New and amended 'Clarifications' to the PEFA Framework, March 2012

Based on queries raised by assessors in the field, the Secretariat has produced the following additional clarifications to the Performance Management Framework. In several cases, there are amendments to existing (previously issued) clarifications and these are highlighted.

Coverage of the indicators: General points		Clarification
G-b	How will '**No score' of a dimension** affect the rating of the overall indicator?	When a dimension is not scored due to being 'not applicable' i.e. NA (with adequate justification provided in the report for being NA), then the dimension is excluded from further consideration. In other words proceed as if the dimension did not exist. So a 3-dimensional indicator where one dimension is NA, would be scored on the basis of the two remaining dimensions. Typical examples on 2-dimensional indicators are PI-9 (if there is no SNG you score the dimension concerning public enterprises and the overall indicator gets same score) and PI-7 (if there is no external project/program aid, dimension ii is NA and the indicator is scored exclusively on dimension (i)). This is not the case if a dimension is not scored for lack of information (NR). This means that essential information is not available to the government (or it does not want to share with the assessors) which reflects a performance problem that should be shown in the rating, which would also usually be NR (see below).
G-c	Is it correct to provide **no overall rating** on an M1 indicator where one of the dimensions is scored as 'D' but other dims are NR?	NR on one dimension would lead to NR on the indicator (irrespective of M1 or M2) because if there were information available on the missing dimension(s), the rating potentially could improve to 'D+'. However, there is an exception in the case of an M1 indicator with 3 or 4 dimensions and one is rated 'D', one is rated NR and the other(s) rated 'C' or above: here the overall rating could be 'D+', but for consistency NR may be preferable.
G-d	Is it possible that the rating (as 'D') of one dimension **renders the other dimension of the same indicator non applicable**?	Yes, this is possible. E.g. in the case of PI-21, if there is no internal audit function at all, dimension (i) will rate 'D' and dimension (ii) and (iii) will have no content, so they will be non-applicable. Overall, therefore, PI-21 will be rated 'D'.
G-e	Some of the dimensions under performance indicators have sub-dimensions (e.g. PI-26, dimension 1). **Can these sub-dimensions be scored individually** and an overall score derived for the dimension (either as an average as per M2 or the lowest score with a plus sign added as per M1)?	No. Only dimensions are subject to scoring, not "sub-dimensions". The rating of a dimension will depend on full compliance with all the sub-dimensions of that rating.
G-f	In the dimensions that have "sub-dimensions" such as PI-11 (i), PI-17 (i), PI-21 (i): **do all requirements need to be met**?	Yes: if the requirements are only partly met, it means that the criteria are not satisfied hence the rating should be at the highest grade **below** the level that is not met.
G-i	The government has entered into numerous '**Public Private Partnerships'** which are off-budget and may also create fiscal risks and possibly contingent liabilities. How should they be treated in the PEFA assessment?	In a country that has made significant use of PPPs, their impact on PIs 9 (i), 12 (iii), 17 (iii), 26, possibly 12 (iv) and 25 (depending on the government ownership under the terms of the agreement) should be clearly explained in the narrative.

1-l	How should this indicator be rated if the **deviations** are 4%, 4% and 20%, as this **appears to meet the requirements for any** of the 'A', 'B' and 'C' ratings?	The criteria is better interpreted as "In at least two of the last three years, actual expenditure has not deviated from budget by more than 5%", which would merit 'A' (similarly, "not more than 10%" would merit 'B', and "not more than 15%" merits 'C').
1-m	The definition of 'the **government budget'** in the constitution of this country is inconsistent with GFS. How should PI-1 be rated?	Follow the country's definition, but make it clear in the narrative of the difference in definition, and if possible, quantify the effect.
1-n	Late in the fiscal year, the government **transferred large unused capital allocations to Extra-Budgetary Funds** for spending in future years. As no provision had been made in the budget for these transfers, should the amounts be excluded from the PI-1 calculation?	No: these changes will show up in PI-2. The methodology requires scoring to be based on the original budget and the outturn. However, the narrative should discuss any large transfers of **budgeted** capital allocations to EBFs.
1-o	During the period of the assessment, the law changed the fiscal year to the calendar year. The implication was that there was a **transitional period of six months** – should this be treated as a 'fiscal year'?	The guidance on evidence and sources defines which indicators require information for last two or three FYs (PI-1, 2, 3, 11iii, 12i, 15i, possibly 25iii, and D-1). If this information is available separately for each of the last three FYs, there should not be a problem, even if one of three FYs covers less than 12 months due to a transition. If the information is not separately available for the transitional six-month period but only in aggregate for the two budget periods covering 18 months, then the aggregate of those two periods would have to be considered as the third of the three budget periods for the purpose of the listed indicators. However, for PI-11 iii, it will be necessary to consider only the six month transitional period, as an aggregation for two different budget approvals is not meaningful.
1-p	The previous PEFA assessment covered the 2004, 2005 and 2006 fiscal years, and the current assessment is to look at 2008, 2009 and 2010. **What about the 2007 fiscal year? Can we consider 4 budgets**, and then adapt the calculation of the scores?	No: the gap in coverage between successive assessments is irrelevant.
	~~What would be the score of dimension (i) if the variance exceeded the deviations by no more than 5% in one year, and by more than 5% but less than 10% in the other two years (e.g. by 0%, 6% and 9% respectively)?~~	~~The score should be a C B, because two years were above 5% (so not an A B) but not more than one year (in fact none) exceeded 10%.~~
	~~How do you interpret, "no more than one of the last three years" or "at least two of the last three years"?~~	~~Refer to clarifications given to PI-1 and PI-3 above, but note that for a score A of PI-2, data is required for all of the last three fiscal years and the variance should be 5% or less in all of those three years.~~
	~~How should "contingency" and/or "reserve" items be treated in the scoring of PI-2?~~	~~The larger the contingency and/or reserve item in a budget, the higher its unpredictability in principle and the lower its credibility and usefulness as a statement of policy intent. Thus, the contingency/reserve item should be included in the calculation (as a separate line, if its magnitude places it amongst the twenty largest items).~~

2-a	**What years should be included in the assessment** of this indicator? Example: During one of the last three years the country had a constitutional/political crisis, which meant that government was unable to function for half of the year. Can that year be excluded from the three year data set and be replaced by the year before the last three-year period?	The assessment already takes into account the existence of an abnormal or "outlier" year, out of the three most recent fiscal years in the following way. The indicators require calculation of the deviation for each of those three years. The scoring for 'A', 'B' and 'C' is then specified in such a way as to allow one of the years to be an "outlier", and as long as the other two years are within the specified limits the score is justified. In the example, if the deviation in the crisis year is bigger than the other two years, then the crisis year becomes the "outlier". The score that is then given will depend on which limits the other two years fall within. It is of no importance for the indicator what the reason for the "outlier" may be (be it international commodity markets, natural disasters, political crisis, poor budget discipline or no data on which to calculate the deviation). ~~A different wording of PI-1 Score A, but with the same meaning, is: "The actual expenditure deviated from budget by 5% or less in at least two of the last three years".~~
2-b	Are there any **limitations on the deviation from the budgeted amounts for the "outlier"** year?	There are no limits on the deviation between budget and actual in an outlier year. ~~E.g. for PI-1, as long as two of the last three years have a deviation below 5%, the indicator scores an A even if third year deviation is above 15%.~~
2-i	I received the following information regarding '**contingencies'** in the budget. *"Please note that we don't have any code called 'Contingency' in our existing budget code classification system. However, we do put money centrally for unanticipated circumstance in 'Unexpected Allocation' head within the Ministry of Finance. This money is distributed among different Ministries as per special requirement throughout the year which is adjusted within their appropriation in the revised budget. Therefore in the revised budget, allocations in the 'Unexpected Allocation' head have reduced substantially".* As there is no direct spending from this and it is allocated during the year, would it be correct to say that **one need not take it off from the aggregate original budget,** since it is allocated to the line entities any way? If so, then one does not have a dim (ii).	An 'Unexpected Allocation' is a contingency (in some countries it might simply be called a 'Reserve'). Hence the answer is 'No', and the treatment would be: for Dim (i) Remove 'unexpected allocation' head in MoF from calculation; for Dim (ii) The revised budget is irrelevant. The note implies that virement is used, and that the amount likely to be ***charged directly*** against 'unexpected allocation' head is likely to be small, so using the criteria to score may result in 'A'.
2-j	What would be the score of dimension (i) if the **variance exceeded the deviations** by no more than 5% in one year, and by more than 5% but less than 10% in the other two years (e.g. by 0%, 6% and 9% respectively)?	The score should be 'B' because two years were above 5% (so not 'A') but not more than one year (in fact none) exceeded 10%.

2-k	In dimension (ii) how do you calculate the **average percentage of contingency** over the last three years?	A simple average is sufficient, e.g. if the percentages of actual expenditure charged to the contingency vote to the original total budget were 2%, 4% and 6%, the average would be 4%, which is rated 'B'.
2-l	Dim (ii) If there are **no contingency funds in the budget**, and there is no accounting or any kind of official reference to contingency expenditures, how can dim (ii) be rated?	As there is no expenditure charged to contingency, this would appear to meet the requirement for an 'A' rating.
3-b	Are there any **limitations on the deviation from the budgeted amounts for the "outlier"** year?	There are no limits on the deviation between budget and actual in an outlier year. ~~E.g. for PI-1, as long as two of the last three years have a deviation below 5%, the indicator scores an A even if third year deviation is above 15%.~~
	~~Aggregate Revenue Outturn: Revenue outturns significantly higher than the budgeted amount always receive A scores. How should the PFM-PR comment on this situation?~~	~~Underestimation of revenues will lead to either: (i) the additional resources being used to pay off public debt and/or reduce the planned deficit; or (ii) increased expenditure. The latter will lead to a lower rating for PI-1. The former will not affect PI-1, so the appropriate story should come out in the Summary Assessment of the PFM-PR.~~
3-f	How should PI-3 be scored if the government is using the GFS 2001 manual, which counts only **current revenues** above the line?	PI-3 covers all domestic revenue, whether current or capital, irrespective of the use of GFS 1986 or GFS 2001 or the calculation of the deficit. Thus it includes capital receipts from the sale of assets and privatization proceeds.
3-g	Some **departmental revenues are off budget**, and not included in revenue and expenditure reports. How are these treated?	In principle, all domestic revenues should be included in the assessment of PI-3. If some departmental revenues are not reported, they should be estimated in the assessment of PI-7 (i) and the narrative under PI-3 should make a cross reference to this.
3-h	The collections of some **revenue items are shared** between the central and local governments. In a central government assessment, what is included in PI-3?	If the revenues pass through the CG budget they should be included. However, if they are "shared" before they reach CG accounts/funds then – since the budget will not reflect the estimated revenue nor any spending out of the LG share of the revenue – they should be excluded.
4-c	Dimension (i): what is **'total expenditure'** on which the percentage of arrears is calculated? Is it total expenditure and net lending per GFS, or total net of foreign funded project expenditure, since the latter does not pass through government systems or into arrears records? Is interest included, unlike PI-1 and 2? This can make a significant difference to the percentage.	If there are arrears on foreign funded projects and the expenditure has not passed through country systems, they should be excluded. Otherwise, interest should be included in the expenditure arrears calculation, as it can also be in arrears. There is nothing indicating that PI-4 needs to have the same quantitative base as PI-1 and PI-2 where interest is removed for reasons specific to the outturn calculation.
4-e	Should a 'D' score on dim (ii) due to a **lack of reliable data** automatically lead to a 'D' overall?	No: if there is no reliable data on the stock of arrears, then the score of dim (ii) will be 'D'. However, although this may suggest that the information required for dim (i) is not reliable, Assessors may be able to find sufficient evidence to enable a rating to be allocated.
5-e	The **classification used** by the government in the Poverty Reduction strategy does not exactly match the COFOG standard: does this automatically require a 'C' rating?	No: LICs are likely to use their own PRSP functional classification, for example, to identify expenditure on water and sanitation, which is not recognised in COFOG (which is used mainly for international reporting). 'A' and 'B' requirements can be considered satisfied provided a country uses a functional classification in its budget and accounts, and there is evidence (in the form of a print out) of a bridging table used to convert this into a COFOG classification for reporting to the IMF for GFS purposes.

6-a	References to the **'current year' and 'prior year'** are confusing: how should they be interpreted?	The reference to 'current year' refers to the year in which the budget is being prepared, which is 'Budget year minus 1', and the 'prior year' is 'budget year-2'.
6-c	The MoF presents general government data to the legislature without separation of central government from local government. As the presentation of **information for general government is of greater utility than information on central government only**, can this be used for rating this indicator?	Although this is not strictly consistent with the methodology, in the event that central government is not separable from data on general government (as is often the case in unitary states), this can allowed in the rating but must be clearly stated in the narrative.
7-a	The rating criteria refer to expenditure: **what about Revenue**?	The title of the PI-7 is very clear: '**Extent of unreported government operations',** which would normally be understood to include **both** expenditures and revenues. In addition, the first paragraph of the Guidelines (Bluebook) explains that the dimension refers to activities, therefore to **both** expenditures and revenues: extra-budgetary revenues are as much an anomaly as extra-budgetary expenditures.
7-f	How should **non-tax revenues** earned by MDAs be treated?	In many countries, MDAs collect revenues such as user fees and charges, dividends from State-Owned Enterprises, mineral royalties, returns from production-sharing agreements, fines and rent of property and use them for their own expenditure in addition to the budgetary allocations without those cash flows being brought into the government's central accounts. This treatment may be legal or (often) illegal. In either case, comprehensive and transparent fiscal reports require inclusion of such revenues and expenditures. Dimension (i) of this indicator should take account of all such expenditure (and all revenue ends up as expenditure). N.B. IMF and/or World Bank have *'Guidance on sources of evidence'* for corroboration.
7-h	Dimension (i): Are the following items **unrecorded expenditure**? Unexpended portions of any votes in previous fiscal years to pay for outstanding commitments?	 No. This is a transfer payment from a vote to a deposit account (*Dr Vote expenditure, Cr Sundry Deposit, Dr Deposit bank account, Cr Consol Fund bank account*). So the payment is included in reported expenditure, even if not finally accounted for. If the commitment is paid in the following year, the expenditure is charged against Sundry Deposits, so it may never get reported in the Appropriation Accounts (except as a transfer).
	Bail deposits for court cases?	No, this is not expenditure but an external liability, unless it is forfeited.
	Funds for foreign scholarships?	No. Same treatment as unexpended amounts retained to pay for outstanding commitments.
	Proceeds from prison manufacturing units?	Two options: 1. If these units financially operate as part of the prison services, the proceeds can be considered equivalent to user charges and fees by other ministries and agencies and should be reported. 2. If the prison manufacturing units are set up as public enterprises, then the units fall outside general government and are not part of the assessment (other than government oversight ref PI-9i), but in that case how does the income end up in a government sundry account?
	Withholdings (salary deductions)?	No. Salary expenditure should be the gross salary. Deductions are credited to Sundry Deposits until they are paid. If expenditure includes the gross salary there is no non-reporting.

7-i	What are **the best sources of the information** necessary to rate dimension (i) likely to be?	First, it is necessary to identify the agencies that are **outside** the budgetary system (i.e. their budgets and actual income and spending do not appear in the government's budgetary documents). This may be reasonably easy to do, as they are typically few in number and are well-known (e.g. Social Security agency), although some countries do have large numbers of AGAs: the SAI should have a complete list of auditees and the largest ones can be selected. Second, request the MoF (or other parent ministry) for information on income and expenditure of the extra-budgetary operations. It is possible that the information is available, but is not reported in fiscal reports. However, it is not uncommon for the MoF to deny the existence of extra-budgetary operations, be unaware of them or did not quite understand the concept of extra-budgetary expenditures. Once this is established, it makes sense to double check with the MOF (or with the entity in charge of coordinating external assistance), which is often located within the MOF. Third, request meetings with the head of the agencies through which the main extra-budgetary operations are occurring.
7-k	What are **the best sources of the information** necessary to rate dimension (ii) likely to be?	In addition to the MoF, which may have an aid management unit/ department, or a donor information portal, the donor group, or Embassies of countries whose operations are clearly extra-budgetary may be useful sources of information.
7-l	Dimension (ii): Are Grant funds that are not channeled through the budget **unrecorded expenditure**?	Yes (under PI-7 (ii)).This is part of unrecorded external aid.
7-m	Dimension (ii): When donor agencies pay suppliers, contractors and consultants directly for a large part of project aid, does this count as **inputs provided in kind**?	No. To count as 'inputs in kind', the beneficiary country must not have been involved in the financial aspects of the decision (goods and/or services 'in kind' are typically grants of equipment for emergency assistance and food aid, contracted between the donor and the supplier without the government being party to the contract).
8-d	Dimension (ii): How should '**reliable'** be interpreted in the rating criteria?	Dim (ii) refers to the timely availability of reliable information on budgetary allocations to LGs in relation to their budget process. As both CG and LGs should have their budgets adopted before the start of the fiscal year, the key issue is predictability: when in the LG budget cycle are they notified of their CG transfers, and are these figures maintained when the CG budget is finally adopted?
9-c	Dimension (ii): Although in this country Provinces do not have the legal power to borrow, many fail to pay suppliers on time in order to **ease their cash flow: does this constitute a fiscal risk**?	Yes: while raising supplier credit may not constitute borrowing according to national law, this is still a fiscal risk to be monitored and should be considered when rating dim (ii), particularly if there is a history of the CG 'bailing-out' SNGs.
10-f	Element (iv): How should this element be assessed if **parts of the audit report are not made public**?	The audit report should cover all matters required by national legislation, without external limitation or restriction. However the auditor may acquire information that in the national interest should not be disclosed, and is responsible for deciding what to omit, and whether this should be included in a separate unpublished report, or redacted in a published report (guidance is provided in the INTOSAI Lima Declaration). This element is met if the public has access to the main report.
10-i	Element (vi): In the country being assessed, **the primary service units for Health and Education are the responsibility of the SNG** level: should they be included under this PI?	Only if Health and Education are funded by earmarked transfers from the CG. However, the report should identify primary service units that are managed and funded by the CG (e.g. agriculture) and report accordingly. If the primary service units are under the jurisdiction of the SNG, they should be included in a SNG rather than a CG assessment.

11-d	Dimension (i), this country has a clear budget calendar with 6 weeks allowed to MDAs to complete their estimates, but there are **substantial delays:** hence it does not meet the requirement for an 'A' or 'B', but neither does it satisfy two of the requirements for 'C' (rudimentary budget calendar and insufficient time allowed to MDAs).	In situations where progression in the criteria is not cumulative, the rating should be at the highest grade **below** the level that is not met, in this case 'C'.
11-h	Dimension (ii): If the **budget circular does not include ceilings**, should this be interpreted as "the quality is very poor"?	Yes: ceilings constitute essential elements in a disciplined budget formulation process; hence their absence does constitute poor quality and would merit a 'D' rating.
11-m	On dimension (iii), the calibration does not cover the situation where a country **passes its budget one month into the year** every year. How should this be rated?	The calibration that 'two of the last three years' should be interpreted as "at least two of the last three years", and would result in 'C'.
11-n	Dim (iii) Budgets were passed into law by the Assembly within three months of the start of the FY in 2008/09, with a one month delay in 2009/10 and two months delay in 2010/11. How should this situation be rated?	This should be rated 'C', as *"Two of the last three years"* includes all three years, and *"approved the budget within two months of the start of the fiscal year"* includes budget approvals before the start of the fiscal year.
12-e	Dimension (ii): The country has **no external debt and domestic debt is very small**. Is a DSA necessary?	If net public debt is insignificant (below 10 % of GDP), the dimension is not applicable, and the indicator is scored on the other three dimensions only.
12-g	Dimension (iii) Sector strategies have been prepared for health and education, but they are very broad and the costing is lump sum with no detail or explanation. **What are the minimum criteria for a costed sector strategy**?	A sector strategy is costed if it shows the cost of each sector program, broken down by implementing agency, by main economic category (personnel, other recurrent expenditure, capital), and by year over the medium term, and main parameters and assumptions are stated. It should be approved by the head of the responsible ministry. It may or may not be within aggregate fiscal forecasts.
13-b	Dimension (i): discussions with the local Chamber of Commerce reveal instances **of tax officials using discretion corruptly when applying penalties.** How should this be treated?	Lack of clarity on penalties, allowing greater discretion to tax officials, should be counted into the assessment.
13-c	Dimension (iii): In this country, the **only appeal mechanism** available to taxpayers is the general legal system: how should this be rated?	Recourse to the general legal system is not regarded as a tax complaints mechanism, unless a special court (a tax court or commercial court) has been established to hear such cases.

15-c	Dimension (ii): Taxpayers pay income tax and VAT into commercial bank branches for transfer to a central Treasury bank account. **The Revenue Authority does not receive the revenue or itself transfer it to the Treasury.** How is dimension (ii) assessed?	The rating depends on the frequency of transfer of collections by the commercial banks to the Treasury.
16-e	Dimension (iii): How does an assessor determine whether **significant in-year adjustments above the level of MDA** management are done in a transparent and predictable way?	Documented procedures should be in place governing requests for virements, reallocations and changes in MDA spending ceilings, and consistent with the government's stated budget priorities. 'Significance' may be assessed in relation to the percentages specified in the PI-1 rating criteria.
17-e	Dimension (ii): Does "**most cash balances**" refer to value or number?	To value: the capture of cash balances depends on the coverage of a system to capture government accounts. It is the volume of cash balances that is the basis for this dimension. It may be useful to discuss the amounts and the number of active relative to dormant accounts in the narrative of the report. N.B. When conducting a repeat assessment, assessors should be aware that this contradicts a previous clarification
17-h	Dimension (iii) requires that contracting of loans and issuance of guarantees be **approved by a "single responsible entity**". In some countries, both the Treasurer and the Minister for Finance are able to approve guarantees for government business enterprises (GBEs) depending on the specifics of the legislation that applies to that particular entity. Is this criterion intended to capture this situation, or is it more targeted at situations where GBEs are able to enter into arrangements without the knowledge or approval of central Finance agencies?	The indicator dimension is targeting situations where different central government entities (e.g. Ministers of Finance, responsible line ministers, or Office of the President) may all be allowed to (or despite legislation to the contrary, actually do) issue guarantees for loans obtained by the central government or GBEs and AGAs. In the case referred to, it is necessary to consider the determinants of a single responsible government entity and determine whether the Treasury together with the Ministry of Finance form such an entity. The circumstances will differ with each country situation. A unified overview mechanism i.e. a mechanism that keeps track of the volume of guarantees being issued and ensures that the volume remains within any ceilings set will be a determinant to consider. Ratification of loans and guarantees by the legislature is not relevant to this dimension, which is concerned only with executive approval.
18-a	The four **dimensions appear to be quite independent** of each other. A country could be rated, 'A', 'A', 'A' & 'D', and overall get only a 'D+'. Is this fair? Are the dimensions dependent or independent?	The dimensions are interdependent, so the overall rating depends on the lowest rated dimension. If, for instance, dimensions are rated 'A', 'A', 'A' and 'D', due to the absence of payroll audits, there would be no assurance that the system is performing well, despite the ratings of the first three dimensions. Hence the overall score would be 'D+'.
18-f	Dimension (ii): The criteria for a 'D' rating specifies a "**nominal roll**". What is this?	The nominal roll is the same as the 'personnel records' mentioned in the other criteria.
18-i	Dimension (iv): **What counts as a payroll audit**?	A payroll audit should include both a documentation check, to ensure that everyone on the payroll is appropriately documented and authorized to receive a particular amount of pay, and a physical verification that the payees exist and are identified before payment.

18-j	In the country being assessed, the proportion of **non-permanent staff** on the payroll is significant. Will this affect the rating of Dimension (iv)?	No: as the possibility of ghost workers is just as high amongst non-permanent staff, the requirements remain in place.
	~~Dimension (i): In order to score B or C,~~ ~~**does the available data have to be sufficient to assess the method used**~~? ~~[This is implied by the wording of score D but not clearly stated.]~~	~~Yes, there must be reasonably complete data available to determine whether the benchmarks of 50% or 75% have been reached. If such reasonably complete data is not available, the score would be a "D".~~
19-a	Dimension (i): What is the **scope of the "public procurement system"** referred to in the first sentence of the first paragraph under PI-19 in the Framework document?	The public procurement system refers to the system for procuring goods and services of the government being assessed. The scope of the system would include: • centralized procurement, such as through a central tender board; • decentralized procurement through procurement entities in the government's MDAs; • procurement by agencies other than MDAs (e.g. NGOs), where these are contracted to undertake procurement on behalf of the government; and, • procurement financed by donor project funds (perhaps through a PMU) provided that they use the government's procurement system in its entirety and do not apply the donors' procurement systems. Donor project payments, however, might be managed through the government's own financial management system (perhaps through a special account) or the donor's financial management system (i.e. the donor pays the contracted supplier directly). The scope excludes procurement fully or partially using donor systems and the procurement systems of ~~autonomous extra-budgetary government agencies and~~ state owned enterprises even if they receive transfers from the government's budget. It is of no consequence if part or all of the public procurement system is run fully or partly under an externally financed technical assistance project though the text accompanying the rating might comment from a sustainability point of view.
	~~Dimension (i): What **modalities of procurement** are counted as "open competition"?~~	~~Modalities may be defined differently in different countries, but normally only international competitive bidding and national competitive bidding are included as open competition. Limited competitive bidding, (such as selection from a list of approved contractors, "prudent shopping" and sole sourcing) are not considered open competition.~~
	~~Dimension (ii): Score C does not refer to "regulatory requirements". Is it assumed that such requirements exist?~~	~~To score a "C" it is assumed that regulations exist and do distinguish between competitive and less competitive methods of procurement, but that justifications for use of less competitive methods are not (or inadequately) made in accordance with these regulations.~~
	~~Dimension (iii): Procurement process **complaints can be taken to the law courts**. Do these constitute an external body for resolution of complaints?~~	~~No, unless a special court, such as a commercial court, is set up to hear such cases. Recourse to the general law courts is not regarded as a procurement complaints mechanism.~~
19-b	Dimension (i). What is meant by a **legal and regulatory framework** "organized hierarchically and precedence clearly established"?	This requirement is that the legal framework should be clear, so, for example the procurement procedures (which may be regulations) are backed by statute (e.g. 'the Minister may issue regulations'); and other legislation (e.g. a Water Act) cannot override the procurement procedures.

19-c	In dimensions (i) and (iii) there is a requirement that information should be available to the public "through appropriate means". **Does this include provision of information through a website**?	A website is one means of providing information at low cost to all those who might want it, provided the website is functional and can be accessed through a multiplicity of points, such as Internet cafes. At local level, other means may be appropriate, such as notice boards.
19-d	Dimension (ii): In order to score this dimension **does the data have to be sufficient to assess the method used**?	Yes, there must be reasonably complete data available to determine first, the value of contracts awarded other than by open competition, and secondly, the percentage of these that were legally justified. If such reasonably complete data is not available, the score would be 'D'.
19-e	Dimension (ii): **Which modalities of procurement are counted as "open competition"**?	Modalities may be defined differently in different countries, but normally only international competitive bidding and national competitive bidding are included as open competition. Limited competitive bidding, such as selection from a list of approved contractors, may be counted as open and competitive if the list is compiled from regular open invitations to register. 'Prudent shopping' and sole sourcing are not considered open competition.
19-f	Dimension (iii): **Contract awards are published** on the Procurement Authority website, but are months late and incomplete. Does this count toward the score?	No. Information must be complete, reliable and timely.
19-g	Dimension (iii): MDA procurement plans are published in full on the Procurement Authority website, but d**o not include the budgeted amounts.**	Procurement plans should show the amount provided for each large contract, otherwise this element is not met.
19-h	Dimension (iv): Procurement process **complaints can be taken to the law courts**. Do these constitute an external body for resolution of complaints?	No, unless a special court, such as a commercial court, is set up to hear such cases. Recourse to the general law courts is not regarded as a procurement complaints mechanism.
20-a	PI-20 concentrates on recurrent non-salary expenditure i.e. on goods and services and their related procurement arrangements. The indicator is silent about capital expenditure. **Should capital expenditures be included**?	The indicator should include capital expenditure since it is also part of "non-salary expenditure". If capital/development expenditure is controlled by donor procedures, then the internal control systems applied through those procedures should not be assessed, as the performance indicators focus on performance of government systems, not donor systems (however, there may be separate systems – one for expenditures financed with domestic resources and one (not donor controlled) for expenditures financed with external resources).
20-f	Dimension (i): A commitment is made against a budget allocation, not cash on hand, yet an 'A' or 'B' rating requires that commitment controls "effectively limit commitments to ***actual*** cash availability…" Should this be ***projected*** cash availability?	Yes: this should be "***projected*** cash availability" and is linked to the 'horizon of reliable information' specified in PI-16 (ii), which provides an MDA with authority to spend. An earlier clarification about the coverage of this indicator ('*non-salary expenditure' is not only recurrent, but also capital, and of course may be multi-year*) implies this.
22-c	Dimension (ii). Should **unexpended portions** of previous fiscal years votes held in suspense to pay for outstanding commitments or salary deductions awaiting payment to a Revenue Authority be included in rating?	Yes: amounts credited to Sundry Deposits/Liabilities until they are cleared are relevant.

23-b	In an assessment of sub-national governments in this country, the primary service units (Health and Education) **are funded by the central government**: should this PI be 'N/A?	Yes: if these primary service units are funded directly by CG, this PI should not be assessed in a SNG assessment. However, the report should identify any primary service units that are managed and funded by the SNG and report accordingly.
24-e	Dimension (i): If MDAs produce their own reports and the Ministry of Finance produces a consolidated report, **which reports are assessed on their scope and quality**?	Both: Availability of the information in terms of separate reports from the budget entities would meet the requirement only to the extent that such information is complete and consolidated to provide a full overview. Where there are various budget execution statements, assessors should state which statement or set of statements is being assessed, and the same statement or set should be the basis for rating all three dimensions.
24-g	Dimension (ii): Would this dimension be scored 'A' when information is **available at any time from a computerized information system**?	'A', 'B' and 'C' ratings depend on reports actually being prepared and distributed to those responsible for budget execution (normally the MDAs and the Ministry of Finance), not merely potentially being available on line. However, where the MOF requires MDAs to explain variances from budget each month via an online IFMIS without using printed monthly statements, this would not merit 'D' ***provided*** that there is verification of the timing of the processes followed (possibly by emails).
24-h	How is dimension (ii) scored when MDAs do not have the **capacity to use information,** or ignore it entirely when making commitments?	PI-24 is focused on the preparation of comprehensive budget execution reports for government's internal use, i.e. providing an overview of execution in order to take management decisions on a well informed basis. Whether the information is actually used, or correctly used, is outside the scope of this indicator.
25-e	What is the **scope of consolidated government** financial statements in dimension (i)?	The "consolidated government statement" referred to in both PI-25 (i) and (ii) should be read as a "budgetary central government consolidated statement" and provided the country produces accounts centrally for all MDAs, then they can be deemed to be consolidated (although they are more likely to be 'aggregated' i.e. totaled, rather 'consolidated' in the strict accounting sense of the term).
25-g	Dimension (ii): If financial statements are not accepted by external audit, but are returned for completion or corrections, what is the **actual date of submission** for assessing this dimension?	The actual date of submission is the date on which the external auditor considers the financial statements complete and available for audit.
26-b	Dimensions (i) and (ii).**What constitutes an audit report**?	SAIs produce different types of reports including an Annual Activity Report and an Audit Report on Budget Execution. Dimension (i) and (ii) refer to the audit report on budget execution. In some countries the annual activity report and audit report on budget execution is combined, in which case the combined audit report should be considered for dim (i) and (ii). In countries with the Court model, the SAI normally presents a report on the State Account to Parliament, drawing on its findings from the audit of individual public accountants as well as wider analytical review procedures.
26-f	Dimension (ii): The financial statements go to Parliament after less than 4 months after being received by the SAI. For the audit reports prepared by the latter it is difficult to establish (on the basis of available information) whether **they are presented to Parliament less than 12 months** after the period covered.	If the SAI completes its audit of the financial statements and submits its report to Parliament within 4 months of receiving the financial statements, then PI-26 (ii) would score 'A'.

27-f	Dimension (iv): If the executive **disregards the legislative review** process and starts to implement the budget in the form that it is submitted to the legislature, how is this dimension assessed?	Should the Ministry of Finance implement the proposed budget and fail to reflect the legislature's recommendations, this should be considered as an in-year amendment to the **approved** budget, and would warrant a 'D' rating both here and for dim (ii).
28-b	Dimension (i): Does a **PAC review/report constitute scrutiny by the legislature**, or does that require legislative debate?	No. An audit review by the PAC or any other mandated committee should be tabled (and ideally debated) in the full chamber of the legislature in order to constitute a completed scrutiny: this is usually necessary before the executive can formally respond, though corrective action may be taken at any time.
28-d	Since the previous assessment, the PAC has been disbanded and the Finance and Expenditure Committee is now responsible for reviewing the public accounts. The audit report of the Controller and Chief Auditor which provides a brief summary of activities in the year is reviewed by the Business Committee (chaired by the Speaker with the Prime Minister as a member). Provided procedure is followed, hearings held and a report produced, good scores will result: but how is the **quality of the review** assessed?	It should not matter which committee scrutinizes the auditor's report(s) as long as the job is done, is timely and includes in-depth hearings ref. PI-28(ii). The interpretation of an 'in depth' hearing is one in which the accountable officer is formally required by the legislative committee to explain and justify the findings of the external audit on his/her performance. In most countries, such committees lack technical capacity, but they may still be feared and have an impact. They would be rated accordingly.
28-e	The Finance Commission calls **the Head of SAI to appear** and answer questions on his/her report. How should this be rated for dimension (ii)?	The Finance Commission hearings can only be considered 'in-depth' if they include representatives both from the SAI to explain the observations and findings as well as from the audited agency to clarify and provide an action plan to remedy the situation.
D1-a	In this country, government did not **expect nor did it receive Direct Budget Support in all of the last three years**. How should this be rated?	If DBS has been forecast and received in only one year, the indicator is 'not applicable'. If DBS has been forecast and received two years, the criteria can be interpreted accordingly, provided nothing was promised and nothing was received in the other year.
D1-b	Should **concessional loans** from donors (such as DPLs from World Bank) as well as grants be included in rating dimension (i)?	Yes: dim (i) should include all aid in support of the government's budget (general or sector-specific) whether in the form of grants or concessional loans.
D1-c	Dimension (i): In this country, **budget support is a line of credit** that the government can choose to use or not. Over the last few years, government chose to use these lines only partially as a debt management strategy. So, budget support was not delivered as planned but because of government not donor decisions. How should this be rated?	Assuming that government can draw on lines of credit made available by donors with no strings attached, then dim (i) would rate 'A' **provided**: • the size of the line of credit in practice is equal to the amount promised by the donors six weeks before the start of the FY and the DBS is included in the annual budget as a loan or grant from the donor agency; • there are no conditions to be met for drawing on the lines of credit; • the funds are placed in an account controlled by the government or the central bank, so the funds can be drawn without donor involvement OR donors on request consistently transfer the funds within a delay defined in the budget support agreement i.e. the government knows exactly when the cash will be available (this would also merit an 'A' rating for dim (ii)).
H-a	In this country, there are various transfers from CG to SNGs, **some of**	Dimension (ii) should be assessed on the same basis as indicator PI-2 (i). All non-earmarked transfers should in aggregate be counted as one component of earmarking. Deviation of all other transfers should be

	which are earmarked and others not. How should dimension (ii) be assessed?	considered sector by sector corresponding at least to the 10 COFOG main functions (to the extent they are applicable) or any similar classification.
H-b	Dimension (ii): This SNG receives a 'categorical grant', with guidelines for its utilization, some of which specify national priorities (e.g. x% for SNG-selected projects aimed at Youth Employment) while the remainder is for local projects. **Should this be assessed individually or aggregated with other non-earmarked transfers?**	This depends on whether these are true block grants i.e. transferred in lump, or whether SNG has to report ex-post to CG on the specific utilization of the funds. If the SNG does not have to report ex-post, and if non-utilized amounts do not have to be returned, the grants could be considered non-earmarked. That also applies even if the SNG has to report ex-ante on the intended use. Otherwise they are earmarked.