

# PEFA's contribution to the Philippines PFM Reform Roadmap

By Lewis Hawke, Lead Governance Specialist, World Bank

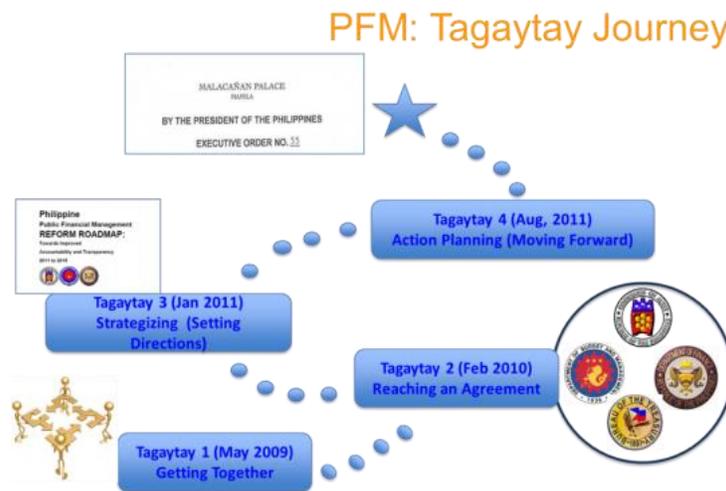
## Context

At the end of the 20<sup>th</sup> Century the Philippines was called “the sick man of Asia”, amongst other unenviable titles because of its history of squandering post-war growth through bad economic management and governance. The new century opened with an increasing consciousness of public accountability and the need for a more holistic PFM reform under the leadership of Department of Budget and Management (DBM) Secretary, Emilia Boncodin.

## Process

The first PEFA assessment commenced in 2006 with DBM as the main counterpart, with then Professor Boncodin as lead consultant (after her resignation from the Arroyo Cabinet). Following completion of the PEFA report, the first coalition of PFM reformers was convened by DBM, the Commission on Audit (COA), the Department of Finance (DOF), and the Bureau of Treasury (BTr) to discuss the PEFA report and other diagnostic assessments. The outcome of the workshop was to build ownership and support for a draft PFM reform roadmap which would be presented to the new administration. The main emphasis of the roadmap was a new GIFMIS and associated reforms in budget process, cash management, financial reporting, a PFM competency framework and strengthening of internal controls and internal audit.

The new Aquino government came to power in 2010 with a platform espousing greater transparency and reform activism. The new DBM Secretary Florencio “Butch” Abad took up the cause of the PFM roadmap. Central to this roadmap was to start development of an integrated financial management information system, the introduction of the performance-informed budget, a Treasury Single Account, CSO participation in governance, and the crafting of a comprehensive PFM law. An Executive Order (regulation) was issued in 2011 and a PFM Committee was established to manage the reform program. Technical assistance from the IMF, WB and the Australian DFAT was instrumental to the progress made.



Steps along the Philippines PFM reform journey

## Results

The successive PEFA assessment in 2016 demonstrated improvement in performance across all pillars (at dimension level). Even so, there remained some areas that had not progressed since the previous assessment.

A new Presidential term ushered in another reform-minded DBM Secretary, Benjamin Diokno, who had served in previous administrations. Secretary Diokno continued the reform momentum by refocusing it

to the shift from obligation to cash budgeting and the development of a Budget Execution System, supported by a Memorandum of Agreement on cooperation between central agencies, and a transformed draft law: the Budget Modernization Bill, submitted to Congress in 2017.

In addition to re-introducing draft PFM reform legislation, the government sought to improve budget and procurement planning, and cash management, essential to moving from obligation- to cash-based budgeting, and implementing the Budget and Treasury Management System as the initial phase of the GIFMIS. These reforms took a more strategic view of the PEFA findings as part of the evidence on what was needed for further reform.

### Lessons learned

The PEFA assessment framework came at an important stage of Philippines PFM reform journey. It provided a broad-based assessment of PFM performance, building on other diagnostic assessments around the same time. It was prepared by an experienced team, highly respected and knowledgeable on local circumstances. The first report was received by a reform-minded government, mindful of external assistance and capable champions in the administration and at the ministerial and presidential levels.

The second PEFA assessment was also well timed, to report on the achievements following the first report, and to provide input to a new wave of reform under an aggressive and focused reform-minded minister. The importance of a cohesive group of central agencies, agreeing to a common roadmap and set of objectives, was well understood by top officials in the DBM, COA, BTr and DOF. The fragmented nature of PFM institutions in the Philippines means that without such cooperation, it could have meant that the reforms would founder in a theater of turf-warfare and conflicting actions.

### Quotes

In a recently published book<sup>1</sup> former DBM Secretary Abad stated, “Historically, profound changes that induced more competition and less regulation in our economy and improved transparency and accountability in governance had been effected through influences or pressures from external sources. For this reason, we actively sought partnerships with international and bilateral agencies on a number of key PFM reforms.”

DBM Undersecretary Laura Pascua, who has been a leader of the PFM reform journey for more than 20 years said that, “PEFA has been a very important part of our reform process. It provided a candid and evidence-based assessment of where we were, which informed and refined our planning and prioritization as we went on. It provided a useful progress report showing how far we had come and what more needed to be done. PEFA has also provided our government a framework to cooperate amongst ourselves. It also serves as a common language to communicate our aspirations to our development partners.”

### Learn more

Department of Budget and Management, Philippines

[www.dbm.gov.ph](http://www.dbm.gov.ph)

Kuwento sa bawat kuwenta: A story of budget and management reforms: 2010-2016

<https://www.dbm.gov.ph/wp-content/uploads/Executive%20Summary/2016/Reform%20Documentation%20Full%20Book.pdf>

---

<sup>1</sup> Mendoza, R. U. and Timberman, D. G. (2019) Budget reform in the Philippines: Making the budget a tool for national transformation, Anvil, Manila, Philippines.