PFMP Philippines-Australia
Public Financial Management Program

Supporting the Philippines towards improved efficiency, accountability and transparency

Draft Annual Program Accomplishment Report: 2015

February 2016

Contents

1. Introduction

This is the fourth and final Annual Program Accomplishment Report of the Philippines–Australia Public Financial Management Program (PFMP). It discusses the progress and achievements of the Program during 2015. 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. Annex A provides more details about individual activities.
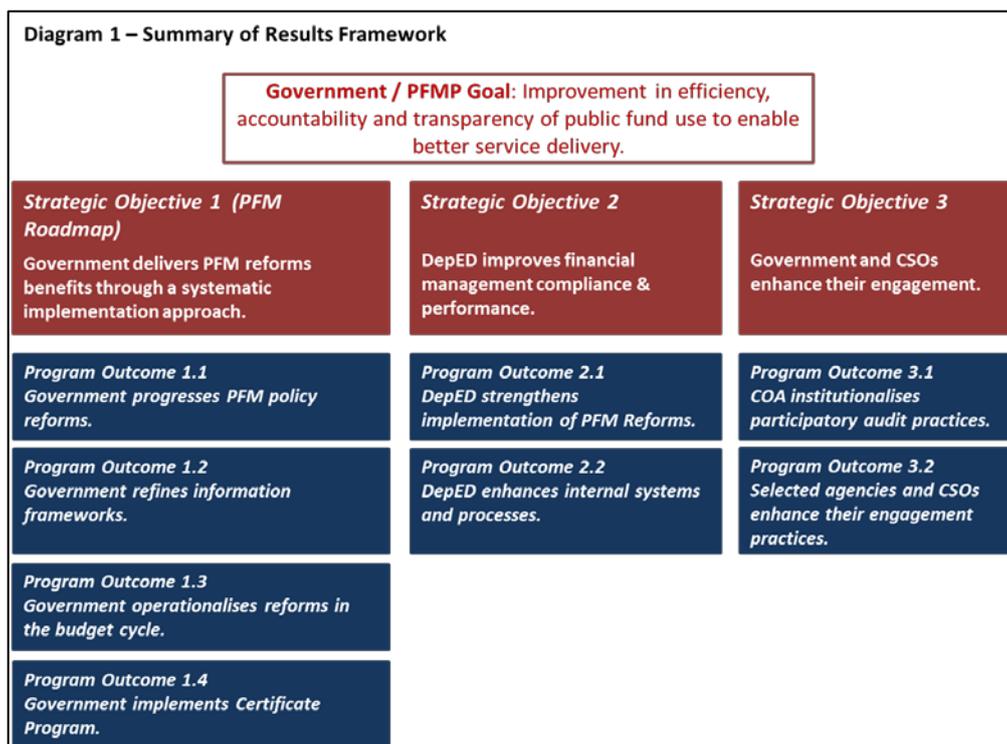
Program Background

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 committed up to A$30 million over five years, 2011–2016.

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. The National Economic and Development Authority (NEDA) plays an advisory role to the Program.

The Australian Department of Foreign Affairs and Trade directly manages the PFMP through a Counsellor / Team Leader, and is supported by a contract ed service provider, Coffey International Development, which is responsible for the day-to-day administration of the Program.

A mid-term review of PFMP was conducted in January 2014, the principal purpose of which was to determine whether or not the Program should proceed beyond its June 2014 stop/go point. The recommendation was made to continue the Program. The same year, the PFM Reform Roadmap was revised and then a revised strategy for PFMP was developed, which accommodated both changes to the Roadmap and recommendations from the mid-term review. The updated results framework is shown in Diagram 1.

Diagram 1 – Summary of Results Framework

Government / PFMP Goal: Improvement in efficiency, accountability and transparency of public fund use to enable better service delivery.

Strategic Objective 1 (PFM Roadmap) Government delivers PFM reforms benefits through a systematic implementation approach.	*Strategic Objective 2* DepED improves financial management compliance & performance.	*Strategic Objective 3* Government and CSOs enhance their engagement.
Program Outcome 1.1 Government progresses PFM policy reforms.	*Program Outcome 2.1* DepED strengthens implementation of PFM Reforms.	*Program Outcome 3.1* COA institutionalises participatory audit practices.
Program Outcome 1.2 Government refines information frameworks.	*Program Outcome 2.2* DepED enhances internal systems and processes.	*Program Outcome 3.2* Selected agencies and CSOs enhance their engagement practices.
Program Outcome 1.3 Government operationalises reforms in the budget cycle.		
Program Outcome 1.4 Government implements Certificate Program.		

2. Overall Assessment of Progress

An updated Program Strategy was adopted for PFMP at the beginning of 2015. The need for this update arose from the abandonment of GIFMIS, which, in its original form, had been the centrepiece of the reforms. The revised strategy emphasised a more incremental approach with regard to information systems, and a sharper focus on refining and fully operationalising other reforms already introduced.

This was indeed the approach that the Program took during the year. The focus shifted to helping the Government start to generate benefits from the application of its new PFM tools in practice. Progress during the year was solid. **At DBM**, PFMP assisted with further refinements to performance budgeting through **PREXC** and the implementation of the new **Two Tier Budgeting Approach** (which has the potential to significantly improve the strategic focus of the budget preparation process). It also developed the **Budget Cycle Analytics** tool, which, building on the foundation of UACS, will provide information to DBM in a way that significantly enhances its analytical capability.

At the same time, PFMP assisted DBM to develop an alternative strategy to GIFMIS, and then scope the **Budget and Treasury Management System** (the scaled down, incremental replacement for GIFMIS), then approach the market for a provider. The tender process was concluded successfully and the project moved into implementation in December 2015 – a significant milestone for Government.

PFMP worked with DBM to achieve significant progress in the **Certificate Program**, which aims to be the mechanism through which PFM training is provided to staff on a systematic, ongoing basis. At the beginning of the year, only a competency framework was in place. By the end of the year, a curriculum framework had been developed, and an initial set of six courses piloted, finalised, and then rolled out by Government to eleven agencies.

PFMP continued to provide support to **BTr** in managing **contingent liabilities** (which will culminate in a policy and reporting framework for CL, and a valuation methodology for explicit CL) and continued support to the operationalisation of the **TSA**, which continues to generate savings for Government.

Good progress was achieved with the Program's **citizen engagement** work, with the Citizen Participatory Audit activity at **COA** continuing its audit program, and DepED and DOH successfully adopting operational frameworks for citizen engagement in monitoring public expenditure.

Unfortunately, the Australian aid budget was reduced across most of Southeast Asia during 2015, and individual programs needed to absorb these reductions. PFMP achieved this by concluding its support to **DepEd** nine months earlier than intended (in September 2015). While unfortunate, this approach made sense in the context of the Program: DepEd would no longer be a pilot agency following the abandonment of GIFMIS, and PFMP support to DepEd could be concluded early without impacting the effectiveness of the remaining elements of the Program. Further details are provided under Strategic Objective 2 of this document.

The **year ahead** will have its challenges. With an election in mid-year, it will be a year of transition. This heightens the importance of reform stakeholders being able to demonstrate the progress and benefits of the reforms, and being clear about the priorities that lie ahead.

PFMP's focus at DBM will continue to be on *operationalising* reform, in particular through ensuring that tools such as PREXC, 2TBA and the analytics system are comprehensively embedded into agency policy and

practice – which is not yet the case (in particular with the postponement of PREXC rollout to the 2018 budget). Technical support to BTMS will continue.

The experience of PFMP to date suggests an important lesson. While the adoption of policy reforms and development of new tools can achieve significant breakthroughs and high profile milestones, it is in persevering through the challenge of *implementation* that those policies and tools begin to generate benefits. This is where PFMP's emphasis lies for its remaining period. (See related discussion in the *Sustainability* section later in this document.)

PFMP formally ends on June 30, 2016. DFAT's support will then move into a transition phase, as DFAT works with the Government of the Philippines to prepare for a major new investment in the transport infrastructure sector, which will include a significant PFM component. This is discussed in a separate document: *Proposal for PFMP Extension as an Infrastructure Transition Program.*

3. Progress Toward Outcomes

This section analyses progress toward the achievement of program outcomes during 2015, addressing each of the three Strategic Objectives in turn. It discusses overall Government progress, then places the PFMP contribution into the context of that progress.

Strategic Objective 1: Government delivers PFM reform benefits through a systematic implementation approach.

Program Outcome 1.1: Government Progresses PFM Policy Reforms.

Policy reforms are necessary to provide a coherent policy and institutional framework for implementing and sustaining new practices that support improved accountability and performance orientation. Policy reforms became part of the reform agenda during 2014, with two key proposals: one for a PFM Bill, and the second for the establishment of an Office of the Comptroller General (OCG). Early progress was achieved with both of these during 2014, however progress was slower during 2015.

Three versions the **PFM Bill** (with only editorial differences) were filed: in the Senate in April and May 2015, and in the House in September 2015. However, no further discussion took place, and it appears unlikely the Bill(s) will be debated during the current Administration. The reasons for this appear to be more to do with the overall legislative priorities of the Government than any specific concern with the PFM Bill.

Notwithstanding this setback, drafting the PFM Bill was itself a useful exercise as it brought key stakeholders together (both within GOP, and with PFMP, the World Bank and the IMF) to discuss a range of important policy issues. This may yet prove to be the groundwork for inclusion of the PFM Bill in the legislative agenda of the next Administration.

The establishment of the **Comptroller General** – which began as a unit within DBM during 2014 – achieved modest progress during 2015. The main stumbling blocks relate to Office's proposed role in consolidating Government accounts (a potential overlap with COA's accounting role) and whether, in the long run, the Office should be an independent entity or a unit within DBM. DBM and COA have not reached agreement on these issues, and the OCG has thus prudently focused on other functions. Priorities during 2015 were Local Government PFM and the Certificate Program (see discussion under Program Outcome 1.4 below.)

Emerging priorities include expenditure management policy and internal control policy. When BTMS is implemented and stable, it is anticipated that the OCG will be responsible for its oversight. Provision has been made for 52 positions in the restructuring of DBM (of which 11 are currently filled). Filling these positions will be a priority, but will be a challenge with the forthcoming recruitment freeze that will impact most of the first half of 2016.

In early 2015, it was agreed that PFMP would support another area of policy work: the development of a framework for management of **contingent liabilities** management. This had been in the PFM Reform Roadmap from the outset, but no substantive progress had been achieved. However, during 2015, PFMP worked with BTr to scope out an activity that would develop a valuation methodology for the explicit contingent liabilities of the government, use that methodology to value the CL for 20 GOCCs (including 3 GFIs); prepare a policy framework for the issuance and pricing of guarantee and foreign exchange cover; and institute a Contingent Liability Reporting Framework.

Work commenced in November 2015 (with the engagement by PFMP of SGV Accountants) and is on track for completion in March 2016. It is likely that this activity will identify a number of issues that will require policy decision, in particular to do with how contingent liabilities are accounted for, disclosed, and provided for in the national budget. These will likely require consideration by not only BTr, but DOF, DBM and COA also.

Engagement with BTr has been constructive. A Steering Committee comprising BTr and DOF was established to provide oversight for the activity and has operated effectively.

Program Outcome 1.2: Government Refines Information Frameworks.

This outcome relates to how Government defines the information it requires to manage public finances. The two main areas of work to date under this outcome have been the design of UACS (implemented in 2014), and restructuring the budget to strengthen its performance focus. (This outcome has also involved work on streamlining reporting requirements, but PFMP has had less direct involvement in this.)

During 2015, PFMP's the focus was on continued refinements to the performance focus of the budget, as discussed below. Over the last three years, the performance focus of the budget has strengthened from containing *no* outcome information in the 2013 budget, to *output*-level information in the 2014 budget, *outcome*-level information in the 2015 budget, and a trial of *program* budgets in six spending agencies in the 2016 budget (although the original intention had been to roll out program budgets in all agencies).

During 2015, PFMP's Senior Budget Adviser continued to work with DBM as preparations progressed for the full rollout of program budgeting (or *Program Expenditure Classification – PREXC)* for the 2017 budget. The focus of this work was on helping DBM to work with agencies to design their program frameworks (and ensure that UACS would properly accommodate PREXC).

Shortly before the budget call was released, DBM decided to defer the rollout of PREXC until 2018. The reason was the risk that DBM's systems would not be ready to accommodate PREXC, and that any such risks needed to be avoided during an Administration handover year.

While this is a setback, DBM's concerns are quite reasonable. On the positive side, the deferral represents an opportunity to ensure that *all* systems and process concerns are properly addressed, that DBM has in place a thorough plan to manage the transition to PREXC, and – critically – to undertake further dialogue with agencies (as well as, to an extent, internally amongst DBM analysts) to ensure that stakeholders understand

the benefits of PREXC, and position themselves to deliver those benefits. A key theme in this respect is for stakeholders to appreciate that PREXC provides the basis for *management* reform within agencies – it is not simply a change to the *structure* of the budget. This will be a focus of PFMP's work in 2016, as discussed under Program Outcome 1.3 below.

Program Outcome 1.3: Government Operationalises Reforms in the Budget Cycle.

This Program Outcome focuses on putting the tools developed through the reforms into day-to-day practice. During 2015, this involved working with DBM on strengthening the operationalisation of performance budgeting reforms through the Two Tier Budget Approach (2TBA) and strengthening DBM's analytical and management capability (including through the BCA tool). Also during 2015, PFMP continued to support BTr with the operationalisation of the Treasury Single Account, and to support the procurement of BTMS, which will be key to both DBM and BTr operations.

During 2016, the focus at DBM will be on helping to ensure an integrated approach to the performance-focused budget reforms: refining 2TBA, transitioning effectively to PREXC for the 2018 budget, (possibly) looking at Forward Estimates processes, strengthening linkages between planning and budgeting cycles – and all this while strengthening DBM's analysis and agency engagement in practice. Clearly, this is a broad range of challenges, and so carefully prioritising the focus of PFMP support will be critical.

Each area of 2015 support is discussed below.

Two Tier Budgeting Approach

The 2016 budget call contained a modified approach to budget preparation: the *Two Tier Budgeting Approach* (2TBA). The initiative for 2TBA came out of discussions between DBM and the IMF, and PFMP then provided support to DBM to operationalise the approach for the 2016 budget.

The key feature of this approach was that, for the first time, DBM would consider proposals for *existing* and *new* spending separately, or in other words – in 'two tiers'. This would provide DBM with the ability to first look at the performance of existing programs, with the possibility of identifying savings. Out of that process, the fiscal space is finalised, and proposals for new spending are considered in light of both agency performance and overall Government priorities.

PFMP provided input to guidance issued by the Secretary on the analysis that would be expected of analysts during the budget process. The bulk of PFMP support focused on the Tier 2 process, specifically: designing templates for use by agencies, providing guidance for DBM on the analysis to be performed on those proposals and perform DBM's challenge function. The Senior Budget Adviser provided briefings and training to DBM staff (with support from the Capacity Building Adviser), and provided operational support to analysts.

At the conclusion of the process, PFMP undertook a review of 2TBA, with the following key findings:

- Overall, stakeholders saw the benefits – or at least potential benefits – of the approach, in particular by providing for more focused analysis of agency proposals.
- There were several teething problems in terms of systems performance (OSBP) and timing (which was too tight to allow proper deliberation under Tier 1).
- DBM would need to resolve several policy issues, including clarifying the definition of the two tiers, clarifying the treatment of savings from Tier 1, and clarifying the relationship between Forward Estimates and Tier 1. PFMP provided recommendations to help address these issues.

More broadly, PFMP highlighted that the benefits of 2TBA will only truly be realised when DBM and agencies develop stronger and more systematic strategic dialogue. Agency feedback suggested that they did not always understand the principles behind DBM's requirements, and thus did not always respond appropriately, leaving both sides unable to achieve their objectives. PFMP will continue to assist with this through its ongoing support to budget analysis, including through the development and rollout of a 2TBA Guide.

Strengthening DBM's Analytical Tools
In early 2015, it was formally agreed that PFMP would work with DBM to implement a budget analytics tool. This is an important initiative; while much has been achieved with the implementation of UACS and PIB, if analysts do not have access to information in a format that allows analysis, DBM will not be able to reap the tangible benefits intended for those reforms.

Thus it was agreed to implement a system that would integrate data from DBM's existing systems (OSBP, BTMS, URS, eBudget and the UACS Repository) and provide a series of dashboards, analysis and reports that allow analysts to make better use of the data DBM already receives. During 2015, PFMP scoped out the activity and procured a vendor to implement the solution. The system went live in January 2016, in time to support 2017 budget preparation.

Rollout activities (training, awareness-raising, demonstrations etc) will take place in February 2016 to ensure that system users are appropriately equipped, and – just as importantly – to ensure that senior staff understand what the system is able to do so that they are *asking* for the right information and analysis from their staff.

The newly appointed Budget Analysis Specialist will work with stakeholders to help maximise take up of the system and build it into day to day operations.

PFMP anticipates three issues will need to be addressed following implementation:

- First, it is likely that the system will quickly start to reveal significant gaps in agency reporting (reports being either late, inaccurate, or incomplete). It will be important for DBM to use an appropriate range of strategies to deal with this issue now that it has the capability to make better use of the information it receives.
- Second, it will be important that *functional responsibility* for the BCA is properly identified. It will be critical that responsibility for ensuring the system's functionality remains relevant to DBM's changing information requirements is clearly defined. The natural home for this function is Budget Technical Bureau, however this requires a decision and action by DBM.
- Third, the system will require proper maintenance. DBM will need to update the system to support changes in policies or procedures (as noted above). For example, changes will need to be made during 2016 to support the usage of the UACS location code in the 2017 budget preparation and execution, replacement of eBudget by BTMS on Jan 2017, incorporation of GMIS data into BCA, and so on. This capacity will involve system administration and minor maintenance (likely to be handled internally by ICTSS), and major changes or new developments (more likely to be outsourced).

PFMP's approach to supporting the performance focus of the budget in 2106 will aim to help ensure consistency between key reforms such as PREXC and 2TBA and DBM's broader processes and priorities.

BTMS

As discussed in the previous annual report, Government decided not to proceed with GIFMIS, electing to adopt a more limited, incremental approach to FMIS implementation with a scaled down system – the Budget and Treasury Management System.

As outlined in Annex A, PFMP provided extensive technical advice to assist DBM to firstly develop an alternative strategy in place of GIFMIS, and then scope BTMS, develop all the technical and tender specifications, seek the necessary approvals, and then conduct the procurement process. The scope of BTMS had to be designed to fit within DBM's reduced budget (PHP495 million, down from the PHP2.1 billion previously allocated to GIFMIS).

Date	Milestone
December 2014	Project plan
April 2016	As is / to be analysis
May 2016	System design
September 2016	System implementation
December 2016	Training, user acceptance testing, data migration
January 2017	**Go-live**
Jan – June 2017	System stabilisation
July – Dec 2017	Operations, maintenance, warranty period.

The procurement process was conducted successfully and in November 2015 DBM entered into contract with a joint venture of Innove (a Globe company) and Freebalance. This was a significant milestone, allowing the project to move into implementation after nearly three years of work.

There is significant work to be done in 2016, as shown in the table above; but at the time of writing, BTMS is still on target to go live in January 2017. There are reasons to be confident that implementation will be successful: a sufficiently resourced contract is in place, a reputable software package has been selected, and from a commercial perspective there is the prospect of continued rollout work if implementation is successful. Key users from both DBM and BTr are actively engaged in the project.

The critical challenge, however, is DBM's capability to manage the project successfully. At the time of writing, DBM still needs to appoint subject matter experts to work with the JV's functional team, to appoint officials for the roles of Project Manager and Assistant Project Manager, and to appoint officials to the BTMS Steering Committee.

It is very important that DBM formalises it management arrangements for the project so that appropriate DBM-based guidance is provided through implementation – including when the USEC overseeing implementation concludes his appointment in June 2016. It is equally important that staff with appropriate expertise and IT project management experience be appointed to lead day-to-day work. This is critical to delivering the desired outcomes and protecting Government's interests.

UACS

PFMP did not provide further direct support to UACS implementation during 2015, following the completion of its support to UACS rollout in January 2015 (discussed in depth in the previous report). One of the key challenges in strengthening the application of UACS lies in *DBM demonstrating the value and use of UACS in practice.* This remains a key priority – if UACS is not seen as delivering some practical benefit, achieving compliance will always be a challenge. PFMP is helping DBM to address this issue through its support to improving budget analysis capability and processes, discussed above.

Other challenges for Government remain: in particular ensuring that the UACS is properly maintained to serve Government's information needs, ensuring that proper arrangements are in place to monitor compliance with UACS (whether through regular external audit functions or some other oversight arrangement), and ensuring all Government banks have UACS-compliant systems. Ultimately, effective UACS implementation remains dependent on an effective FMIS, and thus BTMS remains a critical priority in this respect.

Treasury Single Account

The TSA is a significant reform that intends to provide a stronger framework for centralised cash management. Implementation of the TSA will consolidate the bulk of the Government's cash balances into a single account, and in so doing improve transparency and generate potentially significant cost savings for Government.

Implementation of the TSA began in January 2014 with the consolidation of revenue accounts. Since then, work has been under way to try to improve visibility of expenditure accounts in spending agencies. Progress was achieved during 2015 on this front through upgrading two key systems: TRAMS (to complete its coverage to agency disbursements to provide BTr and DBM with about daily agency-level expenditure; and eMDS (Landbank's system for electronic payments) by making the system UACS-compliant.

Although formal PFMP assistance for cash management concluded in March 2014, PFMP has continued to provide ad hoc support to BTr, including by providing advice and support on the upgrades to TRAMS and eMDS discussed above. Notwithstanding this progress, several important challenges remain. Key among these are:

- *The need to strengthen implementation of DBM-DOF Joint Administrative Order encouraging agencies to use eMDS.* Currently, 80% of agencies use Landbank, but less than half of those are enrolled in eMDS. Transactions outside eMDS slow down BTr's access to expenditure information and undermines efficient cashflow forecasting.
- *The treatment and use of "trust funds" maintained outside the MDS in savings/current accounts*, which in many cases are being used by spending agencies to hold unutilized cash. Some trust funds are expropriation funds, which are intended for settlement of legal disputes (eg road right of way); others are inter-agency transfers (eg DepEd school construction by DPWH). The issue is the sweeping of these cash balances maintained with the Authorised Government Depository Banks to the TSA. Resolving the issue requires further dialogue amongst oversight agencies. PFMP is helping to facilitate this discussion and to suggest solutions for possible pilot tests.
- *The closure of dormant, unauthorized, and unnecessary accounts, and sweeping the corresponding cash balances to the TSA.* COA issued a Circular on this matter in January 2015. COA and BTr are now working to agree more detailed implementation guidelines, which are yet to be finalised.
- *Synchronization of NGAs collection processes with the TSA.* Currently, some NGAs are engaging third party or government banks to manage their collections. These arrangements must adopt the same framework as BIR and BOC in terms of cash remittance and reporting through TRAMS. PFMP assistance is also being provided to BTr to resolve this issue.
- *The non-compliance with UACS by Veterans Bank and the Development Bank of the Philippines will become an issue during BTMS implementation* as BTMS will not be able to properly implement the payment reconciliation function or maintain the consolidated TSA accounting.

Program Outcome 1.4: Government Implements Certificate Program

Government's decision in 2014 to adopt a competency framework for PFM was the starting point for developing a systematic human resource development approach for PFM. This became a new part of the Roadmap in 2014.

Significant progress was achieved in 2015. By the end of the year, Government had moved from having only the PFM Competency Framework (developed with PFMP support), to having a full curriculum framework of 48 courses to support it, with full materials for six of those courses. Those courses were also piloted and subsequently delivered to over 100 participants from ten agencies. (Pilots were funded and delivered through PFMP; subsequent course delivery was funded by Government with operational support from PFMP.) Details of deliverables are provided at Annex A.

This has put the Government in a strong position to continue to move toward establishing a systematic approach to training delivery, as was the original intention, and the priority must be to build on 2015's achievements. Following the completion of PFMP's technical deliverables, focus shifted to helping Government do just that, with an emphasis on three things:

- *Addressing policy issues* required to ensure the sustainability of the Program and properly embed it within the Government's broader training and human resource management systems. There are many policy issues to address to assist Government to pursue its preferred option of establishing a PFM Institute to deliver the Program – not least to do with funding and staffing arrangements. There are also broader issues that to do with trainer accreditation, whether training should be compulsory, whether it should be offered for a fee, and how it will link with career advancement requirements.
- *Continuing to deliver* training. The unmet training need remains large, and training delivery (using the materials already developed) must be a priority. PFMP's view is that it would <u>not</u> be prudent to slow down delivery while the above policy issues are addressed.
- *Building demand for the training* through proactive communications and branding. PFMP assisted the Government to develop Certificate Program branding and related communications activities. This branding was used in the Program rollout and course delivery. PFMP has also provided advice on, and is helping DBM to implement, a basic communications strategy to raise awareness of the Program.

DFAT's Human Resource and Organisational Development Facility has been mobilised to provide initial assistance to develop a plan to establish the PFM Institute and subsequently address at least some of the policy issues. PFMP's principal focus will be on continuing to support training *delivery* – with the view that momentum is critical to success at this point.

Other Support to Reform Implementation

PFMP continued to provide support to PFM communications. This included initiating a series of brown bag sessions (with COA, BTr, DOF, and DPWH) to discuss the PFM reforms, and providing advice on a range of Government messaging related to the reforms (eg President's Budget Message, BTMS). Significant communications support was also provided to the rollout of the Certificate Program.

PFMP also agreed to a COA request to fund training for fifteen staff for the Certification of Information Systems Audit. Ten of those staff passed the certification exam.

PFMP continued its support to the operation of the PFM Committee. However, the Committee was not very active during 2015 (having met only twice), and it is becoming timely for stakeholders to reflect on the future role of the Committee. This is discussed further in the *Sustainability* section.

Strategic Objective 2: DepED improves financial management compliance and performance.

This component of the Program provided support to strengthening financial management systems at DepED, consistent with the broader framework of the PFM Reform Roadmap. Unfortunately, support to this component was concluded in September 2015 (instead of June 2016) on account of DFAT budget cuts, as noted at the beginning of this report.

With the requirement to reduce overall spending on PFMP, the decision to conclude the DepED component early was made for two main reasons. First, much of the original rationale for PFMP support to DepED was its role as the pilot agency for the implementation of GIFMIS. With the abandonment of GIFMIS, the case for continued support (in the context of a reduced program budget) was undermined. Second, the support to DepED could be finished without knock-on effects to other areas of work. (In contrast, for example, effective TSA implementation requires BTMS, strengthening application of performance budgeting requires the BCA tool, and all of the above are strengthened by the Certificate Program.)

As explained below, important progress was still achieved at DepED during 2015, building on progress achieved in prior years. The major challenge for DepED remains to implement a properly integrated financial management information system, an objective still held by the Department.

Program Outcome 2.1 DepEd Strengthens Implementation of PFM Reforms

This outcome relates to assisting DepEd to operationalise key reforms being rolled out by the oversight agencies. Direct work on UACS was completed in 2014. However, application of UACS continued to benefit from the ongoing activities under Outcome 2.2 below. No significant work was undertaken on TSA as BTr has not sought to expand the TSA to spending agencies at this point. However, under Outcome 2.2, further support was provided to strengthening bank reconciliations, an important element of strengthening DepEd's cash management.

Program Outcome 2.2: DepED enhances internal systems and processes.

In the absence of GIFMIS, it was initially determined that PFMP would assist the Department to integrate its two main financial management systems the *Budget Management System* and the *Electronic Financial Reporting System*, both of which are currently stand alone.

PFMP approached the market for a developer, however due to the early conclusion of support to DepEd, this was discontinued.

However in the time remaining, PFMP worked with DepEd to develop a Financial Management Manual, which was handed over at the completion of this component in September 2015. This involved a thorough process review and close engagement with central office on business process definition. The manual reflects the current systems environment at DepEd, but makes suggested incremental improvements in practices to inject greater efficiency and effectiveness. It provides the basis for standardised, rigorous practices, with effective controls across all financial management functions.

However, should DepEd proceed with an FMIS implementation, the manual will need to be significantly revised. The best practice that is embedded in any Commercial Off The Shelf (COTS) solution should be implemented in the DepEd IFMIS, and DepED should take full advantage of the opportunities to fully automate and integrate all the transaction based processes and workflow.

Another important focus during 2015 was the significant support provided to improving data integrity in NCR. This work focused in particular on bank reconciliations, improving the regularity of data entry, and improving the rigour of management oversight. As such, it focused on data integrity as a *management* issue (focusing on quality and timeliness) rather than as a *systems* issue. PFMP developed a training manual on data integrity that can be used more broadly within DepEd.

Strategic Objective 3: Government and CSOs enhance their engagement.

This component focuses on supporting practical engagement between selected agencies and civil society in relation to public expenditure matters.

Program Outcome 3.1: COA institutionalises participatory audit practices.

Further steady progress was achieved during 2015. The main focus was on the continuation of audit activities; three audits were undertaken and are in the final stages of being finalised now. Activities funded by PFMP focused on actual audits, rather than addressing institutionalisation processes *per se*, which is seen more as a by-product of successful audit implementation (although ANSA and PFMP's broader dialogue with COA provides avenues to address these issues).

One of the key areas in which the CPA process is demonstrating its usefulness is in working with CSOs to support public data gathering, collecting the type of feedback that COA would not otherwise be in a position to collect. Tools such as community score cards, surveys, and geotagging have been applied in all three participatory audits supported by PFMP, generating added value from citizens' involvement and the synergy between COA's traditional audit methods and citizen contributions.

PFMP and ANSA have enjoyed constructive engagement with COA, which continues to play the lead role in CPA, providing a positive indication that the initiative has good longer term prospects. Indeed, COA has four staff permanently allocated to CPA, and they actively drive the CPA audit work program. However, one of the challenges will be to ensure that COA does not remain reliant on donor funding for the actual conduct of future audits, however – as is the case currently.

Program Outcome 3.2: Selected Agencies and CSOs enhance their engagement practices.

DepEd

During 2015, PFMP worked with DepEd on its processes for engaging civil society in monitoring major expenditure programs. This assistance supports the implementation of a circular issued by DBM on the reorganisation of procurement services in all government agencies. This prompted a broader reflection within DepEd on contract supervision practices (ie, not limited to the role of CSOs). PFMP played a central role in supporting this process, and contributed to developing the overall *Contract Implementation and Inspection Protocols* for big expenditure items such as instructional materials, school furniture, math and science equipment and IT equipment. The protocols also embed the role of CSOs into monitoring contract implementation at national, regional and Division/school levels.

PFMP is also providing support to DepEd's Procurement Service for the practical involvement of CSOs to monitor selected contracts through the engagement of the GWatch Program team of the Ateneo School of Government. In 2016, GWatch will act as an intermediary to engage other CSOs at national and division levels. In collaboration with GWatch, DepEd's Procurement Service will pilot the new CSO monitoring approaches in selected school divisions of Regions IX (CARAGA) and XI (Davao).

While progress has at times been slow, it has been satisfactory. The new protocols are now in operation, and PFMP is providing assistance to operationalise the new processes in selected DepED programs.

Aside from CSOs' willingness to engage in these approaches, one of the key challenges will be to ensure DepED adopts a systematic approach to CSO engagement in contract monitoring. The Department will need to devote personnel, and integrate the function of coordinating CSO engagement in the Procurement Service's new contract monitoring role. The engagement of the Ateneo School of Government – Government Watch (GWatch) will assist DepED to define the coverage of CSO engagement and address the corresponding sustainability issues.

Others
PFMP also undertook similar work (albeit on a smaller scale) with the Department of Health and the National House Authority. CSO engagement frameworks were prepared in both agencies. The DOH Secretary formally signed off on the framework for CSO engagement in the Department's budget process, reflecting the good progress and good engagement achieved. The issuance of a formal directive on new procedures provides a positive indication of the Department's commitment to systematising CSO engagement in planning and public expenditure matters. At the NHA, a draft Memorandum Circular on Civil Society and Other Stakeholder Engagement in Public Expenditure Matters was developed but has not yet been formally adopted.

4. Sustainability

Previous reports have discussed sustainability using the Government's concept of *irreversibility*: the idea that reforms should progress to the point that they cannot be undone by future Administrations. The foundation for irreversibility was to lie in the new systems (in particular GIFMIS) and processes that would provide the basis for longer term strengthening of PFM. In 2014, other sources of strengthening irreversibility emerged in the form of the PFM Bill and the Office of the Comptroller General.

BTMS, the PFM Bill and the OCG have the potential to become important sources of sustainability. However, PFMP maintains the view that "irreversibility" – to the extent that it is possible – will primarily be the product of the successful *operationalisation* of reforms. The key now is thus to persevere with reforms at the operational level, consolidating the reforms that have *already* been delivered to ensure they are embedded into the day-to-day practices of both oversight and spending agencies. This means:

- Continuing to refine the performance budget reforms and embed them properly in DBM (and spending agency) practice. As stakeholders start to reap the benefits of these reforms in practice, the reforms will become more difficult to undo.
- Delivering BTMS. Having now moved into the implementation, good progress during 2016 will see the system go live in January 2017. There is good reason to believe that a successful rollout in DBM and BTr will provide the rationale for broader rollout of BTMS, which should lead to more robust and efficient processes.
- Continuing to iron out of a range of operational issues in the TSA, as discussed earlier.
- Continue to operationalise the Certificate Program and embed its management and resourcing within DBM.

As operational personnel further appreciate how the reforms support their respective department's objectives, institutional momentum for *continuing* that effort increases. Appreciating the value of new

approaches through practice by more and more stakeholders is often a key factor for institutionalisation and sustainability.

In this context, it is also timely to note the role of the PFM Committee, which did not play an active role in 2015 (meeting only twice). Simplifying slightly, the original role of the PFM Committee was to oversee three key reforms: GIFMIS, UACS, and TSA. GIFMIS has evolved into BTMS and the UACS and TSA have been rolled out, even though implementation is not yet comprehensive. Thus, in a sense, the PFM Committee has served its original purpose.

PFMP's view is that the role of the PFM Committee should now start to shift away from being a "reform" body, toward being one that focuses on specific financial management issues that require inter-agency collaboration as part of the day-to-day business of Government. Both TSA and UACS are examples of this, but there are likely other areas also. PFMP will work with stakeholders to facilitate dialogue about these issues.

Finally, while continued policy reform is important, it is unlikely to be a major area of activity during most of 2016 (as an Administration transition year). However, the PFM agencies do need to be ready to engage effectively with the incoming Administration, and communicate clearly and proactively about priorities for delivering effective PFM. Again, this is an issue for consideration within the PFM Committee.

5. Cross-Cutting Issues

There are three cross-cutting issues:

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 2015.

Anticorruption. PFMP's support to improvements in transparency and accountability in PFM will contribute to anticorruption efforts. Relevant initiatives include support to BTMS, improvements in financial reporting, the establishment of a single account for the Treasury, improving contract management procedures, 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

Planning

An updated Program Strategy was approved in February 2015, and the Program was implemented in line with this strategy, although adjustments had to be made to accommodate budget cuts. Nonetheless, PFMP maintained its flexible approach during 2015, and was able to respond to emerging issues, such as by

supporting the roll out of 2TBA, providing ad hoc support to the TSA, and adding contingent liabilities into the work program.

During the latter part of the year, planning began for a PFMP extension, and the results of this work are discussed separately in the *Proposal for PFMP Extension as an Infrastructure Transition Program* concept note.

Communications

A new communications plan for PFMP was adopted at the beginning of 2015, aimed at ensuring a strong finish for the Program, highlighting the achievements to date, and emphasising the need to continue to build on those achievements to ensure that practical benefits are achieved and sustained.

Specific activities included events for the handover of the DepED Financial Management Manual, a dialogue event for senior executives of DBM in November, supporting a series of Brown Bag sessions with DOF, BTr, COA, DPWH (and planning further sessions with DOTC and NEDA), attending the CSO CPA Integrity Forum, other COA events related to CPA, as well as updating the PFMP website and other communications materials.

Monitoring and Evaluation

Early in 2015, the Program Monitoring and Evaluation Framework was updated to align with the new Program Strategy (approved in February 2015). This includes all the normal day to day activity oversight, regular adviser reporting, and regular (two-monthly) progress discussions with DBM. The in-depth study for 2015 focused on reviewing the implementation of the Two Tier Budgeting Approach (the findings of which were summarised under Program Outcome 1.3 above).

During 2016, the main focus will be on undertaking analysis for the preparation of the PFMP Completion Report.

Staffing Changes

Advisory Staff: Contracts Completed
• Des Ferguson – February 2015 • DepED Team (Conleth Heron in July 2015, Paul Seeds, Ulrich Uy and Crisanto Gastardo in September). • Manolito Novales – September 2015 • Bruce Stacey – December 2015
New Advisory Positions
• Tere Quirino – March 2015
New Company Subcontracts
• BCA Pentaho EE , Tenth Planet – August 2015 • Contingent Liability Management, SGV – October 2015 • DepED CSO Monitoring (ADMU G-Watch) – November 2015 • COA CISA Training (ISACA) – October/December 2015 • Collaterals for PFM Certificate Program(Big Seeds Advertising) – November 2015 • DepED APCPI: CSO Ateneo School of Government G-Watch – August 2015
Existing Company Subcontracts Completed
• PFMCP Curriculum Development (WYGI/CIFPA) – June 2015

Annex A – Activity Summary (January to December 2015)

This annex provides a summary of PFMP activities. The main focus is on work delivered by PFMP. The narrative provides broader context in terms of overall progress achieved by Government.

Activities	Dates	Resources	Progress
Strategic Objective 1: Government delivers PFM reforms benefits through a systematic implementation approach.			
Program Outcome 1.1 – Government progresses overarching policy reforms.			
Support to PFM Law	Start: April 2014 End: Ongoing / ad hoc.	› Senior Budget Adviser	In 2014, PFMP expanded the role of the Senior Budget Adviser to provide support to the development of a PFM Law. The Bill was presented to members of Congress early in January 2015. The Senior Budget Adviser developed an initial framework to direct the drafting of the Implementing Rules and Regulations, and a draft brief on contentious issues (to assist DBM in explaining / negotiating the Bill with stakeholders). The Adviser also provided occasional ad hoc advice on matters related to the Bill. The Bill was introduced into both Congress and the Senate, but has not progressed to debate. It is unlikely to proceed further during the term of the current Administration.
Support to Establishment of Comptroller General	Start: April 2014 End: Ongoing / ad hoc.	› Senior Budget Adviser	During 2014, the Secretary of DBM indicated the Government's intention to establish the Office of the Comptroller General for the National Government. PFMP agreed to support initial moves to establish the office. In 2015 there was limited progress with this Government initiative, with limited staffing provided to the OCG and no agreement reached between DBM and COA on the role of the OCG. PFMP (through the Senior Budget Adviser) provided occasional ad hoc advice to senior DBM staff on potential strategies for developing the function.

Activities	Dates	Resources	Progress
Stocktake of Contingent Liability of Government	Start: March 2014 End: March 2015	› Contingent Liabilities Adviser (March 2015 – March 2016) › SGV Accountants (October 2015 – March 2016)	During early 2015, it was agreed by the Program Steering Committee to assist BTr to undertake the contingent liability stocktake (that had been identified as one of the six priority projects in the original PFM Reform Roadmap). PFMP appointed a Contingent Liabilities Adviser to work with BTr to scope out and undertake this work. After significant delays in agreeing the scope of the analysis, it was ultimately agreed that PFMP support would focus on helping BTr to: › Develop a valuation methodology for the explicit contingent liabilities of the government, and use that methodology to value the CL for three Government Financial Institutions and 22 GOCCs (ie, those with outstanding guarantees and foreign exchange cover from DOF). › Prepare a policy framework for the issuance and pricing of guarantee and foreign exchange cover. › Institute a Contingent Liability Reporting Framework. At the same time, the activity provides coaching for BTr officers and staff on the implementation of the framework (which will take place in the latter stages of the activity). SGV Accountants were appointed by PFMP to conduct the detailed aspects of the above valuation work. As at December 2015, significant data collection for CL valuation has been completed, and a draft policy framework was ready for discussion with BTr in early January. The activity is on track for completion in March 2016.
Program Outcome 1.2 – Government refines information frameworks.			
Ad hoc advice	Start: April 2014 End: June 2016	› Senior Budget Adviser (2015) › Budget Analysis Specialist (2016)	No significant work was undertaken on this activity during 2015. As expected, the main focus was on Program Outcome 1.3. The Senior Budget Adviser provided some ad hoc advice regarding finalizing PREXC structures (to ensure its appropriate integration with UACS).
Support to Program Budgeting Reform	Start: May 2013 End: June 2016	› Senior Budget Adviser (completed December 2015)	PFMP continued to provide support to strengthen the performance orientation of the budget. In 2015, the focus was on supporting the shift from organizational outcomes to program budgeting for the 2017 budget call. This involved helping DBM to work with all NGAs (ie, beyond the initial group of six test agencies) to finalise their program structures in anticipation of the 2017 budget call. However, as discussed in the report narrative, the rollout of program budgets was postponed to 2018 at the last moment.

Activities	Dates	Resources	Progress
Program Outcome 1.3 – Government operationalises reforms in budget cycle.			
Budget Cycle Analytics Tool [New activity in 2015]	Start: August 2015 End: February 2016	› PFMP IT Adviser › Tenth Planet	The concept for the Budget Cycle Analytics Tools was developed by PFMP and approved by the Program Steering Committee in early 2015. Following some delays in procurement, Tenth Planet were engaged to develop and implement a tool that would integrate data from DBM's existing systems into a single data warehouse, and provide a range of analytical tools to allows analysts to manipulate that data. Tenth Planet mobilized in August 2015, and completed analysis of DBM systems, development of the data warehouse, and prototyping and finalization of the portal, with analysis, reports and and dashboards. All these activities involved engagement with DBM, both operational and executive staff. The system went live in January 2016, in time to assist with budget preparation for 2017. Training and rollout activities will be conducted in February.
Budget Analysis Support [New activity]	Start: November 2015 End: June 2016	› Senior Budget Specialist (completed role in December 2015) › Budget Analysis Specialist (new appointment in November 2015)	Over the course of 2015, the role of the Senior Budget Adviser gradually shifted from policy advice (*designing* a performance-oriented budget) to operational advice (helping to put the processes in place to *manage* a performance-oriented budget effectively). In this respect, the focus was on supporting the adoption of the Two Tier Budgeting Approach (2TBA). PFMP supported this process by designing templates, providing briefings and training to DBM staff, providing operational support, and providing recommendations for adjustments to the process for the 2017 budget. Support to budget analysis (and related refinement of DBM business processes) will continue in 2016.
Support to UACS Implementation	Start: January 2014 End: January 2015	› Senior PFM Adviser	Support to UACS implementation concluded in January 2015 following the successful provision of training and operational support to DBM. Details were discussed in the previous report. Continued support to UACS implementation is covered through PFMP's focus on budget analysis (above), as discussed in the report narrative.

Activities	Dates	Resources	Progress
Support to TSA and cash management	Start: May 2012 End: March 2014	› Contingent Liabilities Adviser (on an ad hoc basis)	This activity formally concluded in March 2014, following the completion of TRAMS and commencement of TSA operations in January 2014. However during 2015, PFMP provided ad hoc support on the following: › Provided advice in drafting guidelines and resolving key issues in the implementation of COA Circular on the closure of dormant accounts, unauthorized, and unnecessary accounts; and in the sweeping of the cash balances maintained by the NGAs with government banks (outside of MDS/eMDS) to the TSA for more efficient cashflow forecasting and borrowing activities of the Government. An expected output of this engagement is a new or enhanced business process on the use by the NGAs of its cash balances swept to TSA. › Assisted in the preparation of business processes following the NGAs' engagement of third party or Government Banks' payment gateway in relation to their collections of registration fees, etc. › Assisted in completing TRAMS 2 to expand to reporting agency disbursements. This involved advising BTr on a range of functionality and reporting issues, data accuracy, coordination and discussion with Landbank on eMDS implementation, and providing TSA briefings to DBM & COA TRAMS2 for disbursements went live in September 2015. At present, PFMP is assisting BTr to define enhancements required in TRAMS following UACS and other reporting requirements by BTr to include the daily reports that can be shared to DBM and COA › Assisted in strengthening LBP's eMDS facility. Achieved UACS-compliance in January 2015. Currently working on providing access to the system for DBM and COA › Provided advice in the drafting of the amended DBM Circular on the implementation of ADA, which is key to helping BTr in its cashflow forecasting.

Activities	Dates	Resources	Progress
Support to BTMS	Start: April 2012 End: June 2016	› IT Adviser	The decision to procure the Budget and Treasury Management System was adopted in early 2015, following the formal abandonment of the GIFMIS procurement in January. (Details were discussed in the previous report.) PFMP provided extensive technical support to assist DBM to: › Develop new technical specifications and bidding documents for BTMS based on a rescoping of GIFMIS; › Secure funding approval (from eGov Fund) for allocation of funds to BTMS (from GIFMIS); › Conduct the procurement process (shortlisting and tender assessment); › Develop and finalised Terms of Reference for the procurement of a functional Independent Verification and Validation team. (Also participated in discussions with ICTO about a technical verification team.) › Prepare for the management of the BTMS implementation contract; The BTMS contract was successfully agreed between GOP and the joint venture of Innove and FreeBalance in November 2015. PFMP also provided extensive briefings and support to senior staff at DBM and BTr on progress and issues associated with the procurement and implementation of BTMS.

Activities	Dates	Resources	Progress
Program Outcome 1.4: Government Implements Certificate Program			

Certificate Program	Start: November 2014
	End: June 2016
		› Capacity Building Adviser
		› WYGI / CIPFA (November 2014 – September 2015)
			During 2015, the focus was on the development of a PFM Curriculum to support the Competency Framework that was signed off in 2014. PFMP supported:
			
			› The development of:
			  › An overarching Learning and Development Strategy;
			  › The development of the PFM Curriculum. This included 48 courses across six tracks: PFM Foundation, Budget and Performance, Cash Management, Accounting, Auditing, and Procurement;
			  › The development of a Delivery Model for the curriculum; and
			  › Following finalisation of the above, course materials were developed for sections of the PFM Foundation and Budget and Performance tracks.
			› Training materials were piloted in April 2015. Following the pilot, materials were finalised drawing on participant and DBM feedback.
			› Training of trainers was supported and PFMP assisted DBM to deliver five initial rounds of training (funded by GOP) between August and November. This included two batches for each of four Foundation and two Budget and Performance courses.
			› Following the initial rollout above, PFMP developed a three part strategy to support the ongoing operationalisation of the Certificate Program: targeted policy advice, building demand, and continue to support program delivery.
			
			During 2016 the focus shifts to facilitating DBM's continued operationalisation of the course, including through resolving a range of policy issues related to the sustainability of the Program.

Other Support to GOP			
Reform Program Management	Start: March 2012 End: June 2016	› All	PFMP continued to provide support to the overall management of reforms through advice and support to PFM Committee members. However, PFMP – as expected – played a less direct role in supporting the operations of the PFM Secretariat. Also, the PFM Committee was less active than in previous years – meeting only twice (in May and August).

Activities	Dates	Resources	Progress
Communications	Start: September 2013 End: June 2016	› Communications Specialist	As expected, the focus of role shifted to more directly support PFMP activities (discussed in the narrative), with some support to GOP communications staff. PFMP activities in direct support of GOP communications activities included: › Met with information officers at COA, BTr, DOF, DPWH, DOTC, NEDA to discuss PFM reforms and communications requirements. › Arising from above, initiated and facilitated Brown Bag sessions to discuss progress of PFM reforms with COA, BTr, DOF, and DPWH. › Provided advice and support on GIFMIS and BTMS-related communications. › Other ad hoc advice (eg input into new PFM Roadmap poster, President's Budget Message and other key communications). › Also supported communications for Certificate Program as described above.
Strategic Objective 2 – DepED improves financial management compliance & performance			
Program Outcome 2.1: DepED strengthens implementation of PFM Reforms.			
Strengthen UACS and TSA implementation	Phase 1: May 2013 – May 2014 Phase 2: June 2014 – June 2015	› DepED Advisory Team	Direct work on UACS was completed in 2014. No significant work was undertaken to sweep DepEd's other accounts' balances outside of MDS to the TSA. (Guidelines on the sweeping of banks' balances by the NGAs is being prepared by BTr and DBM.) However, under Outcome 2.2, further support was provided to strengthening bank reconciliations, an important element of strengthening DepEd's cash management.
Program Outcome 2.2: DepED enhances internal systems and processes.			
System Integration	N/A	› DepED Advisory Team	Following the abandonment of GIFMIS in early 2015, DepED and PFMP agreed to proceed with integrating DepED's existing budget and accounting systems as an interim step toward systems-strengthening. The market was approached for a developer, however due to PFMP budget cuts (discussed in the narrative) the activity was discontinued.
Business Process Strengthening	To September 2015 (revised from June 2016)	› DepED Advisory Team	PFMP developed a Financial Management Manual for DepED, which was handed over at the completion of the support to DepED. This involved a thorough process review and close with Central office on business process definition.

Activities	Dates	Resources	Progress
Data Cleansing	To September 2015 (revised from June 2016)	› DepED Advisory Team	PFMP provided significant support to improving data integrity through training and operational support (eg site visits, monitoring, regular meetings, technical support)in pilot sites (CO and NCR).
			This work focused in particular on bank reconciliations, improving the regularity of data entry, and improving the rigour of management oversight. As such, it was focused on data integrity as a management issue rather than as a systems issue *per se.*
			PFMP developed a training manual on data integrity that can be used more broadly within DepED.
Strategic Objective 3 – Government and CSOs enhance their engagement.			
3.1 COA institutionalises participatory audit practices.			
Support to ANSA / COA Participatory Audit	PHASE 2: Start: Nov 2014 End: May 2016	› Governance Adviser › Affiliated Network on Social Accountability (ANSA)	This activity involves expanding and institutionalizing the Citizen Participatory Audit Program in the Commission on Audit. PFMP's primary focus has continued to be on the conduct of individual participatory audits. In 2015, this involved three project audits: one water and sanitation program (three sites – two in southern Luzon and one in Cagayan de Oro), a tourism roads project and one Farm to Market Roads program (in Palawan).
			Progress with these audits has been steady; all are expected to be completed in early 2016. Publication of reports ("Audit in Brief") depends on the completion of the full formal audit reports by COA.
3.2 Selected agencies and CSOs enhance their engagement practices.			
Support to DepED / CSO program monitoring.	Start: Nov 2014 End: May 2016	› Governance Adviser › Consultant, Policy Enhancement on PEM › Ateneo School of Government GWatch	This activity involves developing a clearer policy and implementation framework for civil society engagement in monitoring the procurement and contract implementation with regards to specific facilities.
			During 2015, PFMP: › Worked closely with DepED Procurement Services to develop Contract Implementation and Inspection Protocols, which include processes for engaging CSOs in monitoring major expenditure programs. This involved a series of workshops, analysis and discussions. › Funded GWatch's involvement in DepED Agency Procurement Compliance and Performance Indicators (APCPI) assessment. (Also provided oversight.) › Developed role for GWatch to work with DepED as a broker in engaging the broader CSO community in monitoring major programs. Subsequently engaged GWatch to fulfil that role and assist in refining DepED's contract management processes.

Activities	Dates	Resources	Progress
Support for other selected agency engagement frameworks and practices.	Preparation Phase: June to November 2015	› Governance Adviser › Coordinator, Civil Society Engagement › AIM Supported TA on Policy Enhancement of NGAs	Activity was concluded in June 2015 following budget reductions to PFMP, as discussed in the narrative. › At the Department of Health, PFMP supported the development of a framework for the engagement of CSOs in monitoring expenditure. The Secretary signed off on this framework in the form of a Department Order. PFMP also worked with DOH to develop detailed guidelines through a consultative process with NHA stakeholders. Covered key engagement mechanisms including Health Partners Meeting, Joint Assessment Monitoring and Evaluation, Program Implementation Review, Regional Interagency Coordination Team, Budget Partnership Agreements. › At the National Housing Authority, PFMP developed a *Memorandum Circular on Civil Society and Other Stakeholder Engagement in Public Expenditure* and related detailed guidelines through a consultative process with NHA stakeholders. It has not yet been formalised.

Annex B: KPI Assessment (at December 2015)

Outcomes	Performance Indicators	Baseline (Dec 2012 unless otherwise specified)	December 2015
Program Outcome 1.1: Government progresses overarching policy reforms.	1.1.1. Legislation passed by Congress during 2015.	No legislation drafted.	Introduced into Congress but not debated.
	1.1.2. Office of Comptroller General has sufficient resources to perform the agreed functions.	Zero staff.	OCG does not currently have adequate resources in place to perform its full range of functions. Of the 52 positions identified as part of the DBM restructuring, only 11 are filled. *See broader analysis in report narrative.* (Data provided by DBM.)
	1.1.3. Valuation of contingent liabilities is available.	Not available.	The valuation is scheduled for completion in March 2016.
Program Outcome 1.2: Government refines information frameworks.	1.2.1. Number of changes to UACS codes.	No data available.	123 changes in 2015; 105 related to organisational codes. (Repository does not include PAPs-MFOs.)
	1.2.2. DBM and COA maintain single set of harmonised reporting requirements.	Separate requirements.	Feedback collected from agencies in 2014 and 2015 suggested that the requirements of DBM and COA are not effectively aligned. In addition, agencies report a growing number of reporting requirements (eg from the Cabinet Secretary), often asking for the same information in yet further formats.
	1.2.3. Program budget structure adopted for 2017 budget.	2013 Budget was line item budget with preparation of separate agency output information through parallel process.	› 2014 Budget included outputs and line item allocations. › 2015 Budget included outcomes and line item allocations. › 2016 Budget included outcomes and line item allocations. › 2017 Budget call requested outcomes and line item allocations. Program budgets were deferred to 2018.
Program Outcome 1.3: Government operationalises reforms in budget cycle.	1.3.1. Agencies capture UACS codes correctly when transactions are generated.	UACS not implemented.	2014 analysis showed that, of 14 major spending agencies assessed, only three had implemented UACS for all stages of budget execution. The main reason for the non-implementation was the lack of adequate systems. it is likely that there was some improvement during 2015 as a result of agency implementation of the UACS-compliant version of eNGAS (although it is understood that implementation is not yet widespread). *The next full assessment of this indicator will take place prior to the preparation of the PFMP Completion Report.*

Outcomes	Performance Indicators	Baseline (Dec 2012 unless otherwise specified)	December 2015
	1.3.2. DBM provides templates and tools to support qualitative analysis of budget proposals and budget execution.	Direction provided through OPIF, but not as part of core budget process.	DBM provided template and guidance for 2016 budget through BP Form 206, as part of the new 2 Tier Budget Approach. This was a new document that provided guidance on providing strategic information to support decision on new spending in the budget process.
	1.3.3. By September 2015 a System Implementation Partner has been contracted and by June 2016 BTMS development is on track for January 2017 go live.	N/A	SIP was contracted in November 2015. Currently on track for go live in January 2017.
	BTr 1.3.4. Policies regarding agency banking arrangements formalised and monitored.	No TSA.	Although a range of work has been done on refining and clarifying banking issues to do with the ADA (Authority to Debit Account), use of eMDS and closure of dormant and unauthorised accounts, key issuances have not been finalised.
	1.3.5. Number and % of disbursements conducted through eMDS or any other electronic payment systems.	15% of NGAs conduct transations through eMDS. (2013)	33% of NGA conduct transactions through eMDS. (Currently 85% of agencies use Landbank.)
	COA 1.3.6. Pilot infrastructure audit completed and guidelines adopted.	Activity not implemented following withdrawal of request.	Activity not implemented following withdrawal of request.
Program Outcome 1.4: Government Implements Certificate Program	1.4.1. Program delivery model approved and resourced.	N/A	Program delivery model was approved in 2015 but required more analysis before a full resourcing strategy could be developed. An activity is under way (through PAHRODF) to assist DBM to develop a plan to roll out the PFM Institute as the delivery mechanism for the CP. During 2015, a Technical Working Group was established to manage the Certificate Program, as an interim measure prior to the rollout of the new DBM structure (expected in late 2015, but not yet signed off.) The TWG comprised three staff, supervised by an ASEC and USEC. Training was delivered through GAA funds.
	1.4.2. Number of curriculum modules completed from whole curriculum.	None. No curriculum framework in place.	6 out of 48 modules completed. (On target for 2015)

Outcomes	Performance Indicators	Baseline (Dec 2012 unless otherwise specified)	December 2015
	1.4.3. Number of participants and courses delivered with Government funding.	None.	113 participants across 6 courses, from ten agencies during 2015 (not including pilot training). *This was 7 people / one agency short of DBM's target. (DOTC did not attend.)*
Program Outcome 2.1: DepED strengthens implementation of PFM Reforms.	2.1.1. Number of bank accounts closed under the TSA.	Zero.	Zero. TSA not implemented at DepED.
	2.1.2. Average arrears of reconciliation (NCR).	No reliable baseline data. Estimate that very few accounts would have been as up to date as months in arrears.	March 2015: 96.5% of accounts no more than three months in arrears. Data for Central Office only.
Program Outcome 2.2: DepED enhances internal systems and processes.	2.1.3. All operating units use the new integrated system fully by June 2016. (NB: Indicator 2.1.3 is also a proxy for UACS compliance.)	N/A Data for use of eFRS (accounting system): No reliable data, but no region is likely to have had 100% usage.	Integrated system not implemented. Usage data for eFRS: 68% usage based on (unvalidated) self-assessment.
	2.1.4. Timeliness of transaction postings using the new system.	N/A	System not implemented.
3.1 COA institutionalises participatory audit practices.	3.1.1. COA formalise participatory audit in policy and relevant institutional arrangements (including resourcing).	No policy.	No formal policy, but four COA staff work on CPA on a full time basis.
	3.1.2. Participatory audits are cascaded down to Regional Offices.	Nil.	All regions except for ARMM and Region 12.
3.2 Selected agencies enhance CSO engagement practices.	3.1.3. Selected agencies and CSOs formalise policies and other institutional arrangements for systematic CSO engagement.	Nil.	Two out of three targeted agencies have formalized their policies. (DepED and DOH)
	3.1.4. Stakeholders report effective engagement following adoption of policy improvements.		Analysis to be undertaken in first half 2016.