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Introduction

The Philippines experienced the renewal and broadening of civil society during the 1980s as mass mobilizations helped bring down the Marcos dictatorship. As a product of the democratic transition, the 1987 Constitution recognizes the importance of civil society and their participation in governance and development. The Charter declares that the State shall encourage non-governmental, sector-specific, and community-based organizations that promote the welfare of the nation. It emphasizes that the right of the people and their organizations for effective and reasonable participation at all levels of social, political and economic decision-making shall not be abridged. To pursue this aim, adequate consultation mechanisms will be set up by the government.

Current President Benigno S. Aquino III campaigned on a reform agenda, seeking to end corruption and poverty. By linking corruption to poverty, then candidate Aquino sought to draw attention to issues of governance. The Philippine government is squarely tackling the issue of government corruption as part of its effort to improve the quality of governance. Importantly, the direct engagement and empowerment of citizens is a central component of the effort to improve the quality of governance. There have been a series of institutional reforms over the past four years, as the Aquino governments seek to build new institutions to alter spending patterns and improve governance.

The 2010 election of Aquino led to a clear shift in the priorities of the Philippine government. The Aquino reforms built on an interesting array of measures that preceded his time in office. Thus, the roots of the current efforts can be found in several areas:

First, a convergence strategy for the delivery of social services in poor
municipalities was undertaken through the Community-Driven Development Program. This effort allow citizens to be directly involved in the allocation of priority projects at the barangay level, which are funded from the national budget and supported with grants and loan assistance from multilateral financial institutions such as the World Bank and Asian Development Bank (Labonne and Chase 2008).

Second, civil society organizations (CSOs) in the Philippines began experimenting with ways to monitor corruption as well as the quality of project implementation. Bantay Lansangan (Road Watch) is an excellent example of a CSO that used participatory auditing to counter misappropriation and misuse of public goods. Another example is the Alternative Budget Initiative, led by Social Watch Philippines, which allows CSOs to provide alternative budget arrangements.

Finally, reform oriented governments were elected at subnational levels. Naga City is the best example of a local government unit embarking on reform. The case of Naga City demonstrates how its local government was able to make legal provisions of participation at the local level parallel to national legislation. Particularly, the local government sought to make participation more available at the local level since participation is usually observed in national legislation. Naga City’s 1995 Empowerment Ordinance has the objective of enabling CSO participation in local decision making bodies.

The government of President Aquino has produced a wide range of reforms. First, the government changed the internal structure of the Presidential administration to better coordinate efforts to improve governance. The Cabinet Cluster on Good Governance and Anti-Corruption (CGAC) is directly involved in promoting citizen participation in policymaking and auditing mechanisms. Second, the government created a series of reforms that have dramatically increased the
amount of information that citizens can access. The government has committed to creating a People’s Budget whereby basic budget information is made accessible to interested citizens. Third, citizens are now induced to participate in national policymaking processes. Fourth, the country is supporting the use of direct participation mechanisms at the local level.

The reforms in the Philippines appear to be most consistently aimed at solving two crucial problems. First, the participatory institutions are geared toward solving the problem of low knowledge and limited engagement among CSOs and citizens. There is a deliberate effort to empower citizens. Second, there is also a specific interest in limited corruption. The most innovative reforms address both of these issues. These include the People’s Budget, Transparency Seal, Grassroots Participatory Budgeting, Budget Partnership Agreement, Seal of Good Local Governance, and Citizen Participatory Audit.
Section 1: Historical Overview

The reforms initiated by President Aquino represent an effort to combat poverty and corruption. The current wave of reform builds upon thirty years of civil society organizing and party politics in order to produce a political coalition capable of bringing social and political change in the Philippines. In order to understand the current reform efforts, this report begins with an overview of the recent history of the regime, political party systems, policy-making process, and civil society renewal.

The Philippines is a unitary state with a presidential system of government. It is characterized by the formal separation of powers between the executive, legislative and judicial branches of government. Historically, the executive agencies under the direction of the President enjoyed wide latitude for development planning, spending decisions, and appointments of key people to steer the bureaucracy. Nevertheless, these actions were subject to the oversight authority exercised in the budget and confirmation hearings of Congress as well as the audit procedures of independent Constitutional bodies, including the Commission on Audit and the Civil Service Commission.

Since 1946, free elections were held on a regular basis to choose the leaders from the President to legislators and local government officials except for the fourteen year interregnum from 1972 to 1986 when the country was placed under martial law. As a platform for voice and accountability, elections leave much to be desired. The combination of a weak political party system, poor election administration, and inadequate voters' education led to the low quality of democracy and the failure to convert campaign platforms into effective governance programs. In this landscape, rent seeking opportunities abound to use campaign finance contributions as a window to get state-conferred business contracts and other concessions. On the other hand, the
politicized recruitment of executives for bureaucratic positions from the top down to the level of middle managers distorted efforts to professionalize the government career executive service.

The weakness of democratic institutions like political parties fostered a state that became vulnerable to capture by politicians and their business allies while being unable to provide ordinary citizens with the voice mechanisms to express their demands and gain access to public services. A two-party system shaped the contours of electoral politics from 1946 until it was destroyed by martial law in 1972. The return of formal democracy in the aftermath of the people power revolution in 1986 gave rise to a multi-party system. Nevertheless, the shift from a two-party towards a multi-party system did nothing to alter the general lack of clear programmatic differences among the major parties.

The downfall of authoritarianism led to the establishment of a Constitutional Commission by President Corazon Aquino. In 1987, a new Philippine Constitution was ratified. Reacting to the twenty year rule of Ferdinand Marcos as president, the new Charter limited the term of office of the President to a single six-year term. Other elected leaders like legislators and local government officials are also governed by term limits but can seek re-election under restricted successive term provisions. Another feature is the introduction of proportional representation in Congress for party-list groups that promote the interests of marginalized sectors. Twenty percent of the seats in the House of Representatives are allocated for proportional representation. A party-list group gains a seat when it reaches the threshold two percent of the national vote. It can occupy as many as three seats in Congress.

a) Participation under a democratic regime
As a product of the democratic transition, the 1987 Constitution recognizes the importance of civil society and their participation in governance and development. The Charter declares that the State shall encourage non-governmental, sector-specific, and community-based organizations that promote the welfare of the nation. It emphasizes that the right of the people and their organizations to effective and reasonable participation at all levels of social, political and economic decision-making shall not be abridged. To pursue this aim, adequate consultation mechanisms will be set up by the government.

The Philippines developed a decentralized system of government with the passage of the Local Government Code of 1991. Specifically, the Code included the concepts of devolution, funding of local government units, and citizen participation. Local development councils in every province, city, municipality and barangay to determine the use of the local development fund which represents 20 percent of the Internal Revenue Allotment from the national government. Under the law, a quarter of the seats in these councils should be occupied by CSO representatives.

b) Corruption and Transparency

President Aquino was elected by a wide margin in May 2010 behind a campaign promise of eradicating corruption. One of the first acts of the new administration was the establishment of the Cabinet Cluster on Good Governance and Anti-Corruption through Executive Order No. 43 issued in 2011. The member agencies include the Department of Budget and Management (DBM), Department of Finance, Department of the Interior and Local Government (DILG), Department of Justice, Department of Trade and Industry, Office of the Chief Presidential Legal Counsel, and Presidential Legislative Liaison Office. The Governance Cluster was tasked to produce results in four outcome areas: (1) improved transparency and citizens’ empowerment, (2) improved public
sector performance, (3) improved anti-corruption measures, and (4) improved policy environment for good governance.

Coming on the heels of a government that relied on a re-enacted budget more than once, the Aquino administration was challenged to work for the timely and consistent passage of the national budget. The other critical budget management issues concern the timely release of budget allocations to line agencies, the effective preparation of spending programs and projects, and improvements in the procurement process. On the other hand, the demand side entails that public financial management information should be made visible through an Open Data system (World Bank 2013).

The Open Budget Survey, with the support of the International Budget Partnership, is undertaken every two years to ascertain a country’s transparency in terms of the availability and accessibility of budget documents to its citizens. The Philippine score was 48 with 100 being the highest in 2012. In 2010, the Philippines scored a 55. Compared to other Southeast Asian countries, the Philippines scored better than Malaysia (39), Thailand (36), Timor-Leste (36), Vietnam (19), Cambodia (15), and Myanmar (10) but lags behind Indonesia (62).

The country was characterized as having moderate legislative strength, strong Supreme Audit Institutions (SAI), and moderate public engagement. The SAI was commended in the report as it is a comprehensive fraud alert system which is available online. It also includes an annual summary of fraud complaints received by the SAI, stating the agency involved, subject of allegation, date of receipt of the complaint, and the action taken by the SAI. The most significant recommendation given to the Philippines in the survey is that the country can use its potential in order to widen budget transparency by introducing a number of short-term and medium-term measures, some of which can be achieved at almost no cost to the government (Open Budget Survey 2012).
c) Budget Forum

The participatory institutions that were developed under the Aquino administration are geared toward addressing the problem of how to elevate the knowledge and limited engagement of citizens and CSOs in the budget process. To make the technical language in the budget understandable to the citizens, the DBM issued a 20-page glossary of budget terms in the 2014 Budget of Expenditures and Sources of Financing. The DBM also organizes an annual People’s Budget Forum and CSO Briefing during the first quarter of the year to provide information on windows for public participation in the budget process.

d) Transparency Seal

National Budget Circular 542 was issued by the DBM in 2012 to foster transparency and accountability in government. National agencies are mandated to set up a Transparency Seal on their official websites with the following information: (1) the agency’s mandates and functions, names of its officials with their position and designation, and contact information; (2) annual reports for the last three years; (3) approved budgets and corresponding targets; (4) major programs and projects; (5) program and project beneficiaries; (6) status of implementation and evaluation of programs and projects; and (8) annual procurement plan, contracts awarded and names of contractors.

In 2012, during the first cycle of the Performance Based Incentive System (PBIS), 87 percent of participating agencies met the Transparency Seal requirement. The compliance rate climbed up to 89 percent in the succeeding year. The PBIS was introduced to provide employees with a top-up bonus based on performance that helps
in the achievement of their agency’s goals and commitments. Previously, bonuses were allocated uniformly to all civil servants, regardless of their performance.

e) People’s Budget

The *Budget ng Bayan* or the People’s Budget was published to assist citizens in comprehending the national budget. Conceived as a way of providing better citizen access to budget information in a less technical format, the People’s Budget was distributed in both print and online form in 2012 and 2013. The proposed and enacted budget is summarized with infographics through the People’s Budget publications and the BudgetngBayan.com site (DBM 2015).

During the 2015 budget preparation, the DBM pushed for the Open Government Data Policy by asking all national agencies to make available in machine-readable and open formats and released with open licenses datasets created, collected, processed, and disseminated (DBM 2015).

f) Full Disclosure Policy

The Full Disclosure Policy (FDP) at the sub-national level was driven in 2010 by the issuance of DILG Memorandum Circular No. 2010-83. This requires all provincial, city, and municipal governments to make their financial documents available to the citizens. The documents for public access include the Annual Budget, Statement of Debt Service, Statement of Receipts and Expenditures, Annual Procurement Plan, Trust Fund Utilization, 20 Percent Component of Internal Revenue Allotment Utilization, Local Disaster Risk Reduction and Management Fund Utilization, Quarterly Statement of Cash Flow, Bid Results on Civil Works, Goods and Services and Consulting Services,
Special Education Fund Utilization, Unliquidated Cash Advances, Manpower Complement, and Supplemental Procurement Plan.

The FDP implementing guidelines can be found in DILG Memorandum Circular 2013-140 the posting of the documents and transactions in at least three publicly accessible and conspicuous places in the local government unit as well as the FDP Portal. Conspicuous places refer to the provincial capital, city hall, municipal hall, barangay hall, and government-owned facilities to include, but not limited to the social center, gymnasium, auditorium, manpower development center, training center, transport terminal, public market, public school, health station, and hospital. Upon request, local chief executives should provide copies of the documents to CSOs and the private sector.

**g) Seal of Good Housekeeping**

The compliance of local government units with the FDP was low at the start. In 2010, only 20 percent of LGUs fully complied with the FDP. To remedy this, the DILG implemented an incentive program to encourage local governments to practice good internal housekeeping in two key areas. The first is the transparency and accountability which is measured in term of public posting of local financial documents. The second is the practice of sound fiscal management which is reflected in the absence of an adverse report from the Commission on Audit.

Local governments that complied with these criteria are awarded the Seal of Good Housekeeping (SGH). SGH awardees were eligible to access the Performance Challenge Fund (PCF) grant, which subsidizes local government projects that were aligned with national priorities or the Millennium Development Goals. The PCF is an incentive which is given to local governments that passed the SGH. It provides additional funding for the projects identified in the local government’s Annual Investment
Program. PCF-funded projects may be in the areas of infrastructure, health, tourism, environment and disaster preparedness.

The amount of the PCF grant was PHP 1 million for municipalities, PHP 4 million for cities, and PHP 7 million for provinces. However, studies indicate that there are other reasons why local governments are incentivized to get the SGH beyond the opportunity to avail of the PCF. Many local governments are motivated to vie for the seal itself as a form of recognition that is useful for rallying political support. Another factor to consider is the peer pressure at play among local chief executives (CODE-NGO, PhilDHRRA, TAN, and La Salle Institute of Governance 2012). By 2012, 84 percent of municipalities, cities and provinces have been conferred with the SGH.
Section 2: Participation in national level policies

Most significantly, the administration hinged on institutionalizing people power in governance in order to emphasize citizen engagement in the budget process. This area of citizen engagement would create venues for citizens not only to participate in budget preparation, but also expand their participation to other stages in the budget process. The move for citizen participation is towards including people participation in all stages of the budget process or the whole budget cycle. In sum, the government seeks to open the government to the people. Being part of the Open Government Partnership, the Philippine government seeks to improve public service delivery through measures to enhance the integrity of government systems and to effectively manage public resources. The Philippine Government Action Plan for 2012 was crafted in consultation with the CSO community.

The Philippines offers an interesting case of improving transparency and accountability through the enhancement of civil society participation in budget and policy mechanisms at both the national and sub-national levels. Participation in fiscal policy necessitates correct information in order to formulate fiscal priorities and to assess services that are of value. In addition, people need to understand budget information and be made more knowledgeable on how the budget process works since in areas such as CSOs and citizen engagement in monitoring and auditing government projects (Fölscher 2007).

1.2. Executive: Budget and fiscal issues

Since the start of the Aquino administration, formal procedures were adopted by the executive to promote public participation in various phases of the budget process, including budget planning, procurement, and monitoring.
a) Budget Partnership Agreement

In 2012, the DBM issued National Budget Circular No. 536. This policy guideline creates a means for CSO engagement with national government agencies in crafting budget proposals through the Budget Partnership Agreement (BPA). This provides a voice mechanism for CSOs to engage in the national budget process. National Budget Circular No. 536 lays down the rules for CSO involvement in the preparation of agency budget proposals. The policy circular delineates the objectives, scope, and roles and responsibilities of the agency and CSO in the budget partnership.

This reform effort started in 2011. The BPA is pursued with the agency providing information to the CSOs on proposed programs and plans to be submitted for budget support. Aside from their engagement in budget preparation, CSOs can monitor budget implementation. In formulating the 2015 budget, 69 new BPAs were forged in seven national government agencies and one government corporation. These are the Department of Agriculture (DA), Department of Education (DepEd), Department of Environment and Natural Resources (DENR), Department of Health (DOH), Department of Labor and Employment (DOLE), Department of Social Welfare and Development (DSWD), Department of Transportation and Communications (DOTC), and Social Housing and Finance Corporation (DBM 2015).

b) Grassroots Participatory Budgeting

In preparing the 2015 national budget, the DBM, DILG, DSWD, and National Anti-Poverty Commission (NAPC), released Joint Memorandum Circular No. 4. It defines
the parameters for public engagement in budget preparation through CSO consultations at the local level under the Grassroots Participatory Budgeting (GPB) Program.

Formerly known as the Bottom-Up Budgeting Program, the GPB is a mechanism to propose locally identified services to be supported under the General Appropriations Act. It provides for the establishment of a local poverty reduction action team to determine local priority projects. These projects are submitted for incorporation in the budget of the participating national agencies. Half of the membership in the local poverty reduction action team is from the government while the other half is from the CSO sector. The team is co-chaired by the local chief executive and the CSO representative.

The coverage of the GPB Program for the 2014 budget preparation included 1,233 cities and municipalities, 12 national government agencies, and one government corporation. Based on the implementation guidelines, at least 3 CSOs should be involved in the local poverty reduction action team of the city or municipality. For 2015, all cities and municipalities are required to participate in the GPB Program.

The GPB implementation guidelines laid down in Joint Memorandum Circular No. 4 issued by the DBM, DILG, DSWD and NAPC require the calling of a general assembly of CSOs at the municipal and city level. The CSO assemblies are convened by municipal level officers of the DILG, with the support of the provincial representatives of the basic sectors in the NAPC during the 2014 budget preparation.

The menu of approved projects under the GPB Program is published. There are constraints however in disseminating the information to CSOs especially those who are not connected with national networks. During budget execution, CSOs can engage in the monitoring of the GPB projects through the local poverty reduction action teams.
While the teams are expected to conduct quarterly meetings, some teams are not able to follow this rule.

**c) Community-Driven Development**

The Kapit-Bisig Laban sa Kahirapan (KALAHI)–Comprehensive and Integrated Delivery of Social Services (CIDSS) - National Community-Driven Development Program was launched in 2014. It builds upon the experiences in the implementation of the KALAHI-CIDSS (KC) Program in poor municipalities from 2003 to 2013. The KC-NCDDP is managed by the DSWD. It uses the community-driven development approach in poverty-reduction, as well as in post-disaster rehabilitation in municipalities affected by Typhoon Yolanda. As of March 2015, a total of 667 municipalities covering 16,078 barangays, located in 57 provinces across 14 regions are enrolled under KC-NCDDP.

Community-driven development is pursued through the provision of grants for community-based social preparation, planning and implementation of sub-projects such as water systems, access roads, schools, health stations, and day care centers. The goal is to enable communities in target municipalities to enhance their access to social services and to engage in more inclusive local planning, budgeting, implementation and disaster risk reduction and management.

The KC-NCDDP encouraged marginalized communities to engage with their barangay officials in identifying their needs and accessing resources from other government agencies. The program enabled communities to participate in decision making, exact accountability from local officials, and foil efforts to divert funds.

The Barangay (village) Assembly became a venue not just for reporting but also for accountability. It introduces the residents on the objectives and processes of KC-
NCDDP and validates the priority problems and proposed subprojects identified during the participatory situation analysis. The Barangay Assembly approves the various aspects of the chosen subprojects. During subproject construction, the Barangay Assembly instructs the village subproject management committees to report on the progress of implementation.

The Municipal Inter-Barangay Forum (MIBF) is the mechanism for subproject selection within KC-NCDDP. Each village presents its proposal to the MIBF, followed by an open forum where representatives of other villages are given an opportunity to raise questions about the proposal. After the subproject presentations are completed, proposals are graded using the criteria agreed upon earlier. The scores of the proposals are consolidated to arrive at the overall ranking of the subprojects. The ranking of the subprojects is then used for allocation of the KC-NCDDP municipal grant, as explained above.

The Municipal Talakayan is a collaborative activity between the DSWD and the local government. It aims to elevate people's understanding on the status of local development especially in the areas of local governance, poverty reduction, and people empowerment. It provides a platform for face-to-face dialogue between project implementers and beneficiaries. It promotes the use of information by municipal and barangay officials to support better planning, implementation, and reporting.

**d) Procurement Monitoring**

The National Movement for Free Elections (NAMFREL), which made its mark as an election watchdog, ventured into public health monitoring when it collaborated with the Department of Health (DOH), and the Coalition against Corruption which is a network of groups from civil society and the private sector. With the support of the Partnership for
Transparency Fund (PTF), the Medicine Monitoring Project was supported was undertaken in 28 DOH regional hospitals and health centers in 2010-2011.

Public participation in government procurement proceedings was conducted to enhance the delivery of health services. Citizen monitors were deployed to study the Annual Procurement Plan, observe the bidding process, and verify if the medicines were approved by the Philippine National Drug Formulary. In the monitoring exercise, the volunteers followed the paper trail to ensure the integrity of the process. They checked whether the notice of award listed the right types and quantities of drugs, reviewed the purchase orders, and scrutinized the inspection and acceptance forms which specified the drugs to be delivered, including their batch number and expiry dates. The volunteers are tasked to prepare inventory monitoring reports.

NAMFREL has made the medicine procurement process more inclusive and has made volunteers as official observers and members of the DOH Integrity Development Committee. They were deployed in the various stages of the procurement process. A total of PHP 302.51 million worth of medicines were monitored in this project. The medicines were delivered in a timely manner and complied with the terms of the contract. The volunteers provided vital feedback to ensure the safety of storage facilities. The integration of public participation led open, competitive, and accountable bidding processes. As a result of the project, hospitals and health centers became more aware in choosing the best bid prices during the procurement process which therefore contributes to better service delivery in the health sector (Partnership for Transparency Fund 2013).

e)Road Watch
The 2015 National Expenditure Program has a section on Transparency in Infrastructure Projects. Agencies engaged in infrastructure activities have to report important project information on their websites at the start and upon completion of the project. Within 30 days after finalizing the contract, the agencies need to post online the following data: project title and detailed description; detailed estimates in arriving at the contract budget; and the winning contractor and detailed estimates of the bid as awarded. Upon finishing the project, the agencies need to provide in detail the actual cost of the project and variation orders issued.

The transition to democracy in 1986 opened windows for civil society participation in monitoring development programs of the government. In 1987, the National Economic and Development Authority (NEDA), the central planning agency of the government, signed a Memorandum of Agreement with the Concerned Citizens of Abra for Good Government (CCAGG) to monitor the projects under the Community Employment and Development Program (CEDP) in the province of Abra.

To prepare for the task, the CCAGG volunteers underwent rigorous training on project monitoring. Capacity building was provided by the NEDA – Region I office. The CCAGG conducted community meetings and used local radio and newspapers, to inform residents about the status of public infrastructure projects. In the past, it was common for government agencies to declare the completion of projects and programs that have not been validated especially in remote areas where there are no local monitoring teams.

In a celebrated case, the CCAGG decided to conduct a social accountability check on the then Ministry Public Works and Highways report on the completion of 27 road projects in Abra. Mobilizing its band of citizen volunteers, the CCAGG produced a detailed documentation of the actual state of the finished projects. The civil society audit contradicted the government report. Many of the projects were only just beginning or
were mid-way through the construction stage. The CCAGG report was submitted to the national government.

An official audit on the road projects was launched. The COA report concurred with the findings of the CCAGG. As a result of public participation in infrastructure monitoring, 11 public works officials were suspended for dishonesty and misconduct. The Chief Engineer and Deputy Chief Engineer of MPWH in Abra were suspended without pay and debarred from serving in the province.

Recognizing the critical role of the CCAGG in corruption prevention, the COA decided to partner with the CCAGG in conducting participatory auditing with the support of the United Nations Development Programme. The lessons from the audit exercises were later incorporated into a Manual on the Conduct of Participatory Audit. Given its pioneering and extensive experience in infrastructure monitoring, the CCAGG was chosen to serve as Chair of the Bantay Lansangan (Road Watch) Program that monitored DPWH procurement processes under the Benigno S. Aquino III administration.

**f) Extractive Industries Transparency Initiative**

The Philippines Extractive Industries Transparency Initiative (EITI) was created through Executive Order No. 147 signed in 2010. It led to the creation of the Philippines-EITI or PH-EITI multi-stakeholder group, composed of government, private sector, and civil society representatives, which is mandated to complete the requirements for Philippine candidacy under the initiative. The country was admitted as a candidate in May 2013. To be compliant with EITI standards, it is required to begin public disclosure of payments from the extractive sector. The Philippines should also publish an annual EITI report.
The EITI is a global standard of transparency that requires oil, gas, and mining businesses to publish the amount they pay to governments. On the other hand, governments are expected to disclose how much they collect from these corporations. The initiative seeks to promote transparency in reporting the public revenue generated from taxes paid on the extraction of natural resources.

At the launch of the initial Philippines EITI report in early 2015, the Department of Finance indicated that PH-EITI will work for the institutionalization of the effort through legislation that will transform revenue reporting from a voluntary to mandatory system. There will be proposed amendments on the non-disclosure clauses in the National Internal Revenue Code and the Omnibus Investments Code. The legislative measure will set elaborate reporting standards for the tax payments of corporations in the oil and gas sector, as well as the mining sector.

I.3. Legislature

Discussions on the macroeconomic and fiscal framework of the budget are usually done on the first days of hearings of the Congress where principals of the Development Budget Coordination Committee are invited to testify. CSO representatives can attend these hearings but they are not allowed to raise a point or a question.

Public hearings in which testimony from the executive branch is heard are held on the budgets of a wide range of administrative units. The Congress usually schedules one agency per day. The offices are given the opportunity to present and explain the basis of their budget.
Members of the public are not allowed to give testimonies in public hearings on the budget of administrative units. CSOs often just communicate their concerns to legislators who will voice out the observations for them.

Committees do not produce reports covering written and spoken testimonies presented in budget hearings. What the House Appropriations Committee and the Senate Finance Committee typically produce is each committee’s version of the General Appropriations Bill, which reflects the result of the budget deliberations.

CSO engagement in budget legislation is important. Social Watch Philippines has been active in this stage of the budget process, and has constantly monitored how the budget has been constituted. It has significantly focused on social development. In order to participate in this stage, Social Watch submits alternative budgets. This has been called the Alternative Budget Initiative. These alternative budgets are subjected to hearings by the Appropriations Committee. Aside from Social Watch Philippines who have submitted alternative budgets since 2006, other groups have supported this initiative as well. In addition, “in terms of response, legislators sponsor items in the Alternative Budget Initiative and include these in the amendments” (Briones 2011).

a) Supreme Audit Institutions

The Supreme Audit Institution in the Philippines is the Commission on Audit (COA). It was created by the Constitution and vested with the power to examine, audit, and settle all accounts pertaining to the revenue and uses of funds and property, owned or held in trust by the government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis. However, where the internal control system of the audited agencies is
inadequate, the COA may adopt such measures, including temporary or special pre-audit, as are necessary and appropriate to correct the deficiencies.

The COA has a program called the Citizen’s Participatory Audit which allows the public to be involved in the audit process. Under this program, the Commission partners with CSOs to form special audit teams and conduct value-for-money audits of selected government projects. Three participatory audits have been conducted under this program since 2012. Through its Fraud Audit Office, COA accepts complaints from concerned citizens. Request for Fraud Audits may be submitted personally or through the COA citizens’ desk, accessible through its website.

The citizens’ link directs the user to a Public Information System, where a ticket may be created for audit and non-audit related concerns. Complaints and other inputs from the public are evaluated or investigated by auditors and are included in the audit scope.

The Commission maintains formal mechanisms through which the public can participate in audit investigations. While these mechanisms are accessible, they are not widely used by the public. Through the Citizen’s Participatory Audit, the COA enables citizens to take part in the conduct of audit investigations by making them a part of audit teams for selected government projects. Three audits have been conducted since 2012. One such project is a Flood Control Project in Metro-Manila. Three CSOs participated in the audit by partnering with COA in the conduct of citizen surveys, interviews, focus group discussions, and site inspections.

The COA maintains other mechanisms of communication to make the public aware of audit findings. The COA has a Public Information Office but maintains no formal mechanism of reaching the public beyond the published reports. On a rare occasion in 2013, however, the commission held a press briefing to discuss a Special Audit Report
on anomalous transactions in the use of pork barrel funds amounting to billions of pesos.

The Commission does not issue reports on the inputs it receive from the public through public consultations. The COA website previously featured a Fraud Alert section where citizens can report allegations of fraud, waste, abuse, or mismanagement of funds. In this section, the COA also publishes a summary of the fraud complaints it has received by year, indicating the agency involved, subject of allegation, date of receipt of the complaint, and the action taken by the Commission. This year, however, the Commission replaced its website and that section was replaced with a Public Information System, where a ticket may be created for audit and non-audit related concerns.
Section 3: Case Studies

a) Naga City People’s Council

In 1995, a landmark legislation called the Empowerment Ordinance mandated the city government to recognize the importance of public participation, through non-government organizations (NGOs) and people’s organizations (POs) that are federated in the Naga City People’s Council (NCPC), in fostering good local governance. The NCPC was empowered to appoint CSO representatives to local special bodies of the city government. It can observe, vote and participate in the deliberation, conceptualization, implementation and evaluation of projects, activities and programs of the city government. It can propose legislation, participate and vote at the committee level of the elected city legislative council, and act as the people's representatives in the exercise of their right to information on matters of public concern and access to official records and documents.

There shall be one (1) representative in the city council from each of the non-agricultural labor, women and urban poor sectors of the city who shall be elected from among the members of the accredited NGOs and POs in each sector. The term of office of the elected sector representatives shall be co-terminus with the term of office of the regular members of the city council. They shall not be entitled to any salary. They may receive allowances as may be granted by the city council to defray the expenses for attending and participating in official functions, including city council sessions, committee hearings, and other activities in aid of legislation. The sector representatives shall enjoy the same rights and privileges, and exercise the same powers and responsibilities, as the regular members of the city council.
Through the efforts of the Naga City People’s Council and with the support of the United Nations Democracy Fund, capacity building activities leading to the formation of local CSO networks were undertaken in the peri-urban municipalities that form part of the Metro Naga Development Council. The NCPC model is now being replicated in many parts of the province of Camarines Sur.

b) Seal of Good Local Governance

In 2014, the DILG elevated the Seal of Good Housekeeping into the Seal of Good Local Governance (SGLG). The SGLG is awarded to local government units that adhere to performance criteria in the following areas: good financial housekeeping, disaster preparedness, social protection, environmental management, peace and order, and local economic development.

Good governance promotes transparency and accountability in the use of public funds by delivering basic services that are responsive to people's needs. As laid down in DILG Memorandum Circular No. 2014-39, the SGLG sets a standard for good performance by provincial, city and municipal governments, not only on financial housekeeping, but also in other areas that directly benefit the people. It is a continuing challenge for local governments to perform better, and ultimately, achieve a desirable condition where local governments can achieve the following: (a) Sustain the practice of transparency and accountability in the use of public funds; (b) Prepare for challenges posed by disasters; (c) Demonstrate sensitivity to the needs of vulnerable and marginalized sectors of society; (d) Encourage investment and employment; (e) Protect constituents from threats to life and security; and (f) Safeguard the integrity of the environment (DILG 2014).
The conferment of the SGLG provides the local government unit with the eligibility to submit project proposals to be financed by the Performance Challenge Fund. More funding windows are opened up for SGLG recipients who are given the priority to apply for project support under the various development programs of national agencies where funding can be downloaded to local governments, such as the Grassroots Participatory Budgeting Program. Local governments that satisfy the SGLG criteria are given loan access to government financial institutions.

There are open data platforms that have been developed to support public participation in monitoring local government performance with the use of the SGLG criteria, especially the component on good financial housekeeping. These include fiscal transparency mechanisms such as the Full Disclosure Policy Portal and the Performance Challenge Fund (PCF) Portal. There were 1,845 development projects implemented amounting to P2.5 Billion nationwide from 2010-2014 under the PCF Program. The PCF Portal provides information on project site, cost, and status that are now available to the citizens.

c) Farm to Market Roads Audit

In early 2015, participants from the Commission on Audit (COA) and various CSOs from Palawan gathered for a capacity building and audit planning workshop for a new Farm-to-Market-Roads (FMRs) citizen participatory audit (CPA). The Palawan component is part of a nationwide performance audit that COA is implementing in cooperation with citizens and CSOs across the country. CSO partners are expected to help collect data on some of the remote FMR projects. The activity is coordinated by the Affiliated Network for Social Accountability in East Asia and the Pacific (ANSA-EAP) in cooperation with COA. It is sponsored by the Philippines- Australia Public Financial Management Program (PFMP) as part of its support to the second phase of COA’s CPA.
Program. The audit aims to determine the economy, efficiency and effectiveness of the Department of Agriculture’s (DA) Farm-to-Market-Road Development Program (FMRDP).

FMRs are an integral part of the Aquino Administration’s Budget Priorities Framework. One of the priorities in sustaining the growth momentum in the country is to increase the span and quality of transportation. An objective of the Administration has been to increase government spending in infrastructure as a ratio of GDP, from 2.6% in 2011 to 5-6% by 2016. This includes investing in a coherent and efficient intermodal national transport roadmap which includes better connecting the supply of agricultural goods to distribution hubs. The plan also recognises that interventions need to lead to increasing productivity and incomes of farmers and fisherfolks since two thirds of the poor depend on farming and fishing for income and sustenance. The DA is the lead agency for the construction, restoration, and rehabilitation of FMRs and implements the projects in partnership with the DPWH and local government units.

The DA’s target for the construction of FMRs from 2011 to 2016 is 13,999 kilometers. In 2014, PHP 12 Billion were allocated to the DA’s FMRD Program. DA intended to build 1000 KMs of FMRs in 2014 at a cost having recently gone up to PHP 12 Million per kilometre. Some issues observed in such programs in the past include poor construction quality, improper observance of set criteria such as releasing funds for roadways other than those meant to help farmers, or where there were no clearly identified locations for the budgeted roads.

The audit will validate compliance of the LGUs with the qualification requirements for contractors or for the LGUs themselves. It will also validate reported construction accomplishments on FMRs including compliance with the project plans and specifications. Seven COA/Citizen audit teams were established for deployment throughout the province. The teams are comprised of COA representatives including
accountants, engineers and team supervisors as well as Palawan CSO representatives and citizens from the areas where the audits will be conducted. Taking part in the planning workshop were farmers’ associations and cooperatives, Palawan NGO networks, universities and individual citizens.

Farmers are dependent on road improvements for their livelihood. Hence, it was important for them to participate in the workshops and learn about the DA’s implementation guidelines for the FMRDP. This will help verify if the LGUs are complying with the requirements and prioritizing the roads appropriately.

The citizens are mainly involved in information gathering using “geotagging” techniques. As a tool for data collection, geotagging combines simple technologies such as cell phone cameras, geographic positioning coordinates (GPS) and google maps to record data on specific projects. Simple mobile apps allow citizens to assign geographical coordinates (latitude and longitude + elevation) to locations on particular road projects and generate observations associated to those points. It is done by taking photos, nodes and tracks with recorded GPS coordinates and allows geotagged road project data to be easily and accurately located on a map and uploaded to an agency website. The data is then processed by COA Auditors as part of the audit process. The technology is particularly suited for use by a wide range of stakeholders to help monitor the implementation of nationwide programs involving sub-projects in several locations such as the DA’s FMRDP.

The main infrastructure program audited under COA’s CPA program is FMRs. COA is therefore focusing on FMRs as a key area to roll out the program in regions beyond the National Capital Region (NCR). The time frame for this audit is from January to April 2015 and will include 3 to 4 provinces to generate adequate sampling and derive lessons and trends in the implementation of the program from the years 2012 to 2014.
d) ARTA Watch

The Anti-Red Tape Act (ARTA) of 2007 provides that all government agencies including departments, bureaus, offices, instrumentalities, or government-owned and controlled corporations, or local government or district units shall set up their respective service standards to be known as the Citizen's Charter. This reform is aimed at enabling citizens to receive better services with access to the following information: (a) the procedure to obtain a particular service; (b) The persons responsible for each step; (c) The maximum time to conclude the process; (d) The documents to be presented by the customer; (e) The amount of fees; and (f) The procedure for filing complaints. The service standards should be disseminated in the form of information billboards that are posted at the main entrance of offices or at the most conspicuous place, and in the form of published materials.

All offices and agencies providing frontline services shall be subject to a Report Card Survey to be initiated by the Civil Service Commission which shall be used to obtain feedback on how provisions in the Citizen’s Charter are being followed and how the agency is performing. The Report Card Survey shall also be used to obtain information and estimates of hidden costs incurred by clients to access frontline services which may include bribes and payment to fixers.

Surprise visits to government agencies in coordination with CSOs. The ARTA Watch is a mechanism being used by the Commission to promote awareness and intensify the level of compliance of government offices with the provisions of the Anti-Red Tape Act of 2007. Aside from the spot check, ARTA Watch also serves as a support mechanism to the Report Card Survey as it validates its results and provides a venue to discuss agency rating and intervention if necessary.
Section 4: Outcomes

a) Open Government and Fiscal Transparency

Supply-side governance reforms have led to the institution of open data mechanisms that provide fiscal and budget information to citizens. The Transparency Seal pushes for the mandatory disclosure of key budget and major programs and plans in their websites.

The Full Disclosure Policy of the DILG has resulted in the mandatory disclosure of key financial documents of local government units, including budget, procurement, and special purpose fund resorts such as the utilization of the Gender and Development (GAD) Fund, Internal Revenue Allotment (IRA), and Disaster Risk Reduction and Management (DRRM).

The launching of the Philippines-Extractive Industries Transparency Initiative (EITI) has created a tripartite working group involving government, civil society, and business to ensure greater transparency in revenues from extractive industries. The particular aim is the publication of a report that compares government and industry figures on government revenues in mining, oil and gas. The key challenge is how to make revenue reporting a mandatory rather than a voluntary effort.

b) Public Participation in Budget Policy

Over the past five years, various efforts were made to enhance public participation in the budget cycle, from budget formulation and execution to budget monitoring and audit.
The Budget Partnership Agreement creates a means for CSO engagement with national government agencies in crafting budget proposals. Aside from providing local CSOs with a formal mechanism to engage national and local budgeting, the Grassroots Participatory Budgeting (GPB) process also sought to make national government more responsive to local needs, as well as to improve the quality of governance and service delivery at the local government level.

The pilot implementation of the GPB in 2012 involved 595 cities and municipalities, resulting in PHP 8 Billion worth of locally-determined poverty reduction programs and projects integrated into the 2013 Budget. Since then, the Aquino government has gradually expanded the GPB process. In crafting the proposed 2015 Budget, the participation of grassroots organizations in 1,590 cities and municipalities resulted in a larger allocation of PHP 20.9 Billion.

Through the KALAHI CIDSS- Community Driven Development Program, the barangays of target municipalities have been empowered to improve their access to social services and to participate in inclusive local planning, budgeting and implementation.

The Citizens Participatory Audit has led to the conduct of performance audits with CSOs to help find out whether public funds are efficiently allocated and properly spent.

c) Public Participation in Performance Monitoring

The key performance monitoring system for local government units is the Seal of Good Housekeeping (SGH) which has been succeeded by the Seal of Good Local Governance (SGLG). The implementation of the SGH has enabled citizens to gain better access to information on local government finances and development projects.
Through this performance system, local governments started sharing financial documents with the citizens online through the FDP Portal. About 7 of every 10 local governments have regularly uploaded their financial documents. Due to good financial housekeeping encouraged by the SGH, there is now a decline in the number of local governments obtaining a negative COA Opinion Report.

The implementation of the SGH and SGLG assessment has resulted in more CSOs engaged in program development and performance monitoring nationwide. Thousands of development projects are being implemented with the support of the Performance Challenge Fund (PCF). More communities are enjoying public services, including water systems, health centers, public market, and farm to market roads built through PCF projects.

In monitoring the compliance of government agencies with the Anti-Red Tape Act of 2007, CSOs are able to participate in surprise visits to government agencies through the ARTA Watch of the Civil Service Commission. This social accountability mechanism is used by the Commission to promote awareness and compliance with the service standards identified in the Citizen Charters of national agencies and local government units.
Conclusion

President Benigno S. Aquino III campaigned on a reform agenda, seeking to combat corruption as a major source of poverty. By linking corruption to poverty, then candidate Aquino sought to draw attention to issues of governance. The Philippine government is squarely tackling the issue of government corruption as part of its effort to improve the quality of governance. Importantly, the direct engagement and empowerment of citizens is a central component of the effort to improve the quality of governance. There have been a series of institutional reforms over the past three years, as the Aquino governments seek to build new institutions that will create the opportunity to alter spending patterns and improve governance.

The 2010 election of Aquino is a clear shift in the priorities of the Philippine government. Aquino’s reform efforts built on an interesting array of reform efforts that proceeded his time in office. Thus, the roots of the current reform efforts can be found in several areas:

First, Community-Driven Development programs that were launched more than a decade ago allow citizens to be directly involved in the allocation of specific projects, which are funded with resources from the World Bank Group. These programs involve government officials in the programs.

Second, CSOs in the Philippines began experimenting with ways to monitor corruption as well as the quality of project implementation. Road Watch is an excellent example of a CSO that used participatory auditing mechanisms to counter the misappropriation and misuse of public goods. Another example is the Alternative Budget Initiative, led by Social Watch Philippines, which allows CSOs to provide alternative budget arrangements.

Finally, reform oriented governments were elected at subnational levels. Naga City is the best example of a local government unit that pursued innovative reform efforts. The case of Naga City demonstrates how its local government was able to institutional public participation in planning and budgeting through local legislation.

The government of President Aquino has produced a wide range of reforms. First, the government changed the internal structure of the Presidential administration to better coordinate efforts to improve governance. The Cabinet Cluster on Good Governance
and Anti-Corruption (CGAC) is directly involved in promoting citizen participation in policymaking and auditing mechanisms. Second, the government created a series of reforms that have dramatically increased the amount of information that citizens can access. The government has committed to creating a People’s Budget where basic budget information is made accessible to interested citizens. Third, citizens are now induced to participate in national policymaking process. Fourth, the country is supporting the use of direct participation at the local level.

The reforms in the Philippines appear to be most consistently aimed at solving two crucial problems. First, the participatory institutions are geared toward solving the problem of low knowledge and limited engagement among CSOs and citizens. There is a deliberate effort to empower citizens. Second, there is also a specific interest in limited corruption. The most innovative reforms address both of these issues. These include the People’s Budget, Empowerment Fund for Participatory Governance, Bottom-Up Budgeting, Budget Partnership Agreements, Full Disclosure Policy, Seal of Good Housekeeping, and Citizen Participatory Audits.
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