Department of Budget and Management

Malacañang, Manila

OPIF

REFERENCE

GUIDE

Organizational Performance Indicator Framework

A Guide to Results-Based Budgeting in the Philippines

Manila, April 2012

Message

I am pleased to share this **OPIF Reference Guide** to our partners in government, in Congress, and the public. The Guide is the latest addition to DBM's tools for helping its partners better understand the budget and use it to make government accountable for results.

When we talk of **accountability for results,** we mean the **performance** of government agencies in using public funds to fulfill the Philippine Development Plan—and the agencies' **impact** therein—through the execution of programs and projects under the National Budget. Accountability for results goes beyond reporting how and where the agency budget was spent; it focuses on how public spending improved the ways through which an agency delivered key services to the public.

These are the questions that sum up what results are about, and what the *OPIF Reference Guide* seeks to answer: did the National Government—and the public it represents—get the best value for the money entrusted to an agency for delivering goods or services? Did the agency spend its funds according to its priorities and provide services at the right time? Did the agency's expenditure performance in service delivery contribute to the attainment of sector and societal outcomes—including poverty reduction and good governance—and help the economy grow?

In answering these questions, an agency should be able to tell a performance story: what, why, when, and how an agency delivered services to the public. Ultimately, these questions should serve as basis for planning, budget allocation, and performance monitoring, as well as reporting and evaluation in the whole of government.

I am confident that the tools in this Guide will ensure that the activities identified and funded through the National Budget will truly support the key result areas embodied in the Aquino Administration's Social Contract with the Filipino People. Through this Guide, DBM reaffirms its commitment to improve public accountability and to **manage for results,** especially by helping government agencies use the budget for delivering direct, immediate, and substantial benefits to all Filipinos, especially the poor and vulnerable groups.

FLORENCIO B. ABAD
Secretary

Abbreviations

ABM	Agency Budget Matrix
BARs	Budget Accountability Reports
BEDs	Budget Execution Documents
BP	Business Plan
BPR	Budget Performance Review
BPMS	Budget Preparation Management System
COA	Commission on Audit
CO	Capital Outlay
CP	Corporate Plan
CSC	Civil Service Commission
DA	Department of Agriculture
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DOF	Department of Finance
DOH	Department of Health
DOLE	Department of Labor and Employment
DOT	Department of Tourism
DOTC	Department of Transportation and Communications
DPWH	Department of Public Works and Highways
EER	Efficiency and Effectiveness Review
EO	Executive Order
ERB	Executive Review Board
FEs	Forward Estimates
FY	Fiscal Year
GAA	General Appropriations Act
GAS	General Administration and Support
GFI	Government Financial Institution
GOCC	Government-Owned or -Controlled Corporation
GOP	Government of the Philippines
ICC	Investment Coordinating Committee
IWP	Individual Work Plan
LGU	Local Government Unit
Logframe	Logical Framework
MFO	Major Final Output
MOOE	Maintenance and Other Operating Expenses
MTEF	Medium-Term Expenditure Framework
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
ODAPR	Official Development Assistance Portfolio Review
OPIF	Organizational Performance Indicator Framework
OSEC	Office of the Secretary
PAP	Programs, Activities and Projects

PDP   Philippine Development Plan
PEM   Public Expenditure Management
PI   Performance Indicator
PIP   Public Investment Program
PS   Personal Services
RBM   Results-Based Management
RM   Results Matrices
RLIP   Retirement and Life Insurance Premiums
SARO   Special Allotment Release Order
SPMS   Strategic Performance Management System
STO   Support To Operations

Table of Contents

APPENDICES

FIGURES

TABLES

Introduction

In preparing the National Budget, a commonly asked question among budget officials, legislators, civil society, and the public is: *What are we getting for public money spent?* Building public schools, hiring rural health workers, and constructing farm-to-market roads are examples of what we can get from public spending. But others may go on to ask: *So what if activities have been implemented and outputs have been counted?*

Both questions are important because they reflect a shift from perceiving public agencies as accountable for carrying out activities or programs, to making them *accountable for results*: delivering outputs and outcomes that will ultimately improve the quality of life of all Filipinos—particularly the poor and vulnerable—through enhancing the quality of public services.

In 2000, the Department of Budget and Management (DBM) introduced the Organizational Performance Indicator Framework (OPIF) to improve the way the budget is allocated, reported, and spent toward greater accountability and transparency in the delivery of public services. Before the adoption of OPIF, agency budget requests were largely focused on the cost of activities, personnel, equipment, and other resources to conduct programs and projects (inputs and activities), rather than focusing on the results (outputs and outcomes) of agency performance and their impact on improving the quality of lives of people. Budget decisions were mostly based on what a government agency needed to implement activities, but not on how much and how well it delivered goods or services (major final outputs) to external clients and how it transformed communities.

For many years, agency budgets increased incrementally with little consideration of program duplication or overlaps, changes in agency mandate, or the impact of agency activities on attaining sector and societal outcomes. The situation made it difficult to draw a real picture of government-wide performance in reducing poverty, fighting corruption, making the economy grow, or attaining other development objectives.

With the adoption of OPIF, or what is generally known as results-based budgeting, the focus of budgeting in the Government of the Philippines (GOP) has shifted from inputs or activities to results. Budgeting has also evolved to address the *so what* question, which signifies that outputs from budgets spent must align with and result in higher level impacts toward attaining the GOP's desired societal goal of inclusive growth and poverty reduction. This focus on results is further strengthened by Executive Order 43, which defines the Aquino Administration's five key result areas (KRAs) to guide departments/agencies in formulating their plans, programs, and

projects. The KRAs include:

- Transparent, accountable, and participatory governance;
- Poverty reduction and empowerment of the poor and vulnerable;
- Rapid, inclusive, and sustained economic growth;
- Just and lasting peace and the rule of law; and
- Integrity of the environment and climate change adaptation and mitigation.

The **OPIF Reference Guide** seeks to provide a common reference material and a set of quality standards in the use of OPIF as a system for achieving and reporting outputs and outcomes from public spending. Specifically, it aims to help users understand:

- key OPIF concepts and processes;
- how OPIF is applied to budgeting, planning, reporting, monitoring, and evaluation of agency performance; and
- why OPIF is a valuable tool for resource allocation, performance or results management, and accountability.

This Guide is designed primarily for the technical staff of DBM and government agencies. The DBM can use the Guide to enhance their work in reviewing agency budget proposals and assessing agency performance in delivering major final outputs, among others. Government managers, planners, and budget officers/staff, on the other hand, can use the Guide to apply the technical processes of OPIF in their agencies–-from formulating the OPIF logical framework and estimating budget proposals, to cascading performance targets to organizational units as part of the corporate and business planning exercises.

Congress and other oversight agencies will also find the Guide useful in exercising their roles in monitoring and evaluating government performance, since OPIF is now used for reporting government outputs. Civil society will likewise benefit from using the Guide to broaden their understanding of the results-based budgeting process and to further engage government agencies in improving the quality of public services.

The development of the OPIF Guide is based on the following considerations:

> *First, the OPIF system is homegrown and indigenized.* Technical assistance from various sources has been provided to the GOP, based on the experiences of countries which have adopted results-based budgeting. This assistance provided valuable inputs that brought OPIF to its status today, with technical inputs adjusted to suit institutional conditions and the policy environment in the GOP.

> *Second, implementing the OPIF is achieved through learning by doing.* While

existing literature is replete with available methods and tools on performance- or results-based management, capacity building can only be more effective if concerned staff go through the actual process of implementing the OPIF system.

Third, OPIF is a work in progress. The innovative nature of OPIF requires shifts in established practices and procedures, knowledge and capacity, and value-orientation of OPIF implementers. As such, changes in the current budgeting system cannot be done overnight.

To understand the policy context of OPIF, the Guide begins with a discussion of public expenditure management reforms that underpin OPIF. This chapter is followed by a presentation on key OPIF concepts and the process of constructing the department/agency logframe. The other chapters elaborate on key OPIF processes: the specification of MFO performance indicators, MFO budget estimation, and budget performance monitoring, evaluation, and reporting. Detailed instructions and procedural steps for these processes are provided in the Appendices.

To maintain the Guide's conceptual and operational relevance, DBM aims to continually review and update this Guide, given feedback from its partners. While this Guide is a stand-alone document, it also complements current (e.g., Philippine Development Plan 2011-2016) and other results-oriented literature of the GOP (e.g., PDP Results Matrices and Public Investment Plan).

Chapter 1 – OPIF Policy Framework

The OPIF Context

The Organizational Performance Indicator Framework (OPIF) is a results-based management approach being mainstreamed by the Government of the Philippines (GOP) as one of the pillars of its public expenditure management (PEM) reforms. Through OPIF and other reforms, the PEM seeks to change the orientation of expenditure management from focusing on rules and processes to focusing on three key objectives or outcomes:

- Fiscal discipline – living within the means or resources available to the government;
- Allocative efficiency – spending money on the **right things** or **right priorities**; and
- Operational efficiency – obtaining the best value for the money or resources available.

Under the PEM system, the budget is an instrument for allocating public resources within the available fiscal space and ensuring that priority is given to expenditures that are effectively oriented toward achieving development results—the outputs, outcomes, or impacts of a development intervention. In applying OPIF to the budget process, the government seeks to improve its results focus, specifically to:

- attain national development and sector outcomes (allocative efficiency) during budget preparation and execution;
- capacitate departments/agencies to get the most value for money in the way they provide goods and services to the public (operational efficiency); and
- use available resources for priority expenditures (fiscal discipline).

In the past decade, the GOP has implemented other reforms that complement OPIF, particularly the multiyear budgeting or Medium-Term Expenditure Framework, which involves projecting the forward expenditure requirements of existing policies and projects for the next three years. These projections serve as an initial point for budgeting for a department/agency, as well as an estimate of the fiscal space available to government.

The GOP also enhanced the Public Investment Program so that public investment priorities more realistically reflect available budgetary resources and the hierarchy of government objectives. Through procurement reforms, the government is working to fight corruption and to improve operational efficiency by using public bidding as the default arrangement for the purchase of goods and services by

departments/agencies. Recently, zero-based budgeting or program review/evaluation has also been added to the armory of budgeting techniques that facilitate the achievement of PEM reform outcomes.

Why OPIF and why does it matter?

OPIF seeks to provide surrogate or proxy measures to the profit and price mechanism that characterizes the private sector and drives performance improvements in private firms. It aims to give information on whether department/agency outputs are able to deliver the government's desired outcomes in a cost-effective way.

Performance and productivity in the private sector are largely driven by the price mechanism and profit motive. Private firms (providers) produce goods or services that customers (purchasers) want and are willing to pay for. In return, customers expect a certain standard of quantity and quality from the provider through a particular good or service. Firms can thus decide to produce more or less of the good or service and set the price depending on customer behavior, or remain cost-efficient and competitive in the market. When investments fail to yield expected profits or returns, owners have the flexibility to cut personnel and other costs or stop production altogether. In effect, the increased demand from paying customers and the opportunity to increase returns from investments often drive firms to perform more efficiently.

Public sector agencies do not have the profit or price mechanism that signal whether the goods and services they produce are desirable to the communities they serve, or whether they are cost-effective and competitive. They cannot simply stop delivering services when the demand is low or the cost is high, because there are important factors to consider such as the needs of underserved communities, geographical location, emergencies, and department/agency service mandates, among others. The security of tenure for public sector employees can also become an obstacle to improving performance efficiency (e.g., poor performing employees cannot be fired easily).

> **OPIF seeks to drive performance efficiency improvements by improving accountability for results in government agencies.**

The provider-purchaser relationship common in the private sector is relevant to enhancing performance management in the public sector. It can be used to define the relationship between a department/agency (as provider) and the community or client that it serves (as purchaser) in a way that will spur performance improvements based on accountability and public trust.

This is where OPIF comes in. It provides a performance or results management framework that the national government and its clients and stakeholders can use to address the demand for greater transparency and accountability in the use of public resources.

All of the following elements are needed for OPIF to work effectively as a results framework:

1. Agreement on the **outputs** that a government agency delivers along with their expected contribution to the attainment of sector and societal outcomes;
2. Choice and publication of clear **indicators** for measuring department/agency performance in delivering outputs, as well as guiding clients—including civil society—on what to expect in terms of output quantity and quality; and
3. **Use of performance information** (measurement data and analysis) to influence decisions on policy, plans, and resource allocation.

The third element cannot be overemphasized enough because organizations—public or private alike—are more likely to improve their delivery of outputs when they see that performance information will influence future decisions on incentives or, alternatively, sanctions for performance.

What is OPIF?

As a planning and budgeting tool, OPIF seeks to align goods and services supported by the budget—and which a department/agency delivers to external clients—with the desired outcomes that government aims to achieve or influence. It requires the specification and reporting of objective and measurable performance indicators to show the extent to which a department/agency's major final outputs (MFOs) influence desired outcomes identified in the national development plan.

OPIF is an approach to expenditure management that directs resources for major final outputs (MFOs) toward results and measures department/agency performance by key quality, quantity, timeliness, and cost indicators.

As a results-based management tool, OPIF can help departments/agencies define and establish priority expenditures through a logical process of:

- deciding on and planning outcomes;
- establishing relevant performance targets and measures;
- implementing activities to achieve outputs and outcomes; and
- monitoring, evaluating, and reporting on results.

OPIF therefore encourages policymakers to focus on strategic national and sector priorities in allocating scarce budgetary resources. It makes government managers accountable for the strategies they develop and the outputs they are expected to deliver in pursuit of these priorities. OPIF also increases government employees' understanding of how their individual outputs count toward achieving national outcomes. All these lead to building a performance-oriented culture in the public sector.

What are the key objectives of OPIF?

OPIF seeks to improve accountability for results at the following levels:

- *National Government.* OPIF strengthens the alignment of department/agency MFOs with sector outcomes and societal goals identified in the Philippine Development Plan and Millennium Development Goals, so that results may be reported by the President and Congress to the public.
- *Department/Agency.* OPIF shifts the emphasis of department/agency accountability from the implementation of activities funded through the Budget to MFOs delivered to clients. It requires a department/agency to report to the President and Congress on the question: *What outputs were delivered for the inputs provided?*
- *Unit.* OPIF requires division chiefs/department managers to identify spending programs that support specific MFOs. It also makes them accountable for developing business strategies for delivering MFOs in the most cost-effective manner.
- *Individual.* OPIF helps government employees understand how the individual activities/tasks they perform and the outputs they are accountable for contribute directly to the attainment of unit outputs, department MFOs, sector outcomes, and societal goals.

> **OPIF shifts the focus of department/agency accountability to MFOs delivered with respect to activities funded through the Budget.**

Where are we now?

Before the adoption of OPIF, department/agency budget proposals were largely focused on the cost of activities, personnel, equipment, and other resources to conduct programs and projects (inputs and activities), rather than the results (outputs and outcomes) of department/agency performance and their impact on improving the quality of lives, especially of the poor. Budget decisions were based more on what a department/agency needed to implement their activities, but less on how much and how well it delivered goods or services to external clients and the community.

For many years, department/agency budgets increased incrementally with little consideration of program duplication or overlaps, changes in agency mandate, or the impact of agency activities on attaining sector and societal goals. This situation has made it difficult to measure the performance of departments/agencies and their contribution to achieving development outcomes and goals.

It is thus important to clarify what **performance** means and how it should be measured, especially when the meaning of the term has evolved over time:

> There was a time when evidence of "performance" in the field of job training would have been "dollars appropriated or spent" (an input), or number of training courses offered (an activity). An advance in performance measurement occurred when agencies and program began reporting the number who attended or—even better—graduated from training courses (output). The last stage in developing indicators of performance was asking and answering such questions as: "Did the trainees get a job—or keep the job for three months or a year? And what kind job did they get?" It was these kinds of questions that led to measuring outcomes.[1]

According to Smith and Grinker,[2] performance has several dimensions: inputs, activities, outputs, and outcomes. Those dimensions can be turned into a logic model or **performance reform hierarchy,** which shows a map or blueprint of what is required to produce the desired outcomes. Performance can be improved through a set of different but related reforms or activities at each level in the hierarchy, so that each level is a foundation for moving to the next, more complex level.

At the bottom of the hierarchy is **performance measurement,** which involves greater use of quality and quantity indicators to measure performance and generate information for decision makers. Performance measurement, while necessary, is rarely sufficient. Thus the second level, **performance management**, builds on performance measurement by using information from assessment activities to plan, monitor, and evaluate performance, and to hold managers accountable for doing so. The third level, **performance-based contracting**, may involve a subcontracted vendor to provide the service, as well as financial incentives to reward good performance or penalize providers for failing to achieve outcomes.

Finally, in **performance-based budgeting,** budgets show not only how funds will be spent but what outcomes the expenditures will help produce, and will thus require

---

[1] Dennis Smith and William Grinker, "The Promise and Pitfalls of Performance-Based Contracting" (paper presented at the 25th Annual Research Conference of the Association for Public Policy Analysis and Management, Washington, D.C., November 5-8, 2003), 8.
[2] Smith, "The Promise and Pitfalls," 8-11.

performance management and performance-based contracting systems that are robust and reliable.

The performance reform hierarchy can be used to examine the Philippine experience in PEM reforms. Since 2007, departments/agencies in the GOP have been presenting their activities, outputs, outcomes, and performance indicators in a logical framework, which is published annually in the *OPIF Book of Outputs.* Additionally, MFOs and indicators are reflected in agency budget proposals, execution, and accountability reports to DBM.

However, the quality of performance or results information are found to be generally poor, while the resulting analyses are limited due to insufficient specification of indicators and targets among many departments/agencies. MFO performance indicators are a mix of outcome, output, activity, and process indicators, which indicate confusion about the focus of accountability of departments/agencies. Many PAPs continue to exist but are not aligned with MFOs, and thus do not contribute much to the attainment of sector outcomes and societal goals. Management systems for analyzing and integrating performance information remain largely inadequate in many departments, including oversight agencies.

All these suggest the need to improve the capacity of departments/agencies to move from performance measurement to the next level (i.e., performance management), and to strengthen the capacity of oversight agencies to use results information for policy, planning, programming, and budgeting decisions.

What is the way forward?

Because OPIF is homegrown and indigenized in the GOP, performance reform gaps should be viewed as opportunities for improvement. Once the gaps are addressed, the way forward is clear: performance-based contracting, and ultimately, performance-based budgeting. As depicted in **Figure 1,** DBM (as purchaser) acts on behalf of the President and the public to negotiate a performance contract with departments/agencies (as provider) to produce or deliver MFOs on a *value for money basis,* and according to a set of performance indicators and targets.

A *performance contract* will convert targets into formal agreements between the government and its departments/agencies (or external providers)

> **Performance contracts convert targets into formal agreements between the government (represented by the President) and its departments/agencies, and between senior managers and their staff.**

on the amounts they will spend and how much they will produce.[3] Such contracts can be in the form of performance agreements, which can be negotiated between the President and department/agency heads, or they can be in the form of the *OPIF Book of Outputs*, which details the performance targets of the department/agency for the year.

Figure 1. Performance-Based Contracting and Budgeting in the GOP
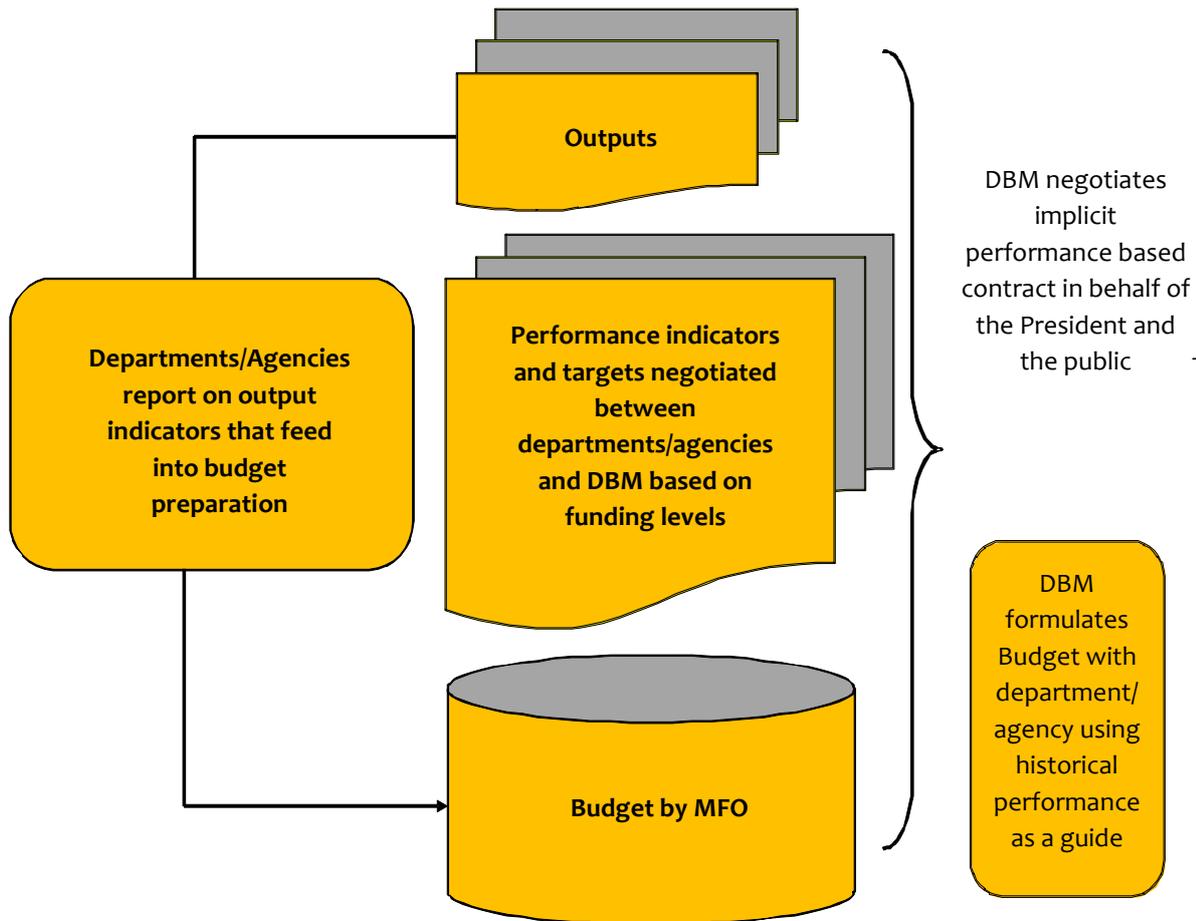
Performance contracts can also extend downward to the departments/agencies, negotiated between senior managers and their subordinates. They can support the cascading of performance targets to corporate and unit work plans, thereby ensuring that department/agency outputs are aligned with sector outcomes. Likewise, performance contracts can be used to monitor the performance of departments/agencies as providers, as well as compare targets with results that feed

---

[3] Allen Schick, "Getting Performance Measures to Measure Up," In *Quicker, Better Cheaper? Managing Performance in American Government*, ed. Dall Forsythe (Albany, NY: SUNY Press, 2001), 48.

back to budget formulation. At this level, the budget process is used as a mechanism to control standards and ensure the quality of the performance of departments/agencies in delivering MFOs. Consequently, improvements in the quality of service will move the departments/agencies to the next level: performance- or results-based budgeting, which requires a system for rewarding good performance and for penalizing providers for failing to achieve outcomes. More importantly, the performance of departments/agencies in delivering outputs is assessed for impact on attaining desired sector and societal outcomes.

OPIF and Managing for Results in the GOP

Building a public school, paving a road, and hiring rural health workers are considered outputs of public spending. So what are their outcomes? How did such outputs contribute to meeting the government's desired outcomes? As laid out in Executive Order 43[4] and the 2011-2016 Philippine Development Plan, the planning, budgeting, abd implementation of programs, as well as performance monitoring, evaluation, and reporting in the GOP will be guided by a **results-based management (RBM)** framework that is focused on the results of public spending.

RBM is a management strategy focusing on performance and the achievement of outputs, outcomes, and impacts.[5] As an RBM tool, OPIF focuses on the outputs of public spending. To determine how these outputs influence higher-level objectives of the government, OPIF is integrated with the RBM systems of other oversight agencies. Figure 2 illustrates the key elements of an integrated RBM system for the entire government. It shows how the planning, programming, budgeting, implementation, monitoring, and evaluation systems of oversight agencies and implementing departments/agencies are linked and harmonized to drive government-wide performance improvements and deliver results.

---

[4] Executive Order No. 43, Pursuing our Contract with the Filipino People through the Reorganization of the Cabinet Clusters (May 13, 2011).
[5] Organisation for Economic Cooperation and Development (OECD), *Glossary of Key Terms in Evaluation and Results-Based Management* (France: OECD, 2002), accessed November 25, 2011, http://www.oecd.org/dataoecd/29/21/2754804.pdf

Figure 2. Whole-of-GOP Results-Based Management (RBM) Framework
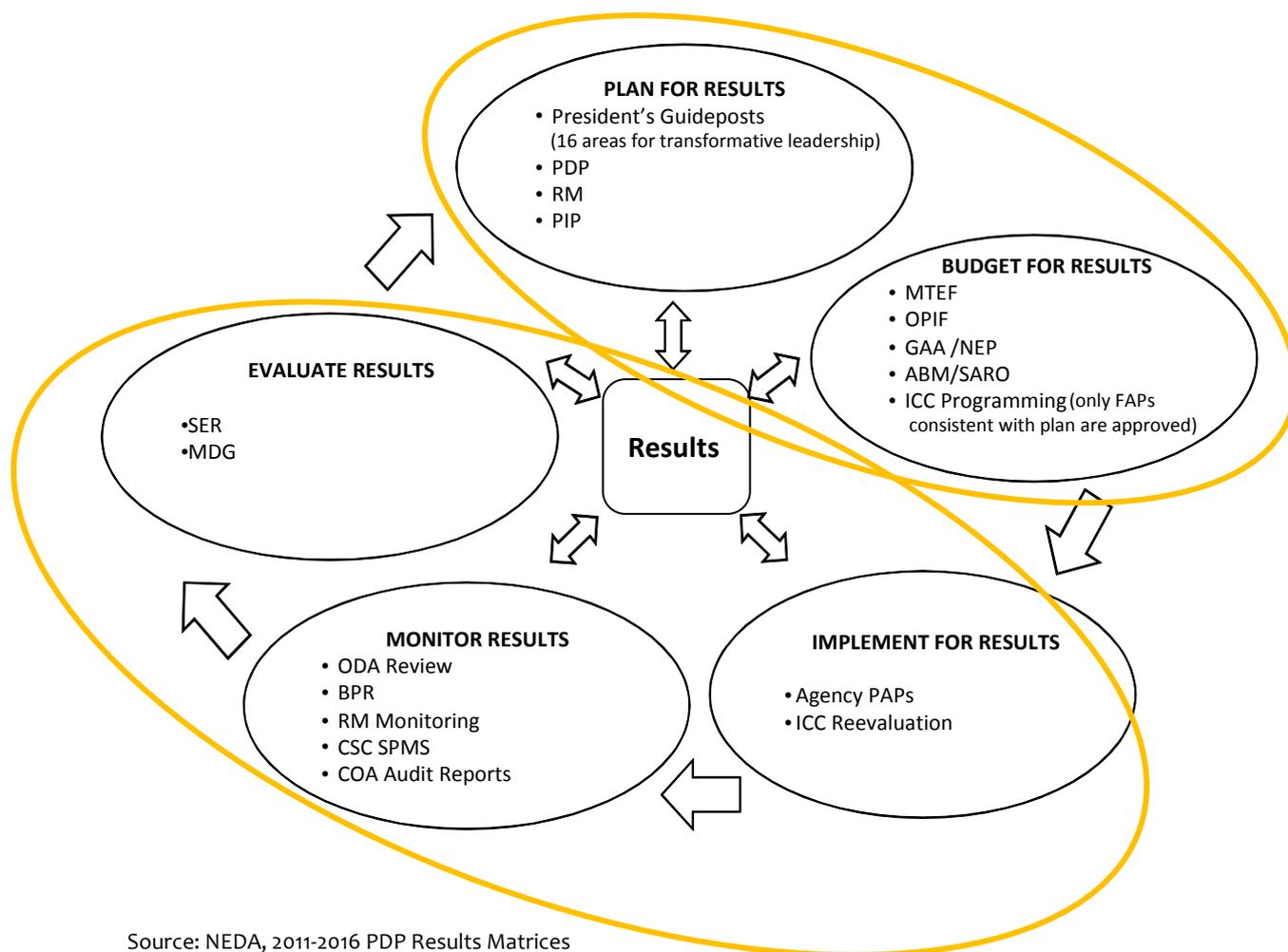
Source: NEDA, 2011-2016 PDP Results Matrices

Planning for Results

In formulating their plans, departments/agencies must be guided by the President's Guideposts, the Philippine Development Plan and its Results Matrices, and the Public Investment Plan.

The ***President's Guideposts or Social Contract with the Filipino People*** refers to the 16-point action agenda or areas for transformational leadership aimed for by the Aquino Administration and translated into Key Result Areas (KRAs) under Executive Order 43.

The five KRAs and their objectives are:

1. Transparent, accountable, and participatory governance – to institutionalize

open, transparent, accountable, and inclusive governance;

2. Poverty reduction and empowerment of the poor and vulnerable – to translate the gains from good governance into direct, immediate, and substantial benefits for the poor;

3. Rapid, inclusive, and sustained economic growth – to achieve rapid economic expansion that generates jobs and livelihood for and increases the income of the poor, while moving away from the boom-and-bust cycle of the economic performance of the past;

4. Just and lasting peace and the rule of law – to attain just, comprehensive, and lasting peace within the bounds of our law; and

5. Integrity of the environment and climate change adaptation and mitigation – to promote sustainable natural resource utilization and climate change adaptation and mitigation strategies and measures among national government agencies, local government units and their respective communities, the general public, and other stakeholders.

A key instrument in the planning process is the ***Philippine Development Plan (PDP),*** which lays down the broad societal goals and specifies the sector goals and priorities of the government within the medium term. These priorities are articulated in the ***Results Matrices (RM)*** as desired societal goals and sector outcomes, outputs, indicators, and targets to achieve the 16-point action agenda within the medium term. Prepared by NEDA, the RM translates the societal goals and sector outcomes in the PDP into measurable targets and outputs

> **The PDP lays down the broad societal and sector goals and priorities of the Government within the medium term.**

for implementation. The 2011-2016 PDP, for example, serves as the government's blueprint that will translate the *Social Contract with the Filipino People* into efficient, effective, and responsive actions that are achievable within the term of the Aquino Administration.

Based on the PDP and its accompanying RM compendium, a list of prioritized programs and projects is prepared, covering ongoing and new capital investments and all programs of government. The list, known as the ***Public Investment Program (PIP),*** is a rolling multi-year public investment program that serves as a critical input to the annual national budget formulation process. Basically, the PIP translates the PDP into a core set of priority programs and projects to be implemented by the national government, Government-Owned or -Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), and other offices of the government within the medium term.

In drawing the list of major projects and activities for the PIP, each government agency must review its PAPs to ensure that these are aligned with MFOs it is mandated to deliver under OPIF. Major programs are identified and prioritized using the ***Efficiency and Effectiveness Review (EER)*** framework, which considers the responsiveness of programs and projects based on relevance, efficiency, effectiveness and impact, and sustainability in supporting sector outcomes.

The PIP is a list of priority programs and projects that contribute to the societal goals, sector outcomes, and outputs spelled out in the Philippine Development Plan.

The information from the EER also feeds into the periodic updating of the rolling PIP and the strategic prioritization of public expenditures as part of the MTEF.

Budgeting for Results

To further strengthen the linkage between planning and budgeting, the GOP introduced the MTEF and OPIF in 2000. The ***Medium Term Expenditure Framework (MTEF)*** is a three-year rolling expenditure framework, which supports budget formulation by linking the investment programming process with the annual budget call. It frames the government's policy and expenditure prioritization for resource allocation and is prepared *ahead* of the budget preparation phase. Moreover, it involves a process of setting fiscal targets and allocating resources to strategic priorities within these fiscal targets to the government-wide system.

MTEF is a planning and budgeting framework that provides a three-year perspective to the decision-making process during budget preparation.

MTEF seeks to strengthen results management in government planning and budgeting through the Paper on Budget Strategy and ***forward estimates*** (FEs). The ***Paper on Budget Strategy (PBS)*** links budget allocation with the agenda of the national government to identify the priority areas for spending, as well as to incorporate the sectoral and regional implications in the dimension and distribution of the budget. Fiscal headroom is allocated to these priorities. This prioritization process ensures that PAPs included in the budget contribute to the attainment of the PDP.

The MTEF also includes FEs of approved projects and expenditure policies that are matched with the medium-term revenue estimate and spending priorities, which are derived from the PDP and the PIP. Through the FEs, the MTEF is able to indicate the estimated cost of ongoing programs and proposed new projects on a three-year basis, as well as inform decision-makers of the cumulative requirements and

expenditure commitments to be considered in overall expenditure levels.

FEs show the future impact of current decisions and budget choices, and are updated to account for changes in budget policies and economic parameters. Updating FEs is done before the budget preparation process starts and involves a five-year perspective: past year, current year, budget year, and two out-years inclusive of a new out-year for the next budget preparation.

> **Forward estimates are projections or estimation of the future costs of existing policies.**

Guided by the priorities identified in the PDP, RM, PIP, and MTEF, DBM issues an annual budget call to all departments/agencies. In their budget proposals, departments/agencies must show that PAPs and corresponding budget estimates are aligned with their MFOs and with the KRAs under Executive Order 43 to ensure greater efficiency and value for money in spending government resources. Budget requests are evaluated by DBM and presented to the Cabinet and the President for approval.

Approved requests are consolidated into the **National Expenditure Program (NEP)**, a document which reflects the annual program of estimated expenditures presented by the national government to Congress for spending authority.

After its deliberations on the proposed budget, Congress grants spending authority through the **General Appropriations Act (GAA).** Using the GAA as legal basis, DBM oversees the release of funds to departments/agencies for the implementation of their PAPs required for delivering their MFOs.

DBM, in coordination with departments/agencies, prepares the **Agency Budget Matrix (ABM)** to disaggregate department/agency budgets into items needing and not needing clearance for release. This process helps determine which items will be issued **special allotment release orders (SAROs)** and which amounts will be released comprehensively under the ABM.

To continuously improve the results-focus in government spending, the Investment Coordination Committee (ICC) reviews proposed foreign-assisted projects (FAPs), including projects of departments/agencies with a cost of P500 million and above and/or those that will entail borrowing. Only those projects found consistent with the PDP and PIP are approved for programming and budgeting.

Implementing for Results

Departments/agencies are responsible for the implementation of PAPs that are aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices. They are also tasked to establish results-based monitoring and reporting systems to review and report their progress using MFO performance indicators and targets indicated in their approved budget. Government managers thus need to develop corporate strategies and corresponding indicators to measure internal outputs that will drive performance in MFO delivery.

Monitoring and Evaluating for Results

Results are monitored and evaluated in the GOP through the Official Development Assistance Portfolio Review, the Budget Performance Review, the Results Matrices monitoring, the Strategic Performance Management System, and audit reports.

The **Official Development Assistance Portfolio Review (ODAPR)** is conducted annually by NEDA to review all ongoing foreign-assisted programs and projects and their financing. The review is done to further improve the quality of ODA performance and the relevance of projects to national priorities in the PIP and PDP.

DBM, in coordination with departments/agencies, conducts the **Budget Performance Review (BPR)**. The BPR focuses on the performance of a department/agency in delivering MFOs and is conducted midyear and annually. It analyzes financial and physical performance data (MFO performance indicators and targets) captured from agency budget accountability reports submitted to DBM. At year-end, all financial and physical performance information is analyzed and consolidated as a report to the President and Congress on the performance of departments/agencies in delivering MFOs.

> **BPR provides the President and Congress with a summary report on the financial and physical performance of government agencies in delivering their major final outputs.**

Oversight agencies have their own M&E systems to monitor results of GOP performance. NEDA monitors results by analyzing indicators with baseline levels and targets set in the Results Matrices, which were used in formulating PDP and department plans. The Civil Service Commission (CSC) develops the **Strategic Performance Management System (SPMS)** for monitoring and assessing individual employee performance. The SPMS uses outcome indicators to determine how an employee's performance contributes to the agency's goals. Lastly, the Commission on Audit (COA) conducts an audit of the financial performance of departments/agencies and produces annual audit reports for each government

agency and for the whole of government.

NEDA also facilitates the annual review of the results of the PDP and the reporting of results through the **Socioeconomic Report (SER)**. The SER summarizes and monitors the government's achievements during the year to meet the goals and targets set in the PDP, RM, and PIP, as well as its commitments to the Millennium Development Goals. The SER also spells out the outlook and policy directions for the coming year.

Role of Agencies in OPIF and RBM

OPIF has laid the foundation for a performance measurement and management system that links the budget with the plan. In order to build a strong results-oriented culture in government as guided by the GOP RBM framework, the roles of oversight and implementing agencies—particularly in OPIF results monitoring—need to be clarified. A larger capacity for results-based monitoring and evaluation should also be developed in all departments/agencies. In addition, results information should be systematically analyzed and used in policy, planning, and budget decisions by oversight bodies, Congress, and the President.

Oversight agencies and implementing departments/agencies have the following key roles in OPIF:

- DBM ensures that the allocation of funding to MFOs is consistent with government priorities reflected in the PDP, RM, PIP, and MTEF. It monitors the delivery of MFOs in accordance with performance targets.
- NEDA evaluates societal and sector goals and measures the effectiveness of MFO impacts on sector and societal outcomes.
- DOF funds the budget through borrowing and taxes subject to the performance contract with the government.
- COA performs accounting and audit functions, including a performance audit that validates the integrity of OPIF information.
- CSC promotes the continuous improvement of individual performance through a performance management system linked to OPIF.
- Implementing departments/agencies deliver MFOs to clients and monitors corporate and individual performance as reflected in performance contracts.

Table 1 summarizes the OPIF function of oversight and implementing agencies in OPIF and their role in results monitoring.

Table 1 - Role of Oversight and Implementing Agencies in OPIF

	OPIF Function	Results Monitoring Role
NEDA	Evaluates effectiveness of MFO impacts on societal goals and sector goals -- **measures effectiveness** Facilitates formulation of PDP	Develops and runs an econometric model to measure contribution of MFOs in delivering change at the national level Monitors the performance of the mix of MFOs produced by government agencies to deliver societal goals and sector goals in terms of broad economic and social statistics
DBM	Negotiates delivery of MFOs on a *value for money* basis from departments/agencies – **negotiates performance contracts** Ensures allocation of funding to MFOs is consistent with MTEF/FEs, PDP, and PIP	Monitors the delivery of MFOs in accordance with performance targets agreed upon with departments/agencies Carries out analysis to ensure performance targets are realistic and reported performance is valid
DOF	Funds the budget through borrowing and taxes subject to a **performance contract with the government**	Supervises revenue operations and manages all public debt
CSC	Promotes continuous improvement through an individual performance incentive system; Collaborates with DBM on a **performance-based remuneration framework linked to delivery of MFOs**	Manages personnel performance evaluation
COA	Quality assurance, accounting, and auditing, including performance audits; ensures **accuracy of departments/agencies' reported performance**	Monitors the reporting of performance by departments/agencies and ensures the quality of the numbers produced
Implementing Agencies	MFO delivery, continuous improvement through monitoring internal performance, and strategy implementation **subject to performance contract or agreement**	Gathers data and reports statistics against performance targets agreed upon with DBM and uses this data to continuously improve its own performance Provides performance reports on the delivery of its MFOs to the President and Congress to promote transparency and accountability

Chapter 2 – Basic OPIF Concepts

This Chapter presents the key concepts that underpin the OPIF system (results chain, logical framework, performance indicators, etc.), and describes the process needed to make the OPIF system operational in departments/agencies. It describes how OPIF evolved into a homegrown and indigenized framework for results-based planning, budgeting, and performance management while remaining consistent with RBM principles.

What are results?

OPIF is concerned with results, particularly with MFOs delivered by a department/agency and funded through the Budget. The PDP Results Matrices describes **results** as follows:

> Development results, or simply results, are outputs, outcomes, and impacts of a development intervention. Outputs are the products, capital goods, and services that result from a development intervention. Outcomes are the likely or achieved short-term and medium-term effects of an intervention's outputs. These are observable behavioral and institutional changes, usually as the result of coordinated short-term investments in individual and organizational capacity-building for key development stakeholders. Lastly, impacts are the positive and negative primary and secondary long-term effects—both intended and unintended—produced directly or indirectly by development interventions. The transition of development results from outputs to outcomes, specifically between the completion of output toward the achievement of impact, is then a change in a developmental condition, as depicted in the results chain. [6]

What is the results chain?

From the discussion above, **results chain** refers to *the causal sequence of development interventions that stipulates the necessary sequence to achieve desired objectives— beginning with inputs moving through activities and outputs, and culminating in outcome, impacts and feedback*.[7] It reflects a hierarchy of objectives linked by a causal chain or logic (means-and-end relationship) of planned development interventions[8]

---

[6] United Nations Development Programme (UNDP), *Results Based Management: Concepts and Methodology*, 2002, accessed November 25, 2011 at http://www.undp.org.
[7] OECD, *Glossary*, 33.
[8] Development intervention refers to a policy, plan, or program implemented by government.

from activities that translate inputs to outputs (goods and services) leading to medium- (organizational and sector outcomes) and long-term objectives (societal goals). **Table 2** shows the linkage between different levels of objectives.

<div align="center">**Table 2. Results Chain**</div>

How should this be implemented?		What should be produced?	What outcomes do we expect from this investment?		Why should we do this?
Inputs	**Activities**	**Outputs**	**Short-term outcomes**	**Medium-term outcomes**	**Long-term impacts**

Source: NEDA, 2011-2016 PDP Results Matrices

From the RBM perspective, the implementation of activities is significant only in terms of *what it leads to or what follows from the process of planning, managing, and implementing.*[9] In OPIF, this means that activities funded through the budget are effective only if they deliver the MFOs they are expected to deliver. The results chain can thus guide the government and its stakeholders in understanding why it is important to measure results. It can help draw out evidence on whether the government has been successful in performing its core functions.

Figure 3 shows how the results chain and logical framework apply to the results framework and to the OPIF logframe.

What is a logical framework?

A **logical framework,** or logframe for short, is a *management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution, and evaluation of a development intervention.*[10]

The term **logframe** was adopted and indigenized to OPIF to strengthen the linkage between planning and budgeting. Specifically, the **OPIF logframe** guides both DBM and departments/agencies in identifying priorities for spending. This means funding only those activities and projects that directly link or contribute to MFO delivery and separating them from **unlinked** activities and projects that do not drive MFO attainment. (See discussion in Chapter 3 and Chapter 6.) In other words, the OPIF logframe tells a performance story of why, what, and how a department/agency delivers goods and services to its external clients.

---

[9] UNDP, *Results Based Management.*
[10] OECD, *Glossary,* 27.

Figure 3. The Results Framework

Why	**Societal Goal**	If sector outcomes are attained, then this should contribute to the overall societal goal.
	Sector Outcome	If organizational outcomes are achieved, then this should contribute to the sector outcomes.
	Organizational Outcome	If outputs are produced, then organizational outcomes are achieved.
What and Who	**MFOs**	If activities are conducted, then MFOs can be produced or delivered to external clients.
How	**PAPs**	If adequate inputs are provided, then activities can be implemented.

What is the results framework?

Departments/agencies deal with results at various levels (outputs, outcomes, impacts) and at various stages (planning, programming, budgeting, implementation, monitoring, and evaluation). To help agencies manage results effectively, a results matrix (containing the results statements, indicators, and targets) is incorporated in each of the PDP chapters, thereby *shifting the focus from only inputs and outputs to outcomes and impacts.*[11]

The **results framework** is a planning tool that illustrates how the results statements at the PDP level (sector and sub-sector outcomes) will link to the OPIF logframes (outputs and organizational outcomes) at the organizational level. It also describes the focus of NEDA in managing for development results—subsector/sector outcomes and societal goal at both the planning and M&E stages—and the focus of DBM, such as PAPs, MFOs and organizational outcomes at the programming, budgeting, and M&E stages.

As such, it shows the application of the logical framework at different levels (PDP, sector, agency, or project) which are linked in a ***cascading pattern*** to guide M&E and performance measurement at each level.

---

[11] NEDA, *Results Matrices*, 3.

Appendix 1 illustrates how each PDP Chapter cascades to sector results matrices, and how each sector results matrix cascades to the department/agency OPIF logframe.

What are the key elements of OPIF?

The following elements serve as building blocks of OPIF and other RBM tools:

- **PAPs** – an activity or integrated group of activities undertaken to realize the outputs and outcomes of a department/agency;
- **MFOs** – goods or services provided to **external** clients to achieve a common outcome;
- **Organizational outcomes** – short- to medium- term benefits to clients and communities as a result of MFO delivery;
- **Sector outcomes** – longer-term benefits for the sector from the initiatives of the department/agency;
- **Societal goal** – societal benefits from sector initiatives;
- **Performance indicator** – a characteristic of performance (i.e., quantity, quality, timeliness and cost) that is to be measured;
- **Performance target** – a predetermined level (numerical target) of quantity, quality, timeliness, and cost of an output; and
- **Performance measurement** – use of methods to measure incremental progress indicators from baselines to target.

How can agencies be accountable for outcomes?

It is often difficult to establish a **direct** link—cause and effect—between the goods and services provided by a department/agency and the high-level sector/societal outcomes that it seeks to influence. There is a range of factors—including non-government influences—that may impact on these high-level objectives. Moreover, the impacts may take a long time to take effect.

The impacts which are most important to society are unlikely to be wholly within the control of the department/agency. It may even be difficult to determine the extent to which impacts or outcomes are influenced by the department's/agency's services because of the difficulty of measuring and attributing changes in results.

Any assessment of organizational performance will need to recognize the extent to which the department/agency can influence each level of outcomes and goals. The logframe links societal goals to sector outcomes through a series of increasingly shorter-term, organizational outcomes. Therefore, as one moves down in the logframe, the capacity to influence results increases, and this is matched by a greater level of accountability as illustrated in **Figure 4.** Because the department's/agency's degree of control over its PAPs and MFOs is strong, it must be held fully accountable

for the delivery of PAPs and MFOs.

Figure 4. Influence and Accountability in the Results Framework
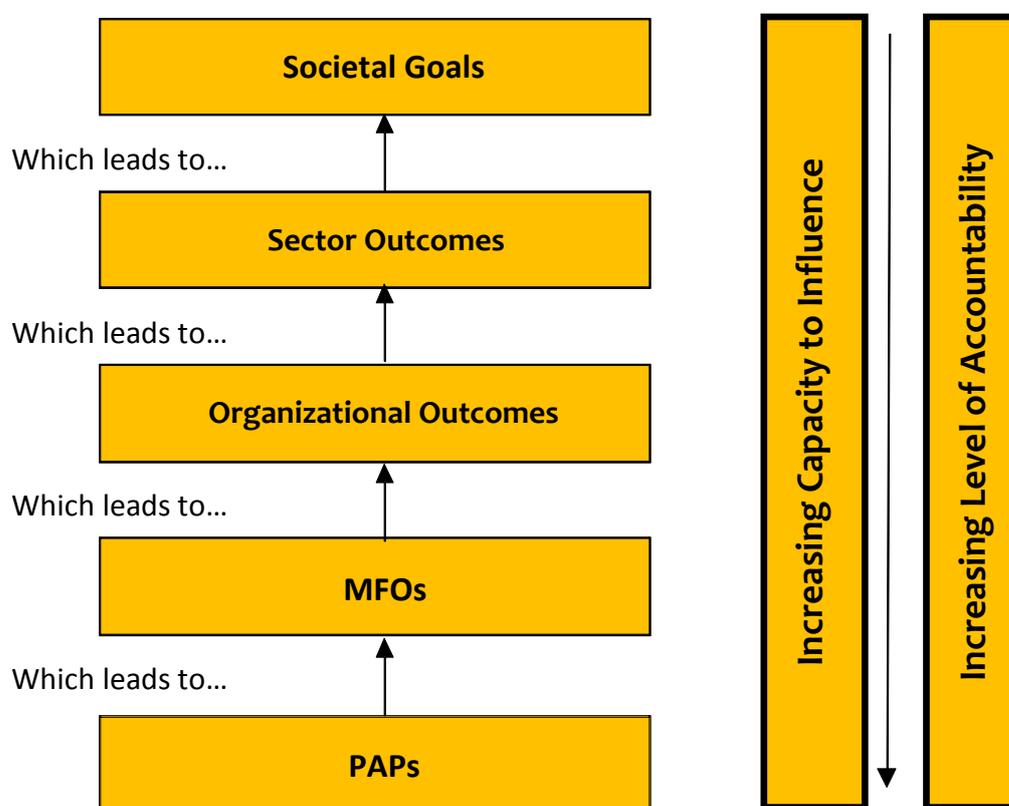
In contrast, numerous variables arise between what any given department/agency actually does and the achievement of sector outcomes and societal goals and. As such, the department/agency cannot be expected to be solely accountable for the attainment of sector outcomes and societal goals.

How to make OPIF operational?

The **OPIF process** involves the following steps on how to make the OPIF system operational in departments/agencies:

1. Reviewing the mandate and functions to formulate the ***organizational outcomes*** that the department/agency is expected to achieve or contribute to and the MFOs it is expected to deliver for that purpose. This involves a consultative process between the department and its attached agencies, as well as the DBM. The national government may opt to not fund obsolete

mandates/functions; hence, a department/agency must continually review the relevance of its mandate and refocus them as necessary.

2. Identifying linkages between the department's/agency's organizational outcomes and the **sector outcomes and societal goals** enunciated in the Philippine Development Plan, key result areas, sector plans, policies, etc.

3. Documenting PAPs, MFOs, and organizational outcomes in an **OPIF logical framework,** which shows the linkages between resource inputs, programs, activities, and projects that the department/agency implements to produce its MFOs, as well as the organizational outcomes for which it is mandated.

4. Identifying **performance indicators** and **targets** for each MFO to show how MFOs contribute to the achievement of the department's/agency's mandate. The indicators will be used to hold the department/agency accountable to the President, Congress, the public, and other stakeholders for carrying out its mandate.

5. Approving the **OPIF logframe** as executed by the department secretary/agency head and the secretary of DBM. The approval process for logframes of agencies under the administrative supervision of and/or attachment to departments shall consider the provisions in Section 28, Chapter 7, Book IV of the 1987 Administrative Code.

6. **Cascading OPIF** to planning to ensure alignment of plans from the OPIF level (organizational outcomes and MFOs) down to the department/agency corporate, business, and individual work plans. The corporate plan, business plan, and unit/individual work plans are key management tools for cascading OPIF—particularly performance targets—in the department/agency.

7. **Preparing the budget by MFOs,** including associated PIs, in accordance with the annual budget call. To improve cost attribution and expenditure prioritization, it may be necessary to structure PAPs to establish the link of specific activities to the appropriate MFOs. The budget estimate for MFOs is published in the *OPIF Book of Outputs* for the fiscal year concerned.

8. **OPIF performance monitoring, evaluation, and reporting** to the President and Congress. The periodic performance reports required of departments/agencies under Executive Order 292, or the Administrative Code of 1987, will include budget performance based on MFO performance indicators and targets.

The key steps to making the OPIF system operational are discussed in the subsequent chapters.

Once the foundations of OPIF have been well-established (i.e., when department/agency logframes, including well-defined MFOs and performance

indicators/targets are fully in place), it is envisioned that MFOs will become the basis for the whole-of-government's annual budgetary request to Congress and the structure of the General Appropriations Act. This means that Congress will review in concrete terms the outputs of departments, the results delivered, and the budget requests according to MFOs.

Chapter 3 – Constructing the OPIF Logframe

Chapter 3 describes the components of the OPIF logframe and provides instructions on how to construct the Agency OPIF logframe and the Consolidated OPIF logframe. It provides examples of societal goals, sector outcomes, organizational outcomes, MFOs, and PAPs.

The Agency OPIF Logframe

What is the Agency OPIF logframe?

The **Agency OPIF logframe**, or simply **OPIF logframe**, is a planning and budgeting tool used to establish the link between the MFOs that a department/agency produces through the implementation of PAPs, and the sector outcomes and societal goals it seeks to influence (**Figure 5**). As part of the results framework, it shows the focus of resource allocation, spending, monitoring, reporting, and evaluation of results based on a set performance indicators and targets.

Figure 5. The Agency OPIF Logframe and DBM Focus
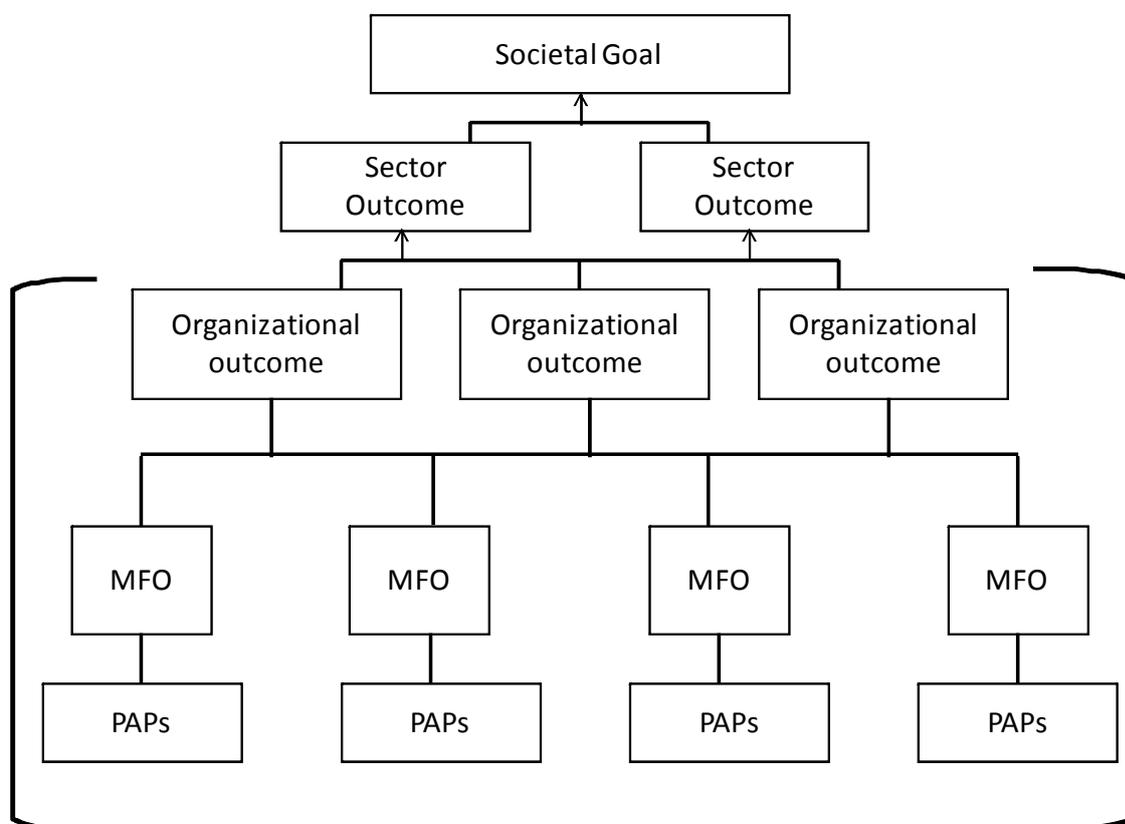
The brackets show that the department/agency has control over, and is thus accountable for the PAPs and MFOs it delivers to its external clients. They also show the focus of DBM's monitoring and evaluation with respect to the budget.

What is the purpose of the OPIF logframe?

The OPIF logframe describes what a department/agency does and how the goods and services it delivers to its external clients are likely to produce the results the government desires. The logframe should express the following:

- What services does the department/agency provide? (MFOs and PAPs)
- What results or impacts on the community should the department/agency try to achieve? (societal goals)
- How are the results linked to the government's priorities for the department/agency and the sector? (organizational outcomes and sector outcomes)

Each department/agency is required to formulate an OPIF logframe. Although attached agencies have their own logframe, they must subscribe to the same organizational, sector, and societal outcomes as those of their department's Office of the Secretary (OSEC).

In cases where this does not happen and for department-wide reporting purposes, a consolidation of outcomes and MFOs of the department and all its attached agencies needs to be done to drive the attainment of results. (See discussion on consolidated logframe at the end of this Chapter)

Why formulate the OPIF logframe?

As a planning tool, the OPIF logframe describes the causal links between what the department/agency does (MFOs) and the desirable short-term impacts that it will achieve. It also shows how these impacts will benefit the sector it serves and the society in general—in the medium- to longer- term (societal goals and sector outcomes)—through a series of logical steps. The logic explains assumptions made about the impact of the department's/agency's goods and services.

A clear logframe is the foundation of a high-quality OPIF. Once the logic is properly developed, it provides a high-level context for understanding, measuring, and managing the delivery of MFOs.

The logframe can be used to:

- link societal and sector outcomes and organizational outcomes to MFOs,

- identify performance indicators for MFOs,
- identify the key risks to achieving organizational outcomes,
- identify areas for intra-agency and inter-agency collaboration, and
- communicate performance and performance expectations to stakeholders.

What references can be used in formulating the logframe?

The following source documents can help the department/agency formulate its OPIF logframe:

- Mandates and legislation, including the Constitution
- National plans and sector priorities (e.g., the PDP, RM)
- Congressional or other policies on matters relevant to the agency
- Performance monitoring and/or evaluation reports
- Agency strategic planning processes and documents

Societal Goals

What are Societal Goals?

Societal goals are what the government wants to achieve for society—the government's ultimate policy objectives. They are societal benefits from sector-based economic activity. They describe the intended desirable impacts of a

> **Societal goals describe the intended desirable impacts of MFOs on society.**

departments/agency's goods and services on the country, the environment, or the economy. As end-points to be aimed for, they represent the high-level vision the government has for the country.

Societal goals are influenced by a broad range of factors; some are beyond the department's/agency's control. A number of organizations, both public and private, may contribute to the same societal goals.

What are examples of Societal Goals?

The 2011-2016 PDP RM identifies only one societal goal—***inclusive growth and poverty reduction***—with good governance and anti-corruption as overarching theme. Other examples of societal goals include:

- Sustainable development toward poverty reduction
- Peace and order toward poverty reduction
- National security toward poverty reduction
- Human development toward poverty reduction

- Reduced poverty incidence and improved quality of life

Sector Outcomes

What are Sector Outcomes?

Sector outcomes are the intermediate links between organizational outcomes and societal goals, and are usually achieved through the concerted effort of several departments/agencies. They are the longer-term benefits for the sector as a result of attaining organizational outcomes. For clarity and focus, some sector outcomes may have **sub-sector outcomes.**

Sector outcomes can promote sector integration. Where more than one department/agency contributes to a sector outcome, departments/agencies should be encouraged to work together to achieve shared outcomes and to clarify how each organizational outcome and MFO contributes differently to the same sector outcome.

> **Sector outcomes are the longer-term benefits for the sector from the initiatives of the department/agency.**

Departments/agencies must refer to the latest PDP RM for guidance in stating sector outcomes and translating these into plans and projects.

What are examples of Sector Outcomes?

Examples of sector outcomes are:[12]

- Enhanced knowledge, skills, attitudes, and values of Filipinos to lead productive lives (DepEd)
- Sustainable management of environment and natural resources (DENR)
- Fiscal strength (DOF)
- Improved health status of the population (DOH)
- Productive and competitive Filipino workers (DOLE)

The following sector outcomes are cited in the 2011-2016 PDP RM:

- Globally competitive and innovative industry and services sectors achieved
- Equitable access to social goods and services (e.g., education, health, housing, and other social infrastructure) improved

---

[12] The examples in this chapter are derived from 2010 *OPIF Book of Outputs*. The OPIF logframes will need to be updated in view of the latest PDP (2011-2016) and Results Matrices.

- Resilience to climate change and natural disasters increased
- Financial system made resilient and inclusive
- Stable national security environment achieved
- Human development status improved

Under the sector outcome "Improved human development status," five sub-sector outcomes were identified in the PDP RM:

- Access to quality health and nutrition services (Health, Nutrition, and Population) improved;
- Access to quality education, training, and culture (Education, Training, and Culture) improved;
- Access to shelter security (Housing and Urban Development) improved;
- Access to quality social protection services (Social Protection) improved; and
- Access to asset reform improved.

Organizational Outcomes

What are Organizational Outcomes?

Organizational Outcomes are intended to contribute to the achievement of sector outcomes and societal goals. They are the immediate outcomes for delivering MFOs.

> **Organizational outcomes are the short to medium term benefits to clients and community as a result of delivering MFOs.**

A department/agency has more direct influence over their organizational outcomes than sector outcomes or societal goals, but other agencies and the private sector may also affect these outcomes, organizational outcomes should reflect the impacts on the community that result from the department's/agency's provision of MFOs.

How to derive Organizational Outcomes?

The short- to medium-term impacts should be directly derivable from the current/updated mandate of the department/agency. They can also be verified by looking at the goods and services (MFOs) that a department/agency delivers. In formulating organizational outcomes, the department/agency should ask:

- *Why do we deliver this service?*
- *What are we trying to achieve in the short- to medium-term?*
- *Are they consistent with our mandate?*

Alignment of sector and societal goals will help define realistic organizational outcomes and MFOs. As such, the department/agency should also ask: ***What do we need to do to contribute to sector outcomes and societal goals?*** The same question is addressed by the department/agency in its corporate and business planning process, which is discussed in Chapter 5.

Several factors need to be considered in determining organizational outcomes:

- The current or updated mandate of the department/agency should be the basis of organizational outcomes. The legal basis for the creation of a department/agency is only an enabler. Each department/agency must continually review the relevance of its mandate vis-à-vis its mother department and refocus as appropriate.
- The degree and nature of the national government's policy interest in the area, particularly as expressed in the PDP, policy statements, etc. Current major priorities of the government need to be reflected in the outcome.
- The breadth of the department/agency's mandate for different clients or community groups. (For instance, the Department of Finance is likely to have a greater number of and broader outcome statements than, say, the Palawan Council for Sustainable Development.)
- Organizational outcomes should have a short- to medium-term focus, not long-term or aspirational.
- Organizational outcomes must be directly linked to the agency's mandate, department-wide mandate, and sector and societal goals.
- Organizational outcomes should also reflect the agency's organizational capabilities.

What are examples of Organizational Outcomes?

Following are examples of organizational outcomes:

1) DAR
   - Improved land tenure security
   - Empowered of agrarian reform beneficiaries

2) DOH
   - Access to quality and affordable health products and services assured
   - Access to social health insurance assured
   - Nutritional well-being assured
   - Access to quality population management information and services improved

3) DBM
   - Fiscal discipline
   - Effective resource allocation
   - Efficient government operation

4) DOF
   - National government fiscal sustainability
   - Environment supportive of financial services and the capital market
   - Effective asset and debt management
   - Fiscal sustainability of LGUs

Major Final Outputs

What is an MFO?

A **major final output (MFO)** is a good or service that a department/agency is mandated to deliver to external clients through the implementation of programs, activities, and projects. MFOs can be defined relative to:

> **An MFO is a good or service that a department/agency is mandated to deliver to external clients through the implementation of programs, activities and projects.**

- the outcomes that they contribute to,
- the client or community group that they serve, and
- the business lines of the department/agency

An MFO may be a single output or a group of outputs that are similar in nature, targeted at the same organization/sector outcome and capable of being summarized by a common performance indicator (e.g., different types of policy/advisory services are grouped into a single MFO: "Policy advisory services").

How to derive MFOs?

To derive the MFOs, the department/agency should ask: ***What outputs are we providing to external clients to achieve our mandate (organizational outcomes)?*** In view of the array of services delivered by departments/agencies, the MFO should not be narrowly defined. MFOs may reflect delivery of saleable products, provision of policy advice or other advisory services, regulatory services, case management services, and government provision of services not readily available in the marketplace.

A number of factors need to be considered in describing MFOs. In general, MFOs should:

- simply describe the goods or services (avoid the use of adjectives, e.g., high-quality);
- help the government, the legislature, and the public understand the nature of the goods or services for which public funding is being provided;
- have a clearly identifiable client (targeted external client or community group), although two or more MFOs may share the same client group;
- include goods and services to be delivered through outsourced arrangements (reflected in the purchasing agency's MFOs, not the provider's);
- be measurable, manageable, and auditable;
- be within the department/agency's control; and
- be sufficient in number for balance between clarity and focus.

Each MFO should reflect a core output, deliverable, or business line of the department/agency and will typically comprise a grouping of PAPs undertaken with a common outcome in mind. This grouping of PAPs should also help the department/agency assess whether it is providing the right services—or mix of services—to achieve organizational outcomes.

What are examples of MFOs?

The following examples show the MFOs of key departments:

1. DAR
   - Land tenure improvement
   - Agrarian justice delivery
   - Support services delivery

2. DOH
   - Health, nutrition, and population policy and program development
   - Capability-building services for LGUs and other stakeholders
   - Leveraging services for priority health programs
   - Regulatory services for health products, devices, equipment, and facilities
   - Tertiary and other specialized health care

3. DBM
   - Budget and management policy services
   - Agency budget and management services
   - Budget release services
   - Performance monitoring and evaluation services

4. DOF
    Revenue Generation
    • Fiscal policies, plans, and programs
    • Cash and debt management services, accounting and monitoring of NG transactions and research on fiscal matters
    • Anti-corruption in public finance management, anti-smuggling, and tax evasion activities and exercise of regulatory power

How is capital creation relevant to defining MFOs?

It is important to note the difference between capital outlay, project, and MFO. In this Guide, the term **project** is used to refer to activities that involve the creation of capital assets, which are used to support the delivery of MFOs and are not considered to be MFOs themselves. Similarly, capital outlay or creation is treated as investments by the government in the longer-term capacity of a department/agency to deliver MFOs.

Both projects and capital outlay can be part of the cost of an MFO, but are not MFOs by themselves, if by definition an MFO is a good or service delivered to clients external to a department/agency. More discussions on how the difference between capital outlay, project, and MFO affects budget estimation can be found in Chapter 6.

For example, the construction of roads by DPWH is designed to provide a transport medium for traffic. The construction of roads does not constitute the MFO; instead, the provision of the medium (roads) for the conveyance of traffic is the MFO. Road construction generates assets under DPWH's *ownership,* but that asset is not an end in itself. It is an asset built to convey traffic.

Similarly, road maintenance is a process designed to maintain the transport infrastructure at a certain standard or quality. It is the traffic—or the drivers and vehicle owners—on the road that is the end-client/beneficiary, and maintenance of roads is no more an MFO than is maintenance of a building being used to educate children.

In the case of the DOTC, spending on airport infrastructure is not an MFO, but an investment in the capacity of DOTC to provide a service to air transport operators. In view of these, investments in infrastructure that currently appear as an MFO in some department logframes will need to be amended to reflect these investments under the various MFOs to which they relate.

> A useful test of what an MFO is versus capital creation is to visualize the end beneficiary/client. This requires the following questions to be answered:
>
> - Who is the end *owner* of the output?
> - Who is the end beneficiary/client of the output?
> - How does the output get delivered to the end beneficiary/client?
> - How does the good or service benefit the end beneficiary/client?
> - What is it that the end beneficiary/client would be charged for, if the good or service were provided by a private sector entity?
> - What would be the basis for payment, and how would the charge for additional units of consumption be calculated?

Programs, Activities, and Projects

What are PAPs?

PAPs refer to programs, activities, and projects undertaken by a department/agency to achieve the purpose for which it was established or created. They have to be directly linked to MFOs to drive performance improvements.

PAPs are the traditional building blocks of the budget; thus, the linking of PAPs with the appropriate MFO is an important prerequisite for appropriations to MFOs. It can also assist the departments/agencies in its functional rationalization process (i.e., if a PAP cannot be linked to an MFO, the question of whether this PAP is a necessary or desirable function of the department/agency should be asked).

What are examples of PAPs?

Below are examples of PAPs for a specific department/agency MFO.

1. DAR MFO 2: Agrarian justice delivery service
    - Adjudicate agrarian cases
    - Provide agrarian legal assistance

2. DOH MFO 5: Tertiary and other specialized health care
    - Operate special hospitals, medical centers and institutes for disease prevention and control
    - Operate dangerous drug abuse treatment and rehabilitation centers
    - Develop subspecialty centers for heart, lung, and kidney disease

3. DBM MFO 2: Agency budget and management services
   - Set standards for budget operations
   - Programming the budget
   - Consolidate, track, and analyze budget releases
   - Provide technical secretariat services for budget preparation

4. DOF MFO 2: Anti-corruption in public finance management and exercise of regulatory power
   - Conduct intelligence, fact-finding investigation, and lifestyle check
   - Filing of administrative and criminal cases for prosecution
   - Review current systems, processes, procedures in DOF, BOC, BIR, and other attached agencies

The importance of restructuring PAPs to link or align with MFOs, as well as the implications for budget estimation are discussed in Chapter 6.

> **Program** – an integrated group of activities that contribute to a particular continuing objective of a department/agency.
>
> **Activity** – a work process that contributes to the implementation of a program or sub-program or project.
>
> **Project** – a special department or agency undertaking carried out within a definite time frame and intended to result in some pre-determined measure of goods and services.

The Consolidated Logframe

What is a Consolidated Logframe?

It has been observed that some agencies have created their own logframes independent of the Office of the Secretary of the department to which they are attached. There is a need to consolidate the MFOs and PAPs of these agencies to ensure that their outputs contribute to the attainment of department-wide MFOs and outcomes.

A **consolidated logframe** is a consolidation of the organizational outcomes and MFOs of a department's Office of the Secretary (OSEC) and each of its attached agencies. Hence, it should cover the shared goals, outcomes, and outputs of the department as a whole.

Typically, the goods and services provided by the OSEC and the attached agencies complement each other in achieving the department-wide impacts desired by the government. A consolidated logframe provides the department secretary/head with an overview of the totality of the operations of the entities for which he/she has

general administrative oversight responsibility (under Executive Order 292), and promotes among the agencies a shared commitment to department-wide outcomes. [13]

What is the purpose of a consolidated logframe?

The consolidated logframe aims to:

- provide an overview of the total operations of the department, including attached agencies;
- encourage cohesion in all areas of the department in achieving mandated outcomes;
- help the department secretary—and the President—improve resource allocation across the department's total ambit, and identify overlapping responsibilities and gaps;
- assist the department secretary in the discharge of administrative oversight responsibilities; and
- help identify services that require coordination with another department/agency for effective service delivery.

How to prepare a consolidated logframe?

The preparation of a consolidated logframe should normally be undertaken after the OSEC and attached agencies complete their logframes, and should be based on the logical analysis of combined mandates/businesses and the MFOs they deliver to external clients.

The MFOs of a department's OSEC and attached agencies could normally be expected to contribute to broadly similar organizational outcomes and to share the same higher level sector outcomes and societal goals. That is, the MFOs of the OSEC and attached agencies will typically be closely compatible—sometimes expressed identically—and readily accommodated under the same or broader department organizational outcome. A department-wide organizational outcome should be worded in a manner that allows it to cover/extend across the OSEC and attached agencies.

---

[13] The consolidation of logframes of agencies under the administrative supervision of and/or attachment to Departments shall take into consideration the provisions in Section 28, Chapter 7, Book IV of the Administrative Code. (Based on EO 292, supervision and control is usually the relationship between a Department and the Bureaus under it. Administrative supervision is the relationship of a Department with regulatory agencies under it. Attachment is the relationship of a Department with a Corporation and other Agencies as may be provided by law.) The logframes of agencies under the administrative supervision of and/ or attached to the Department will be approved by the respective Boards or governing bodies.

In many cases, the MFOs of the department's OSEC and attached agencies represent separate but complementary steps toward a common set of objectives or outcomes. For example, the investigation services of the National Bureau of Investigation, the prosecution services of the Department of Justice, the legal services provided by the Public Attorney's Office, and containment and rehabilitation services to prisoner—each one contributes to the administration of the justice system.

However, there will be cases where one or more of the MFOs of an attached agency do not readily *fit* within the general scope of the department's outcomes, i.e., they are neither *directly* complementary nor similar to other outcomes of the department. For example, the MFOs of the Philippine Veterans Office (i.e., Administration services for veterans benefits and Health care services for veterans and their dependents) do not readily fit within the MFOs or outcomes of the Department of National Defense to which the Philippine Veterans Office is attached.[14]

In such cases, the consolidated logframe should include organizational outcomes and MFOs that relate specifically to the **non-conforming responsibilities**. This reflects the fact that, irrespective of their non-conforming nature, the President has directed that the agencies concerned—and their mandates—be under the administrative oversight of the Secretary.[15]

How to reflect outsourcing arrangements in the logframe?

The government may provide funding to a responsible department/agency which, for efficiency or other reasons, decides to outsource the delivery of the services to another department or agency. For example, funding for farm-to-market roads is provided to DA, but road construction is undertaken by DPWH for DA.

In such cases, the logframe of the department/agency receiving the funding appropriation (and is thus accountable for the delivery of the output provided by virtue of the appropriation) should identify the relevant outputs and PIs in its logframe. The **sub-contractor** (DPWH) should have a contractual arrangement with the department receiving the funding and it needs to account only for what is specified in the contract. This is called a **purchaser/provider** arrangement, where the agency that receives and controls the appropriation *purchases* services from another

---

[14] DND's MFOs are land force, air force, and naval capability; management of joint operations; strategic policy and defense management; disaster risk management; quality small arms ammunition; national security education; and AFP capability upgrade.

[15] A footnote to the logframe should be included, drawing attention to any goal, outcomes, and MFOs that do not sit readily with the general responsibilities of the Department. It would not be appropriate to broaden the wording of *conforming* organizational outcomes and sector/societal goals merely to *accommodate* non-conforming MFOs. This could result in outcomes being so broadly stated as to accommodate matters not covered by a department's (and/or attached agency's) legal mandate.

(provider) agency. The sub-contractor, in effect, acts as agent of the agency that controls the appropriation.

Because the provider agency (e.g., DPWH) in such instances may also deliver outputs funded directly through its own appropriations, it may be desirable for the provider agency to provide a category of outputs labeled "Purchaser/provider outputs" in its logframe. This category—which should be in addition to, but separate, from its MFOs—will help establish that the provider agency's PAPs contribute both to MFOs and other outputs. While these may be *final* outputs from DPWH's point of view, it is only an *intermediate* output from the government's point of view. The department responsible for the appropriation (e.g., DA in the case of farm-to-market roads) is responsible for their delivery to the external end-users.

Outputs delivered by one agency (the provider) to another agency (the purchaser) under a purchaser/provider arrangement should be recognized as MFOs only by the purchaser agency. However, in order to identify the full disposition of the PAPs of the provider agency, it may identify a separate category of output (purchaser/provider output) which should be noted (e.g., by way of footnote) as intermediate outputs provided to another agency which recognizes them as MFOs (delivered to external end-users).

Can OPIF logframes be revised?

Revisions to the logframes are likely to be necessary in future years to reflect refinements in view of experience, and for reasons that may include any of the following:

- Transfer of functions between agencies or from one agency to another;
- Creation of new agencies affecting the mandate or function of an existing agency;
- Government policy initiatives resulting in new mandates given to a department/agency;
- Internal restructuring of a department/agency; or
- Strategic planning within a department/agency that identifies a need to redefine their outcomes, MFOs, and performance indicators.

The box below contains guide questions to help departments/agencies in framing their OPIF logframe. **Appendix 2** provides a more detailed set of questions for reviewing how the logframe is formulated to ensure clarity, focus, and alignment of outputs with outcomes and how results should be cascaded through corporate and business plans.

Guide Questions to Formulating the OPIF Logframe

1. What is the rationale/mandate of the department/agency?
2. What key short- to medium- term benefits are expected from the department/agency? **(Organizational outcomes)**
3. Who are the external clients/beneficiaries? **(Reach)**
4. What are the key products/services/goods produced or delivered? **(Outputs)**
5. How should the MFOs be delivered to achieve outcomes and goals? **(PAPs)**
6. Is the logframe focused, balancing detail with clarity?

Chapter 4 – Specification of MFO Performance Indicators

OPIF requires the establishment of indicators by which the performance of departments/agencies could be monitored and evaluated. As guardians of the national government's interests, departments/agencies responsible for delivering MFOs need to agree with DBM on the appropriate set of MFO performance indicators that will be used for analyzing performance across time.

This Chapter provides guidance on how to specify performance indicators for MFOs and set performance targets. Other types of PIs relevant to OPIF or those that describe projects, corporate plans, and sector/societal goals are discussed in Chapter 5.

What are performance indicators for MFOs?

An indicator is a *quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement in order to reflect the changes connected to an intervention.*[16] Applying this definition to MFOs, a **performance indicator (PI)** is a characteristic of performance, such as quality, quantity, timeliness and cost that is to be measured to show how efficiently the department/agency has delivered its MFOs.

> **An MFO performance indicator is a characteristic of performance (quantity, quality, timeliness, or cost) which will be measured to illustrate the standard of performance by which a department/agency has delivered its MFOs**

Simply put, MFO PIs are measures of how a department/agency performed in delivering an MFO, given a particular cost. It is thus incumbent on the government to specify the standards by which the provider (i.e., department/agency) must deliver a good or service, in a similar manner as say, a textile buyer will specify the:

- quantity of cloth or fabric to be delivered by a textile manufacturer,
- quality of the cloth (e.g., silk or cotton, plain weave, twill or satin weave, thread count, etc.),
- time by which the cloth is required to be delivered, and
- cost per yard of cloth to be delivered.

---

[16] OECD, Glossary of Terms, 25.

These standards can guide the formulation of a set of interrelated PIs for each MFO, which will be used to monitor and assess department/agency performance.

How to formulate PIs?

MFO PIs should reflect the key measures used by the department's/agency's management to assess department/agency performance. They should be defined to reflect the intended relationship between the MFO and associated organizational outcome.

For each MFO, it is important to select a range or interrelated set of performance indicators that reflect how well resources were used to deliver the MFO. There are four classes of PIs: quantity, quality, timeliness, and cost.

1. *Quantity*

   A quantity PI indicates the number of units or volume of output delivered during a given period of time. *(How much did we do?)*

2. *Quality*

   A quality PI indicates how well the output is delivered and how they are perceived by clients. *(How well did we do it?)* Common quality performance indicators include accuracy or completeness, safety, and client satisfaction.

> **Classes of MFO PIs**
>
> - **Quantity – indicates volume of output**
> - **Quality – indicates how well output is delivered**
> - **Timeliness - indicates the rate at which output is delivered to clients**
> - **Cost – indicates amount of input or budget allocation used to produce an output**

3. *Timeliness*

   A timeliness PI indicates a measure of the availability of the output as and when required by the client. Timeliness indicators may include turnaround time, average waiting time, distance/time travelled by clients to receive a service, etc.

4. *Cost*

   A cost PI refers to the amount of input or funds used to produce an output, e.g., budget allocation for an MFO, or average cost per patient to provide immunization services. Measures may also include revenue ratios, such as percentage of production costs that are recovered from end-consumers.

What are examples of MFO PIs?

The following examples of PIs are presented as a PI set describing a particular MFO:

MFO: Policy Advisory Services

- Quantity: Number of policy papers produced for Cabinet
- Quality: Percentage of policy papers rated by Cabinet as satisfactory or better
- Timeliness: Percentage of policy papers finalized within 20 business days of request
- Cost: Average cost per policy paper produced

MFO: Regulatory Services

- Quantity: Number of licenses issued
- Quality: Percentage of applicants who rated the licensing service as satisfactory or better
- Timeliness: Percentage of applications processed within 48 hours
- Cost: Average cost per transaction

Why develop a PI set?

A **PI set** consists of interrelated PIs from each class of performance indicators (i.e., quantity, quality, timeliness, and cost to describe a single MFO). (See examples above)

The aim is to have a set of performance indicators that focuses on the core characteristics of the MFO as a whole, and not its component parts. The data collected in respect of these PIs should be suitable for use in econometric analysis to assess the impact of the MFO on sector/societal outcomes over a relevant time frame.

Accordingly, each PI should remain relevant year after year, and should not depend on a single event or activity that is performed as part of the overall function that the MFO serves. Every event or activity performed should form part of the data that a PI captures for the measurement process.

How to formulate PIs?

PI descriptions should refer to only one variable and only one type of indicator (i.e., only quantity or quality or timeliness or cost, never a combination of one or more). A PI should never include the target in the description.

Table 3. Example of How NOT to Word a Performance Indicator

Performance Indicator	Target
Client is satisfied with the timeliness, frequency, and quality of technical advice provided	14 days

Table 4. Example of How to Word a Performance Indicator

Performance Indicator	Target[17]	Actual
Percentage of advice provided within 14 days of request	>90%	75%
Percentage of advice to client that is rated as *satisfactory* or *better*	>75%	65%
Percentage of consultations where an advisory error is detected	<10%	8%
Average number of technical advisory services provided per client per month	>20	40

Table 3 shows an example of a PI that was not correctly specified; it lumps all characteristics of an output in one PI statement, making it impossible to measure. In the same example, *14 days* is not an appropriate performance target for the PI but a variable outcome.

In the restructured example in **Table 4**, four separate but associated PIs (timeliness, quality, and quantity) were formulated, with the target excluded in the PI description. It is useful to try to word the indicator so that actual measured data can produce numerous outcomes (exceeding a minimum or maximum target), and not such that the only acceptable measured result can be, say, 100% or a fixed date or number. In the same example, an appropriate target would be *>90*% for the reworded PI, the percentage of advice provided within 14 days of request.

---

[17] The analysis to be made from a comparison of performance targets and actual performance data is discussed in Chapter 7 – Performance Monitoring, Evaluation, and Reporting. The same data table is used for illustration.

Performance Target Setting

What is a Performance Target?

A **performance target** is described by a numerical target of performance against which actual performance can be compared and for which a mean, standard deviation and trend line can be calculated over time. Appropriate performance targets are thus essential to any meaningful analysis of department/agency performance in delivering MFOs.

> **Performance target is a predetermined level—the numerical target—of quantity, quality, timeliness, and cost of an output**

Performance targets are standards to be achieved for a performance characteristic (quantity, quality, timeliness, or cost); they communicate to the provider the specification of the good or service that the buyer intends to purchase. Anything supplied at standards less than those prescribed by the buyer would not normally be acceptable, and would have to be corrected before the full and final payment can be made.

How to express a Performance Target?

Performance targets under any class (quantity, quality, timeliness, or cost) should:

- be a single number, which can be manipulated mathematically;
- be able to form a basis for calculating an average and a measure of variance over time vis-a-vis actual measurements;
- be able to generate a time series of data, subject to statistical measurement and trend analysis;
- appear like: >75% or <10% expressed as minimum or maximum, not as a fixed date or number; and
- describe a date, which can be continuous or fixed.

The examples in **Table 4** illustrate how performance targets for each PI should be expressed.

How to derive Performance Targets?

The following approaches can be used to develop performance targets:

- Adopting current performance with a percentage increase;
- Using current performance when existing services are considered efficient and effective (may apply to quality);

- Referring to best practice, for example, benchmarking;
- Referring to international standards for similar countries; and
- Making management decisions based on available resources.

PI targets for each MFO will be set based on discussion and negotiation between DBM and the department/agency producing the MFO. Generally, the target should be set rigorously between the department/agency and DBM. In whatever way the targets are set, they must be realistic. Targets should represent a balance between challenging and current levels of performance, taking into account the capabilities of the department/agency, capital investment, and productivity improvements.

Checklist for MFO PI Specification

To determine if PIs specified are appropriate for measuring MFO delivery, departments/agencies should also be familiar with the following types of PIs that typically concern government:

- PIs related to high-level societal and sector outcomes
- PIs related to the delivery of MFOs
- PIs for measuring the performance of delivery of projects
- Process and production PIs that are used to measure the performance of organizational units and which belong to corporate/business/unit plans.

OPIF is concerned with the first three types of PI. It is only indirectly concerned with the fourth, in the sense that OPIF is intended to drive continuous improvements in the delivery of MFOs through the corporate planning process. The MFO PIs can be supported by strategies and activities in the corporate and business plans to support improvements over time.

For example, in its corporate plan, DBM might identify computerization of the FEs process as a strategy for improving the quality and timeliness with which policy services (MFO) can be developed. In the business plan, the steps necessary to implement the computerization process would be set out, and a time frame included for various actions necessary for completion to finalize computerization by 2012.

Organizational units in departments/agencies are often concerned about reporting process/production PIs to the DBM, under the assumption that more resources will be allocated to their programs, or that the reports will imply efficient utilization of resources. However, process/production PIs are part of the corporate planning, business planning, and individual work planning process, but not of MFOs delivered to clients external to the organization. Management should be able to separate and distinguish among different types of outputs and PIs.

To determine whether the MFO PIs formulated are appropriate, the following questions should be answered in the affirmative:

1. Will the measurement of the PI be accurate and reliable?
2. Can the PI be measured over a period of time?
3. Will data be readily available on a continuing basis?
4. Will the PI be used for decision-making?
5. Will the PI be of interest and meaningful to both the client and end-beneficiary and the buyer/purchaser (national government)?
6. Will the PI set provide sufficient information to measure/judge performance in delivery of the MFO?
7. Can the PI be measured and reported in a timely manner, so that it is relevant to decision-makers?
8. Can the PI be measured cost effectively?

The answers to the following fundamental questions will determine the PIs that should be included for a particular MFO:

1. Who will use the performance information?
2. How will the performance information be used/for what purpose will the performance information be used?
3. What aspect of the MFO is important to measure?

The ultimate objective of specifying MFO PI is to develop an interrelated set of PIs for each MFO that will capture the essential characteristics of the MFOs delivered to clients and end-beneficiaries. To realize this, the MFOs should be stable in their specification from one period to the next, with PIs that will generate a time series of data that is robust, reliable, and can be used as the foundation for performance measurement and attribution analysis in respect of correlating MFO delivery to impact on sector/societal outcomes.

Chapter 5 – Cascading OPIF to Corporate Planning

This Chapter explains why it is important to cascade OPIF to organizational plans and strategies, and describes how it can be done through the corporate planning process. It presents an approach to corporate planning designed to improve a department/agency's performance and ability to deliver MFOs.

MFOs and PIs provide the basis for the development of the corporate plan, which cascades to business plans and unit/individual work plans, reflecting the possible contribution of units and individuals to MFO delivery.

Why cascade OPIF?

Currently, there are cases where the MFOs and PAPs of attached agencies are not linked to departmental MFOs, PIs, and PAPs. This situation prevents the attached agency from contributing fully to the attainment of departmental MFOs and outcomes. It can also impact negatively on policy and program coordination as well as planning and delivery of public goods and services.

Likewise, there is a need for standards to guide departments/agencies in linking MFOs and PIs to organizational processes, particularly with respect to corporate planning, which aims to provide clarity and focus to organizational activities and processes.

MFOs and PIs should link clearly to the corporate plan of each department to ensure that all organizational units and individuals are aware of their roles and responsibilities in contributing positively to departmental MFOs and PIs, and, ultimately, to sector/societal outcomes set out in the PDP. Cascading OPIF will thus help strengthen the results-focus of departments/agencies and build a performance-oriented culture in the public sector.

What is OPIF cascading?

OPIF links MFOs with the societal and sector outcomes that the government specifies through the PDP, while corporate plans link the delivery of MFOs with the organizational strategies of a department/agency to improve its performance. This implies the importance of aligning plans at various levels so that development results can be realized.

OPIF cascading is the process of aligning plans from the OPIF level down to the corporate, business, unit, and individual levels. It involves the simplification of

organizational strategies into tasks to be undertaken by individuals so that concrete actions are identified and responsibility allocated.

Successful cascading of OPIF to corporate planning requires the following:

- MFOs and associated PIs are linked clearly with the corporate plan.
- Corporate plan strategies are linked clearly to business plans.
- Business plan is reflected clearly in unit and individual work plans.

What is corporate planning?

Many references talk of *strategic planning, business planning, or corporate planning.* Different interpretations are applied to each term, not always clearly. Some are differentiated by the intended reader and/or end-user of the plan, while others are differentiated by the time frame over which the plan is intended to extend.

For the purposes of this Guide, strategic planning is undertaken through the Philippine Development Plan (PDP). The MFOs that departments produce should be viewed as strategies of the PDP that are designed to impact on sector outcomes. As such, MFOs and organizational outcomes should be analyzed for their effectiveness in delivering changes in one or more performance indicators for a particular sector outcome. From this analysis, the PDP should aim to specify more or less of particular MFOs, including new MFOs that will need to be produced by the relevant agency to meet more rapidly the performance targets for the sector.

> **Corporate Plan links the production of MFOs with organizational strategies that are designed to improve department/agency performance and ability to deliver MFOs.**

Similarly, capital projects identified in the PDP should be viewed as a tool for increasing the productive capacity of a government agency to deliver an MFO, rather than as an end or MFO in itself. MFOs, not projects or activities, link to sector/societal outcomes in the PDP, and this linkage is reflected in OPIF and PDP Results Matrices. In other words, the primary purpose for the existence of each agency of government is the production of specified MFOs to achieve certain social and economic goals. The organizational processes required to produce these MFOs are the starting points for corporate planning.

Figure 6 illustrates the link between the PDP, OPIF and corporate planning and the importance of aligning plans. OPIF links MFOs with the sector/societal outcomes that

the government specifies through the PDP. The corporate plan links the delivery of MFOs with organizational strategies that are designed to improve the performance and ability of a department/agency to deliver MFOs.

Under the corporate planning approach set out herein, the MFO structure is the basis for the development of the department/agency Corporate Plan, which cascades to the Business Plan, Unit Work Plans, and Individual Work Plans.

The *corporate planning process* is taken to mean all phases undertaken by a department/agency to produce and implement a plan aimed at organizational development, thereby improving delivery of its specified MFOs.

> **Corporate Planning is the process undertaken by a department/agency to develop the Corporate Plan, Business Plan, and Unit Work Plans for improving its performance and ability to deliver MFOs.**

Figure 6: PDP, OPIF, and Corporate Planning

PDP
Government-specified societal and sector outcomes with strategies to achieve goals specified in the form of MFOs

Goals link documents

OPIF
Departmental responsibilities for delivery of MFOs according to performance indicators/measures specified for MFOs

MFOs link documents

Corporate Plan
MFOs related to the operating environment through strategies designed to manage business conditions and implement process improvements

What are the uses of corporate planning?

The corporate planning process has the following uses:

- It clarifies the department/agency's reason for existence.
- It identifies pressures on the department/agency (technical, competitive, political, and performance).
- It identifies strategies to deal with those pressures.
- It identifies (in the business plan) time-constrained activities that are necessary to put strategies into effect and allocates responsibility for completion of tasks.
- Through the business plan, unit, and individual work plans, it allocates responsibility for ensuring activities are completed and, thereby, provide a basis for performance assessment of staff.

What are the key steps in corporate planning?

The corporate planning process has six distinct phases:

1. ***Identification of performance issues*** through the analysis and measurement of performance indicators to identify strengths, weaknesses, threats, and opportunities in an organization's operations (performance monitoring and evaluation);
2. ***Development of performance objectives and strategies*** using data analysis, workshops, and stakeholder consultations;
3. ***Prioritization of objectives and strategies*** to be implemented over the planning period, given the limited resources available to the organization;
4. ***Writing up of the ideas*** generated from that analysis and those workshops and stakeholder consultations into public documents that set out the broad organizational direction and strategies for improved performance in delivering specified MFOs;
5. ***Writing up of business plans, unit work plans, and individual work plans*** (internal organizational documents) that operationalize strategies intended to impact on organizational performance in delivering MFOs; and
6. ***Ongoing monitoring*** of implementation of the corporate plan and organizational performance to identify success or failure and facilitate remedial action where implementation of strategies is not timely or where implemented strategies fail to deliver/drive change.

From this, it can be seen that corporate planning is organizational-based. It is not a sectoral plan, but a plan for improving the performance of an organization in delivering its specified MFOs. Furthermore, the term corporate planning encompasses the public document (corporate plan) and the internal documents

(business plan and unit work plans).

What does corporate planning entail?

Corporate planning is a process undertaken by a department/agency to develop the Corporate Plan (CP), Business Plan (BP), Unit Work Plans (UWP), and Individual Work Plans (IWP) for improving organizational performance and ability to deliver MFOs.

Figure 7: Cascading Plans – Corporate Planning Components
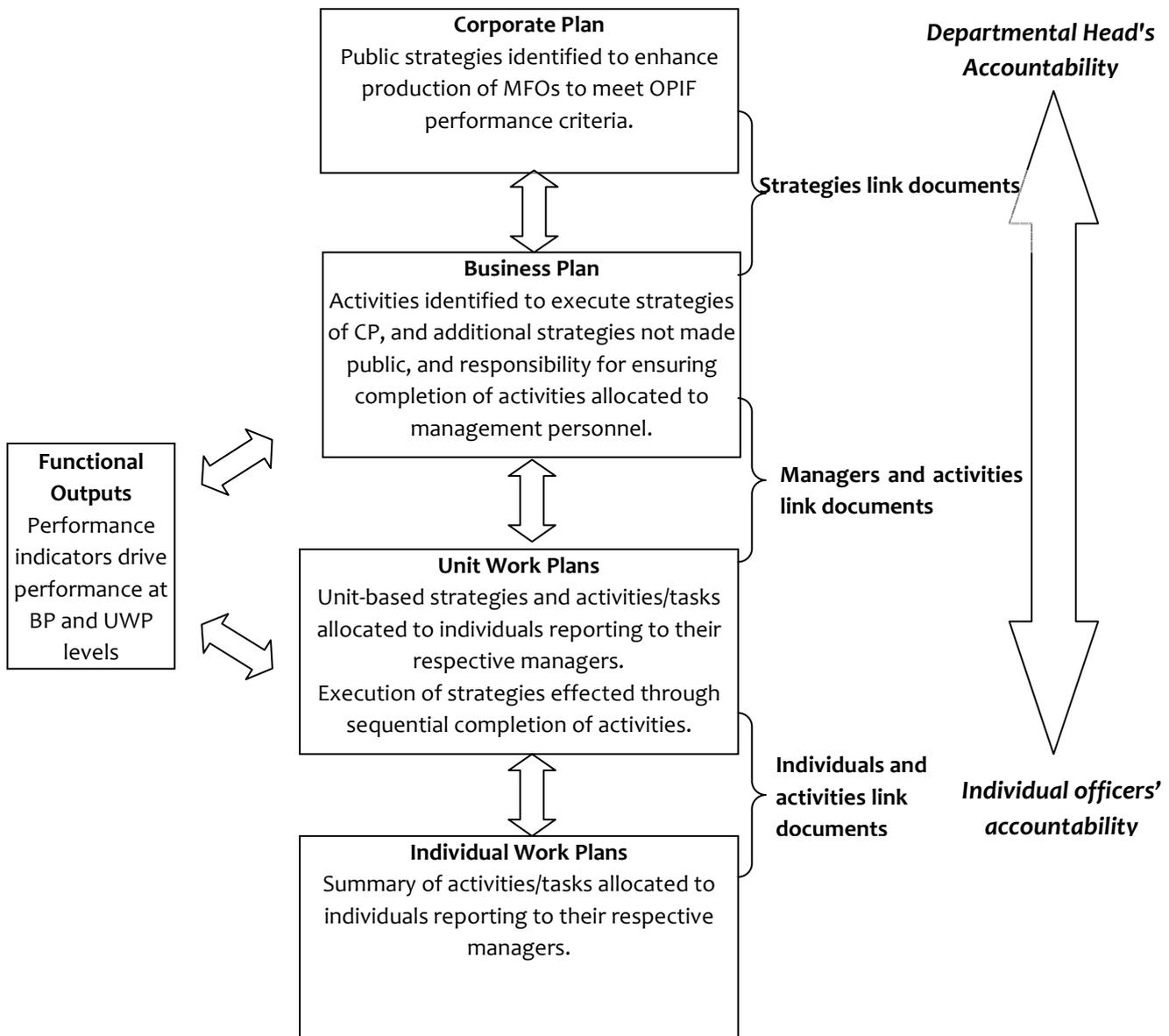
Figure 7 shows the linkages between the different plans/documents in a hierarchical manner. The documents (OPIF logframe, CP, BP, UWP, and IWP) are interrelated and must remain fundamentally consistent with each other, even though they may present information in different ways and from different perspectives. It is

encouraged that departments/agencies use a common set of templates for preparing the CP, BP, UWP, and IWP.

What is the duration of the plans?

As a general guide, departments/agencies should prepare a multiyear CP, an associated BP and annual UWPs. The period for which a CP remains current and for which it is initially prescribed is at the discretion of management, particularly the departmental/agency head. Nevertheless, as a general rule, a CP should be renewed every three to four years.

What is the difference between the CP, BP and UWP?

Departmental strategies are translated into tasks and targets of organizational units and individuals from the CP level, down to the BP, UWP, and IWP levels.

The CP is a medium-term plan that describes in broad, strategic terms how the department/agency intends to operate to deliver its specified MFOs and performance targets. The BP and UWP are prepared annually to support the CP. As an extension of the CP, the BP is designed to operationalize the strategies identified in the CP by breaking out the strategies into their component activities or tasks.

The UWP is a subset of the BP; it contains the activities and tasks of an organizational unit, which are implemented through the tasks allocated to individuals in the unit. To monitor and evaluate for results, all plans should carry performance indicators appropriate to the level of the plan, which may include MFO PIs, workload indicators, throughput or process indicators, or unit costs.

What is a Corporate Plan?

The CP seeks to identify broad strategies that are intended to assist a department/agency to achieve its OPIF performance targets. It proposes strategies to be implemented over the coming planning period that are designed to improve the department/agency's contribution to sector/societal outcomes either by improving performance in respect of existing MFOs or changing the MFO mix, all with government approval. It describes in broad, strategic terms how the department/agency intends to operate to deliver its specified MFOs and performance targets.

The CP does not have to discuss all processes and procedures that a department/agency undertakes to deliver its MFOs. Only those strategies that are significant are included and will be focused on in the coming planning period. The CP is a public document, and so the level of detail provided to the public will be limited.

For the most part, it should describe broad strategic initiatives that are significant in scale and nature. It will exclude sensitive information and minor strategies that are not of major significance in terms of direction or impact. Information which is considered classified—or which may compromise the future operations of the agency—should not be presented in the corporate plan.

What is a Business Plan?

The BP is an extension of the CP designed to operationalize the strategies identified in the CP by breaking out the strategies into their component activities or tasks. Activities should be completed within a time-bound action plan to implement the strategies. The BP also details non-MFO-specific organizational objectives and strategies (such as production of papers for the Board, compliance statutory obligations, development of strong work force, etc.), and therefore extends the BP into a wider set of performance issues other than the CP.

The BP is normally intended to be an *internal* management tool; it might include information that could be considered classified. It plots out in more detail the various strategies and associated actions to be implemented to achieve organizational objectives. The dates specified against each activity/task may extend past the planning period of the CP, depending on how long the estimated time is for implementing a strategy.

The BP does not need to list all ongoing processes that will be undertaken as a matter of normal business. It should focus on those aspects of its business that will involve change of some sort and the introduction of specific strategies. Performance indicators at the BP level can include workload indicators, throughput indicators, and unit costs in addition to MFO PIs.

What is a Unit Work Plan?

The UWP is an annual plan of work programmed for an organizational unit (i.e., bureau/service/office as used in this CP approach) of the department/agency. As a subset of the department- or agency-wide BP, the UWP contains the strategies, activities, and tasks of each organizational unit, including objectives set for the unit to meet performance objectives. The strategies in the UWP are implemented through the IWP, which is a summary of activities/tasks allocated to individuals (reporting to their respective managers). At this level, organizational strategies are broken down into tasks for individuals so that concrete actions are identified and responsibility allocated.

The UWP follows the same format and sequencing as the BP. The first section focuses on initiatives to be undertaken during the planning period that are designed to

improve the overall operating environment/capability of the organizational unit, while the second section focuses on initiatives to improve the ability of the unit to deliver its **functional outputs.** A functional output refers to the output expected of the unit in undertaking its defined role within the department/agency, and may be an internal/ intermediate output that does not directly contribute to MFO delivery.

For example, the DBM Corporate Planning and Reform Service (CPRS) delivers functional outputs that are also internal outputs (e.g., Planning; Monitoring DBM MFO PIs accomplishment; and FAPs and TA coordination, reporting, and monitoring). These functional outputs serve as inputs to other units directly responsible for delivering MFOs, and thus must be included in the UWP. Performance indicators at the UWP level can include workload indicators, throughput indicators, and unit costs.

Who is responsible for cascading OPIF?

Departments/agencies are responsible for cascading OPIF in such manner that will enable all organizational units to understand, even articulate, the MFOs, PIs and targets of the department and use them to guide planning, budgeting, performance reporting and other organizational processes. To ensure effective OPIF cascading, departments/agencies will need to first review and revise if necessary their existing MFOs and PIs as the basis for corporate planning. They also need to review and restructure PAPs to link to MFOs and improve budget estimation.

Once the necessary linkages between MFOs and PIs and the CP have been established, the department/agency's management group will need to establish policies and processes, as well as promote practices to support the sustained implementation and institutionalization of OPIF in their organization. This includes business processes for:

- allocating roles and responsibilities and ensuring that staff have sufficient capacity and capability to contribute to MFO production;
- identifying relevant MFOs, PIs, as well as PAPs linked to the budgetary requirements;
- formulating and implementing corporate plans that align internal business processes, procedures, and systems and targets with OPIF requirements and targets;
- implementing actions designed to achieve performance targets;
- monitoring, evaluating, and reporting performance; and
- implementing remedial actions necessary to ensure the achievement of OPIF targets, including improved data collection and information systems.

Appendix 2 provides key questions to guide department/agencies in cascading OPIF to corporate planning**.**

Chapter 6 – Estimating the Budget for MFOs

This Chapter aims to help in understanding how budget estimates for MFOs of a department/agency are prepared. It also discusses an approach to restructuring program, activities, and projects (PAPs) to improve the attribution or linkage of PAPs to MFOs toward improving budget estimation and expenditure prioritization. By improving the structure of PAPs, wasteful duplication of and/or overlaps in activities can be removed or avoided.

Budget for MFOs

The goal of OPIF is to enhance accountability for results and improve service delivery by specifying the outputs to be delivered, identifying the resources available to deliver them, and providing the department/agency with increased flexibility to manage resources in a way that maximizes the outputs. To attain this goal, it is important to understand why budgets should be formulated based on MFOs and how the PAP structure affects budget estimation for MFOs.

Why does it matter to formulate the budget based on MFOs?

Identifying the budget resources that are required to deliver the department/agency's outputs enables decisions to be made about the effectiveness and efficiency of the MFO and its priority in the budget, for example, by:

- showing the budget resources allocated by the national government, and which are available to the department/agency to produce outputs;
- showing the budget resources that were actually used by the department/agency for the outputs actually produced; and
- holding the department/agency accountable, over a period of time, for the effective use of budget resources to achieve outputs.

Reliable, consistent estimates of the resources allocated or used to produce MFOs are required to analyze budget performance. The estimates can be used to compare:

- the budget allocated for an MFO to support the desired performance targets against resources actually utilized for an MFO for outputs achieved,
- the resources required to produce an MFO against its level of priority or importance in the total budget, and
- the resources used to produce an MFO over a period of time to assess whether there have been changes in efficiency or effectiveness.

What is the relevance of PAP structure to MFOs?

MFOs are the goods and services that a department/agency is mandated to deliver to external clients through the implementation of programs, activities, and projects. The PAP structure, on the other hand, represents the current budgeting framework used to appropriate funds in the General Appropriations Act (GAA). The grouping of PAPs identified with an MFO is important to understand for it will work toward the accounting of the budget resources made available to each department/agency for the delivery of its MFOs.

During budget preparation, the department/agency must decide how funds applied for each PAP is identified or attributed to MFOs. This will help precisely determine the budget resources that will be made available to each department/agency for the production or delivery of its MFOs. However, confusion and varying interpretations of the PAP structure (GAS, STO, Operations, Projects) over the years has resulted in PAPs being misclassified. Hence, it may be necessary for departments/agencies to review their understanding of PAPs and reclassify individual activities to improve budget estimation.

Components of the Budget

The PAP structure represents the current budgeting framework used to appropriate funds in the GAA. PAPs are classified by cost structure into: General Administration and Support (GAS), Support to Operations (STO), and Operations.

PAPs are further classified according to expense class: Personal Services (PS), Maintenance and Other Operating Expenses (MOOE), and Capital Outlays (CO).

What is GAS?

General Administration and Support (GAS) are activities that deal with the provision of overall administrative management support to the entire agency operation. It includes activities such as general management and supervision, legislative liaison services, human resource development, and financial and administrative services. Funds provided for GAS are management overhead expenses and are therefore indirect costs incurred in delivering the department/agency MFOs. GAS is common to all departments/agencies; it is therefore possible to compare the ratio of GAS expenditure to establish benchmarks for cost efficiency.

> **GAS are activities dealing with the provision of overall administrative management support to the entire agency operations.**

What is STO?

Support To Operations (STO) are activities that provide technical and substantive support to the operations and projects of the department/agency. These are activities which contribute to or enhance the delivery of services but which by themselves do not produce the MFOs. The types of services included under STO are likewise common across agencies. Examples include planning and policy formulation, program monitoring and evaluation, public information programs, research and development, statistical services, and information systems development.

> **STO are activities that provide technical and substantive support to operations and projects of the department/agency.**

Funds provided under the STO classification are also overhead expenses, and therefore indirect costs of delivering the department's/agency's MFOs.

What is Operations?

Operations are activities directed at fulfilling the department's/agency's mandate. These may include regulatory services, production of goods, delivery of services such as health care or education, national economic planning, and central statistics administration and management. Any activity, process, or function which contributes to or supports the achievement of the department's/agency's mandate is classified as Operations.

> **Operations are activities directed at fulfilling the department/agency mandate.**

Activities which are classified as GAS or STO may represent the core functions of a department/agency. For example, NEDA's economic planning function, DBM's budgeting function, CSC's personnel management function, DAR's legal and adjudication services, and NSO's statistical activities should be classified as Operations. Budget items classified as Operations are direct costs of delivering department/agency MFOs.

In cases where activities under Operations may appear to contribute to several or all MFOs, the PAPs should be restructured and activity statements broken down and compartmentalized so that as far as practicable, **one activity shall be attributed to only one MFO.** This will provide a clearer picture of the relationship among activities and the appropriate contribution of a PAP to the MFO, and consequently improve budget estimation. In cases where the same PAP contributes to several MFOs, the PAP structure must be reviewed, disaggregated, or merged as necessary to improve attribution of PAPs to MFOs.

What are Projects?

Projects are special department/agency undertakings carried out within a definite time frame and intended to result in some pre-determined measure of goods or services (MFOs). It is not usually an MFO by itself but contributes to the delivery of an MFO.

> **A project is considered an investment in the capacity of a department/agency to deliver an MFO.**

Most projects are capital investments but short term-activities with specific and identifiable output such as the development of a new IT system, which may involve infrastructure (CO) or software (MOOE) expenditure. Thus, amounts provided for a particular project may be for CO only, or for both CO and MOOE. Other projects are specific, one-time undertakings (e.g., training programs for specific beneficiaries) and would involve only MOOE.

Because they have very specific outputs, projects are usually direct costs and are related to one or more MFOs. If it is not possible to identify the components of the project that relate to each MFO, the project costs should be allocated between MFOs on a proportional basis.

Projects may be locally funded or foreign-assisted. Unlike GAS, STO, and Operations, a project is not a recurring activity and funds are thus allocated to it only until its completion.

Funding requirements for the operating and maintenance expenses of a completed project should be included in the regular provision of an MFO. For example, the operating and maintenance requirements of a completed road maintenance project should be included in the subsequent annual spending proposals of the department/agency. Such amounts should be part of the funding for the MFO that is supported by the completed project. The same rule applies when the project has been converted or authorized as a regular activity of the agency after its completion.

What is Personal Services?

Funding for PAPs are broken down into three expenditure classes: Personal Services, MOOE, and Capital Outlay.

Personal Services (PS) refers to provisions for the payment of salaries, wages, and other compensation (e.g., merit, salary increase, cost-of-living-allowances, honoraria, and commutable allowances) for government employees. In general, the major cost of delivering government activities is the cost of staff.

The Government Manpower Information System (GMIS) contains information on the number of staff attributed to each PAP and clear guidelines exist for calculating the amount of basic salaries, allowances and other compensation identified with an activity. These estimates are used as the basis for establishing the PS budget for each MFO.

> **Personal Services are provisions for the payment of salaries, wages and other compensation**
> **x**

What is MOOE?

Maintenance and Other Operating Expenses (MOOE) includes two types of budget expenditures, which are essential for the delivery of department/agency outputs: the recurrent operating expenses of the activity, and expenditure, which is not an operating cost but a specific input needed for the delivery of an output.

Most items classified as MOOE are the routine operating costs of the staff who work on each activity. These costs are consumed in the process of producing department/agency outputs and include travel, training, supplies and materials, utility expenses, communication expenses, transport, storage, and other expenses. It should be possible to calculate an average overhead cost for each staff member in each activity for the purpose of calculating the MFO budget. For most activities, overhead costs will account for the whole of the MOOE budget.

> **MOOE refers to expenditures to support the operations of government agencies, such as expenses for supplies and materials; transportation and travel utilities (water, power, etc.), and necessary repairs, etc.**

Payment of interest and taxes, as well as some supplies and materials or maintenance expenditure, may also be specific to a particular activity. For example, the repair and maintenance of roads in DPWH involves an operating cost, but is not normally undertaken by departmental staff. It is a specific major cost of delivering MFO 1 (National Roads Maintenance Services) through maintenance contracts administered and supervised by DPWH, in accordance with the government policy of outsourcing construction and maintenance works to private contractors.

On the other hand, drugs and medicines in the Department of Health budget, although classified as supplies and materials, is a specific cost of delivering an MFO of DOH and therefore not an overhead cost. It is thus important to analyze the components of MOOE to ensure that any large specific item necessary for MFO delivery is attributed to the correct MFO.

The MOOE classification also includes several expenses that are not recurrent operating

expenses of activities. These include, in particular, amounts budgeted for assistance to GOCCs, LGUs, and NGOs, as well as for donations and other subsidies and for contracted services.

What is Capital Outlay?

Capital outlay (CO) includes land and land improvements outlay, buildings and structures outlay, office equipment, furniture and fixtures, machineries and equipment, as well as public infrastructures.

In the OPIF system, CO is treated as long-term investments in the capacity of an agency to produce MFOs. It is an investment in assets that have a useful life longer than two years (COA definition). It is not an expense to be written off in a single financial year, but should be expensed, in the future, as part of the cost of delivering an MFO according to a depreciation schedule applicable to

> **Capital Outlay refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government, including investments in the capital stock of GOCCs and their subsidiaries.**

the asset in question, and in accordance with the COA-approved schedule. In future guidelines, depreciation expense could be used to estimate the cost of delivering MFOs.

How is the budget for an MFO estimated?

The budget for an MFO is estimated using the concept of direct costs and indirect costs. A direct cost is allocated to the MFO it clearly supports. An indirect cost supports all the MFOs of the department/agency, and should be presented separately, not allocated to MFOs.

Direct costs include the cost of all staff who devote a readily measurable and significant, but not necessarily exclusive, proportion of their time to the delivery of a good or service. This will include the salaries and operational expenses of staff who work exclusively on providing a specific service and also the staff who contribute to the production of several goods or services where it is possible to

> **Direct costs are costs that can be clearly and specifically identified with and attributed to a program, project, or service contributing to the delivery of an MFO.**

identify the particular goods and services they produce. All activities under Operations constitute direct costs and should be allocated to MFOs.

Indirect costs include resources used for General Administration and Support of the department/agency, such as human resources services, accounting and finance services, information technology services, and the policy and management oversight provided by the Secretary and other senior officials. They may also include the resources for STO, such as public relations and information, testing laboratories, planning and monitoring activities, legal services, general research, policy development and, program evaluation.[18] These activities do not necessarily support any one individual or specific delivery of a particular MFO alone.

> **Indirect costs are costs that are necessary for the functioning of the department/agency as a whole, but cannot be directly and easily traced to the production or achievement of a particular MFO.**

The difference between a direct cost and an indirect cost is not always perfectly clear. There may be cases where judgment is required. In general, the preference should be to classify the activity as a direct cost of an output in order to give the most complete account of activities which contribute to producing a particular output. In this Guide, the recommended approach is such that only direct costs are allocated to the MFO that it clearly supports. This means that only the cost of activities clearly driving the achievement of an MFO is allocated to the particular MFO.

For example, the cost of operating and maintaining a nature park should be classified as a direct cost of delivering an environmental output, rather than an indirect cost of management of the DENR. Further, this activity should be part of Operations. Similarly, the cost of accounting for receipts and disbursements of the national government should be a direct cost of delivering the cash management services output of the Bureau of the Treasury, and hence, part of Operations. However, the cost of managing receipts and disbursements of a service delivery department—such as the Department of Education—supports its internal management responsibility and would be an indirect cost of the delivery of education outputs.

Budget estimates and performance indicators for MFOs are presented in two key budget forms—Form A and Form B—which are part of the Annual Budget Call. These forms reflect the policy priorities of the department/agency, presented as budget estimates for

---

[18] As the government moves toward full MFO cost-based budgeting, DBM will further clarify the policy on allocating direct and indirect costs. Under current arrangements, each agency's budget for GAS and STO is appropriated as overhead expenses dissected by type of expense: PS, MOOE, and CO. If GAS and STO were appropriated as part of the agency's MFOs, the manager's ability to reallocate costs across MFOs during the fiscal year to reflect changing priorities would be constrained. Typically, the shift to MFOs as an allocation strategy would increase government managers' discretion over program and project funding, but will also reduce their discretion over overhead funding. If this strategy is adopted, GAS and STO would have to be allocated separately, and not be part of the MFO.

a three-year period: Actual for the Past Year, and Estimates for the Current Year and Budget Year. Form A reflects the MFOs and the corresponding PAPs supporting each, with the breakdown by expense class of each PAP item. Form B contains the MFOs and the corresponding performance indicators.

Sources of Budget for MFOs

The budget estimate is composed of all budget resources appropriated to a department/agency, which will be used in delivering its MFOs:

- Amounts appropriated as New General Appropriations for Programs, Activities, and Projects in the annual GAA;
- Amounts contained in Automatic Appropriations;
- Amounts contained in Continuing Appropriations, if these amounts are known at the time of preparing the budget estimate; and
- Budgetary adjustments made within the GAA during the year.

In the National Expenditure Program (NEP), the Comparison of Appropriation and Obligation section sets out all the appropriation items which are available to each department/agency for three fiscal years: past year, current year, and budget year. Amounts presented in the past year are actual obligations, while those in the current and budget years are estimates.

The NEP is the reference point for the preparation of MFO budget costs (actual for past year) and estimates for the current and budget years. The NEP serves as the basis in preparing the OPIF Book of Outputs, wherein MFO costs and accomplishments are likewise presented in three fiscal years. All budgetary items in the NEP are to be allocated to MFOs so that the total budget for MFOs reconciles with the total resources provided in the NEP.[19]

What are New General Appropriations?

New general appropriations refers to the authorization for incurring obligations during a specified budget year. These pertain to the annual appropriations in the GAA which are presented by programs, activities, and projects, which are intended to reflect the functions and activities of departments/agencies.

---

[19] It should be noted that the benefits of capital investments extend beyond the budget year, and may affect the cost estimation of MFOs in succeeding years. Preliminary discussions with COA suggest the use of the depreciation method as prescribed in the NGAS, where the estimated life of the asset would guide the annual allocation cost to be attributed to an MFO; that is, the total cost of the capital investment would be spread across its estimated life net of any accepted residual value. Integration of this policy may be incorporated in a DBM issuance after official consultations/discussion with COA.

What are Automatic Appropriations?

A**utomatic appropriations** refers to authorizations made annually or for some other period prescribed by law, by virtue of standing legislation which does not require periodic action by the Congress of the Philippines. Automatic appropriations include amounts for debt servicing and lump sums for LGU Internal Revenue Allotment, etc., which may not be attributed to an MFO.

Automatic appropriations also include the Retirement and Life Insurance Premium (RLIP), which may be a direct cost and indirect cost of an MFO. The RLIP pertaining to the share of the staff directly performing activities necessary for achieving MFOs should be attributed to the relevant MFO.

What is RLIP?

Retirement and Life Insurance Premium (RLIP) is the share of the national government in the premium payments to the Government Service Insurance System (GSIS) for the life insurance and retirement benefit fund of government employees. It is an automatic appropriation. It is calculated as a percentage of the value of basic salaries of the department/agency and applies to staff who contribute directly to an MFO as well as to staff who provide administrative support services. It therefore applies to both direct and indirect costs. RLIP funds need to be allocated to MFOs according to the amount of the PS budget.

The existing Budget Preparation Management System (BPMS) and Government Manpower Information System (GMIS) compute RLIP by PAP. Thus, RLIP corresponding to PAPs under Operations should be allocated to MFOs, while those under GAS and STO should not be allocated.

What are Continuing Appropriations?

Continuing appropriations refers to authorization to support obligations for a specified purpose or project, even when these obligations are incurred beyond the budget year. For example, MOOE and Capital Outlay appropriations in the GAA have two-year validity. The amount of unobligated and unreleased appropriations for these items which will be available in the succeeding year may be unknown during the preparation of MFO budget estimates for the budget year. They therefore do not appear in the NEP and are not included in the estimate of the MFO budget.

These amounts are, however, included in budget execution reports (BEDs) for previous years, and will therefore be included in reports on the budget resources that were used for the MFO in previous budget periods. Most continuing appropriations relate to capital projects and therefore can be readily attributed to specific MFOs. In other cases, they will

be allocated on the same basis as other budget items.

What are Budgetary Adjustments?

Budgetary adjustments include allotment releases from Special Purpose Funds e.g., Miscellaneous Personnel Benefits Fund, Calamity Fund, etc. to departments and agencies, authorized transfer of appropriations from one department/agency to another, and transfer to overall savings.

Budgetary adjustments are reflected in the past year of the Comparison of Appropriation and Obligation table of the NEP. These budgetary adjustments are included in the actual obligation for the past year and shall be allocated to the respective MFO cost.

What is 'Off Budget' funding of MFOs?

There are other ways, however, in which the budget estimate for MFOs presented in the budget documents may not reflect the *full* or real cost of the output. For example, some departments/agencies (e.g., hospitals) are authorized to use retained income to fund expenditure. However, the value of these funds is not shown in the NEP, so the budget estimate of delivering outputs is less than the actual cost.

In other instances, the value of grants received by the department/agency is not shown in the NEP budget, although they may be reported in end-of-year budget implementation reports.

In some cases, the estimated value of these **off budget** items is known and is provided in supplementary budget documents. Although these resources will not be included in the main budget estimates, they should be noted and included in the OPIF budget.

PAPs Restructuring and Budget Estimation

Some departments/agencies are confused about the definition of GAS, STO, Operations, and Projects, resulting in PAPs being misclassified. For instance, some items that are currently classified as GAS and STO may in fact be direct costs of MFOs (Operations) and should be part of the MFO cost. Significant misclassifications may have a negative impact on budget calculations; thus, it may be necessary to reclassify individual activities specifically for the purpose of preparing budget estimates.

Why restructure PAPs?

The main rationale of restructuring PAPs is to establish the link of PAPs with the appropriate MFOs for better budget estimation and expenditure prioritization. Because MFOs are used as basis for budget estimation, activities that are **unlinked** to MFOs

generally mean waste and duplication. Thus, activities that are not linked to the appropriate MFO must be dropped. Activities that do not fall within the legal mandated function of the department must be dropped as well. Savings identified from dropping unlinked activities may be used to fund higher-priority activities in the same department.

In short, PAP restructuring is the process of **cleaning up** PAPs to improve budget estimation for MFOs and establish accountability for delivering results. DBM, together with departments/agencies, should review the PAPs and restructure as necessary.

An activity in the current PAP structure in the GAA which contributes to more than one MFO is a candidate for restructuring. Merging, splitting or dropping activities should be done as needed so that one activity shall be attributed to only one MFO.

There may be remote cases where the design of the organizational distribution of tasks and activities prevents the strict compartmentalization of activities to clearly identify which single MFO the activity contributes to. Under these circumstances, a flexible approach in the distribution or allocation of costs to the particular MFOs affected will be acceptable; however, this is subject to a formula or policy on the distribution or sharing of staff time and other resources common to the activities concerned. A more specific attribution of an activity's allocation to the appropriate MFO can be made after a diligent review of the PAPs and when a process of merging, splitting, or dropping activities is applied.

How are PAPs restructured?

In rationalizing activities in the PAP structure, it is assumed that departments/agencies should stay within the overall budget, with savings reallocated to higher priorities within the department. The approach in this Guide is to review the activities of each PAP and determine if they are correctly aligned with the appropriate MFO of the department/agency.

The review and analysis of PAPs should be guided by four parameters: legal mandate, activity structure, cost of MFO, and classification of the activity. The general approach and principles are described below while detailed instructions for reviewing PAPs are contained in **Appendix 3.**

1. *Legal mandate and other policy instructions/documents*

   Review each PAP and determine if activities are within the authority of the department/agency to undertake, using as reference the department/agency's legal mandate and other policy instructions and documents. Drop activities that do not fall within the legally mandated function of the department/agency. It is important to note that it is the legal function of the agency which is mandated to be performed,

and not the PAP or any of the activities within the PAP.

2. *Activity structure*

Review the activities of each PAP and determine if they are correctly linked to or aligned with the appropriate MFO. As a rule, one activity shall be attributed to only one MFO. This ensures that the activity structure corresponds to essential work tasks needed to produce the MFO. It also refines the composition of activities through a process of merging, splitting, or dropping activities to improve performance. Poor performance may be the result of misaligned activities, and consequently, poor expenditure prioritization.

3. *Accountability*

Review the activity structure of each PAP and identify which unit is responsible for undertaking the activities. This establishes responsibility and ensures that PAPs are aligned with the operational/functional organization of the department/agency.

4. *MFO Cost*

Review the classification of activities in each PAP with regard to GAS, STO, and Operations, and identify any activity that has been misclassified. The proper classification of PAPs will enable the identification of direct costs (Operations), and indirect costs (GAS and STO) of each MFO.

The new PAP structure should capture all activities which contribute to the MFO and all the budget financing assigned to these activities. The funds for GAS and STO need not be allocated across MFOs, but costs should be disclosed and understood to be the indirect costs of the Operations component of the budget.

To ensure the alignment of activities with the appropriate MFO, consider dropping, merging, or splitting activities. **Table 5** shows examples of restructured PAPs. These actions may result in the shifting of funding for activities of lower priority to activities of a higher priority within the department, or to the extent feasible, the KRAs of the government.[20]

The aim is not to reduce the size of budget, but to refine the composition of activities where this will improve performance. Poor performance may be the result of underfunded activities and the restructuring of PAPs should prioritize activities as much

---

[20] Executive Order 43 (2011) directs the annual setting of concrete and measurable outputs for programs and/or projects until 2016, and reorients PAPs toward the achievement of the desired outcomes under the five KRAs. See discussion on KRAs in Chapter 1.

as possible. The review of PAPs may result in the proposed removal of a PAP/s and the establishment of new PAP/s if this is required to improve cost attribution to MFOs.

Table 5. Examples of Restructured PAPs

Before	After
Example 1: Merging PAPs	

Department of Agriculture
PAPs under Operations
   III.a.1 Agricultural crop research
 	
   III.a.2 Research on farm tools & implements
   III.c.4 Conduct of research studies
	PAP under Support to Operations (STO)
	   II._._ Research on agricultural crops, tools and implements, and others
	
	Note: This is also an example of reclassifying the PAPs from Operations to STO

Example 2: Splitting PAPs	

Department of Budget and Management
PAP under Operations
   III.b.2 Review and evaluation of the funding requirements   of   government   agencies, including their respective foreign-assisted projects,   and preparation and issuance of release documents therefor; monitoring of fund   utilization   and   analysis   of accountability   reports   of   agencies   to determine   commitments   (actual performance   vis-à-vis   targets),   and development   of   the   organization   and staffing structure of agencies
	PAP under Operations
	   III.b.2 Develop organization and staffing structure of agencies (MFO 1)
	   III.b.3 Review and evaluate government agencies' funding requirements—including their foreign-assisted projects—and issue release documents (MFO 2)
	   III.b.4 Monitor an agency's physical and financial performance and analyze performance report (actual vis-à-vis targets) (MFO 3)

Example 3: Splitting and Reclassifying PAPs	

Department of Agriculture
PAP
   II.a Development of the Crops Sector
   III.a Development of the Crops Sector
 	
   II.c.5 Economic research, policy formulation and planning services
   III.c.1 Economic research, policy formulation and planning services *(Note: PAP was repeated)*
	PAP under Operations
	   III.a Development of the Crops Sector
	
	 Note: Do not repeat PAP statement
	
	PAP under STO
	   II._._ Economic research, policy formulation and planning services
	
	Note: This is also an example of reclassifying PAPs.

PAPs restructuring is intended to make it easier for the government to determine accountability for achieving MFOs. This means that each PAP and the collection of activities composing it should be directed at achieving an MFO, where responsibility for the level of achievement can be tied back to an individual heading an operating unit. This would impart a more planning-focused perspective to the annual budget proposal by developing financing requests only for activities which contribute strongly to the achievement of an MFO, and reducing the financing of other activities which make marginal contributions to it, particularly long-standing administrative functions that make limited contribution to MFO delivery.

Chapter 7 – Performance Monitoring, Evaluation, and Reporting

As discussed in Chapter 1, DBM acts as the agent for the national government in negotiating performance targets with departments/agencies that provide goods and services (MFOs) to the public, as well as ensuring that fund allocations to MFOs are consistent with the government's directions and priorities as reflected in the PDP, RM, PIP, and MTEF.

At the same time, both DBM and departments/agencies have a responsibility to monitor and evaluate the delivery of MFOs according to performance indicators and targets, and to carry out analyses to ensure that performance targets are realistic and the resulting performance report is valid.

This Chapter provides a methodology for the analysis of performance information on MFO delivery, which serves as input to the conduct of the Budget Performance Review (BPR), the results of which are reported to the President and Congress.

Why evaluate performance of departments/agencies?

Executive Order 292 requires agency heads to develop and enforce a system for periodic measurement and evaluation of the performance of their agencies, and to report on their annual performance to the President. This begins from the agency head to the department secretary and to DBM, and later, from the DBM secretary to the President). Agencies must also account for their use of public funds as authorized by Congress in delivering MFOs.

To strengthen accountability for results in the whole of government, two levels of performance review are envisaged in the OPIF logframe and results framework. The first level aims to determine the **effectiveness** of MFOs in influencing societal change as measured by sector outcome indicators in the medium-term PDP.

The second level aims to determine the **efficiency** of the departments/agencies in delivering MFOs, as measured by MFO performance indicators contained in the *OPIF Book of Outputs* (value-for-money).

The first review would be undertaken as a precursor to the preparation of each new medium-term development plan, and will require high-level statistical measures. The second review is more straightforward and technical in nature. This can be carried out by departments/agencies and DBM, with data collected on an ongoing basis throughout each financial year. The critical aspect here is to ensure that data is collected consistently throughout the financial year so that the statistics accurately reflect the events of the year.

What is Budget Performance Review?

The **Budget Performance Review (BPR)** aims to determine the efficiency of a department/agency in delivering its MFOs in accordance with performance indicators and targets agreed upon with DBM during budget preparation. It uses performance data from agency budget accountability reports (BARs) to monitor and assess the performance of departments/agencies in delivering their MFOs.

The BPR provides the President and Congress with a summary report on the financial and physical performance of government agencies in delivering their major final outputs. It is conducted in-year (covering the first semester) and annually.

> **BPR is the process of monitoring and evaluating the performance of a department/agency in delivering MFOs with respect to the budget provided, and reporting evaluation results to the President and Congress.**

The BPR has the potential to impact funding allocations between financial years on a more frequent basis. When measuring the efficiency of a department/agency in delivering an MFO, DBM is ensuring that the *price* that the government is paying for the MFO is consistent with achieving *value-for-money*. This may require comparing MFOs delivered by the public sector with similar outputs produced by the private sector, which have similar characteristics or production processes as the MFO.

What are the uses of the BPR?

The results information contained in the BPR report can be used to prepare the following:

- An annual report to the President and Congress that summarizes the financial and physical performance of departments/agencies in delivering MFOs that they have agreed to deliver to the community on behalf of the national government;
- A report detailing the progress of departments/agencies in completing projects or investment activities that increase the capacity of the government to deliver MFOs in the future; and
- Inputs to Technical Budget Hearings and Executive Review Board on the performance of departments/agencies in meeting performance criteria for delivering MFOs and completing investment activities, thereby providing an objective assessment of future actions required by the government to achieve value for money in MFO delivery.

The results of the BPR feed back to policy decisions pertaining to:

- preliminary consideration of expenditure priorities at the time of updating the FEs;
- expenditure review and prioritization process during budget negotiations and budget hearings; and
- examination of new spending proposals during budget negotiations and budget hearings.

How is performance in MFO delivery assessed?

Using the PIs and targets set out in the *OPIF Book of Outputs* and BARs, the assessment of MFO delivery involves the following key steps:

- Review PIs and confine analysis to selected PIs, preferably those that comprise a PI set appropriate for measuring MFO delivery to external clients.
- Calculate the variance of measured performance of selected indicators against their performance targets, as shown in **Table 6** below.
- Provide an explanation for variances that appear excessive, say, 5%.
- For an MFO that has a significant variance in one or more of its PI, describe briefly the interrelationships of variances across the classes of PIs in a logical way, and draw conclusions about the performance of the agency in delivering that MFO.
- Make recommendations for future funding and delivery options in respect of the MFO, where analysis will indicate a particular course of action that may be appropriate.

Table 6. Performance Target, Actual Performance, and Variance

Performance Indicator	Target	Actual	Variance
Percentage of advice provided within 14 days of request	>90%	75%	-20%
Percentage of advice to client that is rated as satisfactory or better	>75%	65%	-15%
Percentage of consultations where an advisory error is detected	<10%	8%	-25%
Average number of technical advisory services provided per client per month	>20	40	50%

In the examples above, the measured performance of indicators against performance targets is analyzed using the ***variance analysis*** method. In measuring MFO performance, the variance is calculated as the difference between the target set for a performance indicator and the actual measured performance for that indicator over the time period in question, as a percentage of the target, i.e., (PI actual-PI target)/PI target x 100.

The interpretation of a negative versus a positive number will depend on whether the target was a PI that was set as a maximum or a minimum. For example, if the target was set as a maximum number of errors for policy advice [<10%] then a lower reported outcome [8%] would result in a negative variance [-25%], imply over-performance, and be interpreted favorably.

If, on the other hand, the PI was set as a minimum number of units of a quantity to be produced [>90%], then a lower reported outcome [75%] would result in negative variance [-20%], imply under-performance, and be interpreted unfavorably.

More examples and instructions[21] for the analysis of the department/agency performance in MFO delivery and project delivery—including reporting formats—are provided in **Appendix 4.**

How is performance in project delivery assessed?

In addition to performance in MFO delivery, it would be of interest to the President and Congress to know the progress and outcome of projects funded in the GAA, most of which are capital investments and involve huge funding for a fixed time frame. The objective of the assessment of project delivery is to explain how and why performance variance/s occur, as well as their implications for future funding and the capacity of the department/agency to deliver MFOs.

In conducting performance assessment for a project, it is important to remember that a project is *not* an MFO in itself, but a discrete activity with a fixed time frame for completion. They may, as their ultimate objective:

- expand the *quantity* of one or more MFOs to be delivered to clients/beneficiaries;
- improve the *quality and timeliness* of one or more MFOs to be delivered to end-clients/-beneficiaries; or
- increase organizational productivity to lower the **cost** of producing one or more MFOs for end-consumption.

The purpose of a project should be stated in terms of one or more of the above objectives at the time the project proposal is put forward for funding approval.

However, since OPIF is a new framework, it is understood that many projects have been approved without explicitly stating the purpose in terms of one of the above four objectives. The project approval documents can help derive the MFO to which the

---

[21] DBM shall issue policy guidelines on conducting BPRs based on final outputs of several ongoing reform initiatives on government-wide performance measurement, as well as government integrated financial management systems, etc.

project is directed and its intended impact one or more of the indicators.

In assessing performance, the difference between MFO and project should be clear. The delivery of a project is measured in terms of the achievement of milestones, which are discrete events. Thus, when all milestones are met at a ***discrete and definite end-date***, costs are fully charged and the project is deemed to be completed and operational. On the other hand, the delivery of MFOs is usually measured in terms of the quantity of outputs that are delivered on an ongoing basis over a ***continuous time*** from financial year to financial year, in the sense that measurement does not stop until a decision is taken to cease funding for the MFO.

A different type of performance indicator is usually appropriate to measure the progress of a department/agency in completing a project when compared to those that describe the delivery of an MFO.

References

Department of Budget and Management (DBM), o*rganizational Performance Indicator Framework Book of Outputs FY 2010.* Manila: DBM, 2010.

National Economic and Development Authority (NEDA). *The 2011-2016 PDP Results Matrices.* Pasig City: NEDA, 2011.

Executive Order No. 292, s. 1987. *Instituting the Administrative Code of 1987.* July 25, 1987.

Executive Order No. 43, s. 2011. *Pursuing our Contract with the Filipino People through the Reorganization of the Cabinet Clusters.* May 13, 2011.

Organisation for Economic Cooperation and Development (OECD). *Glossary of Key Terms in Evaluation and Results-Based Management.* France: OECD, 2002. Accessed November 25, 2011. http://www.oecd.org/dataoecd/29/21/2754804.pdf.

Schick, Allen. "Getting Performance Measures to Measure Up." In *Quicker, Better Cheaper? Managing Performance in American Government,* edited by Dall Forsythe. Albany, NY: SUNY Press, 2001.

Smith, Dennis, and William Grinker. "The Promise and Pitfalls of Performance-Based Contracting." Paper presented at the 25th Annual Research Conference of the Association for Public Policy Analysis and Management, Washington, D.C., November 5-8, 2003.

United Nations Development Program (UNDP). *Results Based Management: Concepts and Methodology.* 2002. Accessed November 25, 2011. http://www.undp.org.

Appendix 1. Results Matrices and Cascading Logframes

Following the logic behind the Results Framework, logframes are applied to different levels to facilitate planning, implementation, monitoring, and evaluation for results. The figure below (NEDA) shows that results matrices and logframes at different levels (country, sector, department/agency and project level) are linked in a **cascading pattern**. It also shows how the logframe elements (narrative summary, objectively identifiable indicators, means of verification, and assumptions/risks) are applied at different levels. The 2011-2016 PDP Results Matrices contain the specific objectives and performance indicators and targets for the sector level and serve as a guide to departments/agencies in preparing OPIF and project logframes and plans at department/agency and project levels.

Notes: *
NS - Narrative Summary
OVIs - Objectively Verifiable Indicators
MOVs - Means of Verification
A/R - Assumptions/Risks

Source: NEDA, Letter to DBM on OPIF Guide (Oct 10, 2011)
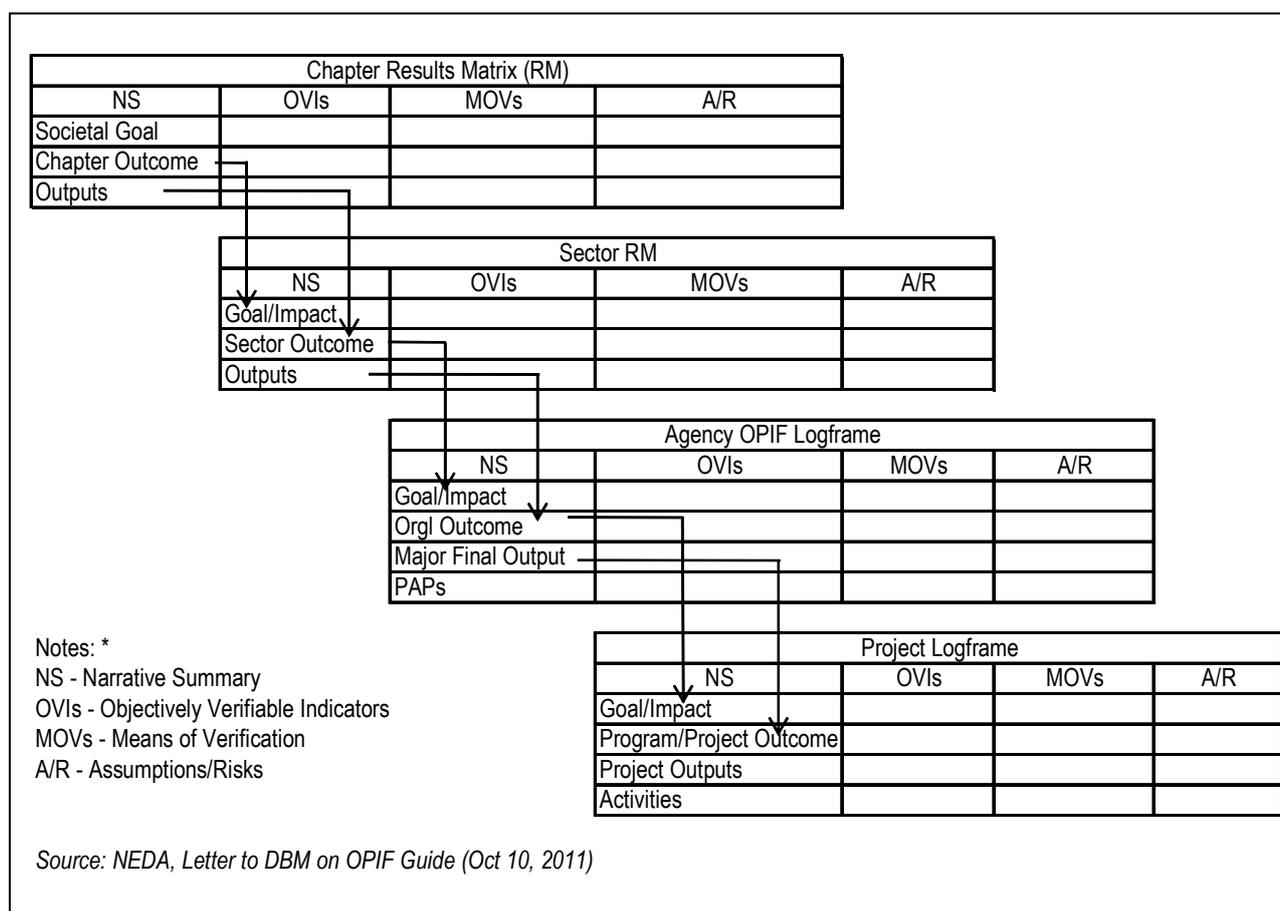
Appendix 2. OPIF Logframe Review and Cascading OPIF Checklists

Criteria	Yes	No	Comment
A. MFOs			
1. Is there evidence that the department has reviewed their MFOs?			
2. Do MFOs accord with the general principles of MFOs in that they are:			
• informative?			
• measurable?			
• comprehensive?			
• controllable?			
• externally focused?			
3. Do MFOs:			
• comprise the goods and services that a department or agency is mandated to deliver to external clients through the implementation of programs, activities, and projects?			
• represent final as opposed to sub-outputs?			
• encompass all internal processes and intermediate outputs produced within an agency to generate the final MFO?			
• represent approved funding?			
4. Are MFOs:			
• capable of linkage to standards for service provision?			
• capable of representation by an integrated set of PIs that deals with the quantity, quality, and timeliness of the MFO to be delivered for a given cost?			
5. Does any aggregation of outputs carried out avoid significant loss of analytical information relative to the efficiency gained by grouping outputs and treating them as a single MFO?			
B. Performance Indicators			
Meeting the objective of PIs			
6. Do PIs:			
• capture the essential characteristics of the MFOs delivered to end-beneficiaries/-clients?			
• provide a stable specification from one period to the next?			
• generate a time series of data that is robust and reliable, and that can be used as the foundation for performance measurement and attribution analysis in respect of correlating MFO delivery to impacts on societal and sectoral goals?			
Rationale for PI inclusion			
7. Will the PI be used for decision-making?			
8. Will the PI be of interest and meaningful to both the end-client/-beneficiary and the buyer			

Criteria	Yes	No	Comment
(government)?			
9. Does each PI measure an aspect of an MFO that is important to measure in order to assess the extent to which the final output is being achieved?			
10. Who will use the performance information?			
11. Is it clear how the performance information will be used/for what purpose the performance information will be used?			
Relationship of PIs to MFOs			
12. For each MFO is there an integrated set of PIs including indicators of: • quantity (to indicate efficiency); • quality (to indicate effectiveness); • timeliness (to indicate efficiency or effectiveness or both); • cost indicators (to indicate efficiency or effectiveness or both)?			
13. Are restructured PIs appropriate measures of the above characteristics of the MFO at the time it is delivered to the external client?			
14. Will the PI Set provide sufficient information to judge performance in delivery of the MFO?			
15. Have the following PIs been deleted: • those that do not directly relate to characteristics and performance in delivering the MFO to an external client? • those that relate to internal processes and not to the delivery of MFOs to final customers?			
16. Have PIs been amalgamated/grouped where possible?			
17. Wherever possible, are standard PIs introduced for agencies with similar functions?			
PI Specification			
18. Is each PI specified such that it: • identifies a single variable (target) for measurement? • is understandable to a person on the street? • capable of generating a time series of data?			
19. Are PIs consistent with defined monitoring requirements?			
20. Can (at least one of) the quantity PI(s) be used to measure the correlation of changes in quantity of the MFO (ceteris paribus) with changes in a sector or societal PI? (If not, then determine a PI that can be used, and incorporate into the PI).			
PI Monitoring			
21. Will the measurement of the PI be accurate and reliable?			

Criteria	Yes	No	Comment
22. Can the PI be measured over a period of time? Will data be readily available on a continuing basis?			
23. Can the PI be measured and reported in a timely manner, so that it is relevant to decision-makers?			
24. Can the PI be measured cost-effectively?			
PI Targets			
25. Is each performance target specified, such that an improvement in the relevant output characteristic is necessary in order to achieve the target?			
26. In general, can PI targets for each MFO be expressed as a maximum or minimum target, and not as an absolute number?			
C. Linkage of MFOs to CPs			
27. Does a linkage exist for all OPIF outputs?			
28. Is the link strong (as opposed to tenuous)?			
29. Do monitoring arrangements focus upon the achievement not only of strategic objectives but also the achievement of the related OPIF outputs?			
D. Linkage of CPs to Business Plans			
30. Are all corporate strategies linked to appropriate business plan activities?			
31. Is responsibility for the achievement of each business plan activity clearly allocated (preferably to a single manager)?			
32. Do monitoring arrangements maintain a focus upon the achievement of outputs?			
33. Are current budgets for MFOs, corporate objectives, and business plans aligned fully?			
E. Linkage of Business Plans to Individual Work Plans			
34. Is there a formal process in operation that links each individual's efforts to OPIF outputs?			
35. Is there evidence that this is operating effectively?			

Appendix 3. MFO, PIs, and PAPs Review and Analysis Instructions and Worksheet

This section provides detailed instructions for accomplishing Form 1 – Proposed MFOs and PIs, Form 2 – PAPs Review and Analysis Worksheet, and Form 3 – Proposed PAPs Structure and Justification.

PART A. MFO and PIs Review

1. **Collect data**
   1.1. Obtain a copy of the following:
      - Legal basis and other issuances on the department/agency's creation
      - Organizational chart
      - Current General Appropriations Act (GAA)
      - Corresponding OPIF Book of Outputs for the Budget Year
      - Form A of the budget proposal for the latest Budget Year
      - Budget Performance Review (BPR) report or end-of-year performance report of the agency (latest)
   1.2. Examine the documents to determine where data will be relevant for review and analysis of MFOs and PAPs and completion of Forms 1, 2 and 3.

2. **Review/improve specification of MFOs**
   2.1. Review the current set of MFOs reported to DBM and identify MFOs that need to be improved or restated in a way that helps the national government, Congress, and the public understand the nature of the good or service for which public funding is being provided.
   2.2. Define the MFO in such a way that it:
      - describes the product or service to be provided to an identifiable external client,
      - is within the department/agency's control, and
      - is measurable, manageable, and auditable.
   2.3. Express the MFO in comprehensive terms, inclusive of the MFOs of its subordinate units.
   2.4. Examples of MFOs are Policy advisory services (to external clients or beneficiaries), Regulatory services, Basic education services, Agriculture and fishery support services, and Tertiary and other specialized health care services.
   2.5. The number of MFOs a department/agency may have would depend on the range or diversity of its mandate within the scope of its organizational outcome. Additional information on how to formulate MFOs and PIs is contained in the OPIF Reference Guide disseminated separately by DBM to departments/agencies.

3. **Specify MFO PIs and targets**
   3.1. Review/revise the description of PIs and specification of PI targets for each MFO in accordance with the quality standards discussed in the OPIF Reference Guide. Currently, departments/agencies report too many quantitative PIs and internal

process or input PIs, which should be dropped because they do not describe MFOs.

3.2. Formulate, at most, two PI sets (quantity, quality, timeliness, and cost) to adequately describe the MFO. This means that for every quantity PI, there should be a corresponding or associated quality, timeliness, and cost PI to describe the MFO.

3.3. Drop/delete PIs that do not describe the MFO, and if necessary, formulate new PIs that would best describe the MFO.

3.4. Submit proposed changes to MFOs and PIs to DBM for approval. Use **Form 1** – Proposed MFOs and PIs Worksheet for this purpose.

<h3 style="text-align:center">PART B. PAPs Restructuring</h3>

4. Prepare the worksheet and gather data

4.1. Before restructuring PAPs, it is understood that a review of the MFOs has been undertaken and proposed revisions, amendments, or corrections to it are approved by DBM. Thus, PAPs should be attributed to the appropriate MFOs as revised, corrected, or restated.

4.2. Copy data from the GAA, OPIF Book of Outputs, and BP Form A into Columns 1, 2, 3, and 4 of the worksheet (Form 2- PAPs Review and Analysis Worksheet) and reconcile the difference in the information. To facilitate the comparison, movement, and tracking of cells that will be executed in the succeeding steps, shade the cells using a different color for each activity group (GAS, STO, and Operations) and for each column: GAA, OPIF Book of Outputs and Form A.

4.3. Review and analyze PAP statements in the GAA, OPIF Book of Outputs and Form A and make notations—if there is action needed for a particular PAP—in the issues and recommendations columns (Columns 5 to 8). Notations are important, as these will establish the trail and historical link between the old and new PAP structure, including their budget allocation.

5. Review and analyze PAPs

5.1. The review and analysis of PAPs shall be based on four parameters: legal mandate, activity structure, cost of MFO, and activity classification.

5.2. Legal mandate and other policy instructions/documents

- Review each PAP and determine if the activities are within the authority of the department/agency to undertake, using as reference the department/agency's legal mandate and other policy instructions and documents.

- Drop activities that do not fall within the legally mandated function of the department/agency.

- In Column 5, explain the issue and recommended action for activities that do not fall within the mandate of the department/agency.

5.3. Activity structure

- Review the activities of each PAP and determine if they are correctly linked or aligned with the appropriate MFO. As a rule, one activity shall be attributed to

  only one MFO.

- The aim is to ensure that the activity structure corresponds to essential work tasks needed to produce the MFO, and to refine the composition of activities where this will improve performance. Poor performance may be the result of misaligned activities and thus poor expenditure prioritization.
- Consider dropping, merging, or splitting activities to ensure alignment of activities to the appropriate MFO. In particular, there is a need to drop or discontinue redundant or unnecessary activities.
- In Column 6, state the issue and recommended action, i.e., drop, split, or merge activities to improve the PAP structure and budget estimation for MFOs.

5.4. Accountability

- Review the activity structure of each PAP and identify which unit is responsible for undertaking the activities. The aim is to establish accountability and ensure that PAPs are aligned with the operational/functional organization of the department/agency.
- In Column 7, indicate the unit or units responsible for the activity and recommended changes in case of redundant or duplicated activities and to clarify responsibility for activities.

5.5. MFO Cost

- Review the classification of activities in each PAP with regard to General Administration and Support (GAS), Support to Operations (STO) and Operations, and identify activities that have been misclassified.
- In Column 8, indicate the new classification for these activities that were previously misclassified.
- Once all activities have been correctly classified, it will be easier to distinguish direct costs—i.e., Operations—from indirect costs, i.e., GAS and STO of each MFO, and thus improve prioritization of expenditures within the department/agency.

6. **Justify the new PAP structure**

6.1. Write the new PAP structure implementing the recommendations in the worksheet. The new PAP structure should capture all activities which contribute to the MFO and all the budget financing assigned to these activities. Use **Form 3** – Proposed PAPs Structure and Justification.

6.2. Prepare a narrative summary to explain and justify the new structure, comparing this to the old structure and citing the improvements expected to be gained or achieved.

6.3. Submit signed Forms 1, 2, and 3 to DBM for review and approval.

Form 1. Proposed MFOs and Performance Indicators

Name of Department/Agency:

MFO/PI [1]	Performance Target [2]
MFO 1:	
PI Set Quantity PI:	
Quality PI:	
Timeliness PI:	
Cost of MFO:	
MFO 2:	
PI Set Quantity PI:	
Quality PI:	
Timeliness PI:	
Cost of MFO:	
MFO 3:	
PI Set Quantity PI:	
Quality PI:	
Timeliness PI:	
Cost of MFO:	

(1) If proposing more than 1 PI set, number PI set accordingly, e.g., PI Set 1, PI Set 2.
(2) Express target as minimum or maximum (>, <), e.g., >90%

Prepared by: Endorsed by:

_____   _____
(Name, Title & Signature)   Date: Department/Agency Head   Date:

Form 2. Proposed PAPs Structure with Justification
NAME OF DEPARTMENT/ATTACHED AGENCY

MANDATE OF DEPARTMENT/ATTACHED AGENCY

1	2	3	4	5	6	7	8
				Issues and Recommendations			
PAP Code	**GAA**	**FORM A**	**OPIF/Proposed New MFOs**	Alignment to Mandate	Alignment to MFO & Activity Structure	Responsible Unit	PAPs to be Reclassified
A.I	*General Administration & Support*	*General Administration & Support*					
A.II	*Support to Operations*	*Support to Operations*					
A.III	*Operations*	*Operations*					
			MFO No. 1				
			MFO No. 2				
			MFO No. 3				

Column	Summary Instructions for Worksheet
1	In column 1, copy PAP code from FY 2011 GAA.
2	In column 2, copy Program & Activity statements from FY 2011 GAA.
3	In column 3, copy PAP titles from BP Form A FY2012.
4	In column 4 (after last entry/row in Form A column), copy MFOs and PAP titles from FY 2011 OPIF Book. Indicate new proposed MFO titles, if any, from Form 1 of these guidelines.
4.1	Cut/move and paste cells in columns 1, 2 & 3 to match with appropriate MFOs & PAPs in column 4. To facilitate comparison, movement, and tracking of cells, shade the cells using a different color for each group of activity (GAS, STO, and Operations) and for each column: GAA, OPIF Book of Outputs, and Form A.
4.2	If applicable, create rows (below related PAPs), and paste PAPs from columns 1, 2 & 3 that cannot be matched to PAPs in column 4.
4.3	If applicable, highlight cell for PAP being matched that does not exist in either GAA or Form A.
5	In column 5, state the issue re: PAP alignment to legal mandate and recommendation
6	In column 6, state the issue re: PAP alignment to MFO & activity structure and recommendation
7	In column 7, indicate specific department unit responsible for aligned PAPs and relevant issues arising, if any, and recommendation
8	In column 8, identify activities that are misclassified, other issues relevant to MFO cost, and recommendations to address issues identified.

Form 3. Proposed PAPs Structure with Justification

NAME OF DEPARTMENT/ATTACHED AGENCY
MANDATE OF DEPARTMENT/ATTACHED AGENCY

Proposed PAPs Structure	Justification
GAS Activity 1: Activity 2:	
STO Activity 1: Activity 2:	
OPERATIONS MFO 1 Activity 1: Activity 2:	
MFO 2 Activity 1: Activity 2:	

PROJECTS	
Project 1 Project 2	

Prepared by: Endorsed by:

_____   _____
(Name, Title & Signature)   Date: Department/Agency Head   Date:

Appendix 4. Budget Performance Review Instructions

<u>**PART 1 –MFO DELIVERY**</u>

1. Create a data table/worksheet and separate all MFO performance indicators (PIs) into four classes: Quantity, Quality, Timeliness, and Cost indicators.

2. Determine which PIs are appropriate measures of the characteristics of the MFO at the time it is delivered to the external client.

    2.1. Select PIs that will form a PI Set that will provide data with respect to quantity of MFO to be delivered, quality of MFO, timeliness with which the MFO is delivered to external and end-clients, and cost of delivery. Each MFO has 1 or 2 PI Sets for analysis.

    2.2. Where a quantity indicator is used for an MFO characteristic, there should be, as far as possible, supporting indicators for that same characteristic with respect to quality, timeliness, and cost. The four indicators form an integral set that work together to describe the output as a complete package. For example, the number of policy advice (quantity), percentage of clients that rated the advise as satisfactory (quality), percentage of policy advice prepared within 20 days of request (timeliness), and total cost to deliver MFO (cost) provide a complete description of an MFO.

3. To create a PI Set, the following methods can be used:

    3.1. Delete PIs that do not directly relate to performance in delivering the MFO to an external client. Exclude PIs that:

    - describe processes undertaken in getting the MFO ready for delivery to client,
    - are not directed toward core performance of delivery of the MFO, and
    - relate to internal processes/outputs and not to delivery of MFOs to end-clients.

    3.2. Consolidate/aggregate PIs where appropriate or which have the same characteristic, e.g., different types of policies counted/described together under one MFO PI.

    3.3. Formulate new PIs, if sifting or consolidating PIs did not produce a complete set of PIs to describe the MFO for the BPR FY 2011.

    - The PI description should refer to only one variable and only one class of indicator, i.e., only quantity or quality or timeliness or cost, never a combination of one or more. A PI should *not* include the target in the description.
    - The same PI Sets developed in BPR FY 2011 will be used in the succeeding BPRs to help generate a time series of data for analysis.

4. Copy existing performance targets of PIs to be used for analysis in the data worksheet. If the PI is newly formulated, set a performance target for it in consultation with DBM. Performance targets under any class (quantity, quality, timeliness, or cost) should:

- be a single number that can be manipulated mathematically
- be able to form a basis for calculating an average and a measure of variance over time vis-a-vis actual measurements
- be able to generate a time series of data for statistical measurement and trend analysis
- appear like: >75% or <10% (minimum) expressed as minimum or maximum, not as a fixed date or number
- describe data, which can be continuous or fixed

5. Using the PI Set, calculate the variance between PI performance target and actual performance reported to DBM. Explain variances where variance is greater than, say, 5%. Possible reasons for variances:

   - Target set too high or too low
   - Timing of availability of funding impinges on delivery
   - Slow delivery of inputs/supplies necessary to produce the output (may include restrictions on the recruitment of staff)
   - Other factors, i.e., realignment of budget to new priorities, Presidential directives, system improvements, etc.

6. Synthesize discussion of variances in one variable with variances (or lack thereof) of other variables in the MFO PI Set.

7. The analysis should summarize the performance of the agency in delivering the MFO. It should explain why and how performance variance/s occur, and their implications (i) to future funding and capacity of the department/agency to deliver/complete the project/s, and (ii) to the achievement or contribution to relevant key result area/s as enunciated by the Administration.

8. Repeat steps for analysis of other MFOs. Use report format shown in examples on the next page.

Note: A more detailed set of policy instructions shall be issued by DBM for conducting BPRs based on final outputs of several ongoing reform initiatives on performance measurement and government integrated financial management information systems, etc.

Example 1 - Department of Agriculture

MFO 1: Agriculture and fisheries support services delivered

Performance Indicators	Notes	Target 2007	Target 2008	Actual	Variance

Quantity
Total number of beneficiaries of support services
  1. Total number of agricultural support beneficiaries
  2. Total number of fisheries support beneficiaries
	1.	1,310,742	>5,930,344
			
			**
				5,100,023
				
				**
					-14.0%

Quality Production-related and post-production technologies commercialized		>35	>34	1	-97.0%
Timeliness (There were no timeliness PIs included in the reported OPIF PIs)					
Cost Total cost of output in P,000		20,802,658	36,006,131	35,908,888	-0.27%

Analysis:

1. The MFO shows a significant shortfall in the numbers of individuals and groups assisted compared to the target. However, the target was ambitious and represented an increase over 100% of the previous year's target compared to funding, which increased by a little over 50%.
2. While the only quality measure for this MFO shows an extreme underperformance, it is not unusual for commercialization of technologies to be extremely variable from one time period to the next, as it is often hit-or-miss. Setting targets for commercialization of technologies is problematic.
3. This MFO was delivered satisfactorily and within budget.

Recommendation/s:

Agriculture, particularly the development of one to two million hectares of land for agricultural business, is a sector priority of the Administration. It is recommended that funding for this MFO continue at existing levels.

Example 2- Department of Education

MFO 2: Public Secondary Education Services

Performance Indicators	Notes	Actual 2007	Target 2008	Actual	Variance
Quantity Total number of students		5,126,459	>5,308,66 1	5,400,023	1.72%
Quality Participation rate		46.40%	> 49.50%	50.01%	1.03%
Completion rate		71.23%	>71.80%	72.15%	0.49%
Mean percentage score of Year 2 secondary school students in NAT	1.	49.26	> 54.25%	54.50%	0.46%
Total test		53.46	>57.80%	57.90%	0.17%
English		46.71	>50.50%	50.25%	-0.50%
Science		42.85	>46.32%	47.34%	2.20%
Math		47.64	> 51.48%	52.86%	2.68%
Filipino		55.63	> 60.13%	61.20%	1.78%
Araling Panlipunan	2.				
Mean percentage score of Year 4 secondary school students in NCAE		45.99	>50.22%	50.12%	-0.20%
General scholastic aptitude		56.30	>62.44%	64.5%	3.30%
Technical vocational aptitude		47.92	> 52.05%	54.38%	4.48%
Non-verbal ability		75.00	> 76.35%	75.34%	-1.32%
Entrepreneurial skills					
Timeliness (There were no timeliness PIs reported in the OPIF Book)					
Cost Total cost of output in P,000		42,161,89 1	42,173,237	41,923,12 7	-0.59%
	Notes: 1. National Aptitude Test (NAT). 2. National Career Assessment Exam (NCAE)				

Analysis:
1. This MFO shows a steady performance with an increase in productivity over the previous year.
2. Generally, the quality of education appears to have been delivered at an improving level, with an increase in students being retained to completion of their schooling and an increase in participation above the target that had been set for 2008. While these tend to be lagging indicators, more reflective of the quality of teaching and education services in previous years, there is little choice but to use these indicators for

performance.

3. This MFO was delivered within budget, and agency performance exceeding most targets.

Recommendation/s:

Education is a high priority societal goal by the Administration. It is recommended that funding for this MFO continue at existing levels, adjusted upwards for an expected increase in participation and retention rates in 2009.

****

PART 2 – PROJECT DELIVERY

1. Identify and generate a list of capital expenditures amounting to, for example, P50 million and above* and those that support the KRAs, including a description of the expenditures. Select the projects for analysis in consultation with DBM.

2. Incorporate the selected capital project/s in the table of PART 2, including the MFOs and MFO PIs on which the capital expenditures will have an impact and the various milestones that are set out in project documentation. Project documentation will include documents submitted to ICC and agreed as part of construction contracts, etc.

3. For each project, calculate variances between milestone targets, revised milestone targets, and actual completion dates of milestones.

4. The analysis should summarize the performance of the agency in delivering the project/s. Provide explanations for variances that are greater than, say, 5%. Explain why and how performance variances occur, and their implications (i) to future funding and capacity of the department/agency to deliver/complete the projects and (ii) to the achievement or contribution to relevant key result area/s as enunciated by the Administration.

5. Synthesize the discussion of variances of one or more milestones with the variances (or lack thereof) of other milestones.

6. Repeat steps 1-5 for all projects selected for analysis. Use report format provided below in preparing the report.

(*The final amount for projects to be included in BPR will be specified in the policy guidelines to be issued by DBM).

PART 2: PROJECT DELIVERY

PROJECT 1: [Insert name of Project]

Description of capital formation project: xxxxx				
Associated MFOs	**MFO 1**	**MFO 2**	**MFO 3**	**MFO etc…**
Percentage of capital usage estimated for each MFO	**e.g. 20%**	20%	23%	37%
Project Implementation Performance	**Target**	**Revised Target**	**Variance**	**Explanation**
Milestone 1 (or Project PI)				
Milestone 2				
Etc…				
Progress Payments	**Budgeted Amount**	**Revised Amount**	**Variance**	**Explanation**
Milestone 1				
Etc…				
Forecast Impact on MFOs	**Targeted Impact**	**Revised Impact**	**Variance**	**Explanation**
MFO 1- Indicator(s)				
MFO 2 - indicator(s)				
Etc…				

Summary: [Insert written analysis of variances]

Recommendation(s):   [Insert recommendations based on analysis]

Appendix 5. Glossary

Activity	A work process that contributes to a program or sub-program or project (See: PAP, Program, Project)
Agency Budget Matrix (ABM)	A document showing the disaggregation of the agency budget into components such as by source of appropriations, by allotment class and by need of clearance, i.e., amount to be comprehensively released (Not needing clearance) and amount to be covered by a special allotment release order (SARO) (Needing clearance/For later release), among others.
Appropriation	An authorization made by law or other legislative enactment, directing the payment of goods and services out of government funds under specified conditions or for specific purposes
Appropriation, Automatic	An authorization made annually or for some other period prescribed by law, by virtue of standing legislation which does not require periodic action by the Congress of the Philippines
Appropriation, Continuing	An authorization to support obligations for a specified purpose or project, even when these obligations are incurred beyond the budget year
Appropriation, General	An authorization for incurring obligations during a specified budget year pertains to the annual appropriations under the General Appropriations Act (GAA) which are presented by Programs, Activities, and Projects (PAP)
Appropriation, Supplemental	Additional appropriation authorized by law to augment the original appropriations which proved to be inadequate or insufficient for the particular purpose intended, due to current economic, political, or social conditions supported by a Certification of Availability of Funds from the Bureau of Treasury
Budget	An estimated schedule of expenditures, based on either obligations or cash concepts and sources of financing, either from revenues, borrowings, or cash balance drawdowns
Budget Accountability Report (BAR)	Report on an agency's actual financial and physical accomplishments/ performance for a given period
Budget Execution Documents (BEDs)	Annual documents required at the onset of the budget execution phase which contain an agency's targets and plans
Budget Performance	The process of monitoring and evaluating the performance of

Review (BPR)	a department/agency in delivering its MFOs with respect to the budget provided, and reporting evaluation results to the President and Congress
Business Plan (BP)	An extension of the Corporate Plan (CP) designed to operationalize the strategies identified in the CP by breaking down the strategies into their component activities or tasks, which should be completed within a time-bound action plan (See: Corporate Plan, Unit Work Plan, and Individual Work Plan)
Capital Outlay (CO) or Capital Expenditure	Appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the government, including investments in the capital stock of GOCCs and their subsidiaries
Consolidated Logframe	A consolidation of the organizational outcomes and MFOs of a department's Office of the Secretary (OSEC) and those of its attached agencies
Corporate Plan (CP)	A plan that proposes strategies to be implemented over the coming planning period that are designed to improve the department/agency's contribution to societal and/or sector outcomes by either improving performance in respect of existing outputs (MFOs) or changing the mix of MFOs (with government approval). The document is made available to the public, unlike the business plan, which is internal to the department/agency (See: Business Plan, Unit Work Plan, Individual Work Plan)
Corporate Planning	A process undertaken by a department/agency to develop the Corporate Plan, Business Plan, and Unit Work Plans for improving organizational performance and an agency's ability to deliver MFOs
Cost, Direct	Costs that can be clearly and specifically identified with, and attributed to, a program, project, or service contributing to the delivery of an MFO (See: Indirect Cost)
Cost, Indirect	Costs that are necessary for the functioning of the department/agency as a whole, but which cannot be directly and easily traced to or contributory to the production or achievement of a particular MFO (See: Direct Cost)
Efficiency and Effectiveness Review (SEER)	The process of prioritizing, reviewing, and classifying PAPs in accordance with the PDP and their relevance in achieving desired sector and department outcomes

Forward Estimates (FEs)	Projections or estimation of the future costs of existing policies. It also serves as the validation instrument of determining the reasonableness of agency proposals on existing programs/projects/activities
General Administration and Support (GAS)	Activities dealing with the provision of overall administrative management support to the entire agency operations, e.g., general management and supervision, legislative liaison services, human resource development, and financial and administrative services. Funds provided for GAS are management overhead expenses and are therefore indirect costs of delivering MFOs
Individual Work Plan (IWP)	A summary of activities/tasks allocated to individuals (reporting to their respective managers) to implement strategies in the Unit Work Plan. At this level, organizational strategies are broken down into tasks for individuals so that concrete actions are identified and responsibility allocated (See: Unit Work Plan, Business Plan, Corporate Plan)
Internal or Intermediate Output	The output delivered from one part of a department/agency delivered to other parts of the same department/agency; contributes to the production of an MFO, but does not form part of the performance measure for the MFO to which it contributes (See: Major Final Output)
Logical Framework (Logframe)	Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution, and evaluation of a development intervention (See: OPIF logframe, Results framework)
Maintenance and Other Operating Expenses (MOOE)	Expenditures to support the operations of government agencies, such as expenses for supplies and materials; transportation and travel utilities (water, power, etc.) and repairs, etc.
Medium-Term Expenditure Framework (MTEF)	A planning and budgeting framework of the government which provides a medium term three-year perspective to decision making process during budget preparation
Major Final Output (MFO)	A good or service that a department/agency is mandated to deliver to external clients through the implementation of

programs, activities, and projects (See: OPIF Logframe)

National Expenditure Program (NEP)	A document that reflects the annual program of estimated expenditures presented by the government to Congress for spending authority
Operations	Activities directed toward fulfilling the department/agency's mandate, e.g., regulatory services, provision of goods, delivery of services such as health care or education, national economic planning, and central statistics administration and management. However, some activities classified as GAS or STO may represent the core functions of a department/agency. For example, NEDA's economic planning function, DBM's budgeting function, CSC's personnel management function, DAR's legal and adjudication services, and NSO's statistical activities should be classified as Operations. Funds provided for Operations are direct costs of delivering MFOs
OPIF Cascading	The process of aligning plans from the OPIF level downwards to the corporate, business, unit, and individual levels.
Organizational Outcomes	The short- to medium-term benefits to the clients and community as a result of delivering MFOs
Organizational Performance Indicator Framework (OPIF)	An approach to expenditure management that directs resources for major final outputs toward results and measures performance by key quality, quantity, timeliness, and cost indicators
OPIF Agency Logical Framework (OPIF logframe)	A planning and budgeting tool used to establish the link of MFOs that department/agency delivers or produces through the implementation of PAPs to the sector outcomes and societal goals it seeks to influence. As part of the results framework, it shows the focus of resource allocation, spending, monitoring, reporting and evaluation of results based on a set of performance indicators and targets (See: Results Framework)
PAPs	Activities undertaken by a department/agency to achieve the purpose for which it is established or created or to deliver its MFOs (See: Program, Activity, Project)
Performance Indicator (PI) for MFO	A characteristic of performance (quantity, quality, timeliness or cost) that will be measured and will illustrate the standard of performance by which a department/agency has delivered its MFO. There are four classes of indicators used in this Guide:

	Quality – indicates how well output is delivered; **Quantity** – indicates volume of output; **Timeliness** – indicates a measure of the availability of the output as and when required by the client; and **Cost** – indicates amount of input or budget allocation to produce an output
Performance Indicator Set (PI Set)	Consists of interrelated performance indicators from each class, i.e., quantity, quality, timeliness, and cost to describe a single MFO
Performance Target	A predetermined level (numerical target) of quantity, quality, timeliness, and cost of an output (See: Performance Indicator, Variance Analysis)
Personal Services (PS)	Provisions for the payment of salaries, wages, and other compensation (e.g., merit, salary increase, cost-of-living-allowances, honoraria, and commutable allowances) of permanent, temporary, contractual, and casual employees of the government
Philippine Development Plan (PDP)	A plan that lays down the broad societal and sector goals and priorities of the government within the medium-term
Program	An integrated group of activities that contributes to a particular continuing objective of a department/agency (See: PAP, Project, Activity)
Project	A special department or agency undertaking carried out within a definite time frame and intended to result in some pre-determined measure of goods and services (See: PAP, Program, Activity)
Public Investment Program (PIP)	A list of priority programs and projects that contribute to the societal goals, sector outcomes, and outputs spelled out in the Philippine Development Plan
Results-Based Management (RBM)	A management strategy focusing on performance and achievement of outputs, outcomes, and impacts
Results	The output, outcome, or impact (intended or unintended, positive and/or negative) of a development intervention (See: Major Final Output)
Results Chain	The causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback. In some agencies, reach is part of the results chain.

A development intervention is used in a generic sense to mean policy, plan, program, or project of government

Results Framework   a planning tool that illustrates how the results statements at the PDP level (sector and sub-sector outcomes) will link to the OPIF logframes (outputs and organizational outcomes) at the organizational level (See: OPIF Agency logframe)

Retirement and Life Insurance Premiums (RLIP)   The share of the national government in the premium payments to the Government Service Insurance System (GSIS) for the life insurance and retirement benefit fund of government employees

Sector Outcomes   The longer-term benefits for the sector from initiatives of the department/agency

Societal Goals   The societal benefits sought from sector-based economic activity; they describe the intended desirable impacts of MFOs on society

Special Allotment Release Order (SARO)   A document issued by DBM to identified agencies containing the authorization, conditions, and amount of an agency allocation to cover expenditures, the release of which is subject to compliance with specific laws or regulations, or is subject to separate approval or clearance by competent authority.

Support to Operations (STO)   Activities that provide technical and substantive support to the operations and projects of the department/agency, e.g., planning and policy formulation, program monitoring and evaluation, public information programs, research and development, statistical services, and information systems development. The types of services included under STO are likewise common across agencies, and are considered indirect costs of delivering MFOs

Unit Work Plan (UWP)   The annual work plan programmed for the organizational unit of a department/agency. As a subset of the business plan, it contains the activities and tasks of the organizational unit, which are implemented through the tasks allocated to individuals in the unit

Variance Analysis   In measuring MFO performance, the variance is calculated as the difference between the target set for a performance indicator and the actual measured performance for that indicator over the time period in question, as a percentage of the target, i.e., (PI actual-PI target)/PI target x 100.

Zero-Based Budgeting (ZBB) A budgeting approach that involves a review/evaluation of major ongoing programs and projects implemented by different department/agencies to: (1) establish the continued relevance of program objectives given current development/directions; (2) assess whether the program objectives/outcomes are being achieved and; (3) guide decision makers on whether resources for a program/project should continue at its present level, or be increased, reduced, or discontinued