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# **APPROACHES TO THE ASSESSMENT AND REFORM OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS**

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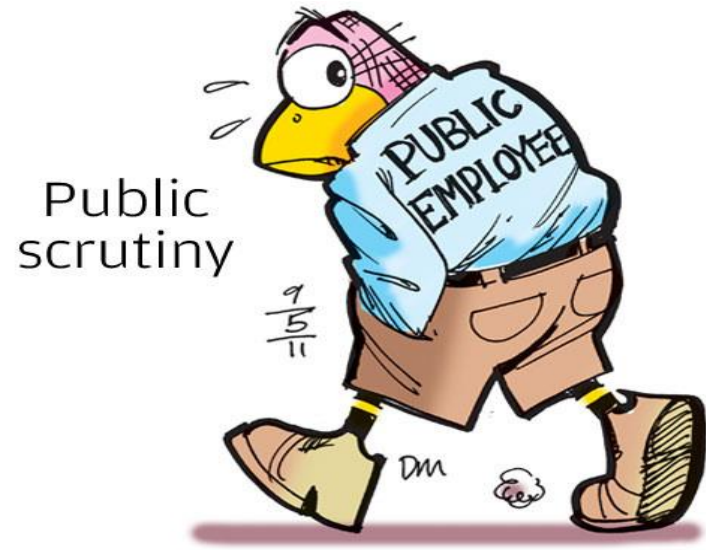
# Presentation Outline



- Introduction
- Commonly used assessment frameworks
- Place in budget cycle and scope of different assessments

# PFM Assessments: Why and What?

- Transparency and accountability
- A good PFM system is essential for achievement of developmental / policy objectives
- Formal aspects and composition / poverty focus

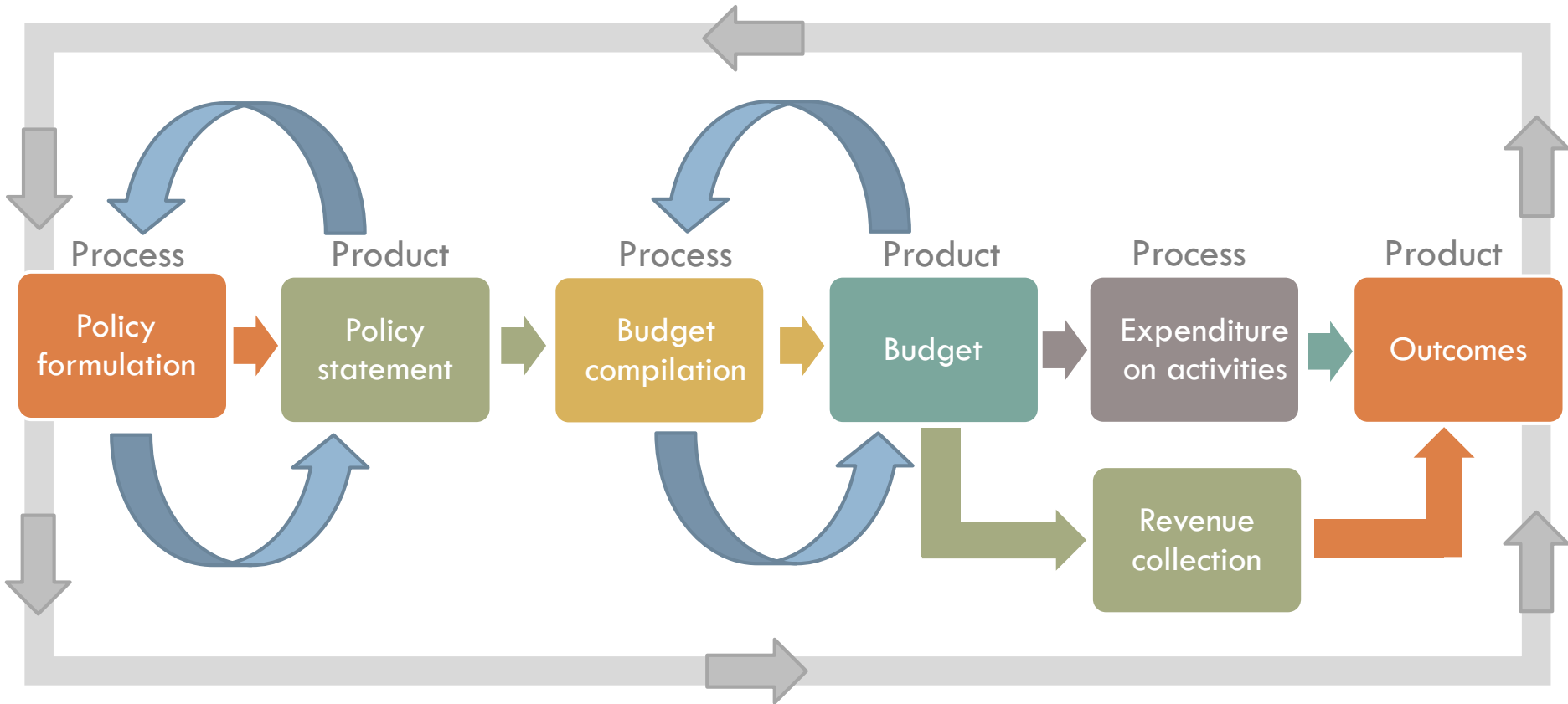


# Type of Assessments

- Public Expenditure Reviews
- Code of Good Practices on Fiscal Transparency
- Public Expenditure and Financial Accountability Framework (PEFA)

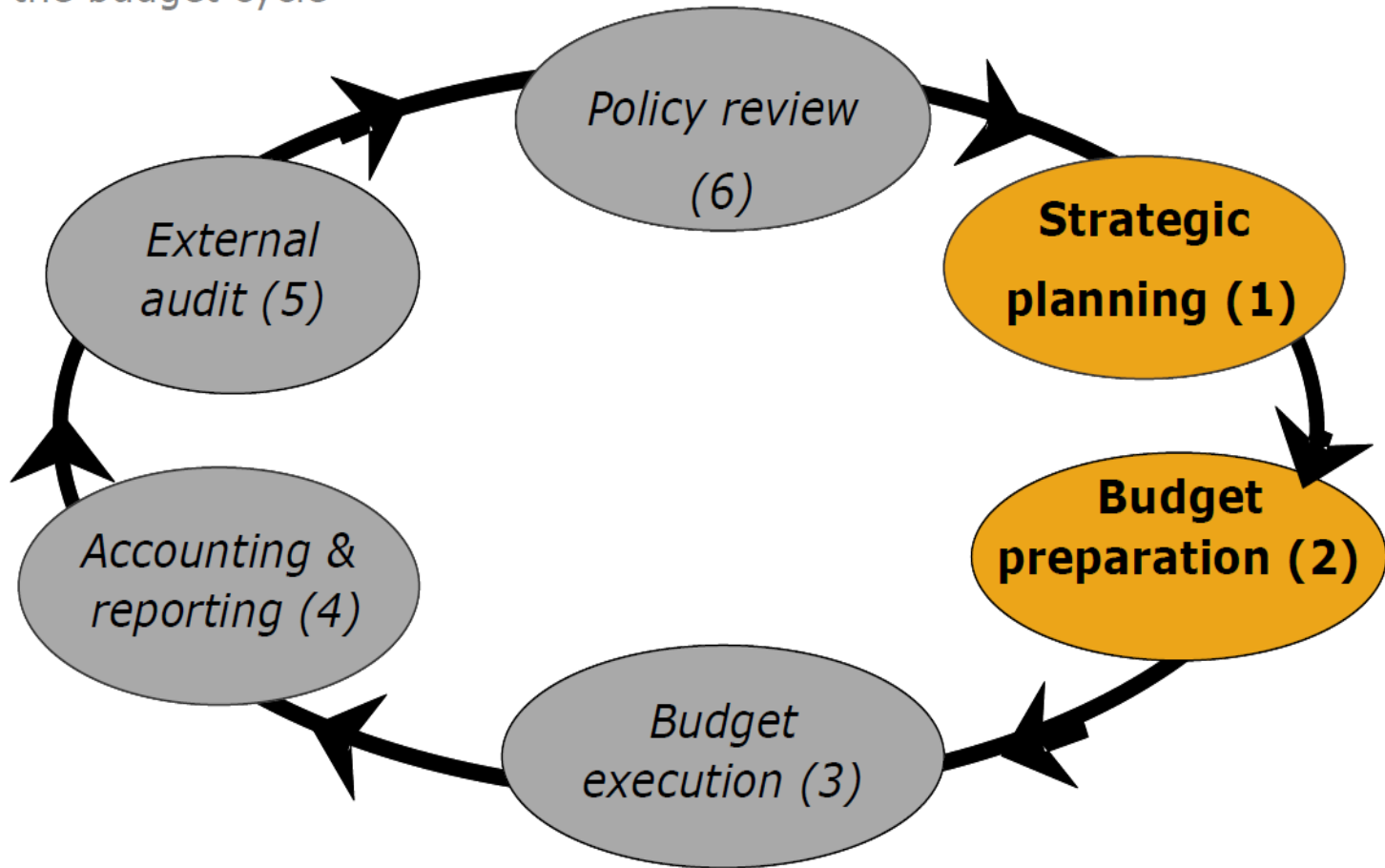


# Place In The Budget Cycle



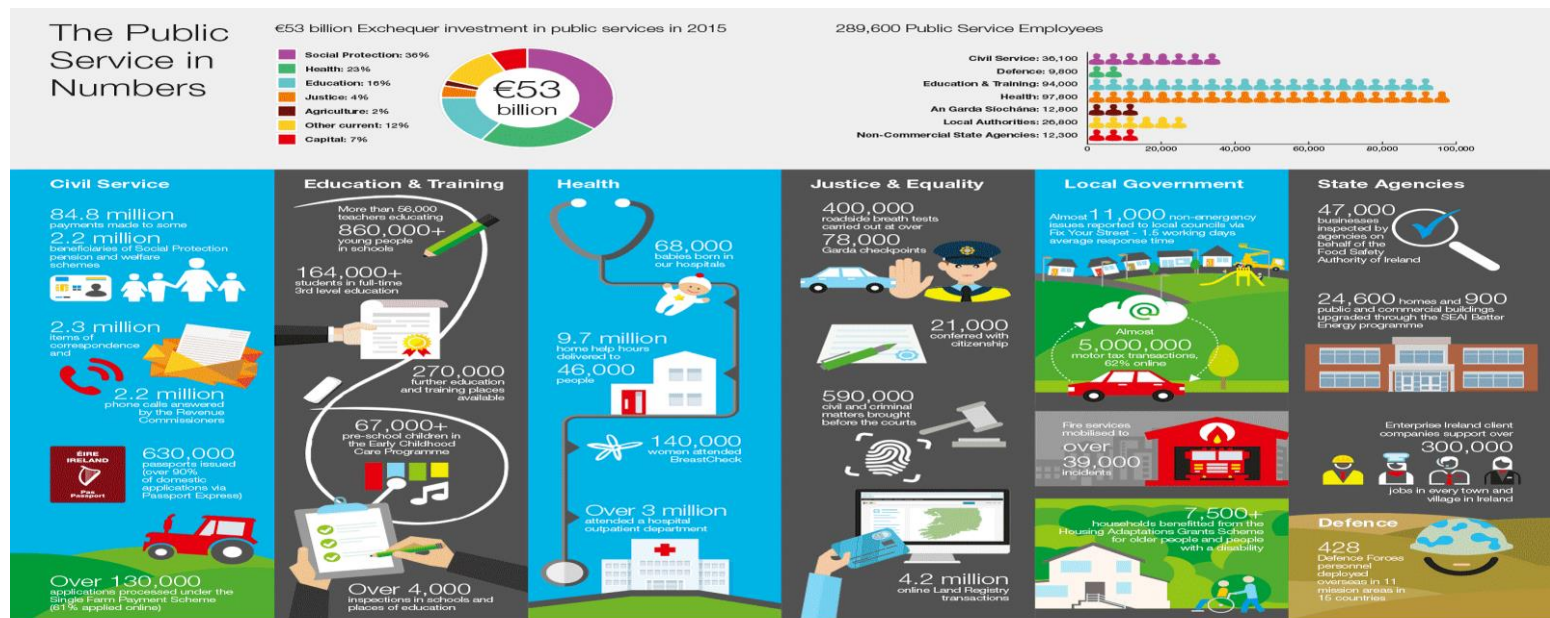
# Public Expenditure Review (PER) in the Budget Cycle

PER in the budget cycle



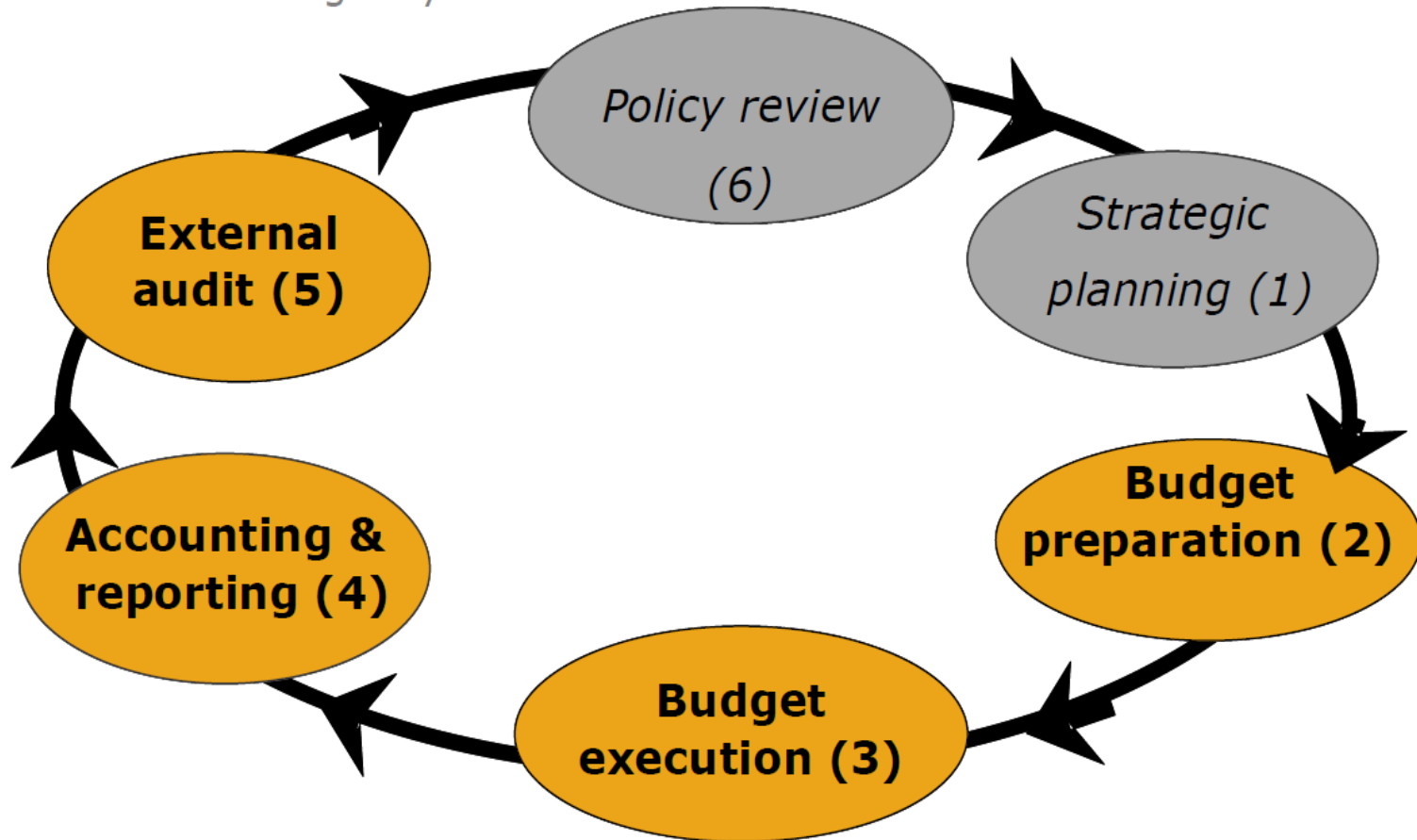
# Scope and Focus of a PER

- **Rationale** for public investments (efficiency / market failure, redistribution / equity) at macro or sector level
- **Fiscal sustainability** and **prioritization** of public expenditures (policy objectives, resource constraints)
- **Institutional arrangements** and **development outcomes**



# Public Expenditure and Financial Accountability Assessment (PEFA) in the Budget Cycle

PEFA in the budget cycle





# Scope and Focus of a PEFA Assessment

## Analytical Framework underpinning the Performance Measurement Framework

### An open and orderly PFM system supports

- Aggregate fiscal discipline
- Strategic allocation of resources
- Efficient service delivery

### The core dimensions of an open and orderly PFM system are:

- Credibility of the budget
- Comprehensiveness and transparency
- Policy-based budgeting
- Predictability and control in budget execution
- Accounting, recording and reporting
- External scrutiny and audit

### The key elements of the PFM system measure the core dimension of PFM performance

See list of indicators

## The assessment provided by the Performance Measurement Framework

Assessment of the extent to which the existing PFM system supports the achievement of aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

Assessment of the extent to which PFM systems, processes and institutions meet the core dimensions of PFM performance.

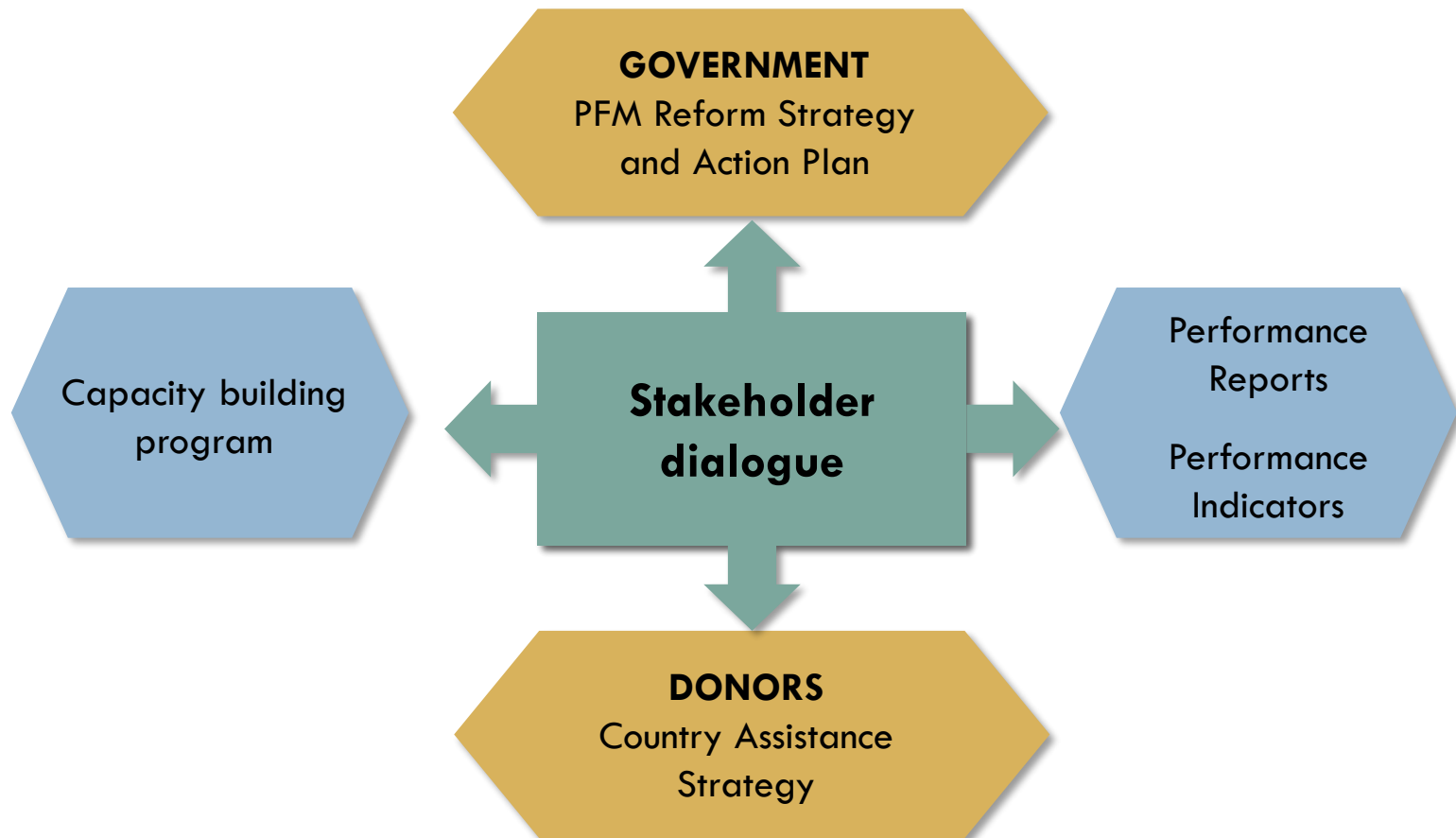
The indicators measure the operational performance of the key elements of the PFM system against the core dimensions of PFM performance.

# Code of Good Practices on Fiscal Transparency

- The Code cuts across the full budget cycle
- Identifies a set of principles and practices to help governments provide a clear picture of the structure and finances of government



# PEFA and PFM Reforms



# Phasing PFM Reforms

## Platform Approach

Enables a basis  
for accountability

Enables focus on what  
is done with money

Enables more accountability for  
performance management

### Platform 1

A credible budget  
delivering a reliable  
and predictable  
resource to budget  
managers

### Platform 2

Improved internal  
control to hold  
managers  
accountable

### Platform 3

Improved linkage of  
priorities and service  
targets to budget  
planning and  
implementation

### Platform 4

Integration of  
accountability and  
review processes for  
both finance and  
performance  
management.

#### Broad activities

Integration of budget  
(recurrent and capital  
budgets)

Strengthen macro and  
revenue forecasting

Streamline spending  
processes

#### Broad activities

Re-design budgeting  
classification system

Initial design of FMIS  
for core business  
processes

Define internal audit  
function

#### Broad activities

Re-design budget  
cycle (e.g., MTEF)

Pilot programme  
based budgeting and  
budget analysis

Further fiscal  
decentralisation

#### Broad activities

Full design of FMIS

Develop IT  
management strategy

Initial design of asset  
register

# References for Good Practices

## **IMF's Code of Good Practices on Fiscal Transparency**

<http://www.imf.org/external/np/fad/trans/>

## **Report on Observation of Standards and Codes**

<http://www.imf.org/external/NP/rosc/rosc.aspx>

## **Public Expenditure & Financial Accountability program (PEFA)**

<http://pefa.org/en/dashboard>

## **Open Budget Index**

<http://internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>