

Empowering Citizens

Government exists through the mandate of the people—as well as their taxes. Against a backdrop of corruption and ineffective service delivery in the past, the people installed the Aquino administration in 2010, which took a fresh mandate to restore trust between the government and its people. To honor the spirit of People Power, the administration increased transparency, citizen’s participation, and accountability in the way public funds were managed. Through these reforms, the Philippines became a global leader in fiscal openness.

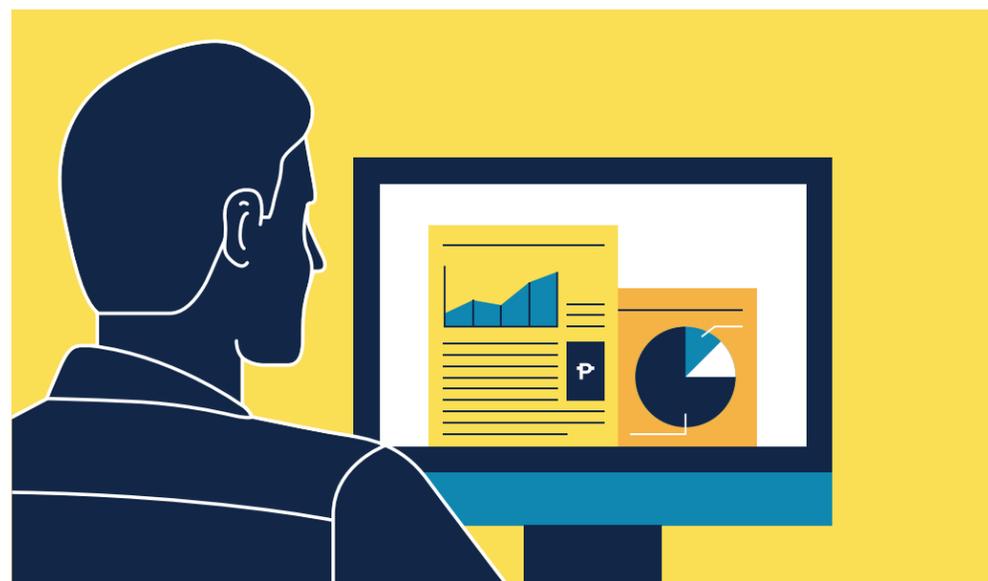


FISCAL TRANSPARENCY

How the Government Improved Access to Budget Information

IN A NUTSHELL

- It is the government’s obligation to uphold the citizens’ right to access budget information.
- *In the past*, since the 2006 Open Budget Survey (OBS), the government had produced “some” or limited access to information on how public funds were spent:
 - Inadequate information on intended results and details of spending in the Budget
 - Reports had lacked detailed comparisons of actual spending against appropriations
 - Information had not been presented in forms that citizens can access and understand
- *Since*, the administration made more information available to and accessible by the public. The 2015 OBS now ranks the Philippines 4th in Asia and 21st in the world.
 - Reformed the use of lump sum funds through technology
 - PFM reforms made the Budget more comprehensive and aligned with results
 - Published comprehensive Mid-Year and Year-End Budget Reports
 - Required agencies to disclose information via the Transparency Seal and Open Data
 - Produced the People’s Budget to help citizens understand complex information
- *Moving forward*, the government should sustain the Philippines’ standing as a global leader and, more importantly, uphold citizens’ right to fiscal information.
 - Improve government capacity to produce highly technical information, e.g., long-term debt sustainability analyses and reliable performance targets
 - Increase the comprehensiveness of Budget Reports by presenting the actual spending and performance of all agencies and all of their programs
 - To uphold citizens’ access, pass the FOI, expand the People’s Budget, and improve agency compliance with transparency standards



Governments have the obligation to make information on the use of public resources accessible to their citizens. The High-Level Principles for Fiscal Transparency of the Global Initiative for Fiscal Transparency (GIFT)¹ asserts, “[...] everyone has a right to seek, receive and impart information on fiscal policies (GIFT, 2012).” To ensure that governments fulfill this right, global standards have been established to assess the quality, credibility, comprehensiveness, timeliness, and accessibility of information produced throughout the budget process (see Table 1).

Table 1. Key Global Fiscal Transparency Instruments Applied to the Philippines

<p>Open Budget Survey (OBS) International Budget Partnership (IBP)</p>	<ul style="list-style-type: none"> • A biennial survey that began in 2006 to measure budget transparency, participation, and accountability in countries. • On transparency, OBS measures the public availability and comprehensiveness of the Eight Budget Documents to come up with each country’s scores in the Open Budget Index (OBI). • <i>Philippines: included in all five rounds of the OBS since 2006.</i>
<p>Fiscal Transparency Code (FTC) International Monetary Fund (IMF)</p>	<ul style="list-style-type: none"> • Introduced in 1998 and last updated in 2014–2015 to establish good practices in fiscal reporting, fiscal forecasting and budgeting, and fiscal risks analysis and management. • Fiscal Transparency Evaluations (FTEs) analyze performance against the three pillars of the FTC. • <i>Philippines: FTE in 2014 using the revised FTC after an evaluation in 2002–2004 using an earlier version of the FTC.</i>
<p>Public Expenditure and Financial Accountability (PEFA) Framework PEFA Program of World Bank (WB), IMF, European Commission, ADB, and the governments of Australia, UK, France, Norway, and Switzerland.</p>	<ul style="list-style-type: none"> • A diagnostic tool introduced in 2005, with the latest version in 2016, to assess the performance of countries’ PFM institutions, policies, and systems over time. • Assessments measure: budget reliability; transparency; assets and liabilities management; policy-based budgeting; budget execution; accounting and reporting; and external scrutiny. • <i>Philippines: first assessment released in 2010 and a new assessment for 2016 is about to be released.</i>

Fiscal transparency enables better management of public resources and better performance. Evidence shows that fiscal transparency has “a beneficial impact to lowering deficits or debt, borrowing costs, and directly or indirectly limiting fiscal gimmickry,” and incentivises public officials to refrain from corrupt behavior (de Renzio and Wehner, 2015). It also helps build public trust by establishing an environment of public accountability, where the citizens can be assured that their voices are heard and their interests heeded by public officials.

SITUATION BEFORE 2010

Lack of Trust due to Lack of Fiscal Transparency

Even as PFM reforms had been pursued in the past to improve reporting and the quality of information on the budget, the situation in the past was characterized by low levels of public trust and investor confidence (see Introduction). As such, “[t]he Philippines present[ed] the paradox of well-defined budget responsibilities, procedures, and reporting requirements but with the international perception of relatively high corruption levels (IMF, 2002).”

In the OBS, the Philippines had languished with the majority of 104 countries surveyed with inadequate fiscal transparency² since 2006. Even if the country’s OBI score improved to 55 in 2010 (see Table 2), three of the eight budget documents remained unpublished. Key gaps in the other five had also remained unaddressed. The reviews against an earlier version of the IMF FTC (IMF, 2002 and 2004) and an assessment by the PEFA held in 2006 to 2007 (WB, 2010) indicated some progress³ but also highlighted lingering fundamental gaps. The following summarizes these gaps, which were highlighted by the OBS and the IMF and PEFA assessments:

Table 2. PH Scores in the OBI and in the Eight Budget Documents, 2006 to 2010

Document and Description	OBI Score (of 100)			Key Prevailing Gaps
	2006	2008	2010	
OBI Score	51	48	55	“Some” fiscal transparency (41-60)
<i>Scores in each Document:</i>				
Pre-Budget Statement Discusses the governments’ policy framework and priorities for the annual Budget to be prepared	0	0	0	The Paper on Budget Strategy was produced but as an internal document
Executive Budget Proposal Submitted annually by the Executive to Congress, it provides detailed information and explanations on proposed revenues, expenditures, and debt, and other supporting information (e.g., performance targets, macroeconomic assumptions)	57	52	63	Key gaps include lack of medium-term fiscal estimates, expenditures by category and program, performance information, central government fiscal activities (e.g., off budget accounts), and narrative discussions of policies and estimates
Enacted Budget The Budget as approved by the legislature	100	100	100	Appropriations in the GAA are up to the level of programs, activities and projects
In-Year Reports Monthly and/or quarterly snapshots of revenues, expenditures, and debt	67	70	83	Generally comprehensive, though with gaps in timeliness and frequency
Mid-Year Review Reports on mid-year performance, explains deviations against target, and discusses any changes in the program	25	33	0	Not produced in 2010. Past editions were produced not by the DBCC, DOF, or DBM but by the BSP Investor Relations Office (IRO).
Year-End Report Reports on full-year financial and non-financial performance and compares these against enacted appropriations	23	23	23	Lacks details on revenues, debt, and spending against original program and performance information
Audit Report Produced annually by an independent Supreme Audit Institution to report on the veracity of government’s accounts	62	48	48	Produced by the independent Commission on Audit (COA), though with gaps in their timeliness and coverage
Citizen’s Budget Citizen-friendly summary of the Budget in its various stages (as proposed, enacted, implemented, and audited)	0	0	0	Summaries produced by the DBM in the past were not done in a timely and regular manner to meet OBS standards.

A detailed Budget with critical gaps

Information produced during the budget preparation and legislation phases had been generally comprehensive. However, past Budgets had failed to present essential information on their policy underpinnings and intended results. In particular, Budgets had been replete with lump sum funds which were not itemized into detailed programs, activities, and projects and were susceptible to abuse. Likewise, the Budgets had not presented adequate information and explanations⁴ on budgetary policies and the socio-economic goals they seek to achieve. The Budgets also lacked medium-term estimates of macroeconomic assumptions and fiscal targets, as well as economic sensitivities.

In relation to these gaps, the government had not also produced the Pre-Budget Statement (PBS) that should provide the policy framework in preparing the annual Proposed Budget.⁵ Moreover, the Budgets had not presented adequate information on performance: while the Book of Outputs⁶ was introduced, it had not contained complete and quality performance indicators and targets of the agencies. At times, the Book of Outputs had been produced too late to be considered during budget deliberations in Congress.

Poor reporting on Budget implementation

In contrast to the comprehensive information on the Budget, the reports on budget execution had lacked detailed comparisons of actual expenditures against approved appropriations. In particular, the Year-End Reports (YER)⁷ had been too broad to enable the detailed comparison of actual revenues, expenditures, and debt against targets. The structure and categories used for reporting actual year-end expenditure outturns in the Proposed Budget as well as in the COA Annual Financial Report (AFR) had not only been inconsistent with those of the Enacted Budget, but also lacked reporting at the level of appropriations.⁸

Moreover, the Mid-Year Review (MYR), which should explain any adjustments in the middle of the year, had remained unpublished.⁹ The “general weakness in reporting on budget execution (WB, 2010)” was also the result of the lack of consolidated in-year budget execution reports, even if the line agencies submitted budget reports to the DBM; as well as the lack of comprehensive disclosures on procurement activities and limited information flows to and from primary service delivery units.¹⁰

Limited citizens’ access to budget information

While available online as well as in hard copy, the Budget documents had not been in a format that citizens could easily understand, analyze, and re-use. The government also did not have clear and accountable policies and mechanisms for citizens to access budget information apart from those reflected in the Budget documents: the Freedom of Information Act had remained pending in Congress for 27 years.¹¹ Moreover, the government had not produced a Citizens’ Budget in a regular and timely manner.¹² Such a citizen-friendly summary of the Budget in various stages of the budget cycle could have helped the citizens understand highly technical budget information.

KEY REFORM INITIATIVES AND ACCOMPLISHMENTS

How the Philippines Became a Global Leader in Fiscal Transparency

“It is easier to hold government and its officials accountable for the use of public funds if there are sufficient, understandable, and accessible data on which the public can assess official performance.”

President Benigno S. Aquino III
President’s Budget Message 2011

The bold reforms that the government has initiated since 2010 established the Philippines as a new global leader in the practice of fiscal transparency. In 2015, the country’s score in the OBI increased to 64, from 55 in 2010 and 48 in 2012,¹³ crossing over to the elite group of 24 countries of 104 surveyed with “adequate” budget transparency¹⁴ (see Tables 3 and 4).

Table 3. Philippine Performance in the OBI, 2006 to 2015

	2006	2008	2010	2012	2015
Score	51	48	55	48	64

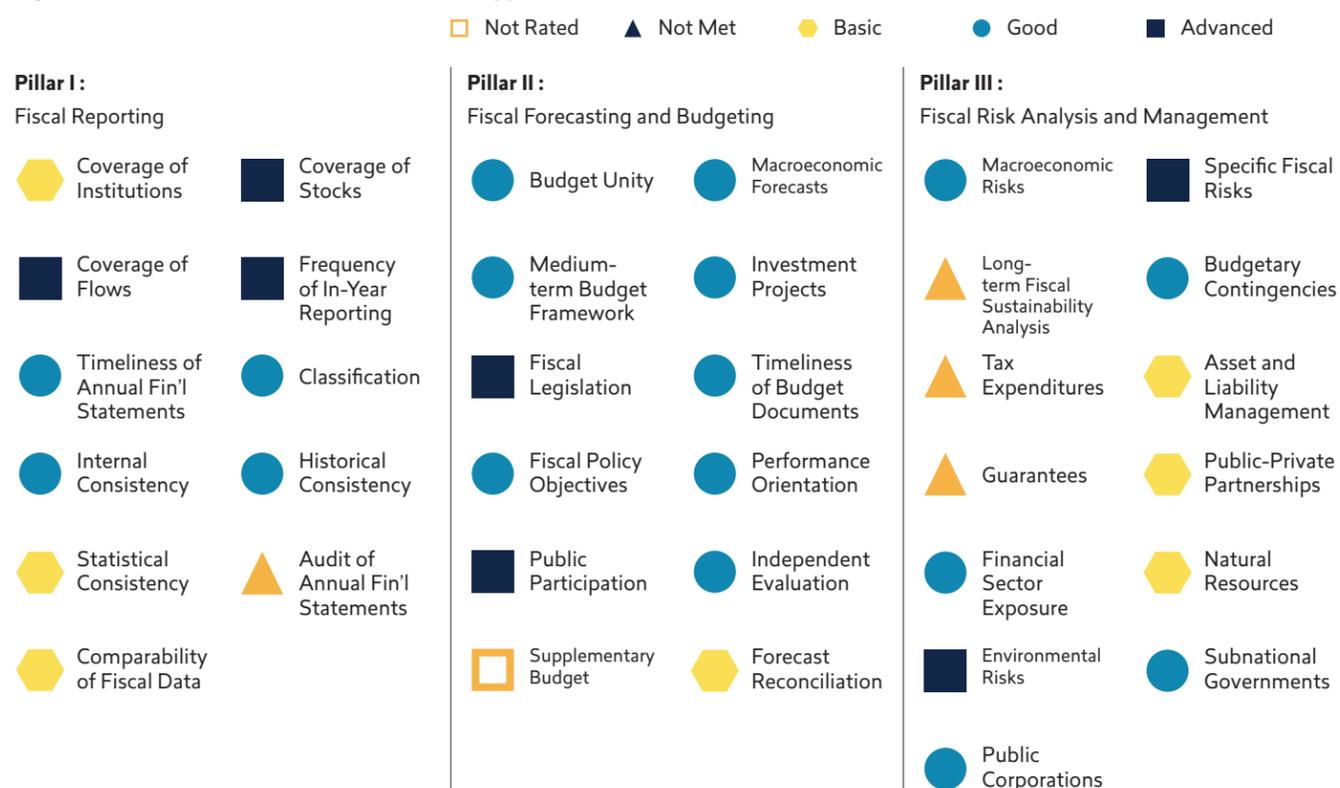
Source: Open Budget Survey (2006 to 2015), IBP

Table 4. Performance for Each Essential Budget Document, 2012 vs. 2015

	OBI Score		Performance Highlights
	2012	2015	
Pre-Budget Statement	0	61	A Budget Priorities Framework is now published
Executive Budget Proposal	57	64	Budget presents new information e.g. medium-term fiscal estimates; off-budget accounts and earmarked revenues; and performance indicators
Enacted Budget	100	45	Lower score. OBS now requires the presentation of expenditures by functional and economic classifications, and revenue and debt estimates
In-Year Reports	96	74	Lower score due to delayed release and lack of details on revenue, expenditures, and debt
Mid-Year Review	0	63	Now published as the DBCC Mid-Year Report
Year-End Report	0	64	Now published as the DBCC Year-End Report
Audit Report	52	67	COA now conducts various types of audits
Citizen's Budget	0	67	Now published as the People's Budget series

Source: Open Budget Survey (2012 and 2015), IBP

Figure 1. Philippine Performance in the FTE (IMF, 2014)



Source: Open Budget Survey (2012 and 2015), IBP

The FTE conducted by the IMF in 2014 likewise validated that “the government’s public financial management reforms strategy has helped initiate a wide variety of reforms, which are beginning to bear fruit (IMF, 2015).” According to the FTE, the Philippines demonstrated advanced practices in seven and good in 16 of the 36 principles of the FTC (see Figure 1). The PEFA assessment undertaken by the World Bank in 2016 also highlighted that the area of transparency of public finances performs very well because of improvements in the comprehensive information included in the annual Budget, the quality of performance information, oversight of fiscal risks, and access to fiscal information (see Table 5).

Table 5. Philippine Performance in the 2016 PEFA – Transparency of Public Finance Using old methodology to compare 2010 vs. 2016 Performance

	2012	2015	Performance Highlights
Total Number of A or B Scores: Per Indicator Per Dimension	3/6 6/10	5/6 9/10	Using the 2016 methodology, the Philippines also scores A or B in 5 of 6 indicators
PI-5. Classification of the budget	D	C	Improved due to adoption of UACS
PI-6. Comprehensiveness of information included in the budget documentation	B	A	Improved as seven of nine information benchmarks were fulfilled
PI-7. Extent of unreported government operations	A	A	Score sustained due to the limited extent of financial transactions excluded from reports
PI-8. Transparency of inter-governmental fiscal relations	B	A	Transfer of resources from national to LGUs transparent and rules-based
PI-9. Oversight of aggregate fiscal risks from other public sector entities	C+	B	Improved due to the monitoring of financial performance of GOCCs and LGUs
PI-10. Public access to key fiscal information	C	A	Improved due to several reforms to disclose all six listed types of information

Source: 2016 PEFA Assessment (draft as of May 25, 2016)

The Philippines achieved these new heights in budget transparency not by merely publishing all budget documents: more importantly, the government addressed fundamental policy and technical issues in making budget information more available and accessible to the citizens.

Making lump-sum funds more transparent through technology

To rationalize the opaque lump-sum funds, particularly the controversial Priority Development Assistance Fund (PDAF), the administration launched in 2011 the [Electronic Transparency and Accountability Initiative for Lump-Sum Funds \(eTAILS\)](#),¹⁵ an ICT-based system that digitized the processing of allotment releases (SAROs) from lump sum funds which was proposed in 2008 for external funding

from the Millennium Challenge Corporation. The system likewise automated the disclosure of these releases through a special portal on the DBM website (pdaf.dbm.gov.ph). The DBM pursued further improvements to the PDAF portal, for example, the system integrated social media tools to allow the citizens to report and submit photos or videos of PDAF-funded projects. This portal has been online despite

the abolition of the PDAF in late 2013. In addition, the government had posted, though manually, releases from other lump-sum funds through the DBM website: the DepEd School Building Program (reports.dbm.gov.ph/sbp.php), the Internal Revenue Allotment of local government units (reports.dbm.gov.ph/ira.php), and the Calamity/NDRRM Fund and Quick Response Funds (www.dbm.gov.ph/?page_id=8427).

“Through the PDAF database, citizens could keep track of fund releases of legislators for each fiscal year. This information provides people with access to information to hold legislators accountable.”

Celso Alejandro Estioco

DBM INFORMATION AND COMMUNICATIONS TECHNOLOGY SYSTEMS SERVICE

PFM reforms improved the quality of the Budget

The PFM reforms introduced since 2010 have made the Budget more comprehensive. Efforts to reduce lump-sum funds and Special Purpose Funds (SPFs) have enabled the government to present in detail the appropriations for programs, activities, and projects (see Budget Integrity and Accountability). Similarly, the [Unified Accounts Code Structure \(UACS\)](#) has allowed the categorization and coding of these particular budget items in a clear and organized manner (see Integrated PFM System). To clearly present the budgetary policies vis-à-vis the socio-economic goals, the government since 2014 has published the [Budget Priorities Framework \(BPF\)](#) that presents the fiscal strategy and expenditure priorities that should guide the formulation of the Proposed Budget. The improved implementation of the Medium-term Expenditure Framework (MTEF) (see pages Linking Planning and Budgeting) and other initiatives have enabled the presentation of medium-term estimates of the economic assumptions, revenues, expenditures, and debt in the BPF and the Proposed Budget (BESF).

Moreover, since 2012, the DBCC has published the annual [Fiscal Risks Statement \(FRS\)](#) that discusses economic, external, climate change, and other risks to government finances; as well as information on the sustainability of national government debts, including contingent liabilities. With the FRS¹⁶, the IMF-FTE had said that fiscal risks disclosure was “relatively strong in the Philippines compared to other countries (2015).” With the [Performance-Informed Budgeting \(PIB\)](#) in place, the link between budgeting and the intended results has been clearly shown, as the agencies’

performance indicators and targets are presented in the Budget (NEP and GAA) itself (see Linking Budgeting and Results). The [Technical Notes to the Proposed Budget](#) published by the DBM since 2014 provides comprehensive narrative explanations of how financial estimates link to achieving development goals and delivering services to the citizens.

“The Technical Notes, the People’s Budget, and other new publications emphasize that it’s not enough for the government to make technical budget data available. It’s an equally-important task for the government to thoroughly explain the story behind the data, and to translate that story into forms to which citizens can easily relate.”

Director Francis Y. Capistrano

DBM KNOWLEDGE MANAGEMENT AND FISCAL TRANSPARENCY SERVICE

Budget reporting now established

The DBCC Mid-Year Report (MYR), which had been issued since 2013, discussed the government’s economic and fiscal performance as of the first semester of the year; as well as the decisions of DBCC to modify economic, revenue, expenditure, and debt targets for the remainder of the year. The report likewise provided financial and non-financial information on the performance of major departments, programs, and projects. The DBCC also produced the YER since fiscal year 2012. This document essentially contained the same structure and information as the DBCC MYR, but with additional information on program-level performance and outlook for the following years. Related to this, Congress added a provision in the GAA since 2015 requiring the Executive to submit a Post Budget Status Report.¹⁷

The DBM also improved the timeliness and level of detail of the monthly Assessment of Disbursements; and produced new regular reports, through the DBM website, on the aggregate status of allotment releases, obligations, cash allocation releases, and their utilization. Because of these and other practices, the IMF rated the Philippines’ fiscal reports as “relatively comprehensive, frequent and timely, with many good and advanced practices (2015).”



“It’s very important to publish that [DBCC MYR and YER], not only for the benefit of DBM, the implementing agencies, or the oversight agencies. The most important there is to inform the public what happened to what has been approved by the Congress; because above all, the citizens should know where their taxes were spent.”

Director Rolando U. Toledo

DBM FISCAL PLANNING AND REFORMS BUREAU

A clearer set of agency disclosure standards

Coinciding with the 2012 GAA, the government introduced the [Transparency Seal](#): a visual element or other hyperlink that all the agencies should feature on their official websites, conspicuously as to lead users to access key budget information¹⁸ (see box). To incentivize compliance, the government made the Transparency Seal an eligibility requirement for the agencies for the grant of performance-based bonuses (see *Compensation Reform*). By end-2014, 98 percent¹⁹ of all NGAs (departments and other executive offices), SUCs, and GOCCs had complied with the Transparency Seal (see *Table 6*).

In addition, the government had included other public disclosure requirements in the provisions of the GAA. These included a requirement²⁰ for the agencies that implement infrastructure projects to post in their respective websites for each project the project title, detailed description, nature and location, detailed estimates in arriving at the Approved Budget for the Contract, and the winning contractor and detailed estimates of the bid as awarded. Moreover, the government had required the agencies to post bid notices and awards online through the Philippine Government Electronic Procurement System²¹ (see *Procurement Reform*), and had made such a requirement in granting performance-based bonuses.

Information Required by the Transparency Seal

All government agencies, including Constitutional offices, SUCs, GOCCs, and LGUs should maintain a transparency seal on their official websites, to contain their:

- i. mandates and functions, officials with designations, and contact information;
- ii. approved budgets and corresponding targets;
- iii. budget realignments;
- iv. annual procurement plan, contracts awarded, and name of contractors;
- v. major programs and projects and their targeted beneficiaries;
- vi. status of implementation of programs or projects, including evaluation reports;
- vii. physical and financial accountability reports required by COA and DBM; and
- viii. annual reports on off-budget or retained income, expenditures, and balances.

Source: Section 99 of the General Provisions, 2016 GAA (R.A. No. 10717)

Table 6. Agency Compliance with the Transparency Seal

Type of Institution	FY 2012	FY 2013	FY 2014
Departments	22	23	23
Other Executive Offices	29	32	36
Constitutional Offices	2	4	5
GOCCs covered by DBM	10	13	14
SUCs	97	97	108
Total	160/184	169/189	186/190
Compliance Rate	87%	89%	98%

Let citizens play around with the data

Aside from ensuring the availability and accessibility of budget information, the government sought to make this information available in open and machine-readable formats.²² The DBM began to publish the GAA, the NEP, and select tables of the BESF in open data formats in 2013. A task force²³ of the DBM, the Office of the Presidential Spokesperson, and the Presidential Communications Development and Strategic Planning Office, with the support of the World Bank, developed the [Open Data Philippines](#) portal ([data.gov.ph](#)). The portal was launched in January 2014, featuring open data sets and visualizations of budget and procurement information, among others. The Open Data Task Force also developed data portals or special topics (see box). Similarly, the DBM uploaded Budget documents on its website in open data format.

Parallel to these, the Task Force pursued policy reforms to promote open data, such as the inclusion of a general provision in the GAA beginning 2015²⁴ that required all the agencies to publish their datasets in open formats and with open licenses.²⁵ It also conducted various outreach and capacity building activities—such as master classes, seminars, and hackathons²⁶—to promote the adoption and use of open data.

“We rolled-out outreach activities to demonstrate how civil society can leverage open data for civic causes. For example, we engaged CSOs on how they can use datasets from the DILG’s Full Disclosure Policy Portal to check LGUs’ performance.”

Gabriel Baleos
OPEN DATA PHILIPPINES TASK FORCE

Specialized Open Data Portals

- [Faith.gov.ph](#) – the government launched the Foreign Aid Transparency Hub in 2013 after Typhoon Yolanda for the disclosure of foreign aid pledges and actual receipts (cash and non-cash);
- [Openpub.gov.ph](#) – a transparency and monitoring and evaluation portal for the Bottom-up Budgeting program;
- [Extractive Industries Transparency Initiative \(EITI\) Contracts Dashboard](#) – the Task Force, DOF, and the EITI Philippines Multi-Stakeholder Group developed this dashboard ([data.gov.ph/eiti](#)) to catalogue mining and oil and gas contracts;
- [Openroads.gov.ph](#) – a dedicated portal for the disclosure of road construction projects and financing, initially for the Tourism Road Infrastructure Program of DPWH and DOT, and Farm-to-Market Roads of DA.



The Budget in forms that citizens understand

The DBM published the [People’s Budget](#) first in 2011, an annual publication that featured plain language and graphics-driven summaries of the budget policies and reforms, the macroeconomic assumptions and the fiscal program, the dimensions of the national expenditure program, and the priority programs and projects of the GAA, as well as the citizens’ guides to the budget process. Since then the People’s Budget had evolved from a summary of the Enacted Budget into a package of actions that bring budget information closer to the citizens. For one, the People’s Proposed Budget was introduced to summarize the Proposed Budget beginning fiscal year 2013. The DBM also translated the

publications into Tagalog and Cebuano; released audio-visual presentations (AVPs); and produced flyers, infographics, newspaper advertisements, and other materials to reach more audiences physically and via social media.²⁷ Moreover, to solicit stakeholder inputs and feedback on the publications, the DBM since 2013 had conducted research activities, such as targeted interviews, focus-group discussions, and readership surveys.

“[The People’s Budget] is one of the best ways of making budget information understandable to citizens... Even [a senator] would love the graphical illustrations.”

from a respondent of a [People’s Budget readership survey](#)

CHALLENGES AND NEXT STEPS

Can Citizens Now Use Budget Information to Hold Government Accountable?

“As we give citizens access to information, we give them recognition that they have a stake in government concerns: that they have the right to know, to understand, to be heard, to participate, and to help make government more efficient and effective.

So far, we have opened up our government to a great extent and we have been recognized locally and internationally for so doing. We should not backslide. We should do more, because this is how we show our people that the government can be trusted.”

Undersecretary Janet B. Abuel
DBM COMPTROLLER GENERAL GROUP



The bold reforms in PFM that brought the country’s fiscal transparency policies and practices closer to international best practices had helped improve corruption perceptions, investor readiness, and public trust. Any reversal in fiscal transparency policies or backsliding from new practices²⁸ would not only embarrass the Philippines internationally, but also impede progress in other PFM reform areas, such as improving the government’s ability to manage the performance of the agencies (see *Fast and Efficient Budget Execution*), and enabling a meaningful and evidence-based citizens’ participation (see *Citizens’ Participation in the Budget Process*).

In the future, the Philippines may be able to join the group of countries with “extensive”²⁹ fiscal transparency in the OBI. To do so, the government must improve its capacity to produce useful fiscal information and make these accessible to the citizens (see *Table 8*). Furthermore, the government must address the lack of permanent enabling laws for fiscal disclosures and access to information; the delays in implementing ICT solutions that enable transparency; and the capacity of the CSOs and other stakeholders to use budget information.

Table 8. Possibilities for Improving the PH's OBI Score

	OBI Score		Performance Highlights
	2015 Actual	2017 Target	
Pre-Budget Statement	61	89-100	Improve presentation of revenue, expenditures, and debt estimates (including medium-term).
Executive Budget Proposal	64	70-77	Present expenditures according to international standards, with medium-term estimates, and allocations and targets for all programs; and highly technical information e.g., contingent liabilities.
Enacted Budget	45	78-95	Present expenditures by classification, revenue, and debt (publish key BESF tables based on GAA).
In-Year Reports	74	74-93	Improve timeliness and, as much as possible, present more detailed expenditures.
Mid-Year Review	63	70-78	Improve timeliness and provide details of revenues, debt, and expenditures according to Budget classifications, by entity, by program, and include actual performance.
Year-End Report	64	69-76	Improve timeliness and provide details of revenues, debt, and expenditures according to Budget classifications, by entity, by program, and include actual performance.
Audit Report	67	67-72	Improve this by publicly reporting actions of the Executive to address audit findings.
Citizen's Budget	67	75-100	Ensure timeliness, produce throughout the budget cycle (i.e., produce a People's Budget against IYR/MYR/YER, and against Audit Report), and improve citizen feedback mechanisms.

Source: Estimates of the DBM Fiscal Transparency Working Group
 Note: The 2017 OBS will likely cover budget documents produced from 2015 to the first half of 2016.

Information gaps in the budget now more sophisticated

To address the remaining gaps in the comprehensiveness of Budget documentation, the DBCC and its member-agencies must improve their capacity to inventory, monitor, analyze, and disclose sophisticated PFM information: financial and non-financial assets; contingent liabilities and sustainability of government obligations over the long-term; tax expenditures, including incentives to investors; and the overall public sector financial position. Steps had been taken to address these gaps, particularly the efforts of the DOF-BTr to improve its ability to manage contingent liabilities, debt sustainability, and overall fiscal risks; and the consolidation of budget preparation reforms through the Two-Tier Budgeting Approach (see *Linking Planning and Budgeting*).

The capacity of the agencies to produce highly technical fiscal information—from accurate future forecasts of each program's cost, to fleshing out expenditures into detail—should be improved. Moreover, the Program Expenditure Classification (PREXC), where all programs will have performance targets (see *Linking Budgeting and Results*), must require not only the improved technical capacity of the DBM and the agencies but also the support and capacity of Congress and the citizens. Finally, the passage of the Public Financial Accountability Act (see *Proposed Philippine Public Financial Accountability Act*) and the Freedom of Information Act would provide a permanent mandate to the country's new fiscal transparency practices.

Reports need more detail on finances and performance

The DBCC MYR and YER should be sustained and made more comprehensive by presenting information on the financial and non-financial performance of all the agencies and all their programs according to the same classifications in the Budget. By doing so, data and information will be comparable, which will make validation for budget integrity easier and deepen the public's understanding of such information. Therefore, the agencies should have the capacity to prepare the required accountability reports accurately and submit these on time, and the very structure of the Budget to facilitate reporting must be also considered (see Budget Integrity and Accountability). Certainly, timely and accurate submission, consolidation, and reporting should be in place, with the help of ICT tools that should eventually automate these processes (see *Integrated PFM System*).

Moreover, the DBM should put in place specific functions that focus on financial accounts consolidation and reporting as well as enforcement of monitoring and evaluation standards. Steps had been taken to address these gaps, such as harmonizing accountability reports and sustaining the implementation of the UACS (see *Integrated PFM System*); installing technology-based solutions toward a full-scale GIFMIS which is a work in progress;³⁰ and initial set-up of the Office of the Comptroller General (OCG) as well as the Performance Monitoring and Evaluation Bureau in the DBM (see *DBM's Institutional Strengthening Efforts*).

Build capacity to meet citizens' demand for information

To deliver easy-to-understand and useful fiscal information to the citizens, the DBM needs to build a new set of competencies: translating highly technical information into “plain language” explanations and creative graphics; packaging data into open formats; addressing the citizens' request for information; and even pushing out information through social media. However, these stakeholder-centric functions are currently performed by ad-hoc units.

The DBM must also systematize the monitoring of agencies' compliance with the Transparency Seal and other mandatory disclosure requirements, and assign permanent offices to perform this function. Moving forward the DBM must prepare for its compliance with the Freedom of Information bill before its eventual enactment—by improving information, records, and knowledge management practices. To meet the increased

demand from citizens for accessible and useful information, the DBM has begun to address organizational and systems gaps, particularly the adoption of a Quality Management System and the recent creation of the Knowledge Management and Fiscal Transparency Service (see *DBM's Institutional Strengthening Efforts*).

“Although budget transparency across the world has improved incrementally over the last ten years, many countries that have increased their budget disclosures are still only providing limited amounts of budget information to their citizens. In contrast, the Philippines is one of only a handful of countries to break the barrier and move into the select group that disclose sufficient levels of budget information. It also complements advances in transparency with improvements in public participation in budgeting. The challenge now for the Philippines is to maintain consistency and not regress in its practices.

As the global fiscal environment gets tighter, the Philippines faces a challenge of improving the effectiveness and efficiency of every peso spent. This challenge is more effectively combated when supported by good quality data and information. This also means tapping into citizens, legislators, and others outside the executive who may be able to make suggestions and contribute information that can lead to more effective budget implementation. Ultimately, robust societies occur when there is a very strong bond of trust between citizens and the government.”

Executive Director Warren Krafchik
 INTERNATIONAL BUDGET PARTNERSHIP



NOTES

- ¹ The High-Level Principles were adopted by the United Nations General Assembly in 2012. GIFT is “a multi-stakeholder action network working to advance and institutionalize global norms and significant, continuous improvements on fiscal transparency, participation, and accountability in countries around the world (GIFT, 2014).” Convened in 2011, GIFT is composed of stewards from government (including the Philippines through the DBM) and international donor organizations, non-government organizations, and professional associations.
- ² Countries with OBI scores below 60 have “inadequate” transparency; while those with “adequate” transparency have scores of 61 and higher. In 2010, 84 of the 104 countries surveyed (81 percent) fall under this category.
- ³ Most notably, the enactment of the procurement law (*see Procurement Reform*), the establishment of internal control rules (*see Internal Control*), and the introduction of a new volume of the Proposed Budget that presents agencies’ performance targets (*see Linking Budgeting and Results*).
- ⁴ Until 2001, the government had been producing the Budget of Expenditures and Sources of Financing (BESF) as a technical narrative discussion of the proposed budget and prior years’ performance. The “BESF tables” as it is known today is actually a volume of tables that supported this erstwhile “BESF text.”
- ⁵ This unpublished document, produced by DBCC through DBM in 2009 and updated in 2010, discusses the recommended medium-term fiscal framework and expenditure policies for the preparation of the upcoming fiscal year’s Budget. The OBS did not consider the National Budget Call as adequate enough to be considered as a pre-budget statement because it generally focuses on establishing guidelines and procedures for the budget preparation process. The “Budget Call 2,” which presents fiscal targets and agency budget ceilings, had often been released late and did not contain sufficient information to meet OBS’ minimum standards.
- ⁶ The Book of Outputs, a product of the implementation of the Organizational Performance Indicator Framework (*see Linking Budgeting and Results*), contains the performance targets of agencies at the level of outputs. The Book of Outputs was first introduced in 2007 covering a limited set of agencies.
- ⁷ This document, produced by the BSP-Investor Relations Office (IRO), are actually slide presentations used during the economic briefings that it held.
- ⁸ PI-5 on Classification of the Budget, with a score of “D,” citing that “the execution and reporting system” used for reporting actual outturns in the BESF and the AFR “does not use the budget classification (WB, 2010).”
- ⁹ An earlier edition of the mid-year review, also produced by the BSP-IRO, lacked sufficient information especially the disclosure of deviations against program and midstream changes to the program.
- ¹⁰ These gaps led to a low score of “C” on the PEFA Indicator on Public Access to Budget Documentation (PI-10).
- ¹¹ Since the first FOI Bill was filed in Congress, according to the Center for Media Freedom and Responsibility. Retrieved from <http://cmfr-phil.org/freedom-of-information/>.
- ¹² The DBM published a Budget in Brief in 2008 and 2010; an edition for fiscal year 2009 was not published, thus the “zero” score for the Citizens’ Budget in the 2010 OBS.
- ¹³ The government failed to publish anew the pre-budget statement and mid-year review; it published the Book of Outputs (part of the Proposed Budget) and the 2011 edition of the People’s Budget (Citizens’ Budget) too late; and the document that used to be considered as the year-end report (i.e. the presentations published by BSP-IRO) did not anymore meet OBI’s minimum standards.
- ¹⁴ See note no. 2. The Philippines is tied at 21st to 23rd place with Poland and Portugal; ranks fourth in Asia after Russia, Georgia, and South Korea; and ranks first in Southeast Asia, overtaking Indonesia.
- ¹⁵ The disclosure of releases from PDAF and other lump sum SPFs had begun in the previous administration, though not in an automated manner. Moreover, eTAILS takes off from DBM’s attempts to develop an

“e-lump sum fund” system during the previous administration.

- ¹⁶ Aside from the FRS, the BESF and Technical Notes now contain presentations of estimates of the sensitivity of the Budget to changes in macroeconomic assumptions.
- ¹⁷ General Provisions Section 100 of the 2016 GAA require the DBM to prepare such report on the summary of the performance of the government, to be submitted to Congress and posted on the DBM website.
- ¹⁸ It is notable that the 2011 GAA already contained a general provision (Section 97) which required all agencies to post on their respective websites a set of information similar to those required by the Transparency Seal.
- ¹⁹ The figures reflected here represent the compliance of participating agencies in the PBIS.
- ²⁰ General Provisions Section 90 of the 2014 GAA, Section 97 of the 2015 GAA, and Section 98 of the 2016 GAA.
- ²¹ General Provisions Section 19 of the 2016 GAA mandates that the System “shall be the primary source and repository of information on government procurement.”
- ²² These include XLS, XLSX, CSV, HTML, and other electronic formats that are machine readable and could generally be processed by users through Microsoft Excel and other similar programs. Some PDF files could also be open and machine-readable depending on their formatting (e.g. those which are not image-based).
- ²³ JMC No. 2014-1, issued on 22 January 2014, spelled out the roles and responsibilities of the Open Data Philippines Task Force and its Project Management Office. It also required agencies to designate their respective Open Data Champions and to submit lists of datasets which they propose to publish in open format.
- ²⁴ General Provisions Section 27 of the 2016 GAA requires all national government agencies to “adopt a policy of openness for all datasets created, collected, processed, disseminated, or disposed through the use of public funds to the extent permitted by applicable laws...” The 2015 version of such provision (Section 24) mandated the Open Data Task Force to issue guidelines to implement this section.
- ²⁵ These include Open Database License, Creative Commons, and other “copyleft” licenses that enable users to freely manipulate, re-use, and share data sets as well as use these to develop applications without prior approval of the data producer as long as the latter is acknowledge. This is in contrast to “closed” licenses or “copyrights” which prohibit users from doing so without seeking permission from the data producer.
- ²⁶ In hackathons, developers and other professionals compete to develop technology applications using the data sets provided by the host. After an initial #KabantayNgBayan hackaton held in 2013 and featuring newly-published open data sets of the GAA, NEP, and select BESF tables, the Open Data Philippines Task Force held subsequent hackathons using specialized data such as climate expenditures and procurement information.
- ²⁷ The DBM also launched BudgetNgBayan.com in 2012, is essentially an online and interactive version of the annual People’s Budget, although the site had been inactive since 2014.
- ²⁸ In the 2015 OBS, some countries suffered huge declines in their OBI scores. India’s score, for instance, declined from 68 in 2012 to 46 in 2016 simply because it published the MYR and YER too late for the 2015 OBS research round: a temporary setback, as the government in subsequent years published the same documents on time.
- ²⁹ Countries with scores of 81 to 100 are rated with “extensive” transparency. Only five countries met this in the 2015 OBI: New Zealand (88), Sweden (87), South Africa (86), Norway (84), and the United States (81).
- ³⁰ The government is currently building the BTMS, a core component of the GIFMIS.

INSIGHT FROM A DBM JUNIOR LEADER

Transparency (and Less Overtime) via GAARD

Have you ever given up your break time just to finish your work? I have, and perhaps most of you can relate to this.

I started my stint at the DBM in March 2010 as budget and management analyst, assigned at the Budget Technical Bureau, in the Budget Execution Division. My task included the preparation and analysis of various reports pertaining to the expenditure program and the allotment releases. My very first assignment was the reporting and monitoring of manually prepared SAROs, which included their numbering, recording in the Budget Technical Service (BTS) logbook, and encoding in the BTS internal database system.

I recalled one time during my first weeks, in which I spent my lunch break to number these manually prepared SAROs. As I used a typewriter, I was noisily typing away these numbers. I eagerly continued to work, finished it, and felt a relief knowing that if my boss followed it up, I was done. However, I was completely oblivious that most of my colleagues were taking their “siesta” while I was creating so much noise working. I was not the only one actually sacrificing the lunch break, they did, too, because they were unable to rest since the noise I created bothered them. I also remember one occasion when my colleagues and I worked overnight to finish numbering a large volume of the manually prepared SAROs—packaging, sorting and barcoding—at three o’clock in the morning.

Manually prepared SAROs were not only ones we would prepare in the allotment releases report. We also generated the SARO listing from various DBM IT systems, i.e., eBudget system, Foreign-Assisted Projects (FAPs) Database system, Electronic Transparency and Accountability Initiative for Lump-sum Funds (eTAILS) system, the details of which we would record and consolidate. These multiple tasks made the processing and reporting of allotments complex and extensive. However, the eTAILS system, where allotment releases for PDAF were processed and generated, could no longer be used starting in 2014 because, as we all know, the PDAF was declared unconstitutional by the Supreme Court.

By Mary Joyce A. Marasigan¹

In 2015, manually prepared SAROs have been eliminated as well as the FAPs Database system; the e-Budget system was the only one used in processing fund releases for easy and efficient budget operation. To prevent the reproduction of the release documents and the creation of fake SAROs, a policy was created: only one copy must be printed using the security paper and upon approval, one copy is reproduced as the receiving document to the recipient agencies.

My working hours before were oftentimes extended. We would usually render overtime due to the lengthy and detailed process of releasing allotments to the department and the agencies. However, in 2014, the DBM implemented the GAARD, a new reform that would allow the agencies to obligate funds early on. This new regime brought about greater efficiency in budget implementation, thereby improving fiscal transparency and accountability in the government’s expenditure program. It practically eliminated the opportunity to create fake Special Allotment Release Orders (SAROs).

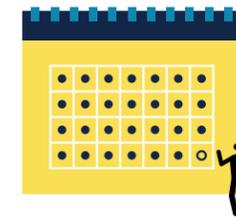
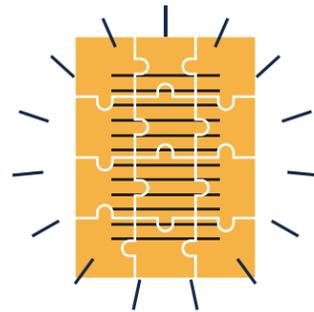
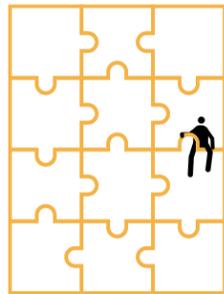
The GAARD required the regular posting of monthly allotment releases in the DBM website as part of transparency seal. Also posted are the budgetary documents, i.e., GAA, NEP, BESF, etc. Because of the GAARD, the country obtained the highest rank among the ASEAN countries in good governance and transparency. This success is not only credited to the DBM employees, but also to all stakeholders who were directly and indirectly involved in the success of the budget execution. As public servant, I realized that working in the government is not easy because it demands time and effort, hard work, commitment, and dedication.

This reform should be sustained for faster and efficient budget execution. The agencies should ensure the timely implementation of their programs and projects through early procurement and timely service delivery. To the next policymakers and leaders, they should be transparent and accountable to be an effective and efficient implementer of the public expenditure.

¹ As of this publication, Marasigan is Budget and Management Specialist II of the Budget Technical Bureau, formerly known as the Budget Technical Service.

HOW WE OPENED UP THE BUDGET CYCLE TO THE PEOPLE

Fiscal transparency enables better management of public resources and better government performance. The Philippines adhered to best practices in fiscal transparency by publishing these eight essential budget documents regularly. Moreover, the government leveraged technology to improve the availability and accessibility of budget information to the public.



1

Budget Priorities Framework

This defines estimated revenues, expenditures, and debt based on assumed economic conditions, and also discusses the priority programs and provinces that agencies' proposed budgets must reflect.

2

Proposed National Budget

This is composed of the Budget of Expenditures and Sources of Financing, the National Expenditure Program, and other supporting documents. Through major reforms, the Proposed Budget now includes detailed programs and projects, performance indicators and targets, and narrative explanations of proposed policies.

3

General Appropriations Act (GAA)

The GAA or Enacted Budget is the Budget approved by Congress and signed into law by the President.

4

In-Year Reports

These monthly and quarterly reports published by DBM and DOF track government's actual revenues, expenditures, and debt management. Agencies also prepare and publish regular budget and financial accountability reports (BFARs).

- Regular online disclosure of:
 - DOF-BTr: Cash Operations Reports, Debt Statistics, etc.
 - DBM: Allotment Releases, Status of Obligations, Cash Allocations Releases, Disbursements
- Disclosure by agencies of Budgets, key programs, and BFARs via *Transparency Seals*

5

DBCC Mid-Year Report

It summarizes the government's economic and fiscal performance, along with the status of major programs and projects, as of the first semester of the year. It also explains differences between actual performance and targets, and discusses target adjustments, if any, for the rest of the year.

6

DBCC Year-End Report

This provides a complete review of the government's actual economic and fiscal performance and indicators. The performance of major programs and projects are also reported. Here, the actual outturns are reported against the original program set by the National Budget.

7

COA Annual Audit Reports

The COA publishes the annual financial report, annual audit reports, special audit reports, and others to evaluate the integrity and completeness of the financial accounts of the national government, individual agencies, LGUs, and GOCCs.

8

People's Budget

Composed of publications and varied multimedia products, the People's Budget translates technical information on the Budget into plain language and creative graphics. The People's Budget is ideally published throughout all four phases of the budget cycle.

Technology for Transparency

The government leverages ICT tools and social media to produce and disseminate budget information to the public. Technology-driven transparency initiatives include a) the Open Data project; b) the Transparency Seal; c) online disclosure of releases from the erstwhile pork barrel fund; and d) online publishing of the eight budget documents and other budget reports.