



The Spending Challenge and Implications to Public Sector Performance

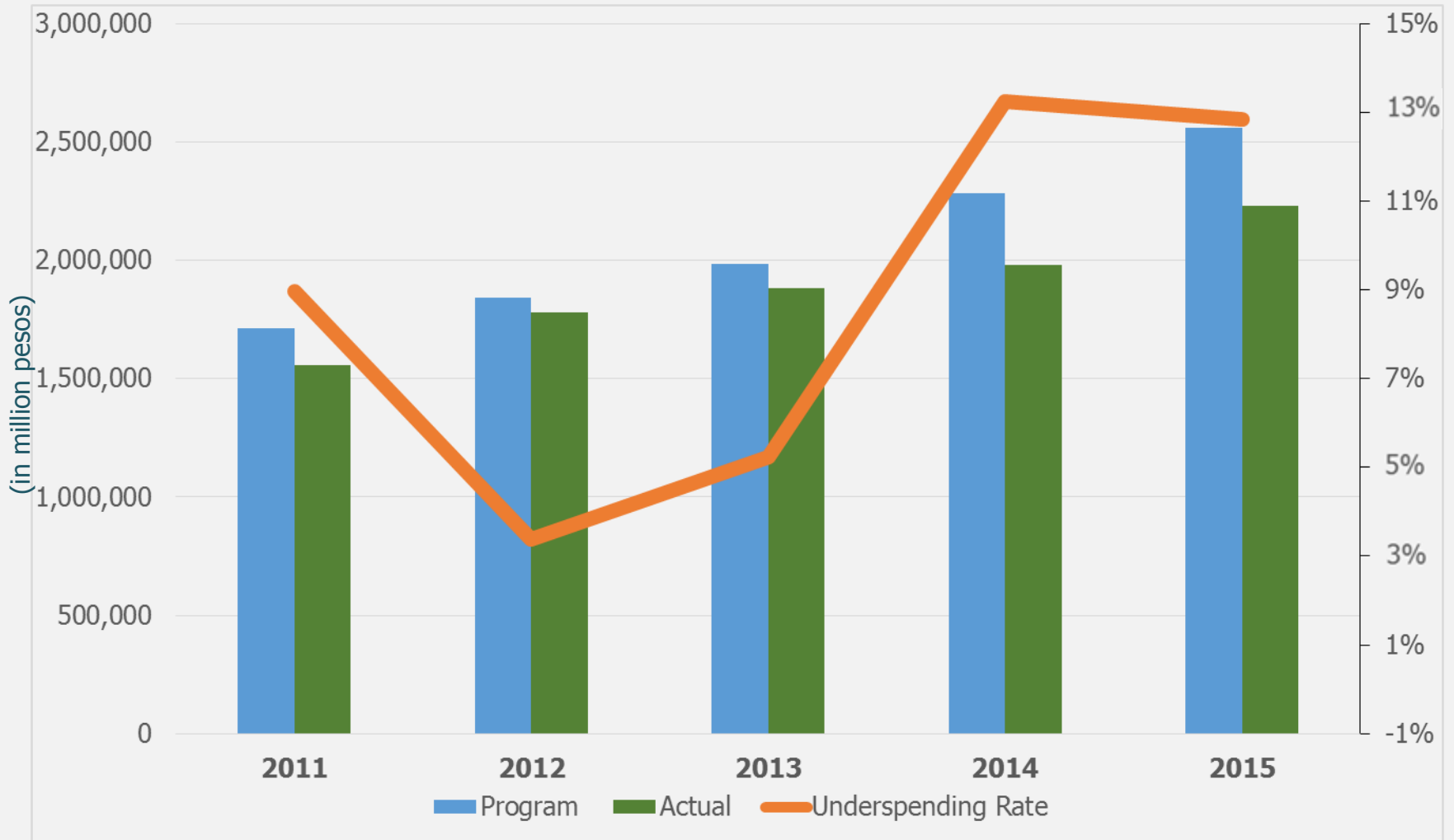
November 16, 2016



Republic of the Philippines

DEPARTMENT OF BUDGET AND MANAGEMENT

The Spending Challenge



Full-Year Disbursement Performance

(in billion pesos)

YEAR	PROGRAM	ACTUAL	UNDERSPENDING	
			AMOUNT	%
2011	1,711.3	1,557.7	(153.6)	-9.0%
2012	1,839.7	1,777.8	(61.9)	-3.4%
2013	1,983.9	1,880.2	(103.7)	-5.2%
2014	2,284.3	1,981.6	(302.7)	-13.3%
2015	2,558.9	2,230.6	(328.3)	-12.8%



FY 2016 Disbursement Performance

(in billion pesos)

YEAR/ QTR	PROGRAM	ACTUAL	UNDERSPENDING	
			AMOUNT	%
<u>FY 2016, TOTAL</u>	<u>2,995.4</u>	<u>1,860.5</u>	<u>(1,134.9)</u>	<u>-37.9%</u>
Q1	680.7	591.5	(89.2)	-13.1%
Q2	705.0	629.8	(75.2)	-10.7%
Q3	787.4	639.2	(148.2)	-18.8%
Q4	822.3	?	?	?



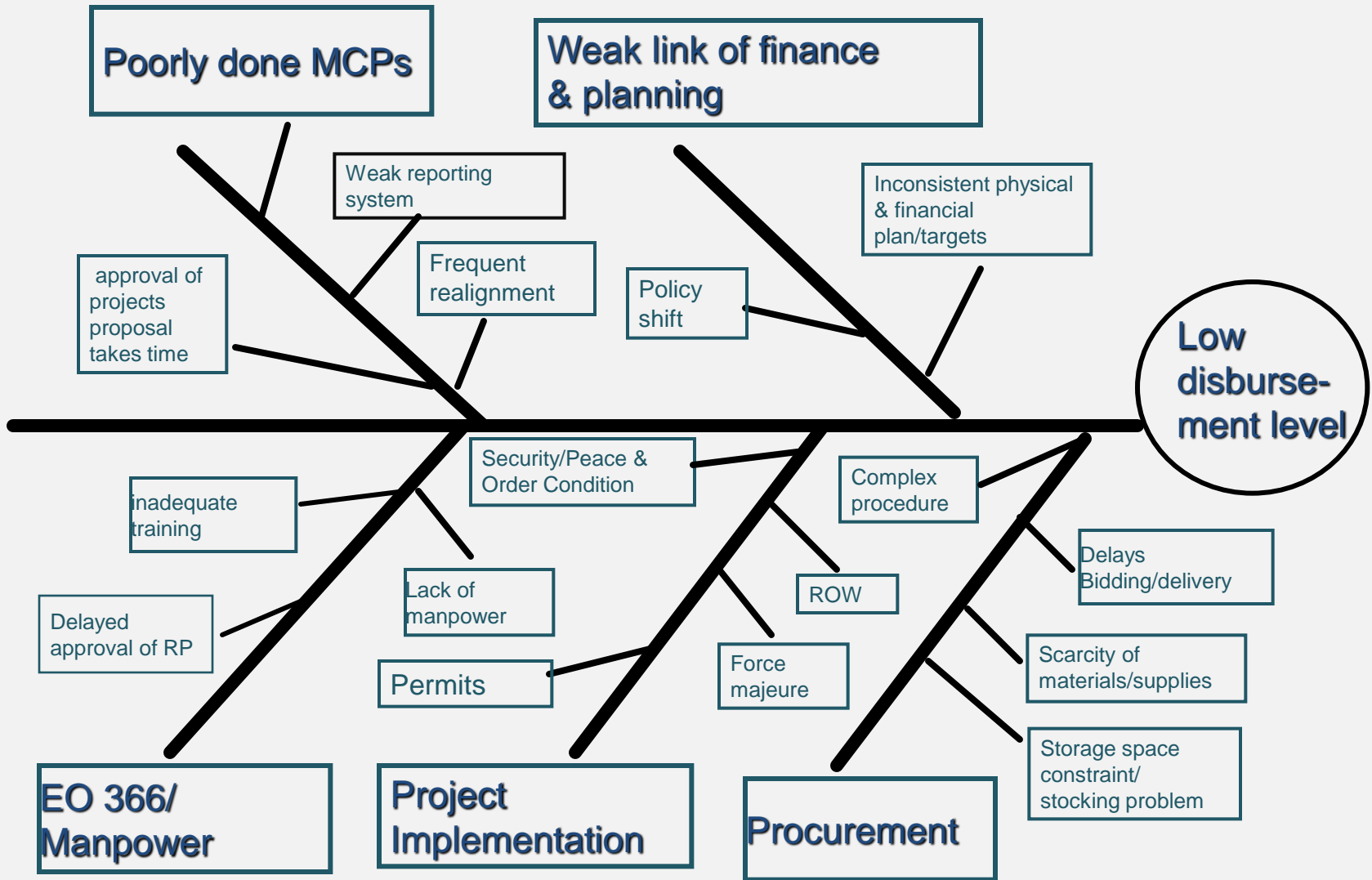
THE PROBLEM

LOW DISBURSEMENT MEANS THREE THINGS:

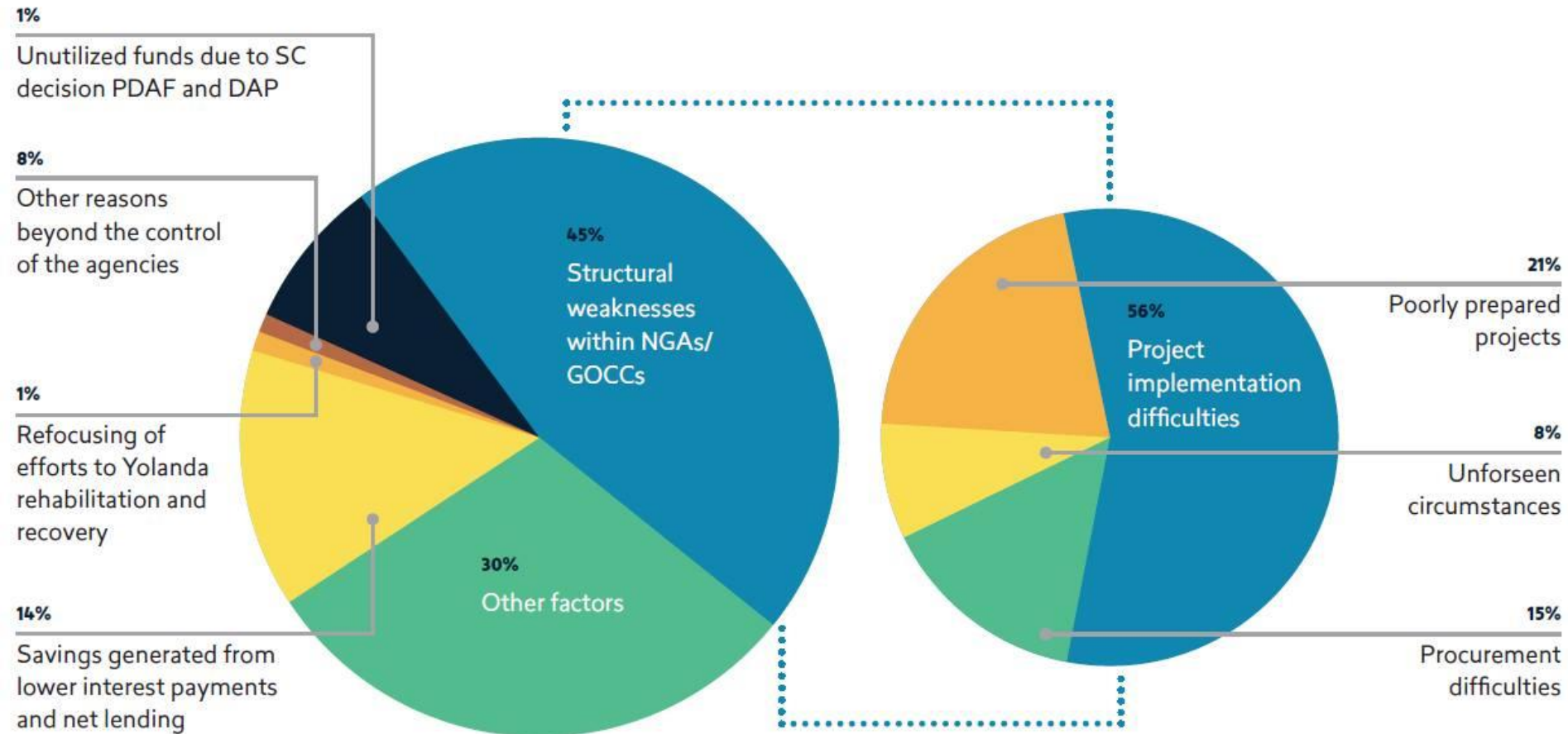
- ❖ Delivery of public service is delayed
- ❖ Involves additional/unnecessary cost of borrowing by BTr
- ❖ A drag to GDP growth



Entry Points to Solve the Problem



Reasons for Underspending



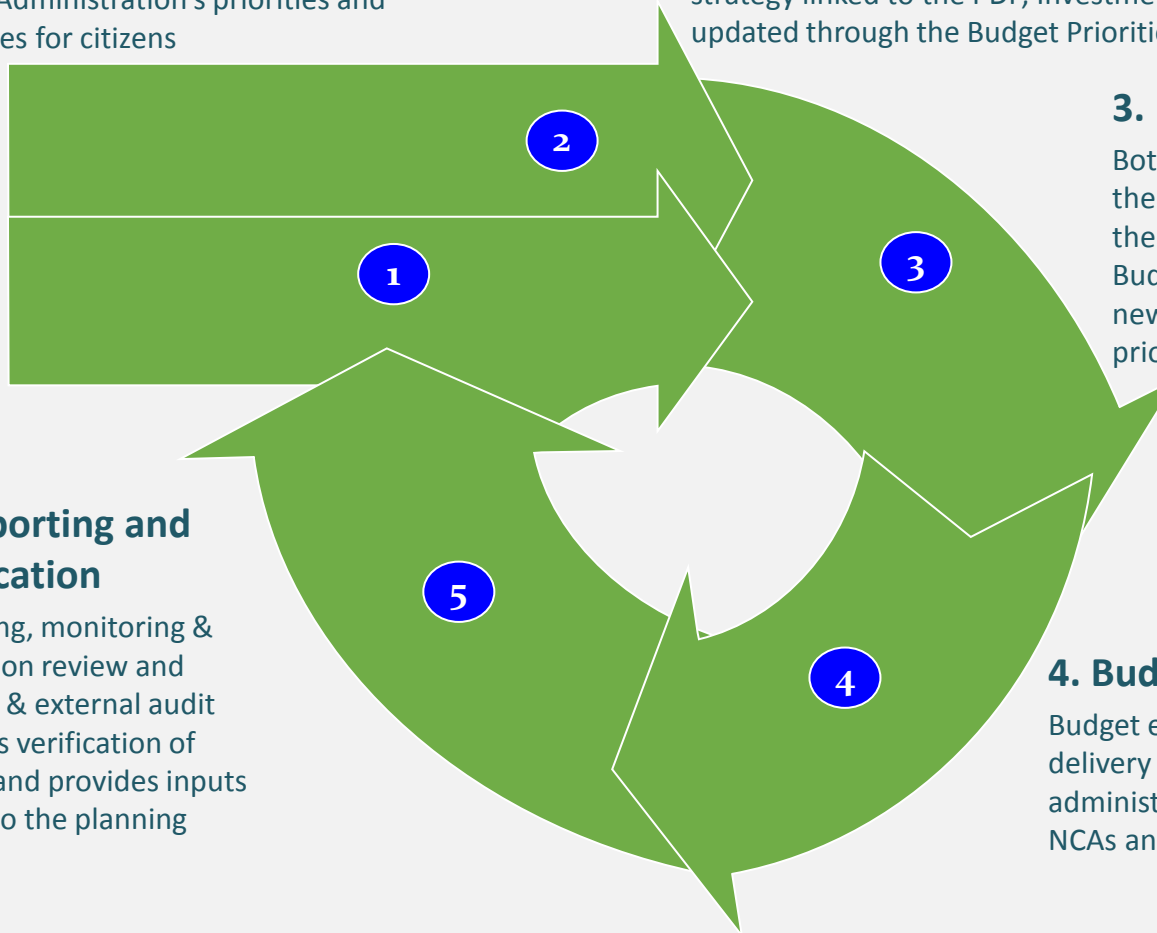
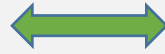
PFM Cycle in the GOP

1. Agency Planning and Priority Setting

Agency priorities are derived from the departmental mandate, the Administration's priorities and ongoing services for citizens

2. Whole-of-Government Planning and Priority Setting

Top-down: Priority setting through medium term fiscal strategy linked to the PDP, Investment Plan and annually updated through the Budget Priorities Framework (BPF)



3. Budget Preparation

Bottom-up: Spending agencies link their respective strategic plan with their operational plan and draft Budget proposal accordingly. Link of new policy initiatives to government priorities is highlighted in the BPF

5. Reporting and Verification

Reporting, monitoring & evaluation review and internal & external audit provides verification of results and provides inputs back into the planning process

4. Budget Execution

Budget execution and service delivery to citizens through the PAPs administered through Allotments, NCAs and SAROs



Agency Planning and Priority Setting

- Agency mandate defines the service it delivers
- Planning integrates the Administration priorities with Agency priorities:
 - Administration's Strategic Priorities for the Agency over a 5-6 year period are reflected in the Agency Strategic Plan
 - Core business or the day to day operations of the Agency are reflected in the Operational Plan
- Agency plans include the integration of citizens' bottom up requests
- Agency Strategic Plan + Operational Plan should serve as basis for the Agency's Budget Requirements



Whole-of-Government Planning and Priority Setting

- The Administration defines its whole-of-government priorities at the beginning of its term through the:
 - Medium Term Fiscal Plan (MTFP) and Expenditure Program (MTEP) linked to the Philippine Development Plan (PDP) and Investment Plan (PIP)
- PDP and PIP are annually updated through the SONA and Budget Priorities Framework (BPF) which provides the basis for the Budget Call
- These take place in the context of a medium term economic framework, usually a 3-5 year period

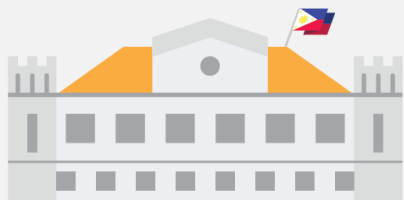


Planning & Priority-Setting

Timeframe: August to December

Key Processes:

1. Strategic Planning
2. Ranking of programs, activities, & projects by order of priority
3. Listing major investment projects
4. Creation of Operational Plans, Annual Procurement Plans, & Project Procurement Management Plans

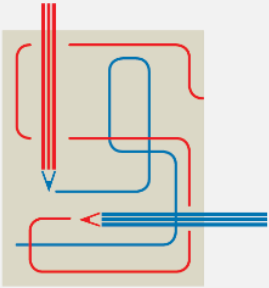


Budget Preparation

Timeframe: December to May

Key Processes:

1. Two-Tier Budgeting
2. Submission of reports on the prior year's budget to inform Tier 1
3. Submission of implementation-ready proposals for Tier 2
4. Providing DBM with complete details of major programs & projects

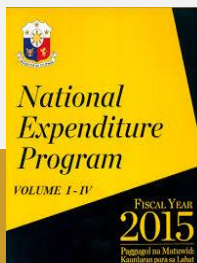
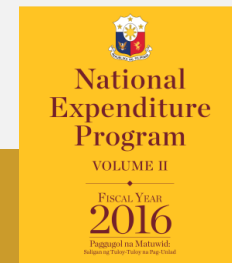


Budget Preparation



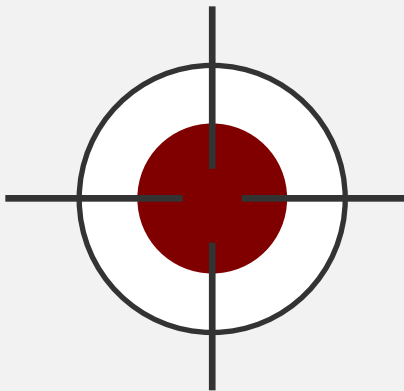
Government uses as a two-tier budgeting approach

- Tier 1 is for ongoing spending and covers existing programs included in the Agency Operational Plan
 - Tier 1 proposals are assessed on the basis of forward estimates and agency performance
- Tier 2 is for new spending and covers new programs and expansion of existing programs included in the Agency Strategic Plan
 - Tier 2 proposals are assessed on the basis of alignment of the Agency Strategic Plan to the BPF plus agencies ability to deliver the program



Budget Preparation

Two-Tier Approach: More Focused Budgeting



Separates the **discussions and deliberations** for ongoing/existing programs/projects and entirely new spending measures/proposals, including the expansion of the ongoing/existing.

3 Main Objectives:

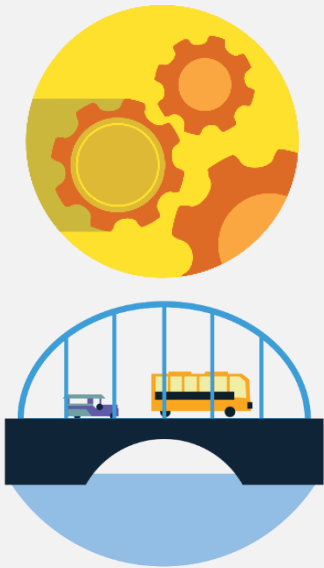
- ❖ Streamlines the budget preparation process
- ❖ Enhances the accountability of departments/agencies to prioritize and manage spending
- ❖ Engages the President and the Cabinet in setting the strategic direction and distribution of the unallocated fiscal space



Budget Execution

Timeframe: January to December

Key Processes:



1. GAA-as-Release Document:
Disaggregation of agency lump sum funds
2. Improving procurement
3. Instituting Full-time Delivery Units
4. Enhancing Technical Capacity
5. Implementing other Systems Improvement Mechanisms



Budget Execution

- Once Congress approves the Budget, the Government can begin execution
- DBM issues allotment to authorize agencies to incur obligations
- Agencies incur obligations including through procurement
- Agencies pay their obligations to deliver programs and projects



GAA-as-Release Document

- GAA serves as the authority for the agencies to enter into contracts & award bids as soon as the 1st working day of the fiscal year
- Only remaining lump-sum funds & other items in the Negative List requires the processing & the release of SAROs
- **Complete submission of details** → faster release



Improving Procurement

Only 24% of the total APP in 2012 was awarded

1. Conduct **early procurement** after NEP submission (DBM Circular Letter 2010-9)
2. Award contracts on the first day of the fiscal year
3. Hire full-time technical staff for the BAC Secretariat (AO 46)
4. Increase the number of BACs & decentralize them to operating units



Procurement Planning and Budget Linkage



- Procuring Entity (PE) prepare proposed budget for succeeding CY.
- PE considers budget framework to reflect project priorities and objectives.



- End-User shall prepare Project Procurement Management Plan (PPMP) for various PAPs.
- PPMP shall be submitted to the Budget Office.



- Budget Office shall evaluate end-user's submitted PPMP; if warranted, shall include it in the PE's Budget Proposal for Approval by the Head of the Procuring Entity (HOPE).
- After Budget Proposal is approved by HOPE, Budget Office shall furnish PE's Budget Proposal and PPMPs to the BAC Secretariat for review and consolidation into the proposed Annual Procurement Plan (APP).



- Soon as the NEP is final, the End-Users shall revise and adjust the PPMPs to reflect budgetary allocation for their PAPs.
- Revised PPMPs shall be submitted to BAC, through the Secretariat, for the finalization of the MODES OF PROCUREMENT in the proposed APP.
- BAC starts procurement process, stopping short of award.



Annual Procurement Plan (APP)

VS

Procurement Monitoring Report (PMR)



APP Sample 1

Code (PAP)	Procurement Program/Project	PMO/End-User	Mode of Procurement	Schedule for Each Procurement Activity				Source of Funds	Estimated Budget (PhP)			Remarks (brief description of Program/Project)
				Ads/Post of IB/REI	Sub/Open of Bids	Notice of Award	Contract Signing		Total	MOOE	CO	
A.1	GENERAL ADMINISTRATION AND SUPPORT											
	A.1 General Administration and Support Services											
	Travelling Expenses			Schedule for Each Procurement Activity								National & local trips
	1st/ 2r			Ads/Post of IB/REI	Sub/Open of Bids	Notice of Award	Contract Signing					Telephone Landline/Internet/Mobile
	Communication Expenses											
	1st/ 2r											Regular office supplies/Other inventory supplies/Electrical/Janitorial/IT supplies & other peripherals/Carpentry/Accountable Forms/Upholstery/Plumbing/Gasoline, Oil & Lubricants/Petty Cash Fund/and other items.
	Repairs and Maintenance											office water supply
	1st/ 2r											power supply
	Supplies and Materials											National/Local/In-house trainings (CO/COA/CSC/GPPB/DBM/PhilGeps/CPO Archives/etc.)
	1st/ 2r											Registration of motor vehicles (2), motorcycles (3) Insurance of Building, Warehouse, (2) motor vehicles, (3) motorcycles. Fidelity Bonds (RD/PO IV/IO III/AO V/AO I/AA VI)
	Rent											Security Guards (2), Janitorial (1)
	Water Expenses											
	1st/ 2n											
	Electricity & Illumination Expenses											
	1st/ 2n											
	Training and Scholarship											
	1st/ 2n											
	Taxes and Insurance	RPO XI	Direct					GOP	130,000.00	130,000.00		
	1st/ 2nd / 3rd / 4th Quarter							GOP	150,000.00	150,000.00		
	Other Professional Services	RPO XI	Public Bidding/ Direct (JO)					GOP	150,000.00	150,000.00		
	1st/ 2nd / 3rd / 4th Quarter											
	Printing and Binding	RPO XI	LSB/SB/S/Direct									



APP Sample 2

Code (PAP)	Procurement Program/Project	PMO/ End-User	Mode of Procurement	Schedule for Each Procurement Activity												Source of Funds	Estimated Budget (PhP)			Remarks (brief description of Program/Project)
				Pre-Proc Conference	Ads/Post of IAEB	Pre-bid Con	Eligibility Check	Sub/Open of Bids	Bid Evaluation	Post Qua	Notice of Award	Contract Signing	Notice to Proceed	Delivery/ Completion	Acceptance/ Turnover		Total	MOOE	CO	
	SUPPLIES			January to December, 2016												GAA	73,000.00			
	Accountable Forms	Cashier	Agency to Agency/	January to December, 2016												Income	55,000.00			
	Office & Computer Supplies	All Sections	Agency to Agency/ Shopping/Small Value	January to December, 2016												GAA	934,000.00			
	Drugs and Medicines	Pharmacy	Public bidding	February , 2016	March , 2016	April 2016									GAA	5,700,000.00				
			Public bidding	July 2016	August 2016	September 2016										MHCAP	7,500,000.00			
	Hospital Supplies	Nursing Service	Public bidding	April, 2016	May 2016	June 2016									Revolving	2,000,000.00				
			Public bidding	August 2016	September 2016	October 2016										MHCAP	7,500,000.00			
	Dental Supplies	Dental	Public bidding	April, 2016	May 2016	June 2016									GAA	189,490.00				
			Public bidding	August 2016	September 2016	October 2016										GAA	541,400.00			
	Laboratory Supplies	Laboratory	Public bidding	April, 2016	May 2016	June 2016									GAA	135,350.00				
			Public bidding	August 2016	September 2016	October 2016										GAA	135,350.00			
	Rehabilitation Supplies	Rehabilitation	Public bidding	April, 2016	May 2016	June 2016									GAA	135,350.00				
			Public bidding	August 2016	September 2016	October 2016										GAA	135,350.00			
	X-ray Supplies	Radiology	Public bidding	April, 2016	May 2016	June 2016									GAA	81,210.00				
	Cataract Supplies	Medical	Public bidding	April, 2016	May 2016	June 2016									GAA	81,210.00				
	Plumbing Supplies	Plumbing	Shopping/Small Value	January to December, 2016												GAA	279,450.00			
	Electrical Supplies	Electrical	Shopping/Small Value	January to December, 2016												GAA	311,000.00			
	Carpentry Supplies	Carpentry	Shopping/Small Value	January to December, 2016												GAA	722,000.00			
	Motor Pool Supplies	Motor Pool	Shopping/Small Value	January to December, 2016												GAA	546,000.00			
	Housekeeping Supplies	All Sections	Shopping	January to December, 2016												GAA	205,500.00			
	Subsistence Supplies	Dietary	Shopping	January to December, 2016												GAA	4,860,000.00			
			Agency to Agency	January to December, 2016												Income	150,000.00			
	Gasoline, oil & lubricants	Motor Pool	Agency to Agency	January to December, 2016												GAA	1,116,000.00			
	Hospital Programs	Coordinators	Shopping	January to December, 2016												GAA	246,800.00			
				January to December, 2016												GAA	257,000.00			



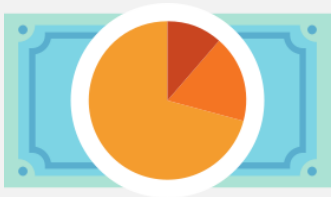
PMR Sample 1

Code (PAP)	Procurement Program/Project	PMO/	Mode of Procurement	Actual Procurement Activity								Acceptance/ Turnover	Source of Funds			
				Actual Procurement Activity												
				Pre-Proc Conference	Pre-bid Conf	Eligibility Check	Sub/Open of Bids	Bid Evaluation	Post Qual	Notice of Award	Contract Signing / Date P.O. signed/JO/APR			Notice to Proceed	Delivery/ Completion	Acceptance/ Turnover
PR 001-16	Purchase of 40-												01-Feb-16	GOP		
PR 002-16	12,000 bkts CW													GOP		
PR 003-16	1-year subscrip												016	GOP		
PR 004-16	1-lot Preventive 2016)						28-Jan-16	28-Jan-16	01-Feb-16	01-Feb-16			2016	GOP		
PR 005-16	1-lot Supply of L												2016	GOP		
PR 006-16	Rental of Heavy													GOP		
PR 007-16	1-lot Preventive 2016)			20-Jan-16	20-Jan-16	20-Jan-16	28-Jan-16						2016	GOP		
PR 008-16	1-lot Supply of F			29-Jan-16	29-Jan-16	29-Jan-16	01-Feb-16	30-Mar-16	30-Mar-16	30-Mar-16	April to December 2016			GOP		
PR 008-16	1-lot Supply of F Bid			10-Feb-16	10-Feb-16	10-Feb-16	11-Feb-16	19-Feb-16	08-Mar-16	08-Mar-16	March to December 2016			GOP		
PR 009-16	1-lot Subscrip			29-Jan-16	29-Jan-16	29-Jan-16	02-Feb-16	12-Feb-16	04-Mar-16	04-Mar-16	March to December 2016			GOP		
				29-Jan-16	29-Jan-16	29-Jan-16	05-Feb-16	17-Feb-16	27-Apr-16	27-Apr-16	May to Dec. 2016					
PR 009-16	1-lot Subscrip			29-Jan-16	29-Jan-16	29-Jan-16	02-Feb-16	16-Feb-16	14-Mar-16	14-Mar-16	March to December 2016		06-Jun-16	GOP		
PR 010-16	Various Consum			29-Jan-16	29-Jan-16	29-Jan-16	02-Feb-16						18-Feb-16	GOP		
PR 010-16	Various Consumables	PPMD	PS-DBM								01-Feb-16	09-Mar-26	09-Mar-16	GOP		
PR 010-16	Various Consumables	PPMD	PS-DBM								01-Feb-16	11-Mar-26	11-Mar-16	GOP		
PR 010-16	Various Consumables	PPMD	PS-DBM								01-Feb-16	16-Mar-16	16-Mar-16	GOP		
PR 010-16	Various Consumables	PPMD	PS-DBM								01-Feb-16	31-Mar-16	31-Mar-16	GOP		
PR 010-16	Various Consumables	PPMD	PS-DBM								01-Feb-16	06-May-16	06-May-16	GOP		



Instituting Full-time Delivery Units

1. Designate a full-time responsible officer, with a rank not lower than an Undersecretary, and personnel who shall **monitor implementation and address delays in execution**
2. Meet with DBM to formulate measures & identify success indicators to improve disbursement targets



Enhancing Technical Capacity

16% of the total civilian positions are unfilled



1. Hire technical staff aggressively that match the competence needs

2. Review organizational setup & redeploy redundant positions



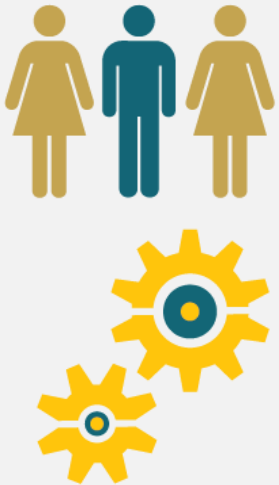
3. **Scrap & Build:** Consolidate lower positions to create positions with higher salary grades



Enhancing Technical Capacity

16% of the total civilian positions are unfilled

4. Enhancing productivity doesn't have to mean expanding the organization
5. Outsource functions like janitorial, security, & packaging positions where private firms can better handle the work
6. Explore hiring project-based personnel



Other Systems Improvement Mechanisms

1. Leverage ICT to automate processes
2. Capacitate the Management Unit (DBM Circular Letter 2008-5)
3. Pursue ISO Certification
4. Institutionalize a Knowledge Management System
5. Implement Project Repeal

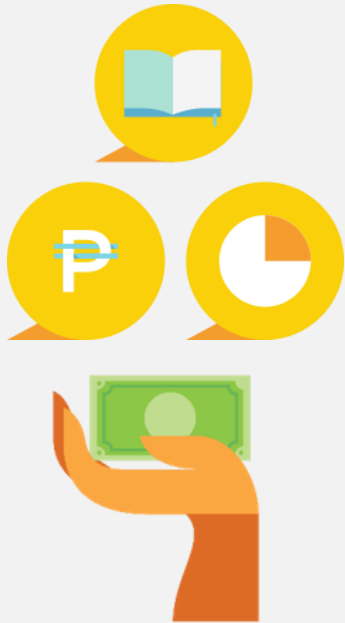


Budget Accountability

Timeframe: January to December

Key Processes:

1. Regular & timely submission of complete budget accountability reports
2. Complying with the requirements of the **Performance-Based Bonus** of the AO25 strategically to improve and reward agency performance



Monitoring System

Budget Execution/ Accountability Reports



Monitoring - a continuous function that uses **systematic collection of data** on specified **indicators** to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds

Evaluation - the systematic and objective **assessment** of an ongoing or completed project, program or policy, its design, implementation and results

Reporting - real-time **feedback** on the progress of a given program/project. This will give useful, credible, timely and evidence-based information for decision making and accountability purposes.



What are BEDs?

BEDs are annual documents required at the onset of budget execution phase, which contain agencies' targets and plans for the current year.

DBM Issuance:

Circular Letter 2016-9 – Submission of the Annual Budget Execution Plans





Joint Circular 2014-1 DBM-COA



Republic of the Philippines
COMMISSION ON AUDIT
DEPARTMENT OF BUDGET AND MANAGEMENT
JOINT CIRCULAR NO. 2014 - 1
July 2, 2014

TO : HEADS OF DEPARTMENTS, AGENCIES, STATE UNIVERSITIES AND COLLEGES (SUCs) AND OTHER OFFICES OF THE NATIONAL GOVERNMENT; HEADS OF GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS (GOCCs) MAINTAINING SPECIAL ACCOUNTS IN THE GENERAL FUND; HEADS OF BUDGET AND ACCOUNTING UNITS; AND ALL OTHERS CONCERNED

SUBJECT: GUIDELINES PRESCRIBING THE USE OF MODIFIED FORMATS OF THE BUDGET AND FINANCIAL ACCOUNTABILITY REPORTS (BFARs)

1.0 RATIONALE

With the implementation of important structural reforms in FY 2014, such as, the adoption of the GAA as a release document, and the Unified Accounts Code Structure (UACS), the integration of the Performance-Informed Budget (PIB) Structure in the General Appropriations Act, as well as the adoption of the Philippine Public Sector Accounting Standards (PPSAS), there is an emergent need to adapt to these innovations *vis-à-vis* the harmonized budget and financial accountability reports (BFARs) prescribed by the oversight agencies, i.e. the Department of Budget and Management (DBM) and the Commission on Audit (COA) to effectively report, monitor and/or evaluate agency performance versus plans and targets which shall serve as basis for sound policy decisions.

2.0 PURPOSE

2.1 To modify the harmonized formats of the financial accountability reports (FARs) on appropriations, allotments, obligations, and disbursements, as earlier prescribed under COA-DBM Joint Circular No. 2013-1 dated March 15, 2013; and to prescribe the financial accountability reports for approved budget/utilization/commitments and disbursements of agencies authorized by law to use their income.



Linkage between BEDs and BFARs

BEDs

Physical Plan

- Actual accomplishment of the previous year
- Quarterly physical targets by MFO/PI and plans for the current year

Financial Plan

- Quarterly financial (allotment) requirements for the current year to achieve targeted output

the agency plan should correspond to the allotment expected to be released and physical targets

BFARs (BARs/FARs)

Quarterly Physical Report of Operations (QPRO)

- physical targets for the quarter
- actual physical accomplishments for the quarter by MFO/PI consistent with the PFP.

Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB)

- Available allotment of the agency as of date of reporting
- utilization of allotment (obligations) by P/A/P and allotment class for the quarter.



Linkage between BEDs and BARs

BEDs

BARs/FARs

Monthly Disbursement Program vs. Monthly Report of Disbursements (MRD)

monthly disbursement authority requirements of agencies (NCA, NCAA, CDC, TRA)

vs.

actual disbursements for the month, arising from disbursement authorities issued

Estimate of Monthly Income

estimated income by source and by month, consistent with the targeted level per BESF for the given year.

vs.

Quarterly Report of Revenue and Other Receipts (QRROR)

actual income collections from all sources, broken down by month.



Circular Letter No. 2016-9



Agencies



BEDs



Online Submission





REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
BONCODIN HALL, GENERAL SOLANO ST. SAN MIGUEL, MANILA

Circular Letter

No. 2016 -9

October 27, 2016

TO : All Heads of Departments/Agencies/State Universities and Colleges (SUCs) including Commissions/Offices under the Constitutional Fiscal Autonomy Group (CFAG), and Government Owned or Controlled Corporations (GOCCs) Receiving Budgetary

3.0 **COVERAGE**

All departments, bureaus, offices, agencies and Operating Units (OUs) of the national government including commissions/offices under the Constitutional Fiscal Autonomy Group (CFAG), State Universities and Colleges (SUCs), and other recipients of budgetary support, i.e., GOCCs and LGUs.

annual budget and deliver planned results in a timely manner.

Hence, agencies shall regularly prepare the Budget Execution Documents (BEDs) which contain the agency plans, spending schedules and physical targets to be submitted to the Department of Budget and Management (DBM) for evaluation and consolidation. The consolidated BEDs guide the Development Budget Coordination Committee (DBCC) in formulating the national government's quarterly disbursement program, consistent with and in support of the country's growth targets.

The BEDs serve as bases to facilitate the release of funds and enable prompt implementation of programs and projects including the conduct of early procurement activities. In addition, the BEDs shall be used in measuring the agency performance.

2.0 **PURPOSES**

- 2.1 To prescribe the procedures in crafting agency budget execution plans, including deadlines and the appropriate forms to be used therefor;
- 2.2 To reiterate the electronic online submission of the BEDs using the Unified Reporting System (URS) and the Procurement System (PS) IT system, as



Budget Execution Documents for Submission

BEDs	Data Elements	Purpose
BED No. 1 Financial Plan (FP)	Estimated obligation program for the budget year broken down by quarter, and current year obligations (actual obligation as of September 30 and estimated obligation for October to December)	Serves as the overall financial plan of the department/agency/OU.
BED No. 2 Physical Plan (PP)	Physical targets for the budget year broken down by quarter, and current year accomplishments (actual accomplishment as of September 30 and projected accomplishment for October to December)	Serves as the overall physical plan of the department/agency/OU.
BED No. 3 Monthly Disbursement Program (MDP)	Projected monthly disbursement requirements for the budget year by type of disbursement authority (e.g., NCA, CDC, NCAA, and TRA)	Basis of the issuance of disbursement authorities.



Budget Execution Documents for Submission

BEDs	Data Elements	Purpose
<p>BED No. 4 Annual Procurement Plan for Common Use Supplies and Equipment (APP-CSE)</p>	<p>Projected monthly procurements in terms of quantity and cash requirements. This shall be categorized into items available at Procurement Service (PS) stores and those items not available at PS</p>	<ul style="list-style-type: none"> • Basis of the PS in projecting inventory requirements, scheduling of procurement activities, and overall management of the central procurement of common-use goods. • Serve as Agency Procurement Request (APR),



Timelines



Particulars	Deadline of Submission	
	Non-regionalized Departments/Agencies	Regionalized Departments/Agencies
Submission of BEDs	November 15 of the current year	November 29 of the current year
DBM Evaluation	Three (3) working days after November 15 of the current year	Five (5) working days after November 29 of the current year
Agency Confirmation	Three (3) working days after DBM Evaluation	Three (3) working days after DBM Evaluation

Within 5 working days after Nov 29 deadline of the current year – posting in the DBM website of the status of BEDs submission by depts/agencies/OUs copyf furnished the OP thru the Office of the Cabinet Secretary



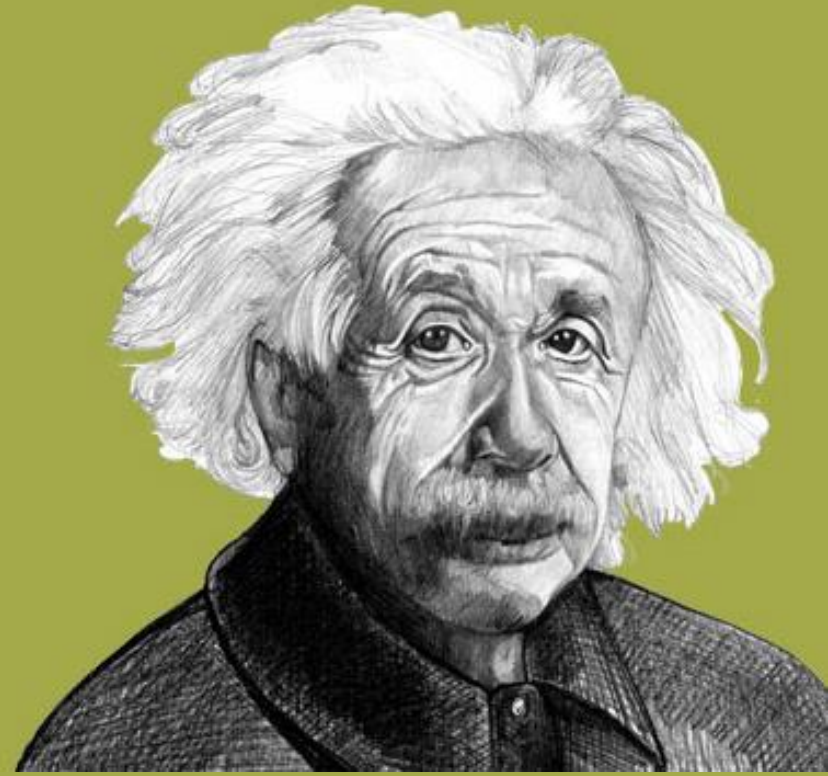
Timelines



- Submission of Revised BEDs based on GAA, in case there are changes made by Congress from the NEP – **within seven (7) working days after the approval of the GAA**
- Submission of **Emerging Monthly Disbursement Program (EMDP) - on or before May 31 of the year**



No problem can be solved from
the same level of consciousness
that created it



Timelines



- Submission of Revised BEDs based on GAA, in case there are changes made by Congress from the NEP – **within seven (7) working days after the approval of the GAA**
- Submission of **Emerging Monthly Disbursement Program (EMDP) - on or before May 31 of the year**

