

Performance is the yardstick

THE INCREASED emphasis that is being placed on "performance" for government management and government funds was highlighted by President Marcos in a speech read before the Philippine Council of Management in Manila on November 24.

Here is an excerpt:

IN THE Philippines, where the public service has been designated as the *cadres* for carrying out a peaceful social revolution, we cannot but regard the development of an adequate public management as a keystone of our total development strategy.

This is now the time to extend to the public sector the catalytic and liberating impact of modern management.

In spite of significant reforms, the Career Executive Service of the Government and the Civil Service organization as a whole still remain encrusted with habits of the past, disposed to obstruct rather than facilitate action. This outlook must now be cast aside and replaced by a new commitment and resolution to facilitate action—to release energy and realize performance.

This in turn will require the sharpening of tools of management control, especially measurement of goals and performance, in the public service. In the private sector, the test of economic performance, or the market test, if you will, normally suffices as a means of management control. In the public service institutions, we must resolutely develop tests of performance that will substitute for the economic test.

Thus every program area must be governed by a realistic and effective management information system.

I AM today directing the Budget Commission in the exercise of its management function to require that every department and agency of the Government submit within one month the management information system appropriate to each program area as contained in the budget, complete with indicators of goals and performance during the budget year.

Such management information systems should be monitored by the Budget Commission and made the basis of a genuine performance budget.

QUITE apart from the public service as such, there are about a hundred government corporations in existence only a minuscule number of which are viable and profitable.

I hereby direct the Budget Commission and the Reorganization Commission to conduct a management audit of these corporations and recommend the reorganization of those that deserve to be reorganized, re-created or abolished.

ANOTHER critical area in public management is the procurement of equipment and supplies for the Government, which is characterized by rampant red tape, duplicity, and corruption.

I hereby direct the Budget Commission to conduct a study of how gov-

ernment procurement methods can be streamlined, delays eliminated, payments immediately made, overpricing completely eliminated and punished, and economies of scale availed of to generate savings and efficiency.

In this connection, the Budget Commission shall consult with the Commission on Audit on the streamlining of auditing procedures to eliminate red tape and graft in procurement activities.

We have dismissed numerous auditors who have been verified to engage in this kind of red tape.

If there are any auditors who are found to obstruct payment to suppliers of the government, in order to create a leverage for self-aggrandizement, such auditors must be reported immediately to the Chairman of the Commission on Audit or to the Office of the President.

THE Development Academy of the Philippines is at this time engaged in the training and development of public managers.

It is my desire that they prepare programmed courses that will enable the respective departments and agencies of the Government to conduct their own management development programs simultaneously in addition to the DAP's own direct programs.

In this regard, other facilities for management training, such as the Asian Institute of Management and the graduate schools of the leading universities should be increasingly linked up with the government's own management development programs, under the direction and guidance of the Development Academy of the Philippines.

IT is also my hope that managers in the private and public sectors will interact more closely and more frequently in the interest of advancing the common frontier of management knowledge and expertise.

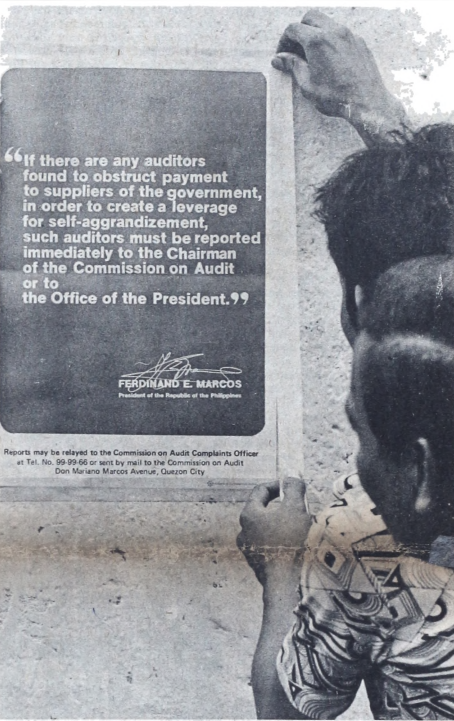
The private sector of the economy will continue to be the main engine of economic growth. But the public sector must be an engine of facilitation of growth.

The management of both sectors must therefore merge their respective strengths to be able to realize the real function of management: namely, to convert human strength to productive strength.

In the context of Southeast Asia, there is no question in my mind that economic and social development, which is another name for nation building, will remain the joint responsibility of the private and the public managers.

If management is a strategy for the strategic and optimal use of opportunities and resources, then there is no alternative to the fullest possible cooperation and coordination of public administration and private sector management.

It is in the merger of their respective excellences and strengths that we shall derive the optimum vigor and wisdom for national development—the ability to free our peoples from the scourge of mass poverty and lead them to the threshold of substantial freedom, a better and fuller life. □



POSTERS from the Commission on Audit are going up in government offices as part of the President's drive to improve government management.

Updating the budget

ASIDE from any cutbacks that might arise from the austerity written into the 1976 budget, a separate long-term factor is likely to help reorient many government programs in the coming year.

This other factor is the Budgetary Review of Programs and Projects which proceeded quietly through December and is likely to culminate in January or February with recommendations to President Marcos.

The seven divisions of the Budget Commission have been constituted into task forces, some of them including technical experts from the private sector. Their task is to review whether the budget document accurately reflects what each agency is actually doing—or alternatively whether each agency is doing what the budget document says its

funds are for. The Budget Commission set out the following objectives for the intensive series of discussions:

Re-examine the Program and Project structure of all agencies of the National Government under Performance Budget and to install a performance type budget for those without the system;

Realign and eliminate redundant, duplicating or unnecessary Program(s) and establish those which are relevant to the Department and/or agency functions in pursuit of the National Government goals;

Re-examine the validity and/or usefulness of appropriation language, special and general provisions in terms of their contribution to budgetary effectiveness.

See next page

Inside track

- P. 2, 3 The new budgetary emphasis
- P. 4, 5 Behind the energy drive
- P. 6 Scrutiny of local officials
- P. 7, 8, 9 Looking at the corporations
- P. 10, 11 Fresh approaches to auditing
- P. 12 Revamp of President's office
- P. 13 Presidential decrees
- P. 15 Setting standards for jobs

Sharpening the budgetary tool

HERE are parts of the background briefing which Dr. Jaime Laya, the acting Commissioner of the Budget, delivered to budget officers of various agencies on December 2 to launch the Commission's Budgetary Review of Programs and Projects.

OUR BUDGET this year is about 24 billion pesos, which is something like 15 percent of the gross national product. It has been estimated that the current program of government expenditures will result in a deficit of around five billion pesos. In his capacity as this financial planning, the President has directed the various government agencies to produce savings that hopefully will reduce this deficit and result in a realignment of government expenditures.

This review of projects and programs is being done at the time the 1976 budget is being completed. We are trying to ask ourselves: Does the program and project structure need some modification so that the budget for 1977 financial year will be more consistent with our developmental programs? All of us of course have heard about the budget being the tool of development and development being the primary form of government activity, and so on. But apparently we have not really sat down and figured out exactly how the budget fits into the whole concept and approach to development.

This past year, many of you have probably participated in, or at least have been aware of, a series of what was called sectoral planning enterprises conducted by NEDA, the Central Bank, the Budget Commission, the Development Academy of the Philippines and other government agencies.

The planning requirements of the following sectors were looked into: food, agriculture, industry, housing, education, health, social welfare, tourism, foreign trade, and infrastructure in the villages. Representatives of government agencies and of the private sector sat down and tried to assess the needs of the population in each of those sectors.

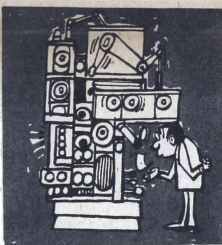
The whole idea, of course, is to try to ensure that the more than 100 government agencies are really working

together and not at cross purposes in their different activities.

Really, the government has just a few tools at its command. The national government budget is only something like 15 percent of the GNP. Therefore the remaining 85 percent is in the hands of the private sector. The whole idea is: What can the government do with this 15 percent that will adequately satisfy and support the needs of the private sector in the remaining 85 percent? How can the 15 percent help the 85 percent to do a much better job?

We begin by an assessment of the programs and projects which are contained in the government budget document. It consists of a listing of expenditure outlets, a listing of programs, some special provisions which sometimes read rather funny. This is what we would like to review—the listing of programs and projects contained in the budget document.

Do these make sense in the light of the objectives of the New Society? Do these make sense in the light of what we want to do in national government as well as sectoral and regional planning? Do these make sense? Are there any redundant, duplicative or unnecessary programs? Are some of these programs already superseded? Is the performance of the budget really in operation? Is the language used in the budget document suitable? Is there any delay in implementation of the budget process? Are there any new performance budgeting standards that we must



look at?

This is the purpose of the series of meetings conducted between agencies and the Budget Commission throughout the month of December.

The different programs and projects in the budget document have been with us for quite some time. I do not know when some of them were first promulgated. However, at some time some of these programs and projects were first designed, they were probably the most appropriate approach possible.

However, times of course have changed.

Foremost, of course, are the objectives of the New Society in terms of uplifting the welfare of the common man. Does the budget in fact result in such a program? A second major approach concerns the reorganization plan. This was one of the first thrusts of the New Society. Is the budget fully consistent with the spirit of the reorganization plan? Probably not because one of the major innovations of the reorganization plan is the concept

of regionalization. To be honest, the budget document does not dwell much on regional aspects.

In November, we in the Budget Commission had limited discussions with some regional directors. The feedback we got is rather disappointing. It seems the needs of the regions are forgotten not only in budget formulations but also in the budget operational process. Perhaps we might look at our structure of programs and projects to ensure the regional component.

One measure of development which we may have taken for granted is the expanding role of government corporations and the agencies of government which have been outside the civil service. We have at present something like 125 government corporations doing one thing or another. And these affect really the whole range of activities. Things crop up in these corporations that consistently indicate that there might be some efficiency—some areas that we could look at and improve in the budgetary process. □

Budget backgrounder

UNTIL 1954 the Philippine government's established financial policy had been to hold expenditures to a minimum, to cover expenditures by current taxation and to retire debt as rapidly as possible. This simple approach required little knowledge of the theory of taxation, expenditure policy or debt management.

As several emerging nations, the national government in the Philippines is the only entity large enough to exert any considerable influence on the entire economy. A general awareness of the significance of this fact developed some time prior to the enactment of the Revised Budget Act in 1954 and is reflected in the Act's progressive budgetary provision.

These in fact recognized that the government can, by means of fiscal policy, set the country on the road to economic development much as the more advanced nations utilize this instrument to maintain economic stability and full employment.

A high priority was therefore placed on the task of transforming the national budget from a mere list of receipts and expenditures into a major instrument of fiscal policy—to become a basic tool for managing the nation's economy

and interest payments against the public debt were to be kept on schedule and the necessary sinking funds for their ultimate retirement would continue to be established.

Sixth, tariffs would be employed to provide reasonable protection to domestic producers where such measures appeared economically sound and in the long run would be in the national interest. Tariffs would, however, continue to be the production of revenue to finance government programs.

FISCAL planning was predicated on a careful appraisal of all available resources in which the sequence of decisions ran from available revenues and other resources to expenditures, instead of from expenditures to resources.

Not only were the usual revenues and public borrowings considered, but also estimated income from reparations and other sources which could be applied to the financing of government-sponsored development projects.

After the maximum feasible resources had been ascertained, they were allocated to the numerous government activities on the basis of a scrupulous application of priority standards. These particularly included the system of industrial priorities which governed the allocation of foreign exchange, the administration of the government's fiscal operations and the extension of credit.

The entire governmental establishment was embraced in this planning. It covered not only the usual general budget, but also public works for various purposes, subscriptions to capital stock of government corporations, financial investments, loans and other obligations of the government.

The plans embodied in the five-year fiscal plan were comprehensive both in the expenditures and their financing aspects.

The ultimate goal was to achieve broader employment, greater production and higher standards of living for the Filipino people generally.

Throughout the attendant planning operations, the fiscal, monetary and social programs were formulated and the national government worked in close collaboration to produce a plan in which the overall level of government spending and the utilization of financial resources were appropriately balanced in terms of:

• effect on money supply; relation to national income; foreign exchange requirements; programs for capital formation; future tax resources; effect on price levels.

The first five-year fiscal plan thus not only presented a long-range financial plan but also provided for the planning the monetary and economic implications of and policies governing authorized programs and projects. □

From page 1

tiveness;

Re-examine the validity, both in terms of actual output/services being delivered, and for purposes of estimation of future requirements, the units of work measurements for each Program and Project or both;

Establish the new performance standards, the concepts underlying them, their validity as measures of output/services delivered, and their integrity and internal consistency.

During the talks, the Commission is stressing that it is not conducting budget hearings or a reorganization. Exclusive emphasis is on the program/project listing in the budget document. These are consistent with the priorities of the President and the New Society.

The task forces will make recommendations to a Review Board which must take a final stand on all recommendations. These will be embodied in a terminal report to the Commission, were the Budget who will report to the President.

While the Budget Commission emphasizes it is not engaged in a reorganization, agencies have noted that reorganization would have to come if excessive duplication or redundancy were found among the wide array of government services.

In the early days of the hearings, the task forces were looking across the items in the budget allocating funds for projects that had obviously ceased or that had changed their nature, such as research into long-solved problems. One result may be to bring the wording of the budget into line with what those particular funds are being used for now.

BUT perhaps the greatest long-term impact will come from the renewed emphasis on the long-existing concept of Performance Budget. In ordering the current review, President Marcos said the information thus gathered should be "made the basis of a genuine performance budget".

The concept of performance budgeting was introduced in the Philippines in the early 1950s, incorporated in the Revised Budget Act (RA 992) of 1954 and nation-wide was declared in Budget Circular 41 dated August 1, 1956. However, almost no government agency is operating fully on a Performance Budget, and high officials are disappointed at how little is understood of the concept.

While emphasis on the word performance is not new in Philippine government circles, it is clear that it will gain extra prominence in the coming year. □