and 2011 methodologies are connected and a more thorough analysis of similarities and differences between the two frameworks are available at the resources section of the PEFA website.

How PEFA Measures PFM Performance?

Each dimension measures performance against a four-point ordinal scale from D to A that captures levels of compliance with good practices in PFM. D is the lowest score; A is the highest score.

SCORING THE PEFA INDICATORS



Note: PEFA = public expenditure and financial accountability.

Methods

To calculate the indicator score, the assessor must combine the dimension scores using one of two methods referred to as method 1 (M1) and method 2 (M2). The scoring method is clearly prescribed for each of the indicators.

M1 METHOD

The M1 method is applied for multidimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimension(s) of the same indicator. Under this method, the indicator is assigned

M2 METHOD

The M2 method is applied for multidimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions of the same indicator. Because it applies equal weighting to each of the

the score of the lowest dimension, but a "+" is added if one of the other dimension scores is higher.

dimension scores within the indicator, the M2 method is also referred to as the "averaging method."

Performance indicators with only one dimension simply take the score of this dimension and are not eligible for a "+" rating.

A score rated as NA (not applicable) is used when a dimension or indicator is not applicable to country circumstances (for example, the assessment of fiscal risks stemming from subnational governments is not applicable for small countries with no subnational governments). In the 2016 framework a score rated as D* replaced a score of NR in the previous version of the framework for cases where information to score a dimension is lacking (lack of information is not considered good practice).

Advantages and Limitations of PEFA

The PEFA framework emerged in 2005 as the instrument that harmonized various PFM diagnostic tools used by development partners. As a result, it has become the most widely used assessment of PFM performance.

ADVANTAGES

COMPREHENSIVENESS

It is the most comprehensive measure of PFM to date, covering the entire budget cycle as well as other key PFM areas.

GLOBAL COVERAGE

PEFA has wide global coverage. Since its launch in 2005, there have been more than 600 assessments at both national and subnational levels in 151 countries and territories.

COMPARISON OVER TIME

The methodology is standardized so that it can be repeated and changes can be tracked over time.

COMBINATION OF QUANTITATIVE AND QUALITATIVE ASSESSMENT

The framework includes a narrative report that discusses qualitative aspects of PFM performance to complement the quantitative scores.

QUALITY ASSURANCE

The PEFA Secretariat provides quality assurance to ensure that the standards of assessment are met consistently across countries and time.

LIMITATIONS

GEOGRAPHIC BIAS

The PEFA data set is biased toward poorer regions and smaller countries, which are overrepresented compared with higher-income regions and larger countries.

SNAPSHOT OF PERFORMANCE

The PEFA framework only provides a snapshot of PFM performance; more specialized tools are often needed to provide in-depth analysis, such as, for example, the IMF's Public Investment Management Assessments (PIMAs) and Fiscal Transparency Evaluations (FTEs), the World Bank's Debt Management Performance Assessment (DeMPA), and others. There is also considerable debate in the PFM community about whether PEFA performance indicators accurately measure PFM performance and whether these performance indicators matter for fiscal policy, service delivery, and other important government functions.

TIME INCONSISTENCIES

While one of the biggest advantages of PEFA is that it allows changes in scores to be monitored over time, PEFA assessments typically are carried out every three to five years. The timing of successive assessments varies widely across countries. Therefore, there is no consistent timing of the data collected.

COMPARISON OVER TIME

The PEFA framework has changed over time, with the most significant changes occurring between the 2011 and 2016 frameworks. PEFA 2016 provides a more robust assessment of PFM performance and covers new areas of performance that were not included in the previous versions. These areas include macrofiscal forecasts, a medium-term fiscal strategy and outlook, a medium-term perspective in expenditure budgeting, and public assets and investment management. Thus, comparisons over time are not possible for the new and revised performance indicators.

PUBLICLY AVAILABLE DATA

Not all PEFA assessments are publicly available. Only about two-thirds of PEFA assessments have been made publicly available through the PEFA Secretariat website. In some cases, the failure to publish is simply due to delays, while in other cases, the government has chosen not to publish the report.

ISOMORPHIC MIMICRY

According to Andrews (2009, 2011), it is easier to improve on some performance indicators than others by changing the form of the PFM system rather than how it functions, which he describes as isomorphic mimicry. He notes that de jure (normative practices such as the adoption of public finance law), upstream (initial phases of the budget cycle that center largely around policy-based fiscal strategy and budgeting), and concentrated (the involvement of a smaller group of stakeholders in PFM reforms) functions of the PFM system are more amenable to isomorphic mimicry than de facto, downstream, and deconcentrated functions. Thus, an improvement in a de jure performance indicator may have little or no tangible impact in practice.

END IN THEMSELVES

Despite guidance from the PEFA Secretariat, many countries and donors treat improvements in performance ratings as an end in themselves. PEFA scores should be considered as one input of many in any PFM reform process.

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PEFA (Public Expenditure and Financial Acountability) Secretariat. 2016. PEFA 2016 Framework. Washington, DC: PEFA Secretariat. http://pefa.org/resources/pefa-2016-framework.

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Methodology

This section describes the methodological issues for cross-country quantitative analysis of Public Expenditure and Financial Accountability (PEFA) data. It highlights the challenges in converting the PEFA letter grades to numerical values and the challenges in weighting and aggregating these numerical values. It also summarizes previous research using PEFA data and provides a free panel data set of PEFA data from published reports to encourage further research.

This report uses the approach to the conversion of PEFA scores from D to A into numerical scores from a 1 to 4 (score D equals 1 and score A equals 4).

While the PEFA framework was not originally designed for cross-country comparison, a few public financial management (PFM) practitioners and researchers have capitalized on this rich source of information for regression analysis. However, since a PEFA assessment does not provide an overall score, several conversion, weighting, and aggregating challenges must be addressed.

Conversion

The most common approach was pioneered by de Renzio (2009), who first analyzed PEFA assessments to reveal patterns and trends of PFM systems across countries. To conduct this analysis, de Renzio assigned a numerical score to each letter grade to facilitate cross-country comparisons (see table below). According to de Renzio (2009, 3), the "1–4 scale is of course somewhat arbitrary but is meant to reflect the fact that a 'D' score in many cases denotes a deficient system, not a non-existent one."

NUMERICAL CONVERSION OF PEFA SCORES

PEFA SCORE	NUMERICAL VALUE
A	4
B+	3.5
B	3
C+	2.5
C	2
D+	1.5
D	1
D*	1
NA, NR	Excluded from analysis

Source: de Renzio 2009.

Weighting and Aggregating

These numerical performance indicator scores were then averaged to derive an overall aggregate PFM performance score for each country, which could then be used as a dependent variable in a regression. Averaging, however, assumes equal weighting. Equal weighting makes the explicit assumption that progressing from D to C has the same statistical impact as progressing from B to A. Furthermore, it assumes that all 28 performance indicators have the same impact.

The decision to average PEFA scores is not ideal because the PEFA methodology measures different things across the various indicators, which, according to de Renzio, "are not necessarily amenable to quantitative conversions, calculations, and analysis." In practice, certain aspects of the PFM cycle are likely to be more important than others for the overall performance of the PFM system.

> "The decision to average PEFA scores is not ideal because the PEFA methodology measures different things across the various indicators."

Additional Methodological Challenges

Further challenges relate to time inconsistency, measurement error, and limited observations. PEFA assessments are undertaken at different moments in time in different countries, making it challenging to compare countries during the same time period. For example, while two assessments may have a date of assessment of June 2010, the supporting evidence may cover 2006 to 2008 in one country and 2007 to 2009 in the other country. As a result, if an exogenous shock occurs in a year that stresses PFM systems, such as the 2008–09 global financial crisis, a country assessed in 2009 may score lower than the year before or after. As a result, differences across countries may be due to the occurrence of exogenous shocks and other factors rather than the strength of countries' PFM systems.

Furthermore, any regression analysis on PEFA scores is compounded by the lack of observations. There have been only 311 national PEFA assessments for 136 countries, which means that the sample size will always be limited. A larger panel data set would minimize the challenges of time inconsistency and measurement error.

PEFA Secretariat Guidance

These issues are discussed in a note produced by the PEFA Secretariat (2009), which offers guidance on the aggregation and comparisons of PEFA ratings. In this note, the Secretariat acknowledges the pros (simple, transparent, and replicable) of converting an alphabetic score to numerical values, assuming equal weights for each indicator, and generating a simple average of all indicators.

The Secretariat identifies three challenges that these assumptions pose to validity. First, there is no theoretical justification to suggest that a move from D to C represents the same incremental change as a move from C to B or from B to A. Second, there is no evidence to suggest that each indicator should be weighted equally. Third, the weight or importance of different PFM dimensions varies across countries. According to the PEFA Secretariat (2009, 19), there is "no scientifically correct method on how aggregation should be done [and] the PEFA program neither supports aggregation of results in general nor any particular aggregation method." The Secretariat's advice at the time was that "any user—as part of the dissemination of results from comparison—clearly explains the aggregation method applied in each case. It would also be advisable that users undertake sensitivity analysis to highlight the extent to which their findings are robust under alternative aggregation assumptions."

2016 PEFA Framework Update

The 2016 update to the PEFA assessment methodology poses an additional challenge. The new methodology revised the scoring of every PEFA performance indicator. This extensive revision suggests that the previous scoring methodology suffered from shortcomings and makes it difficult to compare countries that were assessed with the 2016 framework to countries that were assessed with the 2011 framework. More information about the PEFA Secretariat's Guidance on Tracking PFM Performance for Successive Assessments is available at the resources page of the PEFA website.

Existing Research

Typically researchers, such as, for example, de Renzio, Andrews, and Mills (2010), Whiteman (2013), Fritz, Sweet, and Verhoeven (2014), Haque et al. (2012), and Ricciuti et al. (2016) have followed, with slight variations, the methodological alphanumeric conversion methodology set by de Renzio (2009). The table below provides a summary of their objectives, construction of the PFEA variable, regression methods, and pros and cons of their approaches.

> "Typically, researchers have followed, with slight variations, the methodological alphanumeric conversion methodology set by de Renzio."

METHODOLOGIES USED FOR PEFA INDICATOR REGRESSIONS

PAPER
DE RENZIO (2009)
DE REZIO, ANDREWS, AND MILLS (2010)
WHITEMAN (2013)
FRITZ, SWEET, AND VEERHOEVEN (2014)
HAQUE ET AL. (2015)
RICCUITI ET AL. (2016)
ANDREWS (2011)
KRISTENSEN ET AL. (2019)

Note: PEFA = public expenditure and financial accountability. PFM = public financial management. OLS = ordinary least squares. WLS = weighted least squares.

An Alternative Methodological Approach

Andrews (2011) developed a second methodological approach to PEFA numerical conversion using a multivariate ordered logistic regression to estimate the impact of organizational attributes on the PFM reform. Andrews adopted a partial proportional odds model, using PEFA letter scores as the dependent variable, because "using ordinary least squares or even more conventional logit techniques would mean discarding the ordinal nature of the outcome variable, which would result in a loss of efficiency."

According to Andrews, this approach has two main benefits. First, the dependent variable in this estimation method is a four-category ordinal outcome, where A (=4) reflects greatest compliance with reform and D (=1) reflects lowest compliance. Second, the partial proportional odds model relaxes the assumption of parallel slopes, an assumption under straight ordinal regression models, which implies that the effect of explanatory variables on the dependent variable is constant across different categories of the dependent variable (Andrews uses a Brandt test to show that there is a violation of the parallel regression assumption).

> "Andrews developed a second methodological approach to PEFA numerical conversion using a multivariate ordered logistic regression to estimate the impact of organizational attributes on the PFM reform."

Under this estimation method, a positive coefficient implies that higher values of the explanatory variables push the likelihood toward higher PEFA scores (such as A, B, or C), while a negative coefficient implies that higher values of the explanatory variables limit the likelihood to a lower-category ranking (D). This approach maintains the ordinal ranking and does not impose the assumptions of (a) PEFA scores as a continuous variable, (b) equal distance between ordinal rankings, or (c) equal weighting among PEFA indicators.

Guidance for Researchers

In 2019, the PEFA Secretariat recommended "follow[ing] the approach for conversion outlined in a paper by Paolo de Renzio (2009)." However, we encourage all interested researchers to explore alternative statistical approaches. To encourage this process, we are providing the full set of panel data from completed public PEFA assessments.

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REPORT SECTION 3

Global Trends in Public Financial Management Performance

This section presents key trends in public financial management (PFM) performance as measured by the Public Expenditure and Financial Accountability (PEFA) assessment framework across different regions, country income levels, time periods, and the seven key pillars of PFM. Both the 2011 and the 2016 PEFA frameworks are used to highlight key trends. A more in-depth analysis of the 2016 framework assessments is presented for the first time to identify trends across the seven key pillars of PFM.

Key Messages

1 Governments perform strongest on budget preparation and weakest on the effectiveness of internal audit and external audit and scrutiny.

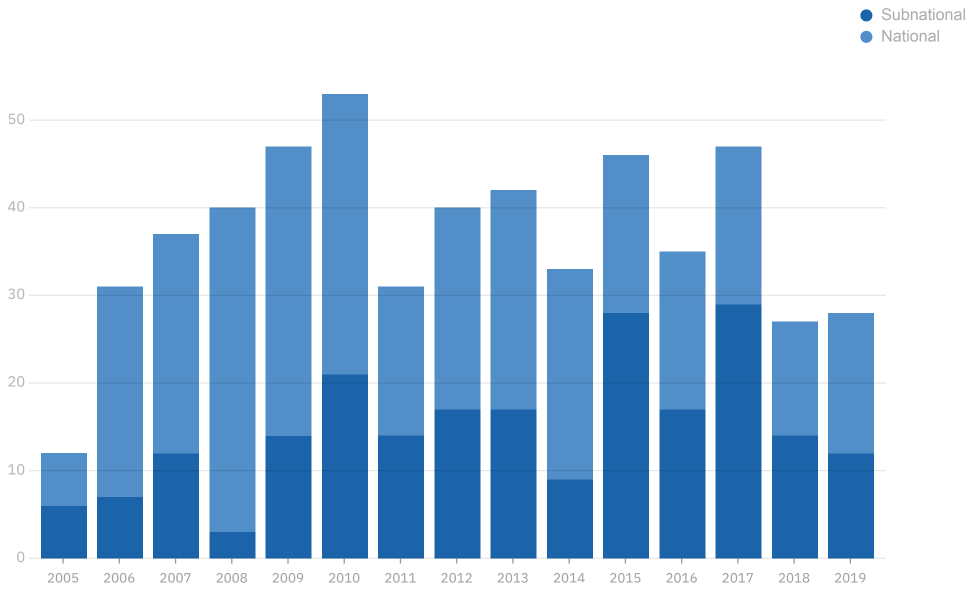
2 At the subnational level, governments had the strongest performance in accounting and reporting.

3 Only two-thirds of documents that governments submit to the legislature for review are also publicly available to citizens.

Global Trends

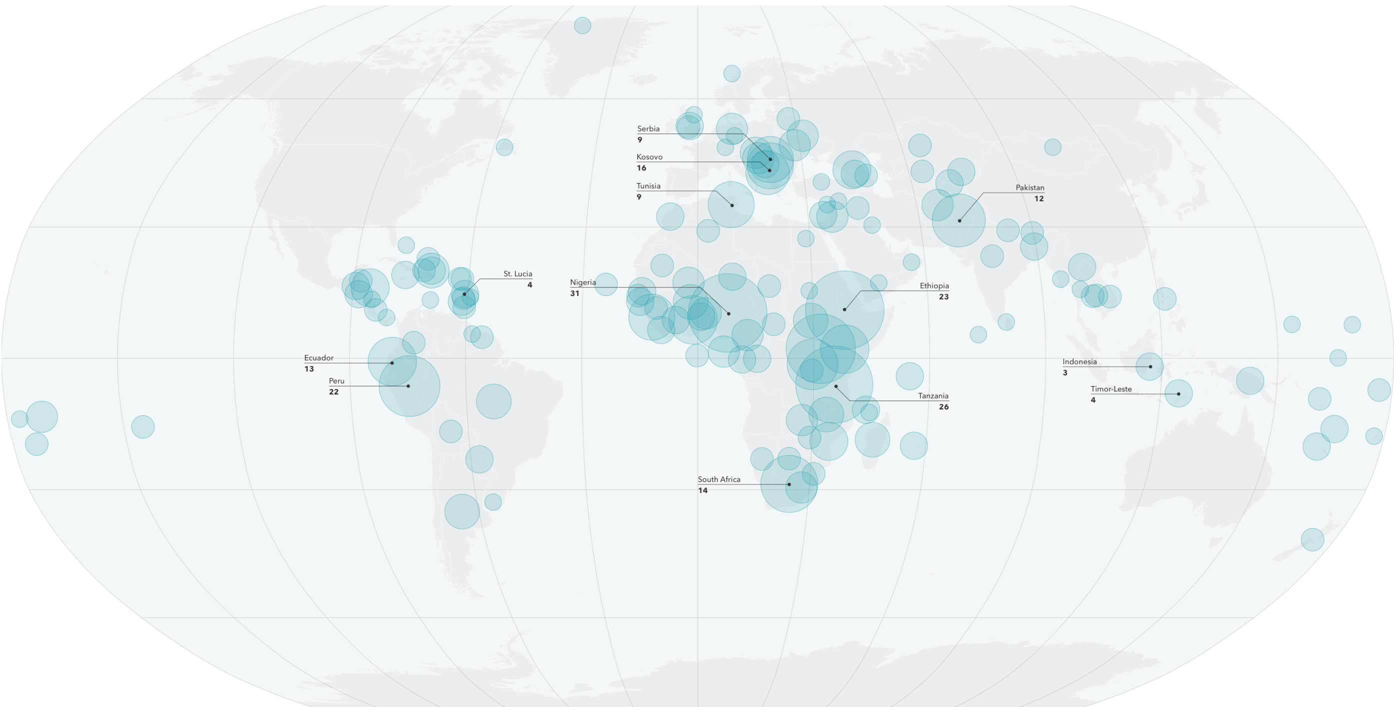
Since the launch of the PEFA framework in 2005, 549 PEFA assessments had been completed as of December 31, 2019. The PEFA framework has been applied at both the national and subnational levels, with 60 percent of assessments at the national level and 40 percent at the subnational level.

NUMBER OF PEFA ASSESSMENTS AT NATIONAL AND SUBNATIONAL LEVELS, 2005–19



National = 329 | Subnational = 220

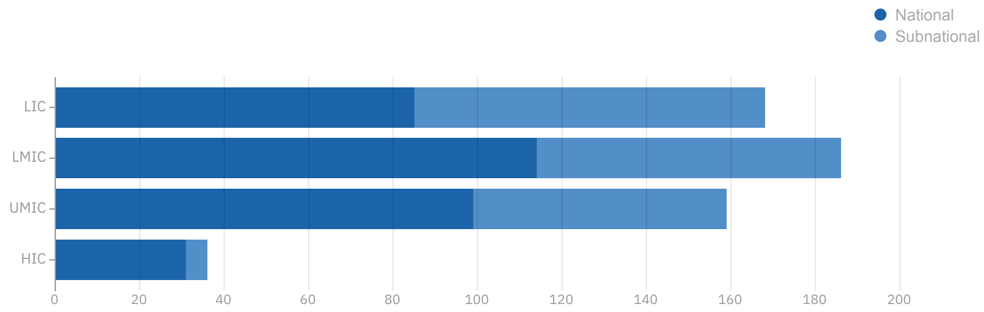
MAP OF PEFA ASSESSMENTS, 2005–19



PEFA assessments have been carried out in 149 countries around the world.

Most PEFA assessments have been implemented in lower-middle-income countries, followed by low-income and upper-middle-income countries. Only 36 assessments or 6.6 percent of all PEFA assessments have been carried out in high-income countries. However, this trend is changing, and several assessments are in the pipeline in high-income countries, especially at the subnational level.

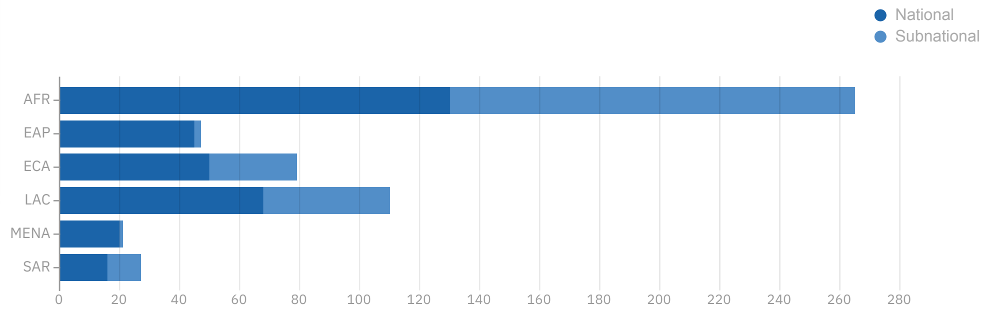
COVERAGE OF PEFA ASSESSMENTS, BY COUNTRY INCOME LEVEL, 2005–19



National = 329 | Subnational = 220

The Sub-Saharan Africa region has had the most PEFA assessments, followed by Latin America and the Caribbean and Europe and Central Asia.

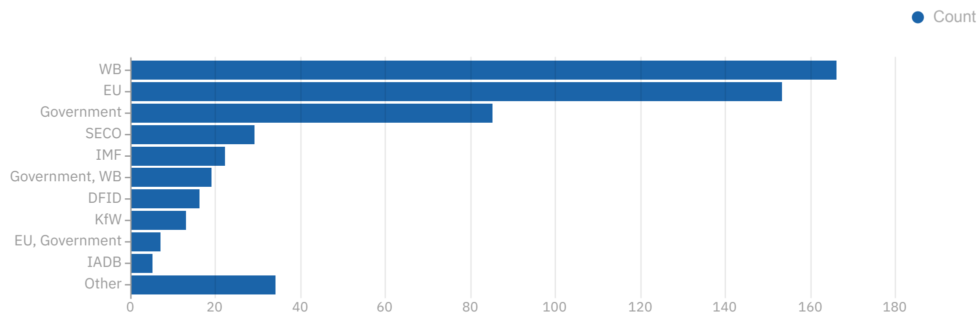
COVERAGE OF PEFA ASSESSMENTS, BY REGION, 2005–19



National = 329 | Subnational = 220

More than 20 bilateral and multilateral development organizations have led PEFA assessments, principally the World Bank and the European Union, followed by the Swiss State Secretariat for Economic Affairs and the International Monetary Fund. A growing number of governments are taking ownership of the assessment process and are writing the reports themselves or partnering with a development organization to carry out the assessment.

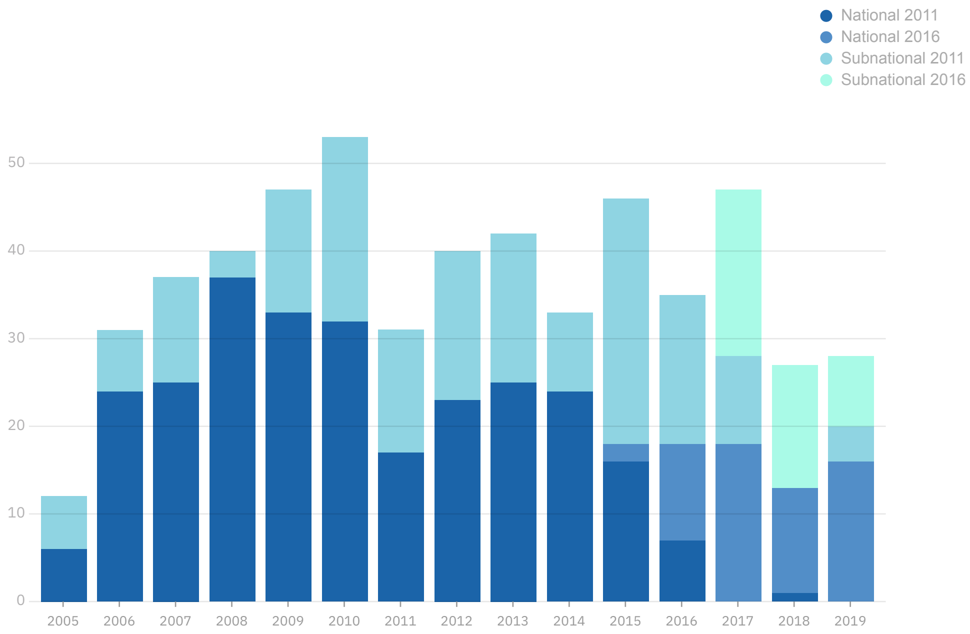
AGENCY INVOLVEMENT IN PEFA ASSESSMENTS, 2005-2019



N = 549

The PEFA assessment framework was launched in 2005 and subsequently revised in 2011 and 2016. Unlike the 2016 framework, the 2011 framework did not represent a significant departure from the 2005 framework because only three indicators were revised (PI–2, PI–3, and PI–19). Therefore, all assessments using the 2005 and 2011 frameworks are identified as "PEFA 2011." Between 2005 and 2019, an average of 27 PEFA assessments were completed each year.

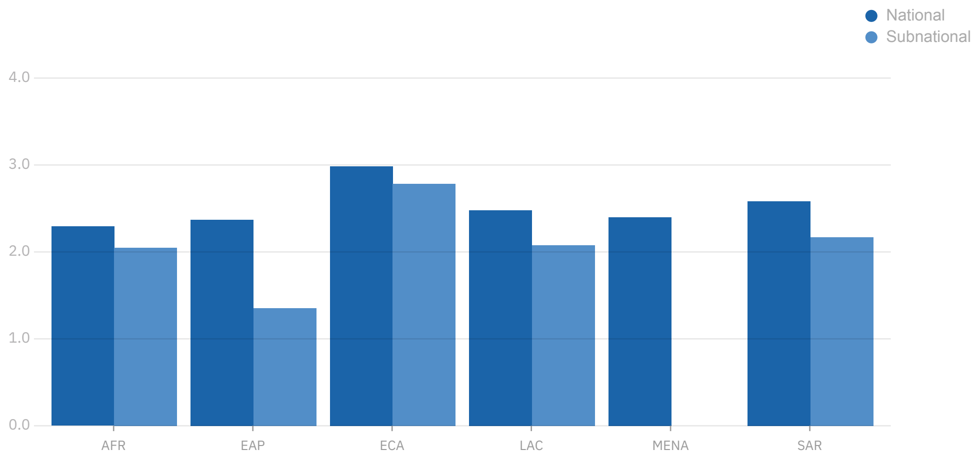
PEFA ASSESSMENTS, BY ASSESSMENT FRAMEWORK, 2005–19



National 2011 = 270 | National 2016 = 59 | Subnational 2011 = 179 | Subnational 2016 = 41

The Europe and Central Asia region had the highest average scores of all regions. National governments scored higher on average than subnational governments across all regions.

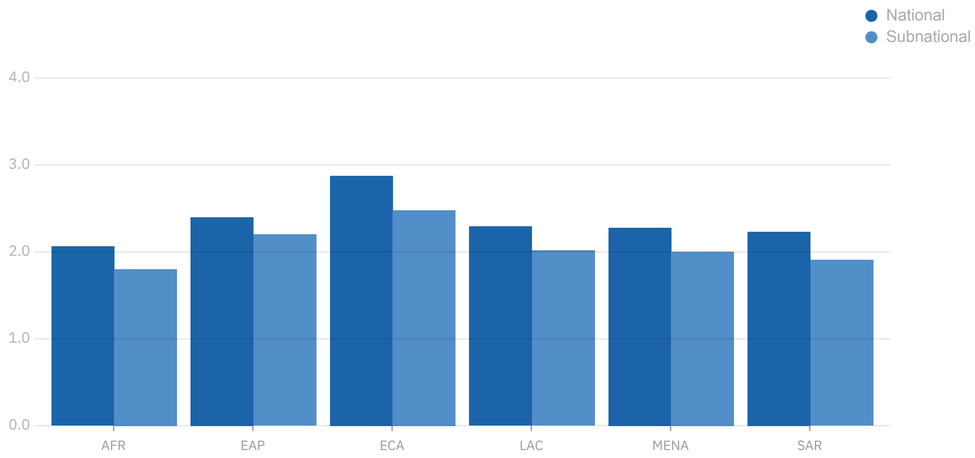
REGIONAL AVERAGE PEFA SCORE (PEFA 2011 FRAMEWORK)



National = 133 | Subnational = 157

In the smaller sample of PEFA 2016 framework assessments, countries of Europe and Central Asia performed the best at both the national and subnational levels, followed by countries of East Asia and the Pacific and Middle East and North Africa. Subnational governments scored lower on average than national governments.

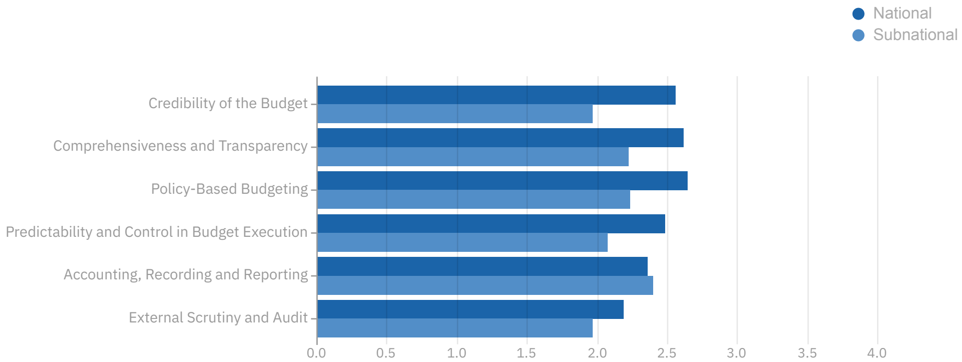
REGIONAL AVERAGE PEFA SCORE (PEFA 2016 FRAMEWORK)



National = 58 | Subnational = 41

National governments on average scored higher on policy-based budgeting, followed by comprehensiveness and transparency of public finances; they scored the lowest on external scrutiny and audit. At the subnational level, governments on average scored the highest on accounting, recording, and reporting and the lowest on external scrutiny and audit, similar to the national level.

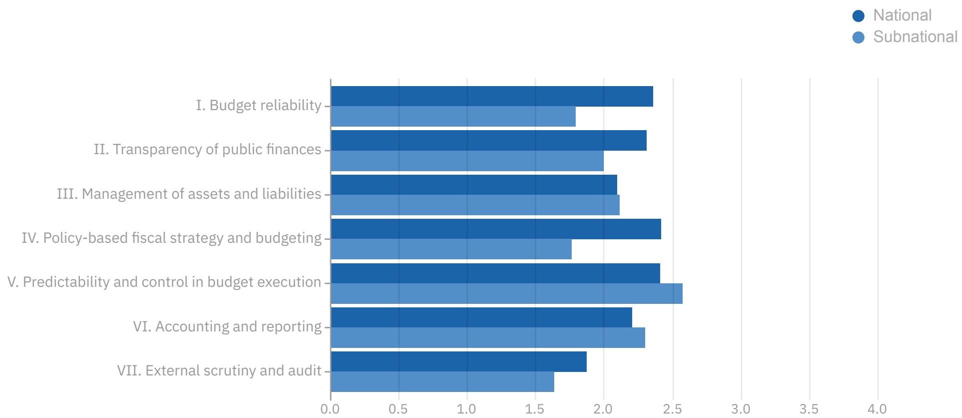
AVERAGE PEFA SCORE, BY PILLAR (PEFA 2011 FRAMEWORK)



National = 133 | Subnational = 157

At the national level, countries on average scored the highest on the policy-based fiscal strategy and budgeting pillar and scored the lowest on the external scrutiny and audit pillar. At the subnational level, governments on average also scored the lowest on the external scrutiny and audit pillar and scored the highest on the predictability and control in budget execution pillar.

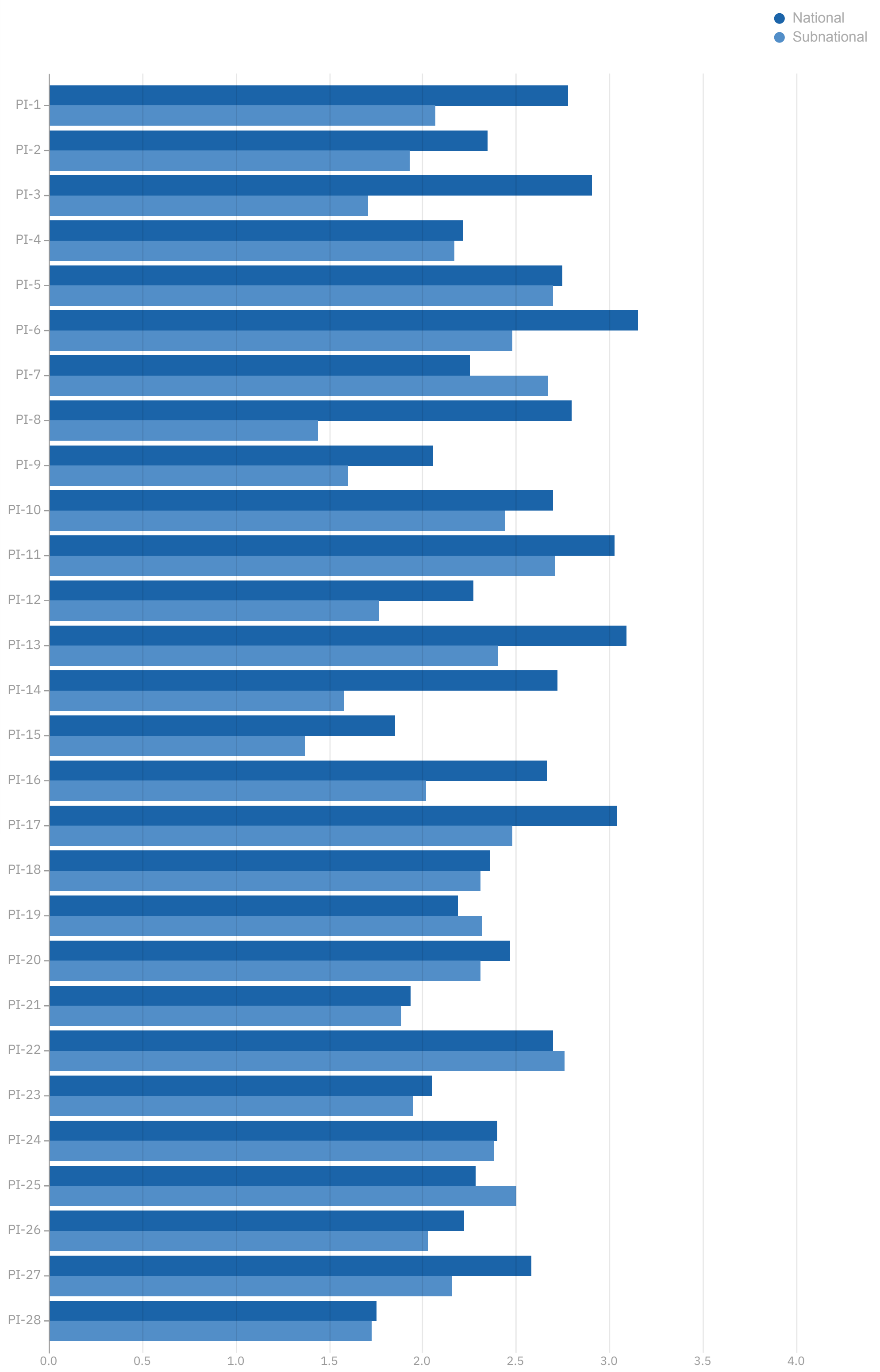
AVERAGE PEFA SCORE, BY PILLAR (PEFA 2016 FRAMEWORK)



National = 58 | Subnational = 41

On average, the highest indicator scores at the national level were on comprehensiveness of budget documentation as prepared by the executive and submitted to the legislature for review (PI–6), transparency of taxpayer obligations and liabilities (PI–13), recording and management of cash balances, debt, and guarantees (PI–17), and multiyear perspective in fiscal planning, expenditure policy, and budgeting (PI–11). On average, the lowest indicator scores were for legislative scrutiny of external audit reports (PI–28), effectiveness in collection of tax payments (PI–15), and effectiveness of internal audit (PI–21). At the subnational level, the highest average score was for timeliness and regularity of accounts reconciliation (PI–22), and the lowest average score was for effectiveness in the collection of tax payments (PI–15), similar to the national level.

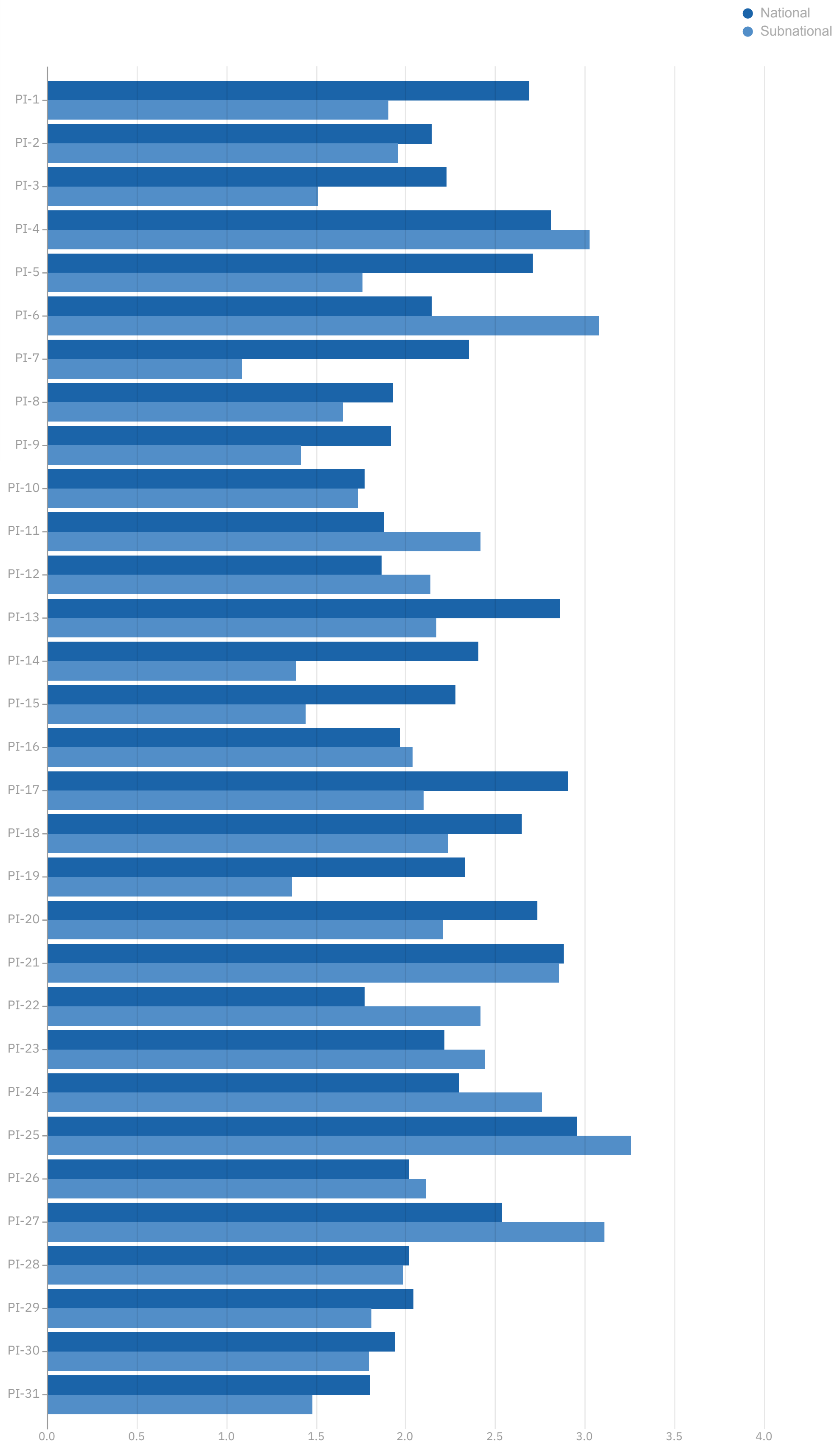
GLOBAL AVERAGE PEFA SCORE, BY INDICATOR (PEFA 2011 FRAMEWORK)



National = 133 | Subnational = 157

At the level of PEFA 2016 framework indicators, national governments on average scored the highest on internal controls on nonsalary expenditure (PI–25), budget preparation process (PI–17), and debt management (PI–13) and scored the lowest on fiscal risk reporting (PI–10) and expenditure arrears (PI–22). Subnational governments on average also scored the highest on internal controls on nonsalary expenditures (PI–25) but scored the lowest on transfers to lower levels of governments (PI–7).

GLOBAL AVERAGE PEFA SCORE, BY INDICATOR (PEFA 2016 FRAMEWORK)



National = 58 | Subnational = 41

The following analysis follows the methodology outlined in Section 1 to compare PEFA scores across countries and over time. The analysis draws from both the PEFA 2011 and PEFA 2016 frameworks, with each chart explicitly denoting the framework used. Except for the analysis of the repeated PEFA assessments, the latest PEFA assessment in each country is used for comparative purposes. For example, if a country had multiple assessments under the PEFA 2011 framework, only its latest assessment will be used to minimize the potential bias that could occur if some countries had more assessments than others.

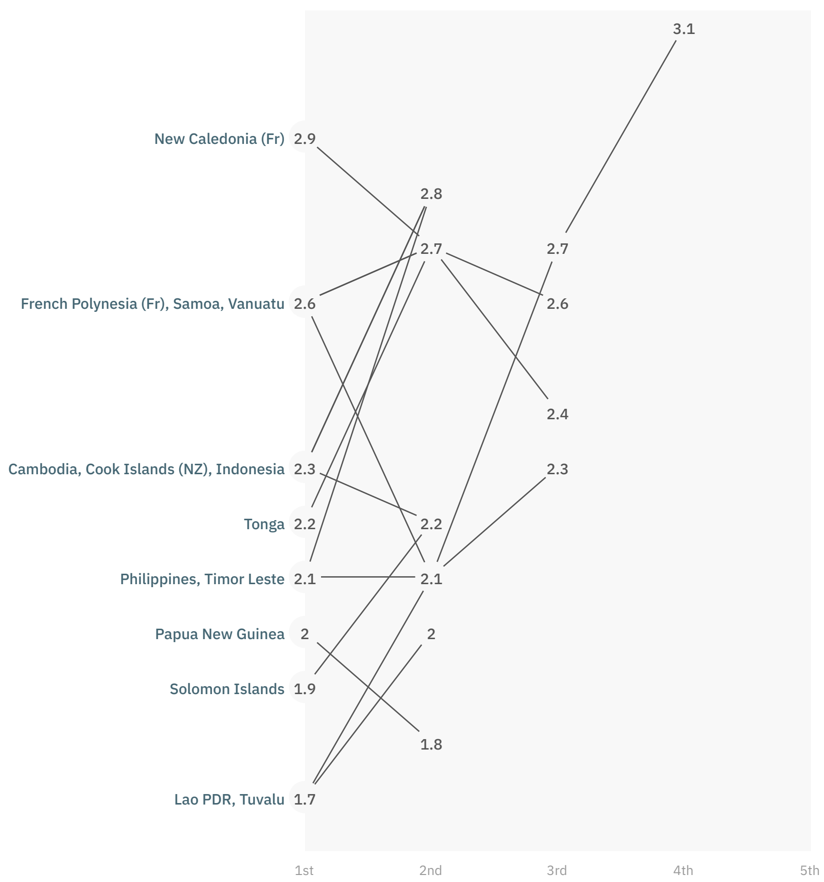
Repeat PEFA Assessments

Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, AFR REGION (PEFA 2011 FRAMEWORK)

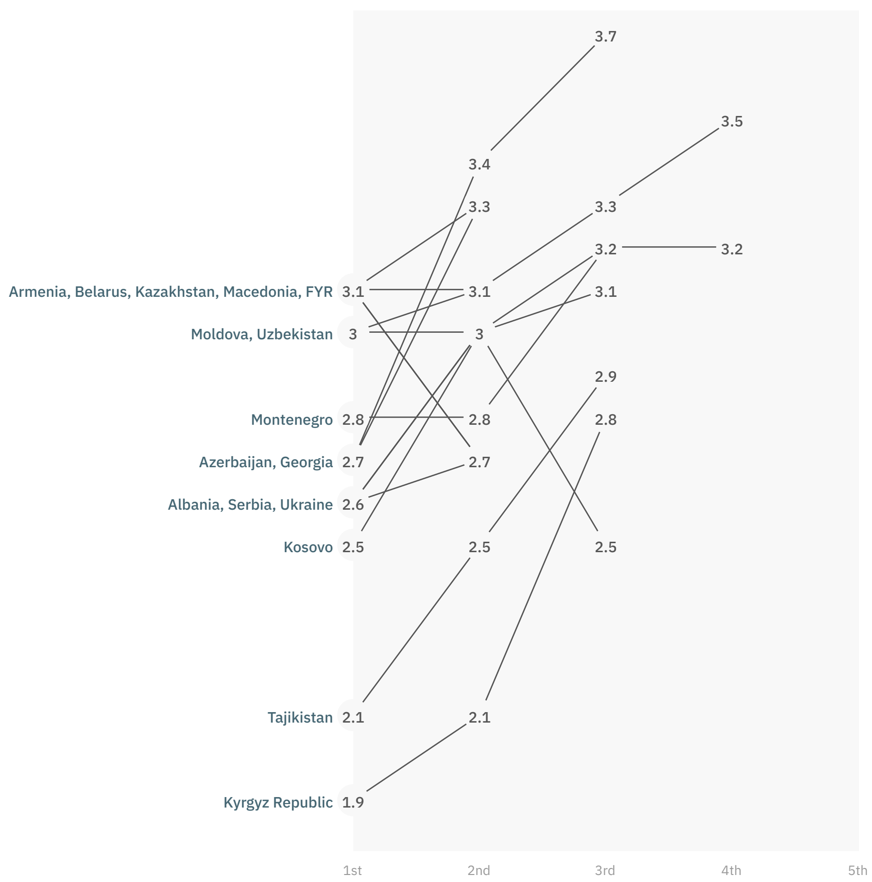
Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, EAP REGION (PEFA 2011 FRAMEWORK)



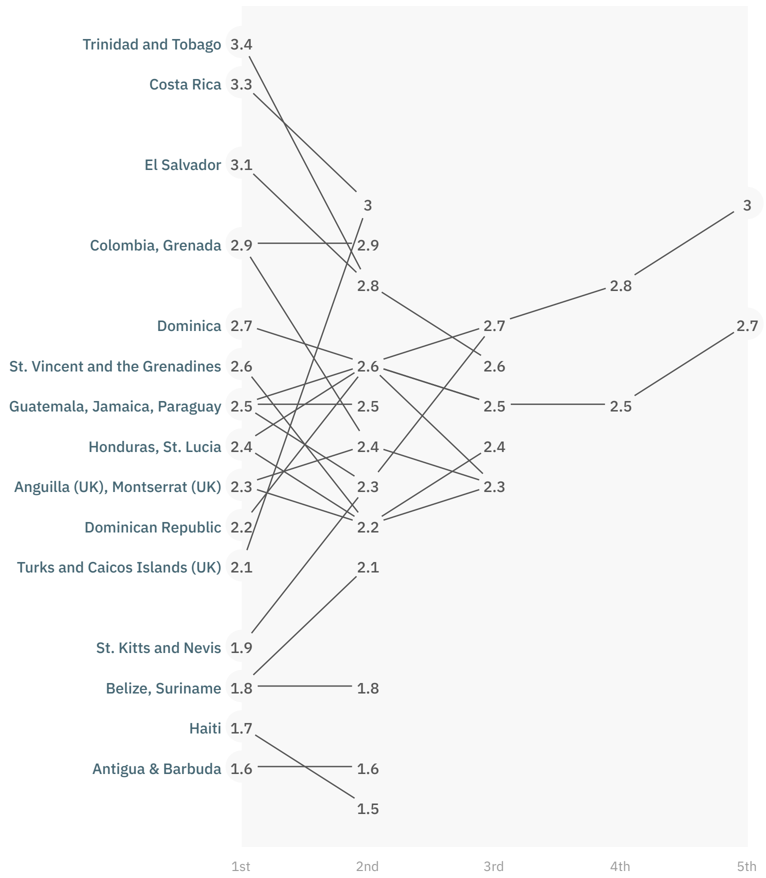
Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, ECA REGION (PEFA 2011 FRAMEWORK)



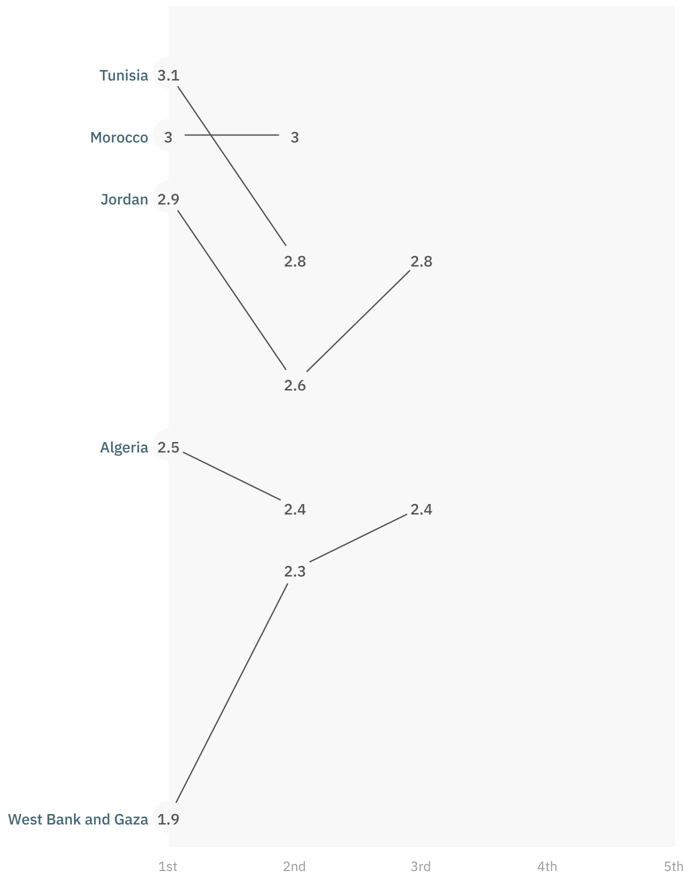
Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, LAC REGION (PEFA 2011 FRAMEWORK)



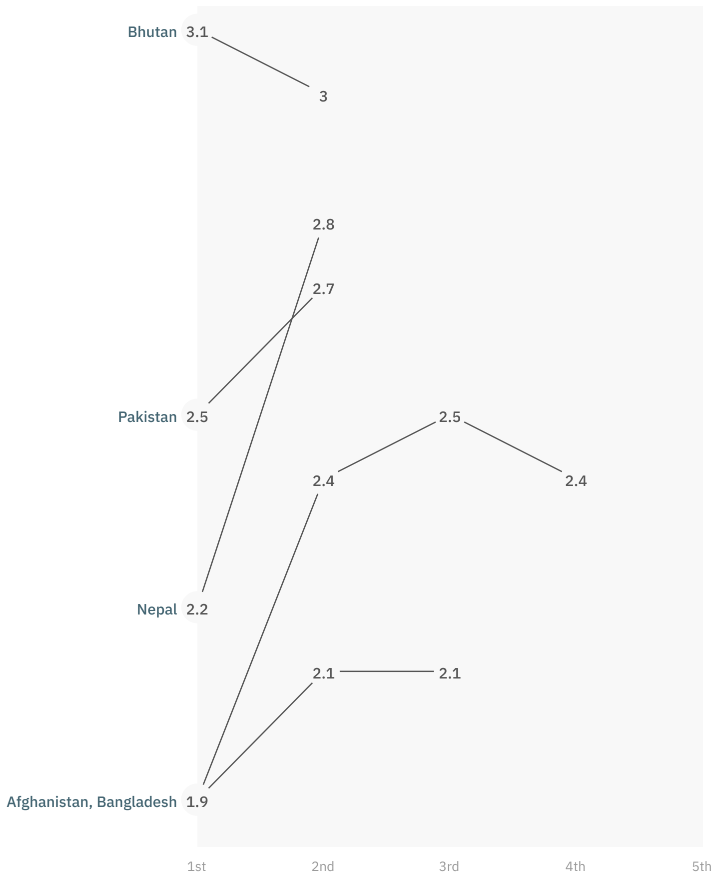
Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, MENA REGION (PEFA 2011 FRAMEWORK)



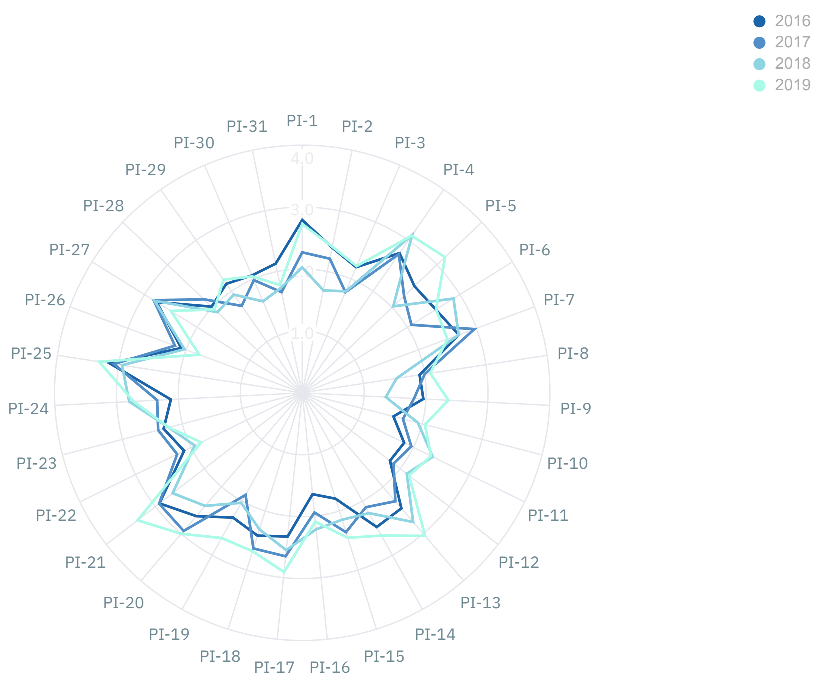
Countries on average improved their average scores from their first PEFA assessment to their last. There are several examples, however, of deteriorations in average scores, which can often be attributed to external shocks, political economy factors, or changes in governance.

REPEAT PEFA ASSESSMENTS, SAR REGION (PEFA 2011 FRAMEWORK)



On average, only nine of the 31 performance indicators improved from the 2016 to 2019 period. The three lowest average scoring performance indicators were fiscal risk reporting (PI-10), legislative scrutiny of audit reports (PI-31), and public access to fiscal information (PI-9), while the three highest average scoring performance indicators were internal control on nonsalary expenditure (PI-25), predictability of in-year resource allocation (PI-21), and budget classification (PI-4).

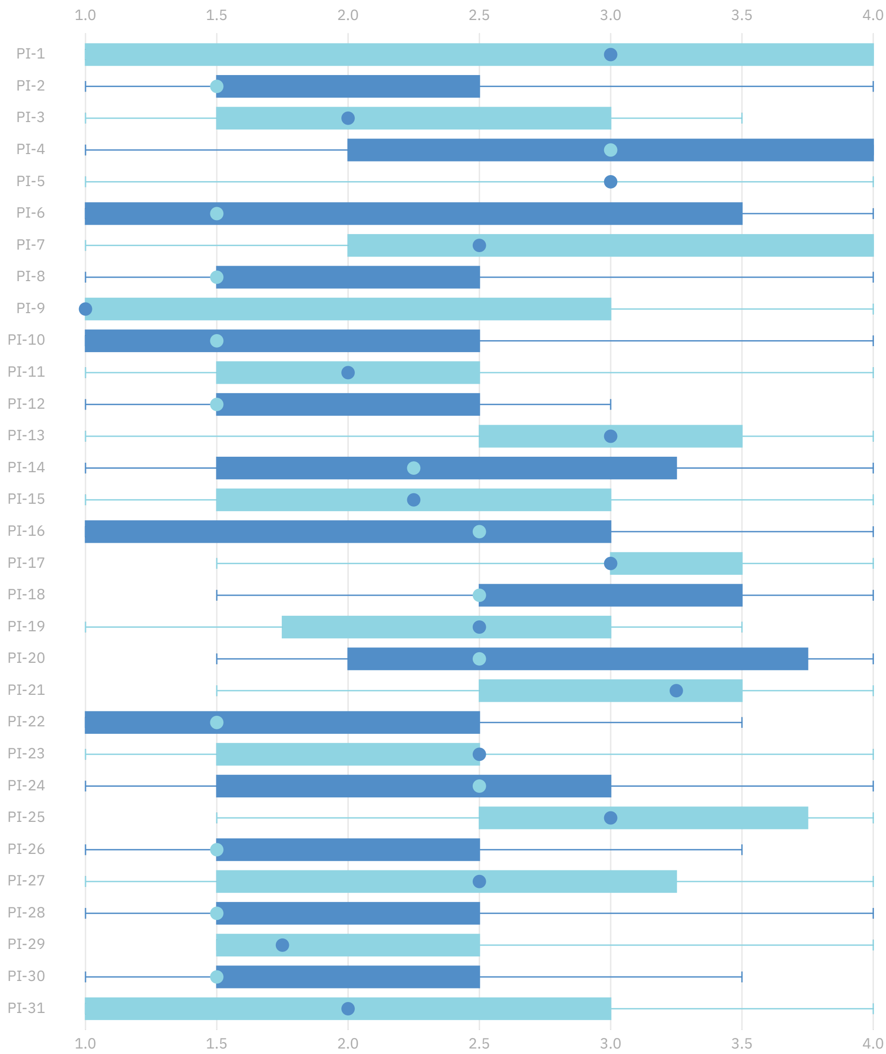
NATIONAL PEFA ASSESSMENTS BY YEAR (PEFA 2016 FRAMEWORK)



2016 = 10 | 2017 = 18 | 2018 = 12 | 2019 = 16

The box plot illustrates that there is significant variation both between and within PEFA scores. The blue bar denotes the statistical distribution from the first quartile of scores (25th percentile) to the third quartile (the 75th percentile), the X denotes the median scores, and the end points denote the highest and lowest country score on each performance indicator. Performance indicators with a longer blue bar have more variation, whereby shorter blue bars denote less variation.

DISTRIBUTION OF PEFA SCORES BY INDICATOR (PEFA 2016 FRAMEWORK)



N = 58

The following section provides an in-depth analysis of the PEFA 2016 Framework and illustrates global and regional differences in performance across the 7 pillars.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PILLAR I

Budget Reliability

Budget reliability means that the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures—the immediate results of the PFM system—with the original budget approved by the legislature.

The Sustainable Development Goals—target 16.6—recognize that providing a sound basis for development requires that government budgets are comprehensive, transparent, and realistic. This is measured through the PEFA indicator PI—1 aggregate expenditure outturn that assesses the difference between planned and actual budget expenditure in countries across the world.

LEARN MORE >

The recent World Bank SDG Atlas 2020 presents the PEFA data to tell an engaging story, accompanied by interactive

A government's inability to implement the budget as planned could be due to a lack of capacity to forecast revenues and expenditures adequately, an inability to cost the financial impact of government policies properly, or a combination of the two. However, in many cases, governments may be unable to execute budgets as planned due to exogenous factors, such as natural disasters, armed conflicts, or turbulence in international markets. The indicator considers the occurrence of such shocks by only considering the top execution rates in two of the last three years.

> "In many cases, governments may be unable to execute budgets as planned due to exogenous factors, such as natural disasters, armed conflicts, health crises such as the current COVID-19 pandemic or other turbulences in international markets."

charts, on the importance of good budget management during the COVID-19 pandemic.

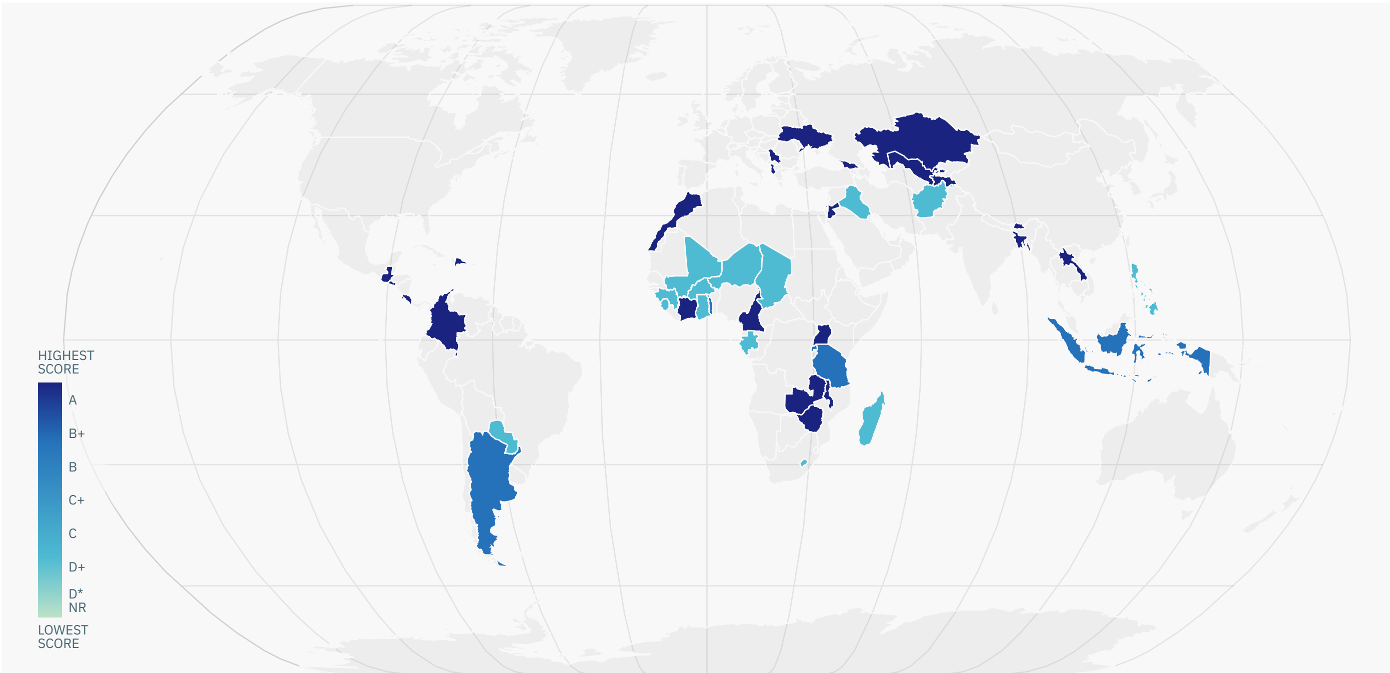
LEARN MORE >

Paolo de Renzio and Chloe Cho (2020) from International Budget Partnership explore the determinants of budget credibility by using data from 120 PEFA assessments conducted in 94 countries.

LEARN MORE >

The pillar on budget reliability includes three indicators: aggregate expenditure outturn (PI–1), expenditure composition outturn (PI–2), and revenue outturn (PI–3).

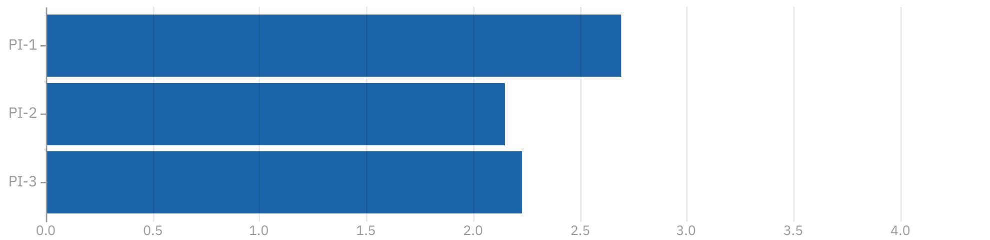
COUNTRY AVERAGE PEFA 2016 SCORE FOR BUDGET RELIABILITY, BY INDICATOR



Georgia had the highest overall score for budget reliability, followed closely by Ukraine, Uzbekistan, Costa Rica, the Dominican Republic, El Salvador, Guyana, and Morocco. Chad, Gabon, Guinea, Madagascar, Dominica, Paraguay, Suriname, and Afghanistan scored the lowest.

Countries scored higher on aggregate expenditure outturns (PI–1) than on the other two indicators.

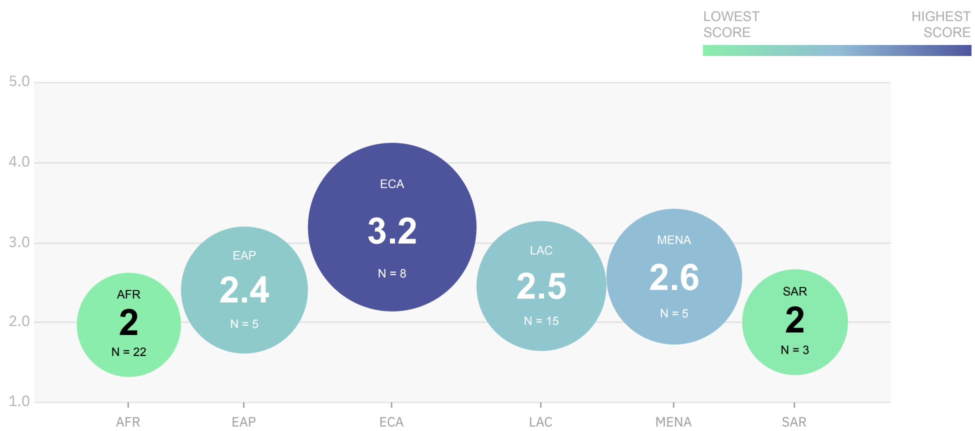
GLOBAL AVERAGE PEFA 2016 SCORE FOR BUDGET RELIABILITY, BY INDICATOR



N = 58

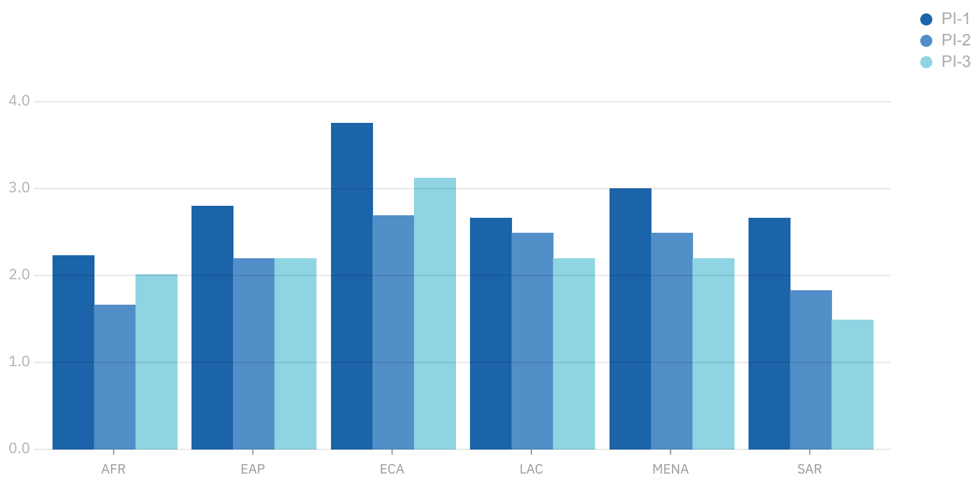
The countries of Europe and Central Asia on average scored the highest on the budget reliability pillar. The countries of Sub-Saharan Africa and South Asia scored the lowest.

REGIONAL AVERAGE PEFA 2016 SCORE FOR BUDGET RELIABILITY



On average, the countries of Europe and Central Asia scored the highest on each indicator and very high on the indicator for aggregate expenditure outturn (PI–1). The countries of Sub-Saharan Africa on average scored the lowest on expenditure composition outturn (PI–2), and the countries of South Asia on average scored the lowest on revenue outturn (PI–3).

REGIONAL AVERAGE PEFA 2016 SCORE FOR BUDGET RELIABILITY, BY INDICATOR



N = 58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PILLAR II

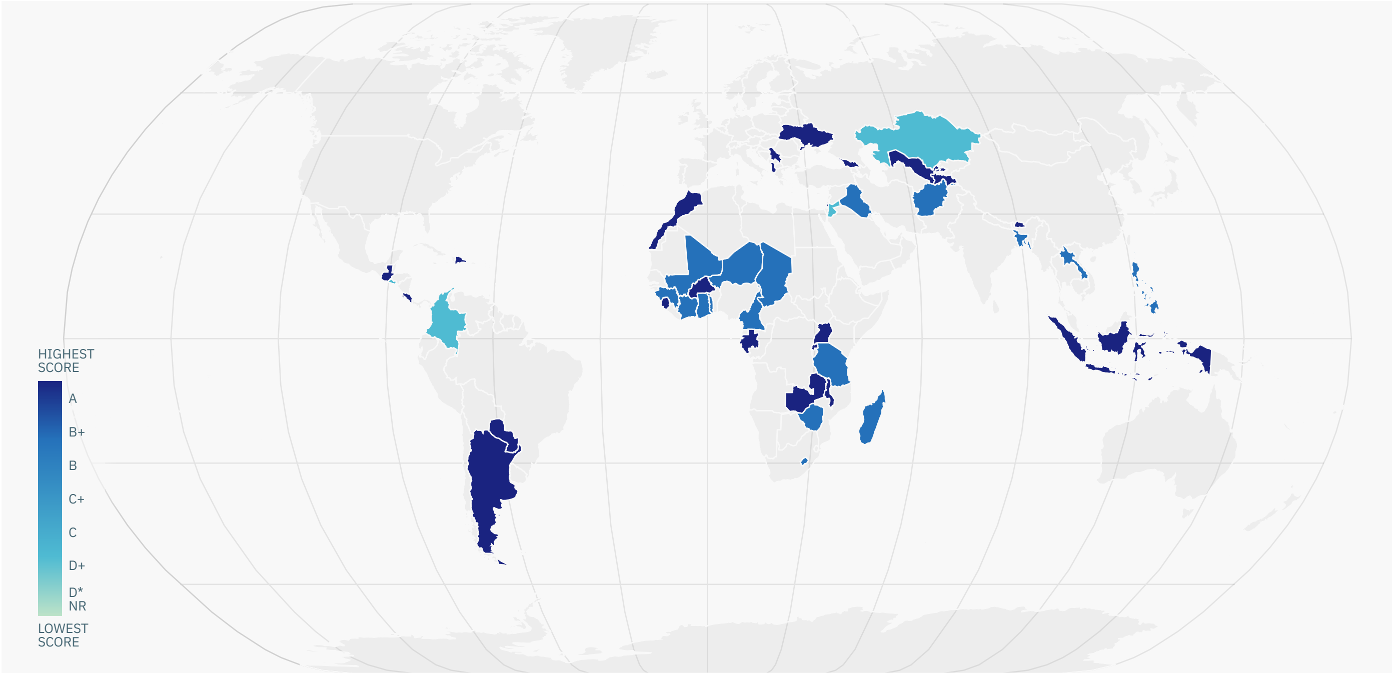
Transparency of Public Finances

The transparency of public finances pillar assesses whether information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure, including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.

In times of fiscal uncertainty, such as the current COVID-19 pandemic, the timely publication of how resources are created, allocated, and used is even more important to enhance the trust between the government and citizens.

The pillar on transparency of public finances includes six indicators: budget classification (PI–4), budget documentation (PI–5), central government operations outside financial reports (PI–6), transfers to subnational governments (PI–7), performance information for service delivery (PI–8), and public access to fiscal information (PI–9).

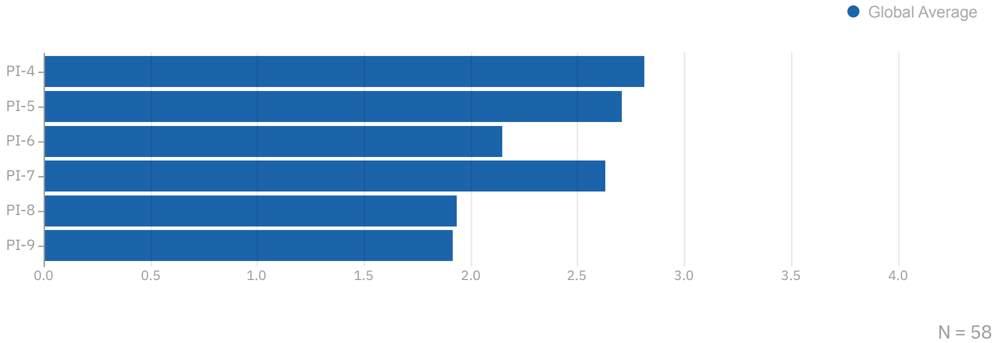
COUNTRY AVERAGE PEFA 2016 SCORE FOR TRANSPARENCY OF PUBLIC FINANCES, BY INDICATOR



Georgia had the highest overall score, followed by Costa Rica, the Philippines, and Ukraine. Grenada and the Lao People's Democratic Republic scored the lowest.

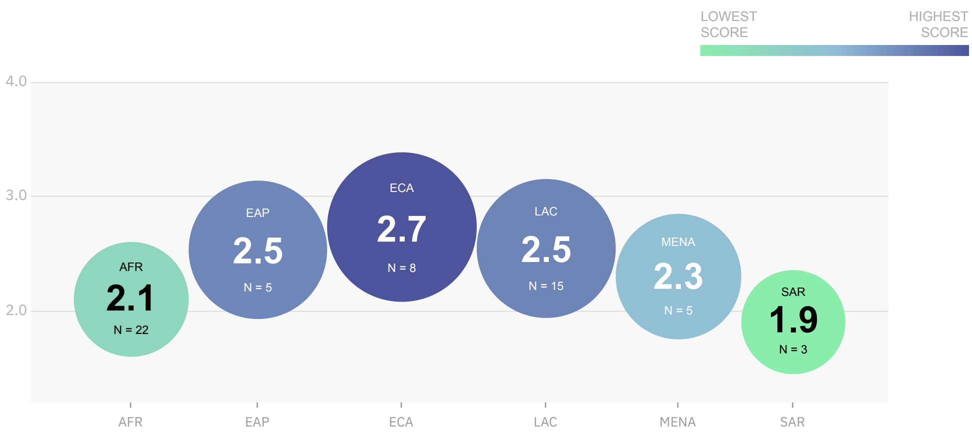
On average, countries scored the highest on budget classification (PI–4), followed closely by budget documentation (PI–5) and transfers to subnational governments (PI–7). They scored the lowest on performance information for service delivery (PI–8) and public access to fiscal information (PI–9).

GLOBAL AVERAGE PEFA 2016 SCORE FOR MANAGEMENT OF ASSETS AND LIABILITIES, BY INDICATOR



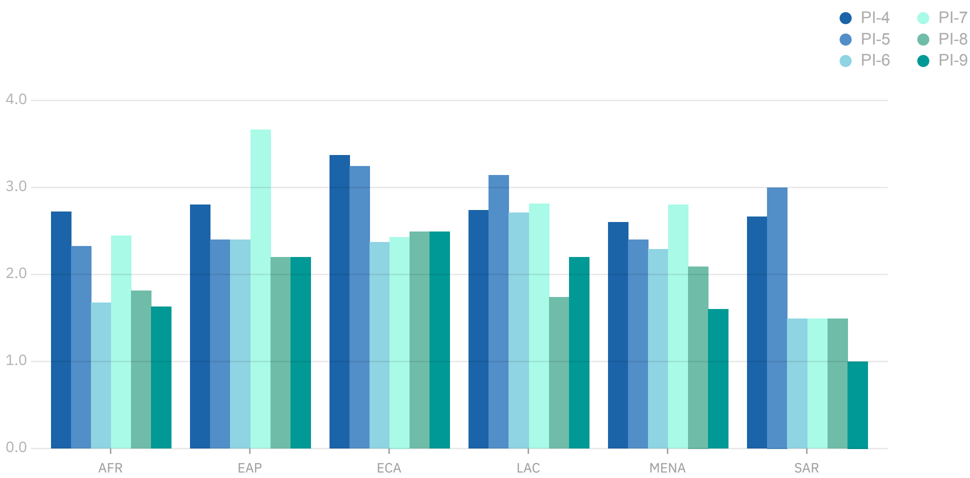
The countries of Europe and Central Asia scored the highest on average on the transparency of public finances pillar, while the countries of South Asia scored the lowest on average.

REGIONAL AVERAGE PEFA 2016 SCORE FOR TRANSPARENCY OF PUBLIC FINANCES



The countries of Europe and Central Asia scored the highest on budget classification (PI–4), budget documentation (PI–5), performance information for service delivery (PI–8), and public access to fiscal information (PI–9). For transfers to subnational governments (PI–7), the countries of East Asia and Pacific scored the highest.

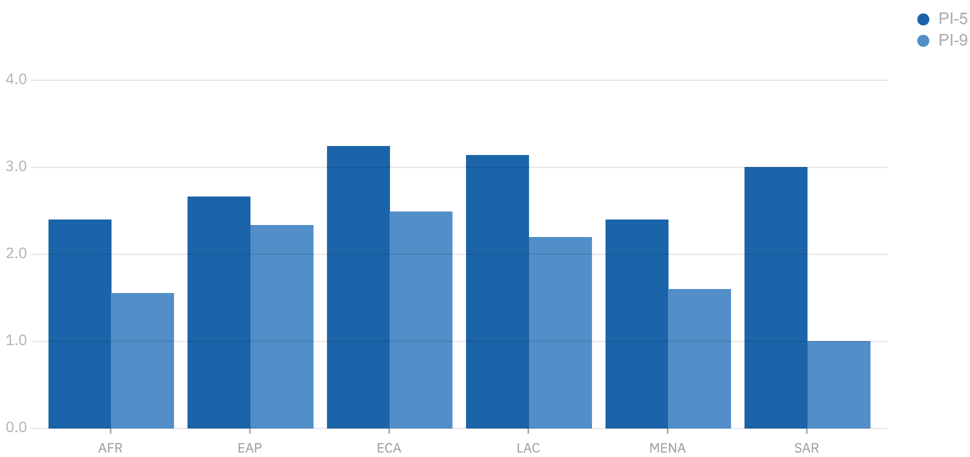
REGIONAL AVERAGE PEFA 2016 SCORE FOR TRANSPARENCY OF PUBLIC FINANCES, BY INDICATOR



N = 58

On average, all regions scored higher on producing comprehensive budget documentation (PI-5) than making this documentation available for public access (PI-9). The largest divergence was found in the countries of the South Asia region.

BUDGET DOCUMENTATION VS. PUBLIC ACCESS TO FISCAL INFORMATION



N = 58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PILLAR III

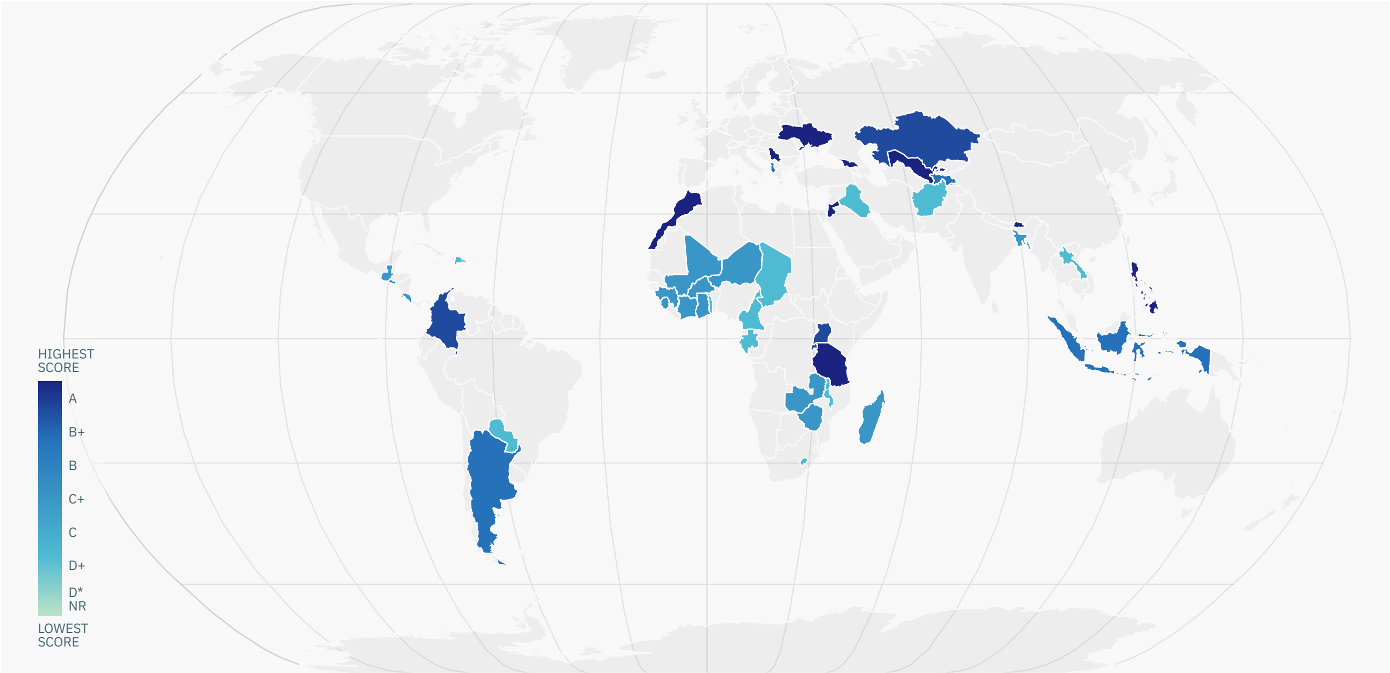
Management of Assets and Liabilities

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

During times of fiscal stress, such as the current COVID-19 pandemic, government typically face increased pressure to disburse funds rapidly, which increases the importance of assessing risk management for investments to ensure value for money.

The pillar on management of assets and liabilities includes four indicators: fiscal risk reporting (PI–10), public investment management (PI–11), public asset management (PI–12), and debt management (PI–13).

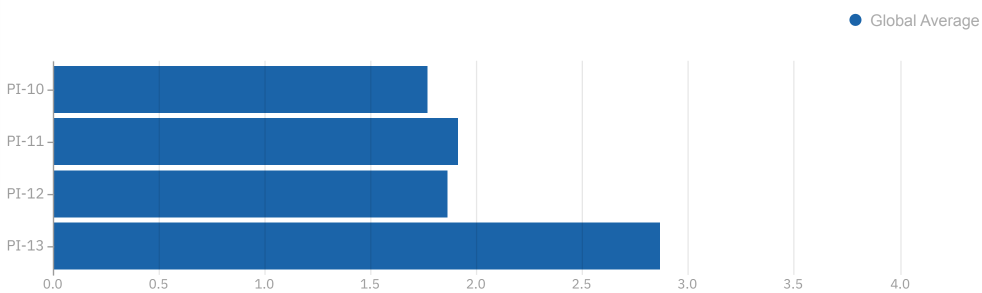
COUNTRY AVERAGE PEFA 2016 SCORE FOR MANAGEMENT OF ASSETS AND LIABILITIES, BY INDICATOR



Bhutan, Colombia, the Philippines, and Samoa had the highest overall scores, followed closely by Honduras, Rwanda, and Ukraine. Cameroon, São Tomé and Príncipe, Lao PDR, and Iraq had the lowest scores.

Globally, countries scored the highest on average on debt management (PI–13). On average, they scored significantly lower on the other indicators.

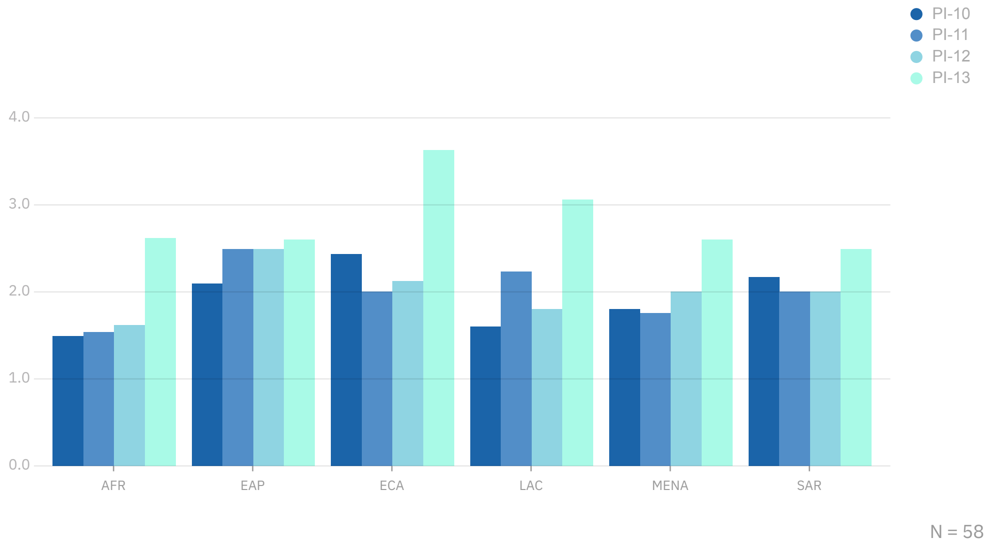
GLOBAL AVERAGE PEFA 2016 SCORE FOR MANAGEMENT OF ASSETS AND LIABILITIES, BY INDICATOR



N = 58

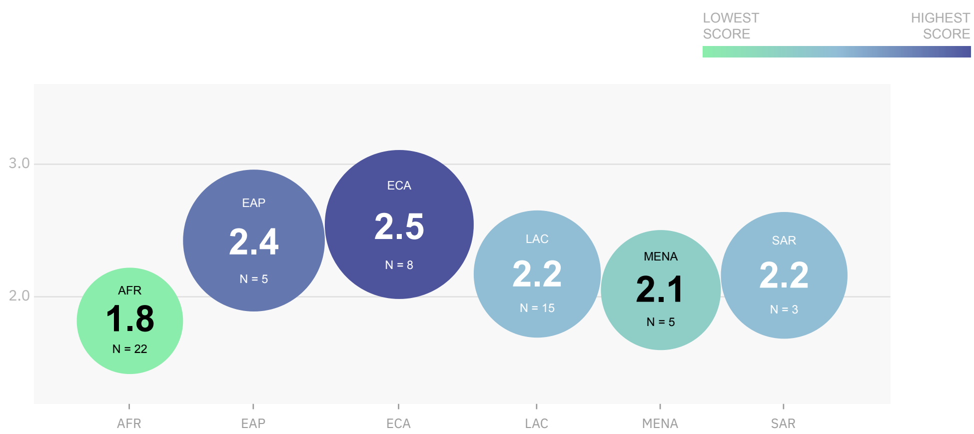
On average, the countries of Europe and Central Asia scored the highest on fiscal risk reporting (PI–10) and debt management (PI–13). The countries of East Asia and Pacific scored the highest on public investment management (PI–11) and public asset management (PI–12).

REGIONAL AVERAGE PEFA 2016 SCORE FOR MANAGEMENT OF ASSETS AND LIABILITIES, BY INDICATOR



On average, the countries of Europe and Central Asia scored the highest, followed closely by the countries of East Asia and Pacific. The Sub-Saharan Africa region scored the lowest.

REGIONAL AVERAGE PEFA 2016 SCORE FOR MANAGEMENT OF ASSETS AND LIABILITIES



PILLAR IV

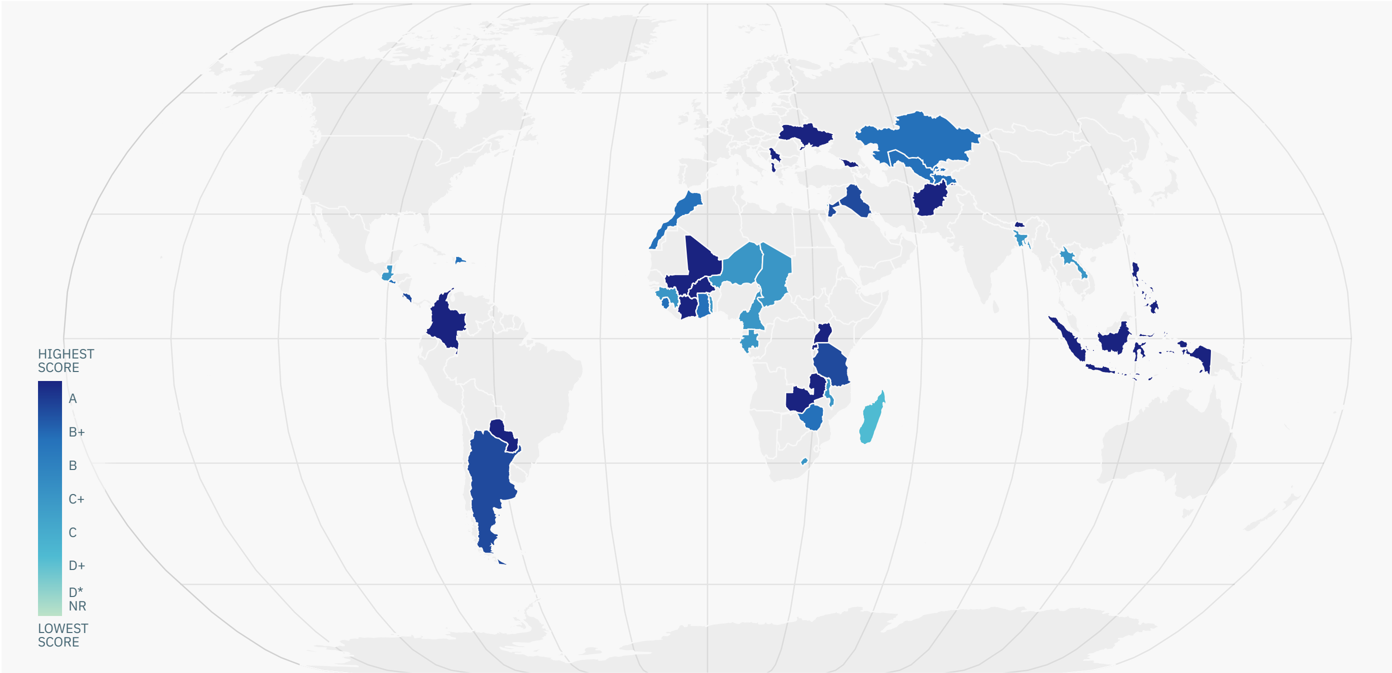
Policy-Based Fiscal Strategy and Budgeting

The policy-based fiscal strategy and budgeting pillar assesses whether the fiscal strategy and the budget are prepared with due regard for government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

During periods of economic stress, such as the COVID-19 pandemic, formulating fiscal strategies, plans, and forecasts are challenged by fiscal uncertainties, and may need to be revised on a much shorter time horizon.

The pillar on policy-based fiscal strategy and budgeting includes five indicators: macroeconomic and fiscal forecasting (PI–14), fiscal strategy (PI–15), medium-term perspective in expenditure budgeting (PI–16), budget preparation process (PI–17), and legislative scrutiny of budgets (PI–18).

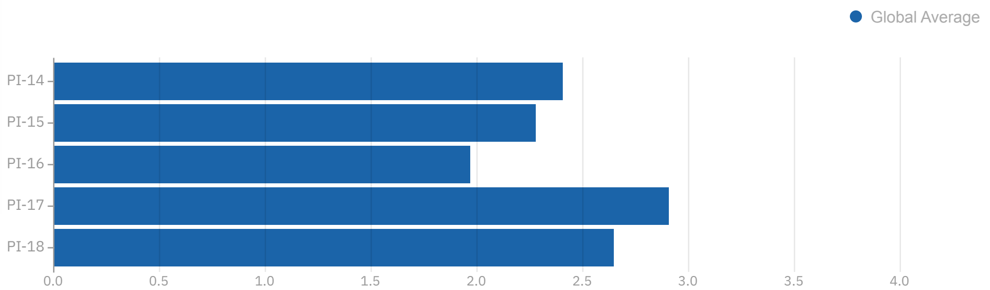
COUNTRY AVERAGE PEFA 2016 SCORE FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING, BY INDICATOR



The Philippines had the highest overall score, followed by Rwanda, Indonesia, and Zambia. São Tomé and Príncipe, Guyana, and West Bank and Gaza had the lowest.

Globally, countries on average scored the highest on the budget preparation process (PI–17). They scored the lowest on the medium-term perspective in expenditure budgeting (PI–16).

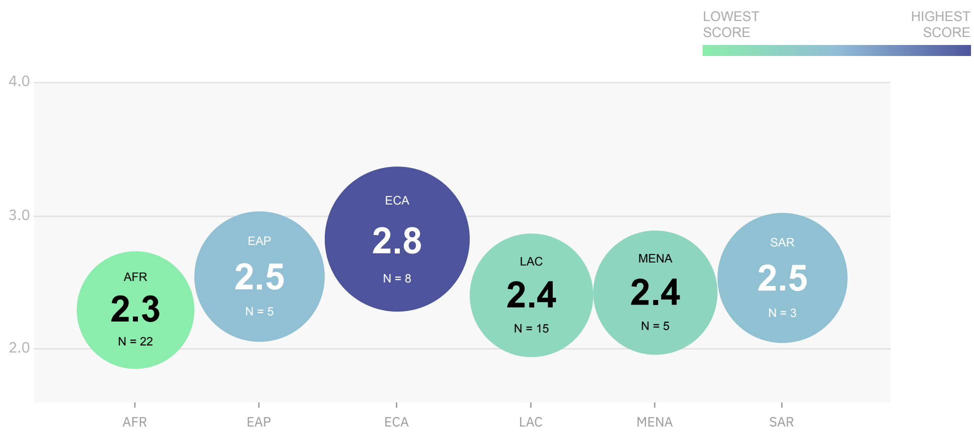
GLOBAL AVERAGE PEFA 2016 SCORE FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING, BY INDICATOR



N = 58

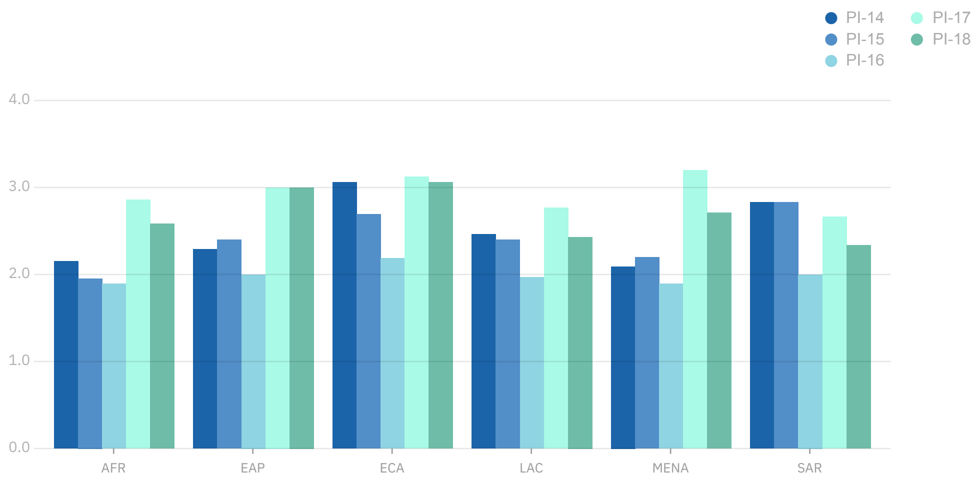
On average, the countries of Europe and Central Asia scored the highest, followed by the countries of East Asia and Pacific and the countries of South Asia. The Sub-Saharan Africa region scored the lowest.

REGIONAL AVERAGE PEFA 2016 SCORE FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING



On average, the countries of Europe and Central Asia scored the highest on macroeconomic and fiscal forecasting (PI–14), medium-term perspective in expenditure budgeting (PI–16), and legislative scrutiny of budgets (PI–18). The countries of South Asia scored the highest on fiscal strategy (PI–15), while the countries of the Middle East and North Africa scored the highest on the budget preparation process (PI–17).

REGIONAL AVERAGE PEFA 2016 SCORE FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING, BY INDICATOR



N = 58

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PILLAR V

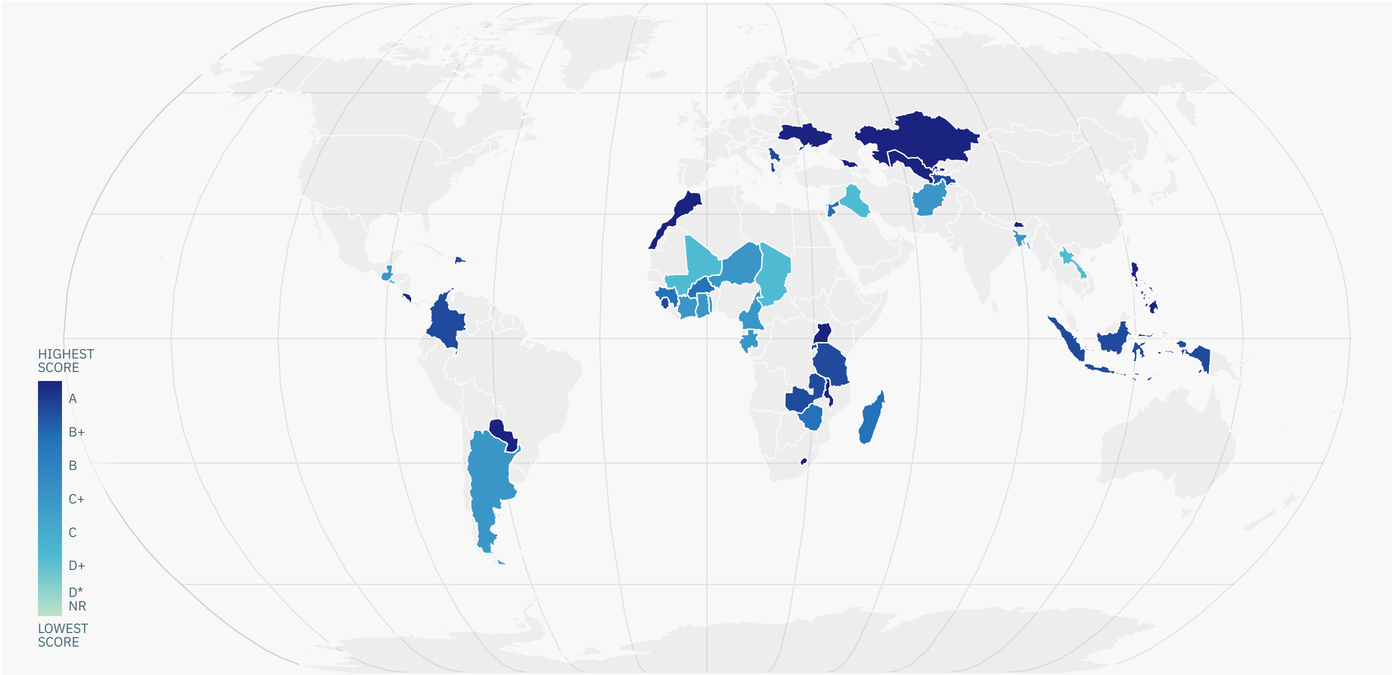
Predictability and Control in Budget Execution

While good budget planning sets the stage for the implementation of budget policies, the budget can only be implemented effectively if it is done within a system of standards, processes, and internal controls. This ensures that resources are obtained and used as intended.

In times of fiscal uncertainties, such as the current COVID-19 pandemic, the ability to monitor public expenditure is even more important than normal due to the risk that extraordinary expenditures will not be used for the intended purposes. Having strong commitment and spending controls helps to ensure that policy responses to crisis situations can be implemented effectively and efficiently.

The pillar on predictability and control in budget execution has eight indicators—the most of any pillar—and covers revenue administration, cash management, expenditure control, procurement, and internal audit. The eight indicators of budget execution are revenue administration (PI–19), accounting for revenue (PI–20), predictability of in-year resource allocation (PI–21), expenditure arrears (PI–22), payroll controls (PI–23), procurement (PI–24), internal controls on nonsalary expenditure (PI–25), and internal audit (PI–26).

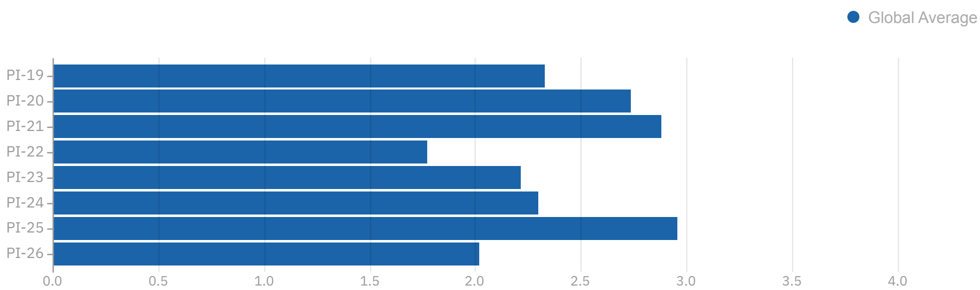
COUNTRY AVERAGE PEFA 2016 SCORE FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION, BY INDICATOR



Georgia and Kazakhstan scored the highest in Europe and Central Asia and among all countries. In the Middle East and North Africa, Jordan and Morocco scored the highest. In Sub-Saharan Africa, Rwanda and Kenya scored the highest. In Asia, Indonesia and the Philippines scored the highest, and in Latin America and the Caribbean, Paraguay and Dominica scored the highest.

On average, national governments scored highest on internal controls on nonsalary expenditure (PI–25) and lowest on expenditure areas (PI–22).

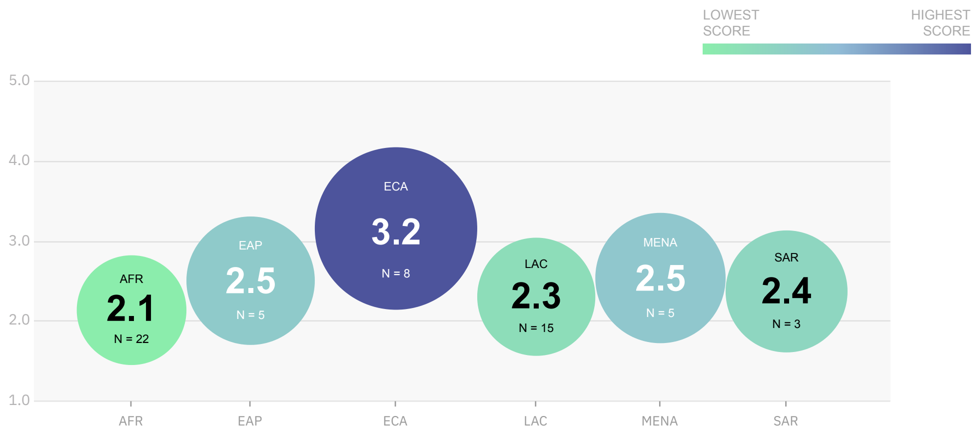
GLOBAL AVERAGE 2016 PEFA SCORE FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION, BY INDICATOR



N = 58

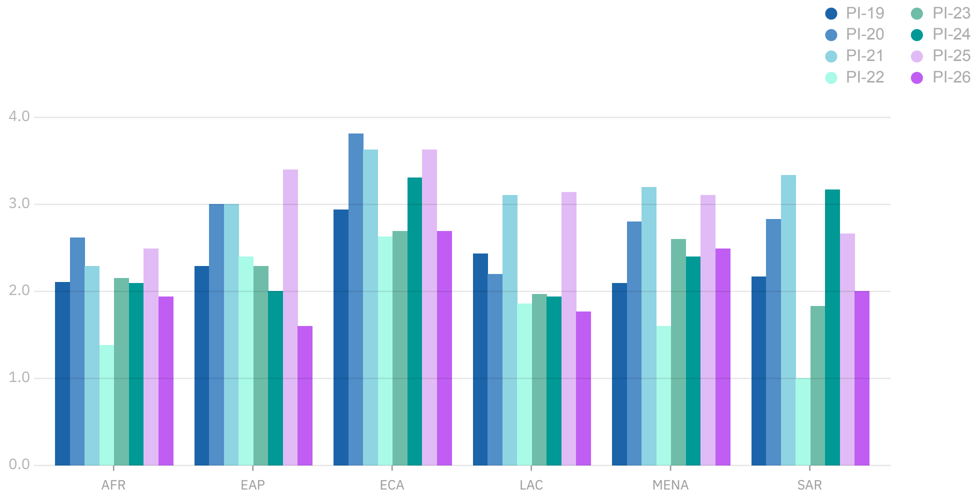
On average, countries of Europe and Central Asia scored higher than other regions on predictability and control of budget execution. Countries of Sub-Saharan Africa on average had the lowest scores on budget execution, but some countries in the region, such as Rwanda and Kenya, performed significantly better than the regional average.

REGIONAL AVERAGE PEFA 2016 SCORE FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION



On average, countries of Europe and Central Asia scored higher than other regions on all of the indicators of this pillar, with the highest scores on accounting for revenue (PI–20) and predictability of in-year resource allocation (PI–21). The lowest score was for expenditure arrears (PI–22), although it was still higher than that of any other region. The Sub-Saharan Africa region had the lowest average indicator scores among all regions, with countries scoring highest on PI–20 and lowest on PI–22.

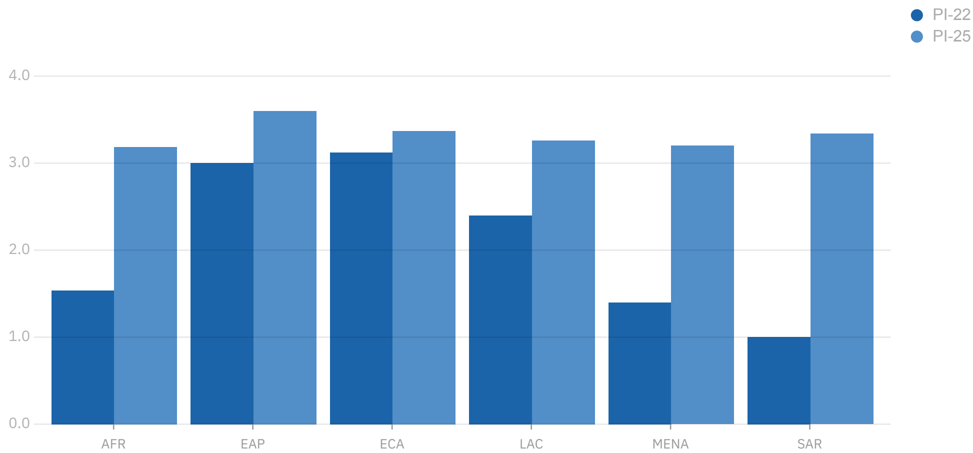
REGIONAL AVERAGE PEFA 2016 SCORE FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION, BY INDICATOR



N = 58

Countries' stock of expenditure arrears (PI–22.1) was around 10 percent of total expenditure in two of the last completed fiscal years; in line with good international practice, it should not be more than 2 percent. At the same time, however, countries on average scored much higher on expenditure management control (PI–25.2), suggesting that on average effective expenditure commitment controls are in place.

EXPENDITURE ARREARS VS. COMMITMENT CONTROLS



N = 58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PILLAR VI

Accounting and Reporting

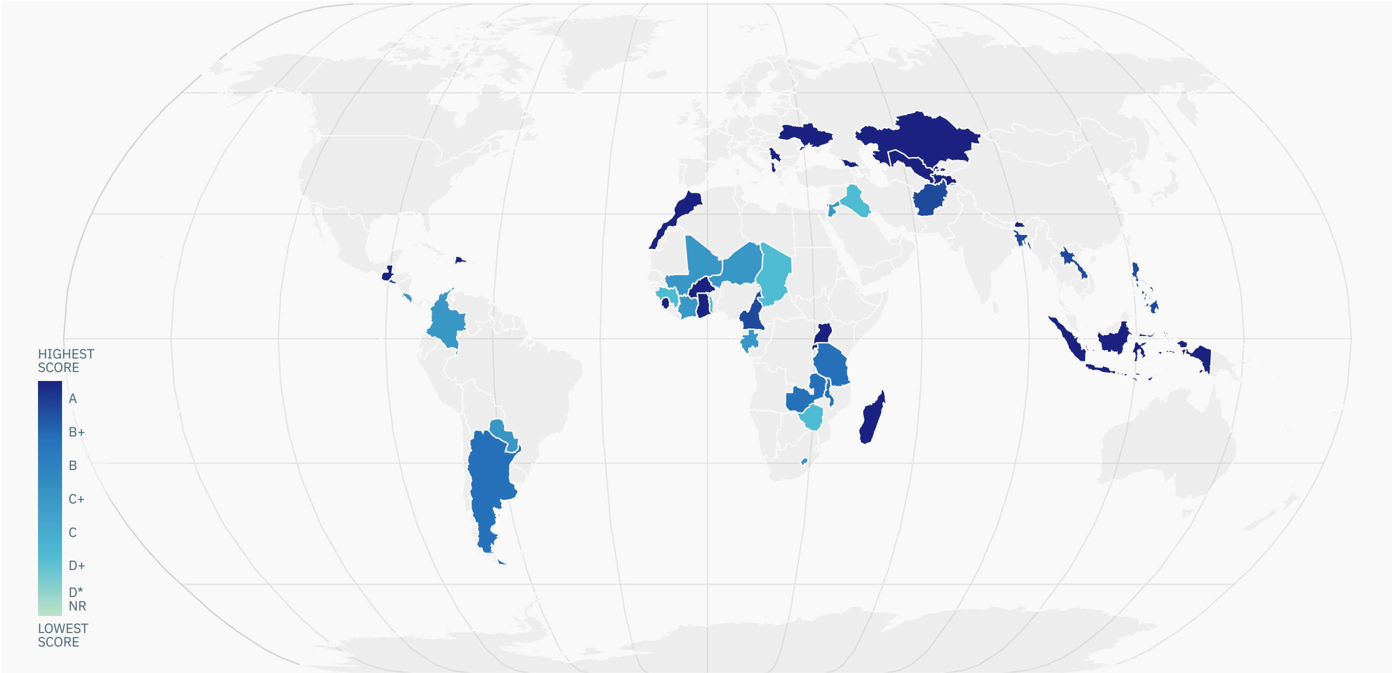
Robust accounting and reporting systems are needed for effective public financial management. This is typically achieved through maintaining accurate and reliable records, producing and disseminating information on public finance performance at appropriate times for decision making and reporting requirements, and providing accurate information to citizens.

In times of fiscal uncertainties, robust accounting and reporting systems are even more important to ensure that there is full accountability over resources allocated to finance policy responses related to crisis management.

> "Robust accounting and reporting systems are a foundation of trust and accountability."

The PEFA framework measures the effectiveness of accounting and reporting systems through three key indicators: financial data integrity (PI–27), in-year budget reports (PI–28), and annual financial reports (PI–29).

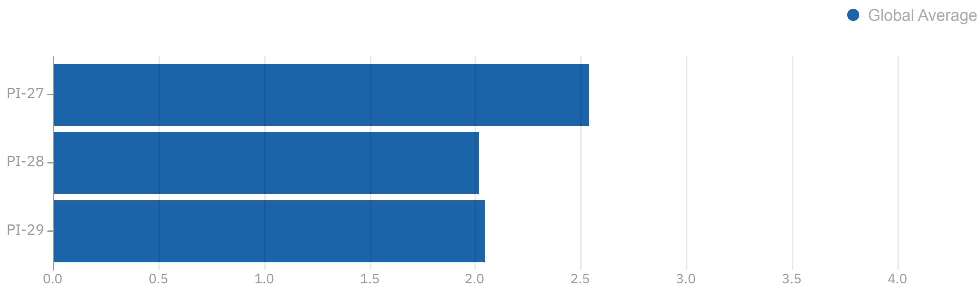
COUNTRY AVERAGE PEFA 2016 SCORE FOR ACCOUNTING AND REPORTING, BY INDICATOR



The Seychelles and Uganda scored the highest in Sub-Saharan Africa, and the Seychelles had the overall highest global score. In Asia, Indonesia had the highest score, while in Europe and Central Asia, Kazakhstan and Ukraine scored the highest. The Dominican Republic had the highest score in Latin America and the Caribbean.

Countries on average scored highest on financial data integrity (PI–27), but only scored an average “C” grade on in-year budget reports (PI–28) and annual financial reports (PI–29), even though these two indicators are recognized as being critical for accountability and transparency in the PFM system.

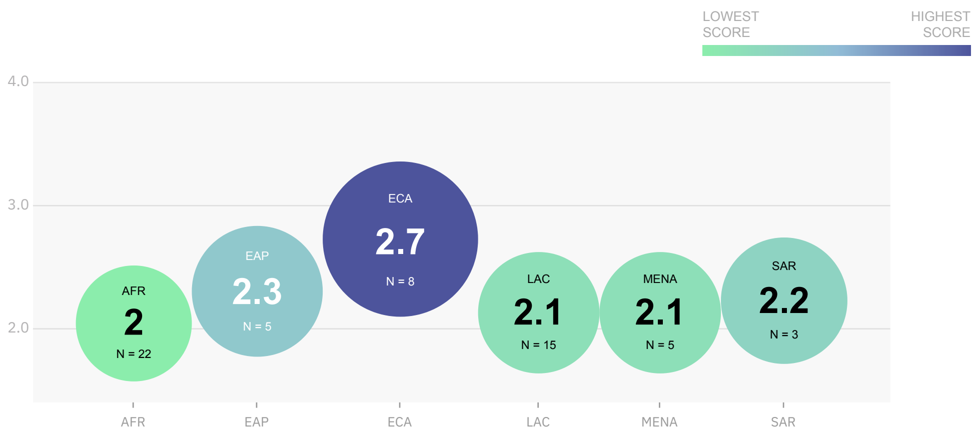
GLOBAL AVERAGE PEFA 2016 SCORE FOR ACCOUNTING AND REPORTING, BY INDICATOR



N = 58

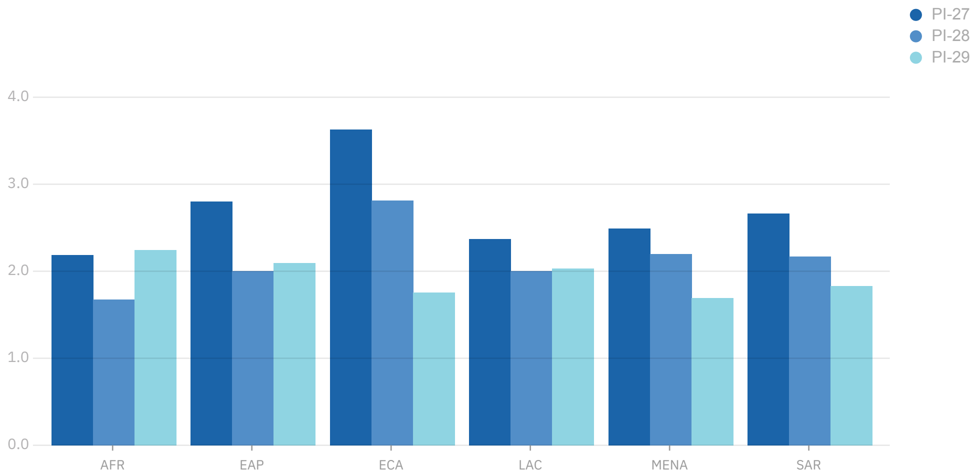
On average, countries in Europe and Central Asia performed better than countries in other regions on the accounting and reporting pillar, followed by countries in East Asia and Pacific and in Southeast Asia.

REGIONAL AVERAGE PEFA 2016 SCORE FOR ACCOUNTING AND REPORTING



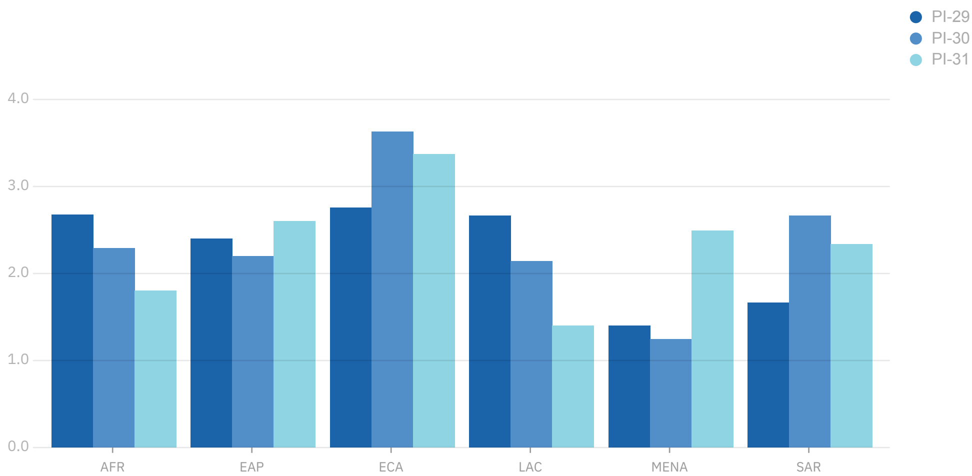
On average, countries of Europe and Central Asia scored higher than other regions on financial data integrity (PI–27) and in-year budget reports (PI–28) but scored the lowest on annual financial reports (PI–29). Countries of Latin America and the Caribbean scored the highest on annual financial reports and the lowest on financial data integrity.

REGIONAL AVERAGE PEFA 2016 SCORE ACCOUNTING AND REPORTING, BY INDICATOR



N = 58

TIMING OF FINANCIAL REPORTS VS. EXTERNAL AUDIT VS. EXTERNAL SCRUTINY



N = 58

The chart presents the regional comparison of the following:

- The timing of the preparation of annual financial reports and their submission for external audit (PI–29.2); in line with good international practice, annual financial reports should be submitted for external audit within three months of the end of the fiscal year

- The timing of external audit of annual financial reports and their submission by supreme audit institutions for external scrutiny by the legislature (PI–30.2); in line with good internal practice, audit financial reports should be submitted within three months of receipt of reports

- The timing of scrutiny of audit reports by the legislature (PI–31.1); in line with good international practice, scrutiny of audit reports should be completed by the legislature within three months of receipt of the reports.

Globally, countries on average submit financial reports for external audit within nine months of the end of the fiscal year. On average, globally, the supreme audit institutions complete the audit of annual financial reports and submit them for review to the legislature within nine months of the receipt of reports. However, the countries of Europe and Central Asia perform well above the global average. On average, globally, legislatures complete the scrutiny of audit reports on the implementation of budgets within 12 months. Only countries of Europe and Central Asia perform better.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PILLAR VII

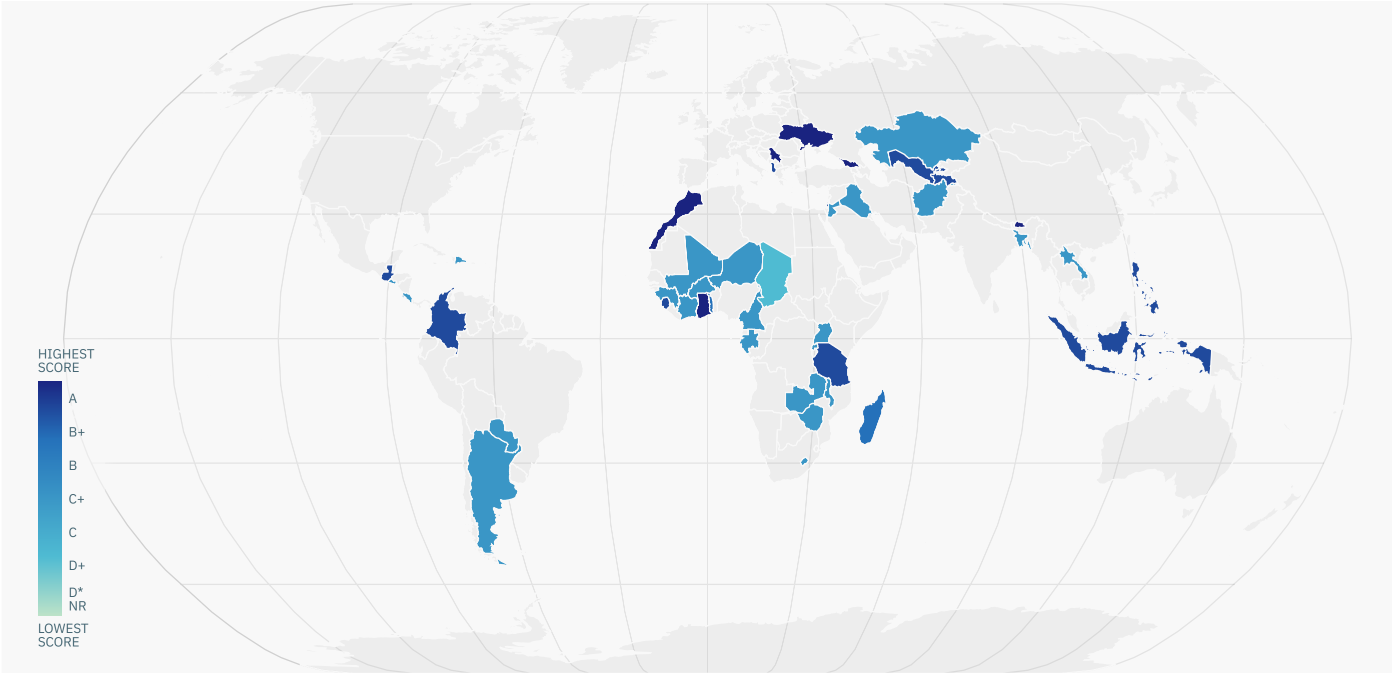
External Audit and Scrutiny

Effective external audit and scrutiny by the legislature are important to hold the government's executive branch to account for the implementation of its fiscal and expenditure policies. This pillar assesses whether public finances are independently reviewed by a supreme audit institution and the role of legislature in reviewing the audit reports and holding the executive accountable.

This pillar has two indicators: external audit (PI–30) and legislative scrutiny of audit reports (PI–31).

> Effective external audit and scrutiny are even more important in times of fiscal uncertainties, such as the current COVID-19 pandemic, because they ensure that fiscal policy responses to crises are externally reviewed and scrutinized and require government to respond to and effectively implement any recommendations for improvement. They also enable citizens to learn about and potentially to influence policy.

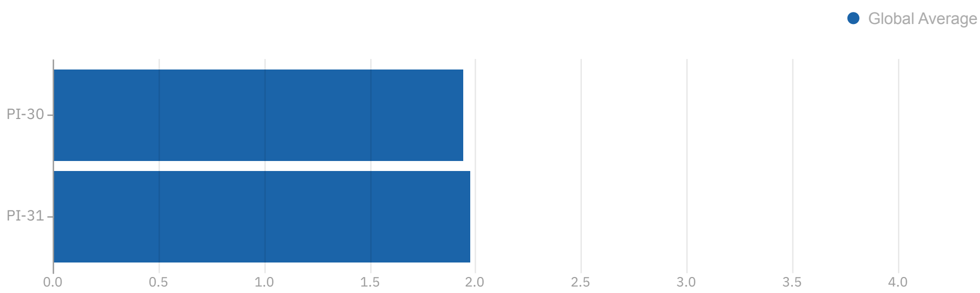
COUNTRY AVERAGE PEFA SCORE FOR EXTERNAL AUDIT AND SCRUTINY, BY INDICATOR



Bhutan and Montenegro had the highest global score. Honduras was the only country to receive the highest "A" score for legislative scrutiny.

On average, countries scored relatively low on external security and audit.

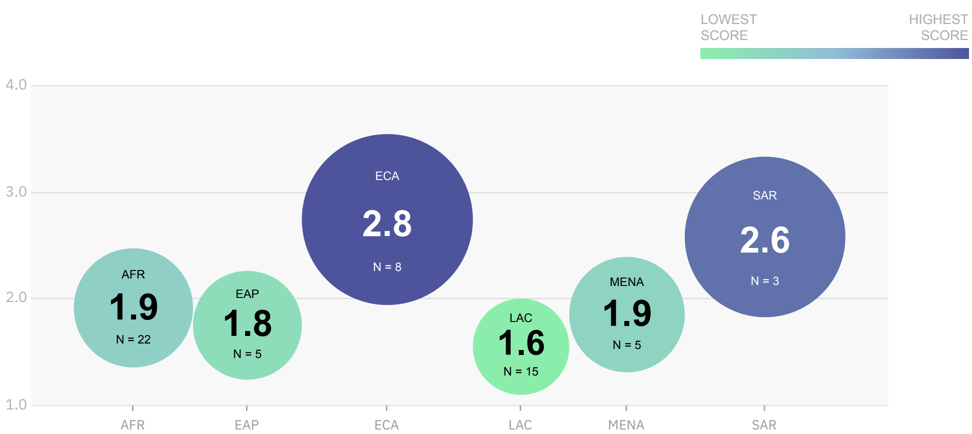
GLOBAL AVERAGE PEFA 2016 SCORE FOR EXTERNAL AUDIT AND SCRUTINY



N = 58

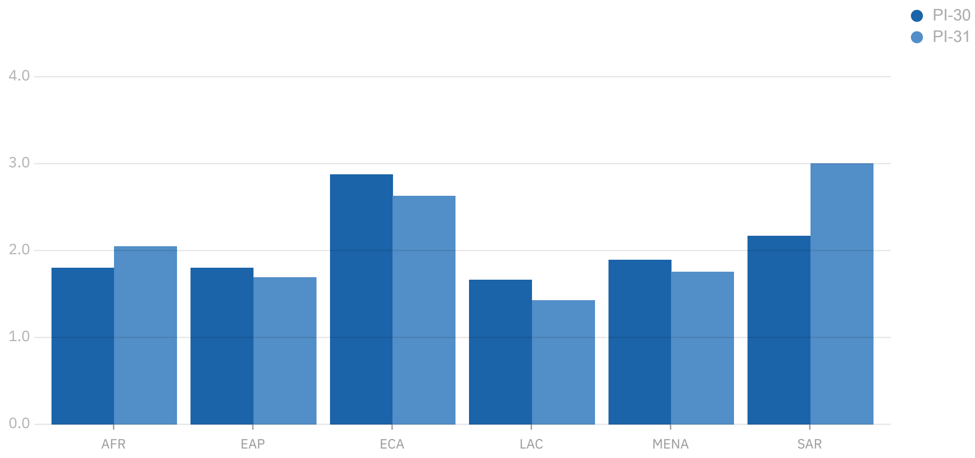
The countries of Europe and Central Asia and South Asia on average scored significantly higher than their regional peers.

REGIONAL AVERAGE PEFA 2016 SCORE FOR EXTERNAL AUDIT AND SCRUTINY



The countries of Europe and Central Asia on average scored the highest on external audit, while the countries of South Asia scored the highest on legislative scrutiny of audit reports. Conversely, the countries of Latin America and the Caribbean on average scored the lowest on these two indicators.

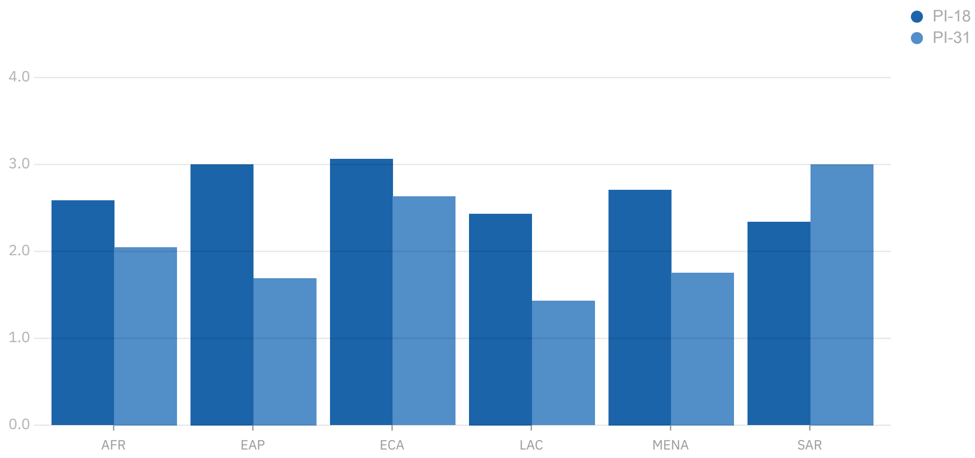
REGIONAL AVERAGE PEFA SCORE FOR EXTERNAL AUDIT AND SCRUTINY, BY INDICATOR



N = 58

Globally, legislatures on average performed better on scrutinizing budgets (PI–18) than on scrutinizing audit reports or the implementation of budgets (PI–31). Only countries of South Asia performed better on legislative scrutiny of audit reports than on scrutiny of budget plans.

LEGISLATIVE SCRUTINY OF BUDGETS VS. AUDIT REPORTS



N = 58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REPORT SECTION 4

Year in Review

This section focuses on the Public Expenditure and Financial Accountability (PEFA) assessments finalized in 2019 and gives a high-level overview of public financial management (PFM) performance in the countries under review. It highlights three countries (Argentina, Ethiopia, and Ukraine) and one territory (West Bank and Gaza) that finalized a PEFA assessment in 2019, providing an overview of their performance and a comparison with other countries or territories in their region.

Key Messages

1 There were 28 PEFA assessments finalized in 2019, comprising 16 assessments at the national level and 12 assessments at the subnational level.

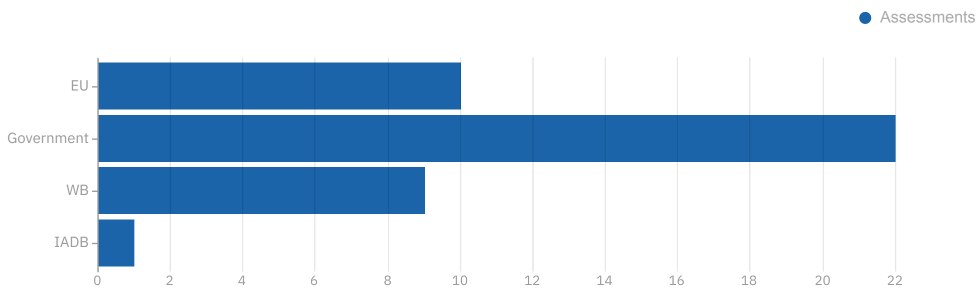
2 The majority of assessments were repeat assessment (this means that previous assessments were conducted); however, Argentina had its first national PEFA assessment (there were, however, previous PEFA assessments at the subnational level in Argentina) and Germany had its first PEFA assessment at the subnational level.

3 Ukraine was the first country with a repeat assessment using the PEFA 2016 methodology; its PFM system showed improvements in many aspects of PFM, but there were some weaknesses in the management of fiscal risks and integrity of financial data.

4 In the sample of 16 national assessments, average PFM performance did not change significantly compared to the sample national assessments conducted between 2016-18.

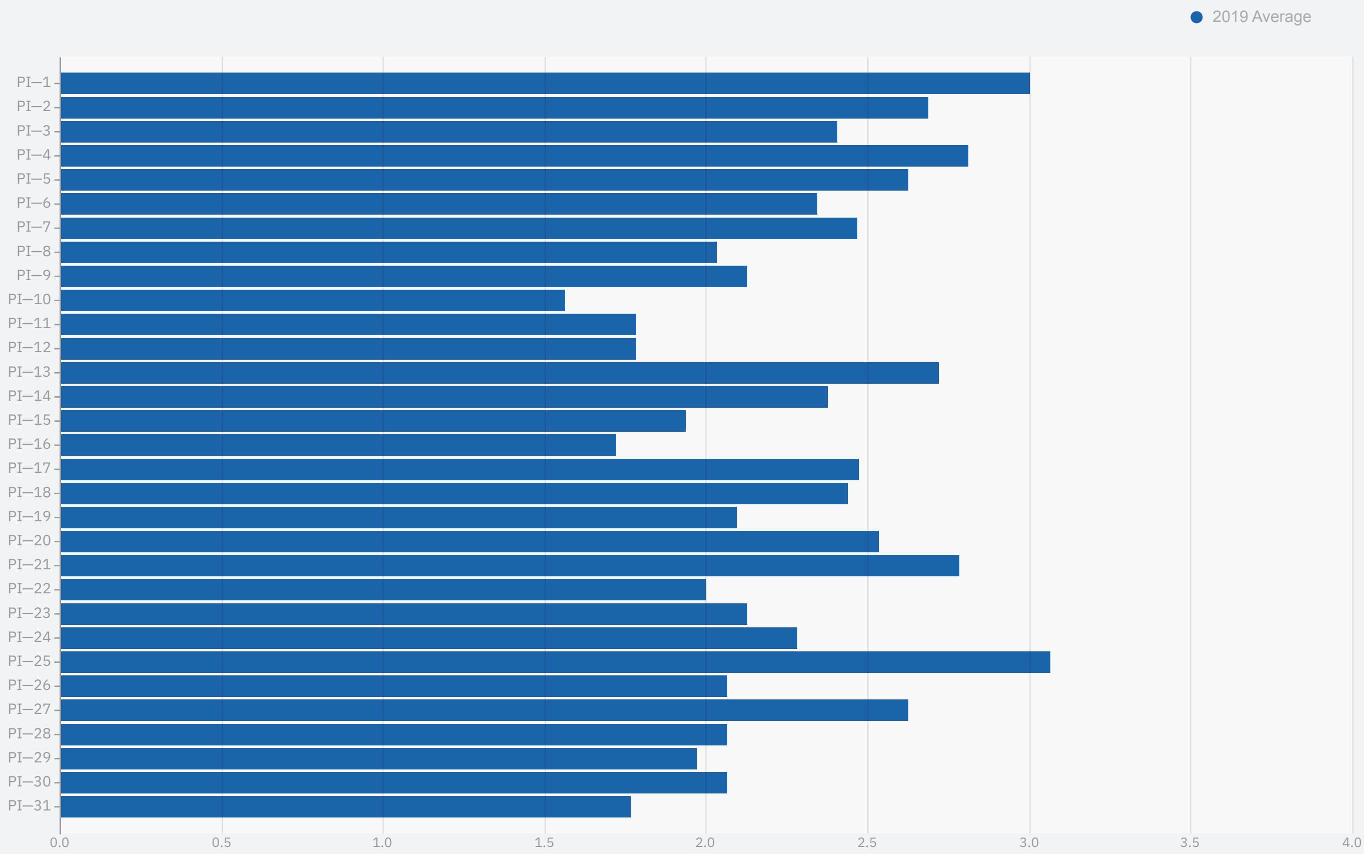
A growing number of governments are taking ownership of the assessment process and are writing the reports themselves or partnering with a development organization to carry out the assessment.

AGENCY INVOLVEMENT IN PEFA ASSESSMENTS, PEFA 2016, YEAR 2019



N = 28

PEFA ASSESSMENTS, BY INDICATOR SCORES, PEFA 2016, YEAR 2019



N = 16

This section highlights the following PEFA assessment reports:

Argentina

The 2019 assessment was the first PEFA assessment for Argentina and was managed and funded by the World Bank.

Ethiopia

The 2019 assessment was the fourth PEFA assessment for Ethiopia at the national level. Previous assessments were conducted in 2007, 2010, and 2015. It was managed by the World Bank and funded by the World Bank, Irish Aid, the United Kingdom's Department for International Development (DFID), the European Commission, the United Nations Children's Fund (UNICEF), and UN Women. Several subnational assessments analyzing the relationship between PFM performance and service delivery were also carried out, as was an assessment in cooperation with UN Women analyzing the gender responsiveness of PFM systems.

Ukraine

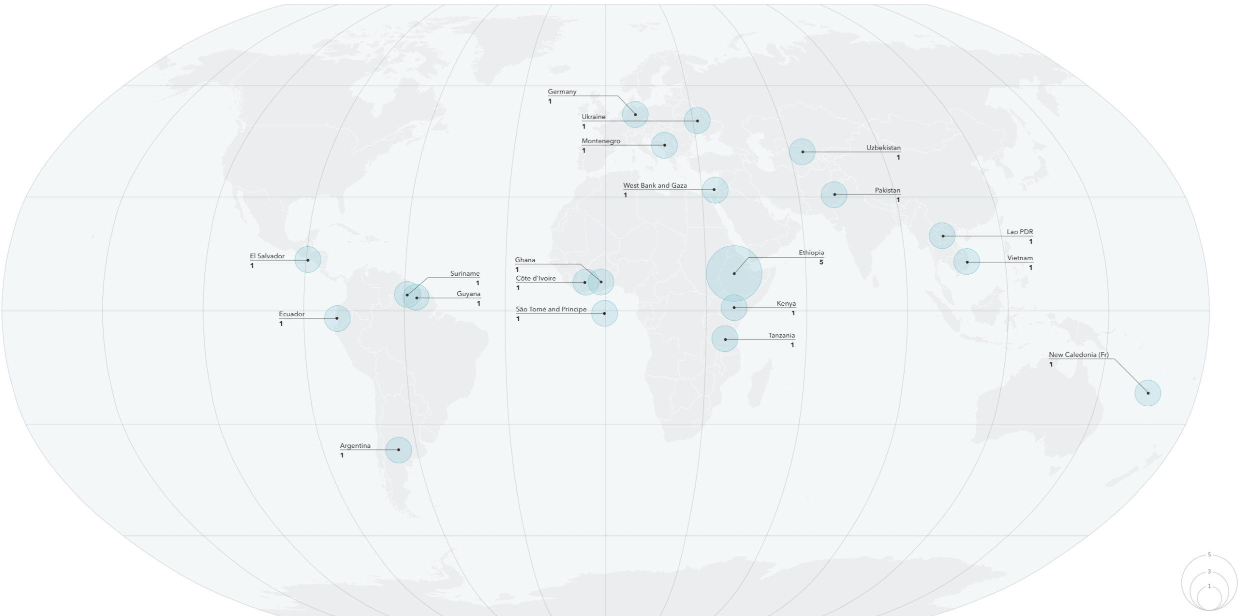
The 2019 assessment was the fourth PEFA assessment for Ukraine at the national level, with previous assessments conducted in 2007, 2012, and 2016. It is the second PEFA assessment in Ukraine that used the PEFA 2016 framework, which makes Ukraine the first country globally for which the PEFA 2016 methodology can be used to compare performance over time. The assessment was managed by the World Bank and funded by the European Commission.

West Bank and Gaza

The 2019 assessment was the third PEFA assessment for West Bank and Gaza. The previous two assessments were conducted in 2007 and 2013. The assessment was managed by the World Bank and funded by the European Commission and the government of Denmark.

The analysis of selected countries or territories is drawn from the PEFA assessment reports and is accompanied by charts using the PEFA 2016 methodology. For regional comparisons, only countries that were assessed with the PEFA 2016 methodology are included.

MAP OF PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) ASSESSMENTS 2019



REPORT SECTION 4

Argentina

The PEFA assessment found that Argentina's PFM system is reasonably aligned with international standards and good practices.

For the full report, visit PEFA's website.

LEARN MORE >

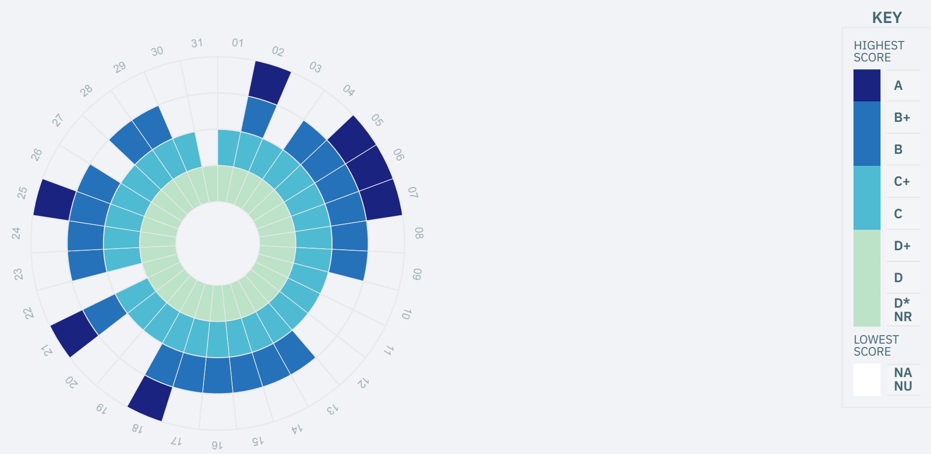
In particular, the "transparency of public finances" pillar is advanced, and the "policy-based fiscal strategy and budgeting" pillar shows solid performance. While the "budget reliability" and "accounting and reporting" pillars are slightly above the basic level of performance, two pillars ("management of assets and liabilities" and "predictability and control in budget execution") show mixed results. Finally, the "external scrutiny and audit" pillar is found to underperform.

ASSESSMENTS METRICS

Type	National
PEFA assessment	First
Report date	4-Dec-19
PEFA check	Yes
Period of analysis	2016, 2017, 2018
Lead agency	World Bank, Argentine government
Other agencies	-

Number of A grades	3
Number of B or C grades	23
Number of D grades	5

DISTRIBUTION OF PEFA ASSESSMENT SCORES FOR ARGENTINA, FROM D TO A, BY INDICATORS, 2019

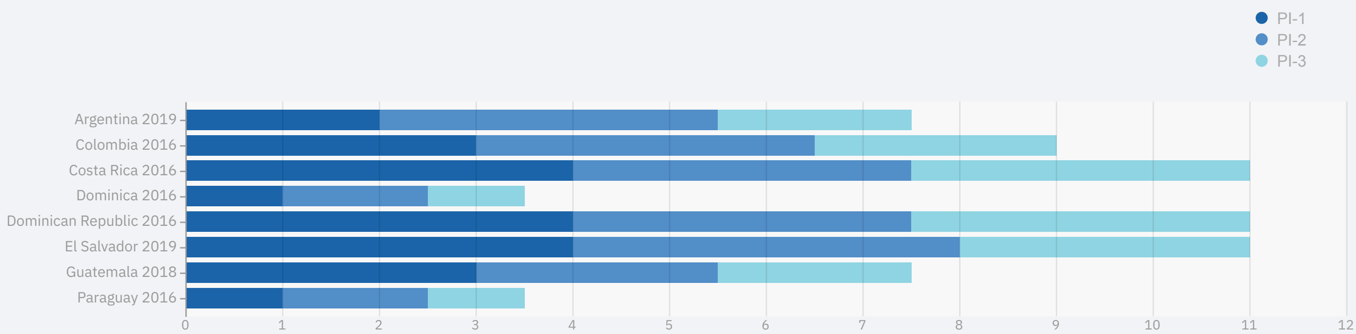


Note: PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 1: Budget Reliability

The budget at the national level in Argentina shows deviations between planned and real spending at the aggregate level (PI–1). The deviations are attributable, according to official sources, mainly to economywide inflation rates, which have been much higher than originally projected. Revenue estimates at the aggregate level, but also disaggregated by type of revenue, show important differences with actual revenue collections (PI–3). The deviations show that the government is underestimating revenue projections, both at the aggregate and disaggregated levels.

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR BUDGET CREDIBILITY IN LATIN AMERICA AND THE CARIBBEAN

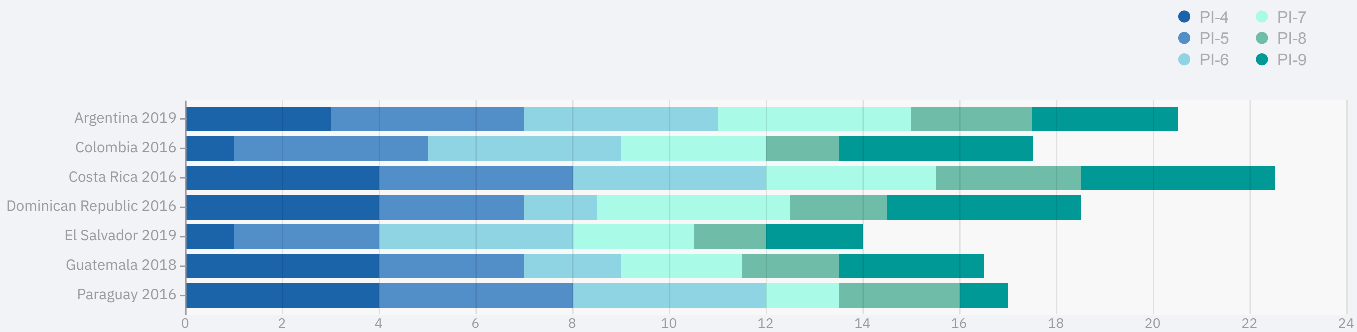


Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 2: Transparency of Public Finances

The documentation submitted to the legislature (PI–5) to support the scrutiny of the budget proposal is generally complete and allows for an exhaustive examination of central government macrofiscal forecasts and changes in policy priorities from previous years. All central government revenue and expenditure operations are adequately reported in ex post financial reports (PI–6). Transfers to subnational governments, at the provincial level, are determined by an adhered-to rules-based system, and transfer ceilings are communicated to provincial governments in time for them to complete their budget planning and formulation in detail (PI–7). Information on performance in service delivery is produced regularly, presented to the legislature, and made public at the formulation and execution stages of the budget cycle, disaggregated by program (PI–8). Public access to fiscal information is considered to be good practice (PI–9).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR TRANSPARENCY OF PUBLIC FINANCES IN LATIN AMERICA AND THE CARIBBEAN



Note: Maximum score is 24. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 3: Management of Assets and Liabilities

Management of public assets and liabilities at the national level in Argentina is still in the process of assimilating and adjusting to international good practices. The central government monitors and reports regularly on fiscal risks and most contingent liabilities.

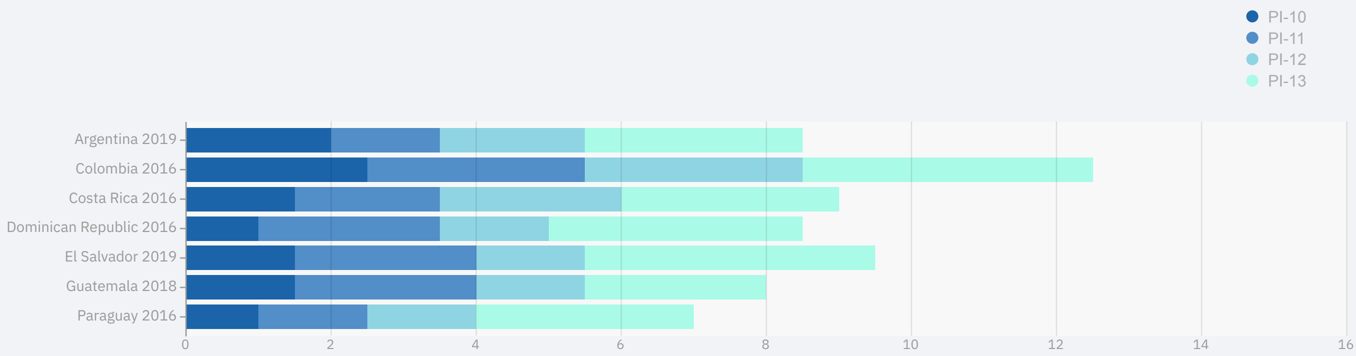
However, its oversight role is heavily compromised by the limited amount of timely and relevant information that is available from public corporations and subnational governments (PI–10). Most major public investment projects are assessed using robust appraisal methods, but reports are not formally published. There is no rigorous and transparent arrangement for prioritizing and selecting projects included in the budget, nor is there registration of forward-looking capital and recurrent costs that are likely to be incurred over the life of the investment (PI–11).

> "There is no rigorous and transparent arrangement for prioritizing and selecting investment projects."

The central government keeps records of all financial assets, but assets are not recognized at a fair or market value and the portfolio's performance is not published. Records of nonfinancial assets are kept centrally but not reconciled with existing physical inventories.

Reports that disclose their use and age profile are not published or available (PI–12). Records of domestic and foreign debt and loan guarantees are complete, accurate, updated, and reconciled monthly. These records and statistical information are published quarterly. The Ministry of Treasury has yet to finalize and publish a medium-term debt management strategy covering existing and projected government debt with a three-year horizon (PI–13).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR MANAGEMENT OF ASSETS AND LIABILITIES IN LATIN AMERICA AND THE CARIBBEAN



Note: Maximum score is 16. PEFA = public expenditure and financial accountability. PI = pillar indicator.

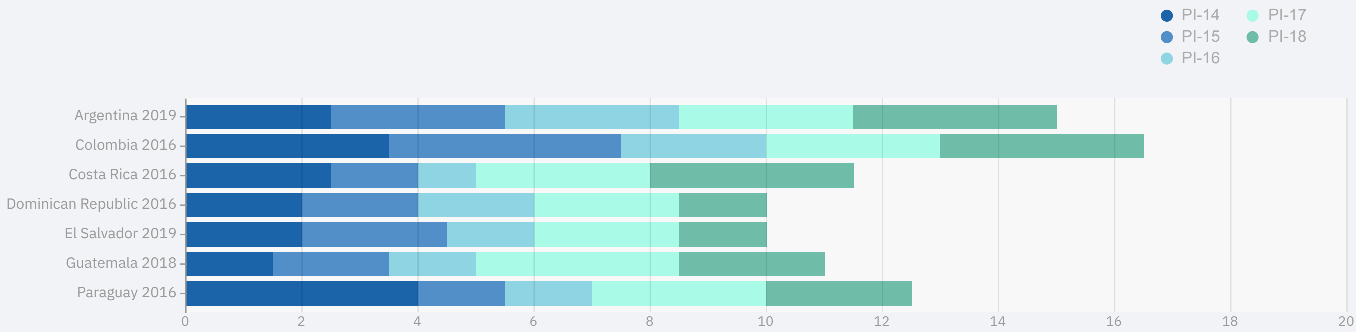
Pillar 4: Policy-Based Fiscal Strategy and Budgeting

The Ministry of Treasury prepares annual forecasts for key macroeconomic indicators that support budgetary assumptions. However, there is no formal third-party review of these forecasts (PI–14). The government has a well-publicized fiscal strategy, which is the foundation of the stand-by arrangement signed with the International Monetary Fund (PI–15).

The government prepares a multiannual budget that presents estimates of expenditure for the budget year and two fiscal years into the future, disaggregated by administrative, economic, functional, and program classifications. However, sectoral medium-term strategic plans are not fully costed and, thus, not yet sufficiently aligned with multiannual budgets (PI–16). The annual budget process is organized around a fixed calendar that provides institutions with sufficient time to prepare their budget proposals in detail (PI–17). The legislature has more than two months to examine and approve the budget proposal; the scrutiny of the budget is comprehensive and follows well-established procedures (PI–18).

> “The annual budget process is organized around a fixed calendar that provides institutions with sufficient time to prepare their budget proposals.”

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING IN LATIN AMERICA AND THE CARIBBEAN



Note: Maximum score is 20. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 5: Predictability and Control in Budget Execution

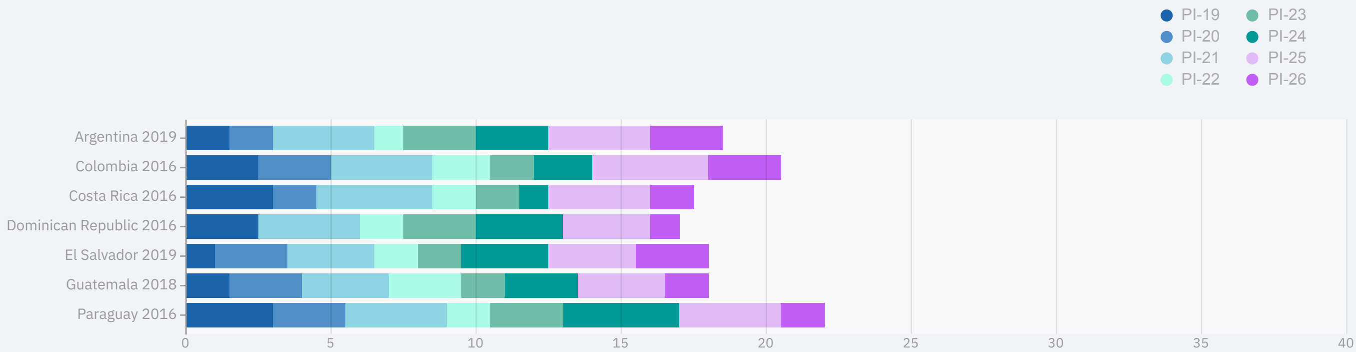
The indicators that measure predictability and control of budget execution at the national level in Argentina show mixed performance regarding their alignment to international standards and best practices. This mixed performance indicates important weaknesses in the PFM system.

Revenue administration in Argentina has room for improvement. Risk management is becoming gradually more systematic, comprehensive, and structured. However, voluntary compliance is weak, which has an adverse impact on revenue audits and investigations (PI–19). The practice of bank and cash balances is solid (PI–20). Budgetary units are able to plan and commit expenditure for at least six months in advance. However, the legislature frequently approves significant in-year adjustments to the budget. Although these adjustments follow the rules and regulations established for this purpose, they risk affecting service delivery (PI–21).

Stocks of expenditure arrears are above the limits that constitute international good practice, and information is not disaggregated by type, age, and composition of expenditure (PI–22). Payroll controls are reasonably well aligned with international good practices and being strengthened continually (PI–23). Procurement management recently has been extensively overhauled, but most changes have not been fully implemented (PI–24). Internal controls of expenditures are mostly adequate (PI–25). Internal audit is operational for all central government entities. However, these audit reports focus primarily on financial compliance (PI–26).

> “Stocks of expenditure arrears are above the limits that constitute international good practice, and information is not disaggregated by type, age, and composition of expenditure.”

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION IN LATIN AMERICA AND THE CARIBBEAN



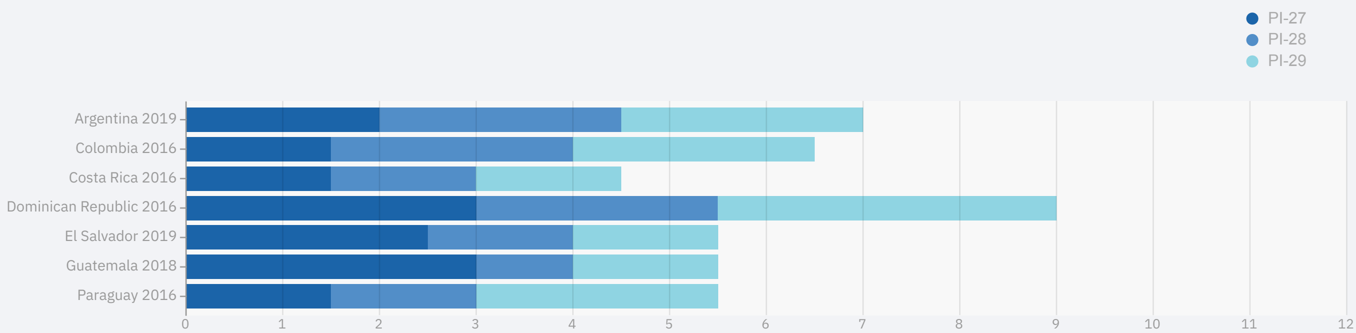
Note: Maximum score is 36. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 6: Accounting and Reporting

PFM data integrity is high, and access to and changes in revenue and spending records are subject to strict security protocols and result in an audit trail. However, bank accounts and advance payments are reconciled only partially and are generally outside the time frame considered to be good practice (PI–27). In-year budget reports are produced regularly, cover all central government entities, and allow for direct comparisons between execution levels and the original budget approved by the legislature (PI–28). The annual financial reports prepared by the National Accounting Office are complete and comprehensive in their coverage and fully comparable with the approved budget. National accounting standards, however, are still not fully consistent with International Public Sector Accounting Standards (IPSASs) (PI–29).

> "Annual financial reports are complete and comprehensive."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR ACCOUNTING AND REPORTING IN LATIN AMERICA AND THE CARIBBEAN



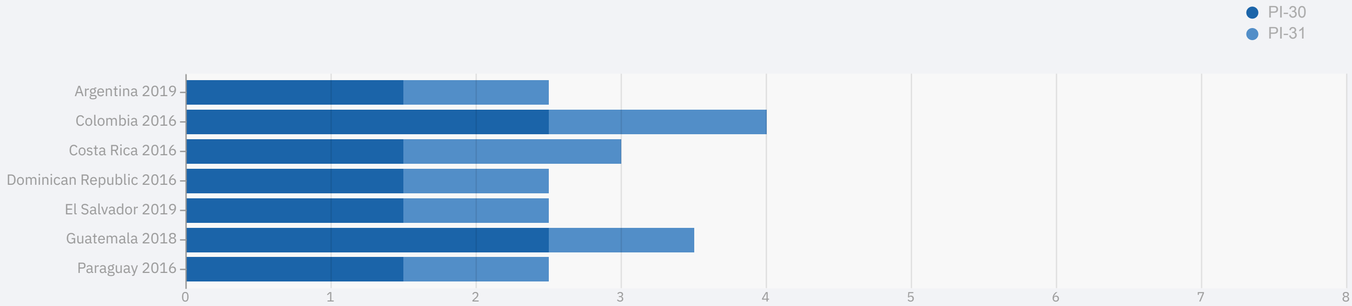
Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 7: External Scrutiny and Audit

In Argentina external scrutiny and audit of public finances at the national level are not sufficiently aligned with international good practices. National auditing standards are compatible with International Standards of Supreme Audit Institutions (ISSAI), but coverage of audits, timely submission of reports, and follow-up on recommendations or observations in audit reports are not properly assessed because relevant and adequate information is missing (PI–30). Legislative scrutiny of the audit reports for the last three completed fiscal years has not yet been undertaken (PI–31).

> "External scrutiny and audit of public finances at the national level are not sufficiently aligned with international good practices."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR EXTERNAL SCRUTINY AND AUDIT IN LATIN AMERICA AND THE CARIBBEAN



Note: Maximum score is 8. PEFA = public expenditure and financial accountability. PI = pillar indicator.

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REPORT SECTION 4

Ethiopia

The 2019 assessment was the fourth PEFA assessment for Ethiopia at the national level.

Previous assessments were conducted in 2007, 2010, and 2015. Concurrent with the PEFA national assessment, several subnational assessments were carried out that reviewed the relationship between PFM performance and service delivery and assessed the gender responsiveness of PFM systems in cooperation with UN Women.

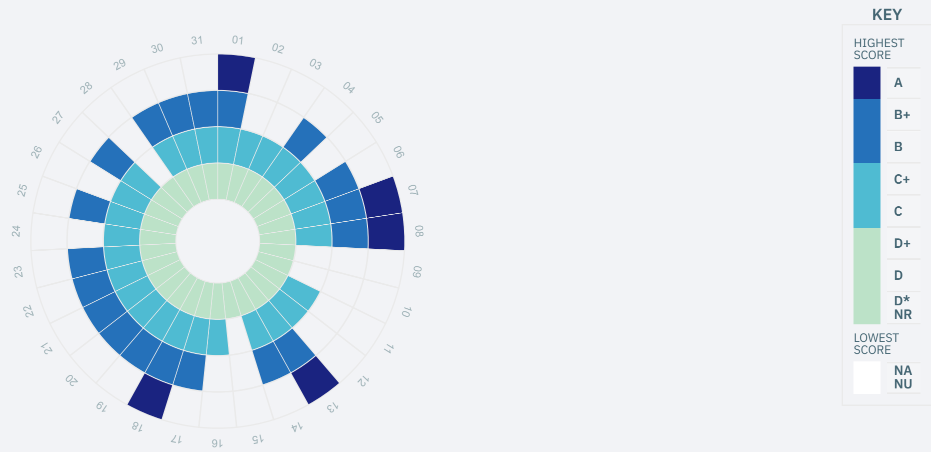
On the basis of the 2011 method, between the 2015 and the 2018 assessments, Ethiopia has more deteriorations in performance (seven) than improvements (three). Fifteen indicators are the same, and six are not comparable.

ASSESSMENTS METRICS

Type	National
PEFA assessment	Fourth
Publication date	13-Nov-19
PEFA check	Yes
Period of analysis	2016, 2017, 2018
Lead agency	Ethiopian government, World Bank

Other agencies	Irish Aid, United Kingdom's Department for International Development, European Union, UNICEF, and UN Women
Number of A grades	3
Number of B or C grades	24
Number of D grades	4

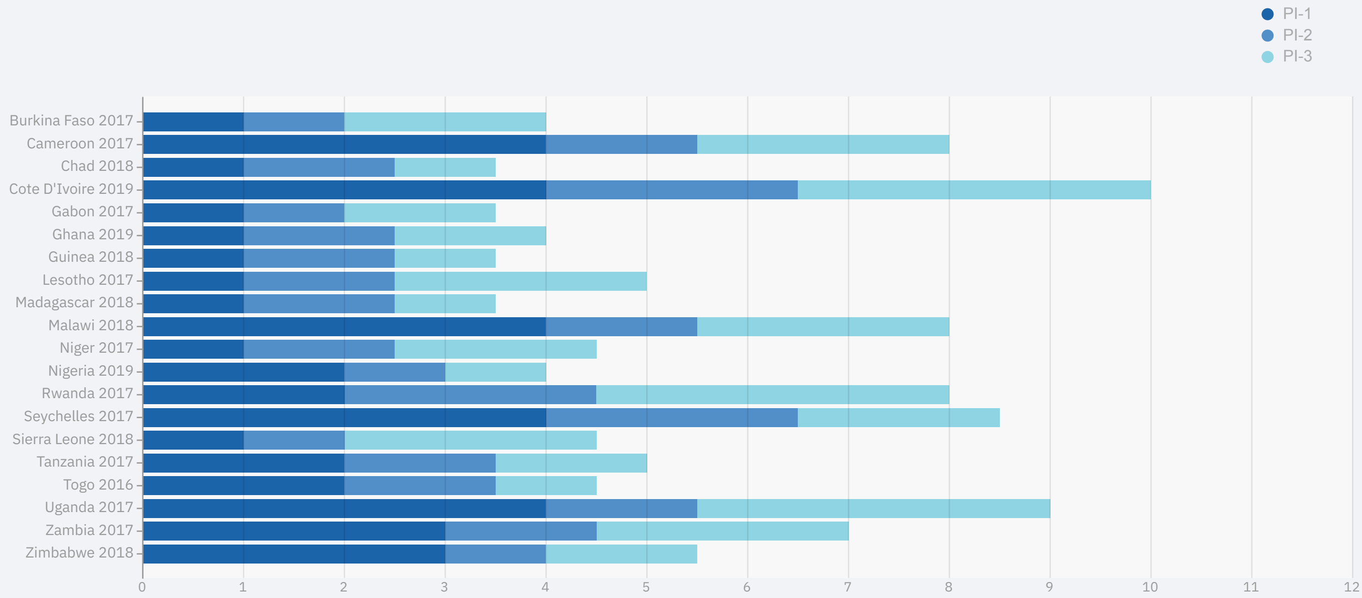
DISTRIBUTION OF PEFA ASSESSMENT SCORES FOR ETHIOPIA, FROM D TO A, BY INDICATORS, 2019



Pillar 1: Budget Reliability

At the aggregate level, the federal government budget is credible. This is as a result of the tight macrofiscal framework approved by the Council of Ministers, which sets the tone for expenditure management. However, the administrative and economic allocation of expenditures is problematic, as virements across sectors make the budget approved by parliament less credible, leading to poor service delivery (PI–1 and PI–2). The revenue budget (PI–3), especially with regard to composition, is poor, even though the aggregate appears to be reasonable. Some socioeconomic factors account for this poor performance in budget reallocations. During the period under review, 8.5 million Ethiopians were affected by political unrest, which led to a change in political leadership and major budget reallocations, and by drought, which caused a significant drop in government revenues.

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR BUDGET RELIABILITY IN SUB-SAHARAN AFRICA



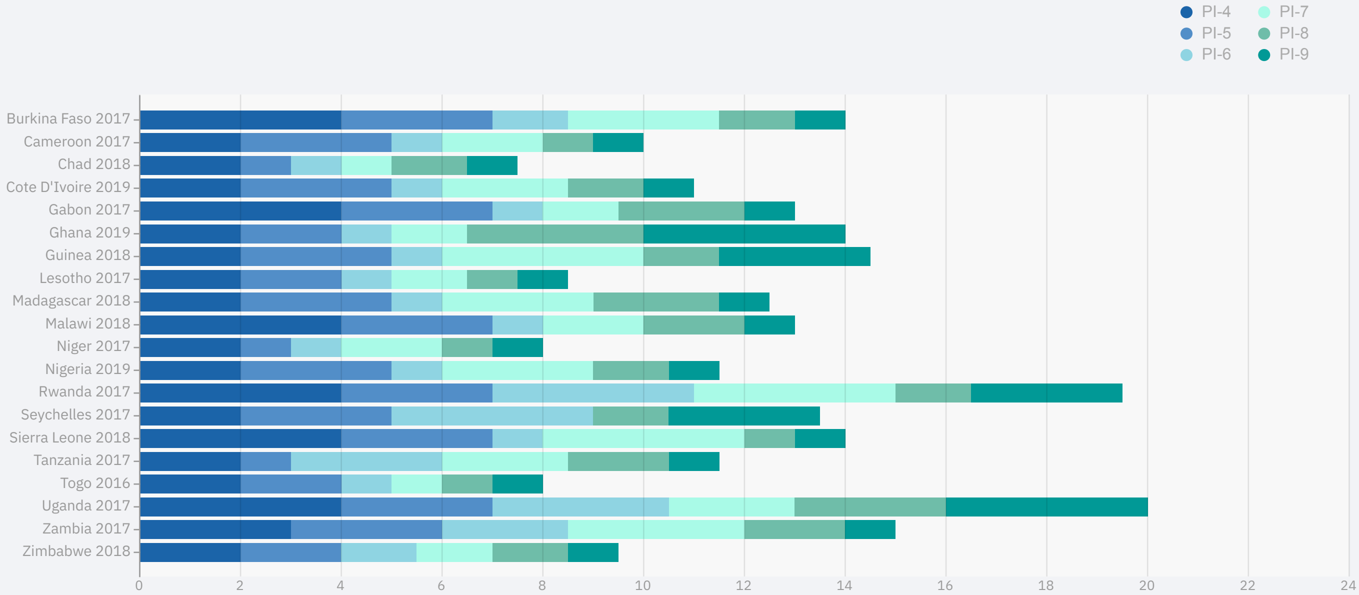
Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 2: Transparency of Public Finances

Ethiopia's budget classification system is relatively strong (PI–4). Budget documentation provides some basic elements but is not comprehensive (PI–5). Detailed financial reports of most extrabudgetary units are submitted to government annually within six months of the end of the fiscal year (PI–8). The system for allocating horizontal transfers to regional governments is rules based and transparent (PI–7). Public access to fiscal information is poor (PI–9).

> "Public access to fiscal information is poor."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR TRANSPARENCY OF PUBLIC FINANCES IN SUB-SAHARAN AFRICA

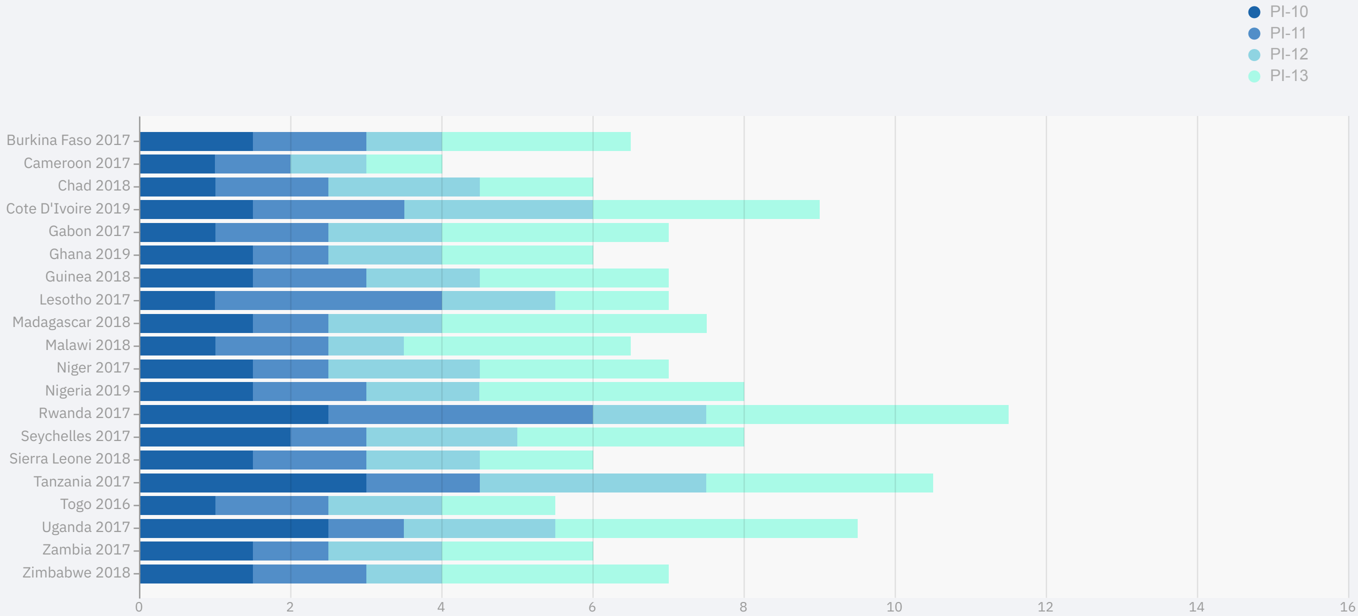


Note: Maximum score is 24. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 3: Management of Assets and Liabilities

Monitoring of public corporations and regional governments is weak, and the federal government does not prepare and publish a fiscal risk report (PI–10). There is no independent economic analysis of all major capital investment projects. Project costing is weak; only total capital investment cost is provided. There is no forward-linked recurrent expenditure framework in relation to capital investment projects (PI–11). Asset management is relatively weak as well. Although the federal government maintains records of its cash and bank balances, there are no records of other financial assets, such as government equity shares in both public and private enterprises. The federal government does not maintain a consolidated register of its fixed assets; however, individual budget units do keep asset registers (PI–12). A current medium-term debt strategy covering 2016–20 has been prepared and published (PI–13).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR MANAGEMENT OF ASSETS AND LIABILITIES IN SUB-SAHARAN AFRICA



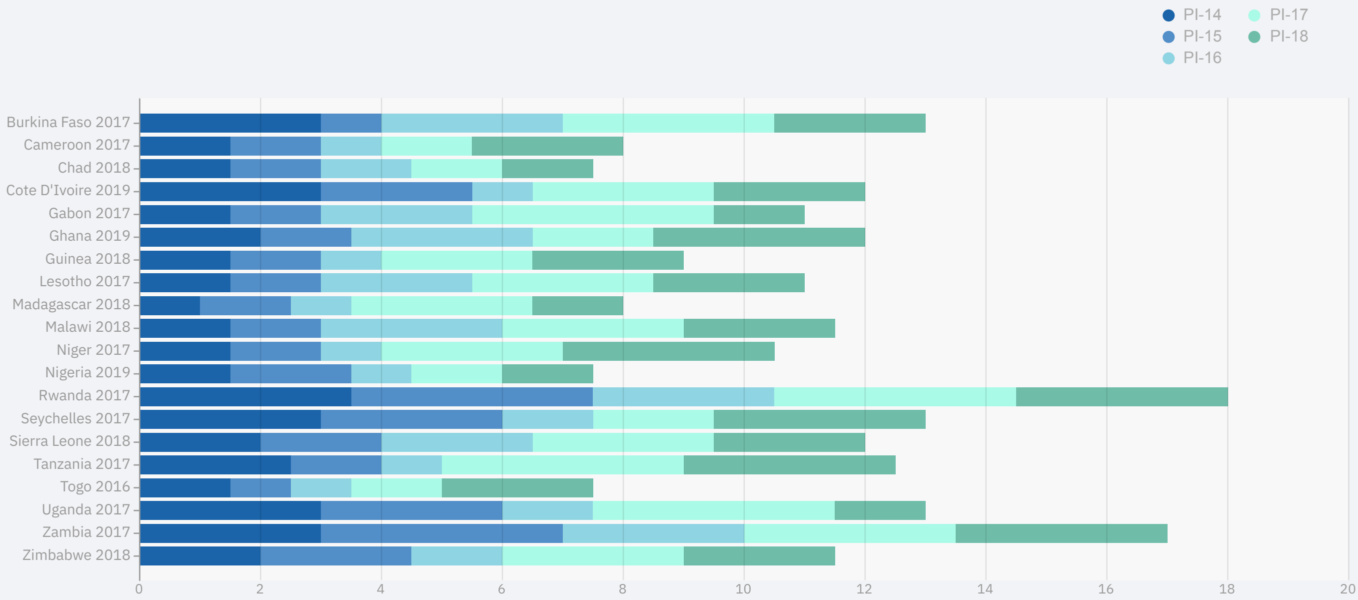
Note: Maximum score is 16. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 4: Policy-Based Fiscal Strategy and Budgeting

Policy-based fiscal strategy and budgeting work well as far as the medium-term fiscal framework (MTFF), budget preparation, and legislative scrutiny of the budget are concerned. The Fiscal Policy Directorate prepares forecasts of key macroeconomic indicators, which, with the underlying assumptions, are included in the budget documentation submitted to the legislature (PI–14). A fiscal strategy has not been prepared (PI–15). Although the government prepares a five-year MTFF that is updated annually, the budget is not prepared on a medium-term basis (PI–16). A clear annual budget calendar exists and is generally adhered to; budgetary units have six weeks from receipt of the circular to complete meaningful estimates on time (PI–17). The legislature's review covers fiscal policies and aggregates for the coming year as well as the details of expenditure and revenue, but the medium-term fiscal framework is not examined (PI–18).

> "There is a disconnect between the medium-term fiscal framework and the annual budget."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING IN SUB-SAHARAN AFRICA



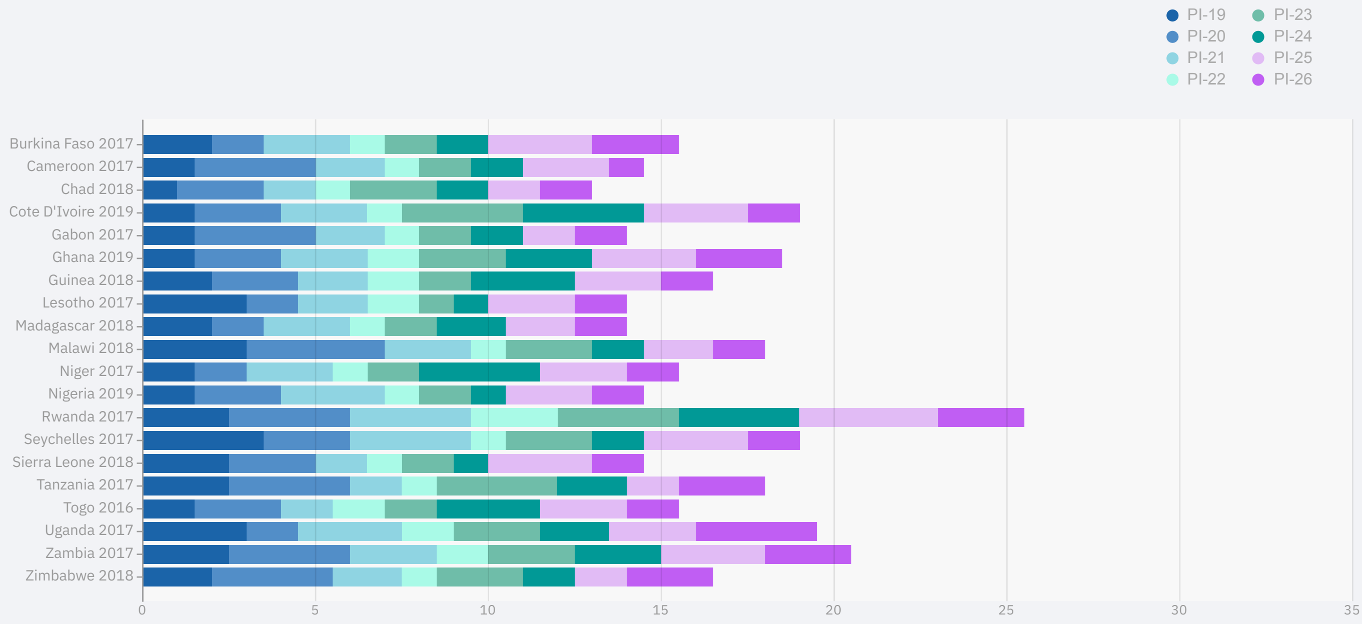
Note: Maximum score is 20. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 5: Predictability and Control in Budget Execution

Both revenue management and accounting for revenues are reasonable. Public access to taxpayer information is reasonable (PI–19 and PI–20). Most budget units receive a quarterly expenditure commitment ceiling. Budget reallocations across votes are less frequent, even though sectorwide reallocations are rampant (PI–21). Expenditure arrears are monitored regularly (PI–22). While the public procurement framework is adequate, important procurement information is not made public (PI–24). Internal controls generally are reasonable; however, concerns have been raised in the area of compliance with rules and regulations (PI–25). Internal audit coverage is wide, across most budget units, but adherence to internal standards needs to be improved. Most planned internal audits are carried out (PI–26).

> "Important procurement information is not made public."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION IN SUB-SAHARAN AFRICA

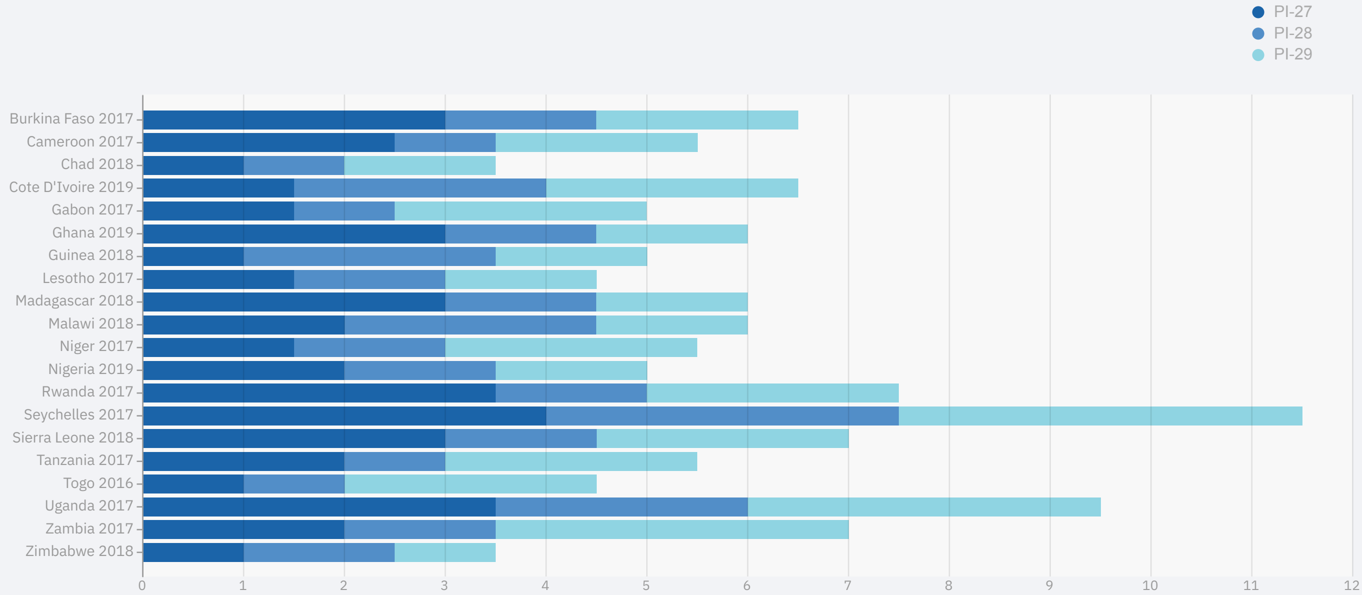


Note: Maximum score is 32. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 6: Accounting and Reporting

The integrity of financial data is a concern (PI–27). While most budget units submit monthly reports to the finance ministry, these reports are not consolidated for management's use (PI–28). Annual financial statements are submitted to the Office of the Federal Auditor General (OFAG) within six months after the end of the financial year. The statements are prepared using a modified cash basis of accounting; they are consistent over time and in line with the government's legal framework. The statements are comparable with approved budgets and contain information on revenue, expenditure, liabilities, and financial assets (PI–29).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR ACCOUNTING AND REPORTING IN SUB-SAHARAN AFRICA

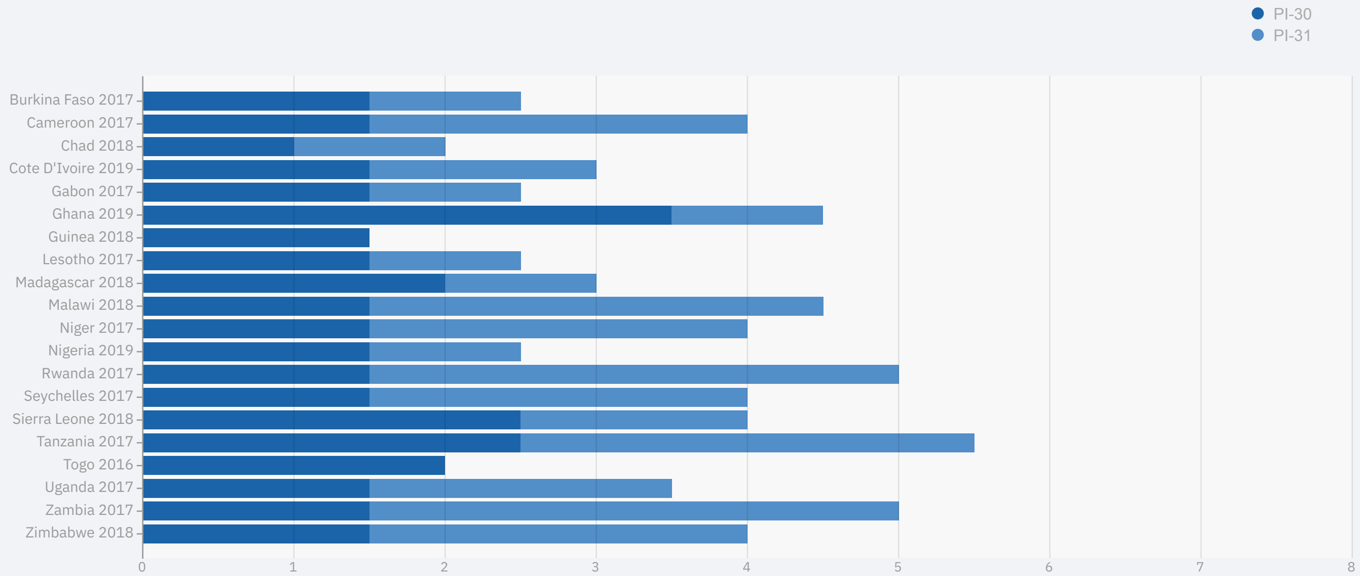


Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 7: External Scrutiny and Audit

External audits are in line with ISSAIs, and audit coverage is wide (PI–30). Legislative review and scrutiny of audit reports are good, but enforcement of the recommendations in audit reports is weak (PI–31).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR EXTERNAL SCRUTINY AND AUDIT IN SUB-SAHARAN AFRICA



Note: Maximum score is 8. PEFA = public expenditure and financial accountability. PI = pillar indicator.

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REPORT SECTION 4

Ukraine

The 2019 PEFA assessment in Ukraine was conducted to provide the government with an objective assessment of the progress made in PFM performance since the previous assessment in 2016. The Ukraine PEFA report is the first report to track changes in performance using the 2016 PEFA framework.

For the full report, visit PEFA's website.

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Since the last PEFA assessment, overall reforms across Ukraine's PFM system have proceeded gradually and progressively. Specifically, the government has made progress in (a) implementing medium-term budget planning; (b) integrating IPSASs into Ukraine's statutory framework and adopting the 2025 public sector accounting strategy; (c) improving macroeconomic and budget forecasting tools; (d) increasing transparency in PFM through the introduction of an open budget portal; (e) managing fiscal risk, and (f) gradually introducing a gender-oriented approach to budgeting.

> "The 2019 Ukraine PEFA report is the first report to track changes in performance using the 2016 PEFA framework."

ASSESSMENTS METRICS

Type	National
PEFA assessment	Fourth
Publication date	20-Nov-19
PEFA check	Yes
Period of analysis	2016, 2017, 2018
Lead agency	Government, World Bank
Other agencies	European Commission, Swedish International Development Agency (SIDA), and United States Treasury
Number of A grades	10
Number of B or C grades	17
Number of D grades	4

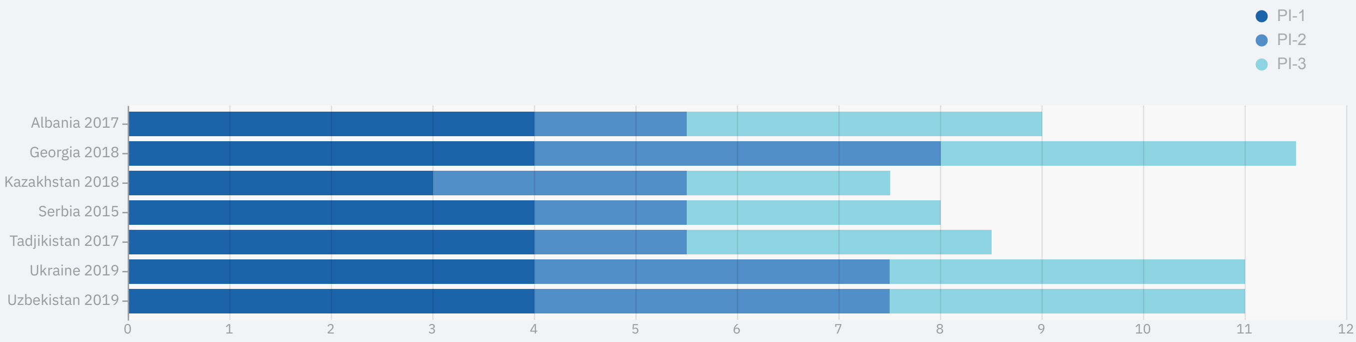
DISTRIBUTION OF PEFA ASSESSMENT SCORES FOR UKRAINE, FROM D TO A, BY INDICATORS, 2019

Pillar 1: Budget Reliability

The challenges in producing accurate projections of total revenue have been met in recent years. Actual revenue has been close to estimated total revenue overall, but projected composition has been is slightly less accurate. This overall result has been achieved in the context of strengths in virement and two adjustments to the Annual Budget Law. The process of controlling budget allocations to match the availability of cash has been supported by good cash forecasting and certainty in the availability of funds for budgetary units to execute their budgets as planned.

> “Robust cash forecasting has allowed budget allocations to match available cash.”

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR BUDGET RELIABILITY IN EUROPE AND CENTRAL ASIA



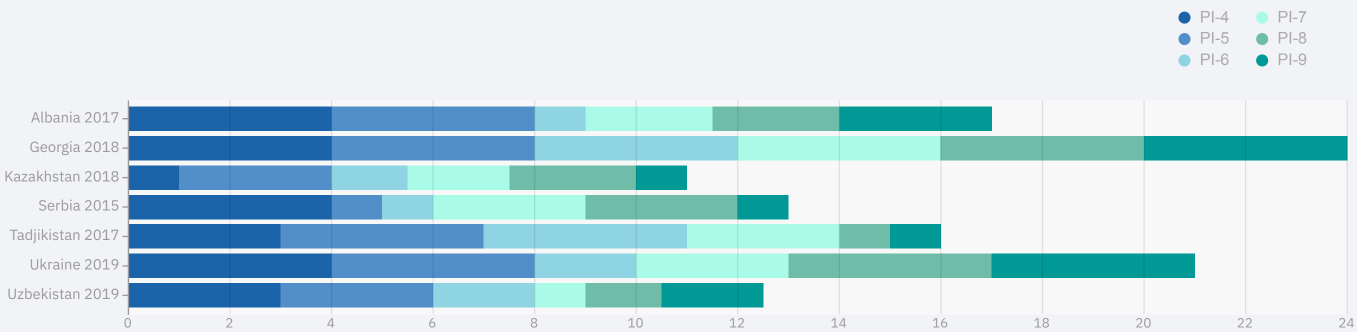
Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 2: Transparency of Public Finances

Ukraine has a good array of information regarding the finances of budgetary central government. The Chart of Accounts, which underpins budget preparation, execution, and reporting, is comprehensive and consistent with Government Finance Statistics (GFS) standards (PI–4). As a result, budget documents include all of the basic and much of the supplementary information required to support a transparent budget process (PI–5). Data regarding the operations of public bodies are complete in the budget documentation, apart from information on the three social security funds (PI–6). The transfers to subnational government are determined transparently (PI–7). Information on planned and achieved performance in service delivery outputs and outcomes across government sectors is very good, including performance plans, performance achieved, and performance evaluations (PI–8). Public access to fiscal information is strong (PI–9).

"Public access to fiscal information is strong."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR TRANSPARENCY OF PUBLIC FINANCES IN EUROPE AND CENTRAL ASIA



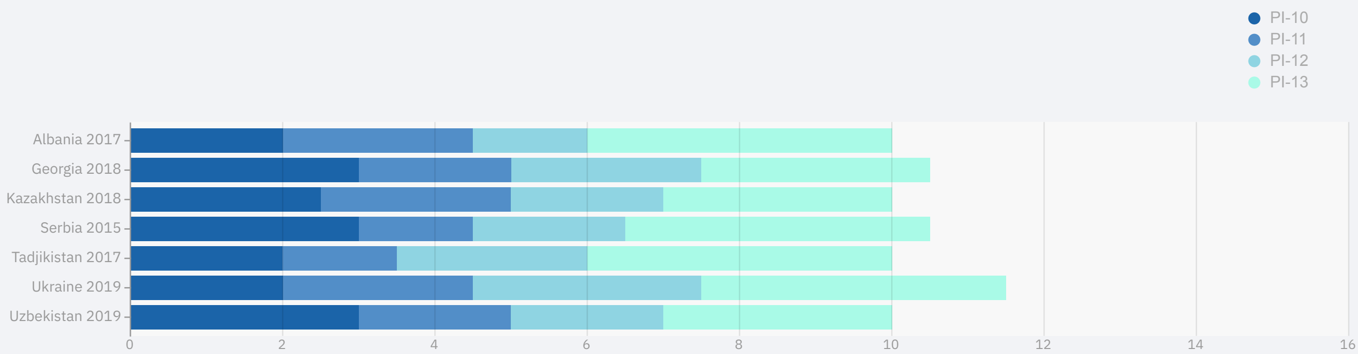
Note: Maximum score is 24. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 3: Management of Assets and Liabilities

Fiscal risk reporting needs to be stronger (PI–10). Unaudited reports on the majority of municipalities are produced annually, with delays of up to nine months. A comprehensive and inclusive process for managing public investment programs and assets is lacking (PI–11 and PI–12). Public assets management is good, but information on the use and age of nonfinancial assets is not complete. Management and approval of debt recording are strong, but the debt management strategy lacks both complete borrowing targets and annual reporting to parliament against debt management objectives (PI–13).

> "A comprehensive and inclusive process for managing public investment is lacking."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR MANAGEMENT OF ASSETS AND LIABILITIES IN EUROPE AND CENTRAL ASIA



Note: Maximum score is 16. PEFA = public expenditure and financial accountability. PI = pillar indicator

Pillar 4: Policy-Based Fiscal Strategy and Budgeting

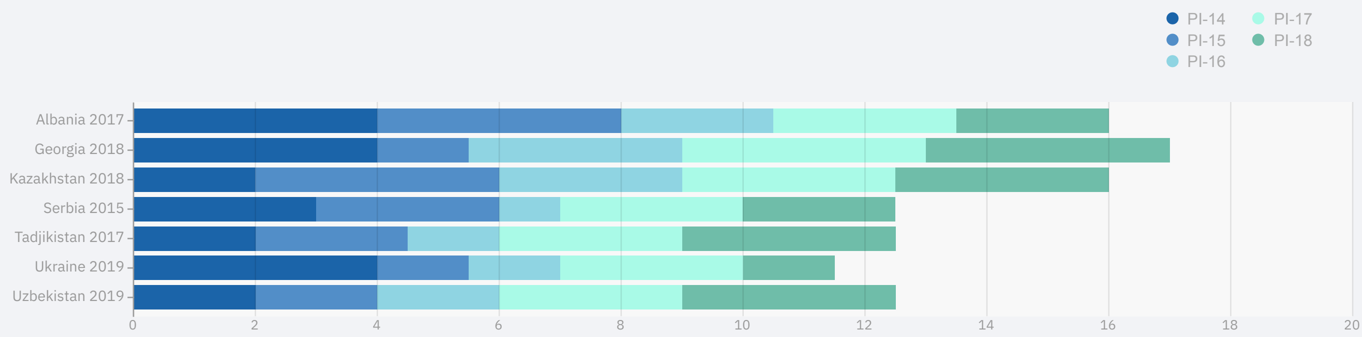
Some, but limited, progress has been made toward a comprehensive medium-term expenditure framework (PI–16). There is good information on the specification and evaluation of key performance indicators. However, this information is not linked to expenditure budgeting in a medium-term approach, as the budget is presented for the upcoming year only.

The overall fiscal strategy only focuses on the budget year and does contain objectives to be achieved. There is no reporting against outcomes (PI–15). There are no hard ceilings for budget preparation, and the use of costed sector strategies for budget formulation is the exception rather than the norm.

> "The legislature has sufficient time to carry out its scrutiny and approves the budget on time."

All of this activity is carried out in the context of strong macroeconomic and fiscal forecasting (PI–14). There is a budget calendar, but it does not provide budgetary units with adequate time (less than four weeks) to prepare their budgets (PI–17). The legislature has sufficient time to carry out its scrutiny function and approves the budget on time. Nevertheless, the legislature only considers fiscal policies and aggregates for the upcoming budget year, not the medium term. The procedures and timetable for budget scrutiny have not been adhered to in the most recent passed budget (PI–18).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING IN EUROPE AND CENTRAL ASIA



Note: Maximum score is 20. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 5: Predictability and Control in Budget Execution

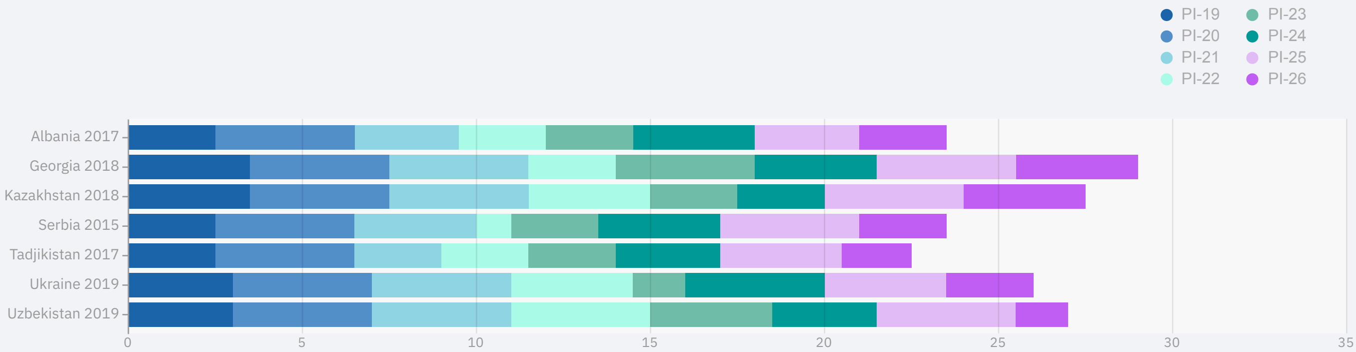
The taxation system is based on comprehensive legislation providing information on the tax liabilities of taxpayers with respect to obligation and redress, along with a three-tier appeal system that guarantees independence from the administration. A comprehensive risk-based approach to administering revenues is lacking that could be used to determine audit planning (PI–19). Revenue collected is relatively well managed in terms of the flow of funds to the treasury and recording of transactions (PI–20).

Each budgetary agency is responsible for maintaining its own payroll accounting system, but information on employees, which is accounted for by the human resource unit, and their remuneration, which is accounted for by the accounting department, are not reconciled (PI–23). The public procurement system scores well (PI–24), but only 78 percent of purchases are carried out by competitive methods. Overall, the high score reflects the ProZorro electronic procurement system, which is recognized internationally and has received several awards.

> "Only 78 percent of purchases are carried out by competitive methods."

Internal controls on nonsalary expenditure score well, with effective commitment controls and compliance with payment rules and procedures (PI–25). The internal audit function is being developed. Coverage is good overall, although smaller units suffer from staff shortages. Internal audit activities focus primarily on compliance, with some assessment of efficiency (PI–26).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION IN EUROPE AND CENTRAL ASIA

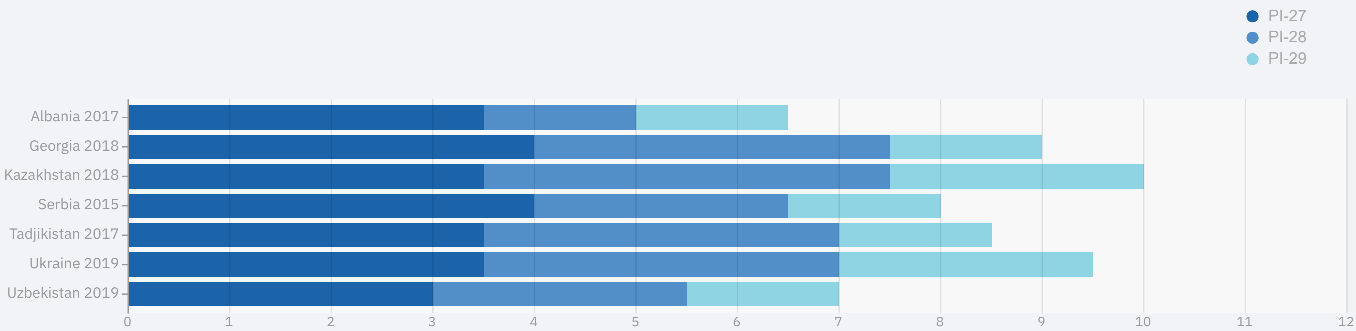


Note: Maximum score is 32. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 6: Accounting and Reporting

Accounts reconciliation and financial data integrity are areas of strengths (PI–29). The coverage and classification of data included in in-year budget reports allow for direct comparison to the original budget. There are no material concerns regarding the accuracy of data (PI–28). The annual financial statements include complete information on assets, liabilities (including long-term liabilities), revenue, and expenditure and a reconciled cash statement. They are submitted for external consumption within three months after the close of the reporting year. The public sector accounting regulations (national standards) that apply to all financial statements are largely consistent with international standards (PI–29).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR ACCOUNTING AND REPORTING IN EUROPE AND CENTRAL ASIA



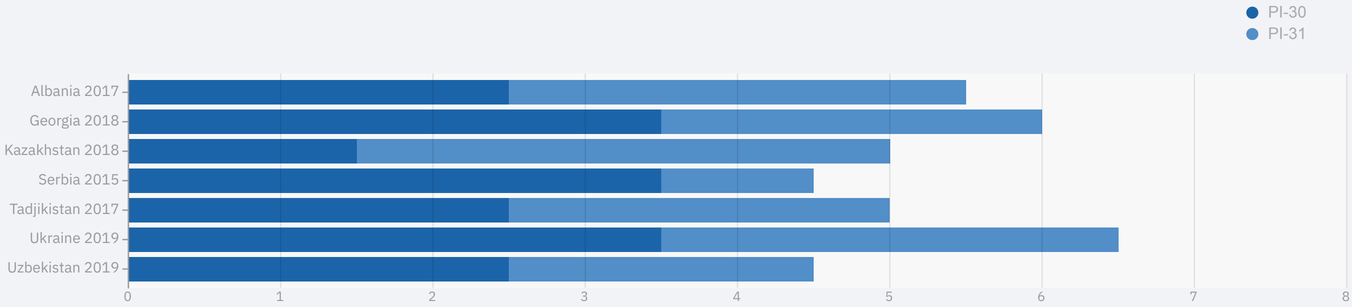
Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 7: External Scrutiny and Audit

External audit is an area of significant strength (PI–30). The financial statements are audited using standards based on ISSAIs. The financial audit and (few) performance audits that are carried out enable the evaluation of the timeliness and completeness of budget revenues, productivity, performance, and efficiency of using budget funds. The audit reports highlight significant problems and identify relevant material issues and systemic and control risks. Legislative scrutiny of audit reports is good, particularly regarding the timing of audit report scrutiny and transparency of the scrutiny process. However, hearings of audit findings and follow-up of audit recommendations issued by parliament need to be stronger (PI–31).

> “The audit report highlights systemic and control risks.”

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR EXTERNAL SCRUTINY AND AUDIT IN EUROPE AND CENTRAL ASIA



Note: Maximum score is 8. PEFA = public expenditure and financial accountability. PI = pillar indicator.

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West Bank and Gaza

The 2019 assessment was the third PEFA assessment for West Bank and Gaza; two previous assessments were conducted in 2007 and 2013. The assessment was managed by the World Bank and funded by the European Commission and the government of Denmark.

For the full report, visit PEFA's website.

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Fiscal discipline in West Bank and Gaza is very reasonable, especially in the context within which the government has to operate, and most elements of the PFM system contribute to this outcome. On the expenditure side, aggregate estimates are reasonable (PI–1, rated B). However, differences between the original estimates and the composition of actual expenditures are large (PI–2.1 and PI–2.2), and actual expenditures are distorted due to expenditure arrears, which have been increasing in recent years (PI–22).

In terms of revenue, estimates are not accurate (PI–3, rated C), mainly because promised donor commitments failed to materialize, but also because forward estimates of the monthly transfer of "clearance revenues" were limited (collected by the government of Israel on goods and services destined for West Bank and Gaza). The government is heavily dependent on donor resources, and fluctuations in these funds are unpredictable, which has been a constant challenge for fiscal management. The clearance revenues constitute about two-thirds of the government's budgetary revenue, and the flows have been unpredictable. However, the accounting arrangements—by necessity—are sound (PI–20).

> "The government is heavily dependent on unpredictable donor resources, which has been a constant challenge for fiscal management."

A PEFA assessment also recognizes broader issues that may affect fiscal discipline. For example, the monitoring of financial risks is weak (PI–10). Similarly, in part because donors often take a leading role in public investment, the management of both public investments and public assets is weak (PI–11 and PI–12, both rated D+). The budget documents have a very limited medium-term perspective, but medium-term projections do inform the internal process. In view of the uncertain fiscal environment, the presentation of medium-term projections in the documents would be valuable (PI–16, rated D).

For aspects related to efficiency in the use of resources, the PFM system is reasonable, as shown by the indicator for predictability of resource allocation (PI–21, rated C+); financial relationships between agencies are partially transparent (PI–7, rated C), as many services are decentralized to the districts to serve local residents; and the score for "performance information" is good (PI–8, rated B).

Finally, the monitoring mechanisms in place show mixed results. As no functioning legislature was in place during the three-year assessment period, PI–31 could not be rated. However, the Supreme Audit and Administrative Control Bureau (SAACB) has full legal, financial, and administrative independence as well as unrestricted access to records, documentation, and information.

ASSESSMENTS METRICS

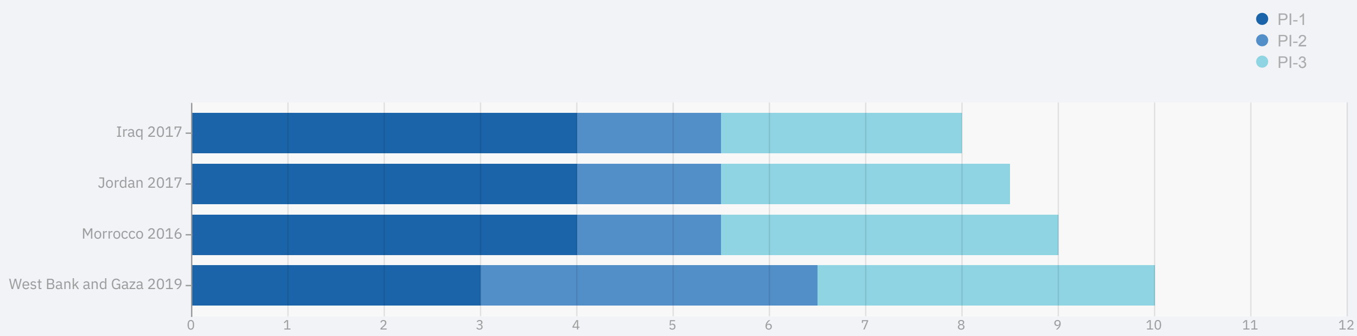
Type	National
PEFA assessment	Third
Publication date	20-Jun-19
PEFA check	Yes
Period of analysis	2015, 2016, 2017 (financial years)
Lead agency	World Bank
Other agencies	European Commission, Denmark
Number of A grades	2
Number of B or C grades	17
Number of D grades	11

DISTRIBUTION OF PEFA ASSESSMENT SCORES FOR WEST BANK AND GAZA, FROM D TO A, BY INDICATORS, 2019

Pillar 1: Budget Reliability

The context in which West Bank and Gaza develops its budget is important, as the political situation provides no certainty that the estimates will prove to be reliable. In the three years reviewed, the PFM system developed reasonable estimates of aggregate expenditure, although the difference between actual expenditure and the initial budget estimate was high in the first of these years. In addition, there is still a large gap between the budget and the composition of actual expenditure (PI–2, rated D+) in both function and economic type. As for revenues, actual receipts are significantly below the level anticipated at the beginning of the year (PI–3, rated C), this situation is exacerbated further by the unpredictable treatment of "tax clearance deductions" by the Israeli authorities.

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR BUDGET RELIABILITY IN MIDDLE EAST AND NORTH AFRICA

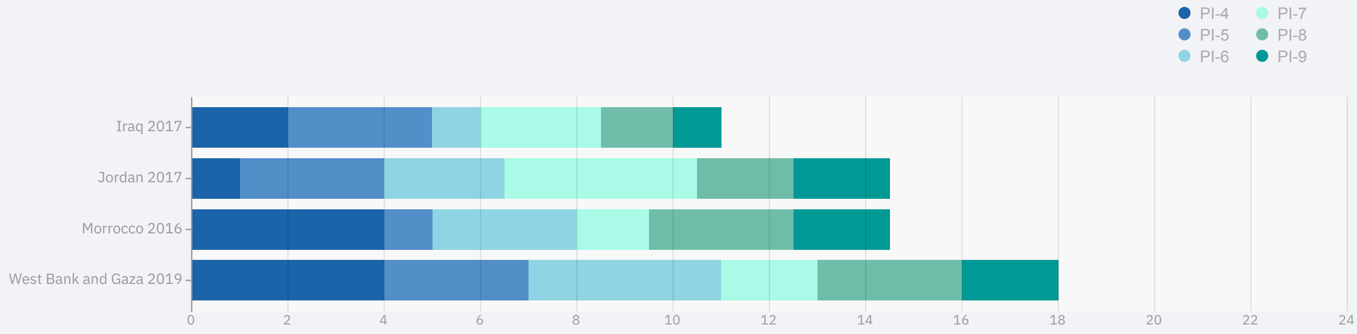


Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 2: Transparency of Public Finances

With the exception of the financial information available to citizens (PI–9, rated C), the government is transparent in the management of its public finances. Budget documents are comprehensive and closely follow GFS and Classification of the Functions of Government (COFOG) requirements. Coverage of government activities is comprehensive, although the focus does not extend beyond the budget year. All subnational entities within West Bank and Gaza comply with financial reporting requirements (PI–7, rated C), although no comprehensive report of their activities is published. However, performance indicators have been developed for many services and are available to citizens (PI–8, rated B).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR TRANSPARENCY OF PUBLIC FINANCES IN MIDDLE EAST AND NORTH AFRICA



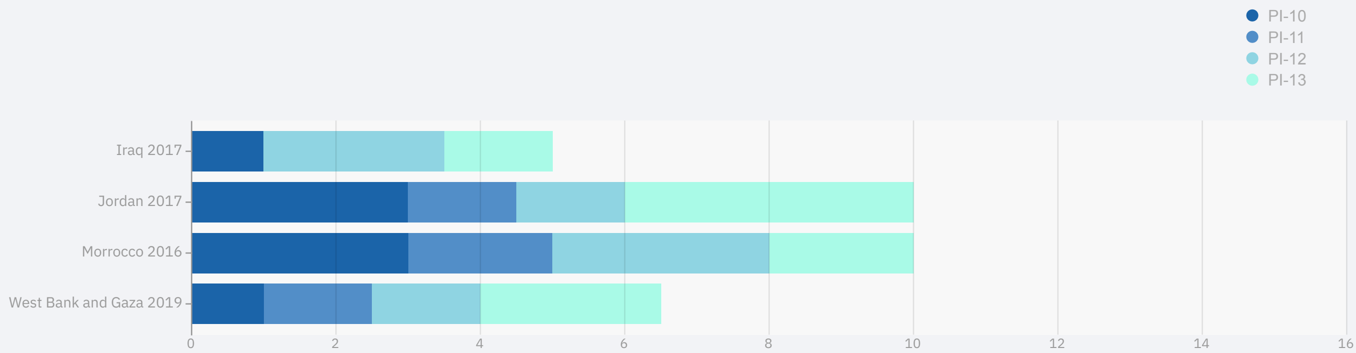
Note: Maximum score is 24. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 3: Management of Assets and Liabilities

Mechanisms for monitoring fiscal risks are weak (PI-10, rated 'D'). There are no formal guidelines for project appraisal and most investment projects are selected according to government priorities, although individual ministries may undertake their own appraisals. However, externally financed investment projects are monitored and evaluated. There are no forward-linked recurrent expenditures for investment projects, and the legal framework for managing both public investments and public assets is weak (PIs-11 and 12, both rated 'D+'): in addition, very limited information is made available to the public, although any proceeds from assets disposal is reported in in-year budget reports.

> "Mechanisms for monitoring fiscal risks are weak."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR MANAGEMENT OF ASSETS AND LIABILITIES IN MIDDLE EAST AND NORTH AFRICA



Note: Maximum score is 16. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 4: Policy-Based Fiscal Strategy and Budgeting

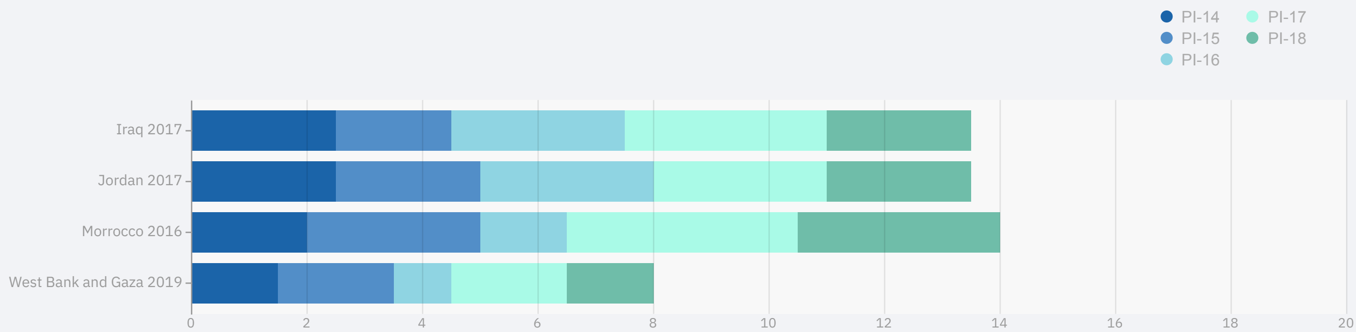
The Annual Budget Law presented to the president includes a table of key economic indicators covering the four prior years, the budget year, and the following four fiscal years, as well as fiscal forecasts for the budget year and comparable information for the preceding three years. Forecasts are disaggregated, but there is no assessment of the main changes since the prior year. Although the Ministry of Finance and Planning (MoFP) considers policy developments and significant risks, these are not included in the annual law or accompanying documents (PI–14 and PI–15, rated D+ and C, respectively).

Although information is prepared for the budget year and the next two fiscal years, the Annual Budget Law only incorporates information for the budget year. Medium-term expenditure ceilings are approved by the Council of Ministers before the second circular is issued (PI–16.2, rated D), but there is no explanation of changes to the estimates between the prior-year medium-term budget and the current budget.

> "In each of the last three fiscal years, the budget has not been presented until several months after the start of the year."

Clear budget schedules exist and are complied with, giving budget units at least four weeks to prepare their detailed estimates following the notification of ceilings in the second budget circular. The MoFP circulars provide extensive guidance to ministries for budget preparation and indicate approved ceilings. In each of the last three fiscal years, the budget has not been presented until several months after the start of the year (PI–17, rated C). The president signs the Annual Budget Law two to three months after the new fiscal year has started, although there are clear rules for in-year budget reallocations within the approved total (PI–18.4, rated B.

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR POLICY-BASED FISCAL STRATEGY AND BUDGETING IN MIDDLE EAST AND NORTH AFRICA



Note: Maximum score is 20. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 5: Predictability and Control in Budget Execution

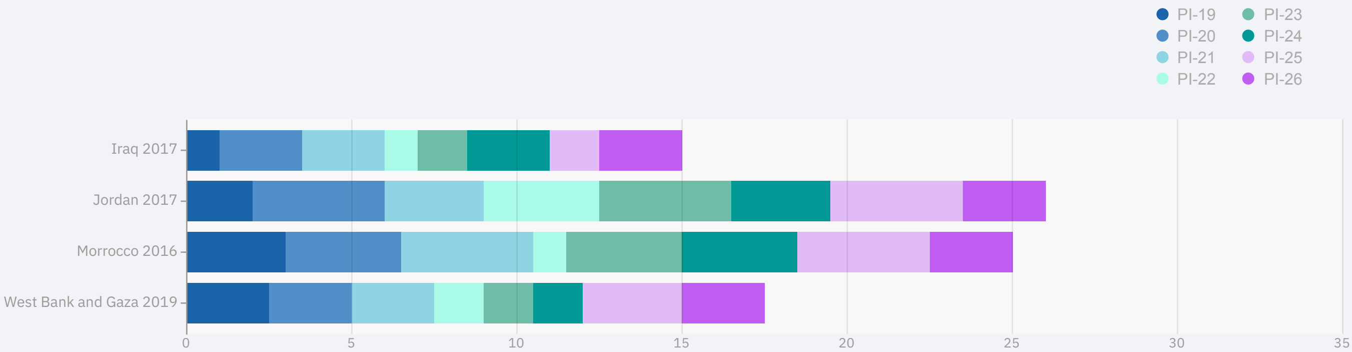
The MoFP website contains up-to-date and comprehensive taxpayer information, including laws and tax administration procedures for registration and filing of tax returns. While there is no independent tax appeals board, the law courts follow an administrative (internal) process for redress (PI–19.1, rated A). The MoFP receives both monthly and daily revenue reports that include a variance analysis with the reasons for deviations. All revenue collections are transferred to the treasury's main account within 24 hours (PI–20.2, rated A), and cash balances are consolidated every day to ensure zero balances (although the Donor Fund Account is outside this process). The cash position is monitored on a daily basis, and the cash plan is updated monthly; however, a permanent cash-rationing process is in place.

The stock of expenditure arrears was more than 10 percent in each of the last three completed fiscal years: the MoFP generates a monthly report within two weeks of the end of the previous month (PI–22.2, rated A). The expenditure management process prescribes clear procedures that segregate duties and responsibilities of staff within the payment process. The Integrated Financial Management Information System limits expenditure commitments to approved quarterly budget allotments (ceilings) but does not limit commitments to the actual cash available.

> "At least 80 percent of internal audit plans are implemented, and the majority of recommendations are addressed within three to six months."

Most line ministries have functional internal audit units, which are largely financial and focused on compliance. At least 80 percent of internal audit plans are implemented, and the majority of recommendations are addressed within three to six months. Follow-up and corrective strategies are a concern. Currently, there is no automatic link between the database of personnel and the payroll, although the payroll is supported by full documentation for all changes made to personnel records each month and is checked against the previous month's data (PI–23). Open (competitive) bidding is the default procurement method stipulated by the law. Government does not have a procurement monitoring and reporting system for ensuring value for money and promoting fiduciary integrity (PI–24).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR PREDICTABILITY AND CONTROL IN BUDGET EXECUTION IN MIDDLE EAST AND NORTH AFRICA



Note: Maximum score is 32. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 6: Accounting and Reporting

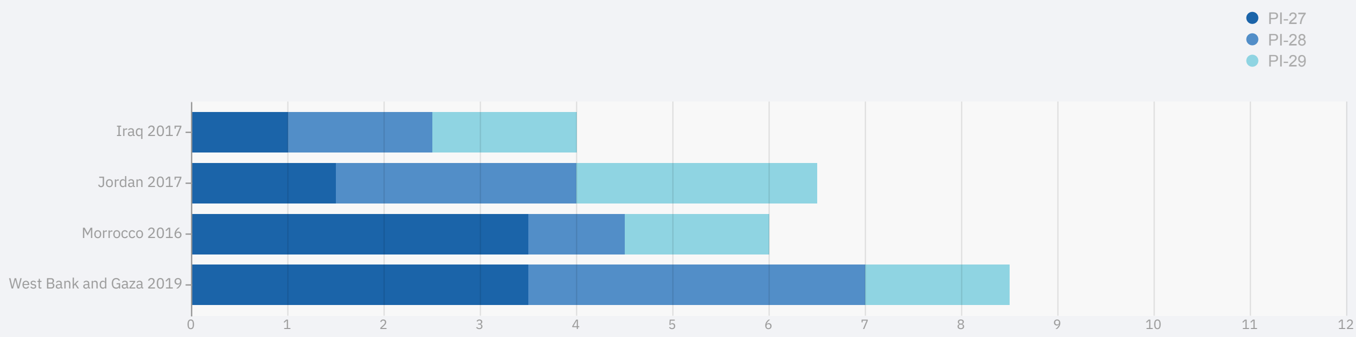
In-year budget execution reports are comparable with the originally approved budget, and expenditure is reported and aggregated administratively, economically, and functionally;

these reports also show transfers to deconcentrated government entities (PI–28, rated B+). The MoFP performs detailed monthly bank reconciliations for at least 95 percent of central government bank accounts within three weeks after the end of the previous month. Most donor fund accounts are also reconciled within two weeks after the end of the preceding month (PI–27, rated B+).

The MoFP is responsible for preparation and fair presentation of the financial statements as set forth by the IPSAS cash basis of accounting and the territory's legal requirements. There is compliance with meeting the standards, although some deficiencies are noted (PI–30.3, rated B). The issuance of annual financial statements is delayed, and statements are not submitted for external audit within nine months of the end of the fiscal year: no statements were issued for the last three fiscal years (PI–29, rated D+).

> "The issuance of annual financial statements is delayed."

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR ACCOUNTING AND REPORTING IN MIDDLE EAST AND NORTH AFRICA

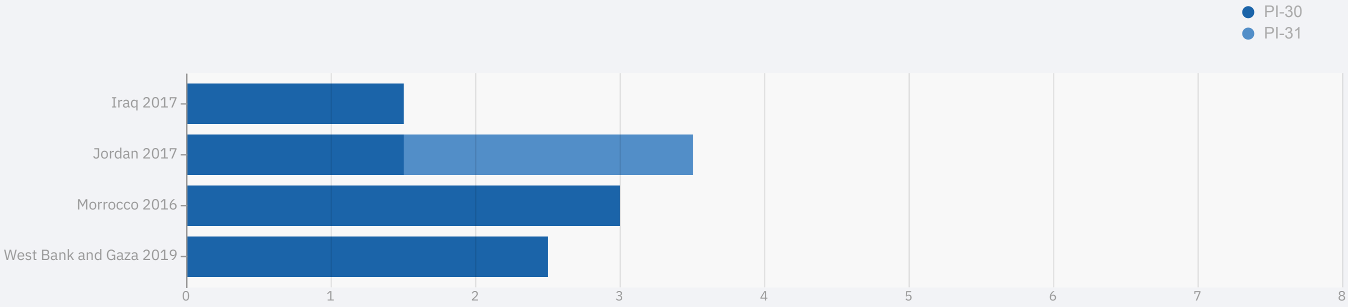


Note: Maximum score is 12. PEFA = public expenditure and financial accountability. PI = pillar indicator.

Pillar 7: External Scrutiny and Audit

The SAACB audits all central and local government entities on a regular basis, using a risk-based audit plan according to the priorities defined in the medium-term strategic plan. Most expenditures and revenues are audited using ISSAIs. Audit reports are published within one year but are submitted to the MoFP for comments within nine months of receipt. Formal responses to audit reports are timely, and 80 percent of recommendations are implemented in public entities. The law gives full legal, financial, and administrative independence to the SAACB. The SAACB has unrestricted access to records, documentation, and information (PI–30, rated C+). No functioning legislature has been in place in the last three years (hence PI–31 is not rated).

REGIONAL COMPARISON OF PEFA ASSESSMENT SCORES FOR EXTERNAL SCRUTINY AND AUDIT IN MIDDLE EAST AND NORTH AFRICA



Note: Maximum score is 8. PEFA = public expenditure and financial accountability. PI = pillar indicator.

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REPORT SECTION 5

Gender Responsiveness of Public Financial Management

This section presents the initial findings from the recently launched Public Expenditure and Financial Accountability (PEFA) supplementary framework for assessing gender responsive public financial management (GRPFM).

There is growing recognition that public budgeting decisions and the public financial management (PFM) systems that underpin them can affect the economic and social outcomes of men and women differently. As a result, gender responsive public financial management, also known as gender responsive budgeting (GRB), has been developed as an approach to budgeting that explicitly considers the impact of fiscal policy, PFM, and public administration on gender equality, girls' and women's development, and specific groups of people (for example, people with disabilities, minorities).

> "Stotsky (2020) reports that more than 80 countries have undertaken some form of gender responsive PFM, although their activities vary."

Gender responsive PFM and inclusion of gender-specific information in the budget process have been gaining traction in PFM. Stotsky (2020) reports that more than 80 countries have undertaken some form of gender responsive PFM, although their activities vary.

Moreover, the Sustainable Development Goals (SDG) clearly highlight the importance of linking gender equality with financing for development. Therefore, UN Women, together with the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP), developed SDG indicator 5.c.1, which measures government efforts to publish and track budget allocations for gender equality throughout the budget cycle.

To support this purpose, the Public Expenditure and Financial Accountability (PEFA) Secretariat developed a supplementary framework for assessing gender responsive PFM.

The PEFA GRPFM framework contains nine indicators presented across the budget cycle.

PEFA GRPFM INDICATORS AND DIMENSIONS

INDICATORS	DIMENSIONS
GRPFM-1 Gender impact analysis of budget policy proposals	GRPFM-1.1 Gender impact analysis of expenditure policy proposals
	GRPFM-1.2 Gender impact analysis of revenue policy proposals
GRPFM-2 Gender responsive public investment management	GRPFM-2.1 Gender responsive public investment management
GRPFM-3 Gender responsive budget circular	GRPFM-3.1 Gender responsive budget circular
GRPFM-4 Gender responsive budget proposal documentation	GRPFM-4.1 Gender responsive budget proposal documentation
GRPFM-5 Sex-disaggregated performance information for service delivery	GRPFM-5.1 Gender responsive performance plans for service delivery
	GRPFM-5.2 Sex-disaggregated performance achieved for service delivery
GRPFM-6 Tracking budget expenditure for gender equality	GRPFM-6.1 Tracking budget expenditure for gender equality
GRPFM-7 Gender responsive reporting	GRPFM-7.1 Gender responsive reporting
GRPFM-8 Evaluation of gender impacts of service delivery	GRPFM-8.1 Evaluation of gender impacts of service delivery
GRPFM-9 Legislative scrutiny of gender impacts of the budget	GRPFM-9.1 Gender responsive legislative scrutiny of budgets
	GRPFM-9.2 Gender responsive legislative scrutiny of audit reports

Note: GRPFM = gender responsive public financial management.

GRPFM practices are rated on a four-point ordinal scale from D to A, in line with the PEFA framework but the calibration of the letter grades has been adjusted to fit the needs of gender responsive PFM practices. For example, while a "C" in the normal PEFA framework equates to a basic level of performance, a "C" in the GRPFM assessment refers to the initial efforts that have taken place to mainstream gender impact analysis.

LEVELS OF GRPFM PRACTICE ON A FOUR-POINT ORDINAL SCALE

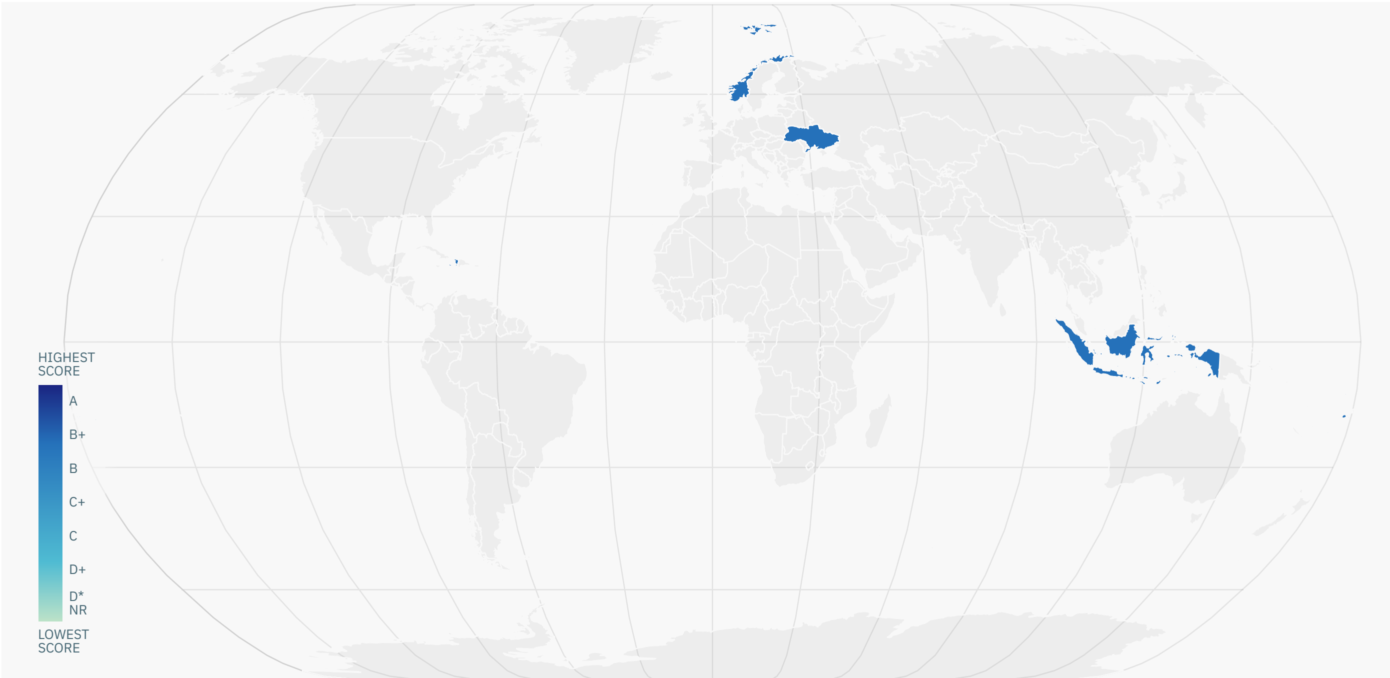
SCORE	LEVEL OF GRPFM PRACTICE

SCORE	LEVEL OF GRPFM PRACTICE
A	Gender impact analysis is mainstreamed in the relevant PFM institution, processes, or system.
B	Gender impact analysis is partially mainstreamed in the relevant PFM institution, processes, or system.
C	Initial efforts have taken place to mainstream gender impact analysis in the relevant PFM institution, process, or system.
D	Gender considerations are not included in the relevant PFM institution, processes, or system, or performance is less than required for a C score.

Note: GRPFM = gender responsive public financial management. PFM = public financial management.

This new GRPFM framework was launched in January 2020, and the initial findings from eight countries are presented below. As in other sections of the Global Report, the following analysis assigns numerical scores to each letter grade (D=1, lowest score; A=4, highest score) to allow for cross-country comparisons.

MAP OF PEFA GENDER RESPONSIVE PFM ASSESSMENTS, 2019–20



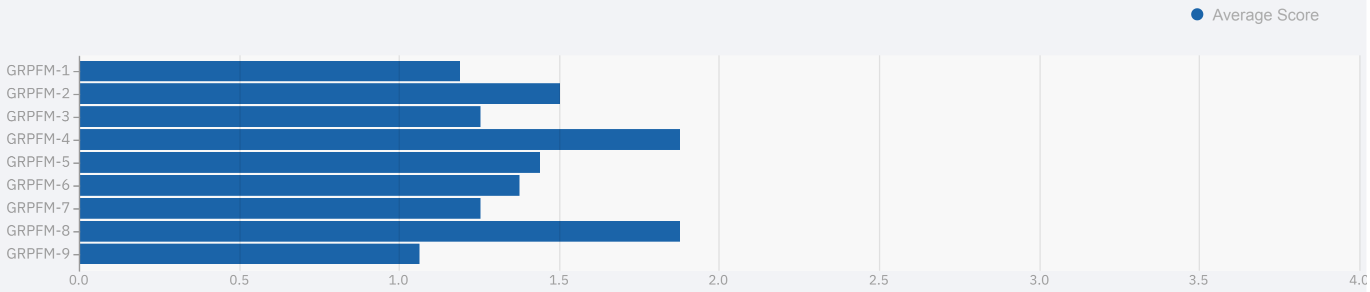
The GRPFM framework was piloted in seven countries (Antigua and Barbuda, Fiji, Haiti, Indonesia, St. Lucia, Ukraine, and Tonga) in 2019 and in Norway at the beginning of 2020.

STAKEHOLDER INVOLVEMENT IN PEFA GRPFM ASSESSMENTS, 2019–2020

COUNTRY	LEAD AGENCY	FUNDING AGENCY
Antigua and Barbuda	PEFA Secretariat and World Bank	Government of Canada as part of Canada-Caribbean Resilience Facility (2019-24), implemented by the World Bank

COUNTRY	LEAD AGENCY	FUNDING AGENCY
Fiji	Asian Development Bank and Ministry of Economy	Asian Development Bank
Haiti	World Bank	Government of Canada as part of Canada-Caribbean Resilience Facility (2019-24), implemented by the World Bank
Indonesia	World Bank	European Union and governments of Canada and Switzerland as part of the World Bank-managed PFM multidonor trust fund for Indonesia
Norway	Government with the help of external consultant	Government
St. Lucia	PEFA Secretariat and World Bank	Government of Canada as part of Canada-Caribbean Resilience Facility (2019-24), implemented by the World Bank
Ukraine	PEFA Secretariat and World Bank	European Commission (EC) as part of Parallel EC_World Bank partnership Program for the Europe and Central Asia Programmatic Single-Donor Trust Fund/European Union Program for the Reform of Public Administration and Finances
Tonga	International Monetary Fund and PEFA Secretariat	International Monetary Fund

AVERAGE PEFA GRPFM SCORE BY INDICATOR, 2019–20



N = 8

While governments integrate gender in PFM in various ways, mainstreaming gender across the budget cycle is relatively limited. The eight PEFA GRPFM assessments represent a very small sample, and therefore any inference of a global trend should be viewed with caution.

Strengthening GRPFM Example

For an example of how Indonesia is using the results of the recent PEFA GRPFM assessment to strengthen the gender responsiveness of their PFM systems, visit the PEFA website.

More Information on PEFA GRPFM

To learn more about the PEFA GRPFM framework and access useful resources on GRPFM on the PEFA website.

Learn more about GRPFM indicator 1 'Gender impact analysis of budget policy proposals' and how gender impact analysis of budget policy proposals is conducted in Canada.

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GRPFM–1

Gender impact analysis of budget policy proposals

Good budget practices require government to assess the impacts on beneficiaries of expenditure and revenue policy proposals developed during budget preparation, including new or additional expenditures and proposed reductions in expenditures. Changes in policies can have different impacts on the delivery of services to men and women and to subgroups of those categories.

The benefit of performing ex ante gender impact evaluations, analyses, or assessments of policies is to understand their envisaged impacts on men and women and subgroups of those categories. The aim is to improve the design and planning of the policy under consideration in order to avoid any negative impacts on gender equality and to strengthen gender equality through better-designed, transformative policies.

> "Ex ante gender impact evaluations, analyses, or assessments of policies help to understand their envisaged impacts on men and women and subgroups of those categories."

In the eight countries assessed, only two (Norway and Tonga) perform ex ante gender impact assessments of budget polices. In Norway, the ex ante gender impact assessments are performed for both new expenditure and revenue policy proposals. In Tonga, however, they are performed only for expenditure policies that are funded by development partners. In both cases, this practice is not mainstreamed and is only applied to a limited subset of budget policies.

Learn more about GRPFM indicator 2 'Gender responsive public investment management' and how gender is integrated in public investment management in the Philippines.

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GRPFM–2

Gender responsive public investment management

Disparate groups of men and women benefit differently from investment projects. It is therefore important for the government to include a gender perspective in the economic analysis of major investment projects. Take, for example, a new public space that is intended to promote physical activity among both men and boys and women and girls equally but that will be located in an area with no street lightning and no safe public transportation. Such a location likely will pose safety concerns for girls and women who are, as a result, less likely to use the space. The public space also needs to consider the needs of different subgroups of women and men (including factors such as the needs of people with disabilities, youth, and the elderly).

"Disparate groups of men and women benefit differently from investment projects."

Half of the assessed countries (Fiji, Norway, Tonga, and St. Lucia) include gender impact analysis as part of the feasibility or prefeasibility studies for major investment projects. However, this practice is not systematically integrated into the preparation of all new investment proposals in any of the countries. In Tonga, for example, investment projects funded by development partners include a gender impact assessment.

Learn more about GRPFM indicator 3 ‘Gender responsive budget circular’ and how gender is integrated in budget circulars in Rwanda and Sweden.

LEARN MORE >

GRPFM–3

Gender responsive budget circular

The budget circular usually provides instructions for budgetary units on how to set out detailed estimates in accordance with their approved ceilings as well as on how to submit proposals for new spending or potential savings in accordance with government policy priorities. It normally sets out the requirements for budgetary units to provide supporting justification and, if the government is operating a program or a performance- or results-based budgeting system, the planned results for both existing and proposed changes in budget allocations.

The gender responsive budget circular includes a requirement for budgetary units to provide justification or planned results for the effects on men and women or on gender equality of the following: (a) proposed new spending initiatives and (b) proposed reductions in expenditures. A gender responsive budget circular also requires budgetary units to include sex-disaggregated data for actual or expected results.

> “The gender responsive budget circular requires budgetary units to provide information on the effects of proposed budget policies on men and women.”

Only two countries (Indonesia and Ukraine) include gender requirements in budget circulars when finance ministries send guidelines to line ministries on how to submit their budget proposals. In Ukraine, the budget circular only includes a requirement to present the gender impact of new policy proposals. In Indonesia, the circular requires line ministries to present the gender impacts of both new spending proposals and proposed reductions in expenditures.

Learn more about GRPFM indicator 4 ‘Gender responsive budget proposal documentation’ and how gender responsive budget documentation in presented in Canada.

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GRPFM–4

Gender responsive budget proposal documentation

The government’s budget proposal documentation sets out, among other things, the government’s expenditure and revenue plans for the budget year and, in the case of medium-term budgets, the two following fiscal years. Gender-responsive budget documentation also includes information on the following: (a) an overview of government’s policy priorities for improving gender equality, (b) a description of budget measures aimed at promoting gender equality, and (c) an assessment of the impacts of budget policies on gender equality.

Five out of eight countries (Fiji, Haiti, Indonesia, Norway, and Tonga) present gender information in the budget proposal documentation, with varying degrees of comprehensiveness. In Indonesia and Norway, for example, the government provides an overview of government’s policy priorities for improving gender equality in a specific section of the budget proposal documentation and presents budget measures intended to promote gender equality. In Fiji, the budget proposals outline the budget measures to improve gender equality, but they do not give an overview of key policies targeted at closing gender gaps.

The PEFA Secretariat has been collecting information on country experiences in integrating gender in PFM systems and processes, including countries that have not had a PEFA GRPFM assessment. In the Republic of Korea, for example, the 2010 National Public Finance Law requires the government to produce gender sensitive budget statements and a gender sensitive settlement of accounts (balance sheet) that assesses whether the budget has benefited men and women equally and reduced or eliminated gender discrimination.

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Learn more about GRPFM indicator 5 'Sex-disaggregated performance information for service delivery' and about an additional example of inclusion of sex-disaggregated data in performance information on service delivery in Austria.

LEARN MORE >

GRPFM–5

Sex-disaggregated performance information for service delivery

The collection and analysis of sex-disaggregated data are key for the design, implementation, and evaluation of budget policies. The inclusion of these data in performance information for service delivery helps to understand the impacts of programs and services on men and women and on gender equality. These data can also help policy makers to develop appropriate, evidence-based responses and policies. However, only half of the countries in the sample (Norway, Tonga, St. Lucia, and Ukraine) collect and present this information as part of their line ministry performance plans, while only three (Norway, St. Lucia, and Ukraine) also include it in their ex post reports on performance achieved.

"The collection and analysis of sex-disaggregated data are key for the design, implementation, and evaluation of budget policies."

The Ministry of Economy and Finance of the Republic of Korea has developed a system of tracking expenditure for gender equality.

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Learn more about GRPFM indicator 6 'Tracking budget expenditure for gender equality' and about two additional examples of tracking expenditure for gender equality in Indonesia and Italy.

LEARN MORE >

GRPFM–6

Tracking budget expenditure for gender equality

Gender responsive PFM is built on the premise that public spending can be used as an instrument for achieving gender equality. To have significant impacts on men and boys, women and girls, and different subgroups of these categories, public spending must be budgeted and disbursed for activities that help to achieve these desired impacts. It is therefore important that resources planned to promote gender equality are actually disbursed, that there is a way to track those resources, and that no major adjustments are made to allocations that are not authorized by the legislature.

> "It is important that budget resources planned to promote gender equality are actually disbursed."

Only three countries have developed mechanisms to track expenditure for gender equality. Although all three countries report on the need to strengthen their tracking systems, two have embedded tracking in budget planning and implementation, while only one performs tracking as an ex post exercise. This means that, at the end of the fiscal year, a dedicated government entity reviews all of the expenditures and tags those that are considered to target gender equality in line with the approved definition of budget expenditures for gender equality.

GRPFM–7

Gender responsive reporting

Governments have been increasingly producing reports on the implementation of their budget policies that include information on gender-related expenditure and revenue. Countries produce gender responsive annual reports in various ways. Regardless of the format, the reports should include information on the following: (a) a report on gender equality outcomes; (b) data on gender-related expenditure; (c) assessment of the implementation of budget policies and their impacts on gender; and (d) sex-disaggregated data on budgetary central government employment.

> "Governments have been increasingly producing reports on the implementation of their budget policies that include information on gender-related expenditure and revenue."

Only one country (Norway) in the sample, however, prepares a report on budget implementation that includes a report on gender equality outcomes and sex-disaggregated data on the central government workforce.

Every three years, the Norwegian Bureau of Statistics produces a report that presents labour market and activity data, time allocation, income and revenue, and gender inequality in relation to access to economic resources. These data form part of the national statistical system and include labour market data, surveys on sex-disaggregated differences in the use of time for childcare, domestic work, remunerated work, income and health information statistics, and others. See an example of the report here:

LEARN MORE >

Learn more about GRPFM indicator 7 'Gender responsive reporting' and how gender responsive reports are prepared in Autonomous Region of Andalucía, Spain.

LEARN MORE >

GRPFM–8

Evaluation of gender impacts of service delivery

Evaluations of the impact of public services on gender and gender equality provide an important feedback for the initial design of services as well as any other unintended consequences for the provision of services for men and women and different categories of these subgroups. Such evaluations can include, but are not limited to, program evaluation, assessment, and analysis; performance audits; public expenditure reviews; and ex post impact assessments. In some cases, a separate gender-sensitive evaluation may be undertaken, although it is more desirable to include the assessment of gender impacts in the regular evaluation processes.

> "Gender impact evaluations provide important feedback on whether the policies achieved their objectives."

Five countries in the sample (Fiji, Haiti, Norway, Tonga, and Ukraine) carry out ex post gender impact assessments, but these assessments are not fully integrated in the evaluation processes. They were implemented either on an ad hoc basis or as part of performance audits conducted by supreme audit institutions to review countries' preparedness for implementing the SDGs or by development partners. They were not conducted by governments themselves.

See an example of the guidance issued by the government on Indonesia on conducting evaluations on the implementation of gender budgeting (in Indonesian only):

LEARN MORE >

Learn more about GRPFM indicator 8 'Evaluation of gender impacts of service delivery' and how such evaluations are conducted in Austria and Ukraine.

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The Standing Orders of 2019 of the Parliament of the Republic of Fiji states: 'Where a committee conducts an activity listed in clause (1), the committee shall ensure that full consideration will be given to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.'

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Learn more about GRPFM indicator 9 'Legislative scrutiny of gender impacts of the budget. and how parliaments in Austria and Fiji engage in scrutiny from gender perspective.

LEARN MORE >

GRPFM–9

Legislative scrutiny of gender impacts of the budget

In most countries, the legislature awards government the authority to spend through passage of the Annual Budget Law. Legislative budget scrutiny can include internal organizational arrangements that require budget parliamentary committees or dedicated gender policy committees to provide an analysis of the impact of the proposed budget policies on gender. These committees can be fully dedicated to the issue, or they can have a combined portfolio. Legislative budget scrutiny can also include public hearings as well as presentations by gender advocacy groups that provide technical support or requirements for gender impact assessments of budget policies.

The inclusion of gender impacts in the legislature's review of budget proposals promotes the participation of men and women in the policy-making process and ensures that their voices are heard, and their priorities are reflected in government programs and services.

Fiji is the only country in the sample where the legislature scrutinizes budget proposals for their impact on gender and gender equality. The parliament has endorsed a standing order requiring parliamentary committees to apply a gender-based analysis when scrutinizing legislation or undertaking their oversight functions.


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GET ENGAGED SECTION 6

A Call to Action

This section offers some ideas for additional analysis of public financial management (PFM) based on PEFA data. This list is not meant to be exhaustive, and practitioners, policymakers, researchers, and others are encouraged to use PEFA data for their own initiatives. Those interested in using PEFA are also encouraged to reach out to the PEFA Secretariat to learn more about PEFA data, share their findings, or get up-to-date information from the PEFA website on any PEFA assessment.

PEFA Panel Data Set

Download the PEFA panel data set of publicly available assessment scores to learn more about global or country specific PFM performance and create your own charts.

Researchers are encouraged to reach out to the PEFA Secretariat.

LEARN MORE >

Ideas for Analysis

The following list of potential topics using PEFA data is based on the analysis of PEFA data presented in this report. The list is not meant to be exhaustive but instead to provide a platform of options for how to use PEFA data for analysis on PFM and related policy areas. Practitioners, policymakers, and researchers are encouraged to reach out to the PEFA Secretariat at services@pefa.org to share their ideas and findings.

Fiscal risk analysis and public investment management.

The PEFA data shows that countries score relatively low on these indicators. During the COVID-19 global pandemic, what will this mean for economic stimulus packages and potential future liabilities for governments?

The relationship between budget transparency and budget reliability.

Does budget transparency translate to improved budget and revenue execution? Does it make forecasts more reliable?

Expenditure arrears and expenditure commitment controls.

The analysis shows that countries on average scored low for management of the stock of expenditure arrears (PI–22.1), but on average scored relatively high on expenditure management control (PI–25.2). Effective expenditure commitment controls would typically ensure that the government's payment obligations remain within the limits set by the annual budget allocations and within projected cash availability, thereby avoiding the creation of expenditure arrears. However, the global PEFA data suggest a different story. It would be interesting to explore this issue further to determine what is causing countries to have a relatively high stock of expenditure arrears.

Delays in preparation, audit, and scrutiny of annual financial reports.

The PEFA data shows that countries typically prepare annual financial reports with a six-month delay compared to good international practice. Similar delays occur with the audit of financial reports by supreme audit institutions and the external scrutiny of reports by the legislature. The analyses could review the details of what is causing delays and what impact the delays might have on the budget process.

Legislative scrutiny of budget and audit reports.

The PEFA data reveals that legislatures perform better on scrutiny of budgets than on scrutiny of audit reports. But legislative scrutiny is relatively weak on average. It would be interesting to use the PEFA data in conjunction with other data sets to dig deeper into what aspects of legislative scrutiny could be improved and how.

Gender equality and gender responsive PFM.

As more countries carry out PEFA gender responsive PFM assessments, it would be interesting to investigate how countries perform on gender responsive PFM and the impact of gender responsive PFM on the gender gap and other social indicators.

Climate change resilient and responsive PFM.

The PEFA Secretariat is currently piloting a climate change responsive PFM assessment framework. Researchers, practitioners, and development partners are invited to analyze (i) how climate change interacts with PFM, and (ii) examples of how PFM can play a role in climate change mitigation and adaptation.

Role of PFM in improving service delivery.

What is the relationship between PFM and service delivery, particularly in the education and health sectors? This topic has long been discussed but has been under-researched. It would be useful to identify which PFM tools and processes are most important to support service delivery in different contexts.

PFM at the subnational level.

PFM tools and processes at the subnational level are likely to be determined, or strongly influenced, by the central government, national legislation, or the constitution. If a national government scores strongly on a PEFA assessment, is it likely that subnational assessments in the same country are likely to be strong? Are subnational PEFA scores influenced by autonomy or the functions performed by subnational governments?

PFM performance of line ministries.

The assessment of PFM performance typically focuses on the role, functions, and performance of finance ministries. However, less information is collected and known about the capacities of line ministries in performing key PFM activities, such as costing proposed programs and services, preparing their budget, procuring goods and services, forecasting and releasing cash, reporting against planned expenditure and revenue, ensuring effective internal controls, and responding to findings and following up on recommendations issued by supreme audit institutions. What challenges do line ministries face in performing PFM activities? What support is required to strengthen their capacities? What impact would improving their PFM performance have on public service delivery?