

**MID TERM REVIEW OF THE PHILIPPINES-AUSTRALIA  
PUBLIC FINANCIAL MANAGEMENT PROGRAM (PFMP)**

**INK078/11A786**

**FINAL REVIEW REPORT**

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## Initiative Summary

<b>Initiative Name</b>	<b>Philippines-Australia Public Financial Management Program</b>		
AidWorks initiative number	INK078/11A786		
Commencement date	12 October 2011	Completion date	30 June, 2016 (stop-go point at May 2014)
Total Australian \$ commitment	\$A30 million		
Total other \$			
Delivery organisation(s)	This program is directly managed by DFAT – Australian Aid supported by Technical Advisory Team and Service Provider, responsible for the day-to-day administration of the program.		
Implementing Partner(s)	Bureau of Treasury, Department of Finance, Commission on Audit, Department of Budget and Management, Department of Education, Department of Public Works and Highways, Department of Social Welfare and Development.		
Country/Region	Philippines, East Asia		
Primary Sector	Governance		

## Acknowledgments

The evaluation has involved an extensive document review and some of the insights and recommended actions expressed within this report can be traced back to work done by a range of specialists who have worked, and continue to work, on the program. The review team also consulted with a broad range of GoP and GoA stakeholders, as well as external stakeholders. The Review Team has had detailed discussions with short and long term technical advisers, both international and national, including those situated in the Project Management Office serving the needs of the PFM Reform Committee and those situated in various other government institutions. The Review Team wishes to thank all government and non-government personnel, as well as technical advisers, who gave freely of their time in discussing progress in PFM Reform. We also wish to express our great appreciation to Virgie Ongkiko, Program Manager, Public Financial Management Program who managed a constantly changing schedule with grace, charm and efficiency

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Disclaimer: This report reflects the views of the Evaluation team and not necessarily those of the Government of Australia or of the Government of the Philippines

## Executive Summary

### Introduction

Improving the quality of governance in the Philippines is fundamental to the achievement of the country's development goals. The Philippines government is committed to creating a transparent, accountable and credible system to manage public resources for informed decision-making and effective provision of public goods and services. Key steps have included the finalisation of the PFM Reform Roadmap (January 2011) and the issuance of Executive Order No 55 (September 2011) to implement a single Government Integrated Financial Management Information System (GIFMIS).

The A\$30m Philippines–Australia Public Financial Management Program (PFMP) is a joint initiative of the Governments of Australia and the Philippines which aims to support the implementation of the PFM Reform Roadmap over five years (2011-2016). The overarching strategy of Australia's support has been to make targeted, strategic contributions to the reform process by filling gaps and overcoming bottlenecks in reform design and availability of technical skills so that the reforms can be strengthened and advanced.

In January 2014 a three person review team was tasked by DFAT to provide:

- an assessment of the quality of PFMP processes and outputs delivered and the adequacy of progress toward PFMP end-of-program outcomes and contribution to the Philippines Government PFM Roadmap; and
- strategic recommendations to enhance the use of the second tranche of assistance to PFMP.

Release of the second tranche of funding (A\$12m) was dependent upon the satisfactory results of the independent review.

### Review Findings

- **The commitment of both the GoP and the GoA to PFM reform remains high.** The political commitment within the current Administration for PFM reform, the drive, creativity and energy at the highest levels of the bureaucracy and the sheer hard work of countless civil servants sets a high standard for international practice. The PFMP remains relevant to the goals of the Australia-Philippines development cooperation program. However, within this context, the program is challenged to not only effectively contribute during the current 'window of opportunity' for reform, but also to position Australian aid to make a long term, continuous contribution to the reform process.

- **This is an appropriate time for both governments to review their strategic focus.** Key stakeholders within GoP have expressed the desire to review the PFM Roadmap. This suggestion is strongly supported by the Review Team in order to facilitate a clear focus on the sequencing and timing of further reform activities. It is also appropriate for GoA to reflect upon the lessons learned in implementing the PFMP to date and to improve the strategic focus of Australia's contribution to PFM reform in order to maximise its usefulness.

- **Both governments would benefit from greater consideration of the lessons of international practice** in refining the strategic focus of PFM reform activities. Most notably, these include the need to articulate an *explicit* reform sequencing approach, to identify and closely monitor reform risks at institutional and operational levels and the need for flexibility and a 'learning-by-doing' approach during reform implementation to ensure that changes will be fully internalized across central and line agencies.

- **The PFMP objectives remain relevant but it was unwise for the PFMP design to elevate a single output - GIFMIS - to the status of an objective in its own right.** Whilst GIFMIS is a central plank of the government's PFM Reform Roadmap, and the subject of Executive Order No. 55, responsible donorship required Australia to emphasize that GIFMIS is not an outcome in its own right. GIFMIS is a necessary, but not sufficient, condition for PFM reform in the absence of a broad based change management effort.

- **Objective 4 – strengthening external oversight – remains highly relevant but this area has been under-designed and under-supported.** The accountability of governments to citizens for development results achieved via the expenditure of public revenue is central to successful PFM reform. Citizen engagement is a priority of the President and the 2011-2016 Philippine Development Plan includes a commitment to “enhance citizens’ access to information and participation in governance”. However, the PFM Roadmap does not include any milestones directly related to strengthening external oversight. The PFMP has not had a coherent strategy for strengthening external oversight and only 5% of the total PFMP budget (2011-2014) has been committed to the achievement of this objective.

- **There have been substantial achievements in establishing the foundation for improved PFM** including the design and implementation of the Treasury Single Account and the transitional TSA Reporting and Monitoring System (TRAMS); development of a common system for budget and expenditure classification (UACS); introduction of Performance Informed Budgeting; design and tendering of the GIFMIS; and development of the PFM Competency Framework.

- **The PFM reform strategy has been implicit, present in the minds of only a few key people and not fully understood, or shared, by all stakeholders.** The PFM reform strategy needs to be an explicit and shared strategy. The PFM committee, with the support of the PMO, needs to lead an inclusive and realistic process of assessing the best way to implement reform from now on.

- **The effectiveness of Australia’s contribution to PFM reform has varied** in accordance with the degree to which support has been embedded in the government’s PFM reform management structure and processes (e.g. the Program Management Office has played a key role); the experience and capacity of the technical advisers (e.g. the quality of the technical assistance provided in establishment of the Treasury Single Account) and the degree to which the development of improved technical systems has been rooted in a broader organisational development and capacity building approach (e.g. long term institutional capacity building support to DPWH).

- **The effectiveness of Australia’s contribution will be improved by:** (i) strengthening the capacity of the PMO to support a holistic approach to PFM reform; (ii) by focusing on embedding systems already designed/introduced (e.g. TSA, UACS and GIFMIS), rather than fragmenting support and (iii) institutionalising an ‘action-learning’ approach within the PFM reform management structure.

- **Efforts to strengthen external oversight of PFM have been limited in scope and effectiveness. Effectiveness will be improved by:** (i) developing a simple, accessible, message about the role and function of external oversight in PFM reform; (ii) supporting GoP to include milestones for strengthened external scrutiny in the PFM Reform Roadmap; (iii) giving serious attention to the way in which the tools currently being developed (GIFMIS, UACS, TSA) may be used to increase external oversight; (iv) adequately resourcing the implementation of Objective 4.

- **Less than 40% of total spending over the review period was directly allocated to core Roadmap activities.** Underspensing occurred in certain areas as a result of delays in implementation (e.g. support for the PMO of COA). Some instances of overspending appear to have resulted from under-budgeting at the planning stage and / or revision of scope of activities during implementation.

- **In the current context, the management structure for Australian support to the PFM Reform process appears to be inefficient** both because of overlapping functions between the Australian Team Leader / Technical Advisory Team and the PMO, but also because the program management costs are at the higher end of the norm. Efficiency will be improved by merging the DFAT – Australian Team Leader and Technical Advisory Team with the PMO and clarifying the role of the Service Provider.

- **The monitoring system for Australia’s support to PFM Reform needs to be linked to the government’s PFM Reform Roadmap Results Framework.** Further, it is critical that a process is set up to systematically reflect upon and follow up key lessons learned from the implementation of PFM reforms so that they inform future practice.

- **Risk management of Australia’s support to PFM reform and for the PFM Reform process as whole is inadequate.** The PMO leadership and the PFM Committee leadership need to lead an inclusive process of assessing the institutional and organisational risks of implementing PFM reform and to ensure that these risks are monitored at central and line agency level.

- **The risks associated with implementing a GIFMIS pilot in DepEd need to be carefully examined.** DepEd is undergoing a major restructure under the auspices of their own Transition Management Team (TMT) and the Central Office is unprepared for participation in the GIFMIS pilot. Further work on the activity “Transition Support for Strengthening FMIS in DepEd Phase” should be deferred and the TA team should be redeployed to work with the TMT to prepare a Risk Management Assessment and Plan which addresses the organisational/HR ‘readiness’ of DepEd to engage in a pilot of GIFMIS.

- **Sustainability, like effectiveness, varies according to the approaches which have been adopted and the quality of the on-going support.** The Treasury Single Account is likely to be sustained so long as the level of high quality international and local technical assistance is maintained for at least the next twelve months. Similarly, the support of a team of technical advisers is necessary for at least twelve months to embed the UACS system.

By contrast, the achievements in DPWH are likely to be sustained because Australia’s support has enabled the department to not only introduce improved systems but also to build a cadre of young professionals committed to the maintenance of reforms and capable of maintaining training and professional development at Regional and Divisional levels.

Finally, international experience suggests that the failure rates of IFMIS in developing countries have been high because of unrealistic timescales, lack of ownership, insufficient consultation and inadequate specifications. It is critical that GoP, with the support of the PMO, improves the current structures and processes for monitoring and oversight of the implementation of GIFMIS in particular, and PFM reform processes in general.

## Conclusion

The PFM Reform effort currently underway in the Philippines is both highly significant and deeply impressive. Australia is privileged to be able to assist, as a genuine partner, in this effort. The support provided by Australia, particularly via support for the PMO, has been a critical link between the aspirations of the reform minded leadership and the responsiveness of the bureaucracy and external stakeholders. Continued, effective implementation of the Reform Roadmap will require a coherent and integrated PFM reform sequencing strategy and a systematic approach to organisational / institutional development and human resource capacity building. For this to occur, GoP will continue to need embedded support, in the form of the PMO, for the evolving PFM reform management structure, as well as expert assistance on implementation of technical systems. In addition, the government will need donor support to establish a team of flexible, mobile local experts who can be deployed to work with departments to address the organisational and human resource challenges they face in introducing new technical systems. Taken together, this package of measures has the potential to achieve positive, ‘irreversible’ change.

## Consolidated Recommendations

### It is recommended THAT:

1. The second tranche of funding to GoP to implement the Philippines PFM Reform Roadmap is released.
2. GoA reviews the strategic focus of Australia's contribution which reinforces the reviewed PFM Reform Roadmap and maintains a focus on embedding existing reforms (e.g. TSA, UACS, PIB and GIFMIS).
3. Donor funds are provided for establishment of a flexible, rapid response unit of national experts, attached to the PMO, able to be deployed to support departments to implement new technical systems (particularly UACS and TSA).
4. The DFAT – Australian Team Leader and Technical Advisory Team is merged with the PMO and THAT the Service Provider function focuses on processing and facilitating the provision of technical and other forms of assistance in support of the PFM reform process, as approved by the Project Steering Committee.
5. Further work on “Transition Support for Strengthening FMIS in DepEd Phase” is deferred and the TA team is redeployed to work with the Transition Management Team of DepEd to prepare a detailed Risk Management Assessment and Plan which specifically addresses the organisational/human resource ‘readiness’ of DepEd to engage in a pilot of GIFMIS.
6. PFM competency experts are sub-contracted to work as part of the technical teams implementing UACS, TSA and GIFMIS, as well as feeding into the broader efforts of the PMO Change Management Team, rather than implementing a separate PFMCF pilot.
7. A single results framework for PFM reform is adopted which links Australia's contribution to the PFM Reform Roadmap Results Framework and THAT a joint Risk Management Framework is adopted.
8. In order to improve effectiveness and visibility, Australia's support for strengthening external scrutiny of PFM is focused on a single strategy, for example: (i) building the capacity of external stakeholders to deal with a particular element of PFM such as the budget cycle; or (ii) improving external stakeholder scrutiny of public expenditure in respect of a particular sector or theme; or (iii) using the pilots of new technical systems as a mechanism to strengthen external oversight to improve PFM

AND THAT this strategy is fully costed and funded, including provision for employment of a local CSO expert to support the international governance adviser.

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## List of Acronyms

AAB	Authorized Agency Bank		System
AAR	Annual Audit Report	FY	Fiscal Year
ABM	Agency Budget Matrix	GAA	General Appropriations Act
ACIC	Advice of Cheques Issued and Cancelled	GAD	Gender and Development
AO	Administrative Order	GDP	Gross Domestic Product
ADB	Asian Development Bank	GIFMIS	Government Integrated Financial Management Information System
APDAS	Australian-Philippines Development Assistance Strategy	GNI	Gross National Income
ARP	Allotment Release Program	GNP	Gross National Product
BARs	Budget Accountability Reports	GOA	Government of Australia
BEDs	Budget Execution Documents	GOP	Government of the Philippines
BESF	Budget Expenditures and Sources of Financing	GSB	Government Servicing Bank
BIR	Bureau of Internal Revenue	IA	Internal Audit
BTr	Bureau of Treasury	IAU	Internal Audit Unit
CO	Capital Outlay	IC	Internal Control
COA	Commission on Audit	ICS	Internal Control System
CoA	Chart of Accounts	IFI	International Financial Institutions
COTS	Commercial of the Shelf	IFMIS	Integrated Financial Management Information System
CPA	Citizens Participatory Audit	IMF	International Monetary Fund
CPBRD	Congressional Planning, Budget and Research Department	INTOSAI	International Organization of Supreme Audit Institutions
CS	Civil Society	IPSAS	International Public Sector Accounting Standards
CSOs	Civil Society Organizations	LEDAC	Legislative Executive Development Advisory Council
DA	Department of Agriculture	M&E	Monitoring and Evaluation
DBCC	Department of Budget Coordination Committee	MDGs	Millennium Development Goals
DBM	Department of Budget and Management	MDS	Modified Disbursement Scheme
DENR	Department of Environment and Natural Resources	MFOs	Major Final Outputs
DepEd	Department of Education	MOA	Memorandum of Agreement
DFAT	Department of Foreign Affairs and Trade	MTEF	Mid Term Expenditure Framework
DOF	Department of Finance	MTEP	Mid Term Expenditure Program
DPWH	Department of Public Works and Highways	MTPDP	Medium Term Philippines Development Plan
DSWD	Department of Social Welfare and Development	MTR	Mid Term Review
DTL	Deputy Team Leader	NBC	National Budget Circular
EERs	Effectiveness and Efficiency Reviews	NCA	Notice of Cash Allotment
e-NGAS	Electronic New Government Accounting System	NEDA	National Economic and Development Authority
e-Budget	Electronic Budget System	NGA	National Government Agencies
EO	Executive Order	NGICS	National Guidelines on Internal Control Systems
ERB	Executive Review Board	ODA	Overseas Development Assistance
FAP	Foreign Assisted Project		
FE	Forward Estimates	OGP	Open Government
FMS	Financial Management		

	Partnership
OPIF	Organizational Performance Indicators Framework
OSM	Office of Strategic Management
P/A/Ps	Programs, Activities and Projects
PD	Presidential Decree
PDP	Philippine Development Plan
PEFA	Public Expenditure and Financial Accountability
PEGR	Philippine Economic Governance Reforms
PER	Public Expenditure Review
PFM	Public Financial Management
PFMP	Philippine – Australia Public Financial Management Program
PGIAM	Philippine Government Internal Audit Manual
PGS	Philippine Governance Scorecard
PIDS	Philippine Institute for Development
PIUs	Project Implementation Units
PIU	Public Information Unit
PP	Presidential Proclamation
PSC	Program Steering Committee
RA	Republic Act
RDC	Regional Development Council
SP	Service Provider
TA	Technical Assistance
TAT	Technical Adviser Team
TOR	Terms of Reference
TL	Team Leader
TRAMS	Treasury Reporting and Monitoring System
TSA	Treasury Single Account
UACS	Unified Accounts Code Structure

# 1. Introduction

## 1.1 Initiative Background

Improving the quality of governance in the Philippines is fundamental to the achievement of the country's development goals. The Philippines government is committed to creating a transparent, accountable and credible system to manage public resources for informed decision-making and effective provision of public goods and services. The first steps in establishing the enabling environment for reform were taken via the finalisation of the PFM Reform Roadmap (January 2011) and the issuance of Executive Order No. 55 (September 2011), outlining the intention to implement the Government Integrated Financial Management Information System (GIFMIS) as the core of the reform effort.

The A\$30m Philippines–Australia Public Financial Management Program (PFMP) is a joint initiative of the Governments of Australia and the Philippines which aims to support the implementation of the PFM Reform Roadmap. Strengthening the efficiency and accountability of public fund use in the Philippines is a key strategy to improve service delivery and poverty reduction.

The objectives of the five year PFMP program are to:

- Increase the efficiency and effectiveness of the allocation, utilisation and reporting of budgeted funds by oversight agencies.
- Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery.
- Generate more timely, reliable and accessible public expenditure management information.
- Strengthen external oversight of public expenditure management linked to physical performance information.

The overarching strategy which ties these objectives together is the intention of PFMP to make targeted, strategic contributions to the reform process by filling gaps and overcoming bottlenecks in reform design and availability of technical skills so that the reforms can be strengthened and advanced.

## 1.2 Review Purpose and Questions

The purpose of the MTR was to provide senior management of the Australian aid program and PFMP Program Management Stakeholders with information to help determine whether or not Australia should release the second tranche of assistance to the program. The operability of all continuing and new initiatives proposed in the PFMP 2014 Action Plan is dependent upon the conclusion of a successful independent evaluation of program effectiveness.

Specifically, the Review Team was tasked to provide:

- An assessment of the quality of PFMP processes and outputs delivered and the adequacy of progress toward PFMP end-of-program outcomes and contribution to the Philippines Government PFM Roadmap; and
- Strategic recommendations to enhance the use of the second tranche of assistance to PFMP.

This review is a formative and summative review of progress toward outcomes. The review was tasked to test key assumptions and risks in the program design and assess the most effective methods for achieving positive, sustainable change.

The MTR focused upon four of the OECD Development Assistance Committee evaluation criteria - relevance, effectiveness, efficiency, and sustainability. It was deemed too early in program implementation to assess impact. The Terms of Reference tasked the Review Team to address the following questions:

**Relevance:**

1. Does the program reflect the overall goal of the Australia-Philippines development cooperation program to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines? How?
2. Are the objectives relevant to the context, including the GOP's stated policy priorities and other identified development needs in the public sector, in particular its ability to strengthen basic services to the poor?
3. Have there been any significant changes to the strategic context since the mobilisation of the Program?

**Effectiveness:**

1. Examine the contribution and influence of the Australian aid program in achieving the goals of the PFM Reform Roadmap to date. Is the Program using the right levers to influence reform outcomes?
2. Examine key relationships, in particular the relationship between PFMP and the PFM Committee, but also with other stakeholders such as development partners and CSOs, and make recommendations as to how these might be further developed and best utilised.
3. What lessons from PFMP practice can be drawn within PFMP and more broadly for DFAT's Governance Program in the Philippines and elsewhere?
4. What are the risks to achieving outcomes? Have these risks been identified, documented and managed appropriately?

**Efficiency:**

1. Assess PFMP's management structure, particularly placing a full-time DFAT counsellor as Team Leader supported by a full time Program Coordinator in the Program Office alongside the Technical Advisory Team. By extension, this will also involve an examination of the effectiveness, efficiency and performance of the Service Provider, alongside the current structure.
2. Assess whether projects developed under the Action Plans are consistent with overall program objectives.
3. To the extent possible within the time available, comment on the quality of technical assistance provided through the program and make recommendations for improvements, if material.
4. Examine the monitoring and feedback mechanisms employed by the program and comment on their adequacy and usefulness. Is the broader monitoring and evaluation (M&E) approach for PFMP appropriate and effective in monitoring progress toward outcomes? What would enhance the M&E arrangements? If relevant, make suggestions to more effectively link PFMP M&E with country program and Australian aid results frameworks.
5. Is the Program appropriately coordinated with the work of other donors?

**Sustainability:**

1. What are the key factors impacting sustainability of the PFMP outputs delivered and the influence on the Reform Roadmap and how well is PFMP addressing them? Does PFMP's approach support GOP continued implementation of reforms over the medium term?
2. What could be done during the current phase of PFMP to increase the likelihood of sustainability (or irreversibility)?

### 1.3 Review Scope and Methods

The review team aimed to ensure that the MTR is useful to the key stakeholders. The MTR involved the following phases:

- **Phase 1: Desk Review** to examine key program documents. The Review Team focused the desk review upon a preliminary consideration of the key review questions and with a view to articulating issues to be discussed with key stakeholders. The desk review also informed the presentation of factual data presented in the MTR report.
- **Phase 2: Preparation of draft Evaluation Plan** and submission to key DFAT – Australian Aid stakeholders.
- **Phase 3: Field visits** involving:
  - *Key informant interviews (KII)* were conducted with purposively selected, informed individuals to enable probing and triangulation of stakeholder issues and perspectives concerning the PFMP. The Schedule of In-Country Interviews is attached as Appendix C and the List of Persons met is attached as Appendix D.
  - *In-depth analysis of PFMP documentation and data base:* The Review Team conducted a financial analysis of PFMP expenditure and a detailed review of the M&E system.
  - *Focus group discussions (FGD)* with civil society representatives.
  - *Observation:* the Review Team had the opportunity to attend a PFM Committee meeting as observers.
- **Phase 4: Analysis, Feedback and Reporting**

Review team members compiled their own notes of interviews and discussions. Regular team discussions throughout the fieldwork phase were undertaken to assimilate team member findings against the key review questions. The Team Leader confirmed and delineated the responsibilities of each team member at the commencement of the MTR and throughout the in-country schedule.

Content analysis methods were employed to identify common and exceptional themes against the key issues in the ToR and the review questions. The review team formed conclusions in relation to the review questions that synthesised the views of the various stakeholders and their professional judgements.

Reporting of review findings will involve three key steps:

- **Review Mission Aide Memoire:** At the completion of the fieldwork phase the review team presented the preliminary findings to PFMP/PMO management and staff and, separately, to the Project Steering Committee. In each case stakeholders were requested to correct any errors of fact and/or misinterpretations. Stakeholders were also invited to discuss the findings and recommendations and their comments were incorporated into the Draft Final Report
- **Draft Final Report:** following the fieldwork phase, the review team prepared a draft report which was submitted within one week of the completion of the in-country mission.
- **Final report:** a Final MTR Report will be produced within five working days of receiving comments on the draft report.

### 1.4 Limitations

Due to time constraints the MTR team was not able to conduct interviews with other external oversight stakeholders from the Congress, Senate and its Public Accounts Committee and/or Appropriations Committee.

## 2. Review Findings

### 2.1 Relevance

**2.1.1 The commitment of both the GoP and the GoA to PFM reform remains high.** The political commitment within the current Administration for PFM reform, the drive, creativity and energy at the highest levels of the bureaucracy and the sheer hard work of countless civil servants sets a high standard for international practice. The PFMP remains relevant to the goals of the Australia-Philippines development cooperation program. However, within this context, the program is challenged to not only effectively contribute during the current ‘window of opportunity’ for reform, but also to position Australian aid to make a long term, continuous contribution to the reform process.

PFM reform efforts within GoP are focused on maximising achievements by 2016, when the next election will occur. There is a strong commitment to the concept of “irreversibility” which aims to introduce PFM reforms which will be sustained beyond the life of the current Administration. GoA needs to not only support this approach prior to 2016 but also be prepared to engage in robust and constructive debate with any new Administration, post 2016, on the importance of maintaining key PFM reforms.

**2.1.2 This is an appropriate time for both governments to review their strategic focus.** Key stakeholders within GoP have expressed the desire to review the PFM Roadmap. This suggestion is strongly supported by the Review Team in order to facilitate a clear focus on the sequencing and timing of further reform activities.

It is also appropriate for GoA to reflect upon the lessons learned in implementing the PFMP to date and to improve the strategic focus of Australia’s contribution to PFM reform in order to maximise its usefulness. The current Theory of Change (ToC) needs to be updated to not simply reflect the PFMP design but, rather, to practically describe the way in which PFM Reform is expected to take place in the Philippines (the global ToC) – with or without donor support. The strategic focus of Australia’s on-going support should then be ‘placed’ within the context of this global theory of change to maximise effectiveness.

Both of these exercises – preparation of the global ToC and clarification of the strategic focus of Australia’s support – should not simply be regarded as intellectual exercises, tasked to a single officer. Rather, clarification of the way in which PFM reform is expected to occur and how Australia can best contribute, should be the result of a process of robust debate and consensus between key stakeholders (including selected citizen representatives), ideally led by the PFM Committee Chair and the Australian Team Leader. The result will then not simply be a set of documents but, rather, a shared understanding between key stakeholders in GoP and GoA about the road ahead.

**2.1.3 Both governments would benefit from greater consideration of the lessons of international practice** in refining the strategic focus of PFM reform activities. Most notably, these include the need to articulate an *explicit* reform sequencing approach, to identify and closely monitor reform risks at institutional and operational levels and the need for flexibility and a ‘learning-by-doing’ approach during reform implementation to ensure that changes will be fully internalized across central and line agencies.

Reform sequencing is a relatively “young” field in PFM. The Good Practice Note on Sequencing PFM Reforms (developed with the support of the IMF, the EU and the PEFA Secretariat) was only formalised in 2013. The field is further developing using approaches and experience from other disciplines. (e.g. the Problem Driven Iterative Adaptation approach emphasizes that solutions emerge over time, through many iterative experiments). Appendix E contains an annotated bibliography of key reports / research related to international experience in PFM reform.

The implementation of the PFM Reform Roadmap, as well as the PFMP assistance, has been broadly sensible in terms of reform sequencing, through the focus on the Unified Account Code Structure (UACS) and Treasury Single Account (TSA) but this was not in accord with an explicitly defined sequencing strategy.

From this point on, however, an explicit reform sequencing approach is crucial to assess policy coherence, provide a clearly articulated map towards the reform end-goals for all staff involved, identify political, organisational and operational risks, target the scarce resources to the high-priority reforms and decide on the appropriate form of assistance.

The existence of an explicit reform strategy should not be taken to suggest, however, that key stakeholders should ignore reform opportunities as they arise. While a reform such as Performance-Informed Budgeting (PIB) is not seen as a high priority in the Good Practice Note, a window of opportunity existed and the Government used that window to fast-track the introduction of PIB for the 2014 Budget. PFMP supported this as a highly experienced practitioner was available to provide the necessary assistance. Opportunities such as this may continue to pop up which key stakeholders want to seize. Moreover, discovery, try-outs and experimentation are part of the reform process (e.g. the approach taken with the Participatory Audits, discovering and resolving “kinks” when implementing TSA and UACS).

**2.1.4 The PFMP objectives remain relevant but it was unwise for the PFMP design to elevate a single output - GIFMIS - to the status of an objective in its own right.** Whilst GIFMIS is a central plank of the government’s PFM Reform Roadmap, and the subject of Executive Order No. 55, responsible donorship required Australia to emphasize that GIFMIS is not an outcome in its own right. GIFMIS is a necessary, but not sufficient, condition for PFM reform.

Interviews conducted by the review team with a range of government stakeholders revealed inflated expectations as to the nature of reforms which GIFMIS will *automatically* deliver. The review also revealed an overemphasis on GIFMIS within the operations of the PMO. It is crucial for PFMP to emphasise that GIFMIS needs to be regarded as only one part of an explicit sequencing approach to PFM reform. Dialogue with key stakeholders needs to focus on the fact that substantial change management, organisational strengthening and individual capacity building will be required before the potential benefits of GIFMIS will materialise.

**2.1.5 Objective 4 – strengthening external oversight – remains highly relevant but this area has been under-designed and under-supported.** The accountability of governments to citizens for development results achieved via the expenditure of public revenue is central to successful PFM reform. Citizen engagement is a priority of the President and the 2011-2016 Philippine Development Plan includes a commitment to “enhance citizens’ access to information and participation in governance”. However, the PFM Roadmap does not include any milestones directly related to strengthening external oversight.

Despite this the PFMP design could have addressed the issue holistically, as part of a good governance strategy. Instead, the strengthening external oversight component appears as a separate strategy to the roadmap rather than being a key element of PFM reform which must be woven through the entire reform strategy. Further, the design focuses primarily on building government capacity to engage with civil society organisations (CSOs) rather than focusing on key points where external oversight is most likely to have an impact on PFM reform and adopting a range of strategies to strengthen oversight at these points.

The suggested processes for developing a global ToC and clarifying Australia’s strategic contributions to PFM reform provide an opportunity for all stakeholders to consider the key points at which external oversight will enhance PFM reform and support the concept of ‘irreversibility’. Section 2.2 below and Appendix F incorporate some practical suggestions for enhancing external oversight in the PFM reform process.

**2.1.6 Awareness of cost/effectiveness considerations needs to increase when considering the most relevant aid modalities to use.** The modalities employed to provide support to GoP (i.e. short and long term technical assistance from international and national consultants, funding of training activities, study tours, grants, etc.) remain relevant. However, initial analysis of expenditure against results, triangulated with the results of interviews with stakeholders, suggests that in a few areas reports and studies (e.g. UACS, Study for Greater Congressional Oversight) were not followed up immediately or fully by hands-on international technical assistance or supported by local technical assistance in the implementing agencies. The failure to provide this follow up support undermines the value of the initial investment. This may reflect a lack of flexibility in the processes for swiftly mobilizing appropriate, short-term assistance, particularly local technical assistance.<sup>1</sup>

## 2.2 Effectiveness

**2.2.1 There have been substantial achievements in establishing the foundation for improved PFM.** The World Bank Philippines PEFA Update June 2013 indicates that PFM performance has not improved since 2007. However, this assessment does not reflect the substantial achievements in designing and implementing the Treasury Single Account and the transitional TSA Reporting and Monitoring System (TRAMS); development of a common system for budget and expenditure classification (UACS); introduction of Performance Informed Budgeting; design and tendering of the GIFMIS; and development of the PFM Competency Framework.

**2.2.2 The PFM reform strategy has been implicit, present in the minds of only a few key people and not fully understood, or shared, by all stakeholders. The PFM reform strategy needs to be an explicit and shared strategy.** Whilst the PFM Reform Roadmap provided sufficient guidance to commence the reform process, it is now necessary to make an up-to-date and realistic assessment of the current context as a basis for determining 'the best way through' for implementing reform. This should not imply the need for another study or report. On the contrary, the PFM committee, with the support of the PMO, needs to lead an inclusive and realistic process of assessing the best way to implement reform from now on. This would include consideration of the timing and sequencing of activities (including institutional, organisation and human resource reforms); the interface between different aspects of the reform, including articulation of the points and methods for increasing accountability to the citizenry; likely blockages to reform; dangerous passages and risks to implementation. (Risk is discussed further below).

**2.2.3 The effectiveness of Australia's contribution to PFM reform has varied in accordance with:**

- (i) the degree to which support has been embedded in the government's PFM reform management structure and processes
- (ii) the experience and capacity of the technical advisers and
- (iii) the degree to which the development of improved technical systems has been rooted in an organisational development and capacity building approach.

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<sup>1</sup> Some TA providers, such as the International Monetary Fund, focus specifically on identifying, using, and training local expertise. In their view the selection of the appropriate TA modality depends on the specifics of the country and on the issues at stake. The IMF employs an arsenal of assistance tools. If capacity is weak, long term assistance would be appropriate; if capacity is growing peripatetic or short term missions would be suitable. In a number of (middle-income) regions more and more regional / local expertise is being used because: (i) the expertise provided is more suitable and contextual relevant (ii) there are cost savings (iii) response to needs is more swift and flexible (iv) this approach deliberately builds up a pool of regional / local experts, even though recognizing that the pool will not be extensive in the beginning. IMF evaluations of TA almost always include the question whether the TA project / program succeeded in identifying, using, and training local expertise. For evaluation reports of IMF TA see <https://www.imf.org/external/np/exr/facts/tech.htm>



Specifically:

- (i) *The Program Management Office (PMO) has played a key role in managing, coordinating and monitoring implementation of the PFM Reform Roadmap and Australia's contribution in supporting the PFM Reform Management structure and management processes is highly appreciated by GoP stakeholders. The PMO team has been well placed to know where the government's PFM priorities and challenges lie on a day-to-day basis and to respond accordingly.*

By contrast, some activities initiated by the PFMP at the line agency level were not aligned to the core reform priorities and did not provide value for money. In particular, this concerns the Strengthening the Financial Management System in DepED (Program Activity 2.3). Although this activity was directly contracted / paid for by DFAT from its Education Sector Fund, it was designed, approved and managed by PFMP. The support to DepED concerned the preparatory work and design of a separate FMIS system. The work did not continue after remarks made during PSC meetings indicating the apparent inconsistency of this activity with the planned introduction of GIFMIS.<sup>2</sup> Ultimately the activity was halted, and the further activity (Program Activity 2.6), now funded through PFMP, was re-designed to prepare DepED for implementation of PFM reforms, particularly GIFMIS, since DepED was selected as one of the pilots.

- (ii) *High quality technical assistance has facilitated the establishment of the Treasury Single Account (TSA), as well as the design and tendering of the GIFMIS. The quality of the technical team supporting the establishment of the TSA has facilitated the merging of the lessons from international experience with in-depth knowledge of the Philippines context in a problem solving approach which has engaged not only all relevant government staff, but also key banking institutions, in the process of change. The achievement is not just the establishment of the account; the achievement is the commitment of multiple stakeholders to the on-going improvement of the system. Important lessons may be learned from the process that has been adopted in establishing the TSA as a basis for the implementation of GIFMIS.*

*By contrast, support for the roll-out of the Philippine Government Internal Audit Manual (PGIAM) and support to DWSD and DepED on internal control, internal audit and risk management appears to have been less effective.*

PFMP funded the Development Academy of the Philippines (DAP) to develop Trainers' Training material for the roll-out of the PGIAM. The preparation of the manual had been funded by Australia prior to the commencement of the PFMP. Eight modules were developed and pilot tested with the IAS / IAU personnel of DBM and DAP.

The COA-Professional Development Center), in cooperation with the Office of the President Internal Audit Office, conducted four batches of training on the National Guidelines on Internal Control Systems (NGICS) / PGIAM to 33 Departments/Agencies/GOCCs/GFIs. This was also funded through PFMP.

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<sup>2</sup> First concern was expressed during the first PFMP PSC meeting of 8 November 2011 by the AusAID counsellor. The PSC decided to go ahead with the activity, except for development of a Financial Management Operations Manual (which was replaced by a FMS functional review – see Minutes Second PSC). In the third PSC meeting of 3 December 2012 the decision to continue was deferred. In the following, fourth, PSC meeting of 26 February 2013 a revised Concept Note was approved. In that concept note DepED was confirmed as a pilot for the GIFMIS with the activity focusing on getting DepED ready for the GIFMIS. It is noted that prior to that decision more than AUD 400K was spent on two reports (Financial Management Information System (FMIS) Strategic Design and FMIS Functional Review). If an ex-ante risk assessment had been done the risk that the investment may not add value because of future inconsistency with GIFMIS would have been recognized.

During implementation, the PFMP team had concerns over the progress of this activity and in addition a controversy arose about internal audit standards.<sup>3</sup> Internal auditors in DWSD were placed in a difficult situation because of the controversy. Ultimately PFMP assistance for the training ended. Nevertheless, DBM still considered the training activity to be important and decided to direct fund further trainings in 2013.

PFMP is also supporting DepEd, in developing the Internal Audit Service Strategic Plan in compliance with the PGIAM and internal auditors have been trained and assisted.

Internal audit is still under development in the Philippines and PFMP assistance, could have been more significant if the controversy over standards was addressed earlier and openly. Moreover, the number of internal auditors available to each spending department is restricted, irrespective of the size of the department, which limits the effectiveness, and particularly the sustainability, of any assistance in this area.

- (iii) *There has been good progress in improving PFM capability in the Department of Public Works and Highways.* Technical assistance has been provided within the context of a holistic, organisational development and capacity building approach. The Comptroller Financial Management Service (CFMS) now produces more accurate, reliable, timely and meaningful financial information to senior management who are using the information to inform decision making. This has been possible because of Australia's willingness to sustain a long term commitment to reform; Australia has supported PFM reform in DPWH since 2007.

**2.2.4 The effectiveness of Australia's contribution will be improved by: (i) strengthening the capacity of the PMO to support a holistic approach to PFM reform; (ii) by focusing on embedding systems already designed/introduced, rather than fragmenting support and (iii) institutionalising an 'action-learning' approach within the PFM reform management structure. Specifically:**

- (i) The PMO needs to be able to support a PFM reform process which is not simply focused on a combination of high level policy dialogue and the development of technical systems. Rather, the PMO needs to be able to support a process involving multiple agencies (including middle and lower level staff), multiple forms of technical assistance, complex relationships and dynamic and inter-related business processes. The PMO should be the site for recognising that reforms in any particular subsystem will have consequences for a number of related areas. And the PMO should be the site for ensuring that all those affected by proposed changes are actively involved in decisions, both great and small, related to the operationalisation of those changes.

A proposed structure for a strengthened PMO is outlined under the 'Efficiency' section below. In addition to a strengthened structure, the PMO also needs access to a fund to provide for rapid mobilisation of national, flexible 'hands-on' technical assistance and support for all agencies particularly for implementation of UACS and the TSA.

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<sup>3</sup> PFMP concerns were noted in the 2012 Accomplishment report. Minutes of PSC meetings indicate that the concerns were made explicit at a late stage. The field mission revealed that during implementation of the assistance concerning PGIAM and the support to DSWD differences in viewpoint existed on internal audit standards. The advisors emphasized the need for applying the internal audit standards of the Institute of Internal Auditors (IIA). The Office of the President Internal Audit Office representative did not consider these to be consistent with the current regulations (as articulated in PIAGM), particularly the issue concerning the possibility of internal auditors engaging in consulting services.

- (ii) Substantial gains have been made in establishing the TSA, developing the UACS and designing/tendering for GIFMIS. A continued focus on institutional/organisational strengthening to embed these systems, within the context of a revised PFM reform roadmap and a coherent Australian PFM reform support strategy, is likely to yield the greatest results.

Within this context, the Review Team does not recommend full implementation of the proposed Phase 2 Pilot activities for development of a PFM Competency Framework (PFMCF) and Review of PFM Regulations. Conduct of a separate pilot to develop a PFMCF has the potential to waste resources and fragment effort if it is unrelated to the work associated with embedding the TSA and UACS and introducing GIFMIS.

A more effective approach would be to sub-contract and embed the PFM competency experts into the technical teams implementing the TSA, UACS and GIFMIS (the latter will be subject to the terms of the existing tender). This approach will ensure that the PFM Competency Framework is used as the lens through which all capacity building efforts are taking place and lays the groundwork for the development of a regulated standard of minimum competency requirements over time. Contextualizing the application of the PFMCF within the processes of reform actually taking place will also allow the CF experts to focus improvements in HR policies and practices on real and immediate needs.

Reference to Figure 7 below, 'Example of a possible structure for an integrated PMO' indicates that the work and experience of the PFM competency experts in each of the technical teams would also feed into the broader efforts of the PMO Change Management Team.

By ensuring that the PFM competency experts work as part of the technical teams currently reforming PFM processes (UACS, TSA, GIFMIS) it will be possible to produce visible, measurable, and relatively 'quick wins' in competency development. The effort to improve and regularise competencies will be more meaningful and relevant to staff if it is based upon a targeted learning program focused on the competencies required to implement specific reforms, rather than a general competency-based learning program as currently proposed.

Further, by ensuring that the work and experience of the PFM competency experts feeds into the broader change management efforts of the PMO, it will be possible to ground these broader efforts in the practical, day-to-day reality of the bureaucracy.

In conjunction with the above work, the PFM competency experts could also focus their attention on:

- internalising / institutionalising training and learning events within focus agencies, as well as communicating with external training providers on expectations of externally provided PFM training courses
- supporting the Civil Service Commission and human resource groups in agencies and the PFM line managers (core and selected line agencies) in their roles as enablers of the link between people and performance.

The aim would be to produce a cadre of PFM staff - by May 2016 – who are able to competently use the UACS for budgeting and reporting, manage the TSA and implement GIFMIS in central oversight agencies and two line agencies. This would be achieved over a period of two years, rather than the proposed 9 month pilot of the PFMCF Phase 2.

By May 2016 the aim would also be for GoP to be able to develop an economical and effective strategy for development of the PFM workforce in the future.

- (iii) The PFM Committee Chair, with the support of the Australian Team Leader, needs to institutionalise a regular and systematic process for the PFM Reform management structure to review information generated by the M&E system. These reviews need to involve all key stakeholders and make provision for middle and lower level staff, as well as senior staff, to meet with their peers to discuss progress. The learning sessions need to focus on *process*, as well as progress and systematically identify and document lessons learned about the most effective approaches to introducing technical systems and strengthening organisational / HR capacity. The results of the learning sessions then need to be actively taken into account by the PFM Reform Management Structure in designing and implementing future phases of the reform process.

**2.2.5 Efforts to strengthen external oversight of PFM have been limited in scope and effectiveness.** Under the auspices of Objective 4, Australia has provided support to the Commission on Audit through the Citizen’s Participatory Audit (CPA) pilot run. Both COA and participating CSOs reported having learned from the interaction in the CPA pilot and regard the exercise in a positive light, particularly since winning an international award for their work in this area.

By contrast, support to DBM to enhance the policy and implementation framework for CS engagement in the budget process and build capacity of stakeholders to implement CS engagement appears to have been less successful. Work with DBM has not led to significant work to capacitate CSOs in analysing budget information or to capacitate government agencies to better handle citizen / CSO engagement in budget work.

In addition, Objective 4 has resulted in the preparation of a range of papers including a Civil Society Engagement Strategy; a follow-up Options Paper; a study on Constructive Engagement for Civil Society in the Budget Process (including discussion of the policy environment, legal and operational requirements for sustained oversight and civil society engagement); and a Scoping Study for Greater Congressional Budget Oversight.

Each of these papers incorporates significant insights to contribute to both the review of the PFM Reform Roadmap and to decisions about the most useful contribution which Australian aid can make to supporting increased levels of external oversight. Despite this substantial intellectual effort, the MTR finds that support for external stakeholder engagement in PFM has been fragmented and lacking in visibility. This finding is based upon independent consultations with key civil society stakeholders carried out as part of the MTR. The results of these consultations are reported in Appendix F: Review of progress: Objective 4 – Strengthen external oversight.

**2.2.6 The effectiveness of Australia’s contribution increasing external oversight of PFM reforms will be improved by:** (i) developing a simple, accessible, message which may be consistently shared with government agencies and civil society representatives about the role and function of external oversight in PFM reform; (ii) supporting GoP to include milestones for strengthened external scrutiny in the PFM Reform Roadmap; (iii) giving serious attention to the way in which the tools currently being developed (GIFMIS, UACS, TSA) may be used to increase external oversight; (iv) adequately resourcing the implementation of Objective 4.

- (i) It would be helpful for everyone to have a shared, plain language explanation of external oversight is important and the role that the public can play in advancing and improving PFM reform. An example statement is provided in Box 1.

**Box 1: Why is external oversight of PFM reform necessary?**

External oversight is a fundamental component of good accountability in a healthy democratic system.

PFM reform requires formal representative bodies (i.e. Congress, Senate) and informal associations (i.e. professional, sector based, interest based, community based) to review the way in which public monies are spent to ensure that the expenditure is equitable, effective, efficient and achieves sustainable outcomes.

External oversight is made possible by the provision of timely, accurate and accessible information on public expenditure and by the development of mechanisms to feed back the views of the external oversight bodies in order to improve future performance.

- (ii) The review of the PFM Reform Roadmap is a matter for the government. However, as part of the process, consideration needs to be given to the role that external oversight plays in strengthening PFM reform. Figure 6 presents an example of the role which external oversight might play in the budget cycle and the areas where support might usefully be provided to strengthen the external oversight function in this area.

Based upon this type of example, the reviewed PFM roadmap could, in fact, include milestones for improved external scrutiny, such as:

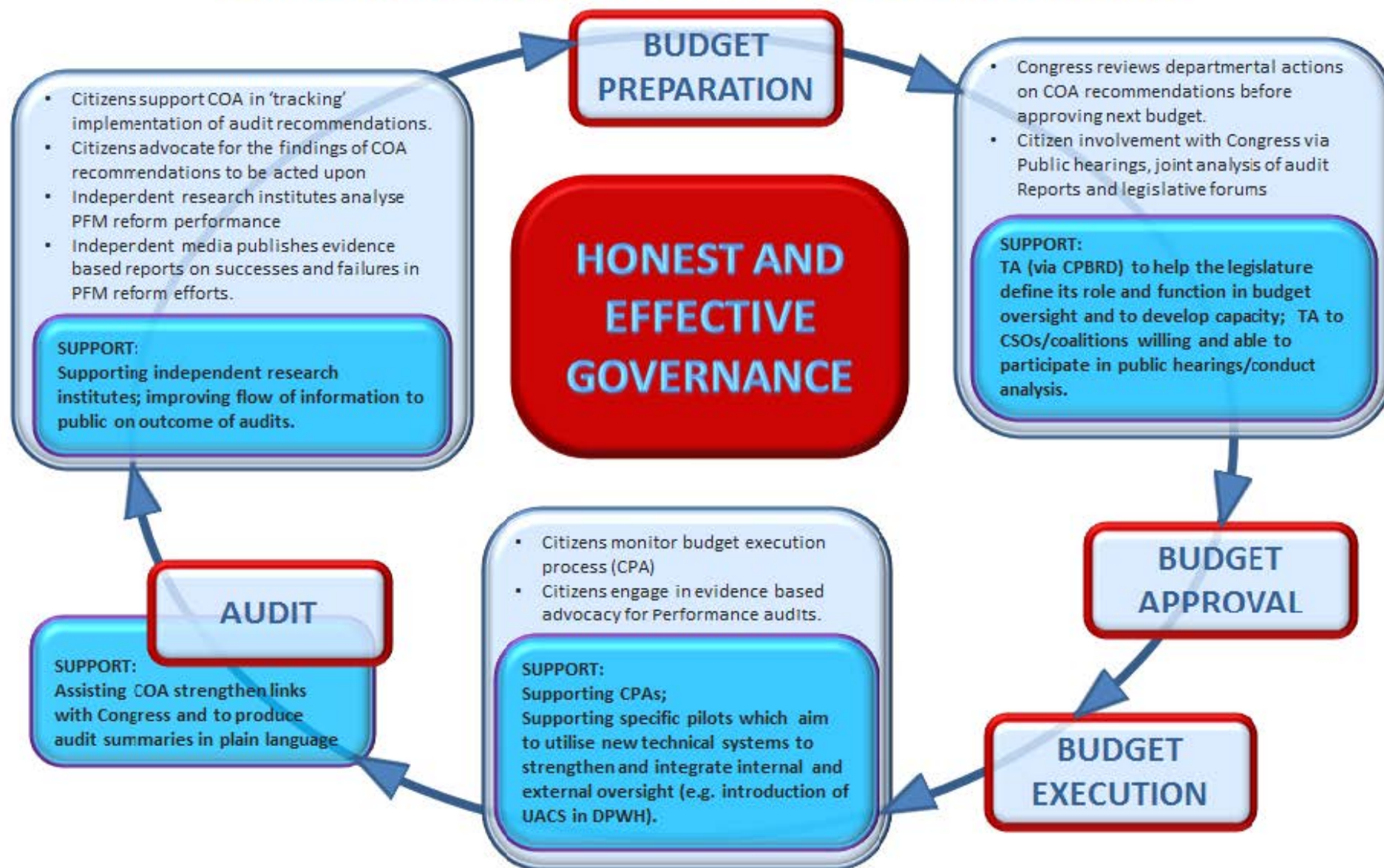
- Improved budget oversight and capacity by Congress
- Increased scope and depth of validation by citizens of the efficiency of public expenditure (e.g. via participatory audits)
- Increased support for independent research and analysis of public financial management.

- (iii) The current technical systems being developed have the potential to positively enhance external oversight. The introduction of a unified account code system, an automated information management system, and performance informed budgeting all have the potential to produce timely and accurate information linking resources to results. It will also be possible to generate reports as per the specific needs of stakeholders.

With this information legislators and other civil society representatives will have clearer insights into the way in which departments spend money.

It is therefore important to invite external stakeholders, both formal and informal, to consider the types of information they would like to obtain in order to facilitate the performance of their external oversight role.

**Figure 1: KEY POINTS AT WHICH EXTERNAL OVERSIGHT WILL ENHANCE PFM REFORM AND SUPPORT THE CONCEPT OF IRREVERSIBILITY**



- (iv) Box 2 outlines a range of key activities which will support the evolution of strong external oversight mechanisms. Many of these suggestions have already been made in various strategies, studies and reports prepared for PFMP and are summarised here and confirmed by the findings of the MTR.

In order to concentrate Australia's support for strengthening external scrutiny and to improve the visibility of that support a decision needs to be made on the preferred focus for these activities. Options include a focus on:

- building the capacity of external stakeholders to deal with *a particular element of PFM* (e.g. the budget cycle)
- improving external stakeholder scrutiny of public expenditure in respect of *a particular sector* (e.g. education) *or theme* (e.g. gender equity / disability)
- *using the pilots of new technical systems as a mechanism to strengthen external oversight* to improve PFM (e.g. UACS pilot in DPWH to include publishing of budget and expenditure analysis and supporting evidence to interested groups and participatory audit of the implementation of infrastructure projects). The results of the audits could be fed back to oversight agencies, DPWH and Congress. An evaluation of the effectiveness of the approach could then be provided to the PFM Reform Committee.

If the focus was to be upon the budget cycle, PFMP could focus its support on institutional strengthening of CPBRD, COA and independent research institutes and provide TA to CSOs / coalitions willing to engage in public hearings, analysis and audits [Items 1 to 7 in Box 2]

If, the focus was on the education sector, PPFMP could establish the link between the external stakeholders (whether formal or informal) and the required data to facilitate scrutiny and discussion on the efficiency of public spending on education. For example, comparative analysis of the cost of school buildings constructed through public bidding, PPP, agency-led and DPWH-led projects could be produced. Data could be made available via newspapers, flyers, a web-based platform or by lodging information on the DBM website for better access of legislators, DepEd officials, CSOs and concerned citizens. [Items 6,7,8 in Box 2]

If the focus was on using pilots to strengthen mechanisms for external scrutiny the UACS pilot in DPWH could include publishing of budget and expenditure analysis and supporting evidence to interested groups, as well as participatory audit of the implementation of infrastructure projects. The results of the audits could be fed back to oversight agencies, DPWH and Congress. An evaluation of the effectiveness of the approach could feed into efforts in respect of other pilots.

Whichever option is selected, it is clear that resources committed to increasing external scrutiny need to be increased. Financial analysis carried out by the MTR team indicates that total expenditure under SO4, including the 2014 pipeline, accounts for 5% of the total program budget expenditure to date. Selection of any one of the above options would require this level of commitment to be substantially increased. Further, in order to effectively implement any one of these options it will be necessary to employ a local CSO expert to support the international governance adviser position.

## **Box 2: What will support the evolution of external oversight of PFM?**

1. Strengthening the capacity of CPBRD in:
  - assisting the legislature to define its role and function in budget oversight and developing capacity in the legislature
  - identifying issues in audit reports for forwarding to the budget oversight body
  - facilitating links between COA and Congress and
  - developing improved mechanisms for ensuring that the views of a broad range of interest groups can be fed back to Congress.
2. Specifically, expanding the size and strengthening the analytical skills of CPBRD staff and their ability to summarise financial information.
3. Strengthening the capacity of COA to produce plain language audit summaries for use by the legislature, the media and civil society; strengthening links and coordination with Congress.
4. Specifically supporting the establishment of a Congressional Liaison Officer position within COA.
5. Strengthening independent analysis of PFM (e.g. via support to an independent research institute such as the National Institute of Public Finance and Policy, India)<sup>1</sup> Australia has provided long term support to an independent research body in Indonesia which now plays an important role in providing research to underpin evidence based advocacy on socio-economic policy and practice.
6. Strengthening the information flow to civil society about PFM reforms to encourage on-going political commitment to the reform process.
7. Holding a Citizen Forum as a basis for consulting and engaging CSOs willing to engage in evidence-based advocacy (universities, professional associations, private sector groups, community groups) during budget preparation, approval, execution and audit.

## **2.3 Efficiency**

### **2.3.1 Core versus non-core activities**

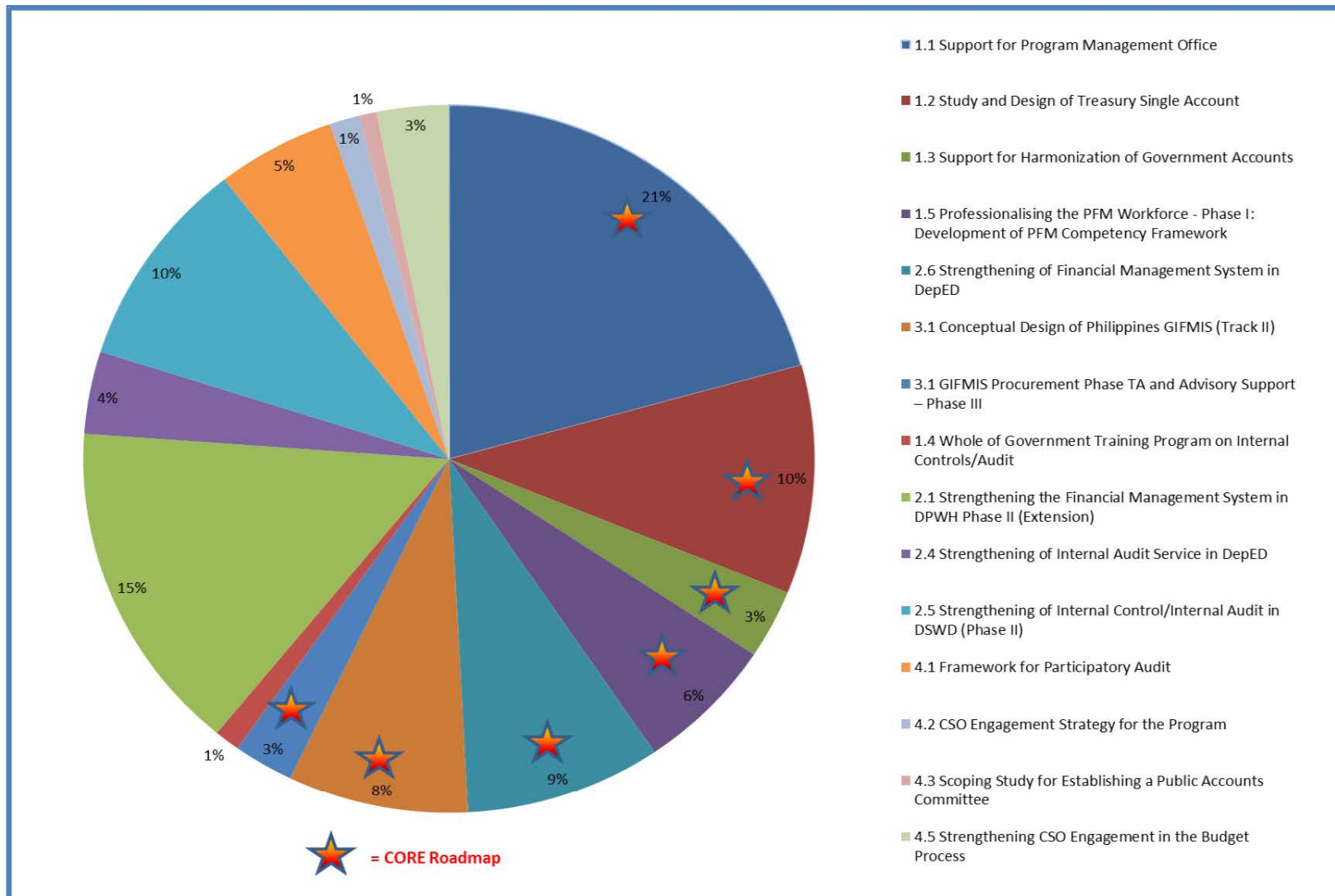
As outlined in Figure 2, below, total spending on Core Roadmap activities as a percentage of all program activities (excluding program management, TAT, Adviser support costs and Emerging issues/Capacity building) was 60%. Figure 3 shows that for the whole Phase I of PFMP less than 40% of total spending (actual and planned till May 2014) was directly allocated to Core Roadmap activities. The detailed financial analysis is presented as Appendix G.

The rationale for Australia's emphasis on supporting some areas of the reform agenda more than others has not been explicit. In some areas technical assistance has not been provided (e.g. COA has not had the benefit of senior TA).



Figure 2:

## CORE ROADMAP PFMP ACTIVITIES, 2011-2013



\* Star indicates Core Roadmap activity; % denote share of program activity as % of total program activity spending, excluding program management, TAT, Advisor support costs and emerging issues/Capacity building

Figure 3: Actual spending 2011-2013 + pipeline till May 2014

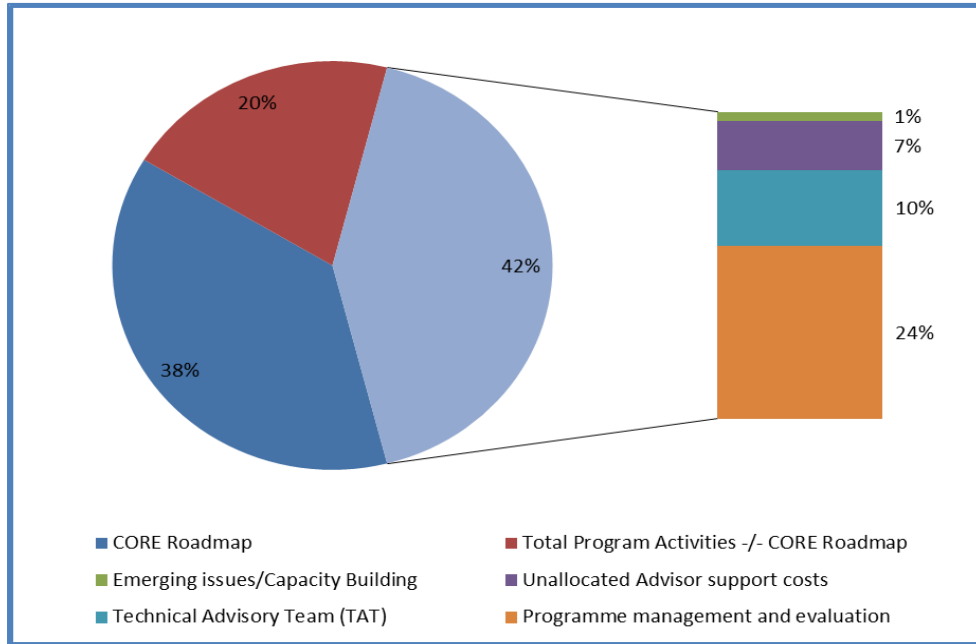


Figure 4: Actual spending 2011-2013

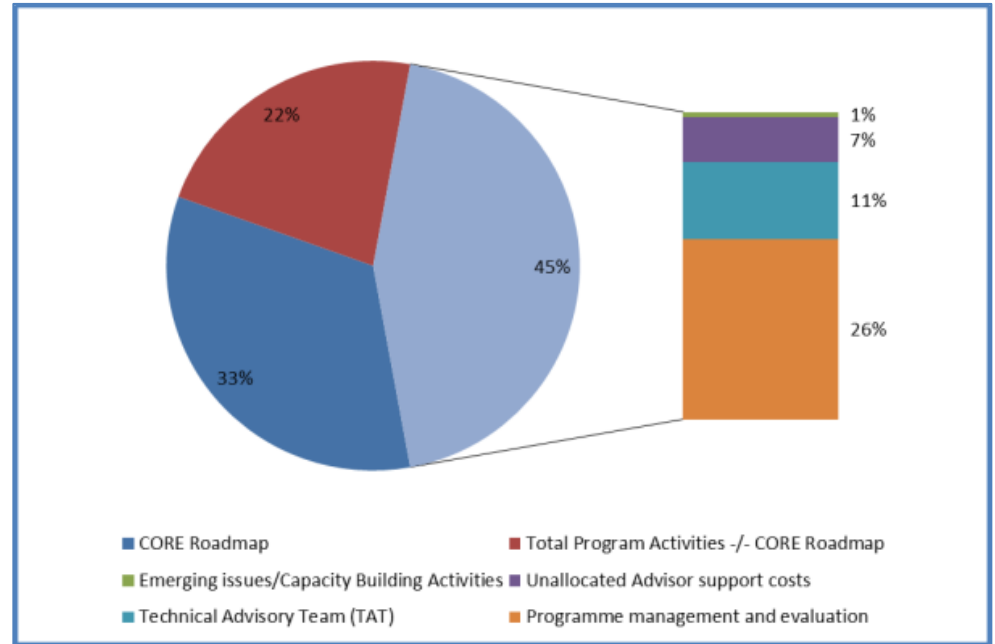


Figure 5: Pipeline till May 2014

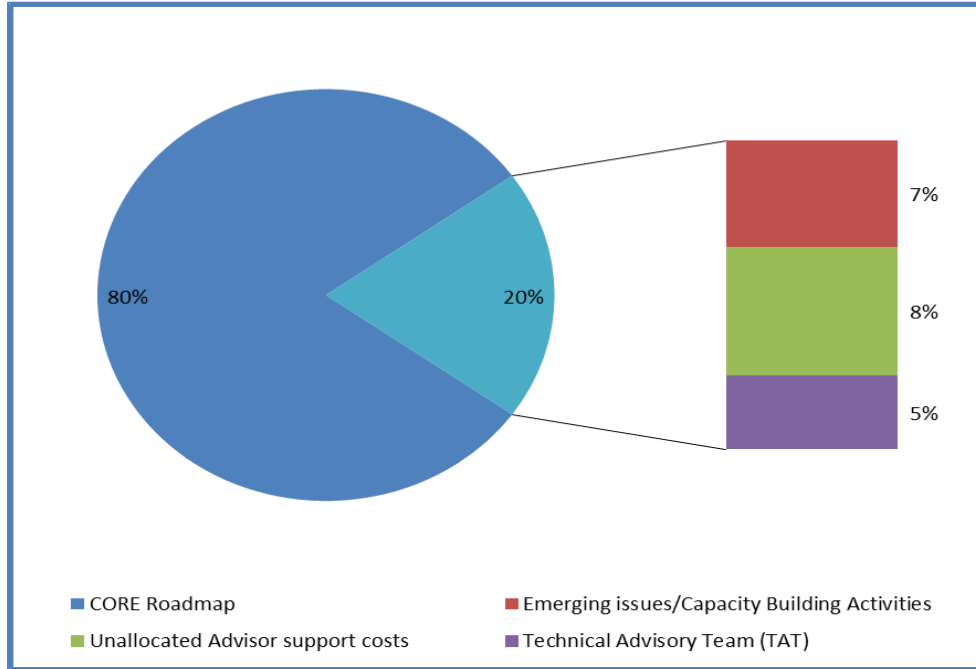
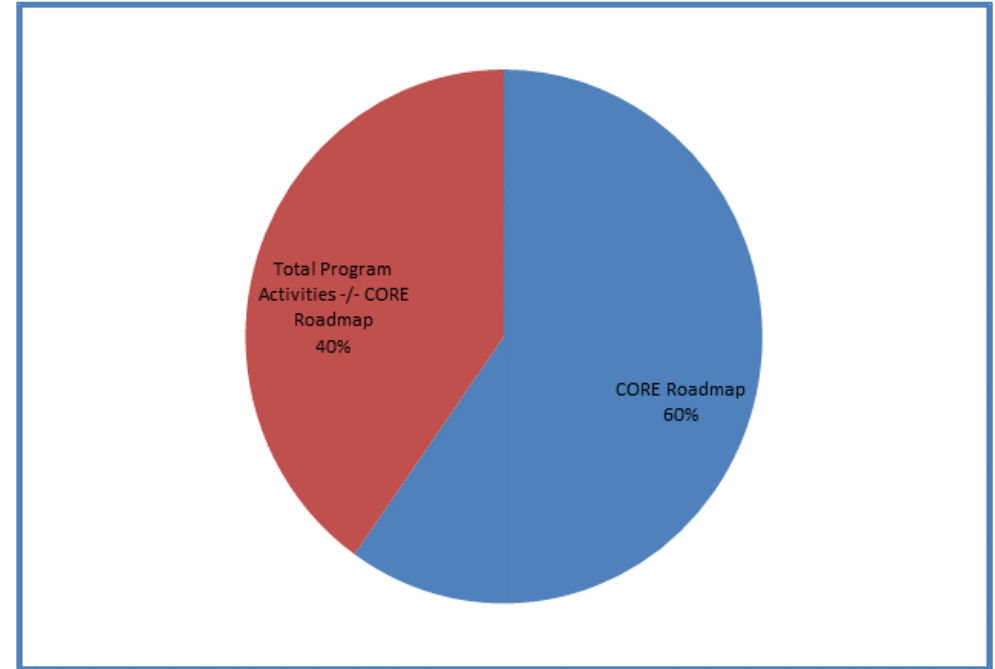


Figure 6: Actual spending program activity only 2011-2013



### 2.3.2 Budget versus implementation

Appendix G presents a detailed analysis of PFMP budgeted and actual spending during the period under review. Underspensing in certain areas can be partly explained by some delays in implementation (e.g. support for the PMO of COA). In the case of overspending it may have been caused by under-budgeting at the planning stage and / or revision of scope of activities during implementation.

Another cause may be the difference between: (i) presentation of data on a calendar basis as done in the PFMP Annual Plans and Implementation Reports (as well as in the Quarterly Contractor Progress reports); and (ii) presentation of the accounting data for actual spend from the contractor to DFAT (the basis for payment) which is based on the Australian financial year. The use of the two forms of financial data is confusing.

A clearer picture can be provided if data is presented as follows:

- (multi-year) budgeted amount for each activity
- (multi-year) commitments based upon concluded contracts, presented by quarter over the whole contractual period (assuming that cash and commitment planning is being done)
- actual obligations (payment due for work done / approved) and
- actual payment (including payment date).

If data is presented in this way it is possible to easily derive calendar year or financial year data for reporting.

**2.3.2 In the current context, the management structure for Australian support to the PFM Reform process appears to be inefficient.** First, the overlap of functions between the Australian Team Leader and Technical Advisory Team, on the one hand, and the PMO, on the other, has increasingly led to role confusion, duplication and conflicting advice.<sup>4</sup> Now is an appropriate time to rationalise this structure in order to facilitate effective support to implementation of PFM reforms.

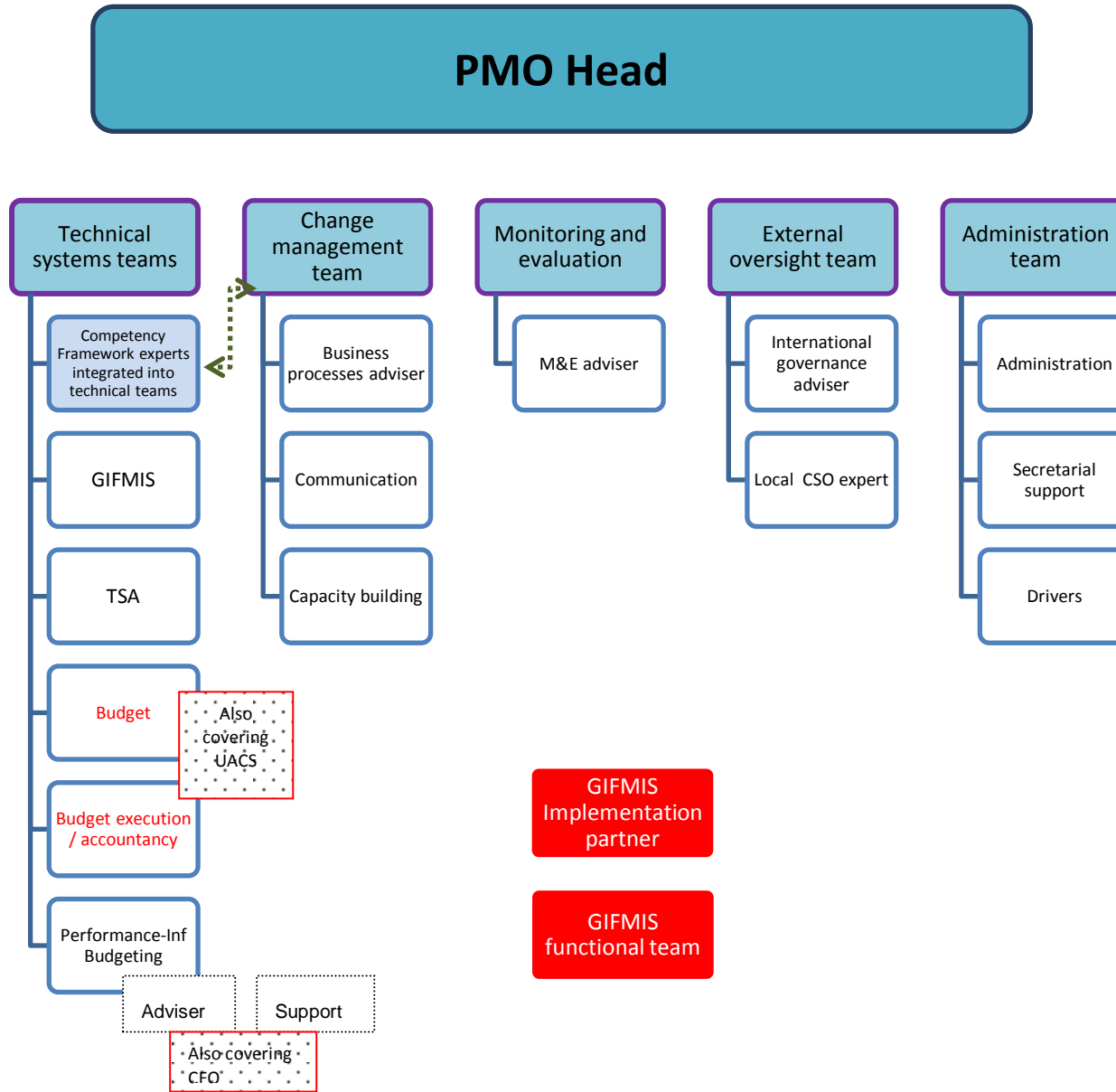
Second, analysis of the PFMP financial management data as part of the MTR indicates that program management costs are at the higher end of the norm. Rationalisation may also reduce costs and increase value for money.

**2.3.3 Efficiency will be improved by merging the DFAT – Australian Team Leader and Technical Advisory Team with the PMO** and clarifying the role of the Service Provider as one of processing and facilitating the provision of technical and other forms of assistance in support of the PFM reform process, as approved by the Project Steering Committee. An example of a possible structure for the integrated PMO is presented as Figure 7 on the following page.

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<sup>4</sup> The job descriptions for the PMO Director, the Australian Team Leader and the Senior Technical Adviser all require the incumbents to provide strategic and technical advice and guidance on PFM reform.

Figure 7: Example of a possible structure for the integrated PMO



**2.3.4 Quality of Outputs:** The quality of the PFMP outputs is generally high. The reports are well written, are based on international practices, and focused on both strategic design and operational issues. PFMP has also embedded informal (World Bank) quality assurance mechanisms on key outputs, such as the UACS, design of the TSA and the conceptual design of GIFMIS.

The best advisers have adopted a ‘hands-on’, ‘shoulder-to-shoulder’ approach which focuses on the quality of implementation, rather than simply the quality of the reports produced. This is greatly appreciated by government and is clearly getting results.

Only in one case, i.e. UACS manual, the output was not directly followed by a detailed implementation plan and corresponding hands-on support. The UACS manual is basically an explanation of a chart of accounts and codes. The Reference Guide contains an amalgam of UACS issues, including a reference table mapping all object codes to GFS economic classification codes and then a reference table mapping Major Final Outputs (MFOs) to GFS function codes; examples of high level reporting templates; use of UACS code elements and segments; relation of UACS and OPIF, etc.

The UACS sustainability document identifies the risks of not using UACS or not using it well. However, the document does not discuss how departments become ‘UACS compliant’. The mapping from the existing codes used by departments to the new UACS codes – normally done when a new coding system is introduced - was not addressed.<sup>5</sup> The development of conversion tables has ultimately been taken up by COA. Immediate support, including hands on assistance, would have been beneficial on how to roll-out the UACS. There is now an urgent need for this assistance.

The process of assisting departments to become UACS compliant is particular challenging in those departments which primarily use manual or Excel based systems compared to those which are using e-NGAS (94%; 6% use e-NGAS<sup>6</sup>).

**2.3.5 While the monitoring system for Australia’s support to the PFM Reform process is adequate, it is not yet linked to the PFM Reform Roadmap Results Framework, nor have mechanisms been developed to ensure that monitoring and reporting facilitates improved management decisions and learning.** The PFMP M&E Adviser has commenced work on linking Australia’s contribution to the PFM Reform Roadmap Results Framework which was adopted in December 2013. However, while reporting on Australia’s support to PFM Reform meets GoA’s accountability requirements further work needs to be done to strengthen the mechanisms for using information to inform management decisions. Clear mechanisms need to be set up, through the PMO to the PFM Committee, to regularly review the results of monitoring and evaluation of PFM reform efforts as a basis for refining implementation approaches.

The cases studies on the work in DPWH<sup>7</sup> and UACS<sup>8</sup> provide important insights on PFM reform. These are outlined in Box 2 below. It is critical that a process is setup to systematically reflect upon and follow up key lessons learned and recommendations so that they inform future PFM practice. In this regard, a learning workshop to discuss the approaches used in the introduction of the TSA would be a valuable contribution.

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<sup>5</sup> Even if the old coding system cannot be (fully) mapped to the new coding system, a mapping exercise would reveal possible incompatibilities and would provide rules / guidance to agencies on the method for dealing with such issues. This would prevent agencies from adopting a myriad of ways of interpreting inconsistencies, thereby corrupting the potential benefits of the UACS.

<sup>6</sup> Report from COA, PFM Committee meeting, January 29, 2014

<sup>7</sup> Financial Management Strengthening at DPWH – A Case Study PFMP September 2013

<sup>8</sup> UACS Review – Draft – PFMP December, 2013

**2.3.6 Risk management of Australia’s support to PFM reform and for the PFM Reform process as whole is inadequate.** Risk management is not a compliance exercise but, rather, an important program management tool. The PFMP M&E Adviser has commenced work to integrate risk management with the M&E framework and to link the assessment of risk in regard to Australia’s aid program to assessment of risks to the PFM reforms overall. This is an important starting point but the PMO leadership and the PFM Committee leadership needs to lead an inclusive process of assessing the institutional and organisational risks of implementing PFM reform and to ensure that these risks are monitored at central and line agency level.

**2.3.7 The risks associated with implementing a GIFMIS pilot in DepEd need to be carefully examined.** It has been beyond the scope of the Review Team to carry out an institutional assessment of DepEd. However, it is clear that DepEd is undergoing a major restructure under the auspices of their own Transition Management Team and that the Central Office is unprepared for participation in the GIFMIS pilot. In these circumstances there are substantial risks, both for GoP and GoA in pursuing the planned pilot. At the very least, efforts need to be made by the PFM Reform management team to discuss the process and timing of the GIFMIS pilot with the Transition Management Team of DepEd, to systematically assess the institutional / organisational constraints to successful implementation of the pilot in DepEd and to develop strategies for addressing these constraints.

The MTR Team is of the view that further work on the activity “Transition Support for Strengthening FMIS in DepEd Phase” should be deferred and the TA team should be redeployed to work with the DepEd Transition Management Team to prepare a Risk Management Assessment and Plan which specifically addresses the organisational/human resource ‘readiness’ of DepEd to engage in a pilot of GIFMIS. This is likely to be a far more relevant and effective contribution to DepEd than allowing the TA team to continue to implement a narrow ToR which lacks long term relevance, is likely to have limited impact and fails to address the immediate threat / challenge of the proposed GIFMIS pilot.

**Box 3: What lessons have been learned from reform efforts Case studies of DPWH and UACS**

Case studies produced by the PFMP M&E Adviser reveal that:

- Delivering real benefits through systems implementation requires sustained and intensive effort.
- The momentum and effectiveness of reform escalates rapidly when it is oriented toward meeting internal management needs, rather than being focused on compliance with external requirements.
- The progress of financial management reform has been either facilitated or constrained by the role of leadership, human resource management issues, and the range of other reform initiatives which are simultaneously under way.
- Flexible approaches are required, and these can best be achieved by providing agencies with discretion to address their own organisational challenges (such as modifying organisational structures or staff deployment).
- Skills development may need to start with building understanding of basic Government policies and procedures; it must include different forms of on the job support that are specifically linked to the performance of tasks and be embedded within a broader institutional/organisational development approach.
- It is important for agencies to define the desired operational outcomes specifically, so they can be sure that they are employing *all* the strategies – both technical and non-technical – required to achieve those outcomes.
- An effective approach requires comprehensive, long term capability building programs, and sustained engagement between oversight and spending agencies that helps to build ownership and success.

## 2.4 Sustainability

**2.4.1 The Treasury Single Account is likely to be sustained so long as the level of high quality international and local technical assistance is maintained for at least the next twelve months.** The TSA provides significant cost-savings to the Government. External stakeholders have been involved in the design and implementation. The involvement of Bangko Sentral ng Pilipinas (BSP), Land Bank of the Philippines (LBP) (which operates the TRAMS as a complete service to BTr) and the private banks increases the likelihood of sustainability. Any reversal or disregard would lead to substantial costs for the banks.

The introduction of the TSA also has policy implications. The TSA strengthens the link between the implementation of fiscal and monetary policy, and therefore improves policy coherence. With the TSA the Treasury will have a stronger ability to project government cash flows. Forecasting the daily trends of government deposits is one relevant component of the monetary policy operational framework. The TSA is requiring enhanced cooperation and information exchange between BSP and the Treasury. The BSP is enriching its monitoring instruments as changes in the cash balances of the TSA represent changes in liquidity. This may influence the conduct of monetary policy.

The main challenge will be on the disbursement side as this is the area in which all spending departments will be involved.

**2.4.2 International experience suggests that failure rates of IFMIS have been high because of unrealistic timescales, lack of ownership, insufficient consultation and inadequate specifications.**<sup>9</sup> Although implementation of GIFMIS has not yet commenced it is important to recognise the lessons of international experience. The PFM Committee, with PMO support, needs to organise and strengthen the PFM reform management structure to facilitate full engagement of relevant stakeholders from oversight and line agencies in the implementation of GIFMIS and in the active and systematic management of risk in respect of GIFMIS implementation. This process cannot be fully outsourced to the GIFMIS contractors. It is critical that GoP has the capacity, with the support of the PMO, to maintain active oversight of the implementation of GIFMIS.

**2.4.3 Despite the UACS being used to frame the 2014 budget, the comprehensive and sustained use of the code system for budgeting and reporting is unlikely in the absence of substantial further support.** This includes mapping from the old code systems to the new system, strengthening of the capacity of individual departments to prepare and analyse simplified and consolidated annual reports so that data shortcomings are detected quickly and addressed and establishment and maintenance of a system to effectively managing on-going account coding. PFMP has contracted a team of technical advisers to provide support for twelve months initially, funding permitting.

**2.4.4 The achievements in PFM reform in DPWH are likely to be sustained.** This is largely because the roll-out of the e-NGAS and e-Budget systems has been supported by a systematic process of organisational development and capacity building. The Comptrollership and Financial Management Service (CFMS) in DPWH has been supported to not only introduce the systems, but also to build a cadre of young professionals committed to the maintenance of the reforms and capable of maintaining training and professional development at Regional and Divisional level. The CFMS would be a sensible choice to provide mentoring and advice to staff in line agencies attempting to implement the UACS.

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<sup>9</sup> See, for instance, World Bank, Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't, 2011; USAID, Integrated Financial Management Information Systems: A Practical Guide, 2008; Transparency International, The Implementation of Integrated Financial Information Management Systems (IFMIS), 2009; various IMF Technical Notes and evaluations of IFMIS projects. The FMIS World Map shows IFMIS projects implemented worldwide <https://maps.google.com/maps/ms?msa=0&msid=213542822110887565899.0004c2f44512d9ce6795f&dg=feature>



**2.4.5 GoP structures and processes for effective oversight and monitoring of implementation of the PFM Reform Roadmap may need to evolve.** As and when the PFM Reform Roadmap is reviewed and the implementation strategy clarified so, too, will the implementation structure need to evolve. The PIU structure may not be the best structure to manage PFM Reform implementation and risk in future. The PMO has a key role to play in supporting the evolution of an appropriate oversight / monitoring structure.

### 3. Conclusion

The PFM Reform effort currently underway in the Philippines is both highly significant and deeply impressive. Australia is privileged to be able to assist, as a genuine partner, in this effort.

In many ways, the support provided by Australia, particularly via support for the PMO, has been a critical link between the aspirations of the reform minded leadership and the responsiveness of the bureaucracy and external stakeholders. In this regard, one of the greatest, unseen, achievements of the support provided to date has been advice to leadership to scale down expectations and to implement reforms in a modest, realistic way consistent with the capacity of the bureaucracy to absorb change.

Nevertheless, the government has maintained a commitment to tight timelines for implementation of some high priority reforms in order to maximise the irreversibility of the gains made before the end of the current presidency in 2016. The availability of outside expertise to assist in meeting these timelines has been, and remains, crucial.

In order to be effective, continued implementation of the PFM Reform Roadmap will require a coherent and integrated PFM reform sequencing strategy and a systematic approach to organisational / institutional development and human resource capacity building. The development of the people and the organisations cannot come *after* the introduction of the technical systems; these processes must occur simultaneously. For this to occur, GoP will continue to need embedded support for the evolving PFM reform management structure, as well as expert assistance on implementation of technical systems. In addition, the government will need donor support to establish a team of flexible, mobile local experts who can be deployed to work with departments to address the organisational and human resource challenges they face in introducing new technical systems.

Taken together, this package of measures has the potential to achieve positive, 'irreversible' change.

## Appendix A: Terms of Reference

# INDEPENDENT EVALUATION OF THE PHILIPPINES-AUSTRALIA PUBLIC FINANCIAL MANAGEMENT PROGRAM (PFMP)

## 1. INTRODUCTION

These Terms of Reference (TORs) are for an independent evaluation of the effectiveness of the Philippines-Australia Public Financial Management Program (PFMP). The purpose of the evaluation is to provide senior management of the Australian aid program and PFMP Program Management Stakeholders with information to help determine whether or not Australia should release the second tranche of assistance to the program. To this end, it will provide:

- An assessment of the quality of PFMP processes and outputs delivered and the adequacy of progress toward PFMP end-of-program outcomes and contribution to the Philippines Government PFM Roadmap; and
- Strategic recommendations to enhance the use of the second tranche of assistance to PFMP.

This review will be the first independent review of program effectiveness as required under the Program Design Document (PDD). It should be a mix of formative and summative review of progress toward outcomes. It also provides an opportunity to test key assumptions and risks in the program design and to assess the most effective methods for achieving positive, sustainable change.

## 2. BACKGROUND

### Reform Context

Improving public financial management (PFM) is central to the Philippines achieving its development goals. Progress on economic growth, poverty reduction and key social indicators has been slow over the past decades. As one of its key result areas, the Aquino government wishes to bring about a transparent, accountable and credible system to manage public resources for informed decision-making and effective provision of public goods and services.

In 2011, the strategic context for reform was established by the GoP, in particular through the finalisation of the PFM Reform Roadmap (January 2011) and the issuance of Executive Order No. 55 (September 2011), outlining the intention to implement the Government Integrated Financial Management Information System (GIFMIS) as the core of the reform effort.

The overall goal of the GoP Reform Roadmap is to ensure that the National Government “is able to perform its functions of maintaining fiscal discipline, fund allocation efficiency and operational efficiency for effective delivery of public services”.<sup>10</sup>

The GoP’s governance and management arrangements for the reform process are intended to ensure strategic coherence and outline the key decision-making bodies and their roles and responsibilities for directing and managing program resources, making as much use as possible of existing government structures.

- > The **PFM Principals** provide the highest level of oversight. The Principals comprise the Secretary of DBM, the Secretary of the Department of Finance, and the Chairperson of the Commission on Audit.
- > The **PFM Committee** was established under Executive Order 55, and reports to the Principals. The PFM Committee is responsible for policy setting, and the overall direction

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<sup>10</sup> PFM Reform Roadmap narrative, 2011.

of PFM reform. The Committee comprises senior representatives of the COA, DBM, DOF and BTr.

- > The **Program Management Office (PMO)** (funded through PFMP) provides TA and secretarial support to the PFM Committee in the form of overall program management, coordination, monitoring and evaluation.
- > **Project Implementation Units (PIUs)** (GoP) are responsible for the implementation of individual initiatives within the strategic direction set by the Committee. PIUs report to the PFM Committee.

### **Australian Support**

The Philippines–Australia Public Financial Management Program (PFMP) is a joint initiative of the Governments of Australia and the Philippines. The program commenced on 11<sup>th</sup> October 2011 and directly assists the Government of the Philippines (GoP) to implement the Philippine Public Financial Management Reform Roadmap. PFMP contributes to this by closely aligning its own Annual Action Plan with the GoP reforms. (Annual Action Plans are listed in Annex A.)

Through the Australian aid program, the Australian Government has committed up to A\$30 million over five years, 2011–2016. Initial program financing is for two years and eight months (A\$18 million) and concludes on 31 May 2014. Extending the program to May 2016 (or another date<sup>11</sup>) is subject to the outcome of this independent evaluation of the program’s effectiveness to date. In this way both governments can evaluate the impact of the program and redirect it if needed, while providing the consistent, long-term resources required. This evaluation is the subject of these Terms of Reference.

### **Other Donors**

PFMP cooperates with Development partners that are supporting implementation of the GoP PFM Reform Roadmap (World Bank, IMF, ADB, USAID, European Union). In particular, the U.S. Treasury is supporting GOP with the development of a National Payroll System, the European Commission has a major project working with sub-national level PFM and World Bank is implementing a Greater Than Leadership program.

## **3. PROGRAM SUMMARY**

The Program’s work is organised under four strategic objectives:

- > **Objective 1 – Increase the efficiency and effectiveness of the allocation, utilisation and reporting of budgeted funds by oversight agencies.**  
This objective relates to supporting the oversight agencies responsible for the implementation of the Reform Roadmap<sup>12</sup> with the overall design and management of the PFM system.
- > **Objective 2 – Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery.**  
This objective relates to the implementation of PFM reforms within selected spending agencies. Agencies include the Departments of Education, Social Welfare and Development, and Public Works and Highways. Support addresses financial management and internal control.
- > **Objective 3 – Generate more timely, reliable and accessible public expenditure management information.**

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<sup>11</sup> The cooperation contract for PFMP between the Governments of Philippines and Australia was signed in May 2011. The program started in October 2011. As the May 2016 date coincides with the election of a new President in the Philippines, it may be appropriate to reconsider the end date for the program.

<sup>12</sup> Department of Budget and Management (DBM), Department of Finance (DOF)–Bureau of Treasury (BTr) and Commission on Audit (COA).

This objective addresses the design and implementation of GIFMIS, which is the technical centrepiece of the Reform Roadmap.<sup>13</sup>

> **Objective 4 – Strengthen external oversight of public expenditure management linked to physical performance information.**

This objective aims to strengthen both the overall PFM system and individual agency budgeting and spending through enhancing the engagement of external stakeholders in PFM processes. It involves working with the **legislature** to inform the public policy debate and improve capacity in budget oversight; and with **civil society** to build demand for change and engage constructively with the bureaucracy and legislature on budget transparency and participatory processes in expenditure monitoring.

While the above objectives define the high level conceptual framework for the Program, the Program also has end of program outcomes that describe what is to be achieved by 2016 in more specific terms. PFMP expects to make a significant contribution to the achievement of these outcomes, but ultimately they are the responsibility of Government. The end of program outcomes are shown below, grouped under the relevant strategic objective. The Program's Results Framework breaks the program outcomes down into key result areas, which provide the basis for monitoring progress (of both the reforms and of the Program).

PFMP's strategy is to make targeted, strategic contributions to the reform process by filling gaps and overcoming bottlenecks in reform design and availability of technical skills so that the reforms can be strengthened and advanced. Fundamentally, the Program provides the Government with advice relating to four elements: policy, systems and processes, capacity development, and behavioural incentives.<sup>14</sup> However, the adoption of reform designs and their subsequent implementation is ultimately the responsibility of Government.

Individual outputs delivered by PFMP are identified in activity terms of reference. The Program's challenge is to provide quality advice, and to do so in a way that maximises the likelihood that it is successfully put into practice.

<b>Program</b>	11 October 2011 – 31 May 2016
<b>Timeframe:</b>	
<b>Funding:</b>	AUD\$30 million (in two tranches of AUD\$18m and AUD\$12m)
<b>Long Term Goal:</b>	<b>Improvement in the efficiency, accountability and transparency of public fund use in the Philippines to enable better service delivery</b>
<b>Strategic Objectives &amp; End of Program Outcomes:</b>	<b>OBJECTIVE 1 – Increase the efficiency and effectiveness of the allocation, utilisation and reporting of budgeted funds by oversight agencies</b> P01-1: PFM Committee and its member agencies manage whole-of-government PFM reforms effectively. P01-2: Government implements improved systems for budget formulation and communication P01-3: Oversight agencies improve management and systems for budget execution, accounting, and reporting. <b>OBJECTIVE 2 – Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery</b> P02-1: Targeted national government agencies operationalise enhanced budget and expenditure management systems. P02-2: Targeted national government agencies improve compliance with internal control rules and procedures.

<sup>13</sup> PFMP performs an advisory and support function. The purchase and maintenance of GIFMIS is funded by GOP.

<sup>14</sup> These four "reform elements" are explained in the Results Framework.

**OBJECTIVE 3 – Generate more timely, reliable and accessible public expenditure management information**

PO3-1: A working Government Integrated Financial Management Information System (GIFMIS) is introduced.

PO3-2: National oversight agencies enhance transparency through more disclosure of relevant financial information

**OBJECTIVE 4 – Strengthen external oversight of public expenditure management linked to physical performance information**

PO4-1: Civil society organizations [CSOs] strengthen their participation in the budget process.

PO4-2: National Government agencies enhance their engagement with civil society.

PO4-3: The budget oversight functions of Congress are more effective

PFMP also has two **cross-cutting program outcomes**:

PO 0-1: PFM Committee and its member agencies manage whole-of-government reform effectively.

PO 0-2: Government operationalises PFM Competency Framework (*tentative Program Outcome, subject to approval by Steering Committee*)

**Management arrangements:** The Program is overseen by the **Program Steering Committee**, jointly chaired by the Department of Budget and Management (Undersecretary for Policy and Planning) and DFAT (Minister Counsellor). The Committee meets on a four-monthly basis. It reviews progress and approves successive Annual Action Plans, in addition to in-year spending plans.

The PSC comprises representatives drawn from the PFM Committee (DBM, COA, Bureau of Treasury, Department of Finance) and the National Economic Development Authority (NEDA).

The **Team Leader** for the program is an Australian Public Servant from the Manila Country Office. The Team Leader is supported by a **Program Coordinator**, also from the Manila Country Office, and a **Technical Advisory Team**. Monitoring and evaluation of the program is conducted on an ongoing basis with six-monthly reports, and is anchored on the program's Results Framework.

Administration of the program is outsourced to **Coffey International Development Ltd.**, based in Manila.

**Activities** approved by the Program Steering Committee are implemented by individuals or organisations subcontracted by Coffey International.

Other stakeholders include development partners and civil society.

**Summary of Progress to Date**

The principal focus of the Program's effort during 2011 and 2012 was on assisting the Government with detailed technical design work of key reforms, in particular the Treasury Single Account (TSA), Government Integrated Financial Management Information System (GIFMIS), and the Unified Account Code Structure (UACS).

GOP adopted the designs for all three initiatives; UACS was adopted for the 2014 Budget process and TSA will begin implementation in 2014. Thus, during 2013 the focus of PFMP support shifted from design to implementation of these initiatives. GIFMIS will be tendered in November 2013, with the system still on track for implementation in pilot agencies in 2015.

PFMP has also assisted the GOP to prepare a PFM Competency Framework and work on implementing the framework is expected to commence in early 2014. Work has commenced on assisting the Government with the implementation of Performance Informed Budgeting.

At spending agencies, the roll-out of the financial management system in the Department of Public Works and Highways was completed with PFMP support in 2013<sup>15</sup>, and this marked the conclusion of PFMP's support to the department for the foreseeable future. Support to the Department of Social Welfare & Development in risk management and internal audit continues, and new support has been mobilised at Department of Education (covering both internal audit and financial management).

PFMP also continues to work on strengthening engagement between CSOs and Government. The PFMP Civil Society Engagement Strategy was approved by the PSC in late 2012, and several analytical activities with the DBM Civil Society Desk have been mobilised during 2013.

#### 4. KEY ISSUES

The operability of all continuing and new initiatives proposed in the PFMP 2014 Action Plan is dependent on the conclusion of a successful independent evaluation of program effectiveness. Such ongoing and new activities must necessarily be put on hold until 1 June 2014 at the earliest.

The GoP has requested that PFMP continues to provide long-term support to the major reform initiatives, including the procurement and implementation of GIFMIS, the introduction of the TSA and the maintenance of the PMO, in addition to other complimentary activities in large spending agencies. Pending the affirmation for the second tranche of funding (AUD\$12m), no binding commitments beyond 31 May 2014 can be entered into by PFMP.

#### 5. SCOPE OF THE REVIEW

The review will be guided by the DAC criteria of relevance, effectiveness, efficiency, impact and sustainability and DFAT's additional criteria of gender equality, monitoring and evaluation and analysis and learning. If during the course of the review, the review team identifies any unintended consequences of PFMP (positive or negative) these issues should also be documented and assessed.

The key questions for this review are:

- Relevance**
1. Does the program reflect the overall goal of the Australia-Philippines development cooperation program to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines? How?
  2. Are the objectives relevant to the context, including the GOP's stated policy priorities and other identified development needs in the public sector, in particular its ability to strengthen basic services to the poor?
  3. Have there been any significant changes to the strategic context since the mobilisation of the Program?
- Effectiveness**
1. Examine the contribution and influence of the Australian aid program in achieving the goals of the PFM Reform Roadmap to date. Is the Program using the right levers to influence reform outcomes?
  2. Examine key relationships, in particular the relationship between PFMP and the PFM Committee, but also with other stakeholders such as development partners and CSOs, and make recommendations as to how these might be

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<sup>15</sup> A case study was completed in 2013, as indicated in the reading list at Annex A.

further developed and best utilised.

3. What lessons from PFMP practice can be drawn within PFMP and more broadly for DFAT's Governance Program in the Philippines and elsewhere?
4. What are the risks to achieving outcomes? Have these risks been identified, documented and managed appropriately?

**Efficiency**

1. Assess PFMP's management structure, particularly placing a full-time DFAT counsellor as Team Leader supported by a full time Program Coordinator in the Program Office alongside the Technical Advisory Team. By extension, this will also involve an examination of the effectiveness, efficiency and performance of the Service Provider, alongside the current structure.
2. Assess whether projects developed under the Action Plans are consistent with overall program objectives.
3. To the extent possible within the time available, comment on the quality of technical assistance provided through the program and make recommendations for improvements, if material.
4. Examine the monitoring and feedback mechanisms employed by the program and comment on their adequacy and usefulness. Is the broader monitoring and evaluation (M&E) approach for PFMP appropriate and effective in monitoring progress toward outcomes? What would enhance the M&E arrangements? If relevant, make suggestions to more effectively link PFMP M&E with country program and Australian aid results frameworks.
5. Is the Program appropriately coordinated with the work of other donors?

**Impact**

Too early to assess.

**Sustainability**

1. What are the key factors impacting sustainability of the PFMP outputs delivered and the influence on the Reform Roadmap and how well is PFMP addressing them? Does PFMP's approach support GOP continued implementation of reforms over the medium term?
2. What could be done during the current phase of PFMP to increase the likelihood of sustainability (or irreversibility)?

## 6. REVIEW METHOD

The independent evaluation should, among other things, include a document review, field visits and stakeholder consultations as a minimum.

The evaluation team leader will draft a review plan within five days of commencement of the assignment. The plan will refine and prioritise the review questions, describe the methodologies to be used and provide an indicative report structure. The evaluation will be undertaken according to the approved plan.

A non-exhaustive list of reference documents is provided at [Annex A](#).

## **7. COMPOSITION OF THE REVIEW TEAM**

The team will consist of:

- a) An independent evaluator as the Team Leader with experience in PFM/capacity building or civil society reform processes, and who will be responsible for finalising the written reports.
- b) A public financial management expert (skills should complement the team leader's skills).
- c) A local expert drawn from the CSO sector

Canberra may provide a representative to assist the team as required, including by providing documentation, and guidance on aid policy and procedures.

Skill sets required by the team:

- Expertise in evaluation methods and processes, and demonstrated ability to draw on international best practice to inform the mission;
- demonstrated analytical skills, an ability to gather and interpret data and information and write constructive, informative and timely reports;
- sound knowledge of and experience with Public Financial Management ;
- working knowledge of issues such as democratic governance, gender equity and CSO partnerships;
- pragmatic and forward-looking perspective in terms of identifying for lessons and implications to inform policy and programming;
- excellent interpersonal and communication skills, including a proven ability to liaise and communicate effectively with communities from diverse backgrounds.

## **8. REPORTING ROLES AND RESPONSIBILITIES OF THE TEAM**

The team leader will:

- a. plan, guide and develop the overall approach and methodology for the evaluation, in consultation with Australian aid officers;
- b. be responsible for managing and directing the evaluations activities, representing the evaluation team and leading consultations with government officials and other donor agencies;
- c. be responsible for managing, compiling and editing inputs from other team members to ensure the quality of reporting outputs;
- d. be responsible for producing an aide memoire, synthesising review material into a clear draft review report and a final review report; and
- e. represent the team in peer reviews, if required.

The public financial management specialist and local expert will:

- a. work under the overall direction of the Team Leader;
- b. contribute to the required dialogue, analysis and writing of the report, as directed by the team leader.

## **9. OUTPUTS / MILESTONES**

The team leader shall provide the following reports:



- (a) *Review Plan / Draft Methodology* - for agreement with DFAT, submitted within nine days of commencement of the assignment. This plan will outline the scope and methodology of the evaluation, and preliminary findings from the document review.
- (b) *Review Mission Aide Memoire* - to be presented to DFAT Post, GoP and other stakeholders at the completion of the in-country mission. The format for the Aide Memoire will follow DFAT's template (to be provided) and will be no more than 3 pages. Feedback on the aide memoire will inform the draft report.
- (c) *Draft Report* - to be provided to the activity manager, DFAT Manila, within 10 working days of completion of the field study to Philippines. Feedback from DFAT and other stakeholders will be provided within 2 weeks of receiving the draft report.
- (d) *Final Report* - final document within 5 working days of receiving comments on the draft report. The report will be no more than 20 pages (plus annexes, case studies and a stand-alone executive summary). A clear analysis of the initiative's progress, key lessons and recommendations should be clearly documented in the report.

## 10. TIMING & DURATION

The independent evaluation will commence tentatively mid December 2013 and be completed by 28<sup>th</sup> February 2014. The timing and duration for the scope of services is up to 34 input days (per consultant) as per the table below. Final dates will be negotiated and stated in contracts.

TASK / OUTPUT	DESCRIPTION	MAX. INPUT DAYS	INDICATIVE TIMING (2013)
Document review	Establish understanding of programs and identify information gaps which need to be collected during the field mission. Key documents will be provided by DFAT.	4	
Evaluation Plan	The team leader/team shall develop a review methodology and data collection instruments, for approval by DFAT.	5	
Evaluation mission	Data collection including key informant meetings in Philippines with key stakeholders, including analysis of any data and evaluation reports.	15	
Preliminary briefing	The team may be required to attend a briefing with DFAT Manila to discuss the objective, plans and expectations.	Included in above	
Aide Memoire	An aide memoire shall be prepared and presented to DFAT and GoP on the last day of the in-country mission.	1	
Draft Report	The team shall prepare and submit a draft independent review report in electronic format within one week of the aide memoire.	5	
Stakeholder Review	DFAT will have two weeks to consolidate comments on the report.		
Final Report	A revised final review report shall be submitted within 5 working days of receiving comments and peer review feedback on the draft report.	2	
Travel days	Return international travel from home base to Philippines.	2	

## KEY DOCUMENTS

The list of documents to be reviewed includes (but is not confined to):

### 1. *GoA and GoP Documents:*

#### a. Policy documents

- Australia – Philippines Development Cooperation Program Statement of Commitment 2012-2017
- An Effective Aid Program for Australia; Making a real difference – Delivering real results
- Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16 <<http://www.usaid.gov/makediff/pages/aid-policy.aspx>>
- GoP Good Governance and Anti-Corruption Cluster Plan 2012-2016
- GoP PFM Reform Roadmap
- GoP Executive Orders No. 55 (June 2011) & No. 99 (October 2012)
- Administrative Order No. 25 (December 2011)

#### b. Reviews

- DCT Review <<http://www.usaid.gov/publications/documents/Philippinesaustralianaidreview.pdf>>
- Governance Analysis Report (August 2012)

### 2. *Program documentation:*

#### a. Design

- Philippines - Australia Public Financial Management Program Design Document (June 2010)
- PFMP Annual Action Plan (2011,2012, 2013)
- PFMP Monitoring and Evaluation Results Framework
- PFMP Monitoring and Evaluation System – Operational Guidelines

#### b. Implementation / monitoring reports

- PFMP Baseline Report 2012
- PFMP Six-Monthly Program Updates
- PFMP Annual Program Accomplishment Report (2012)
- Case Study: DPWH Financial Management System Strengthening
- Contractor Progress Reports (Quarterly)
- PFMP Results Framework

#### c. Program Management Mechanisms

- Minutes from Program Steering Committee meetings
- Minutes from PFM Committee meetings

### 3. *DFAT documents:*

#### a. Guidelines and templates

- Monitoring and Evaluation Standards
- Evaluation Guideline
- Template: Aide Memoire
- Template: ICR

#### b. Annual Program Performance Reports (2008-2012)

#### c. QAIs

#### d. Other reviews

- Aid Effectiveness Review and Government's response <<http://www.usaid.gov/HotTopics/Pages/Display.aspx?QID=518>>
- e. Other documents
  - Millennium Development Goals <<http://www.un.org/millenniumgoals/>>
  - Paris Declaration and Accra Agenda for Action, Busan Partnership for Effective Development Co-operation. <http://www.oecd.org/dac/effectiveness/>.

## Appendix B: Review Plan

### 1. Background

Improving the quality of governance in the Philippines is fundamental to the achievement of the country's development goals. The Philippines government is committed to creating a transparent, accountable and credible system to manage public resources for informed decision-making and effective provision of public goods and services. The first steps in establishing the enabling environment for reform have been taken via the finalisation of the PFM Reform Roadmap (January 2011) and the issuance of Executive Order No. 55 (September 2011), outlining the intention to implement the Government Integrated Financial Management Information System (GIFMIS) as the core of the reform effort.

Australia is supporting the PFM Reform Roadmap as a key strategy for improving the efficiency and accountability of public fund use in the Philippines, enhancing links to service delivery and poverty reduction. The A\$30m Philippines–Australia Public Financial Management Program (PFMP) is a joint initiative of the Governments of Australia and the Philippines which aims to support the implementation of the PFM Reform Roadmap. The objectives of the 5 year program are to:

- Increase the efficiency and effectiveness of the allocation, utilisation and reporting of budgeted funds by oversight agencies.
- Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery.
- Generate more timely, reliable and accessible public expenditure management information.
- Strengthen external oversight of public expenditure management linked to physical performance information.

### 2. Review purpose and use of the findings

This review, hereinafter referred to as the Mid Term Review (MTR), will be the first independent review of program effectiveness as required under the Program Design Document (PDD). The purpose of the MTR is to provide senior management of the Australian aid program and PFMP Program Management Stakeholders with information to help determine whether or not Australia should release the second tranche of assistance to the program. The operability of all continuing and new initiatives proposed in the PFMP 2014 Action Plan is dependent upon the conclusion of a successful independent evaluation of program effectiveness.

Specifically, the MTR will provide:

- An assessment of the quality of PFMP processes and outputs delivered and the adequacy of progress toward PFMP end-of-program outcomes and contribution to the Philippines Government PFM Roadmap; and
- Strategic recommendations to enhance the use of the second tranche of assistance to PFMP.

This review will be a formative and summative review of progress toward outcomes. The review will also test key assumptions and risks in the program design and assess the most effective methods for achieving positive, sustainable change.

### 3. Objectives

The MTR will focus on four DAC criteria - relevance, effectiveness, efficiency, and sustainability. It is deemed too early in program implementation to assess impact. If, during the course of the review, the review team identifies any unintended consequences of PFMP (positive or negative) these issues should also be documented and assessed.

**1. Relevance:**

- a. Does the program reflect the overall goal of the Australia-Philippines development cooperation program to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines? How?
- b. Are the objectives relevant to the context, including the GOP's stated policy priorities and other identified development needs in the public sector, in particular its ability to strengthen basic services to the poor?
- c. Have there been any significant changes to the strategic context since the mobilisation of the Program?

**2. Effectiveness:**

- a. Examine the contribution and influence of the Australian aid program in achieving the goals of the PFM Reform Roadmap to date. Is the Program using the right levers to influence reform outcomes?
- b. Examine key relationships, in particular the relationship between PFMP and the PFM Committee, but also with other stakeholders such as development partners and CSOs, and make recommendations as to how these might be further developed and best utilised.
- c. What lessons from PFMP practice can be drawn within PFMP and more broadly for DFAT's Governance Program in the Philippines and elsewhere?
- d. What are the risks to achieving outcomes? Have these risks been identified, documented and managed appropriately?

**3. Efficiency:**

- a. Assess PFMP's management structure, particularly placing a full-time DFAT counsellor as Team Leader supported by a full time Program Coordinator in the Program Office alongside the Technical Advisory Team. By extension, this will also involve an examination of the effectiveness, efficiency and performance of the Service Provider, alongside the current structure.
- b. Assess whether projects developed under the Action Plans are consistent with overall program objectives.
- c. To the extent possible within the time available, comment on the quality of technical assistance provided through the program and make recommendations for improvements, if material.
- d. Examine the monitoring and feedback mechanisms employed by the program and comment on their adequacy and usefulness. Is the broader monitoring and evaluation (M&E) approach for PFMP appropriate and effective in monitoring progress toward outcomes? What would enhance the M&E arrangements? If relevant, make suggestions to more effectively link PFMP M&E with country program and Australian aid results frameworks.
- e. Is the Program appropriately coordinated with the work of other donors?

**4. Sustainability:**

- a. What are the key factors impacting sustainability of the PFMP outputs delivered and the influence on the Reform Roadmap and how well is PFMP addressing them? Does PFMP's approach support GOP continued implementation of reforms over the medium term?
- b. What could be done during the current phase of PFMP to increase the likelihood of sustainability (or irreversibility)?

## 4. Stakeholders

The key stakeholders for this review, their role in the review and an indication of when they will be engaged are outlined in Table 1. below.

**Table 1: Stakeholders for PFMP MTR**

Stakeholder	Role in the MTR	How and when to engage
PFM Project Steering Committee and inter-agency PFM Committee members	<ul style="list-style-type: none"> <li>• Oversight of the review</li> <li>• Interview subjects</li> <li>• Feedback at Exit briefings</li> </ul>	Input into Review Plan at inception Engagement during field mission Input into Final Report
DFAT – Australian Aid staff associated with PFMP: <ul style="list-style-type: none"> <li>○ Team Leader</li> <li>○ Program Coordinator</li> <li>○ Technical Advisory Team</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of relevant documents and files for review.</li> <li>• Interview subject</li> <li>• Facilitation of interviews with third parties</li> <li>• Feedback at Exit briefings</li> <li>• Participation in Peer Review</li> </ul>	Input into Review Plan at inception Engagement during field mission Input into Final Report
Service Provider staff	<ul style="list-style-type: none"> <li>• Provision of relevant documents and files for review.</li> <li>• Interview subject</li> <li>• Facilitation of interviews with third parties</li> <li>• Feedback at Exit briefings</li> </ul>	Engagement during field mission
Program partners / Project implementation units (focus DepEd, DSWD, DPWH)	<ul style="list-style-type: none"> <li>• Interview subject</li> <li>• Provision of documents</li> <li>• Feedback at Exit briefings</li> </ul>	Engagement during field mission
Other relevant counterparts (e.g. NEDA)	<ul style="list-style-type: none"> <li>• Interview subject</li> <li>• Feedback at Exit briefings</li> </ul>	Engagement during field mission
Other relevant stakeholders: <ul style="list-style-type: none"> <li>○ CSO representatives</li> <li>○ Members of the Philippines Development Forum Working Group on Governance and Anti-corruption and the sub-working group on PFM</li> <li>○ Other government officials</li> <li>○ Other development partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Interview subject</li> <li>• Feedback at Exit briefings</li> </ul>	Engagement during field mission

## 5. Review Team

The review team will comprise three independent specialists with extensive experience in international development. The team will consist of:

- d) An independent evaluator as the Team Leader with experience in PFM/capacity building or civil society reform processes (Ms. K. Bysouth)
- e) A public financial management expert (Mr. F.L. Philipsen).
- f) A local expert drawn from the CSO sector (Ms. C. Belisario)

Canberra may provide a representative to assist the team as required, including by providing documentation, and guidance on aid policy and procedures.

The Team Leader will have oversight of the review, will work collaboratively with team members to implement this review plan; will assure the quality of data and information collected in the field and lead the authorship of the report.

## 6. Review design

The review team will aim to ensure that this MTR is useful to the key stakeholders. This plan, and particularly Annex B: 'Key evaluation questions and data methods' will evolve in response to DFAT's comments prior to Executive approval. The MTR will involve the following phases:

- **Phase 1: Desk Review** to examine key program documents. The review team will conduct individual analysis of relevant documents. The Review Team will focus this desk review upon a preliminary consideration of the key review questions and with a view to articulating issues to be discussed with key stakeholders. The desk review will also form the basis for factual data presented in the MTR report.
- **Phase 2: Preparation of Evaluation Plan** involving submission of draft Review Plan to key DFAT – Australian Aid stakeholders and preparation of a final Review Plan, incorporating issues identified by senior management. The final Review Plan will be circulated to all relevant DFAT - Australian Aid staff in the field prior to the field visits.
- **Phase 3: Field visits** involving:
  - *In-depth analysis of PMO documentation and data base:* The Review Team will spend several days in the PMO office reviewing the Budget Execution Reports, Annual Accounts, Auditor-General's reports and PMO data base with the intention of determining the extent to which there has been an improvement in PFM since 2011. The Review Team will also review the M&E approach and systems.
  - *In-depth review of a sample of activities:* Given time and resource constraints it will not be possible for the Review Team to examine all activities supported by the PFMP in depth. Section 8, below, suggests where the attention of the team will be focused in reviewing support activities for the PMO, oversight and spending agencies and external agency engagement.
  - *Key informant interviews (KII):* interviews with purposively selected, informed individuals will enable probing and triangulation of stakeholder issues and perspectives concerning the PFMP.
  - *Focus group discussions (FGD)* with civil society representatives.

Annex B contains a list of core criteria and key questions which will be used as an on-going guide and framework for Review Team members in the organisation of their notes. This will also be the format for organisation of Phase 3: Analysis, Feedback and Reporting.

Each interview will be conducted in a semi-structured, informal manner, with greater or lesser degrees of emphasis given to different questions according to the person being interviewed. No single stakeholder will be asked all questions. In each interview the review team members will take individual notes which will be consolidated at the end of each day.

- *Focus group discussions:* FGDs with civil society representatives will enable the review team to rapidly develop a sense of the diversity of views about the program. This method will be especially useful for identifying key sources of diversity of results.
- *Observation:* general observations during the fieldwork will confirm or challenge preliminary conclusions arising from the other methods; for example the interactions/relationships between classes of stakeholder, the degree of professionalism of implementation, the quality and appropriateness of deliverables, and the general attitude/engagement of various stakeholders.

The above generic methods typically evolve and become more focussed as fieldwork progresses. Further, each method is likely to be of particular relevance to different program stakeholders (and hence phases of the mission).

- **Phase 4: Analysis, Feedback and Reporting**

Review team members will compile their own notes of interviews and discussions. Regular team discussions throughout the fieldwork phase will be undertaken to assimilate the emerging trends against the key review questions. The Team Leader will confirm and delineate the responsibilities of each team member at the commencement of the MTR and throughout the field visits.

Content analysis methods will be employed to identify common and exceptional themes against the key issues in the ToR and the review questions. The review team will form conclusions in relation to the review questions that synthesise the views of the various stakeholders but ultimately involve the professional judgements of the team members. The review team will adopt a 'consensus approach' to conclusions; or if there is a diversity of views on particular issues within the team, this diversity will be documented in the report.

Reporting of review findings will involve three key steps:

- **Review Mission Aide Memoire:** at the completion of the fieldwork phase the review team will present preliminary findings to key review stakeholders for the purposes of validation and refinement.
- **Draft report:** following the fieldwork phase, the review team will apply content analysis methods to synthesise findings from the field. A draft report will be prepared and submitted within one week of the completion of the field study. An indicative outline of the report is attached as Annex C.
- **Final report:** a Final MTR Report will be produced within five working days of receiving comments on the draft report.

## 7. Limitations

The following issues are raised by the Review Team for consideration by DFAT and potential resolution prior to commencement of the assignment:

- 7.1 There is a need to clarify who has oversight of this independent MTR. It is unusual for AusAID staff to be directly managing a program. To date, commissioning of the MTR has been managed by the PFMP Program Coordinator. If DFAT is to provide oversight in the conduct of the review this could, from an external perspective, be perceived as a conflict of interest. It may well be that it is intended that the Program Steering Committee will provide oversight. However, this would require the PSC (or a designated member) to brief the team at review inception and review team members would need to have the opportunity to informally report to the designated member of the PSC during conduct of the mission.
- 7.2 The timing of this review has coincided with the 2013/14 Christmas / New Year period. As a result, DFAT staff have been on leave and unable to respond to requests by the Review Team for information or to engage in dialogue to ensure that adequate preparation has gone into this Draft Review Plan. While every effort has been made to develop a quality Draft Review Plan, the Review Team reserves the right to adjust aspects of the plan as further and better information becomes available.

## 8. Sampling / emphasis

Review of the documentation indicates that 20 activities have been supported under the PFMP since inception. Annex D presents a list of these activities. Given the constraints of time and resources available to the review, it is not feasible to attempt to give the same degree of scrutiny to each activity supported under the program. Table 2, below, outlines the intended emphasis on individual program activities.



**Table 2: Sampling / emphasis**

Strategic Objective	Focus of review
Cross-cutting Outcome 0.1 PFM Committee and its member agencies manage W-o-G reforms effectively	The review will focus on the support provided to the PFM PMO and achievements both in terms of its coordination and direct assistance functions. The review team will also consider the proposed revised structure for the PMO and whether or not the PMO will be well placed to respond to the challenges of implementation.
Strategic Objective 1: Increase the efficiency and effectiveness of allocation, utilisation and reporting of budgeted funds by oversight agencies.	<p>Both program outcomes will be addressed.</p> <p>At the activity level the MTR will focus in more detail on support to the Treasury Single Account and support for harmonization of government accounts via the Unified Account Code Structure (UACS). Both activities relate to key Reform objectives of the Government PFM Roadmap. The MTR will also include a detailed assessment of the cross-cutting activity concerning Professionalising the PFM Workforce - Phase I: Development of a PFM Competency Framework, since significant financial resources have been dedicated / planned in 2013 / 2014.</p> <p>Other activities will be reviewed more broadly. The activity concerning the Whole of Government Training Program on Internal Controls/Internal Audit will be considered within the framework of the internal control / audit activities in the selected departments (e.g. DepEd).</p>
Strategic Objective 2: Improve PFM capability in select departments to enable more efficient utilisation and accountability of public funds for service delivery.	<p>Both program outcomes will be addressed.</p> <p>At the activity level the MTR will focus in more detail on support to DPWH in respect of e-Budget and E-NGAs, not only to identify progress, but also lessons learned.</p> <p>The Review Team will also aim to assess preparatory activities which have been carried out in DepEd for UACS implementation. Support for GIFMIS readiness activities in the department will be considered within the context of Strategic Objective 3.</p> <p>Despite the preparatory nature of the activities carried out in DepEd, detailed attention is justified, both because significant resources have been dedicated / committed to the department and because support to the education sector is a priority in the country program.</p>
Strategic Objective 3: Generate more timely, reliable and accessible public expenditure management information.	The focus will be on all activities concerning GFMS, from support to conceptual design to support to the procurement process of GFMS
Strategic Objective 4: Strengthen external oversight of public expenditure management linked to physical performance information	<p>Due to time and logistics constraints, the MTR will conduct structured interviews/focus group discussions with external stakeholders based within the National Capital Region (Metro Manila). The focus will be upon:</p> <ul style="list-style-type: none"> <li>• CS Engagement in the Budget Process;</li> <li>• Bottom-up Participatory Planning and Budgeting (focus on the DepED engagement);</li> <li>• Empowerment Fund;</li> <li>• Citizens Participatory Audit for Infrastructure Projects;</li> <li>• <i>Pera ng Bayan</i>; and</li> <li>• <i>Budget na Bayan</i></li> </ul>

## 9. Discussion

9.1 The Review Team wishes to draw the following issue to the attention of DFAT – Australian aid staff:

- *Quality of Technical Assistance:* The ToR request the Review Team to “...comment on the quality of technical assistance provided through the program and make recommendations for improvements, if material.” This request is reflected in Annex B, below. It should be noted that the Review Team intends to assess quality in terms of the degree to which the deliverables are consistent with the PFM Reform Roadmap and, therefore, are moving the NG in the direction that it wants to go. This avoids the miasma of conflicting ‘expert’ opinion regarding the quality of inputs.

## Annex A: Indicative Schedule

TASK / OUTPUT	DESCRIPTION	INDICATIVE TIMING (2013)
Document review	Establish understanding of programs and identify information gaps which need to be collected during the field mission. Key documents will be provided by DFAT.	23.12.13
Evaluation Plan	The team leader/team shall develop a review methodology and data collection instruments, for approval by DFAT.	01.01.14
Review mission	The team may be required to attend a preliminary briefing with DFAT Manila to discuss the objective, plans and expectations for the review. Data collection including key informant meetings in Philippines with key stakeholders, including analysis of any data and evaluation reports.	13.01.14 to 31.01.14
Aide Memoire	An aide memoire shall be prepared and presented to DFAT and GoP on the last day of the in-country mission.	31.01.14
Draft Report	The team shall prepare and submit a draft independent review report in electronic format within one week of the completion of the field study.	
Stakeholder Review	DFAT will have two weeks to consolidate comments on the report.	07.02.14
Final Report	A revised final review report shall be submitted within 5 working days of receiving comments and peer review feedback on the draft report.	

## Annex B: Key evaluation questions and data methods

Key evaluation question	Second level questions		What we want to know	Data methods
<p><b>Relevance:</b></p> <p>1.1 Does the program reflect the overall goal of the Australia-Philippines development cooperation program to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines? How?</p> <p>1.2 Are the objectives relevant to the context, including the GOP's stated policy priorities and other identified development needs in the public sector, in particular its ability to strengthen basic services to the poor?</p> <p>1.3 Have there been any significant changes to the strategic context since the mobilisation of the Program?</p>	<p>1.1.1 Consequent upon a change of government and changes to the machinery of government in Australia, are there any existing / anticipated changes to the overall goal of the Australia-Philippines development cooperation program which may affect the relevance of the PFMP?</p> <p>1.2.1 Is the nature and scale of PFMP reform inputs relevant within the context of GoP support for PFM reforms.</p> <p>1.2.2 Have lessons from international practice fed sufficiently into the program design and setting of outcomes, key result areas and related indicators?</p>	<p>i.</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p> <p>vii</p> <p>viii</p>	<p>Whether the program remains relevant within the context of the political economy in the Philippines and Australia. Confirmation of Australia's commitment to long term support for PFM in the Philippines.</p> <p>Whether the program has demonstrated flexibility in adapting to changes in the context.</p> <p>Whether the program is part of an integrated donor approach to PFM.</p> <p>Whether the Program's theory of change is still valid, whether the four reform elements (policy, systems and processes, capability building and incentives) remain relevant and whether sufficient attention was paid to all four elements?</p> <p>Whether the Program's theory of change has provided sufficient guidance to sequencing and timing of PFMP activities?</p> <p>The continuing relevance of the focus on support to Spending Agencies in areas where Australia has a primary sectoral interest (e.g. education)?</p> <p>Whether the modalities employed (e.g. TA, capacity building activities, studies, grants, etc) have proven to be the most appropriate for achieving the program's objectives.</p> <p>Whether selection of CSO partners was supply driven or demand driven and whether it meets PFMP or broader PFM Reform Roadmap goals. Whether the process for selecting CSO partners has proven to be the most appropriate for achieving the program's objectives.</p>	<p>Review of relevant documentation</p> <p>Semi-structured interviews with key informants, as follows:</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>Triangulation of results</p>

Key evaluation question	Second level questions		What we want to know	Data methods
<p><b>2. Effectiveness:</b></p> <p>2.1 Examine the contribution and influence of the Australian aid program in achieving the goals of the PFM Reform Roadmap to date. Is the Program using the right levers to influence reform outcomes?</p> <p>2.2 Examine key relationships, in particular the relationship between PFMP and the PFM Committee, but also with other stakeholders such as development partners and CSOs, and make recommendations as to how these might be further developed and best utilised.</p>	<p>2.1.1 What specific development outcomes did the PFMP want to achieve in supporting the Government's reform program during the review period?</p> <p>2.1.2 Is it possible to link decisions, actions and deliverables to the expected outcomes?</p> <p>2.1.3 Have reform activities been correctly prioritised and sequenced?</p> <p>2.1.4 Is the program being implemented in an integrated and consistent manner (including in concert with other donors) across all phases of the budget cycle?</p> <p>2.2.1 Is the program working in an integrated manner with all stakeholders involved in the PFM system?</p> <p>2.2.2 Are CSOs consulted and/or involved in PFMP action planning sessions; are they represented in the PIUs/ PSC?</p> <p>2.2.3 How many of CSO inputs and recommendations are taken into consideration by government partners? Provide documentation</p> <p>2.2.3 Do CSO inputs contribute to enhancing government deliverables and expected outcomes? Concrete examples?</p> <p>2.2.4 How are CSO inputs and recommendations communicated to government partners? Are there existing formal reporting mechanisms, fora and policy dialogue between government and CSOs? How often do these exchanges occur?</p>	<p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p> <p>vii</p> <p>viii</p>	<p>Whether there is evidence of the achievement of program outcomes (i.e. changed institutional practices resulting from Program activities) in oversight agencies and spending agencies.</p> <p>Whether there is evidence of improved policies, systems/processes, capability and behaviour in areas of Australia's primary sectoral interest (e.g. education; local government capacity for basic service delivery) <i>[Note: taken together these two areas absorbed over 60% of the aid budget in 2011-12.]</i></p> <p>Whether there is evidence of improvements in the quality and disclosure of public expenditure information. Whether, and to what extent, the spending agencies understand and have buy in to the roll out of GIFMIS? Whether the PFMP has added value to this process.</p> <p>Whether there is evidence that the government and engagement with external stakeholders is constructive and making a tangible contribution to the achievement of the PFM Reform Roadmap.</p> <p>Whether there is evidence that the PFMP is contributing to improvements in: (a) the attitudes that drive the interaction between government and external stakeholders (in oversight and spending agencies) and (b) the mechanisms through which the interaction takes place.</p> <p>The view of key GoP stakeholders regarding Australia's contribution to achieving the goals of the PFM Reform Roadmap.</p> <p>The key factors that enabled or inhibited the achievement of the program outcomes.</p> <p>Evidence of unanticipated outcomes (positive or negative).</p>	<p>Review of relevant documentation</p> <p>Interrogation of PFMP data bases</p> <p>Semi-structured interviews with key informants, as follows:</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>Focus group discussions with members of civil society organisations.</p> <p>Triangulation of results</p>

Key evaluation question	Second level questions		What we want to know	Data methods
<p>2.3 What lessons from PFMP practice can be drawn within PFMP and more broadly for DFAT's Governance Program in the Philippines and elsewhere?</p> <p>2.4 What are the risks to achieving outcomes? Have these risks been identified, documented and managed appropriately?</p>	<p>2.4.1 Is the approach to risk management working (including in concert with GoP and other development partners)? How may it be improved?</p>			
<p><b>3. Efficiency:</b></p> <p>3.1 Assess PFMP's management structure, particularly placing a full-time DFAT counsellor as Team Leader supported by a full time Program Coordinator in the Program Office alongside the Technical Advisory Team. By extension, this will also involve an examination of the effectiveness, efficiency and performance of the Service Provider, alongside the current structure</p> <p>3.2 Assess whether projects developed under the Action Plans are consistent with overall program objectives.</p> <p>3.3 To the extent possible within the time available, comment on the quality of technical assistance provided through the program and make recommendations for improvements, if material.</p>	<p>3.1.1 What were the anticipated advantages of establishing the DFAT counsellor as Team Leader of PFMP with a DFAT support team? Have these advantages materialised? Have there been any disadvantages?</p> <p>3.1.2 What were the anticipated advantages of contracting a Service Provider, alongside the DFAT team? Have these advantages materialised? Have there been any disadvantages.</p> <p>3.1.3 How efficient is the management structure taking into account:</p> <ul style="list-style-type: none"> <li>o Governance and oversight arrangements</li> <li>o Strategic and operational planning</li> <li>o Financial management</li> <li>o Procurement</li> <li>o Human resource management</li> <li>o Roles, responsibilities, communication?</li> </ul> <p>3.3.1 Are the deliverables contributing to processes/outcomes which are consistent with the PFM Reform Roadmap?</p>	<p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p> <p>vii</p>	<p>Whether the PFMP produced the expected outputs, aligned with program objectives, on budget and on time.</p> <p>Whether the management arrangements are efficient (for the program as a whole, and for individual activities) and whether they represent value for money.</p> <p>Whether the inputs (human resources, funding and time) were adequate to achieve the PFMP objectives.</p> <p>Whether the monitoring, reporting, acquittal and risk management processes were adequate for the purposes of accountability, decision making and learning.</p> <p>What challenges the DFAT team and the Service Provider have faced and how these are being addressed.</p> <p>Whether the reforms were resourced adequately and sequenced appropriately so that the <i>joint</i> contribution of the donor community is efficient.</p> <p>Whether the PFM Inter-agency Committee has been effective in ensuring the consolidation and complementation of donor-funded TA and information sharing.</p>	<p>.</p> <p>Review of relevant documentation</p> <p>Interrogation of PFMP data bases</p> <p>Semi-structured interviews with key informants, as follows:</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>Triangulation of results</p>

Key evaluation question	Second level questions		What we want to know	Data methods
<p>3.4 Examine the monitoring and feedback mechanisms employed by the program and comment on their adequacy and usefulness. Is the broader monitoring and evaluation (M&amp;E) approach for PFMP appropriate and effective in monitoring progress toward outcomes? What would enhance the M&amp;E arrangements? If relevant, make suggestions to more effectively link PFMP M&amp;E with country program and Australian aid results frameworks.</p> <p>3.5 Is the Program appropriately coordinated with the work of other donors?</p>	<p>3.4.1 Is it clear what is being assessed, by whom, when and how?</p> <p>3.4.2 Is the M&amp;E system being used as planned?</p> <p>3.4.3 Is the system delivering useful information for management, accountability and learning needs?</p> <p>3.4.4 Are DFAT's specific objectives identified and are we monitoring Australia's contribution to broader PFM goals?</p> <p>3.4.5 Do the mechanisms strengthen NG systems and if so, how?</p> <p>3.5.1 Is there an integrated donor approach to PFM?</p>			

Key evaluation question	Second level questions		What we want to know	Data methods
<p><b>4. Sustainability:</b></p> <p>4.1 What are the key factors impacting sustainability of the PFMP outputs delivered and the influence on the Reform Roadmap and how well is PFMP addressing them? Does PFMP's approach support GOP continued implementation of reforms over the medium term?</p> <p>4.2 What could be done during the current phase of PFMP to increase the likelihood of sustainability (or irreversibility)?</p>	<p>4.1.1 Are the outcomes and modalities consistent with the achievement of sustainable benefits?</p> <p>4.1.2 Does the PFMP have a clear picture of the benefits it wishes to sustain?</p> <p>4.1.3 Is there a coherent sustainability strategy and is this strategy consistently implemented?</p> <p>4.1.4 Is the time frame realistic?</p> <p>4.1.5 Are the risks to sustainability well understood and monitored appropriately?</p> <p>4.1.6 Have the specific constraints to sustainability been adequately identified and have strategies been developed to address these specific constraints.</p> <p>4.1.7 To what extent has coordination and cooperation with other development partners promoted sustainability?</p> <p>4.1.8 To what extent do CSOs plan to sustain PFM activities after funding ends?</p>	<p>i</p> <p>ii</p> <p>iii</p>	<p>Whether the <i>processes</i> which the PFMP has supported within government are likely to be sustained.</p> <p>Whether the <i>substantive changes</i> which the PFMP has supported within government are likely to be sustained.</p> <p>Whether there is evidence that CSOs have a realistic plan to sustain their involvement in PFM.</p>	<p>Review of relevant documentation</p> <p>Interrogation of PFMP data bases</p> <p>Semi-structured interviews with key informants, as follows:</p> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> </ul> <p>Focus group discussions with members of civil society organisations.</p> <p>Triangulation of results</p>



## Appendix C: Implementation Schedule

<p><b>13 January, Monday</b> 08:30 – 17:00</p>	<p>Proceed to PFMP Office, Ortigas Meeting with PFMP Management and Technical Advisory Team <b>Venue:</b> PFMP Office, 3<sup>rd</sup> Floor JMT Building, ADB Ave, Ortigas (adjacent to Discovery Suites)</p>	<p>Senior PFM Adviser Des Ferguson, Governance Adviser Basile Gilbert M&amp;E Adviser Gary Ellem Virgie Ongkiko, Program Manager</p>
<p><b>14 January, Tuesday</b> 08:30 – onwards</p>	<p>Preliminary meeting with PFMP Activity Team Leaders <b>Venue:</b> PFMP Office</p>	<p>Break-out groups: <b>Group A</b> - PMO staff with Kaye Bysouth &amp; Carole Belisario: Greg Robins, Director Bruce Stacey, Senior Budget Adviser Sheila Villaluz, Capacity Building Adviser Reggie Olalia, Communications Expert <b>Group B</b> – other activity Team Leaders with Ferry Philipsen: Richard Brun, TSA Team Leader/International Expert Tere Quirino, TSA Local Expert Conleth Heron, DepED IAS Team Leader Paul Seeds, DepED FMS Phase II Team Leader Mike Cleary, DPWH FMS Phase II Team Leader</p>
<p>11:00 – 13:30</p>	<p>Work at PFMP Office/Lunch</p>	
<p>13:30 – 14:30</p>	<p>Travel to Australian Embassy, Makati</p>	
<p>14:30 onwards</p>	<p>Meeting with DFAT-Development Cooperation Section <b>Venue:</b> Tower 2, RCBC Plaza, Ayala Avenue, Makati City Contact person: Krismarie Diaz Email: <a href="mailto:krismarie.diaz@dfat.gov.au">krismarie.diaz@dfat.gov.au</a> Ofc Direct Line: 7578-187</p>	<p>Layton Pike, Minister-Counsellor, Development Cooperation  Daniel Featherston, PFMP Team Leader</p>
<p><b>15 January, Wednesday</b> 8:00 – 10:00</p>	<p>Meeting with Warren Turner, former Counsellor, Development Cooperation and PFMP Team Leader:  <ul style="list-style-type: none"> <li>PFMP Design and Model</li> </ul> </p>	<p>Warren Turner Asian Development Bank Tel: +63 2 632 6610</p>

	<ul style="list-style-type: none"> <li>PFMP Program Office Governance and Operations Structure, including role of Service Provider</li> </ul> <b>Venue:</b> Warren Turner's Office at ADB	<a href="mailto:wturner@adb.org">wturner@adb.org</a>
10:00 – 11:00	Meeting with Claudia Buentjen <ul style="list-style-type: none"> <li>Sustainable funding for CSO engagement</li> <li>Feedback on results of ADB's policy and advisory TA with DBM on budgeting reforms</li> </ul> <b>Venue:</b> Claudia's office at ADB	Claudia Buentjen Asian Development Bank <a href="mailto:cbuentjen@adb.org">cbuentjen@adb.org</a>
11:00 – 11:15 11:15 – 12:00	Travel from ADB to NEDA Office, Escriva Avenue, Pasig City Meeting with NEDA Officials (NEDA is Senior Advisor to PFMP PSC) <b>Venue:</b> Office of Director Planta	Roderick M. Planta Director Project Management Staff <a href="mailto:rsmplanta@neda.gov.ph">rsmplanta@neda.gov.ph</a> Tel Nos: 631-3707; 631-3753
12:00 – 13:00	Lunch	
13:00 – 14:00 14:00 – 17:00  17:00	Travel to Bureau of Treasury (BTr), Manila Meeting on status of TSA implementation, including: (Ferry, Carole) <ul style="list-style-type: none"> <li>Treasury Reporting and Management System (TRAMS)</li> <li>IT support systems</li> <li>Legal and policy framework</li> </ul> <b>Venue:</b> Treasurer of the Philippines Board Room, 3rd floor, Ayuntamieto Bldg., Intramuros Back to Hotel	BTr Treasurer Rosalia de Leon 567-54-80 loc 304 <a href="mailto:rvdeleon@treasury.gov.ph">rvdeleon@treasury.gov.ph</a>  <u>BTr TSA Core Team</u> : Deputy Treasurer Sharon Almanza Deputy Treasurer Gisela Lood Atty William Beluso Regelito Tamayo Director Marcia Salazar Director Filemon Condino
2:30 15:00 – 17:00	Carole to travel to PICC, Governance Summit Attend Governance Summit: PFM Reforms Venue: Break out Room 2	
<b>16 January, Thursday</b>  08:00 – 09:00	Travel to COA, Quezon City ( <b>Ferry, Kaye &amp; Carole</b> )  Meeting with COA on: <ul style="list-style-type: none"> <li>GIFMIS Implementation</li> <li>PFM PMO Coordination functions, structure and resources</li> </ul>	Assistant Commissioner Arcadio Cuenco, Jr COA Director Lorna Cabochan Lourdes Cardenas

09:00 – 12:00	<b>Venue:</b> COA Executive Lounge	<b>Use:</b> PFMP Vehicle (Loi Sarmiento, Driver)
12:00 – 13:30	Lunch/Travel to DPWH Office, Manila	
13:30 – 16:30	<p>Meetings with DPWH Officials on:</p> <ul style="list-style-type: none"> <li>• DPWH FMS Phase II implementation, specifically: (<b>with Kaye &amp; Ferry</b>) <ul style="list-style-type: none"> <li>❖ Support on E-Budget and E-NGAS</li> <li>❖ Lessons learned</li> </ul> </li> </ul> <p><b>Venue :</b> Office of Director Reyes, CFMS</p> <ul style="list-style-type: none"> <li>• DPWH Civil Society Activities, <b>with Carole</b></li> </ul> <p><b>Venue :</b> Office of Director Pilorin Back to Hotel</p>	<p>Director Aristeo Reyes Comptrollership and Financial Management Service <a href="mailto:reyes.aristeo@dpwh.gov.ph">Email: reyes.aristeo@dpwh.gov.ph</a> Tel: +63 2 304 3242 Contact Person: Ms. Grace Jumapao</p> <p>Elizabeth Pilorin/Eliza Hortaleza OIC-Director Stakeholders Relations Service email: <a href="mailto:pilorin.elizabeth@dpwh.gov.ph">pilorin.elizabeth@dpwh.gov.ph</a> Mobile: 09175355257 landline: 3043280 and 3043370</p>
17:00		
<b>17 January, Friday</b>	Meeting on UACS Design and Implementation, with <b>Ferry &amp; Kaye</b>	DBM Dir Carmencita Mahinay Malou Baguio Cecilia Narido Ida Arciaga COA Ascom Carmela Perez
10:00 – 12:00	<b>Venue:</b> Office of Usec Cantor	
09:00 - onwards	Meeting with PFMP Governance Adviser ( <b>Carole Belisario</b> ) <b>Venue:</b> PFMP Office	Basile Gilbert
12:00 – 13:00	Lunch	
12:30 13:30 – 16:00	Carole to travel to DBM Meetings with CSOs involved in BPAs <b>Venue:</b> DBM Executive Lounge	<ul style="list-style-type: none"> <li>• Jing Lopez and Emily (Phildhrra-DAR).</li> <li>• Melanie Gan and Raquel Castillo ( E-Net Philippines – DepED)</li> <li>• Dick Balderrama (PhilSSA – NHA)</li> <li>• Tony Asper (Federation of Free Workers – NFA)</li> <li>• Ollie Lucas (Unang Hakbang Foundation-DSWD)</li> <li>• Saturnino Mercader (Community Mortgage Program Congress – SHFC)</li> </ul>

		<ul style="list-style-type: none"> <li>❖ DA-Code NGO, etc</li> <li>❖ DENR – La Liga Policy Institute</li> <li>❖ DILG – CAPP-SIAD</li> <li>❖ DOH – Women’s Health Initiative</li> <li>❖ DOLE – FFW</li> <li>❖ DOT-REID</li> <li>❖ DOTC – NCA, AKP</li> <li>❖ NIA – Rice Watch, AER</li> </ul>
16:00 – 17:30  17:30	Meeting on DBM Civil Society Package of Assistance, with <b>Carole</b> <b>Venue:</b> Office of Director Salud Back to Hotel	Director Teresita Salud Haydee Toledo Marian Fleras Manolito Novales (PFMP-contracted)
13:00 – 14:00	<b>Kaye and Ferry</b> to travel to DepED University of Life (UL) Complex, Meralco Avenue, Pasig City	
14:00 – 16:00  16:00	Meeting on DepED FMS Phase II, covering the status of following sub-activities: <ul style="list-style-type: none"> <li>• UACS Implementation</li> <li>• TSA preparatory work</li> <li>• Asset Management</li> </ul> <b>Venue:</b> Budget Office Conference Room  Back to Hotel	Paul Seeds, DepED FMS Team Leader Conleth Heron, DepED IAS Team Leader to join  MA Rhunna Catalan, Chief Accountant Selwyn Briones , Chief Budget Division Roger Masapol, Planning & Programming Division Minrado Batonghinog, Cash Division Ms Maritess Ablay, Property & Supply Division Mr Carlos Querubin, Systems/Payroll Division Mr Rogelio Morales, ICT Unit
<b>18 - 19 January Saturday &amp; Sunday</b>		
<b>20 January, Monday</b> 08:00 - 12:00	Work at Discovery Suites	
12:00 – 13:00  13:00 – 15:00	Travel to DBM, Manila Whole-of-Government Training Program on Internal Control and Internal Audit , with <b>Kaye</b> <b>Venue:</b> Office of Usec Pascua	Assistant Secretary Amelita Castillo Deputy Executive Secretary Alberto Bernardo Gerald Janda

15:30 - onwards	Proposed PFM Competency Framework, with <b>Kaye</b> <b>Venue:</b> Office of Usec Pascua	Sheila Villaluz, Capacity Building Adviser DBM Undersecretary Laura Pascua Asec Amelita Castillo Director Rolando Tolentino Zenaida Rico and Joy Almazan Maria RealizaYsmael, State Auditor V
<b>21 January, Tuesday</b> 08:00 – 08:30  08:30 – 09:30	Travel to DSWD, Government Compound, Batasan Hills, Quezon City ( <b>Carole to go straight to DSWD</b> )  Meeting on DSWD IC/IA  <b>Venue:</b> Office of Director Wayne	Director Wayne Belizar, Office of IAS Director Gerielind Balneg, Office of Strategic Management
09:30 – 09:45  09:45 – 12:00	Travel to CPBRD, Government Compound  Meeting with CPBRD re: Scoping Study on Public Accounts Committee  <b>Venue:</b> Mitra Building, Second Floor	Emmanuel Romulo Miral, Jr Director General  Contact: Tina 0917 8381632
12:00 – 13:00	Lunch	
13:00 – 16:00 3:00	Meeting with COA on Citizen Participatory Audit ( <b>Kaye &amp; Ferry</b> )  <b>Courtesy call on COA Chair : Grace Pulido-Tan</b>	Commissioner Heidi Mendoza Director Aida Talavera, Director IV Team Leader, Citizen Participatory Audit Project Management
<b>22 January, Wednesday</b> 08:00 -09:00  0900: onwards	<b>Kaye and Ferry to travel to DBM Office</b> , General Solano St., San Miguel, Manila Meeting with DBM on GIFMIS Implementation  <b>Proposed Venue:</b> Conference Room of Usec Moya	Roberto Garcez, GIFMIS Adviser Undersecretary Richard Moya DBM Director Romeo Hordejan Dir Cristina Classara Dir Rowena Candice Ruiz Vinzon Manansala  DOF Director Angie Sarmienta
10:00 – 11:30	CSO Focus Group discussions (with <b>Carole</b> ) <b>Venue:</b> Training Room <ul style="list-style-type: none"> <li>Diaspora for Good Governance</li> </ul>	Anthony Septimo (via Telephone interview) Pura Sumanguil, Annie Baltan Gladys Selosa (for Dean Tony Lavina and ANSA)

	<ul style="list-style-type: none"> <li>• CCAGG</li> <li>• Ateneo School of Government</li> <li>• Jesse M. Robredo Institute of Governance</li> <li>• Bishops Businessmens Conference</li> <li>• The Asia Foundation</li> </ul>	<p>McReynald Banderlipe</p> <p>Polly Dichoso</p> <p>Chrys Pablo, Atty Joey Mendoza</p>
11:00 – 12:00	Lunch	
14:00 – 15:00	<p>CSO Desk advised that Asec Clare confirmed her availability to meet with MTR</p> <p>Venue: DBM</p>	Asec Clare Amador, Chief of Staff (Office of the Secretary)
13:30 – 15:30	<p>Follow-up Meeting with PMO and Blue Team staff</p> <p>Venue: PFMP Program Office</p>	<p><u>PMO:</u></p> <p>Tess Garcia, Deputy Director</p> <p>Laurice Talusan, Project Support Staff</p> <p>Aldrin Aquino, Project Support Staff</p> <p>Raymund de Vera, Project Support Staff</p> <p>Agnes Arban, Project Support Staff</p> <p><u>Blue Team:</u></p> <p>Jovel Sicat</p> <p>Emelinda Ocenar</p>
<b>23 January, Thursday</b>		
10:30 – 12:00	<p>Meeting with Land Bank of the Philippines</p> <p>1580 M.H. del Pilar cor Dr. Jr Quintos Sts, 1004 Malate, Manila</p>	Executive Vice President Jojie Cabreza
12:00 – 13:00	Lunch	
14:30 – 15:00 15:00 – 17:00 17:00	<p>Travel back to BSP Complex, Manila</p> <p>Meeting with BSP TSA Core Teams</p> <p><b>Venue:</b> to be confirmed</p> <p>Back to Hotel</p>	Director Zenia Abenoja and team
08:00 – 09:00	<b>Carole to Travel to DBM</b>	
09:00 – 10:00	<p>Follow-up Meetings for Carole Belisario</p> <p>Meeting with DBM</p> <p><b>Venue:</b> Public Info Unit office</p>	<p>Francisco Capistrano, Public Information Unit</p> <p>Patrick Lim, Reforms Innovations Unit</p>
13:30 – 14:30	Meeting with DAP	Director Gilbert Lumantaog

	<b>Venue:</b> PFMP Office	Pam Hipolito
15:00 – 16:30	Follow-up meeting with ANSA <b>Venue:</b> PFMP Office	Don Parafina, Executive Director Vivien Suerte, Project Manager
<b>24 January, Friday</b> 08:00 – 17:00	Work at PFMP Office	
07:15 – 08:00  08:00 – 09:30 09:30	Travel to World Bank 26 <sup>th</sup> Floor, One Global Place Bonifacio Global City, Taguig City  Meeting with WB Travel back to PFMP Office	Kai Kaiser, Senior WB Economist Bonnie Sirois, PFM Hub Leader
<b>25 – 26 January</b> <b>Saturday – Sunday</b>		
<b>27 - 28 January</b> <b>Monday –Tuesday</b>	Work at PFMP Office Prepare Aide Memoire Any other follow-up meetings with agencies can be arranged within these days.	
<b>28 January, Tuesday</b> 7:30AM	Meeting with DFAT Australian-AID re: CFC Discovery Suites	Geoff King, Counsellor Paul Hutchcroft, Lead Governance Specialist
<b>29 January, Wednesday</b>	Work at PFMP Office/Lunch	
<b>30 January, Thursday</b> <b>09:00 – 10:00</b>  <b>14:30 - onwards</b>	Discuss preliminary findings with PFMP Management and PMO  Presentation of Aide Memoire to PFMP Program Steering Committee (PSC) <b>Venue:</b> Oakwood Premier Hotel	PFMP and PMO teams  DBM Undersecretaries Laura Pascua Undersecretary Richard Moya COA Commissioner Heidi Mendoza [ <i>will send representative</i> ] Bureau of Treasury Treasurer Rosalia de Leon Deputy Treasury Sharon Almanza  DFAT-Australian Aid Minister-Counsellor Layton Pike and Counsellor Geoff King NEDA Deputy Director General Nestor Mijares IV [ <i>might attend</i> ] & Director Erick Planta

## **Appendix D: List of Persons Met**

### **Philippine Government**

#### *Bangko Sentral ng Pilipinas*

Zenia Abenoja, Director, Department of Economic Research

Dennis D. Lapid, Deputy Director, Monetary Policy Research Group

#### *Bureau of Treasury*

Rosalia V. de Leon, Treasurer of the Philippines

Sharon Almanza, Deputy Treasurer

Atty. Gisela F. Lood, Deputy Treasurer

Atty. William Beluso, TSA Core Team

Director Filemon Condino, TSA Core Team

Director Marcia Salazar, TSA Core Team

Rogelito Tamayo, TSA Core Team

Atty. Victoria Patinio-Yambao, representative CB PIU

#### *Commission on Audit*

Grace Pulido-Tan, Chairperson

Heidi L. Mendoza, Commissioner

Arcadio Cuenco, Assistant Commissioner for Administration

Atty. Winnie Rose H. Encallado, Assistant Commissioner

Luz L. Tolentino, Assistant Commissioner

Carmela S. Perez, Assistant Commissioner

Lourdes T. Cardenas, State Auditor V, Information Technology Office

Maria Ramona L. Jimenez, Executive Assistant IV, Head Secretariat, CPA

Marlon R. Marquina, Director III, Government Accounting Sector

Aida Maria A. Talavera, Director, CPA Team Leader

Maria Realiza Ysmael, State Auditor V, Professional Institutional Development Sector

#### *Department of Budget and Management*

Clare Amador, Assistant Secretary

Ida Arciaga, UACS Design Team

Malou Baguio, UACS Design Team

Francisco Capistrano, Public Information Unit/Strategic Communications

Amelita Castillo, Assistant Secretary

Cleotilde L. Drapele, Director IV

Virginia L. Follosco, Director IV-TIS

Gerald Janda, Chief Budget and Management Specialist

Patrick Lim, Reforms Innovations Unit

Carmencita Mahinay, Director

Richard E. Moya, Undersecretary, Chief Information Officer

Cecilia Narido, UACS Design Team

Laura B. Pascua, Undersecretary

Teresita Salud, Director Bureau-E, CSO Desk

Jobelle Sicat, GIFMIS Blue Team

Heidi Toledo, CSO Desk

Rolando Toledo, Director IV, FPB

Emelinda Ocenar, GIFMIS Blue Team



### *Department of Education*

Maritess Ablay, Property and Supply Division  
Minrado Batonghinog, Cash Division  
Selwyn Briones, Chief Budget Division  
Ma. Rhunna Catalan, Chief Accountant  
Roger Masapol, Planning and Programming Division  
Rogelio Morales, Director ICT Unit  
Carlos Querubin, Systems/Payroll Division  
Laine Velasco, Education Leadership and Management Specialist

### *Department of Finance*

Natalie Victorino, Financial Analyst

### *Department of Public Works and Highways*

Marilou D. Alfanta, Caretaker, Budget Division  
Eliza G. Hortaleza, Administrative Officer II, CSO Desk Officer  
Farba K. Karim, Accountant II  
Bethelwina Naval, Budget Officer I  
Amalin Petallo, Accountant II  
Mary Antoinette Pulo, Accountant III  
Aristeo Reyes, FMS Director III  
Alma J. Yulo, Accountant III

### *Department of Social Welfare and Development*

Maria Desiree Bacsa, Training Specialist, Office of Strategic Management  
Wayne Belizar, Director, Office of IAS  
Marissa M. Fabricante, Internal Auditor V  
Divine Kristine Leaño, Organizational Development Specialist IV

### *National Economic and Development Authority*

Roderick M. Planta, Director IV, Monitoring and Evaluation Staff

### *Land Bank of the Philippines*

Jocelyn dG. Cabreza, Executive Vice President, Branch Banking Sector  
Althon C. Ferolino, Assistant Vice President, Electronic Products Department  
Alan V. Bornas Senior Vice President, Technology Management Group

### *Office of the President*

Alberto Bernardo, Deputy Executive Secretary for Internal Audit

### *Congressional Policy, Budget and Research Department*

Pamela Diaz-Manalo, SLSO III  
Emmanuel Romulo Miral, Jr., Director General  
Dina Pasagul, Director II

### *Development Academy of the Philippines*

Pam Hipolito  
Gilbert Lumantaog, Director



## **PFM Reform Support Program**

### *DFAT - Australian Aid*

Daniel Featherstone, Counsellor and PFM Team Leader  
Elnora Palomo, previously PFMP Program Coordinator

### *Technical Advisory Team*

Virgie Ongkiko, Program Manager  
Des Ferguson, Senior PFM Adviser  
Gary Ellem, M&E Specialist  
Basile Gilbert, Governance Specialist  
Manolito Novales, PFMP Contracted for DBM CSO Desk

### *Technical Assistance*

Richard Brun, TSA Team Leader/International Expert  
Tere Quirino, TSA Local Expert  
Mike Cleary, DPWH FMS Phase II Team Leader  
Conleth Heron, DepEd IAS Team Leader  
Paul Seeds, DepEd FMS Phase II Team Leader

### *PFM PMO*

Greg Robins, Director  
Tess Garcia, Deputy Director  
Roberto Garces, GIFMIS Adviser  
Reggie Olalia, Communications Specialist  
Sheila Villaluz, Capacity Building Specialist  
Bruce Stacey, Budget Adviser  
Aldrin Aquino, PMO Support Staff  
Agnes Arban, PMO Support Staff  
Raymond de Vera, PMO Support Staff  
Laurice Talusan, PMO Support Staff

## **Civil Society Organizations**

Antonio Asper, FFW  
Dick Balderama, Foundation for the Development of the Urban Poor  
Annie Baltan, Concerned Citizens for Good Government  
McRey Banderlipe II, Jesse M. Rebrede Institute of Governance  
Zaldy Carañagan, Partnership for Integrated Services and Social Development  
Vivien Suerte-Cortez, Affiliated Network for Social Accountability  
Analyn Delagubatin, Center for Popular Empowerment  
Apolinario Dichoso, Bishops Businessmens Conference  
Ollie Lucas, Unang Hakbang Foundation, Inc.  
Atty. Joey Mendoza, The Asia Foundation - Coalitions for Change  
Nikko Mercader, Foundation for the Development of the Urban Poor  
Manuel Sy-Omie, Unang Hakbang Foundation, Inc.  
Chrys Pablo, The Asia Foundation – Coalitions for Change  
Paul Panayuga, CODE-NGO  
Emily Roque - PHILDHRRRA  
Gladys Selosa, Ateneo School of Government  
Anthony Septimo, Diaspora for Good Governance  
Pura Sumanguil, Concerned Citizens for Good Government  
Hazel Tanchuling, Rice Watch and Action Network  
Dannadel Villar, Center for Popular Empowerment

## Development Partners

### *Asian Development Bank*

Claudia Buentjen, Principal Country Specialist, Philippines Country Office

Ireen Baylon, Philippine Country Office

Warren J. Turner, Senior Public Management Specialist (former PFMP Team Leader)

### *DFAT-Australian Aid*

Layton Pike, Minister Counsellor, Development Cooperation

Geoff King, Counsellor

### *World Bank*

Kai Kaiser, Senior Economist

Bonnie Sirois, PFM Hub Leader

## Appendix E: Annotated bibliography of reports / research on PFM reform experience

This concise annotated bibliography describes key documents on PFM reform. The overview is not exhaustive as already different overview papers have been written. It presents the documents in a way which intends to encourage analytical thinking, and thus not merely for learning purposes:

1. The Classics
2. Overview papers
3. Good Practice Note
4. Problem-Driven Iterative Adaptation
5. Specific country and / or regional practices
6. Reviews and evaluations
7. Capacity Building Guidance
8. Textbooks



The ultimate classic is written by Professor Allen Schick who has made many PFM practitioners familiar with **“The Basics”**.

- Schick, Allen, (1998), A Contemporary Approach to Public Expenditure Management.

<http://documents.worldbank.org/curated/en/1998/05/6573357/contemporary-approach-public-expenditure-management>

Professor Schick has also written by far the most critical (but enjoyable) comment on the Best Practice approach:

- Schick, Allen (1998), Why Most Developing Countries Should Not Try New Zealand Reforms, The World Bank Research Observer, vol. 13, no. 1 (February 1998), pp. 123–31.

Title speaks for itself.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.196.1122&rep=rep1&type=pdf>

The article should be read together with the following as interesting and as enjoyable article:

- Laking, Robert (1999), Don't try this at home? A New Zealand approach to public management reform in Mongolia, International Public Management Journal, Volume 2, Issue2, pp. 217-235.

This research article documented proposals to implement a form of New Zealand's radical public management reforms in Mongolia, then a state in transition from a Russian public administration model. The transferability of New Zealand style financial management reforms in particular is discussed in the context of a comparison of the preconditions and risks of centralized and decentralized financial management. The paper includes observations are also made on the change process in developing or transitional economies contemplating major public management reform.

[http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&ved=0CDAQFjAB&url=http%3A%2F%2Fwww.ipmn.net%2Findex.php%2Fcomponent%2Fdocman%2Fdoc\\_download%2F24-dont-try-this-at-home-a-new-zealand-approach-to-public-mangement-reform-in-mongolia&ei=H\\_cvU8ilGoPqywPN7YHIBw&usq=AFQjCNE7yhYlo2jAZoen3necViXx\\_5gbtQ&bvm=bv.62286460.d.bGQ](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&ved=0CDAQFjAB&url=http%3A%2F%2Fwww.ipmn.net%2Findex.php%2Fcomponent%2Fdocman%2Fdoc_download%2F24-dont-try-this-at-home-a-new-zealand-approach-to-public-mangement-reform-in-mongolia&ei=H_cvU8ilGoPqywPN7YHIBw&usq=AFQjCNE7yhYlo2jAZoen3necViXx_5gbtQ&bvm=bv.62286460.d.bGQ)

- Brooke, Peter (2003), Study Of Measures Used To Address Weaknesses In Public Financial Management Systems In The Context Of Policy Based Support.

This study introduced the platform approach to PFM reform. The approach aims to implement a package of measures or activities designed to achieve increasing levels ('platforms') of PFM competence over a manageable timeframe. Each platform establishes a clear basis for launching to the next, based on the premise that a certain level of PFM competence is required to enable further progress to take place.

<http://www.pefa.org/sites/pefa.org/files/attachments/Brookes-PFMReformPlatformapproach.pdf>

For a popular summary note:

- DFID (2005), A Platform Approach to Improving Public Financial Management.

[http://www.nilsboesen.dk/uploads/docs/Platform\\_approach.pdf](http://www.nilsboesen.dk/uploads/docs/Platform_approach.pdf)

A less widely known but as interesting and inspiring article is written by Stephen Peterson (from Harvard University) who used the analogy with plateaus.

- Peterson, Stephen Bovard (2011), Plateaus Not Summits: Reforming Public Financial Management In Africa, in: Public Administration and Development, Volume 31, pp. 205–213.

<http://www.ids.ac.uk/files/dmfile/PlateausnotSummits.pdf>

This article is based on Peterson's long experience in implementing PFM reform in Africa. In this article he presents a framework for understanding PFM reform based on his long Ethiopian experience in PFM. In his view PFM reforms succeed when they are aligned with the four drivers of public sector reform: context, ownership, purpose, and strategy. PFM is a core function of the state and its sovereignty, governments must fully own it. The purpose of PFM reform should be building stable and sustainable "plateaus" of PFM that are appropriate to the local context, and they should not be about risky and irrelevant "summits" of international best practice. The ideas have been published in his previous research work. This article puts his ideas nicely together, and is also known as the evolutionary approach to PFM reform.

The following paper is not recognized as a classic, but should. It is the most underestimated but interesting study. It introduces the concept of "incentive compatible reforms" – maybe very useful in the Philippines context and the advent of a new Government in 2016.

- Hasnain, Zahid (2011), Incentive Compatible Reforms: The Political Economy of Public Investments in Mongolia, World Bank Policy Research Working Paper 5667.

The paper addresses the key issue what types of reforms are likely to be both efficiency improving and compatible with the interests of politicians and which not. It explores this issue in the context of Mongolia.

<http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5667>

A long-time PFM reform analyst, PFM reform idea-generator and practitioner who deserves special mentioning is Richard Allen.

- Allen, Richard (2009), The Challenge of Reforming Budgetary Institutions, IMF Working Paper.

Mr Allen was co-author of two of the first PFM handbooks, namely Assessing and Reforming Public Expenditure Management: A New Approach, World Bank, 2004 (with Salvatore Schiavo-Campo and Colum Garrity); and Managing Public Expenditure: A Reference Book for Transition Countries, OECD, 2001 (with Daniel Tommasi).

Allen is a regular blogger on the IMF PFM Blog (<http://blog-pfm.imf.org/>), presenting his clear views and fresh ideas.

Two papers contain the best and most recent overviews of PFM and PFM reform literature:

- Pretorius, C. and N. Pretorius (2008), Review of Public Financial Management Reform Literature, London: DFID

This literature review aims to synthesise the main theoretical approaches and findings from evaluations of PFM reform programmes, and to identify knowledge gaps. The literature reviewed includes academic and technical articles, development practitioner guides, manuals, handbooks and websites.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67738/review-pub-finan-mgmt-reform-lit.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67738/review-pub-finan-mgmt-reform-lit.pdf)

- Simson, Rebecca, Sharma, Natasha and Imran Aziz (2011), A Guide to Public Financial Management Literature For practitioners in Developing Countries, ODI.

This guide was prepared for ODI's Budget Strengthening Initiative (BSI), a project funded by the UK Department for International Development (DFID) that supports fragile and conflict-affected states to develop more effective, transparent and accountable systems for managing public finances. It is not focussing on reform sequencing as such but touches on the various phases in the budget cycle referring to a number of good reference material.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7542.pdf>

The **Good Practice Notice** represents a milestone in the PFM reform literature.

- Diamond, Peter (2013), Good Practice Note on Sequencing PFM Reforms

The Good Practice Note (abbreviated as GPN) includes references to the literature. This note expands the current review papers, proposes another sequencing approach (which focuses on having first a minimum level of compliance before engaging in more ambitious reforms) and offers some guidelines to assist future PFM reform efforts. The proposed approach begins with establishing some key or "core" functions (stressing control over public finances) and then moves to more sophisticated reforms - establishing instruments for medium-term fiscal management and ultimately reforms aimed at improving efficiency and effectiveness in resource use. The GPN offers a possible analytical framework to address these diverse factors and to integrate them into country-specific reform sequencing decisions using a risk-based approach. As such the note emphasizes the importance of having explicit reform sequencing approach as well as having a good appreciation of various types of risks – political, institutional and organisational.

The GPN summarizes the content of two detailed background papers which should be read in conjunction with the GPN:

- Diamond, Peter (2013, Sequencing PFM Reforms; and
- Tommasi, Daniel (2013), Core PFM Functions and PEFA Performance Indicators.

[https://www.pefa.org/sites/pefa.org/files/v8-Good\\_Practice\\_Note\\_on\\_Sequencing\\_PFM\\_Reforms\\_%28Jack\\_Diamond\\_January\\_2013%29\\_0.pdf](https://www.pefa.org/sites/pefa.org/files/v8-Good_Practice_Note_on_Sequencing_PFM_Reforms_%28Jack_Diamond_January_2013%29_0.pdf)

Based on research at the Center for Global Development, Matthew Andrews from Harvard Kennedy School of Government introduced the term **Problem-Driven Iterative Adaptation** (PDIA), which emphasizes the importance of problems as entry points for change and the reality of iterative process as the means by which change typically transpires. His research is getting much attention and is refreshing and inspiring. It is being applied to public sector reforms, including PFM.

- Andrews, Matthew (2013), *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions*, Cambridge University Press.

The paper introducing PDIA:

- Andrews, Matt, Pritchett, Lant, and Michael Woolcock (2012), *Escaping Capability Traps through Problem-Driven Iterative Adaptation (PDIA)* – CGD Working Paper 299.

For an excellent summary of the approach:

Andrews, Matt (2013), PFM reform: signal failure, *Public Finance International*, online journal with news and comment on global public financial management.

<http://opinion.publicfinanceinternational.org/2013/03/pfm-reform-signal-failure/#sthash.O3HaGRIK.dpuf>

Problem-Driven Iterative Adaptation (PDIA) is based on four core principles, designed to contrast with standard approaches:

- PDIA focuses on solving locally nominated and defined problems in performance (as opposed to transplanting preconceived and packaged “best practice” solutions);
- It seeks to create an authorizing environment for decision-making that encourages positive deviance and experimentation (as opposed to designing projects and programs and then requiring agents to implement them exactly as designed);
- It embeds this experimentation in tight feedback loops that facilitate rapid experiential learning (as opposed to enduring long lag times in learning from ex post “evaluation”);
- It actively engages broad sets of agents to ensure that reforms are viable, legitimate, relevant, and supportable (as opposed to a narrow set of external experts promoting the top-down diffusion of innovation).

Other publications which are recommended as inspiring read are:

- Pritchett, Lant, Woolcock Michael, and Matt Andrews (2012), *Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation*, Center for International Development Working Paper No. 239.

[http://www.hks.harvard.edu/var/ezp\\_site/storage/fckeditor/file/239\\_PritchettWoolcockAndrews\\_Looking\\_like\\_a\\_state\\_final.pdf](http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/239_PritchettWoolcockAndrews_Looking_like_a_state_final.pdf)

This provocative paper aims to help to get a better understanding of the conditions under which political space is created for nurturing the endogenous learning and indigenous debate necessary to create context-specific institutions and incremental reform processes. It questions what techniques that enable states to “buy time” to enable reforms to work, to mask non-accomplishment, or to actively resist or deflect the internal and external pressures for improvement. In addition, it asks how do donor and recipient countries manage to engage in the logics of “development” for so long and yet consistently acquire so little administrative capability.

For more publications and blogs of Matthew Andrews (and fellow researchers), see:

- Research produced within the UNU-WIDER project ‘Building State Capability through Problem-Driven Iterative Adaptation (PDIA)’ directed by Lant Pritchett and Matt Andrews. See <http://www.wider.unu.edu/> (Note: for strange reasons this website is regularly not accessible; so just Google for research papers).
- His informative websites: <http://matthewandrews.typepad.com/mattandrews/> ; <http://www.hks.harvard.edu/fs/mandrew/> and or follow him on Twitter @governwell (he only tweets useful stuff).



Publications documenting specific country and / or regional practices are very informative and provide lessons on both approach and implementation issues.

- Schiavo-Campo, Dr. Salvatore (2013), Public Financial Governance for Inclusive Development in Africa, African Development Bank

This book is at present the most updated practitioner's handbook on PFM. It discusses public financial management challenge in a comprehensive manner and with a specific focus on the circumstances of African countries, including fragile states. Actually, this book updates the two handbooks mentioned above under Richard Allen. The book emphasizes (i) adaptation not adoption; (ii) capacity; and (iii) management.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Public%20Financial%20Governance%20for%20Inclusive%20Development%20in%20Africa.pdf>

- Cangiano, Marco, Curristine, Teresa and Michel Lazare (2013), Public Financial Management and Its Emerging Architecture, International Monetary Fund.

This book takes stock of key, innovative practices that have emerged over the past two decades in Public Finance Management, including, among others, fiscal responsibility laws, fiscal rules, medium-term budget frameworks, fiscal councils, new fiscal risk management techniques, and performance budgeting. poses critical questions about innovations, what has been achieved, the issues and challenges that have appeared along the way, and how the ground can be prepared for the next generation of PFM reforms. The focus is mainly, but not exclusively, on advanced economies. It contains a chapter on challenges of PFM reform in developing countries (by Richard Allen – see below). The book starts with a chapter written by Allen Schick on Reflections on Two Decades of Public Financial Management Reforms.

<http://www.imfbookstore.org/ProdDetails.asp?ID=PFMEEA> (allows a full preview of the book)

- World Bank (2012), PFM Reforms in Post-conflict Countries: Synthesis Report.

[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/06/15/000356161\\_20120615033527/Rendered/PDF/699640WP0P1206070023B0PFM0Web0Final.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/06/15/000356161_20120615033527/Rendered/PDF/699640WP0P1206070023B0PFM0Web0Final.pdf)

Reviews and evaluations (based on quantitative research, qualitative evaluations, or both) contain valuable information on enabling and risk factors.

- Paolo de Renzio, Matt Andrews, and Zac Mills (2010), Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries, Analytical study of quantitative cross-country evidence, Final Report.

The evaluation was prepared as part of a broader evaluation of donor support to public financial management (PFM) reforms. It analyses quantitative evidence on the quality of PFM systems, and assesses factors that may have determined cross-country differences and variations in the quality of PFM systems over time.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports/PFM%20Quant%20analysis.pdf>

- Hedger, Edward and Paolo de Renzio (2010), What do Public Financial Management assessments tell us about PFM reform?, ODI Background Note.

This Background Note reviews the sources of data on PFM performance and the resulting findings and considers what we already know about the factors that influence PFM reform. It distinguishes main types of factors which are influencing the performance of PFM systems: (a) country characteristics; (b) reform process characteristics; and (c) donor approaches to supporting reform. It further assesses the implications for future reform efforts.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5904.pdf>

- Lawson, Andrew (2012), Evaluation of Public Financial Management Reform in Burkina Faso, Ghana and Malawi 2001–2010, Final Synthesis Report 2012:7.

The evaluation of PFM reforms in Burkina Faso, Ghana and Malawi found that results tend to be good when there (1) Is a strong commitment at both political and technical levels; (2) When reform designs and implementation models are well tailored to the context; and (3) When strong, government-led coordination arrangements are in place to monitor and guide reforms.

<http://www.oecd.org/derec/afdb/publicmanagementregorm.pdf> (Comment: keep typo in *regorm* to get to the website).

For a popular brief summary:

<http://www.sida.se/Global/About%20Sida/S%C3%A5%20arbetar%20vi/Utv%C3%A4rdering/Evaluation%20Brief-%20Evaluation%20of%20Public%20Financial%20Management%20Reform.pdf>

- Wescott, Clay G. (2008), World Bank Support for Public Financial Management: Conceptual Roots and Evidence of Impact, Background Paper to Public Sector Reform: What Works and Why? An IEG Evaluation of World Bank Support.

The paper touched on some highlights of debates in theory and practice on improving public financial management, drawing from indicative literature mainly since 1990 from scholars and practitioners. It also discusses examples of Bank support for reform of budget planning and execution, in particular financial management information systems (FMIS), medium-term expenditure frameworks (MTEF), procurement, auditing, monitoring and evaluation, and the strengthening of key budgetary accountability institutions (i.e. public accounts committees of the legislature and supreme audit institutions).

[http://blog-pfm.imf.org/pfmblog/files/psr\\_pfm.pdf](http://blog-pfm.imf.org/pfmblog/files/psr_pfm.pdf)

Reports and Guidance on Technical Assistance and **Capacity Building** comprise another informative strand of literature (not necessarily narrowed down to PFM alone).

- Pretorius, Carole, Dendura, Jérôme and Mario Dehove, Supporting Capacity Development in PFM: A Practitioner's Guide, Volume I,

This Practitioner's Guide outlines good practices for development partners engaged in supporting capacity development in Public Financial Management (PFM) as well as country expectations in terms of development partner support to their efforts to strengthen PFM systems. It builds upon the experience of five countries – Lesotho, Mali, Morocco, Nepal and Rwanda, based upon five broad themes: (i) conceptual understanding of PFM and CD; (ii) content of CD initiatives; (iii) process of design, implementation and assessment; (iv) impact of initiatives: and (v) sustainability of initiatives.

<http://www.oecd.org/dac/effectiveness/48782679.pdf>

- DRN (2012), Evaluation Methodology & Baseline Study of European Commission Technical Cooperation support.

This evaluation study aims to develop a detailed results-orientated methodology for the assessment of capacity development in the Technical Cooperation (TC) programmes; and test it in a number of case studies reflecting a variety of EC intervention regions and modalities. The study contains an overview of the conclusions and lessons learned from a broad-scoped literature review of technical cooperation, based on a wide cross-section of domains including development cooperation; business; health; large institutional management (e.g. hospitals and universities) and modern public sector administration. This study is particularly useful as it opens up the black box from TA provision to results. On the other side, the document is not easily to digest so requires some investment time, but it is really worth it.

[http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/reports/2012/1310\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2012/1310_en.pdf)

Finally, some textbooks, not necessarily on reform sequencing but on a wide range of PFM topics.

- Allen, Richard, Hemming, Richard and Barry H. Potter (2013), The International Handbook of Public Financial Management.

Finally, after many years PFM got its own true academic handbook. This is by far the most extensive book on PFM (and a pretty expensive one). It is edited by three masters on PFM. It does not contain innovative ideas; it is the collector's item to have on everyone's PFM book shelves.

Available on: <http://www.amazon.com/International-Handbook-Public-Financial-Management/dp/0230300243>

- Mikesell John (2010), Fiscal Administration.

One of the better extensive textbooks on budgeting and public finance management, even though it has a focus on the American system.

<http://www.amazon.com/Fiscal-Administration-John-Mikesell/dp/0495795828>

- Models of Public Budgeting and Accounting Reform, in: OECD JOURNAL ON BUDGETING, Volume 2/Supplement 1.

This special edition of JOB gave a comprehensive overview of various OECD Member country accounting models. Although not fully recent, it gives a pretty good overview of the wide range of models applied worldwide.

- Shah, Anwar (ed), Governance and Accountability Series, various years (in alphabetical order)
  - Budgeting and Budgetary Institutions
  - Citizen-Centered Governance (with Matthew Andrews)
  - Fiscal Management
  - Intergovernmental Fiscal Transfers: Principles and Practice
  - International Practices in Local Governance
  - Local Budgeting
  - Local Public Financial Management
  - Local Governance in Developing Countries
  - Local Governance in Industrial Countries
  - Macrofederalism and Local Finances
  - Performance Accountability and Combating Corruption
  - Public Expenditure Analysis
  - Public Services Delivery
  - Tools for Public Sector Evaluations

A collection of books covering a wide range of PFM topics, containing both theoretical, conceptual issues as well as practical examples from different countries worldwide.

<http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/PSGLP/0,,contentMDK:21215398~pagePK:64156158~piPK:64152884~theSitePK:461606.00.html>

## Appendix F: Review of progress: Objective 4 – Strengthen external oversight

### I. The Background and Context

#### A. Civil Society in Governance

*Civil Society (CS) in the Philippines is characterized as robust in numbers, vibrant and engaged in its respective areas of concern.* In the late 1980s, former President Corazon A. Aquino inked Presidential Proclamation Number 51<sup>16</sup>, which was instrumental in opening CS spaces for engagement in government processes and overall development. The proclamation espoused the active role of CS in the country’s Medium Term Philippine Development Plan (MTPDP, 1987-1992). CS representation in regional development councils (RDCs) markedly influenced the shape of development and priorities at the sub national level. This was evident in experiences of the Naga City Peoples Council (NCPC) and the Concerned Citizens of Abra for Good Government<sup>17</sup> (CCAGG) that have been documented and heavily cited in various papers. Their ability to reach out and convene constituents from varied sectors, engaging them in dialogue and elevating respective concerns to the local development councils has allowed local government units (LGUs) to effectively allocate resources in priority programs. The LGU-CS engagement has also contributed to greater public accountability.

Over the years and decades past, numerous laws, regulations, executive and administrative orders followed suit to encourage CS participation in government processes creating an environment conducive to participatory governance. The Government Procurement Reform Act (GPRA) even mandates CS participation as vital in validating the integrity and validity of the tender process. The Law gained popularity and was lauded as one of the good practices<sup>18</sup> in procurement attracting study visits from countries such as Bangladesh, Nigeria, Bhuttan to name a few. Instrumental to the passage of the law, was the active role of Procurement Watch, Incorporated, a non-governmental organization that rallied support from the champions in the Executive and bi-partisan Legislators, other CS, private sector as well as church and faith-based organizations. Through these opportunities and positive outcomes, CS work gained steam and momentum earning the credibility, demand and to some extent respect and popularity of inclusive participation both in the national and sub national governments. Often times, the demand side or CS initiates the engagement with Government and the latter becomes a passive partner in these endeavours.

Recognizing the importance of CS inputs, Departments of Agriculture, Education, Health, Social Welfare and Development and the Public Works and Highways have long partnered with CS and in some ways have benefited from the healthy partnership. CS also partnered with the Department of Budget and Management-Procurement Service

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<sup>16</sup> 1992, Presidential Management Staff Publication, *The Aquino Management of the Presidency, The President’s Report*, <http://malacanang.gov.ph/wp-content/uploads/ThePresidentReport.pdf>

<sup>17</sup> Ramkumar, Krafchik, *The Role of Civil Society Organizations in Auditing and Public Finance Management*, <http://www.un-ngls.org/orf/cso/cso10/Ramkumar.pdf>

<sup>18</sup> 2006, Campos and Syquia, *Managing the Politics of Reform: Overhauling the Legal Infrastructure of Public Procurement in the Philippines*. World Bank Working Paper Number 70, World Bank, Washington D.C. USA

2004, World Bank Manila, *Country Procurement Assessment Report Update*, <https://openknowledge.worldbank.org/handle/10986/13881>

CPAR acknowledges CS participation: “It is worth particularly noting that the new procurement policy has institutionalized the participation of civil society organizations in all bids, and awards committees, thus enhancing the integrity of the bidding process.”

and the Office of the Ombudsman mostly in procurement monitoring. Barriers of mistrust were beginning to lower as Government and CS began working together towards achieving results from a shared goal was then realized.

In the broader development context, CS representation is also seen in various working sub-groups of the Philippine Development Forum (PDF)<sup>19</sup>. They actively participate in developing strategies by citing relevant experiences and data gathered working with people in the ground. CS entry points were also defined in these opportunities of multi-stakeholder discussions.

## ***B. Marred and Tainted Reputation***

Provisions under the General Appropriations Act (GAA) allowed CS and NGOs to receive monetary remuneration for their participation in government activities. This is in the form of a Memorandum of Agreement (MOA) or a Service Agreement (SA). Whilst there are CSOs that help facilitate in speedy service delivery; intent behind the service agreement is to provide budgeted funds for practical arrangements to cover administrative and logistical expenses necessary in implementation of programs.

However, it should also be noted that not all CS engagements contributed towards improving governance. The credibility of CS was also challenged in the past. In 2004, the Jocelyn “Joc-Joc” Bolante fertilizer scam involved the misuse of Php728million funds of the Department of Agriculture (DA). The most recent, Janet Lim-Napoles Pork Barrel scam (2013) refined the art of misuse of more than Php10billion priority development assistance fund of some legislators; the Malampaya gas project; and yet another fertilizer scam involving the DA.

In both instances, bogus and unscrupulous non-governmental organizations, people’s organizations and foundations served as conduit for laundering money activities in the ill-concealment among those involved in the scam. Napoles allegedly masterminded the creation of numerous dubious CSOs that perpetrated the manipulation and forging of MOA partners’ signatures. This matter is still under investigation. Needless to say, these controversies have marred and tainted CS reputation.

At the height of the Napoles scandal in 2013, it should be noted that ironically it was also CS that rallied support to abolish the pork barrel, which subsequently the Supreme Court decided favourably declaring use of Priority Development Assistance Fund unconstitutional.

## ***C. In Aid of Legislation***

In both occasions, the clamor from the people was strong and pressured Legislators to look into the matter. The Senate Blue Ribbon Committee initiated a probe in aid of legislation. As a result of the Bolante- fertilizer probe, both the Blue Ribbon and Agriculture committees (2006) recommended tighter regulations in the registration of CS to avoid avenues of misuse of funds. However, those recommendations did not seem to dissuade

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<sup>19</sup> There is Civil Society participation in the Philippine Development Forum Sub group on Education, Good Governance, Procurement to name a few.

dubious CS engaging in anomalous transactions. The Senate Blue Ribbon once again probed into the Napoles pork barrel scandal in late 2013. Although there were no substantial details divulged by the accused during the probe, the exercise proved to be a trial by public scrutiny. The general public offered its own opinions and criticisms (to some extent cynicisms) on social media after watching the televised proceedings of the inquiry. Hence, the general public became aware of the issues surrounding pork barrel and vulnerabilities within the process.

#### ***D. Citizen Engagement and Pluralism***

Evidence to the heightened awareness about corruption and governance issues was the Million People's March held on 26 August 2013. The protest became a venue for citizens of all walks of life to air all grievances about the pork barrel, right to information and corruption in government. Needless to say, the people's protest was a dynamic forum and expression of pluralism in Philippine society – one assembly focused on the issues surrounding the Napoles-pork barrel scam while another group focused on issues around transparency and information disclosure. People were free to join the assembly, listening and at times contributing to the discussion.

## **II. Opening Spaces for Constructive Citizen Engagement**

### ***A. The Opportunities***

The underscoring message of President Benigno S. Aquino III's *Daang Matuwid* (Straight Path) slogan promotes an honest and transparent government. CS became optimistic that more government agencies would welcome inclusive participation. DBM Secretary Abad further opened spaces for constructive engagement by issuing series of Budget Circulars encouraging CS participation in the budget process. The establishment of the DBM CSO desk was envisioned to be the prime mover in encouraging CS in the budget process. Responding to the open spaces for engagement, the Budget Advocacy Group, a network of CSOs began forming its strategies.

Following the DBM directive, line agencies such as DPWH issued its own series of Department Orders (DOs) reiterating budget partnership agreement (BPA), creation of its CSO Desk to facilitate discussions and feedback with CS. However, defining its terms of engagements and operational procedures is yet to be outlined and operationalized.

CS consultations with the DA have long been established even before DBM budget circulars were issued. The BPAs reinforced these partnerships with CSOs such as Rice Watch and Action Network. At the forerunner of DA engagement is Rice Watch secretariat that organizes consultations among its constituents and engages DA in meaningful consultations as regards prioritization of projects. To date Rice Watch has a seat in the DA committee responding to not only budgetary issues and concerns but other concerns affecting the farmers, stakeholders and whole sector.

## ***B. Citizen Engagement Launching of PFMP***

It was also providential that the PFM Program was launched (2012) at the time people were optimistic of the Aquino good governance track. The objectives of Strategy four (4) are as follows:

- ✓ Strengthen implementation of CS engagement in budget cycle;
- ✓ Enhance PFM policy that support CS engagement; and
- ✓ Support the change process through public awareness and knowledge sharing.

By strengthening government capacities and policy environment, it is envisioned that PFMP would contribute in achieving the following results:

- ✓ Broadened appreciation for value of CS engagements;
- ✓ Institutionalized mechanism and processes for the engagement;
- ✓ Increased efficiencies in expenditure management;
- ✓ Improved transparency and accountability;
- ✓ Translating to more targeted and improved services to the poor.

## ***C. PFMP's Contribution to Constructive Engagement***

Apart from the Program's assistance in improving Government of the Philippines (GoP) systems and processes, PFMP's assistance package to strengthen external and CS engagements was also afforded. Among those contributions was the establishment of the DBM CSO Desk. The CSO Desk was envisioned to take an active role in engaging CS in budget consultations and address CS concerns. Early on, the CSO Desk took on an active role in convening and drawing stakeholders in consultation meetings. Although, the momentum was not sustained due to operational concerns, PFMP is optimistic that the results of the ongoing study would help DBM CSO Desk in identifying key issues to further strengthen policy environment. These studies were commissioned and necessary to get a better picture of CS participation in the budget process as well as understanding the policy environment, legal and operational requirements for sustained oversight and CS engagement.

PFMP also explored possibility of CS work with Congress by providing analysis of audit report to the public oversight committee; thus, increasing public accountability.

PFMP also provided support to the Commission on Audit through the Citizen's Participatory Audit (CPA) pilot run, improving handling of citizen's feedback through the CPU and *I-Kwenta* website. The CPA highlights a practical application of public accountability through setting of shared agenda and implementation of joint audits. The audit team is composed of COA auditors and CS audit designate. Various audit methods were pilot tested in three (3) government projects, namely the DPWH Caloocan-Malabon-Navotas-Valenzuela (CAMANAVA) flood control, DENR-Quezon City's Solid Waste Management, and Marikina City's Health Services. The selection of CS partners was provided by the CS enabler (ANSA).

Leveling of expectations and roles, joint planning sessions alongside building audit capacities lend to the success of the exercise. One of the pilot run (CAMANAVA performance audit) won the Bright Spot award in London in 2013.

### **III. MTR Findings**

#### **A. Methodology**

The MTR focussed on relevance of activities and accomplishments to date; effective and value for money in the utilization of funds allocated for CS engagements; and effectiveness of the strategy in relation to the overall Program and its contribution to the overall Theory of Change. In order to achieve that, the MTR team read several literature and reports, conducted series of consultation meetings with CS, Congressional Budget Office, government and other key stakeholders (DFAT, PFMP, PMO and Service Provider) to better appreciate their inputs to the accomplishments to date as well as examined the utilization of funds to date to validate value for money in running the Program.

#### **B. CS Consultations**

There is wealth of information gathered from the CS consultations. This includes the depth and quality of the engagement, strategies and techniques of mobilizing resources in the ground that lend to gains, lessons learnt and challenges met along the way. In the discussion conducted with CS with signed BPAs, it was noted that their experiences working with agencies are varied. To a couple of CSOs, their involvement was a result of mere compliance with the agency to the DBM Circular. As such their involvement was very minimal to attending one (1) consultation workshop convened by DBM and another with the agency. Four (4) out of the six (6) CS partners were more engaged in consultations with their constituents in the ground and the respective agency-partner. This resulted in advocacy for the inclusion of proposals in the budget. These CSOs have adopted an issue-based approach as an entry point for engaging the agency partner. One CS partner is currently a member of the budget committee of the agency.

Apart from the six (6) CS with signed BPAs, there was one (1) CS that engages government at the *barangay* or community level. Their involvement is in project identification and prioritization. Community members were surveyed as to the type of projects needed and results were elevated to the committee at the LGU. The task of the CS partner is to ensure that projects materialize.

Two (2) other CS partners that have no signed BPA or have direct involvement with bottom up planning were also interviewed. It was learned that one people's organization is currently a service provider for DSWD to conduct Family Planning Sessions. The other represents the Trade Union, which also has a Party-List representation in Congress and is also involved in consultation with its constituents insofar as laborers are concerned. Their issues are elevated to their Party-List Representative.

Some of the key issues that surfaced during the discussion with the first group of CSOs are as follows:

- CS were unaware of the PFMP, its strategy, objectives and current involvement;
- Weak formal and institutionalized mechanism to handle queries, complaints and suggestions at DBM. CS partner had to lodge complaint with the DBM Office of the Secretary
- Whilst there are open space created for consultations, and some CS partners have the motivation, interest and nationwide presence through its network, there were budgetary and other constraints that hampered full CS commitment to engage. This included among others:



- operational cost constraints as it requires CS to allocate resource for a communication, dedicated staff and/or secretariat to coordinate even within the CS community;
- logistical cost constraints as it requires not only transportation and lodging even for one day consultation at the regional or even district level. CSOs that have existing funded projects afford to attend budget consultations;
- overwhelming layers of bureaucracy with some agencies in submitting budget proposals;
- better way CS to track agreements (on proposals submitted) from budget consultations conducted at regional offices;
- enough lead time for budget analysis and budget consultations
- Lack of oversight supervision from DBM. It should be noted that there were hardly any feedback meetings on the result of their budget engagement.

The other batch of CSOs consulted consisted of CS-implementers of the COA-CPA, representative of the CSO enabler (ANSA), other CSOs involved their respective interests such as procurement monitoring, research and policy advocacy. Also present were representatives from the Coalition for Change (CFC). CFC's thrust is in support to coalitions in building capacities and policy reforms. Their areas of focus include Mindanao, the education sector, sub-national government and policy reform. Their work in the area of budget policies is through InciteGov.

The CS partners involved in the CPA could not fully disclose activities conducted due to the signed premature disclosure agreement with COA. In fact, even the principals of the CSOs are not aware of their COA activities. In a telephone interview with Anthony Septimo of Diaspora for Good Governance (D4G2) shed some insights to the good rapport built between CS implementers and COA during the audit period. He was part of the CPA road show conducted in Baguio and Iloilo, which aims to increase awareness on the CPA.

Some of the key issues and concerns raised during this consultation are as follows:

- Except for ANSA and CFC, CSOs present were unaware of the PFMP, its strategy and objectives;
- Information exchange needs to be improved;
- Selection of CS-implementers was limited to ANSA's own network. More CSO networks exists that may be interested in the program;
- Some degree of objectivity in COA-ANSA selection criteria excluded Jesse M. Robredo Institute of Governance's participation in any of the CPA pilots conducted;
- Distance to the national capital that conducts meetings and consultations hampers active participation from CCAGG. It should also be noted that CCAGG was the forerunner in the CPA practice dating back in 1986;
- Operational cost constraints. The CPA only provided budget for logistical and some administrative costs but honorarium of audit designate CS member was not commensurate to the level of effort to the project. In the case of CCAGG, the allocation received was almost not enough to cover transportation and lodging costs;
- CSOs expressed that there are very little funding opportunities available to CS communities these days.

### *C. External Oversight*

A separate meeting was conducted to discuss Congressional Policy, Budget and Research Department's (CPBRD) insights on the PFMP and external oversight. Director General Emmanuel Romulo Miral, Jr. expressed that a holistic approach to implementing PFM reform should be taken into consideration. This means that it would be advantageous to involve Congress and view them as a key partner for reform. Whilst the commissioned studies and awareness learning sessions conducted in Congress was greatly appreciated, more would be gained once PFMP gains the support of the Speaker of the House. This would be a strategic move for PFMP to link CS/citizen groups (including media and academe), Congressional Oversight as a milestone of the PFM Roadmap. The PFMP Options Paper also suggests working with responsible media such as the Philippine Center for Investigative Journalism (PCIJ) for research and advocacy work. This may be an entry point for some CS, PCIJ and the CPBRD to collaborate on towards strengthening external oversight in the budget process.

### *D. Limitation*

Due to time constraints, the MTR team was not able to conduct interviews with other external oversight stakeholders from Congress, Senate and its Public Accounts Committee and/or Appropriations Committee.

### E. Mapping of Issues and Key Factors

The matrix below provides detailed analysis of PFMP’s strategy on strengthening external and citizen engagement as follows:

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP’s assistance
<p><b>A. Strategy 4 running in separate silo from the rest of the PFMP strategies.</b></p>	<p>Evidence of pockets of successes in constructive engagements; identified a number of reform champions within and outside government</p> <p>GoA recognizes importance of good governance in the Program</p> <p>Leadership and Support:</p> <p>Priority in the agenda of the President</p> <p>Garnered support from high level officials in the Executive and COA</p>	<p>Still a majority perceives that strengthening citizen engagement strategy is of low priority and a “token strategy”.</p> <p>Absence of integration of citizen engagements in the PFM roadmap</p> <p>Only one Governance Adviser leads and oversees the implementation of this component</p> <p>Lacking in advocacy and communication plan that would contribute to mainstreaming of citizen engagement and external oversight in whole program and culture of government</p> <p>Strategy 4 activities are treated as a low priority in relation to process</p>	<p>PFMP through the PMO to help bridge the operational management gap and integration of Strategy 4 in the PFM road map and mainstream government functions.</p> <p>A local adviser may be contracted to assist Governance Adviser in networking, identification of champions, advocacy, integration and implementation of key activities under this strategy.</p> <p>PFMP to conduct regular stocktaking through a stakeholder analysis to identify potential champions that may be influential in the change process.</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>Interest of people that oversee and directly involved in the implementation of CS project is seen to be contributory to the success of the engagement (e.g. CPA, BUB – but the latter is not part of PFMP)</p> <p>Culture:</p> <p>Principles of good governance is</p>	<p>and systems improvement. Moreover, no evidence of direct linkage of Strategy 4 in the overall PFM road map. For example, no citizen and external oversight representation in the PFM Committee even as an observer status.</p> <p>Managing the broad range of CS activities tend to fall in the cracks especially if there is no strong involvement and interest of equally high level focal persons within the bureaucracy responsible in overseeing/leading CS engagements activities.</p> <p>Broad spectrum of good governance and inability to concretely identify all entry points for citizen engagements throughout the budget process</p> <p>Majority still possess the mindset of mistrust because of lack of knowledge and experience working with each other.</p> <p>Awareness reach is low due to the</p>	<p>Leverage support from the PFMP-PMO, DBM RIU, CSO Desks and COA PMT that should closely interface, communicate and coordinate with each other to help ensure integration of good governance (Strategy 4) throughout the PFM program.</p> <p>There are good international CS practices that have gained traction in the public accountability such as the HakiElimu's Audit Leaflets, Fundar's Provida Audit, to name a few. Linking CS implementers to other practitioners may provide them with a better perspective of their role in the reform.</p> <p>PFMP Options Paper articulates the possibility of strengthening public accountability in Congress. PFMP could link CPBRD, LEDAC, COA, PCIJ, some CSOs that possess the technical capacity and advocacy skills. Prior to concretizing this option, there is a need to obtain buy in from the Speaker of House to strengthen Public Accounts Committee.</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>enshrined in all rules, policies and fundamental to reform</p> <p>Forging of government-CS partnership even after the engagements</p> <p>Positive experience leads to receptiveness of some government personnel to CS engagements</p>	<p>huge bureaucracy</p>	<p>Other considerations to actively involve CS and CPBRD in the PFM Committee even as observer status (e.g. PDF sub-group model where government, donor partners and CSO are represented to ensure multi-stakeholder perspective in the discussions, vetting of plans and activities, and decision making process). In doing so, helps reduce resistance among key stakeholders; helps manage the “politics behind reform”; promotes inclusive participation and helps ensure alignment of subsequent activities to good governance principles. Moreover, inclusive participation from key and active stakeholders also ensures irreversibility of the reform because champions become living proof that the reform works. (as evidenced in CPA, Rice Watch and BUB partners’ experience as well as other international best practices – Procurement Watch experience and the like)</p>
<p><b>B. Lack of support in the demand side</b></p>	<p>CPA experience yielded promising results conducive to CS engagement. CS quick to adapt to “terms of engagement” and posses interest and motivation to learn skill set of auditing techniques.</p>	<p>Not a lot of practical approaches/proposals received from citizen groups that merit PFMP's expectations and support</p> <p>Difficulty to narrow down concrete entry points for meaningful engagements</p>	<p>PFMP Options Paper indicated more support to both supply and demand side. By focusing on providing assistance to the demand side would allow PFMP to show gains and results. This may involve pilot testing of other practical approaches in citizen engagement in GAD budgeting, awareness building while fostering synergy and collaboration among citizen initiatives. It is worth exploring</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>Fundamental steps were initiated to encourage citizen engagements within the budget process/PFM reform. Several studies were commissioned to help identify spaces for engagement.</p> <p>Policy Environment:</p> <p>CS engagement have long been enshrined in Philippine laws and constitution</p> <p>DBM Policy issuances in support of CS engagement and external oversight</p>	<p>Mere compliance by agencies rather than created buy-in and adaptation to the policy issuances</p>	<p>possibility of CSO providing independent budget and expenditure report analysis to strengthen external oversight capacities in Congress. (HakiElimu's approach)</p> <p>Linking lessons learnt from BUB and CPA could help guide other agencies in defining entry points and strategies for engagements. The practical examples of engagements that work may be used as a starting point in the development of operational guides to citizen engagement.</p> <p>PFMP to document, generate and capture also the "human side of reform", capitalizing on the pockets of successes in behavioral and attitudinal gains from both government and CS side. The intangibility nature of good governance - anchored more as a principle rather than practice makes it more difficult to quantify, but successes could also be measured using attitudinal indicators.</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>Reiteration of DBM policies by line agencies</p> <p>Embedded units within government institutions tasked to oversee the reform implementation (e.g. PFMP-PMO, PFM Implementation Units, Reform Innovations Unit, CSO Desks, Public Accounts Committee, LEDAC and others)</p> <p>Demonstrated practice that CS engagement works (e.g. CPA, BUB, Rice-Watch experience in the BPA)</p> <p>Leveled Expectations and Roles:</p> <p>Setting of shared agenda and goals yielded some gains in meaningful CS engagements</p> <p>Expertise from both government and CSOs were realized and harnessed</p> <p>(e.g. CPA auditors recognition that CSOs are also technically knowledgeable in government processes, could assist in data gathering, information</p>	<p>Line agencies have difficulty in operationalizing policies without a step-by-step guide. The shift from demand (CS driven) engagement to supply (Government driven) engagement is new to government culture and processes. Government lacks capacity insofar as how to call for consultations, which include content of consultations, planned activities throughout the year, leveling of roles and expectations etc.</p> <p>Weak linkage of CS activities to existing mechanisms and reform units within government</p> <p>Limited to people in government having direct interaction with CSOs.</p>	<p>PFMP to continue support in COA CPA particularly in establishing a permanent Project Monitoring Team (PMT) that could be tasked to institutionalize CPA practices.</p> <p>PFMP through DBM CSO Desk and COA PMT to provide venue for the development of formal feedback mechanism.</p> <p>Draw lessons learnt from CS engagements and disseminate good practices to wider audience. This would help garner more support and acceptance to CS engagements.</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	dissemination, advocacy and to some extent transfer of knowledge/trainings)	Weak information dissemination on the positive experiences within the bureaucracy and institutions.	
<b>C. Imbalance of resource opportunities hampers constructive engagements</b>	<p>Donor funding is more concentrated to building capacities of government</p> <p>Key Stakeholders:</p> <p>Quick learning curve of CS in government processes, application of audit techniques and tools</p> <p>Generated momentum in CS engagements despite funding constraints (CS mobilization, operational costs)</p>	<p>PFMP funding to CSOs is limited to CSO enabler that does not necessarily translate to providing adequate funding support for tasks required of the CSO-implementers in the ground. Threat of CS non-existence due to funding constraints is imminent.</p> <p>Limited information and awareness on opportunities for citizen engagements. The use of a CSO enabler to facilitate the CS engagement component may pose as a limitation as they could only facilitate the engagement with CSOs found within their limited network.</p> <p>On the other hand, it is getting more and more difficult for implementing CSOs to get funding from donor agencies for their project and operation costs. Treatment of CS budget</p>	PFMP to coordinate with donor community in linking CS engagements that have proven to be meaningful and/or show potential.



Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>Growing demand for public accountability as evidenced in citizens/CS in CPA, BUB, and BPA consultations and budget advocacy</p>	<p>engagement is perceived as an ad-hoc activity when in fact it requires CS-constituent planning, mobilization, consultation, research, data gathering, analysis, advocacy, training, which tend to be quite a laborious, labor and resource intensive exercise and is not only compartmentalized within the budget preparation and project identification stage or the budget accountability stage but throughout the whole budget cycle and year.</p> <p>Lack of institutional mechanisms and DBM policy guidance for in-budget support to meaningful CS engagements. The Napoles/PDAF scandal stalled the institutionalization of the Empowerment Fund for CSOs. Similarly, the Government Policy Board Resolution to provide monitoring funds to CSOs was never signed.</p> <p>Weak capacities of legislators in analyzing budget data and COA reports.</p> <p>Lack of COA resource to send</p>	

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
		<p>able representatives to budget committee hearings and translate budget reports to legislators</p> <p>Public oversight committee in Congress was abolished</p>	<p>PFMP to leverage support from the PFM Committee and the Principals in obtaining top level buy in from the Speaker of the House and Senate that would help pave way for subsequent exploratory discussions in providing assistance to increase public accountability through legislative committees.</p>
<p><b>D. Low visibility and weak information exchange in Strategy 4</b></p>	<p>Good governance is the thrust of the Aquino Government. The principles behind good governance could potentially weave through the program.</p> <p>Communications Specialist found in the PFMP-PMO</p> <p>Pockets of successes (e.g. BUB</p>	<p>Fragmentation of PFMP Strategies. There is cohesion among strategies 1, 2, and 3 while strategy 4 is found to be running separately from the rest of the strategies.</p>	<p>PFMP and the PMO Communications Specialist to develop communications and advocacy plan to beef up visibility of citizen Engagements</p> <p>Draw lessons learnt from citizen engagements and disseminate good practices to wider audience (e.g. information caravan, websites, IEC materials and AVP)</p>

Issues and Findings	Enabling Factors	Hindering Factors	Recommendations for Improvement / PFMP's assistance
	<p>and CPA)</p> <p>Program Target Audience:</p> <p>Presence of CS networks in the country that have an interest and capacity for participatory governance in the budget processes</p> <p>Shift of legislation's role to more proactive involvement in budget oversight functions</p> <p>Growing demand and appreciation from legislators to be more engaged in budget oversight and PFM reform</p>	<p>Low awareness on the PFM program.</p> <p>No strong champion identified by PFMP in the Legislative</p>	<p>PFMP to network and engage with other CS-implementers in the ground</p> <p>PFMP through PFM Committee to engage the Legislative in subsequent PFM activities</p>

## *F. Results*

Strengthening External Oversight and CS Engagement remains highly relevant to the Program but is currently under-utilized and under-supported. There is only one Adviser that oversees the implementation of this component. Given the broad spectrum and coverage in this component, careful thought and consideration be given to respond to the work yet to be accomplished. Civil society engagement has long been seen in the Philippine governance landscape and to some degree has proven to be a meaningful endeavour not only to GoP but to GoA funded programs through AusAID in the past. The PFM Reform covers a wide spectrum of entry points for engagement. The challenge is to view the reform more holistically but identifying clear entry points for external and citizen engagement that would be able to converge with the PFM road map seamlessly.

Utilization of funds for activities programmed for this component is relatively low to realize effectiveness of the engagements. It is noted that gains in effectiveness were achieved in the COA CPA engagement that may bolster interests from both government and CS leading to subsequent pilot of various audit modalities. However, increasing public accountability or the CPA activity was not identified in any of the milestones indicated in the PFM roadmap. It appears that strategy number 4 runs in parallel as a separate silo to the roadmap rather than weaving through it. There is little citizen engagement or involvement seen in the overall PFM roadmap creating a perception that this strategy is of low priority of government and PFMP.

Although the fundamental legal basis to encourage citizen participation in the budget process was laid and disseminated to all agencies, very little activity to facilitate consultations and activities that could potentially propel interest and engagement is seen in the big spending line agencies. Compliance from agencies to the budget circular is evident but some of the agencies still need guidance to operationalize its CSO desks in order to realize benefits from the BPA.

DBM CSO desk appears to be less effective because there was hardly any activity that led to capacitate CSO skills in analyzing budget information nor did DBM CSO desk lead any capacity building activities for agencies to better handle citizen/CSO engagement in budget work. Unlike in the CPA experience, both CSO and government (COA) grew from the interaction and learning from such exercise, which benefited both stakeholders and the public through the results of the implementation of the project. It could even be said that both government and CSO alike now have a better appreciation of each other's inputs through the joint engagement. Given that, DBM CSO desk through its action plan should have better positioned itself to create a central repository of agency-CSO engagement data. The data gathered from the pockets of CS-government engagement is valuable in itself. For example, expenditure tracking results for example the cost of school buildings through public bidding, PPP, agency-led and DPWH-led could already be lodged in the DBM website. This comparative matrix would already be a source of public information and public debate. Moreover, outcomes from government-citizen engagement could be the basis for issuance of DBM policies anchoring on substantial and evidence-based data, which is more bottom-up approach rather than a top-down approach of crafting its policies. This was however, not the case. DBM CSO desk only convened one or two stakeholder consultation.

It is however noted that the PFMP's Options Paper have indicated renewed strategies to analyze and further link government capacities with CS in budget work. This avenue may be worth pursuing to draw out more support and interest from both parties. Moreover, shift to providing support to the demand side may be an appropriate track for PFMP to show some gains and outcomes. Some examples for PFMP on-going support is detailed in the next section of the report.

On the other hand, some agencies have a natural inclination to adhering to the principles behind the BPA. This could also be attributed to the fact that citizen engagement in the Department of Agriculture has long existed prior to the issuance of DBM circular on the BPA or PFMP intervention. It should also be mentioned that complementation of the BPA and BUB or grassroots participatory budgeting process is still low. Both initiatives are championed by DBM.

Visibility and awareness of PFMP is low in the CS community and external stakeholders. The program is only made known to the CS partners of the CSO enabler. Information dissemination has yet to trickle down to other and wider CS networks that may be interested, are actively participating in budget and project identification and to others in need of capacity building to effectively engage government.

Finally, the original design limits its support to building capacities of government tipping the resource balance to the supply side. Without the funding support to organize, mobilize and implement activities, citizen engagements could not be sustained from the demand side. The PFMP Options Paper proposes providing assistance to the demand side, which may be an interim and apt solution to balancing the resource scale.

## ***G. Recommendations and Strategy for Ongoing Support***

Banking on the partnerships that have proven to work, identifying key actors/champions and creating synergy that fosters collaboration among key stakeholders (both government and non-state actors) are essential building blocks for any reform. PFM reform is a huge undertaking and equally daunting task is strengthening citizen engagement in budget work. The challenge is to identify spaces for engagement and capitalize on engagements that work. Some efforts and gains were documented in budget preparation and budget accountability. However, fragmented and limited, citizen's participation is encouraged through dissemination of some evidence of success stories. Such is the case of a number of international budget work and tools<sup>20</sup> (e.g. Tanzania's HakiElimu Audit Leaflets, Fundar's Provida Audit) that have been collated and published by International Budget Partnership for other CSOs and citizen groups to refine and/or replicate.

Locally, citizen engagement has shown some potential. Taking stock of the lessons learnt from the CPA, BUB and BPA could help define strategic directions for constructive engagement. Pressure points from citizen groups actively involved in these endeavours help ensure irreversibility of citizen participation in budget work even after the Program ends. In the long term, that created demand for sustained citizen participation could define the vision for a Citizen PFM Institute that harnesses from these practical experiences the key elements for constructive engagement, tools, method and spaces for PFM

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<sup>20</sup> 2008, Rankumar, *Our Money, Our Responsibility – a Citizen's Guide to Monitoring Government Expenditures*, International Budget Partnership, Washington DC, USA

engagements. In the meantime, it is necessary therefore, to build that stock of proven practical experience of citizen engagement in the budget cycle.

PFMP's role is to provide for a platform conducive to constructive engagement. The critical role of the Program is to bridge the operational and organizational gap between two worlds – the more formal government structure and the informal hierarchy of citizen groups. In order to do that, PFMP may want to revisit its Strategic Objective 4 to consider the following:

a) *Fully maximize the potential of the intent behind objectives of external oversight and citizen engagement* – It is then imperative to put into perspective transparency as the overarching foundation in building citizens' awareness to government's responsible budgeting, efficient resource management, equitable allocation of these resources in meaningful programs that would have an impact in people's lives. In order to encourage active citizen engagement whereby generating pluralism in Philippine society, GoP through the Program would have to put timely, relevant and correct information in medium/media that is easily accessible to the people e.g. radio, television, social media and internet. GoP would also need to generate the feedback from the people by creating that linkage and platform that is equally accessible by both government and the people (e.g. regular consultation/feedback meetings, year round activities schedule, development of simple feedback mechanism).

The GoP through its Pera ng Bayan, Open Data initiatives have initially provided the vehicle to make accessible budgetary information to the public. However, getting the public to access and make sense of the data remains a challenge. PFMP needs to draw external stakeholder interest in the data that is lodged in the websites. There is a need to demystify budget information to all lay stakeholders. PFMP could contribute bridging the knowledge gap by providing support for laymanized PFM tutorials and budget information appreciation modules/workshops to CS and citizens alike. Most PFM workshops conducted in the past are for people with advanced appreciation for budget work and PFM and dissuade interests from novice and lay citizens.

PFMP should also develop its own selection criteria to guide them in vetting project proposals from citizen-groups. The selection criteria could include the following:

Scope and relevance of proposed CS/citizen group activities;  
CS/citizen group methodology for engagement;  
Viability of the proposed project to be implemented;  
Desired results should meet the overall objective of Strategy 4;  
PFMP may want to set a ceiling or a budget cap.

Given its limited time frame to implement and resources, it would be strategic for PFMP to select CSO/citizen engagement projects using a thematic approach. For example: better utilization and efficiency of public resources in the education program. Given that, PFMP would concentrate on project proposals that represent citizen engagement throughout the budget cycle - one group dealing with inputs to the budget, one group dealing with expenditure tracking, and another group involved in the audit of a similar education program (e.g. feeding program, school buildings etc.). By doing so, PFMP would be able to establish a better efficiency and utilization picture, analysis and interpretation of data from citizen groups of a particular education program. However, the analysis and appreciation of the data is not by far the end of its means. This information needs to be disseminated to a wider stakeholder – the general public. PFMP could provide support for the information and awareness campaign e.g.

newspaper ad, flyers or a web-based platform or merely lodging that information in the DBM website for better access of legislators, DepED officials involved in the budget process; DBM, COA and other oversight and especially the general public. The information lodged in an accessible media would open doors for discussion (positive or negative) insofar as better and efficient utilization of public resources.

Once the vital budgetary information is readily available and accessible to the general public, PFMP could provide support for activities that would help ensure that government is on track in maintaining efficiency in budget planning, execution and accountability such as but not limited to

Thematic online forum and debates on CS/citizen budget inputs, execution and accountability reports and/or mechanisms. This venue for dialogue with government would encourage citizen participation to provide the former with inputs and evidence-based data of the latter's work and progress with specific government agencies. PFMP-PMO could act as the secretariat and invite ample resource persons, citizen groups and high government officials to participate in the forum;

Learning exchanges that would bring forth to government and citizen-group stakeholders constructive engagement that worked, lessons learnt from such engagement and a way forward to improve external oversight arrangements and reporting mechanism;

Citizen report card (CRC) surveys throughout the budget cycle. Other countries<sup>21</sup> have adopted this practice to encourage positive change and behaviour in government processes. There are a number of international best practice examples of the CRC, among which is the Public Affairs Center in Bangalore India, Strategy for Poverty Alleviation Coordinating Office in Gambia, and the Social Weathers Station in the Philippines. PFMP may support similar citizen-led CRC activities;

Audit Leaflets is another citizen-led activity that PFMP may want to support. This is a simple information dissemination tool that highlights key accountability findings using COA's audit observation memorandum (AOM) of an agency for the past three years. For example, an analysis of agency programs that have been under-utilized would be an indication of the agency's absorptive capacity to implement its program budget. This simple tool may help legislators during budget deliberation;

Expenditure tracking activities is another citizen-led activity that PFMP could support. There are a lot of citizen groups and CS that have continuously refined this methodology. Linking results from expenditure tracking activities to government's budget execution reports would also allow a better picture of government's effectivity and efficiency in managing and utilizing its resources. This activity may be an area worth exploring for PFMP to support;

Budget advocacy work in Congress. This may involve providing support to CS groups that would want to link up with the public accounts office, appropriations committee and select legislators that would want to commission data analysis of budget trends and spending patterns. This could also involve capacity building activities for legislators and its staff members to prepare them for the ensuing budget preparation activities;

Continue support to the COA CPA program encouraging other modalities of audit such as performance-based, value for money (expenditure tracking) and social audits.

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<sup>21</sup>Citizens Report Card (CRC) surveys have been used by the Public Affairs Center in Bangalore India. Other countries such as Canada, Gambia, Sweden, United States and even the Philippines have used a similar CRC to better assess government's service delivery.

b) Increase PFMP visibility to all stakeholders – The CS community alone is vast and dynamic. The external stakeholder community is far greater than the CS networks because it involves the academe, media, professional associations (accountants), Congress and other community, church and faith-based people's groups. Due to the scope and importance of seamlessly coordinating the external and citizen engagement work, one Governance Adviser would not be able to reach out to all external stakeholders.

Therefore, there is a need for the Program to hire a Local CSO Expert that knows the CS and external stakeholder communities as well as understand government systems and processes. The Local CSO Expert would be able to assist and complement the Governance Adviser and Communications Specialist (once the PFMP is merged with the PMO) in building momentum for Strategy 4 by constantly networking with stakeholders; development of communications plan and strategy; conducting regular stocktaking surveys; implementing and monitoring project activities; as well as generating visibility and people interest in the program. The local expert would complement the strength of the Governance Adviser while providing the contextual guidance and sensitivities in implementing program activities. It is then important for the Governance Adviser and Local CSO Expert to define and identify spaces for meaningful engagements given the limited resources PFMP has.

While there is a need to disseminate information about the program, the information should also reach the right people to generate ideas and activities that could be implemented under the Program. PFMP may want to consider calling a wider CSO consultation, forum or conference. This would be a venue to see the scope of CS and citizen's work in the ground and share information about the Program. The Governance Adviser and Local CSO Expert to collaborate and coordinate with PMO Communications Specialist in developing a communication strategy to include dissemination of information and documentation on citizen engagement experience to wider stakeholders. In this regard, CS and citizen forum would help achieve the following objectives:

Provide expressed commitment from both GoP and GoA to draw support from citizen engagement in furthering budget work;  
Inform greater stakeholder of PFM road map and citizen engagement updates;  
Platform for learning exchange – event to provide orientation on the PFM and budget analysis appreciation sessions;  
Highlight some of international and local CS budget work that may serve as inspiration for local citizen groups to follow suit in the PFMP areas of interest such as but not limited to:  
Strengthening Public Accounts Committee in Congress – this may be a collaborative initiative from responsible media such as PCIJ or Vera Files, select CSOs with technical skills for analysis, CPBRD, and COA in audit report analysis;  
Gender and Development responsive budget work – this may be in the area of budgeting, expenditure tracking, CPA or budget oversight;  
Development of simple audit analysis tools that is easily understood by both the general public and legislators alike;  
Formation of natural coalitions that have similar budget work inclination through action planning sessions. This may be a spring board for PFMP to generate demand-side ideas that could subsequently be funded by the program;  
Doable action plan to strengthen CS/citizen engagement and oversight reporting mechanism.



c) Create synergy in government spaces and citizen engagement work – Consequent upon the merging of the PFMP and PMO, hiring a Local CSO Expert, the Program would be in a better position to provide overall link between government and citizen budget engagement. The strengthened PMO would help facilitate the operational management gap in integrating citizen's engagement in the overall PFM road map. Their presence in government structure and PFM Committee would leverage support from key actors and good governance champions in integrating Objective 4 activities in the overall PFMP road map.

Moreover, garnering that top level support combined with external stakeholder champions from the academe, think tanks and technically competent CSOs and media may also facilitate initial discussions with the Speaker of the House. The active participation of non-state actor-champions would pave way for an apolitical engagement and subsequent buy in for increasing public accountability in Congress.

Further, the Program could provide organization development and capacity support for COA PMT as it continues to explore other audit modalities with citizen engagements; strengthen coordination and collaboration among DBM RIU and line agencies' CSO Desk (e.g. DPWH, DepED etc) that have greater interaction with citizen groups. This may include development of a feedback and handling mechanism, better information exchange and timely processing of CS/citizen group inputs and communicating same within the organization to create awareness and mainstreaming citizen engagements in government processes.

The Governance Adviser and Local CSO Expert to actively coordinate with donor community in linking citizen-led initiatives to continue budget work beyond the Program's scope. This may also be an opportune time to explore possibilities to link with CFC and identify areas of complementation.

d) Constant monitoring and evaluation of program activities and its contribution to the overall PFM road map – The governance landscape is dynamic and key actors that help shape that landscape change over time. Vital to the program's success is constant monitoring of the activities, the key stakeholder's influence and risks in implementing simultaneous engagements and project activities. Employing simple monitoring tools (e.g. surveys, key stakeholder analysis, etc.) and risk assessments would help PFMP manage its strategic direction, outcomes and help provide a seamless integration of good governance, external oversight and citizen engagement in the overall PFM road map.

## Annex G: Financial Analysis of PFMP

### Purpose and data sources

The MTR team has reviewed the budget and actual spending of PMFP. The objective of the exercise is to analyse:

1. shares of the various budget items in total PFMP budget;
2. spending shares of the strategic objectives of PFMP;
3. spending on activities which contribute directly to supporting the Government PFM Reform Roadmap;
4. deviation of budget versus implementation;

The financial data has been provided by the PFMP program office.<sup>22</sup> Budget data is derived from the Annual Action Plans (2011-2012, 2013, and 2014 - draft). It is noted that expenditure data for 2011-2013 represent actual spending plus ongoing contractual commitments of 2013 (which for some budget items carry over to 2014). The data for 2014 (till May) represents planned spending, included in the draft Annual Action Plan for 2014.

The analysis does not cover non-PFMP funded activities, which are closely related to the PFMP-funded activities (see Box).

#### Box: Non-PFMP funded activities

There have been two activities which has not been funded through PFMP, but has been managed by the Program, namely:

- a) Program Activity 2.2 Strengthening of Internal Controls/Internal Audit in DSWD (spending AUD 551,334);
- b) Program Activity 2.3 Strengthening the Financial Management System in DepED (spending AUD 435,350).

Program Activity 2.3 - Strengthening the Financial Management System in DepED was directly contracted/paid by DFAT from its Education Sector Fund, but the activity was designed, approved and being managed by PFMP. It concerned the preparatory work and design of a separate FMIS system in DepED. The follow-up work did not continue after remarks made during PSC meetings indicating the apparent inconsistency of this activity with the planned introduction of GIFMIS.<sup>23</sup> Ultimately the activity was halted, and the further activity (2.6), now funded through PFMP, was re-designed to prepare DepED for implementation of PFM reforms, particularly GIFMIS, since DepED was selected as one of the pilots.

The expenditure analysis does not take into account spending on these two activities. These two activities are

<sup>22</sup> Financial data provided by email on 6 February 2014 has been used for this analysis. During the field mission consultation took place with the program manager to understand the financial data. Data provided changed various times, though not significantly. Figures appear to be based on a mix of actual spending (paid), contractual commitments, obligations (work done, due for payment). Confusion was also caused by using a mix of financial year data (used for accounting purposes and for payment request of the head contractor to DFAT) and calendar year data (used for the Annual Plans and Quarterly reports from the Head contractor to DFAT).

<sup>23</sup> First concern was expressed during the first PFMP PSC meeting of 8 November 2011 by the AusAID counsellor. The PSC decided to go ahead with the activity, except for development of a Financial Management Operations Manual (which was replaced by a FMS functional review – see Minutes Second PSC) . In the third PSC meeting of 3 December 2012 the decision to continue was deferred. In the following fourth PSC meeting of 26 February 2013 a revised Concept Note was approved. In that concept note DepED as pilot for the GIFMIS was confirmed and the activity would focus on getting DepED ready for the GIFMIS. It is noted that till that decision more than AUD 400k was spent on two reports aimed at developing a separate FMS system for DepEd (including the FMS Functional Review).

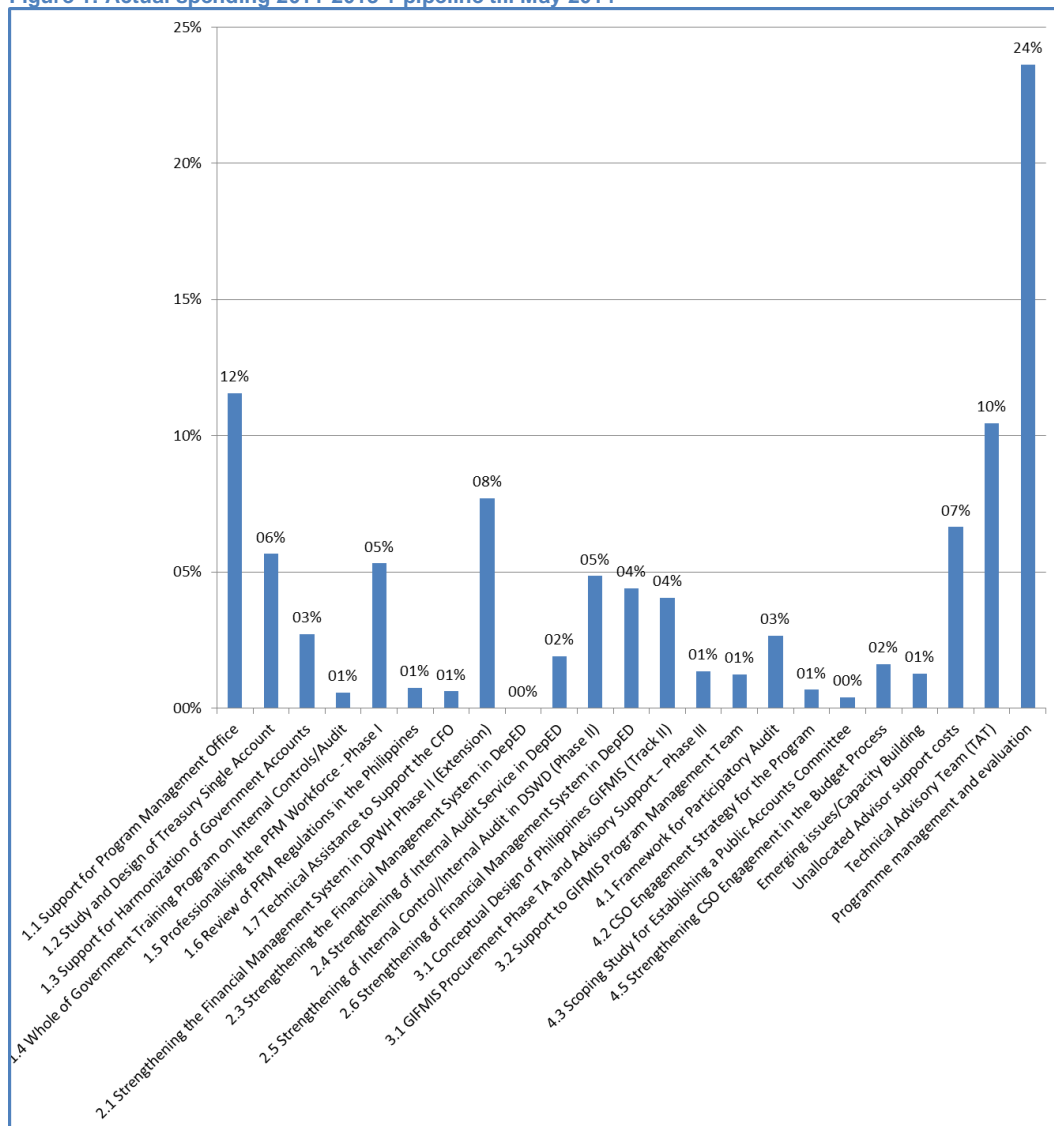
considered in the MTR when discussing value for money. Besides PFMP funded activities, the PSC took decisions on those non-PFMP funded activities. In addition, PFM reforms is to be seen comprehensively and any activity is to be assessed on coherence and alignment with other reform activities.

**Total overview of PFMP spending and spending by budget item**

The figures below present spending on all PFMP budget items in four different ways:

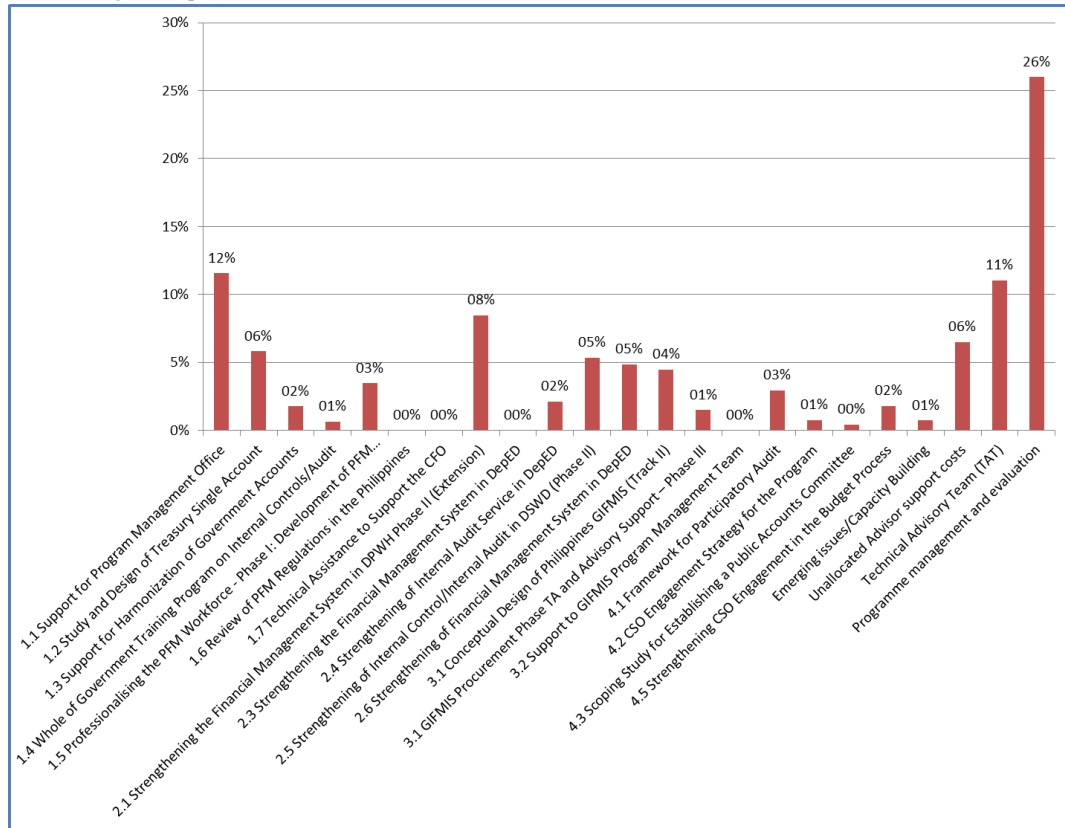
1. Actual spending on all budget items for 2011-2013 plus planned spending in the program pipeline till May 2014;
2. Actual spending for 2011-2013 only;
3. Program pipeline till May 2014;
4. Actual spending on program activity only 2011-2013 (so excluding program management, TAT, Advisor support costs and Emerging issues/Capacity building).

**Figure 1: Actual spending 2011-2013 + pipeline till May 2014**



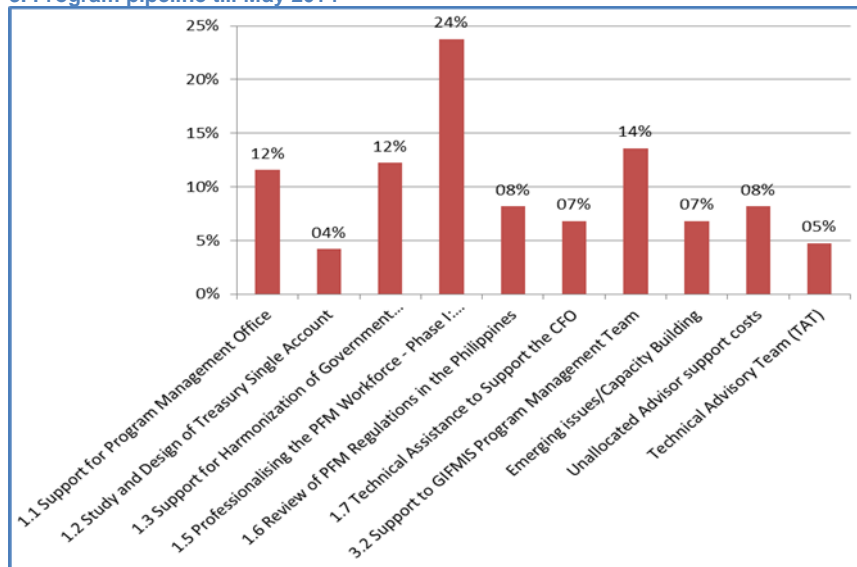
The largest program activities (> 5%) concern Program activity 1.1 – Support for PMO (12% of total spending); 2.1 – Strengthening the financial management system in DPWH (8%); 1.2 – Study and design of Treasury Single Account (6%). The shares for program management and TAT are respectively 24% and 10%.

## 2. Actual spending 2011-2013



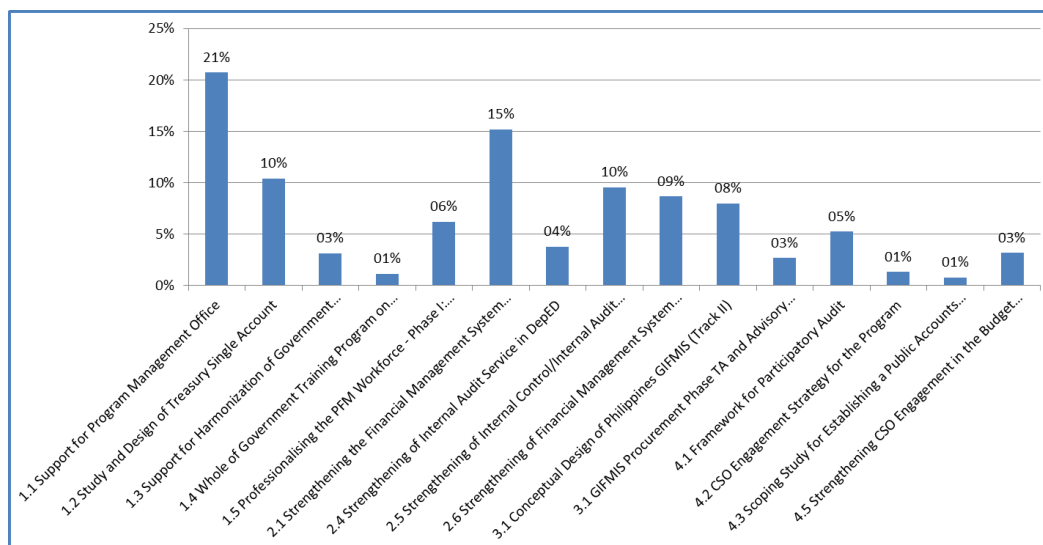
When only spending for the 2011-2013 period are considered, the picture is almost exactly the same. Again, the largest program activities (> 5%) concern Program activity 1.1 – Support for PMO (12% of total spending); 2.1 – Strengthening the financial management system in DPWH (8%); 1.2 – Study and design of Treasury Single Account (6%). The shares for program management and TAT are a bit higher, respectively 26% and 11%.

### 3. Program pipeline till May 2014



When only the program pipeline for 2014 (till May) is considered, most spending is allocated to Program activity 1.5 – Professionalising the PFM Workforce - Phase I: Development of a PFM Competency Framework (24%), followed by the new activity 3.2 Support to GIFMIS Program Management Team (14%). Part of the costs for TAT and the full cost for Program management are already taken into account in 2013, based on ongoing contractual commitments.

### 4. Spending program activity only 2011-2013



The picture changes when only spending for the 2011-2013 period on program activities are considered (thus excluding program management, TAT, Advisor support costs and Emerging issues/Capacity building). Again Program activity 1.1 – Support for PMO (21% of program activity spending); 2.1 – Strengthening the financial management system in DPWH (15%); 1.2 – Study and design of Treasury Single Account (10%) are the largest spending items. Moreover, spending on Activity 2.5 Strengthening of Internal Control/Internal Audit in DSWD (Phase II) amounts to almost 10% of total spending on program activities.

The table on the next page presents the full overview of PFMP expenditure.

PFMP expenditure, 2011-May 2014 (actual and planned – program pipeline)

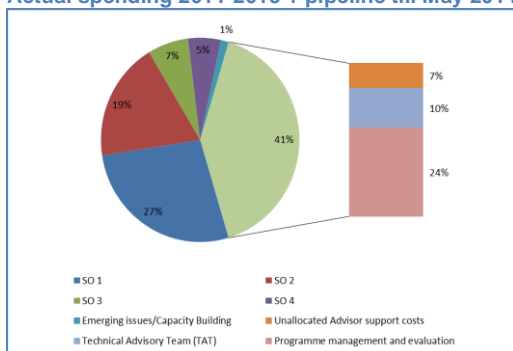
	2011-2013	Pipeline 2014	TOTAL	% TOTAL
Program Activity 1.1 Support for Program Management Office	1,689,504	170,000	1,859,504	11.6%
Program Activity 1.2 Study and Design of Treasury Single Account	849,782	61,706	911,488	5.7%
Program Activity 1.3 Support for Harmonization of Government Accounts	256,946	180,000	436,946	2.7%
Program Activity 1.4 Whole of Government Training Program on Internal Controls/Internal Audit: DBM	92,052		92,052	0.6%
Program Activity 1.5 Professionalising the PFM Workforce - Phase I: Development of a PFM Competency Framework	505,353	350,000	855,353	5.3%
Program Activity 1.6 Review of PFM Regulations in the Philippines	-	120,000	120,000	0.7%
Program Activity 1.7 Technical Assistance to Support the CFO	-	100,000	100,000	0.6%
Program Activity 2.1 Strengthening the Financial Management System in DPWH Phase I	1,239,124		1,239,124	7.7%
Program Activity 2.3 Strengthening the Financial Management System in DepED – NON-PFMP funded				
Program Activity 2.4 Strengthening of Internal Audit Service in DepED	306,867		306,867	1.9%
Program Activity 2.5 Strengthening of Internal Control/Internal Audit in DSWD (Phase II)	779,956		779,956	4.8%
Program Activity 2.6 Strengthening of Financial Management System in DepED	707,515		707,515	4.4%
Program Activity 3.1 Conceptual Design of Philippines GIFMIS (Track II)	650,958		650,958	4.0%
Program Activity 3.1 GIFMIS Procurement Phase TA and Advisory Support – Phase III	217,119		217,119	1.3%

	2011-2013	Pipeline 2014	TOTAL	% TOTAL
Program Activity 3.2 Support to GIFMIS Program Management Team	-	200,000	200,000	1.2%
Program Activity 4.1 Framework for Participatory Audit in the Philippines: COA	428,191		428,191	2.7%
Program Activity 4.2 CSO Engagement Strategy for the Program	107,607		107,607	0.7%
Program Activity 4.3 Scoping Study for Establishing a Public Accounts Committee in the Philippine Congress	63,187		63,187	0.4%
Program Activity 4.5 Strengthening CSO Engagement in the Budget Process	259,443		259,443	1.6%
Emerging issues/Capacity Building Activities	103,568	100,000	203,568	1.3%
Unallocated Advisor support costs	949,942	120,000	1,069,942	6.6%
Technical Advisory Team (TAT)	1,613,877	69,393	1,683,270	10.5%
Programme management and evaluation	3,802,067		3,802,067	23.6%
Note: M&E advisor included in TAT and excluded from Programme management and evaluation				
<b>TOTAL</b>	<b>14,623,057</b>	<b>1,471,099</b>	<b>16,094,156</b>	<b>100.0%</b>

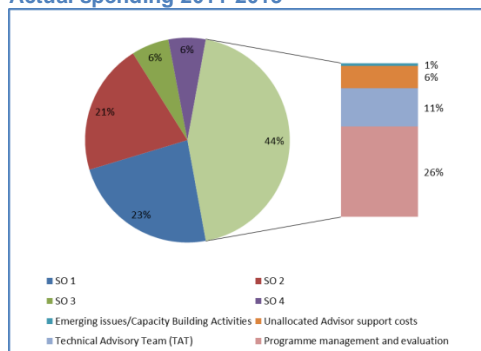
### Spending by strategic objective

The graphs below shows that for the 2011-2013 period most of the PFMP resources related to the program activities has been spent on strategic objective 1 - Oversight agencies, namely 42%. Relative spending on objectives 2 - Spending department, 3 - Information systems and 4 - External oversight has been respectively 37%, 11% and 10%. In terms of overall PFMP resources for Phase I, spending on strategic objective 1 is 27%; on strategic objective 2 19%; on strategic objective 3 7%; and on strategic objective 4 just 5%. For the remaining months of Phase 1 (till May 2014) most of the resources are to be dedicated to strategic objectives 1 and 3, and as will be shown below, primarily on program activities directly related to implementation of the Government PFM Roadmap.

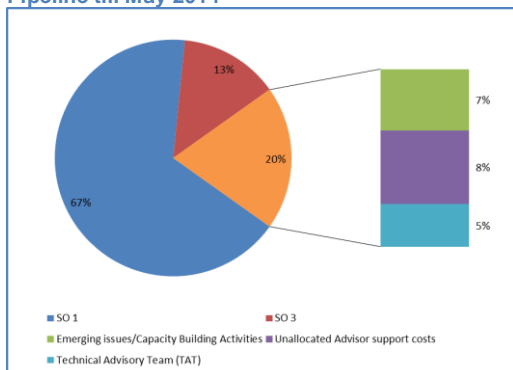
Actual spending 2011-2013 + pipeline till May 2014



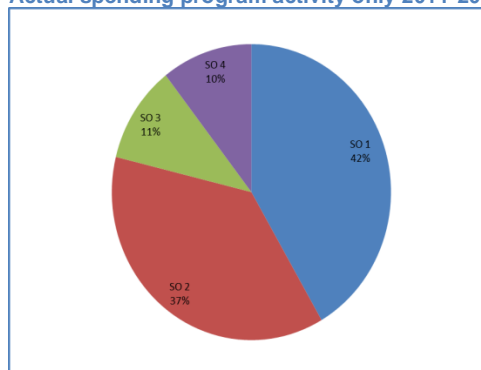
Actual spending 2011-2013



Pipeline till May 2014



Actual spending program activity only 2011-2013



### Spending based upon activity's direct contribution to the PFM Reform Roadmap

To understand the direct relation between PFMP activities and the Government PFM Reform Roadmap, program activities have labelled whether they are contributing directly to supporting the Roadmap.<sup>24</sup> This concerned the following activities:

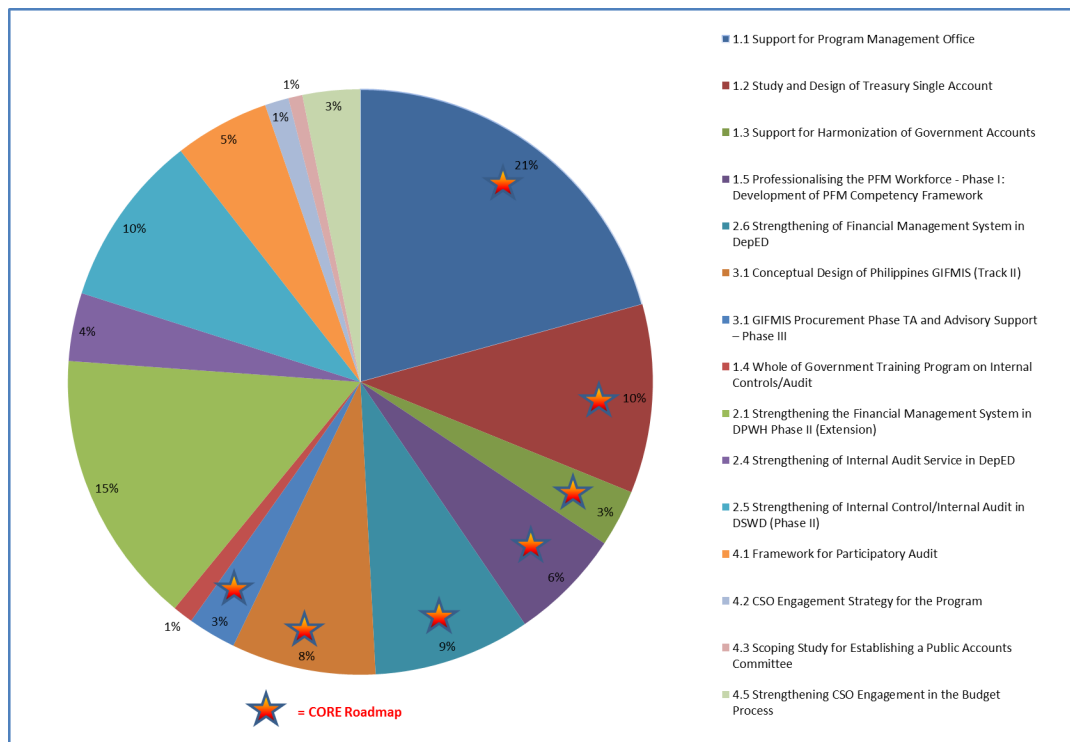
- Activity 1.1 Support for Program Management Office;
- Activity 1.2 Study and Design of Treasury Single Account;
- Activity 1.3 Support for Harmonization of Government Accounts;
- Activity 1.5 Professionalising the PFM Workforce - Phase I: Development of PFM Competency Framework;
- Activity 2.6 Strengthening of Financial Management System in DepED (currently ongoing);
- Activity 3.1 Conceptual Design of Philippines GIFMIS (Track II) as well as GIFMIS Procurement Phase TA and Advisory Support – Phase III, and activity 3.2 Support to GISMIS program management team (not in figure below as it is a 2014 activity).

This is depicted in the figure below.

<sup>24</sup> One can always argue that the others activities indirectly contribute to realisation of the Roadmap.



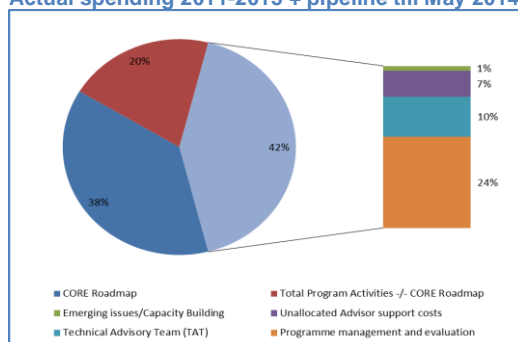
**Figure: Core Roadmap PFMP activities, 2011-2013, % denote share of program activity as % of total program activity spending, excluding program management, TAT, Advisor support costs and Emerging issues/Capacity building**



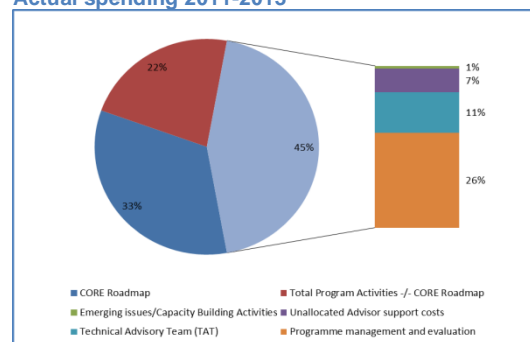
\* Star indicates Core Roadmap activity

The next figures shows that for the whole Phase I of PFMP almost 40% of total spending (actual and planned till May 2014) is directly allocated to Core Roadmap activities. In terms of total spending on all program activities (excluding program management, TAT, Advisor support costs and Emerging issues/Capacity building), 60% has been spent on Core Roadmap activities.

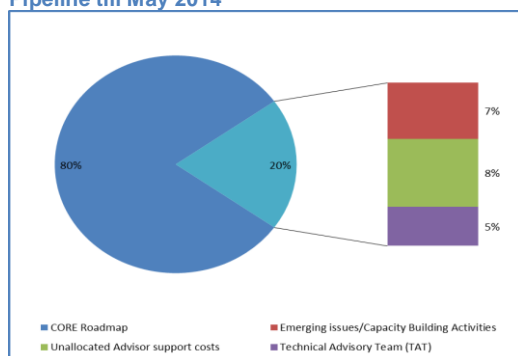
**Actual spending 2011-2013 + pipeline till May 2014**



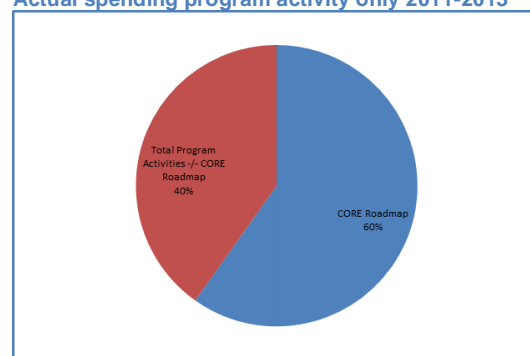
**Actual spending 2011-2013**



**Pipeline till May 2014**



**Actual spending program activity only 2011-2013**



### Budget versus implementation

The overview of the budget is indicated in the Annex. The budget data is taken from the Annual Plans. The Annual Plan for 2013 contains a revised budget for 2011-2012. The revised budget has been taken to calculate the budgets over the 2011-2013 period for every PFMP budget item. The actual spending data for 2011-2013 have been taken from the same source as mentioned above (actual data based on financial year). The data is summarised in the two figures below.

Figure: Budget and Actual spending, 2011-2013

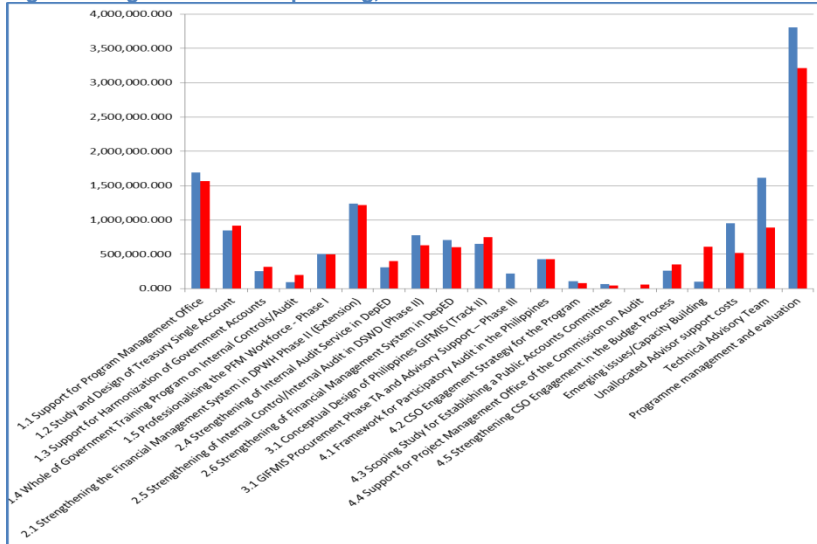
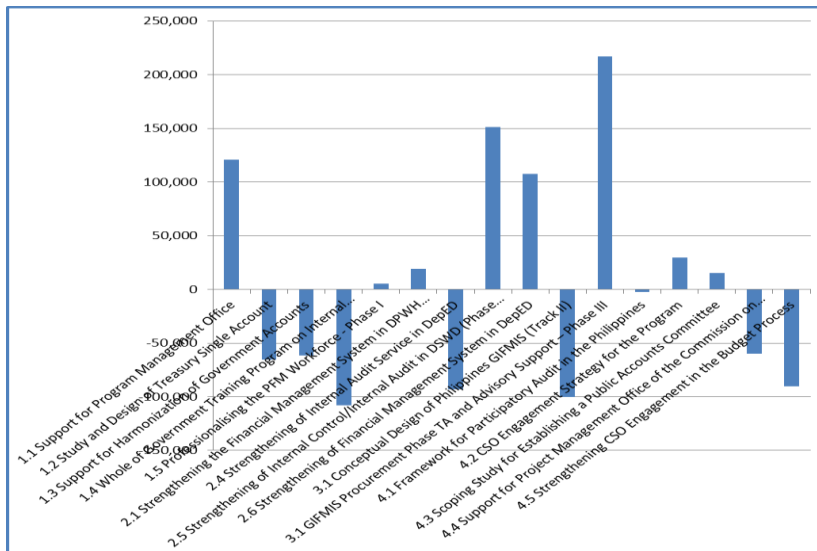


Figure: Over- and underspending, 2011-2013



The first figure shows budgeted and actual spending for the different line items. The second figure shows the over- or underspending per line item. Activity 3.1 GIFMIS Procurement Phase TA and Advisory Support – Phase III was not budgeted in the Annual Plans. Nonetheless it is considered to be a crucial activity to support the Government during the bidding and evaluation process of GIFMIS. Activity 4.4 Support for Project Management Office of the Commission on Audit was not implemented. The main reason was that the PFMP has awaited a decision of the COA concerning this activity which was part of Strategic objective 4 focussing on external oversight and CSO engagement.

For the remaining program activity main underspending occurred in program activity 1.4 Whole of Government Training Program on Internal Controls/Audit (deviation of -/- 54%) and activity 4.5 Strengthening CSO Engagement in the Budget Process (deviation of -/- 26%). On the other hand, there was overspending in two other Strategic objective 4 activities (4.2 CSO Engagement Strategy and 4.3 Scoping Study for Establishing a Public Accounts Committee) of respectively 38% and 32%. The activities concerning internal control and internal audit (1.4, 2.4. and 2.5) have either over- or underspending in the range of about + or -/- 20%.

Deviations from the budget can be partly explained by some delays in implementation in case of underspending. In the case of overspending it can be caused by underbudgeting at the planning process (which is difficult to prove) and / or revision of scope of activities during implementation. Initially the PFMP program budget for 2011-2012 included a program activity concerning Support for National Payroll system. This activity was cancelled (and therefore not part of the revised 2011-2012 program budget).<sup>25</sup>

Another cause may be the difference between (a) presenting data on a calendar basis as done in the PFMP Annual Plans and Implementation reports as well in the Quarterly Contractor Progress reports, and (b) the accounting data which is used to account for actual spending by the head contractor to DFAT and which forms the basis for payment to the head contractor. The latter data is based on the Australian financial year. The use of two forms of financial data is confusing. Terms as "Annualised Value of Subcontract" is not clear. One interviewee of the one of the agencies indicated that it was not important to understand the financial table indicated in the Annual Plans as the agencies are already pleased with any resources which will help in supporting the implementation of activities. Nonetheless, for clarity and understanding it advised to use only financial year information.

A clear picture can be provided when data is presented as follows:

- a) (multi-year) budgeted amount for each activity;
- b) (multi-year) commitments based upon concluded contracts, presented by quarter over the whole contractual period (assuming that cash and commitment planning is being done);
- c) actual obligations (payment due for work done / approved); and
- d) actual payment (including payment date).

Then data on either calendar year or financial year basis can be easily derived, and used for any kind of reporting.

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<sup>25</sup> During the first PSC meeting the activity was approved but it was recommended to start this activity later than proposed. Further discussion and decision-making on this activity cannot be traced back in the PSC meetings' minutes. Interviews in the field revealed that there was a difference of opinion on the feasibility of speedy implementation of the National Payroll system (as one interviewee mentioned "we agree to have different opinions"). It is noted that support to the National Payroll System was also provided by a US Treasury expert.

## Annex – Tables

**Table: Budget PFMP**

Calendar Year basis	2011-12	Revised 2011-12	2013	Total original	Total revised
Program Activity 1.1 Support for Program Management Office	1,155,000	548,217	1,020,620	2,175,620	1,568,837
Program Activity 1.2 Study and Design of Treasury Single Account	230,000	258,440	656,560	886,560	915,000
Program Activity 1.3 Support for Harmonization of Government Accounts	160,000	159,300	159,300	319,300	318,600
Program Activity 1.4 Whole of Government Training Program on Internal Controls/Internal Audit: DBM	100,000	100,000	100,000	200,000	200,000
Program Activity 1.5 Professionalising the PFM Workforce - Phase I	-		500,000	500,000	500,000
Program Activity 2.1 Strengthening the Financial Management System in DPWH Phase II (Extension)	610,000	609,835	610,000	1,220,000	1,219,835
Program Activity 2.4 Strengthening of Internal Audit Service in DepED	-		400,000	400,000	400,000
Program Activity 2.5 Strengthening of Internal Control/Internal Audit in DSWD (Phase II)	-	113,782	514,918	514,918	628,700
Program Activity 2.6 Strengthening of Financial Management System in DepED (Phase 2)	-		600,000	600,000	600,000
Program Activity 3.1 Conceptual Design of Philippines GIFMIS (Track II)	690,000	251,000	500,000	1,190,000	751,000

Calendar Year basis	2011-12	Revised 2011-12	2013	Total original	Total revised
Program Activity 3.2 Support to National Payroll System	350,000	-		350,000	-
Program Activity 4.1 Framework for Participatory Audit in the Philippines: COA	300,000	255,700	175,000	475,000	430,700
Program Activity 4.2 CSO Engagement Strategy for the Program	90,000	78,090		90,000	78,090
Program Activity 4.3 Scoping Study for Establishing a Public Accounts Committee	30,000	19,200	28,800	58,800	48,000
Program Activity 4.4 Support for Project Management Office of the Commission on Audit	-	-	60,000	60,000	60,000
Program Activity 4.5 Strengthening CSO Engagement in the Budget Process	-	10,000	340,000	340,000	350,000
Emerging issues/Capacity Building Activities (i.e. Training, workshops, study tours)	400,000	109,772	500,000	900,000	609,772
Advisor support cost (not allocated to program activities)		277,820	240,000	240,000	517,820
Technical Advisers Team (TAT)	442,472	396,068	495,994	938,466	892,062
Program management and evaluation	2,354,988	1,587,088	1,626,652	3,981,640	3,213,740
<b>TOTAL</b>	<b>6,912,460</b>	<b>4,774,312</b>	<b>8,527,844</b>	<b>15,440,304</b>	<b>13,302,156</b>

Table: Over- or underspending

	Actual	Budget	Over/ under spending	in %
1.1 Support for Program Management Office	1,689,504	1,568,837	120,667	7.7%
1.2 Study and Design of Treasury Single Account	849,782	915,000	-65,218	-7.1%
1.3 Support for Harmonization of Government Accounts	256,946	318,600	-61,654	-19.4%
1.4 Whole of Government Training Program on Internal Controls/Audit	92,052	200,000	-107,948	-54.0%
1.5 Professionalising the PFM Workforce - Phase I	505,353	500,000	5,353	1.1%
2.1 Strengthening the Financial Management System in DPWH Phase II (Extension)	1,239,124	1,219,835	19,289	1.6%
2.4 Strengthening of Internal Audit Service in DepED	306,867	400,000	-93,133	-23.3%
2.5 Strengthening of Internal Control/Internal Audit in DSWD (Phase II)	779,956	628,700	151,256	24.1%
2.6 Strengthening of Financial Management System in DepED	707,515	600,000	107,515	17.9%
3.1 Conceptual Design of Philippines GIFMIS (Track II)	650,958	751,000	-100,042	-13.3%
3.1 GIFMIS Procurement Phase TA and Advisory Support – Phase III	217,119	Not budgeted	217,119	
4.1 Framework for Participatory Audit in the Philippines	428,191	430,700	-2,509	-0.6%
4.2 CSO Engagement Strategy for the Program	107,607	78,090	29,517	37.8%

	Actual	Budget	Over/ under spending	in %
4.3 Scoping Study for Establishing a Public Accounts Committee	63,187	48,000	15,187	31.6%
4.4 Support for Project Management Office of the Commission on Audit	-	60,000	-60,000	-100.0%
4.5 Strengthening CSO Engagement in the Budget Process	259,443	350,000	-90,557	-25.9%
Emerging issues/Capacity Building	103,568	609,772	-506,204	-83.0%
Unallocated Advisor support costs	949,942	517,820	432,122	83.5%
Technical Advisory Team	1,613,877	892,062	721,815	80.9%
Programme management and evaluation	3,802,067	3,213,740	588,327	18.3%
<b>TOTAL</b>	<b>14,623,057</b>	<b>13,302,156</b>	<b>-1,320,901</b>	<b>-9.9%</b>

