

**Welcoming Remarks of
Budget and Management Secretary Florencio B. Abad**

**Executive Briefing on the Philippine
Public Financial Management Reform Roadmap**

Thursday, 8 March 2012

Before we begin to discuss the specifics of this Roadmap and your role in its implementation, allow me just to provide a perspective on why we are pursuing this PFM Reform Roadmap in the very first place.

The first context we have to keep in mind is, of course, the President's Social Contract with the Filipino People. That is the primary reason why he is in power in the first place: to fulfil his Social Contract, to pursue what we always hear: "*kung walang corrupt, walang mahirap.*" This is also the core reason why he has appointed some of us here: to ensure that in the specific portfolios that we respectively handle, we are able to deliver the results in relation to this Social Contract.

The results that we want to focus on are those which lead to direct, immediate and substantial improvements in the lives of our countrymen: whether it be better social services, delivery of justice, security and safety, among others. And by the way, we have 52 months left to do this.

But you and I know that this government cannot deliver the desired results without the required resources. Conversely, we cannot be effective unless each and every peso that we collect and spend leads to optimum benefit for our people.

Let me give you the case of Education. The sector's budget has grown by 150 percent from ten years ago to today. In comparison, our population under 20 has grown at the lesser rate of around 9 to 11 percent over a comparable 10-year period. And yet, the probability of our achieving our MDG goal of universal primary education is still low, still a huge challenge.

We may ask: is this a question of how our investments in Education have been sufficient or not? And if it is so, what are the factors that contributed to this? Is it insufficient revenues, which have grown by 140 percent over the comparable 10-year period? Is it competition from other expenditure, considering the national expenditures have grown by 100 percent during the same period? Or we have used these resources for education efficiently in the very first place?

To ensure both the adequacy of public resources and the results per peso spent, we need a stable and enabling public financial management system. This PFM system should be comprehensive enough to cover the moment when taxes are collected, to the point where suppliers of government are paid, and up to the point where the auditor takes stock of how

these funds were used. This PFM System should not be purely financial, for it has to take account the actual, concrete results in the ground brought about by the use of public resources.

Such a PFM system needs to be implemented by strong and capable institutions. And I refer not only to the oversight institutions like us here in the Department of Budget and Management, the Department of Finance or the Commission on Audit, but also to the embedded finance, planning and management functionalities in all agencies.

Unfortunately, it seems that our PFM system in its present state, cannot adequately support these two imperatives, and this can compromise the success of the Aquino Social Contract. What is wrong with our present public financial management system? Later on, Undersecretary Laura B. Pascua will discuss the assessment. But at this point, let me highlight that with the present system, it is difficult to accurately determine the resource requirements of agencies vis-à-vis their deliverables and the ability to implement.

This problem in effectively allocating resources also leads to difficulties in managing government cash. We often find ourselves grasping at straws, trying to guess when the payables come in, and when we will need to borrow. Because agencies are not submitting their accountability reports on time. But while this is mainly the responsibility of implementing agencies, we in the oversight side are also at fault with the often redundant reports that we require from you.

This is why we in DBM – together with DoF, the Treasury and the CoA – have designed a Roadmap, which we want to consult and discuss with you. You've heard about the Government Integrated Financial Management Information System, or the Treasury Single Account, which we'll discuss in more detail later on. However, there's more to PFM than mere installing a new information and communication technology system or shutting-down agency bank accounts. Through PFM, we ultimately want greater accountability to be embedded in how we in government use the people's hard-earned taxes.

We want to be able to change our practice so that ultimately what we are able to begin to put in place is a culture of integrity and accountability. Without that, really, our ability not just to generate resources but to make use of these resources will be severely compromised.

Having been in this Department for more than 20 months, I am convinced that, really, money is not a problem. There is so much money out there that is being used for all sorts of things that, I think, is simply a waste of precious resource. You can see that by the way we have increased, in a dramatic fashion, the budget of our critical service delivery agencies as well as the budgets of economic services that we need to deliver especially in the countryside.

Having said that, even from what we already have as the Department of Public Works and Highways can dramatize to you, there is even so much more that we can generate by the way more mileage from the present resources that we have, if only we can efficiently and effectively use them. SO I hope that this morning we can discuss this and proceed with a more vigorous implementation of this Roadmap.

One of the things that I also learned in the 20 months that I have been here, in so far as the way we should be executing or implementing programs is that we cannot rely simply on the expectation that the system itself will work. Or that once we issue a circular, then that circular will make things happen.

I really think that we need to be very proactive. We need to anticipate and be very interventionist, if not being outright activist, in pursuing these reforms. Change has its proponents, but change has also its opponents. It is easier to simply just stay within how things are being done than change to something different. I hope we take this in mind: not only in agreeing to this Roadmap but also in getting it down on the ground.

Maraming salamat po at magandang umaga.