



A GUIDE TO PFM DIAGNOSTIC TOOLS

PEFA Secretariat
April 2018

This guide is drawn from the "Stocktake of PFM Diagnostic Tools 2016" study undertaken by the PEFA Secretariat and available at the PEFA website (www.pefa.org)

Purpose of the Guide

This guide is drawn from the “Stocktake of PFM Diagnostic tools 2016” study undertaken by the PEFA Secretariat and available at pefa.org. The purpose of this guide is to provide users information on the range of diagnostic tools that are currently being used by governments and development partners to support assessment of countries’ public financial management (PFM) performance. These tools vary from those that assess a broad spectrum of PFM functions (such as PEFA) to those that target specific aspects of PFM (such as TADAT for monitoring tax administration or PIMA for monitoring public investment).

As the complexity and the number of tools increases, the potential for choosing the appropriate tools for a specific purpose increases, but so does the potential for omitting useful ones. The guide has been prepared so governments and development partners are aware of the full range of tools available and to highlight the issues that need to be considered when choosing a diagnostic tool. However, the guide does not, and has not been designed to provide recommendations on which tool to use in particular circumstances.

Selecting the right tool, or right combination of tools, should be undertaken by governments and development partners in accordance with their specific needs and purposes. Use of multiple tools through integrated assessments may be considered where the tools are complementary and the use of their findings well understood. For example, if it is known that there are weaknesses in certain PFM subsystems or such sub-systems have been already identified as needing reform or upgrading (e.g. procurement, debt management, tax administration) a more targeted assessment could be carried out contemporaneously with broader diagnostic tools such as PEFA. This approach has already proven useful in many countries.

This guide has therefore been developed to help stakeholders engaged in PFM assessments to understand the choices available and to facilitate co-ordination of assessments. The guide may also be helpful to stakeholders and researchers who may wish to obtain information on results of PFM assessments in one country or in a group of countries. The diagnostic tools covered by the guide assess performance of public financial management systems and institutions and exclude those assessment tools which are used mainly for analysis and assessment of fiscal and budget policy.

How to use the information in the overview

A total of 45 diagnostic tools for PFM systems have been identified as currently in use (as at December 2016). Appendix 1 provides a list of the tools, classified by their main characteristics, including technical and institutional coverage, assessment methodology and application options.

The list is organized in three groups defined by type:

- A. Broad diagnostic or analytical tools covering all aspects of the PFM system
- B. Tools focusing on individual PFM elements, institutions or sub-systems
- C. Tools used by development partners to assess fiduciary risk

Within each of these three groups each tool is classified according to the following five criteria:

- Technical coverage of PFM systems which the tool is designed to assess;
- Institutional coverage of government:
 - ❖ National government
 - ❖ Subnational government
 - ❖ Sector (or function) of government
 - ❖ Single public institution
- Methodological approach to the assessment:
 - a) Benchmarking against good practices, professional standards or thematic principles (and risk levels in the case of group C)
 - i. with scoring systems (typically including a narrative assessment as well)
 - ii. with narrative assessment only
 - b) Database tool for comparison across governments.
- Existence of a central repository of published assessments.
- Application method:
 - ❖ Self-assessment (‘self’)
 - ❖ External with free choice of assessors (‘any external’)
 - ❖ External undertaken by developer/custodian organization (‘custodian’)
 - ❖ Entirely centralized assessment focused on cross-country comparison (‘centralized’)

The typology does not categorize tools on whether they provide recommendations for improvements of PFM systems. Ultimately, the purpose of all such tools is to lead to improvements in the systems and many of the assessment reports include recommendations. Even where recommendations are expected in the assessment reports, few tools include any description or guidance on how to formulate and prioritize recommendations. Therefore, it was not considered useful to categorize the tools on the basis of whether or not they offer recommendations.

More detailed information on each of the tools is included in the PEFA Secretariat’s study ‘Stocktake of PFM Diagnostic Tools 2016’ – available at www.pefa.org. The ‘Stocktake’ offers a one-page summary of each diagnostic tool including details such as purpose, approach, technical coverage, quality assurance arrangement, recommended frequency of assessment, actual global application, and transparency of assessment results.

For easy cross-reference each tool is assigned a number (e.g. A06, B13, C04) where the letter refers to the group the tool belongs to. The tools themselves and related guidance material are freely available on the internet with a few exceptions (such as B24 CIPFA Financial Management Model and B21 Internal Audit-Capability Model) where the tools may be purchased from the custodian. Hyperlinks to websites for the full description of the tools and/or assessment results are included in the 'Stocktake' report.

What are the options for Stakeholders?

A government's (or another stakeholder's) choice of assessment tool depends not only on the technical and institutional coverage of the PFM systems to be assessed, but also on how the assessment will be undertaken. It is therefore important to know the accessibility to the tool itself, any related guidance material and any support offered by the tool's custodian during implementation – including quality assurance.

About half of the tools may be undertaken as self-assessment by the government whose PFM systems are being reviewed.

A tool designed for implementation through self-assessment can also be implemented by an external assessor, if the assessed government/institution prefers that approach.

Some tools which are not primarily intended for self-assessment can nevertheless be applied through self-assessment, if the tool is well-defined and publicly assessable. This applies, for example, to A06 Open Budget Survey and B17 Diagnostic Framework-Financial Management Information System, which have both been implemented through centralized processes so far.

Some tools are both very broad and flexible and may require an initial stage of narrowing down the scope of the desired assessment (e.g. A08 Public Expenditure Review and B16 Public Expenditure Tracking Surveys). Others may not be readily accessible (A09 ECFIN Operational Assessment and A11 WB MiGestion) or they require assessor skills which may not be easily found (B08 Revenue Administration-Gap Analysis Program). Where such assessments are needed to achieve the desired inputs to the reform and capacity building plans, the respective custodian of the tools should be approached for further information and support from the early stages of preparation.

For the development partners who have designed their own fiduciary assessment tools (the tools in group C), use is typically mandatory for partner support. For a government considering tools to further fine tune its reform agenda, these fiduciary risk assessment tools may not be consistent with the desired information requirements.

How does PEFA relate to other diagnostic tools?

With over 550 assessments worldwide since 2005 the PEFA Framework is the most commonly used diagnostic instrument for assessing the performance of public finance management system across the board. Therefore, the question often arises on how to coordinate a PEFA assessment with assessment needs using other

tools. To assist such coordination, a more detailed comparison of the technical coverage of the PEFA Framework with that of each of the other tools is provided in Appendix 2 – excluding the fiduciary risk assessment tools of group C. It also excludes A09 ECFIN Operational Assessment and A11 WB MiGestion for which details are not readily available.

The table shows which subject areas other tools provide a similar or more detailed level of coverage than PEFA. The data suggests there is significant complementarity in coverage between PEFA and many of the other tools, particularly those which focus on specific PFM sub-system (group B). The latter, understandably, tend to assess performance at subsystems level at a much greater detail than PEFA.

Issues to consider when planning PFM assessments

Demand for PFM system diagnostics in a given country may originate from multiple sources. Typically, such demand stems from the following:

- Governments may wish to use assessment results to feed into formulation of the PFM reform agenda and/or to monitor the results of implementing an ongoing reform program;
- National governments may wish to assess PFM performance of sub-national governments;
- Development partners may wish to undertake an assessment of a specific area for which they provide or plan to provide technical support or as the basis for decisions on general financial support to the Government;
- Global institutions may wish to undertake a regional or global assessment of countries as a basis of comparison of PFM systems performance.

Developing a medium-term plan for PFM systems assessments could have major benefits in terms of reducing the transaction costs of the affected Government in undertaking or supporting multiple assessments, and by ensuring that data and findings from one assessment readily feeds into subsequent assessments with the similar coverage.

Choice of tools and implementation methods as well as sequencing and timing of all assessments are required for a comprehensive plan, which should consider local and non-technical factors such as relevance, capacity, funding, annual budget cycles and electoral cycles as well as external assessment cycles for tools used for cross-country databases and comparisons.

Such an assessment plan could be incorporated as part of the government's ongoing monitoring and evaluation of its PFM reform action plan or agenda.

Annex 1 Mapping of PFM Diagnostic Tools as of 2016

	CUSTODIAN	TOOL	TECHNICAL COVERAGE	INSTITUTIONAL COVERAGE	BENCHMARK SYSTEM		DATABASE TOOL	REPORT REPOSITORY	APPLICATION
					SCORING SYSTEM	NARRATIVE EVALUATION			
A) BROAD PFM DIAGNOSTICS: DIAGNOSTIC OR ANALYTICAL TOOLS COVERING THE WHOLE OF THE PFM SYSTEM									
A01	PEFA	PEFA Framework for Assessing Public Financial Management	All of PFM	National Subnational	●			●	Self Any external
A02	IMF	Fiscal Transparency Evaluation (FTE)	Transparency in all of PFM	National	●				Custodian
A03	OECD	Recommendation of the Council on Budgetary Governance (RCBG)	All of PFM	National		●			Self
A04	OECD	International Budget Practices & Procedures Database (IBPPD)	All of PFM	National			●		Self
A05	OECD	SIGMA Principles of Public Administration (PPA)	All of PFM Public administration broadly	National	●			●	Custodian Self Any external
A06	IBP	Open Budget Survey (OBS)	Transparency in all of PFM	National	●			●	Centralised
A07	GIFT	Principles on Fiscal Transparency (PFT)	Transparency in all of PFM	National		●		●	Self Any external
A08	WB	Public Expenditure Review (PER)	Expenditure policy Expenditure administration	National Subnational Sector		●		●	Custodian
A09	EU	ECFIN Operational Assessment (OA)	All of PFM	National		●			Custodian
A10	WB	Rapid Assessments and Action Plans to Improve Delivery in Sub National Government (RAAP-ID)	All of PFM Development outcomes and outputs	Subnational		●			Self Custodian
A11	WB	MiGestion Institutional Capacity Diagnostic	All of PFM Public administration broadly	Subnational			●		Self
A12	COE	Benchmarking Fiscal Decentralisation (BFD)	Fiscal decentralization	Subnational	●				Self Any external

CUSTODIAN		TOOL	TECHNICAL COVERAGE	INSTITUTIONAL COVERAGE	BENCHMARK SYSTEM		DATABASE TOOL	REPORT REPOSITORY	APPLICATION
					SCORING SYSTEM	NARRATIVE EVALUATION			
B) DIAGNOSTIC TOOLS WHICH FOCUS ON INDIVIDUAL PFM ELEMENTS, INSTITUTIONS OR SUB-SYSTEMS									
B01	IMF	Tax Administration Diagnostic Assessment Tool (TADAT)	Revenue administration	National	●			●	Self Any external
B02	WB	Integrated Assessment Model for Tax Administration (IAMTAX)	Revenue administration	National	●				Self Any external
B03	OECD	Tax Administration - Comparative Information series on OECD, other Advanced and Emerging Economies (TACIS)	Revenue administration	National			●		Self
B04	USAID	Collecting Taxes Database (CTD)	Revenue administration	National			●		Centralised
B05	EU	Fiscal Blueprints (EU-FB)	Revenue administration	National	●				Self
B06	WB	Handbook for Tax Simplification (HTS)	Revenue administration	National		●			Self Any external
B07	IMF	Revenue Administration Fiscal Information Toolkit (RA-FIT)	Revenue administration	National			●		Self
B08	IMF	Revenue Administration Gap Analysis program (RA-GAP)	Revenue administration	National Sector		●			Custodian
B09	WB	Customs Assessment Trade Toolkit (CATT)	Revenue administration Trade facilitation	National	●				Self Custodian
B10	EITI	Extractive Industries Transparency Initiative (EITI)	Natural Resource Revenue administration Expenditure management	National Subnational		●		●	Any external
B11	WB	State Owned Enterprise Corporate Governance and Risk Toolkit (SoE Toolkit)	Public corporations	National Sector Single Institution		●			Self Any external
B12	WB	Debt Management Performance Assessment (DeMPA)	Debt management	National	●				Self Custodian
B13	IMF	Public Investment Management Assessment (PIMA)	Investment management	National	●				Centralised
B14	WB	Diagnostic Framework for Assessing Public Investment Management (DF-PIM)	Investment management	National Subnational		●			Self custodian
B15	OECD	Methodology for Assessing Procurement Systems (MAPS)	Procurement	National	●				Self Any external

B16	WB	Public Expenditure tracking surveys (PETS)	Expenditure management	National Subnational Sector		●			Custodian
B17	WB	Diagnostic Framework to Assess the Capacity of a Government Financial Management Information System as a Budget Management Tool (DF-FMIS)	Management information systems	National	●			●	Centralised
B18	IRMT	Integrating Records Management in FMIS design (IRM-FMIS)	Records management	National Subnational Single institution		●			Self Any external
B19	WB	Gap Analysis Framework for comparing Public Sector Accounting and Auditing to International Standards (AA-GAP)	Accounting Auditing	National		●			Custodian
B20	WB	Report on Observance of Standards and Codes Accounting and Auditing (AA-ROSC)	Public corporations	National		●		●	Custodian
B21	IIA	Internal Audit Capability Model (IA-CM)	Internal audit	National Single institution	●				Self
B22	INTOSAI	Supreme Audit Institution – Performance Measurement Framework (SAI-PMF)	External audit	National	●			●	Self Any external
B23	AFROSAI-E	Institutional Capacity Building Framework (ICBF)	External audit	National	●				Self
B24	CIPFA	Financial Management Model (FMM)	All of PFM	Single Institution	●				Self

CUSTODIAN		TOOL	TECHNICAL COVERAGE	INSTITUTIONAL COVERAGE	BENCHMARK SYSTEM		DATABASE TOOL	REPORT REPOSITORY	APPLICATION
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C) TOOLS USED BY DEVELOPMENT PARTNERS TO MAKE DECISIONS ON FIDUCIARY RISK									
C01	ADB	Assessing and Managing Governance Risks in ADB Operations (AMGR)	All of PFM	National Subnational Sector		●			Custodian
C02	ADB	Financial Management Assessment (FMA)	All of PFM	Single Institutions	●				Custodian
C03	IDB	Tool for Determining the Level of Development and Use of PFM Systems (GUS)	All of PFM	National Subnational	●				Custodian
C04	WB	Assessment of the use of country financial management systems in Bank Financed Investment projects	Cash and expenditure management	National Subnational		●			Custodian
C05	EU	Budget Support Guidelines (EU-BSG)	All of PFM	National Subnational Sector		●			Custodian
C06	DFID	Fiduciary Risk Assessment (FRA)	All of PFM	National Subnational	●				Custodian
C07	BMZ	Budget Support in the Framework of Programme Oriented Joint (BMZ-BSG)	All of PFM	National		●			Custodian
C08	DANIDA	Guidelines for risk management	All of PFM	National	●				Custodian
C09	USAID	PFM Risk Assessment Framework (PFMRAF)	All of PFM	National Subnational Sector	●				Custodian

Annex 2 Complementarity between PEFA Framework and other PFM diagnostic tools by technical subject

A.1 PEFA - PFM performance - Pillars	Budget credibility			Transparency of PF					Management of assets & liabilities				Policy based fiscal strategy and budgeting				Predictability & control in budget execution						Accounting & reporting			External scrutiny & audit							
A.1 PEFA Indicators	1 - Aggregate expenditure out-turn	2 - Expenditure composition out-turn	3 - Revenue outturn	4 - Budget classification	5 - Budget documentation	6 - Central Gov. operations outside financial reports	7 - Transfers to SNG	8 - Performance information for service delivery	9 - Public access to fiscal information	10 - Fiscal risk reporting	11 - Public Investment Management	12 - Public asset management	13 - Debt management	14 - Macro & Fiscal forecasting	15 - Fiscal strategy	16 - MT perspective in expenditure budgeting	17 - Budget preparation process	18 - Legislative scrutiny	19 - Revenue administration	20 - Accounting for revenue	21 - In-year resource allocation	22 - Expenditures arrears	23 - Payroll controls	24 - Procurement management	25 - Internal controls non-salary expenditures	26 - Internal audit	27 - Financial data integrity	28 - In-year budget reports	29 - Annual financial reports	30 - External audit	31 - Legislative scrutiny		
Broad PFM tools																																	
A2. FTE (fiscal transparency)				•	•	•	•	•	•	•	•	•	•	•	•	•	•															•	•
A3. RCBG (budgetary governance)				•	•	•	•	•	•	•	•	•	•	•	•	•	•		•													•	•
A4. IBPPD (budget practices/procedures data)				•	•	•	•	•	•	•	•	•	•	•	•	•	•															•	•
A5. SIGMA PPA (principles of public admin)				•	•	•	•	•				•	•	•	•	•	•					•		•	•	•						•	•
A6. OBS (open budget survey)				•	•	•	•	•					•	•	•	•	•															•	•
A7. GIFT PFT (Principles fiscal transparency)				•	•	•	•	•	•				•	•	•	•	•															•	•
A8. PER (public expenditure review)	•	•	•	•																													
A10. RAAP-ID for sub-national government	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		
A12. COE BFD (benchmarking fiscal decent.)				•			•		•																								
Individual PFM elements tools																																	
B1. TADAT (Tax adm diagnostic)													•	•				•	•														
B2. IAMTAX (Integrated Assessmt Tax Admin)													•	•				•	•														
B3. TACIS (Tax Admin Comparative Informtn)																																	
B4. CTD (Collecting taxes data base)																																	
B5. EU-FB (Fiscal Blueprints)																																	
B6. HTS (Handbook for tax simplification)																																	
B7. RA-FIT (revenue admin/fiscal info)			•																														
B8. RA-GAP (revenue admin/gap analysis)			•																														
B9. CATT (customs assessment/trade)																																	
B10. EITI (extractive industries transparency)						•					•																						
B11. SOE Toolkit (corporate govern. & risk)									•		•	•																					
B12. DeMPA (debt management performance)												•																					
B13. PIMA (public investment management)											•																						
B14. DF-PIM (public investment management)											•																						
B15. MAPS (procurement systems)																							•										
B16. PETS (public expend. tracking surveys)																																	
B17. DF-FMIS (financial manag. info system)				•							•	•						•	•			•						•	•	•			
B18. IRM-FMIS (integrating records managemt)											•	•																					
B19. AA-GAP (gap analysis account & audit)											•	•								•												•	•
B20. AA-ROSC (accounting & audit standards)											•	•																				•	•
B21. IA-CM (internal audit capability model)																																	
B22. SAI PMF (supreme audit performance)																																•	•
B23. ICBF (audit institutional capacity building)																																•	•

Note: The table does not include three tools for which details of technical coverage is inaccessible (A09.ECFIN-OA, A11.MiGestion and B24.CIPFA-FMM)

