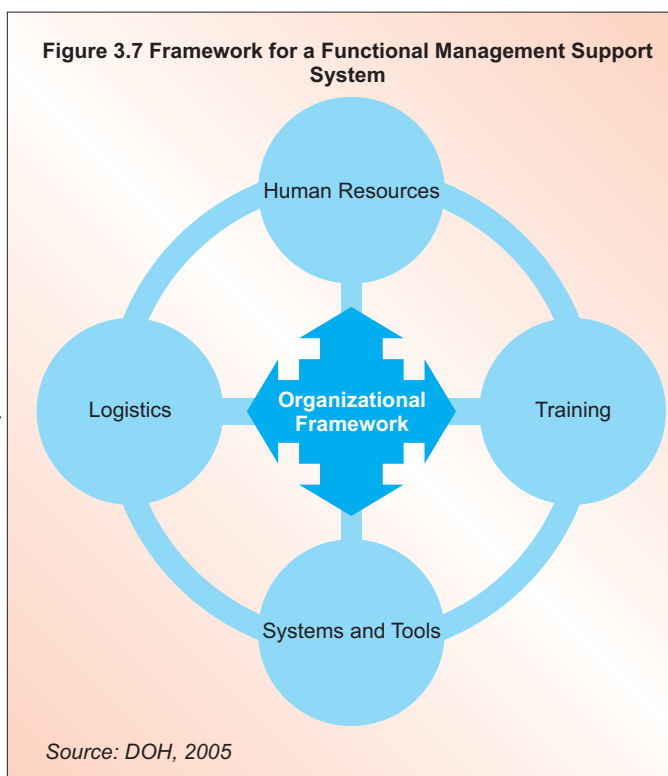


Financial, Procurement and Logistics Management

Past experiences showed that delivery of health goods and services have been compromised at times because of inefficient and ineffective financial, procurement and logistics management. In light of fiscal challenges facing the country, improving the efficiency of the public sector contributes to the government's ability to achieve macro-stability, improve delivery of public services and ultimately, reduce poverty. As the lead agency for health, the DOH must not only manage health expenditures and allocate scarce resources efficiently but also invest in management systems that will adequately support the implementation of health programs and the delivery of health services.

To efficiently and effectively manage finances and logistics in support of the health sector goals, all elements of a functional management support system, human resources, systems and tools, training and logistics should complement each other. The health workforce has to be equipped with the appropriate competencies and skills; systems and tools need to be improved and established; and logistics, such as hardware, software and physical infrastructure, must be made available at the right quantity and quality, at the right time, and at the right place.

There are current challenges in the health management support system that hamper the efficient administration of limited health resources. Examples of these are: (1) the highly inconsistent implementation of financial, procurement and logistics processes, procedures and guidelines at both national and local levels; (2) the lack of integration of the procurement, logistics, warehousing and financial management systems; (3) inadequate skills on the management of procurement and logistics systems at the central and local levels; (4) inadequate capacity to accept, store and distribute health products; (5) the lack of a budgeting system that follows medium-term budget planning which prevent resource gaps in implementing multi-year



priority health programs and activities; (6) poor monitoring and evaluation of financial, procurement and logistics management; and (7) absence of an efficient information system that link DOH offices and LGUs.

To address these challenges, the Philippine government has initiated reforms in financial and procurement management. These reforms utilize strategic management and performance management, and focus on financial and procurement outcomes in relation to service effectiveness, instead of processes and procedures. Financial management has been enhanced through the implementation of the following programs and systems that contribute to good policy formulation, rational budget allocation and transparency:

- (a) Organizational Performance Indicator Framework (OPIF) intended to measure the agency's performance in the implementation of programs, projects and activities with emphasis on major final outputs
- (b) Social Expenditure Management Program (SEMP) designed to handle soft loan project that aims to improve the basic social services by enhancing performance (efficiency, quality and equity) and improving governance (transparency and accountability)
- (c) New Government Accounting System (NGAS) developed by COA to ensure correctness, reliability, completeness and timeliness in recording government transactions. The new system also generates financial reports, in accordance with generally accepted accounting principles.
- (d) Work and Financial Plan (WFP) Database shows annual plans of programs and projects and the resources allocated to them. The database facilitates the tracking of program implementation and budget utilization.

Republic Act 9184, or the Government Procurement Reform Act, institutionalized procurement planning functions and a procurement monitoring system in Centers for Health Development and DOH hospitals. Full implementation of the law will have a significant impact on the lowering of procurement costs, generating substantial savings, and ensuring that goods and services are available at service delivery points.

Other contributions to management reforms include: the establishment of information technology systems (Computerized Payroll System, Check Monitoring System, Supply Chain Management System, and other management information systems), and the

development of DOH hospital income retention and utilization guidelines. Further development of management support systems and guidelines is anchored on defined strategic approaches such as those stipulated in DOH Administrative Order No. 174 s. 2004, the “Implementing Guidelines for Refocusing HSRA Implementation.” These strategic thrusts provide the direction and focus for management support.

In spite of these advances and reforms in health sector financial, procurement and logistics management, more interventions need to be in place to ensure efficient allocation and optimum use of health resources. These include: (1) establishment of an integrated financial management system to shift from financial to performance auditing; (2) building capacity of institutions that play different roles in the procurement and supply management process; (3) institutionalization and integration of programs and systems at all levels of the DOH and LGUs to improve coordination among agencies; reduce duplication of programs and activities and mismatch of resources to expected output; and allow for more effective monitoring and evaluation for financial, procurement and logistics management; (4) setting-up a system of control that will minimize corrupt practices, enforce penalties and sanctions, and establish a system of accountability and transparency for those who are entrusted with government resources; (5) improving approaches for budget formulation and efficient resource allocation to priority goals and needs; (6) enhancement of measures for payment of expenditures, internal control and audit, accounting and reporting, and fiscal discipline; and (7) establishment of a unified project management office (UPMO) that will manage day-to-day operations and financial flow of external assistance to maximize collective usefulness and efficacy of different funding mechanisms that reinforce over-all health reform priorities such as budget support, sector wide approach and government budget allocation.

Goal: Efficiency and effectiveness of financial, procurement and logistics management systems to support health program implementation are ensured			
National Objectives for 2005 - 2010			
Objective	Indicator	Target	Baseline Data and Source
Financial, procurement and logistics management systems are improved.	Compliance to standard procedures for financial and procurement transactions, and material management processes	100 percent compliance to standard procedures for financial, procurement and supply management transactions	Developed public financial management reforms OMS, DOH, 1999

National Objectives for 2005 - 2010			
Objective	Indicator	Target	Baseline Data and Source
	Improved systems and tools for financial, procurement and material management transactions	100 percent of personnel trained on procedures and policies (operational, managerial and executive levels)	To be determined
		Integrated procurement, logistics and financial management system implemented	To be determined
Central and regional warehouses refurbished		To be determined	
Procurement, logistics and financial management, and warehousing manuals developed and used at all levels		To be determined	
Management support monitoring and evaluation system installed		To be determined	
Assets management system implemented		To be determined	
Availability of health goods and services at the right time and place		To be determined	
	Reduced transaction time and costs	Reduce time for processing financial transactions by 50 percent	To be determined
		Reduce the time for processing procurement of goods and services by 50 percent	To be determined
		Reduce the spoilage and expiry of program commodities (drugs, vaccines, supplies, etc.) by 50 percent	To be determined
		Reduce loss of government properties and assets by 50 percent	To be determined
Transparency and accountability in all transactions are promoted	Developed policies, programs and systems to promote transparency in government transactions	Work and financial data base system functional at all levels e-NGAS functional at all levels Financial and budget allocation and utilization system in place	HPDPB work plan, FS and IMS e-NGAs implementation e-NGAS functional at DOH central office; pilot testing in CHD and hospitals

National Objectives for 2005 - 2010			
Objective	Indicator	Target	Baseline Data and Source
		Financial flash/regular reporting in place at all levels 100 percent compliance to Government Electronic Procurement System at all levels Materials management tracking and inventory system in place Internal audit system institutionalized at the CHDs, retained hospitals, sanitararia, and treatment and rehabilitation centers Integrity Development Committees/Program in place at all levels Partnership with civil society for procurement and supply management forged Internal controls enhanced	100 percent at central office Internal audit system in place at the central office
	Ensured access to available public documents	Official documents readily accessible Integrated information system in place/installed Posting of financial and procurement opportunities and results	Accessible by request or through electronic means

Strategic Thrusts for 2005-2010

- Creation of a **positive environment for better financial, procurement and logistics management** system in the health sector through the **appropriate mix of incentives and controls**
- Establishment of **innovative approaches in financial, procurement and logistics management systems** and strengthening its implementation through collaboration with the various providers of health care, and integration of the systems among implementing agencies.