



Results-Based Management Framework in the Philippines

A Guidebook



Asian Development Bank



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Printed in the Philippines.

ISBN 978-92-9254-246-7 (Print), 978-92-9254-247-4 (PDF)
Publication Stock No. TIM135684

Cataloging-in-Publication Data

Asian Development Bank.

Results-based management framework in the Philippines: A guidebook.
Mandaluyong City, Philippines: Asian Development Bank, 2013.

1. Results-based management. 2. Philippines. I. Asian Development Bank.

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 Printed on recycled paper

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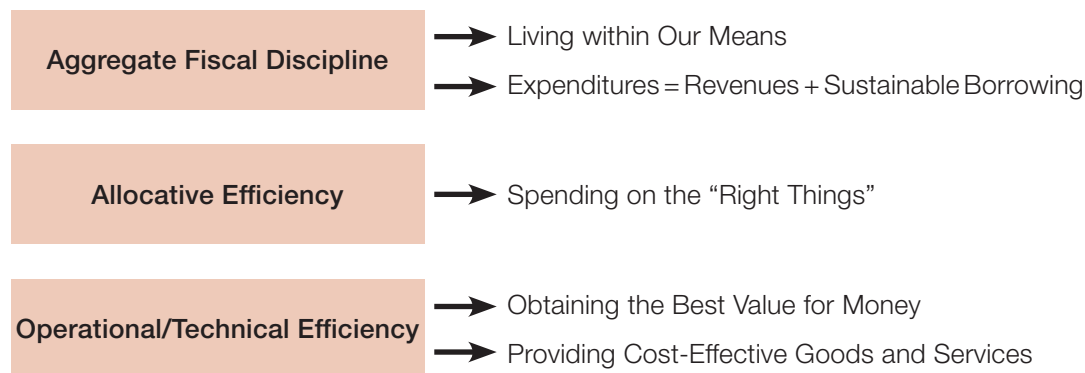
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Preface

The Asian Development Bank has through the years actively supported the Department of Budget and Management (DBM) in institutionalizing Results-Based Management (RBM) across Philippine bureaucracy. More recently, it has helped the DBM refine the Organizational Performance Indicator Framework for the entire government, revise major final outputs and performance indicators, and restructure programs/activities/projects which now form part of the 2014 National Expenditure Program.

The guidebook on the Results-Based Management Framework (RBMF) will provide a common reference point from which further refinement can take place. It is intended to provide useful insights on performance management with its discussion on living within one's means (aggregate fiscal discipline), spending on the right things (allocative efficiency), and obtaining the best value for money (operational/technical efficiency).



It aims to help readers understand the concept of RBM and how it should develop given the current reform thrust of government and the shift from outputs to outcomes. It also aims to help readers understand how the principles under the RBMF emphasize the importance of the government's goal of establishing a more transparent, accountable, and participatory culture.

In general, the manner by which the Philippine RBMF develops should support the overall objectives of government financial management, and we strive for continuous improvement. Thus, in a real sense, the RBMF is a work in progress.

Acknowledgments

This report was written by Peter Fane, Asian Development Bank (ADB) Harmonization and Development Effectiveness Technical Assistance consultant under the supervision of Claudia Buentjen, ADB Philippines Country Office principal country specialist. The document was peer reviewed by Tariq Niazi, Regional and Sustainable Development Department principal public management specialist; and Richard Bolt, Southeast Asia Department advisor. The project team greatly appreciates the strong support and inputs provided by the Department of Budget and Management, in particular Undersecretary Laura Pascua's guidance and thorough review, and Assistant Secretary Gil Montalbo, Tessie Gregorio, Claire Bautista, Gillian Servida, and Golda Meir Esteban of the Corporate Planning and Reforms Service. Thanks are also due to Helena Ireen Baylon, Philippines Country Office public management officer; Stephen Banta, editorial consultant; and staff of the Department of External Relations for their support in producing this report.

Abbreviations

COA	Commission on Audit
CP	Corporate Plan
CSC	Civil Service Commission
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DOF	Department of Finance
DOH	Department of Health
GAA	General Appropriations Act
GIFMIS	Government Integrated Financial Management Information System
GOCC	government-owned and -controlled corporation
GPI	gender parity index
ICC	Investment Coordination Committee
MARC	MFO Accountability Report Card
MFO	major final output
MTEF	Medium-Term Expenditure Framework
MTPDP	Medium Term Philippine Development Plan
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
OPIF	Organizational Performance Indicator Framework
PAP	program, activity, and project
PBB	performance-based bonus
PEM	public expenditure management
PDP	Philippine Development Plan
PI	performance indicator
PIP	Public Investment Plan
PPARC	Priority Program Accountability Report Card
PPP	public-private partnership
RBMF	results-based management framework
SEER	Sector Effectiveness and Efficiency Review
SPMS	Strategic Performance Management System

1 Introduction

This guidebook will provide useful insights to new graduates joining the Philippine civil service for the first time, and a useful “refresher” to those in the civil service who find that they need a reminder of a concept or relationship. The move toward the results-based management framework (RBMF) has had three key objectives, namely:

- aggregate fiscal discipline,
- allocative efficiency, and
- operational or technical efficiency.

Government’s Financial Management Objectives

Aggregate Fiscal Discipline	→ Living within Our Means → Expenditures = Revenues + Sustainable Borrowing
Allocative Efficiency	→ Spending on the “Right Things”
Operational/Technical Efficiency	→ Obtaining the Best Value for Money → Providing Cost-Effective Goods and Services

The manner in which the Philippine RBMF is being developed will support all three objectives. But continuous improvement is what we strive for; so, in a real sense, the RBMF is always going to be a work in progress.

A. Layout of the Guide

This guidebook focuses on the RBMF that is currently being institutionalized in the Philippines. It begins with an outline of the RBMF business model characterizing the RBMF concepts that have been implemented in the Philippines and then focuses on the performance management aspects of the model, including the importance of the statistical framework, the collection of data at monitoring points, the importance of rigorous and consistent specification of performance indicators (PIs), and the definition of major final outputs (MFOs) and performance attribution and evaluation.

The topics discussed in the subsequent chapters are as follows:

Results-Based Management Business Model—Chapter 2

Performance Management Hierarchy—Chapter 3

Performance Indicators—Chapter 4

Results-Based Planning—Chapter 5

Monitoring and Evaluation—Chapter 6

Strategic Performance Management System—Chapter 7

B. A Brief History

For many years, department/agency budgets increased incrementally with little consideration of program duplication or overlaps, changes in agency mandates, or the effectiveness of agency activities in attaining sector and societal goals. The incremental and overlapping nature of public financial management processes made it difficult to measure the performance of departments/agencies and their contributions to achieving development outcomes and goals. Projects and programs tended to continue without review of their efficiency or their effectiveness and assumed a life of their own. Reviews were rarely conducted, and individuals had little incentive to show initiative toward reform. If vested interests might be adversely affected, suggestions for a program or project to be reviewed, downsized, or even abandoned were unlikely to find much support. The system had a built-in bias toward expansion of programs and projects, even where the evidence, if it was available, might show those programs to be ineffective. As interest in public policy grew and more information became available, pressure grew for more decisions to be based on supporting evidence, which is now known as “evidence-based policy development.” In the Philippines, a number of developments supported the change to an evidence-based approach to policy needs analysis, which have led to the gradual evolution of the RBMF. Some of the significant events and developments over the last 40 years include the following:

1973	<p>The Bureau of the Census and Statistics introduced statistical series of Indicators of Social Development.</p> <p>The Development Academy of the Philippines Social Indicators Project commenced with the aim of measuring the impact of government policy on high-level economic and social statistics.</p>
1975	<p>National government interagency discussions held to review the general sector objectives and the policy instruments being implemented, and development of a set of performance indicators (PIs) that would measure the degree of attainment of national sectoral and regional targets.</p>

1978	The National Economic and Development Authority (NEDA) developed macro indicators for measuring and monitoring the degree of achievement of goals identified in the Government of the Philippines' development plans, identifying 100 key indicators and 197 supportive indicators. (However, only 80 economic and 38 social indicators were available, and none on the rate of poverty.)
1988	<p>The Department of Agrarian Reform introduced PIs; emancipation patents documented or distributed; settlers resettled, rehabilitated, and assisted; land titles and order of awards distributed; Community Land Trusts issued, adjusted, and corrected; leasehold contracts registered and perfected.</p> <p>The Department of Health (DOH) introduced PIs; inpatient days, bassinet days; outpatient visits provided; persons serviced and protected; doses and units produced; laboratory examinations and analyses performed; hospital licenses issued; inspections conducted.</p>
2005	Budget Call prescribed use of the Organizational Performance Indicator Framework (OPIF) forms in budget preparation.
2007	Publication of the first OPIF Book of Outputs
2012	<p>Issuance of the OPIF Reference Guide</p> <p>Introduction of the Performance-Based Incentive System</p>

2 The Philippine Results-Based Management Framework Business Model

A. Budget Documents

The suite of budgetary information released annually includes the following:¹

- The General Appropriations Act (GAA)—sets out new appropriations for programs, activities, and projects. From 2014 onward, the appropriation of operational activities is based on MFOs.
- The National Expenditure Program (NEP)—sets out new appropriations, automatic appropriations, and continuing appropriations for the year in which it is published and for the previous year, and shows estimated new appropriations for the next financial year. From 2014 onward, the NEP includes PI data and targets for each MFO.
- The Budget of Expenditures and Sources of Financing—sets out macroeconomic assumptions; consolidated financial position; sector distribution; regional allocations; spending on infrastructure; spending on capital outlays; spending on maintenance and other operating expenses; overviews of local government units and government-owned and -controlled corporations' (GOCCs) financial positions; breakdown of the expenditures and funding sources for the budget year, the current year, and the previous years into summaries of financial data by location.
- Staffing Summary—sets out a summary of the staffing complement of each department and agency, including the number of positions and funding amounts allocated.
- Details of Selected Programs/Projects—set out more detailed disaggregation of key programs, activities, and projects (PAPs) in the NEP to flesh out lump-sum allocations in terms of project listing and their locations.

In addition, longer-term planning documents include:

- The Philippine Development Plan (PDP)—presents discrete initiatives to be implemented over a 6-year period and enumerates specific targets for a range of indicators.
- The Public Investment Plan (PIP)—presents information on PAPs (derived from the PDP consultative process) that are to be scheduled for implementation over the life of the PDP.

¹ This suite of budgetary information can be found in http://www.dbm.gov.ph/?page_id=93

The Medium-Term Expenditure Framework (MTEF) and the forward estimates are revised annually by the Department of Budget and Management (DBM) and the results are issued in the Annual Budget Call as indicative budget ceilings but, as at the date of printing of this guidebook, have not been published.

B. Outline of the Results-Based Management Framework Business Model

The Philippines' RBMF has four main elements (excluding the technical requirement for funds to be appropriated through the GAA):

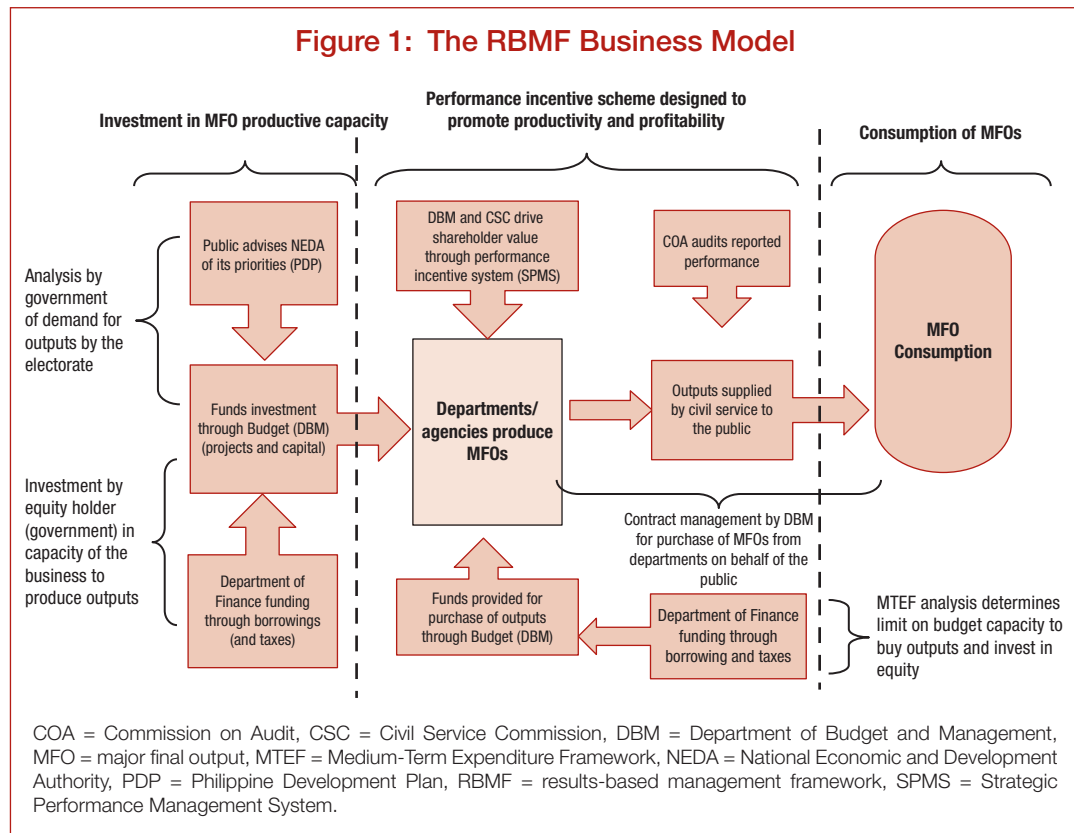
- The MTEF, which identifies a resource envelope
- The PDP, which sets out a range of initiatives that are considered for implementation over the planning period
- The OPIF, which overlays the inputs related to PAPs
- The Strategic Performance Management System (SPMS) and its associated Performance-Based Bonus (PBB) System,² which is intended to incentivize individuals to higher achievement and productivity, as promulgated by the Civil Service Commission (CSC)

These elements are manifested in the RBMF business model, which shows three phases of production (Figure 1). The first phase is investment in productive capacity by the supplier, which may be government or, in the case of public-private partnerships (PPPs) and contracted service delivery, the private sector. The second phase is combining inputs to produce outputs—including human resources, consumables, and capital—that are supplied to, and consumed by, the public in the third phase.

The Philippine RBMF does not require the government to be the investor in the production of MFOs or the producer of any or all MFOs. The production of all MFOs may be outsourced to the private sector. But no matter who produces MFOs, or how, they must be paid for with funds raised by the government through taxes, charges, fees, and borrowings. It is the role of the DBM to manage payments from the Congress-approved budget to implementing agencies for the supply of MFOs. Implementing agencies will either produce the MFOs themselves or have a contract with a private sector entity for the supply of MFOs. The implementing agency may also have a contract with the private sector to undertake part of the production process that generates the MFO, e.g., road construction, where the MFO is the “provision of a road transport network.” Outsourcing the provision of a transport network has been demonstrated through PPPs, such as the construction and operation of the light rail transport network and the South Luzon Expressway.

² The PBB System is not the SPMS. The PBB along with the Productivity Enhancement Incentive (PEI) consists the Performance Based Incentive (PBI) system. The PBB is a top-up bonus given to personnel of delivery units in accordance with their contribution to the accomplishment of their Department's targets and commitments subject to the achievement of targets under the MFOs and accomplishment of good governance conditions set by the Inter-Agency Task Force on AO 25.

Figure 1: The RBMF Business Model



C. Critical Decision Points in the Results-Based Management Framework Business Model

The quantity of an output that is delivered by the government for final consumption by the public will depend on the price per unit of output and the total available budget. The price per unit of output is influenced by a number of factors, including the quality of the goods and services to be purchased/consumed, and the productivity of the supplier of the goods and services, since higher productivity means that more outputs are produced for the same price. The total budget available depends on the level of government revenues and its debt-raising activities.

An MFO is analogous to a product that is sold in the free market by a private sector firm. The private sector firm must determine a strategy that takes into account the demand for its product. Demand for a product is always a trade-off between the marginal extra costs for providing marginal extra quality in the product.

We, as consumers, are continually making judgments as to whether a particular item for sale represents “good value for money.” If we think it is good value for money, then we will buy that item if we have a use for it. If we consider it poor value for money, then we are unlikely

to buy it, even if we have an urgent need for it, particularly if there are alternative sellers of similar products.

The private sector firm must estimate the quality at which it will market its product for a given price, based on a cost accounting/cost attribution methodology that accurately identifies and allocates all direct costs, indirect costs, capital depreciation, funding costs, and a return on equity.

The firm seeks to recover all these costs through the sale price of the product. That is to say, the sale price should reflect the cost attribution determined using a rigorous cost accounting approach. If the costing and estimates for demand are inaccurate, then, in a competitive market, the business will fail for one of two reasons: either

- the price was too low, and the firm did not recover all costs; or
- the price was too high, and the firm was unable to sell its output.

Four critical questions are addressed in the business model: (1) What kinds of goods and services do we want to purchase and consume? (2) What quality characteristics do we want in the goods and services that we will consume? (3) At what price can the supplier provide us with the goods and services, given the quality standards that we demand in the goods and services? And, (4) What is our total available resource, and how will our resource be split between investment and consumption activities (equivalent to allocating the household budget)?

Table 1 identifies the primary processes addressing the four questions that must be determined during the public expenditure management cycle, and the primary government entities responsible for managing the processes in the Philippines.

Table 1: Critical Decision Points in the Business Model

Issue	Primary Process and Responsibility
What mix of MFOs do we want to consume?	PDP/Government, implementing agencies and NEDA
What quality characteristics do we want in our MFOs?	GAA and OPIF/DBM and implementing agency
What price must we pay for each unit of an MFO that we purchase?	GAA/DBM and implementing agency
What is our budget constraint, and how will we divide the resources between consumption and investment activities?	MTEF and PIP/DBM, DOF, and NEDA (ICC)

DBM = Department of Budget and Management, DOF = Department of Finance, GAA = General Appropriations Act, ICC = Investment Coordination Committee, MFOs = major final outputs, MTEF = Medium-Term Expenditure Framework, NEDA = National Economic and Development Authority, OPIF = Organizational Performance Indicator Framework, PIP = Public Investment Plan.

The MTEF determines the resources available for the mix of capital investment and procurement of MFOs. The PDP identifies priorities for the mix of MFOs over the planning period, and is also the basis on which the PIP is determined. The PIP identifies the government's investment priorities, which are sequenced on a year-to-year basis by the Investment Coordination Committee (ICC).

The Department of Finance (DOF) is an important stakeholder in the preparation of the MTEF by the DBM, given that the DOF is responsible for public debt management, tax policy, and tax and customs collections. Its advice is critical to determining the overall resource constraint that limits the freedom of government to introduce new expenditure policy proposals in the planning period.

DBM manages the allocation of funds to departments and agencies on an annual cycle. In doing so, it is responsible for safeguarding the efficient use of government funds by negotiating appropriate PIs and performance targets for each MFO across all recipients of budget appropriations. The PIs and targets are set out in the OPIF Budget Book, while the appropriation of new funds is set out in the GAA. The NEP shows the total of funds that will be spent during a year, including GAA funds plus automatic appropriations and carry-over funding from prior years. The NEP is not comprehensive, however, since there are a number of off-budget sources of funding for expenditures that are not identified transparently and consumption of capital (depreciation) is not brought to account.³

The RBMF continues to develop and is in a state of continuous improvement through revision and adaptation. As this guidebook is published, work is progressing toward development of an integrated financial management information system, which should allow a more accurate cost accounting of the production of MFOs. The Philippines' RBMF is an "indigenized" product. It has developed over the years to meet the objectives of the Government of the Philippines and continues to evolve, with the most recent developments around the incentive system, targeting organizational and individual performance.

In addition to those organizations listed in Table 1, two more are included in Figure 1. One is the Commission on Audit (COA) which, as the external auditor, ensures the integrity of the RBMF by monitoring the accuracy of reported financial and physical statistics.

The other is the Civil Service Commission (CSC), which focuses on human resource issues. With particular relevance and core to the RBMF is the SPMS, which the CSC is developing in partnership with other agencies. The SPMS seeks to establish systems that are able to attribute and measure the contributions of individuals to organizational performance.

The SPMS is intended to incentivize individuals, thereby increasing productivity, which will promote more efficient use of available resources during the production process. The analogy in the private sector would be an increase in profitability for a given level of sales, leading to a performance bonus for senior management (and, possibly, staff).

³ Disclosed in Budget of Expenditures and Sources of Financing beginning in 2014.

3 Performance Management Hierarchy

A. Measuring Performance with Statistics

The rationale behind government funding intervention programs, and MFOs in particular, is that correlations exist between what the government does (producing MFOs) and the economic and social goals that it seeks to achieve (for example, poverty reduction and inclusive growth). The high-level goals are usually set out and described in detail in the medium-term PDP, and also in the agency logical frameworks (logframes) set out in the GAA.

Diagrammatically, the statistical correlations embedded in the assumptions that underlie government interventions can be represented as in Figure 2.

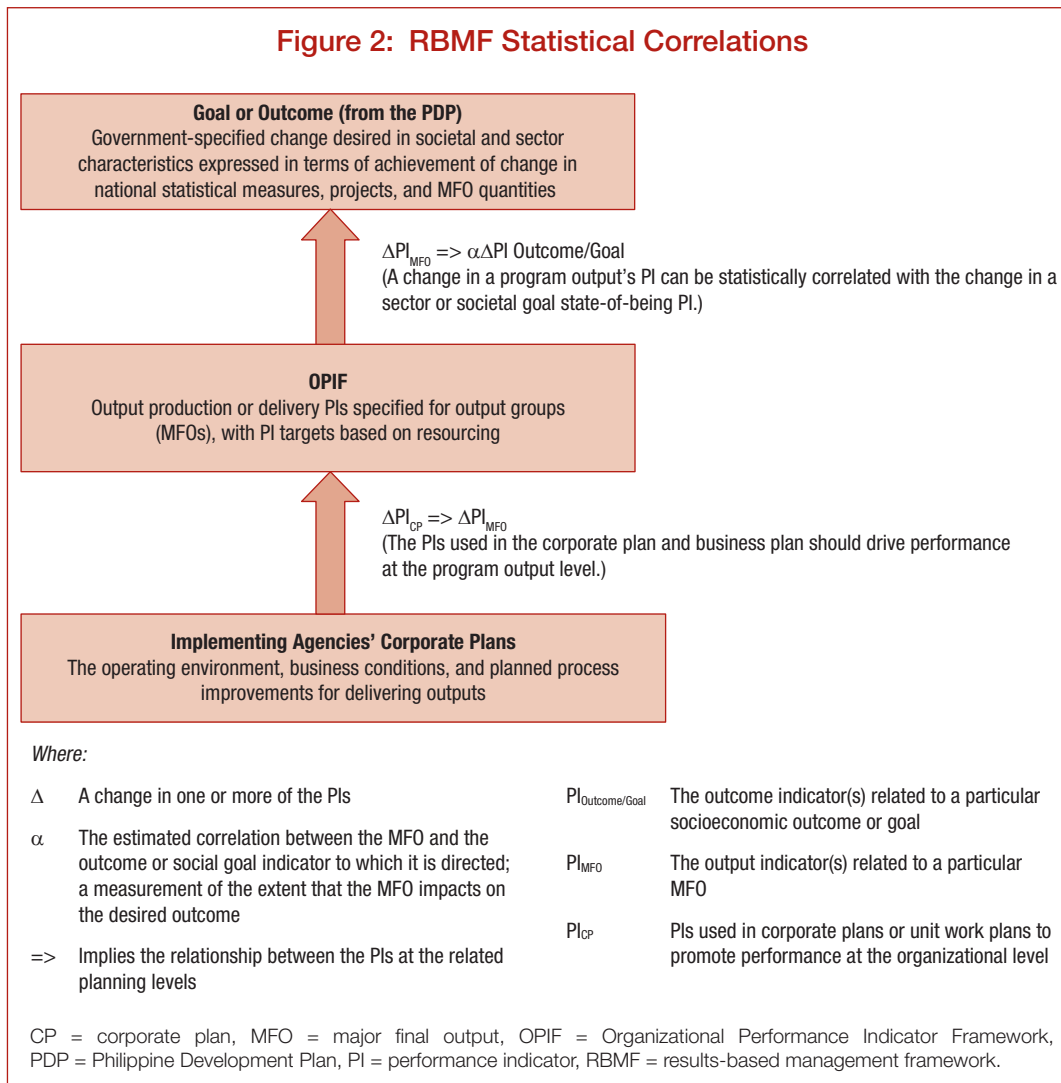
That is to say, government expenditures are intended to have a measurable impact on the well-being of society, as espoused in the sector and societal goals and as measured by changes in the outcome indicators that measure the sector and societal characteristics in which we are most interested. When we talk of “measurable impact” we mean, for example, the marginal change in the number of people living below the “poverty line” that may be attributed to government interventions through MFOs. While we sometimes take this explanation as self-evident, many aspects require clarification. For example, what do we mean by “poverty line”? How is it defined? How do we measure it? Does it change over time? If so, what does that imply for our historical data in so far as analytical inferences and conclusions are concerned? How do we know what percentage of the population exists above the line and what percentage lives below the line? How do we classify those people who are “on the line”? How do we estimate the impact of MFOs on these high-level economic and social statistics and differentiate from exogenous impacts that have little or nothing to do with government interventions? Unless the RBMF embraces these questions and is prepared to dedicate the resources to determining robust answers, then the framework will not be reliable as a performance management system.

When devising the logframe for an essentially statistics-based measurement system, a number of principles should be followed: The first is that PIs—be they outcome indicators or output indicators—should, as far as possible, remain in a constant definitional form from one time period to the next. Second, database management must ensure that rigorous and robust statistical analysis is not compromised over time. This underlines the importance of getting right, as early as possible, the definitions, descriptions, and relational connections in the logframe of the RBMF.

Performance management systems require

- appropriate PIs,
- stable definitional form for indicators across time periods, and
- performance targets that are realistically achievable.

Figure 2: RBMF Statistical Correlations



The essentially statistical nature of the RBMF requires the collection of data that enable statistics to be generated for MFO PIs, for sector outcome indicators, and for population indicators, which facilitates planning decisions being taken based on robust analysis. Underpinning the RBMF must be an awareness that the collection of data and calculation of statistics are **expensive, time consuming, and difficult to sustain**. In this respect, when establishing PIs, officers should seek to

- **maximize** the use of existing government processes and procedures, particularly those of the National Statistical Coordination Board and statistics generated by the National Statistics Office;
- **automate** processes as far as possible; and
- **limit** the need to periodically revise statistical definitions and indicators necessary for the model to operate (i.e., get it right the first time!).

The RBMF is essentially a statistics-based system and, therefore, performance measurement and management are fundamentally based on statistics. This chapter outlines the performance management framework at the various levels of the RBMF.

B. Hierarchy of Accountability

Performance assessment happens at three primary levels in the RBMF:

- A high-level assessment in respect of the impact that MFOs have on driving change at the sectoral and societal goal levels (effectiveness indicators);
- A mid-level assessment conducted by DBM to assess whether government agencies are delivering the goods and services (MFOs) that they contracted to deliver, and according to the PI targets established in the annual NEP book accompanying their budget allocation (efficiency indicators); and
- An organization's internal assessment of the actual implementation of strategies set out in the PDP, organizational strategic plans, unit work plans, and individual work plans, which assesses the efficiency and effectiveness of implementation of strategies and plans.

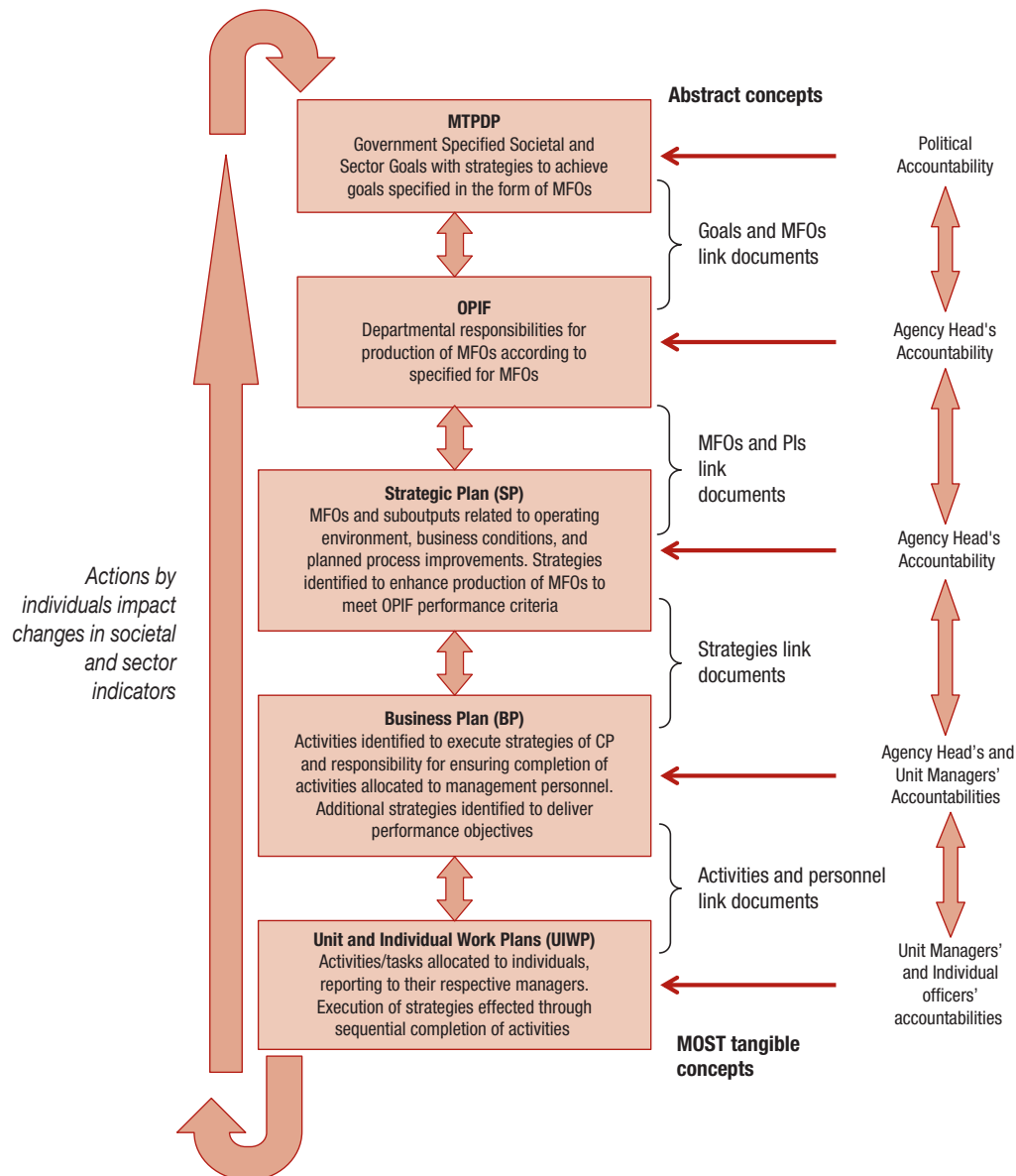
The first level is a reflection of the government's ability to identify appropriate policies that are most effective at achieving high-level policy objectives. This role is not assessed easily, and is largely left to the judgment of the electorate. To some extent, this also reflects on the individuals, which may include civil servants, who advise government as to appropriate policy.

At the second and third levels, the assessment reflects on the personnel of the organization in at least three ways: it may reflect on (i) the appropriateness of the performance targets they have negotiated with DBM, (ii) the skill levels and capability of managers, and (iii) the performance of individuals in terms of their dedication and commitment to fulfilling their employment responsibilities to the organization.

At the political level, marginal changes in sector and societal goal outcome indicators will be used to measure the success or failure of a government policy. At the department/agency head level, a combination of organizational outcome indicators and MFO indicators will be used to measure organizational performance and, thereby, the performance of the head. At the unit manager level, functional output PIs, along with achievement of milestones derived from the organization's business plan, will be important measures for assessing a manager's performance. Below the unit manager, individuals will be assessed against criteria set out in their position descriptions, in addition to completion of tasks assigned to the individual, which are designed to deliver milestones and improve delivery of functional outputs related to the execution of strategies from the business plan.

Figure 3 shows how accountability aligns with the execution of the various plans supporting government interventions. The government is held accountable at the political level, that is, in the election process. If government policies fail to make an impression on high-level indicators at the national and regional levels, then the electorate may choose to censure it through the ballot box.

Figure 3: Corporate and Individual Accountability



CP = corporate plan, MFO = major final output, MTPDP = Medium Term Philippine Development Plan, OPIF = Organizational Performance Indicator Framework, PI = performance indicator.

C. Sector Effectiveness and Efficiency Review

A sector effectiveness and efficiency review (SEER) process was introduced in 2004 to assess ongoing programs and projects in terms of relevance, performance, and cost–benefit ratio.

SEER, a process undertaken jointly by the DBM and NEDA, was intended to be a system for establishing and updating strategic priorities over the medium term and for facilitating the redirection of resources toward more strategic programs and projects.

The assessment process involved consultations with agencies, identified stakeholders, and funding agencies. The results and recommendations were submitted to the cabinet for approval, and formed an input to revisions and updates to the PDP and PIP.

The result of accepted SEER recommendations included canceling of financing regarded as “excess” or surplus to requirements, termination of projects or remaining components of projects, restructuring of projects including loans, or approval to proceed.

SEER is undertaken on an ad hoc basis. However, using the traditional SEER methods, programs that are ineffective may well remain unidentified if they are able to consume their budget efficiently and do not offend any significant stakeholder in any meaningful way. The question that needs to be answered is, “Did the expenditure of funds have an identifiable and measureable impact on a sector outcome indicator?” This requires a program evaluation system and periodic econometric analysis, using time-series data, which can facilitate the calculation of correlations and relationships between a number of influential variables and attribute marginal performance between all significant variables that might be expected to influence the outcome indicator.

This is one of the most significant and important challenges at hand, which must be periodically undertaken (say, every 3–5 years) if we are to evaluate the effectiveness of particular programs and MFOs on particular outcome indicators in an objective and meaningful way.

4 Major Final Output Specification, Performance Indicators, and Targets

A. Remember This ...

A societal goal or outcome statement should be expressed in terms of only one subject. If there is more than one subject, then each should be expressed in a separate statement. Each goal or outcome objective may have more than one PI.

Each PI—be it an output indicator or an outcome indicator—is expressed in terms of a **single** variable. The description of the indicator is expressed in a neutral manner, with no preference indicated for a particular directional movement in the measurement that eventuates. A PI description is bland and neutral. It is part of a database, and not a motivational expression.

A statement of objective (in respect of a societal goal, sector outcome, or organizational outcome) can express a preference for movement in a particular direction. A statement of objective is an expression of motivation.

The PI should be structured in terms of one variable so that it is possible to reflect the measurement of the indicator in a single quantifiable value that is capable of mathematical manipulation for statistical analysis. The description should be expressed in a non-directional manner so as to avoid confusion if and when the measured result does not move in the direction desired, where that desire is expressed in the description.

Each statement or description that is part of the logical framework should be made in relation to a single subject and a single variable.

Furthermore, in respect of an outcome or output target, the target should be expressible as a minimum or maximum target, rather than an absolute number.

A project milestone is somewhat different, being generally described as the achievement of some task and targeted to occur on or before a particular date.

Table 2 shows how we can translate an objective statement into its constituent parts to create an indicator description and target that are suited for incorporation into a database that is useful for analytical purposes.

Table 2: Translating an Objective Statement into a Performance Indicator and Target(s)

Objective Statement	Indicator Description	Target (next year)	Target (5 years)
Increase adult literacy from 60% to 70% by 2017 (an outcome).	Adult literacy rate	>62%	>70%
Vaccinate the whole population against polio by 2017 (an output objective).	Number of polio vaccinations	>3,870,000	>23,565,000
Ensure that all monthly accounting reports are completed within 15 days of the end of the financial year (an activity objective, with implicit target of 100%).	Percentage of monthly reports completed within 15 days of the end of the year	100%	...
	<u>Alternatively:</u> Percentage of monthly reports completed within 15 days of the end of each month	>99.9%	...
Fill all vacant agricultural extension officer positions with suitably qualified persons during this financial year (an input objective).	Percentage of agricultural extension officer positions unfilled at the end of the year	0%	...
	<u>And:</u> Percentage of agricultural extension officer positions filled with unqualified officers	<10%	

... = not available.

B. Data and Database Management

Fundamental to the success of the RBMF is the collection and compilation of data that form the basis of statistics used to assess and analyze performance, and the use of that information by management, at all levels, to drive improvements. This is the primary responsibility of government departments and agencies delivering the outputs of government to the public.

Before we examine the different kinds of PIs present in the RBMF, we should understand some of the technical specifications we require of PIs in order that they can be efficiently stored in an electronic database, which facilitates data manipulation for evaluation purposes. The kind of analysis we wish to undertake for evaluation purposes will impact on how data should be stored in an electronic database.

If we were to ask each person in Philippine society what specific changes he or she would like government to achieve, or to which he or she believes the Philippines as

- Goal statements and indicators should be expressed in terms of only one variable.
- Indicator descriptions should not include statements as to the direction of change or the magnitude of change.
- Performance assessment will describe the magnitude and direction of the measured change.
- Performance targets are expressed as a quantitative number.
- The intended direction and magnitude of change of an indicator can be determined by comparison with the previous year's actual quantitative result; it will not be a statement made as part of the target.

Potential sources of data:

- Beneficiaries
- Client service records
- Client surveys or samples
- Partner organizations (local and international)
- Government documents
- Government statistical reports
- Human development reports

a country should aspire, we may come up with thousands of different descriptions of desired changes, or goals. However, by designing a suitable classification system, we can limit the number of “goal descriptions” under which outcome indicators might be classified, or grouped, so that a manageable strategic, analytic framework can be developed and under which strategies can be grouped and PIs summarized. This is what the PDP attempts to do by defining a range of goals under the strategic framework sections of each of its chapters.

If the classification and definition of outcome and MFO indicators are not stable over time, then our database will not be stable, and our ability to draw statistical inferences is diminished. If statistics become redundant without having contributed to the planning and evaluation process in any meaningful way, there is significant wasted effort, not to mention the monetary cost. It is only through robust time-series data that we are able to accurately attribute contributions toward the achievement of outcome targets. A well-structured classification system is essential to achieving this objective, and forms the foundation for the database structure.

Occasionally, it may be that the definition of a PI must change. If this occurs, then the data management system should, as far as possible, facilitate the translation of existing historical data into a revised data time-series that makes statistics comparable over time. It is up to individual officers to advise the database administrator where changes occur and how data translation files will need to be developed. The database administrator will then establish a translation file so that report writing programs can access comparable data.

PIs may be derived from base data, or they may be expressed in terms of base data. For example, a PI that is expressed in terms of a percentage change in a particular variable is derived from base data. It is not base data itself.

The outcome indicator “metric tons (million) transiting Philippine airports” is expressed in terms of base data,⁴ whereas, “% change in total international and domestic cargo (metric tons) transiting Philippine airports” is derived from base data, but is not base data itself.

Some examples of data collection methods:

- Observation
- Analysis (of records or documents)
- Literature review
- Questionnaire survey or random sample
- Interview
- Focus group discussion
- Collection of anecdotal evidence
- Questionnaire

⁴ Note that this may not, in fact, be base data if the total metric tons number is derived by aggregating a number of subcategories by which weight is measured, for example, tons of rice, fruit and vegetables, foodstuffs, motor vehicles, etc.

Note also that the “% change in total international and domestic cargo transiting Philippine airports” may give different answers depending on whether the calculation is based on metric tons or on a peso value of the cargo transiting the airport. This emphasizes the need for clarity in terms of how the PI is constructed, which can be assisted through a definitions database accompanying the database of indicators.

The PI database should be limited to base data. Derived indicators can be generated by the database management system used by the end user to generate reports from the database and provide analytical functionality. This minimizes the storage requirement of the database and facilitates verification of indicators and calculations.

The base data should be available when deciding on what PIs are to be used to measure and evaluate accomplishments in terms of either outcomes or MFOs. Defining the necessary steps to calculate the PI is essential to ensuring that necessary data collection processes are identified and implemented, where appropriate.

A register of PIs (see Table 3 for an example) should be established by each agency. The register will describe what each PI is intended to calculate and how it is combined, what the base data is, and how the base data is collected.

The statistical relationship (shown in Figure 2) and the nature of the impact analysis we must undertake to calculate the effectiveness of an MFO in driving change mean that our indicator description must be independent of the performance target and the measured result.

- The kind of analysis we undertake on performance indicators will determine the format in which we need to store data in an electronic database.
- The format required will determine how we specify our indicators.

Given that we want to calculate correlations between an MFO PI and an outcome indicator, the target and the actual measured result must be in a numerical format, and each must stand alone in a data storage point. That is to say, the PI description must be neutral in terms of the direction of movement in the measured result and also the magnitude of any change in the measured result from one time period to the next, and should be stored as a data label in the database. No descriptive component can be stored in the same cell as the data point or target.

C. Hierarchical Structure of Performance Indicators

Performance evaluation will rely heavily, if not entirely, on the PIs that we establish at each level of the accountability hierarchy. Monitoring the various stages of implementation of government initiatives/interventions requires different types of evaluations, each with a different set of PIs with quite different characteristics (Figure 4).

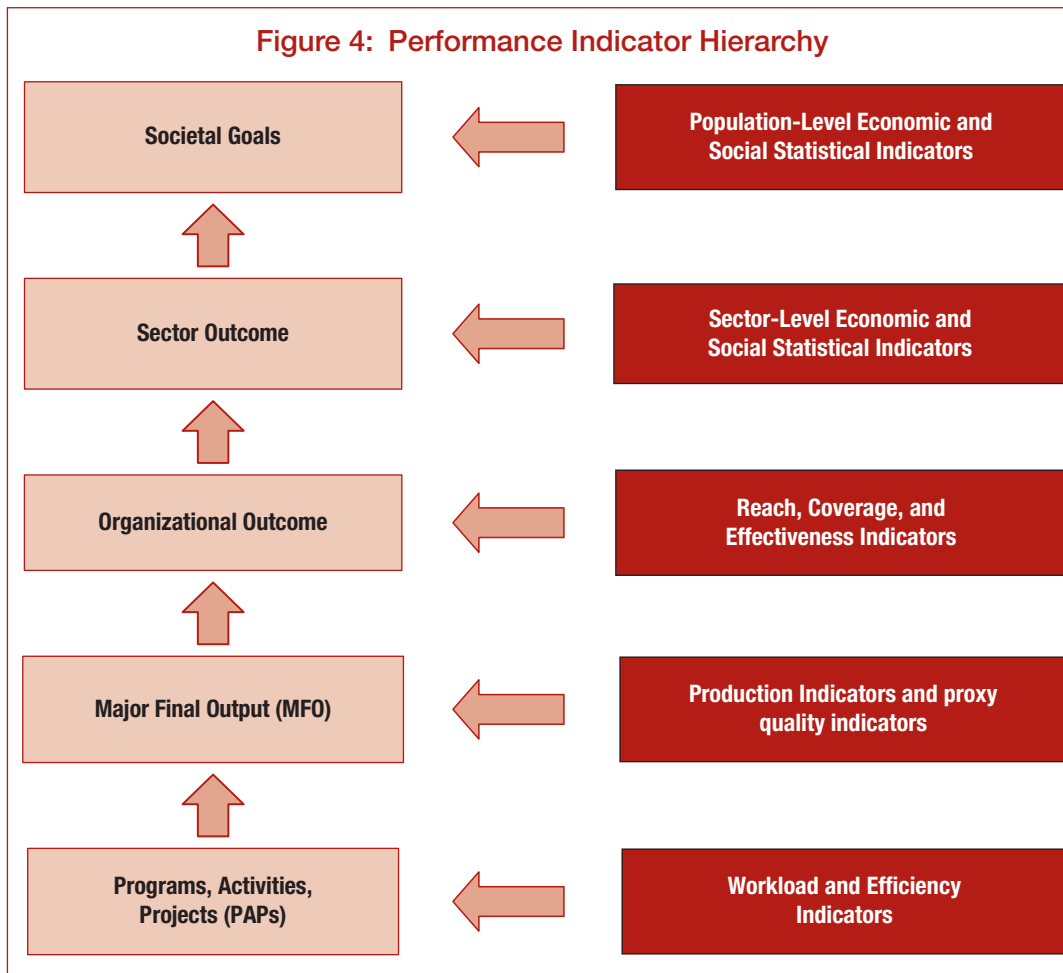
This relationship is also shown in Figure 5, which illustrates the general planning hierarchy applicable to organizations operating within the RBMF, and the cascading of PIs that ultimately input to the SPMS (see Chapter 7).

Table 3: Example of a Register of Performance Indicators

Indicator	Definition	Data Collection Methodology
Population living on less than \$1.25 purchasing power parity (PPP) per day (%)	Percentage of the population living on less than \$1.25 per day, measured at 2005 international prices, adjusted for PPP. PPP is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a dollar would buy in the United States.	The indicator is produced and maintained by the World Bank Development Research Group based on micro-level data from nationally representative household surveys, which contain detailed responses to questions regarding spending habits and sources of income.
Primary education completion rate, both sexes (%)	Total number of new entrants to the last grade of primary education (according to the International Standard Classification of Education), regardless of age, expressed as a percentage of the total population of the theoretical entrance age to this grade	Numbers of new entrants are collected from every primary school in the Philippines. An estimate is made of the number of theoretical entrants to a grade based on the number of births corresponding to a birth year for this age group less the annual mortalities based on the Philippine life tables, plus or minus net migration.
Ratios of girls to boys in primary, secondary, and tertiary education	The ratio of the number of female students (regardless of age) enrolled at primary, secondary, and tertiary levels in public and private schools to the number of male students. Also called the gender parity index (GPI). A GPI of 1 indicates parity between the sexes; a GPI from 0 to 1 indicates a disparity in favor of males; a GPI greater than 1 indicates a disparity in favor of females. The UNESCO Institute of Statistics produces time-series data on enrollments based on reports by education ministries or national statistical offices and United Nations population estimates.	Data are collated from all schools in the Philippines, which are required to report the number of enrollments distinguished by sex.

Source: ADB. 2011. *Framework for Results-Based Public Sector Management and Country Cases*. Manila.

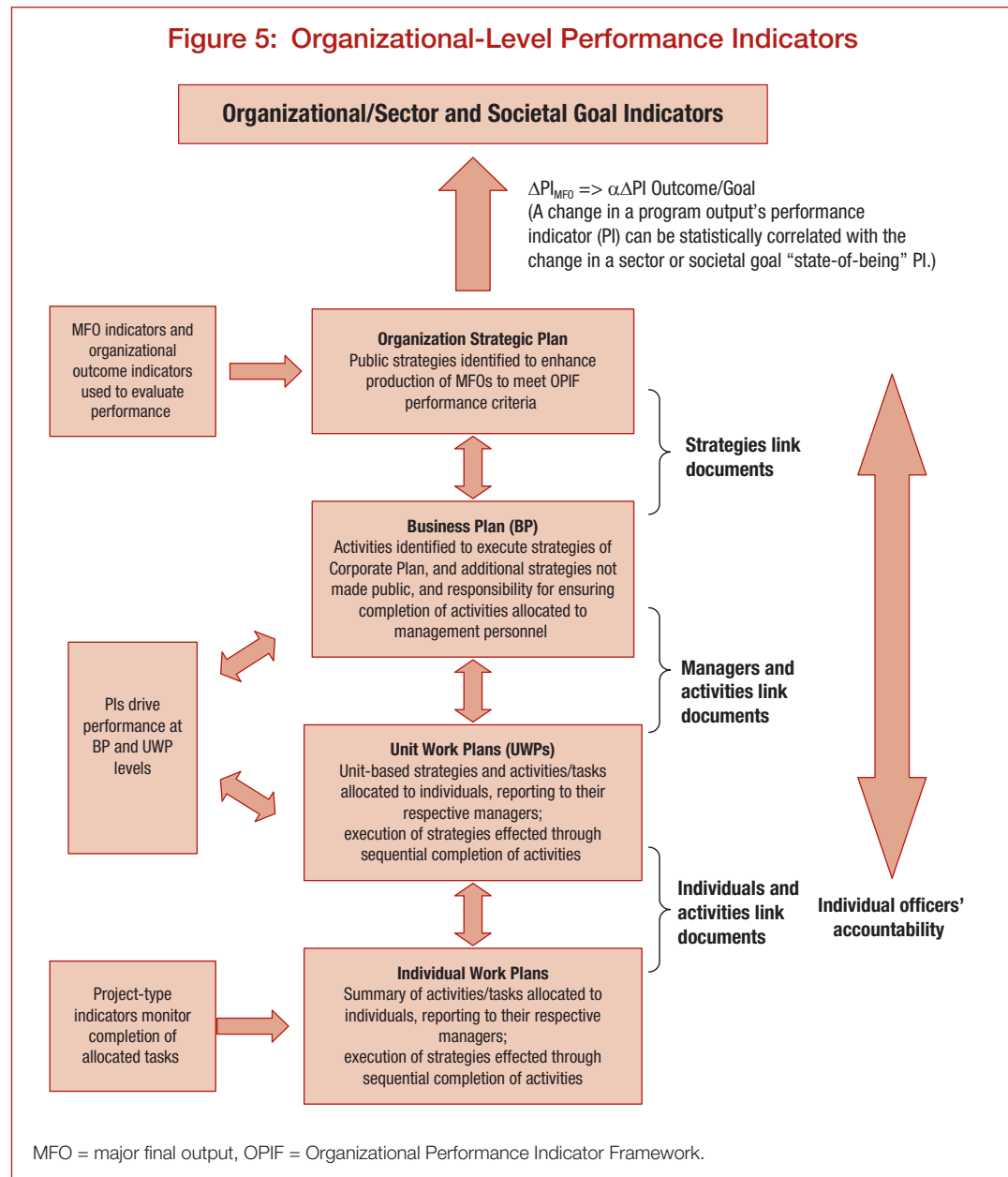
Table 4 takes a set of PIs from the DOH as an example of the hierarchical nature of PIs. If the PIs are related to MFO production or outcomes and are properly constructed, the target will sit to the right of the description and be able to be inserted into an Excel spreadsheet database. Furthermore, the target will be expressed in a quantitative form, either as a maximum or a minimum. The data of actual measurements will generate averages and variances. If the PI is related to a project with a definite start date and end date, or activities and tasks that individuals are required to complete, then, while there will be a description to the left that is separated from a quantitative measure on the right, it may not be a minimum or maximum but may be an absolute, such as a date by which time a task should be completed or a milestone reached.



D. Specification of Major Final Outputs and Their Descriptions

The term “MFO” implies an aggregation of smaller, like-for-like outputs (suboutputs) grouped together into a “major final output.” In many cases, an MFO has been derived from a single output. In many, however, it is an amalgam of smaller, similar outputs. However, in consolidating small-scale outputs into a larger MFO, managers should take a corporate-level view, and not make the mistake of merging functions or lines of business that are quite different in nature. Each MFO should reflect a **core output**, deliverable, or business line of the agency, and will typically comprise a grouping of PAPs undertaken with a common sector outcome in mind. The component parts of the MFO (the suboutputs) should be linked with the same sector and societal goals as each other. The description applied to an MFO should be short and worded in such a way that none of the suboutputs are excluded.

Figure 5: Organizational-Level Performance Indicators



In the OPIF structure, there are four classes of PIs:

- quantity of the MFO delivered,
- quality of the MFO delivered,
- timeliness with which the MFO is delivered, and
- cost of MFO delivery.

If it is not possible to identify a set of PIs that capture in some summary form the output of that MFO, then a number of distinctly separate business lines may have been in the one MFO which needs to be segregated into separate MFOs for each business line.

Table 4: Department of Health Hierarchy of Performance Indicators

Planning Objects	Objective Descriptions	Performance Indicators (PIs)	PI Target
Societal Goal	Inclusive growth and poverty reduction	Outcome Indicators: Average days lost per worker through sick leave	<15
Sector Outcome	Improved health status of the population	Outcome Indicators: Infant mortality rate per 1,000 births Under-5 mortality rate per 1,000 live births Maternal mortality rate per 100 pregnancies	<10 <1
Organizational Outcome	Access to quality and affordable health products and services assured	Outcome Indicators: % of population within 50 kilometers (km) of a class C or better hospital % of population within 50 km of a class B or better hospital % of population within 50 km of a class A hospital	>99 >85 >65
Major Final Output (MFO)	<ol style="list-style-type: none"> 1. Health, nutrition, and population policy 2. Capacity development services for local government units and other stakeholders 3. Regulatory services for health products, devices, equipment, and facilities 4. Tertiary and other specialized health care 	Output Indicators: Average number of inpatients treated per hospital bed Average number of outpatients treated per doctor per week Number of emergency room patients treated per attending doctor % of treated patients who return with same problem within 4 weeks	>10 >50 >60 <10
Organizational Strategies (for delivering MFOs at specified standards)	Construction of new hospital Purchase, installation, and operationalization of new dialysis machine	Strategy Implementation Indicators: Construction milestones correlated with progress payments: <ul style="list-style-type: none"> • Footings approved by engineer • Slab poured • First level achieved, etc. Procurement milestones correlated with activities and payments <ul style="list-style-type: none"> • Tender documents prepared • Tenders assessed and shortlist prepared • Contract signed • Machine delivered • Machine testing completed First dialysis patient treated Number of complaints made regarding tender process	Date 1 Date 2 Date 3 Date 1 Date 2 Date 3 Date 4 Date 5 Date 6 <1

When there is a PI constructed from each of these four classes with respect to one MFO, it is termed a “set” of PIs.

Identifying MFOs from an agency’s PAP structure requires an analysis of the goods and/or services that the agency provides to individuals or organizations that are external to the agency itself. The goods or services that the agency produces can mostly be identified by an examination of the component parts of the PAP budget of the agency, which would require an understanding of the agency’s mandate.

To identify an MFO requires the exercise of common sense, more than science. But, as a general rule, an MFO can be described as

- an aggregation of goods or services that are similar in nature (suboutputs), directed at a common sector goal and capable of being described by a single measure of quantity;
- involving the delivery of a good or service to an entity (individual or organization) that is external to the agency providing the MFO; and
- capable, in theory, of charging the end-client a fee for the exchange of the good or service.

When defining an MFO, the following guidance is relevant: The description should

- describe in simple language the products or services (avoid the use of adjectives and superlatives);
- help the government, Congress, and the public understand the nature of the goods or services for which public funding is being provided;
- have a clearly identifiable “customer” (targeted client or community group);
- if possible, 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 agency’s control; and
- be capable of characterization by an integrated set of PIs.

Note that a client group can be identified with more than just one MFO. For example, the President and Congress may be the client for a number of policy and advisory MFOs from each department.

A useful test of what an MFO is versus an internal process or a capital creation process is to visualize the end-client/beneficiary. This requires the following questions to be answered:

- If your organization were a private sector company, who would be the end-customers and how would they be charged for obtaining use of the good or service?
- What would be the basis for payment, and how would additional units of consumption be calculated and charged?

- For whose benefit is the good or service provided? (Are they external to the department/agency?)
- Who is the end-client/beneficiary of the good or service? (How is “ownership” transferred to an external client?)
- What is the benefit that an individual obtains from the good or service?

Table 5 shows how MFO descriptions can be reworded and restructured to provide a clear description of the output being provided to clients.

Table 5: Examples of How to Rewrite MFO Descriptions

MFO Description ^a	Revised Description/Notes
Cases Adjudicated	Civil servant dispute adjudication
Policies/Guidelines Formulated	Provision of policy advice and guidelines
Opinions and Rulings Rendered	<i>This is a suboutput of the first MFOs above and should not appear as a separate MFO.</i>
Regulatory Services for Health Products	Regulation of medicines Regulation of primary health care facilities Licensing of health professionals <i>Note: Regulation can occur on a number of levels in the health sector. We may need to differentiate regulation of medicines, for example, from primary health care facilities and from licensing of doctors, since each will have different PI sets.</i>
Tertiary and Other Specialized Health Care Provided	Provision of tertiary health care (note that the term “tertiary health case” encompasses specialized health services).
Job Search Assistance Services for Wage Employment	Provision of job-search services
Public Elementary Education Services	Provision of public elementary education

MFO = major final output.

^a Government of the Philippines, Civil Service Commission. 2012. *Guidelines in the Establishment of Agency Strategic Performance Management Systems (SPMS)*. p. 17.

E. Major Final Output and Outcome Indicators

Figure 2 demonstrates the implied statistical correlation that is assumed between the production of MFOs by government and changes in the well-being of Filipinos in general, as measured by one or more outcome indicators.

An MFO or outcome indicator is characterized and measured in terms of

- a continuous output/measurement stream, with no defined end date;
- performance targets expressed as either a minimum or maximum, not as a fixed number or date; and

- data that can be continuous or discrete; and that
- will be comparable from one time period to the next, expressed in terms of a single variable that will
- generate a single number, which is able to be manipulated mathematically, and from which
- we will be able to generate a measure of variance over time with respect to actual data; and which
- will over time generate a time series of data subject to statistical measurement, trend analysis, and the calculation of correlation coefficients and covariances;
- furthermore, they should give rise to a target that can logically be interpreted as either a minimum or a maximum. A range is not acceptable, but a range may be specified by two PIs, one being a minimum and the other, a maximum.

For example, the PDP Results Matrix includes the following outcome indicator:

Description	Target
Average Inflation Rate in Basic Food Commodities	3.0%–5.0%

While this description and target range is fine if the Bangko Sentral ng Pilipinas wishes to give instructions to its management team on where it should be targeting inflation, it is not appropriate for a database. This PI can be restructured as follows:

Description	Target Type	Target
Average Inflation Rate in Basic Food Commodities (%)	Max	5.0
Average Inflation Rate in Basic Food Commodities (%)	Min	3.0

In this case, the database management system's end-user interface report writing facility can be used to interrogate the database and report on whether the economy met the outcome target range of inflation between 3.0% and 5.0% for each of the reporting periods in which the end user is interested. In fact, every PI in the database will need to be classified as having either a maximum or a minimum target.

In terms of a database, the PI description for MFOs and outcomes should be “neutral” in terms of directional movements in the measured result. They should, as succinctly as possible, describe what is being measured and the units of measurement. They should be expressed such that when measured, there will be a single number recorded for the period being measured. Table 6 contains examples of how output PIs are commonly written (column 2), and how they can be rewritten (column 3). Table 7 shows how outcome indicators are often written (column 3) and how they can be rewritten (column 4) to conform with standards we are attempting to identify for a database.

Statements regarding the direction and magnitude of movement in an indicator from one period to the next are made in the analytical summary of the PIs, not in the body of the indicators themselves.

Table 6: Examples of How to Rewrite Performance Indicator Descriptions

MFO Description (Revised)	Performance Measures ^a and Notes	Revised Performance Indicator Descriptions
Civil Servant Dispute Adjudication	Timeliness: Response time <i>Note: Response time to what?</i>	% of disputes with an adjudication decision within 40 days of commencement of hearing
Provision of Policy Advice and Guidelines	Quality: Acceptability <i>Note: Acceptable to whom?</i> Timeliness: Response time <i>Note: Response time to what?</i>	% of advice rated as satisfactory or better by clients % of advice provided within 15 days of receipt of request for advice
Regulation of Medicines	Reduction in prices of drugs <i>Note: This is a description of an objective related to an outcome description (and unlikely to be an outcome that results from regulation).</i>	Number of cases of adverse medical reactions to regulated medicines
Regulation of Primary Health Care Facilities		% of primary health care facilities subjected to comprehensive inspection over 3 years
Licensing of Health Professionals <i>Note: Regulation can occur on a number of levels in the health sector. We may need to differentiate regulation of medicines, for example, from primary health care facilities and from licensing of doctors.</i>		Number of new health professionals licensed
Provision of Tertiary Health Care	Death rates <i>Note: Death rates of whom?</i>	% of people receiving tertiary health care who die while in care
Provision of Job-Search Services	Effectiveness <i>Note: Effectiveness of whom?</i>	% of clients who are placed in employment within 20 days of registration
Provision of Public Elementary Education	Decreased percentage of underweight children from Grade I to Grade VI <i>Note: This is worded as an objective, not as a description of a performance indicator.</i>	% of underweight children in elementary school

^a Government of the Philippines, Civil Service Commission. 2012. *Guidelines in the Establishment of Agency Strategic Performance Management Systems (SPMS)*. p. 17.

Table 7: Examples of How to Rewrite Outcome Indicators

MFO Description (Revised)	Performance Indicator Descriptions (Revised)	Organizational Outcome/Sector Goal ^{a, b}	Possible Outcome Indicator
Civil Servant Dispute Adjudication	% of disputes with an adjudication decision within 40 days of commencement of hearing	Accountability of civil servants promoted	% of the public who believe that appointment and promotion in the civil service are based on merit
Provision of Policy Advice and Guidelines	% of advice rated as satisfactory or better by clients % of advice provided within 15 days of receipt of request for advice	Merit and reward system in the civil service strengthened Improved public service delivery	% of the public who believe the civil service operates at a satisfactory level of efficiency
Regulation of Medicines	Number of cases of adverse medical reactions to regulated medicines	Access to quality and affordable health products and services assured <i>Note: Three variables are included in this goal statement, with reference to quality, affordability, and service assurance. Each variable should have its own "goal" statement.</i>	% of medical cases where the client is financially unable to procure prescribed medication % of medications sold in the Philippines that fail to meet the quality specifications of the US Food and Drug Administration % of Filipinos who are able to access a Class A hospital within 1 hour
Regulation of Primary Health Care Facilities	% of primary health care facilities subjected to comprehensive inspection over the last 3 years		
Licensing of Health Professionals	Number of new health professionals licensed		
Provision of Tertiary Health Care	% of people receiving tertiary health care who die while in care (maximum target)	Improved health status of the population	% of population who suffer from malnutrition % of population who die from treatable causes Average female life expectancy Average male life expectancy

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Table 7 *continued*

MFO Description (Revised)	Performance Indicator Descriptions (Revised)	Organizational Outcome/Sector Goal ^{a, b}	Possible Outcome Indicator
Provision of Job-Search Services	% of clients who are placed in employment within 20 days of registration	A gainfully employed workforce	% of population in employment Ratio of the average wage to the poverty line Gini coefficient
Provision of Public Elementary Education	% of underweight children in elementary school	Functionally literate Filipino children, youth, and adult learners	Average annual % over last 3 years of student population that have repeated at least 1 year of schooling by age 13

^a Government of the Philippines, Civil Service Commission. 2012. *Guidelines in the Establishment of Agency Strategic Performance Management Systems (SPMS)*. p. 17.

^b While the heading says organizational outcomes/sector goals, all the listed items refer to sector goals only.

F. Specifying and Setting Performance Targets

There are, in general, four types of PIs: quantity, quality, timeliness, and cost. With respect to MFOs, all four types of indicators are required to fully specify the parameters within which the MFO is deliverable. In terms of sector and societal outcome indicators, each indicator will be a stand-alone, and the characteristic that the MFO is intended to impact upon will determine under which of the four classifications the outcome indicator falls. Outcomes, for their part, *do not* require at least one indicator from each of the four classes. The number of indicators will be determined by government policy.

Frequent changes in the RBMF model and the associated PDP framework should be limited to the targets of both outcome indicators and MFO indicators.

Changes in government policy should be reflected in targets, not statistical definitions and frameworks.

The targets set for each indicator are interrelated. If we want to increase the quality of an MFO, this will in general be at the expense of one or more of a higher cost of production, a lower quantity of production, or a less timely production. Similarly, to improve an outcome indicator, we will generally need to increase the production of one or more MFOs that are correlated with that outcome indicator—all other things being equal. Of course, government alone does not influence sector or societal outcome indicators. In fact, government may be of secondary importance to other factors, but that is an issue for impact analysis in Chapter 6. Table 8 shows how a performance target should be specified. Determining the level at which the target should be set is a matter for negotiation between the DBM and the implementing agency, but in general the target should be based on realistic assumptions and the current environment. Government policy will be a significant influence on marginal changes in outcome indicator targets, but changes in targets at the outcome indicator

level should not be arbitrary, but rather determined based on shifts in resourcing of MFOs. A marginal change in an outcome indicator will be associated with a marginal change in an MFO (see Figure 2). Given limited resources, any improved performance in one sector must be offset to some extent by a decrease in resources available to other areas, with an associated lowering of outcome indicator targets in those areas of lesser priority. There is no free lunch.

However, an overall improved performance across all areas is possible if there is an increase in productivity. Productivity can be increased substantially if management has allowed the workforce to become bloated. For such a “free lunch” to be served, however, requires strong leadership and preparedness to weather the storm of political popularity.

Table 8: Examples of How to Write Performance Targets with Properly Constructed Indicator Descriptions

MFO Description (Revised)	Performance Target ^a	Performance Indicator Descriptions (Revised)	Revised Target	Max/Min
Civil Servant Dispute Adjudication	Within 40 days from the time the case is ripe for decision <i>Note: Targets should allow that not all requests may be fulfilled within 40 days. The target should be carefully chosen in view of its relativity to the real world.</i>	% of disputes with an adjudication decision within 40 days of commencement of hearing	90	Min
Provision of Policy Advice and Guidelines	Management approval upon first presentation within set deadline <i>Note: This target fails to take into account that advice may not be accepted even though it is good. Therefore, the target should not have to be that all policies are approved, which is implied by the wording here.</i>	% of advice rated as satisfactory or better by clients	85	Min
	All requests for opinions and ruling acted upon within 15 days from receipt <i>Note: Similarly, targets should allow that not all requests may be fulfilled within 15 days. The target should be carefully chosen in view of its relativity to the real world.</i>	% of advice provided within 15 days of receipt of request for advice	100	Min
<i>This is a suboutput of the first two MFOs above and should not appear as a separate MFO</i>				

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Table 8 continued

MFO Description (Revised)	Performance Target ^a	Performance Indicator Descriptions (Revised)	Revised Target	Max/Min
Regulation of Medicines	Reduction in prices of essential drugs <i>(Note: The indicator was inappropriate to the MFO, but even if this were an indicator to be used as an outcome indicator, the target would be inappropriate.)</i>	Number of cases of adverse medical reactions to regulated medicines	"X" (a number based on real-world experience)	Max
Regulation of Primary Health Care Facilities		% of primary health care facilities subjected to comprehensive inspection over the last 3 years	55	Min
Licensing of Health Professionals		Number of new health professionals licensed	10,000	Min
Provision of Tertiary Health Care	Death rate % reduced	% of people receiving tertiary health care who die while in care (maximum target)	1	Max
Provision of Job-Search Services	Decrease unemployment rate by 20% <i>Note: This is an outcome indicator and not an MFO indicator. The unemployment rate is influenced by many variables, and an efficient job-search function is not likely to be a major driver.</i>	% of clients who are placed in employment within 20 days of registration	70	Min
Provision of Public Elementary Education	Decreased percentage of underweight children from Grade I to Grade VI <i>Note: This is an objective, rather than a target, which can be calculated from the difference between the actual number of underweight children in 1 year compared with the measured number in the next year.</i>	% of underweight children in elementary school	20	Max

MFO = major final output.

^a Government of the Philippines, Civil Service Commission. 2012. *Guidelines in the Establishment of Agency Strategic Performance Management Systems (SPMS)*. p. 17.

G. Project Indicators and the Impact of Projects on Major Final Outputs and Outcomes

The delivery of a project is usually measured in terms of the achievement of milestones, which are

- discrete events with
- fixed performance targets and will
- differ in nature and description from one milestone to the next, with
- little incentive for overachievement of targets, and with
- a defined end date, by which time all milestones are met, costs are fully charged, and the project is deemed to be completed and operational.

A project can be considered as a strategy. It is a strategy that is aimed at either establishing production capacity with respect to an MFO or raising the existing level of production performance with respect to one or more MFOs. The expected impact of the strategy on one or more MFO PIs should be specified at the time the project is proposed as a strategy, and a logical linkage should be made in the monitoring and evaluation database at the time the project is proposed in the planning process. Unlike typical project management exercises, NEDA may also wish to monitor the follow-on impact of projects on MFO performance, and to assess the resulting impact(s) on outcome indicators.

It should be only with respect to discrete, time-bound projects that both the PI description and its associated target might frequently change from one time period to the next. When projects are finally operational, their effects should manifest in a statistical way in the PIs of MFOs and, consequently, their impact should be felt on outcome indicators.

Although monitoring implementation of discrete projects does not fall into the OPIF monitoring concept, it is recognized by the OPIF as a fundamental component of the organizational corporate plan and unit work plans that underpin organizational performance in delivering MFOs. This is a component of the RBMF. When monitoring the implementation of the various project-like strategies contained in the PDP, it is necessary to undertake an exercise in respect of each initiative to break down the projects into activities and tasks that should be completed to put each strategy into operation.

Responsibility for oversight of project and activity completion should be allocated to a manager, and the manager should allocate tasks to individual officers. A work breakdown schedule can be used to track implementation and hold each officer accountable.

To monitor the implementation of the government integrated financial management information system (GIFMIS) project, a time-sequenced set of critical milestones needs to be identified, along with intended completion dates (deadlines) and responsibility allocated for oversight and tasking. This becomes the business plan to be used for monitoring implementation of the strategy.

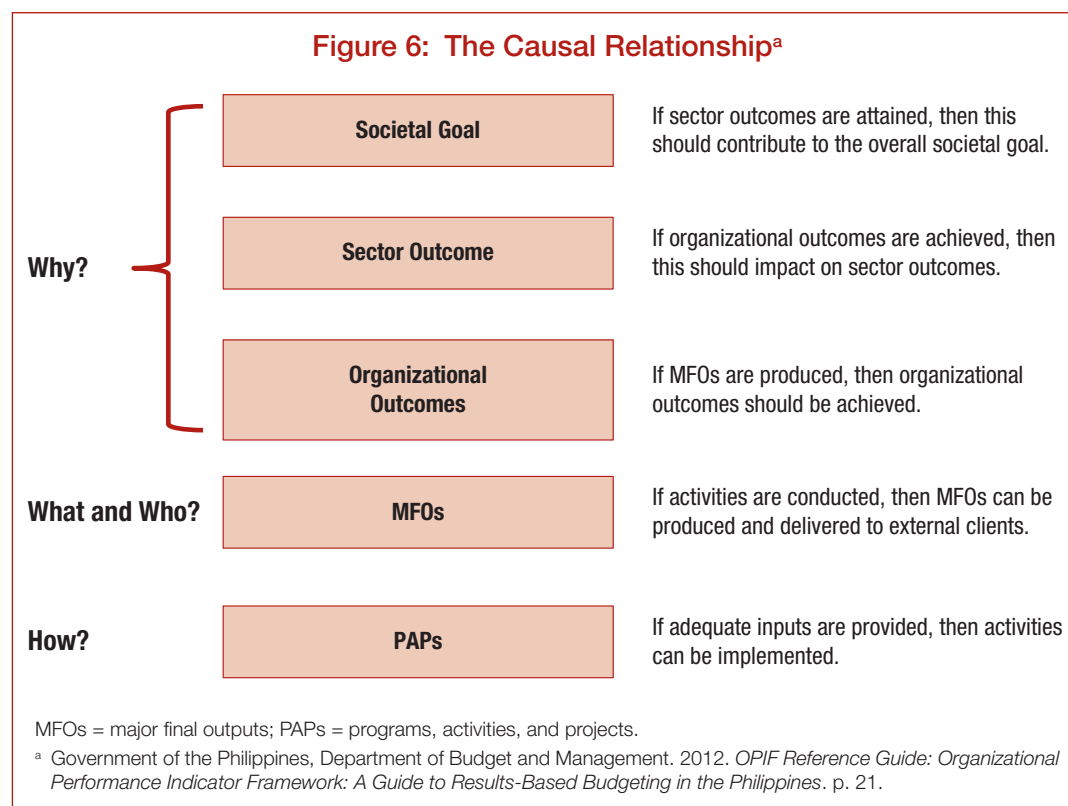
5 Results-Based Planning

A. Organizational Planning Framework

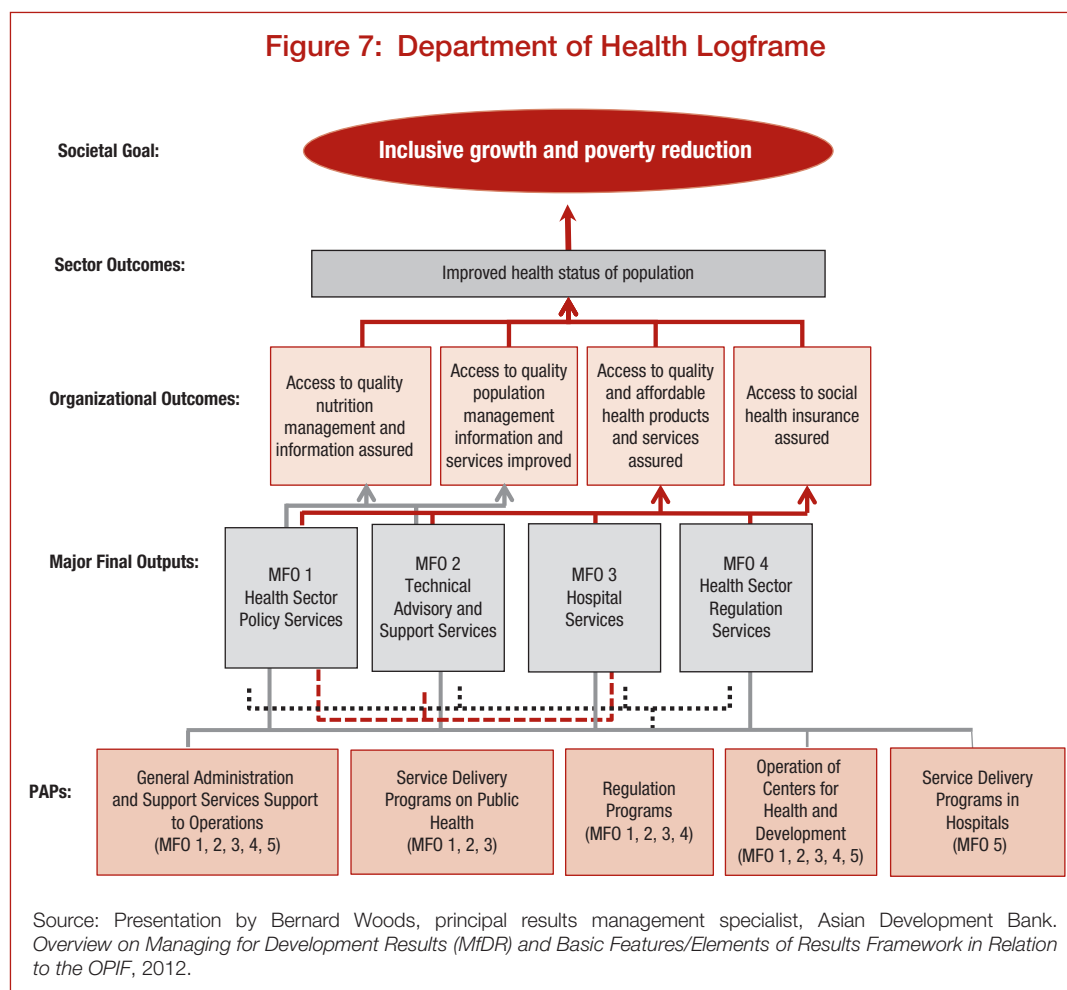
The development of an RBMF is based on the following six steps:

- identifying results (outputs, outcomes, impacts) and causal relationships between them (see Figure 6);
- selecting indicators to measure success;
- identifying assumptions or risks that may influence success or failure;
- implementing activities and delivering outputs;
- measuring performance-monitoring; and
- analysis, evaluation, and reporting results; decision making based on evidence and learning.

Figure 6: The Causal Relationship^a



A plan that is understandable will generally require a logical structure that is appropriate for the organization for which the plan is being developed. A typical logframe for a department or agency is shown in Figure 7.



B. Countrywide Planning Framework

A countrywide development plan is, by its very nature, highly complex. Therefore, a simplifying logical structure becomes a strategic necessity.

In undertaking a planning exercise for government, it makes sense to describe **strategies**⁵ in terms of the MFOs that address **sector** and **societal goals** toward which they are directed, and to **link them to an outcome indicator** that ideally relates to the sector/societal goal.

Outcome and MFO indicator descriptions are constant from one time period to the next.

Government policy priorities are reflected in changes in the weights of outcome and MFO indicator targets, not through changing classification descriptions.

⁵ Which, in the case of OPIF and the PDP, may be interpreted as MFOs.

The variables in the RBMF that change from year to year should not be the definitions of sector or societal goals/outcomes or their indicator descriptions. They should not even normally be the descriptions of MFOs and their associated PI definitions. The frequent changes in the RBMF model and the associated PDP framework should be the targets of both outcome indicators and MFO indicators. Changes in these targets will reflect one or more of the following:

- changes in government priorities in terms of its focus on societal change,
- changes in the quantitative and/or qualitative production mix of MFOs to reflect a reweighting in accordance with changes in government priorities, and/or
- changes in the mix of MFO production to reflect the results of an evaluation of the relative effectiveness of MFOs in delivering impacts on outcome indicators.

Note that the MFO–outcome indicator relationship is not necessarily exclusive. Given that an MFO is often an amalgam of suboutputs, it may contribute to marginal changes in more than one outcome indicator. The relationship between an MFO and one or more outcome indicators should be defined when the MFO is initially proposed for funding and if possible quantified by econometric analysis, which can measure its **effectiveness**.

Given that development plans, in the context of countries, are very long term in nature, it is extremely important that the simplifying, logical structure is consistent and stable over long periods of time. A statistics-based planning framework that is stable from one administration to another is essential for monitoring and evaluating progressive results on which policy can be flexibly constructed. Stability in the logframe is critical to minimizing the cost of monitoring and evaluation.

Historically, the societal goal and outcome descriptions in the PDP were not constant from one planning period to the next, even though most MFOs were constant. This is counterintuitive to the relational structure illustrated in Figure 2. One would expect that the broad societal/sector goal classifications would remain constant over time, but that *outcome* and *MFO targets* would periodically be altered, so that

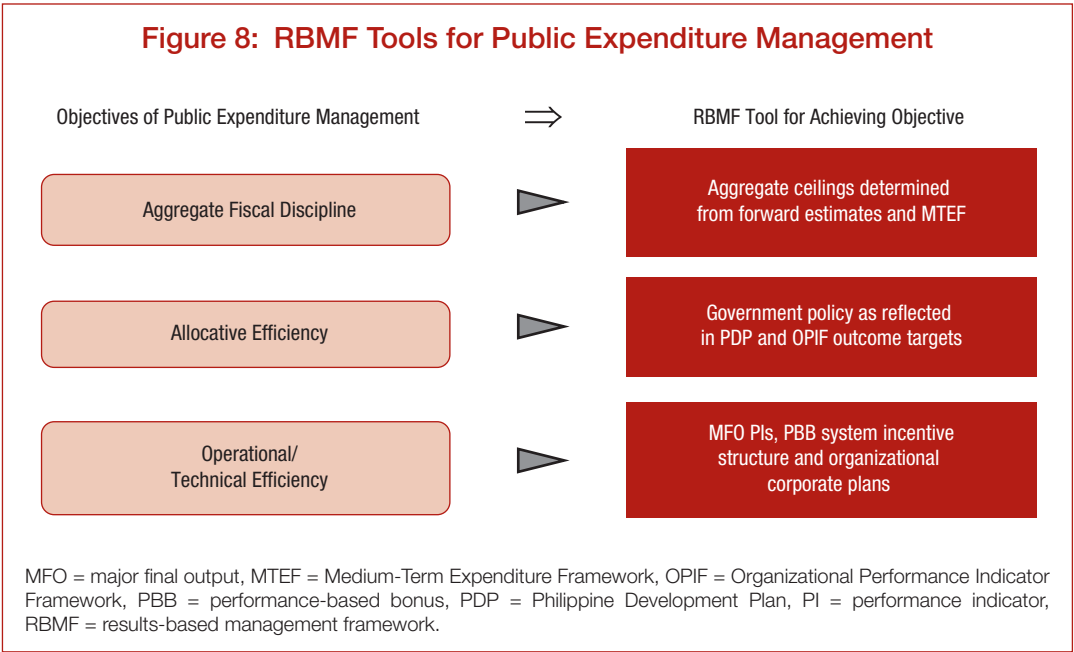
- production of MFOs that are found to be less effective at driving change in desired outcomes would be reduced (lower quantity targets) and/or replaced by new MFOs; and/or
- production of another, more effective MFO would be increased; and/or
- when administrations and/or priorities change:
 - targets attached to outcome indicators would change to reflect changes in priorities, rather than changing the actual outcome indicator descriptions;⁶ and
 - the weighting of production of MFOs would change to reflect the changes in targets of their associated outcome indicators.

⁶ Changes in outcome indicator targets reflect altered government priorities, and the mix of MFOs might be altered to reflect resourcing required to achieve new relative targets attached to their respective outcome indicators.

So, while we would expect that the broad sector/societal goal/outcome descriptions would not change, the targets attached to their different outcome indicators may, thereby necessitating changes to the resources directed at their related MFOs, or the creation of new MFOs.⁷

C. Three Overarching Economic Disciplines

Planning for development results cascades from high-level societal and sector goals and their outcome indicators and targets, published in the PDP (as shown in Figure 3). However, before the PDP can be formulated with any sense of finality and feasibility, we must know what **resource constraint** we are faced with. We may then prioritize initiatives for inclusion in the PDP. Public expenditure management (PEM) is about trying to ensure the achievement of three primary objectives (Figure 8).



To calculate the resource constraint, we need to know how much revenue the government will receive over the planning period, the additional funding that can be made available through borrowings, and the extent to which the available funds are already committed under existing government policy, as demonstrated in the calculation of forward estimates. Only then will we have an estimate of the fiscal space in which new policy initiatives may be funded.

⁷ It may also be the case that new outcome indicators are introduced under one or more societal goal/outcome descriptions, but the goal/outcome descriptions would remain constant. This need for a new outcome indicator could be driven by a new MFO being introduced that tackles a particular characteristic descriptor of a societal goal/outcome, or it may simply be an alternative way of viewing the societal impact of an existing MFO, even though that MFO is already attached to an alternative outcome indicator.

D. Step 1: Identifying the Resource Constraint, Forward Estimates, and the Medium-Term Expenditure Framework

The first step in any planning process is determining the financial foundation on which the plan should be developed. That is, through identifying the future fiscal space in which the plan will be required to “fit.” Future fiscal space is usually identified in a medium-term fiscal framework, which identifies a resource envelope based on total of taxes plus net debt cash flows (shown in Figure 9) and changes in government’s discretionary spending programs.

Fiscal space is most easily determined if we have prepared a robust set of forward estimates that realistically project future government revenues and future government expenditures, and we have a clear grasp of our degrees of freedom with respect to debt management and the financial markets. The DBM, in conjunction with the DOF, undertakes this analysis.

A reasonable estimate of the future fiscal space will allow the government to better assess its strategic options and determine a sector allocation of resources based on its priorities. This is the basis for the preparation of the Medium-Term Expenditure Framework (MTEF). Once the MTEF has been determined, the construction of a costed, prioritized, and time-bound action plan will be feasible for each of the government’s proposed initiatives in each of the socioeconomic sectors. Once the broad parameters are defined, it is the task of the Development Budget Coordination Committee (DBCC) to establish the annual budgetary parameters,⁸ including proposed annual expenditure levels.

E. Step 2: Prioritizing Strategies

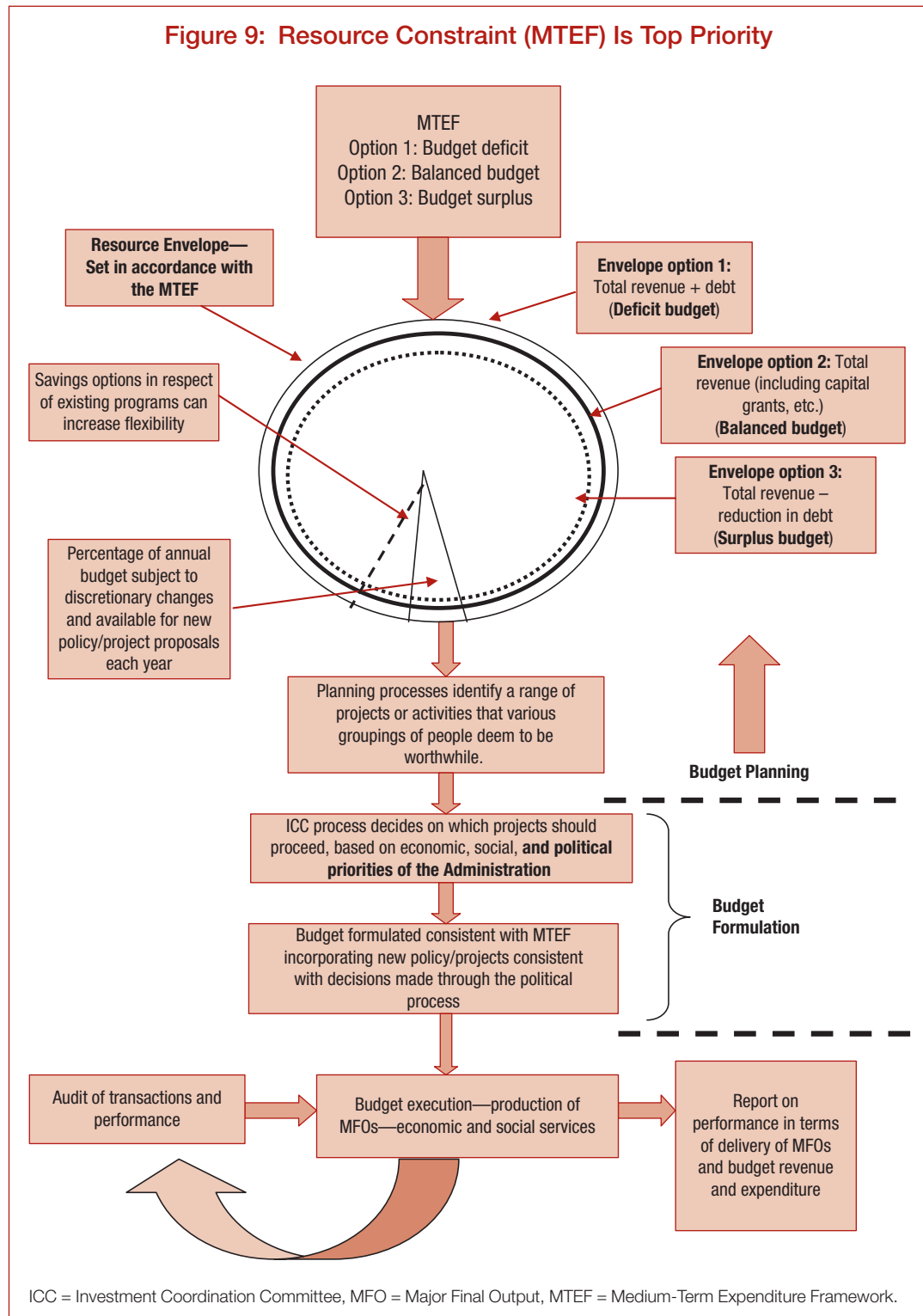
Strategies must be prioritized within the resource constraint of government. The PDP is compiled from the work of a steering committee and five planning committees and their subcommittees, with inputs focused into chapters. The PIP is a subset of the PDP, derived from submissions to planning committees of potential projects for implementation over the planning period.

Initiatives that flow out of the PDP can be categorized according to their impact on one or more MFOs, and each strategy is thus related to one or more MFO PIs, and one or more outcome indicators.⁹ Figure 5 shows how the strategies developed through the PDP integrate with the production of MFOs by the civil service.

⁸ The DBCC is composed of Secretaries from the DBM, NEDA, the DOF, the Office of the President, and Bangko Sentral ng Pilipinas as resource.

⁹ Note that the decision to not invest in capital to compensate for depreciation of an asset used to produce an MFO is, in itself, a strategy and should be acknowledged by a change in the PI targets for the MFO to which the capital depreciation relates. Note also, however, that adjustments to PI targets should occur only when the depreciation of the asset has an adverse impact on the asset’s productivity. Usually, asset depreciation for accounting purposes has little or no impact on the asset’s productivity until the useful life of the asset is closer to its end than its beginning.

Figure 9: Resource Constraint (MTEF) Is Top Priority



Subsequent to brainstorming by planning committees, the planning process requires rigorous analysis that involves

- culling proposals into a manageable and affordable set of strategies,
- integrating strategies into a single plan that links with existing PAPs and MFOs of government and integrates the national plan with regional plans, and
- time-sequencing activities that would put strategies into effect and that would facilitate ongoing monitoring of the execution of strategies by the civil service.

The first step to understanding the prioritization imperative is to develop the sequence of key, time-bound milestones for each of the various activities set out in the PDP. When this is done, the clash in resourcing needs versus available resources will become more apparent.

The development of a time-bound action plan prioritized within a resource constraint is a major effort in any planning process. For example, there were in excess of 100 legislative initiatives submitted by planning committees for inclusion in the PDP, 2011–2016. Some are more complex than others and may require an extensive and complex consultative process. Until each initiative is developed within a project management context, it is not clear if the implementing agencies or the Senate and Congress will be able to accommodate the legislative tasks within all legislative initiatives likely to arise over the planning period.

It is the role of the Investment Coordination Committee–Cabinet Committee (ICC–CC) (for which NEDA provides the secretariat) to prepare an annual implementation program for major capital projects¹⁰ listed in the PIP. Otherwise, the implementation of any project (not falling within the definition of a major capital project) is determined on a case-by-case basis through the annual budgeting process.

F. Step 3: Translating Plans into Actions

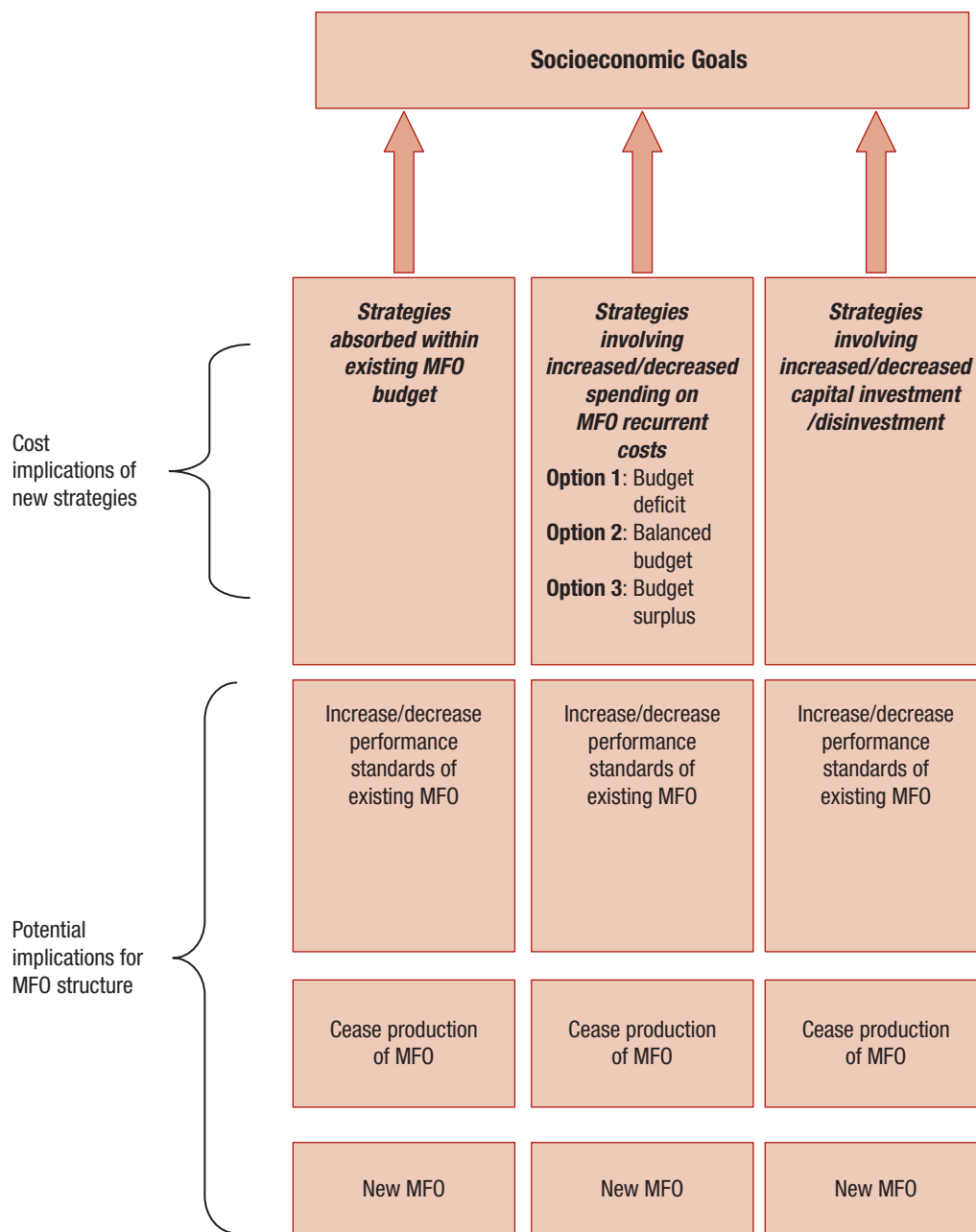
The goals set out in the PDP determine the level of intervention required to meet the targets that the government pursues. Resources are applied toward high-level goals through MFOs, and allocated toward the production of MFOs through PAPs. Figure 10 demonstrates the options that governments face within a resource constraint applied to an RBMF.

The planning linkages from the medium-term PDP down to individual work plans are shown in Figure 3. It shows how accountability cascades down from the political level to the managerial and individual levels and how, ultimately, individuals within the government bureaucracy play their part in changing society.

Translating high-level performance targets set out in the PDP down to organizational-level work plans requires good project management skills and strategic planning from the outset.

¹⁰ Major capital projects are defined in the revised ICC guidelines as projects of P1 billion and above (approximately \$25 million).

Figure 10: Strategic Impacts on MFOs by PDP/PIP



MFO = major final output, PDP = Philippine Development Plan, PIP = Public Investment Plan.

As government commands that a particular MFO be delivered to a higher standard, be that in terms of performance targets for quality, quantity, timeliness, or cost, then government departments or agencies must identify and then put into effect strategies to deliver the increased performance. Ultimately, the tasks required to execute the strategy will be allocated to individuals, and managers will be allocated responsibility for ensuring that the collective group implements the various strategies through an efficient and effective sequencing of tasks and activities.

Planning is thus required at a multitude of stages, from the national to the organizational and individual levels.

Project planning generally requires a number of elements (including situation analysis, problem identification, goal setting, strategy formulation, and work plan design) that must generally be completed in consort with a prioritization process necessitated by a budget constraint.

6 Monitoring and Evaluation

A. Key Oversight Agencies

A number of organizations have key oversight and governance roles in the system, including

- DBM,
- DOF,
- NEDA, and
- CSC.

In addition, COA continues to have the important role of ensuring that reported performance information is accurate and a true reflection of actual performance. The key functional roles belong to implementing agencies that deliver MFOs to the public and have greatest potential influence on delivering society's goals.

B. Types of Monitoring and Evaluation

The terms “monitoring” and “evaluation” are so closely related that they are often used synonymously, as if a single phrase. “Monitoring” tends to be used to describe within-year and annual assessments of the implementation of activities and the achievement of short-term performance targets/milestones. “Evaluation” is usually taken to refer to a more in-depth and longer-term assessment of the achievement of more strategic, long-term targets associated with sector outcome indicators and societal goal indicators. Evaluation should be undertaken both before and after the implementation of government policy and programs. The processes, procedures, and methodologies for undertaking both pre- and post evaluations are becoming institutionalized in some countries, including Australia, Canada, and the United Kingdom, leading this approach to evidence-based policy development. A **rapid evaluation** is an evaluation that examines the program logic for reasonableness as to the assumptions that underlie it, linkage with a sector outcome or societal goal, and a relevant outcome indicator. A more in-depth evaluation will look at the statistical evidence that the MFO has contributed to a cost-effective marginal improvement in one or more outcome indicators. These types of evaluations are considerably more complex, time-consuming, and expensive to implement, and so are done infrequently, perhaps every 5 years.

Monitoring and evaluation are generally directed at assessing the efficiency and effectiveness of government programs, which requires data. The collection and storage (of the right kind) of data is fundamental to evaluation. Sections 3(a) and 4(b) described issues in respect of database storage and management.

The ongoing process of monitoring the achievement of short-term performance targets will drive the collection of organization-specific data relevant to monitoring, and the immediacy of its use tends to ensure that the indicators and their data requirements are not overlooked. But strategic data required for the evaluation of the achievement of longer-term goals and outcomes can be easily forgotten once the budget is approved, and a conscious effort must be made to establish systems that ensure the collection of strategic data, even though its use may be only periodic and with long time lags between each evaluation exercise. Data requirements and system needs must be identified and costed from the outset of a project/program inception proposal.

Of immediate importance to an organization are those PIs that will be monitored and reported on daily, weekly, monthly, and annual frequencies, including MFO production indicators; internal indicators used to monitor functional outputs of work units; and project/activity/task indicators, which we can collectively label as milestone indicators, and which are used to monitor the completion of tasks by individuals and responsible managers.

The first stage is monitoring the implementation of strategies that have been proposed in the strategic plan to improve organizational productivity or vary the MFO mix. Strategies may come in a number of forms including expansion of MFO production using existing capacity; investment in the productive capacity of departments/agencies to produce MFOs (i.e., project and other investments of a capital nature); switching capacity from one MFO to another, which may involve ceasing the entire production of an MFO; and initiating production of another entirely new MFO. The implications of each strategy are shown in PIs developed within the organization, and those that are designed to track the implementation of the strategies will be **project-type** indicators. They will relate most closely with monitoring the consumption of resources at the PAP level, correlating that consumption with the achievement of project milestones.

The second stage will involve monitoring and evaluating the productivity of the department/agency in producing outputs. These PIs will focus on characteristics of the outputs such as quantity, quality, timeliness, and cost. These PIs can be used to measure the **efficiency** of organizations in producing MFOs.

The third type of indicator will be used at the next three levels in the RBMF including organizational, sector, and societal outcomes. These are termed outcome indicators that focus on particular characteristics of the client populations of the MFOs. They will be used to generate correlation coefficients (or “impact coefficients”) between changes in the parameters of the population characteristics in which we wish to promote change, particularly changes in the quantity of MFOs produced. These outcome indicators will be used to calculate the **effectiveness** of MFOs in delivering marginal change in the population characteristics, for example, the percentage of the population living on less than P100 per day.

C. Benchmarking and Evaluating Major Final Output “Value for Money”

In terms of MFO costing, some PAPs will correlate with only one MFO, but on many occasions the resources provided in the PAP structure of the GAA will be shared by more than one MFO, as is the case with the DOH. In this case, for the purpose of estimating the cost-price of MFO production, the department/agency must develop an appropriate cost attribution methodology, based on accepted cost accounting practices and procedures.¹¹ The diligent manager will review, at regular intervals, the cost attribution methodology for accuracy and appropriateness. When a review suggests that the methodology has not allocated costs appropriately across MFOs, or if it has, that the existing methodology may not be accurate in the future, then the calculation of future pricing needs to be adjusted. National Budget Circular 532 historical data may also need to be adjusted so that comparability of time-series data is not distorted. A translation file may need to be created in the database, as described in Section 4.b. A proper register should be maintained as part of the database, allowing end users of data to identify changes that have been made in the time-series data and enabling the translation of data from one basis to another in a reversible calculation, if desired.

In theory, allocating expenditures and revenues to MFOs is done on a formulaic basis using estimates derived from cost accounting techniques and financial analysis. Transactions are recorded for accounting purposes against PAPs, and, for performance evaluation exercises, these costs are distributed across one or more MFOs, based on a cost distribution methodology for the proportional contribution of PAP resources to production of each MFO.

There are direct and indirect costs, both fixed and variable, and also capital costs in producing MFOs. In the budget structure, the PAPs include overhead costs under General Administration and Support and Support to Operations, and running costs classified under Operations. Only running costs are currently linked directly to MFOs. However, in the Philippines' budget structure, debt interest is aggregated and expensed under the DOF, capital investment is expensed immediately in full, and the opportunity cost of equity is ignored (i.e., there is no charge on government equity utilized for producing MFOs). Depreciation on capital equipment used to produce MFOs is not brought to account, and so running costs are significantly underestimated. For this reason, costing of MFOs is not, for the time being, comparable with the pricing that would be applicable in the private sector.

MFO pricing by the public sector currently understates the true cost of production. In terms of obtaining a robust time-series data for each MFO, this is a fundamental problem if we are attempting to measure performance from one year to the next with respect to the efficiency and effectiveness of expenditure of public funds on delivering an outcome from a particular set of MFOs.

¹¹ It should always be remembered that when an organization makes more than one product, the prices that it attaches to each output at which it estimates it will recover all its costs, including overheads, capital, and depreciation, are only an estimate of what each product utilizes in terms of administrative overhead time and the proportion of depreciation recovered in each price where they share the use of the same capital equipment. Cost accounting is, by nature, an inexact science. The same approximation is required when allocating shares of PAP resources across more than one MFO.

Where a government organization is supplying an MFO through its own production process, rather than procuring the MFO directly from the private sector, the current accounting system and information technology infrastructure do not enable government to reflect in the budget documents an accurate price-cost of each MFO, making comparative analysis across departments and MFOs difficult (although not always impossible).

The price-cost issue does not arise if the private sector supplies the MFO for the government, since the MFOs are purchased from the private sector at their full cost recovery price.

For the time being, MFO cost indicators are limited to capping expenditure on MFOs to the funds allocated to the MFOs directly and, where a user fee or charge is imposed, by including an indicator requiring a particular recovery rate relative to identified costs.

With the implementation of a world-class GIFMIS, the government may soon be able to estimate a notional price for its MFOs on a comparable basis with the private sector.

The PDP and the OPIF share core logical relationships. First, the OPIF defines a number of sector and organizational outcomes and (at least) one societal goal. Second, the OPIF incorporates a number of strategies (MFOs) designed to deliver outcomes.

However, while projects are funded in the OPIF through the PAP structure of the GAA, project implementation is not monitored under the OPIF in the same way that MFOs are monitored through PIs. Instead, the OPIF envisages the corporate plan and unit work plans as the appropriate place for PIs related to project implementation.

The implementation of projects is, however, fundamental to monitoring the implementation of the PDP and regional development plans. It is therefore important to NEDA to be able to track the implementation of individual projects specified in the PDP. The PDP logic implies that operationalization of the specified projects will achieve MFO performance targets and, hence, the outcomes that the government is seeking in the plan.

7 The Strategic Performance Management System

A. Overview

For many years, the CSC has been developing approaches intended to encourage higher performance in the civil service. In March 2012, through Memorandum Circular Number 6, it issued *Guidelines in the Establishment and Implementation of Agency Strategic Performance Management System (SPMS)*. The SPMS approach is based on the “balanced scorecard” method of identifying and measuring performance, which means that assessment of an organization’s performance should not be based solely on the efficient delivery of its prescribed MFOs, but also on the delivery of its strategic plan and alignment of individual activities with the achievement of the strategies in the plan.

The SPMS has three objectives:

- Concretize the linkage of organizational performance with the PDP, the agency strategic plan, and the OPIF.
- Ensure organizational effectiveness and improvement of individual employee efficiency by cascading institutional accountabilities to the various levels of the organization anchored on the establishment of a rational and factual basis for performance target and measures.
- Link performance management with other human resource systems and ensure adherence to the principle of performance-based tenure and incentive system.

Figure 3 is a diagrammatic representation of the three objectives of the SPMS.

A performance-based bonus (PBB) payment was promulgated by Executive Order 80 based on achievement of a minimum performance across a range of measurement cards. To qualify for PBB, an agency must meet at least 90% of the targets set for each of the following:

- the Priority Program Accountability Report Card (PPARC),
- the MFO Accountability Report Card (MARC-I), and
- the Management Accountability Report Card (MARC-II, good governance conditions).

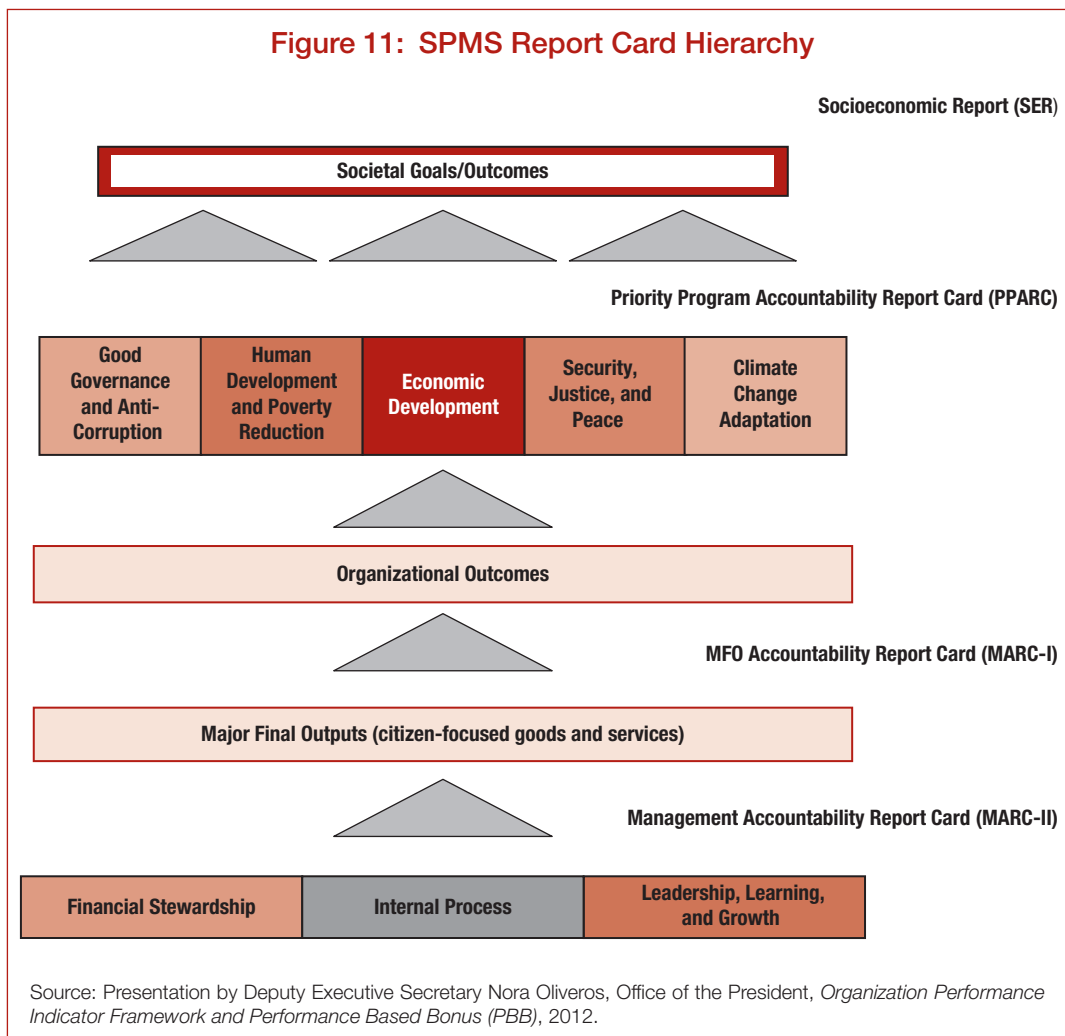
Figure 11 shows where the report cards correlate with the accountability tree of the RBMF.

The use of MFO performance concepts from the OPIF logframe, along with performance measures and indicators contained in the organizational strategic plan and individual work plans, emphasizes the importance of PIs to the performance management system. Background to the development and specification of PIs is provided in Chapter 4.

In terms of the MARC-I assessment, the DBM undertakes an annual budget performance review of departments'/agencies' delivery of MFOs relative to their budget revenues and expenditures.

The CSC has left the content and format of MARC-II to each agency, providing only the framework in which the overall assessment system is intended to operate.

Figure 11: SPMS Report Card Hierarchy



B. Consequences

The civil service is responsible for ensuring that government policies are implemented efficiently and effectively. Department/agency heads are held responsible for overall department/agency performance. Responsibility and authority for taking remedial action against a poorly performing department/agency head rests at the political level.

However, responsibility and authority for taking action against a poorly performing manager within the department/agency rests with the department/agency head, as does responsibility

and authority for initiating action against a poorly performing staff member, albeit at the recommendation of a unit manager. Thus, accountability cascades down from the political level to the department/agency head level and further down into the unit and individual work plans.

Allocating or attributing responsibility for good or bad performance relies on having a system capable of measuring performance, and of indicating where to look for the causes of good or bad performance. As we descend the accountability ladder, the concepts become more tangible, more real, and more easily understood by the “man on the street.” At the lowest level, we have the basic inputs into the production process: human resources, consumables and capital, the PAPs of the GAA.

Under the RBMF, consequences for good or bad performance are formalized through the SPMS PBB. Rewards are provided for above-average performance as well as poor performance. With respect to overall poor performance of government,, sanctions exist largely at the political level, through the ballot box and public opinion, and at the department/agency head level, through the willingness of the President to take action to remove nonperforming appointees. Managers and officers beneath the head level are subject to established CSC processes in so far as dismissal from the civil service is concerned.

C. Performance Targets

Performance management requires not only appropriately specified PIs to measure performance, it also requires a **benchmark** performance target against which actual performance can be assessed. Unless we have some notion of what would consider a reasonable level of performance, then it is irrelevant at what level the PI is measured.

Establishing an appropriate target for a PI requires an understanding of the PI by both parties to a negotiation of a performance “contract.” Perhaps even more importantly, both parties need to understand the business, economic, and social relationships and the environment that concurrently surround the performance relationship to be assessed. That is to say, the account managers at the DBM must be familiar with the business of the department/agency with which they are dealing if they are to negotiate appropriate production performance targets for each MFO.

DBM account officers must be familiar with the business of the departments/agencies with which they negotiate the OPIF's MFO production targets.

To assess performance, we need to measure not only the **right** things (the output characteristics in which we are most interested), but we also need to have some predetermined notion of what quantity and quality of output (“target”) should be deliverable for the “price” we are paying for the output. This is an everyday concept that we apply, for example, when making decisions as to which piece of fruit to buy in the market, or which piece of furniture to buy for our house.

8 Future Directions

As at the date of this writing, a number of DBM initiatives were in the process of implementation. Firstly, the DBM was instituting a new budget structure that would allow the program/activities/projects budget to be restructured along the lines of a traditional activity-based budget costing for MFOs. This exercise (restructuring the existing PAP structure) may be appropriate in 1–2 years from the date of this publication. Second, a relational database was under development that should allow analysts access to online data to undertake comparative analysis across agencies' MFOs and across sector and organizational outcome indicators. The database links MFOs to outcome indicators. A PI register had been developed that stores data on how each PI is to be calculated and from where data would be sourced. This is essential for ensuring consistency and comparability of data across reporting years. It acts as a store of corporate memory and assists in succession planning.

Another major initiative under implementation is the procurement of a government integrated financial management information system (GIFMIS), which would integrate financial and performance data across agencies and assist to institutionalize processes and procedures, thereby supporting sustainability of the reforms.

With regard to performance-based bonus (PBB), the MFOs and PIs of all agencies were reviewed in 2012–2013 and re-specified in conformity with the DBM's OPIF Reference Guide. This suggests that the PBB will require some revision to develop an integrated performance index that takes into account the four dimensions of MFO performance including quantity, quality, timeliness, and financial indicators.

Glossary

Accountability	The quality or state of being accountable, especially an obligation or willingness to accept responsibility or to account for one's actions. The fact or condition of being accountable; responsibility: e.g., lack of accountability has corroded public respect for business and political leaders.
Activity	A thing that a person or group does or has done in order to combine inputs toward production of an output.
Assess	To estimate or judge the value or character of something. To determine the importance, size, or value of something. See also Evaluate. To judge or decide the amount, value, quality, or importance of something.
Balanced scorecard	The balanced scorecard approach provides a prescription as to what companies should measure in order to "balance" the financial perspective. The balanced scorecard is a management system (not only a measurement system) that helps organizations to translate their vision and strategy into action. It provides feedback around the internal business processes and external outcomes in order to continuously improve strategic performance and results.
Business plan	A formal statement of a set of business goals, the reasons they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals and assign managerial responsibility for implementing the various strategies contained in the plan.
Civil Service Commission (CSC)	A constitutional body mandated to promote morale, efficiency, integrity, responsiveness, progressiveness, and courtesy in the civil service, with functions widely given to administer and enforce a merit-based system and prescribe and enforce rules and regulations to promote its functions.
Commission on Audit (COA)	An independent constitutional office with powers to audit all accounts pertaining to all government revenues and expenditures/ uses of government resources and to prescribe accounting and auditing rules, with authority to define the scope and techniques for its audits.

Cost accounting	A type of accounting process that aims to capture a company's costs of production by assessing the input costs of each step of production as well as fixed costs such as depreciation of capital equipment. Cost accounting first measures and records these costs individually, then compares input results to output or actual results to aid company management in measuring financial performance. Essential for decision making regarding price and mix assignation of products and services. Product development and marketing strategies are also informed by the utilization of cost accounting. In terms of product development, it is possible to determine if a new product can be produced at a reasonable price, considering the cost of raw materials and the labor and equipment necessary to product a finished product.
Cost attribution	The process of attributing production costs across one or more production lines using good cost accounting methods. <i>Full</i> cost attribution seeks to determine the “true” cost of providing a good or service by tracking and accumulating the total costs of the process to create and distribute the good or service. Typically, this includes costs that are incurred in research and development (strategic planning for the provision of goods and services); design of the good or service (specifying the requirements, testing the good or service); production (creating/building/manufacturing the good or service); marketing (informing the community of the availability of goods and services); distribution (delivering the good or service to customers); customer service (“after-sales” service, feedback, customizing the good or service); and cost of capital including depreciation, debt costs, and a market-related return on equity.
Data	The word data is the plural of datum. Data are values of qualitative or quantitative variables, belonging to a set of items, and are the results of measurements, which can be visualized using graphs or images. Data are initially unprocessed, and refer to a collection of numbers, characters. Data processing commonly occurs by stages, and the “processed data” from one stage may be considered the “raw data” of the next. Data give rise to statistics.
Department of Budget and Management (DBM)	Mandated to promote the sound, efficient, and effective management and utilization of government resources (i.e., technological, manpower, physical, and financial) as an instrument in the achievement of national socioeconomic and political development goals.
Department of Finance (DOF)	Formulates goals, action plans, and strategies for the government's resource mobilization effort; formulates, institutionalizes, and administers fiscal and tax policies; supervises, directs, and controls the collection of government revenues; acts as custodian of, and manages all financial resources of the government; manages public

	debt; reviews and coordinates policies, plans, and programs of government-owned and -controlled corporations; monitors and supports the implementation of policies and measures on local revenue administration; coordinates with other government agencies on matters concerning fiscal, monetary, trade, and other economic policies; investigates and arrests illegal activities, such as smuggling, dumping, illegal logging, etc., affecting national economic interest.
End date	The date on which an activity or task is scheduled to be completed. An end date is always accompanied by a start date when it refers to a project-related activity or task.
Evaluate	To determine the significance, worth, or condition of something, usually by careful appraisal and study. See also Assess.
Functional output	Unique to the Philippines' Results-Based Management Framework (RBMF), it is the output of any discrete organizational unit or individual that is part of a function for which it/he/she has been made responsible. It may be part of a production process, so may or may not be an output delivered to an external entity.
General Appropriations Act (GAA)	The enactment by the Senate and House of Representatives in Congress setting out the potential budget available to government agencies of the Republic of the Philippines for a particular year.
Impact	The marginal change in an environmental characteristic, as measured by an outcome indicator, that is attributable to an MFO.
Impact analysis	The task of determining the marginal contribution of an MFO to a change in an outcome indicator.
Indicator	<p>A measurement device to help in determining progress toward a result or determine whether an expected result has been achieved and the status of an expected result.</p> <p>In the OPIF, expressed as quantity, quality, timeliness, cost.</p> <p>An indicator will illustrate the standard of performance by which a department/agency has delivered its MFOs, but through targets will also illustrate the minimum standard at which it is expected to deliver its MFOs.</p>
Individual work plan	A set of tasks assigned to an individual flowing from the business plan that has been developed by an organization.
Investment Coordinating Committee (ICC)	Consists of the Secretary of Finance as chair; the NEDA Director-General as cochair; and the Executive Secretary, secretaries of Agriculture, Trade and Industry, Budget and Management, Energy, the Governor of the Bangko Sentral ng Pilipinas, and the Executive Director of the Coordinating Council for the Philippine Assistance

	<p>Program (CCPAP) as members. The ICC is mandated to evaluate specific major capital projects with respect to their technical, financial, economic, social, environmental, and institutional development feasibility/viability and from the context of sector plans and geographical strategies. The ICC recommends projects to the NEDA Board for confirmation of its approvals.</p>
Major final output (MFO)	<p>A description of one or more goods or services provided by a government agency (either directly or indirectly, through subcontracting arrangements) that are directed toward a particular sector or subsector of society or the economy, and that are consumed by clients, or end-beneficiaries, who are external to the agency producing the MFO. An MFO may be an aggregation of goods or services provided by an agency, where those goods or services that are aggregated together are similar in nature so that a single set of PIs can be used to describe the aggregated characteristics of the outputs in terms of quantity, quality, timeliness, and cost. These separate goods or services aggregated together for measurement purposes are termed “suboutputs,” since they are component parts of the overall MFO.</p>
Medium-Term Expenditure Framework (MTEF)	<p>The estimation of the resources likely to be available to government over the planning period, the estimation of the cost of existing government policy, and the determination of the degrees of freedom to expand or reduce future sector spending to meet government economic and social goals.</p>
Monitor	<p>To watch, keep track of, or check, usually for a special purpose. To watch and check a situation carefully for a period of time in order to discover something about it.</p>
National Economic and Development Authority (NEDA)	<p>A constitutional body mandated as the country’s independent economic development and planning agency. It is headed by the President as chair of the NEDA Board, with the Secretary of Socioeconomic Planning, concurrently NEDA Director-General, as vice-chair. Several cabinet members, the Governor of the Bangko Sentral ng Pilipinas, Autonomous Region in Muslim Mindanao, and Union of Local Authorities of the Philippines are likewise members of the NEDA Board.</p>
National Statistics Coordinating Board (NSCB)	<p>The policy-making and coordinating agency on statistical matters in the Philippines with the objective of developing an orderly Philippine Statistical System capable of providing timely, accurate, relevant, and useful data for the government and the public for planning and decision making.</p>

National Statistics Office (NSO)	The major statistical agency responsible for collecting, compiling, classifying, producing, publishing, and disseminating general-purpose statistics as provided for in Commonwealth Act (CA) No. 591.
Organizational outcome	Relates to some event or change in a characteristic related to the environment in which the organization operates where the change is intended to be brought about by some activity or strategy that the organization has implemented over a given time period.
Organizational Performance Indicator Framework (OPIF)	Identifies the outputs that government produces toward achieving sector outcomes and societal goals, and establishes PIs for outputs grouped together as MFOs, where those PIs seek to establish performance targets that define the value for money that government seeks to obtain from public spending through budget-dependent agencies.
Outcome indicator	In the Results-Based Management Framework, outcome indicators can be at the organizational, sector, or societal goal level. An outcome indicator measures a change in a high-level characteristic of the environment in which the organization is operating or in which the population exists. It is the characteristic that one or more MFOs seek to influence/impact upon.
Performance attribution	The process of assigning accountability across individuals and organizational units for the achievement, or nonachievement, of performance targets.
Performance indicator (PI)	The characteristics of an object of evaluation that we seek to define and measure. In defining an output/MFO to be delivered, it is incumbent on government to specify the standards to which the supplier must deliver the output. A textile buyer, say, will specify (1) the quantity of cloth or fabric to be delivered from a textile manufacturer, (2) the quality of the cloth or fabric (e.g., silk or cotton, plain weave, twill or satin weave, thread count, etc.), (3) the time by which it is required to be delivered, and (4) the cost per meter of cloth to be delivered. In a similar manner, the OPIF must specify for each MFO an integrated set of PIs that deal with the quantity, quality, and timeliness of delivery of the MFO, for a given cost. Thus, PIs are really a description of the characteristics of the MFO to be delivered for a particular cost or, in the case of the cash budget of government, for a particular amount of funds provided through the GAA.
Performance target	A quantifiable benchmark that we set for achievement of a PI with respect to the characteristic that we wish to define for the object of evaluation.

Philippine Development Plan (PDP)	A 6-year plan that sets out development objectives and initiatives for meeting development objectives. It may contain legislative, policy, and investment proposals.
Public Investment Plan (PIP)	A list of capital projects designed to support the achievement of objectives set out in the PDP.
Productivity	A measure of the efficiency of production. Productivity is a ratio of production output to what is required to produce it (inputs). The measure of productivity is defined as a total output per one unit of a total input. The Philippines has a “National Wages and Productivity Commission” to monitor the relationship between productivity and wages.
Project milestones	Significant events in the progression toward the completion or operationalization of a project. They usually occur at the end of an activity or time-sequenced set of activities where the activities themselves are made up of a time-sequenced set of tasks. In a commercial contract, completion of a milestone will normally qualify the contractor for a progress payment.
Sector	<p>Sectors may be created on a number of different bases, depending on the analytical objectives of the system creating the sector definitions. In the “Classification of Functions of Government,” expenditures are effectively divided into a number of sectors, with a multitude of subsectors. While the Organisation for Economic Co-operation and Development, the International Monetary Fund, and the United Nations all have slight variations on the ordering and structure, the high-level sector divisions are largely consistent in each body.</p> <p>An intellectual construct for grouping activities, interventions, organizations, etc. according to some common characteristics, and which is scalable. For example, in the PDP, the infrastructure sector (Chapter 5 of PDP, 2011–2016) includes road transport; air and sea transport; water supply, including drinking water, irrigation, sewage, flood control, and drainage; energy; information and communication; solid waste management; housing; health facilities; and education facilities.</p> <p>A sector may be split into subsectors, for example, (i) higher education, (ii) primary education, and (iii) early childhood education.</p>
Sector outcome	A characteristic of a sector that an organization intends to influence in a particular way through the production and distribution of an MFO.

Start date	The date on which an activity or task is commenced. A start date is usually accompanied by an end date when it refers to a project-related activity or task.
Statistic	A statistic is a singular measure of some attribute of a sample (e.g., its arithmetic mean value or variance) calculated by applying a function (statistical algorithm) to the set of data collected in relation to the items comprising the sample.
Strategic Performance Management System (SPMS)	The framework system established by the Civil Service Commission to evaluate and attribute performance across organizational units and individuals.
Strategic plan	In the Philippines, this document defines MFOs and activities cascading from the PDP for which the organization is responsible for delivering, and identifies ways in which the organization intends to lift its performance and meet performance targets set for each of its MFOs.
Strategies	A set of actions designed to achieve a goal or set of goals. In terms of the OPIF, the strategies can be seen to be the production of the MFOs that are intended to deliver change in an outcome indicator. In terms of strategic planning, the strategy is an initiative designed to lift the performance of the organization to meet a performance criterion or objective that has been set. It could, for example, be as simple as the development of a typing course for department officers to improve their productivity in using computers. Or it could be as complex as the introduction of an integrated financial management information system across all departments.
Suboutput	A component output that is aggregated into an MFO of goods or services provided by an agency, where those component outputs that are aggregated together are similar in nature so that a single set of PIs can be used to describe the aggregated characteristics of the outputs in terms of quantity, quality, timeliness, and cost. These separate goods or services that are aggregated together for measurement purposes are termed “suboutputs,” since they are component parts of the overall MFO.
Tangible	Real or actual rather than being visionary.
Task	A definite piece of work assigned to a person for completion and for which he/she will be accountable.
Unit work plan	The work plan for an organizational unit that exists within the parent organization, and that has been derived from a set of activities required to be implemented in order for the organization’s strategic plan to be effective.

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Some Useful Websites

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- Government of the Philippines, Civil Service Commission. <http://excell.csc.gov.ph/cscweb/cscweb.php>
- Government of the Philippines, National Development Authority Region VIII Office. <http://www.neda8.ph/>

Results-Based Management Framework in the Philippines

A Guidebook

The Asian Development Bank has actively supported the Government of the Republic of the Philippines' Department of Budget and Management in institutionalizing results-based management across the country's bureaucracy. This guide to the Results-Based Management Framework (RBMF) provides a common reference point from which further refinement can occur. It aims to give insights on performance management with discussions on living within one's means (aggregate fiscal discipline), spending on the right things (allocative efficiency), and obtaining value for money (operational efficiency). It also aims to help readers understand how RBMF principles emphasize the importance of the government's goal of establishing a more transparent, accountable, and participatory culture.

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