Conclusion

"Improving fiscal transparency has been a priority in the Philippines over recent years. The government's [PFM] reform strategy has helped initiate a wide variety of reforms, which are beginning to bear fruit. In light of this, the evaluation against [the IMF Fiscal Transparency Code] is broadly favorable."

IMF Fiscal Transparency Evaluation
June 2015

CONCLUSION

The main challenge for the new President and his Cabinet lies on building on the gains in the last six years in order to ensure his government can bridge more Filipinos to self-sufficiency; tackle the new and even more complex challenges to sustainable development; and ease the manner of doing business to attract robust investments from here and abroad. In other words, the next leadership must ensure more Filipinos, regardless of birth, gender, and origin, will share in the country's progress.

The National Budget will continue to be at the center of achieving such progress.

Because of the reforms implemented so far, the new administration will inherit a much better PFM system: one that underscores the need to spend within means, invest in the right priorities, deliver measurable results, and empower citizens. However, six years is too short a time to bring irreversible progress. Much remains to be done in the government's continuing effort to build a modern, world-class, and responsive system in managing the people's taxes.

The new President and his socioeconomic team—in particular, the new Budget and Management Secretary, who will undeniably play a lynchpin role in the pursuit of further PFM and broader governance reforms[1]—are expected by the people to sustain and expand the gains over the last six years, and decisively address lingering gaps or new challenges. The chapters and articles of this publication, hopefully, provide the next administration with key pointers for reflection and action as it crafts the next phase of the PFM reform agenda. This concluding chapter synthesizes the challenges that cut across the various reform areas and identifies possibilities for further reform.

A RECAP OF ACCOMPLISHMENTS THUS FAR

A New Baseline for Efficient, Effective, and Open PFM

No less than recent independent international evaluations of the Philippines' PFM system—notably, the draft 2016 PEFA assessment, the 2015 IMF FTE, and the 2015 OBS—highlight significant progress in various areas, as discussed throughout the chapters of this publication and in this concluding chapter.

It is worth highlighting that the draft PEFA assessment—a comprehensive evaluation that cuts across all phases of the PFM cycle—saw marked improvements beginning in 2010: of the 28 indicators of the PEFA framework, the Philippines is now rated "A" or "B" in 17, from just eight in 2010 *(see Table 1)*. Bold improvements in the transparency of public finances, the stronger link between development strategies and performance goals with expenditures, and the streamlined budget execution process made these gains possible: gains which were also observed by the IMF FTE and the OBS.

Table 1. **PEFA Distribution of Ratings by Indicator (Using 2010 Framework)**

Core Dimensions of Performance	A/B		C/D		Total Indicators
	2010	2016	2010	2016	
Credibility of the Budget	1	1	3	3	4
Comprehensiveness and transparency	3	5	3	1	6
Policy-based budgeting	1	2	1	0	2
Predicability and control in budget execution	2	6	7	3	9
Accounting, recording, and reporting	0	1	4	3	4
External security and audit	1	2	2	1	3
TOTAL	**8**	**17**	**20**	**11**	**28**

Source: 2016 PEFA Assessment (draft as of May 25, 2016)

Results of budget reform

The new administration may hinge on these accomplishments brought about by the bold budget and management reforms over the last six years:

Better financial health by spending within means – Strategies to consolidate revenue collection, resource allocation, and debt management resulted in a more sustainable Budget, a more credible Budget forecast in the medium term, and a greater budgetary space to fill the gaps in social and economic development. Bold efforts to improve tax collections resulted in increased revenues without imposing new tax burdens on the people, save for the long-overdue reform of sin taxes on tobacco and alcohol. Through its debt management strategies, the government progressively reduced its debt stock in proportion to the GDP, towards below 40 percent by 2017. These efforts also cushioned the economy from external shocks and, more importantly, gained the renewed confidence of investors as evidenced by the investment-grade credit ratings. Moreover, the government managed to broaden the fiscal space and nearly-double the Budget in just six years.

Greater strides in attaining progress by investing in the right priorities – The government ensured that public funds only go to programs and projects that address long-standing constraints to social and economic progress. By scrutinizing programs and projects for impact, fostering collaboration among the implementing agencies to achieve shared outcomes, ensuring that the budget responds to the pressing needs of sectors and geographic areas, and establishing a more precise estimate of overheads to make way for a bigger fiscal space, the government was able to increase socioeconomic spending to P65 of every P100 of the Budget, and infrastructure to 5 percent of the GDP. The result: classroom gaps were closed, the entire national road network was finally paved, universal healthcare was pursued, and the economy's major drivers, such as tourism, were better supported; while those that have historically lagged, such as agriculture and manufacturing, were given greater assistance.

Making every peso count by delivering measurable results – The last six years saw dramatic improvements not only in the pace of releasing funds and implementing projects, but also in establishing the link of financial performance with the agencies' desired goals. These accomplishments were done through groundbreaking reforms such as transforming the GAA into a release document for most expenditure items; dismantling roadblocks to seamless release and use of the budget, which included the DAP as a stimulus to faster spending when it was needed; refining the OPIF to create a Performance-Informed Budget hinged on measurable results; creating a rewards and compensation scheme that places merit on performance while making it at par with the private sector; and leveraging systems, technology, and people to consolidate every step of the PFM process. The draft PEFA report noted that in between the two assessment rounds, "it is clear that the government of the Philippines has improved its PFM performance markedly." In particular, the Philippine government made great strides in improving the predictability and control in budget execution.

Creating greater spaces to empower citizens – The 2015 round of the Open Budget Survey placed the Philippines among the global leaders in fiscal transparency and participation: among 102 countries, it ranked first in ASEAN, fourth in Asia, and 21st in the world for producing substantial information about the budget. The country also managed to rank fifth in terms of participation, thanks in part to Bottom-up Budgeting and similar "revolutionary" initiatives. Likewise, the IMF FTE lauded the country's improved state in terms of fiscal transparency. Seven of the FTE's 36 indicators were rated "advanced": public participation, fiscal legislation, frequency of in-year reporting, environmental risks, specific fiscal risks, coverage of stocks, and coverage of flows. On the other hand, 16 indicators—among them, timeliness of budget and medium-term budget framework—were rated "good."

Impact so far

A decade ago, the Philippines lagged behind other countries in terms of achieving and spending for development. The PFM reforms rolled out in the last six years have enabled the government to invest heavily in poverty reduction and inclusive growth.

Economic development – From decades of anemic economic growth, the Philippines has now emerged as among the fastest-growing in the region and will soon be among the largest economies in the world. From 2010 to the first quarter of 2016, the country's GDP growth has averaged 6.22 percent, 38 percent higher than the previous decade (i.e., 2000 to 2009) and two and a half times bigger than the average GDP between 1980 and 1989. Spending on infrastructure, one of the main drivers of economic growth, also witnessed significant growth from the previous decade, now at 5.0 percent of the GDP from languishing between 1 and 2 percent in the past two decades.

Poverty reduction and human development – Massive investments in improving education, healthcare, housing, and social welfare, as well as the creation of more jobs, have enabled the recovery of the "lost decade" in poverty reduction. Investments in Mindanao and Visayas have seen double-digit increases in the last few years, in line with the government's bias for areas that need the most urgent interventions in terms of magnitude of poverty and disaster risk. Additional investments in health, education, and social protection have likewise improved. So far, poverty incidence among individuals has been reduced to 26.3 percent in the first semester of 2015, from 28.4 percent in the same period of 2009. If sustained, inter-generational poverty can further be reduced.

Governance and anti-corruption efforts – A great number of PFM reforms implemented in the last six years have improved the country's state of governance. Policy and fiscal decisions that allowed the intensified pursuit of tax evaders and corrupt officials have restored public trust in the government and hence afforded it a greater legroom to institute more critical reforms. The Philippines saw an improved performance both in Transparency International's Corruption Perceptions Index (from 134th place in 2010 to 85th place in 2014), and in the World Governance Indicators, particularly in critical bellwethers such as Government Effectiveness, Rule of Law, and Voice and Accountability.

Toward inclusive development

Considering the gains discussed in this report, it cannot be denied that the country has managed to sustain the growth trajectory, lift more families out of poverty, and restore citizens' trust in public institutions. However, the greatest challenge remains: address inequality by ensuring equitable growth and redistributing wealth. For one, the Gini coefficient, which measures income inequality,[2] while marginally better than in the 1990s, has remained nearly flat in the last 10 years.

Moreover, a task that shares the same importance as building on the current economic gains is to take advantage of being on the cusp of an economic transformation. On this higher plane of progress lies a slew of challenges—keeping afloat amid the ASEAN Integration, and reinforcing the agencies' capability to meet the new set of demands from an emerging middle class.

The Philippines, hence, still has a long way to go to make inclusive and broad-based development an achievable goal.

Achieving inclusive development requires strengthening the existing governance reforms through capacity building, wider devolution of power, and institutionalization of reforms through the passage of key laws, among others. The government also needs to target the structural weaknesses that bar the efficiency and development of governance and political institutions, including red tape, and the prevailing oligarchy of political dynasties. A study from the Asian Institute of Management noted that still at least 70 percent of incumbent local government officials and 80 percent among the youngest members of the House of Representatives hail from political clans (Mendoza, 2012).

The lingering gaps and emerging challenges to development—and the continued underdevelopment of the country's political institutions and culture—only illustrate the need for sustained budget and management reform. In particular, how can fiscal consolidation be sustained, and investor confidence be secured, over the medium- to long-term? How can reforms that disciplined the resource allocation process and enabled recent socio-economic achievements be set firmly in place in the budget process? How can the government facilitate the pace and quality of budget utilization and service delivery to strengthen the agencies' capabilities to deliver services? What strategies can be done to make fiscal information and spaces for participation more accessible and useful to citizens so they could better influence budgetary decision-making?

CROSS-CUTTING CHALLENGES

The Road That Lies Ahead

The reforms rolled out and the results they yielded in the last six years spark a general optimism from the public, the international community, and other stakeholders. Still, a lot more needs to be done in other areas of PFM reform. In particular, the draft 2016 PEFA assessment highlighted critical areas that need to be addressed: the reliability of the Budget, where the expenditure plan is implemented faithfully and serves as an accurate gauge of performance; and accountability systems, particularly accounting and reporting practices and the strength of independent oversight, particularly by Congress *(see Table 1)*.

Apart from consolidating the gains and addressing the gaps, the government should continually adapt its PFM system to the changing demands of the economy and the society.

In crafting a new PFM roadmap, it will be naïve however for governments to think that reforms should lead to the creation of a "perfect" system. While the core elements of a good PFM system should be institutionalized, reforms should be nimble and flexible enough to respond to the evolving challenges in public finance that any government faces and equally evolving approaches to solve such challenges. The following synthesize the cross-cutting challenges to the sustainability of reforms established by the Aquino administration as well as the gaps that require further and bolder reforms:

Policy strength

Many of the bold PFM reforms introduced in the last six years do not yet have a permanent policy basis in law apart from the annual GAA. At the same time, there are contradictory elements in the Philippines' policy environment for PFM.

Push for a Public Financial Accountability Act – In order to institutionalize beneficial reforms, there is a need to enact a fresh and comprehensive legal framework on PFM for the Philippines. Thus, towards the latter part of its term, the administration developed and proposed a Public Financial Accountability Act that modernizes the legal framework for PFM, addresses gaps especially on the balance of powers between the Executive and Legislature, and institutionalizes key reforms or the principles that these reforms seek to fulfill *(see Proposed Philippine Public Financial Accountability Act)*. Unfortunately, the bill was not passed in the 16th Congress. It is hoped that the new administration and the 17th Congress will support and even further improve upon the proposed landmark measure.

Marry Line-item Budgeting and Program Budgeting – A cross-cutting structural issue that resides in the country's policy framework for PFM is the existing structure of the Budget. Indeed, the decades-old "line item" structure supported some key reforms: for instance, the disclosure of specific items of expenditure in the Budget, improved transparency, and curbed abuses related to "lump-sum" funds forced the agencies to plan better and specify their expenditures, and bolstered the implementation of the GAA-as-Release Document policy. However, the "line item" structure has created challenges in the allocation and accounting of funds *(see Budget Integrity and Accountability)* as well as the reporting of their use *(see Fiscal Transparency)*; in tying the hands of the Executive from being able to utilize available funds during contingencies *(see Budget Integrity and Accountability)*; and the attribution of performance indicators to expenditures *(see Linking Budgeting and Results)*.

Likewise, line-item budgeting — in the sense that Congress needs to approve each program, activity, or project (P/A/P) as an appropriation, and that the Executive needs to release funds on the basis of specific P/A/Ps—runs counter to the direction of modern public expenditure management to strengthen managerial accountability by loosening the grip on "line item" controls. Achieving such is certainly easier said than done, for the legislators themselves expect to see the line items in the Budget—in particular, which programs and projects will be implemented in their respective jurisdictions and for their constituents—and to exercise their power to make modifications to the Budget, particularly to "insert" P/A/Ps that benefit their constituencies.

The arguments for retaining line items in the Budget are indeed valid. But equally, if not more, compelling are the benefits of moving towards the international practice of program budgeting: where expenditures are appropriated at the level of major programs which have set performance indicators in terms of outputs and outcomes. However, it is not as if line item budgeting and program budgeting cannot be synergized—at least for the moment, until the agencies' internal controls and accountability systems are strengthened, and until Congress grasps the benefits of program budgeting. PREXC *(see Linking Budgeting and Results)*—which reorganizes all "line item" P/A/Ps according to major programs—is a move towards that direction. Such a reform may also help achieve efficient planning, fund utilization, monitoring and evaluation, and accountability reporting of spending and performance.

Institutional capacity

As one may glean throughout the chapters, the success of PFM reforms more and more require efforts to strengthen the capacity of public institutions and individual public servants to roll out new PFM policies and standards and, ultimately, deliver services to citizens better than before.

Strengthen the capacity of implementing agencies – The implementation of reforms have remarkably streamlined and strengthened the PFM processes at the level of the central or national government. However, reform efforts needs to be intensified at the level of the implementing agencies for greater impact. Specific PFM functions—from the formulation of forward estimates and design of programs to the establishment of internal controls and reporting of financial and non-financial performance—need to be strengthened in each implementing agency. In a way, reforms also need to be suited to the unique situation of each agency *(see Linking Planning and Budgeting* and *Priority Expenditures)*.

As such, DBM and other oversight agencies should strengthen their ability to handhold the implementing agencies to strengthen their financial management practices. Toward this, DBM established the Comptroller General function to strengthen, among others, the oversight of the agencies' internal control, internal audit, accounting, and reporting systems *(see Integrated PFM System)*; the PFM Certificate Program and the proposed creation of the PFM Institute to intensify capacity building efforts for PFM professionals; the Monitoring and Evaluation function, to help the agencies strengthen their respective M&E systems *(see Linking Budgeting and Results)*; apart from other efforts to strengthen its institutional capacity *(see DBM's Institutional Strengthening Efforts)*.

Help agencies speed up their spending – To decisively address the problem of underspending, an increased effort to strengthen the service delivery capacity of the national agencies is required. After the central government has already streamlined its budget execution processes *(see Fast and Efficient Budget Execution)* and improved the availability of funds *(see Fiscal Management)*, it is now more evident that the slower-than-expected pace of fund utilization and service delivery are hinged upon the weak capacity of the individual agencies to implement programs and, in the first place, to design effective and implementation-ready programs and projects *(see Linking Planning and Budgeting)* with embedded M&E systems *(see Linking Budgeting and Results)*.

Broad reforms, such as Account Management Teams and, later on, the Full-Time Delivery Units, need to be scaled up into institutionalized spending and performance monitoring processes. Agency-specific interventions—such the strengthening of DPWH as the infrastructure agency by, among others, creating more positions for civil engineers and other crucial professions—need to be scaled up. In doing so, the actual organizational structures of key service delivery agencies may need to be reviewed and, if necessary, revamped.

Empower local governments to deliver services – But perhaps a more fundamental issue is this: why is the national government saddled with so many service delivery functions, down to the very retail level, such as the construction of barangay health centers and local roads? The problem of sluggish spending provides an impetus to speed up the devolution of resources and basic service delivery functions to local governments. The Local Government Units (LGUs) are, after all, in a better position to know their localities' and constituents' development needs and to deliver basic services on the ground. Shifting such functions to the LGUs allows the national government a greater focus on its core functions: such as economic growth through investment, national defense, and foreign relations and trade.

Certainly, the LGUs — much like the national government agencies, if not to a greater extent—are also beset with problems of poor capacity and, in the first place, poor financial management practices. As a way of preparing the LGUs to absorb more resources from the national government as well as to capacitate them to generate resources on their own, DBM and other agencies implemented key reforms to help improve their financial stewardship, service delivery capacities, and the state of transparency and participation in their respective communities *(see Meaningful Devolution* and *Citizen's Participation in the Budget Process)*. Such efforts may also be intensified in light of the announced plans of the new administration to eventually shift the government to a federal form.

Strengthen Congressional Oversight – the PEFA, the OBS, and the FTE highlight the glaring gaps in the ability of Congress to scrutinize the Executive's finances and the results delivered *(see Budget Integrity and Accountability)*. It is certainly incumbent upon Congress, as a constitutionally independent pillar of the government, to implement policies and establish mechanisms for PFM oversight: from the regular scrutiny of financial and audit reports (e.g., the public accounts committee mechanisms of the United Kingdom and other Westminster systems), to strengthening the technical ability of Congress as an institution to analyze, and even challenge, the macroeconomic forecasts, cost estimates, and other budgetary assumptions of the Executive (e.g., the Congressional Budget Office of the United States).

On the side of the Executive, many of its PFM reforms seek to help strengthen Congress' power of the purse: the improvement of financial disclosure and reporting practices *(see Budget Integrity and Accountability)*, the inclusion of performance indicators in the Budget itself *(see Linking Budgeting and Results)*, and the production of new publications—both technical and in layman form—that provide narrative explanations of the Executive's Proposed Budget *(see Fiscal Transparency)*, among others. Also requiring a deep reflection is the relationship between Executive and Congress: not only in terms of the balance of powers between these institutions, but also in terms of the dynamic political culture that underpins such a relationship. While this documentation does not attempt to expound on the needed change in the politics of budget legislation, a special article *(see The End of Pork As We Know It)* presents possibilities on how the parochial yet valid concerns of legislators (i.e., the needs of their districts and constituents) could be addressed within the boundaries set by the landmark decision of the Supreme Court on the "pork barrel" system, within the fiscal framework and development priorities of the national government, and in line with moves to further decentralize fiscal authorities to the LGUs.

Technology and innovation

While the government leveraged technology to the widest extent possible in order to improve certain areas of PFM, one of the main components of the PFM Reform Roadmap—that is, the envisioned information system for the whole of government—has been downscaled, if not stalled altogether.

Continue the IFMIS – As recommended by the draft 2016 PEFA assessment, the next administration should sustain the "development of a comprehensive, integrated accounting and financial information system" as it is seen to dramatically improve the efficiency, transparency, and accountability of the Philippine PFM process. However, in doing so, the next administration needs to take cognizance of the lessons from the outgoing administration's attempts to build an IFMIS.

Key ICT solutions that will form the backbone of GIFMIS are in place or, in the case of the BTMS, currently being rolled out. It must be emphasized that additional components or modules to be installed to complete the IFMIS need to be robust and comprehensive yet flexible to allow eventual updates to the system in the event of adjustments to PFM policies and processes, as well as technological advancements. In other words, the development of IFMIS require the government to adapt to and leverage new technological developments that could enhance PFM practices. For instance: cloud computing has been leveraged in the development of ICT systems; and likewise, social media has been tapped to promote budget information and engage the citizenry online.

The "Non-Tech" Side – However, the foremost lesson is this: the non-technological side is of equal, if not greater, importance as the technological tools.

Among the crucial "non-tech" issues are the fragmented accounts coding and treasury cash management systems, which the UACS and the TSA currently address. The ability of the bureaucracy to procure such a sophisticated system should likewise be strengthened. And once rolled out, the most important component of such ICT systems—the people who will process data, manage transactions, generate and make use of reports, among others—need to be capacitated. Such people-centric efforts include bureaucracy-wide intensive training programs (e.g., the PFM Certificate Program) and opportunities for continuous learning and innovation through, among others, knowledge management tools. Overall, ambition and technical feasibility need to be balanced *(see Integrated PFM System)*.

Stakeholder support

The success of reform initiatives hinge significantly on the support and demand of citizens for such reforms, as well as the willingness of the implementers in the bureaucracy to adopt and adapt to new policies and practices.

Build a stakeholder base for reform – To better assess the impact of the gains secured in the public expenditure front during the last six years, one question needs to be asked: is there greater public appreciation for the reform initiatives? As such, it will be useful for the new administration to conduct a deeper scoping of public opinion as an important input in mapping out the next phase of the PFM reform agenda.

It could be argued that the turn of events midway into the Aquino administration only indicate the increased public demand for a more transparent, efficient, and effective manner of utilizing public funds. Despite these crises, independent opinion surveys show that the public, particularly the investment community, appreciated the reforms introduced in the last six years. In the Social Weather Stations' Enterprise Survey on Corruption, DBM's sincerity in fighting corruption has improved from "bad" in 2009 to "neutral" in 2015 (SWS, 2015). Likewise, the latest Global Competitiveness Index (GCI) saw improvements from 2010 to 2015 in the country's overall rank—by a cumulative 38 places—as well as in indicators on reducing the wastefulness of public spending and the diversion of public funds. More broadly, the country's rank in the Corruption Perceptions Index (CPI) has improved by a cumulative 39 places from 2010 to 2015 *(see Table 2)*. All three metrics, however, show backsliding from 2013 to 2015, although the end-2015 performance is still better than at the beginning of the Aquino administration's term. Such improved perception should be sustained and further improved—and the setbacks regained—in order to solidify the support of stakeholders for further reforms.

Bureaucracy supports reforms when benefits are clear – As for the government workforce, there seems to be a broad support in the bureaucracy for the continuation of fundamental PFM reforms. An internal study conducted by DBM in 2015[3] shows a generally good perception of respondents for the continuity of governance and budget reforms: overall, 42 percent of responses are for the continuation of such reforms, while an additional 29 percent of responses are also for continuity but the reforms should be improved. Feedback from the client agencies of the DBM was also generally positive—28 percent positive, compared to 12 percent negative.[4]

It is equally necessary to put in place clearer and stronger incentives for the implementation of new policies and changing the old ways of planning, budgeting, spending and monitoring the budget. Gleaning from the results of the internal study of the DBM, the reforms which received broad support from DBM and other agencies seem to be those that provide a clear and immediate benefit to their work. The best example is the GAA-as-Release Document—69 percent of DBM employees said it should be continued, and 58 percent of them received positive feedback from client-agencies on the reform—as it removed duplicative steps in releasing allotments and thus eased the work of PFM professionals *(see Insights from Junior Leaders)*. Other reforms which gained broad support from both DBM's employees and other agencies include the early preparation and enactment of the budget and PIB.

It will thus be useful for the next administration to scope the opinion and sentiments of the PFM practitioners within and outside the DBM on the reforms implemented thus far and how existing PFM reforms be sustained, improved, and scaled up.

Table 2. **Philippines Rank in the CPI and GCI, 2010 to 2015**

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
CPI *Of countries surveyed:*	134 *178*	129 *183*	105 *176*	94 *177*	85 *175*	95 *168*
GCI Overall Rank *Of countries surveyed:*	85 *139*	75 *142*	65 *144*	59 *148*	52 *144*	47 *140*
Select Indicators in the GCI Institutions Pillar						
Public Institutions	124	121	99	81	75	83
Diversion of Public Funds	135	127	100	79	78	100
Wastefulness of Government Spending	118	109	86	63	60	61
Transparency of Government Policymaking	123	120	97	92	85	85

Sources:
Corruption Perceptions Index (2010 to 2015), Transparency International
Global Competitiveness Report (2010 to 2015), World Economic Forum

PROSPECTS FOR FURTHER PFM REFORM

Finding the Optimal Pace, Manner, and Impact

The abovementioned options or considerations are being presented by DBM under the Aquino administration based on the lessons it has gained in the implementation of reforms over the last six years. Overall, it is hoped that this documentation project helps the newly elected administration and newly appointed Budget Secretary in taking stock of the baseline situation from which they will formulate the next phase of the PFM reform agenda.

Apart from the considerations on the strength of the PFM policy, the capacity of institutions, the robustness of the ICT backbone, and the support of stakeholders both external and internal, the new leadership of DBM should also consider lessons on the pace, manner, and impact of implementing the PFM reforms as a crucial input to the new reform agenda.

The “reform fatigue”

An important concern raised by officials and staff of DBM in the internal survey, as well as the PFM practitioners in the other agencies, is the so-called “reform fatigue.” Though welcome, the high level of ambition of the PFM Reform Roadmap itself, in addition to the frequent and usually concomitant introduction of “opportunistic” reforms, had resulted in a lack of proper pacing and sequencing.

The successive implementation of reforms—which entail frequent adjustments in policies and processes—have caused confusion among PFM practitioners who have had little time to understand, implement, and embrace these reforms. The fast pace of the reform has left little room for DBM and other oversight agencies to handhold the implementing agencies in implementing new policies and processes.

Managing Reforms

Given the experience in the last six years, it would be advisable for the new administration to come up with a bold yet realistic agenda for further reform, with focus on managing their pace and sequence, rolling out the crucial ones first. Moreover, such a reform roadmap should incorporate a deliberate change management and information, education, and communication (IEC) strategy that gives sufficient time and attention to help the bureaucracy adopt and adapt.

More broadly, the level of ambition of the reform effort may be managed through prioritization—that is, training focus on the institutionalization of key big-ticket reforms that have yielded or will have the greatest impact in modernizing the Philippines' PFM system; and setting a window period to allow the bureaucracy fully adopt the reforms and see the gains from such. Certainly, the fundamental gaps seen so far—the reliability or credibility of the budget, and the "downstream" accountability indicators; gaps which the Aquino administration had begun to address but have not fully solved—will require decisive action to solve.

Ultimately, the process of shaping the next phase of the PFM reform may, at the least, require a thorough and open discussion with key stakeholders. After all, the budget process is not merely technical or managerial in nature. It is primordially social and political: as such, the citizens who must benefit from the prudent use of their taxes should continue to lie at the heart of the process of reforming PFM.

NOTES

[1] In particular, the DBM Secretary is chairman of the DBCC; a principal of the PFM Committee under E.O. No. 55 s. 2011; and chairman of the GPPB; among many other leadership or membership roles in other collegial committees of the government which steer good governance reforms.

[2] A value closer to zero means decreasing inequality.

[3] In 2015, the DBM-IAS conducted a series of surveys and focus-group discussions to gauge the perception of DBM employees, as well as the feedback they gather from client agencies, on budget reforms.

[4] A total of 60 percent of DBM respondents either answered that they did not receive feedback or did not answer the survey at all. Because of this, the DBM-IAS recommends that a baseline survey of client agencies' perception of the reforms need to be pursued.