

Working Group on Governance and Anticorruption Minutes of the meeting of 29 January 2008

The meeting was called to order to get an update from the sub-working groups on governance and on procurement, to get a briefing on early accomplishments under the Integrity Development Reviews, and to discuss the preparations for the upcoming Philippines Development Forum (PDF) on 26-27 March in Clark, Pampanga.

Sub-Working Group on Procurement

Director Alvarez, from the Government Procurement Policy Board Technical Support Office (GPPB-TSO), presented the accomplishments of the Procurement Sub-working Group. During the 2 August 2007 Working Group meeting, it was proposed that a sub-working group on procurement be created in order to coordinate existing procurement initiatives of the different development partners and to broaden the participation of the different stakeholders including the CSOs. Director Alvarez reported that since the sub-working group was created, three meetings have been conducted. During the last meeting, the agreed matrix of action for the Country Procurement Assessment Report (CPAR) was discussed and updated. Director Alvarez reported to the group on progress made on the different CPAR priority areas such as on communication plan, harmonization of procurement rules as well as the creation of an oversight working group that is expected to work on establishing a system to facilitate better coordination among oversight agencies in monitoring compliance and enforcement of procurement rules and regulations. A copy of the presentation is posted on the PDF website (http://pdf.ph/governance_3.htm).

Sub-Working Group on Governance

Director Castillo, from the Department for Budget and Management (DBM), reported on the progress and status of good governance and management reforms, which include the following: (i) embedding of budget reforms; (ii) formulation of a Financial Management Manual; (iii) implementation of the Rationalization Program; (iv) implementation of the Government Quality Management Program; (v) development of the National Guidelines on Internal Control Standards (**NGICS**); and (vi) establishment of Internal Audit Service/Units (**IAS/IAUs**) in different departments/agencies concerned of the Executive Branch. A copy of the presentation is posted on the PDF website (http://pdf.ph/governance_3.htm).

During the discussions, the following issues were raised:

- The need to strengthen monitoring enforcement of internal control systems. USAID will field a consultant on Internal Audit to look into the possibility to institutionalize the anticorruption programs, Run After The Smugglers (RATS) in Bureau of Customs (BOC) and Run After the Tax Evaders (RATE) in Bureau of Internal Revenue (BIR) into internal control systems. The institutionalization will depend on the outcome of the rationalization plan for both agencies. So far, DBM has not yet received the rationalization plans for both BOC and BIR.
- The need to strengthen the capacity of budget monitoring and tracking, and the need to roll out these reforms at the level of the Local Government Units as part of sustaining gains in public expenditure management.
- IMF findings on cash management. Highlighted the need to strengthen internal control and conduct of internal audit to support performance /output budgeting.

- DBM, thru a technical assistance from the Philippines-Australia Partnership for Economic Governance Reforms, is pursuing the formulation of the **NGICS** to enhance internal controls in the operating systems of all departments/agencies, and update and upgrade the agencies' understanding of the concept/scope of internal control. Thus, enable government entities to redesign an effective internal control system which would be applicable to their organization.

The **NGICS** is expected to be formulated within the year for pilot- testing in the DBM. Thereafter, the NGICS would be initially rolled out to "big spending agencies" like DPWH, DepEd and BOC before its final adoption government-wide.

- On the other hand, the Presidential Anti-Graft Committee (PAGC) is working on an internal audit manual which would contain guides to Internal Audit Units on how to conduct the audit.
- Relatedly, DBM is currently drafting a Circular letter which would authorize each department of the executive branch to establish their respective IAS/IAUS consistent with the policies of the Rationalization Program.

Integrity Development Reviews (IDRs)

Assistant Ombudsman Baliton reported on the prospects and challenges in the implementation of the IDRs, and Undersecretary Lozada, from the Department of Health (DOH), reported to the group the DOH experience on fighting corruption through the IDR as carried out by the Integrity Development Committee. Copies of the presentations are posted on the PDF website (http://pdf.ph/governance_3.htm).

During the discussions, the following issues were raised:

- The Office of the Ombudsman agreed that the IDRs that have been prepared so far can be made public
- Following the rationalization, no internal audit unit could be created at the level of the Bureaus but rather at the Department level. In the case of BoC and BIR, it was suggested to create an Internal Affairs Unit, in line with the Administrative Code.
- USAID is supporting the IDR with Supreme Court and asked if there is a plan to conduct IDR at Metro Manila Development Authority (MMDA) in order to focus on petty corruption

Proposed PDF 2008 Commitments

The secretariat reported on the different commitments of the working group to 2007 PDF and the proposed programs to be pursued for 2008. A copy of the presentation is posted on the PDF website (http://pdf.ph/governance_3.htm).

Based on the consultations with the government co-chairs, the following priority areas for 2008 were identified:

Improving efficiency and transparency in public financial management	<ol style="list-style-type: none"> 1. Continue budgeting reform: refine Paper on Budget Strategy and Medium-term Expenditure Framework; pursue computerization of Forward Estimates; expand Organizational Performance Indicator Framework 2. Publish Public Financial Management Manual and conduct training programs for different government agencies on PFM 3. Pilot test National Guidelines on Internal Control Standards 4. Establishment of Internal Audit Service/Units in Departments/agencies concerned
Making procurement systems more efficient, useable and transparent	<ol style="list-style-type: none"> 1. Work towards harmonization of procurement process for government and donor agencies (IRR-B) 2. Initiate implementation Communications Plan
Initiating measures to prevent and prosecute corruption	<ol style="list-style-type: none"> 1. Assist agencies in implementation of IDR action plan 2. Customized IDR for LGUs 3. Assess IDR-program

The floor was open to raise topics and issues to be supported by the working group for 2008 and the following suggestions were made:

- The creation of a working group or sub-working group on Justice: given the need to improve prosecution and sustain the reforms brought by the different development partners' project on this area. Some reservations were expressed about the creation of a sub-working group on Justice under the current working group, given the different composition of the possible members
- The establishment of Integrity Institute under the Office of the Ombudsman to strengthen the capacity of the investigators and prosecutors and to train government officials in anticorruption measures. This initiative is being supported by The Asia Foundation
- The further harmonization of procurement and the roll-out of reforms on PFM to LGUs. It was suggested to coordinate these activities with the working group on decentralization and local government

At the end of the meeting, it was decided not to have another working group meeting before the PDF on 26-27 March in Clark. Instead, the Secretariat will consult the members of the working group on the issues and come up with an updated list of proposed commitments for 2008 by 29 February.