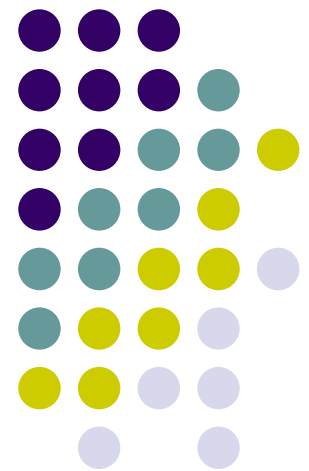


25+ Years of PERs: What have we learned?

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Brookings Institution, Washington DC
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Before there were PERs:

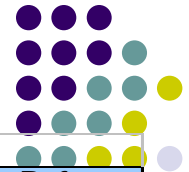
- Economic development was about projects
- The government was a black box, with a benevolent planner maximizing social welfare
- Early versions of the PER (PIR, “investment reviews”) preserved this focus on projects but expanded the scope to identify “white elephants” in the portfolio
- Gradual realization that:
 - Projects may fail if the policy environment is distorted
 - Projects must be operated and maintained – requiring an understanding of the full budget
- The first led to emphasis on policy reforms (struct.adj.)
- The second led to a focus on the overall budget (and hence: PER)

Through the 1980s-90s....we kept learning



- We spent many years focusing on aspects of **budget policy**, in terms of restraining the wage bill, ensuring maintenance funding, preserving capex
- The IMF expected PERs to ensure that fiscal restraint did not compromise allocative efficiency
- But budgeting was treated as a technical problem requiring technical solutions
- We did not understand how the “**rules of the budget game**” (politics, institutions and incentives) shape budget outcomes
- By late 1990s the Bank began to focus on the institutional arrangements to achieve the 3 levels of budget performance (fiscal discipline, strategic allocation, and operational efficiency)
- We promoted MTEFs as an institutional reform that addressed all three levels, with limited success
- We learnt about “weak links in the budget chain” - Uganda PETS/Kenya PER et. al.
- We focused on budget system reforms and shifted towards budget support
- We also learned that **process matters** – engaging counterparts in the PER and helping them address collective action problem of budgeting is key to getting buy-in for reform
- We let the pendulum swing a little too much towards institutions and away from policy issues - and fiduciary issues threatened to overshadow development concerns
- We learnt that simple mantras such as “pro-poor” spending can distort public spending choices

PER coverage, 1999-2003

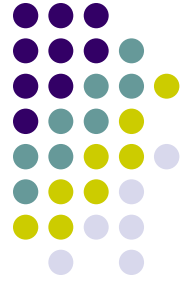


Select PERs 1999-2003																			
Country	Macro			Budget Composition		Sector						PEM				Public Sector		Reform Strategy	
	Basic	Debt Sustain.	Fiscal Risk	Revenue	Expenditure	Education	Health	Social Protection	Rural/Agriculture	Water/Sanitation	Infrastructure	Budget Formulation	Budget Execution	Legislative Accountability	Procurement	Civil Service Reform	Decentraliz.		
National PERs																			
Ethiopia																			
Guinea	x	x	x		x	x	x		x			x	x			x		x	
Malawi	x					x	x		x		x	x	x					x	
Mozambique	x		x									x	x	x				x	
Tanzania	x				x	x	x		x		x	x	x					x	
Uganda	x	x			x		x			x	x	x				x		x	
Zambia - 01	x		x		x	x	x		x	x	x	x			x				
Zambia - 03	x					x						x	x	x		x		x	
Cambodia	x		x		x		x					x	x						
Indonesia - 00		x	x		x									x			x		
Indonesia - 98	x		x									x	x						
Malaysia	x		x			x	x	x			x	x	x					x	
Thailand	x	x	x	x	x	x	x		x		x	x	x			x		x	
Vietnam		x	x		x	x	x		x			x	x						
Albania												x	x					x	
Croatia	x	x			x							x	x	x					
Czech Rep.	x		x			x	x	x			x	x	x				x		
Czech Rep. (Intgvt)			x									x					x		
Kazakhstan	x				x	x	x	x				x	x	x				x	
Kyrgyz Rep.	x				x	x	x	x								x		x	
Macedonia	x					x	x					x	x			x		x	
Russia (PIR)					x													x	
Turkey	x		x		x	x	x					x	x	x	x			x	
Brazil - Northeast	x				x	x	x	x			x								
Nicaragua	x				x			x	x		x	x						x	
Peru	x	x	x	x	x			x			x	x			x	x			
Nepal	x				x	x	x		x		x				x	x		x	
Provincial PERs																			
Ethiopia - Oromiya	x				x	x	x		x			x	x						
Ethiopia (Regionaliz)			x					x									x	x	
China	x		x		x	x	x					x	x			x	x	x	
India - Maharashtra		x	x	x	x	x	x			x	x	x						x	
Pakistan - Punjab	x		x			x	x	x			x	x	x		x	x			
Total	32	24	8	17	3	20	19	20	9	9	3	12	24	21	7	2	9	10	19

So what have we learned so far?



- PERs undertaken with active govt. involvement
 - Are an effective means to strengthen annual budget processes,
 - Create capacity for govt. to internalize reviews
 - Help to discipline and guide efforts of dev. partners
 - To create the space for CSO engagement and input
- A programmatic approach to PERs
 - can help address policy/institutional issues over time
 - Allow in-depth sector work and service delivery links
 - Enable sustained engagement
- A common framework for assessing a budget system (PEFA)
 - helps measure progress
 - target reform efforts
- Incorporating institutional/pol.economy considerations in a PER can
 - enrich the analysis
 - throw light on broader governance issues
- In the Bank, getting sector interest in PER work remains a challenge



- Thank you