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

Institutional Matters

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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)

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

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

Budget Execution

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

Accounting and Reporting

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

External Audit and Oversight

Cross-cutting Indicators

1. Aggregate expenditure out-turn
2. Composition of expenditure out-turn
3. Aggregate revenue out-turn
4. Payment arrears
5. Classification of the budget
6. Comprehensiveness of information
7. Unreported government operations
8. Transparency of inter-governmental fiscal relations
9. Oversight of aggregate fiscal risk
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/)

- PEFA Website
  - www.pefa.org