Effective Institutions Platform

Moving towards country-led and country-specific measurement of Public Financial Management Systems in Development Cooperation

The Global Partnership on Effective Development Cooperation supports the implementation of the following principles that form the foundation of effective development cooperation: Transparency and Accountability, Focus on Results, Inclusive Development Partnerships, Ownership of development priorities by partner countries. These are ambitious principles to enact in practice given the persisting operating traditions of the development community.

The Effective Institutions Platform (EIP) is working to strengthen the ways in which donors use partner country systems to deliver and manage their aid, rather than use parallel systems (for instance: donor procurement rules).

One of projects initiated by CABRI, with support from its EIP partners, is to revise one of the indicators of the Monitoring Framework that tracks progress on the global commitments. Indicators need to be updated to reflect the agreed principles – how one measures progress is fundamental in ensuring an informed debate towards progress.

Overall, indicator 9 of the Framework measures whether country systems are being strengthened and used. Indicator 9a measures the quality of partner country Public Financial Management (PFM) systems. Indicator 9b measures the use of country systems. The underlying logic is that development partners should make informed decisions on whether to use country systems for their financial support, based on the quality of countries' PFM systems.

The current indicator 9a has been criticised by many partner countries. This is not surprising - the Country Policy and Institutional Assessment (CPIA) was developed to be suited to the needs of one multi-lateral agency, the World Bank.

As part of consultation, we shared our proposal for a revised indicator during the annual meeting of the EIP in October. The proposal was developed through consultation with EIP partners and a group of PFM experts. We wanted the revised indicator to be:

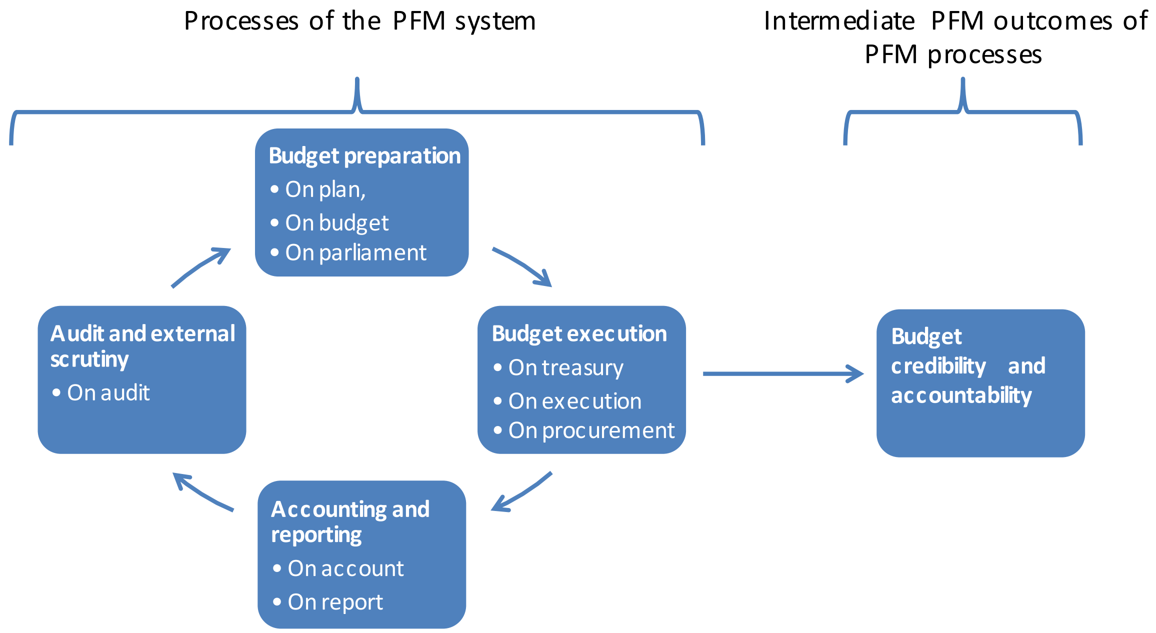
- Be transparent;
- Be objective;
- provide a credible measure of country's PFM performance;
- provide consistency of measurement within and across countries over time;
- Be owned by countries;
- Be sensitive to country context;
- Support mutual accountability;
- Be cost-effective, preferably using existing measure.

Fundamentally, we want an indicator that focuses on aspects of PFM relevant for the objectives being pursued, i.e. which systems are the most important for decisions on use of country systems to be made by donors.

The consultation so far suggests consensus around how the indicator should be constructed. The Public Expenditure Financial Assessment (PEFA) data can be used as a basis for the construction of the indicator. PEFA is commonly used at country level to assess risk by almost all development partners, it is widely used and the methodology is well developed.

We are proposing an indicator with two components: 1) a set of 7 measures to be fixed for all countries and 2) a set of 7 measures to be flexible, i.e. countries and development partners will jointly agree at a country level what measures are more suited to the country context and priorities. There seems to be agreement on this aspect as well.

The first, fixed component would include 5 measures to cover the core elements of the budget cycle. The first measure would cover budget preparation, 2) and 3) would measure budget execution, 4) accounting and reporting and 5) Audit. Two indicators would reflect the key outcomes of the PFM process: 6) budget credibility and 7) accountability (see figure below).



Details need to be confirmed as to which specific PEFA indicators should be used to cover those measures. For example, for the accounting and reporting measure, the PI-25 has been proposed. PI-25 measures the completeness of the financial statements; their timeliness and the accounting standards used.

A country level process will be needed to implement the proposed indicator. Setting up functioning development partner – partner country coordinating platforms will be necessary – these platforms can also be useful mechanisms to make progress on the commitments of the Global Partnership, such as making aid more transparent at the local level, amongst other issues. The platforms could also engage other local actors, in line with the guiding Global Partnership principle of Inclusive Partnerships.

Further consultation is currently being undertaken and a firm proposal will be submitted to the Steering Committee of the Global Partnership in January. The EIP Secretariat welcomes comments and feedback – please contact Emilie Gay, PFM Specialist at the CABRI Secretariat for more information.

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December 2014 Newsletter