

# 25+ Years of Public Expenditure Reviews (PERs) – What Have We Learned?

## Institutional Matters

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June 19, 2008  
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# Background

- Public Expenditure Reviews
  - originated as internal World Bank tool to inform lending, country dialogue
  - have evolved significantly, and are evolving, in terms of topics, methods, objective
  - over the past decade, have included stronger focus on institutions

# PERs and Public Finance Institutions

## ■ Strengths

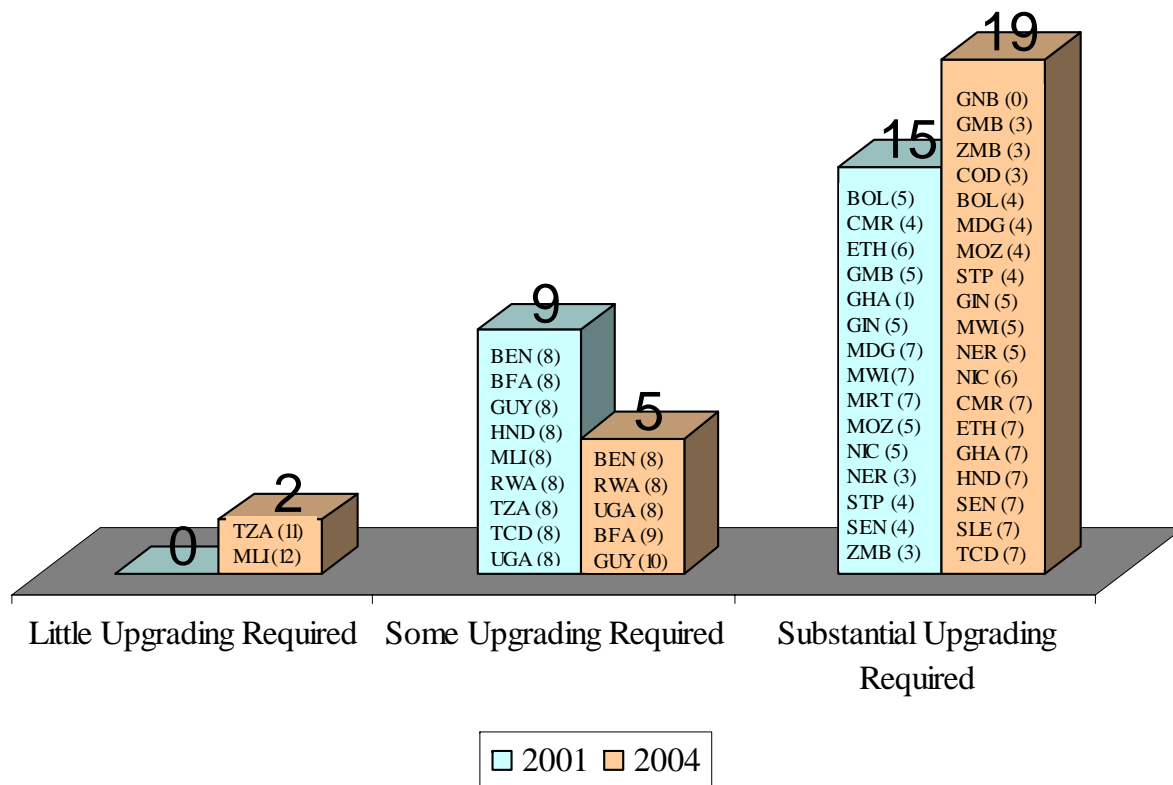
- Tries to weave together institutions, policy, finance

## ■ Weakness

- Difficult to track PFM system progress over time
- Assessment varies considerably in scope, topics, reference points
  - Some parts of PFM cycle treated lightly
- Recommendations follow fairly fixed prescriptions (MTEF, performance budgeting)

# Comparison of HIPC Expenditure Tracking Assessment Outcomes of 2001 & 2004

**Relative Need for Upgrading PEM Systems**  
(Number in Paranthesis indicate total of benchmarks met)



Source: Update on the Assessments and Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-4 Reducing Public Spending (April 2005) . Available at <http://www.imf.org/external/np/pp/eng/2005/041205a.htm>

# The Strengthened Approach to Supporting PFM Reform

- **A country-led PFM reform program**
  - including a strategy and action plan reflecting country priorities; implemented through government structures
- **A donor coordinated program of support**
  - covering analytical, technical and financial support
- **A common information pool**
  - based on a framework for measuring and monitoring results over time
  - i.e. the PEFA PFM Performance Measurement Framework



# PEFA Indicator Coverage

- 11. Orderliness in annual budget process
- 12. Multi-year perspective

## Budget Formulation

## Budget Execution

- 13. Transparency of taxpayer obligations and liabilities
- 14. Effectiveness of taxpayer registration and assessment
- 15. Effectiveness of tax collection
- 16. Predictability of funds for commitment
- 17. Recording/management of cash, debt and guarantees
- 18. Effectiveness of payroll controls
- 19. Competition, value for money and controls in procurement
- 20. Effectiveness of internal controls
- 21. Effectiveness of internal audit

- 26. External audit
- 27. Legislative scrutiny of budget
- 28. Legislative scrutiny of external audit reports

## External Audit and Oversight

## Accounting and Reporting

- 22. Accounts reconciliation
- 23. Resources received by service delivery units
- 24. Quality and timeliness of in-year budget reports
- 25. Quality and timeliness of annual financial statements

## Cross-cutting Indicators

- |  |  |
|--|--|
| 1. Aggregate expenditure out-turn      | 6. Comprehensiveness of information                    |
| 2. Composition of expenditure out-turn | 7. unreported government operations                    |
| 3. Aggregate revenue out-turn          | 8. Transparency of inter-governmental fiscal relations |
| 4. payment arrears                     | 9. Oversight of aggregate fiscal risk                  |
| 5. Classification of the budget        | 10. Public access to key fiscal information            |



# Value of PEFA for PERs?

- PEFA Approach
  - Fewer competing diagnostics
  - More standardized benchmarks
  - Ability to track change over time
  - Framework for learning what works, when, where
  - Reforms better tailored to country needs
  - Potentially more ownership, more reform, better PFM systems
- Challenges
  - PEFA assessments challenging in own right; only one input into a PER

# Selected References

- IMF-World Bank Board Papers on HIPC expenditure tracking
  - World Bank web site (search HIPC expenditure tracking)
  - Also see the IMF PFM Blog (<http://blog-pfm.imf.org/>)
    - <http://blog-pfm.imf.org/pfmblog/2007/12/country-pfm-sys.html>
    - <http://blog-pfm.imf.org/pfmblog/2008/05/bridging-hipc-a.html>
- PEFA Website
  - [www.pefa.org](http://www.pefa.org)

