SDG 16.6.1 - “Primary government expenditures as a percentage of original approved budget”.

PEFA Secretariat

July 15, 2021
Introduction

Srinivas Gurazada
Head of PEFA Secretariat
Introducing the presenters

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PEFA Secretariat

Silvia Kirova
PEFA Secretariat
During presentation

• Switch off your mic
• Switch off the camera
• Use chat to ask questions
AGENDA

1. PEFA Program Overview
   - PEFA Program
   - PEFA Framework
     - Basic elements
     - Pillars & indicators

2. PEFA and SDGs
   - Common goals
   - Benefits
   - PEFA New products supporting SDGs

3. SDG 16.6.1
   - PEFA PI-1 Indicator
   - SDG 16.6.1 Indicator

4. SDG 16.6.1 – collection of data
   - Background information
   - Collected Data
     - World
     - Arab Region
The PEFA program

- **PEFA:** Public Expenditure and Financial Accountability
- **Partnership program**
  - Since 2001
  - Nine partners
- **Provides a standard methodology or framework for assessing PFM**
The PEFA Framework

**EVIDENCE**

Provides a thorough, consistent and evidence-based analysis of PFM performance at a specific point in time

**IMPACT**

Assesses how PFM impacts on key budget outcomes: fiscal discipline, efficient resource allocation, efficient service delivery

**PFM REFORM**

Establishes the foundation for analyzing and improving PFM

**PEFA does not assess government policies.**
The PEFA Secretariat

- Program administration & support to the PEFA Steering Committee
- Advice to PEFA Framework users (planning & preparation, queries)
- Quality assurance
- Guidance material (4 volumes of the PEFA Handbook; SNG assessments)
- Learning & knowledge products (training, videos, social media)
- Client services (data base management, research facilitation)
CHARACTERISTICS OF THE PEFA FRAMEWORK

• Basic elements of PEFA – outcomes, pillars, indicators, and dimensions
• PEFA Framework is available in 10 languages including Arabic
What does the PEFA framework cover?

PEFA and GFS 2014 structure of the public sector

Diagram:
- Public sector
  - General government
    - Central government
    - State governments
    - Local governments
  - Public corporations
    - Social security funds
      - Budgetary
      - Extrabudgetary
      - Social security funds
What does the PEFA Framework not cover?

PEFA is not used for:

• Assessing PFM performance of public corporations
  — Corporate governance standards are different
  — Part of public sector not central government sector
  — Exception is potential fiscal risk to central government

• Directly assessing sector level PFM performance
  — However, information from a government PEFA assessment can be used to inform sector analysis
PEFA and PFM

KEY OBJECTIVES OF A PFM SYSTEM

- Aggregate fiscal discipline
- Strategic allocation of resources
- Efficient service delivery
PEFA PFM performance assessment – the key numbers

3 OUTCOMES
Aggregate fiscal discipline, strategic allocation of resources, efficient service delivery

7 PILLARS

31 INDICATORS
Performance indicators are spread out throughout the budget cycle and further disaggregated into:

94 DIMENSIONS
7 PEFA pillars of PFM performance

Pillar One
Budget reliability

Pillar Two
Transparency of public finances

Pillar Three
Management of assets and liabilities

Pillar Four
Policy-based fiscal strategy and budgeting

Pillar Five
Predictability and control in budget execution

Pillar Six
Accounting and reporting

Pillar Seven
External scrutiny and audit
Policy-based fiscal strategy and budgeting

Transparency of public finances

Predictability and control in budget execution

Budget reliability

External scrutiny and audit

Management of assets and liabilities

Accounting and reporting

PEFA and the budget cycle
PEFA performance indicators

—BUDGET RELIABILITY—

PI-1. Aggregate expenditure outturn
  PI-2. Expenditure composition outturn
  PI-3. Revenue outturn

—TRANSPARENCY OF PUBLIC FINANCES—

PI-4. Budget classification
PI-5. Budget documentation
PI-6. Central government operations outside financial reports
PI-7. Transfers to subnational governments
PI-8. Performance information for service delivery
PI-9. Public access to fiscal information

—MANAGEMENT OF ASSETS AND LIABILITIES—

PI-10. Fiscal risk reporting
PI-11. Public investment management
PI-12. Public asset management
PI-13. Debt management

—POLICY-BASED FISCAL STRATEGY AND BUDGETING—

PI-14. Macroeconomic and fiscal forecasting
PI-15. Fiscal strategy
PI-16. Medium-term perspective in expenditure budgeting
PI-17. Budget preparation process
PI-18. Legislative scrutiny of budgets

—PREDICTABILITY AND CONTROL IN BUDGET EXECUTION—

PI-19. Revenue administration
PI-20. Accounting for revenue
PI-21. Predictability of in-year resource allocation
PI-22. Expenditure arrears
PI-23. Payroll controls
PI-24. Procurement
PI-25. Internal controls on nonsalary expenditure
PI-26. Internal audit

—ACCOUNTING AND REPORTING—

PI-27. Financial data integrity
PI-28. In-year budget reports
PI-29. Annual financial reports

—EXTERNAL SCRUTINY AND AUDIT—

PI-30. External audit
PI-31. Legislative scrutiny of audit reports
About the PEFA report

• PEFA reports provide a comprehensive and integrated assessment of a country’s PFM based on an indicator-led analysis

• Provides a standalone overview of PFM performance

• Identifies PFM strengths and weaknesses

• The reports can inform governments’ PFM and associated reform initiatives and priorities

• The reports do not include recommendations for PFM reforms

• PUBLICATION = GOOD PRACTICE
PEFA WORLD COVERAGE
678 PEFA Assessments in 154 countries

385 National PEFA Assessments
293 Sub-national PEFA Assessments
PEFA PROGRAM AND SDGs INITIATIVE
Policies favoring development goals are prioritized

Enables the strategic allocation of resources

Funding of policies is stable

Public services efficiently contribute to development goals

Improved fiscal and macroeconomic stability

Helps public services to be delivered efficiently

Improved management of public revenue and expenditure

**PEFA, PFM and SDGs**

**Sustainable Development Goals**

**PEFA Strengthened Approach**

- Input to PFM reform
- Shared data and knowledge base

**Research on PFM**

**Donors Coordination**

**PEFA Initiative**
PEFA New Products that support SDGs

PEFA Gender supporting Gender Equality SDG 5

PEFA Climate supporting Climate Action SDG 13

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

PEFA Global Report 2020 supporting sharing data
Benefits of PEFA valid also for the SDGs

Measures progress over time

Builds momentum for reform

Fosters stakeholder coordination

Extensive international acceptance
UNDERSTANDING SDG 16.6.1
INDICATOR Corresponding to PEFA PI-1
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.
Pillar one
Budget reliability

PI-1 Aggregate expenditure outturn
PI-2 Expenditure composition outturn
PI-3 Revenue outturn
Indicator PI-1: Aggregate expenditure outturn

**Description:** The indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

**Coverage:** Budgetary central government (BCG).

**Measurement guidance:**

<table>
<thead>
<tr>
<th>Score</th>
<th>Minimum requirements for scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the last three years.</td>
</tr>
<tr>
<td>B</td>
<td>Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years.</td>
</tr>
<tr>
<td>C</td>
<td>Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years.</td>
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<tr>
<td>D</td>
<td>Performance is less than required for a C score.</td>
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</table>

**Time period:** Last three completed fiscal years.
SDG 16.6.1 Primary government expenditures as a percentage of original approved budget

➢ The Indicator and the Measurement guidance correspond to PEFA Indicator PI-1.

➢ The data collected is the Annual approved and Actual Budgets for all countries for the period 2007-2021

➢ The calculations are the % of Deviations of the Actual Budgets from Approved budgets for every country for every year for the period 2007-2021

➢ The collected data is published on the World Bank Portal
DATA COLLECTION OF SDG 16.6.1 INDICATOR
Annual Collection of Data

- **2018** Started the Data collection and reporting to the UN - targeted number of countries 169
- **2018** Initial database created using PEFA Reports - total data for 60 countries was gathered with gap years
- **2019** Annual Data collection - additional data was added resulting in the total number of 109 countries with collected data for the indicator
- **2020** Extensive Data collection through the World Bank Practice Managers resulted in the total number of 132 countries with collected data
- **2021** After the Annual collection of data the total database contains 154 countries with the average number of years per country – 10
Challenges and Limitation while Collecting Data for SDG 16.6.1

✓ Main limitations in the range of countries for which data was collected – missing data for some High-Income Countries.

✓ Data provided sometimes is not consistent with the methodology.

✓ The PEFA Secretariat can do the quality control of data only on PEFA Reports.

✓ There is no direct connection with the source of information.
Feedback on the used Sources of Information

➢ Main source of information - Government and the Ministry of Finance

Other sources of Information

✓ End of the year Fiscal reports
✓ Annual Financial Statements
✓ Controller General Accounts
✓ Federal Government Data
✓ Department of Budget and Management
✓ Supreme Audit Institutions
✓ Federal Finance Administration /FFA
✓ Statistics Institutions
## Data available in Arab Region

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Available data/Years</th>
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</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>13</td>
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<tr>
<td>Comoros</td>
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<tr>
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<td>Tunisia</td>
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<td>Qatar</td>
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