

**RESULTS-BASED
MANAGEMENT AS APPLIED TO
THE PHILIPPINE BUDGETTING
PROCESS**

Objective of Budget Preparation Process (CY 2005)

- **To provide the overall macroeconomic and fiscal policy framework and priority thrusts in the short and medium term within the context of the Medium Term Fiscal Plan consistent with the targets and outcome of the Philippine Medium term development Plan (MTPDP)**
- **To provide the guidelines and procedures in the preparation of the annual agency budget.**

Budgeting Principles (Desired Outcome)

- **Aggregate Fiscal Discipline (“Living Within Our Means”)**
 - **Total budget level is independently set from the individual projects funding.**
 - **Total budget is determined in the context of the medium term, e.g., multi-year project cost requirement, macroeconomic projections (GNP,GDP,FX rate)**
 - **Annual total budget increases are matched by revenue increases**
 - **A strong oversight agency enforces budget aggregates.**

Budgeting Principles (Desired Outcome)

- **Allocative Efficiency (“Spending Money on the Right Things”)**
- **Budget allocation is based on:**
 - **Strategic priorities (Medium term Plan – Medium Term Investment Plan)**
 - **The effectiveness of programs**
 - **Constitutional mandate**
 - **As provided by law**

Budgeting Principles (Desired Outcome)

- **Reallocation is encouraged:**
 - From lesser to higher priorities
 - From less to more effective programs
 - From less to more efficient agencies
- **Spending levels are set for each sector/agency**

Budgeting Principles (Desired Outcome)

- **Operational Efficiency**
(“Obtaining Good Value for Money”)
 - Provides for the delivery of goods and services in the fastest, least cost and the best quality
 - At the least, cost should be competitive with market prices.
 - Cash ceilings are imposed on operating expense.
 - Managers have discretion in exchange for pre-specified outputs.

Important Elements of the Budgeting Process

- **The Medium Term Expenditure Framework (MTEF)**
 - **Establish Strategic Priorities (MTPDP-MTPIP)**
 - **Providing Fiscal targets (MTFP)**
 - **Revenue**
 - **Debt**
 - **Deficit**

Important Elements of the Budgeting Process

- **Set hard but sustainable aggregate and sectoral expenditure ceiling.**
 - **Estimate medium term cost of on-going and new programs.**
 - **Set clear rules for updating estimates.**
 - **Provide for program evaluation, sector effectiveness and efficiency reviews (SEER)**

Important Elements of the Budgeting Process

- **Organizational Performance Indicator Framework (OPIF)**
 - **Provides for transparent and effective allocation of resources**
 - **Uses performance indicators (PIs) to monitor agency output**
 - **Focuses on output and outcome**


OPIF

Example : Land Transportation Office

**Outcome – Road safety
(less incidence of road accidents)**

MFO

- **Land Transportation Regulation Services**
- **Driver's Licensing services**

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- The background of the slide features a close-up, slightly blurred image of a black calculator and a silver pen. The calculator is on the left side, showing buttons for 'MRC-2', 'MCL-5', 'MST-3', 'MMD-6', and 'MWT-1'. The pen is positioned diagonally across the center. The overall background is a dark, textured blue.
- **Major Final Output (MFO) – the goods and services that a department or agency is mandated to deliver to external clients through the implementation of programs, activities and projects. The MFO shall have been agreed upon, harmonized and formally confirmed amongst the agency head, NEDA and DBM.**
 - **Quantitative and qualitative performance indicators will enhance the accountability for results and improvement of services delivery in exchange for the use of budgetary resources.**

LTO Performance Indicators

- Quantity** - **no. of clients served**
- **no. of applications processed**
- **no. of driver's licences issued**

LTO Performance Indicators

Quality

- **% of licenses issued in accordance with operating standards**
- **incidence of road accidents**
- **client satisfaction feedback**

LTO Performance Indicators

Timeliness

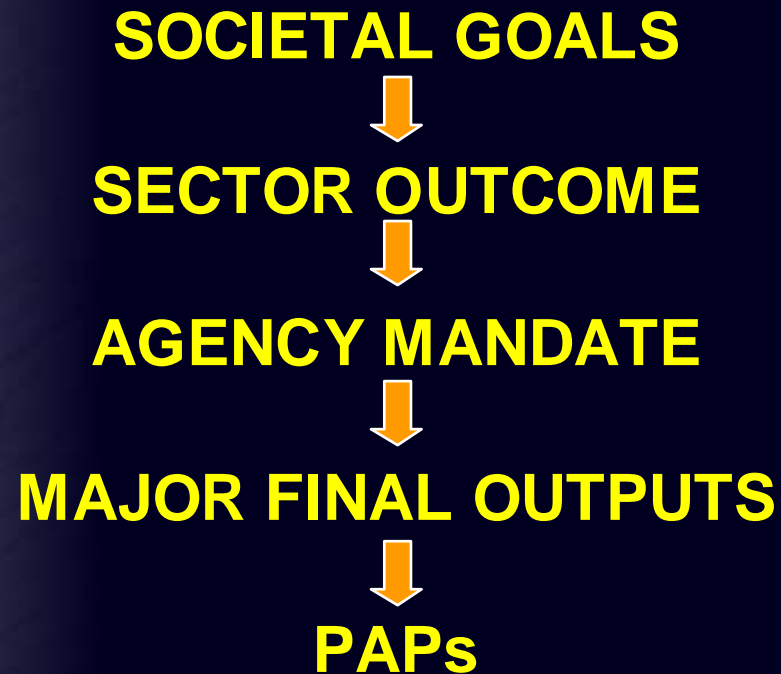
- **% of licenses issued in accordance with timeliness standards**

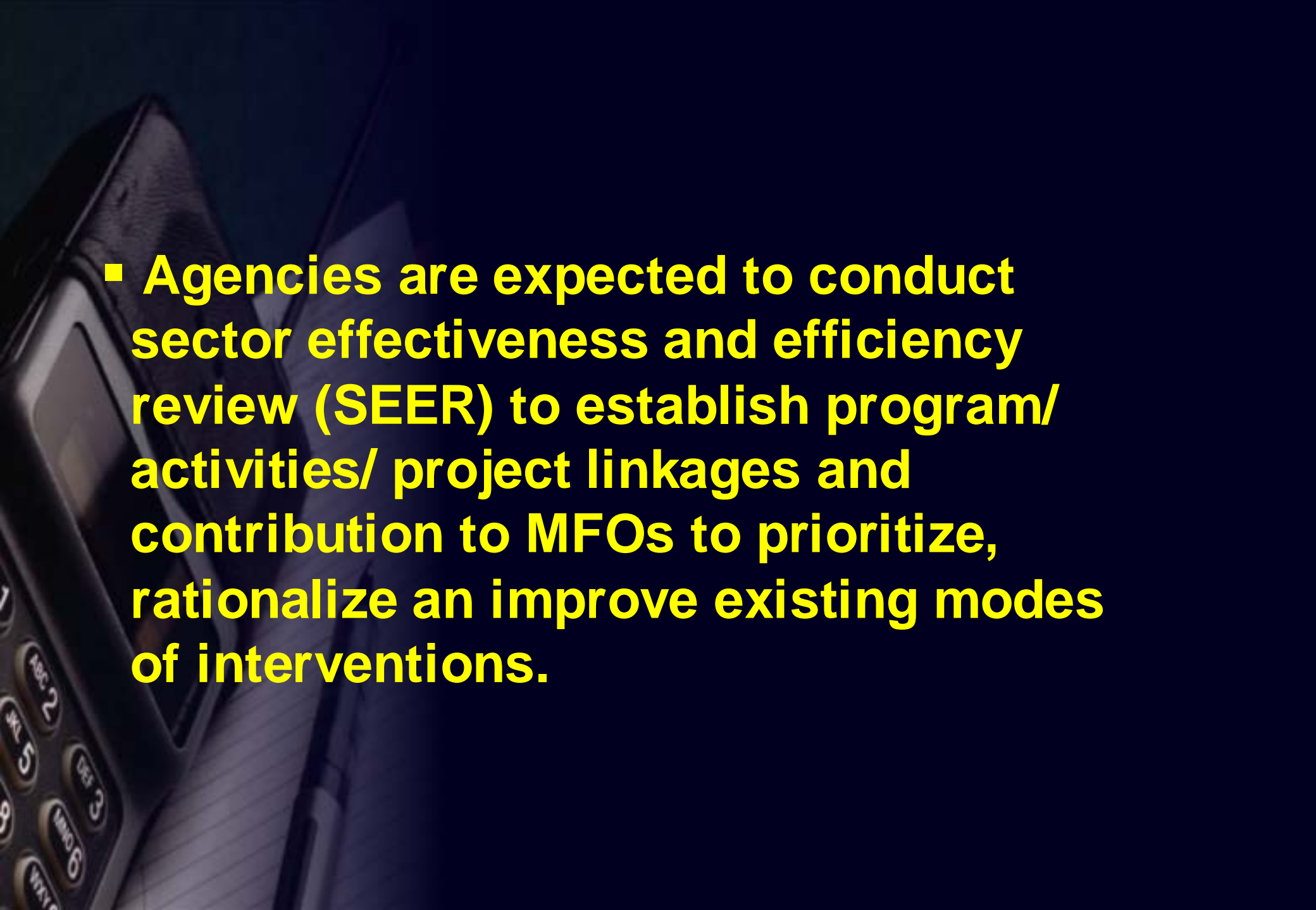
Organizational Performance Indicator Framework (OPIF)

- **Logframe is used in the process of linking programs, activities to the MFO, and eventually societal goals.**

LOGFRAME IN OPIF

Existing Linkages between:




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- **Agencies are expected to conduct sector effectiveness and efficiency review (SEER) to establish program/ activities/ project linkages and contribution to MFOs to prioritize, rationalize and improve existing modes of interventions.**

Policy Conditions for Sound Budgeting Preparation

- Performance-Based Budgeting
 - Budgetary requirements of an agency shall take into account the physical and accomplishments during the immediately preceding year and current year.
 - The costs incurred by the agency in the production of its MFO shall be gauged of its efficiency and its ability to accomplish more with less
- Resource Optimization
 - Cost recovery through user fees
 - Improvement of service quality and reduction of cost production

Policy Conditions for Sound Budgeting Preparation

- **Resource Optimization**
 - **Focused resource utilization (avoiding programs and activities already done more effectively and efficiently by the private and government corporation)**
 - **Total resource budgeting**
 - **Identification of funds sources**
 - **Identification of funding, including contingent liabilities**

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- **Full disclosure and transparency**
 - **Consultation with project stakeholders to ensure that their concerns and priorities are addressed and included in the agency budget proposal.**
 - **Regional and local councils shall be consulted to seek their endorsement and confirmation of programs and projects included in the agency budget.**

Reporting Systems

(Disbursement and results achieved)

- Agencies are required to submit an Agency Performance Assessment Forms during budget call
- Agency performance is monitored and evaluated per semester
- Narrative report accompanies the form report
- Budget releases is based on agency performance
- Options to withhold portions of budget

AGENCY PERFORMANCE MEASURES

Department/Agency _____

| MPO Indicator (Qualitative and/or Quantitative) (1) | Unit of Measure (2) | Performance | | | | Budget Allocation | | |
|---|-------------------------------|---------------|---------------|---------------|---------------|-------------------|-----------|--------------|
| | | Year 2003 | | Yr 2004 | Yr 2005 | Year 2003 | Year 2004 | Year 2005 |
| | | Target (3) | Actual (4) | Target (5) | Actual (6) | (7) | (8) | (9) |
| | | | | | | | | |

Prepared by:

Planning Officer

Approved by:

Budget Officer

Agency Head

Issues with Regard to Budget Execution

- Discretionary expenditures severely constrained by low revenue collections, rising debt service and high expenditures on personal services, no longer provide adequate flexibility to respond to evolving needs.
- Revenue collections need to increase, and/or wage bill expenditures need to diminish, to adequately finance the government's growth and poverty-reduction agenda.
- The economic composition of spending has deteriorated in recent years as both MOOE and capital outlay has decreased as share of GNP.
- A major concern is the allocation of scarce resources to special budget funds that are not necessarily aligned with national government policy priorities and non-transparent in their use.
- In key social and economic services, sectoral allocations are falling as percentage of GNP and total national expenditures.
- Results monitoring and impact evaluation is yet not linked to the budget preparation process

A dark-themed background featuring a mobile phone, a pen, and a notepad. The mobile phone is on the left, showing a keypad with letters on the numbers. A pen is on the right, and a notepad is in the center. The text "End of Presentation" is overlaid in the center in a bright yellow color.

End of Presentation