**Project Summary**

**Project background**
Part of the new European Commission strategy for external aid includes the change in traditional project approach towards cooperation based on budgetary support. This instrument allows adopting a development strategy that supports profound sectoral and structural reforms aimed at achieving poverty reduction, as well as good public financial management, as a result of the relationship between improvements in public expenditure, poverty reduction, and the promotion of economic and social growth.

**Project objectives**
The Mission objective was to evaluate the performance of the public financial management (PFM) system in Peru.

**Project activities**
Production of a PFM report to provide an analysis of overall performance of the Peruvian PFM system as well as to act as a point of reference for measuring the future performance. The Public Expenditure and Financial Accountability (PEFA) assessment covered:

- **Credibility of the budget:**
  - 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 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 the central government to monitor autonomous government agencies

- **Budget cycle**
  - Policy-based budgeting (adherence to minimum requirements, budget calendar etc.)
  - Predictability and control in budget execution
  - Accounting, recording and reporting
  - External scrutiny and audit

**Features of implementation**
The evaluation was carried out according to the structure, methodology, and guidelines of the document adopted by the PEFA Steering Committee Public Financial Management - Performance Measurement Framework.

**Services Provided**
- Preparation of a Work Plan.
- Systems analysis in respect of budget structure/procedures and the tax system.
- Scrutinizing of budget, revenues and expenditures, especially transparency and documentation.
- Final report on public financial management including recommendations, discussed with the Ministry of Finance and the EC Delegation.
- Opening and closing workshops on PEFA including (i) general, for all parties involved, in order to ensure overall understanding of the PEFA approach; (ii) technical, with representatives from government and external monitoring sectors in order to explain the indicators.