



# Philippine Public Financial Management (PFM) Program

December 2012



# Outline

- A. What is PFM?
- B. PFM Gaps and Weaknesses
- C. PFM Roadmap and EO 55
- D. Status of PFM Projects



# WHAT IS PFM?




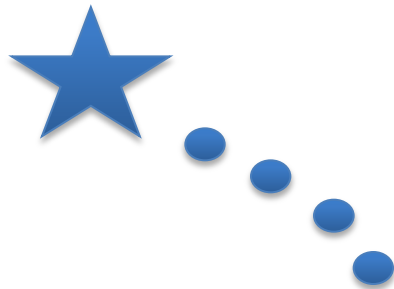
# What is PFM?

Public Financial Management (PFM) is a system of rules, procedures and practices for government to manage public finances in the areas of:

- budgeting
- accounting
- auditing
- cash management
- management of public debt
- revenue generation
- public reporting on public sector financial operations

# PFM Reform Program

  
MALACAÑAN PALACE  
MANILA  
BY THE PRESIDENT OF THE PHILIPPINES  
EXECUTIVE ORDER NO. 55



**Philippine**  
Public Financial Management  
**REFORM ROADMAP:**  
Towards Improved  
Accountability and Transparency  
2011 to 2015



**Tagaytay 4 (Aug, 2011)**  
**Action Planning (Moving Forward)**

**Tagaytay 3 (Jan 2011)**  
**Strategizing (Setting directions)**

**Tagaytay 2 (Feb 2010)**  
**Reaching an Agreement**

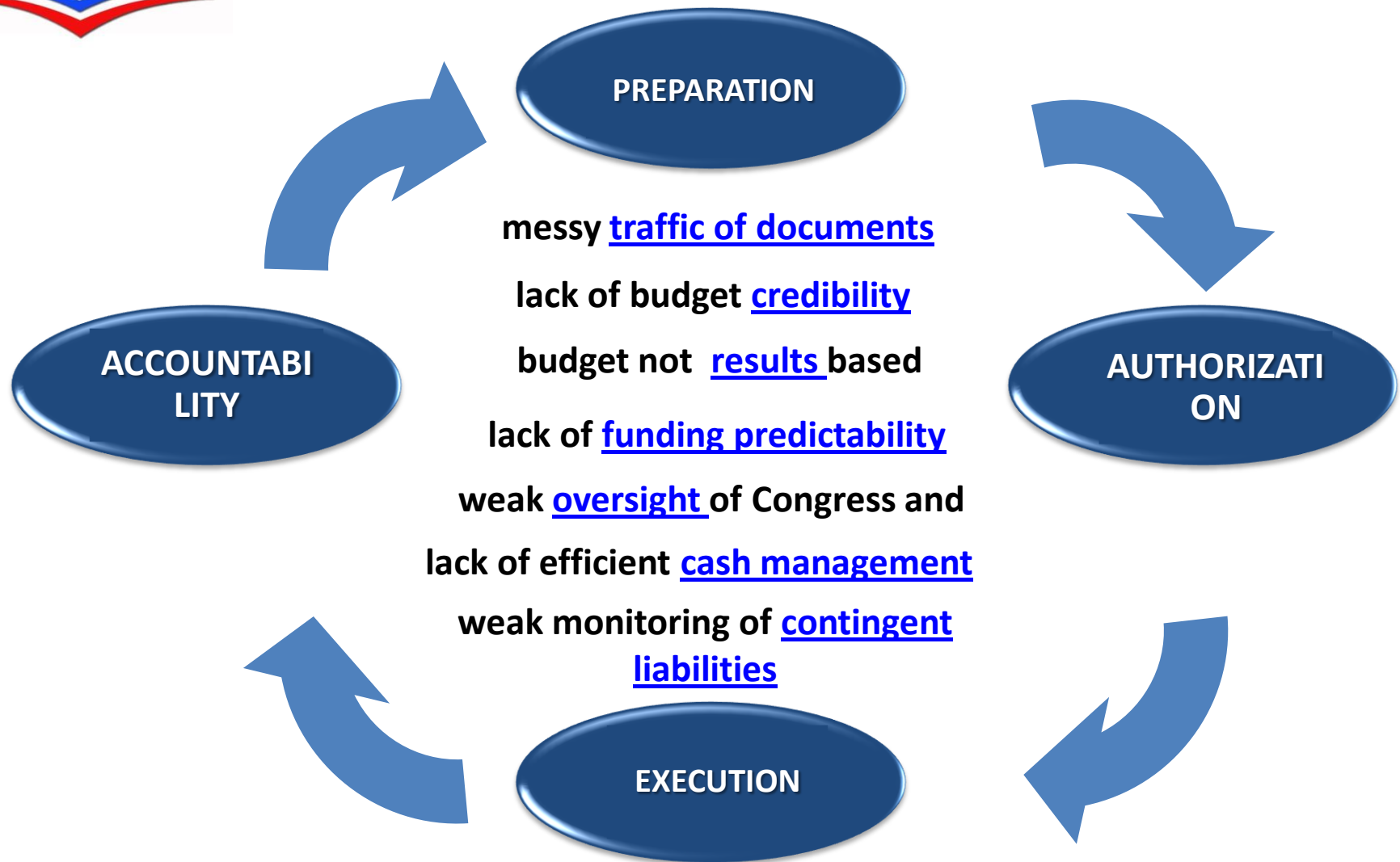
**Tagaytay 1 (May 2009)**  
**Getting Together**





# PFM GAPS

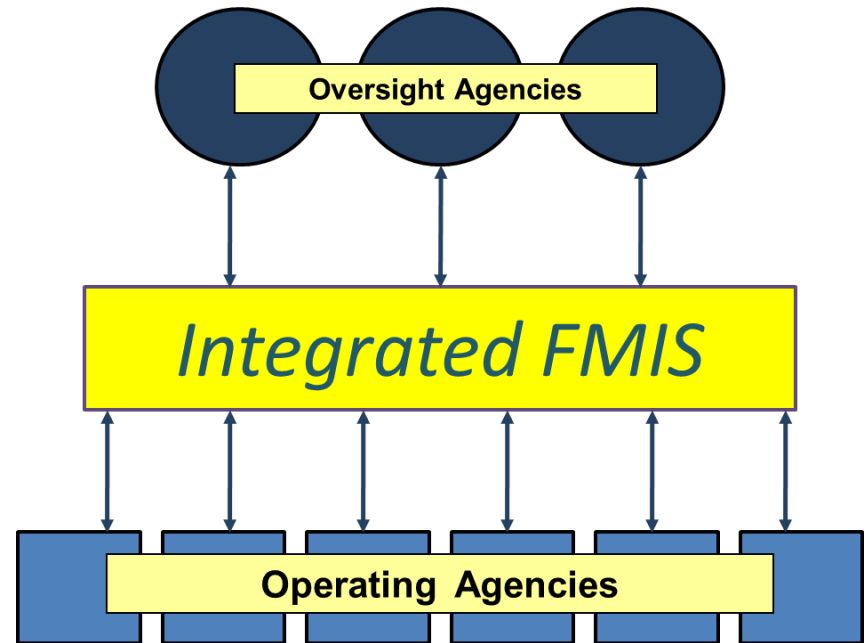
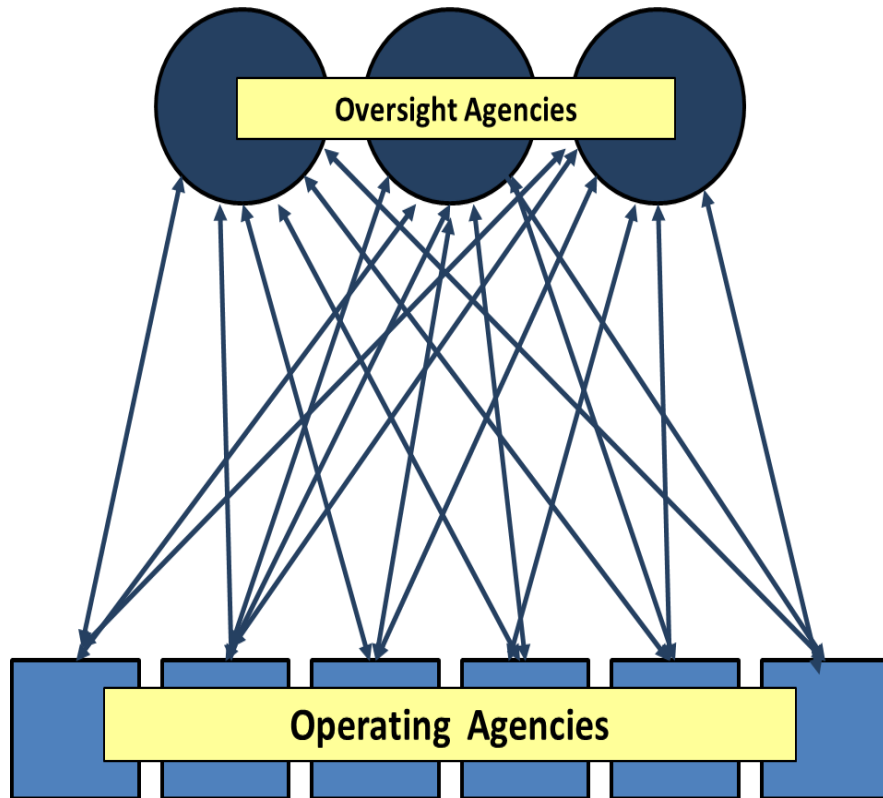
# PFM Gaps in the Budget Process



# Financial Reporting

In the long run, the Philippine PFM needs this kind of information system

This is now...





# PFM Gaps and Strategies

## GAP/WEAKNESS

Lack of a common classification system for budgeting, accounting, auditing and cash management

**Consolidated FM reporting requirements based on harmonized classification of all accounts**

**Real-time reports, access to financial data and control of obligations and disbursements for more effective financial control and accountability**

## STRATEGIES

Harmonize budgetary and accounting classifications and reporting

Codify PFM rules and complete PFM Rules Manual for capacity building

Identify common reporting requirements of oversight agencies and line departments

Revise New Government Accounting System (NGAS) Manual and chart of accounts

**DESIRED RESULTS**

## GAP/WEAKNESS

Lack of credibility of the budget

**Budget supports targets in the Plan**

**More efficient, transparent and accountable budget execution**

**Real time reporting on budget utilization by agencies and the Government.**

**Pro-active CSO support for budget transparency**



## STRATEGIES

Fast track implementation of Public Expenditure Management reforms

Avoidance of re-enacted budget, tightening of savings concept, fleshing out of lump sum funds

Facilitating development of Government Integrated Financial Management Information System

CSO engagement in the budget process

**DESIRED RESULTS**



## GAP/WEAKNESS

Budget not yet results-based



## STRATEGIES

Make agency accountability reports performance based; improve costing methodology for outputs

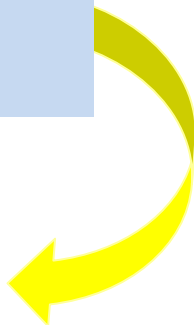
Strengthen results orientation of Agency Performance Reviews

Institutionalize results based budgeting framework through OPIF

Institutionalize Zero Based Budgeting (ZBB)

Budget decisions based more and more on physical and financial performance

**DESIRED RESULTS**



## GAP/WEAKNESS

Lack of funding predictability



## STRATEGIES

DBM and DBCC to approve allotment and cash release program at start of year and update midyear

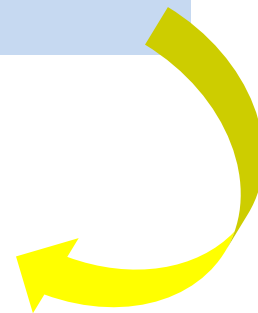
BTr and DBCC to improve cash management practices

Review validity of SAROs and NCAs

Study feasibility of using GAA as budget release document and eliminate releases thru SAROs

Predictable and streamlined allotment and cash release programs throughout the year to support agency operations based on DOFs reliable revenue forecasting and programming.

## DESIRED RESULTS



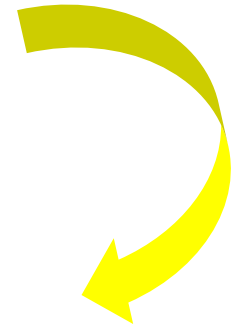
## GAP/WEAKNESS

Weak oversight role of Congress and the public over the budget process



## STRATEGIES

Capacity building for Congress and CSOs



## DESIRED RESULTS

Oversight Committees in Congress and the public use DBM and COA reports more extensively

## GAP/WEAKNESS

Lack of efficient cash management



## STRATEGIES

Improve Treasury Cash Management operations

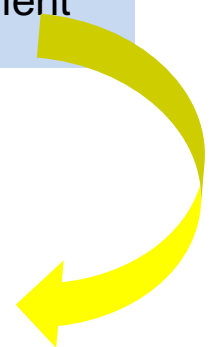
Complete inventory of agency bank accounts and rationalize their number

Shift to transaction-based fees for government banking arrangement

Improved Cash Programming by BTr and DBM

Predictable and stable revenue inflows and cash disbursements

**DESIRED RESULTS**



## GAP/WEAKNESS

Lack of accurate database on contingent liability

Improved system for capturing and reporting all liabilities of government entities; real and contingent

National Government able to manage all its financial exposure



## STRATEGIES

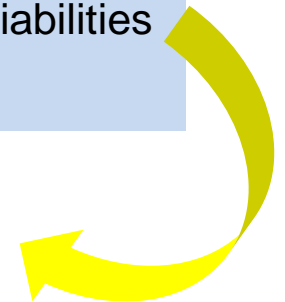
Compel agencies to disclose their contingent liabilities

Make DOF the authority on issuance of policy on contingent liabilities (for GOCCs and NGAs)

Monitor and report regularly contingent liabilities

Develop database on contingent liabilities

## DESIRED RESULTS





# **PFM REFORM ROADMAP (2011-2016)**





# Executive Order 55

## ***Directing the Integration and Automation of Government Financial Management System***

(signed by President Benigno S. Aquino on 6 September 2011)

### 1. Installation of PFM systems:

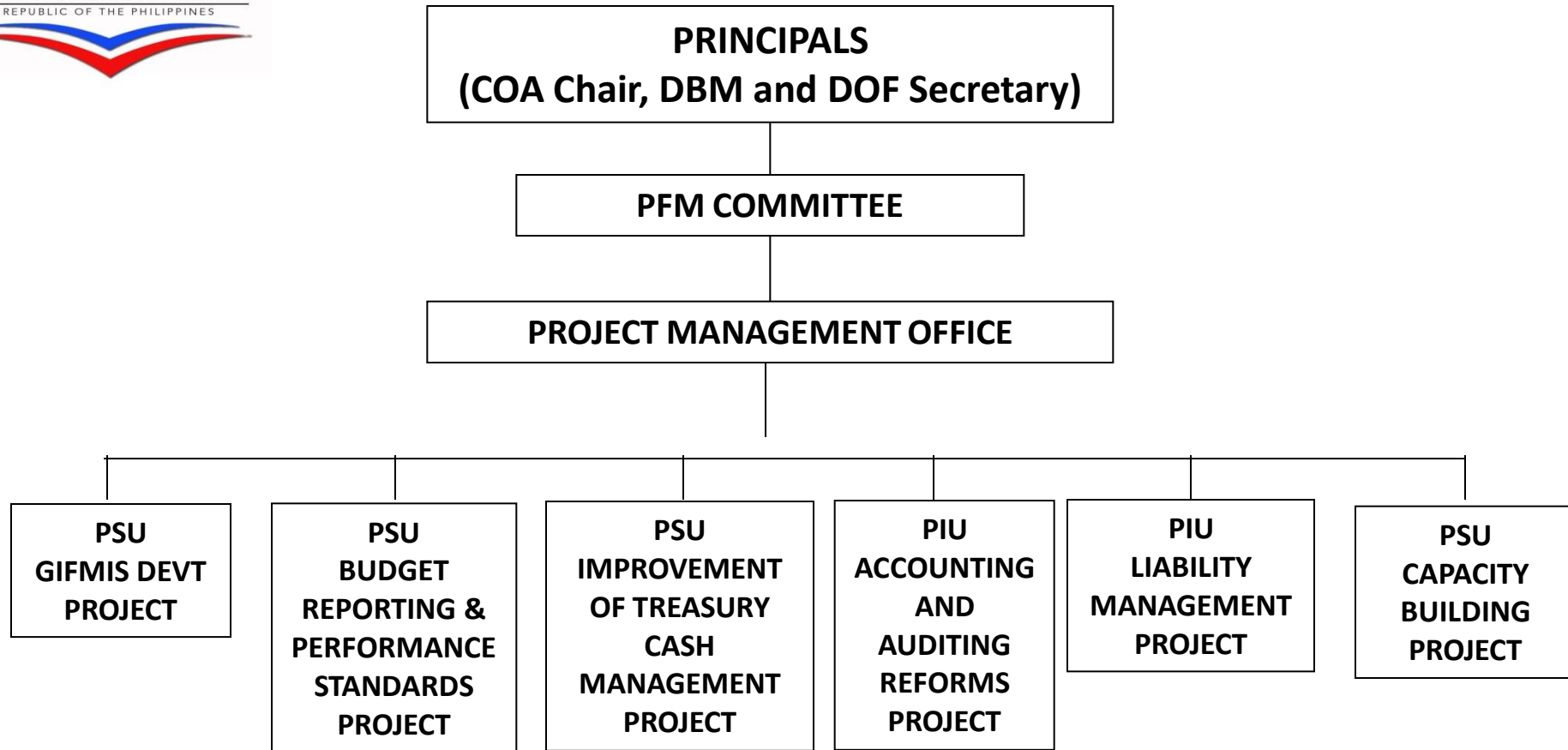
- Government Integrated Financial Management Information System (GIFMIS)
- Treasury Single Account (TSA)
- Efficient Budget Release System
- Systematic Financial and Physical Reporting and Auditing

### 2. Created the PFM Committee

- Devise a 5-year plan for the development and installation of GIFMIS
- Oversee the implementation of the PFM Reform Roadmap

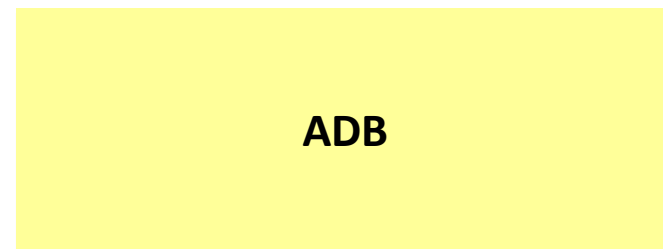
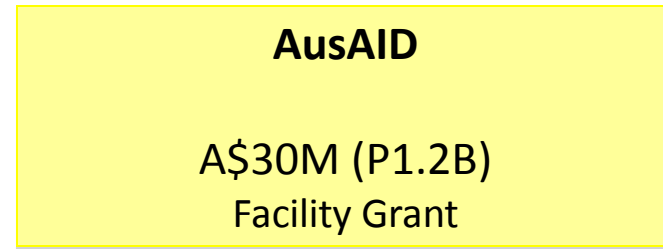
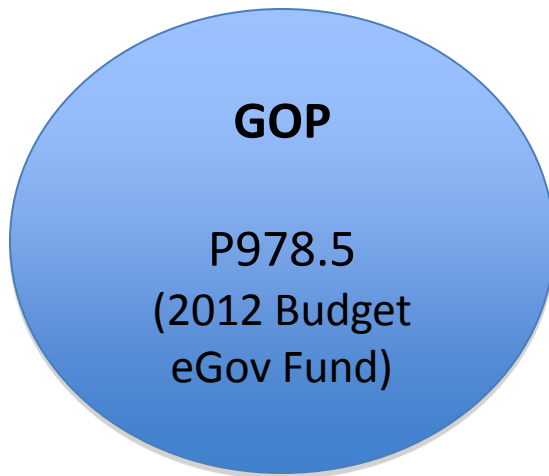


# PFM Governance Structure





# Funding Support





# Initial PFM Projects

<b><u>Project</u></b>	<b><u>Lead Agency</u></b>
1. Improvement of Treasury Cash Management Operations	BTr
2. Budget Reporting and Performance Standards	DBM
3. GIFMIS Development	DBM, DoF/BTr, COA
4. Liability Management	DoF
5. Capacity Building	DBM, DoF/BTr, COA
6. Accounting and Auditing Reforms	COA



# STATUS OF REFORM PROJECTS



# GIFMIS Development Project

## Objective

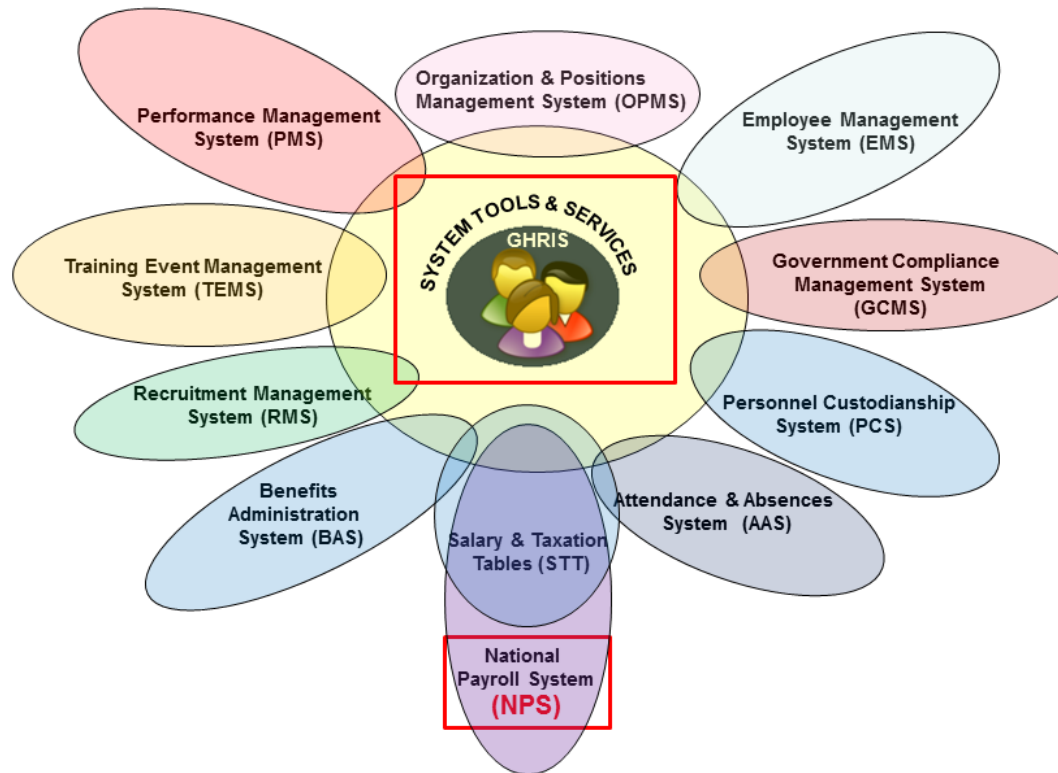
- Facilitate the physical development of a GIFMIS solution that can collect and organize financial information in a central database
- GIFMIS is an integrated web-based application to enable agencies to generate real-time, reliable and accurate financial reports

## Ongoing Key Activities

- National Payroll System (NPS) and payroll-related Government Human Resource Information System (GHRIS)
- Conceptual Design of GIFMIS
- Development of the Online Submission of Budget Proposal
- Enhancement of the eBudget Preparation Management System

# GHRIS & National Payroll System (NPS)

Government Human Resources Information System (GHRIS)



The **GHRIS** and NPS is an internet based system that will facilitate and automate all the human resource management functions of the National Government including a centralized database for payroll management.

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# Improvement of Treasury Cash Management Operations Project

## Objectives

- Increase operational efficiency of implementing agencies while minimizing cost of treasury operations
- Develop a system of cash management that can keep daily cash balances of government at appropriate levels
- Set up a Treasury Single Account (TSA) by 2014

## Ongoing Key Activities

- Inventory of bank accounts
- TSA Conceptual Design





# Budget Reporting and Performance Standards Project

## Objectives

- Harmonize and consolidate data structures and apply consistent set of budget and accounting rules for reporting
- Generate real-time reports on budget utilization and financial performance through GIFMIS (long term)
- Consolidated and agency level budget execution and budget utilization reports published in COA and DBM websites

## Ongoing Key Activities

- Formulation of Unified Account Code Structure by Dec 2012
- Harmonized budgetary classifications and chart of accounts
- Harmonized DBM and COA financial reporting forms
- Formulation of performance standards initially with restructuring of programs/activities/projects (NBC 532) and issuance of OPIF Reference Guide
- Glossary of PFM Terminologies



# Liability Management Project

## Objective

- to put in place a system for managing government's exposure to contingent and other liabilities

## Ongoing Key Activities

- GOCC Debt Reporting
- IFG Debt Management – development of system for national government debt and debt indicators
- Establishment of database system for contingent liabilities arising from PPP and other NG guarantees



# Accounting and Auditing Reforms Project

## Objective

- to continue enhancement of government accounting systems & strengthen external audit capacity

## Ongoing Key Activities

- Harmonized Philippine Public Sector Accounting Standards (PPSAS) with international standards (IFRS and IPSAS)
- Enhancement of NGAS
- Revised Chart of Accounts
- Developed Philippine Public Sector Standards on Auditing (PPSSA)
- Information Technology/Systems Audit
  - Development of a web-based Integrated Results and Risk-Based Audit Software (IRRBAS), a tool for IT/IS Audit



# Capacity Building Project

## Objective

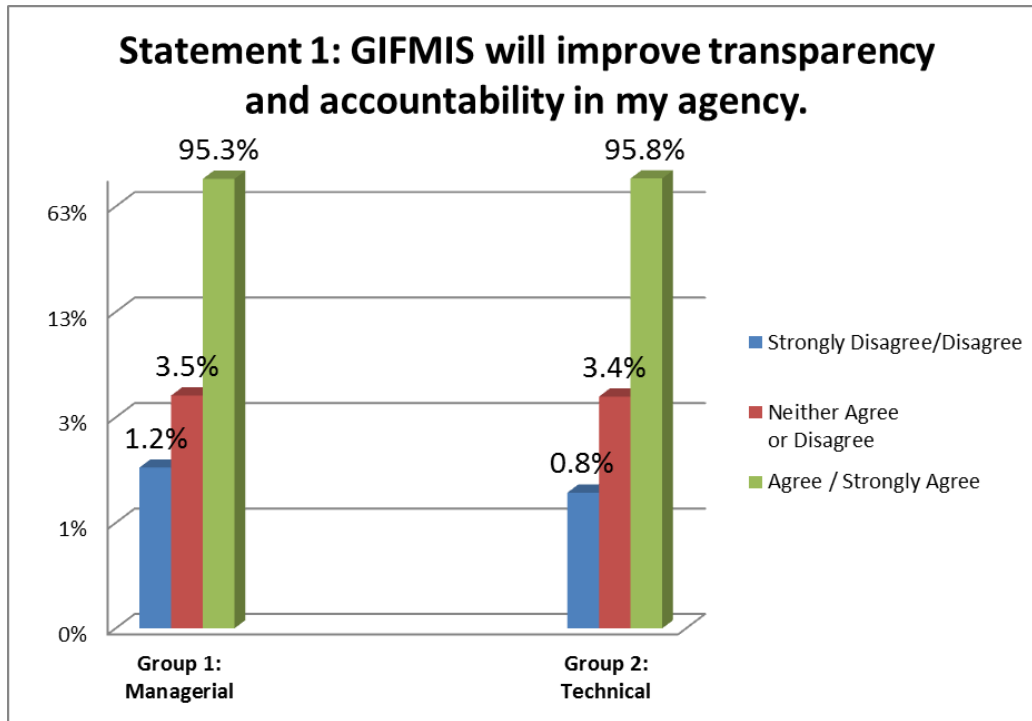
- develop skills of PFM workforce on PFM competencies and on reengineered business processes and/or applications
- build broad stakeholder support for the reforms
  - personnel of the oversight and implementing agencies
  - legislators
  - civil society organizations

## Ongoing Activities

- Training on Internal audit for all agencies
- Change management readiness surveys and workshops and various awareness and communication activities
- Training on the use of the Unified Account Code Structure and Online submission of budget proposal
- Development of PFM Competency Framework to professionalize PFM workforce

# Change Readiness Survey

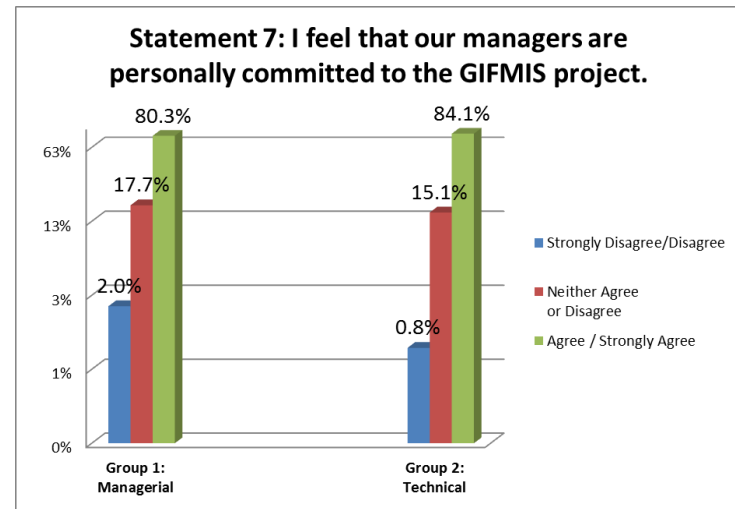
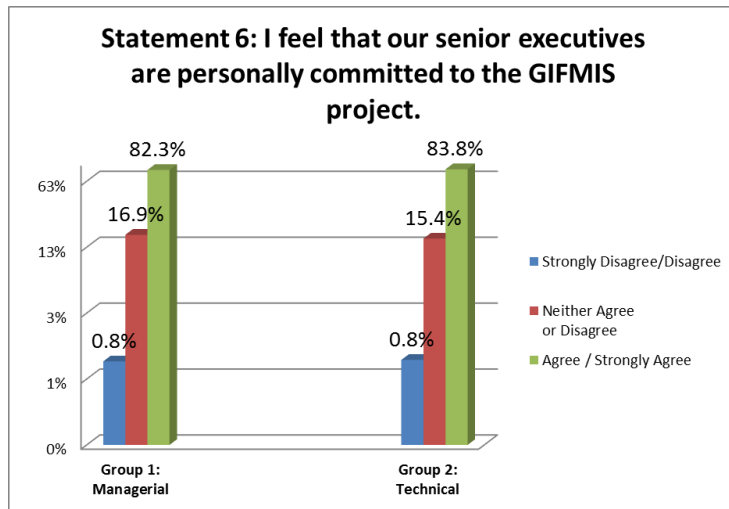
645 respondents: Managers (264) and Technical Staff (381).  
Strong agreement among managers and staff on survey items.



- ✓ GIFMIS will improve transparency and accountability in their agencies

# Change Readiness Survey

✓ Majority feel that senior executives and managers are personally committed to the GIFMIS project. Notably, about 20% of the respondents are undecided responding “Neither Agree or Disagree”



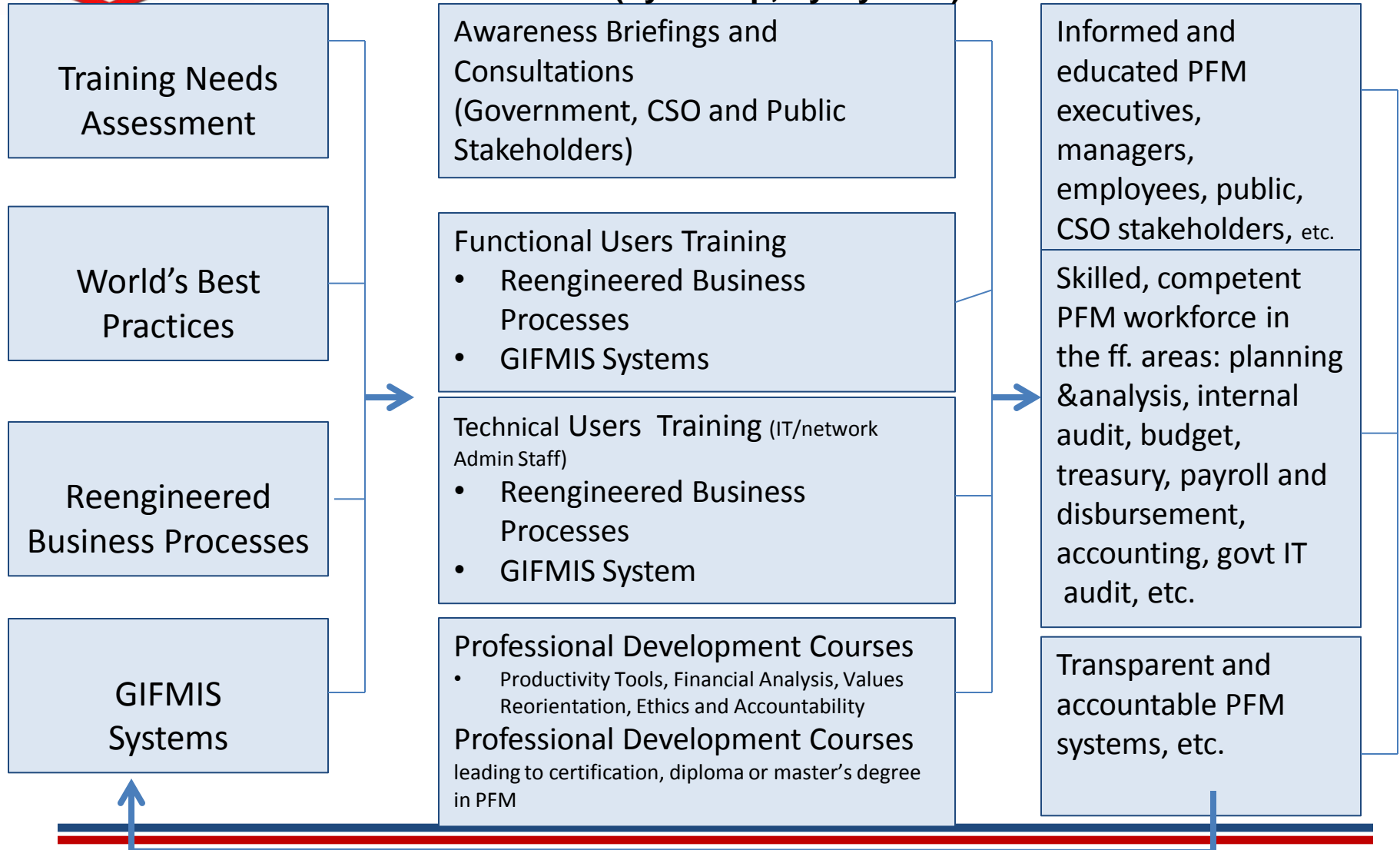
# PFM Learning and Development



## INPUTS

## LEARNING AND DEVELOPMENT PROCESSES (by Group, by System)

## DESIRED OUTPUT/OUTCOMES



Monitoring and Evaluation

**GIFMIS System**

**Budget Execution  
Module**

**NPS/GHRIS Prototype  
& System**

**Budget Preparation  
Module**

**TSA**

**Liability Management**

**Project Teams**

**Budget Classification & Unified  
Account Code Structure**

**Phil Public Sector  
Standards on Auditing  
Phil Public Sector  
Accounting Standards**

**Learning, Education  
and Development  
Communications/  
Change Mgt.**

**M&E**



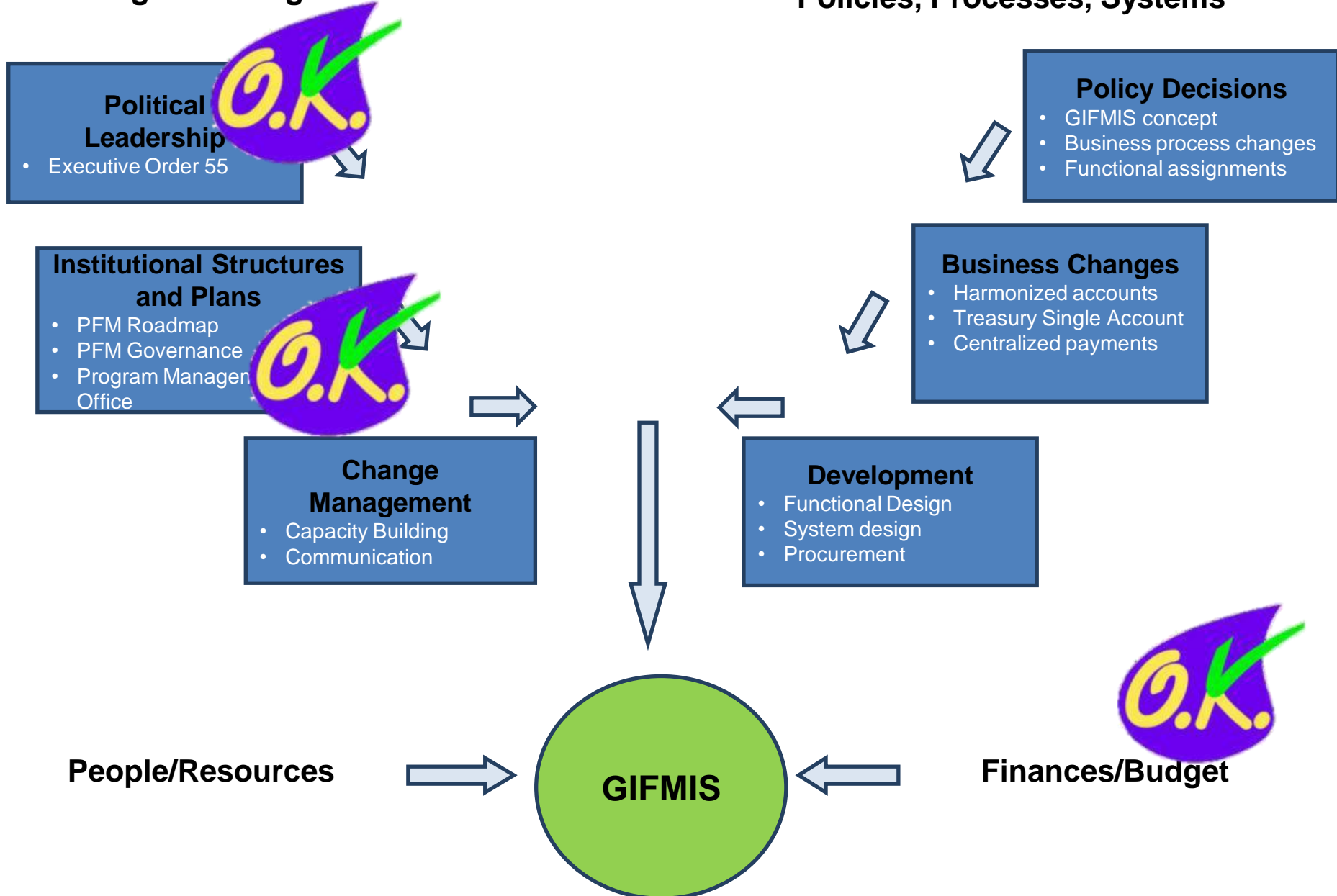
***BUCKET LIST***



# Critical Path to GIFMIS

## Management/Organizational

## Policies, Processes, Systems





# Top Three Actions in 2013

## 1. Developing the GIFMIS

- Implementing the prerequisites such as UACs, functional requirements gathering

## 2. Implementing the TSA

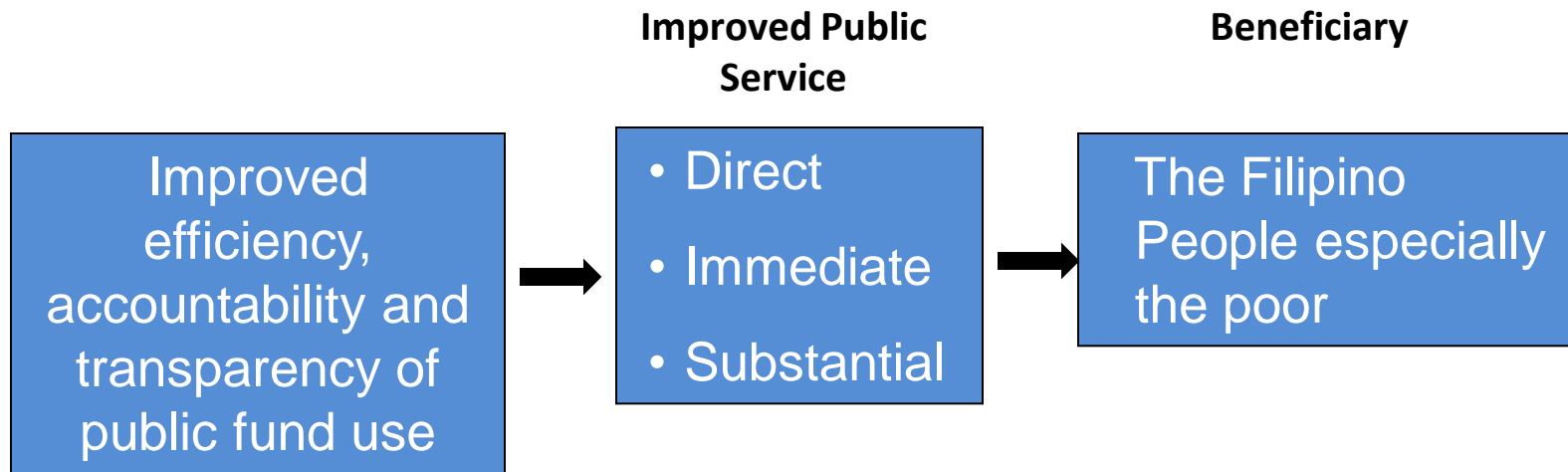
- Agreement among major stakeholders – DOF, Central Bank and government servicing banks

## 3. Professionalizing the PFM workforce

- Development of PFM Competency Framework leading to national qualifications system in the future
- 
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# PFM Reform Roadmap

## Leading the way to the right path





‘...it is incumbent on all of us to confidently assert that governments that do things right should have no problem keeping our fellow citizens informed and engaged, and are thus, partners of government in its fundamental task of addressing the needs of the people.

The result is an empowered citizenry, which is the essential aspiration at the heart of the digital revolution sweeping the globe...’

**President Benigno S. Aquino III**

**Speech at "The Power of Open: A Global Discussion"**

Google New York, 75th Ave., New York

19 September 2011

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“Honest and effective governance –  
truly transparent, disciplined and  
serving the interest of the country  
and its people”

*Philippine PFM Vision*

**[www.pfm.gov.ph](http://www.pfm.gov.ph)**

Thank You!