

December 23, 2014

Mr. Lewis Hawke
Head of PEFA Secretariat
Washington, D.C.

Subject: Joint Civil Society Response to PEFA Framework Revisions

Dear Mr. Hawke,

Congratulations on your appointment as the Head of the Public Expenditure and Financial Accountability (PEFA) Secretariat. We at the International Budget Partnership (IBP), the Global Initiative for Fiscal Transparency (GIFT), and Publish What You Fund (PWYF) look forward to expanding our strong relationship with the Secretariat under your leadership.

In October 2014 IBP and PWYF, together with our partner civil society organizations (CSOs) from approximately 50 countries, submitted a joint response to the draft revised PEFA framework. We offered three main recommendations on how the framework could be improved: 1) by strengthening transparency indicators, 2) including a new indicator on public participation in budgeting, and 3) reinstating donor aid indicators. We attach a copy of our submission for your reference.

The IBP also worked with GIFT to offer specific recommendations and draft language on how public participation could be incorporated into the PEFA framework in a practical and measureable manner. This submission was made by GIFT at the request of the PEFA Secretariat. A copy of GIFT's submission is also attached for your reference.

We subsequently invited the PEFA Secretariat to attend a meeting of civil society budget experts convened by the IBP in Washington, DC, on 13 November 2014. Three staff members from the Secretariat attended the meeting and obtained feedback from budget experts from more than 20 countries on the importance of including indicators on public participation in the revised framework.

Last week, the PEFA Secretariat responded to the comments it had received from various stakeholders and outlined the changes it plans to make in the framework. **After carefully reviewing the PEFA Secretariat's plans, we would like to express our disappointment that our recommendations on public participation and donor practices have not been incorporated into the revised framework, nor have sufficient reasons been**

provided on why these recommendations were excluded, despite considerable support from the PFM community for their inclusion.

The Secretariat's update states that the revised PEFA framework will not include indicators to assess public participation in the budget process. Although the revised guidelines suggest that public participation may be reflected in section 2.4 of the PEFA report, it is unclear how that section of the report will address this issue consistently across countries. The Secretariat's comments also suggest that the donor aid indicators will not be reinstated in the revised framework, and instead, the impact of donor practices on government systems will be highlighted in the performance report. Although, again it is unclear how this information will be collected and used, or if it will be formally taken into consideration as part of a country's assessment.

Since the introduction of the PEFA framework, many CSOs have benefited from PEFA reports. Both IBP and PWYF use these reports regularly to reinforce the evidence that we collect on problems in public finance management and transparency in national budgets. We believe it would be a great loss if future PEFA reports do not adequately identify and assess emerging trends in public finance governance.

There is a growing consensus among public finance management stakeholders that public participation in budgeting is an essential component of any public finance management system working to achieve the three levels of budgetary outcomes that PEFA seeks to support. This consensus is affirmed by the High Level Principles on Fiscal Transparency issued by GIFT, which have also been endorsed by a United Nations General Assembly resolution. This consensus is also supported by the International Monetary Fund, which recently included public participation as an indicator in its revised fiscal transparency code, and by the Organization for Economic Cooperation and Development, which has similarly included public participation in its Principles of Budgetary Governance.

Further, a key objective of the PEFA framework is to facilitate harmonization of the dialogue on PFM performance, reform needs, and donor support. Given that several of the countries that PEFA assesses classify as high recipients of aid, it is important to take into account how external factors, such as delayed disbursement, off-budget flows, lack of predictability, and tied aid, can adversely affect the budgetary outcomes for those countries. This needs to be accounted for systematically on a country-by-country basis to ensure a fair assessment.

Citizens and CSOs are key allies for the PEFA program in building political will in their governments to make and sustain reforms in public finance management systems. **By not respecting and supporting the key priorities identified by citizens and CSOs working to improve country budget processes, an opportunity for building widespread support for the new PEFA framework might be missed.** In this context, if they fail to include public participation and donor indicators, PEFA reports risk becoming less relevant.

We strongly encourage you to reconsider the proposed indicators on public participation and donor activities. We would welcome the opportunity to discuss our concerns with you in more detail and provide practical recommendations to address our concerns in the revised framework.

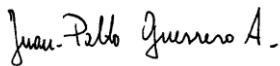
Sincerely,



Warren Krafchik
Director
International Budget Partnership



Rachel Rank
Director
Publish What You Fund



Juan Pablo Guerrero
Network Director
Global Initiative for Fiscal Transparency

International Organizations

Africa Health Budget Network
Civil Society Platform for Peacebuilding and Statebuilding
Global Integrity

National Civil Society Organizations

Afghanistan: Integrity Watch Afghanistan
Albania: Albanian Socio Economic Think Tank / University of Tirana
Algeria: Association Nationale de Finances Publiques
Armenia: Transparency Armenia
Azerbaijan: National Budget Group and Public Finance Monitoring Center
Bangladesh: Centre on Budget and Policy
Bolivia: Centro de Estudios para el Desarrollo Laboral y Agrario
Bulgaria: Industry Watch Group
Brazil: Instituto de Estudos Sócioeconômicos
Burkina Faso: Centre Pour La Gouvernance Démocratique
Cambodia: The NGO Forum on Cambodia
Cameroon: Budget Information Center and AfroLeadership
Chad: GRAMP-TC
Côte d'Ivoire: Social Justice
Croatia: Institute of Public Finance

Democratic Republic of Congo: Réseau Gouvernance Economique et Démocratique
Dominican Republic: Fundación Solidaridad de República Dominicana
Ecuador: Grupo FARO
Egypt: Egypt Center for Economic and Social Rights
Equatorial Guinea: Marcial Abaga Barril
Fiji: Citizens Constitutional Forum
France: Association pour la Fondation Internationale de Finances Publiques
Georgia: Transparency International Georgia
Guatemala: Centro Internacional para Investigaciones en Derechos Humanos
Hungary: Fiscal Responsibility Institute
Iraq: Iraqi Institute for Economic Reform
Italy: Sbilanciamoci
Jordan: Partners - Jordan
Kyrgyzstan: Precedent Partner Group
Lebanon: Lebanese Transparency Association
Liberia: Actions for Genuine Democratic Alternatives
Macedonia: Center for Economic Analyses
Malawi: Malawi Economic Justice Network
Mali: GREAT Mali
Mozambique: Centro de Integridade Pública
Nepal: Freedom Forum
New Zealand: Jonathan Dunn
Niger: Alternative Espaces Citoyens
Nigeria: Civil Resource Development and Documentation Centre
Pakistan: Omar Asghar Khan Foundation
Papua New Guinea: Institute of National Affairs
Poland: Pawel Bialynicki Birula, University of Krakow
Portugal: Institute of Public Policy Thomas Jefferson – Correia da Serra
Philippines: Philippine Center for Investigative Journalism
Qatar: Dr. Ashraf Galal Bayoumy
Romania: Afrodita Popa
Rwanda: Collectif des Ligues et Associations de Défense des Droits de l'Homme au Rwanda
Sao Tome e Principe: Webeto
Senegal: Groupe d'Etude de Recherche et d'Action pour le Développement
Serbia: Transparency-Serbia
Sierra Leone: Budget Advocacy Network
South Africa: Public Service Accountability Monitor
South Korea: Keakook Song, Public Audit Research
South Sudan: Society for Civic Development
Sri Lanka: Verite Research
Sudan: Nuha Mohamed Abdalla
Sweden: Accountability and Transparency for Human Rights
Tajikistan: Uktam Dzhumaev and the Open Society Institute – Assistance Foundation in Tajikistan
Tanzania: HakiElimu
Thailand: Fiscal Policy Research Institute Foundation

Uganda: Uganda Debt Network

United Kingdom: Joachim Wehner and Steffen Hertog, London School of Economics

Venezuela: Transparencia Venezuela

Vietnam: Center for Development and Integration