



# **GUIDANCE FOR SNG PEFA ASSESSMENTS: SERVICE DELIVERY MODULE**

**DRAFT**

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

|             |                                                 |
|-------------|-------------------------------------------------|
| <b>CSO</b>  | Civil Society Organizations                     |
| <b>CN</b>   | Concept Note                                    |
| <b>PEFA</b> | Public Expenditure and Financial Accountability |
| <b>PER</b>  | Public Expenditure Review                       |
| <b>PETS</b> | Public Expenditure Tracking Surveys             |
| <b>PFM</b>  | Public Financial Management                     |
| <b>QSDS</b> | Quantifiable Service Delivery Survey            |
| <b>SNG</b>  | Subnational Government                          |
| <b>SD</b>   | Service delivery                                |
| <b>WB</b>   | World Bank                                      |

# I. INTRODUCTION: ABOUT THE SERVICE DELIVERY MODULE

## BACKGROUND

Around the world, there are major failings in public service provision. There is a ‘learning crisis’, with hundreds of millions of children leaving school without basic numeracy and literacy skills (World Bank., 2018). Every year, 100 million people are pushed into extreme poverty, because they are unable to access basic health services for free (WHO and World Bank, 2017). While additional financing will be needed, simply putting more money in to health or education will not guarantee improved results. The 2018 *World Development Report* on education stated that ‘the link between spending and learning differs enormously’, suggesting that there is significant scope to use existing budgets more effectively (World Bank, 2018: 173). The resources would need to be used well if they are going to result in better public services.

PFM is expected to play a crucial role in the implementation of national and sectoral policies and ensuring more efficient provision of public services. In the health sector, for example, scarce funds can be allocated to treatments that are not cost effective, shrinking funds available for treatments that are cost effective and reducing the impact of public spending on overall population health (Glassman and Chalkidou, 2012). In the education sector, salaries often soak up more than 80% of the budget in lower-income countries, squeezing the funding available for classroom materials (World Bank, 2018). Misallocations across different categories of inputs can also undermine service delivery. In the infrastructure sector, for example, there may be insufficient funds available for maintenance, decreasing the useful life of capital investments (Rajaram et al., 2014).

However, it has proven difficult to evidence particular PFM reform measures that can help drive improvements in service delivery. There are various reasons for this continued absence of evidence (Fukuyama, 2004; Andrews, 2008; Pritchett, 2015; Mansoor and Williams, 2018), including:

- *the effective allocation and use of resources to deliver services relies on a much broader set of public management processes than the PFM system alone including human-resource management, policy development, supply-chain management, investment management, the functional assignment of responsibilities for expenditure and the regulatory oversight of quasi- or -governmental service providers;*
- *the quality of service provision depends on how these processes work together as part of a broader system; and*

- *the more complex the task, the more difficult it is to develop clear theories as to what works in different settings.* Any system of public service delivery must balance different (often contradictory) goals (Fukuyama, 2004).

However, different functions of a PFM system provide a basis for understanding the ways in which better PFM could contribute to stronger service delivery. Strong PFM systems are considered one of the enabling elements needed for the achievement of three of the quoted desirable fiscal and budgetary outcomes, namely: achievement of aggregate fiscal discipline by influencing the size of resource collection, management of debt, and public spending; strategic allocation of resources by influencing the composition of spending; and efficient service delivery by influencing the execution of spending and ensuring that budgeted revenues are used to achieve the best levels of public services within available resources (PEFA, 2016; Cangiano et al., 2013; Schick, 2013).

These, and other PFM aspects, are measured by several PEFA indicators. PEFA reports provide important information to help identifying bottlenecks in service delivery due to PFM performance. Other PFM diagnostic tools such as Public Expenditure Reviews (PERs), Public Expenditure Tracking Surveys (PETS), Quantifiable Service Delivery Survey (QSDS), FinHealth: PFM in Health Toolkit, also aim at analyzing the influence of PFM performance in service delivery. Selecting the right tool or the right combination of tools should be undertaken by the governments and development partners in accordance with their specific needs and purposes. The PEFA Secretariat has undertaken the [Stocktake of PFM Diagnostic Tools 2016](#) and [A Guide to PFM Diagnostic Tools](#)<sup>1</sup> to help stakeholders engaged in PFM assessments to understand the choices available and to facilitate coordination of assessments.

## **PURPOSE**

Decentralizing responsibility for delivering public services is prominent on the reform agenda in many countries. In many countries, decentralized service provision has been in place for many decades. A key proclaimed objective, usually linked to the political motivation for decentralization, is to strengthen citizen voice by bringing service provision and decision makers (elected and otherwise) closer to the client. Considering this objective, efficient and effective service delivery (SD) becomes a central desired outcome for subnational government (SNG) public financial management (PFM) systems.

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<sup>1</sup> Both documents are in the process of being updated by the PEFA Secretariat.

To respond to a growing number of requests from PEFA users for help on improving their ability to use a SNG PEFA assessment/s to identify bottlenecks in service delivery due to PFM performance, the PEFA Guidance for SNG PEFA assessments introduces a Service Delivery assessment module (the SD module) which is presented in this document.

The SD module—is a set of diagnostic questions mapped to the relevant PEFA framework indicators to collect and analyze information, aiming to assess the extent to which a SNG 's public financial management (PFM) performance enables effective service delivery. At the same time, PEFA methodology is not calibrated to measure sector-specific efficiency nor to assess the equal access for all to public services.

The SD module is introduced as an add-on to the PEFA Guidance for SNG PEFA assessments and is intended to be conducted on an optional basis concurrently with a PEFA assessment. The analysis resulting from the use of the module is presented in an annex to the main PEFA report. While the SD approach may also be carried out as a stand-alone activity, it is highly recommended to do it concurrently with a PEFA assessment to capitalize on data already collected during the PEFA assessment process. This should may result in cost and resource efficiency gains.

The decision to carry out the SD module would require prior agreement between the subnational government(s) and, when necessary, the central government and development partners. An agreement should also be reached on SD programs/expenditures and SD units to be covered and assessed. The decision to use the SD module, coverage and scope should be documented in the PEFA assessment Concept Note.

## **APPROACH TO ASSESSMENT**

### **No scoring**

Service delivery arrangements differ significantly across and within countries, involve different levels of the government as well as private operators. Diversity and the complexity in the funding, management and delivering arrangements makes it difficult to develop a set of PEFA like indicators based on a four-point ordinal scale A-B-C-D, which would be applicable and feasible across the SNGs. Hence, the SD module is not intended to provide scores for the performance of SD expenditures or SD units of the SNG being assessed as measured by relevant indicators or dimensions. Thus, for example, it will not produce a score for payroll controls in the education sector or for procurement in a hospital.

Integral steps in the SD module are to (a) collect additional information, (b) analyze the information gathered, (c) draw conclusions on the extent to which PFM performance affects SD, (d) present the analysis as an annex of the PEFA assessment report, and (e) summarize the key findings in part 3 of the PEFA assessment report.

### **Coverage**

The SD module should focus on and be limited to SD functions under the direct responsibility of the assessed SNG. Thus, it should cover programs and services delivered directly by the SNG's budgetary and extra budgetary units.

For the purpose of the SD module, the following definitions are used:

*Service delivery* refers to programs or services that are provided either to the general public or to specifically targeted groups of citizens, either fully or partially using government resources. This may include services such as education and training, health care, social and community support, road construction and maintenance, agricultural support, water and sanitation, and other services. It excludes those services provided on a commercial basis through public corporations. It also excludes policy functions, internal administration, and purely regulatory functions undertaken by the SNG, although performance data for these activities may be captured for internal management purposes.

*Service delivery expenditures* refers to public expenditures from all sources devoted to service delivery from the SNG budgetary and extrabudgetary operations<sup>2</sup>.

*A service delivery unit* is defined as the budgetary or extrabudgetary unit of the SNG that is delivering "frontline" services to users of these services. Examples include schools, primary health clinics and libraries.

## **SERVICE DELIVERY ARRANGEMENTS**

Throughout history and around the world, governments have tried different service delivery arrangements with mixed results. The main types of service delivery arrangements, which are elaborated in Box. 1, include: (i) central government financing with contracting, (ii) central government provision, (iii) subnational government financing with contracting, and (iv) subnational government provision or deconcentrated central government.

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<sup>2</sup> It covers expenditure managed by the SNG, which are financed from earmarked HLG transfers for service delivery.

**Box 1: Service delivery arrangements**

|                                                                  |                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                  |                                                                                                                                                                                                                                                                                                      |
| 1. <i>Central government financing with contracting</i>          | An easy-to-monitor service could be delivered by the public sector or financed by the public sector and contracted out to the private or nonprofit sector. For instance, infrastructure services could be managed by a national utility or provided by the private sector with regulatory oversight. |
| 2. <i>Central government provision</i>                           | For instance, the French education system administers a uniform service centrally.                                                                                                                                                                                                                   |
| 3. <i>Subnational government financing with contracting</i>      | For instance, easily monitored services such as water or electricity can be contracted out to public or private utilities, as it is the case in Johannesburg.                                                                                                                                        |
| 4. <i>Subnational government-decentralized service delivery</i>  | <i>Decentralized service delivery</i> , i.e. for instance in Nordic countries, local government is deeply involved in a wide range of service delivery of a kind which in Anglo-Saxon jurisdictions would be seen as wholly or primarily the responsibility of the central government.               |
| 5. <i>Subnational government-deconcentrated service delivery</i> | <i>Deconcentrated service delivery</i> , i.e. central government budget includes teacher's salaries, while the subnational government pays teachers working in public schools in the given SNG.                                                                                                      |

Usually, these arrangements co-exist in a given sector and country for different expenditures. For instance, in the case of the education sector, payroll and capital investment projects tend to be centralized, quality control and supervision responsibilities are deconcentrated, whereas expenditures related to maintenance, learning materials, and, in some cases, additional payroll are decentralized. The costs for the provision of services may be budgeted for in HLG's comprehensive sectoral budget proposal or presented as intergovernmental transfers. Likewise, SD budget may contain a detailed breakdown of revenue and expenditure committed to SD or capture this information as intra-governmental transfers to its extrabudgetary units.

Considering the number and complexity of these variables, the assessors should attempt to document a comprehensive understanding of the country context in relation to PFM arrangements for SD and describe those arrangements i.e. the responsibility of each level of government for SD and the respective institutional, contractual and financial arrangements. Analysis of these issues should contribute to understanding and documenting the following critical parameters of SNG SD practices:



- Sectors in which the assessed SNG is involved and the nature of SD arrangements, i.e. service delivery areas such as education and whether the SNG is involved in one or more roles described in Box 1;
- The main functional responsibilities of the SNG regarding the service delivery, i.e. in which aspects of SD is the assessed SNG involved;
- The main service delivery units of the SNG, i.e. which SNG entities are involved in service delivery;
- The main revenue sources for funding SD and SNG's SD units and where these are budgeted, i.e. revenue collected or administered directly by the SNG or revenue received from HLG.

Such an analysis could be provided as an annex to the PEFA Assessment concept note (CN), either when the CN is first issued or at a later stage of the process. The analysis can be done through interviews with SNG officials, development partners, Civil Society Organizations (CSOs), and use of other diagnostic reports such as World Bank's (WB) Public Expenditure Reviews (PERs).

### ***RESOURCES REQUIRED TO CONDUCT THE SERVICE DELIVERY ASSESSMENT***

Overall, consulting the same sources of information for selected indicators is recommended, as in the guidance for a PEFA 2016 and PEFA SNG assessment. Depending on the dimensions examined, the additional information could be gathered in the following ways, including:

- focusing the sample of the dimension/indicator on the SD units/programs/expenditures that has been agreed to be assessed under the SD module. For instance, if there is an agreement to assess the SD units/programs/expenditures in education and health, focus the sample on PI-23, Payroll controls, or on PI-24, Procurement on the related health SD units/programs/expenditures). If sampling is used, it is important to establish a representative sample of SD units.
- using the documents or evidence collected during the PEFA assessment to extract SD-relevant information (medium-term and annual plans, budgets, financial and non-financial reports, internal or external audit reports, reports on performance); and
- asking additional questions during interviews and meetings with government officials.

It is desirable to have a PFM expert with experience in SD and good knowledge of the country context in relation to PFM for SD. While adding the SD module is not expected to significantly increase the cost, findings from initial pilot testing of the SD module are expected to inform the resources required for conducting the SD assessment.

## ***INSERTION OF SD ASSESSMENT IN THE PEFA REPORT***

In the SNG PEFA report, the findings will be included in an annex to the main PEFA assessment report<sup>3</sup> while the conclusions will be included in the report:

- In the executive summary: impact of PFM performance on service delivery;
- In section 3, subsection 3.3: conclusions on SD;

In addition, the context of the service delivery in the assessed SNG as well as the description of the main characteristics of the services are presented in section 1 of the PEFA assessment report, subsection 1.4: arrangements for service delivery.

A description of the content of these sections is provided in the Guidance for SNG PEFA assessments, subsection 4.2 SNG Specificities in the report content.

## ***QUALITY REVIEW OF THE SD ASSESSMENT***

SD module is not subject to PEFA Check requirements. Upon request, the PEFA Secretariat will review, advise and comment on the SD content of the report as described above.

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<sup>3</sup> For an example presentation on the annex on service delivery module, see annex of the guidance.

## REFERENCE

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## 2. ASSESSORS' CHECKLIST OF QUESTIONS FOR SERVICE DELIVERY

| Indicator                                                           | Questions to be asked in assessing the impact of each dimension on service delivery                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SUBNATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–1.1 TRANSFERS FROM HIGHER-LEVEL GOVERNMENT</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–1.1 Outturn of transfers from higher-level government</b>    | <p>Transfers are an important source of revenue for SNGs, complementing their own revenues, which include revenues from direct and indirect taxation and nontax revenues (fees, rents, interest). As a result, more predictable transfers from the HLG will affect the performance of the SNG, specifically the quantity and quality of public services to be delivered by the SNG.</p> <ul style="list-style-type: none"> <li>➤ What has been the impact of the predictability of transfers on the performance of the SNG to deliver public services in the last three completed fiscal years?</li> <li>➤ Which public services (i.e. quantity, quality) have been affected by the predictability of transfers in the last three completed fiscal years?</li> <li>➤ If there have been any delays in the distribution of transfers from HLG, which of them have affected recurrent or capital investment expenditures the most?</li> </ul> |
| <b>HLG–1.2 Transfers composition outturn</b>                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–1.3 Timeliness of transfers from higher-level government</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–1.4 Predictability of transfers</b>                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–2 FISCAL RULES AND MONITORING OF FISCAL POSITION</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–2.1 Fiscal rules for subnational governments</b>             | <b>No direct impact foreseen.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>HLG–2.2 Debt rules for subnational governments</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>HLG–2.3 Monitoring of subnational governments</b>                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>PILLAR I: BUDGET RELIABILITY</b>                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>PI–1 AGGREGATE EXPENDITURE OUTTURN</b>                           | <p>Requirements of this dimension can be used to assess the performance of the budget units in charge of service delivery (departments, ministries) or programs covering service delivery (SD).</p> <p><i>Additional questions</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                | <ul style="list-style-type: none"> <li>➤ If there have been any delays in the distribution of resources from other financing sources, including budget support and external loans, what has been the impact on service delivery?</li> <li>➤ If the deviation from the originally approved budget is high, what has been the impact on service delivery?</li> </ul>                                                                                                                                                                                                  |
| <b>PI-2 EXPENDITURE COMPOSITION OUTTURN</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-2.1 Expenditure composition outturn by function</b>      | <p>Requirements of this dimension can be used to assess the performance of budgetary units in charge of service delivery (departments, ministries) or programs covering service delivery.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> <li>➤ Is there any difference between the sector expenditure outturn and budgeted sector outturn?</li> <li>➤ What are the main underlying causes for the outturn deviation?</li> <li>➤ If the deviation from the originally approved budget is high, what has been the impact on SD?</li> </ul> |
| <b>PI-2.2 Expenditure composition outturn by economic type</b> | <p>Requirements of this dimension can be used to assess the performance of the budget units in charge of service delivery (departments, ministries) or programs covering service delivery.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> <li>➤ Have the SD budgetary units or programs experienced significant transfers between economic categories of expenditure?</li> <li>➤ What has been the effect on SD?</li> </ul>                                                                                                              |
| <b>PI-2.3 Expenditure from contingency reserves</b>            | <ul style="list-style-type: none"> <li>➤ In the last three completed fiscal years, have the contingency reserve funds been used for service delivery or special events?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-3- REVENUE OUTTURN</b>                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-3.1 Aggregate revenue outturn</b>                        | <ul style="list-style-type: none"> <li>➤ What has been the impact of poor revenue forecasting (fees, specific revenue streams) on the quality and quantity of services delivered by the SNG?</li> </ul>                                                                                                                                                                                                                                                                                                                                                             |
| <b>PI-3.2 Revenue composition outturn</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PILLAR II: TRANSPARENCY OF PUBLIC FINANCES</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PI-4 BUDGET CLASSIFICATION</b>                                       | Does the existing budget classification enable expenditures to be tracked at the sector level for budgeting, monitoring and reporting purposes?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-5 BUDGET DOCUMENTATION</b>                                        | <ul style="list-style-type: none"> <li>➤ Are explanations of budget implications of new policy initiatives and major new public investments available to support decision-making on SD allocations?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>PI-6 SUBNATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-6.1 Expenditure outside financial reports</b>                     | <p>If data are available, the dimension could be used to assess the performance of budgetary units responsible for service delivery (departments, ministries) or programs covering service delivery. Expenditure or revenue outside financial reports can be compared to the total revenue or expenditure of the budgetary unit.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> <li>➤ Do the SD units (schools, hospitals, health centers) receive revenues (fees, financial contributions, in-kind contributions from users, donors, and higher level government agencies) or incur expenditures that are not budgeted or reported in the SNG financial reports?</li> </ul> <p>SD units incur expenditures and receive revenues that are not budgeted or reported in the financial reports of the SNG. SD units such as schools, hospitals, and health centers often receive financial and in-kind contributions from users, donors, and higher level of government agencies. These contributions are sometimes used for small purchases (books, drugs, small equipment).</p> <p>For instance, the ministry of education provides schools with textbooks. Although books should be distributed to students free of charge, schools may sell them for a fee. Neither the receipt of textbooks nor the revenue from their sale is recorded in financial reports or accounting records.</p> |
| <b>PI-6.2 Revenue outside financial reports</b>                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-6.3 Financial reports of extrabudgetary units</b>                 | If any SD units are categorized as extrabudgetary units and data are available, the dimension could be used to assess the performance of extrabudgetary units                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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|                                                          | <p>responsible for service delivery (departments, ministries) or programs covering service delivery. Reports of the extrabudgetary units within the scope of SD are considered. For calculating materiality, expenditure of the extrabudgetary unit is the divider.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> <li>➤ What are the requirements for EBUs financial reporting?</li> <li>➤ Do the EBUs' annual financial reports contain information on revenues received, expenditure incurred, assets and liabilities with respect to service delivery?</li> </ul> |
| <b>PI-7 TRANSFERS TO SUBNATIONAL GOVERNMENTS</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-7.1 System for allocating transfers</b>            | <ul style="list-style-type: none"> <li>➤ Is the horizontal allocation of transfers for service delivery determined by transparent and rule-based systems?</li> <li>➤ To what extent do actual transfers during the year reflect the information on transfers issued during budget preparation?</li> </ul>                                                                                                                                                                                                                                                                                        |
| <b>PI-7.2 Timeliness of information on transfers</b>     | <ul style="list-style-type: none"> <li>➤ Is the information on annual transfers conditioned on service being delivered without delays, allowing the lower-tier SNGs meaningful time to prepare their budgets?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |
| <b>PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-8.1 Performance plans for service delivery</b>     | <ul style="list-style-type: none"> <li>➤ What are the objectives, key performance indicators, output to be produced, and outcomes planned for SD programs?</li> <li>➤ Are the performance indicators aligned with the strategy (subnational or national)?</li> <li>➤ To what extent are the performance indicators influenced by national policies?</li> <li>➤ To what extent are the performance indicators considered realistic and meaningful?</li> <li>➤ Are performance plans tied to HLG sectorial strategies?</li> </ul>                                                                  |
| <b>PI-8.2 Performance achieved for service delivery</b>  | <ul style="list-style-type: none"> <li>➤ To what extent have the performance indicators (objectives, key performance indicators, output to be produced, outcomes planned) been achieved for SD programs?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                              |

|                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                 | <ul style="list-style-type: none"> <li>➤ Is performance information reliable and captured consistently over time?</li> <li>➤ Who are the intended users and how do they act upon available performance information?</li> </ul>                                                                                                                                                                                                                                                                                      |
| <b>PI–8.3 Resources received by service delivery units</b>                      | <ul style="list-style-type: none"> <li>➤ Do the SD units report information on resources received (disaggregated by the source of funds)?</li> <li>➤ Is it possible to match outputs with resources received? Is this information used for future resource allocation decisions?</li> </ul>                                                                                                                                                                                                                         |
| <b>PI–8.4 Performance evaluation for service delivery</b>                       | <ul style="list-style-type: none"> <li>➤ Has any independent evaluation of the efficiency and effectiveness of the SD units been conducted within the last three years?</li> <li>➤ If yes, what are the key observations and recommendations of the performance evaluation?</li> <li>➤ Is it possible to link evaluation results with performance improvements in the subsequent cycles? Is this information used for future resource allocation decisions?</li> </ul>                                              |
| <b>PI–9 PUBLIC ACCESS TO FISCAL INFORMATION</b>                                 | <ul style="list-style-type: none"> <li>➤ Does the summary budget proposal (element 8) contain detailed information regarding service delivery (allocated budget, changes compared to the previous years)?</li> <li>➤ Are decisions which affect service delivery trends made available to the public? How?</li> <li>➤ Does the SNG publish information on local services funded from all sources?</li> </ul>                                                                                                        |
| <b>PI.9bis. PUBLIC CONSULTATION</b>                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI–9bis.1 Public consultation in budget preparation</b>                      | <b>No direct impact foreseen.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI–9bis.2 Public consultation in the design of service delivery programs</b> | <ul style="list-style-type: none"> <li>➤ Has the SNG organized a public consultation to identify the needs of citizens, civil society organizations, and other nonstate actors?</li> <li>➤ To what extent have their needs been taken into account in the design of SD programs?</li> </ul> <p>The selected SD programs can be the same or different from those assessed under PI–8; dimension led–analysis along with the evidence should be taken into account when assessing the impact on service delivery.</p> |



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| <b>PI-9bis.3 Public consultation in investment planning</b>  | <ul style="list-style-type: none"> <li>➤ Has the SNG organized a public participation for the planning of major investment projects related to service delivery?</li> <li>➤ To what extent have their needs been taken into account in the design of major investment projects related to service delivery?</li> </ul>                                                                                                                                                                                                                                                              |
| <b>PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-10 FISCAL RISK REPORTING</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-10.1 Monitoring of public corporations</b>             | <ul style="list-style-type: none"> <li>➤ Are the SNG's public corporations engaged in delivering public services? If this is the case what kind of services? How are such services financed, delivered, and managed?</li> <li>➤ Are the SNG's public corporations (i.e. local utilities) prepare annual financial statements? Are those annual financial statements audited?</li> <li>➤ If yes, do the audit reports provide information on the financial performance (including concerns/ considerations) and associated fiscal risks that can affect service delivery?</li> </ul> |
| <b>PI-10.2 Monitoring of subnational governments</b>         | <ul style="list-style-type: none"> <li>➤ Does the lower tier of SNG report on the provision of services, which are delegated by the SNG (being assessed)?</li> <li>➤ Can the SNG ascertain how the delegated services are implemented by the lower tier of government?</li> </ul>                                                                                                                                                                                                                                                                                                   |
| <b>PI-10.3 Contingent liabilities and other fiscal risks</b> | <ul style="list-style-type: none"> <li>➤ Is the SNG using PPPs to deliver services to the communities? If this is the case what kind of services? How are such services financed, delivered and managed?</li> <li>➤ Are services delegated to other nonprofit organizations through subsidies? Is there a reporting on the results?</li> </ul>                                                                                                                                                                                                                                      |
| <b>PI-11 PUBLIC INVESTMENT MANAGEMENT</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-11.1 Economic analysis of investment proposals</b>     | <ul style="list-style-type: none"> <li>➤ Has the economic analysis of the SD-related investment projects been conducted taking into account key aspects of the nature of service delivery?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PI-11.2 Investment project selection</b>                  | <ul style="list-style-type: none"> <li>➤ On the basis of which main criteria have the SD-related investment projects been prioritized and selected?</li> <li>➤ To what extent are the selected SD-related investment projects aligned with sectoral needs and priorities?</li> </ul>                                                                                                                                                                                                                                                                                                |

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| <p><b>PI-11.3 Investment project costing</b></p>     | <ul style="list-style-type: none"> <li>➤ For SD-related investment projects, is the following information available? <ul style="list-style-type: none"> <li>○ Total capital cost</li> <li>○ Year-by year breakdown for the next three years</li> <li>○ Recurrent costs estimated for the next three years and beyond.</li> </ul> </li> <li>➤ Have the major investment projects for SD infrastructure been suffering from lack of funding due to poor costing/budgeting?</li> <li>➤ Have basic services been disrupted as a result of it?</li> </ul>                                                                                                            |
| <p><b>PI-11.4 Investment project monitoring</b></p>  | <ul style="list-style-type: none"> <li>➤ Does the implementation report on financial and physical progress provide relevant information to analyze the impact of investment project progress on service delivery?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><b>PI-12 PUBLIC ASSET MANAGEMENT</b></p>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>PI-12.1 Financial asset monitoring</b></p>     | <p><b>No direct impact foreseen.</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>PI-12.2 Nonfinancial asset monitoring</b></p>  | <ul style="list-style-type: none"> <li>➤ Does the SNG or higher-level government maintain a comprehensive register of nonfinancial assets used for service delivery?</li> <li>➤ To what extent are age, usage, and valuation of assets included in the registers?</li> <li>➤ Which documents provide information on the nonfinancial assets used for service delivery?</li> <li>➤ What are the processes for updating the registers? What are the links to the accounting systems?</li> </ul> <p>Nonfinancial assets related to service delivery could include the management of inventories in addition to the holding of fixed assets, land, and subsoil.</p> |
| <p><b>PI-12.3 Transparency of asset disposal</b></p> | <ul style="list-style-type: none"> <li>➤ Has any critical nonfinancial asset for service delivery been transferred or disposed?</li> <li>➤ If yes, has been done in compliance with established rules and procedures for the transfer and disposal?</li> <li>➤ Has such transfer and disposal impacted negatively the service delivery?</li> </ul>                                                                                                                                                                                                                                                                                                              |
| <p><b>PI-13 DEBT MANAGEMENT</b></p>                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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| <b>PI-13.1 Recording and reporting of debt and guarantees</b>       | Only indirectly as poor debt management can lead to higher-than-necessary interest payment or cost of capital, which in turn may draw resources away from SD priorities.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-13.2 Approval of debt and guarantees</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-13.3 Debt management strategy</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING</b>        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-14. MEDIUM-TERM BUDGET STRATEGY</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-14.1 Underlying forecasts for medium-term budget</b>          | <ul style="list-style-type: none"> <li>➤ Does the fiscal strategy contain targets such as percentage of expenditure devoted to education or health?</li> <li>➤ Is the subnational education and health strategies aligned to the national one?</li> <li>➤ Are sectoral strategies and SD activities fully costed and corresponding funding identified to enable medium-term funding priorities?</li> <li>➤ Are the medium-term expenditure estimates consistent with the sectoral strategy?</li> <li>➤ Is the budget of SD units prepared in accordance with strategic plans?</li> </ul> |
| <b>PI-14.2 Fiscal impact of policy proposals</b>                    | <ul style="list-style-type: none"> <li>➤ Is the fiscal impact of the proposed changes in policies related to service delivery estimated, including changes affected by national policies?</li> </ul> <p>The assumptions used to estimate the fiscal impact of policy proposals can be discussed.</p>                                                                                                                                                                                                                                                                                     |
| <b>PI-14.3 Medium-term expenditure and revenue estimates</b>        | <ul style="list-style-type: none"> <li>➤ To what extent does the medium-term expenditure framework allow the identification of resources allocated to SD programs?</li> <li>➤ To what extent is the annual budgeted expenditure for those programs aligned with medium-term forecasts?</li> </ul> <p>An analysis of the underlying causes for the deviation can be found in the reports or through interviews with the budget or line departments.</p>                                                                                                                                   |
| <b>PI-14.4 Consistency of budget with previous year's estimates</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-17 BUDGET PREPARATION PROCESS</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-17.1 Budget calendar</b>                                      | <ul style="list-style-type: none"> <li>➤ Does the annual budget calendar specify roles and contributions to the annual budget preparation process by all budget entities at the SNG level (i.e. department of health, education, etc., and SDUs)?</li> </ul>                                                                                                                                                                                                                                                                                                                             |
| <b>PI-17.2 Guidance on budget preparation</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PI-17.3 Budget submission to the subnational council</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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|                                                             | <ul style="list-style-type: none"> <li>➤ Is the budget process decentralized from line departments to SD units or is it centralized?</li> <li>➤ To what extent have the budgetary units responsible for service delivery participated in the budget preparation process? Have all the SD units been involved or only the main ones?</li> <li>➤ Is the budget calendar considered to be a constraint for line departments to receive meaningful inputs from SD units?</li> <li>➤ Are annual budget ceilings issued, and what is the degree of breakdown/details?</li> <li>➤ To what extent do they allow flexible use of funds within the ceilings and additional expenditure proposals?</li> <li>➤ Do SDUs prepare individual operational plans and budgets? If so, what information is given to SDUs in terms of results, output targets, and expenditure ceilings on which to base their planning? If not, how are plans and budgets established for each SDU?</li> <li>➤ What feedback do budget entities receive after submission of the initial proposals to the department of finance? When do entities receive final confirmation of the expenditure budgets for the year?</li> </ul> |
| <b>PI-18 LEGISLATIVE SCRUTINY OF BUDGETS</b>                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>PI-18.1 Scope of budget scrutiny</b>                     | <ul style="list-style-type: none"> <li>➤ To what extent has the scrutiny of the budget from the legislature's review and its committees had an impact on expenditures related to specific SD programs?</li> <li>➤ To what extent has the legislature proposed modifications to the budget proposals submitted by the executive?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-18.2 Legislative procedures for budget scrutiny</b>   | <b>No direct impact foreseen.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>PI-18.3 Timing of budget approval</b>                    | <ul style="list-style-type: none"> <li>➤ Has SD interrupted or scope reduced due to late approval of the budget?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-18.4 Rules for budget adjustment by the executive</b> | <ul style="list-style-type: none"> <li>➤ What kind of budget adjustments has the executive made to expenditures targeted to SD programs?</li> <li>➤ If yes, what were the implications on SD levels planned and provided? Have performance plans been regularly reviewed and adjusted accordingly?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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|                                                                 | <ul style="list-style-type: none"> <li>➤ Are the adjustments supported by an explanation stating the main reasons to justify those amendments?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-19 TAX ADMINISTRATION</b>                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-19.1 Rights and obligations for tax measures</b>          | <p>Countries (at both the national and subnational levels) generate and collect public revenues through taxes and fees, domestically and internationally, to finance activities and services to improve health care, education, infrastructure services, public order, and other services for their citizens and businesses.</p> <p>Improving tax administration (better risk management approach, risk-based audits and investigations, better monitoring and management of revenue arrears, reconciliation of revenue accounts, more timely transfer of collected revenues to the treasury, and better information on revenue collection) would improve the capacities and capabilities of the revenue authorities to collect more revenue and thus enhance the fiscal space, which would be instrumental to providing public services of better quality and higher quantity.</p> <ul style="list-style-type: none"> <li>➤ What are the main SDU's own revenue streams, how they are administered? What is the impact in service delivery?</li> <li>➤ Are there clear and transparent pricing mechanisms for the fee-based services?</li> </ul> |
| <b>PI-19.2 Property tax register and value assessment</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-19.3 Tax risk management, audit and investigations</b>    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-19.4 Tax arrears monitoring</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-20 ACCOUNTING FOR REVENUE</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-20.1 Information on revenue collections</b>               | <ul style="list-style-type: none"> <li>➤ How often are revenue collection reports produced (by each collecting entity and consolidated)?</li> <li>➤ What are the rules for SDUs keeping cash and are they complied with?</li> <li>➤ Are SDU's own revenue streams retained at the SDU? To what extent are own revenue streams subject to budgetary controls from a higher level of government? Does it help in improving service delivery?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>PI-20.2 Transfer of revenue collections</b>                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-20.3 Tax accounts reconciliation</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-21.1 Consolidation of cash balances</b>                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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| <b>PI-21.2 Cash forecasting and monitoring</b>              | <ul style="list-style-type: none"> <li>➤ To what extent has the cash-flow forecasting and monitoring for SD units been affected by dependency on the transfer?</li> <li>➤ Has the cash-flow forecasting and monitoring of SD units been affected by the autonomy of the SNG level of the process?</li> <li>➤ How often and with what horizon are funds released to each budget entity— and particularly to SDUs— for making expenditure commitments and for making payments, respectively? Does it adversely impact service delivery?</li> <li>➤ To what extent has the dependency on transfers from the higher-level government affected the ability of SD units to plan and commit expenditures?</li> <li>➤ What is the time frame for the approval of a virement request from an SDU?</li> <li>➤ Have the SD units been affected by in-year budget adjustments?</li> <li>➤ If yes, what has been the fiscal impact of budget adjustments?</li> <li>➤ Same as PI-2</li> </ul> |
| <b>PI-21.3 Information on commitment ceilings</b>           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-21.4 Significance of in-year budget adjustments</b>   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-22 EXPENDITURE ARREARS</b>                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-22.1 Stock of expenditure arrears</b>                 | <ul style="list-style-type: none"> <li>➤ How significant are expenditure/payment arrears for the SDUs? Are the arrears carried over to be paid from the following year’s budget?</li> <li>➤ Do the expenditure arrears monitoring system allow identification and monitoring of the arrears generated by the SDUs (which aspects of arrears are monitored and how frequently and quickly the information is generated)?</li> </ul> <p>If data are available, the dimension could be used to assess the performance of the budgetary units responsible for service delivery (departments, ministries)..</p>                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-22.2 Expenditure arrears monitoring</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-23 PAYROLL CONTROLS</b>                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-23.1 Integration of payroll and personnel records</b> | <ul style="list-style-type: none"> <li>➤ Are SDUs able to hire (temporary) staff without having approved by the SNG and vacant staff positions available?</li> <li>➤ How long does it take for newly appointed staff to receive salary and other payments (as from reporting to duty)?</li> <li>➤ Does the staff payment structure (salary, overtime, allowances) help incentive staff performance?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-23.2 Management of payroll changes</b>                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-23.3 Internal control of payroll</b>                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-23.4 Payroll audit</b>                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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|                                                         | <ul style="list-style-type: none"> <li>➤ Who enters payroll data (new positions, changes, variable benefits, and deductions) to the payroll system? What is the role of SDUs in data entry? What access does SDU management have to the payroll data?</li> <li>➤ Is there any payroll audit conducted in the last three completed fiscal years? Did it cover any of the SDUs?</li> </ul> <p>When this dimension is assessed through a sample, assessors might want to include personnel records and payroll related to the SD program(s).</p> <p>Payroll audit reports or staff surveys are a key source for analyzing the impact of SD staff management. These reports will complement interviews with service delivery and human resource units.</p>                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-24 PROCUREMENT</b>                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PI-24.1 Procurement monitoring</b>                   | <ul style="list-style-type: none"> <li>➤ Do annual procurement plans exist and if so, what is their scope? What is the level of detail of the plans (contract thresholds)? Which entities are covered by the plans? What is the role of SDUs in preparing and updating the plans?</li> <li>➤ Are the records of procurement contracts regarding service delivery comprehensive and accurate?</li> <li>➤ What percentage of procurement is not recorded?</li> <li>➤ Who is monitoring SD procurement? A procurement agency, the department of finance, the line departments, the SD units?</li> <li>➤ What percentage of contracts has been awarded through competitive methods for SD programs?</li> <li>➤ What kind of procurement operations are done outside of competitive methods?</li> <li>➤ What are the main challenges encountered by SD units in their procurement operations (lack of competition, length of the process, availability of products)?</li> <li>➤ Does the government procurement plan include the SD-related procurement?</li> <li>➤ How are the bidding opportunities for SD published?</li> </ul> |
| <b>PI-24.2 Procurement methods</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PI-24.3 Public access to procurement information</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PI-24.4 Procurement complaints management</b>        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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|                                                                 | <ul style="list-style-type: none"> <li>➤ Who is responsible for the publication of bidding opportunities? A procurement agency or unit, the line department, SD units?</li> <li>➤ Do SDUs have representation on tender evaluation and award committees?</li> </ul> <p>If needed, sampling, particularly for bidding opportunities and contract awards, could focus on SD-related procurement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-25.1 Segregation of duties</b>                            | <ul style="list-style-type: none"> <li>➤ What are the financial controls for entering and executing contracts and other commitments? What is the process for SDUs to enter contracts and other commitments in the system? Are the controls effective?</li> <li>➤ Are payment control procedures effective and efficient as designed and implemented (sufficient budget control and segregation of duties without unnecessary control layers)? And do they constrain or undermine service delivery?</li> <li>➤ Is there a practice of transactions taking place outside the system (most often to circumvent budget controls)? Do we encounter such a practice in the SDUs?</li> <li>➤ Does SDU management have access to enter and/or review transactions in the IT system? If not, who undertakes that function and how do SDUs interact with the system?</li> </ul> <p>If data are available, the dimension could be used to assess the performance of the budgetary units in charge of service delivery (departments, ministries) or programs covering SD. Compliance of payments can be compared to PEFA requirements. For calculating the materiality, the divider is the total payment of the budgetary unit of the program.</p> |
| <b>PI-25.2 Effectiveness of expenditure commitment controls</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-25.3 Compliance with payment rules and procedures</b>     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-26 INTERNAL AUDIT</b>                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-26.1 Coverage of internal audit</b>                       | <ul style="list-style-type: none"> <li>➤ Does the internal audit cover the service delivery units at the subnational level?</li> <li>➤ What management levels receive internal audit reports and how frequently? Does SDUs management receive internal audit reports that cover SDUs?</li> <li>➤ What are the main findings of the internal audits regarding service delivery?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>PI-26.2 Nature of audits and standards applied</b>           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-26.3 Implementation of internal audits and reporting</b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PI-26.4 Response to internal audits</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |



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|                                                         | <ul style="list-style-type: none"> <li>➤ Is SDU management invited to discuss internal audit findings and proposed remedial measures? Have any recent internal audit findings led to changes at the service delivery level and quality?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>PILLAR VI: ACCOUNTING AND REPORTING</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-27 FINANCIAL DATA INTEGRITY</b>                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-27.1 Bank account reconciliation</b>              | <ul style="list-style-type: none"> <li>➤ Are there any suspense accounts related to service delivery?</li> <li>➤ Where do they come from?</li> <li>➤ Are they reconciled and cleared?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>PI-27.2 Suspense accounts</b>                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-27.3 Advance accounts</b>                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-27.4 Financial data integrity processes</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-28 IN-YEAR BUDGET REPORTS</b>                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-28.1 Coverage and comparability of reports</b>    | <ul style="list-style-type: none"> <li>➤ Do the in-year budget reports make information on budget execution available for service delivery?</li> <li>➤ Are the budget execution reports designed in a manner which is helpful in performing the program manager/line manager function? Does the report help in understanding the service delivery constraints?</li> <li>➤ Do the reports include quantitative service activity and/or output data? If so, what data are provided and how are they collected and processed?</li> <li>➤ Do the reports (particularly the end-year report) include a high-level qualitative and quantitative description and analysis of the activities and achievements of all SDUs for the reporting period? If so, how is that reporting disseminated and used within the SNG?</li> <li>➤ Which level of government provides information for budget execution reports? Departments in charge of service delivery? SD units?</li> <li>➤ Do the departments and units in charge of service delivery receive the in-year budget reports?</li> </ul> |
| <b>PI-28.2 Timing of in-year budget reports</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-28.3 Accuracy of in-year budget reports</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-29 ANNUAL FINANCIAL REPORTS</b>                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-29.1 Completeness of annual financial reports</b> | <ul style="list-style-type: none"> <li>➤ Do the annual financial reports make information on budget execution available for service delivery?</li> <li>➤ Which level of government provides information for financial reports? Departments in charge of service delivery? SD units?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PI-29.2 Submission of reports for external audit</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PI-29.3 Accounting standards</b>                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>PILLAR VII: EXTERNAL SCRUTINY AND AUDIT</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| <b>PI-30 EXTERNAL AUDIT</b>                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <b>PI-30.1 Audit coverage</b>                                                                    | <ul style="list-style-type: none"> <li>➤ To what extent are the SDUs audited by the public audit institution in charge of subnational governments?</li> <li>➤ What management level of the SDUs receives the audits reports and how frequently?</li> <li>➤ Do the audit reports contain observations related to SD programs?</li> <li>➤ What are the main observations?</li> <li>➤ Have those audit reports led to changes in what and how the services are provided and how they are managed and funded?</li> </ul> |
| <b>PI-30.2 Submission of audit reports to the subnational council</b>                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-30.3 External audit follow-up</b>                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-30.4 Independence of the public audit institution in charge of subnational governments</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS</b>                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-31.1 Timing of audit report scrutiny</b>                                                   | <ul style="list-style-type: none"> <li>➤ Has the local legislature organized hearings of departments responsible for service delivery?</li> <li>➤ Have any of the hearings focused on SD-related issues?</li> <li>➤ Has the local legislature issued recommendations regarding SD issues?</li> <li>➤ What have been the main recommendations?</li> <li>➤ Has the SNG followed up on the recommendations?</li> <li>➤ Have the hearings regarding service delivery been held in public?</li> </ul>                     |
| <b>PI-31.2 Hearings on audit findings</b>                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-31.3 Recommendations on audit by the legislature</b>                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>PI-31.4 Transparency of legislative scrutiny of audit reports</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

## Annex: Example of how an indicator will be presented in the annex on the service delivery module

### PI-24 Procurement

| Dimension                      | Brief explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <b>PI-24 PROCUREMENT</b>       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PI-24.1 Procurement monitoring | <p>The health department has delegated responsibility for the procurement of medicine to the health center and the hospital, retaining responsibility for the procurement of medical devices and furniture. The Department of Education has centralized all of the procurement operations under \$10,000.</p> <p>Staff in charge of procurement in the Department of Health, health centers, and hospitals have been interviewed. Apart from one staff member in the Department of Health, none has been trained in procurement. In addition, health centers and hospitals have not yet been granted access to the procurement database. They do not record their procurement operations properly. Monitoring of medicine procurement is made difficult by the fact that no operation is recorded in the system. Thus, there is no oversight of either the provider or the price of medicine.</p> <p>The procurement operations of the education sector are recorded completely and accurately by both the Department of Finance and the Department of Education. Since 2016, with the support of the NPA, the municipality has put in place procurement frameworks for textbooks, school furniture, and materials. The procurement records help the Department of Education to monitor the use of these procurement frameworks and ensure that resources reach the intended users.</p> |
| PI-24.2 Procurement methods    | <p>With regard to the value of procurement operations of the municipal education sector, 77 percent of procurement operations have followed competitive methods. The process for designing the procurement frameworks for textbooks, furniture, and materials was led by the Department of Finance, with technical inputs from the Department of Education. Thanks to these frameworks,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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|                                                         | <p>procurement operations have been simplified while being competitive. The contracts were reopened for competition in 2019. The remaining direct purchases are done by schools but are based on a minimum of three quotes.</p> <p>For the health sector, only 44 percent of procurement operations have followed competitive methods. All medicines are purchased directly by health centers and hospitals. Some medical devices are also purchased directly by the procurement unit of the Department of Health. These methods are justified by both the lack of competition in the market and the need to avoid burdensome processes.</p> |
| <p>PI-24.3 Public access to procurement information</p> | <p>No direct impact on service delivery foreseen.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>PI-24.4 Procurement complaints management</p>        | <p>No direct impact on service delivery foreseen.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |