

# **PFMP** Philippines-Australia Public Financial Management Program

Supporting the Philippines towards improved efficiency, accountability and transparency

## Draft Program Strategy 2015-2016

February 2015



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## Introduction

PFMP is a joint initiative of the Governments of Australia and the Philippines. The Program commenced in October 2011 and 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 purpose of this document is to outline PFMP's updated strategy for the remainder of the Program. A number of significant changes took place during 2014, which have made it necessary for PFMP to refine its strategy in order to best support Government's reforms. The document begins by summarising the key developments, then outlines the refinements to the Program's strategy, the management arrangements through which that strategy will be given effect, and then provides a summary of the work program as it currently stands.

The primary audience for the document is the Program Steering Committee, which, as the oversight body for the Program, is responsible for approving the direction for the Program.

## Changes in Strategic Context

2014 saw mixed progress in the implementation of reforms. Three reforms moved into implementation after a long period of preparation: the Treasury Single Account (TSA) was adopted for revenue agencies, the Unified Account Code Structure (UACS) was adopted for the full budget cycle, and the performance-informed budget came into effect. Two new initiatives were introduced: the drafting of a PFM Law for introduction to Congress in early 2015, and the establishment of a Comptroller General, which should become the institutional home for PFM policy. PFMP supported all of these initiatives.

However, 2014 also saw the non-awarding of the GIFMIS project, the result of which is that Government will not be able to implement an integrated system within the term of the Administration. GIFMIS was the technological centrepiece of the reforms, and the means through which many of the policy and procedural changes were to be given effect. Clearly, the absence of GIFMIS necessitates a change in approach. (The 2014 Annual Report provides further analysis.)

On the Australian side, 2014 saw a tightened aid budget, which means increased competition for funds and thus an even more acute need to be able to demonstrate real progress.

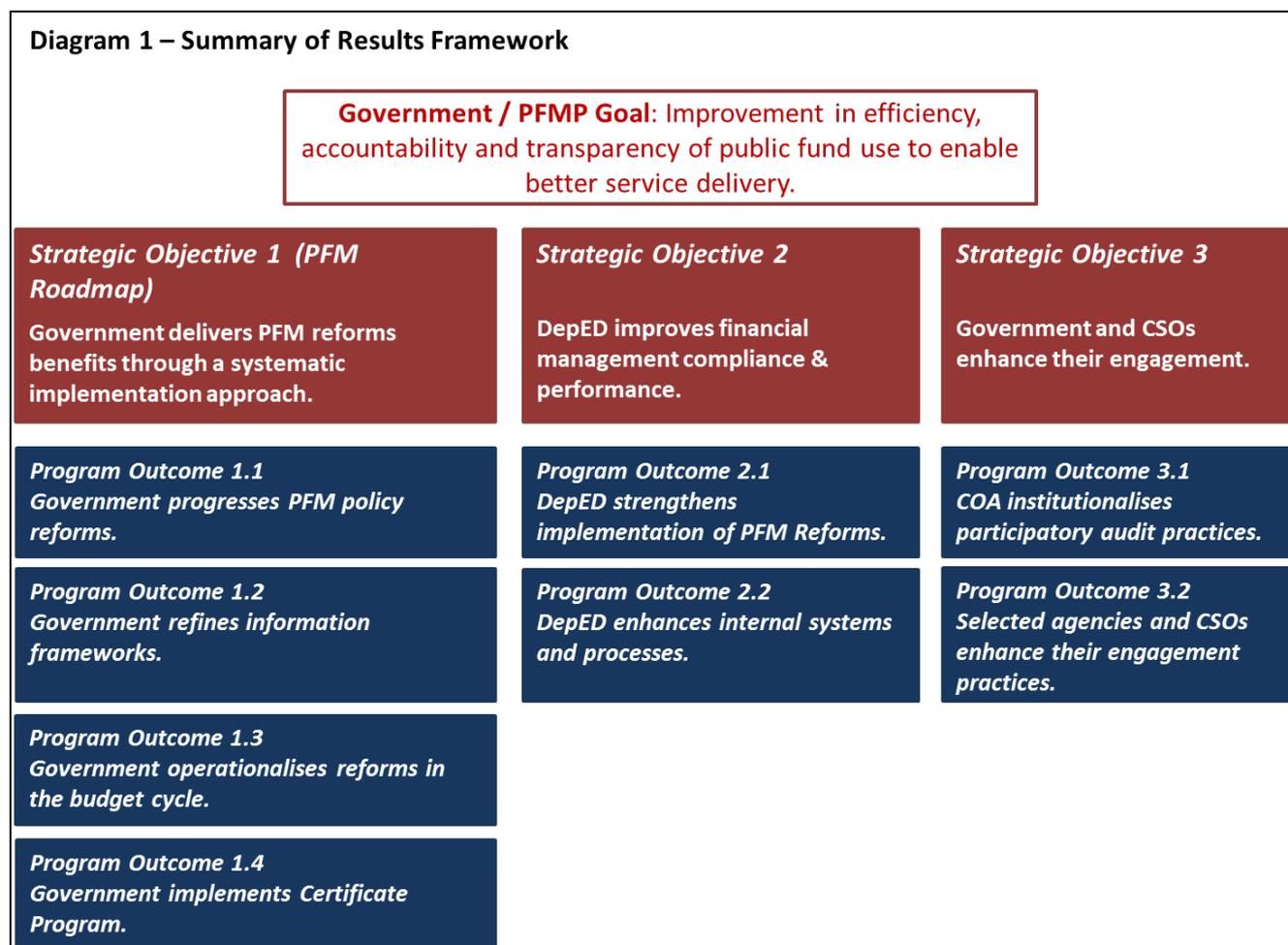
*PFMP remains committed to supporting the Government's reform efforts.* The approach for the remainder of the Program will be to emphasise consolidating the implementation of existing reforms; this implies a stronger emphasis on *management* and the day to day *practice* of PFM rather than the delivery of discrete reform outputs.

The new approach accepts that, in the absence of GIFMIS, the reform agenda shifts from being transformational to being focused more on incremental improvements. Valuable outcomes can still be delivered in this context. In particular it is critical to demonstrate the practical benefits of the tools that have already been developed – not only will the benefits be useful in their own right, but *demonstrating* the benefits will ensure the credibility of ongoing reform effort.

## Updated Strategy

### Program Scope

During 2014 PFMP revised its results framework to mirror the Government’s evolving priorities, and to capture refinements to PFMP’s scope. The revised framework is summarised in the diagram below, and more details are provided in Annex A.



More detailed descriptions of PFMP’s activities is provided in a later section, however the following describes the overall approach of each component.

**Strategic Objective 1** relates to Government’s core PFM reforms, and the structure of this component mirrors the structure of the updated Reform Roadmap. For PFMP, the focus is now strongly on Program Outcome 1.3: operationalising reforms in the daily practices of the budget cycle. Government has achieved reform progress with the establishment of UACS, TSA and PIB (under outcomes 1.1 and 1.2). However, these tools only deliver benefits when they are put into practice effectively.

DBM sets much of the tone for agencies’ behaviour; so the way in which it uses tools will have important flow on effects for the whole PFM system and help the Government to achieve tangible performance improvements. (For example, performance improvement cannot be achieved solely through extracting reporting compliance from agencies; how DBM uses reporting to make better decisions is critical.)

PFMP will assist DBM to address the challenge of strengthening day-to-day practices through an integrated approach. This must involve building understanding of (a) the relationships between the different tools, and (b) their relevance to the policy context (for example, how analysis using PIB and UACS can be used to address agency underspending). It then requires addressing all the factors that drive practices: staff skills, systems, dialogue with agencies, and internal management arrangements. PFMP's proposed analytics activity will be the centrepiece of the Program's efforts in this respect (the details of which are described later in this document).

PFMP may also provide additional technical support on policy or institutional matters (such as establishing the Office of the Comptroller General) where doing so can deliver practical, sustainable benefit. A key challenge in this respect is for oversight agencies to embed responsibility for reforms properly into their structures; reforms cannot be approached as "additional" tasks that are the responsibility of temporary or ad hoc bodies. This has been recognised at the policy level, and the challenge is now to deliver it operationally. PFMP will continue to engage in dialogue on this challenge, while recognising that agencies ultimately must determine their own management arrangements.

**Strategic Objective 2** relates to support to DepED. DepED is the largest spending agency in Government and faces significant financial management challenges. The education sector is also a significant priority for Australian aid.

Support continues to focus on helping the Department to strengthen its uptake of the PFM reforms, and to make improvements to its internal systems, processes and practices. The absence of GIFMIS – for which DepED was to be the pilot spending agency – means that the original approach has had to be modified. Rather than focusing on GIFMIS-readiness, the new approach will aim to put in place enhancements to existing systems that can deliver useful improvements within the timeframe of the Program (such as more efficient and accurate reporting). This will be the best way to consolidate achievements to date, and place DepED in a good position to move forward with any more ambitious systems development strategies in future.

**Strategic Objective 3** addresses civil society engagement, and saw a shift in emphasis during 2014. Although the original intention of the Program had been to focus on policy issues, DFAT agreed with the recommendation of the PFMP Mid-Term Review to reorient support toward the actual practice of CSO engagement, which takes place predominantly via spending agencies. To this end, PFMP will work with DepED, and on a smaller scale with DOH, selected health sector CSOs, and the National Housing Authority to strengthen civil society engagement on public expenditure issues. PFMP continues its support to COA's successful participatory audit program.

In each of the above three components, PFMP support will continue to be delivered through a variety of methods such as: provision of policy and management advice (whether provided in formal reports or through informal day to day interaction), assistance with systems development, training design (and delivery); staff mentoring, or providing independent assessments of technical issues. Under Component 3, PFMP also provides grants to selected CSOs.

## Program Principles

This strategy document sets out the activity program as it currently stands, however the reality is that the Program will evolve. This document's more important role is therefore to provide the strategic framework within which to manage flexibility effectively.

In the current circumstances, a flexible approach should be more effective than relying solely on a workplan defined at a single point in time. The experience of 2014 shows that the PFM reform environment is complex, and it is difficult to predict the course that reform initiatives will take. Also, in a complex environment, it is often useful to adopt an incremental approach, where activities gradually build on success, and resources are allocated based on momentum. (This is also an effective approach to risk management.)

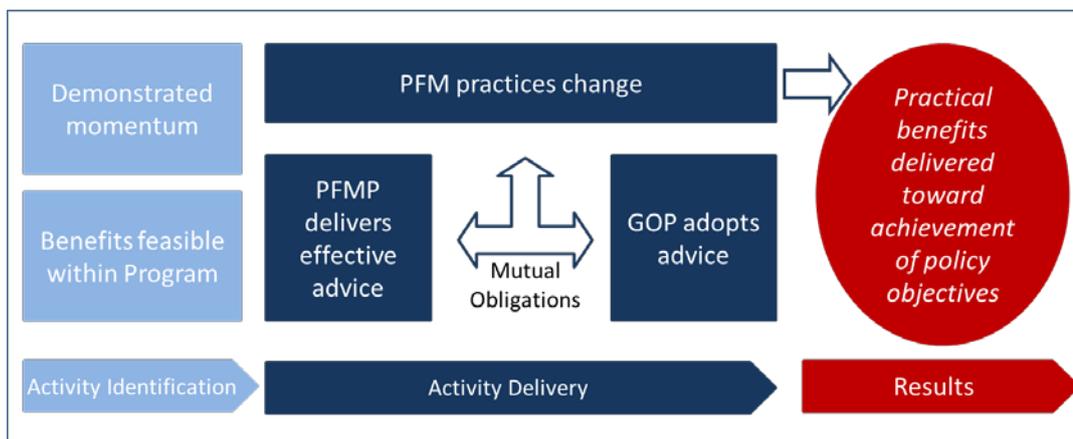
The overall objectives toward which the program is working are defined in the Results Framework. Flexibility at the operational level will then be further guided by two principles. PFMP will:

- › *Support areas where progress and momentum are evident.* With limited time remaining in the Administration period, it is essential to focus on areas where momentum has been generated, recognising that not all areas of reform have achieved equal progress.
- › *Support areas of reform where benefits can be delivered within the Administration’s term, to leave organisations in a stronger position than they were at the beginning of the Program.* While PFMP recognises that PFM reform is a long term effort involving many different elements, it is critical at this stage of the political cycle to deliver *and demonstrate* benefits in order to maintain the credibility of reform efforts for the longer term.

There is also an important operating principle that guides the *delivery* of support, which is increasingly central within Australia’s aid program. The principle of mutual obligations is about reciprocal accountability between GOP and GOA, to ensure both parties deliver what is required for the intended benefits to be achieved:

- › *PFMP’s responsibility* is to provide quality, timely and responsive advice that meets GOP’s needs.
- › *Government’s responsibility* is to provide the necessary counterpart resources in areas where technical advice is agreed, and to make and act on decisions on matters arising from PFMP advice.

These principles, summarised in the diagram below, will be operationalised through the management arrangements discussed in the next section.



## Management Arrangements

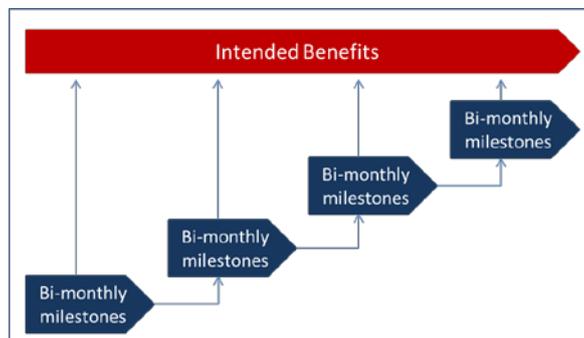
### Program Planning and Monitoring

In order to manage what is expected to be an evolving program, arrangements will be put in place to provide a second layer of planning and feedback within the Program’s overall results framework. This ‘second layer’ will involve advisers preparing brief operating plans with their counterparts. These will highlight priorities for the coming two months and achievements for the last two months for *both* the Government and PFMP, and will be jointly signed off by the relevant PFMP adviser and their GOP counterpart.

This reporting framework will provide:

- > An iterative, but properly structured planning and reporting process that provides short feedback loops and allows for adjustments to the activity program to be made as necessary (eg modifying ongoing activities, adding new activities, dropping activities); and
- > A mechanism for operationalising the principle of mutual obligations, in which expectations both GOP and PFMP are defined and monitored.

This bi-monthly process will be the Program’s principal monitoring tool. Regular dialogue about progress, issues, and priorities will be key to its success.



### Program Evaluation

In addition to supporting the above planning and monitoring process, PFMP will undertake more in-depth analysis of key reform issues through a series of studies, designed to meet both GOP and GOA needs. Analysis may address the following types of issues:

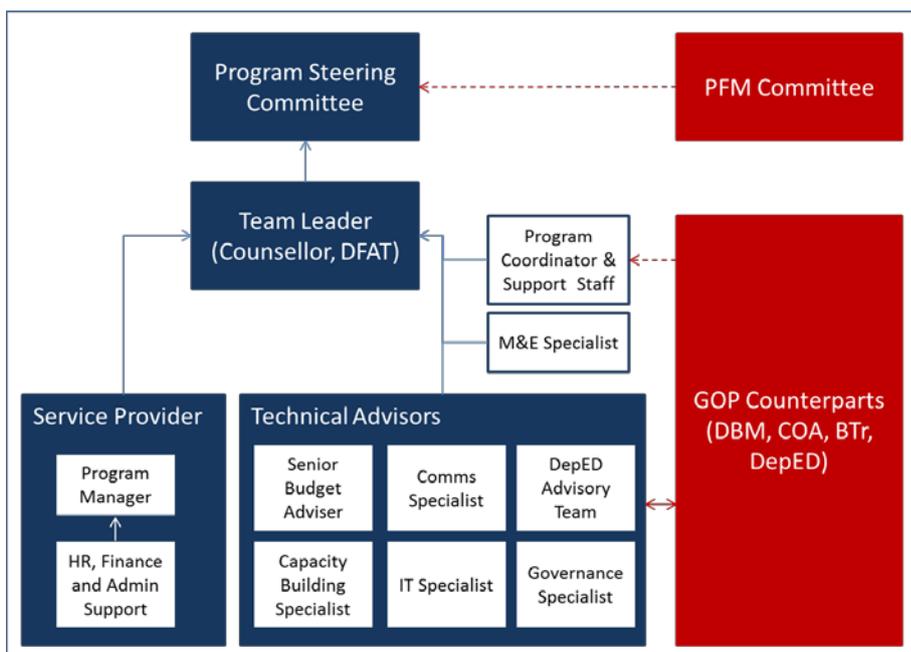
- > The role of information technology in driving PFM reform;
- > The importance of momentum in delivering successful reform;
- > Most effective entry points for donors in supporting PFM reform;
- > Dealing with the challenges of translating policy into implementation in a reform setting.

### Program Organisational Structure

The 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. 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. Individual advisers are engaged by the service provider to deliver support.

The program structure is summarised in the diagram. (The diagram does not include additional resources engaged to perform specific technical tasks.)



## Activity Program

This section describes PFMP's program of work at the time of writing. However, as discussed, the Program will continue to evolve using the principles and tools outlined above. Annex B provides a full listing of the activities, and Annex C provides a financial summary.

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

#### Program Outcome 1.1 – Government progresses overarching policy reforms.

PFMP will continue to respond to any opportunities to positively influence the policy framework. PFMP support will focus on helping to ensure rigorous analytical processes to support policy, provide advice on international practice and standards, and ensure that implementation feasibility is considered.

Government's role is to ensure resources are in place to manage the policy process, to make final decisions about the content of policy, and to take the necessary measures to formalise policy decisions and manage or oversee their implementation.

At the time of writing, there is only one activity formally planned under this outcome: to provide support to developing a policy framework for contingent liabilities (by BTr). PFMP will assist the Government to first take stock of its explicit and implicit contingent liabilities. This will provide the basis for Government to develop a policy framework for ongoing monitoring and management of contingent liabilities (including defining the institutional arrangements for that management framework and the scope of liabilities to be included).

Ad hoc advice is likely to be provided in the following areas:

- › *PFM Law* – ad hoc assistance with any further drafting related to the PFM Law or related regulations.
- › *Office of Comptroller General (OCG)*. PFMP will continue to provide ad hoc advice on establishing the office: defining its role and the processes through which it exercises that role. PFMP recognises the potential importance of this Office, and will continue its dialogue with DBM on the issue. More substantive support could be delivered when DBM has determined how it wishes to progress the OCG.
- › *CSO policy*. The bulk of PFMP's support to Government-CSO engagement now relates to the day-to-day practice of engagement between Government and selected CSOs; this is described under Strategic Objective 3 below. However, there is the possibility that opportunities will still emerge to address CSO engagement policy issues.

#### Program Outcome 1.2 – Government refines information frameworks.

This outcome relates to how Government defines the information it requires to manage the PFM system. Improving the relevance and quality of information used for public financial management has been an important theme in all of the PFM reforms. Government has achieved important progress in this area over the last two years, in particular through the adoption of the Unified Account Code Structure (UACS), harmonising reporting requirements, and the incorporation of Major Final Outputs into the budget.

PFMP will continue to provide ad hoc support to this area (eg UACS, reporting requirements, PIB), and will respond to Government's needs as they arise. However there are no specific needs identified at this stage; the real priority is putting improved information to better use, and this is addressed under Program Outcome 1.3 below.

### **Program Outcome 1.3 – Government operationalises reforms in budget cycle.**

This program outcome is expected to be the single most important area of work under PFMP for the remainder of the Program. This is appropriate to the current implementation stage of the reforms. The emphasis is on consolidating the achievements so far by helping to operationalise and properly institutionalise those reforms. This is about turning policies, processes and systems into *practices* that generate benefits.

#### Analytics Support for DBM

This is a new activity for PFMP, and represents a shift in approach. Whereas much of the previous work has focused on helping to deliver discrete reforms, this activity is more about putting those reforms into practice in the context of DBM's day to day functions. This will help to deliver operational benefits in the short term (eg using UACS and PIB to address underspending), and help to sustain reform momentum by demonstrating what reform benefits look like in practice.

Driving reforms down into the operational levels of DBM – the Budget Management Bureaus – to strengthen day-to-day practices is a key challenge of the reforms. It is the right time to address this challenge more directly; failure to do so runs the risk that reforms will remain superficial. It is also important to recognise that improving analysis is not dependent solely on the implementation of an integrated system.

The activity will aim to improve analysis of information currently available to DBM. It will involve two elements:

- › The development of an analytics system (which will be procured by PFMP) that will take data already available from different DBM systems to integrate it in a database that will support analysis from a range of perspectives.
- › Mentoring to selected BMB units in how to make the best use of the improved information available. The key to the activity is embedding support within BMBs to focus on improving the application of analytical capability within their day to day work with agencies.

PFMP, with DBM, will determine the right approach to mobilising mentoring support following the delivery of initial support by the Senior Budget Adviser, who will oversight the activity. Key decisions in the short term will be to agree the units / personnel who will receive support. (Support will be in-depth and will thus have to be targeted; it is not a wide coverage *training* activity.)

Given the mentoring-based approach, it will be critical that counterpart staff are clearly assigned to work with advisers. (By the same token, the activity is about embedding mentoring in BMBs to support day-to-day functions; thus counterpart staff do not need to be taken 'offline' for the activity.)

This activity is expected to continue for the remainder of the Program.

#### Budget and Treasury Management System

PFMP will support DBM's procurement of the Budget and Treasury Management System (BTMS). Although less complex and less costly than GIFMIS, any system procurement involves risk. PFMP will provide technical guidance to the process to assist in minimising *technical* risks. However, *management* responsibility for project will rest with DBM, particularly as rollout of the system will not take place until after the conclusion of PFMP support.

PFMP's existing IT adviser will support the procurement process for the remainder of the Program. Because much of the design and planning work that was done for GIFMIS is readily transferable to BTMS, it is not

currently expected that additional resources will be required; however this will be monitored. GOP has taken over more direct administrative responsibility for the process with its PFM Project Unit.

#### Possible Additional Support

There are two possible additional areas of support under this outcome.

Improving cash management has always been a central part of the reform effort; improvements have the potential to deliver significant savings to Government. As discussed in the Annual Report, the main challenge is currently to provide BTr with the systems it needs to properly manage the TSA and to expand it to cover the Government's expenditure accounts. In this respect, the implementation of BTMS is the critical activity. (PFMP will provide ad hoc advice on the improvement of existing systems in the interim.)

It is possible that PFMP would provide further assistance to BTr to progress its cash management practices prior to the implementation of BTMS, such as addressing a range of policy issues to do with the treatment of expenditure accounts and expanding electronic payments. However this is still subject to further discussion with the recently appointed Treasurer.

The second possible area of support relates to DBM's maintenance of the UACS. As discussed above, the *main* challenge with UACS is for agencies – and DBM in particular – to begin using it for analysis, and this will be addressed in part through the proposed analytics activity. (If UACS is being used as intended, it provides the right incentive for agencies to address the various technical challenges associated with UACS – eg systems compliance, correct interpretation of codes and so on.)

DBM may determine that some further assistance is required with stabilising its processes for maintaining the UACS and providing support to agencies. In this respect, PFMP may assist with upgrading the UACS repository, providing mentoring or similar support to BTS on the maintenance of the UACS, and further strengthening DBM's ability to provide assistance to spending agencies. However, useful support in this area is dependent on the successful transition of responsibility for UACS from the current "core teams" to a clear, permanent responsibility centre. (These issues are discussed in greater depth in the 2014 Annual Report.)

#### **Program Outcome 1.4: Government Implements Certificate Program.**

Capacity building is an essential element of a balanced approach to reform. To achieve significant, lasting improvements, capacity building must involve more than just rollout training for individual initiatives. There is a need for more fundamental, broad-based strengthening of PFM skills.

To this end, PFMP is assisting the Government to develop and pilot a Certificate Program, building on the Competency Framework adopted in early 2014 (with PFMP support). This activity involves developing a curriculum framework; developing full course materials for the Budget and Performance Track of the competency framework; and piloting of those selected courses with participants drawn from DBM (and possibly selected spending agencies). PFMP is also assisting DBM to develop a delivery model that defines how the training will be managed, delivered and resourced over the longer term.

This activity is already under way, and the current piloting should be finished by mid-2015. PFMP may provide further support with expanding the scope of course materials (eg to include audit programs, in cooperation with COA), and to assist DBM to operationalise the delivery model, once it is formally established and resourced.

### **Other Support to the Reform Process**

PFMP will continue to provide a range of ad hoc support to the management of the reform process – including with general program management, training coordination, communications, and monitoring/evaluation. As discussed in the Program’s Annual Report, 2014 saw the beginning of a transition process in which DBM assumed more direct responsibility for these tasks and PFMP’s support will continue to be of an advisory rather than hands on nature. In this respect, PFMP will provide advice to senior staff and mentoring support to operational staff as necessary.

## **Strategic Objective 2: DepED improves financial management compliance & performance.**

### **Program Outcome 2.1: DepED strengthens implementation of PFM Reforms.**

For the remainder of the Program, the focus of this outcome will primarily be on the implementation of TSA. PFMP will continue to work with DepED to progress account closures, strengthen banking procedures and bank reconciliation practices. When BTr has finalised its guidelines on the implementation of the TSA for spending agencies, PFMP will work with DepED to develop and implement a full action plan.

### **Program Outcome 2.2: DepED enhances internal systems and processes.**

Notwithstanding the progress that has been achieved, DepED continues to face significant financial management challenges: it still has a large reliance on manual systems and many practices are inconsistent as a result. For the remainder of the activity, the focus will be on three interconnected issues.

In the absence of GIFMIS, PFMP will work the Department to strengthen and integrate DepED’s two main financial management systems: the budget monitoring system and the financial reporting system. This has the potential to deliver quick benefits. PFMP will take direct responsibility for this system development. DepED will be responsible for ensuring effective coordination between the Budget and Accounting divisions to ensure that the integrated system meets all functional requirements, and providing the necessary resources to support implementation, rollout, oversight and maintenance across the organisation.

Closely related to the first activity above, PFMP will assist the Department to review and strengthen its business processes. PFMP will manage this design process, and provide support to the rollout of the new processes, including through training and engagement with Regional Offices. It is expected that most training will take place beginning in the last quarter of 2015 through to the first quarter of 2016. As with other training, a cascading model will be used, focused on the Regional Offices. Among other things, this work will help to reinforce the implementation of UACS.

The new information system and processes described above will provide a basis from which to improve the reliability of data over time. However, it will also be necessary to conduct data cleansing activities to help provide a strong starting point and to ensure offices understand the need for ongoing rigour in data management practices. A data cleansing process is being piloted in CO and NCR, and based on that experience, a plan for rolling out the data cleansing process to Regional Offices will be developed. It is intended that implementation of this plan will begin in April 2015.

## Strategic Objective 3: Government and CSOs enhance their engagement.

### 3.1 COA institutionalises participatory audit practices.

PFMP has been working with COA on the participatory audit program since its inception. The current focus of the work, implemented through a grant provided to ANSA-EAP, focuses on the expansion and institutionalization of participatory audit in COA. Further audits will be implemented for roads development and the education sector, testing new models of participatory audit. This activity will also be expanded to include cooperation with the Philippine Centre for Investigative Journalism (PCIJ), focused on increasing awareness of audit findings.

### 3.2 Selected agencies enhance CSO engagement practices.

This program outcome includes a range of new activities focused on supporting practical engagement between agencies and CSOs. The work arises from a range of consultations and analysis that took place early in 2014.

#### Support to DepED / CSO program monitoring.

This is the major activity under this outcome, and involves working with DepED to enhance civil society's role in monitoring major expenditure programs of the Department. The initiative will strengthen the framework and mechanisms for CSO involvement and will provide support to CSOs in monitoring selected programs. It will involve assistance for designing the overall framework for external involvement in monitoring, assistance with communications and disclosure, and capacity building for civil society stakeholders.

#### Support for other selected agency engagement frameworks and practices.

This activity includes working on the further small scale initiatives with the Department of Health and National Housing Authority to strengthen their frameworks for civil society engagement in relation to public expenditure matters. PFMP will also provide capacity building for a group of health sector CSOs for evidence-based research in support of budget utilization advocacy related to human resource management and primary health care.

## Annex A – Draft Results Framework

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This document provides a draft summary of the Results Framework for PFMP. This will be finalised and elaborated into a fuller M&E plan following the PSC's approval of the Program Strategy for 2015-16.

This Framework replaces the prior Results Framework for PFMP, which was reviewed in 2014 in order to align more directly to the Government's Reform Roadmap, and to reflect other changes in PFMP's approach during the year.

The primary changes from the original Framework are:

- › Strategic Objective 1 and its contributing program outcomes (previously focused on the work of oversight agencies) has been restructured to explicitly mirror the structure of the PFM Reform Roadmap.
- › The former Strategic Objective 3 (GIFMIS) has been removed as a standalone objective, with systems development initiatives included into the new Strategic Objective 1.
- › The former Strategic Objective 4 (civil society engagement) and its contributing program outcomes have been recast to reflect the modified approach to that area of work (discussed in the relevant section).

In terms its structure, the Framework comprises:

- › **Strategic objectives** that define the benefits that will be realised from putting reform initiatives into practice. As such, they reflect achievements expected over the medium to long term.
- › **Program outcomes** that define what should be achieved by the end of the Program. They are defined as *Government* achievements. Because of the nature of PFMP's role (ie, the provision of technical, management, and policy advice) it is neither practical nor useful to define outcomes that are solely the responsibility of PFMP. PFMP *supports* Government's reforms, and Government is responsible for their implementation. Thus, PFMP's role must be understood as making a qualitative contribution to change, rather than a stand-alone contribution that PFMP alone is responsible for delivering. Ultimately, the Program's success is thus a function of the quality of advice that is provided, the extent to which it is operationalised, and the quality of outcomes that result.
- › The **critical success factors** for the achievement of each outcome. These describe the things that Government must get right in order to drive reforms forward successfully. They are generally qualitative in nature, and will be the major focus of PFMP support.
- › The **performance indicators** that will measure or assess progress toward outcomes. Whereas the critical success factors focus on the nature of *actions*, the indicators focus on the *results*. The qualitative nature of the reforms means that the indicators provide only a partial measure of progress. Fuller analysis will be undertaken on a selective basis that examines the critical success factors, performance indicators and other factors to draw conclusions about effectiveness.

**Draft Results Framework**

Outcomes	Critical Success Factors	Performance Indicators
<p><b>Strategic Objective 1: Government delivers PFM reforms benefits through a systematic implementation approach.</b></p> <p>(From PFM Reform Roadmap)</p>	<p>No critical success factors at this level. However, five key result areas are defined that group the overall reform benefits to be delivered.</p> <p><b>KRA 1</b> – Budgets are consistent with Administration's policy priorities, within the fiscal space.</p> <p><b>KRA 2</b> – Reduced deviations from budget.</p> <p><b>KRA 3</b> – Reduced transaction costs from managing budget execution.</p> <p><b>KRA 4</b> – Improved budget execution rate.</p> <p><b>KRA 5</b> – Citizens understand where funds are spent.</p>	<ol style="list-style-type: none"> <li>1. Increase in proportion of budget submitted to Congress for priority programs as defined by Social Contract.</li> <li>2. Composition of expenditure out-turns compared to original approved budget.</li> <li>3. Budgets accommodate risks associated with contingent liabilities.</li> <li>4. Estimated savings achieved from improved cash management (including reduced transaction costs and reduced borrowing costs).</li> <li>5. Average difference between quarterly forecast (NCAs) and actual disbursements.</li> <li>6. Total annual disbursement compared to original approved budget.</li> <li>7. Open Budget Index score. (Target score of 60 by 2015.)</li> <li>8. Reduced use of lump sum funds and unprogrammed appropriations.</li> </ol>
<p><b>Program Outcome 1.1: Government progresses overarching policy reforms.</b></p>	<ul style="list-style-type: none"> <li>&gt; Government addresses PFM policy issues through a systematic process to deliver a holistic, principles-based framework for PFM.</li> <li>&gt; Comptroller General functions are clearly defined and agreed between oversight agencies.</li> <li>&gt; Memorandum of Agreement adopted between DBM and COA regarding Comptroller General role.</li> <li>&gt; Appropriate methodology is developed and implemented for contingent liability valuation.</li> </ul>	<ol style="list-style-type: none"> <li>9. Legislation passed by Congress during 2015.</li> <li>10. Comptroller General has sufficient resources to perform the agreed functions.</li> <li>11. Valuation of contingent liabilities is available.</li> </ol>
<p><b>Program Outcome 1.2: Government refines information frameworks.</b></p>	<ul style="list-style-type: none"> <li>&gt; DBM allocates permanent responsibility for maintenance of UACS and allocates resources accordingly.</li> <li>&gt; DBM maintains UACS consistent with the principle of a unified code structure.</li> <li>&gt; DBM and COA continually review reporting requirements against actual decision-making needs.</li> <li>&gt; DBM develops systematic approach for implementing program budgeting, with agency buy-in.</li> </ul>	<ol style="list-style-type: none"> <li>12. Number of changes to UACS codes.</li> <li>13. DBM and COA maintain single set of harmonised reporting requirements.</li> <li>14. Program budget structure adopted for 2017 budget.</li> </ol>

Outcomes	Critical Success Factors	Performance Indicators
<b>Program Outcome 1.3: Government operationalises reforms in budget cycle.</b>	<u>DBM</u> <ul style="list-style-type: none"> <li>› DBM provides feedback on reports and uses them as basis for agency dialogue on performance.</li> <li>› COA provides support for eNGAS users.</li> <li>› DBM provides support to agencies to apply UACS correctly.</li> <li>› DBM adopts systematic approach to approaching market for procurement of BTMS.</li> </ul> <u>BTr</u> <ul style="list-style-type: none"> <li>› BTr (and COA) set out and monitor clear policies regarding account closures and NGA banking arrangements related to TSA.</li> <li>› BTr sets out and monitors clear policy regarding electronic payments.</li> </ul>	<u>DBM</u> <ul style="list-style-type: none"> <li>15. Agencies report that performance information is used systematically in discussions between agencies and DBM.</li> <li>16. Agencies use UACS codes correctly at transaction level.</li> <li>17. By June 2016 a System Implementation Partner has been contracted and BTMS development is on track for January 2017 go live.</li> </ul> <u>BTr</u> <ul style="list-style-type: none"> <li>18. Number and % of eligible accounts swept daily to TSA / Number of NGA accounts closed.</li> <li>19. Number and % of disbursements conducted through eMDS or any other electronic payment systems.</li> </ul>
<b>Program Outcome 1.4: Government Implements Certificate Program</b>	<ul style="list-style-type: none"> <li>› Training content is consistent with reform agenda and approved competency framework.</li> <li>› Effective delivery model is agreed and properly embedded in policy, by DBM and CSC to maximise NGA participation.</li> <li>› DBM allocates sufficient funds to the approved delivery model in 2016 budget.</li> </ul>	<ul style="list-style-type: none"> <li>20. Curriculum Framework approved by PFM Certificate Program Steering Committee.</li> <li>21. Number of participants and courses delivered in 2016 with Government funding.</li> </ul>
<b>Strategic Objective 2 – DepED improves financial management compliance &amp; performance</b>		<ul style="list-style-type: none"> <li>22. Comprehensiveness of consolidated data: Percentage of Operating Units whose data is included in consolidated financial reports; percentage of Units in arrears (aged by number of months in arrears).</li> <li>23. DepED budget disbursement rate increases.</li> </ul>
<b>Program Outcome 2.1: DepED strengthens implementation of PFM Reforms.</b>	<ul style="list-style-type: none"> <li>› DepED monitors and enforces accounting and reporting requirements.</li> <li>› DepED conducts rigorous and systematic bank reconciliations.</li> </ul>	<ul style="list-style-type: none"> <li>24. Number of bank accounts closed under the TSA.</li> </ul>
<b>Program Outcome 2.2: DepED enhances internal systems and processes.</b>	<ul style="list-style-type: none"> <li>› DepED provides necessary resources to support and enforce system rollout.</li> <li>› DepED adopts revised processes and practices as prescribed in the Financial Management Manual.</li> </ul>	<ul style="list-style-type: none"> <li>25. All Operating Units use the new integrated system fully by June 2016.</li> <li>26. Timeliness of transaction postings using the new system.</li> </ul>

Outcomes		Critical Success Factors	Performance Indicators
<b>Strategic Objective 3 – Government and CSOs enhance their engagement.</b>			27. CSOs are systematically engaged in the audit process. 28. CSOs are systematically engaged in budget and program monitoring activities.
<b>3.1 COA institutionalises participatory audit practices.</b>	> COA formalise participatory audit in policy and relevant institutional arrangements (including resourcing).		29. Three further participatory audits conducted in 2015 and 2016.
<b>3.2 Selected agencies enhance CSO engagement practices.</b>	> Selected agencies and CSOs formalise policies and institutional frameworks for systematic CSO engagement, and resource accordingly.		30. CSOs report effective engagement by selected agencies following development of frameworks.

## Annex B – Activities Summary

Activities	Start / End	Summary of Assistance: Current / Possible	Resources
<b>Strategic Objective 1: Government delivers PFM reforms benefits through a systematic implementation approach.</b>			
<b>Program Outcome 1.1 – Government progresses overarching policy reforms.</b>			
<i>Ad hoc advice</i>	Ad hoc support to June 2016.	Provide ad hoc support as required, based on an opportunistic approach. Contingent Liabilities support currently being planned. <i>Possible further support for PFM Law and IRR (possibly including legal advice); Comptroller General; CSO policy engagement.</i>	<ul style="list-style-type: none"> <li>&gt; Senior Budget Adviser as necessary.</li> <li>&gt; Tender for contingent liabilities analysis under way.</li> </ul>
<b>Program Outcome 1.2 – Government refines information frameworks.</b>			
<i>Ad hoc advice</i>	Ad hoc support to June 2016.	Provide ad hoc advice as needed on refinement of UACS design, reporting requirements, and budget structure (eg with regard to performance budgeting).	<ul style="list-style-type: none"> <li>&gt; Senior Budget Adviser as necessary.</li> </ul>
<b>Program Outcome 1.3 – Government operationalises reforms in budget cycle.</b>			
<i>Analytics Support and Mentoring</i>	February 2015 to June 2016. <i>Systems development: expected duration is five months.</i>	Two components: <ul style="list-style-type: none"> <li>&gt; Procurement and development of analytics system for DBM.</li> <li>&gt; Mentoring to selected BMB units through all phases of the budget cycle. Focus on using existing data to generate improved analysis of agency budget proposals and expenditure. This would include demonstrating the usefulness of existing reforms such as UACS and PIB.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Senior Budget Adviser, with input from Capacity Building Adviser and IT Adviser.</li> <li>&gt; Additional mentors as necessary.</li> <li>&gt; System development company. Procurement under way.</li> </ul>
<i>Support to BTMS</i>	Ongoing to June 2016	Provide technical advice on development of specifications for BTMS and the conduct of the tendering and assessment process.	<ul style="list-style-type: none"> <li>&gt; IT Adviser (formerly “GIFMIS Adviser”).</li> </ul>
<i>Possible Support to UACS Management</i>	TBD	<i>Support could be provided for upgrades to UACS repository, streamlining help desk, further coaching for help desk / BTS. Focus on DBM functions and structures required to maintain UACS effectively.</i>	To be determined.
<i>Support to TSA and cash management</i>	To June 2016	Provide ad hoc technical advice on implementation of Oracle upgrades, implementation of BTMS. Possible additional support if necessary. <i>Could expand to provision of further policy and management advice on measures to continue operationalisation of TSA (eg consolidation of expenditure accounts).</i>	<ul style="list-style-type: none"> <li>&gt; IT Adviser as required.</li> <li>&gt; Additional resources possible.</li> </ul>

Activities	Start / End	Summary of Assistance: Current / Possible	Resources
<b>Program Outcome 1.4: Government Implements Certificate Program</b>			
<b>Certificate Program</b>	Start: December 1, 2014 End: June 9, 2015	Develop curriculum framework, develop full training materials for selected courses and test delivery of those courses. Assist DBM to design training delivery model.  <i>Further assistance may be provided to expand detailed course development and testing for audit courses with COA.</i>  <i>Further assistance may be provided to assist with operationalisation of delivery model once established.</i>	<ul style="list-style-type: none"> <li>&gt; Capacity Building Adviser.</li> <li>&gt; WYG International &amp; CIPFA</li> <li>&gt; <i>Additional resources possible.</i></li> </ul>
<b>Management Support to GOP</b>			
<b>Reform Program Management</b>	To June 2016	<ul style="list-style-type: none"> <li>&gt; Provide general advice on program management and strategic coordination of reforms.</li> <li>&gt; Provide support / mentoring to PFM Project Unit.</li> <li>&gt; Technical advice to DBM (and possibly COA) on training initiatives related to PFM reform.</li> <li>&gt; Technical advice on GOP communications for reform.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Program Coordinator (under recruitment).</li> <li>&gt; Capacity Building Adviser.</li> <li>&gt; Communications Specialist.</li> <li>&gt; Monitoring and Evaluation Specialist.</li> </ul>
<b>Strategic Objective 2 – DepED improves financial management compliance &amp; performance</b>			
<b>Program Outcome 2.1: DepED strengthens implementation of PFM Reforms.</b>			
<b>Strengthen UACS and TSA implementation</b>	Ongoing to June 2016	In 2015 this support will largely be implemented through the business process strengthening activity below.	<ul style="list-style-type: none"> <li>&gt; DepED Advisory Team</li> </ul>
<b>Program Outcome 2.2: DepED enhances internal systems and processes.</b>			
<b>System Integration</b>	Likely to June 2016 (subject to extension of adviser contracts).	Develop and oversee implementation of integrated budget monitoring and accounting system, to facilitate more efficient and reliable reporting.	<ul style="list-style-type: none"> <li>&gt; DepED Advisory Team</li> <li>&gt; Database developer to be recruited (via firm).</li> </ul>
<b>Business Process Strengthening</b>		Analyse business processes and develop and rollout Financial Management Manual.	<ul style="list-style-type: none"> <li>&gt; DepED Advisory Team</li> </ul>
<b>Data Cleansing</b>		Develop and implement plan for data cleansing, following initial piloting.	<ul style="list-style-type: none"> <li>&gt; DepED Advisory Team</li> </ul>

<b>Strategic Objective 3 – Government and CSOs enhance their engagement.</b> <i>(Estimated allocation AUD250,000, excluding CPA Phase 2 &amp; current Technical Specialist)</i>			
<b>3.1 COA institutionalises participatory audit practices.</b>			
<b>Support to COA Participatory Audit</b>	CPA Phase 2, (30 May 2016)	Continued support to ANSA / COA activities incorporating new support to Philippines Centre for Investigative Journalism (PCIJ).	<ul style="list-style-type: none"> <li>&gt; Governance Specialist</li> <li>&gt; ANSA (grant)</li> <li>&gt; PCIJ arrangements being finalised.</li> </ul>
<b>3.2 Selected agencies enhance CSO engagement practices.</b>			
<b>Support to DepED / CSO program monitoring.</b>	To June 2016	Assistance to enhance the framework and enabling measures for external involvement in monitoring procurement and program implementation; support to communications and information disclosure; capacity building and support to civil society stakeholders.	<ul style="list-style-type: none"> <li>&gt; Governance Specialist</li> <li>&gt; Short term consultants (to be recruited)</li> </ul>
<b>Support for other selected agency engagement frameworks and practices.</b>	To June 2016	Strengthening existing mechanisms and guidelines for CS engagement, including clarifying roles and responsibilities. Covers support to NHA, DOH, and direct support to health sector CSOs.	<ul style="list-style-type: none"> <li>&gt; Governance Specialist</li> <li>&gt; Civil Society Technical Specialist</li> <li>&gt; Other arrangements being developed for engaging health sector CSOs directly.</li> </ul>