Expenditure Monitoring in the Philippines:
A Rapid Scan of the Experience

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The downfall of dictatorship in 1986 put to power a political order where people as enshrined in the 1987 Constitution, can both directly and indirectly participate in governance. The right to vote, right to assembly, freedom of speech as well as other Constitutional provisions for the involvement of the people in government affairs provide a favorable policy environment for participatory governance. The passage of the Local Government Code in 1991 further strengthens institutional-legal support for people participation with the primacy it gives to civil society involvement concretized by the establishment of mechanisms like the Local Development Councils (LDC), Local Schools Boards (LSB), Local Health Boards (LHB) and the like where representatives from civil society organizations (CSO) are to seat as regular members.

In year 2001, a plethora of reports on corruption hit the major papers. Headlines such as "Philippines as one of the most corrupt in Asia", "billions of pesos lost in procurement-related corruption", "textbook scam", "ghost projects in textbook delivery and school-building projects" and the like made corruption a critical national issue. This put Philippine civil society to task. It raised the question of what kind of engagement in government can be undertaken by civil society to address corruption.

One of the areas identified was expenditure monitoring. There were three rationales for such CSO engagement: (1) public expenditure was found to be highly vulnerable to corruption as evidenced by the numerous reports on procurement-related corruption; (2) societal engagement on this was extremely limited, with most of the engagements centering on policy advocacy, planning and direct service delivery; (3) government monitoring was found to be generally weak with very little to no resources allocated for it.

Context of Expenditure Monitoring

Expenditure is the phase in the public finance cycle that involves the actual execution of budget plans and implementation of projects and programs. Procurement, which "commences when the procuring agency takes the first steps to acquire the goods or services, or to undertake the infrastructure project, and ends [only] upon the complete delivery, acceptance, and payment of the procured goods, services, or infrastructure project" (Ursal), definitely belongs to the expenditure phase of public finance cycle. Expenditure monitoring has the following general objectives:

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- check whether the right beneficiaries (those with greater need) receive the right quality and quantity of services/ goods at the right time following the right processes;
- identify the specific processes/ interactions of actors that are most vulnerable to corruption; and
- check/ determine if allocation/ plans are followed in the implementation (gaps between allocation and outputs).

Republic Act 9184 or the Government Procurement Reform Act (GPRA) provides the basis for the participation of civil society in procurement. Section 13 of the GPRA states the following:

> "To enhance the transparency of the process, the BAC shall, in all stages of the procurement process, invite, in addition to the representative of the COA, at least two (2) observers, who shall not have the right to vote, to sit in its proceedings where: (a) At least one (1) shall come from a duly recognized private group in a sector or discipline relevant to the procurement at hand; (b) The other observer shall come from a non-government organization (NGO)."
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> "Observers shall be invited at least three (3) calendar days before the date of the procurement stage/activity. The absence of observers will not nullify the BAC proceedings, provided that they have been duly invited in writing."

While it is not explicit that the GPRA includes contract implementation as a stage of the procurement process that can be monitored and observed by the CSOs, the engagement of CSOs in procurement over the years has been working on this premise. The principles of transparency and accountability enshrined in the GPRA have served as a policy tool of the CSOs to monitor beyond bidding.

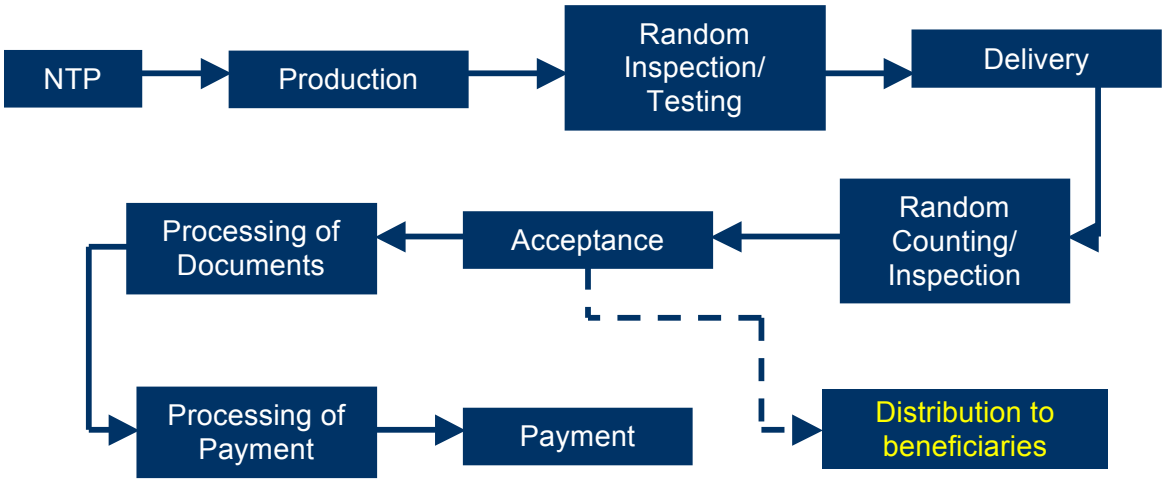
The contract implementation phase[1] consists of the following stages:

NTP	Notice to Proceed; release of the document that signals the start of work
Production	Involves the process/es of producing the goods as agreed upon in the contract
Random Inspection/Testing	Random checking of goods in the production stage
Delivery	Transfer of goods to identified receiving entity
Random Counting/Inspection	Final checking of goods prior to acceptance
Acceptance	Authorized personnel's acceptance of accountability over received goods
Processing of Documents	Submission and receipt of documents indicating successful delivery of the goods
Processing of Payments	Submission and receipt of documents indicating entitlement to payment

[1] The section on contract implementation (phases, red flags and critical documents) is from the training module of Government Watch of the Ateneo School of Government on Contract Implementation Monitoring.

Payments	Release of agreed payment to supplier
Distribution to Beneficiaries	Transfer of the goods to rightful beneficiaries

The diagram below presents the flow of these stages comprising contract implementation.



While some agencies have accepted this interpretation and have in fact opened up their doors for CSO monitoring of their projects, programs and service delivery, some agencies of the government would deem participation of CSOs in contract implementation monitoring as without legal basis. In some instances, this policy constraint has been used to prevent, delay or stop contract implementation monitoring initiatives of CSOs.

The common red flags in contract implementation are presented in the table below. Red flags are indications of possible anomalies. Contract implementation monitoring largely involve watching out for them, detecting corruption and preventing/ reporting corruption.

Expediting payments	Paying someone to speed up normal work or process
False error delays	Creating delays by creating immaterial errors to extract bribe or illegal payment
Falsification of receipts	Providing official receipts that are actually above or below the real price
Falsifying results	Paying someone or getting paid to falsify reports to aid corruption activity
Feigned indecision	Faking indecision in order to encourage illegal off-the-books payment to decision maker
Forced substitutions	Forcing substitution higher cost items in contract with inferior, lower-cost items
Kickbacks	Returning a portion of invoiced and paid bill without taxation and records
Pay to play	Forcing everyday people to pay authorities to be allowed in their transactions
Unofficial signing rights	Unnecessary signatory added in the approval process to extract bribe or illegal payment

Red flags could be a (1) time factor as in the incidents of expediting payments and false error delays. It could be (2) an issue of documentation, such as: falsification of receipts, falsifying results, forced substitutions and kickbacks. It could involve (3) players such as in incidents of feigned indecision, pay to play and unofficial signing rights.

In any monitoring exercises, documents are very critical. For contract implementation monitoring, in particular, the following are some of the most critical documents that must be gathered:

- Notice of Award
- Notice to Proceed
- List of Specifications
- Test Results
- Inspection Reports
- List of Inspectors
- Delivery Receipt
- Allocation List
- Acceptance Report
- Billing Document
- Voucher
- Check
- Computation of Liquidated Damages
- Distribution List

Access to these documents is not guaranteed. While these are public documents, the absence of a law that ensures access to information is a big gap that could be used by government agencies in preventing or delaying access by CSOs to these documents.

The other policy/ institutional opening for expenditure monitoring is the monitoring mandates of oversight/ consultative bodies such as mandated mechanisms for people participation at the local level (LDC, LHB, LSB, etc.) as well as ad hoc or formalized consultative bodies of agencies like the Department of Budget and Management (Government Procurement Policy Board-Technical Working Group of GPPB-TWG), Office of the Ombudsman (Multi-Sectoral Anti-Corruption Council or MSACC) and the Department of Interior and Local Government (recently-formed Local Governance Watch CSO technical working group). Monitoring is arguably an important part of the planning process and the performance checks, which these bodies are involved in.

The monitoring responsibilities of implementing units of agencies with transparency and participation policy can also be an entry point. For instance, the Physical Facilities School Engineering and Building Division (PFSED) is the unit of the Department of Education (DepEd) responsible for school-building constructions and in line with DepEd's policy of transparency and participation and PFSED's monitoring mandate, CSOs got to make PFSED open up its monitoring to CSO involvement.

Some CSO Initiatives in Expenditure Monitoring

The beginning of expenditure monitoring at the national level as a way to curb corruption can be traced to the program established by the United Nations Development Programme (UNDP) with the Ateneo School of Government (ASoG) in 2000 called Philippine

Governance Forum (PGF). In particular, the program has a component on expenditure monitoring called Government Watch (G-Watch), which was conceptualized as a CSO response to growing corruption reports on budget expenditure and procurement.

The G-Watch project with DepEd, Textbook Count, is one of the pioneering initiatives of CSOs on expenditure monitoring that started in 2000. Textbook Count tracks expenditure from bidding to production to delivery to distribution following the principle of constructive engagement in performance monitoring. Textbook Count was able to convene around 48 CSOs on its third round in 2007. A few years after, some of the CSOs involved in Textbook Count are applying the Textbook Count formula in monitoring other services.

The National Citizens' Movement for Free Elections (NAMFREL), for instance, has been monitoring the drug procurement of the Department of Health (DoH). CODE-NGO initiated the PDAF Watch, which aims to monitor projects funded through the Priority Development Assistance Fund (PDAF). Procurement Watch has initiated Bantay Eskwela, which monitors procurement and contract implementation of school furniture; and InfraWatch, which monitors repair and rehabilitation of school-building projects. The Transparency and Accountability Network (TAN) has monitored the procurement of counting machines by the Commission on Elections (COMELEC) for the 2010 automated elections. TAN also initiated Bantay Lansangan (BL), a network of CSOs that monitor road construction projects.

G-Watch has also expanded its work on expenditure monitoring in DepEd and has initiated Bayanihang Eskwela (BayEsk), a school-/ community-based monitoring of school building projects of both DepEd and the Department of Public Works and Highways (DPWH), which has been adopted as a regular public-private monitoring program of DepEd early this year. G-Watch is also currently attempting the application of its expenditure monitoring approach on human rights compliance monitoring and local governance.

On human rights, G-Watch has pilot-tested two projects: PDL Vote Watch, monitoring of the compliance to the rights to vote of Persons Deprived of Liberty (PDLs) and IDP Rights Watch, monitoring of the compliance to the right to food of Indigenous Peoples (IPs). On local governance, it is currently implementing local G-Watch monitoring projects in six local government units (LGUs); monitoring of agricultural services in San Miguel, Bohol; community-based sustainable tourism in Puerto Princesa; medicine procurement and distribution in Dumaguete City; environmental user's fee in Samal Island; education in Naga City; and infrastructure project implementation in Southern Leyte.

But even before G-Watch, there has been a local-based action on expenditure monitoring being undertaken by the Concerned Citizens of Abra for Good Governance (CCAGG) as early as the 1980s, covering infrastructure projects of both the local and the national governments. The effort of CCAGG came to the national scene in mid 2000 when it became a leading figure in national networks and efforts to curb corruption.

Other initiatives also include the procurement monitoring of the Bishops-Businessmen's Conference (BBC) of the Philippines in the Department of National Defense (DND) and the monitoring of housing projects of PHILSSA.

Best Practice and Lessons Learned in Expenditure Monitoring: The G-Watch Experience[+]

Government Watch (G-Watch) is a social accountability program of the Ateneo School of Government—the graduate school of leadership and public service of Ateneo de Manila University (AdMU) that facilitates the constructive engagement of civil society with government in performance monitoring. It has specialized on expenditure monitoring of the education sector in the past 10 years since its foundation in 2000. Expenditure covers procurement to actual delivery of services. This part of governance was largely off-limits to civil society in the past and has been proven to be greatly prone to large-scale and systematic corruption.

Problem of Corruption and the Lack of Transparency and Accountability

G-Watch was formed as a civil society response to address the worsening corruption in government in early 2000. It conducted monitoring of two education services in 2001: textbook delivery and school-building construction. Those seminal monitoring activities yielded the following findings:

On textbook delivery, G-Watch noted the following findings:

- 40% could not be accounted for
- Suppliers delivered anytime anywhere
- Recipients were not notified about deliveries
- No feedback mechanism regarding schools' receipt of books
- Documents were not properly accomplished
- No effective sanctions for late deliveries

Furthermore, the prices of textbooks procured by the Department of Education (DepEd) ranged as high as 80-120 pesos. The physical quality of textbooks was poor with apparent use of sub-standard materials in production.

On school-building construction, the following were the highlights of the monitoring report of G-Watch:

- 10 out of 23 DPWH-implemented school buildings were of good quality
- Plans, standards and specifications were often not followed
- Quality output was a function of the degree of supervision and contract

[+] Based on presentations of the author in several anti-corruption/ social accountability conferences/ workshops including the ones organized by the United Nations Development Programme (UNDP) and the Partnership for Transparency Fund (PTF).

administration
- Principal-led SBPs were remarkably of good quality
- Community involvement resulted to higher client satisfaction
- Political interference in contractor selection and work programming adversely affected output
- Community (esp. PTCA) initiatives helped improve projects

As a response of DepEd in the monitoring findings of G-Watch, Textbook Count was created. It is a pioneering initiative of G-Watch with the education department. Textbook Count ensures that the right quantity and physical quality of textbooks reach public school students on time. G-Watch facilitated the first four (4) rounds until its spin-off as a government-community engagement.

Later on, G-Watch expanded its engagement with DepEd to include school-building construction through *Bayanihang Eskwela*, also in cooperation with the Department of Public Works and Highways (DPWH) and other procurements (Protect Procurement Project or PRO), slowly moving to more comprehensively covering the delivery of all the critical education services and goods that ensure that the right quantity of quality education services and goods reach the public school children on time in order to improve the quality of education.

G-Watch Approach in Addressing Corruption

The approach of G-Watch in addressing the issues of corruption in DepEd has evolved to being referred to as social accountability, i.e., the use of citizen action and participation in enhancing transparency and accountability in government. The basic premise is with active participation of citizens in the critical processes of the government, said processes become transparent and the performance standards are clarified and checked, thus avoiding corruption and deviations from rules and standards.

G-Watch's entry point in DepEd was the pilot monitoring it conducted in several parts of the country. A few young researchers of G-Watch conducted the monitoring of education services using an easy-to-use tool that basically compares what is expected in terms of time, quantity, quality, cost and process and what is the actual. They reported the result of their monitoring to DepEd officials. The results were taken up by the leadership of DepEd then and Textbook Count was jointly conceptualized by the DepEd leadership and G-Watch as a response to the problem. The unit of DepEd in-charge of textbooks, the Instructional Materials Council Secretariat (IMCS), became the point unit for DepEd and G-Watch, and later organized and coordinated the Textbook Count Consortium of CSOs for the civil society participation component of the program.

In the case of school-buildings, the response *Bayanihang Eskwela* (BayEsk) was not immediately adopted as a program of DepEd. The response from the other concerned agency, the Department of Public Works and Highways (DPWH), ranged from resistant to lukewarm before it finally became open and supportive. It took three pilot runs before BayEsk was institutionalized as a program of DepEd under the Physical Facilities

School-Building and Engineering Division (PFSED).

The approach of G-Watch in engaging DepEd involved five elements based on the lessons learned from the G-Watch experience in addressing the common challenges and issues on CSO monitoring of expenditure or service delivery.

First, it is a joint and constructive effort of government and civil society. All the key actors enter into a Memorandum of Agreement (MOA) that clarifies the expectations and responsibilities of each party. The constructive approach ensures civil society access to critical information, processes and even officials in DepEd, which is a big challenge in monitoring service delivery.

Second, it is preventive. Most of the efforts of civil society in the past were limited to advocacy because of the limited response that can still be undertaken once corruption has been committed. It would ultimately boil down to prosecution, which is largely dependent on the accountability institutions and the courts. G-Watch monitoring clarifies standards at the onset and checks if the standards are complied with while the service delivery is on-going. This way, it serves as an affirmative action, a gentle push, to support compliance, while allowing opportunities for immediate remedy of minor deviations detected in the course of monitoring through a quick feedback mechanisms integrated in the system.

Third, it is community-based and with strong emphasis on involving the beneficiaries as monitors. This is a strategic response to address two challenges in CSO good governance efforts: scale and empowerment. To run a preventive monitoring of a nationwide service delivery, the monitors will have to be present where service delivery happens. Key to this is to tap the beneficiaries who receive the services and the communities where the services are delivered, while mobilizing national- and regional-based CSOs to cover the other areas of service delivery like procurement, warehouse inspection, etc.

The capacity-building of beneficiaries to act as monitors in turn addresses a critical political problem in the country, which is the clientelistic attitude of citizens when it comes to receiving services, i.e., the attitude that they owe the services they receive to the politicians or government officials who give them the services (the patrons) and therefore to whom they (as clients) become indebted to. Turning them into monitors clarifies their rights, informs them of what to expect and equips them with a constructive way for claim-making.

Fourth, since it aims to empower ordinary citizens in doing highly technical work, the G-Watch approach ensures that monitoring is simple and easy through its easy-to-use and simple tools. The tools are often checklists with clear points for monitors on what to look for, look at and check. It already has the space to jot down actual observation as well as the other details required to support the observation, including the necessary evidence that must be gathered.

Finally, to ensure objectivity (which is constantly at risk in efforts involving close

coordination with government) and to have an advocacy tool for recommending reforms in service delivery and in soliciting response to address gaps observed in monitoring, the G-Watch approach highlights the importance of evidence and data gathered using the monitoring tool. The results of the monitoring are processed to generate data and information on the performance of the service delivery.

Results and Impact

These initiatives over the years have significant successes. Although not totally attributable to G-Watch, G-Watch arguably contributed or catalyzed these successes. For one, leakages in the service delivery were prevented by ensuring that services delivered were at par with standards and that the standard processes were followed.

At the procedural level, there is now an existing system for citizens, in coordination with DepEd, to check and monitor the delivery of these services which has the following features: access to information, capacity-building activities, easy-to-use tools with clear performance indicators and that generate hard data, mechanism for public-private coordination and quick response, spaces for government-civil society processing of monitoring results and soliciting response of concerned agencies and support of the public.

Substantively or as to its impact, Textbook Count, for one, was able to reduce the prices of textbooks and reduce the length of procurement time. *Bayanihang Eskwela* ensured school-building projects that follow performance standards and contract specifications with very minimal reported cases of deviations from plans and with reports of corrected or pre-empted flaws or mistakes in constructions. PRO also took note of high compliance to standards with G-Watch monitoring. These initiatives were able to account for billions of pesos worth of goods ensuring that these resources were spent accurately.

Significantly, these initiatives also were able to activate, capacitate and mobilize citizen organizations and citizens as monitors. In Textbook Count and in similar engagements with government, there was an increase in the participation of CSOs. As observed, the engagement of the citizens strengthened their claim-making efficacies and voice while understanding more the complexities of governance. The atmosphere among monitors during project activities was generally hopeful, optimistic and festive—owing to the immediate gains they see: when they see the textbooks delivered on time and in good condition and the quality SBPs constructed on time. As pointed out by one of the monitors: “to monitor is perspiring, but inspiring.”

There is also a growing openness in the government to involve citizens in their “internal” and delicate affairs like monitoring. One of the more significant results is the improvement in public perception towards the education department—from one of the top three most corrupt agencies in the government to one of the agencies with relatively high public trust rating.

Challenges and Issues in CSO Expenditure Monitoring

The attempt of civil society to venture into expenditure monitoring is a huge challenge. It is a new terrain that involves technicalities and requires access to critical processes and documents of the government.

There are many challenges facing civil society in expenditure monitoring, which are possibly common to other forms and arenas of civil society engagement in governance. Five of which are discussed here.

The first major challenge is getting the government to open up and engage civil society. Especially in the beginning, the idea of civil society checking and getting into an internal process like expenditure was viewed as interloping or intervening. In fact, there are agencies of the government that continue to have the same point of view. However, over the years, the reaction of the different instrumentalities and agencies of the government has become varied.

There are possibly five categories of government agencies' attitude towards civil society participation that have been observed, namely:

1. Oppose to civil society engagement;
2. Hesitant: largely critical and pessimistic about civil society engagement;
3. Open but clueless;
4. Open and supportive; and
5. Facilitative and champion.

The level and the kind of difficulty facing civil society in expenditure monitoring vary depending on under which category is the agency they are engaging. With the difference in the level and kind of difficulty, the response of civil society has to be varied as well.

Government agents can be totally opposed to civil society engaging expenditure. In this case, the government can even attempt to stop and discredit civil society engagement. There are those (perhaps majority) that are hesitant. They are largely critical and pessimistic that civil society participation can make any difference. They even tend to feel that civil society participation can be damaging or distractive of the more important issues. There are those open but has no idea how to support and engage civil society and what is the value of it. Their openness is largely because they heard about it and want to join the bandwagon. The last two categories are the most desirable but are rare at present. There are those open and supportive, i.e., would provide the necessary support and take necessary actions identified by CSOs. There are a few that are facilitative and are champions of CSOs. They themselves know and identify how to advance and operationalize citizen participation in expenditure monitoring.

The other challenge is getting civil society groups to constructively engage. With the imperative of getting access to information, a comfortable level of support and openness on the part of the government is critical. In some instances, due to its general distrust and

distaste towards government (due to unfavorable experience in the past), CSOs face the difficulty of engaging the government in constructive dialogues and joint efforts. This is both an issue of capacity and orientation. Skills in constructive engagement such as dialoguing, interest-based negotiation, active listening, framing-reframing, etc. need to be enhanced and re-orientation or re-framing would greatly help.

The other challenge is how to further develop the capacity of civil society in expenditure monitoring and how to multiply the capacity to involve more groups and ordinary citizens. At the moment, there are parts of expenditure monitoring such as tool development, monitoring design development and data processing/ analysis, that are being done by highly specialized and technically well-versed groups; while there are parts such as conduct of monitoring or use of monitoring tools and sharing of experience and dialogues with policy-makers that tap ordinary citizens en-mass.

Some of the ways forward in strengthening the capacity of CSOs in expenditure monitoring are as follows:

- Strengthening the mandate/ policy support to CSO engagement in contract implementatin, particularly to counteract circumventing efforts of government;
- Standardized costing of goods and projects;
- Address the capability needs to expand coverage and respond to government demands for monitoring by:
    - Tightening coordination and nurturing networks and solidarity;
    - Building resources and support;
    - Mobilizing new strategic partners like barangay officials, mothers, Sangguniang Kabataan memebers, youth and the private sector;
    - Mobilizing the marginalized sectors (eg. persons with disabilities, senior citizens, etc.); and
    - Expand the base of champions in politics by champion-building efforts and if necessary by putting to office champions through elections;
- Identify the choking points or the most vulnerable services and processes as a part of strategic targeting of coverage;
- Create a pool of lawyers for legal assistance in ex-post accountability efforts and prosecution.

The other challenge is creating synergy and convergence of efforts of CSOs engaged in expenditure monitoring. This is particularly critical for expansion and to achieve that elusive impact of engagement.

Related to this is the challenge of building a holistic approach in monitoring public finance management, starting with the checking of relevance and need of target expenditures during planning, programming and budgeting stages before monitoring the implementation stage. Critical therefore to a holistic approach to monitoring is activating the mandated mechanisms for CSO participation like the LDCs, DHBs, LSBs, barangay assemblies etc. for they serve as a venue for agenda-setting and planning with CSO participation.

To enable a holistic approach, area-based engagement is highly recommended, for this manages the scope and scale of intervention by allowing the different initiative to converge and focus on just one specific site (one LGU, for instance). Holistic approach to monitoring also involves mainstreaming. There is a need to link and integrate good governance concerns in implementation and service delivery such as those done by the National Anti-Poverty Commission (NAPC) and the Department of Interior and Local Government (DILG). Being sensitive to needs and concerns of the marginalized sectors is also a critical part of a holistic approach, which addresses the issues of empowerment and inclusiveness of the advocacy. In line with this, there should be an effort to mainstream standards in procurement that are sensitive to the need and concerns of the marginalized sectors and will allow the marginalized sectors to be involved.

Finally, the data from the monitoring must also be accounted for and properly used. For instance, the data should be able to show the big picture. It should be connected to the performance monitoring of DILG and should support DILG's efforts on promoting good governance in LGUs through incentives. How this data will be used in exacting accountability from public office and prosecuting erring public officials is also as critical.

Finally, there is the challenge of sustainability. For these gains to be sustained and actually impact on outcomes, efforts of transparency and accountability will have to be sustained and become a regular practice or culture. There is also that big threat of backsliding if the effort is not sustained and continuously reviewed and strengthened, hence the importance of continued engagement.

While the system for social accountability has already been adopted as a regular program in some agencies like in DepEd, DPWH, etc., sustaining the participation of civil society in these programs continues to be a challenge. Involving the community is one specific response to sustainability, which relies on empowerment to be self-perpetuating, i.e., that citizens would naturally use the knowledge and skills they learned to get good results, in this case, quality and responsive services from the government.

However, developing this culture would entail extensive and long-term re-orientation and capacity-building, as well as perhaps addressing also their immediate concerns and priorities that are economic in nature. To reach the grassroots, national enablers like national CSOs and its counterparts in the national government will have to replicate themselves and their kind of engagement in sub-national levels. Mobilizing support and resources for this next strategic direction of the CSO work in expenditure monitoring is the next order of battle. While gargantuan and overwhelming, this direction could only mean something positive: the work has gone pass demonstration and pilots to transforming practice and institutions that changes the politics of governance in the country as we know it.