

PERA ng TAUMBAYAN, PARA sa TAUMBAYAN

Enhancing Citizen Participation in Public Finance



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Enhancing Citizen Participation in Public Finance

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About the Author



Studying and teaching public finance. The author has been studying, doing research and teaching public finance for more than fifty years. She has seen the shift from nearly zero citizens' participation to active involvement in certain phases of the public finance cycle like budgeting and accountability. She has taught students who have become committed bureaucrats, legislators and policymakers.

Practicing public finance. The author is former Secretary to the Commission on Audit, Vice-President for Finance and Administration of the University of the Philippines, and Treasurer of the Philippines. She therefore had the opportunity to actually practice specific aspects of public finance. At the same time, she was able to link up with the different public finance agencies and acquire familiarity with their operations.

Advocating for public finance. The author has been part of civil society networks and peoples' organizations for more than forty years. Her advocacy on debt and debt management as president of Freedom from Debt Coalition, and increased social spending for the Millennium Development Goals (MDGs), as Lead Convenor of Social Watch Philippines, are a matter of public record.

Advocating for participation of indigenous peoples and Muslims in public finance. Indigenous peoples and Muslims have not been given the opportunity to participate in and contribute to decisions on public finance. As an adopted member of the Bagobo Tribe (Bae Utalan Clan) and Social Watch Convenor, the author is involved in efforts to bring them into public finance advocacy at the local and national levels.

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PART 1

Introduction, Methodology, Concepts

Introduction

This study was initiated, supported and funded by the United Nations Development Programme at the initiative of the Governance Unit headed by Dr. Emmanuel E. Buendia.

In the Philippines, citizens' participation in national affairs has been accelerating and gaining ground since the decades of the eighties. However, participation in public finance is a recent development.

Issues about revenues including taxes, expenditures, and borrowing are considered the turf of policymakers, legislators, academics and specialists. Policies on revenues and taxes, expenditures and borrowing were formulated by the Executive, made into laws by the Legislative Branch and implemented once more by the Executive. The citizen merely paid the bill.

During the past five years however, there has been an increasing demand for, and interest in citizens' participation in public finance.

This paper is a timely response to this development.

Objectives of the study

1. The primary objective of the study is to conduct a comprehensive review and assessment of citizens' participation in public finance;
2. Propose recommendations to enhance and further institutionalize citizens' participation which can be the basis for future UNDP programmes.



Methodology

The methodology for this study is fairly straightforward and simple and includes standard methods of research.

Desk and Library research. The typical first step in any research involves a review of available literature on the topic. Since citizens' participation in public finance is fairly recent relative to other areas of governance, publications on the topic are not as numerous as in corruption, human rights, and so on.

Conduct of key informant interviews. This included interviews not only of leading experts in the field but also members of civil society groups and peoples' organizations, as well as academics, students and ordinary citizens who have been active in advocating participation in public finance.

Focus Group Discussions. FGDs were conducted for two groups of participants: one group was composed of government officials involved in public finance and another group came from the civil society sector.

A lifetime of studying, teaching, practicing and advocating for public finance

The study extensively utilizes experiences, perspectives and learnings accumulated in studying, teaching, practicing and advocating for public finance for the past fifty years. This lifetime involvement provides the lens for assessing the state of citizen participation in decisions regarding the collection, expenditure and borrowing of public financial resources.

Some Concepts

Public Finance. There are many definitions of public finance, ranging from the shortest to the longest, and from the simplest to the most complex. My favorite is perhaps the simplest and the easiest to understand. It refers to the inflow of financial resources to the government and the outflow of such resources from the government, for the attainment of public objectives. In the specific case of developing countries, these objectives are often referred to as development goals.

Public fiscal administration. This is a major field in Public Administration. It refers to the formulation and implementation of policies related to the inflow of financial resources—tax, non-tax revenue, other income, and proceeds from borrowing—and the outflow of financial resources through the implementation of the national budget. Public fiscal administration also includes public financial accountability, with the Commission on Audit as the lead institution.

All of the above activities take place within the framework of the law, as well as existing procedures, processes, rules and regulations.

Citizens' participation. The study draws heavily from concepts elaborated by Dr. Emmanuel E. Buendia's doctoral dissertation, "Democratizing Governance in the Philippines: Redefining and Measuring the State of People's Participation in Governance." The dissertation was published as a book with the same title in 2005 by the Center for Leadership, Citizenship and Democracy (CLCD) of the National College of Public Administration and Governance, University of the Philippines.

After a review of the literature of that time, Buendia redefined *people's participation in governance* as "the expression of citizenship and the collective exercise of power of the organized disadvantaged sectors to advance the people's interests for the greater public good, which is pursued within and beyond the confines of the public arena in a given social context." (Buendia: 2005, p.101).

The Buendia definition focuses on the organized disadvantaged sectors. Thus, the term "people's participation." For purposes of this study on citizens' participation, Buendia's definition is expanded to include *all citizens*. Thus, citizens' participation includes the organized disadvantaged sectors (people's organizations or basic sectors) as well as organized non-government organizations sometimes referred to as civil society organizations, professional groups, academic institutions, and church and civic organizations.

Citizens' participation, public finance and democracy

It is obvious that citizens' participation is an essential feature of democracy and the democratic process. It is clear in the dictum that "democracy is of the people, for the people and by the people." When citizens are excluded, democracy becomes a farce and is sarcastically referred to as "off the people, fool the people, and buy the people."

Citizens' participation goes back to the practice of traditional communities where members all participated in community decisions. Village councils were active even before the coming of the foreign invaders.

These community traditions were cruelly suppressed during the colonial period, given lip service when "democracy" was introduced and independence granted, then severely marginalized during the martial law regime.

Now that citizens' participation is enthusiastically encouraged, it is sometimes perceived as part of fashionable global trends. Actually, participation was practiced much, much earlier in the Philippines.

The general impression is that the field of public finance is the exclusive domain of experts, particularly economists, finance geniuses and public administrationists. This is only partially correct. True, calculating income from taxes, preparing budgets and projecting borrowings is highly technical. However, it should never be forgotten that taxes are extracted from the people, government services are intended for them, and in the end they pay for government borrowings. Like it or not, public finance decisions create burdens or benefits for different interest groups. Citizens' participation is therefore indispensable to insure that both burdens and benefits are shared democratically.

Very often policymakers and experts themselves forget that public finance policy or fiscal policy is inseparable from democratic processes. The very first quotation I was taught as a fiscal administration student more than fifty years ago is E. Pendleton Herring's classic statement in his essay, "The Politics of Fiscal Policy" which was published in the Yale Law Journal in 1937:

"The formulation of fiscal policy lies at the dead center of democratic government. It is the very essence into which is distilled the conflict between the have-s and the have-nots. It represents the terms of compromise between powerful economic forces in the community."

Some questions

Whenever public finance issues are discussed the following basic questions cannot be avoided:

Where does the money of government come from? As a child from the province, I grew up thinking that government was this all-powerful, all-pervasive, omnipotent force which had us all citizens in its benevolent grip. I always assumed that government had inexhaustible sources of money. It constructed school buildings, built roads, and paid the salaries of my schoolteacher parents. It did not occur to me to ask where the funds of government were coming from.

It was only when I was already studying taxation as a college student that I realized that the government's money came from the people, especially the tax payers.

A related question is ***“who is bearing the burden of financing government, the salaries of its people and the cost of its services?”*** In a democracy, it should be those who are wealthier and have higher incomes who should pay more for the cost of government. This is according to the principle of equity which goes all the way back to Adam Smith.

The issue of who is bearing a greater share of the burdens of government has often been raised. The question has political and ideological ramifications.

Where does the money go to? In other words, who benefit most from the financial resources of government? Who are the beneficiaries of government services? Who profit from the operations of government? Theoretically, the services of government are for all citizens. It is often claimed that those who need government services most, get it least.

Who decides how the money will be spent? The question of allocations is another complex issue. Who determines the allocation of government expenditures? At first glance, the answer appears simple. At the national level, the allocations are proposed by the executive, based on a national plan and declared priorities. The budget proposal is approved by the legislature after much debate. The same thing happens at the local council which debates and approves the budget proposed by the local executive.

Nonetheless, these questions are asked repeatedly: when the Executive proposes the budget, whose interests are being promoted? When the national legislature or the local government council approved budget proposals, whose interests are they promoting?

Pera ng taumbayan; para sa taumbayan! Loosely translated, this mantra states: *the money of the people is money for the people*. This desirable state of affairs can possibly be attained with active citizens' participation and involvement.

THE PUBLIC FINANCE CYCLE

Formulation of fiscal policy

This involves decisions on the mix of policies on taxes and other revenue, allocation of resources and budgeting, borrowing and accountability. Fiscal policy is considered a highly technical area largely beyond the ken of the ordinary citizen. This is true but it has to be formulated within the framework of publicly agreed goals of development, as provided for in the Constitution and expressed by the people through means like elections, public consultations, hearings and the like.

At present, fiscal policy for budget purposes is formulated by NEDA, the Department of Finance (including the Bureau of Internal Revenue and the Bureau of Customs), the Department of Budget and Management, and the *Bangko Sentral ng Pilipinas*. These institutions constitute the Development Budget Coordinating Committee.

Fiscal policies are based on policies recommended and laws proposed by the above agencies to the legislature through the President.

The political nature of fiscal policy formulation is emphasized in another classic quote by E. Pendleton Herring, thus:

“The formulation and execution of fiscal policy means the realization of economic objectives within a political context. This involves the consideration of what is economically sound in relation to what is politically feasible. In analyzing the political factors in such a situation three aspects call for examination: first, the underlying interest groups; second, the current slogans creeds and symbols used in the defense or promotion of these interests; and third, the framework of existing governmental institutions through which social forces and ideas must operate.”

(Herring, “The Politics of Fiscal Policy”, Public Ledger No.1)

Taxation and other revenue

It is said that taxes and other revenue form the lifeblood of any country. Public services and development projects have to be financed; and the public administration system has to be funded and maintained. Ideally, the needed resources are raised from the people themselves.

The decisions which have to be made on which sector should contribute the most to the resources of government, and which sector should benefit more from government services are policy issues and not merely technical questions which can be solved by formulae.

People participation on taxation and revenue issues are largely focused on the passage of revenue laws. It is assumed that laws passed by Congress reflect the preferences of the people since congressmen and senators are supposed to represent them. This is not necessarily so since legislators often represent their business, property and class interests.

Some of the most serious governance issues are related to taxation and revenue. Citizens groups specializing on these issues have time and again raised their voices but it is difficult to measure the impact of their efforts.

1. *direct and indirect taxes*- Generally, taxes collected by governments from the people are classified into direct and indirect taxes. Direct taxes are based on income and property. The best known are income taxes and real property taxes. These taxes are also called “taxes on wealth.” These are considered direct taxes because they are imposed on those

who have income from their professions, businesses and properties. Taxes are also imposed on real property, e.g. land.

Direct taxes are considered equitable because the amount of taxes paid is based on income and wealth. Such taxes are called progressive taxes. Those who benefit more from the workings of the economy contribute more taxes.

On the other hand, indirect taxes are based on consumption expenditures. Taxes imposed during the making and selling of a product e.g. manufacturing taxes and value-added taxes, are added to the selling price which is paid for by the final consumer. Indirect taxes have strong regressive tendencies, especially in countries like the Philippines where poverty is rampant and there are huge gaps between the rich and the poor.

Choices made by government on which taxes to impose have implications on who should bear the burden of taxation. Such decisions necessitate citizen participation since equity considerations are at stake.

2. *tax and non-tax revenue*- Government revenues come from tax and non tax revenue. As shown above, the kind of tax imposed can either be equitable or inequitable, just or unjust, depending on its incidence—meaning who pays them. Non-tax revenue, on the other hand, is generated from specific government services, e.g. rentals, sale of government properties and products, user fees and the like.
3. *challenges in revenue administration*- For centuries, tax collection and administration have always been associated with corruption. The public is increasingly concerned and angry about persistently high levels of corruption in revenue administration. Tax agencies have long been billed as “flagships” of corruption.

Budgeting and expenditures

This involves decisions on expenditure and budget policy. The budget process covers budget preparation which is the responsibility of the Executive, budget legislation which is the responsibility of both houses of Congress, budget implementation which is within the jurisdiction of the Executive, and budget accountability which is reported by the Commission on Audit.

Ideally, all five steps in the budget process should involve public participation. It can be said that budgeting is a complex technical process. This is true but these complex and convoluted decisions take place within a highly charged political environment. Excluding the public would be a grievous omission. Pendleton Herring has said that the budget process lies at the dead center of democratic government. It is part and parcel of the democratic process. Therefore, citizens should be consulted, and must participate in this important undertaking.

The oft-repeated debate is on who should benefit from government expenditures. The answer to this question can be discerned by examining the process by which public resources are allocated.

1. *Budgeting and ZBB.* The present administration claims that the 2011 national budget is based on zero-based budgeting (ZBB). This is a process whereby proposed budget allocations are ranked according to responsiveness to declared government priorities. Proposals which are not responsive to these priorities are not included in the final budget proposal submitted to Congress.

ZBB is not yet fully implemented in the national budget. Special Purpose Funds which form a significant part of the total budget are not covered.

2. *Alternative Budget Initiative (ABI).* Is the government allocating enough resources for the social development, particularly the Millennium Development Goals. Social Watch Philippines says no. Since 2006, the Alternative Budget Initiative convened by Social Watch Philippines has been presenting alternative budgets for education, agriculture, health, and the environment. It has consistently engaged the macroeconomic framework for the national budget.

More than a hundred civil society organizations compose. They are grouped into five technical working groups which focus on different areas: macroeconomic framework, education, health, agriculture and the environment. These TWGs are composed of CSOs which focus on specific areas, consult their respective constituents, and propose alternative budgets based on these consultations.

Borrowing and debt management

It is a law in economics that resources are never enough for wants. This is particularly true in the case of developing countries. Borrowing is often resorted to not only to maintain government but also to attain development goals. In the Philippines, the issue of borrowing is a contentious issue since the country was one of those who fell into the debt trap and was debilitated by the global debt crisis of the eighties.

Ever since the Philippines was sucked into the global debt crisis of the '80s, Filipinos have always been sensitive to government borrowing and debt management. The area of debt in public finance illustrates the huge divide between government policy and public expectations as articulated by civil society groups like Freedom from Debt Coalition.

The policy of government has always been to pay the debt, crisis or no crisis. At the height of the Philippine debt crisis, demands for debt moratoria, forgiveness, and even cancellation mounted in the wake of a worldwide movement for action on debt of developing countries. Charges were made and questions raised on the matter of corruption-laden debts like the Bataan Nuclear Plant, and utilization of borrowed money.

The issue of automatic appropriation of the debt service still rankles thirty years after the explosion of the debt crisis on a global scale.

Decisions on borrowing—why borrow, from whom to borrow, under what terms to borrow, who benefits from borrowing and accountability for borrowing are questions too important to be left to the technocrats only. The public must be consulted since they will ultimately pay.

If the public were consulted on the matter of debt, it will not be a surprise if the wishes of citizens are different from the policies of government.

Accountability

Accountability is the final phase in the public finance cycle. The most familiar form of accountability is financial accountability. This is accountability for financial resources entrusted to public officials and agencies. The leading institution for exacting financial accountability is the Commission on Audit. It is best known for its financial audits which are the bases of charges filed against erring officials.

Another form of accountability is program accountability. This means being accountable for delivering expected outputs, completing projects and achieving goals. It is one thing to obey all rules, procedures and processes required by government. It is one thing to actually deliver services.

This final stage in the public finance cycle distills the essence of what it is all about, and that is, accountability is to the people who pay the costs, bear the burdens, and hopefully benefit from government services.

Citizens' participation and public finance

It is obvious that citizens' participation is crucial in the entire public finance cycle. The question is: are they truly participating in a meaningful manner? An even better question is: are they aware that they have the duty, the obligation and the right to participate in public finance. Again, *pera ng taumbayan, para sa taumbayan!*



PART 3

THE STATE OF CITIZENS' PARTICIPATION IN PUBLIC FINANCE

The assessment of the state of citizens' participation in public finance was done at several levels:

1. A focused group discussion with citizens' groups participating in public finance, including financial executives;
2. A focused group discussion with public finance agencies and legislative staff;
3. Discussions and interviews with local government officials, indigenous peoples and other citizens organizations;
4. Dialogues and discussions with experts;
5. Public presentations in two universities and one college;
6. Reflections based on 50 years of studying, teaching, practicing and advocating public finance.



The Focused Group Discussions

Last April 12-13, 2010 two focused group discussions were conducted with civil society organizations participating in various aspects of public finance and government organizations formulating and implementing public finance policies. The author conducted these discussions with colleague, Asst. Prof. Alvic Padilla, who formulated the concept and design of the activities as follows:

They FGDs sought to draw the perspectives of critical stakeholders on citizens' participation at the various levels of decision-making in public finance. The participants were expected to provide information on the current situation, problems and issues of participation, as well as the potentials and obstacles in enhancing citizens' participation in the future.

Design:

Two FGDs were organized for two sets of stakeholders. FGD 1 was composed of representatives from within government, specifically selected agencies, legislature, COA. FGD 2 was composed of representatives from "outside" of government: academe, NGOs, business, media.

In general, the FGDs provided answers or indications to the basic question of how much public participation, in what form, and under what circumstances can public participation enhance public finance policies and administration. In the process, the discussions provided leads as to how and under what conditions can public participation, given the current situation, negatively impact on the quality of public policy formulation and administration and how can these be overcome. The FGDs served to:

1. sharpen the program framework on citizens' participation in public finance by identifying the factors that promote and constrain citizens' participation; and
2. identify key interventions and strategies that will enhance citizens' participation in public finance.

Focus Group Discussion No. 1. The objective of the first FGD was to explore and elicit the views and attitude of government stakeholders on public participation in fiscal policy formulation, legislation, implementation and evaluation. Generally, the FGD elicited inputs on what is the value of public participation, how public participation can help the performance of agencies/offices in public finance, what is the downside of public participation for these agencies, what mechanisms are or can be set up to facilitate effective public participation,

Questions:

1. What is the present attitude of the agency/office on public participation?
2. What are the types of activities which the agency deemed necessary to involve some level of public participation and why?
 - a. Which activities are deemed not feasible or desirable to have some level of public participation and why?
3. How can public participation be useful to the agency? When or how is/can it be burdensome?
4. What are the forms of participation? Are there formal means by which the public participates, ex. ad hoc bodies, public consultative hearings, etc. What is the degree of participation (ex. passive or active participants)?
5. What has been the impact of public participation in decisions and the decision-making processes?
6. What do you think must be changed (ex. attitude, skills, knowledge, rules, culture) if effective?
 - a. What institutional and individual capacities can/must be improved within the agencies?
 - b. What capacities/skills do they expect from CSOs to be effective in public involvement?

Target Participants: Representatives from the Department of Budget and Management, Department of Finance, Bureau of Internal Revenue, Bureau of the Treasury, Congressional Planning and Budget Office, Senate Economic Planning Office, Legislative Budget Research and Monitoring Office, Commission on Audit

Focus Group Discussion No. 2. The objective of the second FGD was to elicit the view and attitude of citizen's groups on public participation in various aspects of public finance. In addition to the basic questions in FGD 1, the following questions/topics were explored:

1. How do you see your role as CSOs in the area of public finance?
 - a) What objectives, principles or agenda does your CSO seek to pursue?
 - b) What are your current programs and activities? ex. campaign? Lobbying? Research? Training?
2. What are the obstacles the group has encountered in trying to seek public participation in the legislature and various executive offices? ex. Congress, DBM, DoF, other national government agencies, LGUs.
3. How would you assess:
 - a) accessibility of information
 - b) usefulness of available information – ex. Are reports understandable enough for a layperson to make informed judgment? Completeness?
 - c) What, if any are the formal mechanisms by these agencies for public participation? What are the strengths and limitations of these mechanisms?
4. What competencies do you think are essential for CSOs to make credible and effective participants?
 - a) Do you have ongoing capacity building programs for these?

Target Participants: CCAGG, Tobacco Control Alliance Philippines (TCAP), Social Watch Philippines/Alternative Budget Initiative, Silliman University, Woman Health Philippines, Action for Economic Reforms



Highlights of the FGDs

At first glance, it appears from the results of the two FGDs that government and civil society organizations recognize the need and importance of citizens' participation. However, there is divergence on each group's interpretation of what citizens' participation entails.

1. Citizens' participation. As far as government agencies are concerned citizens' participation is largely information sharing. It is interpreted as informing the public on what policies are formulated by the government, how these are implemented and what citizens are expected to do in order to comply with policies, procedures, processes, rules and regulations.

The Bureau of Internal Revenue, for example, views citizens' participation as a feedback mechanism from taxpayers to improve revenue collection.

The Commission on Audit representative mentioned participatory auditing but admitted that the program was successful but was stopped after funds from UNDP ran out.

On the other hand, civil society organizations associate citizens' participation with empowerment and integrity, and not just information sharing. The Tobacco Control Alliance Philippines/FCAP uses the words "involvement," "democracy" and "cooperation."

2. Mechanisms for citizens' participation. The different perspectives of civil society organizations and government institutions are highlighted in their assessment of mechanisms for citizens' participation.

At the time of the FGD the DBM representative admitted that there were no direct dialogues with the public and or citizens' organizations, although it encourages line agencies and the regional development councils to engage CSOs. Mechanisms were largely limited to public hearings on new taxes. The HOR representative admitted that budget hearings have limited public participation.

On the other hand, civil society organizations find these mechanisms ambiguous and limited. The Transparency International Network admits that this could be because CSOs themselves are not very active in engaging government. Another possible reason is the mechanisms provided by government do

not encourage engagement and participation since these are largely for information dissemination.

3. Enhancing citizens' participation. On the question of how citizens' participation can be further enhanced, it is interesting to note that while government agencies focused on what additional mechanisms they can put in place, CSOs concentrated on what they should be doing more.

On the matter of budget transparency for example, the BIR suggested that DBM publish budget releases to facilitate public monitoring. The HOR representative suggested that agency reports should be disaggregated to make it easier for CSOs to validate and monitor. DBM on the other hand suggested synchronization of data among involved agencies, as well as automation of the public financial system to improve the status of expenditure reports. It also raised questions about accuracy of data.

The HOR representative emphasized the need for public finance agencies to engage unorganized and marginalized groups who are underrepresented.

For their part, CSOs admitted the need to improve the capacities of citizens' groups to undertake analysis, validation and monitoring of public finance data. The need for capacity-building programs in public finance was repeatedly emphasized. They also recognized the need for CSOs to coordinate their work. Strong statements were made about the challenge to continually demand participation in government initiatives.

4. Other issues. Government agencies noted the need for CSOs to develop a track record of impartiality and credibility. They called for equal representation among CSO groups in different services of government. They also suggested that CSOs familiarize themselves with the Organization Performance and Indicator Framework (OPIF) facilitate understanding of budget implementation.

CSOs like the Transparency and Accountability Network admit that citizens' participation remains limited because very few specialize on the subject. This is ironic, considering that issues of taxes, budgets, borrowing and accountability are directly related to each citizen and are at the heart of democratic process. Social Watch Philippines highlighted the role of media in encouraging and reporting on citizens' participation.

Citizens' Participation In Fiscal Policy Formulation

It is clear from the earlier discussion on public finance policy or fiscal policy, that citizens' participation is crucial and necessary. It is therefore important to assess the state of citizens' participation in the formulation of fiscal policy.

The MTPDP, Fiscal Policy, and the National Budget

Governance in the country is guided by the Medium Term Development Plan of the Philippines. It is a declaration of general and specific social and economic goals for a period of six years. It usually coincides with the assumption to office of a newly elected president.

The MTPDP is prepared by the National Economic and Development Authority (NEDA) whose board is headed by the President of the country. The preparation of the Plan requires the participation of civil society organizations. Nonetheless, the final form of the Plan is put together by NEDA.

The Plan includes a chapter on Fiscal Policy. This is because resources are necessary to fund the objectives and goals of the Plan. Since the Fiscal Plan covers six years, it is understandably limited to general statements. It is adjusted on a yearly basis by the Development Budget Coordinating Committee (DBCC) which determines the macroeconomic targets and the various components of the national budget.

The members of the Development Budget Coordinating Committee are: the Department of Budget and Management which serves as Chair; the Department of Finance, along with its three main revenue raising bureaus—the Bureau of Internal Revenue, the Bureau of Customs, and the Bureau of the Treasury; the monetary authority which is the *Bangko Sentral ng Pilipinas*, and the National Economic and Development Authority.

Who drives fiscal policy? Following the logic of the planning process, the driver of Fiscal Policy is the MTPDP which contains not only the national development objectives, targets and goals, but also prescribes the sources of financing. As the lead agency, NEDA exerts strong influence over fiscal policy.

What are the features of the 2004-2010 plan? The MTPDP fiscal plan for this period is focused on the deficits. The objectives were:

1. to balance the national budget in six years;
2. to reduce the Consolidated Public Sector Deficit viz the Gross Domestic Product from 6-7% in 2004 to 1% by 2010; and
3. reduce the ratio of public sector debt from 136% to 90% by 2010.

The non-stop deficits and increases in borrowing accumulated by the previous administration are now a matter of record. The budget was not balanced. By 2010, the annual deficit had bloated to over Ph300 billion.

Who is the driver of the 2011 and 2012 budgets, and overseer of national development? Immediately after the 2010 elections, the new administration announced that the last year of the 2004-2010 would be “reformed” to reflect its thrusts and strategies.

However, the new government had to operate immediately; it could not wait for the 2010 portion of the MTPDP to be reformulated. Neither could it wait for the 2011-2017 Plan.

Thus, the Department of Budget and Management continued budget operations in 2010, and submitted its budget proposal for 2011 without waiting for the NEDA. The 2011 was approved by both Houses of Congress and signed by the President in December 2010—all without NEDA participation.

Driven by its own internal calendar, DBM has already issued its 2012 budget call and circularized its calendar for the entire budget process—from submission to Congress to the hearings, to the final approval of the President.

In the meantime, the final version of the 2011-2017 Plan is still being edited for consistency, among others.

Obviously, due to the above circumstances, the obvious and visible driver of national development for 2011 and 2012 is the Department of Budget and Management. The situation has led to observations that “cart is driving the horse.”

Why citizens' groups are silent on fiscal policy

Of the five phases in the public finance cycle, citizens' participation is least palpable and least visible in the formulation of fiscal policy. The citizens' groups who participated in the FGDs didn't mention fiscal policy as an area of participation. This is regrettable because the causes which they are advocating are directly linked with fiscal policy since inevitably, additional funding is necessary.

There are a number of reasons for this. First, the only way CSOs can participate in fiscal policy formulation is during the formulation of the MTPDP of the six-year plan which specifies that they should be invited to participate. Civil society groups are divided among the various chapters of the Plan which invariably include development policy, economic development, social development, public administration and governance, and fiscal policy. Usually, CSOs are invited to join the teams on social development but hardly on fiscal policy. The ones who are invited to provide inputs on the latter are known "experts" and not necessarily CSOs who engage fiscal policy.

The second reason is because "very few specialize on the subject," as stated by Transparency and Accountability Network. The challenge is therefore to draw in more and more professionals who are knowledgeable about public finance so they can help capacitate CSOs and identify important policy areas.

The most effective way by which CSOs can participate in fiscal policy is during the annual budget preparation process when the fiscal plan is revised to respond to current realities. However, this door is firmly closed to CSOs at this time. Under the new administration, they are invited to give inputs to certain agency budgets but not to debates on the financing side of the budget. This effectively shuts out the few CSOs who can engage the government on fiscal policy with competence and professionalism.



Citizens' Participation In Taxation And Revenue Administration

Generally, citizens' participation in taxation and revenue administration has been very limited and sporadic. As pointed out in another part of the paper, citizens' participation is largely interpreted as information-sharing, assistance in the computation of taxes, and campaigns for taxpayers to report tax cheats and pay their taxes on time.

The debate on direct and indirect taxes

This is probably the most pressing issue which citizens can easily identify themselves with. Thanks to decades of information campaigns conducted by CSOs, citizens are now aware that everyone—rich or poor— pay indirect taxes through the value added tax or VAT.

The first time VAT was imposed as a substitute for sales tax, it triggered protests and complaints. However, this was during the time of the late President Corazon Aquino when Congress was not yet in operation, so soon after the ouster of the late President Ferdinand Marcos. Thus there were not congressional hearings and the law was passed by Executive Order.

When VAT was increased to 12% during the administration of President Gloria Macapagal Arroyo, there were protests also, but there was no formal mechanism for transmitting the critiques counter proposals of CSOs. Nonetheless, it was widely believed that the erstwhile popular senator who campaigned vigorously for the VAT increased was punished with the last weapon at the disposal of the tax payer: he lost the senatorial election of 2004.

The Constitution and the VAT debate. It has been explained earlier that direct taxes like income taxes and taxes on wealth and property are considered progressive because they increase when income, wealth and property increase. On the other hand, indirect taxes like VAT are considered regressive taxes because everyone pays the same rates regardless of income levels.

The five Constitutions of the Philippines have consistently provided for a progressive system of taxation. Thus, Article VI, Section 28 (1) unequivocally states that “The rule, of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation.”

The above provision means that there should be greater reliance on direct taxes rather than on indirect taxes. However, Table 1 and Table 1a show the contrary. Direct taxes are programmed at Ph520 billion or 43.5% of total tax resources while indirect taxes are programmed at Ph675 billion or 56.5% of total tax revenue.

Table 1. Summary of Revenues by Source, 2007-2010

Particular	2007 Actual	%	2008		%	2009b Program	%	2010 Program	%
			Program	Actual					
TOTAL TAX REVENUES	932,937		1,123,587	1,049,182		1,278,893		1,195,715	
Direct	428,027	45.9	502,755	483,518	46.1	569,203	44.5	520,634	43.5
Indirect	504,910	54.1	620,832	565,664	53.9	709,690	55.5	675,081	56.5

Table 1a. Tax Revenue Program, 2007-2010

PARTICULARS	2007a ACTUAL	%	2008		%	2009b PROGRAM	%	2010 PROGRAM	%
			PROGRAM	ACTUAL					
TAX REVENUES	932,937		1,123,587	1,049,182		1,278,893		1,195,715	
I. DIRECT	428,027	45.9%	502,755	483,518	46.1%	569,203	44.5%	520,634	43.6%
INCOME TAXES	426,955	45.8%	501,223	482,239	46.0%	567,836	44.4%	519,372	43.4%
Individual	137,660	14.8%	159,931	144,364	13.8%	190,013	14.9%	156,961	13.1%
Corporate	238,958	25.6%	286,339	285,260	27.2%	317,766	24.8%	309,639	25.9%
Others	50,337	5.4%	54,953	52,615	5.0%	60,057	4.7%	52,772	4.4%
OTHERS (Property Transfer Tax)	1,072	0.1%	1,532	1,279	0.1%	1,367	0.1%	1,262	0.1%
II. INDIRECT	504,910	54.1%	620,832	565,664	53.9%	709,690	55.5%	675,081	56.5%
GENERAL SALES TURNOVER OR VAT SELECTIVE EXCISES	145,104	15.6%	182,898	140,318	13.4%	218,934	17.1%	185,668	15.5%
ON GOODS	54,073	5.8%	57,028	60,760	5.8%	60,020	4.7%	60,159	5.0%
Alcohol Products	18,795	2.0%	19,633	19,839	1.9%	20,716	1.6%	21,287	1.8%
Tobacco Products	23,209	2.5%	22,260	27,555	2.6%	23,378	1.8%	26,511	2.2%
Fuels and Oils	10,039	1.1%	12,995	11,360	1.1%	13,504	1.1%	10,157	0.8%
Others	2,030	0.2%	2,140	1,976	0.2%	2,422	0.2%	2,204	0.2%
SELECTIVE TAXES									
ON SERVICES	40,345	4.3%	47,599	40,115	3.8%	56,359	4.4%	46,312	3.9%
IMPORT DUTIES	209,439	22.4%	269,002	260,248	24.8%	300,059	23.5%	309,526	25.9%
OTHERS	55,949	6.0%	64,305	64,233	6.1%	74,318	5.8%	73,416	6.1%
Taxes on use of Goods or Products	9,063	1.0%	8,875	9,277	0.9%	10,787	0.8%	11,456	1.0%
<i>Franchise</i>	730	0.1%	895	697	0.1%	1,806	0.1%	1,949	0.2%
<i>Motor Vehicles Tax</i>	8,333	0.9%	7,980	8,580	0.8%	8,981	0.7%	9,507	0.8%
Other Taxes (DST, Mining, etc)	44,726	4.8%	53,258	52,503	5.0%	61,131	4.8%	59,579	5.0%
Taxes on International Trade and International Transactions (Travel Tax)	1,581	0.17%	1,524	1,779	0.17%	1,696	0.13%	1,601	0.13%
BIR	600	0.06%	721	670	0.06%	844	0.07%	778	0.07%
CHED	785	0.08%	659	887	0.08%	700	0.05%	676	0.06%
NCCA	196	0.02%	144	222	0.02%	152	0.01%	147	0.01%
Forest Charges	164	0.02%	192	150	0.01%	204	0.02%	155	0.01%
Immigration Tax	42	0.00%	46	46	0.00%	49	0.00%	47	0.00%
Fire Code Tax	373	0.04%	410	478	0.05%	451	0.04%	578	0.05%

^a 2009 BESF^b 2010 BESF

Inadequacy of mechanisms to strengthen citizens' participation in taxation and revenue administration.

The observation by both government agencies and CSOs that mechanisms are inadequate are obvious on the matter of taxes. Citizens are hardly consulted when you taxes are being passed; they are merely informed.

In the legislature, whenever new tax measures are contemplated, or tax exemptions, deductions and holidays for the business sector are formulated, the practice is to invite the “tax experts”, the tax collection agencies and the business sector. Again, this is due to the assumption that tax matters are beyond the capacity of the ordinary citizen to comprehend.

Graft and corruption in taxation and revenue administration

The issue of graft and corruption is an “ancient” public concern which has festered for decades and even for centuries. Nevertheless, it cannot be said that citizens’ participation is largely involved in campaigns against graft and corruption.

There at least two parties to corruption in tax collection: the tax collector and the tax payer. The tax collection office and the firm of the taxpayer could be the third and fourth parties. This question has been raised: Why is it that whistleblowing works in other fields of governance but does not generally work where corruption in tax payment is concerned? The answer: all parties benefit from the corrupt act; hence, the hesitance to blow the whistle.

Again, the mechanisms set up by the tax collection agencies—Bureau of Internal Revenue and the Bureau of Customs do not encourage CSOs to participate in campaigns or to report instances of tax cheating.

Unity on “sin taxes” among CSOs and government institutions

It has been pointed out that there seems to be a disconnect between CSOs’ interpretation of citizens’ participation and that of government institutions.

However, there appears to be unanimity of opinion on the matter of increasing rates of “sin taxes.” These are taxes imposed on products which are perceived as harmful to health, as well as to the sensibilities of some faith groups. These products would include spirits and other alcoholic drinks, cigarette and other tobacco products, sodas and colas and so on.

Since people cannot be prohibited from consuming these products, increasing taxes is considered sensible since hopefully, consumption will go down even as taxes increase. The Tobacco Control Alliance Philippines is lobbying for an increase in “sin taxes,” specifically on tobacco. They are monitoring government funds allocated for tobacco control, as well as tobacco companies.

Other groups like health CSOs and faith-based groups have their own reasons for campaigning against “sin” products. They can be mobilized by government to generate support for additional taxes and campaign for public cooperation.

Citizens' Participation In Expenditure Policy And Budgeting

Of all the phases in the public finance cycle, expenditure policy and budgeting have the most frequent and sustained citizens' participation, as well as response from the government. Participatory budgeting is now accepted as essential to democracy and is adopted in many countries, notably Brazil.

The budget process

There are four stages in the budget process: budget preparation, budget legislation, budget implementation and budget accountability. The lead institution for budget preparation is the Department of Budget and Management and the various agencies and instrumentalities of the government who prepare budget proposals in accordance with budget guidelines issued by DBM.

During the legislation phase, agency proposals are consolidated into one national expenditure program and are submitted to the two Houses of Congress. Thus, the House of Representatives and the Senate oversee the legislation process. After their respective versions of the budget are reconciled, the President signs it into law, but not without his or her veto message.

The fiscal agencies of the government lead the budget implementation phase. Since oversees the release of budget allocations up to the release of checks, the DBM is perceived to be the lead implementor of the budget. Actually, the three bureaus of the Department of Finance play an indispensable part since they generate and collect the resources necessary to fund the budget.

The accountability phase of the budget shall be the responsibility of the government offices themselves. The Audit Code of the Philippines (P.D. 1445) explicitly states that fiscal responsibility rests with the head of the agency.

The Commission on Audit is mandated by the Constitution to audit and settle accounts of the different agencies and instrumentalities of government.

Thanks to the budget advocacy of citizens groups, the academe and the media. There is greater awareness of the magnitudes of



the 2011 budget. Thus, the debates on the conditional cash transfers and public/ private sector partnership, intelligence funds and other are known by the public.

The Ph1.6 trillion budget includes a huge debt service burden, CCT funding of Ph21 billion, public/private partnership at Ph15 billion, Ph1 billion in travel funds and so on.

At present, citizens' participation in the *budget preparation phase* is very limited. The formulation of the macroeconomic assumptions is done by the members of the Development Budget Coordinating Committee (DBCC) composed of the Department of Budget and Management; the Department of Finance including the Bureaus of Internal Revenue, Customs and Treasury; National Economic and Development Authority and the *Bangko Sentral ng Pilipinas*.

Socialwatch Philippines critiques the macroeconomic assumptions regularly in media. Congress also raises related issues but generally no action is taken.

Departments and agencies hardly consult citizens' groups on their advocacies. One singular exception is the Department of Health.

DBM Secretary Florencio Abad under the Aquino Administration initiated the practice of involving citizens' participation in budget monitoring during the second half of 2010. With the onset of 2011, consultations with the different departments were initiated as part of the budget preparation phase for 2012

Citizens' participation is most visible, audible and palpable during the *budget legislation phase*

For fifteen years now, Social Watch Philippines has been monitoring government expenditures for social development.

Since 2006 SWP has been submitting alternative budgets.

The Alternative Budget Initiative is now part of the budget legislation phase and is included in the hearings of the

Appropriations Committee. Since then, the number of citizens' groups actively involved in budget legislation has increased, e.g. Incite-Gov, Budget Advocacy Group, *Pera Natin Ito*, Philippine Public Transparency Reporting Project, and other emerging groups.

In terms of response, legislators sponsor items in the Alternative Budget Initiative and include these in the amendments.

After a consultation process conducted throughout the country, former Congressman, and now, Senator TG Guingona filed nine bills designed to correct deficiencies in the budget process.

- HB 5580 Impoundment Control Act;
- HB 5706 National Budget Fund Classification Act;
- HB 5707 Budgeting Guidelines for Re-enacted Budget
- HB 5723 An Act Defining Unprogrammed Funds
- HB 5724 An Act Mandating that the Bicameral Meeting on the National Budget be conducted in an Open and Transparent Manner;
- HB 5725 An Act Mandating Transparency in Fund Releases;
- HR 912 Open and Transparent Bicam;
- HB 5716 National Budget Savings Act;
- HB 5256 People's Participation in Budget Deliberation Act

Citizens' participation in the *budget implementation process* is largely focused on monitoring. Groups engaged in this include Incite-Gov, Social Watch, Transparency and Accountability Network, Concerned Citizens in Abra for Good Government (CCAGG), Procurement Watch.

Many problems have been identified by citizens' groups regarding the budget implementation process—non-release of allocations, transfer of funds, use of savings, etc.

It is largely in budget accountability where citizens' groups advocating for transparency and accountability in governance take an interest also in public finance, including anti-corruption groups. Thus, the process of *budget accountability* would probably have the most number of active citizens' groups.

Citizens' Participation In Debt and Debt Management

At present, the “Debt Threat” remains real. Outstanding debt remains high, as shown below:

Table 2. NG Outstanding Debt, As of May 2010
(in Mn PhP)

Particulars	Jan	Feb	Mar	Apr	May
I. Domestic Debt	<u>2,430,269</u>	<u>2,403,410</u>	<u>2,536,667</u>	<u>2,548,143</u>	<u>2,583,717</u>
NG Direct	<u>2,427,975</u>	<u>2,401,116</u>	<u>2,534,373</u>	<u>2,545,849</u>	<u>2,581,423</u>
Gov't Securities	2,421,154	2,394,296	2,527,554	2,539,030	2,574,603
Agencies	6,821	6,820	6,819	6,819	6,820
Relent	0	0	0	0	0
Assured	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>
PNB	0	0	0	0	0
DBP	2,288	2,288	2,288	2,288	2,288
NPC/PNPP	0	0	0	0	0
NDC	6	6	6	6	6
II. Foreign Debt	<u>2,013,171</u>	<u>1,954,195</u>	<u>1,921,416</u>	<u>1,888,337</u>	<u>1,970,468</u>
Direct	<u>839,125</u>	<u>830,486</u>	<u>799,917</u>	<u>784,290</u>	<u>627,756</u>
Agencies	770,803	762,610	736,224	722,517	762,388
Relent	68,322	67,876	63,693	61,773	65,368
Assured	<u>38</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>36</u>
GFI/GOCCs	<u>38</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>36</u>
PNB	0	0	0	0	0
DBP	8	8	8	8	8
NPC/PNPP	0	0	0	0	0
NDC	30	29	28	28	28
PAL	0	0	0	0	0
NG Foreign Bonds	1,174,006	1,123,672	1,121,463	1,104,011	1,142,676
TOTAL	<u>4,443,440</u>	<u>4,357,605</u>	<u>4,458,083</u>	<u>4,436,480</u>	<u>4,554,185</u>
Forex Rate Used	46.60	46.30	45.30.	44.65	46.20

• Breakdown of totals may not sum up due to rounding

Source: Bureau of Treasury

The debt service burden remained inordinately high in 2010.

The Department of Budget and Management (DBM) announced that it had already released Ph800 billion, which is one-half of the 2011 Ph1.645 trillion national budget. This was largely funded by aggressive borrowing.

From January to February alone, media reported over Ph113 billion in global and retail treasury bonds. For March, a total of Ph104 billion was sold by the Bureau of the Treasury for 5-year and 10-year bonds. This does not include treasury bills issued, as well as loans negotiated with bilateral countries and multilateral institutions.

The above is the result of an expenditure policy which was implemented without synchronizing it with availability of financial resources. The first two and one-half months (January-March 15) of the year are usually times when government is not overflowing in cash. This is because cash resources are normally used up by the end of the preceding year. The government does not usually start the year with cash surpluses. Furthermore, tax collections don't pick up until March 15 each year.

This explains why infrastructure and other cash-heavy activities are not usually implemented during the first quarter. The government does not have cash. However, for this year, the government announced that it was front-loading many infrastructure projects and starting Public-Private-Partnership Programs (PPPs) even as the government did not have cash. This development pushed the fund-raising agencies into a frenzy of borrowing to front load big, "out-of-season" government projects.

Citizens' participation and advocacies in debt and debt management started at the height of the Global Debt Crisis during the 1980s. Leading advocates on the debt issue are Freedom from Debt Coalition and Social Watch Philippines.

The debt issue remains a "live" issue and continues to threaten the fiscal as well as economic stability of the country.



Citizens' Participation In Accountability

It can be safely stated that many citizens' groups are actively engaged in demanding accountability from public officials. They proliferate at national, regional and local levels.

However, not all are concerned with accountability in public finance—their advocacies can range from public finance, managerial accountability, political accountability, social accountability to moral accountability.

The government institution directly enforcing public financial accountability is the Commission on Audit.

Since the issue is directly concerned with governance, the international community—bilaterals, multilaterals and international civil society is very active in exacting financial accountability, with or without citizens' participation.

With the new administration elected on a platform of reform and anti-corruption, many citizens groups have emerged, with names and initials as numerous as the names on the alphabet



Does Citizens' Participation Work In LGU Finance?

LGUs and the public finance cycle

The situation in local public finance mirrors what is existing at the national level. In many local government units, citizens' participation is not visible in the finance cycle. This is partly due to the Local Autonomy Code which does not provide for citizens' participation in local finance.

Local fiscal policy planning is considered the turf of the Local Finance Committee which is composed of the Planning and Development Officer, Budget Officer and Treasurer.

Citizens are not also involved in tax planning, policy, and tax collection. As for expenditures and budgeting, citizens do not usually participate in the budget preparation.

Budget legislation generates more interest, especially in local government units where the proceedings of local councils and debates on the budget are covered by television and radio. Budget implementation elicits the most interest since programs and projects which are implemented are visible to the citizens. Comments from media and interest groups reach citizens and influence public opinion, and in certain cases, action.

Budget accountability generally does not generate citizens' action, except in places where civil society groups are very active. The CCAGG of Abra, for example is a very well known civil society group which monitored highway projects in their province. As a result of their budget monitoring, they filed cases against DPWH officials in their area.



LGUs and the Millennium Development Goals

Local government units are at the forefront of the efforts to attain the MDGs by 2015. They were mandated by the Department of Interior and Local Government to consider the MDGs and other social development goals in their budgets.

Among civil society organizations, Social Watch Philippines has conducted a consistent and sustained campaign for financing the MDGs. The campaign is conducted at the national and local levels.

Social Watch Philippines has assisted selected LGUs in Luzon, Visayas and Mindanao in making their budgets more responsive to the requirements of MDGs. In all these efforts, civil society organizations were active partners. SWP capacitated both CSOs and local government officials.

Does citizens' participation work in local finance?

Judging by the progress in a two year project conceptualized by Social Watch Philippines, funded by the European Union, and implemented by La Liga Policy Institute in partnership with Social Watch Philippines, the answer to this question is a big YES.

The project entitled "Cementing Pathways to Financing the MDGs" involved six local government units in the provinces of Negros Oriental and Pangasinan, and non-government organizations and community-based organizations in the municipalities of Dauin, Sibulan and La Libertad for Negros Oriental and Alaminos City, and the municipalities of Bani and Burgos in Pangasinan.



The project involves the mobilization of the local government units and civil society organizations in cooperative efforts which will set them on “pathways” towards adequate financing for MDGs. Mentoring and capacity-building were conducted by Social Watch and La Liga.

The project started on January 2010 and will end in December 2011. The two-year period is in recognition of the fact that developing citizens’ participation in public finance is a long process. The preparatory period included convincing local governments and civil society organizations to be part of the project.

The collection of baseline data yielded valuable data on the six municipalities and the participating civil society organizations. These were useful not only for financial objectives but also in identifying problems, and setting priorities.

The series of capability training sessions on different aspects of budgeting to actual budget engagement were very useful for local government units who were constantly engaged by civil society groups.

At present, the participants in the two pilot provinces are in the final stage of actual budget engagement, including development and investment planning.

This unique experience will be documented, especially the best practices. The project will culminate in a Festival on Good Governance.

Tools For Citizens' Participation In Public Finance

Civil society organizations themselves have recognized that one reason they are not so active in public finance is their unfamiliarity with the public finance cycle, and with procedures, processes, rules and regulations.

Social Watch Philippines has been publishing its analyses of the national budget, as well as its proposed alternative budget. The experiences of the Alternative Budget Initiative has been documented and provide useful tips on successful participation in public finance.

Groups like the Alternative Budget Initiative, Budget Advocacy Center, InciteGov, Transparency and Accountability Network, *Pera Natin Ito* and other like-minded organizations have organized capacity-building programs and published materials on national public finance which are very helpful to citizens groups.

The Governance Unit of the United Nations Development Program headed by Dr. Emmanuel E. Buendia, the Civil Service Commission and Social Watch Philippines launched last May 6 a **Source Book on Local Public Finance**.

The project which is implemented by Social Watch Philippines has produced a book (now laid out back to back with this paper) which describes in detail the financial operations of local government units. This book will certainly be invaluable to citizens' groups seriously interested in participating in local finance.

Can Indigenous Peoples And Muslims Participate In Public Finance?

There are 18 million indigenous people in the Philippines. This is nearly 20% of the total population of the country. Many of them live below the poverty line. Their communities are among the poorest in the country. The National Commission on Indigenous Peoples is attached to the Department of Environment and Natural Resources, even as their problems and concerns are more complex than the issues of ancestral domain.

In relation to the MDGs, the situation of indigenous people is closely identified with poverty and hunger, and low levels of education and health.

Poverty and hunger. Of the 5 regions with the highest subsistence incidence, 3 have significant IP and Muslim populations while of the 8 regions with 40% or more poverty incidence, 5 have significant IP populations.

Education. On the other hand, of the 5 regions with the lowest elementary education net enrolment, 4 have significant IP populations. There can be as much as 80% drop-out rate of IP student at the primary level.

Under-5 mortality. Of the 5 regions with the highest under-5 mortality rate, 3 have significant IP populations.

Maternal health. Of the 5 regions with the lowest % of births delivered in a health facility, 4 have significant IP populations.

Reproductive health. Of 8 regions with fertility rate of more than 3.3, 5 have significant IP populations.

Malaria and other diseases. The 5 provinces with the highest malaria incidence are IP and Muslim-populated. Of the 9 regions with tuberculosis case detection rates higher than the national average, 5 regions have significant IP populations.

Sustainable development in country plans. Mining applications continue to pile up in IP lands

Empowering IP groups through participation in the budget process

The above project was initiated by Social Watch and funded by CORD Aid to enable an IP tribe to participate both in the local budget process. Participants in the process included 3 tribal datu in the municipality of Makilala in North Cotabato and other tribal datu and their followers, together with Yamog, Inc., a local people's organization, the Philippine Rural Reconstruction Movement and Social Watch.

The capacity building exercise which took several months involved the preparation of a Strategic Plan for the benefit of the IPs and a proposed budget. In addition to technical aspects of budget engagement, the participants were tutored lobbying for budget allocations. Furthermore, emphasis was placed on preservation of local culture as well as respect for local taboos.

The participants also had the opportunity to go to Manila and obtain an overview of the national budget campaigns.

The entire experience was not only a profound learning experience for the participants. . It was also a moving and unforgettable learning experience for the facilitators and tutors. Because the mentoring sessions were all held in Cotabato, the facilitators had the opportunity to learn about the status of indigenous peoples.

The sad thing about this exercise was that it could not be replicated because the funder could not continue supporting the exercise.



MDGs and the Bangsamoro

Like the Indigenous Peoples, citizens from the ARMM and Bangsamoro areas are lagging behind MDG and social development indicators as shown by the figures below:

	National	ARMM
Population below poverty threshold	32.9%	61.6%
Population below food threshold	14.6%	27.5%
Prevalence of underweight children under-5	26.2%	28.8%
Elementary education completion rate	73.3%	37.5%
Infant mortality rate	24.9%	56.0%
Under-5 mortality rate	33.5%	94%

Historical injustices, discrimination and policy paradigm of exclusion and assimilation contributed to poverty and inequality in ARMM and Moro areas.

Citizens' groups from the ARMM and the Bangsamoro areas are active members of Social Watch Philippines and other national networks and coalitions. As such, they participate actively in the budget and other finance-related campaigns of SWP, as well as join capacity-building seminars, briefings and press conferences.

The above experiences have given them the opportunity to expound on advocacies specific to the Muslim peoples.

At present, SWP is organizing women's groups in Sulu and Tawi-Tawi. This will expand the areas for increased involvement in public finance issues related to women and the MDGs.



Challenges

It has been mentioned earlier that public finance has accelerated. However, people's participation in public finance is very uneven. Government response is also very uneven and differs among agencies, among branches of government and among legislators.

Peoples' participation is least visible in fiscal policy, occasional in revenue, accelerating in expenditures and budget, sustained but limited in borrowing and accelerating in accountability

Furthermore, there is a need for more efforts to bring in minorities, e.g., Muslims and indigenous people to advocacies on citizens' participation.

Challenges to the government

The government should encourage people participation in all phases of public finance. It should likewise embed people participation in all processes in the public finance cycle, as well as consider proposals and advice from people's organizations. In other words, it should go beyond tokenism.



Challenges to peoples' organizations

Peoples' organizations should build up capacity to engage in, and participate in public finance. If possible, follow the cycle from policy proposal to approval, implementation to accountability. Establishing partnerships with major players is also very important.

Peoples' organizations should be prepared for long-haul advocacies. For example, Social Watch started its advocacy campaign in 1996, accelerated in 2006 and is now in its 14th year.

Challenges to media

The media is a significant natural partner of citizens' organizations. They can share information, capacity-building efforts, and campaigns

Challenges to the general citizenry

The general citizenry as taxpayers should take an interest in public finance issues. Each one should undertake action as individual citizens—write legislators and bureaucrats, letters to the editors, attend fora and hearings and take note of positions and activities of legislators as a basis for selecting candidates to vote for.

Closing Statement

In earlier times, kingdoms were rent asunder on issues of taxes and excessive expenditures as in the case of the twelve tribes of Israel and King Solomon. Rebellions exploded over taxes as in the case of the Basi Rebellion in the Philippines and Robin Hood of England. Revolutions were ignited, as in the case of the Boston Tea Party in the United States and the tearing up of *cedulas* by the Katipuneros.

It is high time citizens take an even more active part in public finance through people's organizations.

Citizens' participation is an essential element of democratic governance. Without it our much vaunted democracy will be nothing but a farce.