

The Road to Fiscal Transparency in the Philippines

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INTRODUCTION

Every two years the International Budget Partnership (IBP) conducts the Open Budget Survey (OBS), the only independent, regular, comparative assessment of government budget transparency, participation, and oversight in over 100 countries around the world. In order to measure budget transparency, IBP calculates the Open Budget Index (OBI) from a subset of survey questions on the amount, level of detail, and timeliness of budget information that the governments covered by the OBS make publicly available. Each country assessed is given an OBI score between 0 and 100, with those earning OBI scores above 60 considered to be providing “substantial” information to the public.

After languishing in the OBI category of “limited” fiscal transparency for nearly a decade, the Philippines managed to achieve a score of 64 in the 2015 round of the survey. Up from a score of 48 in 2012, the country ascended to the rank of 21st in the world, fourth in Asia, and first in Southeast Asia.¹ The Philippines was one of the five countries assessed that moved into the category of “substantial” budget transparency between 2008 and 2015.² On the surface, the Philippines improved its transparency rating simply by publishing all eight budget documents that are measured by the OBI. However, beneath that surface is a story of how key actors in the government bureaucracy took action to fulfill the promise made by the administration at that time to curb corruption and make the management of public funds more efficient, effective, and open to citizens.

This case study explores two main theses that can help explain the reform trajectory in the Philippines. First, achieving adequate levels of fiscal transparency requires fundamental reforms in public financial management (PFM) that are supported by a deliberate push to make budget information more available to the public. In the Philippines' case, PFM reforms that began around the turn of the century sought to achieve aggregate fiscal discipline, the strategic allocation of resources, and operational efficiency. These outcomes are supported by the availability of timely and reliable fiscal information. However, these PFM reforms alone do not necessarily mean that such information is readily made available to the public. The government also had to take additional steps to give fiscal transparency an “extra push.”

The second thesis explores the question of why such an “extra push” was needed in the first place. In an early attempt to expound on the political economy of fiscal openness reforms, Sanjeev Khagram, Archon Fung, and Paolo de Renzio identified four reform triggers: 1) political transitions, 2) fiscal and economic crises, 3) political and corruption scandals, and 4) external influencers.³ These triggers create the opportunities and incentives for key players — from political leaders and civil servants, to civil society — to take action. In this initial and

¹ The Philippines is tied with Poland and Portugal at 21st to 23rd places. In Asia, the Philippines follows Russia, Georgia, and South Korea. In Southeast Asia, the Philippines overtook Indonesia for the top spot.

² The other four countries are Georgia, Malawi, Mexico, and Romania. See Babacar Sarr and Joel Friedman, *The Road to 61: Achieving Sufficient Levels of Budget Transparency* (Washington, D.C.: International Budget Partnership, 2016), available at: <http://www.internationalbudget.org/publications/achieving-sufficient-levels-budget-transparency/>.

³ Sanjeev Khagram, Archon Fung, and Paolo de Renzio, eds., *Open Budgets: The Political Economy of Transparency, Participation, and Accountability* (Washington, D.C.: Brookings Institution Press, 5 April 2013), available at <https://www.brookings.edu/book/open-budgets-the-political-economy-of-transparency-participation-and-accountability/>.

limited foray into the political economy of fiscal openness reforms in the Philippines, two of these triggers seem to be the most prominent. First, external influencers had a direct impact. In 2013 IBP announced that the country's OBI score had slipped to 48, down from 55 in 2010. At that time, the Philippines had just recently co-founded the Open Government Partnership (OGP) and the Global Initiative for Fiscal Transparency (GIFT), and it was untenable for the OBI score of a so-called global champion of openness to deteriorate. Reacting to the 2012 OBS, then-Budget Secretary Florencio "Butch" Abad said in a statement that "we in the DBM are committed to push the needle of budget transparency and participation in the Philippines."⁴ The government also believed that increased fiscal openness could help gain the confidence of the international community and demonstrate that the country was investment-worthy.

However, as Abad acknowledged during a personal interview, the second trigger and the main driving force for openness was domestic: to restore public trust in government in the wake of an administration that was hounded by successive corruption scandals and questions of political legitimacy. President Benigno S. Aquino III (2010-2016) was elected by a wide margin on the basis of his promise to fight corruption and pursue good governance as the centerpiece of his socioeconomic agenda. He not only assumed power from an administration that was rocked by successive political scandals, but he also inherited a government that was internationally reputed to be highly corrupt. The dominant narrative of Aquino's presidency is best illustrated by his campaign slogan: "*kung walang corrupt, walang mahirap* (no corruption, no poverty)."

This case study is composed of three main sections. The first elucidates the way political and corruption scandals served as the underlying triggers that caused the government to give transparency reforms an "extra push" during its term. The second part fleshes out the PFM reforms and other initiatives that made it possible for the Philippines to improve its OBI score. In the third and final section, some ideas are presented that can guide attempts to further improve budget transparency in the Philippines and elsewhere.

CRITICAL TRANSITIONS: "PORK BARREL" SCANDALS CREATE DEMAND FOR BUDGET TRANSPARENCY

The fight against corruption was the narrative of Aquino's electoral victory in 2010 and of his rule until 2016. It represented a direct challenge to the administration that he replaced, which was plagued by massive corruption scandals and questions about the political legitimacy of then-President Gloria Macapagal-Arroyo during her nine-year term.⁵ Arroyo herself came to power after Joseph Estrada (1998-2001) was ousted through a "People Power" uprising in 2001 for allegedly receiving payoffs from illegal gambling.

⁴ "Statement by Budget & Management Secretary Florencio B. Abad on the Open Budget Index 2012". Available at: <http://www.dbm.gov.ph/?p=5587>.

⁵ Under the 1987 Philippine Constitution, the president may serve only one six-year term. However, then-Vice President Arroyo assumed the presidency in 2001 to complete her predecessor's abridged term, so she was eligible to run for a full term in 2004.

How did corruption scandals lead to transparency reforms? Some key features of contemporary Philippine politics are worth exploring to try to explain this connection. First, corruption in the Philippines is rooted in patronage politics, perpetrated by a dominant oligarchic elite. This situation profoundly influences budgeting in the Philippines, and is fed through the pork barrel system. Patronage politics creates disincentives for budget transparency, as it thrives in secrecy and depends on collusion. However, pork-related corruption scandals for at least the last 20 years have been followed by key transparency reforms. A second important feature of Philippine politics is its robust civil society sector. Born from opposition to former President Ferdinand E. Marcos (1966 to 1986), the first “People Power” uprising was crucial to the collapse of the authoritarian regime. Post-Marcos, civil society organizations (CSOs) took part in various areas of governance and development, including PFM, where pioneering CSOs emerged to monitor local public works projects (Concerned Citizens of Abra for Good Government) and to push for the cancelation of the onerous loans of the Marcos years (Freedom from Debt Coalition).

Various scholars have written extensively about how corruption in the Philippines has thrived in patronage-based and oligarch-dominated politics, which has held back governance reforms and development in the Philippines. Paul Hutchcroft described how this powerful oligarchic class, in a quest to seek rents, took control of the country's underdeveloped institutions. These political families and dynasties dominated congress and local governments and maintained their hold on power by gaining access the national government's resources. Political science professor and pollster Ronald Holmes pointed out that the structure of congress — where about 80 percent are district (geographic) representatives — promotes a particularistic attitude toward resource allocation. These lawmakers “would want to make sure that their constituents are provided support and then eventually they would be able to take credit.”⁶

The pork barrel system in the Philippines, which has been in existence since the American colonization, has thus continued to thrive in contemporary times. After the restoration of democracy in 1986, two types of pork were most prominent: the Countrywide Development Fund (CDF), a lump sum fund divided among legislators for their pet projects; and congressional insertions in the budget, which are basically amendments to the appropriations bill introduced by individual legislators. This system gave wide discretion to legislators in identifying projects to fund and so offered opportunities for corruption through kickbacks.

In 1996, Representative Romeo Candazo, an anonymous whistleblower at that time, revealed to journalists how pork barrel projects were sliced and diced: as much as half of the allotted funds went to kickbacks for the endorsing legislators, bureaucrats, and even auditors.⁷ Candazo's exposé sparked public outrage and prompted the executive branch and congress to promise reforms, such as the inclusion of new transparency provisions in the budget law or in the General Appropriations Act for 1997. These required legislators to submit detailed

⁶ Interview with Ronald Holmes, 15 November 2016.

⁷ See “Candazo, First Whistle-blower on Pork Barrel Scam, Dies; 61.” *Philippine Daily Inquirer*. 20 August 2013. Available at: <http://newsinfo.inquirer.net/469439/candazo-first-whistle-blower-on-pork-barrel-scam-dies-61> (accessed 22 August 2017).

project listings at the start of the year and mandated the DBM to publish these in national newspapers. Other reforms included disallowing inefficient projects and the disclosure of project lists online.⁸

After the 1998 elections, President Estrada promised to abolish pork barrel. His first proposed budget for fiscal year 1999 no longer included the CDF. However, congress insisted on having its pork and inserted new funds for the purpose.⁹ In the budget for 2000, these funds were replaced by the now-infamous Priority Development Assistance Fund (PDAF). Unfortunately, the CDF's disclosure requirements vanished in the provisions for these new pork barrel funds. President Estrada would later on be implicated in various corruption issues ranging from cronyism to ill-gotten wealth and was ousted in 2001. A "people power" uprising removed him from office and replaced him with his vice president, Gloria Arroyo.

The nine years of the Arroyo Administration were also hounded by massive corruption scandals, including the use of pork barrel projects to secure political support. The administration selectively released or withheld legislators' PDAF allocations and insertions. The repeated reenactment of the budget gave the president wide discretion to shift appropriations from completed projects to new ones.¹⁰ Funds that sit outside the budget — such as earmarked revenues from natural gas and the off-budget President's Social Fund — were also used to benefit allies. All of these mechanisms operated in the shadows: the unclear requirements for the use of reenacted budgets; the "lump sum" and discretionary nature of PDAF and "off budget" funds; and the lack of public reporting on budget virements.

In the crisis-prone regimes of Estrada and Arroyo, "[t]he confluence of shared experiences and widening trust facilitated the emergence of a set of core civil society beliefs about combating corruption and promoting good governance" and led to the further development of CSOs and coalitions engaged in PFM.¹¹ A noteworthy example is Procurement Watch, a highly specialized CSO, founded in 2001, which was instrumental in the enactment of the landmark Government Procurement Reform Act (GPRA) of 2003. Key PFM-focused CSOs that emerged included the Budget Watch initiative and the International Center for Innovation, Transformation, and Excellence in Government (InciteGov), spearheaded by the former officials who bolted President Arroyo's cabinet in 2005, including Florencio Abad (then-Education Secretary) and Emilia T. Boncodin (DBM Secretary). Equally important is the Alternative Budget Initiative (ABI), founded in 2006, whose lead convenor was Leonor Magtolis-Briones, Estrada's former national treasurer and a well-known expert on PFM.

⁸ *Ibid*; also, interview with Ronald Holmes, 15 November 2016.

⁹ These funds were the Food Security Program Fund, the Rural/Urban Development Infrastructure Fund, and the Lingap Para sa Mahirap program.

¹⁰ If congress fails to enact a new budget, the previous year's budget is deemed reenacted until such time as a new budget is approved. Through a loose interpretation of reenactment, the Arroyo Administration shifted "savings" from non-recurring items to other purposes, including pet projects of allies. During Arroyo's term, the budget was fully reenacted three times, while in all other years the new budget was enacted late.

¹¹ Bjoern Dressel, "Targeting the Public Purse: Advocacy Coalitions and Public Finance in the Philippines," *Administration & Society*, vol. 44, no.6, supplement, pp. 655-845.

These CSOs and coalitions pushed for critical reforms, though their success was at the time limited. ABI, for example, succeeded in winning additional allocations for basic education; however, "its impact affected less than 3 percent of the budget."¹² Boncodin and InciteGov also pushed for a Budget Impoundment Control Act to limit the president's power to reallocate budget resources. The bill, however, languished in the legislative mill. Established CSOs and CSO-driven initiatives, such as Procurement Watch, Government Watch, and Road Watch, engaged in the citizen-driven monitoring of budget execution. Directly on focused on pork, the Coalition of Development Non-Government Organizations (CODE-NGO) and the Coalition Against Corruption embarked on a PDAF Watch to monitor pork-funded projects.

While these and many other CSO-led PFM reform efforts were notable and at times unprecedented, their success has been hampered by a number of factors. For one, their impact depended on the receptiveness of the government leadership and bureaucracy, which tended to be uneven at best. They were also limited by inadequate access to information, spaces for participation, and the CSOs' capacity to leverage the available information and spaces. Resources were also a constraint, as many CSOs depended on grants from international donor agencies to sustain their activities.

President Aquino's anti-corruption agenda drove his electoral campaign and his eventual victory in 2010. Among the first steps he took was to ramp up the investigation and prosecution of cases of graft and corruption, pursuing high-profile personalities that included Arroyo herself. The administration also implemented reforms, particularly in PFM, which it used as a lever for broader governance reforms.¹³

Among his administration's early PFM reforms was the review and improvement or cancellation of leakage-prone programs and projects through a modified "zero-based budgeting" approach; the timely enactment of the budget, eliminating the abuses associated with frequent budget reenactments; and the endorsement of a PFM Reform Roadmap that reformist career technocrats began to work on even before his term. These early PFM reforms also included attempts to make pork more transparent and accountable: the online disclosure of releases from PDAF; the rationalization of the allowable project menu for PDAF; and a commitment to release legislators' PDAF allocations whether they were from the administration or the opposition.

Aquino's campaign and eventual victory gave CSOs an opportunity to push for greater openness in fiscal affairs. Undeniably, the support of the civil society sector for the anti-corruption agenda was a key element in his electoral victory. As Dressel notes, Aquino's campaign accelerated the process of CSO coalition-building "by providing a focal point for collective action."¹⁴ It is noteworthy as well that key leaders of the Aquino campaign and governance team, including Budget Secretary Florencio Abad, had deep links with or even came from the civil society sector. In 2010 the Aquino Administration, through the DBM, followed through on the CSO

¹² *Ibid.*, p. 11.

¹³ Interview with Ronald Mendoza, 17 November 2016.

¹⁴ B. Dressel, p. 10.

demand for greater participation: it reached out to CSOs to craft a set of Principles of Constructive Engagement.¹⁵ This became the platform on which participatory budgeting reforms were built.

A critical moment came in 2013 when the history of pork in the Philippines seemed to repeat itself. Abuses of pork barrel funds during the previous regime were revealed through a special audit by the Commission on Audit (CoA), as well as reports by investigative journalists. PDAF and its earlier iterations had already been rife with anomalies, usually bid rigging in infrastructure projects and the delivery of substandard goods in order to extract kickbacks. The new PDAF scam, however, revealed a perverse “innovation” where entire amounts for projects were pillaged through the use of fake NGOs. The PDAF scam drove civil society actors to coalesce and demand that the government hail those implicated into court and to finally abolish the pork barrel. Three senators and key “masterminds” of the scam were detained, and other government officials were called before the courts.¹⁶ Eventually, the government announced the fund's abolition.

This midterm crisis exposed the chronic weaknesses in the PFM system and opened up a real opportunity for change. Reformers within government moved to leverage this unprecedented opportunity to heighten fiscal openness, while a broad coalition of traditional CSOs and new, un-organized, and social media-enabled actors came together to demand the pursuit of far-reaching reforms.¹⁷

PFM REFORMS AND FISCAL TRANSPARENCY

In the first decade of the OBS, the Philippines belonged to the category of countries providing “limited” fiscal transparency, with the country's OBI score ranging from 48 to 55. Throughout these survey rounds, the country usually produced only four to six of the eight essential budget documents. While less than ideal, the Philippines nevertheless ranked in the upper half of countries surveyed.¹⁸ One reason for this consistency is that the legal framework for budgeting in the Philippines sets the stage for “good enough” transparency. The constitution itself requires the publication of at least three of the essential budget documents: the Executive's Budget Proposal, the Enacted Budget, and the Audit Report. This legal framework also established the mandates for PFM oversight institutions and defined their information disclosure practices. For instance, the Bureau of the Treasury (BTr), under the Department of Finance (DoF), reports regularly on revenues, debt, and cash operations.

¹⁵ Transparency, accountability, integrity, partnership, consultation and mutual empowerment, respect for internal processes, sustainability, and national interest: these principles were agreed upon by DBM and CSOs on 3 September 2010.

¹⁶ One of the senators, Juan Ponce Enrile, was given a reprieve by the court because of the octogenarian's frail health.

¹⁷ Florencio B. Abad, “On the Cusp of Budget Transformation: The Work for an Inclusive Budget Process under the Aquino Administration,” *The Philippine Review of Economics*, vol. 51, no. 1, pp. 28-59, available at: <http://pre.econ.upd.edu.ph/index.php/pre/article/view/902>.

¹⁸ The Philippines ranked 20th of 59 in 2006; 34th of 85 in 2008; 33rd of 94 in 2010; and 47 of 100 in 2012.

Another important factor is the introduction of fundamental reforms to modernize the country's PFM system. These PFM reforms, introduced since the turn of the 21st century, were primarily intended to ensure fiscal discipline, the strategic allocation of resources, and operational efficiency. These reforms also established the underlying policies, systems, and practices that made it possible for the country to eventually achieve adequate levels of transparency. However, these reforms did not immediately translate into significant levels of transparency. The government needed to take deliberate actions to make more budget information available to the public.

An overview of PFM reforms and fiscal transparency. The first comprehensive PFM reform agenda was introduced in 1998. The Public Expenditure Management Improvement Program (PEMIP) was composed of three pillars: 1) the Medium-Term Expenditure Framework (MTEF), which introduced a strategic and medium-term outlook to the allocation of resources; 2) the Organizational Performance Indicator Framework (OPIF), which linked expenditures with performance information at the output level; and 3) the Sectoral Efficiency and Effectiveness Reviews (SEERs), which sought to introduce a process of regularly assessing expenditures. Other key reforms were introduced during the same period, including a consolidation and rationalization of the country's procurement policies; the New Government Accounting System, introduced by the CoA in 2002 to simplify government accounting and align it with international standards; and various efforts to digitize budgeting systems. These reforms established policies and systems that produced new information for the use of decision makers, although these were not always made public immediately.

The government at that time tended to be conservative about publishing information that resulted from the early implementation of reforms. Undersecretary Laura B. Pascua, a senior career official who leads the DBM's Budget Policy and Strategy Group, said it was "inevitable" for the government to focus on the internal while developing a new technology or technique. "It's only when you become more confident about your direction and, secondly, when the leadership pushes that it really gets out," she said.¹⁹ And the DBM leadership was certainly more circumspect in releasing information to the public during the first four rounds of the OBS. "When you're more transparent, you are more liable to complaints, more open to scrutiny and questions. So I think during the time of [former Budget Secretary Rolando T.] Andaya (2006-2010) that was the prevailing mood," Pascua continued.

The development of the successor program to PEMIP, the PFM Reform Roadmap, was conceived even before the Aquino administration took office. In 2009 reformist career officials of the DBM, DoF, and CoA, with the support of international development partners, began crafting a comprehensive PFM reform strategy, drawing on the findings of the 2006-2007 Public Expenditure and Financial Accountability (PEFA) assessment. The first iteration of this reform roadmap envisioned the establishment of a Government Integrated Financial Management Information System (GIFMIS) to enable real-time and online monitoring and control of financial transactions, as well as their consolidation into regular reports. The establishment of such a system would be

¹⁹ Interview with Laura B. Pascua, 23 December 2016.

supported by 1) the harmonization of budgetary, treasury, and accounting classifications and reporting requirements; 2) the establishment of a Treasury Single Account; and 3) improving the management of contingent liabilities.

President Aquino officially endorsed the work done by the career technocrats in building the PFM Reform Roadmap through an Executive Order in 2011. The administration also implemented other reforms that complemented the PFM Reform Roadmap: it scaled up the MTEF and OPIF, implemented a modified form of zero-based budgeting and other measures to enhance spending review procedures, and streamlined budget execution. Stemming from its anti-corruption agenda, the new administration gave an additional emphasis to PFM reform: introducing greater transparency and participation in PFM through a range of initiatives, including those committed to the Open Government Partnership (OGP) through its OGP action plans.

The implementation of the ambitious PFM Reform Roadmap from 2011 to 2016 resulted in important improvements, even if some of them are still in progress. For instance, the government developed a Unified Accounts Code Structure (UACS) in 2014, a necessary ingredient to enable the envisioned GIFMIS to unify the disparate codes used for budgeting, treasury cash management, accounting, and audit. As a result, a new PEFA assessment found that the indicators that were rated as "A" or "B" increased to 17 out of 28, from 8 in the previous assessment.²⁰

Among the key areas that showed significant progress are the comprehensiveness and transparency of the budget, policy-based fiscal strategy and budgeting, the oversight of fiscal risks, greater predictability of revenue collections and availability of resources to line agencies, and the scope of external audit. The PEFA results show that the reform program to date has had success in strengthening the capacity of central agencies, such as the DBM, in budget development and transparency. But this has not been matched by reform improvements in the capacity of line agencies to provide accurate and timely reporting.²¹

Despite these improvements, the country's performance in the OBI slid in the first full year of the new administration. What caused the slide was the failure to publish two pre-existing documents in a manner that met OBS standards on timeliness and comprehensiveness. First, the comprehensiveness of the Executive's Budget Proposal was reduced as the government published the OPIF Book of Outputs too late for the cut-off period. Second, what OBS once considered the Year-End Report, mostly compilations of slide presentations used by economic managers during briefings with investors, now failed to provide the minimum information

²⁰ This comparison uses the 2010 Framework of the PEFA. The 2016 PEFA assessment on the Philippines, among the pilot assessments for the upgraded 2016 PEFA framework, used both old and new frameworks. Using the new framework, the Philippines scored "A" or "B" in 19 of 31 indicators. See *Republic of the Philippines Public Financial Management and Accountability Assessment: PFM Strategy Implementation Support* (Washington, D.C.: World Bank, 2016) available at: <https://openknowledge.worldbank.org/handle/10986/24670>.

²¹ *Ibid.*

required. Moreover, three other documents — the Pre-Budget Statement, the Mid-Year Review, and the Citizens Budget — had remained unpublished, though they had existed in the past in various forms.

Immediate action was required to recover from the slippage. Led by the DBM, the government took stock of its transparency gaps, identified low-lying fruit and opportunities for reform, and set about publishing all budget documents measured by the OBI. An informal working group within DBM, composed of the heads of key bureaus and offices, was tasked with crafting and implementing an action plan to pursue a breakthrough in the upcoming OBS round, to coordinate with responsible units on their deliverables, and to closely monitor progress. Apart from managing the publication of the missing documents, the informal group also reviewed how ongoing PFM reform efforts could be leveraged to improve the availability of fiscal information. The working group also served as the DBM's main interface with the Philippine Center for Investigative Journalism, IBP's survey partner for the OBS.

The core of this working group was composed of the heads of regular or permanent bureaus of the DBM that had key roles in fiscal transparency: the Fiscal Planning and Reforms Bureau (FPRB), which is responsible for, among others, coordinating the macroeconomic and fiscal estimates that feed into the budget preparation process and producing monthly assessments of government disbursements; the Budget Technical Bureau (BTB), which is, among others, responsible for consolidating the annual Executive's Budget Proposal and reports on the status of fund releases, cash allocations, and disbursements; the Training and Information Service (TIS), the institutional unit of DBM that has been publishing various narrative budget publications, including the annual President's Budget Message that accompanies the Executive's Budget Proposal. The Strategic Communication Unit (StratComm) — a unit made up of political appointees within the office of Secretary Abad — was also deeply involved in this working group.

Karol Ilagan, then the PCIJ's lead researcher for the OBS, noted that in the survey rounds prior to the Aquino Administration, there was no lead coordinator for the DBM during the conduct of research for each round of OBI. "I recall the DBM even had a spreadsheet of the OBS questions to know really what they had to respond to ... [but] we also have to recognize that the DBM did a lot apart from addressing questions in the OBS. We really observed the commitment to more transparent fiscal processes. And I think at that time the DBM team was also coordinating with other government agencies that the information related to fiscal processes would be put out."²²

Certainly, the group encountered resistance from time to time, mostly in the form of complaints about the additional, at times duplicative, work that the group had to ask other offices to do. At other times, the lack of a formal, written order presented problems. Still, the various DBM offices and their staffs were for the most part cooperative, just as they have been generally supportive of PFM reforms. "Before, the bureaucracy thought of it more as compliance. But now they are starting to appreciate what we require of them for fiscal

²² Interview with Karol Ilagan, 14 December 2016.

transparency," said Rolando Toledo, who directs FPRB.²³ For instance, apart from providing the information required for new publications, the career staff would also volunteer suggestions on how to best present such information. As the years passed, the working group made it a point to streamline its data requirements and coordination processes to reduce the burden of the career staff.

Looking back, the fragmentation of responsibilities for transparency in the DBM was an important challenge. Because it focused on efforts to improve the OBI score, the working group did not handle other areas of fiscal openness, such as participatory budgeting and digital innovations, which were handled by other units. The working group nevertheless collaborated with these units on various tasks, such as during the conduct of the survey. After the OBS 2015 was released, the group had to grapple with the challenge of sustainability; after all, it was a committee without a permanent mandate.

A closer look at budget formulation. The Philippines' legal framework and operational practices on PFM place much emphasis on budget formulation. The 1987 Philippine Constitution clearly mandates the president to submit to congress a Budget of Expenditures and Sources of Financing (BESF), which serves as the basis for the General Appropriations Act (GAA) to be approved by congress.²⁴ The 1987 Administrative Code further spells out the form and content of the budget and the manner of its preparation and legislation. In particular, the budget must flesh out the "line item" appropriations for the programs, activities, and projects of government agencies.²⁵

From 2006 to 2012 the aggregate score for documents related to budget formulation in the Philippines ranged from 51 to 61. While the documents were already comprehensive and detailed, they still had some fundamental gaps. First, the government had not published a Pre-Budget Statement, although it existed in varying forms to guide the budget preparation process. Second, the budget proposal lacked crucial information on how expenditures, revenues, and debts are shaped by economic developments and, in turn, how these are linked to the achievement of socioeconomic development goals. Third, while the budget proposal was quite comprehensive, it lacked presentations of information "beyond the core," such as extra-budgetary funds, tax expenditures, and the government's financial condition and future liabilities. Finally, the complex structure of "line item" budgets – combined with lump sum funds and special purpose funds (SPFs) in the budget as well as "automatic appropriations" that sit outside the enacted GAA – limited the degree by which the budget enabled citizens and policy makers alike to have a full grasp of planned expenditures for the year.

²³ Interview with Rolando Toledo, 23 December 2016.

²⁴ Article VII Section 22 of the 1987 Philippine Constitution reads: the president shall submit to congress "within thirty days from the opening of every regular session, as the basis of the general appropriations bill, a budget of expenditures and sources of financing, including receipts from existing and proposed revenue measures." The regular session of congress opens on every fourth Monday of July, and so the Executive's Budget Proposal must be submitted to congress roughly in the third week of August at the latest.

²⁵ Chapters 3 and 4 of Book VI flesh out the policies and procedures for budget preparation and legislation. In particular, Section 23 prescribes that the budget bill "shall be presented in the form of budgetary programs and projects for each agency of the government with corresponding appropriations for each program and project, including statutory provisions of specific agency or general applicability."

Fundamental reforms beginning with the 1998 PEMIP enabled the government to improve the link between development planning and budgeting. However, *ad hoc* actions needed to be taken to translate this link into the publication of a Pre-Budget Statement and the improvement of the Executive’s Budget Proposal. Using directly comparable data, these efforts resulted in improvements across the board for documents related to budget formulation, especially with respect to policy and performance information (see Table 1).

TABLE 1. OBI PERFORMANCE FOR DOCUMENTS RELATED TO BUDGET FORMULATION

	2006	2008	2010	2012	2015*	
					2012 Methodology	2015 Methodology
<i>Budget Documents in Upstream PFM</i>	55	51	61	56	72	62
Pre-Budget Statement	0	0	0	0	100	53
Executive Budget Proposal	57	52	63	58	70	64
Enacted Budget	100	100	100	100	100	45
<i>By Information Category</i>						
Expenditure	78	61	67	71	79	61
Revenues	77	77	77	77	87	72
Debt	87	87	87	87	87	78
Policy & Performance	24	33	53	24	67	61
Beyond the Core	31	22	36	39	42	36
Others (including timeliness)	42	42	67	67	92	100

*Scores for 2015 are calculated using both the original (2012) and the modified (2015) methodology to show directly comparable data.

Source: International Budget Partnership Open Budget Survey Data Explorer (data retrieved in November 2016 at: <http://survey.internationalbudget.org/>)

The OBS reports for 2006 to 2010 showed that the government produced a Pre-Budget Statement but kept it internal. A paper on budget strategy was produced as part of the government efforts to implement an MTEF, but it remained an internal document that was intended to serve as a springboard for discussions with the president and cabinet on the prioritization of resources. In 2013 Secretary Abad ordered the preparation of a Budget Priorities Framework (BPF) for the following fiscal year. Reflecting the government’s efforts to align expenditures with the Philippines Development Plan (PDP) for 2011-2016 and the Aquino Social Contract, the BPF indicated the sectors and programs that should be prioritized in the Proposed Budget. It also identified the 44 poorest and most vulnerable among the country’s 82 provinces and sought to focus interventions in these locales. The informal "working group" of the DBM leveraged the opportunity to have this document published as a Pre-Budget Statement. Apart from the priority expenditure areas, the BPF included macroeconomic forecasts and estimates and discussions of strategies on fiscal policy and debt management.

By law and practice, the executive branch prepares several documents that make up the Executive’s Budget Proposal. Foremost among these is the constitutionally mandated BESF, which contains information on previous and proposed levels of expenditure, revenue, and debt, as well as other summary financial

statements. Traditionally, the BESF refers to both a thick volume containing tables of such quantitative information and a booklet containing narrative discussions of such estimates. However, the booklet was last published for fiscal year 2001. Still, the President's Budget Message, an important narrative document, has been consistently published through the years. As the president's message to congress, it fleshes out the government's financial condition, budgetary priorities, and desired impact on development goals. Another key budget document, the National Expenditure Program (NEP), contains detailed information by government agency.

Over the years, the government attempted to incorporate performance information in the budget proposal. However, several fundamental issues scuttled these efforts: the fragmentation of performance management systems across the government, the low quality of performance information produced by implementing agencies, the limited coverage of agency-specific outputs, and the very presentation of the performance information in a volume that was separate from the Enacted Budget.²⁶

In 2013, the government adopted a paradigm shift: including the performance information in the budget itself. Called Performance Informed Budgeting (PIB), this reform builds on the OPIF by presenting both the financial allocations and performance indicators for each agency in the NEP. "The change . . . made the performance indicators and targets subject to the scrutiny and approval of congress as part of the GAA along with the financial appropriations."²⁷ It is also noteworthy that the shift to PIB was not originally part of the PFM Reform Roadmap, though the latter mentioned improving results-based budgeting.

Alongside these moves to improve transparency, the government introduced other reform initiatives to help tell the underlying story of the budget. First, in 2011 the government began the practice of publishing the annual Fiscal Risks Statement (FRS), a document that discloses the macroeconomic, external, financial, and climate risks to the health of government's finances and discusses measures to mitigate these risks. Second, also in relation to government efforts to revitalize the MTEF and introduce the FRS, the DBM "working group" pushed for the inclusion of medium-term economic and fiscal estimates, as well as sensitivity analyses, in the BESF tables. The third reform initiative relates to the narrative explanations that accompany the budget proposal. With the discontinuance of the narrative booklet in the transition from the Estrada to Arroyo presidencies, the budget message has, through the years, filled the gap. As a result, the document became longer and its contents much too technical.

A tricky situation took place in 2013, forcing the DBM to drastically reduce the length of the PBM to ensure the timely submission of the 2014 Proposed Budget. The busy schedule of the president did not allow him time to read the detailed budget message, so Secretary Abad and I (serving as lead editor for the budget message) reduced it by more than half its length to ensure its approval. This move, unfortunately, somewhat lowered

²⁶ *Kuwento sa bawat kuwenta: A Story of Budget and Management Reforms 2011-2016* (Manila: Department of Budget and Management, 2016)

²⁷ *Ibid.*, p. 157.

the 2015 OBI score, particularly for the questions that required narrative discussions of policies and budget estimates. Two decisions came out of this predicament: 1) keep the budget message concise and focused on the key policy messages and 2) publish a new document that contained technical and detailed narrative explanations of the policy underpinnings, budget estimates, and priority programs. In subsequent budget seasons, the DBM produced Technical Notes on the Proposed Budget, which was practically a revival of the BESF booklet, but with improvements to its structure and contents.

Ongoing PFM reforms seek to address additional gaps that can contribute to further improving fiscal openness. These include efforts to improve the management of contingent liabilities, debt sustainability, and overall fiscal risks. Recent legislation has also sought to improve the disclosure of tax expenditures from fiscal incentives to investors. Performance budgeting is also being deepened through a reform called Program Expenditure Classification (PREXC). Touted as the next phase of the OPIF and PIB, PREXC seeks to enable the measurement of output and outcome performance at the program level in each agency. This shift would entail a restructuring of the budget, where all line items will be organized according to major programs.

A closer look at budget execution and auditing. Both the PEFA assessments (World Bank, 2010 and World Bank, 2016) and the International Monetary Fund's (IMF) Fiscal Transparency Evaluation flagged the weak practices in budget execution stemming from fundamental issues: the complexity of budget releases; the leeway of the executive branch in adjusting expenditures in-year; the lack of a unified IT system for financial transactions and reporting; the delayed preparation of financial reports by line agencies; and the fragmentation of PFM oversight. The PFM Reform Roadmap 2011-2016 paid much attention to addressing these weaknesses, particularly through the ambitious project to establish a GIFMIS.

From 2006 to 2010 the aggregate OBI score for the Philippines that related to budget execution and auditing stayed close to the line between "limited" and "minimal" transparency. In 2012 the score dipped into the "minimal" category (see Table 2). The In-Year Reports and the Audit Report had been published consistently, notably because the country's legal and institutional framework required it. The Mid-Year Review and the Year-End Report were not clearly established by law and by practice, although they existed in some form. The immediate solution was to publish the latter documents according to standard. As a result, the aggregate transparency score improved by a whopping 28 points in 2015. It is noteworthy that the methodology changes in OBS did not significantly affect the overall transparency rating in downstream PFM.

TABLE 2. OBI PERFORMANCE OF DOCUMENTS RELATED TO BUDGET EXECUTION AND AUDIT

	2006	2008	2010	2012	2015*	
					2012 Methodology	2015 Methodology
<i>Downstream PFM</i>	46	45	45	39	66	67
In-Year Reports	71	75	92	96	84	74
Mid-Year Review	25	33	0	0	83	63
Year-End Report	23	23	23	0	53	64
Audit Report	62	48	48	52	53	67
<i>By Information Category</i>						
Expenditure	55	48	56	52	78	60
Revenues	53	60	60	60	93	85
Debt	84	84	84	84	67	75
Policy & Performance	13	20	7	0	60	60
Beyond the Core	50	17	17	17	34	56
Others (including timeliness)	39	45	45	28	39	58

*Scores for 2015 are calculated using both the original (2012) and the modified (2015) methodology to show directly comparable data.

Source: International Budget Partnership Open Budget Survey Data Explorer (data retrieved in November 2016 at: <http://survey.internationalbudget.org/>)

Previously, the Mid-Year Review and Year-End Report had been published, but the OBS had noted severe gaps in their comprehensiveness. The documents that these early survey rounds rated were actually slide presentations compiled by the central bank's Investor Relations Office (IRO) for its midyear and annual economic briefings for investors. When these slide presentations were made more concise and users were required to register on the IRO website before accessing them, the scores for the Philippines fell to zero for the Mid-Year Review and the Year-End Report.

This development brought to the fore a fundamental question: Who should be responsible for publishing these important government-wide budget reports? The fiscal oversight agencies have established in-year reporting practices. The DoF-BTr has been producing monthly reports on cash operations as well as other reports during the year on revenues and debt. The DBM has been producing a monthly assessment of disbursements, which provides further analysis on the expenditure performance as reported by DoF-BTr. However, the reporting on the expenditure side had not been very detailed. The baseline 2010 PEFA assessment from the World Bank even noted that the accountability reports required by the DBM from the agencies were, at that time, not consolidated into regular reports of the national government.

The Development and Budget Coordination Committee (DBCC)²⁸ in 2013 made a crucial decision: to take on the responsibility of producing the Mid-Year Review and the Year-End Report. The DBCC Mid-Year Review, first

²⁸ A cabinet-level body, the DBCC is responsible for coordinating the development and implementation of fiscal policy in government to support its development goals. It is chaired by the Budget secretary and composed of the Finance secretary, the Socioeconomic Planning secretary, and a representative of the Office of the President, with the governor of

published for fiscal year 2013, reported on the macroeconomic, expenditure, revenue, and debt performance of programs for the first half of the year. It also discussed the decisions of the DBCC to modify or retain the targets set for the second half. To a limited degree, the Mid-Year Review discussed the performance, both financial and non-financial, of major departments and their programs. In the same year, the DBCC Year-End Review for 2012 was produced. It had essentially the same structure and contained the same information as the Mid-Year Review, though it offered a little more detail on the performance of agencies and programs, as well as on the outlook for the coming years.

The challenges that the government faced in producing the information that went into those reports should not be underestimated. Accounting reforms gradually harmonized the disparate and conflicting account code structures used in budgeting, treasury cash management, accounting, and auditing. To provide a consolidated view of the government's available cash resources on a real-time basis, the DoF-BTr jumpstarted the implementation of a Treasury Single Account, which was designed to connect to the GIFMIS. The CoA, DBM, and DoF-BTr also came up with a harmonized set of Budget and Financial Accountability Reports (BFARs), which replaced the various accountability reports that these departments had previously required from agencies. Based on these BFARs and its own tracking, DBM began to publish online consolidated reports on the status of allotment releases, agency obligations against these allotments, cash allocations, and disbursements. These were new practices that were noted in the 2015 OBS.

However, the problem of the timeliness of these reports lingered. With the GIFMIS still under development, agencies had to prepare reports manually and contend with the new accounting rules. As the roll-out of the GIFMIS hit a range of snags, the DBM and CoA proceeded to implement two separate systems for the online submission of BFARs: DBM's Unified Reporting System and CoA's BFAR System (e-BFARS). "This situation contradicted the core purpose of the GIFMIS to unify the systems of the PFM oversight agencies, and ultimately duplicated the reporting and compliance requirements of the implementing agencies."²⁹ To solve this, CoA eventually agreed to postpone the rollout of the e-BFARS in favor of the Unified Reporting System. The Budget Treasury and Management System, which would eventually form a core structure of the GIFMIS, is currently being developed, targeted to be completed by 2018.

The institutional framework for PFM, characterized by fragmented and often conflicting mandates, has been a recurring issue in the Philippines. It can best be illustrated by the case of the CoA. While the constitution provides CoA with the necessary autonomy to conduct audits, it mandates the CoA to produce *both* audit reports and the Annual Financial Report (AFR).³⁰ "While external auditing of government entities is the

the Central Bank attending as resource person. In a way, the DBCC mechanism addresses the seeming fragmentation of fiscal policy institutions within the executive. DBCC is supported by an Executive Technical Board and the DBM's FPRB serves as the DBCC secretariat.

²⁹ *Kuwento sa bawat kuwenta*, p. 178.

³⁰ Article IV (D) Sections 1 and 2 of the 1987 Constitution establishes CoA's exclusive "power, authority, and duty to examine, audit, and settle all accounts... on a post-audit basis." Section 4 of the same Article, meanwhile, requires the CoA to "submit to the President and the Congress, within the time fixed by law, an annual report covering the financial

responsibility of a constitutionally independent Supreme Audit Institution — the CoA — it is itself also assigned the task of compiling the government's AFRs, thus compromising its ability to audit them.”³¹ In reality, the AFR produced by the CoA is not an independent audit of the entire government that is prepared by the executive branch, but a consolidation of the individual agencies' financial accounts after being audited by the CoA.³²

To some degree, the PFM reforms sought to address the problems caused by the institutional framework. For instance, the proposed establishment of a comptroller general function under the DBM — an office that will produce the missing consolidated whole-government financial accounting and will in turn be audited by the CoA — seeks to address the "conflict-of-interest" situation of CoA.³³ The governing mechanism for the implementation of the PFM Reform Roadmap — a committee that is led by the CoA chairperson and the secretaries of budget and finance — is itself a move toward harmonizing actions and threshing out differences. Much remains to be done, however. An emerging view is that further progress in PFM reform will require a serious review of the institutions that govern PFM. “This is my own hypothesis: if you don’t change the institutions, you’ll never change the diversity of information requirements,” according to Gary Ellem, team leader of the Philippines-Australia PFM Program.³⁴

A closer look at accessibility of information. The preceding discussions focused on improving the availability of information. However, transparency requires more than mere availability. First, without ensuring *reliability*, the benefits of transparency to both government and citizens is limited. That is, if the information is not accurate, the release of budget data could even be viewed as "window dressing.”³⁵ The PFM reforms sought to improve the reliability of information in a variety of ways, from the quality of fiscal estimates to the accuracy of the accounts themselves. And reliability continues to be crucial. Second, the information released must be readily accessible, both in terms of its usefulness and how understandable it is to users. Information produced throughout the PFM cycle is technical in nature and at times borders on the arcane. Some academics and CSOs are able to process this complex information, but what about ordinary citizens? Are they able to appreciate the information made available to them? This section tackles the reforms that explicitly sought to make

condition and operation of the Government...” The Administrative Code of 1987 sets the deadline for the AFR to within September of the year after the end of a fiscal year.

³¹ See *Philippines fiscal transparency evaluation* (Washington, D.C.: International Monetary Fund, IMF Country Report No. 15/156.2015), available at: <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Philippines-Fiscal-Transparency-Evaluation-43014>.

³² It is noteworthy that both the IMF’s Fiscal Transparency Fund and PEFA consider the AFR to be a whole-of-government annual report or Year-End Report, while OBS has always considered it just one more of the different audit reports that CoA produces. It has also been noted that the AFR is not a "consolidated" financial report for the public sector in the truest sense; it is composed of three separate volumes for the accounts of the national government agencies, the government corporate sector, and the local government units.

³³ The Office of the Comptroller General was also envisioned to be responsible for formulating and enforcing effective internal controls, ensuring compliance with public expenditure management policies, implementing competency-based human resource policies on PFM, and operationalizing the GIFMIS (DBM, 2016). The current DBM leadership is still supporting the creation of the office: not as part of the DBM, however, but as a separate agency within the executive.

³⁴ Interview with Gary Ellem, 15 November 2016.

³⁵ *Ibid.*

budget information accessible to citizens in forms that they would find understandable and usable. Table 3 shows that key OBI indicators in this area confirm that the Philippines has made great strides in recent years.

TABLE 3. RELEVANT OBS ITEMS ON THE ACCESSIBILITY OF INFORMATION TO CITIZENS

	2012	2015*	
		2012 Methodology	2015 Methodology
<i>OBS Items on Accessibility</i>	33	67	69
<i>Citizens' Budget</i>	0	75	67
Completeness	0	100	100
Dissemination	0	100	100
Consultation	0	67	33
PFM Phases	0	33	33
<i>Other Relevant OBS Items**</i>	52	67	71
Budget Preparation	78	78	78
Budget Legislation	0	33	33
Budget Execution	67	67	67
Budget Accountability	44	67	67

*Scores for 2015 are calculated using both the original (2012) and the modified (2015) methodology to show directly comparable data.

**Author's computations by averaging scores on OBS questions on the availability of nontechnical definitions and summaries, articulation of objectives, and communication and feedback mechanisms.

Source: International Budget Partnership Open Budget Survey Data Explorer (data retrieved in November 2016 at: <http://survey.internationalbudget.org/>)

Before the Aquino Administration came to power, the DBM published a "Budget in Brief" that summarized the Enacted Budget. This document, however, was either published between OBS rounds or was not published on time. In light of the government's thrust to empower citizens in PFM, the People's Budget (the Philippines version of the Citizens Budget) was among the first transparency-related reforms that then-Secretary Abad instructed key DBM officials to develop.

As envisioned, the People's Budget is an annual publication that presents the budget to citizens using plain language and creative information graphics. It was first published in 2011 as a summary of that year's GAA, though too late to be considered for the OBS 2012. Later on, Secretary Abad expanded the concept. First, he ordered the development of a *BudgetNgBayan.com* website as an interactive and social media-enabled version of the People's Budget.³⁶ Second, he supervised the development of a version of the People's Budget that summarizes the Executive's Budget Proposal. Since then, the People's Budget has evolved from a publication to a package of citizen-centric actions that make the policies and priorities of the budget more understandable to citizens, translates the publications into the major Philippine languages, produces audiovisual presentations, and develops flyers, social media infographics, newspaper advertisements, social

³⁶ The website, is now inactive due to hosting issues. The integration of the contents of *BudgetNgBayan.com* into the official DBM website was not completed prior to the transition.

media actions, and other means of reaching a wider audience. These changes made it possible for the Philippines to achieve a Citizens Budget score of 67 in the OBI 2015.³⁷

The development of the People's Budget paralleled an organizational development and learning process in the DBM. After all, producing this document required a different set of competencies than the technical ones that were already present in the department. First, the DBM had to organize new units for public communication efforts. In 2013 the function of publishing the People's Budget was assigned to the StratComm, which likewise took charge of producing other material to make budget information more understandable to ordinary Filipinos. In organizing the StratComm, the DBM hired writers, designers, and other communication staff members and outsourced certain other tasks like video production. Other *ad hoc* offices were also created to handle public participation (CSO Desk), open government (Reforms and Innovations Unit), and technology and innovation (Office of the Chief Information Officer).

Second, the DBM worked to strengthen the interface between the communications and technical staffs. For example, communications staff would send drafts of the People's Budget around the technical bureaus to cross-check and update data before publication. In such ways, the People's Budget was a collaborative effort among permanent "technical" bureaus and the *ad hoc* team that would "laymanize" budget data and orchestrate its overall production. Third, like the DBM's efforts to strengthen participatory budgeting, the People's Budget team made it a point to consult the publication's audiences through targeted interviews, discussions with key stakeholders (e.g., CSOs and basic sector representatives), and readership surveys. The DBM for a time also commissioned public opinion surveys on how people preferred to receive budget information. Fourth, "laymanizing" the budget benefited not only the citizens but also people in the government. As it turned out, the People's Budget became useful to government officials, staff, and legislators at all levels. DBM officials and staff members considered the People's Budget a handy reference during meetings. During budget deliberations, one veteran legislator held up his copy and congratulated DBM for publishing the document. "For the first time after decades of being a congressman," he said, "I finally understood the budget!"

Another area where accessibility is important relates to online disclosure of detailed fiscal information in open formats. Among the first transparency reforms implemented by the Aquino Administration was the online disclosure of releases from legislators' allocations in the PDAF. The DBM launched the Electronic Transparency and Accountability Initiative for Lump Sum Funds (eTAILS) system in 2011, which digitized the processing of PDAF releases and their automated disclosure through a page on the DBM website (pdaf.dbm.gov.ph). Further improvements were made to the PDAF portal, particularly the integration of social media tools to allow citizen reporting and submission of multimedia files on PDAF-funded projects.

³⁷ The score could have been higher had the 2014 version of the Citizens Budget been published on time. An OBS methodology change — the more stringent benchmarks for consultations — also constrained the potential score of the Citizens Budget, though the changes are laudable.

In 2013 the government began the process of transforming broader amounts of data into open and manipulable formats. Apart from establishing the Open Data Philippines portal (<https://www.gov.ph/data>), the government developed policies that would support the mainstreaming of open data, including provisions in the GAA and the Freedom of Information bill. Specialized open data portals were also developed, including those for the Bottom Up Budgeting (BUB) projects, for the Extractive Industries Transparency Initiative (EITI), and for foreign aid pledges received by the country after the onslaught of Typhoon Yolanda (Haiyan) in 2013.

A recurring concern raised, however, regards the quality of the data made available online. For one, the information provided to citizens and CSOs is not always responsive to their needs. "What the government sometimes provides online is disconnected from what people in an organization like ours need, such as how many books or computers are allocated to a school," according to Redempto Parafina, executive director of the Affiliated Network for Social Accountability in East Asia and the Pacific.³⁸ Moreover, "The underlying weakness that constrains our enthusiasm is the poor quality of data. If you make unreliable information more transparent, the substance of that achievement is an interesting discussion," said Gary Ellem.³⁹

Finally, another area where the government introduced important reforms relates to citizen participation in budget processes. While the Aquino Administration fell short of its promise to enact Freedom of Information legislation, it made great progress in fulfilling its commitment to empower citizens with a greater voice in PFM.

In the OBS 2012, the Philippines was among the high scorers in the participation indicators, with a score of 53 and a rank of eighth globally. In the OBS 2015, the score improved to 67, placing the Philippines fifth in the world. The participatory budgeting reforms introduced by the executive branch, such as Budget Partnership Agreements and BUB, along with the Citizen's Participatory Audit, introduced by CoA, contributed to this strong performance. These reforms were highly appreciated by CSOs as they opened wider spaces for engagement with the government. Sixto Macasaet, executive director of CODE-NGO, said that "many CSOs got involved in and appreciated the BuB. We felt empowered and more able to engage government."⁴⁰

These participatory budgeting reforms "are geared toward solving the problem of low knowledge [in PFM] and limited engagement among CSOs and citizens."⁴¹ They also formalized the practices of CSOs of accessing information from the government by building relationships with government counterparts and by learning more about what information government holds that could be useful. In a way, these reforms also highlight the important role that CSOs serve in explaining government information to the communities that they organize. Still, CSOs faced challenges. For one, despite formal arrangements, agencies' sharing of information with CSOs still tends to be spotty and uneven. This stems from factors ranging from technical (the information might not be available in the format needed by the CSO) to cultural (the "default" resistance of bureaucrats to

³⁸ Interview with Redempto Parafina, 14 November 2016.

³⁹ Interview with Gary Ellem, 15 November 2016.

⁴⁰ Interview with Sixto Macasaet, 14 November 2016.

⁴¹ Francisco A. Magno, *Public Participation and Fiscal Transparency in the Philippines* (Washington, D.C.: Global Initiative for Fiscal Transparency, May 2015), p. 5. Available at: <http://www.fiscaltransparency.net/resourcesfiles/files/20150706115.pdf>

providing information to CSOs). In addition, there is lack of feedback, a persistent weakness revealed by the OBS results. Because of the limited communication and feedback given by agencies in response to CSOs' recommendations, participation by CSOs is hampered, as is their enthusiasm for formal participatory processes.

LOOKING FORWARD: CONTINUING THE UPWARD TREND?⁴²

This case study took stock of *how* and *why* the Philippines broke through the threshold of "substantial" transparency in the OBS 2015. Dedicated reformers made change possible in a challenging milieu. Protracted efforts to modernize PFM systems, supported by *ad hoc* initiatives to stretch fiscal transparency, all gained ground with the advent of a presidency that gave a great emphasis to good governance and fighting corruption. How might this story progress to its next chapter? It might be useful to break this down into three more specific questions: How does the dynamic between the broader political economy and the "technocratic" side of reforms matter to reformers? Is the information produced by these reforms useful to the citizens in the first place? And are the reforms implemented so far sustainable?

Pork barrel scandals, which cracked the crust of corruption and revealed the thick mantle of patronage politics, were a trigger for the transparency breakthroughs. Corruption scandals, however, are a double-edged sword: they create both incentives and disincentives for fiscal transparency. During the Arroyo Administration, the impetus for political survival proved stronger than the demand for transparency. Even the Aquino Administration fell short of expectations, particularly by failing to enact the Freedom of Information law. A trigger's effectiveness in catalyzing reform depends on how the actors respond to the incentives that the trigger creates. Navigating these triggers and engaging the actors who are crucial to the success of reforms — from the national political leadership to external stakeholders like domestic civil society and international partners — are undeniably part of a reformer's terms of reference. Alas, these are not easy tasks.

In the case of the Philippines, pushing for greater transparency meant not only analyzing OBS data and coming up with a detailed matrix that identified the actions needed to push the score up. The more challenging task was engaging fellow civil servants, getting their buy-in to the necessity of doing additional work to stretch fiscal transparency, managing the initial resistance of some of them, and building teams and informal networks to follow through. Fortunately, career public servants in the DBM saw the importance of improving fiscal transparency. Fortunately, too, they worked under a leadership that was sincere in making budgets more open to citizens. Somewhat fortunately as well, the PDAF and Disbursement Acceleration Program (DAP) crises blew up, creating an additional impetus for reformers to succeed in pushing for more fiscal openness.

⁴² Under its recently-released Philippine Development Plan for 2017-2022 (available at: <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/05-04-07-2017.pdf>), the current administration is targeting an OBI score of 71 by the end of its term.

The transition of the Philippines from "limited" to "substantial" fiscal transparency sets a higher bar for future reforms. Based on international benchmarks of fiscal transparency, the remaining gaps are now more sophisticated and highly technical, ranging from information on contingent liabilities and tax expenditures to presenting actual expenditures consistent with the approved budget. However, the stakeholders' needs create a seemingly conflicting demand for transparency, for fiscal information that is understandable yet granular and for information that relates to what should benefit them and their respective sectors or communities. It may be necessary to explore how the global fiscal transparency instruments could give more weight to information demanded by citizens — and to the presentation of such information in ways that are geared towards citizens — to create a stronger incentive for the government to meet these demands.⁴³

For the government to meet increased demands for transparency — and, indeed, to sustain current practices and prevent regression — robust institutions must be created, both in terms of legal frameworks and organizational structures. The midterm crises during President Aquino's term led to a strategic adjustment to the PFM Reform Roadmap: the advocacy for a "PFM Bill," formally named the Public Financial Accountability Act. Among other things, this bill included statutory requirements for transparency and reporting (including all eight essential budget documents) and for rationalizing special purpose funds, off-budget accounts (i.e., extra-budgetary funds), and special accounts in the general fund. The PFM bill, however, did not make it through the legislative mill because of a combination of factors: it was filed too late in the presidential term, and there were scant political incentives and little pedal pushing (prodding from the president) for Congress to consider and enact the bill urgently.⁴⁴

Toward the end of the Aquino administration, the DBM also pursued organizational strengthening efforts, which included the creation of a permanent unit dedicated to fiscal transparency: the Knowledge Management and Fiscal Transparency Service (KMFTS).⁴⁵ As originally envisioned, this office would formally assume the role of coordinating fiscal transparency efforts within DBM — a gap that the "informal" working group had filled. The new DBM leaders that came on board after the 2016 change of government transferred the function of coordinating fiscal transparency efforts across DBM to the FPRB as part of its mandate to steer PFM and open government reforms. The short-lived KMFTS was renamed the Budget Information and Training Service (BITS), which focused on producing information and publications as well as spearheading capacity development on PFM.⁴⁶

Among the first actions taken by the new administration was something that its predecessor had failed to accomplish. Barely a month after assuming office, President Rodrigo Duterte implemented the provisions of the proposed Freedom of Information law within the executive branch. In his first State of the Nation address,

⁴³ Paolo de Renzio and Massimo Mastruzzi, *How Does Civil Society Use Budget Information? Mapping Fiscal Transparency Gaps and Needs in Developing Countries* (Washington, D.C.: IBP, 2016), available at: <http://www.internationalbudget.org/publications/how-civil-society-uses-budget-information/>

⁴⁴ Interview with Ronald Holmes, 16 November 2016.

⁴⁵ The KMFTS was created through the merger of the TIS-Information Division and StratComm.

⁴⁶ The BITS is effectively a revival of the previous TIS set-up but with additional manpower to boost its capacity.

he also sent a strong message to congress pushing for the bill's enactment. More recently, the President ordered the creation of the Cabinet Cluster on Participatory Governance.

Duterte also appointed reformist technocrats to head fiscal agencies, such as Budget Secretary Benjamin E. Diokno, who held the same position during the Estrada presidency. After his first stint, Diokno became a known academic and commentator on fiscal policy and was a critic of the Arroyo and Aquino administrations.⁴⁷ Among his first pronouncements was a declaration that "real transparency is not the same as uploading in the Web tons of data on the budget. The information has to be relevant and understandable to the man on the street. Openness means the citizens should be able to ask relevant data from the government and the agency is bound to provide them."⁴⁸ Under Diokno, the DBM is also revitalizing the push for the "PFM Bill," now named the proposed "Budget Reform Act," to make budget reforms irreversible, institutionalize transparency practices, and strengthen checks and balances in the budget process.

There is enough reason to hope that fiscal transparency reforms will continue and even be scaled up under the Duterte Administration. Still, recent political developments must be taken into consideration: the spate of "extra-judicial" killings resulting from the president's "bloody" war on drugs; the pivot away from traditional Western partners and toward Russia and China; the burial of the remains of the dictator Marcos at the heroes' cemetery, which has a symbolic relevance; the "post-truth" tendencies of the Administration and its allies; confrontational statements against the Supreme Court, ombudsman, human rights commission, CoA, and other constitutional checks on the executive; and the Duterte-aligned, though still oligarch-dominated, "supermajority" in Congress. Yes, fiscal transparency reforms may continue, but in the context of an increasingly fragile democracy.

⁴⁷ Secretary Diokno was one of the petitioners who filed cases against the DAP in the Supreme Court.

⁴⁸ Opening Remarks by Secretary Benjamin E. Diokno, 2016 Asian Development Bank-Open Government Partnership (ADB-OGP) Asia Pacific Regional Dialogue, ADB Headquarters, 21 July 2016. Available at: http://www.dbm.gov.ph/?page_id=17805 (accessed 25 August 2017).