

CIVIL SOCIETY ORGANIZATION (CSO) IN LOCAL PUBLIC FINANCE

(Western Visayas)

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ABSTRACT

This research is a rapid assessment of the level of presence and reinforcement of civil society (CSO) citizen's participation in local public finance, cycles of development planning, revenue generation and budgeting, as well as their participation in local school and health boards and local public finance in the environmental sector. The study was also designed to identify issues, bottlenecks, risks, as well as good and innovative practices with particular focus on processes related to service delivery, resource management and climate change adaptation.

This research serves as a starting point for establishing a baseline on local finance and conducting capacity building towards the eventual formation of a local public finance institute. Over the long term, these initiatives are directed towards strengthening institutions for ensuring a transparent, participatory, and accountable public finance. This study was conducted in the selected Provinces and city in Region VI using researcher-made questionnaire.

Results showed that there was a weak CSO participation in budget planning and revenue generation attributed to undefined policies about participation. There are other barriers that hinders effective CSO participation in budget planning and revenue generation which include time constraint, accreditation requirements, remuneration of the participants, and limited number of participants allowed.

I. INTRODUCTION

This research is a rapid assessment of the level of presence and reinforcement of civil society (CSO) citizens' participation in local public finance, cycles of development planning , revenue generation, and budgeting (preparation, authorization, review, execution, procurement, accountability), as well as their participation in local school and health boards and local public finance in the environment sector. The study was also designed to identify issues, bottlenecks, risks, as well as good and innovative practices with particular focus on processes related to service delivery, resource management and climate adoption.

This research serves as a starting point for establishing a baseline on local public finance and conducting capacity building towards the eventual formation of a local public

finance institute. Over the long term, these initiatives are directed towards strengthening institutions for ensuring a transparent, participatory, and accountable public finance system.

Research Objectives

The general objective of the study is to come up with the state of CSO participation in local public finance.

The specific objectives are as follows:

1. To determine the status of CSO participation in the province/municipality/city as mandate below.
2. To find out the status of CSO participation in local public finance specifically in the areas of planning, revenue generation and budgeting.
3. To describe the different sectoral issues and concerns of citizens in relation to local public finance.

Statement Of The Problem /Research Question

Main Problem:

What is the state of CSO participation in local public finance?

Specific Questions:

- 1) What is the status of CSO participation in the province /municipality/city as mandated by law?*
- 2) What is the status of CSO participation in local public finance in the following areas in Planning, Revenue Generation, Budgeting process?*
- 3) What are the different sectoral issues and concerns of CSOs in relation to local public finance?*
- 4) What are the enabling mechanisms that enhance CSO participation in local public finance?*
- 5) What are the barriers that hinder CSO participation in local public finance?*

Research Methodology

Areas covered

The areas covered by the study are the Province of Iloilo, Iloilo City representing the first class LGUs and the municipality of Anilao in Iloilo Province, representing the fourth class municipality. The Province of Guimaras, a fourth class province and LGUs of Buenavista, representing the 2nd class municipality and Sibuang, 5th class municipality were the three other research areas. Figure 1 gives the location of two provinces.

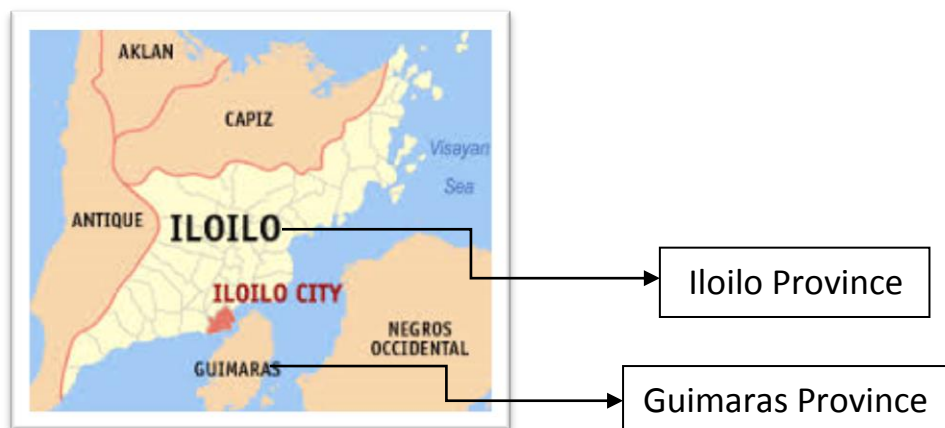


Figure 1. Location of the Provinces of Iloilo and Guimaras.

Documents Reviewed

The documents reviewed included Citizen's charter, the Executive – Legislative Agenda, and publications such as financial reports, bulletins, and other materials for information dissemination published by the LGUs for their constituencies.

Data gathering procedure

Questionnaires for different respondents were prepared by the proponent of the study. The respondents given the different sets of questionnaires were in accordance with what was defined for the research team as shown in the Table Below:

Table 1
Respondents for Specific Public Finance Areas

Public Finance Areas	Respondents
Local Development Planning/Information Disclosure	Provincial Planning Development Officer/Provincial Administrator/MPDC/Mun.Admin.
Local Revenue Generation	Members of Local Finance Committee
Local Budget Preparation	Budget Officer; Local Finance Committee
Local Budget Execution	Members of Local Finance Committee
Budget Accountability/Audit	Members of Local Finance Committee; COA
Local Budget Authorization	Vice Mayor,Vice Governor, Sanggunian Appropriations Head
Local School Board Planning and Budgeting	Chair and Members of the Local School Board
Local Health Board Planning and Budgeting	Local Health Board Chair and Members
Public Finance in the Agriculture and Environment Sector	Environment Officers and Agricultural Officers

The respondents provided answers to items on CSO participation. The CSO respondents were chosen by the different office heads of the province and municipalities according to their involvement in various local public finance activities.

Interviews and FGDs completed

Interviews were done in the Province of Iloilo City, Interviews and FGDs were done in the Municipality of Anilao, Iloilo Province of Guimaras and in the Municipalities of Buenavista and Sibunag.

Period covered

Data collection started in mid November 2014. The financial data as well as CSO participation covered a three-year period, although some items referred only to previous year's data.

Problems encountered

For the Province of Iloilo composed of 42 municipalities and one component city, there was difficulty in scheduling FGD because of too many activities of the Department Heads and the registered CSOs have very minor participation in local public finance. The representatives are difficult to gather. Retrieval of questionnaire in the Iloilo province was slow particularly for the members of the Local School Board and the Local Health Board because they do not hold regular office at the Iloilo Provincial Capitol. Local Development Plan and AIPs are difficult to access since revision is underway for the current year. For the municipality of Sibunag, the scheduled FGD was delayed because of conflict in schedule due to opening of the port in the municipality at a short notice schedule which coincided with the FGD schedule. The CSO participants were also participants in the said event so only few made it to the FGD. The respondents shared that some items in the questionnaire are repetitious. Since the CSOs have very low participation in the local public finance, only few answered the questionnaire and limited items at that.

Limitations of the Study

The study was limited to the chosen provinces and municipalities. As to the limitations on the data, specifically on CSO participation, it was more on perception since there was no quantifiable scoring or scale to base it on. This could be seen from conflicting responses to an item by respondents. The time provided for data collection was quite short considering that the questionnaires were sent to the field of researchers a little bit later than expected. Also, the questionnaires need to be sorted out to expedite data collection in various offices wherein the heads, who are busy people, are the respondents. For some questionnaires, the trusted personnel

of the respondents answered, hence cannot articulate much on the participation of the CSOs in the specific local public finance areas. The scope of the study which is CSO

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participation is broad enough, however, there was not much realization on this area among the respondents both the LGU personnel and the CSO representatives.

Operational Definition of Terms

Bottom-Up Budgeting is an approach in formulating the budget proposal of agencies taking into consideration the development needs of the poor municipalities and cities as identified in their respective local development plan and/or local anti-poverty action plan formulated with the meaningful participation of CSOs.

Civil Society Organization (CSO) refers to the private groups which defined name, constitution and by-laws, actively operating according to their advocacy and either accredited or in the process of accreditation by the LGUs. Includes non-government organizations (NGOs), people organizations (Pos), cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous people's movements, foundations, and other citizen groups formed primarily for social and economic development, to monitor government programs and projects, engage in policy discussions, and actively participate in collaborative activities with the Government.

CSO Participation refers to the act of taking part in specific local public finance function described to be "low or nominal or minimal" participation when the CSO representative is present and observes only but does not participate in the deliberation; "moderate or good" when the CSO representatives is present and participate in the deliberation and decision-making; and "high" when CSO representative is present in all sessions/schedule of deliberations share actively in the discussion and decision-making and make some proposals for the improvement of the process.

Local Public Finance refers to the conduct and management of financial affairs, transactions, and operations of provinces, cities, municipalities and barangays.

Public Finance covers 1) Revenue generation; 2) Revenue allocation and utilization; and the 3) Management and control over revenue generation and resource utilization.

Revenue refers to the income of a government from taxation, excise duties, customs, or other sources, appropriated to the payment of the public expenses.

Internal revenue source refers to the income of government from local taxes, fees, charges, and income from investments and enterprises.

External revenue sources refers to the income of the government from IRA, share in the national wealth, grants and donations, domestic loans and credit financing schemes.

Acronyms

AIP- Annual Investment Plan

BAC- Bids and Awards Committee

CDP- Comprehensive Development Plan

CLUP- Comprehensive Land Use Plan

CSO- Civil Society Organization

ELA- Executive-Legislative Agenda

NGO- Non-government Organization

PO- People's Organization

I. B. The Concept of Participation

Participation is the involvement of concerned citizens, organized into civil society organizations, in any government undertaking. For this study, the undertaking is on budget planning revenue generation and related budget process. CSO's participation is expected in the preparation of agency budget proposal or even during planning of what the budget for the incoming year should include. Considering the legal provisions for CSO on participation, the

representatives or CSOs are also needed for the approval through their votes. It is expected that CSO participation will become effective and worthwhile. If they are informed early on of the budget data and performance indicator for evaluation and possible infusion to the future budget. For other budget processes such as implementation and execution, the CSOs are expected to be observers and their mere presence indicate some level of participation. Particularly for this study, the CSOs are content with the compliance of LGUs to Full Disclosure Policy and do not concern anymore with the specifics of the budget implementations specifically where projects and programs are involved. In this manner, the CSOs appeared to fully trust the LGUs to be transparent and accountable. Public consultations are usually done by the provincial government consulting the public about their participation in the implementation of the budget particularly on specific projects funded. High participation is considered when CSOs not only represent their group through attendance but also proposes on some innovations or inclusions in the budget being proposed. For the LGU of Anilao full transparency and accountability are manifested through their electronic data information system or the Financial Management Information System wherein full disclosure of all financial transactions are assured through access of the system 24/7.

I. C. Legal Framework of Citizen's Participation

CSO involvement is embodied in the 1987 Constitution of the Republic of the Philippines as well as in the Local Government Code of 1991. Article X, Sec. 14 of the 1987 Constitution states that the "President shall provide for regional development councils or other similar bodies composed of local government officials, regional heads of departments and other government offices, and *representatives from non-governmental organizations* within the regions.

Article XIII, Num 2 gives the role and rights of *people's organization*. Section 15 specifically states that "The state shall respect the role of *independent people's organizations* to enable the people to pursue and protect, within the democratic framework, their legitimate and collective interests and aspirations through peaceful and lawful means. *People's organizations* are *bona fide* associations of citizens with demonstrated capacity to promote the public interest and with identifiable leadership, membership and structure.

Section 16 of the same article upholds the right of the *people and their organizations* to effective and reasonable participation at all levels of social, political, and economic decision making shall not be abridged. The State shall, by law, facilitate the establishment of adequate consultation mechanism. From the findings in six LGUs this provision was accordingly complied with.

Chapter 5 section 37,num 4 RA 7160 defines that *two (2) representatives of nongovernment organizations* are represented in the local development council concerned, to be

chosen by the organizations themselves as one of the members of the appropriations committee of the LGU concerned. Title 6, Sec. 107, no. 2 and 4, state that "... representatives of nongovernmental organizations operating in the city or municipality and province, as the case may be, shall constitute not less than one fourth (1/4) of the members of the fully organized council. Section 108 specifies the representation of non-governmental organizations which is, within a period of sixty (60) days from the start of organization shall choose from among themselves their representatives to said councils. The local sanggunian concerned shall accredit nongovernmental organizations subject to such criteria as may be provided by law. Sec. 11, nos. 1 and 2 also define the membership of the NGOs in the executive committee of the LDC, "... a representative of nongovernmental organizations that are represented in the council, as members; section 13, also provide that the functions of the secretariat of the LDC may be provided by the NGOs.

Furthermore, Title four. Sec 98 nos. 1, 2 and 3 provide for the composition of the local school boards which include among others, the duly elected president of the provincial/city/municipal federation of parents-teachers association, the duly elected of the teachers' organization in the province, and the duly elected representative of the non-academic personnel of public schools in the province, city or municipality as members. Disbursement of the SEF is one of the many functions of the local school board. The presence of CSO for approval of budget is needed representing one vote for that matter.

Title Five defined among others, the composition of Local Health Boards of the LGUs concerned, that is, province, city or municipality, which include in sec. 102 no. 1,

Provides for a representative from the private sector or non-governmental organizations involved in health services. The representative votes for the approval of budgetary proposals.

The LGUs were compliant of the provisions of the legal provisions of CSO representation and participation in the budget process. As early as 1992, the provinces, cities and LGUs covered in the study had been processing applicants for accreditation of NGOs. A case in point is Iloilo Province Resolution num 1992-151 dated September 6, 1992 approving the report of the committee on NGO and cooperative for the accreditation of six (6) NGO applicants for membership to the local special bodies pursuant to Memo Cir. No. 92-94 of the DILG. The resolutions for the last three years as provided for in this study included only renewal of the application for accreditation of the different NGOs.

FINDINGS

Profile of the LGUs

The profile of the LGUs in terms of land area, population and annual income is given in Table 2. The data show that Iloilo Province is bigger than the Province of Guimaras considering that the latter is just a subprovince of Iloilo before 1979 where it was declared as a separate province by virtue of ratification of Section 462 of R.A 7160. Most populated is the province of Iloilo considering its 42 municipalities and one component city. The municipality of Sibunag had the least number of people. The province of Iloilo also recorded the highest revenue in 2010 among the LGUs.

Table 2
Profile of the LGUs

Municipality	LGU					
	Iloilo Province	Guimaras Province	Iloilo City	Municipality of Buenavista	Municipality of Anilao	Municipality of
Sibunag						
Information						
Land area (has)	466,342 has or 4,663 sq km	604.6 km ²	78.34 km ²	128.26 sq. km	10,031.44 has	12,004 has
Population	1,805,576 (2010)	151,238 (2007)	418,710 (2007)	41,717 (2001)	27,486 (2010)	20,104 (2010)
Annual Income (Php)	1,387,346,345 (2010)	410,973,000 (2010)	1,499,025,759 (2012)	43,250,000	48,854,200 (2011)	150,711,900 (2012)

CSO participation in local public finance in the areas in Budget Planning and Revenue Generation

Budget Planning and Preparation

CSO participation budget planning and preparation ranged from normal to active. For the two provinces and a city, the CSO representatives to the Local School Board include the Presidents of Federation of PTAs, Alumni and Student Councils. Their participation is more on being present during meetings and voting for the approval of the the planned budget or disbursements of Special Education Fund (SEF). The three municipalities claimed active participation of their CSOs since they also were involved in the campaign for real property tax part of which goes go SEF. The women representatives play active roles in this component of the budget process.

For the Local Health Board, although consultative meetings with the CSOs are not usually done, the representatives of NGOs were involved in health and budget planning. Active participation of CSO representative especially the women was reported in policy making particularly in the three municipalities.

Budget process for environmental concern was not participated in actively by the CSOs rather their concern is more on the implementation of specific agriculture and environment projects. The budget for these projects were apparently defined early on the role of the CSOs is simply to implement it, they being the beneficiaries. For the two provinces, the NGOs with the environment advocacy were active in submitting project proposals for inclusion in the subsequent year's budget. However, they do not have much involvement in the deliberation of the budget for the proposed projects other than just being there to observe and vote.

For the whole budget process, active involvement of the CSOs was apparent only during budget planning of the budget preparation process. Budget consultation was also done before the preparation of the budget.

In budget preparation there is public consultation for transparency reasons in two provinces studied. However, CSO participation is still minimal. In the preparation of 2012 budget, NGOs with advocacy on disabled persons, teens and women in crisis coordinated with the LFC for allocations. The CSO representative raised the issue of "Full Disclosure Policy" of DBM,DILG. The Province of Guimaras believed that CSO representatives are more effective in preparation of AIP.

Budget deliberation is open to the public through public hearing conducted. Some sectoral representatives are actively participated although others were not in attendance.

Revenue Generation

Both provinces and the three municipalities have local revenue plan with tax code updated in 2010. The city has updated tax code for 2012. The CSOs were invited, thus, have

participated but very nominal or low, in the formulation of the local revenue plan, Public hearings were conducted in budget preparation but the CSO are not involved although it was claimed that the social contract mechanism maximized the people's participation in the process. There was no guidelines regulating CSO participation in the budget preparation for the province but there was strong representation in the province of Guimaras. The Budget Operation Manual contains the guidelines.

CSOs observe deliberation on new tax measures and allowed to present their positions during deliberations. No public consultations on foreign grants/donations, utilization of national wealth, loans and other forms of indebtedness and BOT schemes. Only the province of Guimaras have reportedly done public donations on foreign grants/donations.

Specific policies are adopted by Local School Board related to revenue generation and budgeting and public hearings or CSO consultations are usually conducted to formulate specific policies related to Special Education Fund generation and budgeting. Some LGU assist in the collection of real property tax of the constituents.

The Local Health Board adopted the economic enterprise policy related to revenue generation and budgeting. No public hearing or CSO consultation related to fund generation and budgeting.

Sectoral Issues And Concerns of Citizens In Relation To Local Public Finance

- Reforms are needed to enhance CSO participation in environment-related planning and budgeting such as provision of budget for consultative meetings with CSOs. Even if they are encouraged in environment-related budget process their involvement in public finance process is nominal.
- Gaps in local public finance policies, implementation and practices.

In most LGUs covered in this study, there is no clear cut policies on CSO participation. The general understanding of the CSO representatives is that their being present as an observer of the process is already participation. They feel that they are partners of the government because of they are active in project implementation. On the LGU side department heads opined that because the budget and financial process begins with the respective departments and consolidated for the LGU in general, the CSOs can only be involved in planning such as that for AIP but not for the budgeting process of the departments concerned.

- There are barriers that hinder citizens' participation in local public finance,

Times constraint. The CSOs cannot attend if the meeting is held frequently especially in procurement process. The CSO representative are working people majority of whom are either skilled workers, farmers, fisherfolks or small business entrepreneurs and it will affect their income if they keep on attending meetings without corresponding remunerations. It is alright if meetings are held once or twice a year as in budget planning and preparation.

Accreditation requirement. Although accreditation is not really strict, it could not be complied with easily by the CSOs especially the Pos because some do not have Constitution and By-laws and others are not continuously operating for at least two years which indicate their being active.

Undefined role of CSO in local public finance. The constitution and Local Government Code only specified membership in Local Finance Committee as well as the accreditation process. But there is no specifications on the role of the CSOs in local public finance.

- Key issues, bottlenecks, risks and weakness in citizen's participation in public finance.

Low participation. Some CSO representatives find it time consuming to attend meetings and other activities pertaining to local public finance because they have no substantial input other than just being present and accounted for.

No clear cut policy on the nature of participation. Because of the undefined nature of participation, the CSOs are not sure at all whether they have gone beyond the bounds of the standard participation process. Their best option then is to just simply, observe, listen and vote if there is a need to.

Limited number of CSO allowed because of the many members as is true of Iloilo Province and Iloilo City. For these LGUs another CSO will already expand the number of participants in the budget process because the regular membership is already extensive. Thus, the representation is limited.

Enabling Mechanisms That Enhance Citizens' Participation In Local Public Finance

Some mechanisms have to be defined in order to enhance CSO participation in local public finance. These mechanisms include:

1. Definition of policies for participation. This is very important for both LGUs and the CSO participants. The LGUs will be clarified on what to expect of the participating CSOs. On the other hand, the CSOs shall also be prepared to really participate in the budget process.

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2. Remunerations (honoraria for CSO representatives). It came out during the FGDs that the CSO representatives especially coming from Pos who are earning on a daily basis lose some income while attending the budget meetings. This is one of the reasons why there is low attendance of CSOs particularly in the Province of Guimaras where the residence of representatives are quite far from the poblacion.
3. CSO may not necessarily be a member of POs or NGOs but a person of good standing in the community as suggested by the constituents. This may take some review of the legal provisions but FGD results indicate that some key leaders in the community could better articulate budget concerns than the POs or NGOs representatives.
4. Representatives should preferably have background in the local public finance area to be more effective participant. If representatives have proficiency or even just a little understanding of public finance, they can relate more with the issue on hand. If CSOs have experience in public finance as a private personnel, sound suggestions on improvement of the process could be generated. Transparency could be assured if CSOs are familiar with local public finance. Furthermore, CSOs can suggest policy changes which would address both the needs of the LGU and the public.
5. There was enhancement in the revenue collection with people's participation.

II. Conclusion

There was weak CSO participation even in budget planning and revenue generation attributed to undefined policies about participation. There are other barriers that hinders effective CSO participation in budget planning and revenue generation which include time constraint, accreditation requirements, remuneration of the participants, and limited number of participants allowed.

III. Recommendations

1. Ordinance regarding policies on CSO representation in local development planning and public finance planning.
2. Incentives to CSO representatives attending local budget planning and revenue generation process in the form of honoraria.
3. The LGUs should have standard policies on CSO participation in budget planning other than project implementation.
4. LGUs may develop or install softwares for easy update, storage and retrieval of financial data to assure transparency and total disclosure of financial operations of the LGU.
5. Encourage inter LGU seminars to share best practices in local public finance for possible adoption.

6. Capacity building on local public finance. The CSOs must be provided trainings on various aspects of local public finance improve their knowledge and understanding of the process and prepare them for their eventual active participation.
7. Local Public Finance Group may be created to monitor, improve, encourage CSO participation.
8. Solicit suggestions from CSOs how best they can participate in local planning and budget processing.

References

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