

# **Case Study: The influence of the budget process on governance effectiveness**

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HDN DISCUSSION PAPER SERIES

PHDR ISSUE: 2008/2009

NO. 5



HDN Discussion Papers are commissioned by HDN for the purpose of producing the Philippine Human Development Reports. This research is funded by the United Nations Development Programme (UNDP). Papers under the Discussion Paper Series are unedited and unreviewed.

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# **CASE STUDY : THE INFLUENCE OF THE BUDGET PROCESS ON GOVERNANCE EFFECTIVENESS**

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Paper Commissioned by the Human Development Network  
for the Philippine HDN Report, 2008

# IMPORTANCE OF BUDGETS

- **Instrument for development**
  - political tool: a tool for exercising power and for decision making (Budget Politics)
  - socio-economic tool: raising resources and allocating them to achieve socio-economic goals (Budgets and the Economy)
  - human development tool: financing public goods and services that enhance human development (Budgets and Human Development)
- **Instrument for good governance**
  - administrative tool: assignment of authorities and responsibilities to government units to perform budgeted tasks
  - performance measurement tool: exacting desired results from authorized expenditures

# BUDGET POLITICS

- **Budgets are documents proposed by and approved by representatives of the people.**
  - All appropriations laws approved by Congress. Expenditures incurred only if covered by approved appropriations.
  - All tax and tariff laws likewise approved by Congress.
  - Legal limitations on incurrence of debt (e.g., national – foreign borrowings; local – debt service payments).
- **The budget system is prescribed under the Constitution and in existing budget laws (E.O. 292, Supreme Court rulings).**
  - President proposes; Congress approves annual general appropriations
  - Limitations on presidential and congressional powers
  - Martial Law era Budget Reform Decree (PD1177) essentially intact in existing laws, granting enormous powers on the Chief Executive (e.g., line-item veto, imposition of budget reserves, use of savings)

# BUDGET POLITICS

- **Patronage politics influence legislative action.**
  - Incentives to friendly legislators (e.g., pork barrel)
  - Parochial interests in budget allocation
  - Unfunded appropriations laws
- **Balance of power in favor of the Executive Branch.**
  - Real budget power resides in Chief Executive
  - Congress, Judiciary fiscally autonomous in implementing respective budgets
- **Judiciary effectively legislates appropriations through internal administrative rulings**

# BUDGETS AND THE ECONOMY

- **Resource generation**
  - Taxation and income distribution
  - Debt policy and stabilization
- **Resource allocation**
  - Budget allocation for competing priority needs (16% of 2008 GDP)
  - Budget commitments vs. available headroom (headroom averaged 18% of proposed budget from 2003-2008)
  - Multiyear expenditure planning and budgeting
  - Expenditure incidence, results and impact
- **Employment and wage policy**
  - Government as biggest single direct employer; government employment to population ratio of 1:57 relatively low and declining
  - Compensation structure generally uncompetitive particularly at middle and executive levels

# BUDGETS AND THE ECONOMY

- **Government procurement**
  - Large purchaser of good and services excluding transfers (3.5% of 2008 GDP for national government)
- **Government business involvement**
  - 77 chartered government-owned and controlled corporations including financial institutions and 928 corporations chartered under the Corporation Code, including subsidiaries (5.7% of 2008 GDP)
  - 118 business-like enterprises including 114 state colleges and universities and 15 major credit programs

# BUDGETS AND HUMAN DEVELOPMENT

- Budget allocation for key HD priority areas (e.g., education, health and nutrition, children, gender, labor and social welfare) increasing from 28.8% of the budget in 2003 to 30.0% in 2008.
- HD indicators will be used to target HD budgets under the OPIF. This, however, is still in its initial stages.



# GOVERNANCE EFFECTIVENESS OF THE BUDGET : FRAMEWORK

- **DIMENSIONS OF EFFECTIVE GOVERNANCE**

- ACCOUNTABILITY
- PREDICTABILITY
- PARTICIPATION
- TRANSPARENCY
- BENEFICIARY REACH/IMPACT
- COMPLIANCE TO LAWS

# THE BUDGET PROCESS

- **4-Stage Budget Cycle**
- **Generally consistent with international standards and practice in democracies**
- **Designed in accordance with law**
  - Constitution
  - Administrative Code (E.O. 292, s. 1987)
  - Supreme Court rulings
- **DBCC as highest cabinet-level fiscal policy maker**

# THE BUDGET CYCLE



# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Preparation</b>	<p>Update of macroeconomic targets and assumptions</p> <p>Formulation of budget policy and strategy</p> <ul style="list-style-type: none"> <li>* overall fiscal and budget levels</li> <li>* major expenditure allocations</li> <li>* guidelines</li> <li>* new policy thrusts/measures</li> </ul> <p>Issuance of “budget call”</p> <p>Preparation of budget proposals by agencies</p> <p>Review of budget proposals</p> <ul style="list-style-type: none"> <li>* Technical budget hearings</li> <li>* Executive review</li> <li>* DBCC approval</li> </ul>	<p>Updated macroeconomic targets and assumptions</p> <p>Paper on budget strategy</p> <p>Budget Call</p> <p>Budget Calendar</p> <p>Individual agency budget proposals</p>	<p>Guide:</p> <p>MTPDP, MTIP, CIIP, Local Government Code, Other Appropriations laws</p> <p>Chief Executive to submit Budget of Expenditures and Sources of Financing no later than 30 calendar days of the opening of the regular session of Congress</p>

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Preparation</b>	<p>Presentation to the Cabinet and the President</p> <p>Submittal of proposed budget to Congress</p>	<p>Draft consolidated budget documents</p> <p>President's Budget Message (PBM)</p> <p>Budget of Expenditures and Sources of Financing (BESF)</p> <p>National Expenditure Program (NEP)</p> <p>Staffing Summary</p> <p>Organizational Performance Indicator Framework (OPIF)</p>	

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Legislation</b>	<p><b>HOUSE OF REPRESENTATIVES</b></p> <p>First Reading and endorsement to House Committee on Appropriations</p> <p>Review by Committee on Appropriations</p> <ul style="list-style-type: none"> <li>* Committee Proper</li> <li>* Subcommittee</li> </ul> <p>Preparation of Committee Report and draft General Appropriations Bill</p> <p>Second Reading</p> <p>Plenary debate</p> <p>Approval on Third Reading and endorsement to Senate</p>	<p>Subcommittee Reports</p> <p>Committee Report</p> <p>Draft General Appropriations Bill</p> <p>Draft General Appropriations Bill, House version</p>	<p>Congress cannot increase appropriations proposed by the President, but may reduce it.</p> <p>When Congress fails to pass the General Appropriations Act, the GAA of the immediately preceding year shall take effect.</p>

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Legislation</b>	<p><b>SENATE</b></p> <p>First Reading and endorsement to Senate Finance Committee</p> <p>Review by Finance Committee</p> <ul style="list-style-type: none"> <li>* Committee Proper</li> <li>* Subcommittees</li> </ul> <p>Preparation of Committee Report and proposed amendments</p> <p>Second Reading</p> <p>Plenary debate</p> <p>Approval on Third Reading and endorsement to Senate</p>	<p>Subcommittee Reports</p> <p>Committee Report</p> <p>Draft amendments to GAB</p> <p>Amendments to GAB</p>	<p>Special appropriations bill must be supported by new revenue measures or excess revenues</p>

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
Legislation	<p><b>BICAMERAL COMMITTEE</b></p> <p>Discussion of disagreeing provisions of the appropriations bill</p> <p>Preparation of Committee Report and approval of Amended General Appropriations Bill</p>	<p>Bicameral Committee Report</p> <p>Draft General Appropriations Bill – Reconciled version</p>	
	<p><b>SENATE / HOUSE</b></p> <p>Ratification of the Bicameral Committee Report and General Appropriations Bill</p>		
	<p><b>HOUSE OF REPRESENTATIVES</b></p> <p>Finalization of GAB</p>	<p>General Appropriations Bill</p>	
	<p>Submittal to the President</p>		



# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Legislation</b>	<b>PRESIDENT</b> Signing of GAA	General Appropriations Act	Chief Executive empowered to veto expenditure items in GAA (line item veto power)
<b>Execution and Control</b>	Preparation of Approved National Budget Program, based on GAA  Preparation of quarterly programs * Allotment Program * Cash Program  Work and Financial Plans of Agencies  Fund Release: * Agency budget matrix * Special Allotment Release Order (SARO) * Notice of Cash Allotment (NCA), notice of non-cash allotment authority (NCAA)	Approved National Budget Program (THE BUDGET)  Allotment Program Cash Program	Use of savings: Savings may be used to augment other authorized appropriations * President * Senate President * Speaker of the House * Chief Justice * Heads of Constitutional Commissions President may impose reserves to cover contingencies Reduction in IRA to LGUs only in the event of and unmanageable public sector deficit.

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Execution and Control</b>	<p>Issuance of budget execution guidelines</p> <p>Implementation of program/projects by agencies</p> <p>Review of financial and physical reports</p>	<p>Budget execution guidelines</p> <p>Agency financial and physical reports</p>	
<b>Accountability</b>	<p>Review of accounting, financial and accomplishment reports</p> <p>Conduct of Agency Performance Review (APR)</p> <p>Preparation of annual reports of agency, including financial and physical accomplishments</p> <p>Audit of financial statements</p> <p>Preparation of consolidated annual financial reports:</p> <ul style="list-style-type: none"> <li>* national government</li> <li>* local governments</li> <li>* government corporations</li> </ul>	<p>Budget utilization summary reports</p> <p>APR Report</p> <p>Agency annual reports</p> <p>Audit reports by agency</p> <p>Consolidated Annual Financial Report (AFR)</p>	<p>Legally mandated reports to:</p> <ul style="list-style-type: none"> <li>Congress</li> <li>COA</li> <li>DBM</li> <li>Office of the President</li> </ul> <p>Contract reporting requirements to ODA funders</p> <p>Other monitoring requirements</p>

# THE BUDGET PROCESS: MAJOR FEATURES

Process	Activities	Outputs	Limitations
<b>Accountability</b>	Preparation of program/projects monitoring reports Conduct of ODA performance review * World Bank * JBIC * ADB	Program/project monitoring reports ODA performance reports	

# INSTITUTIONAL STRUCTURE

Institutions	Preparation	Legislation	Execution	Accountability
Executive Branch				
OP	x	x	x	x
DBCC	⊗	x	x	x
DBM	⊗	x	⊗	x
DOF	x	x	x	x
Spending agencies	x	x	⊗	x
Collecting agencies	x		x	x
Corporations	x	x	x	x
Local governments			x	x

⊗ LEAD

# INSTITUTIONAL STRUCTURE

Institutions	Preparation	Legislation	Execution	Accountability
Legislative Branch House of Representatives		x		
* Committee on Appropriations		⊗	x	x
* Ways and Means Committee		x		x
* Ethics Committee			x	x
Senate		x		
* Senate Finance Committee		⊗	x	x
* Ways and Means		x	x	x
* Blue Ribbon			x	x

⊗ LEAD

# INSTITUTIONAL STRUCTURE

Institutions	Preparation	Legislation	Execution	Accountability
Constitutional Commission COA			x	⊗
Private Sector		x		
Non-government	x	x	x	x
Media	x	x	x	x

⊗ LEAD

# KEY DECISIONS

Process	Decision Points	Decision-Enhancing Governance Factors
Preparation	<p>Fiscal policy: balanced surplus or deficit spending</p> <p>New revenue measures</p> <p>Borrowing strategy</p> <p>Expenditure levels</p> <p>Allocation of expenditures</p> <p>New spending programs/termination of ineffective or completed programs</p> <ul style="list-style-type: none"> <li>* recruitment</li> <li>* upgrading of benefits</li> <li>* new programs/projects</li> </ul>	<p>Adherence to development plan, fiscal plan</p> <p>Announcement of priority measures</p> <p>Consultation with stakeholders</p> <p>Preparation of citizen's budget:</p> <ul style="list-style-type: none"> <li>* Budget proposal in citizen's language</li> </ul> <p>Results-based budgeting</p> <p>Performance-based expenditure costing</p>

# KEY DECISIONS

Process	Decision Points	Decision-Enhancing Governance Factors
Legislation	<ul style="list-style-type: none"> <li>New revenue measures</li> <li>Allocation of expenditures</li> <li>New spending program/termination of programs</li> <li>Expenditure levels</li> <li>Timing of GAA</li> </ul>	<ul style="list-style-type: none"> <li>Policy-based budget debate</li> <li>Consultation with stakeholders</li> <li>Performance-based costing</li> <li>Results-based budget allocation</li> <li>Sufficient period for legislative review (at least 3 months)</li> <li>Budget enactment before the start of the budget year</li> <li>Wide dissemination of approved budget, including analysis of its implications, and expected results</li> </ul>



# KEY DECISIONS

Process	Decision Points	Decision-Enhancing Governance Factors
Execution	<p>Schedule of fund releases</p> <p>Schedule of work implementation</p> <p>Schedule of payment of obligations</p> <p>Procurement of goods and services</p> <p>Responses to monitoring reports</p> <p>Use of savings and realignment of funds</p> <p>Response to special/emergency appropriations needs</p>	<p>Adherence to authorized levels</p> <p>Predictability of funds availability to implementing agencies</p> <p>Report-based scheduling of funding authorizations</p> <p>Policy-based payment schedules and adherence thereto</p> <p>Reasonably prompt responses to citizen's queries (RA 6913 standards)</p> <p>Regular monitoring and reporting of work and financial accomplishments</p> <p>Reporting of budgets/targets with actuals</p> <p>Citizen engagement in program/project monitoring</p> <p>Compliance to budgeting , procurement, accounting and auditing laws</p>

# KEY DECISIONS

Process	Decision Points	Decision-Enhancing Governance Factors
Accountability	<p>Audit opinions/findings</p> <p>Responses to audit opinions/findings</p> <p>Reports on program evaluation/impact/outcomes</p> <p>Responses to reports</p> <p>Corrective measures to resolve adverse audit findings</p>	<p>Annual reporting of work and financial accomplishments</p> <p>Reporting of actual beneficiaries</p> <p>Annual reporting of budget variances</p> <p>Prompt responses to audit and similar findings (within 3 months of reports)</p> <p>Undertaking of corrective measures to respond to audit findings (prior to next audit report)</p> <p>Undertaking of legal action or sanctions for unresolved recurrent adverse audit findings</p> <p>Citizen engagement in public accountability</p>

# **A FRAMEWORK: THE BUDGET PROCESS AND GOVERNANCE EFFECTIVENESS**

- **Adapted, with modification from:**
  - World Bank /OECD : Public Expenditure and Financial Accountability (2005)**
  - Center for Budget Policy and Priorities, International Budget Project, Washington, D.C. : Budget Transparency Index**
- **Measures governance effectiveness of the budget process using indicators based on factors that enhance decision-making using desired governance outcomes**

# FRAMEWORK METHODOLOGY



# APPLICATION

- The budget process is tested on the degree by which decision-enhancing governance factors exist or are applied
- The responses to questions are based on evidence, i.e., existence or non-existence of documents that prove validity of responses
- Rating system :
  - Excellent (E)
  - Satisfactory (S)
  - Poor (P)
- For this exercise, the test was done using Budget Year 2007 data, except for audit reports, which are based on 2006 data

# BUDGET PREPARATION

Performance Indicators	Questions	Rating	Comments
Policy-based budgeting	1. Is the budget faithful to the development plan and the fiscal plan?	S	Synchronizing planning-budgeting system being enhanced. List of priority projects under CIIP and MTPIP need proper costing.
	2. Are projections on expenditure commitments updated annually and prepared prior to the budget season?	P	Expenditure projections (called Forward Estimates) are updated but data is unreliable. Projections were not available on time.
Transparency	3. Are policy and programs announced prior to the budget season?	P	Priority programs are announced but not in a consolidated way. They are announced during SONA when the budget is almost already done.
Participation	4. Are non-government sectors consulted/involved during the budget preparation?	P/S	Non-government sectors represented in some policy making bodies (CARP, NAPC, etc.) but participation is limited.
	5. Is the budget document accompanied by easy-to-read briefs on the budget proposal?	P	No simplified version of the budget.

# BUDGET PREPARATION

Performance Indicators	Questions	Rating	Comments
Results Orientation	6. Is the budget tied to clear performance targets by agencies?	S	The OPIF was initially rolled out for BY 2007. However, it is not yet fully linked to the budget.
	7. Are updated standard costs used as basis for costing expenditures?	P/S	Some departments (e.g., DPWH, DOH, DepEd) use unit costs. These costs are not regularly updated.
Timeliness of Budget Submittal	8. Is the budget proposal submitted within the prescribed time?	E	Submittal of proposed budget never missed the deadline.
Beneficiary reach	9. Are responsibility assignments followed in crafting the budget?	S	While clear assignments of expenditure based on devolution policies are observed, budget items include devolved functions (local road construction, agriculture extension, subsidies to local hospitals, etc.).

# BUDGET LEGISLATION

Performance Indicators	Questions	Rating	Comments
Policy-based budgeting	1. Are Congressional budget deliberations generally based on policy options?	P/S	Policy debates usually happen in the Senate. Some policy debates happen in the House, but more often, debates are based on parochial interests.
	2. Is there a reasonably sufficient time for Congress to debate the budget (at least 3 months)?	E	Congress is given 4 months to debate the budget.
Participation	3. Are non-government sectors consulted/involved during the budget preparation?	S	A group called Alternative Budget Initiative (ABI) advocating for MDG funding was heard by Congress and consulted on budget allocation. Other advocacy groups prepare position papers.
Results Orientation	4. Are performance targets discussed in the budget debate? 5. Were agency performance discussed in the budget debate?	P	The OPIF book came out after the debate in the House was finished. The Senate did not use OPIF in the debate. Records of Congress debate proceedings showed agency performance was asked intermittently but not adequately



# BUDGET LEGISLATION

Performance Indicators	Questions	Rating	Comments
Performance-based costing	6. Did Congress challenge the cost estimates in the budget proposals?	P	Records of proceedings show costings were not asked.
Timeliness of budget approval	7. Is the budget approved prior to the onset of the budget year?	P	The budget approval was delayed for 3 months, thus the 2007 budget was partly reenacted.
Transparency	8. Was the approved budget widely disseminated and explained to the public?	P	Except for some news reports, the approved budget and its contents were not thoroughly explained to the public. The GAA component is, however, published in the DBM website.

# BUDGET EXECUTION

Performance Indicators	Questions	Rating	Comments
Policy-based budgeting	1. Is the authorized budget implemented as approved?	S	Approved expenditures not released in full (92% in 2007; 94% average from 2003 – 2007).
	2. Are there significant variations between budgeted and actual expenditure allocations?	S	Except for the effect of lump-sum appropriations that are not budgeted among administrative units, budgets vs. actual expenditures are not significantly different. However, lump sums distort actual allocations since their recipients are not determined a-priori.
Predictability of payments/responses	3. Is a schedule of fund release prepared and announced for the guidance of implementing agencies?	S	An Allotment Program and a Cash Program are prepared but not disseminated.
	4. Are fund releases based on agency requests as shown in financial reports?	P/S	Allotment releases are based on Work and Financial Plans; Cash releases are based on cash availability in the National Treasury and agency cash balance reports.

# BUDGET EXECUTION

Performance Indicators	Questions	Rating	Comments
Predictability of payments/responses	5. Are payments to suppliers and contractors made within a reasonable time period (90 days at most)?	P	Government is notorious for delayed payments. In 2007 DBM has reduced fund releases for accounts payable to one month. At the agency level, however, payment delays run between 60 days to 240 days (see audit reports).
	6. Does government generally reply to queries within prescribed period (RA 6713 standards)?	S	Complaints against delayed responses under the CSC "text-CSC" program shows some non-compliance with rules on prompt responses.
Compliance to laws	7. Are procurement rules strictly observed?	p	Major cases of questionable procurement have been investigated by Congress. COA audit reports show many instances of violations.
	8. Are accounting and auditing rules strictly observed?	P	COA audit reports show many instances of non-compliance. In 2006, only the House of Representatives was given an "unqualified" opinion. All other major departments were given either "qualified", or "adverse" audit opinions

# BUDGET EXECUTION

Performance Indicators	Questions	Rating	Comments
Transparency	9. Do agencies produce and submit regular work and financial reports during the year?	S	Reports are submitted but are sometimes incomplete and delayed.
	10. Are there periodic variance reports submitted to oversight agencies?	S	Same as above.
	11. Are reports posted on agency websites?	P	No financial reports are posted on the websites of agencies.
	12. Are non-government sectors encouraged to monitor agency performance?	S	Government agencies cooperate with watchdog groups: Procurement Watch, Textbook Watch, Medicine-Watch, Road Watch

# ACCOUNTABILITY

Performance Indicators	Questions	Rating	Comments
Compliance to Reporting Requirements	1. Do agencies produce annual work accomplishment reports?	P	Reporting of work accomplishments incomplete, delayed and not validated.
	2. Do agencies produce annual financial reports?	S/E	Reporting is required by law, but are sometimes incomplete and delayed.
	3. Do agencies produce annual budget variance reports?	S/E	Same as above.
Beneficiary Impact	4. Do agencies report on actual persons benefited?	P	Reporting of beneficiaries not a regular feature of reports. Also reported beneficiaries are not validated.
Compliance to accounting and auditing requirements	5. Are the financial statements of all major agencies audited?	E	COA audits 100% of national government agencies and corporations. Among LGUs, barangays are not generally audited.
	6. Do agencies comply with accounting and auditing requirements?	P	Audit reports show many instances of non-compliance.
	7. Are agency internal control systems adequate?	P	Audit reports show generally unsatisfactory audit opinions.

# ACCOUNTABILITY

Performance Indicators	Questions	Rating	Comments
Compliance to accounting and auditing requirements	8. Are there legal actions against agencies with recurrent unresolved audit findings?	P	No systematic mechanism is in place. COA has no quasi-judicial powers.
	9. Are corrective measures to resolve audit findings undertaken?	P	Audit reports many instances of unresolved findings every year.
Transparency	10. Are audit reports available to the public?	S	Audit reports can be accessed upon request. Only 14 agency audit reports were posted in the COA website.
	11. Are non-government sectors involved in audit?	P	COA experimented in involving an NGO, Concerned Citizens of Abra for Good Government (CCAGG) in 2000 but the effort was discontinued.

# SUMMARY OF FINDINGS

Governance Effectiveness Indicator	Findings	Implications
<p>Accountability</p> <ul style="list-style-type: none"> <li>* Results orientation</li> </ul>	<p>Initial stages. Results-based budgeting still to be fully implemented.</p> <p>Audit reports and other accomplishment reports not used intensively during budget preparation and debate.</p>	<p>Poor accountability of agencies. Performance of agencies not related to budget.</p>
<ul style="list-style-type: none"> <li>* Policy-based budgeting</li> </ul>	<p>Generally policy-based. Congressional debate, however, is oftentimes parochial.</p>	<p>Budgets easier to prepare when plans are clear and credible.</p>
<ul style="list-style-type: none"> <li>* Performance-based costing</li> </ul>	<p>Standard/unit cost in place in most agencies but not regularly updated.</p>	<p>Insufficient provisions for basic needs to implement plans.</p>

# SUMMARY OF FINDINGS

Governance Effectiveness Indicator	Findings	Implications
<p>Predictability</p> <ul style="list-style-type: none"> <li>* Predictability of fund releases and payments</li> <li>* Timeliness of budget approval</li> </ul>	<p>Funds availability not very predictable. Work accomplishment reports likewise not predictable.</p> <p>Delayed budget approval. In 2006, the budget was reenacted.</p>	<p>Agency operations and program implementation hampered by delays in fund releases.</p> <p>Delayed Congressional approval of the budget disrupts agency operations right at the beginning of the budget year. Planned work programs seldom accomplished on time. Benefits not derived as planned.</p>



# SUMMARY OF FINDINGS

Governance Effectiveness Indicator	Findings	Implications
Transparency	<p>No wide dissemination of national budget, although GAA posted in DBM website. Approved budget program not prepared and automatic, special and continuing appropriations not known until next budget year documents are submitted.</p> <p>In-year budget accomplishment and financial reports not available in a consolidated manner. There is no overall analysis of budget progress, except for quarterly aggregate fiscal reports.</p> <p>Not all audit reports posted in COA website. Poor follow through of audit findings.</p>	<p>People aware of GAA but not of complete expenditure. Analysis of expenditure can be misled by incomplete information.</p> <p>Public does not know progress of the budget. Public monitoring is therefore difficult.</p> <p>Public monitoring difficult.</p>
Participation	<p>Limited participation by non-government sector and by citizens due to inadequate reports, among others. A more welcoming attitude by government through partnerships with sector representatives and cooperation with watch dog groups.</p>	<p>Opening up of the budget process to more public scrutiny will lead to better budget targets and allocations at the national and agency level.</p>

# SUMMARY OF FINDINGS

Governance Effectiveness Indicator	Findings	Implications
Compliance	Poor reporting compliance. Unvalidated work accomplishments. Poor follow through of audit findings	Poor performance are not sanctioned, breeding inadequate discipline in the use of public funds.
Beneficiary impact	Unvalidated beneficiary count. Actual benefits and quality difficult to ascertain.	Quality of public good and services suffer from unvalidated performance claims.
Beneficiary reach	Unvalidated beneficiary count. Actual benefits and quality difficult to ascertain.	Quality of public good and services suffer from unvalidated performance claims.

# CONCLUSION

- **The budget process dictates to a great extent the effectiveness of governance through|:**
  - Ensuring plans are consistent with targets
  - Citizens enjoy desired results from budgeted amounts
  - Funds are made available on time to ensure timely implementation of programs
  - Funds are adequate to pursue priority programs
  - Government accomplishment reports (work and financial) are reliable and used as basis for performance evaluation
  - Performance-based sanctions and incentive systems are consistently applied
  - Proper assignment and observance of government funding responsibilities are complied with

# CONCLUSION

- **The budget process will therefore improve governance outcomes**
  - Establishment of integrated government financial management information system
  - Sanctions for non-compliance with laws
  - Transparency in financial operations through public information dissemination
  - Predictability of funding
  - Stakeholder participation

**Thank You**