**Project Summary**

### Study Background

The Government of the St. Vincent & the Grenadines requested that the currently available uncommitted STABEX funds approximately € 3.5mn (plus possibly additional € 7.9mn from other Framework of Mutual Obligations) be utilised in the area of targeted budgetary support. The Guidelines for European Commission Support to Sector Programmes mandate a preliminary assessment of public financial management to ascertain the feasibility of such approach.

### Mission Objectives

The mission provided decision makers in the Government of St. Vincent & the Grenadines and the European Commission with an assessment of the features and quality of the Government’s Public Finance Management (PFM), the existing situation, the potential areas of improvement (e.g. need for additional diagnostic work and measurement of progress).

### Mission Activities

For this purpose the mission assessed the Public Finance Management by means of the recently adopted Performance Measurement Framework (PMF) of the Expenditure and Financial Accountability (PEFA) Programme. The PEFA approach uses the largely standardised PMF, which performs the risk assessment and identification of weaknesses of the Public Finance Management on the basis of several pre-determined indicators. PEFA has been developed by the World Bank, the IMF, the European Commission and other donors. The assessment covered three major areas, namely:

- **Credibility of the budget:** is the budget realistic and implemented as intended?
  - Comparison of budgeted with actual expenditures and revenues of the previous year
  - Composition of expenditures (actual against the originally planned budget)
  - Monitoring of expenditure payment arrears and the reliability of the data on stock
- **Comprehensiveness and transparency.**
  - Budget classification and documentation
  - Extra-budgetary expenditure which is unreported i.e not included in fiscal reports,
  - Capacity of central government to monitor the autonomous government agencies
- **Budget Cycle**
  - Policy based budgeting (adherence to minimum requirements, budget calendar etc.)
  - Predictability and control in budget execution (procedures and registration for taxes, monitoring of cash flows etc)
  - Accounting, recording, and reporting; external scrutiny and audit

### Implementation Features

The study required close consultation with key members of staff of the Office of the National Authorising Officer/Director of Special Project Initiatives, Office of the Prime Minister and the Ministry of Finance, close liaison with the EC Delegation and dialogue with other donors. It included a ‘generic’ part in assessing the fit of PEFA and PFM with the local situation, and a specific part of budget scrutiny in respect of the request for transfer of funds.

### Services Provided

- Systems analysis in respect of budget structure/procedures and the tax system
- Assessment of Public Expenditure and Financial Accountability (PEFA) and the existing Performance Measurement Framework (PFM)
- Scrutinizing of budget, revenues and expenditures, especially transparency, documentation and accountability to the public
- Final report including recommendations, discussed with NAO and EC Delegation prior to submission

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**St. Vincent & the Grenadines**

**Assessment of the Public Finance Management (PFM) System**

**Client**

European Commission / EC

**Duration**

19.07.2006 - 19.08.2006

**Personnel**

- 1 public finance specialist (1.5 PM) with extensive experience in public budgeting and public sector auditing, being familiar with the PEFA-PFM methodology.