

CITIZENS' PARTICIPATION IN THE BUDGET PROCESS

How the Government Empowered the Citizens to Engage the Budget Process

IN A NUTSHELL

- Citizen participation in the budget process leads to a responsive budget allocation, enhances good governance, and improves the delivery of public services.
- *In the past*, despite a vibrant civil society sector in the Philippines, citizen engagement in the budget process has been limited due to lack of formal consultation mechanisms as well as the overall socio-political environment that constricted the democratic space.
- *Since 2010*, the Philippines now provides adequate opportunities for citizens to participate in the budget process—ranking 5th in the world in the OBS pillar on public engagement—because of the following reforms:
 - Developed the [Principles of Constructive Engagement](#) with CSOs to jumpstart the process of creating opportunities for participation in the budget process
 - Introduced the [Budget Partnership Agreements](#) (BPAs) between agencies and CSOs, a formal mechanism for the latter in budget formulation and execution
 - Implemented the [Bottom-up Budgeting](#) (BuB) to empower citizens in identifying and implementing poverty reduction projects with their local government units
 - COA introduced the [Citizens' Participatory Audit](#) (CPA), a mechanism by which CSOs worked with COA in conducting performance audits in several government projects
- *Moving forward*, the government should further deepen and strengthen citizen participation the budget by considering the following:
 - Institutionalize and expand mechanisms like BPAs, BuB, and CPA that widened the spaces for citizen participation in the budget process
 - Improve the capacity of agencies to respond to the demands of citizens, e.g., providing information and feedback, and in implementing programs and projects
 - Set up participatory mechanisms in the legislation phase of the budget cycle



The GIFT¹ High Level Principles for Fiscal Transparency, which the UN General Assembly adopted in 2012, establishes public participation in the budget process as a civil right. It asserts that “[c]itizens and non-state actors should have the right and effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.”

Governments should provide ample spaces for citizens' participation in the budget process—directly as well as through civil society organizations (CSOs). Aside from participation being a right, it can also enhance the quality of governance and service delivery. Thindwa (2004; as cited in UNDP, 2007) said public participation gives people from the margins of society a voice to influence budgeting and governance in general, making these more responsive to their needs; enhances good governance practices as it makes budgeting more transparent and accountable; and, ultimately, improves the effectiveness of the delivery of services.

To enable public participation, Guthrie (2003; as cited in UNDP, 2007) said that the following pre-requisites must be met: a) a clear legal basis and operational framework, which clearly defines the roles and responsibilities of each party as well as the modes for their interaction; and b) capacity

building interventions, both on the demand (i.e. citizens) and supply (i.e. government) sides. International fiscal transparency instruments—notably, the OBS, the IMF-FTC, and the PEFA—have recently been updated to set benchmarks of the quality of participatory budgeting practices and to measure the extent of public participation globally².

Despite growing global consensus on the potential impact of public participation in budgeting, the OBS 2015 report said that opportunities for such remain inadequate (IBP, 2015). Glaringly, the average score on public participation of the 102 countries surveyed is a mere 25 of 100. Still, the GIFT emphasized that ambitious innovations in participatory budgeting and in fiscal openness as a whole in the last few years came from developing countries such as Brazil, Indonesia, Mexico, Moldova, and the Philippines (Guerrero, 2015).



SITUATION BEFORE 2010

Despite a Vibrant Civil Society, Limited Spaces for Participation in Budgeting

Civil society organizations in the Philippines—composed of non-government organizations (NGOs), people's organizations, cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous people movements, foundations, and other citizen groups—are widely seen as among the most vibrant and advanced in the world. The fight against Martial Law and the restoration of democracy in 1986 brought about the broadening of civil society, and a constitutional recognition of the importance of their participation in governance (Magno, 2015). In addition, the government enacted key laws, such as the LGC and the GPRA, that established participation of CSOs in various governance areas.

However, “the democratic space for CSOs has been expanded or constricted through the years depending on the inclinations of those in power (both elected and appointed leaders and bureaucrats), the general political conditions, and the positioning of CSOs with the incumbent political leaders, among other factors (ADB, 2013).” CSOs had to fight more intensely for this space during the Arroyo administration, where political legitimacy issues hounding the incumbent put important policy issues to the back seat. Dressel (2012) nonetheless said that the difficult political environment during the Arroyo administration, as well as the truncated Estrada administration, provided the impetus for “the emergence of a set of core civil society beliefs about combating corruption and promoting good governance.”

As early as 1987, CSOs began engaging the PFM process, particularly in the monitoring of local projects as well as in the lobbying for the cancellation of the Marcos regime's onerous debts.³ The difficult period under the Arroyo administration saw the formation of highly technical CSOs and coalitions⁴ that engaged the budget process, particularly in budget legislation (e.g., lobbying in Congress), and, to an extent, budget execution and monitoring (e.g., Road Watch, Philippine National Budget Monitoring Project).

However, the spaces that the government opened for formal CSO participation in the Budget process had remained narrow. Boncodin (2008) pointed out, in particular, that participation during budget formulation is limited: even as NGOs were represented in some policy-making bodies, no formal mechanisms were established to at least consult CSOs during budget preparation. She also noted that inadequate reporting by the government as well as the lack of a citizen-friendly summary or guide on the Budget had limited the ability of CSOs, more so ordinary citizens, to participate.

KEY REFORM INITIATIVES AND ACCOMPLISHMENTS

Creating an Inclusive and Participative Budget Process

“As we establish greater efficiency, integrity, and transparency in government, we must deepen the participation of citizens in the way public institutions operate. Only by doing this can we fulfil the vision of People Power.”

President Benigno S. Aquino III

President's Budget Message 2011

As soon as he assumed office, President Aquino (2010) declared the “immediate need to define and institutionalize mechanisms for their effective participation in the planning and budgeting processes.” This declaration not only reciprocated the unrelenting support of citizens, including the CSO community, for his good governance campaign, but also recognized the indispensable role of non-government stakeholders in ensuring effective Public Financial Management.

President Aquino emphasized that the agenda of inclusive development through good governance could only be realized by empowering citizens in governance, especially in the PFM process. As he articulated in his Budget Message for fiscal year 2013, empowerment “means recognizing their power over their own government. It means giving them back that power, and, together with them, shaping the destiny of our nation (Aquino, 2012).”

At the start, the Administration had held discussions with CSOs to define the parameters of their engagement in the budget process. The first-ever workshop on CSO participation in budget work resulted in the formulation of the Principles of Constructive Engagement⁵. These principles were adopted later as the Open Budget Partnership's “Declaration of Constructive Engagement”⁶. The constructive engagement approach consequently resulted in the introduction of the [Budget Partnership Agreement \(BPA\)](#); [Bottom-up Budgeting \(BuB\)](#); and [COA's Citizen's Participatory Audit \(CPA\)](#), among others.

The revitalized partnership between the government and CSOs, and the introduction of formal mechanisms, quickly put the country on the map as a global best practitioner of participatory budgeting. Based on the 2015 OBS, the Philippines ranked 5th in the world for opening up wide and formal spaces for citizens to engage the budgeting process. From providing “limited” opportunities to the citizens in engaging the budget process in 2012, the country garnered a score of 67 of 100 in 2015 on public participation, which equated to providing “adequate” opportunities to citizens. Such performance was achieved through the following unprecedented reforms in participatory budgeting.

“The DBM continues to find ways to better respond to the call of this administration for people's participation in governance to improve transparency and accountability. Foremost of said efforts is the strengthening of civil society participation in the budget process.”

Assistant Director Teresita M. Salud

DBM KNOWLEDGE MANAGEMENT AND
FISCAL TRANSPARENCY SERVICE

Budget Partnership Agreements

BPAs are legal instruments that define a mechanism for CSOs' formal engagement in budget preparation and execution at the agency level. Under these agreements, active and recognized engagement of CSOs with agencies would help improve the quality of budgetary allocation by identifying inefficient and ineffective programs, refining the geographical distribution of public investments, and improving the delivery of services, among others.

NBM No. 109 first introduced the concept of the BPAs in crafting the agencies' budget proposals, which was piloted in six national government agencies and three GOCCs in preparing the proposed Budget for 2012.⁷ Subsequently, NBC No. 536 increased the coverage to 12 national government agencies and six GOCCs⁸ in preparing the proposed 2014 Budget. Furthermore, NBC No. 539⁹ expanded the BPA mechanism to budget execution by tapping CSOs to provide evidence-based evaluations of the implementation of agencies' programs and projects.

The BPA defines the roles, responsibilities, expectations, and limitations in CSO's participation in the budget process (*see first box*). It is noteworthy that the BPA emphasizes the need for a rigorous and collaborative analysis of an agency's programs and projects; thus, eligibility of CSOs put premium on those that had previously conducted monitoring, assessment, and evaluation of agency programs and projects. Subsequently, the partnership required agencies to provide information needed by their partner-CSOs (*see second box*).

Key Elements of BPAs (Per NBC No. 536)	Basic Data Accessible to CSOs
(i) Roles, duties, responsibilities, schedules, expectations, and limitations	(i) Summary of NGA/GOCC Budget for current year, releases in the immediately preceding year, funds actually obligated or spent in the past three years; and for GOCCs, actual and proposed summary of corporate operating budgets covering five years before the budget year
(ii) Schedules and timelines, including the dates and venue of consultations	(ii) Details of programs, activities, or projects being reviewed or monitored by the partner CSO for the years abovementioned, by activity and allotment class
(iii) Communication protocols and identification of NGA/GOCC and CSO counterparts	(iii) Details of physical accomplishments of specific programs, activities, or projects, to the extent practicable
(iv) Other qualifying details as mutually agreed upon by the NGA/GOCC and CSO	(iv) Other pertinent information as enumerated in the BPA

Partner-CSOs' recommendations and proposals, substantiated through rigorous analysis, should then be given priority consideration by the partner-agencies. The BPA process seeks to supplement the ZBB approach and other reforms to improve allocative efficiency at the agency level (*see Linking Planning and Budgeting*). Moreover, the use of formal BPA does not preclude non-partner CSOs from submitting inputs to agencies; nor are agencies constrained from conducting consultations and other participatory budgeting exercises with CSOs that may not meet eligibility requirements for a formal BPA.

In 2013, following an assessment of the BPA process (ANSA-EAP, 2013), the DBM further improved the BPA process.¹⁰ In preparing the proposed Budget for 2014 and succeeding fiscal years, the agencies were now tasked to submit a new budget preparation form¹¹ to outline feedback and inputs of CSOs on the agencies' major programs and projects, and adjustments to these programs or projects or other feedback by the agencies in response to the inputs of CSOs. CSOs were also enjoined to focus on helping partner-agencies strengthen the linkage between inputs, outputs, and outcomes; identifying poorly performing programs; providing proposals for new or the expansion of existing programs matched with proposals to discontinue or downsize inefficient or ineffective programs. Since the BPA was introduced, the NGAs and the GOCCs entering into BPAs with CSOs has been increasing (*see Table 1*).

Table 1. NGAs and GOCCs with BPA

Fiscal Years	NGAs	GOCCs
2012	10	4
2013	10	5
2014	18	9

In 2016, the DBM, the Commission on Higher Education and the Philippine Association of State Universities and Colleges (PASUC) introduced the BPA in State Universities and Colleges (SUCs), where the latter consulted their respective stakeholders in formulating their budget proposals for 2017. This process required SUCs to formalize their consultations, organize assemblies, and invite representatives of students, faculty, other staff, and alumni to consult on proposed capital outlays to be prioritized. The SUCs entered into a BPA with their stakeholders, which would outline the roles and responsibilities of the parties, identify documents and references for disclosure, and specify the scope of the projects identified.

Complementary to further strengthening and institutionalizing the formal BPA process, DBM likewise recognized existing consultative mechanisms as avenues for CSO participation in the budget process: the Board of Trustees of the Philippine Commission on Women, the Tripartite Industrial Peace Council of the DOLE, the Sectoral Councils of the National Anti-Poverty Commission, the Philippine Council for Agriculture and Fisheries of the DA, and the Joint Assessment and Planning Initiative of the DOH, among others.

Bottom-up Budgeting

While the BPA process contemplated the participation of more technically capable CSOs, the government also saw the need to establish a mechanism to enable broad-based participation of citizens. Thus, in 2012, the government¹² introduced the BuB¹³ process to enable local CSOs and grassroots communities to engage the national budget process through the LGUs.

Secretary Abad (2014) said BuB sought to induce greater demand for participation in resource allocation from the communities and CSOs that LGUs served, and to push for a more meaningful process of devolution for LGUs (*see article on Meaningful Devolution*). For the latter, the BuB pushed for greater devolution by incentivizing LGUs to meet performance, accountability and transparency standards and engage citizens thereby preparing LGUs to take on even more responsibility for service delivery. Additionally, BuB aimed at making national government agencies more responsive to the specific needs of the communities on the ground.

Introduced through Joint Memorandum Circular (JMC) No. 1,¹⁴ BuB was piloted during the preparation of the proposed Budget for 2013. The process initially covered 609 cities and

municipalities¹⁵ that were tasked to convene Local Poverty Reduction Action Teams (LPRATs). Led by the local chief executive and composed of both CSO and government representatives, LPRATS formulated Local Poverty Reduction Action Plans (LPRAPs) containing programs and projects that directly address the needs of the poor and marginalized sectors of the LGUs. The LPRAPs should have been formulated through a widely participatory process that involved CSOs and other stakeholders in their respective communities. Moreover, these action plans would have to be consistent with a menu of priority projects for poverty reduction, and should have been endorsed not only by the local chief executive but also by at least three CSO representatives.

Subsequent issuances¹⁶ expanded the coverage of the BuB to all cities and municipalities at the time of preparation of the 2016 Budget, and enhanced the parameters of the process. The key features of the BuB process at this time included the following:¹⁷

Use of Economic and Social Data. As early as the pilot stage, the BuB process required LGUs to collate relevant information, statistics, and other data to inform the poverty reduction planning. These data were to be obtained from the Community-

Based Monitoring Systems, and the National Household Targeting System, among other sources of information.

Local CSO Assemblies. Beginning with the preparation of the 2014 proposed Budget, the process required the conduct of city or municipal CSO Assemblies to be facilitated by the DILG and the NAPC. The schedule of the CSO Assembly should be announced and properly disseminated. The Assemblies included an orientation on the role of CSOs in local governance and the rationale and process of the BuB; the election of LPRAT representatives; the reporting of the status of BuB projects; a poverty situation analyses, among others.

Composition of LPRATs. Beginning with JMC No. 2, LPRATs were to be composed of CSO co-chairpersons, who were on equal footing with local chief executives. Moreover, JMC No. 3 instituted the process of electing CSO representatives to the LPRAT equal the number of government representatives. The CSO co-chairperson as well as the CSO signatories to the LPRAP were to be elected by the CSO Assembly from among the elected CSO representatives (see box).

Composition of LPRATs

- (i) Chairperson: Local Chief Executive
- (ii) Co-Chairperson: CSO Representative elected by the CSO Assembly
- (iii) Overview of Members (see JMC No. 6 for details)
 - a. Government Sector Representatives - from the LGUs and NGAs
 - b. CSO Representatives (who are residents of the city or municipality and must not be elected officials or their immediate relatives and LGU employees)
 - c. Representative from the business sector
 - d. LPRATs should also be composed of at least 40 percent women

“Initially, the relationship between local chief executives and local CSOs in many areas were combative since many mayors were used to being the sole decision maker. After several cycles of BuB during which national government strictly enforced the participation conditions of the program, many mayors have come to realize that participation is good politics, and now have good relations with the CSOs involved in BuB.”

Assistant Director Patrick Wilson O. Lim
DBM FISCAL PLANNING AND REFORMS BUREAU

Harmonization with Local Development Planning. The BuB process applied in the formulation of the 2016 Budget included efforts to harmonize the planning processes involved in BuB, the National Community-Driven Development Program (NCDDP),¹⁸ and local development planning. First, in the case of cities and municipalities undertaking the regular BuB process, LPRATs were institutionalized as a committee of the Local Development Councils (LDCs). Second, for those undertaking the enhanced BuB process (see below) as well as the barangay-level planning, the BuB process itself was integrated into the city or municipal planning process via the Enhanced LDCs.

Linkage with Community-Driven Development. An enhanced BuB process was introduced in preparing the 2015 Budget for municipalities that had graduated from, or were currently implementing NCDDP. In this case, the LPRAT was to be composed of 10 government representatives from the Enhanced LDC,¹⁹ five Barangay Development Council (BDC) vice-chairpersons selected through the NCDDP, and five CSO representatives in the Enhanced LDC who were elected during the CSO assembly. At this time, the LPRAT served as the technical working group of the Enhanced LDC, which formulated the LPRAP and other plans²⁰ for approval by the Enhanced LDC.

Project Menu. When BuB was piloted in 2012, the national government generally only funded LPRAPs selected from a limited menu of 26 programs and projects implemented by eight departments and two GOCCs. The menu has been expanded to 38 programs and projects implemented by 10 departments, two GOCCs,²¹ and three attached agencies.²² Even so, LPRAPs could include programs and projects outside the menu but would be for the LGU’s implementation through its counterpart funding. Moreover, LGUs with proven capability and that meet good governance standards were likewise tapped to implement key BuB-funded projects supported by funding from the national government.²³

“BuB is one trailblazing reform that changed the status quo in the planning, budgeting and project management in the government. It has empowered people’s organizations and CSOs in addressing their plight by providing not just the mechanism but most importantly the financing for people initiated programs and projects which directly address their needs and aspirations.”

Director Isabel C. Taguinod
DBM-REGIONAL OFFICE II

Good Governance. Since the BuB process was introduced in 2012, it sought to incentivize LGUs that adopt good governance and financial responsibility safeguards. For one, funds for BuB projects of an LGU would be released only if it passed the Good Financial Housekeeping component of the Seal of Good Local Governance; substantially implemented of its PFM Improvement Plan (see *Meaningful Devolution*); provided the required counterpart funding through its Annual Budget; submitted proper financial and physical accomplishment reports for projects in previous years; and enabled meaningful CSO and community participation throughout the BuB process;²⁴ among other conditions.

Monitoring. Beginning with the 2013 Budget, BuB was expanded to the budget execution and accountability phase by tasking the LPRATs to convene quarterly to discuss and assess the status of the BuB projects’ implementation, and to submit quarterly accomplishment reports to the RPRATs and the concerned regional office of the participating national government agencies. As mentioned earlier, CSO Assemblies should include a reporting on the status of the BuB projects. In 2015, the government launched the *OpenBuB.gov.ph* to serve as a transparency and monitoring and evaluation portal for the BuB, where projects were geotagged and their status updated regularly.

Table 2. BuB in Numbers

Fiscal Years	LGUs Covered	CSOs Engaged	Budget Allocation
2013	595	2,975	Php 8 billion
2014	1,226	12,250	Php 20 billion
2015	1,590	23,850	Php 20.9 billion
2016	1,514	22,710	Php 24.7 billion

On BuB’s third year of implementation, the GIFT cited the reform as one of the innovative cases of public participation in the budget process across the globe. The BuB was chosen along with four other countries which was awarded

the GIFT #BestPractices during the GIFT sessions at the Open Government Partnership (OGP) annual summit in Mexico City. According to GIFT, through BUB, “[c]ivil society representatives are selected in an all-inclusive assembly and join government officials in a planning committee to identify the projects to be funded (GIFT, 2015).”

Along with the GIFT citation, the Open Government Awards conferred BuB with one of 3 Gold Award in 2014 for its “radical attempt to empower citizens and at the same time shift how government operates.”

“Through BuB, people suffering from poverty who can be found in the bottom portion of the social and economic strata are given a new hope in life. It uplifts people’s spirit by empowering them to improve their own lives. More than the economic gains, BuB gives them dignity.”

Dir. Gary R. Martel
DBM-REGIONAL OFFICE XI

Barangay BuB

In 2015, learning from the experiences of BuB for cities and municipalities, as well as the NCDDP program, the government began laying the ground for BuB at the barangay level or **Barangay Bottom-up Budgeting** (BBuB).

Envisioned to be a performance-based direct download to barangays, BBuB began with an assessment of all 42,036 barangays on good governance conditions and the capacity to implement projects. The good governance conditions included the Seal of Good Financial Housekeeping, the presence of a Barangay Development Plan, and the conduct of the scheduled Barangay Assemblies. For the capacity to implement projects, barangays were scored according to leadership, track record and public financial management. Following these, JMC No. 8, issued in 2016, laid out the process for identifying the first batch of barangays to be covered in 2017. Identified projects should be in line with the delivery of basic barangay service and facilities and in support of disaster risk reduction and management.

Citizen Participatory Audit

The COA, in partnership with the Affiliated Network for Social Accountability in East Asia and the Pacific (ANSA-EAP) with support from the Australian DFAT, launched the CPA in 2012. The CPA opened up the technical audit system to CSOs and private professional organizations as members of the audit teams led by COA. The reform strategy and audit technique upholds the people's primordial right to a clean government and the prudent utilization of public resources. It is founded on the premise that public accountability can prosper only with a vigilant and involved citizenry.

The CPA's first phase covered the audit of selected infrastructure projects.²⁵ CPA teams composed of COA auditors and CSO-nominated-and-COA-authorized or -deputized individuals were capacitated on how to conduct performance audits. Citizen participation in the work of COA was not limited to COA-led audits—it also took in the form of citizen feedback of red flags in the implementation of government projects. Through *i-Kwenta.com*, citizens could report Fraud Audits and volunteer to be part of the CPA. Aside from being a feedback portal, *i-Kwenta.com* also served as a knowledge-sharing site as it featured the reports from previous rounds of the CPA, along with learning manuals and other audit-related materials.

Moving towards institutionalization and mainstreaming of the CPA, COA established the Project Management Office (PMO) under the office of the Chairperson.²⁶ The PMO was designated as the lead office for projects in COA that were financed or assisted by foreign donor agencies. One of the PMO's functions²⁷ was to serve as a coordinating body within the Commission and the external stakeholders on all matters related to reform projects, such as the CPA.

The CPA led to immediate positive impact in project or program implementation and facility operation since the presence of the citizen-partners in the audit teams sent a very strong message that became the source of inspiration and pressure. Because of these feats, the CPA garnered the Open Government Partnership (OGP) Bright Spots Award in 2014. This recognizes the innovations of governments in the OGP that increase public representation and improvement of government responsiveness.

COA has further expanded the coverage of CPA through the assistance of several development partners. With

funding support from DFAT and the World Bank (WB), COA implemented the second phase of CPA in 2014. Under this phase, the CPA was expanded in scope to cover majority of COA's Regional Offices and the Audit Group of the Department of Public Works and Highways, focusing in Farm-to-Market Roads projects in various regions using geotagging technology²⁸. The WB also provided CPA teams with training on data analytics and visualization which enabled them to synthesize and laymanize the CPA reports and develop People's CPA reports.

Through the assistance of the Making All Voices Count, COA was able to include the audit of Disaster Risk Reduction and Management activities of selected LGUs, and the Water, Sanitation, and Hygiene (WASH) program in public schools of the Department of Education.

“COA's experience with the CPA project has successfully developed models by which citizens can take part in the public sector audit process. This reform strategy reveals that even when two groups—state auditors and civil society groups—have different viewpoints, they can still work together to achieve shared goals and aspirations: to make sure that government agencies economically, efficiently and effectively implement programs to obtain the desired outcomes.”

Chairperson Michael Aguinaldo
COMMISSION ON AUDIT

Institutional Support to Participatory Budgeting Initiatives

The government, through the DBM, put in place technical teams that supported citizens' participation in the budget process. The DBM organized units to support public participation: the CSO Desk that served as official liaison with CSOs and other citizen groups and administered the implementation of BPAs; the Reforms and Innovations Delivery Support Unit that supported the implementation of the BuB; and the Public Information Unit that worked with mainstream media as well as with citizens through social media. The DBM also introduced a new Budget Preparation Form (Form D), through which the agencies identified the proposals of CSOs through BPAs, the BuB, and other participatory mechanisms, and how the agencies decided on such proposals. Moreover, DBM conducted briefings and consultations for CSOs on budgeting matters, such as the annual consultation with CSOs on the proposed Budget.

CHALLENGES AND MOVING FORWARD

Institutionalizing and Deepening Participation in the Budget Process

“The DBM initiated many important governance reforms in the past six years to promote transparency, accountability, and people's participation. The widest reaching of these is BuB. BuB enabled thousands of local CSOs in the country's towns and cities to participate in identifying their area's priority anti-poverty projects, which would then be included in the budget of the national government. BuB advanced people empowerment, transparency and government responsiveness. Local CSOs often said, ‘Sa wakas, pinapakinggan kami ng gobyerno.’”

Executive Director Sixto Donato C. Macasaet
CAUCUS OF DEVELOPMENT NGO NETWORKS (CODE-NGO)

BPAs, the BuB, and other reforms introduced by the Aquino administration paved the way for the country to be hailed as one of the global leaders in public participation in the budget process. However, the 2015 OBS noted key weaknesses in the government's participatory budgeting practices.

First, the new mechanisms introduced by the executive branch, while already instituted the processes of budget formulation and implementation, were not backed by a more permanent policy mandate. Without laws governing these programs, subsequent administrations would still have to issue continuing policy at the least, or could deprioritize or eliminate participatory governance, at the worst. Several bills were filed in Congress to institutionalize participatory budgeting, including the Public Financial Accountability Act (*see Proposed Public Financial Accountability Act*) as well as the proposed Budget Deliberation Act.²⁹ Pending these measures, CSOs, LGUs, and other stakeholders who engaged and benefitted from these processes would need to provide the necessary political support and demand to sustain these reforms.

The second set of weaknesses underscored in the 2015 OBS pertained to the capacity of the bureaucracy to keep up with the increasing demands from citizens to participate in budgeting. One such gap was the insufficient feedback given by the government to citizens on how their inputs were considered. Another weakness emphasized was the ability of the agencies to efficiently and effectively implement programs and projects identified through participatory budgeting. On the flipside, the capacity of CSOs to participate in a sustainable manner must also be improved.

The Future of the BPAs

BPAs introduced an evidenced-based participatory budgeting process that likewise hinged on mutual accountability of both the agencies and CSOs (*see Table 1*). However, difficulties in implementing the BPA process by both government and CSOs were identified, including: the dearth of CSOs that could meet the registration, accreditation, and other requirements to qualify as a BPA partner; the capacity of CSOs to undertake evidence-based evaluations of the agencies' programs and projects; the inability of the agencies to readily give the information required by CSOs; as well as agencies' poor performance in providing feedback to CSOs on how their inputs were considered. In addition, ANSA-EAP (2013) noted that implementation of the BPA in the early years did not provide enough elbowroom for CSOs and citizens to come up with sound recommendations or assessments on agencies' budget proposals.

Moving forward, DBM should measure the different levels of CSO and citizen engagement in agency budget preparation and implementation, and apply policies or interventions based on those benchmarks. Agencies should likewise be further capacitated and incentivized to improve their engagement with CSOs and citizens, whether through the BPA or their existing mechanisms. A key element that should be strengthened is the feedback loop to and from stakeholders.

Improving and Institutionalizing BuB

Participation of CSOs in the BuB is likewise on an upward trend. The demand to participate did not emanate from citizen groups alone as LGUs realized they needed to engage CSOs in order to access greater resources from the national government. However, an assessment of PIDS in 2014 point to some key gaps. First, as in the case of BPAs, delays in

the release of the guidelines for BuB gave CSOs and LGUs limited time to prepare their respective LPRAPs; this has been addressed with timelier release of the guidelines. Second, with the uneven rate of CSO participation across LGUs, PIDS recommended the mapping of CSOs in LGUs with scant participation in order to identify and engage existing citizen groups in their respective localities. Meanwhile, to manage the over-representation of some CSOs from the same sector, which caused imbalance in the types of projects identified, federations of CSOs could be explored. These efforts should be matched with continuous capacity-building of both LGUs and CSOs.

Another key weakness that hampered the BuB lay in the actual implementation of programs and projects identified through the process. Data from the OpenBuB portal (see table) shows the slow progress on the completion of projects. One of the factors that hindered the implementation of projects was the transfer of funds from NGAs to implementing LGUs. To facilitate fund transfer, the government had started the direct downloading of funds to LGUs by lodging the BuB funds for road infrastructure to the Local Government Support Fund (*see Meaningful Devolution*).

The PIDS assessment likewise pointed out the need to review whether BuB was achieving its expressed goal of alleviating poverty at the grassroots. At this time, such assessments would be difficult to undertake due to the absence of quality data at the municipal and sub-municipal level. The BuB guidelines emphasized the need to use data from community-based monitoring systems—or to install or strengthen such systems if these were weak or not present—in determining the projects to be funded and implemented. Nevertheless, it is imperative to ensure that pro-poor projects are prioritized, implemented, and monitored for results.

Overall, to maximize the potential of the BPAs and BuB as mechanisms to enable citizens to oversee the implementation of the Budget, several measures could be implemented. For one, continuous capacity-building activities for both agencies and CSOs to provide oversight should be conducted and strengthened. For the former, the capability to provide information and documents needed by CSO partners and to coordinate effectively should be improved. For the latter, the capacity to analyze budget information, monitor project implementation, among others, should be addressed given financial and other practical limitations.

Table 3. Status of BuB Projects as of 4th Quarter of 2015

Year	Total Projects (as per GAA)	% of Completed and Ongoing Projects
2013	5,890	75.72
2014	22,879	68.80
2015	14,300	36.82

*as of 4th Quarter of 2015 | Source: openBuB.gov.ph

Beyond the Executive: Participation in Oversight

The results of the 2015 OBS also showed that while the Philippines managed to move up the ranks of countries in terms of participatory budgeting, the most progress was concentrated in the executive branch via the BPAs and BuB. In contrast, participation during budget legislation and audit remained inadequate³⁰. The OBS noted, for instance, that there were limited opportunities for CSOs to testify during Budget hearings in Congress. Similarly, even if COA had instituted the CPA and other mechanisms to engage the public in the audit process, these were still limited in scope. In both cases, as in the case of participatory budgeting systems of the executive, feedback provided to citizens on how their inputs were used remained limited, although mechanisms, such as COA's i-Kwenta, had been introduced. Specifically on the CPA, the COA must continue institutionalizing the reform and expand its rollout to more programs and projects. Overall, Congress and COA should provide ample opportunity and identify strategies to complement the Executive's efforts to increase the voice and stake of ordinary citizens in the budget process.

“Citizen engagement is integral to better decision making, better planning, better budgeting, better expenditure and better accountability.

If we are to sustain and surpass this trajectory of citizen engagement in open budgeting where the Philippines is an acknowledged leader, we have to begin to put objective measures and milestones to this twin strategy of participation and performance.”

Assistant Secretary Maxine Tanya M. Hamada
DBM BUDGET PERFORMANCE MONITORING
AND EVALUATION GROUP

NOTES

¹ See End-Note #1 of the article on Fiscal Transparency for background information on GIFT.

² The 2012 edition of the OBS, for the first time, included 13 survey questions on public participation; this has since been increased to 16 in the 2015 OBS. The IMF FTC and the PEFA likewise added items or dimensions that measure the extent of public participation in budgeting.

³ Beginning with the Concerned Citizens of Abra for Good Governance, which entered into a memorandum of agreement with the NEDA and DBM, to monitor Community Employment and Development Program projects in the province, as well as the Freedom from Debt Coalition, which was formed to lobby against the onerous debts incurred by the Marcos regime.

⁴ The Transparent Accountable Governance program of the Philippine Governance Forum supported the formation of consortium of CSOs who covered the engagement of the various stages of the budget cycle. The Budget Watch initiative/Budget Advocacy Group, spearheaded by the International Center for Innovation, Transformation, and Excellence in Government (INCITEGov); and the Alternative Budget Initiative (ABI), which was initiated by Social Watch Philippines (SWP). Both were notably spearheaded by former government officials.

⁵ Principles of CSO Engagement as discussed in NBM No. 539

⁶ The Declaration was signed in September 2010 by DBM Secretary Florencio B. Abad, representatives from Congress, as well as representatives from CSOs, among others.

⁷ The Memorandum was issued on February 17, 2011 and piloted BPAs in the DA, DAR, DepEd, DoH, DPWH, DSWD, NFA, NHA, and NHMFC.

⁸ Issued on January 31, 2012, with the following agencies added: DENR, DILG, DoJ, DOLE, DOT, DOTC, LRTA, NEA, and NIA

⁹ Issued on March 21, 2012

¹⁰ The modifications were effected through the National Budget Calls for the particular proposed Budgets to be prepared, though NBC Nos. 536 and 539 remained in effect as the framework for the BPA process.

¹¹ Summary of RDCs/CSOs Feedback on Agency Major Ongoing Programs and Projects; form C in the preparation of the 2014 and 2015 Budgets. For the preparation of the 2016 Budget, the feedback from CSOs was unbundled into a separate form (Form D).

¹² Through the Cabinet Clusters on Human Development and Poverty Reduction (HDPR), and on Good Governance and Anti-Corruption; specifically, the DBM, DILG, DSWD, and the National Anti-Poverty Commission (NAPC)

¹³ For a time (during the implementation in 2013), the BuB was called the Grassroots Participatory Budgeting Process (GPBP). The government, however, reverted back to the use of BuB given its name recall.

¹⁴ Issued on March 8, 2012 by DBM, DILG, DSWD, and NAPC

¹⁵ Identified by the HDPR Cluster as focus LGUs based on poverty incidence and magnitude.

¹⁶ JMC No. 2 on implementation and monitoring of BuB projects in 2013, issued on December 19, 2012; JMC No. 3 on the 2014 Budget preparation, issued on December 20, 2012; JMC No. 4 on the 2015 Budget preparation, issued on November 26, 2013; JMC No. 5 on the 2016 Budget preparation and succeeding years; and JMC No. 6 on the implementation of BuB projects for 2015.

¹⁷ The processes described in the succeeding paragraphs are based on JMC No. 6 unless otherwise stated.

¹⁸ Implemented by the DSWD with the support of the World Bank, the NCDDP—an iteration of the Kapit-Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDDs)—seeks to improve the access of citizens to basic services through promoting inclusive local planning, budgeting, implementation and disaster risk reduction and management.

¹⁹ In addition to the regular LDC members (mayor, all barangay chairmen, the chairman of the committee on appropriations of the sanggunian,

the congressman or his representative, and NGO representatives), the Enhanced LDC includes the vice chairs of the barangay development councils elected through NCDDP, at least five CSO representatives elected during the CSO Assembly, and a representative from a local business group.

²⁰ Comprehensive Development Plan, Local Development Investment Plan, Executive-Legislative Agenda, and Annual Investment Plan

²¹ DA, DAR, DoE, DENR, DSWD, DoH, DepEd, DILG, DoLE, PhilHealth and NEA. JMC No. 1 allowed LGUs to identify proposals outside the menu, subject to the determination of HDPRC and DBM if these can be accommodated by national government agencies.

²² In addition to those listed in footnote no. 21: DTI, DOT, TESDA, NAPC, NCIP, NIA, but excluding PhilHealth

²³ Community-Based Monitoring System and Community Food Production, Basic Education, Health, Disaster Risk Reduction Management, Local Roads, Water Supply, Irrigation, and Other Local Projects. In the 2015 Proposed Budget, a total of P11.7 billion under the Local Government Support Fund was earmarked for such BuB projects.

²⁴ LGUs are required to submit documentary proof (attendance sheets, photos, minutes or highlights, etc.) of the CSO Assembly, LPRAT preparation of the LPRAP, and quarterly LPRAP meetings to report on projects' status.

²⁵ Namely, the Caloocan-Malabon-Navotas-Valenzuela (CAMANAVA) Flood Control Project of the Department of Public Works and Highways, the Solid Waste Management Program (Garbage Sweeping and Collection) in Quezon City and the barangay health centers located in barangays with Conditional Cash Transfer beneficiaries in Marikina City

²⁶ Through COA Resolution No. 2014-002

²⁷ Other functions of COA's Project Management Office include: (1) providing timely relevant and accurate information to COA and its government partner agencies to facilitate decision-making; (2) coordinating resources within COA and stakeholders to support project planning and implementation; (3) monitoring and updating plans and status reports of project implementation and progress and; (4) performing other functions the Chairperson may assign.

²⁸ The World Bank, in particular, has provided technical assistance in Geotagging training and creation of the Geostore, a computerized system for storing geotagged data and other reports, a work space for audit teams to facilitate analysis and report preparation, and a medium for public viewing of geotagged data and results of audit (when the data and reports are made public).

²⁹ House Bill (H.B.) No. 4113, the recommended bill from the House Committee on People's Participation after deliberating on H.B. No. 283 by Representatives Cresente Paez, Anthony Bravo, and Ma. Leonor Gerona-Robredo. Similar bills have been filed in the Senate by: Senator Teofisto Guingona III – CSOs' Participation in the National Budget Process Act (Senate Bill or S.B. No. 75), Bottom Up Budgeting Act (S.B. No. 1524), and Grassroots Participatory Budgeting Act (S.B. No. 2388); and Senator Jinggoy P. Ejercito-Estrada – People's Participation in the National Budget Process Act of 2013 (S.B. No. 1285).

³⁰ The Philippines scored 67/100 overall on public participation, ranking it 5th in the world. Drilling down further, the Philippines actually ranked 1st in the world, with a score of 86/100, if only the questions on participatory budgeting by the Executive is considered. In contrast, the Philippines scored only 47/100 and 59/100 in questions regarding public participation by the Legislature and the Supreme Audit Institution, respectively.

HOW BOTTOM-UP BUDGETING EMPOWERED CITIZENS

In 2010, the administration began to open up the budget process to the participation of citizens, including civil society organizations (CSOs). It established formal mechanisms for participatory budgeting, such as the Bottom-up Budgeting (BuB), the Budget Partnership Agreements, and COA's Citizen Participatory Audit. Through these mechanisms, the Philippines ranked 5th in the world for participatory budgeting as per the 2015 Open Budget Survey.

BuB was the most notable among these reforms. It empowered people in the grassroots with a greater voice and stake in crafting and implementing the National Budget. It also supported meaningful devolution by incentivizing LGUs to adopt good governance standards and engage their citizens.



CSO Assembly

BuB requires LGUs to hold CSO assemblies open to all CSOs in the locality. The assembly is conducted to: 1) select the CSO representatives to the Local Poverty Reduction Action Team (LPRAT); (2) discuss their locality's poverty situation; (3) identify projects to propose to the LPRAT and; (4) discuss the status of ongoing BuB programs and projects.

Identification of Poverty Reduction Programs

The LPRAT, composed of equal number of representatives from the LGU and CSOs, convenes a series of workshops to formulate their LGU's Local Poverty Reduction Action Plan (LPRAP). The LPRATs may choose from a menu of programs and projects in developing an LPRAP that suits their locality's poverty situation.

Submission of Proposed Programs and Projects

The LPRAP must first be signed by at least three CSO members of the LPRAT before it may be considered for funding in the National Budget. These plans are submitted to the Regional Poverty Reduction Action Team (RPRAT) for checking and validation.

Funding the Programs and Projects

The respective RPRATs and the National Poverty Reduction Action Team (NPRAT) review and approve the proposed programs and projects. Once approved, these projects may be funded in the Budget, through either of the following:

- Integration to the budget of participating national government agencies that will implement the projects (e.g., Department of Health for health facilities)
- Direct download to LGUs for implementation, provided that they have:
 - Seal of Good Financial Housekeeping
 - Proof of progress in the Public Financial Management Improvement Plan
 - Timely implementation of past BuB projects

LGUs are also required to provide counterpart funds for the implementation of the project.

Project Implementation

CSOs and citizens continue to be engaged during the implementation of BuB projects:

- CSO members of the LPRAT can observe the procurement of BuB projects.
- A group composed of LGU and CSO representatives visit BuB project sites for monitoring.
- Quarterly LPRAT meetings about the progress of BuB projects are conducted.
- Reports on the progress and status of all BuB programs and projects are submitted and posted online at **OpenBuB.gov.ph**.

INSIGHT FROM A DBM JUNIOR LEADER

The Bottom Line of BuB

My first impression of handling an agency that implemented a BuB project would entail the regular tasks of a budget analyst like me. I was mistaken. I thought I would not be involved in targeting the areas where BuB projects would be implemented because the agencies' regional offices do just that. I also thought that my skills and expertise would not be needed to do budget attribution since the agency identifies the components of a project or a program that would be undertaken under BuB. I thought it would be easy.

Like other reforms, BuB experienced birth pains, facing seemingly insurmountable challenges. There were cases when the projects identified by LGUs in their Local Poverty Reduction Action Plan (LPRAP) would be disapproved for not including them in their Annual Investment Plans. In other cases, projects would not correspond to their development needs as identified in the LPRAP workshops. At other times, some LGUs would not receive information from their NGA counterparts that there had been changes in their proposed projects. The attendance of civil society organizations (CSOs) in the planning workshops had tended to be uneven. Some project proposals would not be as detailed as needed.

LGUs had also proposed projects that were not in the BuB funding menu: even as those projects would benefit their constituents, they would be disapproved. Other proposals would fail to meet the minimum requirements set by the NGAs, apart from the LGUs' incapacity to provide counterpart funding. To address these challenges, coordination meetings were conducted with the NGAs. These meetings resulted in this consensus, as recommended by DBM: work within the menu and follow the criteria set by the NGAs.

In the following years, the stakeholders became more receptive to the process. The menu for developmental projects was expanded to be more responsive to the needs of the communities. Discussions were held about including more BuB projects in an agency's budget program for the year 2017 to encourage the CSOs to participate fully in prioritizing and

By Vanessa R. Mendoza¹

implementing the projects in the communities. Implementing the BuB had not been easy. The guidelines issued and the series of workshops conducted to educate the stakeholders about the reform seemed inadequate to encourage them to participate. We need time to capacitate them in terms of complying with the process and the requirements. We need time to get the stakeholders—the government and the CSOs—to internalize the values and principles of the BuB.

Moreover, an effective monitoring and feedback system should be in place so we could measure the real success of the implementation. A strong network of CSOs should also be created; and government leaders should ensure that the guidelines are followed and project implementation is managed as well.

Even as it is hailed as a best practice in fiscal transparency, the story of the BuB does not end here. While I did not see firsthand the implementation of projects at the grassroots, the feedback of the stakeholders made me more open and receptive to change. "*Hindi sayang ang bawat piso ni Juan,*" so to speak, when the financial and physical targets of projects were being met, and when they did, I would recommend the continuation of such projects. The BuB had been one of the meaningful undertakings in reaching out to our fellow Filipinos in the poorest communities.

BuB is an extraordinary reform. The next administration should continue to support it. BuB promotes transparency, accountability, and responsiveness to the needs of the poorest LGUs and their communities. Likewise, it helps achieve convergence among the stakeholders. It strengthens the capacity of the LGUs to make better plans, ensure that the budget achieves the targets, and effectively implement projects. Through the BuB, we institutionalize the participation of all stakeholders in the budget process.

¹As of this publication, Mendoza is a Senior Budget and Management Specialist of the Budget and Management Bureau for Food Security, Ecological Protection, and Climate Change Management Sector.

How BUB helped weave a Davao family together

Based on anecdotes contributed by Director Gary Martel of the DBM Regional Office XI

A year ago, the Almagro family of Sitio Lubo in Santa Cruz, Davao del Sur was on the brink of falling apart.

Dennis and Jocelyn, parents to four children, would often fight over their failure to pay bills and to put enough food on the table. It did not help that despite being too hard-up to buy basic needs, Dennis would kill time drinking with his neighbors and playing *tong-its*: a card-based game that involves money which, albeit of little amount, could have bought them a kilo of rice.

Dennis' gambling and drinking problems would have turned for the worse if not for a livelihood project that rang its curtain up in May last year.

The project, funded through BuB, was among those approved for funding under the 2015 Budget. Confident that their curtains—woven with buoyant hues and patterns—could compete with the more commercially available ones, the local Curtain Producers Association (CPA) proposed for funding for sewing machines, threads and textiles, and other materials needed to increase their production.

On May 5, 2015, the Department of Labor and Employment, through the local government of Santa Cruz, turned over to CPA 11 sewing machines, 32 rolls of plain cloth, and 35 rolls of printed cloth, and other tools and raw materials needed for making the curtains. All in all, the project cost P300,639.00.¹

The increased volume in demand and production of the curtains gave Jocelyn and Dennis an opportunity to earn bigger. Together with their 41 other residents who are CPA members, they took turns in producing curtains. Seamstresses like Jocelyn get P300 for sewing an average of 50 standard curtains a day, and her husband Dennis, P840 for cutting 12 bundles.

Introduced in 2012, BuB revolutionized budgeting by giving people a greater stake in budgeting. This rules-based mechanism ensured that a significant part of the people's taxes would fund the needs that communities themselves chalked up and proposed through the CSOs. Ernie Lyn Gerona, BuB focal person for Santa Cruz town, saw how the initiative helped communities help themselves to break free from an entire life of poverty. "BuB not only made them productive, but also proud of what they have contributed both to their families and their communities," she said.

In the case of Jocelyn and Dennis, the project tacked the loose seams and stitches that could have ripped their family apart. They do not bicker over unsettled bills anymore, and their earnings are now more than enough to live more comfortably than before. On weekends, they would even bring their children and grandchildren to picnics.

Indeed, through BuB, people who lie at the bottom pit of the society found a renewed hope to improve their lives. Beyond gains in terms of economic progress, the Almagros and other BuB beneficiaries gained dignity.

¹Of the total amount, P261,426.00 was proposed by the local government unit and P39,213.00, by CPA, the civil society counterpart.