New approach to Subnational PEFAs
PEFA USED 354 TIMES AT SUBNATIONAL AND OVERSEA TERRITORIES LEVEL IN 54 COUNTRIES

as of October 2019

Set of assessments: 303 assessments in 30 countries
32 stand-alone assessments in 22 countries

19 assessments of 12 Oversea territories
70 stand-alone and set of assessments in 5 countries
27 COUNTRIES THAT APPLIED OR PLANNED PEFA 2016 SN ASSESSMENTS
as of September 2019

38 achieved assessments
30 ongoing assessments
38 planned assessments
December 2018 recommendations

ADAPTATION OF THE ASSESSMENT PROCESS

ADJUSTMENT OF DIMENSIONS

INTRODUCTION OF NEW TOPICS

MODIFICATION OF THE REPORT STRUCTURE

A way to adjust to the diversity of subnational contexts through the introduction of an inception report

Macroeconomic and fiscal forecasting, fiscal strategy, medium-term budget, revenue management, external audits

PPPs, intergovernmental fiscal relations, public participation, land cadasters

Report structure will be adapted in accordance to the revised volume 3

Steering Committee expressed a preference for keeping the adjustments to the existing indicators to a minimum
What is the content of the Subnational Guidance?

- Adapted PEFA Framework:
  - Modified indicators and dimensions
  - New indicators and dimensions
  - Tailored approach to the applicability of dimensions

- Additional optional modules:
  - Service delivery approach
  - Influence of CG on SNG performance

- Adjusted process
  - Simplified concept note for peer review
  - Annex to the concept note for

- Simplified report format
Modifications to the Framework

32 INDICATORS
(=)
98 DIMENSIONS
(+1)

PI-19: Revenue administration
PI-14-15-16: Medium-term budget strategy
PI-30: External audit
HLG-1: Outturn of transfers from HLG
HLG-2: Fiscal rule and monitoring by CG
PI-9 bis: Public participation
PI-10: Fiscal risk reporting

REDESIGN AND CHANGE OF COVERAGE
NEW DIMENSION INTRODUCED IN EXISTING INDICATORS

TWO NEW INDICATORS

NEW DIMENSION INTRODUCED IN EXISTING INDICATORS
## Overview of the new features

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Notes</th>
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<tbody>
<tr>
<td>HLG-1</td>
<td>New dimension on predictability of transfers</td>
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<tr>
<td>HLG-2</td>
<td>New indicator with three dimensions: fiscal rule, debt rule, monitoring by CG</td>
<td>Applied once if relevant to decentralization arrangements</td>
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<tr>
<td>Pub Part</td>
<td>New indicator with three dimensions: budget, SD programs, investment planning</td>
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<tr>
<td>PI-10</td>
<td>New dimension on PPPs</td>
<td>Instead of fiscal risks</td>
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<td>PI-14-16</td>
<td>4 dimension indicator: one new-preparation of the budget, one adapted-MT exp and rev estimates, two identical-fiscal impact and consistency of budget</td>
<td>Replaces PI-14, 15 and 16</td>
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<tr>
<td>PI-19</td>
<td>New dimension on property tax and fiscal cadaster</td>
<td>No need to modify PI-20</td>
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<td>Better definition of own revenue and core taxes</td>
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<td>Simplification of controls and audits</td>
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<tr>
<td>PI-30</td>
<td>Modification of time period (30.1) Scope enlarged to compliance audits (30.3) and jurisdictional controls (30.1)</td>
<td>No need to modify PI-31</td>
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PEFA

Service delivery module

• A set of additional question for each relevant dimension
  • Detailed in the guidance
  • Summarized in an annex

• In the report
  • No score but narrative under each dimension
  • A summary in section 3 of the report

• Before the assessment, the need:
  • To have a good understanding of how service delivery is organized, the distribution of responsibilities between SNG and CG, other layers of subnational governments, and other stakeholders
  • To decide to which service delivery the approach will be applied
Influence of CG on SNG performance

• A set of additional question for each relevant dimension
  • Detailed in the guidance
  • Summarized in an annex

• Applicability of the dimensions:
  • Depend on the country PFM context
  • Possible ‘SNG sector’ scope in a limited number of dimensions

• In the report
  • Responsibility is identified by a color code
  • A subsection of the narrative describes the influence of CG

• Before the assessment, the need:
  • To have a good understanding of how the PFM functions are shared
Adaptation of the PEFA process for set of assessments

Annex to the concept note
To better prepare and streamline the assessments of multiple SNGs
At the time of the CN, later in the process, or after a first assessment
Content: institutional context, PFM system, applicability of dimensions, service delivery approach

Consolidated report
Presents the commonalities and differences between reports, and highlights the good examples amongst the different SNGs
Summarizes the impact of CG on SNG performance
Summarizes the impact of PFM system on service delivery
Preparing a PFM reform action plan centred on SNG

Promoting SNG benchmarking within a country

Preventing a PFM reform action plan for both SNG and CG

Reforming the intergovernmental fiscal system in a country

Identifying the SD bottlenecks

SNG assessments: different approaches for different purposes

Set of indicators applicable at subnational level.
Consolidated report.

Set of indicators applicable at subnational level.
Impact of CG on SNG performance module
Use of selected dimensions for SNG sectors
Consolidated report with analysis of intergovernmental fiscal relations.

Full or partial set of PEFA indicators.

Monitoring, evaluation, fiduciary assessment

Set of indicators applicable at subnational level.
Impact of CG on SNG performance module
Use of selected dimensions for SNG sectors
Consolidated report.