



Supplementary Guidelines for the application of the PEFA Framework to Sub-National Governments

PEFA Secretariat

January 1, 2013 *Supplementary Guidelines for the application of the PEFA Framework to SNGs: January, 2013* 2

Foreword

A sound PFM system is essential for the effective implementation of policies and the achievement of intended outcomes by supporting aggregate fiscal discipline, the strategic allocation of resources and efficient service delivery. This is true not only at the national, but also at the sub-national level, given the increasing importance of provincial and local government structures in resource allocation and the provision of services to communities.

Over 70 sub-national applications of the PEFA methodology have now been conducted, either as part of an overall assessment of PFM in a country, or as standalone exercises for one or more sub-national entities. While there is only one Framework, to ensure a consistent and appropriate application of the indicators and a sound basis for the interpretation of the findings at a sub-national level, the PEFA program has produced these practical *Guidelines* for assessors, which are applicable to both an individual SNG and to a sample of SNGs within a country.

These *Guidelines* address the application of the indicator set (to the level of individual dimensions) and propose modifications and additions to the performance report, as well as offering suggestions for sampling and aggregation of results. As far as possible, they attempt to address the wide variety of sub-national government structures that exist (a discussion of this diversity can be found on the PEFA website www.pefa.org).

Assessors are reminded that the 'PEFA Check' mechanism (now fully in place) also applies to SNG assessments.

These *Guidelines* should be read **in conjunction with** the PEFA Framework (the 'Blue Book') and replace the exposure draft produced in 2008.

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1. Introduction

More than 70 of the almost 300 PEFA assessments carried out to date in over 130 countries have demonstrated that the **entire indicator set can be applied at the Sub-National level**, although depending on the particular features of the intergovernmental system in place, some indicators or dimensions may not be relevant.

While the PEFA Framework was designed for assessing the PFM system of a national (central) government, minor changes to the wording of some rating criteria allow it to be applied to the diverse structures of sub-national governments (SNGs) that are found around the world.

Having said this, it is crucial to acknowledge that PFM outcomes at the SN level are likely to be dependent on arrangements determined at the centre. Although SNGs around the world share many similar characteristics, they also exhibit huge variations: for example, in terms of population, geographical size, functions and responsibilities, administrative traditions, and the degree of discretion to determine their operations. Hence, a **template** has been designed to ensure assessors capture the key features of the institutional context and intergovernmental structures that prescribe the political, administrative and fiscal environment within which the SNG exists. **The template is found in section 2.5 below**, and is intended to be completed before the work to gather evidence to score indicators begins.

One particular reason why PFM outcomes at the SN level are shaped at the centre is the fact that intergovernmental fiscal transfers are often the largest source of financial resources available to the SN level. For this reason, **an additional indicator has been added to the set: “HLG-1”** is designed to assess the impact of transfers from a higher-level government (**see section 3.1, below**). **Section 3.2** considers the application of the other indicators in the set in the SNG context.

Finally, the standardized ‘PFM Performance Report’ requires some adjustments when applied to a SNG context, and these are considered in **Section 4** (including suggestions for the aggregation of results, where this may be appropriate). *Supplementary Guidelines for the application of the PEFA Framework to SNGs: January, 2013* 5

2 Planning a SNG assessment

2.1 Definition of a sub-national entity

The first issue is to ensure that it is appropriate to use the PEFA Framework to assess the entity in question. These *Guidelines* – with one exception – follow the IMF’s GFS 2001 manual, which provides for three levels of government: central; state, provincial, or regional; and local. Sub-national government by definition is anything below the national level and thus includes the state and local government sectors, but with a proviso that these entities: “*must be entitled to own assets, raise funds, and incur liabilities by borrowing on their own account. They must also have some discretion over how such funds are spent¹, and they should be able to appoint their own officers independently of external administrative control.*” The exception to this GFS definition is that for the purpose of a PEFA assessment, **the right to borrow is not a requirement.**

To date, PEFA assessments have been carried out for SN governments that have some degree of decentralization², which clearly requires some measure of **fiscal decentralization**. This is distinct from **deconcentration**, which is a transfer of responsibilities, powers and resources from the national government (ministries and agencies) to field offices at the local and regional level, thereby becoming closer to the citizens while remaining a part of the national government system. **Deconcentrated** units (administrations déconcentrées) should therefore be covered by a national government assessment.

2.2 Purpose of the assessment

A PEFA assessment is designed to provide stakeholders with a high level assessment of the status of PFM in a country. It is intended to highlight weaknesses in the system and thus allow governments to develop reform plans as well as providing a platform for reform dialogue between development partners and governments.

At the SNG level, there are two distinct types of assessment – either of a single entity (as for a national assessment), or an examination of a number of SNGs in order to form an opinion of the overall situation. In either case, the same quality assurance mechanisms will be used (including ‘PEFA Check’), and the ratings can be used as a baseline from which the progress of reform initiatives over time can be monitored.

2.3 Selection of a representative sample

If the purpose of the assessment is to gain an opinion of the overall state of PFM at the SNG level, the inclusion of every institution will be costly and is unlikely to be an efficient use of resources, as there will almost certainly be some similarities in the strengths and weaknesses of the PFM systems in these entities.

Hence an obvious solution would be to select a sample. This solution may not necessarily be the *least cost* solution, either in terms of time or money, but would probably be important to ensure that there is no unintended bias or lack of understanding of any differences in capacity
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¹ i.e. some discretion to manage resources, engage in sub-national planning and deliver public services.

² Current literature typically recognizes (although the terminology is not always used in a consistent manner) that decentralization has three interrelated dimensions: democratic (political), administrative and fiscal decentralization

building requirements, i.e. that the sample is *representative*. In selecting a representative sample, the following characteristics may provide a basis for selection and agreement by all parties:

- Population size;
- Levels of expenditure per capita e.g. high and low;
- Economy (industrial: agricultural) or main source of revenue (e.g. oil, mining);
- Organizational structure (e.g. municipal, town, district),
- Rural: Urban; (if this is not adequately covered by the organizational structure, levels of expenditure or the economy);
- Political representation (government and opposition);
- Accessibility to key infrastructure (e.g. roads, banks);
- Manual systems or computerized systems;
- Age of institution;
- Extent of development partner support; and
- Social or ethnic groupings.

The number of criteria for choosing the entities in the sample should be limited in order to maintain clarity of what each sample entity represents and therefore how findings may be aggregated. The basis for the selection of the representative sample and the final sample should be agreed with all stakeholders.

Any asymmetry in political, fiscal and administrative arrangements in that particular country should be captured in the narrative of the performance report.

2.4 Sources of information

In general, the collection of information and data for a SN assessment will take place at the SN level, although a large amount of information on PFM systems, procedures and processes at the SNG level may also be located at the national level, for example: the legal and regulatory framework in which SNGs operate; expenditure and revenue levels; budgeted transfers from a higher level government.

However, information about donor support to SNGs may be more difficult to find, as this support may take the form of:

- general budget support to the state or local authority;
- sector budget support provided at the central level but earmarked for state or local government operations (e.g. additional funds to a local authority transfer fund);
- sector budget support provided at the SN level but earmarked for a particular sector e.g. health;
- basket funds for sub-national government operations;
- basket funds for sector e.g. education which are disbursed to all levels of government;
- donor projects which cover more than one level of government e.g. water supply and school infrastructure;
- specific donor project support for the sub-national government level; and;
- specific donor project support for the sub-national government entity.

2.5 Compiling a Sub-National Profile

As stated in the Introduction, there are large differences in the way public sectors are structured and the way they share functions and resources across levels of government. It is therefore essential that the Assessors are clear about the legal and regulatory environment within which sub-national government operates as well as the overall intergovernmental relationship in terms of transfers, revenue and expenditure assignments, borrowing powers and the service delivery mandate – both in rating the indicators and in the narrative of the Public Financial Management Performance Report (PFM PR).

Hence the recommended starting point is to complete **a profile** – using the template below – which will provide an overview of:

- (i) the overall sub-national government structure;
- (ii) the main functional responsibilities of the sub-national government;
- (iii) key sub-national budgetary systems
- (iv) key sub-national fiscal systems; and
- (v) the main SN institutional (political, administrative, and fiscal) structures.

This template should be included as an Annex in the PFM-PR.

Sub-national government in country X

The Country Profile is just that –a profile. It is not a comprehensive overview of intergovernmental fiscal relations in a country. Every question should be answered in a highly concise manner, i.e. one-to-two sentences. Several organizations prepare more detailed and comprehensive ‘Local (or Sub-National) Government Profiles’, including the United Cities and Local Governments (UCLG), the Commonwealth Local Government Forum (CLGF), and the Forum of Federations. As appropriate, these more detailed profiles can be incorporated by reference.

In some instances, it might be useful to prepare (a draft version of) the sub-national Country Profile during the planning stage of a sub-national PEFA assessment (either by the planner/assessment manager, or by an external expert) in order to inform the planning of the assessment itself.

If multiple sub-national jurisdictions are being subjected to a SN PEFA assessment, **only one shared sub-national Country Profile should be prepared.**

2.5.1 Overall sub-national government structure

- What higher-level government legislation and regulations define and guide the sub-national government structure?
- What is the number of government levels or administrative tiers that exists, and what is their average jurisdiction size? (complete table below).³
- What is the year of the local government law, decentralization law, or last major reform of intergovernmental (fiscal) structure? What is the name of the law or reform? • How does the entity that is the subject of the assessment compare to other jurisdictions at the same

³ When a country’s public sector is not hierarchically organized or is asymmetric, an organizational chart of the government sector should be included in the SN Country profile showing the different types and levels of Government.

government level in terms of population size, population density, economic activity, and (total and per capita) expenditures and own source revenues.

Government Level/ Administrative Tier	Corporate body?	Own political leadership?	Approves own budget	Number of jurisdictions	Average population	Percentage public expend.	Percentage public revenues	Pct. Funded by intergov. transfers
<i>Central government</i>	Yes	Yes	Yes	1	10 million	40 %	80 %	--
<i>State government</i>	Yes	Yes	No	10	1 million	15 %	5 %	80%
<i>Local government</i>	Yes	Yes	Yes	100	100,000	45 %	15 %	30%

Note: Add more rows as needed to include all government levels / administrative tiers.

Note: Please footnote if government level does not cover entire national territory (e.g., municipalities in urban areas only) or if there are major asymmetries in sub-national governance structure.

2.5.2 Main functional responsibilities of the sub-national government

- Which sub-national government/administrative level is the most important in terms of public service delivery and public expenditures?
- What are the functions / expenditure responsibilities of the government level under consideration? Where are these functional assignments defined (e.g., constitution or law)? Are these functional assignments generally accepted, clear, and followed in practice?

2.5.3 Sub-national budgetary systems

- To what degree do central (or higher-level) laws and regulations guide the sub-national budget cycle?
- What are the main features of the sub-national financial management process (e.g., do entities hold their accounts in the national Treasury or in bank accounts in their own name; and so on)?
- For the latest year for which actual expenditure data are available, what is the general expenditure composition of sub-national governments in terms of economic classifications? (Complete top part of Table B)
- Do sub-national governments have their own budgets which are adopted by their councils (without subsequent modification by higher level governments, other than administrative approval processes)? If not, explain.
- Do sub-national governments hold and manage their own accounts within a financial institution of their choice (with the context of applicable legislation/regulations)?

Alternatively, are sub-national governments required to hold their accounts with the central bank or national treasury?

- Do sub-national governments have the authority to procure their own supplies and capital infrastructure (with the context of applicable procurement legislation/regulations)? Is higher-level

/ external approval needed for procurement by sub-national governments and/or is there a limit (ceiling) to the procurement authority of sub-national governments?

2.5.4 Sub-national fiscal systems

- For the latest year for which actual revenue data are available, what is the general composition of financial resources collected and received by sub-national governments? (Complete bottom part of Table B)
- What are the main own revenue sources assigned to the sub-national government level? What tax and non-tax revenue sources are the most important revenue generators at the local government level?
- What are the main intergovernmental fiscal transfers (including revenue sharing and/or intergovernmental grants) that are provided to the sub-national government level? How is the size of each of the transfer pools determined? How are these transfer resources distributed among eligible sub-national governments? Are these intergovernmental fiscal transfers conditional or unconditional?
- Are sub-national governments allowed to borrow? If so, what mechanisms for sub-national government borrowing are available? What legislative or regulatory restrictions (if any) are imposed on sub-national borrowing?

Expenditure/Revenue Item	Amount (units)	Per capita (units)	As % of total
Wage expenditures			
Non-wage recurrent administration			
Capital expenditures			
Total expenditures			
Own source revenues			
Intergovernmental fiscal transfers			
Other revenue sources (as appropriate)			
Total revenues			
Borrowing			

Note: Additional break-downs may be provided for main expenditure/revenue items, where appropriate.

2.5.5 Sub-national institutional (political and administrative) structures

- Does the relevant sub-national level have directly elected councils? (If not, explain.) Is the council involved in approving the budget and monitoring finances?
- Is the local political leadership (executive or council) able to appoint their own officers independently of external (higher-level) administrative control? Are the chief administration officer, the chief financial officer/ treasurer, internal auditor, and other key local finance officials locally appointed and hired?

3 Performance Indicators

3.1 Performance Indicator HLG-1: Predictability of Transfers from a Higher Level of

Government

Transfers from higher level of government (HLG) – typically central government – and shared revenues constitute important sources of revenue for SN government in many countries. Poor predictability of inflows of these transfers affects the SN government's fiscal management and its ability to deliver services. Shortfalls in the total amount of transfers from higher level of government and the delays in the in-year distribution of the in-flows can have serious implications for the SN government's ability to implement its budget as planned. Shortfalls in earmarked grants (such as sector or project grants) can have an additional effect on particular sectors.

For the purposes of this indicator, transfers from higher level of government include all revenues transferred from higher level government either in the form of block or earmarked grants as well as shared revenues which are not collected and retained by the SN government (ref PI 3). It should **not** however, include *donor* project or program funding which is pooled at central government level and channeled to the SN government through a line ministry (as such funding is covered in indicator D-2 of an assessment of higher level of government).

The narrative should explain possible reasons for the observed deviation between the amounts provided by higher level government for inclusion as the original budgeted amount in the SN estimates and actual disbursements. These could include non-implementation or delay of actions agreed with the central government or donors⁴ as condition for disbursement. It could also relate to changes in approved transfers taking place after the approval of the SN budget. In single entity assessments, the narrative could also comment on whether that entity had been responsible for non-achievement of conditionality or whether it had been globally applied.

Reasons for the shortfall in shared revenues could also be noted and whether this affected SN government more than the higher level government (ref. PI-3 of an assessment of the higher level government).

Dimensions to be assessed (Scoring Method M1):

- (i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget⁵.
- (ii) Annual variance between actual and estimated transfers of earmarked grants⁶.
- (iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)⁷

⁴ In relation to CG or SN budget support.

⁵ Depending on the timing of the approval of the SN budget vis a vis the CG budget, there may be some deviation from the amount included in the central budget.

⁶ Dimension (ii) should be assessed on the same basis as indicator PI-2. All non-earmarked transfers should in aggregate be counted as one component of earmarking. Deviation of all other transfers should be considered sector by sector corresponding at least to the 10 COFOG main functions (to the extent they are application or any similar classification).

⁷ For dimension (iii), it is suggested that a default of a quarterly distribution be used, in the absence of an agreed disbursement timetable. As for indicator D-1 a weighted disbursement delay should be used. The weighted

Score	Minimum requirements (Scoring methodology: M1)
A	(i) In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 5%. (ii) Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 5 percentage points in any of the last three years (iii) A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading ⁸) in all of the last three years.
B	(i) In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 10%. (ii) Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 5 percentage points in no more than one of the last three years (iii) A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in two of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading) in two of the last three years."
C	(i) In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 15%. (ii) Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 10 percentage points in no more than one of the last three years (iii) A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 50% in two of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading) in one of the last three years.
D	(i) In at least two of the last three years HLG transfers fell short of the estimate by more than 15% OR no comprehensive estimate is submitted to the SN government in time for inclusion in its budget. (ii) Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 10 percentage points in at least two of the last three years (iii) The requirements for score C (or higher) are not met.

disbursement delay would be calculated as the percent of funds delayed multiplied by the extent of the delay within the year.

⁸ Frontloading means that the average timing of transfers (weighted by the amounts transferred) is less than six months into the fiscal year of the receiving government.

3.2 The Standard Performance Indicator Set: applicability to SNGs PI

PI	Interpretation	Guidance in applying PI at SNG	Scoring
HLG-1 Predictability of transfers from higher level of Government⁹			
	Inflows of transfers from HLG and their predictability influence the SNG's fiscal management and its capacity to deliver services of good quality. In addition, total amounts transferred as well as the timing of distribution of the transfers affect the SNG's ability to implement its budget. This applies in particular for sectors depending on grants and project grants.	Information on the relative importance of transfers (with a breakdown to the extent possible) received by the SN from Central Government is part of the country profile and should not be included when assessing this indicator. When dealing with the relative importance of transfers the level of autonomy at the SN Government should be analyzed.	M1 applies for this indicator
(i)	This dimension deals with the annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the SNG budget.	Some countries do transfer on daily obtained revenue so there is no annual estimated amount. The deviation referred to can be positive (actual higher than estimates) or negative (actual lower than estimates). In each case and to the extent possible the narrative should analyze what is the sub-optimal situation. This analysis is particularly relevant for resource-rich countries.	"
(ii)	This dimension covers the annual variance between actual and estimated transfers of earmarked grants.	Dimension (ii) should be assessed on the same basis as the (i) dimension of indicator PI-2. All non-earmarked transfers should in aggregate be counted as one component of earmarking. Deviation of all other transfers should be considered sector by sector corresponding at least to the 10 COFOG main functions (to the extent they are applicable) or any similar classification (e.g. administrative classification).	"

⁹ This indicator applies for top-down transfers only. The indicator does not apply (NA) if fiscal transfers are from a SNG to a HLG (e.g. a SNG may own and manage all revenue and provide a fixed percentage to the HLG).

(iii)	This dimension measures the in-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of agreed disbursements within 1 month of the start of the SN fiscal year).	In the absence of an agreed disbursement timetable a default of a quarterly distribution can be used. As for indicator D-1 a weighted disbursement delay should be used. The weighted disbursement delay would be calculated as the percent of funds delayed multiplied by the extent of the delay within the year.	"
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A. PFM OUT-TURNS: Credibility of the budget

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-1 Aggregate expenditure out-turn compared to original approved budget			
	PI-1 refers to the original budget (total budget) approved by the SN legislature (not transfers approved by national legislature).	<p>At the SN level lack of performance of the HLG in transferring resources may affect budget execution particularly for those entities that are very dependent on transfers.</p> <p>In this context reasons to potentially cause deviations between aggregate expenditure out-turn and original approved budget (by the SN legislature) are different than the ones at Central Government level:</p> <ul style="list-style-type: none"> - Transfers from the HLG, if not made on time during the budget year may negatively impact budget execution; - Timeliness from other financing sources (budget support and external loans) represents potential causes for deviations as well especially if these funds have to transit through the CG treasury system. <p>The timeliness of transfers from HLG may affect recurrent expenditures but less than it may affect the execution rate of investments (which in turn may be a reason for higher deviations).</p> <p>In fact the entity will always tend to pay</p>	Scoring is the same. However calculation methods changed in January 2011 with the revised PI-2 (below). A calculation Excel spread sheet for PI-1 & PI-2 is available at the www.pefa.org

		salary first before proceeding to capital spending. Therefore it would be useful to analyze in the narrative the general deviations and the impact of deviations due to lower execution rates in investment (and how it determines the overall deviation). This is more of an issue for SN entities heavily dependent from HLG transfers and of course less important and perhaps with no impact on autonomy/authority for SN Government entities that receive relatively low amounts of transfers from HLG.	
PI-2 Composition of expenditure out-turn compared to original approved budget			
(i)	PI-2 (i) refers to the original budget (total budget) approved by the SN legislature (not transfers approved by national legislature)	Potential causes of variations in composition are different from those at Central Government level. In fact the composition of expenditures is very much influenced by the timing in transferring earmarked grants and their role for sectoral spending.	Scoring is the same. However calculation methods changed in January 2011 with the revised PI-2 (below). A calculation Excel spread sheet for PI-1 & PI-2 is available at the www.pefa.org
(ii)	PI-2 (ii) refers to average amount of SN expenditure\ actually charged to the contingency reserve as a % of the total budget approved by the SN legislature.	Constraint to SNG can be significant. It is more significant for SN entities heavily dependent from HLG transfers (particularly grants).	

PI-3 Aggregate revenue out-turn compared to original approved budget			
	Revenues to be taken into consideration are those revenues that are legally and typically (and/or exclusively) the SNG's revenue (and clearly legally recognized as such).	<p>The revised version of this indicator (January 2011) is applicable at the SN level. For the application of the indicator at the SN level the concept of revenues should be clearly defined. They include:</p> <ol style="list-style-type: none"> 1) Revenue collected by SNGs directly; 2) Shared revenues collected and retained by the SNGs; 3) Entity's revenues not collected directly but collected by the Central Tax Authority (these are neither transfers nor shared revenues)7. <p>Transfers and other shared revenues are not part of this definition and do not have to be taken into consideration when evaluating PI-3 at the local level.</p> <p>In cases where the SN entity directly collects its revenue, it has the full control (full authority and autonomy) of its tax office and how the overall management of tax collection is carried out.</p>	Same

		When revenue is collected by the Central Tax Authority information should be provided on the authority/autonomy of the SN entity, which is constrained in this case. The level of constraint very much depends on the relative importance of revenue with regard to total revenue.	
PI-4 Stock and monitoring of expenditure arrears			
(i) & (ii)	Stock and monitoring of expenditure arrears under the SN Government's responsibility.	Expenditure payment arrears are expenditure obligations that have been incurred by government, for which payment to the employee, supplier, contractor or loan creditor is overdue, and constitutes a form of non-transparent financing. Local regulations or widely accepted practices may specify when an unpaid claim becomes in arrears. If such a local practice is applied in measuring the stock of arrears, then its content and basis should be described in the narrative. The definition should cover all kind of arrears such as arrears to employees or contractors (wages, salaries, fees), arrears to suppliers (for the purchase of goods and services), to creditors (short, medium and long term loans to the SN entity if applicable).	Same

B. KEY CROSS CUTTING ISSUES: Comprehensiveness and transparency in the applicability of the framework

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-5 Budget Classification			
	<p>PI-5 assesses the classification system used for formulation, execution and reporting of the SNG's budget.</p>	<p>For evaluating the indicator, the existing legal & regulatory context for budget classification(s) for the public sector in general and for Central Government & SN entities in particular should be analyzed. Attention should be given to potential (significant) differences between the frameworks used at the Central level and at SN level. In addition, the assessment of the indicator should focus on the consistency of the classification used with international standards and not to adherence to the existing legal and regulatory framework.</p> <p>At the SN level as far as the legal framework for budget classification is concerned there are 3 possibilities:</p> <ul style="list-style-type: none"> - The legal and regulatory framework for budget classification is the same as for the General Government (Central Government and SN entities), the SN entity has in this case no direct control on this framework and it is obliged to adhere to it (and it cannot modify it); - The legal and regulatory framework for budget classification of the SN entities is typical of the entity (the SN entity has the authority/autonomy to decide on its budget classification). - Specific standards are defined by the sub-national level as a whole (e.g. association of municipalities) and are mandatory for the sub-national level. <p>When the legal and regulatory framework for budget classification is to General Government, the SNG's authority is constrained.</p>	<p>At the SN level the 10 main functions COFOG and the 69 sub-functions may not be all applicable (e.g. Functions such as Defence, Public order & safety and Environmental protection). The SN entity will not be penalized for the minimum requirements (M1) A will be assigned when all 10 main functions (minus the functions that do not apply) and the 69 sub-functions (minus those related to the functions that do not apply) are used for the formulation, execution and reporting of the budget. All the other elements to assign an A are the same as for Central Government. Otherwise, B will be assigned</p>

PI-6 Comprehensiveness of information included in budget documentation			
	<p>PI-6 assesses the comprehensiveness of information included in budget documentation of the SNG (budget presented to the SN legislature and not to main legislature)</p>	<p>For first element, macroeconomic assumption, economic growth, exchange rate and inflation may be already included in CG budget documentation. If this is the case the first element does not apply at the SN level. However, inflation and economic growth for a particular region of the country can differ from the national assumptions. If this is the case a plausible explanation of the assumption should be provided.</p> <p>If one or more elements (of the 9) are not relevant scoring of this indicator should be done on a pro rata basis. Some SN entities may not be allowed to have a deficit for example and in this case (and other cases) the report should explained the non- relevance of the element (refer to information in 3rd column.</p>	<p>8 elements available: A = 6-8; B = 4-5; C = 2-3; D= 1 & 0</p> <p>7 elements available: A = 5-7; B = 3-4; C = 1-2; D= 0</p> <p>6 elements available: A = 4-6; B = 2-3; C = 1; D= 0</p> <p>5 elements available: A = 4-5; B = 2-3; C = 1-2; D= 0</p> <p>4 elements available (*): A = 3-4; B = 2; C = 1; D= 0</p> <p>(*) When less than 4 elements are available, they are covered by this same column.</p>
PI-7 Extent of unreported SN government operations			
(i)	<p>This dimension assesses the extent of unreported SNG operations</p>	<p>This dimension covers extra-budgetary operations (revenues and expenditures) that refer exclusively (legally) to the SN entity.</p> <p>These are operations (revenues and expenditures) that have to be included and/or reflected in the budget of the SNG (adopted by its elected Council) but that are not.</p>	<p>Same</p>
(ii)	<p>This dimension considers income/expenditure information on donor projects funded directly to the SNG that are included in the SN entity's fiscal reports</p>	<p>Donor element to be considered should only relate to funds provided directly to the SN entity.</p> <p>Transfers from shared donor funds provided by the higher level of Government (from CG treasury in local currency) should not be considered when assessing this dimension (the dimension does not apply (NA) if the SN entity does not receive funds directly from donors). The related funds are not donor funds from a legal point of view. Notwithstanding they must be in the budget. They are captured by PI-7 (i).</p>	<p>Minimum requirement for B and C respectively should be:</p> <p>(ii) Complete income and/or expenditure information is included in fiscal reports for at least 50% (by value) of donor financed projects. (B)</p> <p>(ii) Complete income &/or expenditure</p>

			information income &/or for at least 25% (by value) of donor financed projects. (C)
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PI-8 Transparency of Inter-Governmental Fiscal relations at the SN level			
	In general:	<p>When applied in a SN assessment the indicator should refer to lower levels of government. That means that relevant fiscal relations are those relations between the SN entity itself and lower level of SNGs (top-down¹⁰).</p> <p>Given the wide diversity of political arrangements between SN entities, there is no standard relationship between one level and another. For example a SN assessment at state level may look at the transfers to local governments. An assessment at the district level may look at the transfers from district to sub-counties, etc.</p> <p>The fiscal relationship between different tiers of local government may be set out in the Constitution. In other cases, specific laws determine the layers of SNG, the expenditure responsibilities and revenue sharing arrangements. Transfers falling in these categories are usually unconditional grants, the use of which will be determined by lower level SNGs through their budgets.</p> <p>In addition, SNGs may provide conditional (earmarked) grants to lower level SNGs to implement selected service delivery and expenditure responsibilities e.g. by function or program, on a case by case basis. The overall level of grants (i.e. the vertical allocation) will usually be budget policy decisions at the higher (or even central) government's discretion or as part of constitutional negotiation processes and is not assessed by this indicator. However, clear criteria, such as formulae, for the distribution of grants among lower level SN entities (i.e.</p>	Same

¹⁰ In the case of bottom-up fiscal relations this indicator does not apply (NA)

		<p>horizontal allocation of funds) are needed to ensure allocative transparency and medium-term predictability of funds available for planning and budgeting of expenditure programs by these lower level SNGs.</p> <p>It is also crucial for lower level SNGs that they receive firm and reliable information on annual allocations from the higher level government well in advance of the completion (preferably before commencement) of their own budget preparation processes.</p> <p>In the scoring box of the framework for this indicator, references to SNG should replace references to Central Government. References to SNG(s) should be replaced by lower level(s) of SNG(s).</p>	
(i)	--	This dimension assesses: "Transparent and rules based systems in the horizontal allocations among lower level of SNGs of unconditional and conditional transfers from the assessed level of SNG (both budgeted and actual allocations)".	Same
(ii)	--	This dimension assesses: "Timeliness of reliable information to lower level of SNGs on their allocations from the SNG being assessed for the coming year".	Same
(iii)	--	This dimension assesses: "Extent to which financial information (at least on revenue and expenditures) is collected from the lower level of Government and reported by the assessed SNG according to sectoral categories".	Same

PI-9 Oversight of aggregate fiscal risk from other public sector entities

(i)	The oversight of aggregate fiscal risk is the oversight of aggregate fiscal risk by the SN entity	<p>The dimension applies only if the SN entity has direct responsibility for Autonomous Government Agency or Public Enterprises. In the scoring box references should be made to SNG instead of to Central Government.</p> <p>In order to avoid any confusion, assessors will need to ascertain and report clearly on which level of government has specific responsibility.</p>	Same
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(ii)	(Same)	<p>The dimension applies only if there are lower SN entities than the one that is being assessed. If this is the case references should be made to lower level (s) of SNGs in the scoring box instead of SNG and higher level of Government instead of Central Government.</p> <p>However if the law requires the lower level of Government to report to the CG instead of the higher level of Government, then the text of the scoring box should be adjusted accordingly.</p>	Same
PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-10 Public Access to key fiscal information			
	<p>Access to key fiscal information at the SN level refers to access of the general public at that location ("Local" public access) or at least the relevant interest group.</p>	<p>For the first 3 elements of public access to information the Government entity has full control on their fulfillment. These are:</p> <ol style="list-style-type: none"> 1) Annual budget documentation; 2) In-year budget execution reports; 3) Year-end financial statements. <p>If external control is carried out by a Supreme Audit Institution covering the entire public sector "External audit report" the 4th element of public access to information, may not be under the Government entity's control.</p> <p>For PI-10 two additional elements can be considered (making it a maximum of 8 elements):</p> <ol style="list-style-type: none"> 1) An element of information covering fees, charges and taxes (if any) that belong legally to the SN entity (collected locally or by the Central Tax office); 2) Because a SN entity is generally closer to users than at the Central Government, an element of public information should refer to services provided to the community such as potable water, sewage, illumination etc. This is particularly relevant for municipalities. <p>If the Supreme Audit Institution is in charge of the entire public sector (and/or if there is no specific Supreme Audit Institution in charge of the SNG only), the autonomy of the SN entity may be constrained. This should be explained in the narrative¹¹.</p>	<p>If only 6 elements apply then the existing minimum requirement will be used. For 7 elements the following requirement will apply:</p> <p>A for 6-7 elements available B for 4-5 available C for 2-3 available D for 1 available</p> <p>For 8 elements the following requirement will apply:</p> <p>A for 7-8 elements available B for 5-6 available C for 3-4 available D for 1-2 available</p>

¹¹ For example, States in Brazil and Ethiopia have their own SAI.

B. BUDGET CYCLE: (i) Policy-based budgeting

C.

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-11 Orderliness and participation in the annual budget process			
(i)		-- The SN entity may be obliged to follow the calendar of the HLG (Ministry of Finance, Ministry of Local Government) and/or the calendar may have unrealistic deadlines and not be fully appropriate for the SN entity. In any case, the issues of existence and adherence of the SN entity to the budget calendar should be clearly analyzed in the narrative. The context should be clearly presented as well. Overall the authority/autonomy of the SN entity may be constrained.	Same
(ii)	--	Ceilings may need to be approved by the Ministry of Finance of the Higher Level of Government. This may delay (but not necessarily) the approval process. Therefore the guidance process on the preparations of budget submissions and issues related to the circular and approval of its ceilings should be analyzed in details. The context should be clearly presented as well. Overall the authority/autonomy of the SN entity may be constrained.	Same
(iii)	--	Budget approval by the SN legislature may be a formality and effective budget approval may only occur at the Ministry of Finance of the Higher Level of Government ¹⁰ . The process of budget approval and entities involved should be clearly analyzed to point out these specificities (if any). The overall context should be clearly presented as well. Overall the authority/autonomy of the SN entity may be constrained.	Same
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting			
(i)	--	The assessment of the dimension depends on the availability of forecasts on transfers of all kinds made by the Higher Level of Government. As a result the authority/autonomy of the SN entity may be constrained to some extent.	Same
(ii)		This dimension may not be applicable (NA) if Central Government (or the higher level of Government) is the only entity that has the responsibility of contracting debt.	Same

		If the SNG has no debt, the dimension does not apply either (NA).	
(iii)	--	The assessment of the dimension requires some flexibility in dealing with the concept of sectoral strategies. In absence of an explicit sector strategy, anything comparable to a sector strategy such as local development plans (or other comparable documents) can be considered because it may be possible to identify the sectors. In this context responsibilities for costed strategies should also be established (potential split between investment and recurrent responsibilities for some sectors or all).	Same
(iv)	Only investments that are under the SN Government entity's responsibility should be considered.	--	Same

C. BUDGET CYCLE: (ii) Predictability and Control in Budget Execution

PI	Interpretation	Guidance in applying PI at SNG	Scoring
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			
	--	<p>These three indicators are applicable to SN entities that raise revenue through taxes or other form of revenue similar to taxes as per IMF GFS Manual definition (2001). The indicators do not apply in 2 cases:</p> <p>1) When the SN entity raises revenue only through user fees and charges that are related to a specific service provided by the Government entity (without exceeding the costs of this service);</p> <p>2) When the Central Government (or higher level of government) collects taxes through its revenue authority and has sharing arrangements with the SN entity. The latter is by law entitled to a percentage (or part) of these taxes¹².</p>	

¹² In the case of tax-base sharing (each level of government has a specific tax such as income tax for example) the indicator applies at the SN level and for the SN entity that is being evaluated. This is the case of Switzerland where three (3) different personal income taxes are applied: federal government, canton and municipality.

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-16 Predictability in the availability of funds for commitment of expenditures			
(i) & (ii)	--	<p>While evaluating this indicator at the SN level, it will be necessary to establish to which extent the SN entity is autonomous (and to which degree) during the process of cash flow forecasting and monitoring.</p> <p>In this context there are following clarifications to be made:</p> <ol style="list-style-type: none"> 1. The SN entity may have a Ministry of Finance. It may also have something equivalent that is not necessarily a ministry; 2. The SN entity may not have its own treasury and therefore it may not fully control the process of cash flow forecast and monitoring, and may be unable to plan and commit expenditures (relevant for dimensions i) and ii); 3. The SN entity may very much depend on transfers from Higher Level of Government and this may impact the extent to which cash flow are forecast and monitored (dimension i) as well as the ability in establishing reliable ceilings for committing expenditures (dimension ii). 	Same
(iii)	--	The frequency of adjustments may also depend from transfers from the Higher Level of government (relevant for dimension iii).	Same
PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-17 Recording and management of cash balances, debt and guarantees			
(i) & (iii)	These dimensions refer to debt and guarantees contracted directly by SNGs. The debt is serviced by the SNG budget and the fact that Central Government (or HLG) may or may not have to authorize the debt is not relevant	<p>The (i) and (iii) dimensions are not applicable if the SN Government is not authorized to borrow or to issue guarantees at all. The i) dimension does not apply either if the SNG is allowed to do so but has no/zero debt.</p> <p>Regarding (i) and (iii) if the SNG is allowed to borrow (with or without restrictions) and to issue guarantees it may have its own legislation or regulation enjoying therefore some autonomy. The SNG may also carry out borrowing activities (and issue guarantees) in conformity with an existing legislative framework applicable to the entire General Government (Central Government and SNG), which is controlled by Central Government leaving therefore limited autonomy to the SN entity. It is therefore important for the evaluation (for i and iii) to point out what are the main elements of the existing legislative and regulatory framework in terms of responsibility for both Central Government and SNG.</p>	
(ii)	This dimension refers to cash balances of SNGs only.	The ii) dimension is applicable. For the SNG, the context in which the consolidation of cash balances is carried out needs to establish to which extent the consolidation process is an autonomous process for the SN entity or is linked to the same process at Central Government level. The SNG may have its own treasury system or may	Same

		share the Central Government Treasury, which applies to the entire public sector. The national Single Treasury Account might expand coverage to SN levels through regional delegations ¹³ .	
PI-18 Effectiveness of payroll control			
	In General--	This indicator and its four (4) dimensions are basically applicable at the SN level because any SNG needs to manage and control its payroll. If only part of the payroll of the SNG is under its responsibility with the remaining part under the Higher Level of Government or under Central Government's responsibility, the assessment of the indicator will cover only that part of the payroll, which is under the SNG responsibility ¹⁴ . For completeness, a clear and detailed description of the whole process and the relevant responsibilities should be included (responsibility for funding and responsibility for payment)	Same
(iv)	--	In evaluating this indicator particular attention should be given to the (iv) dimension. In fact payroll may well be under the SNG's responsibility but audit of the payroll system may be under Central Government Control and/or the SNG may not have an autonomous audit system. This configuration may penalize the SNG since audit of SN governments by a Supreme Audit Institution (Central Government) gives priority to Central Government entities, SN entities coming after.	Same

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-19 Competition, value for money and controls in public procurement			
	In general	The 2011 revised version of the indicator with its four (4) dimensions is applicable at the SN level. The evaluation of the indicator at SN level should analyze the existing legal framework for procurement including all the institutions involved. The legal and regulatory framework for procurement activities at SN level may have its specificities. There may be different type of legal frameworks: - The legal and regulatory framework for procurement is the same for all the entities of the General Government and the application of the framework does not discriminate against SN entities; - Procurement of SN entities is regulated by Central Government legislation, which includes a section on procurement for lower level of governments;	Same

¹³ This is the case in the Russian Federation for example.

¹⁴ The notion of responsibility refers to full or partial responsibility in the payroll execution from the SN government budget.

		- The SNG is autonomous as far as procurement is concerned and has its own legal and regulatory framework for procurement. In the first two cases the interaction with the Central Government (or Higher Level of Government) should be clarified.	
PI-20 Effectiveness of internal controls for non-salary expenditure			
	In General	For the 3 dimensions of the indicator, depending on the specific situation, the report should provide a clear explanation when the SN entity has limited (or no) autonomy in guiding the process of expenditure control and other internal rules and procedures that apply to the SNG.	Same
(i)	--	If the process of internal controls for non salary expenditure is an autonomous process in the sense that the SNG fully controls the commitment stage of all its expenditures and the authorization to pay the same, the application of i) is fairly similar to its application at the Central Government level. Otherwise the process needs to be analyzed with the interaction between the level of governments involved and the constraint in autonomy of SNGs.	Same
(ii)	--	National regulations may not have been adapted to local circumstances thus reducing their relevance and/or there may be confusion/ contradictions between local and national regulations and their jurisdiction.	
(ii) (iii)		For the (ii) and (iii) dimensions the same explanation as the ones in (i) should be made if the SNG does not have its own rules/procedures. Otherwise the situation is similar to the one at Central Government level.	Same
PI-21 Effectiveness of internal audit			
	This indicator assesses the effectiveness of the internal audit function for SNG regardless which level of government (Central Government, HLG or the SNG itself) is in charge of this function.	The function of internal audit at the level of SNG is often carried out by Central Government (or Higher Level of Government) or both by auditors of Central Government and auditors of the SNG or simply does not exist. If the function of internal audit does not exist, the indicator still applies.	

(i)	--	<p>When the function of internal audit of SNG is carried out by Central Government (or Higher Level of Government) or by a combination of auditors of Central Government and auditors of the SNG there are implications when evaluating the (i) dimension, particularly for the coverage of internal audit and the staff on systemic issues. These should be well analyzed and clearly established for the level of the SNG.</p> <p>Time spent on systemic issues is for the SNG regardless of who is in charge of internal audit. If Central Government is in charge of internal audit for the SN Government (partially or totally) because the SNG has partial (or no) autonomy in controlling the performance of this function detailed explanations should be provided in the report.</p> <p>If the function of internal audit does not exist, the dimension still applies and should be scored (D). In this case dimensions ii) and iii) do not apply.</p>	
(ii)		<p>For the (ii) dimension the entities to receive the report at the SN level are the audited entity, the ministry of Finance (or its equivalent such as the entity in charge of the budget) and the Supreme Audit Institution (SAI). Some local legislation may require the audit report to be sent to the Council of the SN (or to the Mayor for the municipality). If the function of internal audit does not exist (see above i) in this case dimensions ii) does not apply (NA).</p>	Same
(iii)		<p>If the function of internal audit does not exist (see above i) in this case dimensions iii) does not apply (NA).</p>	Same

C. BUDGET CYCLE: (ii) Accounting, Recording and Reporting

PI-22 Timeliness and regularity of accounts reconciliation			
PI	Interpretation	Guidance in applying PI at SNG	Scoring
(i)		This dimension evaluates the timeliness and regularity in the reconciliation of bank accounts under the SN entity's control (these can be managed by the SN Treasury or its equivalent).	Same
(ii)		This dimension evaluates the timeliness and regularity in the reconciliation and clearance of suspense accounts under the SN entity's control (these can be managed by the SNG's Treasury or its equivalent). Advances considered are those referring exclusively to the SN entity.	Same
PI-23 Availability of information on resources received by service delivery units			

(i)	The indicator refers to the collection and processing of information to demonstrate that the resources were actually received (in cash and in kind) by the most common front-line service delivery units. Front-line service delivery units are those units that are within the SNG's jurisdiction ¹⁵ .	The mentioned tracking survey in the indicator's narrative for the Central Government may not be needed for relatively less important SNG (measured in terms of budget percentage of the SNG to the total Public sector budget). In this case standard reporting could provide the information. In addition, at the local level, mechanisms such as notice boards, interaction with user groups and other social accountability mechanisms may provide for transparency as well.	Same
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PI-24 Quality and timeliness of in-year budget reports			
PI	Interpretation	Guidance in applying PI at SNG	Scoring
t.	At the SN level, the purpose of this indicator on the quality and timeliness of in-year budget execution reports is to inform Cabinet (or equivalent) if any, the elected Council, the Mayor (if a municipalities) or any other entity within the SNG. Reporting for national government would be covered by PI 8 (iii) in a central government assessment	Basically the indicator with its 3 dimensions can be applied at the SN level and for all types of SNG entities.	Same
PI-25 Quality and timeliness of annual financial statements			

¹⁵ Some frontline providers may own the infrastructure but are not responsible over the frontline provider as such (primary health centre, primary school, etc.). This is the case in the social sectors where decentralization has not advanced further on other aspects of the service delivery machine.

(i)	<p>The financial statements include all cost centers (ministries or equivalent, departments or equivalents, agencies or equivalent, service delivery units) under the SN entity's jurisdiction. Service delivery units are to be considered as separate cost centers.</p>	<p>A will be assigned when consolidated SNG statement includes service delivery units (that are considered as separate cost centers) in addition to the other elements (minimum) required.</p> <p>For B to be assigned consolidated SNG statement may exclude service delivery units (that are considered as separate cost centers).</p>	
(ii)	<p>--</p>	<p>Application of the framework at the Government level calls for submission of the financial statements to the General Government level to precede the submission to legislature. However there are cases at the SN level when the statements need to be first approved by the SN legislature (Council) prior to be submitted for external audits. In this case, the process of submission to legislature and (then) for external audit should be described in details with a particular emphasis on timeliness.</p> <p>Application of the framework at the General Government level calls for submission of the financial statements to the audit entity to precede the submission to legislature. However there are cases at the SN level when the statements need to be first approved by the SN legislature (Council) prior to be submitted for external audits. In this case, the process of submission to legislature and (then) for external audit should be described in details with a particular emphasis on timeliness.</p>	<p>Same</p>

C. BUDGET CYCLE: (iv) External Scrutiny and Audit

PI	Interpretation	Guidance in applying PI at SNG	Scoring
PI-26 Scope, nature and follow up of external audit			
(i)	--	<p>For the evaluation of this indicator the audit entity in charge of carrying out audits at the SN level should first be clearly identified and the situation should be documented:</p> <ul style="list-style-type: none"> - If the SN entity has its own audit office, different from the Supreme Audit Institution (SAI) in charge of auditing Central Government accounts, for the (i) dimension, entities within the SNG to be audited such as ministries (or equivalent) and/or any other entity should be referred to. - If a unique SAI is in charge of external audit for entities of the General Government (Central Government accounts as well as accounts of the SN entity), the relationships of the SN entity with the SAI should be explained, and the audit work, the submission of the audited accounts to the legislature and all the entities involved (dimension ii) should be clearly analyzed. - There may be an overlap in responsibilities/functions between the SAI and the SNG audit office. This may result in duplication of effort and potential gaps in review when there is no clear delegation of authorities. In this case the report should provide clear explanation of the context in which external audit is carried out. 	<p>To assign an A or a B, in addition to the (minimum) required elements, there must be a clear delegation of authorities between audit entities. A C is assigned when there is no clear delegation of authorities between audit entities. The other elements for minimum requirement should also be taken into consideration.</p>
30 (ii)	--	<ul style="list-style-type: none"> - If the SN entity has its own audit office, different from the Supreme Audit Institution (SAI) in charge of auditing Central Government accounts, for the (ii) dimension reference should be made to the legislature of the SNG, which could be a Parliament, a Council or any equivalent body; - If a unique SAI is in charge of external audit for entities of the General Government and for the (ii) dimension: <ol style="list-style-type: none"> 1. A first case may be that the SNG entity finalizes its statements, which are submitted to the SAI for audit. The financial statements of the Public sector are then submitted to the legislature (Parliament of Central Government). Approval by local legislature (Council) may occur after but is not relevant and is considered to be a formality; 2. The SNG entity finalized its statements, which need to be approved by the local legislature (Council) and then submitted to the SAI for audit. The SAI needs thereafter to submit them to the legislature of the Central Government (Parliament). In this case detailed explanations on the timeliness of submission are needed. 	Same
PI-27 Legislative scrutiny of the annual budget law			

	Legislative scrutiny at the SN level refers to the local/SN legislature such as a Parliament, an Assembly Council or any equivalent body (and not to the national or federal Parliament).	The ability of the SN legislature to carry out its responsibilities may be impaired by central government delays in providing necessary inputs to the process. The length of delays should be explained in the narrative and/or reference made to PI 8 (ii) of a central assessment.	Same
(i)	--	The issue of fiscal policies may not be relevant at the SN level because such policies are usually elaborated at the Central government level.	Same
PI-28 Legislative scrutiny of external audit reports			
	The indicator covers legislative scrutiny of external audit reports by the SN legislature. However there is no clear border line for this indicator at the SN level and the same indicator at the Central Government level. In fact, the legislative scrutiny of external audit reports (for entities under the jurisdiction of the SN entity) may be taken over by the national legislature though or the same can monitor the process of legislative scrutiny by the SN legislature.	Responsibilities for legislative scrutiny (SN and/or Central Government) of external audit reports should be clearly analyzed. If the National legislature plays a role in scrutinizing external audit reports the autonomy of SNG is limited in this. The report should explain and analyze the context in which audit reports are scrutinized.	Same

D. DONOR PRACTICES

PI	Interpretation	Guidance in applying PI at SNG	Scoring
D-1 Predictability of direct budget support			
	<p>This indicator refers to budget support provided directly to SNGs. That means in practice that the SNG has to directly interact with the donor agency (regardless the fact whether the entity shares the same Treasury system or not with the Central Government).</p> <p>If budget support is not provided directly to the SNG, the indicator does not apply (NA). If budget support is provided to the SNG through Central Government, this should be considered budget support to be captured by the Central Government PEFA assessment. Funds transferred from CG to the SNG from budget support funds are captured by HLG-</p>	<p>When assessing this indicator the relationships between the SNG entity and the donor need to be analyzed in details.</p>	<p>Same</p>