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**PUBLIC EXPENDITURE AND  
FINANCIAL ACCOUNTABILITY:  
PUBLIC FINANCIAL MANAGEMENT  
PERFORMANCE MEASUREMENT  
FRAMEWORK**

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**PUBLIC EXPENDITURE AND FINANCIAL  
ACCOUNTABILITY:  
PUBLIC FINANCIAL MANAGEMENT PERFORMANCE  
MEASUREMENT FRAMEWORK**  
<http://www.pefa.org>

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**ABSTRACT:** The Public Expenditure and Financial Accountability (PEFA) partnership and the Public Financial Management Performance Measurement Framework are considered in terms of their purpose and methodology. Relevant issues are discussed, guidance on accessing information on PEFA and country evaluations is offered, and an indicator framework table concludes this overview.

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**Purpose:** The Public Expenditure and Financial Accountability (PEFA) partnership is a group comprised of the World Bank, the European Commission (EC), the UK Department for International Development (DfID), the Swiss State Secretariat for Economic Affairs (SECO), the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the International Monetary Fund (IMF), and the Strategic Partnership with Africa. According to PEFA’s Web site, the partnership has the goals of strengthening “recipient and donor ability to (i) assess the condition of country public expenditure, procurement and financial accountability systems, and (ii) develop a practical sequence of reform and capacity-building actions.”<sup>1</sup> With this in mind, the purpose of the Public Financial Management (PFM) Performance Measurement Framework is to measure the competence of a country’s public financial management system because it is widely believed that effective public financial management helps to create a better enabling environment for economic development and poverty reduction.

**Methodology:** The Framework begins by identifying what PEFA calls six *critical dimensions of performance*, placing them in three categories and assigning 28 indicators to measure these dimensions. In addition to the 28 indicators for the evaluated country, there are also three indicators to measure donor effectiveness for that country. PEFA recognizes good donor practices, such as coordination and consistency of funding, as being crucial to the stability of a developing country’s public financial management system.

Each indicator is assigned a letter grade from A – D, with an A being the best score. Indicators are either single dimensional or multidimensional. Guidelines for scoring each specific indicator can be found in the PEFA PFM Performance Measurement Framework document. For example, the following are the guidelines for the single-dimensional indicator, PI-1 *Aggregate expenditure outturn compared to original approved budget*:

Score	Minimum Requirements (Scoring Method M1)
<b>A</b>	(i) In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure.
<b>B</b>	(i) In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10 % of budgeted expenditure.
<b>C</b>	(i) In no more than one of the last three years has the actual expenditure deviated from budgeted expenditure by more than an amount equivalent to 15% of budgeted expenditure.
<b>D</b>	(i) In two or all of the last three years did the actual expenditure deviate from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure.

For multidimensional indicators the methodology is similar, but the indicator will have between two and four subindicators that also need to be scored and then averaged. The averaging methodology is listed in the framework document in some detail.

<sup>1</sup> [http://www.pefa.org/about\\_pefamn.php](http://www.pefa.org/about_pefamn.php)

**Issues:** It is important to remember that this tool was created to measure whether the financial management system of a country enables or hinders development. The Framework does NOT measure the sustainability of fiscal policy nor does it measure a country's economic performance.

**Country Coverage:** A Microsoft Word document with a complete list of planned, ongoing, and completed assessments can be found on the PEFA Web site by clicking on "List" or "Overview." [http://www.pefa.org/pfm\\_performance\\_frameworkmn.php](http://www.pefa.org/pfm_performance_frameworkmn.php)

**Access:** Information on PEFA and the country evaluations can be found at [www.pefa.org](http://www.pefa.org). Links to the full-length reports for all completed assessments can be found at [http://www.pefa.org/assessment\\_reportmn.php](http://www.pefa.org/assessment_reportmn.php). For a full explanation of the methodology used to derive scores, the Framework document can be found at [http://72.3.224.137/pfm\\_performance\\_file/the\\_framework\\_English\\_1193152901.pdf](http://72.3.224.137/pfm_performance_file/the_framework_English_1193152901.pdf).

**Indicator Framework:**

Category	Dimension	Indicator
<b>A. PFM OUT-TURNS</b>	<b>Credibility of the Budget</b>	PI-1 Aggregate expenditure outturn compared to original approved budget
		PI-2 Composition of expenditure outturn compared to original approved budget
		PI-3 Aggregate revenue outturn compared to original approved budget
		PI-4 Stock and monitoring of expenditure payment arrears
<b>B. KEY CROSS-CUTTING ISSUES</b>	<b>Comprehensiveness and Transparency</b>	PI-5 Classification of the budget
		PI-6 Comprehensiveness of information included in budget documentation
		PI-7 Extent of unreported government operations
		PI-8 Transparency of intergovernmental fiscal relations
		PI-9 Oversight of aggregate fiscal risk from other public sector entities
		PI-10 Public access to key fiscal information
<b>C. BUDGET CYCLE</b>	<b>Policy-Based Budgeting</b>	PI-11 Orderliness and participation in the annual budget process
		PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting
	<b>Predictability and Control in Budget Execution</b>	PI-13 Transparency of taxpayer obligations and liabilities
		PI-14 Effectiveness of measures for taxpayer registration and tax assessment
		PI-15 Effectiveness in collection of tax payments
		PI-16 Predictability in the availability of funds for commitment of expenditures
		PI-17 Recording and management of cash balances, debt, and guarantees
		PI-18 Effectiveness of payroll controls
		PI-19 Competition, value for money, and controls in procurement
		PI-20 Effectiveness of internal controls for non-salary expenditure
	<b>Accounting, Recording, and Reporting</b>	PI-21 Effectiveness of internal audit
		PI-22 Timeliness and regularity of accounts reconciliation
		PI-23 Availability of information on resources received by service delivery units
		PI-24 Quality and timeliness of in-year budget reports
	<b>External Scrutiny and Audit</b>	PI-25 Quality and timeliness of annual financial statements
		PI-26 Scope, nature, and follow-up of external audit
PI-27 Legislative scrutiny of the annual budget law		
PI-28 Legislative scrutiny of external audit reports		
<b>D. DONOR PRACTICES</b>	D-1 Predictability of Direct Budget Support	
	D-2 Financial information provided by donors for budgeting and reporting on project and program aid	
	D-3 Proportion of aid that is managed by use of national procedures	

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