PFMP Philippines-Australia Public Financial Management Program

Supporting the Philippines towards improved efficiency, accountability and transparency

Draft Annual Program Accomplishment Report: 2013

11 March 2014

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Annex 1 – Activity Summary

1. Introduction

This is the second Annual Program Accomplishment Report (APAR) of the Philippines–Australia Public Financial Management Program (PFMP). It provides discussion of the progress and achievements of the Program during 2013.

The report provides a brief overall assessment of progress, followed by more detailed discussion of each Program Outcome. It then discusses sustainability and cross-cutting issues, and concludes with a brief description of program management activities. The annex provides more details about individual activities.
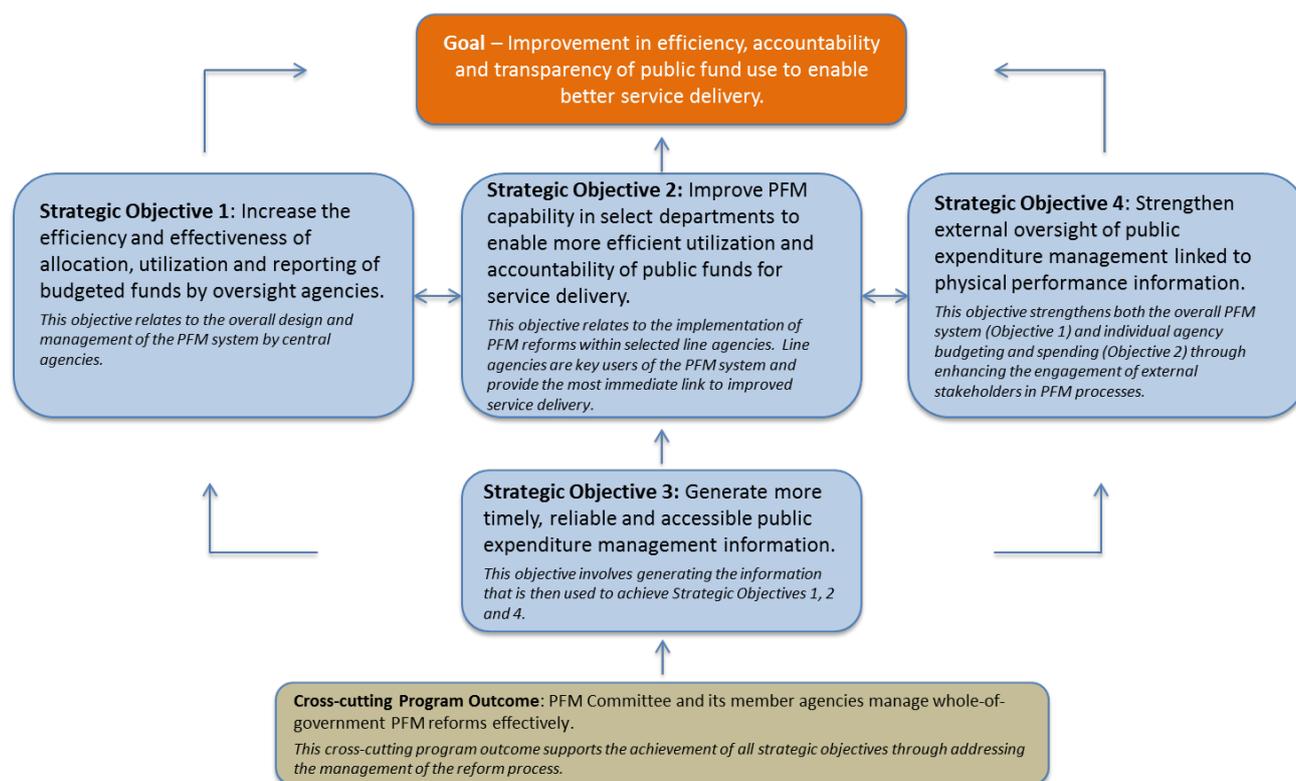
Normally, the Annual Report would provide a thorough of analysis of progress toward the intended outcomes, including through examining the performance indicators defined in the Program M&E Framework. However, this report provides a more brief update for two reasons. First, the principal focus of the stakeholders is on the Mid Term Review undertaken in January 2014. Second, the focus of M&E effort is currently on collecting and analysing data for the Government's newly adopted Reform Roadmap Results Framework. When this work is finalised, the PFMP M&E Framework will be aligned to the Government's system.

Program Background

PFMP is a joint initiative of the Governments of Australia and the Philippines. The Program commenced in October 2011 and directly assists the Government of the Philippines to implement its *Public Financial Management (PFM) Reform Roadmap.* Through the Department of Foreign Affairs and Trade, the Australian Government has committed up to A$30 million over five years, 2011–2016.

The Program has four Strategic Objectives in support of its overall goal, as shown in the diagram below.

Diagram 1: Strategic Objectives.

Goal – Improvement in efficiency, accountability and transparency of public fund use to enable better service delivery.

Strategic Objective 1: Increase the efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by oversight agencies.
This objective relates to the overall design and management of the PFM system by central agencies.

Strategic Objective 2: Improve PFM capability in select departments to enable more efficient utilization and accountability of public funds for service delivery.
This objective relates to the implementation of PFM reforms within selected line agencies. Line agencies are key users of the PFM system and provide the most immediate link to improved service delivery.

Strategic Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information.
This objective strengthens both the overall PFM system (Objective 1) and individual agency budgeting and spending (Objective 2) through enhancing the engagement of external stakeholders in PFM processes.

Strategic Objective 3: Generate more timely, reliable and accessible public expenditure management information.
This objective involves generating the information that is then used to achieve Strategic Objectives 1, 2 and 4.

Cross-cutting Program Outcome: PFM Committee and its member agencies manage whole-of-government PFM reforms effectively.
This cross-cutting program outcome supports the achievement of all strategic objectives through addressing the management of the reform process.

A Program Steering Committee (PSC) provides strategic oversight to program planning and implementation and decides funding priorities year to year. It comprises senior officials from the Department of Budget and Management (DBM), Department of Finance (DOF)–Bureau of the Treasury (BTr), Commission on Audit (COA) and the Australian Department of Foreign Affairs and Trade, and aligns closely with the work of the government's inter-agency PFM Committee. Meanwhile, the National Economic and Development Authority (NEDA) plays an advisory role to the Program.

The Department of Foreign Affairs and Trade directly manages the PFMP and is supported by a contracted service provider, Coffey International Development, which is responsible for the day-to-day administration of the Program.

2. Overall Assessment

Achievements

The highlights of 2013 were:

› The Government adopted the **Unified Account Code Structure** (UACS) for the preparation of the 2014 budget; agencies will execute and report on the budget in 2014. This was a significant milestone and, with correct implementation during 2014, will allow the Government to report clearly on expenditure against budget for the first time.

› After the design of the **Treasury Single Account** (TSA) was completed in early 2013, the remainder of the year focused on setting up the systems and processes required to begin implementation, scheduled for January 2014. This is will be a significant milestone for GOP.

› **GIFMIS** tender specifications were finalised following final validation exercises with Government agencies. The tender process is delayed by about six months, but the approach has remained consistent with the requirements set out in the conceptual design adopted at the beginning of 2013. A shortlist of potential vendors is likely to be identified early in 2014.

› During 2013, the Government developed the first "**performance informed budget**" that incorporated performance (output) information into the budget. This was the first step in moving toward more results-oriented budgeting and management systems.

PFMP provided technical advice and operational support with all of the above areas of progress.

In support to spending agencies, Australia concluded eight years of support to financial management at the **Department of Public Works and Highways** (DPWH). A PFMP study into this work suggested that the activity enabled the Department to produce more reliable financial information, and demonstrated how financial information can be used to help improve decisions about service delivery.

The Program continues to work closely and effectively with its Government partners.

Challenges for 2014

There are three challenges to highlight.

First, the reforms are moving out of design and into implementation. Implementation will require effective collaboration with spending agencies to ensure that reforms are taken up as intended. It will be particularly important to ensure that the pace of reform does not come at the cost of ensuring sufficient depth and substance in implementation. (Lessons are already being identified to do with these challenges in the discussion of Program Outcome 1.2 below.)

The shift to implementation also has implications for the focus and nature of Australian support. While support to design processes is a 'relatively' straightforward matter of providing technical and policy advice, support to implementation requires more sophisticated approaches. It will be particularly important to be clear about the scope and limitations of PFMP support in what is fundamentally a Government-led process.

Second, the possibility of a review and update of the PFM Reform Roadmap has been identified. If it proceeds, it will be important that this process focuses on maintaining the correct sequence of reform activities. It will also be important to ensure a clear focus on the policy objectives of reform; this will provide clear context in which to ensure that reforms are properly integrated, and not approached as standalone systems projects.

Third, the Program component addressing external oversight of public expenditure (Strategic Objective 4) will need to be reinvigorated. As discussed later in this report, progress in this component has been slow, and engagement has to date been limited to a small number of stakeholders. This means that the opportunities afforded by Government's commitment to transparency and CSO engagement have not yet been fully exploited.

3. Progress Toward Results

This section analyses progress toward the achievement of program outcomes during 2013 (and, where relevant, key developments that took place in January 2014).

Program Outcome 0.1: PFM Committee and its member agencies manage whole-of-government PFM reforms effectively.

Given the complex and interconnected nature of the PFM reform effort, the effectiveness of Government's oversight and coordination arrangements is vitally important. PFMP continued to resource the Government's Program Management Office (PMO) at DBM. The PMO supports the inter-agency PFM Committee and the Project Implementation Units that report to it. It is an important hub for coordination and is a catalyst in maintaining reform momentum and developing government capability over the longer term. The PMO is a key element of PFMP's strategy – embedding this support within DBM provides the Program with an excellent basis from which to contribute, and the PMO played a central role in advancing the UACS, GIFMIS and PIB reforms, as detailed under Strategic Objective 1 below.

Designing a PFM Competency Framework
A new area of support that emerged in 2013 (approved by the PFMP Program Steering Committee in February 2013) was the development of a design for a PFM Competency Framework, intended to be the starting point for developing a long term approach to professionalising the PFM workforce.

The design was finalised in December 2013 (with approval from the PFM Committee expected in early 2014). The team's deliverables included a proposed Competency Framework, an implementation plan, and an initial capacity gap analysis (focused on the ability of training suppliers to meet the Government's training delivery requirements).

Strategic Objective 1: Increase the efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by oversight agencies.

This objective addresses reforms to PFM systems across the budget cycle, as well as the ability of oversight agencies to translate reforms into improved budget performance.

Program Outcome 1.1 Government implements improved systems for budget formulation and communication.

The Government announced (in March 2013) the adoption of Performance Informed Budgeting for the 2014 Budget, which required the National Expenditure Program (and General Appropriations Act) to be restructured. This was a major development, as performance information had previously only been documented through a separate, parallel process with no direct impact on the budget.

The early stages of PFMP support[1] focused on working with DBM to raise awareness of the new budget structure amongst key stakeholders, including within Congress. The focus then shifted to address the longer term challenges associated with embedding an effective performance focus within the budget. Following discussion between DBM and the PFMP budget specialist with DBM, the Department agreed to move to an *outcome*-based budget for 2015 (although initially the focus will be built around the existing major final outputs), and then to *program*-based budgeting and management for 2016.

This work will see the budget specialist working with DBM to build effective program structures for agencies, and understanding within oversight and spending agencies of the management approaches required to support performance-informed budgeting.

Other work included:

› Examining the implications of a more performance-focused budget system for DBM and its core functions. In this context, the budgeting specialist provided analysis of DBM's structure, which is being taken into account as modifications are progressively rolled out in 2014.

› Advice was provided on developing a Chief Financial Officer (CFO) model for the Government, where the CFO will be the policy lead for the government in financial management, financial management systems, procurement, and internal audit. This role is currently being discussed within DBM.

Program Outcome 1.2 Oversight agencies improve management and systems for budget execution, accounting, and reporting.

This outcome focuses on two key reforms central to budget execution: the establishment of a unified account code structure and of a Treasury Single Account.

Unified Account Code Structure (UACS)
Having a unified account code structure for all Government revenue and expenditure is essential for analysis of Government's financial position, including the comparison of expenditure to budget. Government made significant progress during 2013: capitalising on the completion of the UACS design in 2012, the Government adopted its first UACS budget for the 2014 budget cycle.

The decision to proceed with UACS for the 2014 Budget was made by the Secretary of DBM in December 2012, placing DBM (and spending agencies) under pressure to move quickly to align budget preparation systems to the UACS and train budget staff in their use. This work was ultimately successful: the National Expenditure Program was submitted to Congress on time, in the UACS format. PFMP provided both technical and administrative support to this rollout process, assisting with finalising the UACS Manual, and the preparation for the UACS training (delivered by Development Academy of the Philippines - DAP).

PFMP undertook a review of the process through which UACS was developed and rolled out for the 2014 budget. Key findings are outlined in the box overleaf.

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[1] A senior budget specialist was mobilised by PFMP in May 2013.

UACS Review

A review (conducted by PFMP in November 2013) of the process through which UACS was introduced found that:

› Reaching agreement on a unified account code structure was a significant achievement for the Government after many years of having different account code structures, administered separately by DBM and COA.

› It was an impressive outcome that the budget was finalised on time, in a UACS-compliant format, with 98% of agencies submitting their budget proposals via the newly developed Online System for Budget Preparation (OSBP).

› There were some problems with the rollout process, to do with the communication of requirements to spending agencies, the adequacy of the training, the stability of OSBP during the training process, and the adequacy of support provided during the budget preparation process. Many of the difficulties are likely to have resulted at least in part from the limited time available to prepare for rollout.

› Finally, agencies are generally not yet ready to execute and report on their budgets in UACS format, or to use UACS for financial analysis. Addressing this challenge will be critical to achieving the objectives of having a unified account code structure. This will be a significant area of work in 2014, to which PFMP expects to make a major contribution through resourcing a UACS help desk.

In terms of lessons for reform implementation more broadly, the review suggested that reform is likely to be most effective when spending agencies understand and share the benefits of reform and thus engage in reform actively, rather than approach reform as a compliance exercise. Spending agency ownership drives benefit realisation – including the benefits for oversight agencies. It follows that effective engagement with and support to spending agencies is essential.

Treasury Single Account (TSA)

The TSA is a significant reform that intends to provide a stronger system for centralised cash management. It has the potential to generate significant savings for the Government and enhance fiscal transparency. Implementation of the TSA will streamline the Government's cash management arrangements, improve transparency and accountability in how public funds are used, contribute to improved budget execution, and should enable significant fiscal savings.

Early in 2013, the Philippines Treasurer prioritised the implementation of the TSA by January 2014. With extensive technical advice from PFMP, Government achieved significant progress to this end: an interim IT solution for TSA was developed (the TSA Reporting and Monitoring System), good progress was achieved with consolidating bank accounts, and a fee-based payment system with the Government-servicing banks was successfully negotiated. Implementation begins in January 2014.

Strategic Objective 2: Improve PFM capability in select departments to enable more efficient utilization and accountability of public funds for service delivery.

This objective provides support to strengthening financial management systems (in DPWH and DepED) and internal audit and risk management (in DepED and DSWD), consistent with the broader framework of the PFM Reform Roadmap.

Program Outcome 2.1: Targeted national government agencies operationalise enhanced budget and expenditure management systems.

Department of Public Works and Highways

Support to DPWH was completed in December 2013, bringing to an end an eight year implementation effort.[2] During that time, Australia helped the Department to roll out the Electronic New Government Accounting System (eNGAS) and Electronic Budget System (eBudget) to its 206 offices.

The rollout yielded improvements in the accuracy and timeliness of financial information and reporting, and provided a basis from which to link physical and financial performance information. This means that DPWH is

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[2] PFMP's predecessor programs also supported this system implementation.

in an improving position to track the physical progress of its infrastructure projects. DPWH is also in a better position to implement GIFMIS than it otherwise would have been through the establishment of better structured information, and more rigorous internal processes.

PFMP completed a case study of the implementation exercise, which provided some useful lessons for the implementation of GIFMIS (see box below).

Lessons Identified from the DPWH Case Study

Lesson 1: Understand Agency Context.
The momentum and effectiveness of financial management reform escalated rapidly when it was oriented toward meeting DPWH's *internal management needs* rather than external reporting requirements. The challenge for GIFMIS implementation will be to find ways to ensure that the system benefits spending agencies, so that agency management can become advocates for successful implementation.

Lesson 2: Develop Long Term, Comprehensive Approaches to Capacity Building.
The skills development challenge at DPWH was enormous, but the challenges for GIFMIS will be greater still. Skills development must include different forms of on the job support that are specifically linked to the performance of tasks in GIFMIS. For example, skills development at DPWH was specifically focused on improving data reliability, not just on how to use the system. An important theme within this lesson is *readiness.* At DPWH, it became evident early in the implementation process that many prerequisite skills were not in place. Significant effort went into building understanding of basic Government policies and procedures before rollout began.

Lesson 3: Focus on Operational Outcomes.
GIFMIS implementation must focus on improving operational outcomes, and not be viewed just as an information technology project. Fundamentally, the goal of GIFMIS is to help improve the quality of PFM; GIFMIS implementation is not the goal, but one of the methods through which the goal will be achieved. Focusing explicitly on operational outcomes is important because systems are only ever part of the solution. For example, at DPWH there was a big focus on reducing unreconciled balances. Reductions were achieved as a result of system implementation combined with sustained management attention and revised internal processes.

Department of Education (DepED)

Following the completion of a functional review and strategic design for financial management information systems at DepED in 2012, the PFM Committee agreed that DepED would be one of the pilot agencies for GIFMIS. In response, PFMP mobilised an activity to assist the department with GIFMIS readiness activities over the next three years. There are three areas of focus – assisting the Department to prepare for and implement the UACS, implementation of the TSA, and GIFMIS-readiness (including an IT asset assessment). Preparing for UACS was a significant focus during 2013, with training being rolled out across the organisation and updates being made to DepED's financial reporting system.

This work is progressing satisfactorily, but the challenges are significant: DepED is a large and complex organisation that will require significant assistance to remain on track for the piloting of GIFMIS implementation in 2015.

Program Outcome 2.2: Targeted national government agencies improve compliance with internal control rules and procedures.

Department of Social Welfare and Development (DSWD)

PFMP completed its support to DSWD in December 2013. The focus was on helping the Department to implement improvements to its internal audit and risk management functions. Improving the ability to identify and manage risks is vital as the resources allocated to the Department's major social protection programs rapidly increase. A basic approach to risk management was developed and rolled out across the

organisation, with support provided to operationalising risk management in several of DSWD's regional offices.

Department of Education (DepED)

Support to DepED's internal audit function is approaching completion (scheduled for the end of February 2014). Gradual progress continues to be achieved in a difficult context at DepED, with limited resources and high staff turnover in its Internal Audit Services (IAS) unit. (There has been a 30% reduction in staff since the activity began). Nonetheless, the activity helped produce a significant increase in the output of the IAS Unit. An expected five audit reports will be produced by the end of the assignment (compared to only one having been produced in the previous two years). Improvements have also been made to internal audit tools and procedures.

Government Internal Audit Training

PFMP funded the delivery of eight training modules to support the roll-out of the Philippine Government Internal Audit Manual (PGIAM). The training was developed and delivered through an implementation team comprising DBM, COA, the Office of the President, and the DAP. 1,400 participants were reached as part of the initial phase. The Government is now continuing the training delivery with its own resources.

Strategic Objective 3: Generate more timely, reliable and accessible public expenditure management information.

Program Outcome 3.1: A working Government Integrated Financial Management Information System (GIFMIS) is introduced.

Solid progress was achieved during 2013 toward implementing GIFMIS: the conceptual design was finalised, the GIFMIS budget was approved[3], and Expressions of Interest (EOI) were called from suppliers. Although the initial approach to the market was unsuccessful, the second approach is likely to produce a good shortlist of potential vendors. The current target is to go-live in pilot agencies from September 2015.

The conceptual design was finalised early in 2013 following a series of validation workshops (during which final agency feedback[4] was sought on the to-be business processes), the tender documents were developed, and a Special Bids and Awards Committee (SBAC) was established within DBM.[5]

The call for EOIs went to market at the beginning of August 2013, however it was declared a failed bid by the end of October as the six submissions received failed to meet the necessary eligibility requirements. The second call for EOIs closed in January 2014, and it is now likely that a competitive shortlist will be obtained.

The process is currently about six months behind the initial schedule. The current target for go-live in the pilot agencies (all oversight agencies plus DepED) is September 2015, with full rollout beginning in the first half 2016. (A more detailed workplan will be developed and monitored once the vendor has been selected.)

A more fundamental challenge currently relates to continued difficulties with the Government's appointment of its implementation team to manage the engagement with the GIFMIS vendor. Although the budget for the team was approved, recruitment has not been successful after many months of effort.[6] At

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[3] A budget of PHP2.122 billion was approved for GIFMIS procurement, in line with the recommendations provided by PwC in the conceptual design. The initial budget covers the first five years of implementation. There is, at the time of writing, one final approval required from the NEDA Board. However, this is considered a technicality given that the Board is chaired by the President, whose Executive Order mandates the implementation of the system.

[4] Included all oversight agencies plus DepED, DSWD and DPWH.

[5] The SBAC is supported by several technical working groups, which have representation from all oversight agencies.

[6] It has been difficult to attract staff with sufficient technical skills at civil service pay rates. Others have indicated they are unwilling to move to 'project' positions due to a perceived lack of job security. Secondments have not been possible due to a reluctance of employers to release qualified staff.

this stage it appears unlikely that the team will be put in place in the manner originally intended. No clear alternative strategy has yet been developed, and this will be a priority for 2014.

PFMP supported all aspects of the GIFMIS development process during 2013, including playing the lead role in the development of the tender documentation. PFMP provided both technical advice and administrative support to DBM and the SBAC on a day-to-day basis.

Strategic Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information.

Program Outcomes 4.1 and 4.2 address the engagement process between Government and civil society, and these are discussed together. Program Outcome 4.3 addresses the role of Congress.

Program Outcome 4.1: Civil Society Organizations [CSOs] strengthen their participation in the budget cycle. / Program Outcome 4.2: National Government agencies enhance their engagement with civil society.

Support to DBM CSO Desk
The Government has prioritised strengthening constructive engagement with civil society. In response, PFMP's approach to civil society issues was outlined in a strategy document approved by the PSC in late 2012. A key element of this strategy is to work with both the demand (CSO) and supply (Government) sides of the dialogue process.

To inform this complex area of work, PFMP identified four studies[7] to be completed in 2013 that would inform the Program's approach to engaging with both CSOs and Government (including spending and oversight agencies). Three of the four studies are now complete, but only after significant delays. The last of these studies is assessing how four sample agencies are organized to implement constructive engagement in the budget process, what their key challenges are, and what the current state of their engagement is with stakeholders/CSOs.

The slow progress of the analytical work agreed with DBM and the lack of any agreed follow up action means that the opportunity provided by the Government's commitment to increasing engagement with civil society has not been fully exploited. Also, (aside from the Participatory Audit activity discussed below), PFMP has had no direct engagement with CSOs.

It is important that PFMP investigates options for reinvigorating and broadening its approach to ensure that support is targeted at areas that will yield useful benefits within the time remaining on the Program. As a start, it is expected that the current diagnostic study with DOH, DepED, DPWH and NHA will provide the basis for further technical support to those agencies' engagement activities, and possibly to selected CSOs with whom these agencies work. The current two-year package of assistance to DBM will end with the completion of this study, and PFMP will take into account the recommendations of the Program's Mid Term Review along with the findings of the study to ensure that the Program makes use of the best entry points to maximize support to civil society engagement. This will be a priority for early 2014.

Participatory Audit
The Citizen Participatory Audit Project was launched by COA in 2012 to engage citizens in external audits conducted by COA auditors. PFMP funds the Affiliated Network for Social Accountability in East Asia and the Pacific (ANSA-EAP) to work with COA on this initiative. Three participatory audits were undertaken during the year, piloting different methods of engagement and cooperation. One report has been published, and a

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[7] An assessment of the BPA process for 2012; a needs assessment and diagnostic study examining CSO engagement at DOH, DepED, DPWH and the National Housing Authority (NHA); a study into the policies and regulations that govern CSO engagement; and a study into the legal framework impacting CSO funding and operations.

fourth pilot recently commenced. The PFMP commitment to this initiative was for a two-year period, now entering its last quarter. The project is now supporting the completion of institutionalization measures such as learning modules for COA's CPA Learning Course, an Operational Manual for the Public Information System, policy options, and a draft CPA Operational Manual.

The initiative won the "Bright Spot Award" of the Open Government Partnership in November 2013, which provides an excellent opportunity to further highlight the potential value of the approaches now being tested. The challenge ahead is to determine the nature of continued assistance in the context of COA's own institutionalisation of participatory audit.

Program Outcome 4.3: The budget oversight functions of Congress are more effective

A baseline assessment of the role of Congress in providing external oversight of public expenditure, and role of COA in supporting Congress was finalised early in 2013. The issue remains with the Congressional Policy and Budget Research Department to determine appropriate follow up action. This is a challenging and politically sensitive area for reform in which there has been little significant change for a number of years. It will be important to proceed cautiously and collaboratively based on a clear understanding of the expectations of key stakeholders.

4. Sustainability

While it is premature (given the relatively early stage of reform implementation) to draw any confident conclusions about the likelihood of sustainability, PFMP has developed a good understanding of the factors that influence sustainability in the current reform context.

The positive starting point is that political commitment to the reform agenda is strong. Governance reform is a core part of the President's Social Contract. The President has also issued a specific order (Executive Order 55) regarding the implementation of PFM Reforms, which provides a strong reform incentive to senior bureaucrats. Thus the reforms are driven clearly and publicly from the most senior levels of Government.

The fundamental goal is to have achieved enough by mid-2016 (the end of the Government's term) to ensure that the reforms become, in the language of the Aquino Administration, "irreversible". The concept of irreversibility provides a useful framework within which to consider the question of sustainability.

The first challenge – which currently forms the core of the Program's work – is on building systems and processes that will provide the basis for longer term performance improvement. The second – and critical – challenge is to properly embed the implementation of those systems in day-to-day practices across both oversight and spending agencies. This requires agencies to understand and buy into the benefits of the reform initiatives (as noted in the DPWH case study).

Once systems are being implemented across a range of stakeholders who see the benefit in doing so, the reforms become technically and politically difficult to undo. On that basis, the following specific considerations are important for PFMP:

› *Identifying and supporting operational change champions to translate political commitment into new practices.* The bureaucracy is not uniformly open to reform, so identifying champions – who both support **and** can deliver reform is critical.

› *Encouraging Government to build broad stakeholder engagement to ensure a wide and varied constituency for reform – both within and outside the civil service.*

› *Capacity building.* Recognising that capacity helps drive sustainability, PFMP is supporting not only system development, but the ability to deliver and operationalise those systems.

5. Cross-Cutting Issues

There are three cross-cutting issues for consideration:

› *Gender.* Since 1992 all NG agencies and LGUs are required to allocate a minimum of five per cent of their budgets to GAD responsive programs and projects. One of the constraints to GAD budgeting is the underdevelopment of the NG's financial and performance information systems. In this respect, GAD budgeting faces similar systems constraints to the wider performance budgeting agenda including the utility of the OPIF framework. Implementation of GAD budgeting is expected to be strengthened as a result of the reforms to enabling systems over the medium to long term. No specific gender analysis or activities took place during 2013.

› *Anticorruption*. PFMP's support to improvements in transparency and accountability in PFM will contribute to anticorruption efforts. Relevant initiatives include support to GIFMIS, improvements in financial reporting, the establishment of a single account for the Treasury, and strengthening engagement between Government and Civil Society.

› *Working in partner systems*. Strengthening PFM systems in the Philippines will ultimately contribute to enhanced opportunities for donors to work through partner systems in the Philippines.

6. Program Management

Strategic Planning

A Mid Term Review was conducted in January 2014, intended to inform the decision on releasing funding for the second half of the Program (June 2014 – June 2016). Largely as a result of this, no work plan is yet in place for 2014 as at December 2013. Existing activities will continue into 2014, with a decision about a 2014 workplan to be made shortly following the completion of the Mid Term Review.

Key Staffing Developments

Through the PFMP Team Leader, the Department of Foreign Affairs and Trade maintains direct leadership and management responsibility for program planning and implementation. The original Team Leader completed his posting to Manila in August 2013, following which the Senior PFM Adviser (Des Ferguson) acted as Team Leader. The selection of the new Team leader (Daniel Featherston) was announced in November 2013, with mobilisation in January 2014.

Monitoring and Evaluation

The M&E Framework for PFMP was approved by the PSC in December 2012. Two major M&E studies were completed during the year: a case study of Australia's financial management support to DPWH, and a review of the introduction of the Unified Account Code Structure. The findings of both studies are being fed into discussions about planning of future activities.

The M&E Specialist also assisted the Government to develop a Results Framework and monitoring system for the PFM Reform Roadmap. With the Results Framework having been adopted by the PFM Committee in December 2013, it is now possible to align the PFMP M&E Framework to the Government's. The timing for this will be determined early in 2014 once a decision is made about whether the Government will review the PFM Reform Roadmap.

Annex 1 – Activity Summary

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Cross-cutting Outcome 0.1: PFM Committee and its member agencies manage whole-of-government reforms effectively.			
Activity 1.1 **Support for PFM Program Management Office – DBM/COA/DOF/BTr**	Start: March 2012 End: April 2014	Greg Robins (Director), Tess Garcia, Roberto Garcez, Sheila Villaluz, Reggie Olalia; Support Staff	PFMP is resourcing the Program Management Office (PMO). PMO operations continued successfully during 2013. Support was provided to the design of the PFM Competency Framework, Treasury Single Account (TSA), GIFMIS, and the Unified Account Code Structure (UACS), and performance informed budgeting. Further details are provided under the relevant activities below. The PMO continued to support the PFM Committee and PIU operations. In addition: › A Results Framework was developed, and accepted by the PFM Committee in November 2013. This will provide the basis for assessing and managing reform progress. › A Communications Specialist was recruited to help strengthen Government communications about reform issues. A communication plan was approved by the PFM Committee in December 2013. › The first Annual Report on the reform process was also prepared. › The DBM Training Unit was assisted to establish the Speakers Bureau, a group intended to play a key role in delivering training related to the PFM reforms. The PMO also supported the organisation of the sixth Annual PFM Conference in Tagaytay (September 2013). The Conference brought together a range of PFM stakeholders, was opened by the PFM Principals, and for the first time included participation from spending agencies. The Conference provided an opportunity to share lessons learned among stakeholders, and increase awareness about reform initiatives among spending agencies.
Cross-cutting Outcome 0.2: Government operationalises PFM Competency Framework (tentative Program Outcome)			
Activity 1.5 **Professionalising the PFM Workforce – Phase 1: Development of a PFM Competency Framework – DBM, COA, CSC, TESDA**	Start: June 2013 End: December 2013	WYG International / Chartered Institute of Public Finance and Accountancy	PFMP supported the development of a Competency Framework design for PFM. After extensive consultations with a range of agencies the design team completed its analysis and presented the draft Competency Framework to the Capacity Building PIU in late November 2013, which agreed to endorse the Framework to the PFM Committee. The team also completed an implementation plan for the framework, and an initial capacity gap analysis for Government's consideration. Government deliberations on the recommendations will continue into the new year.

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Strategic Objective 1: Increase the efficiency and effectiveness of allocation, utilisation and reporting of budgeted funds by oversight agencies.			
Program Outcome 1.1: Government implements improved systems for budget formulation and communication.			
Activity 1.1 **Support to PFM Program Management Office – DBM (Expansion – Senior Budgeting Expert)**	Start: May 2013 End: August 2014	Bruce Stacey	PFMP is providing an adviser to help strengthen budgeting and reporting systems. The initial focus of work was on assisting DBM to: › Communicate the purpose and scope of the revised structure of the National Expenditure Program (NEP), in particular to Congress. This was a high priority task to ensure that the new budget format adopted by Government for 2014 (that incorporates budget outputs) is successfully introduced. › Develop an outcome-based performance framework for its own activities (as an advance on the existing output-based structure). › Identify performance information requirements for GIFMIS. Once these initial tasks were completed, focus shifted to the longer term moves toward outcome based budgeting (for the 2015 budget) and then program based budgeting and management (for the 2016 budget). The adviser also assisted DBM with analysis about its functions and structure in the context of these reforms.
Program Outcome 1.2: Oversight agencies improve management and systems for budget execution, accounting, and reporting.			
Activity 1.2 **Design of Treasury Single Account (TSA) – BTr**	Start: May 2012 End: March 2014	Richard Brun, Maria Teresa Quirino Stephen MacLeod, Arnaldo del Rosario, Ramil Bugayong	This activity began by supporting the design of the Treasury Single Account (TSA), and since the approval of the design by the Treasurer in early 2013, has shifted to supporting the management of the implementation process. The focus during 2013 was on: › The development of an interim IT solution (TSA Reporting and Monitoring System – TRAMS) to support the TSA prior to the implementation of GIFMIS. This system is ready for testing. › Identification and consolidation of bank accounts that will be incorporated into the TSA; and › Negotiation of a fee structure with Government Servicing Banks for the TSA (to support the move away from the current float system). This was completed in December 2013. Work during 2013 ensured that the basic requirements were in place to begin the implementation of the TSA in 2014.

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Activity 1.3 **Support for Harmonization of Government Accounts – DBM/COA**	Start: March 2012 End: September 2013	Richard Walsh	The current phase of support was completed successfully in September 2013. Initial support from PFMP focused on designing the Unified Account Code Structure (UACS). Following its approval at the end of 2012 and Government's decision to adopt the UACS for the 2014 Budget, assistance was extended to support the introduction process. During 2013, PFMP/PMO support focused on finalizing the UACS Manual, supported the development and delivery of training (led by DBM), and conducted analysis of budget execution systems in spending agencies, regarding their UACS-readiness. Following the completion of the work of the accounts harmonisation adviser the PMO continued to support the UACS – both the planning for the 2015 budget preparation process, and working with DBM and COA to prepare for UACS budget execution in 2014.
Strategic Objective 2: Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery.			
Program Outcome 2.1 – Targeted national government agencies operationalise enhanced budget and expenditure management systems.			
Activity 2.1 **Strengthening the Financial Management System in DPWH (Phase III)**	Start: January 2012 End: December 2013	Michael Cleary and Partners	The activity supports the implementation of two new financial management information systems at DPWH: eNGAS (for accounting) and eBudget. The activity completed the roll out of eBudget in August 2013, bringing to a conclusion an eight year implementation process, covering the 206 offices of DPWH across the country. (Implementation of eNGAS was completed in 2012). Other highlights during 2013 included: › Ongoing support to data quality improvement. A key focus continues to be the alignment of project details in eNGAS/eBudget with the DPWH Project Management System, and continuing work on reducing unreconciled balances. › Delivery of rollout workshops on the Department's new Project Life Cycle system (ePLC) for both financial and non-financial management staff. (3,600 staff have participated to date.) › Delivery of refresher training for 1,100 financial management staff in eNGAS and eBudget. › Undertaking readiness activities in anticipation of the introduction of UACS for budget execution. › Developing a Sustainability Action Plan to help ensure that the Department has in place the arrangements required to maintain eNGAS and eBudget at the conclusion of Australian Government in December 2013.
Activity 2.6 **Transitional Support for Strengthening the Financial Management System in DepED**	Phase 1:Feb-Jul 2012 Phase 2: May 2014 – May 2014	Phase 1: PDP Australia Phase 2: AARC / WYG (Team Leader: Paul Seeds)	This phase of support to the Department of Education's financial management builds on the previous phase that conducted a comprehensive analysis of DepED's financial management systems. Current assistance focuses on UACS implementation, TSA implementation, asset management, and GIFMIS readiness. For 2013, the principal focus was on UACS (both staff training and systems development), with a view to assisting the Department to prepare for implementation in January 2014.

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Program Outcome 2.2 – Targeted national Government agencies improved compliance with internal control rules and procedures.			
Activity 2.4 **Strengthening of Internal Audit Service in DepED**	March 2013 – February 2014	Conleth Heron	The initial focus was on working with the Internal Audit Service (IAS) staff to prepare a Three Year Strategic Plan for the unit, and an initial Annual Plan for 2013/2014. The Strategic Plan was approved by the Secretary in July 2013. An approach to capacity development for IAS staff was subsequently implemented, involving supporting staff through implementing selected audits, providing audit training, and developing tools and templates for the Department. *Nearly one third of staff in the IAS have resigned during the course of the activity, without having been replaced. This has created significant challenges. The team continues to liaise with senior management to ensure the importance of a strong internal audit function is understood, and is working to ensure that remaining IAS staff have the right tools to conduct their work efficiently.*
Activity 2.5 **Strengthening Internal Control / Internal Audit in DSWD**	Start: September 2011 End: December 2013	Phase 1: Cowater International Phase 2: PDP Australia	Progress was achieved with continued support to DSWD through training delivery and finalization of audit manuals and risk management guidance. The activity successfully shifted its focus from a purely audit focus to a broader risk management focus, consistent with DSWD's needs. Support was provided in the form of training in risk management, the development of a risk management model, and assisting selected DSWD offices with risk management activities
Activity 1.4 **Government-Wide Capacity Building Program on Internal Controls / Internal Audit – DBM / COA**	Start: July 2012 End: March 2013	COA Professional Development Centre / Development Academy of the Philippines (DAP)	This activity funded the Government of the Philippines to develop and deliver an internal audit training program to Government staff following the adoption of the Philippines Government Internal Audit Manual. Delivery of all eight training modules was completed. There were delays in finalizing the training materials, however the target number of participants appears to have been reached, with over 1,400 participants across eight modules.

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Strategic Objective 3: Generate more timely, reliable and accessible public expenditure management information.			
Program Outcome 3.1 A working Government Integrated Financial Management Information System is introduced.			
Activity 3.1 Design of the Philippines GIFMIS (Track II) – Extension DBM/COA/DOF/BTr	Start: July 2012 End: February 2014	Pricewaterhouse-Coopers India (PwC)	This activity began by developing a conceptual design for the GIFMIS. Following approval of the design in April 2013, support was extended (initially to August 2013) to provide support to readiness activities. This support was further extended to allow PwC to support the tender assessment process (to February 2014). Both extensions were at the request of Government. During 2013, PwC made final adjustments to the conceptual design. PwC and the PMO then worked with Government to: › Conduct validation workshops for all GIFMIS functions with oversight agencies and a selection of key spending agencies. › Prepare the bidding documents for the system. The request for expressions of interest was released in August 2013, and a shortlist is expected to be finalised in February 2014. › Prepare for the establishment of the Government's GIFMIS Implementation Team. This task is being performed by the PMO, and involves developing tender specifications for the engagement of the Change Management Team, and developing the person specifications for the 28 members of the functional team (who will be employed directly by DBM). The PMO has supported the GIFMIS Bids and Awards Committee with both technical advice and procedural support. PMO has also briefed and supported senior DBM management on matters related to GIFMIS. Two main issues are currently impacting progress: › *The process is now six months behind schedule, due to various delays (including an initial failed approach to the market, which required new expressions of interest to be sought in November 2013.) There is little room for further slippage.* › *The delayed appointment of the GIFMIS Implementation Team has the potential to become a implementation roadblock. While Government has examined several recruitment options, fundamental difficulties associated with Government employment conditions continue to make it difficult to attract sufficiently skilled staff. PMO continues to discuss this issue with Government*

Activity/Partners	Duration	Implementation Team	Outputs / *Significant Deviations*
Strategic Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information.			
Program Outcome 4.1 – Civil society organizations strengthen their participation in the budget process / Program Outcome 4.2 – NGAs enhance their engagement with civil society.			
Activity 4.1 **Enhancing Transparency, Accountability and Citizen Participation in the Public Audit Process – COA**	Start: April 2012 End: May 2014	Affiliated Network on Social Accountability (ANSA)	This activity involves funding ANSA to work with the Commission on Audit to develop and test approaches to participatory audit. Highlights of progress include: › Three pilot participatory audits took place (at DPWH, DSWD, and DENR). The pilots each used a different participatory audit approach. A fourth pilot has been identified with DepED. › A Public Information System was launched by COA in April, although work is continuing to operationalise the system (intended to collect citizen feedback). › A number of small scale dialogue and analytical tasks continued in order to continue to build understanding of participatory audit amongst stakeholders. The initiative won the "Bright Spot" award from the Open Government Partnership in November 2013. While overall progress is satisfying, further discussion is required regarding COA's longer term intent for this initiative, (as the current funding period enters its last quarter.
Activity 4.5 **Strengthening Civil Society Engagement in the Budget Process – DBM**	November 2012 to April 2014	Basile Gilbert / Manolito Novales	This activity involves working with DBM to enhance policy for Government engagement with CSOs in the budget process. During 2013, the focus has been on four activities: › <u>Assessment of the BPA process.</u> The study was undertaken by ANSA, with support from PFMP. The report was finalized and is expected to be taken forward by DBM's CSO Engagement Committee. › A <u>needs assessment and diagnostic study</u>, which analyses CSO engagement at four agencies. The study commenced in October 2013, being implemented by the Asian Institute of Management. The completed diagnosis is expected in March 2014. › A <u>study into the policies and regulations</u> that govern CSO engagement by Government and a study into the <u>legal framework impacting CSO funding and operations</u>. The reports are currently being considered by the DBM CSO Engagement Committee. *Implementation of the above activities is behind schedule, having originally been targeted for completion in the first half of 2013. The delays have also pushed back the identification of other follow-up activities.*
Program Outcome 4.3 – The budget oversight functions of Congress are more effective.			
Activity 4.3 **Scoping Study: Options for Greater Partnership between Congress and COA – CPBRD/COA**	Start: November 2012 End: April 2013	Wayne Bartlett	This activity provided a baseline assessment of the role of Congress in providing external oversight of public expenditure, and the role of COA in supporting Congress. An options paper was then developed, discussing possible directions for strengthening oversight. The author met with members of various oversight and technical committees, the COA Chair, and a selection of CSOs. The issues remain with the Congressional Policy and Budget Research Department to determine appropriate follow up action.