Republic of the Philippines

DEPARTMENT OF BUDGET AND MANAGEMENT

PREXC

PROGRAM EXPENDITURE CLASSIFICATION

THE NEXT PHASE OF THE PERFORMANCE-INFORMED BUDGET

PREXC Program Expenditure Classification
The Next Phase of the Performance-Informed Budget

PRODUCED BY THE PHILIPPINE DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)
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MESSAGE

The DBM's commitment to improve public accountability and to manage for results has come a long way. The changes made in the face of the Budget are a testament to this goal of accountability, management for results, and transparency. From a Budget with just the financial information, we now have a budget that likewise shows performance information.

For the 2014 Budget, the government adopted the Performance-Informed Budgeting (PIB), where the National Budget presents agencies' performance information and targets alongside financial allocations. This reform made it possible to clearly show the outputs and outcomes that agencies commit to deliver against their respective budgets. This innovation strengthens budget accountability, as it enables citizens to review and monitor how agencies utilize public resources to provide goods and services.

In formulating the 2015 Budget, the government further improved on the PIB by adding performance information at the organizational outcome level. This PIB enhancement enables the national government, Congress and citizens to assess what results agencies are trying to achieve and how they are achieving them through the delivery of public services.

The time has come to scale up the implementation of the PIB through the Program Expenditure Classification (PREXC): a reform that restructures the current Budget by grouping activities and projects under major programs or key strategies. Through this innovation, the government will be able to assign performance targets—both outputs and outcomes—at the level of programs. This way, the direct link between strategies, budgets and intended results will be clearer and program monitoring and evaluation can provide evidence-based assessments.

PREXC will be implemented in the proposed Budget for 2018. To prepare for this, the DBM produced this briefer to provide Congress, the public and government agencies with an overview of why it is important to implement PREXC, how PREXC will be implemented, how it will enhance the Budget, and how this innovation relates to the ongoing budgeting reforms in government to make the Budget more transparent and results-oriented.

I enjoin all my colleagues in the public service to heed the people's call for greater transparency and accountability to enable better service delivery by actively participating in implementing this Budget innovation. Thank you for your continued support for our public financial management reform initiatives and for making possible another milestone in government budgeting.

Mabuhay tayong lahat!

FLORENCIO B. ABAD
Secretary
Department of Budget and Management

EVOLUTION OF THE PREXC

The PREXC evolved from the Organizational Performance Indicator Framework (OPIF). The OPIF is an approach to expenditure management that directs resources towards results and accounts for performance by identifying the Major Final Outputs (MFOs) which the agency delivers to its external clients and by attaching indicators of performance for each MFO. The OPIF is the foundation and core framework adopted for the Performance-Informed Budget.

2007

Introducing and Piloting OPIF

The OPIF was mainstreamed in the budget preparation process through the inclusion of Budget Preparation (BP) Forms A and B in the 2005 Budget Call. BP Form A (Major Final Output (MFO) Budget Matrix) aimed to establish the linkage between Programs, Activities, Projects (PAPs) and MFOs while BP Form B (Agency Performance Measures) asked agencies to identify Performance Indicators (PIs) and targets for each MFO.

In 2007, the OPIF was also piloted in 20 agencies through a series of workshops, coordination and harmonization meetings, and discussions among the oversight group and the implementing departments and agencies.

2008 onwards

Mainstreaming/Implementing OPIF across Government

In the succeeding year, the OPIF was implemented across the whole of government. It was accompanied by the annual publication of the OPIF Book of Outputs which present the MFOs and PIs of departments/agencies.

2011

Implementing the Results-Based Performance Management System (RBPMS)

In line with the government's commitment to accountability and effective governance an inter-agency task force was created by virtue of Administrative Order (AO) No. 25 to harmonize government performance monitoring, information and reporting systems. The objective of the Task Force was to focus government on achieving outputs and outcomes in line with the National Leadership's Agenda, the Philippine Development Plan (PDP) 2011–2016 and agency mandates.

The AO 25 Task Force established a unified and integrated RBPMS which reports on agency accomplishments on its MFO targets and is used as basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel.

2012

Implementing the PBB Scheme

As an incentive for the government employees who succeed in meeting their Department's overall targets and commitments, the Performance-Based Bonus (PBB) scheme was introduced through E.O. No. 80, s. 2012 entitled, "Directing the Adoption of a Performance-Based Incentive System for Government Employees". The scheme used the OPIF performance indicators to measure the accomplishments of agencies vis-à-vis their targets.

ORGANIZATIONAL PERFORMANCE INDICATOR FRAMEWORK: A TIMELINE

2007-2013: Piloting a Performance Framework

- **2007** — OPIF was piloted in 20 agencies
- **2008** — Government-wide implementation of OPIF
- **2009** — Publication of OPIF Book of Outputs

2013

Creating the Planning Tool

To strengthen the delivery of priority activities and outcomes, and ensure that the commitment to these target outcomes are cascaded from the Agency Heads down to the lower delivery units, the Office of the Cabinet Secretary required Department Secretaries to submit Form 1 Planning Tool with Annual Targets for 2013 to 2015, indicating the annual commitment of the Department Secretary to the President in the form of program outcome and output targets with the implementation of strategies and key activities.

Adopting the Performance-Informed Budgeting (PIB)

In 2013, the Philippine Government issued NBM 117, s. 2013 on the Adoption of the Performance-Informed Budget Structure for the National Expenditure Program (NEP)/General Appropriations Act (GAA). NBM 117, s. 2013 adopted NBC 532 (Guidelines on the Review of Major Final Outputs and Performance Indicators and Restructuring of Programs/Activities/Projects) in the FY 2014 NEP and GAA by aligning costs and budgets to MFOs and listing down the respective PIs of each MFO.

2014

Incorporating Organizational Outcomes and Performance Indicators in the PIB

NBC 552, s. 2013 (Guidelines on the Shift to the Outcome-Based PIB for FY 2015) further made the Budget more comprehensible, transparent and accountable by including an enhanced set of Organizational Outcomes (OOs) with their respective PIs for each agency in the FY 2015 NEP and GAA.

2015

Introducing the Program Expenditure Classification (PREXC)

PREXC

The next phase of the PIB is the PREXC, which was introduced to agencies in 2014 and 2015 through a series of briefings and hand holding exercises to restructure the agency budget along programs and identify output and outcome performance indicators for each program or sub-program.

Philippine National Evaluation Policy (PNEP)

The Philippine National Evaluation Policy (PNEP), a collaborative effort of NEDA and DBM was signed on July 15, 2015. The policy further strengthens the Philippine government's continuing efforts to improve on all components of the public sector management cycle. The PNEP provides a framework for the purposive conduct of evaluations in the public sector. Its objectives are: to support evidence-based decisions, ensure program improvement and accountability towards evaluating the progress in achieving results of the PDP.

2013-Present: Performance-Informed Budget

2012	2013	2014	2015
Performance-Based Bonus (PBB) Scheme Implemented	NBC 532: PIB with MFOs	NBC 552: PIB with MFOs and OOs	PREXC Approach Philippine National Evaluation Policy

WHAT IS PREXC?

Program Expenditure Classification or PREXC is the logical continuation of Performance-Informed Budgeting (PIB). It reflects in the budget the link between strategies, budgets and results and facilitates the monitoring and evaluation of programs with the performance indicators attached to each program.

WHY ARE WE ADOPTING PREXC?

PREXC restructures an agency's budget to group all recurring activities as well as projects under appropriate programs or key strategies.

This way, performance information and costs are assigned at the program level, rather than at the agency and Major Final Output levels, which is the current format of the budget. This provides a more concrete picture of the short to medium-term benefits of the strategies or programs which the agency employs.

PREXC also strengthens the link between planning and budgeting by clearly articulating how government's strategies and investments under each program are linked to the attainment of desired sectoral and socio-economic results. Ultimately, this establishes a regime of greater accountability on how each peso spent on a program delivers measurable results. Currently, the budget is structured along the different Major Final Outputs an agency delivers to its external clients. It is also less informative of the strategies done to accomplish agency mandates and priorities.

PREXC thus enables various stakeholders to better manage the public expenditure management process through programs and sub-programs of the agencies.

With PREXC, we achieve the following:

- **The President, Cabinet, and oversight agencies like NEDA and DBM –** better understand how programs and strategies implemented by individual agencies lead to the achievement of desired societal goals; and, based on this, more strategically allocate resources to successful programs. PREXC is consistent with, and supports the Planning Tool submitted by Cabinet Secretaries.
- **Implementing agencies –** better manage and ensure that agency operations and expenditures are clearly linked to the delivery of agency mandates, facilitating the evaluation of the effectiveness and efficiency of programs; and, based on this, appropriately hold respective managers and units accountable for overall performance.
- **Congress –** analyzes and appropriates each agency's budget based on better appreciation of agency objectives, strategies, and performance in the past years; and, based on that, better performs its congressional oversight role.
- **Citizens and civil society organizations –** better monitor performance of key agency programs and make evidence-based recommendations to government; and, based on this, hold agencies accountable for performance.

PREXC does not replace the line-item budget structure. Rather, it groups the line items more coherently under programs and sub-programs; and adds performance information which should enable program managers, legislators, and the general public to better understand the purpose of expenditure and who should benefit from it.

WHAT ARE WE CHANGING?

FROM	TO
Outcome Indicators at the organizational level	Outcome Performance Indicators at a lower level of Programs to show how programs and strategies contribute to achieving an agency's objectives
Agency-level outcome (i.e. organizational outcome) and output (i.e. major final output or MFO) targets	Outcome and output targets assigned at the Program level to facilitate the measurement of the effectivess of Programs
"Line items" defined as Programs, Activities, and Projects (PAPs) grouped under each MFO	Line items , whether recurring activities or projects, grouped by program

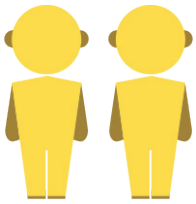
WHAT IS A PROGRAM?

A program is a cohesive grouping of activities and projects that contributes to a particular outcome of an agency.

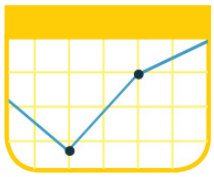
In terms of budgeting, a program is constituted by all expenditures or activities that are intended to achieve a common purpose or objective. These would include all recurring expenditures personnel services, maintenance and other operating expenses, capital outlay and locally-funded as well as foreign-assisted projects. A program's budget will be the sum total of the appropriations for the activities and projects under it.

A large program — in terms of having a large budgetary allocation - usually provides services to different groups of the same beneficiary type, or employs different forms of intervention in its execution — may be broken down to sub-programs. Each sub-program has a distinct set of activities which are directed to a common objective. All sub-programs under a program together contribute to achieving the program outcome.

COMMON WAYS OF DETERMINING A PROGRAM



Check if there is a common set of beneficiaries



Check if the activities and projects address the same result

Check if the outputs produced are similar

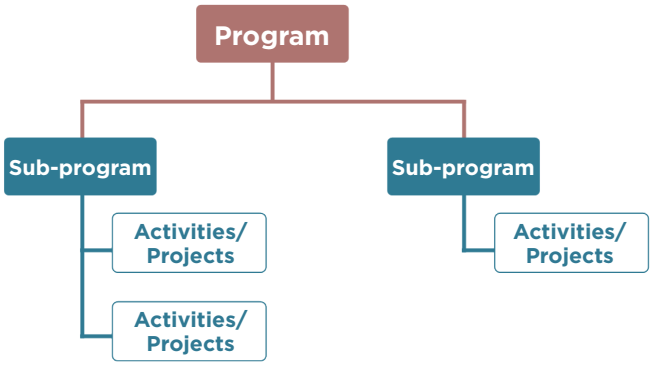
Current Operating Expenditures*	PS	MOOE	CO	TOTAL
Socio-economic Development Planning Program	349,047,000	500,397,000		849,444,000
Policy and Planning Sub-program	182,446,000	232,666,000		415,112,000
Formulation and Updating of National, Inter-regional, Regional and Sectoral Socio-economic, Physical and Development Policies and Plans	88,206,000	33,763,000		121,969,000
Provision of Advisory Services and Assistance to the President, Cabinet, Congress, Inter-Agency Bodies, and other Government Entities and Instrumentalities on Socio-economic and Development Matters	62,733,000	11,430,000		74,163,000
Provision of Technical and Secretariat Support Services to the NEDA Board and its Committees and other Inter-Agency Committees	28,544,000	110,010,000		138,554,000
Communication and Advocacy Program (CAP) Support Program	713,000,000	7,392,000		72,321,000
Investment Programming Sub-program**	86,299,000	35,925,000		122,224,000
Monitoring and Evaluation Sub-program**	80,302,000	231,806,000		312,108,000

*Example of a portion of Current Operating Expenditure of NEDA-ODG based on the FY 2016 NEP.
**Details of activities and projects under Investment Programming and Monitoring and Evaluation Sub-programs are not shown. Amounts indicated are the sum of appropriations for activities and projects under the sub-programs.

Program | Activities
Sub-program | Projects

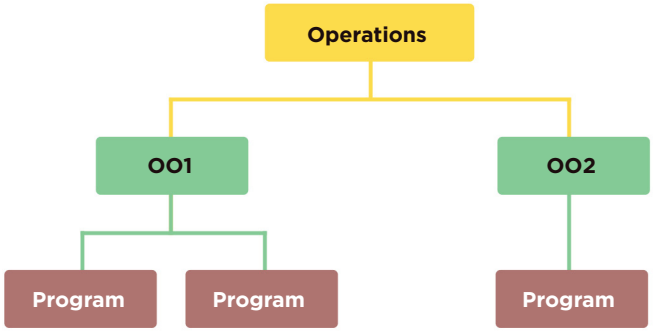
HOW DO WE IMPLEMENT THE PREXC APPROACH?

A. Group Activities and Projects under Programs or Sub-programs



1. Group activities and projects (LFPs and FAPs) that share a common outcome
   - ✔ They share the same external clients/ beneficiaries; or
   - ✔ They produce the same product lines; or
   - ✔ They involve the same form of intervention.
2. Determine the program or sub-program based on the grouping done in step 1. Provide a suitable name for the program or sub-program.
3. Each activity and project should fall under a program or a sub-program.
4. Review activities falling under the category of Support to Operations (STO). Transfer an activity that contributes to a specific program or sub-program under Operations. Otherwise, retain the activity under STO.

B. Group Programs under the Organizational Outcomes (OOs) in the Category of Operations



An organizational outcome is an outcome or result produced by the agency that a) contributes to the achievement of the legislated mandate of that department or agency, and b) is achieved through the production of goods or services to external clients, delivered through its programs, projects, and activities. This can easily be identified based on three (3) indicators: access, use and satisfaction of target group to a program's output.

1. Group the programs under the OOs to which they contribute.
2. Some OOs refer to general clients/beneficiaries. Programs break these into more specific clients/ beneficiaries.
3. Other ways of restructuring the budget through PREXC
   - By form of intervention
   - By Major Final Outputs (MFOs) or services delivered to external clients
   - By function

C. Prepare the Program Profile (Form-A)

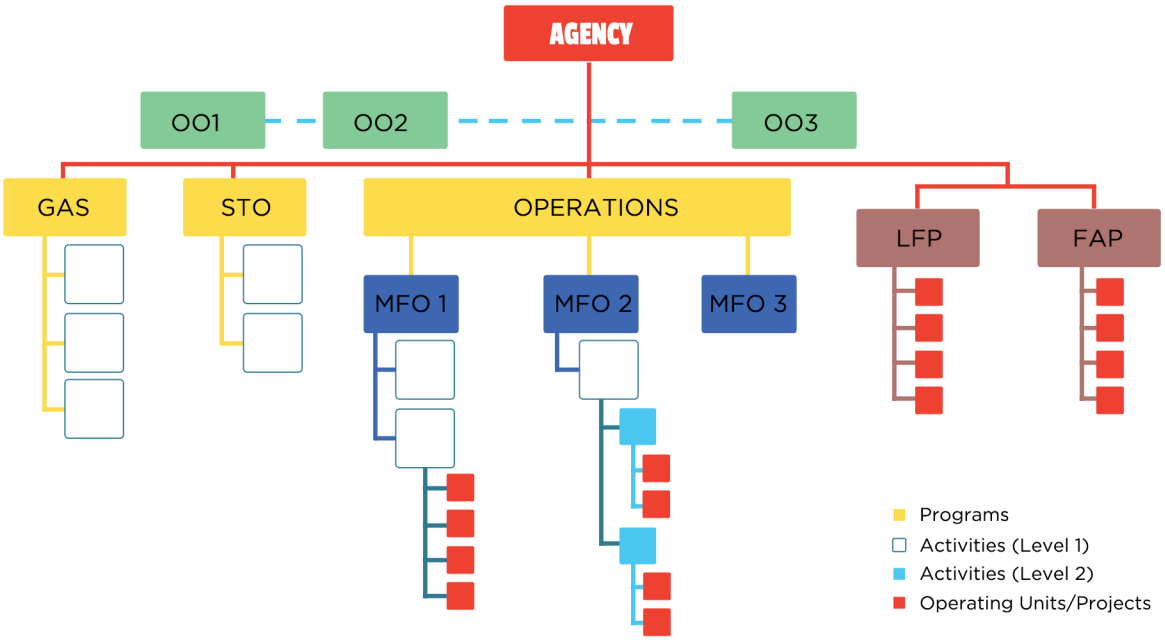
	Form A
Program Profile/1	
A. Title of Program/Sub-Program	
B. Organizational Outcome which the program addresses	
C. Program Objective Statement	
D. Program Description, narrative of the program strategy, monitoring and evaluation arrangements/plan, and risk management strategies	
E. Output Indicators (at most 3)/2 1. ..... 2. ..... 3.	
F. Outcome Indicators (at most 3)/2 1. ..... 2. ..... 3.	

Notes:
/1 This form will be accomplished for each of the programs/sub-programs of the agency
/2 Provide definition of the outcome and output indicators used for each program/sub-program under PREXC as well as the source or process of collection of data, unit of measurement and the means of verification. Indicate if the PIs currently used and where they are used: RM of NEDA, PIB, or PBB.

1. Make a Program Profile for each identified program or sub-program, if the latter is available.
2. Indicate the OO to which the program or sub-program belongs.
3. Provide the Program Objetive Statement. The program objective captures the result or the change that the expenditure for the program would bring about. It should capture the essence of what the program seeks to accomplish.
4. Provide a program description with focus on the following:
   - **Narrative of Program Strategy**
     Who are the beneficiaries of the program, what are the components of the program or strategies employed and method of delivery, and what units in the agency are involved in program implementation
   - **Monitoring and Evaluation (M&E) Arrangement/Plan**
     How is the progress of the program to be monitored, types of report generated, kinds of analyses done on the reports and by whom, units responsible for acting/deciding on the results of the M&E, including at the management level.
   - **Risk Management Strategy**
     List down the existing and potential causes, sources, incidents and consequences which could affect the attainment of objectives, and the measure to be taken to address them.
5. Identify performance indicators
   - ✔ Program performance indicators are measures of how a department/agency performed in terms of efficiency and effectiveness, in delivering its outputs and outcomes given the existing resources. Identify at most three (3) indicators for both the outcome and output.
   - ✔ Outcome indicators are measures of the effectiveness of the program.
   - ✔ Output indicators are measures of the efficiency of the program.

CURRENT MFO BUDGET STRUCTURE

The current budget structure, in accordance with NBC 552 on the "Guidelines on the Shift to the Outcome-Based Performance-Informed Budget (PIB) for FY 2015" dated February 19, 2014, refined the organizational outcomes (OOs) of agencies to further enhance the PIB. OOs are the short-to-medium-term benefits to clients and the community that result in the provision of Major Final Outputs (MFOs). Associated performance indicators (PIs) were developed for each OO and presented in the budget under the section on Performance Information.



MFOs, which are the goods and services that an agency is mandated to deliver to external clients through the implementation of programs, activies and projects (PAPs), are placed under Operations. Agency line items (activities) are placed under the MFO to which they contribute. Under the activities, the different operating units of agency are shown. Activities can be at level 1 or level 2.

Projects (LFPs and FAPs) are shown alongside but separate from General Administration and Support (GAS), Support to Operations (STO), and Operations.

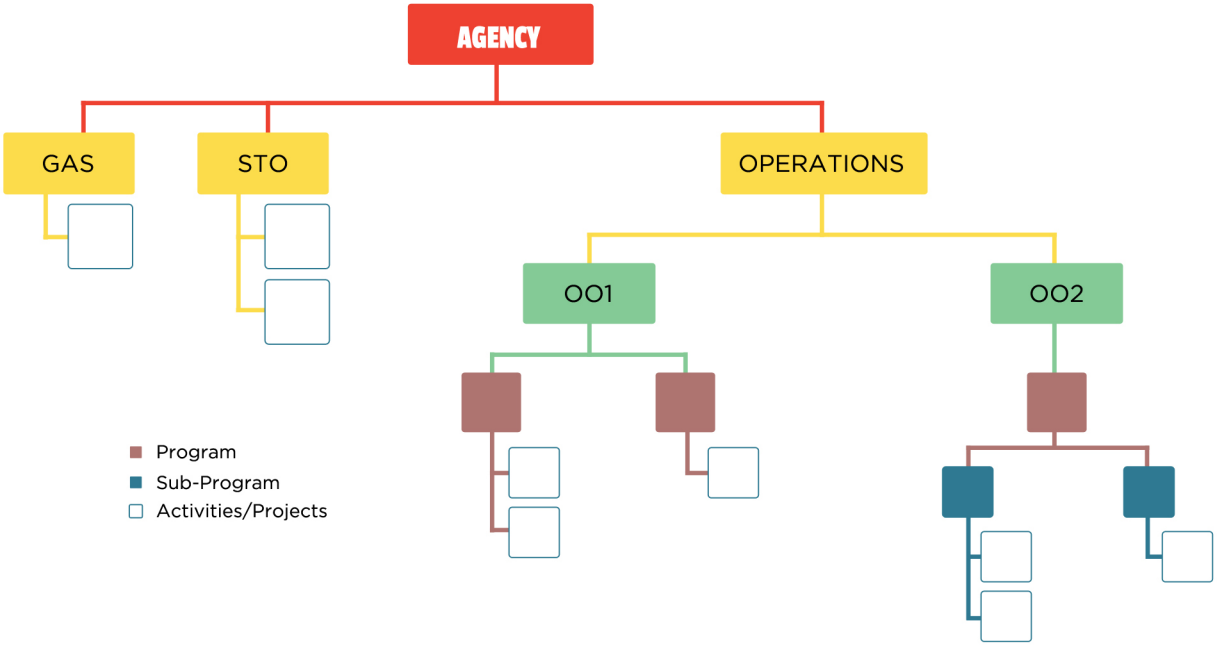
Example for NEDA-ODG:

Activity Level	UACS Code*	PAP
	000003040000000	MFO 4: MONITORING AND EVALUATION SERVICES
Level 1	000003040100000	Monitoring and Evaluation of the Implementation of Plan, Programs, Policies and Projects
Level 2	161003040100001	NEDA Secretariat
	161003040100002	Regional Development Councils

* UACS codes developed in 2013 by DBM, COA, and BTr to unify the budgeting, accounting and cash management of all financial transactions in the national government

PREXC BUDGET STRUCTURE

The PREXC will restructure the current budget in such a way that all recurring activities and projects will be grouped or classified under Programs, replacing the alignment by MFO. Activities and Projects that contribute to the same outcome are part of the same Program. A large program may be broken down to sub-programs.



All projects (LFPs and FAPs) will be subsumed under the Program to which they most contribute. This is done to fully account for the cost of delivering the outputs and outomes of each Program. Projects may also be subsumed under GAS or STO, whichever is appropriate. Projects such as construction or rehabilitation of office buildings should fall under GAS. Projects that support more than one program, such as the National Household Targeting System or expenditures related to Information and Communications Technology (ICT) should fall under STO.

Example for NEDA-ODG:

Activity Level	UACS Code*	PAP
	310100000000000	SOCIO-ECONOMIC DEVELOPMENT PLANNING PROGRAM
	310103100000000	Monitoring and Evaluation Sub-program
Lowest Level Activity	310103100001000	Monitoring and Evaluation of the Implementation of Plan, Programs, Policies and Projects
	310103100002000	Evaluation Services Pursuant to Laws, Rules and Regulations, and other Issuances

* Proposed PREXC UACS codes for approval of the Budget Reporting and Performance Standards team of the PFM Committee

Activities are no longer shown as Level 1 or Level 2. Either the lowest level or level 1 activities (line items) that have a corresponding budget will be shown under the Program or Sub-program.

NEP 2016 PIB STRUCTURE/1

XXIV. NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY
A. OFFICE OF THE DIRECTOR-GENERAL

STRATEGIC OBJECTIVES

MANDATE : The NEDA, as mandated by the Philippine Constitution, shall function as the independent planning agency of the government. It was created in 1972 and reorganized on July 22, 1987 in accordance with Executive Order No. 230. The NEDA consists of two separate and distinct entities - the NEDA Board and the NEDA Secretariat. The power of the NEDA resides in the NEDA Board, which is primarily responsible for formulating continuing, coordinated and fully integrated social and economic policies, plans and programs. The NEDA Secretariat serves as the NEDA Board's research and technical support arm.

SECTION 1: EXPENDITURE PROGRAM
(in pesos)

Sec. 1: Expenditure program shows Projects as a separate item

No./Code	GASS/STO/ OPERATIONS/PROJECTS	2014 ACTUAL	2015 CURRENT	2016 PROPOSED
00000100000000	Operations	661,464,000	797,080,000	856,486,000
	PS	334,346,000	311,993,000	379,807,000
		318,275,000	470,027,000	476,679,000
	CO	8,843,000	15,060,000	
	Projects	61,022,000	15,060,000	82,750,000

Note: Net of RLIP

Sec. 1: Budget for Operations is presented by MFO

Operations by MFO	PROPOSED 2016 PS	MOOE	CO	TOTAL
Socio-economic and Physical Planning and Policy Services	88,206,000	33,763,000		121,969,000
Technical Support and Advisory Services	93,527,000	191,511,000		285,038,000
Investment Programming Services	86,299,000	19,599,000		105,898,000
Monitoring and Evaluation Services	80,302,000	231,806,000		312,108,000

SECTION 4: PERFORMANCE INFORMATION

Sec. 4: Performance Information is shown by Organizational Outcome and MFO

ORGANIZATIONAL OUTCOMES (OOs) / PERFORMANCE INDICATORS (PIs)	Baseline	2016 Targets
Sound economic and development management effected		
Number of planning documents prepared and subsequently adopted by the appropriate bodies	set of planning documents (1 PDP with PDP-RM and 1 PIP)	set of planning documents (PDP with PDP-RM and PIP) prepared within schedule and subsequently adopted by the appropriate body
	15 sets of planning documents (15 RDPs with RDP-RM and RDIPs)	15 sets of planning documents (RDPs with RDP-RM and RDIPs) prepared within schedule and subsequently adopted by Regional Development Councils
Economic information and policy analyses provided / generated and used for evidence-based decision making of the President,Congress and cabinet members	100% (44 memoranda for the President and 2 GDP growth assumptions required by DBCC)	100% of 57 economic reports submitted to the President within set deadline

MAJOR FINAL OUTPUTS (MFOs) / PERFORMANCE INDICATORS (PIs)	Baseline	2016 Target
MFO 1: SOCIO-ECONOMIC AND PHYSICAL PLANNING AND POLICY SERVICES		
PI Set 1		
Percentage of requested policy recommendations on socio-economic and development matters prepared or reviewed and submitted		100%
Percentage of policy recommendations with no adverse feedback received		90%
Percentage of policy recommendations prepared within prescribed timeframe		90%

New Appropriations, by Programs/Activities/Projects, by Operating Units

Activities/Projects shown by MFO under Operations

LFPs and FAPs are shown under Operations separately

PROGRAMS		Current Operating Expenditures: Personnel Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
000001000000000	General Administration and Support/2	150,359,000	87,942,000	100,423,000	338,724,000
000002000000000	Support to Operations/2	22,501,000	16,726,000		39,227,000
000003000000000	Operations	348,334,000	476,679,000		825,013,000
000003010000000	MFO 1: SOCIO-ECONOMIC AND PHYSICAL PLANNING AND				
161003010100000	POLICY SERVICES	88,206,000	33,763,000		121,969,000
	Formulation and Updating of National, Inter-regional, Regional and Sectoral Socio-economic, Physical and Development Policies and Plans	88,206,000	33,763,000		121,969,000
000003020000000	MFO 2: TECHNICAL SUPPORT AND ADVISORY SERVICES/2	93,527,000	191,511,000		285,038,000
000003030000000	MFO 3: INVESTMENT PROGRAMMING SERVICES/2	86,299,000	19,599,000		105,898,000
000003040000000	MFO 4: MONITORING AND EVALUATION SERVICES/2	80,302,000	231,806,000		312,108,000
Sub-total, Operations		348,334,000	476,679,000		825,013,000
TOTAL PROGRAMS AND ACTIVITIES		521,194,000	581,347,000	100,423,000	1,202,964,000
000004000000000	Locally-Funded Projects	1,823,000	47,865,000	33,062,000	82,750,000
000004040000000	Power and Communication Infrastructure	1,110,000	24,147,000	33,062,000	58,319,000
000004040500000	Communication	1,110,000	24,147,000	33,062,000	58,319,000
103004040500001	Implementation of the Management Information System	1,110,000	24,147,000	33,062,000	58,319,000
000004070000000	Economic Development/2	713,000	7,392,000		8,105,000
000004100000000	Governance/2		16,326,000		16,326,000
Sub-total, Locally-Funded Projects (LFPs)		1,823,000	47,865,000	33,062,000	82,750,000
TOTAL PROJECTS		1,823,000	47,865,000	33,062,000	82,750,000
TOTAL NEW APPROPRIATIONS		523,017,000	629,212,000	133,485,000	1,285,714,000

Notes: /1 This illustration does not include all other details reflected in the 2016 National Expenditure Program (NEP) which will not change due to PREXC.
/2 Details of activities and projects under GAS, STO, MFOs 2,3,4, and LFP Sub-categories Economic Development and Governnance not shown. Amounts indicated are the sum of appropriations for activities and projects of the said items.

PROPOSED NEP PREXC STRUCTURE/1

Based on 2016 NEP levels

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SECTION 1: EXPENDITURE PROGRAM
(in pesos)

Sec. 1: Projects subsumed under Operations

No./Code	GASS / STO / OPERATIONS	2016 ACTUAL	2017 CURRENT	2018 PROPOSED
00000100000000	Operations	661,464,000	797,080,000	856,486,000
	PS	334,346,000	311,993,000	379,807,000
	MOOE	318,275,000	470,027,000	476,679,000
	CO	8,843,000	15,060,000	

Note: Net of RLIP

Sec. 1: Budget for Operations is presented by Program

Operations by Program	PROPOSED 2018 PS	MOOE	CO	TOTAL
Socio-economic Development Planning Program	349, 047,000	500,397,000		349,444,000

SECTION 4: PERFORMANCE INFORMATION

Sec. 4: Performance (Output and Outcome Indicators) Information is shown by Organizational Outcome and Program

ORGANIZATIONAL OUTCOMES (OOs) / PROGRAMS/PERFORMANCE INDICATORS	Baseline	2018 Targets
Sound Economic and Development Management Effected		
SOCIO-ECONOMIC DEVELOPMENT PLANNING PROGRAM		
Policy and Planning Sub-program		
Outcome Indicators		
Percentage of policy recommendations adopted	100%	100%
Percentage of PDP end-of-plan targets achieved	90%	95%
Average client satisfaction rating of members of NEDA Board, SDC, CTRM, NLUC, RDCom, PCSD, MICC, and RDCs with the secretariat services provided	95%	97%
Output Indicators		
Percentage of requests for policy recommendations on socio-economic and development matters prepared or reviewed within 10 working days from date of receipt	90%	93%
Number of plans (PDP, ASDFs, NFPP, RDPs, RSDFs, RPFPs, NPP) prepared/ updated and submitted within schedule to NEDA Board, RDCom, NLUC, RDCs, and Secretary of Socio-economic Planning respectively, for approval	32	32
Number of economic reports prepared and submitted to the Office of the President within the prescribed reporting period	57	57

New Appropriations, by Cost Structure / Activities, Projects, by Operating Units

Activities/Projects (including LFPs and FAPs) are shown by Program under Operations

COST STRUCTURE		Current Operating Expenditures: Personnel Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
100000000000000 /3	General Administration and Support/2	150,359,000	87,942,000	100,423,000	338,724,000
200000000000000	Support to Operations/2	23,611,000	40,873,000	33,062,000	97,546,000
300000000000000	Operations	349,047,000	500,397,000		849,444,000
310000000000000	Sound Economic and Development Management Effected	349,047,000	500,397,000		849,444,000
310100000000000	SOCIOECONOMIC DEVELOPMENT PLANNING PROGRAM	349,047,000	500,397,000		849,444,000
310101000000000	Policy and Planning Sub-program	182,446,000	232,666,000		415,112,000
310101100001000	Formulation and Updating of National, Inter-regional, Regional and Sectoral Socio-economic, Physical and Development Policies and Plans	88,206,000	33,763,000		121,969,000
310101100002000	Provision of Technical and Secretariat Support Services to the NEDA Board and its Committees and other Inter-Agency Committees	28,544,000	110,010,000		138,554,000
310101100003000	Provision of Support Services to Regional Development Councils	2,250,000	70,071,000		72,321,000
310101100004000	Provision of Advisory Services and Assistance to the President, Cabinet, Congress, Inter-Agency Bodies, and other Government Entities and Instrumentalities on Socio-Economic and Development Matters	62,733,000	11,430,000		74,163,000
310101200005000	Communication and Advocacy Program (CAP) Support Project	713,000	7,392,000		8,105,000
310102000000000	Investment Programming Sub-program/2	86,299,000	35,925,000		122,224,000
310103000000000	Monitoring and Evaluation Sub-program/2	80,302,000	231,806,000		312,108,000
	Total New Appropriations	523,017,000	629,212,000	133,485,000	1,285,714,000

Notes:
/1 This illustration does not include all other details reflected in the 2016 National Expenditure Program (NEP) which will not change due to PREXC.
/2 Details of activities and projects under GAS, STO, and Sub-programs 2 & 3 not shown. Amounts indicated are the sum of appropriations for activities and projects of the said items.
/3 Proposed PREXC UACS Codes for approval by the Budget Reporting and Performance Standards team of the PFM Committee.

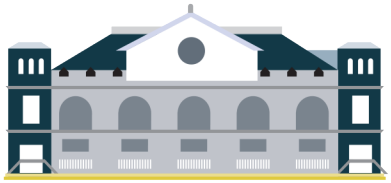
BENEFITS OF PREXC

Links PAPs with Programs. Restructuring PAPs along PREXC will help establish the link with the appropriate programs for better budget estimation and expenditure prioritization. Activities that are not linked or contributing to a program objective could belong to GAS or STO or may be eliminated or reconfigured to support successful programs.

Other benefits of PREXC include:

Provides better performance information. PREXC will provide performance information at the level of programs in order to better understand how well a department/agency is operating through the strategies it is employing to meet targets and objectives. Better performance information will also improve Monitoring and Evaluation of results. Output and outcome indicators are better linked to the budget of each program where the results of program assessments can be used to adjust or enhance the program. The efficiency and effectiveness of the department/agency operations and its budget utilization is better appreciated at the program level.

Monitoring and evaluation of agency performance will be done at the program level using the performance information shown for each program. Correspondingly, budget utilization at the program level would be better seen, analyzed and attached to the outputs and outcomes of the programs.



By looking at programs holistically, program managers or department/agency heads will have improved and better informed decision-making. Prioritization in terms of the success of programs in relation to government priorities can be more easily implemented under PREXC.

WHY DO THE PREXC APPROACH?

- To identify the "Programs" implemented across government
- To standardize the form of agency budgets and make them more understandable to the public
- To enhance the usefulness of Performance Information by tying them to specific strategies and facilitating Monitoring and Evaluation
- To help agencies better manage their finances and organizations by clarifying roles and responsibilities for each program
- To clarify the progress and accomplishment of agency mandates and administration of key result areas

PREXC IN RELATION TO THE OTHER PUBLIC FINANCIAL MANAGEMENT REFORMS

Performance-Based Incentive System (PBIS)

The government implemented the PBIS beginning 2012 to reward public servants who meet or surpass their performance targets. As PREXC defines performance information at the program level, it will be easier to define the individual targets of personnel directly contributing to specific programs and evaluate their performance vis-à-vis the program's performance.

The main effect of PREXC in connection with the PBIS is the improvement on the indicators. PREXC will improve the linkage between output indicators and budget utilization. This will help agencies set more realistic output targets based on their budget.

Under the PBIS, employees may receive a Performance-Based Bonus (PBB) on top of a fixed bonus rate (Performance Enhancement Incentive), depending on their performance and contributions to the accomplishment of their agency's overall targets and commitments. (For more informations on PBIS, visit http://www.gov.ph/pbb/faqs.)

Automation of Public Management Systems

In 2011, the national government, through COA, DBM, and DOF, began the work of harmonizing and automating the Public Financial Management (PFM) systems of government to enhance transparency and accountability. PREXC will standardize the budget structure and non-financial information of the agencies in terms of form and format, facilitating the automation of PFM systems.

Under the PFM Reform Program, the government is implementing the Budget and Treasury Management System (BTMS) to support oversight agencies in automating budget management, budget execution, cash management, accounting, and fiscal reporting functions. This System, which will eventually be scaled-up into a government-wide Financial Management Information System (FMIS), will also be used by implementing agencies. (For more information about BTMS, IFMIS, and other related technology-based reforms, visit http://pfm.gov.ph/.)

Philippine National Evaluation Policy (PNEP)

The DBM Results-based Monitoring, Evaluation and Reporting (MER) Policy complements and builds the foundation for achieving the objectives of the PNEP. The policy guides oversight and implementing agencies towards building a strong MER environment and practice. The policy will undergo pilot-testing with eight (8) departments in 2016.

Unified Accounts Code Structure (UACS)

The government implemented UACS as a single system of codes classification for all budgetary, treasury, and accounting transactions. While the current set of UACS codes will need to be adjusted according to the PREXC structure, this will be limited to the reassignment of the fifteen-digit codes under the MFO/Program/Project/Purpose. Ultimately, the harmonization of UACS and PREXC will enable better oversight, monitoring, and evaluation.

UACS was introduced by the Commission on Audit (COA), Department of Finance (DOF), and DBM in 2013 and first used in the 2014 Budget. This reform establishes a harmonized set of accounts and codes to be used for all financial transactions; facilitates the consolidation of actual revenue collections and expenditures; and enables the timely and accurate reporting of actual receipts, collections, and expenditures against program.

CHANGES IN THE UACS CODES STRUCTURE*

00000	Sector/Horizontal Outcomes		
0	Program/Project/Purpose	0	Cost Structure/Purpose (1-GAS, 2-STO, 3-Operations, 4-SPFs)
		0	Organizational Outcome
00	MFO/Project Category	00	Program
		00	Sub-program
00	Activity Level 1/Sub-category	0	Identifier (1-Activity, 2-LFPs, 3-FAPs)
00000	Activity Level 2/Project Title	00000	Lowest Level Activity/Project Title
		000	Reserved Codes
MFO/PROGRAM, ACTIVITY and PROJECTS		PROGRAM / ACTIVITY, PROJECTS	

National Economic and Development Authority - Office of the Director-General (NEDA-ODG)

	FROM (2016 NEP)	TO (2018 NEP)
	UACS CODE	
General Administration and Support	000001000000000	100000000000000
General Management and Supervision	103001000100000	100000100001000
Support to Operations	000002000000000	200000000000000
Internal planning and management services	103002000100000	200000100001000
Operations	000003000000000	300000000000000
Sound Economic and Development Management Effected		310000000000000
Socio-economic Development Planning Program		310100000000000
Policy and Planning Sub-program		310101000000000
Formulation and Updating of National, Inter-regional, Regional and Sectoral Socio-economic, Physical and Development Policies and Plans	161003010100000	310101100001000
Communication and Advocacy Program (CAP) Support Project	101004070100001	310101200005000

* Proposed PREXC UACS Codes for approval by the Budget Reporting and Performance Standards team of the PFM Committee.

MOVING FORWARD

FY 2018 Budget in PREXC Format

In anticipation of the FY 2018 budget preparation that will make use of PREXC, government-wide briefings and workshops were conducted and are continuing to mainstream this budget reform to all agencies. Departments/Agencies are expected to finalize their PREXC structure and prepare their program profiles for inclusion in the FY 2018 budget. Through PREXC, the budget structure will better illustrate the linkage of the activities and projects to a program or strategy for greater government transparency, accountability, and effectiveness.

Focus on Agency Programs and Their Intended Outcomes and Outpus

PREXC shifts the emphasis on outcomes and outputs of programs. The FY 2018 budget will focus on programs and their intended outcomes and outputs which will likewise be featured in and alongside the budget. This new agency budgeting approach focuses on identified strategic priority programs based on the agency mandate.

Performance Information at the Program Level shows Outcome and Output Indicators for Better Monitoring and Evaluation of Agency Performance Against the Given Budget

Performance information will be shown at the program level. Monitoring and evaluation of agency performance at the program level will allow for better comparison of performance against budget utilization and the needed adjustments of program strategies.

UACS: Coding of Activities and Projects by Program

The existing government coding that facilitates reporting of all the financial transactions of government agencies would continue to be adopted with the PREXC. Programs and the activities and projects under them with existing budgetary allocations would be assigned UACS codes. A minor change in the coding will be done to include organizational outcomes, programs, sub-programs and a project place holder for PREXC UACS codes through a shift in the 15-digit MFO/PAP code.

Refinement of Performance Indicators

Every program will have outputs and outcomes indicators. Agencies are expected to come up with at most three (3) indicators each for outputs and outcomes that are measurable and get the biggest share of the budget. PIs are no longer tied to the Quantity-Quality-Timeliness (QQT) Rule. The agency may adopt the output indicators that best measure their performance relative to the intended outcome at the program level. However, the use of existing indicators which remain useful is being encouraged to establish the historical trend of the agency's performance.

Budgeting at the Program Level

Adoption of PREXC will pave the way for budgeting at the program level. The program's appropriation is the total of all the appropriations of the activities and projects, including LFPs and FAPs under it. Based on the prioritization of agencies of their existing programs, they will be able to allocate resources into the more effective priority programs.

Refinement of Agency Organizational Structure along Program Management

As the PREXC budget and incentive structure are understood and appreciated by agency and department heads, the organizational and staffing structure as well as management practices of agencies and departments will adjust to support the more performance-based environment.

AGENCY REACTIONS

"...I would like to express our appreciation to the DBM for choosing us as one of the pilot agencies. As you said, it will help us a lot in preparing our budget for 2016 under the new format. It is also a very good tool for us in terms of management, how we allocate our resources, although the draft presented a while ago perhaps may not have captured what we are doing and we welcome the opportunity in the workshop to explain to you how we work so that you will also understand how we operate and perhaps help us how we can best structure our budget..."

Ambassador Domingo P. Nolasco
Department of Foreign Affairs-Office of the Secretary (DFA-OSEC)
December 15, 2014
The Bayleaf Hotel, Intramuros, Manila

"...I think the PREXC is an improvement from the present system/structure that hopefully would lead to a simplified and efficient reporting and evaluation of our programs in support of the government..."

Deputy Chief Public Attorney Silvestre A. Mosing
Public Attorney's Office (PAO)
July 8, 2015
The Bayleaf Hotel, Intramuros, Manila

"...actually, this is excellent because it really gives more direction, more body sa OPIF; from it just being a theory or a framework into an actual practice..."

Assistant Secretary Eddie M. Nuque
Office of the President (OP)
July 14, 2015
The Bayleaf Hotel, Intramuros, Manila

"...there is clarity in the presentation of the department's programs and maybe, as I see, it translates better the program implementation and links to the outputs and outcomes but as mentioned, outcomes may not easily be seen and measured but this is clearer than the one that we have now..."

Undersecretary Carol M. Yorobe
Department of Science and Technology Office of the Secretary (DOST-OSEC)
July 21, 2015
The Bayleaf Hotel, Intramuros, Manila

"...we welcome very much this particular change or enhancement in our current planning and budgeting structure. In fact, this comes very timely as the Department of Tourism is currently developing our on-line system for reporting of all programs and activities both at the national and at the local level. So surely this will help us in terms of better understanding, how do we plan and how do we use our budget..."

Assistant Secretary Rolando T. Cañizal
Department of Tourism
Office of the Secretary (DOT-OSEC)
July 21, 2015
The Bayleaf Hotel, Intramuros, Manila

"...I commend this innovation. At least I believe that DBM is making the work easier..."

Dr. Jose A. Villasis
Guimaras State College
August 5, 2015
The Bayleaf Hotel, Intramuros, Manila

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