



Government of the Republic of the Philippines

Philippines' Policy Improvement Process **PLAN OF ACTION**

Millenium Challenge Corporation
Indicator on Control of Corruption

March 1, 2010

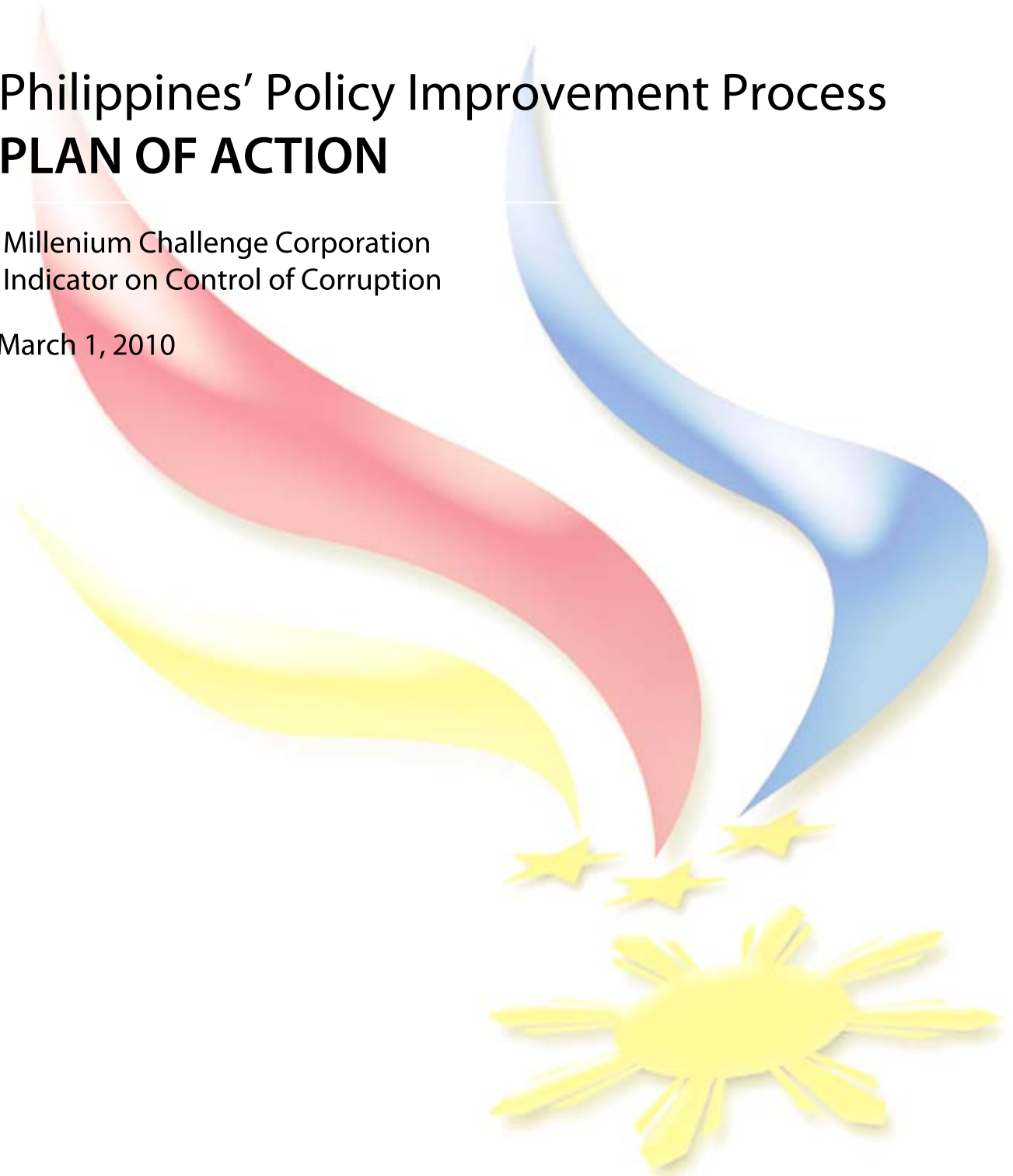


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LIST OF ACRONYMS

| | |
|-------|---|
| ADB | Asian Development Bank |
| AIM | Asian Institute for Management |
| APJR | Action Program for Judicial Reform |
| ARMM | Autonomous Region in Muslim Mindanao |
| ARTA | Anti-Red Tape Act |
| BAC | Bids and Awards Committee |
| BIHC | Bureau of International Health Cooperation |
| BIR | Bureau of Internal Revenue |
| BOC | Bureau of Customs |
| BPLS | Business Permits and Licensing System |
| BSC | Balanced Scorecard |
| CA | Congressional Allocation |
| CAATs | Computerized Assisted Audit Tools |
| CAR | Cordillera Administrative Region |
| CC | Citizen's Charter |
| CES | Cost Estimation System |
| CHD | Center for Health Development |
| CICT | Commission on Information and Communications Technology |
| CIDA | Canadian International Development Authority |
| COA | Commission on Audit |
| COBAC | Central Office Bids and Awards Committee |
| CoC | Code of Conduct |
| COC | Control of Corruption |
| COPS | Community Oriented Policing System |

| | |
|---------|---|
| CRR | Corruption Resistance Review |
| CSC | Civil Service Commission |
| CSOs | Civil Society Organizations |
| CURE | Comprehensive and Unified Response to Eliminate Red Tape |
| CVA | Corruption Vulnerability Assessment |
| DAP | Development Academy of the Philippines |
| DBM | Department of Budget and Management |
| DepED | Department of Education |
| DILG | Department of the Interior and Local Government |
| DOF | Department of Finance |
| DOH | Department of Health |
| DOJ | Department of Justice |
| DOTC | Department of Transportation and Communications |
| DPWH | Department of Public Works and Highways |
| DSWD | Department of Social Welfare and Development |
| DTI | Department of Trade and Industry |
| DTS | Document Tracking System |
| DWPH-CA | DPWH Congressional Allocation for Infrastructure |
| EAS | Enforcement and Assistance Service |
| eLAMP | Electronic Lump-Sum Appropriations Management Program |
| EMERGE | Economic Modernization through Efficient Reforms and Governance Enhancement |
| eNGAs | Electronic New Government Accounting System |
| FMS | Financial and Management System |
| GAA | General Appropriations Act |
| GAIs | Government Agencies and Instrumentalities |

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|------------------------|--|
| GOCCs | Government-Owned and Controlled Corporations |
| GOP | Government of the Philippines |
| GPPB | Government Procurement Policy Board |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit |
| HHRDB | Health Human Resource Development Bureau |
| IAS | Internal Audit Service |
| IBP | International Budget Partnership |
| ICs | Internal Controls |
| IDAP | Integrity Development Action Plan |
| IDC | Integrity Development Committee |
| IDR | Integrity Development Review |
| IRA | Internal Revenue Allotment |
| IRR | Implementing Rules and Regulations |
| ISA | Institute for Solidarity in Asia |
| ISG | Information Systems Group |
| IT | Information Technology |
| KALAHI– CIDSS-OBAMA | Kapit-Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services – Operations Barangay and Municipal Assistance |
| LCEs | Local Chief Executives |
| LGPMs | Local Government Performance Management System |
| LGUs | Local Government Units |
| LTS | Large Taxpayers Service |
| MCA | Millennium Challenge Account |
| MCAP | Millennium Challenge Account - Philippines |
| MCC | Millennium Challenge Corporation |

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| MDGs | Millennium Development Goals |
| MRAP | Moral Recovery Action Plan |
| MSACC | Multi-Sectoral Anti-Corruption Council |
| MSGC | Multi-Sectoral Governance Council |
| MTPDP | Medium-Term Philippine Development Plan |
| MTPIP | Medium Term Philippine Investment Plan |
| NAMFREL | National Movement for Free Elections |
| NAPOLCOM | National Police Commission |
| NCA | Notice of Cash Allocation |
| NCBTS | National Competency-Based Teachers Standards |
| NCC | National Competitiveness Council |
| NCR | National Capital Region |
| NGAs | National Government Agencies |
| NGICS | National Government Internal Control System |
| NGOs | Non-Governmental Organizations |
| OMB | Office of the Ombudsman |
| OP | Office of the President |
| OPIF | Organizational Performance Indicator Framework |
| OSM | Office of Strategy Management |
| PACT | Policy Audit and Compliance Tracking |
| PAGC | Presidential Anti-Graft Commission |
| PDAF | Priority Development Assistance Fund |
| PEFA | Public Expenditure and Financial Accountability Program |
| PFM | Public Finance Management |
| PGS | Performance Governance System |

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|----------|--|
| PhilGEPS | Philippine Government Electronic Procurement System |
| PIP | Policy Improvement Process |
| PMS-OPES | Performance Management System-Office Performance Evaluation System |
| PNP | Philippine National Police |
| POC | Point of Contact |
| PPP | Public-Private Partnership |
| PPS | Pro-Performance System |
| PTCA | Parent-Teacher Community Association |
| PTG | Procurement Transparency Group |
| QMS | Quality Management System |
| RATE | Run After Tax Evaders |
| RATS | Run After the Smugglers |
| RIMSS | Road Information Support System |
| RIPS | Revenue Integrity Protection Service |
| ROCS | Regional Operations and Coordination Service |
| SARO | Special Allotment Release Order |
| SBP | School Building Program |
| SC | Supreme Court |
| SMART | Specific, Measurable, Attainable, Realistic, and Time-bounded |
| SMD | Security Management Division |
| SONA | State of the Nation Address |
| SWS | Social Weather Stations |
| TAG | Transparency and Accountability Group |
| TAN | Transparency and Accountability Network |
| TAS | Taxpayers Assistance Service |

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|-------|---|
| TIN | Tax Identification Number |
| TSPMD | Taxpayer Service Programs and Monitoring Division |
| TWG | Technical Working Group |
| WB | The World Bank |

DEFINITION OF TERMS

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|--|---|
| Department of Public Works and Highways-Congressional Allocation (DPWH-CA) | The DPWH is a government agency in charge of infrastructure (e.g. road, buildings, flood control, etc.). The DPWH-CA is a lump sum portion in the DPWH budget as defined in the GAA, that is divided according to legislative district. |
| Electronic National Government Accounting System (eNGAs) | Online electronic system deployed by Commission on Audit to standardize recording of government financial transactions. |
| Internal Revenue Allotment (IRA) | Transfer of a portion of national funds to the LGUs to supplement local revenue generation and funding of development projects |
| Lump-sum appropriations | Lump-sum appropriations include the Internal Revenue Allotment (IRA), Priority Development Assistance Fund (PDAF), Department of Public Works and Highways Congressional Allocation (DPWH-CA), and School Building Program (SBP). |
| Notice of Cash Allocation (NCA) | The NCA document is an official budget release document created to inform accredited banks of availability of funds corresponding to a SARO. It defines the following: Transaction Type, SARO Number, Government Servicing Bank, Validity Period, Agency/Unit, and Amount. |
| Priority Development Assistance Fund (PDAF) | The PDAF is earmarked to fund priority programs and projects under the Ten-Point Legacy Agenda of the national government and is released directly to the implementing agencies. The allowed projects covered by the PDAF are defined in the annual General Appropriations Act (GAA) as legislated. Lump sum funds for priority projects are allocated every year for every legislative district. |
| School Building Program (SBP) | A lump-sum appropriations for the construction of school buildings. The SBP programs are implemented by DPWH, in accordance with DepEd. |
| Special Allotment Release Order (SARO) | An official document which provides the recipient (usually an implementing agency) the authority to enter into a contract. This document is created after processing a project list and indicates the recipient and the project to be funded. A SARO document defines the following: Appropriation Source, Legal |

EXECUTIVE SUMMARY

At the request of the Millennium Challenge Corporation in late 2008, the Philippines decided to take a fresh approach to pursuing a number of key Policy Improvement Processes (PIPs) that would help address issues related to the Control of Corruption (COC) indicators in the MCC scorecard by building on public-private sector partnership.

As evidence of the firm resolve of the Philippine Government to fight corruption and its efforts to improve its score on the corruption indicator, the President of the Philippines elevated the Chairmanship of the Philippine MCC Inter-Agency Task Force to the Chief of Staff (Executive Secretary), who represents the President herself. In the same manner, the President appointed a **PIP Point of Contact (POC)** from the private sector who is tasked to put in place innovative action plans to meet Control of Corruption criteria.

The POC during his initial meeting with the MCC on April 23-24, 2009, proposed several PIP projects covering a broad range of key government functions (national and local) which could deliver noticeable improvements in the foreseeable future and hence, result in enhancement in COC indicator perceptions.

To set the stage for the implementation of the PIPs, prominent governance issues that need to be addressed were tackled, which were broadly categorized into:

1. Reforming the Procurement process
2. Reducing Red Tape
3. Ensuring a Performing Bureaucracy
4. Controlling Corruption in Revenue-Collecting Agencies
5. Improving Systems to Control Corruption
6. Enforcing Anti-Graft Policies: Efforts of Anti-graft Bodies
7. Enhancing Judicial Capability

As a response, the following PIPs were designed to demonstrate progress over time with respect to improving the governance landscape of the country:

1. Developing 120 Local Government Units As Sparkplugs for Governance and Economic Development

In response to the major institutional concerns at the local level that tend to undermine the confidence of investors, a three-pronged program is pursued to enhance transparency and exact accountability from local chief executives.

These interventions include:

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- streamlining of the business permit and licensing system to reduce opportunities for bribery and other forms of corruption;
 - expediting public transactions with LGUs through the implementation of the Anti-Red Tape Act of 2007; and
 - enjoining LGUs to participate in the enhanced Local Government Performance Management System for better informed decision-making that would allow wider multi-stakeholder participation in tracking their performance
2. Institutionalization of the Balanced Scorecard System in Six (6) National Government Agencies

To institutionalize breakthrough results, six national government agencies are set to undergo defined stages of the Performance Governance System, a local Philippine adaptation of the BSC model considering the country's local conditions.

Undertaking each stage would serve as an avenue for multi-sectoral participation through the Multi-sectoral Governance Coalition.

3. Improving Transparency in Budget Delivery

To improve transparency in the budget delivery process, DBM is intensifying its efforts in enhancing internal management towards transparency, equity, and accountability.

DBM operates under the principle that IT-based systems and improvements are effective anti-corruption tools since they reduce discretion and direct contact between clients and process owners, while enhancing efficiency and transparency.

Hence, DBM is currently developing and/or enhancing its Electronic Lump-sum Appropriations Monitoring (eLAMP) and Document Tracking System (DTS).

The GRP is confident that the Board of Directors of MCC, during their next meeting, will recognize the country's commitment to control corruption through this final action plan.

PART 1: INTRODUCTION

In its Board Meeting on 12 December 2008, the Millennium Challenge Corporation (MCC), recognizing the Republic of the Philippines' "capacity as partner to address corruption and poverty reduction," decided to **reselect** the Philippines as Compact eligible for FY 2009.

The Board then believed that the Philippines should continue to develop the Compact proposal with MCC, even as it prepared to conclude in May 2009 a 32-month Threshold Program on anti-corruption and revenue administration improvement. Nonetheless, in order for the Philippines to sign a Compact Agreement, the Philippines needed to meet the eligibility criteria of the MCC in the areas of ruling justly, investing in people, and economic freedom. Specifically, it needed to hurdle the Control of Corruption indicator which is the pass-or-fail measure under the "ruling justly" category that the government missed by 0.01% in FY2009.

The MCC invited the Philippines to participate in a "**policy improvement process**" (PIP) wherein the Philippines, with MCC's help, will implement an action plan that will help the country meet the eligibility indicator criteria in future years, particularly Control of Corruption. The following are the three (3) primary objectives under the PIP:

- to develop an operational tool to assess, monitor, and improve performance on the eligibility criteria;
- to provide a basis for policy dialogue with MCC about reform efforts; and
- to highlight enhanced governance in several key government functions and achieve improved perceptions from stakeholders in the short to medium term

Pursuant to the recommendation of the MCC to take a fresh approach in ensuring the success of the PIP, the President of the Philippines appointed a **PIP Point of Contact** (POC) from the private sector who would be outside the MCA Philippines Core Team and whose main task is to put in place innovative action plans to meet the aforementioned indicator criteria. As evidence of the firm resolve of the Philippine Government to fight corruption and its efforts to improve its score on the corruption indicator, the President elevated the Chairmanship of the Philippine MCC Inter-Agency Task Force to the Chief of Staff (Executive Secretary), who represents the President herself.

The POC has embarked on the development of a unique and innovative approach on the Philippine PIPs by having a strong **public-private partnership** to ensure a successful implementation of said PIPs. This will be achieved by creating a team composed of the most senior government official in the concerned department as champion, and a private person as a co-champion. This public-private partnership approach was well received by

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MCC officials in the POC's initial meeting with them on April 23-24, 2009, when he unveiled a number of PIP projects.

The PIP team identified several initiatives taken by certain government agencies which could be strongly supported to completion and institutionalization. Using the principle of the Pareto Rule, the PIP projects were constituted with external stakeholders working closely with empowered agencies for improved delivery of public service in the short and medium term leading to an improved COC perception. MCC officials lauded the unique and innovative approach to policy improvement as the process took shape promptly and with broad-based and active participation of public and private sector partners.

After thorough consultations with the concerned public and private sectors, the Government of the Republic of the Philippines (GRP) now hereby formally submits to the Millennium Challenge Corporation its Policy Improvement Process Final Action Plan.

This action plan aims to enhance GOP's efforts in controlling corruption and instituting good governance in the public sector which should ultimately result in improved scores in the COC index. The GOP commits to the various goals and integrity development action plans spelled out in these PIPs.

PART 2 : SITUATIONER ON INTEGRITY AND ANTI-CORRUPTION PROGRAMS

Initiatives of the Philippine Government against Corruption

Public policy of the Government of the Philippines (GOP) has long made poverty reduction with sustained economic growth as a major development strategy. This strategy is contained in the Medium Term Philippine Development Plan (MTPDP), which underscores control of corruption as imperative for its realization.

The GOP acknowledges that corruption is seriously hurting its economy and damaging the social fabric. Consequently, the GOP calls for a collective front in the fight against corruption and has, in fact, adopted both administrative and legislative initiatives to address it. These initiatives have been designed against the backdrop of good governance and its principles, namely: accountability, transparency, participation and rule of law (predictability).

The GOP has adopted a multi-sectoral and holistic approach in the control of corruption along the areas of prosecution, prevention, participation and promotion (education).

Under the auspices of the Office of the Ombudsman, the National Anti-Corruption Program of Action (NACPA) was crafted to serve as the umbrella program for all anti-corruption initiatives undertaken by government and non-government organizations to ensure convergence of efforts. NACPA used the frameworks of the United Nations Convention against Corruption, Millennium Development Goals and the MTPDP.

This initiative also paved the way for the formation of the Multi-Sectoral Anti-Corruption Council (MSACC), a consultative and coordinating body organized to reinforce the anti-corruption commitments of government, civil society, and the business sector.

The GOP continues to undertake significant initiatives to address corruption, although it notes that the perception of corruption in the government persists. Such perception is evidence of a vibrant democracy where people are free to express their concerns and grievances against the government in whatever fora.

The Philippines, however, pays serious attention to the unfavorable perception and remains resolute in its efforts against corruption. The efforts and initiatives of the GOP cover seven broad areas, which are a clustering of all the 26 factors identified by the MCC in evaluating countries on the Control of Corruption (COC) indicator. These seven areas are:

1. Reforming the Procurement process
2. Reducing Red Tape
3. Ensuring a Performing Bureaucracy
4. Controlling Corruption in Revenue-Collecting Agencies
5. Improving Systems to Control Corruption
6. Enforcing Anti-Graft Policies: Efforts of Anti-graft Bodies
7. Enhancing Judicial Capability

1. Reforming the Procurement Process

Government procurement has long been perceived as plagued by corruption which has resulted in irregularities, budget losses, and consequently, distortion in the quality and quantity of public services. To uphold transparency, accountability, equity, efficiency, and economy in the procurement process, the GOP enacted the Government Procurement Reform Act of 2003 (R.A. 9184).

R.A. 9184 mandates the following: (1) wide dissemination of bid opportunities through the Philippine Government Electronic Procurement System; (2) participation of non-government organizations as observers in the procurement process; (3) streamlined procurement process uniformly applied to all government procurement; (4) system of accountability where concerned public officials, when warranted by circumstances, are investigated and held liable for their actions; and (5) public monitoring of the procurement process. The law also aims to professionalize procurement in the public sector. As of March 2009, a total of 3,197 public procurement personnel from 205 government agencies were trained on the law, its Implementing Rules and Regulations (IRR), and the Philippine Bidding Documents.

To increase transparency in the procurement process, information and communication technology is now being harnessed. As of 2009, 9,290 government agencies and 41,528 suppliers have been registered in the Philippine Government Electronic Procurement System. The PhilGEPS is the central portal for the Philippine Government's Procurement activities.

After extensive stakeholder consultations and considering Philippine experience during the early years of implementation of the procurement law, a revised set of IRR was approved and took effect on September 2, 2009. Notable features of the revised rules are:

- cover both locally and foreign-funded procurement;
- less documentary requirements (from 16 to 6) to establish bidder eligibility thereby bringing transaction costs down; and
- clearer rules on the scope and application of alternative mode of procurement.

As of January 2010, a total of 33 bidders from 19 organizations and 466 government procurement personnel have been trained on the revised IRR.

To enhance transparency, competitiveness, and public accountability in government procurement, Executive Order No. 662 was issued in 2007. This led to the creation of the Procurement Transparency Group (PTG) composed of government and civil society organizations.

In 2008, trained observers representing civil society members of the PTG were deployed to the Bids and Awards Committee (BAC) of different government agencies. Of the 43 projects initially identified for monitoring, the PTG monitors 26 priority projects in different stages of the project cycle. Data from monitoring of the country's important infrastructure projects are uploaded to the PTG website.

2. Reducing Red Tape

The government recognizes that red tape discourages business, and cumbersome transaction procedures generally give rise to corruption. The Anti-Red Tape Act (ARTA) of 2007 (R.A. 9485) was enacted to reduce red tape and expedite transactions in government. This legislation directs all government entities with frontline services to develop their Citizen's Charter by September 2009.

The Citizen's Charter is an official document, a service charter or pledge that describes the step-by-step procedure for availing of a particular service; and the guaranteed performance level that the public may expect for that service. Information such as procedures to avail of the service, responsible person/office, processing time, documentary requirements, applicable fees or charges, and procedures for filing complaints are reflected in the Citizen's Charter. Concerned external stakeholders are consulted in the crafting of the Citizen's Charter. The Citizen's Charter is published and is posted in agency's websites and in its billboards in conspicuous places within the agency.

To ensure fast, efficient, reliable and convenient services to the public, the law and its IRR directs agencies to undertake reengineering of frontline services. Specifically, all agencies with frontline services are required to act on applications and requests within five days for simple transactions, and ten days for complex ones. Agencies are also mandated to limit their signatures to a maximum of five.

Among the 5,260 government entities nationwide being monitored by the CSC, 3,559 agencies and local government units (LGUs) are fully compliant with the ARTA's requirements on the institutionalization of a Citizen's Charter. The remaining 1,701 government entities are in the various stages of ARTA compliance.

A parallel effort towards improvement of public sector productivity is the directive to install Quality Management System (QMS) in all government agencies as required by Executive Order No. 605. As of 2009, there are 60 ISO-certified government entities while 31 are moving towards ISO certification.

3. Ensuring a Performing Bureaucracy

To promote public sector organizations that deliver results, the following have been introduced:

- Government agencies have adopted the Performance Management System-Office Performance Evaluation System (PMS-OPES) which measures objectively the performance of the agency, its units, and personnel. The PMS-OPES is a direct translation of the agency's strategic direction into specific and measurable objectives, which concretizes individual and collective accountability.

It serves as a mechanism for better alignment of individual to agency objectives. These objectives are operationalized and measured against the agency's Work and Financial Plan based on its Organizational Performance Indicators Framework.

- The Organizational Performance Indicator Framework (OPIF) requires agencies to identify their major final outputs which serve as the basis for budget allocation. Beginning in 2007, Congress approved agency budgets on the basis of its identified major final outputs.

4. Controlling Corruption in Revenue-Collecting Agencies

The Run After Tax Evaders (RATE) Program of the Bureau of Internal Revenue (BIR), in partnership with the Department of Finance (DOF), runs after tax cheats and delinquents. It highlights the upgraded capacity of government to investigate and prosecute tax fraud cases, although arguably tax evasion is not an act of corruption (if no bribery is involved). As of December 2009, 126 cases were filed- 109 of which are with the Department of Justice (DOJ) for action, while 17 are pending before the courts.

A parallel effort at the Bureau of Customs (BOC) is its Run after the Smugglers (RATS) Program. To increase the capacity of the Bureau to run after smugglers, additional lawyers were deployed at DOF and the Office of the Solicitor General, to prosecute custom-related cases. As a result, the government has filed 105 criminal cases against 523 respondents covering shipments valued at Php2.3 billion with estimated tariff liabilities of over Php189 million. BOC also filed administrative cases against erring customs personnel and relieved eight personnel for smuggling-related cases.

A third initiative worth noting is the Department of Finance's Revenue Integrity Protection Service (RIPS). RIPS was created to address persistent reports of corruption in revenue generating agencies of the government that lead to collection shortfalls. RIPS works closely with anti-corruption agencies of the government, such as the Office of the Ombudsman and the Philippine National Police.

5. Improving Systems to Control Corruption

To improve the country's government systems, the following programs were instituted by various agencies:

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- a) Integrity Development Review (IDR). The IDR, which involves a systematic and comprehensive review of systems and procedures to determine corruption vulnerabilities and integrity safeguards, has been implemented since 2004. Agencies are required to craft action plans to address their agency vulnerabilities. To date, a total of 18 government agencies have undertaken the IDR. This includes the Department of Public Works and Highways, Department of Health, Department of Education, Bureaus of Internal Revenue and Customs, and the Philippine National Police.
- b) Integrity Development Action Plan (IDAP). Implemented since 2005 under the auspices of Presidential Anti-Graft Commission, the IDAP is the National Anticorruption Framework for the Executive Branch to make corruption a high risk, low reward activity. As of August 2009, a total of 166 government agencies nationwide have started to implement and cascade the IDAP to the regional and provincial levels.
- c) Moral Renewal Action Program (MRAP). Administrative Order 255 was issued on January 30, 2009 directing government agencies to set up Moral Renewal Program to achieve zero tolerance for corruption. It serves as the legal infrastructure to ensure the adoption and implementation of the Integrity Development Action Plan which is the Anticorruption Framework for the Executive Branch. It also brings into the fore the importance of expansion and strengthening of the membership of the Integrity Committee and adoption/updating of agency-specific Code of Conduct, among others.

A total of 128 national agencies complied with the directive to submit their Moral Renewal Action Programs, which the Presidential Anti-Graft Commission is continuously monitoring.

- d) Electronic New Government Accounting Systems (eNGAS). The eNGAS was adopted to improve monitoring and detection of fraud. It aims to provide the Philippine bureaucracy with a modern and sound governance-enhancing accounting system. A software was specifically designed to generate correct, reliable, and timely recording of government financial transactions in accordance with NGAS.
- e) Pre-audit by the Commission on Audit. Due to the inadequacy in internal controls of government systems as manifested by the numerous anomalies uncovered or reported in the disbursement of public funds in several risk-prone areas, the COA has re-instituted the conduct of pre-audit of selected transactions. Moreover, the COA has created a Fraud Audit and Investigation Office to intensify the conduct of fraud investigations of different government transactions and projects. Reports have been forwarded to the Office of the Ombudsman based on the completed audits of the Commission
- f) National Guidelines on Internal Control System (NGICS). Launched in 2009, NGICS is designed to guide government agency in revitalizing and strengthening its detailed and comprehensive system of internal controls (ICs) taking into account agency characteristics (i.e. mandate, functions, nature of activities, operating

environment, manpower profile, size and organizational structure). The system is currently being pilot-tested in the Department of Public Works and Highways and the Department of Education. In April 2008, the Department of Budget and Management issued National Budget Circular 2008-05, mandating agencies and Government-Owned and/or Controlled Corporations (GOCCs) to create their Internal Audit Offices. A total of 14 Departments and 47 GOCCs have their respective Internal Audit Service/Unit. The Philippine Government Internal Audit Manual consistent with the NGICS is now being finalized for issuance.

- g) Lateral Attrition Law. Altering the behavior of corrupt agents is also a function of good incentives and effective sanctions. Thus, the Lateral Attrition Law, which provides incentives and rewards for good performance (exceeding the target collections) and sanctions bad performance (collections shortfall and other unlawful behavior), was enacted.
- h) Increase in Salary of Public Officials and Employees. Underpaid government workers are said to be susceptible to bribes. In July 2009, Phase Three of the Salary Standardization Law which makes salaries of government officials and employees comparable to the private sector was implemented.

6. Enforcing Anti-Graft Policies: Efforts of Anti-graft Bodies

The Office of the Ombudsman (OMB), a constitutionally independent body, is the country's primary graft and corruption- buster. For the past three years, a dramatic improvement in its conviction rate has been observed. From 19% in 2006 to 55% in 2007, the conviction rate shot up to 76% in 2008.

In 2008, the OMB filed 416 information before the anti-graft court called *Sandiganbayan*. From January to July 2009, it filed 155 more information. Among those filed include: criminal cases against a former congressman and municipal mayor; plunder and other criminal charges against 23 officials of the Department of Finance and private individuals for defrauding the government of more than Php73.76 million on the form of tax credits; and graft charges against two mayors.

In February 2009, the *Sandiganbayan* convicted of perjury a retired general. For 2008, the major victories in the *Sandiganbayan* include the conviction of the following:

- Governor, Executive Secretary and Disbursing Officers of the Autonomous Region of Muslim Mindanao for malversation
- Municipal Mayor
- Prosecutors of the Department of Justice for direct bribery
- Chancellor and Acting Personnel Officer of a state university for falsification of public documents.

The capacity of the OMB has been reinforced through a larger budgetary support which allows it to increase the number of prosecutors and field investigators.

The passage of the Anti-Money Laundering Act provides additional tools for the OMB since it criminalizes those who enjoy proceeds of corruption.

Another initiative of the OMB is the Lifestyle Check which is an investigation strategy to determine the existence of ill-gotten and unexplained wealth of public servants. From January 2008 to March 2009, 64 lifestyle check investigations have been completed, while 558 lifestyle check complaints are being investigated.

Another body, the Presidential Anti-Graft Commission, which has jurisdiction over presidential appointees, has recommended to the Office of the President the disposition of 153 punitive and 902 non-punitive penalties from 2001-2008. As of 2008, 127 officials have been dismissed, suspended or reprimanded for graft-related cases.

7. Enhancing Judicial Capability

Continuing reforms in the judiciary are undertaken to address delays in case resolution, perception of graft and corruption in the courts, and politicization of the judicial appointment process.

The Action Program for Judicial Reform (APJR) was crafted for the Judiciary to be an effective and independent arbiter of disputes and a bulwark of justice. This is a multi-pronged reform package that seeks to address issues involving:

- a) judicial systems and procedures,
- b) institutions development,
- c) human resource development,
- d) reform support systems
- e) institutional integrity development, and
- f) access to justice by the poor.

Over the years, the budget of the Judiciary has been consistently increasing. In 2008, it reached Php10.27 billion. Budget has been allocated to provide free legal representation for indigent litigants. In addition, court fees and other incidental expenses have been made more affordable.

The Case Management Information System, which was launched in July of 2008, is designed "to help the Judiciary unclog congested dockets and helps solve delays in case management and resolution" through the use of information technology. The World Bank-funded Enhanced Case Flow Management System was also launched in 2008 "to provide timely and reliable information to manage the lower courts more efficiently". Pilot operations of the system and testing in selected courts are in full swing

Also worth citing are the Justice on Wheels Program, a decongestion strategy, resulted in the release of 731 inmates after merely six (6) months of operations in 2008, and the commissioning of the independent Judicial Bar Council for the screening of judicial post applicants

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These reforms in the judiciary have resulted in improvements in the performance of the courts. Case disposition rate has been increasing, particularly for the Supreme Court -- 44.9 percent in 2006 to 51.3 percent in 2007 and 58.9 percent in 2008. The same upward trend is evident at the lower courts--from 37.9% in 2006 to 39.4% in 2008. On the other hand, the improvement in the disposition rate case of the appellate courts is apparent for the period 2006 to 2007, from 39.5% to 40.2%. However there was a slight decline to 39.5% in 2008.

With the reforms and initiatives so far undertaken and the resulting successes, the GOP can claim that it is passionate in its resolve to control corruption. Despite this, perception of corruption in government prevails. It is for this reason that the GOP commits to undertake several Policy Improvement Processes (PIPs) leveraging on public-private sector partnership.

Summary of Selected Figures

A. Reducing Red Tape

Status of Anti-Red Tape Act (ARTA) Implementation in Government Entities

| Status of ARTA Implementation | Government Agencies compliant with ARTA | Government Agencies non-compliant with ARTA |
|--|---|---|
| Fully compliant with ARTA implementation | 3,559 | |
| Citizen's Charter Finalized | | 329 |
| Citizen's Charter Being Crafted | | 993 |
| Ongoing ARTA compliance | | 150 |
| Without Action on Citizen's Charter | | 229 |
| Total number of government agencies | 5,260 | |

Source: Civil Service Commission, January 2010

B. Controlling Corruption in Revenue-Collecting Agencies

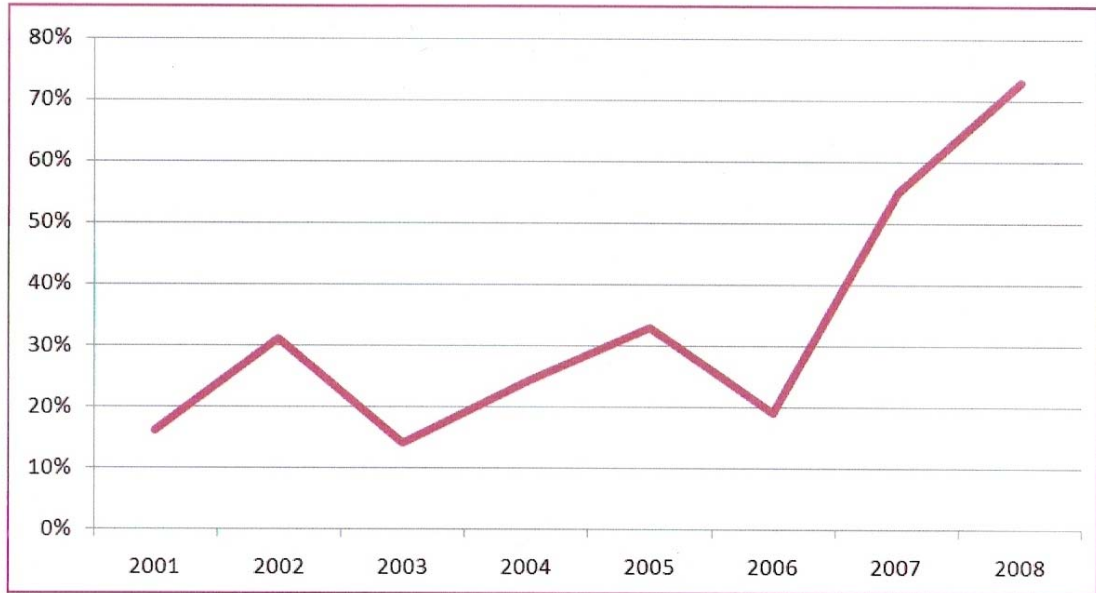
Case Filed under RATE (Run After Tax Evaders) Program

| Status | No. of Cases |
|---------------------------|--------------|
| Pending before the DOJ | 109 |
| Pending before the courts | 17 |
| TOTAL | 126 |

Source: Bureau of Internal Revenue, December 2009

C. Enforcing Anti-Graft Policies: Efforts of Anti-Graft Bodies

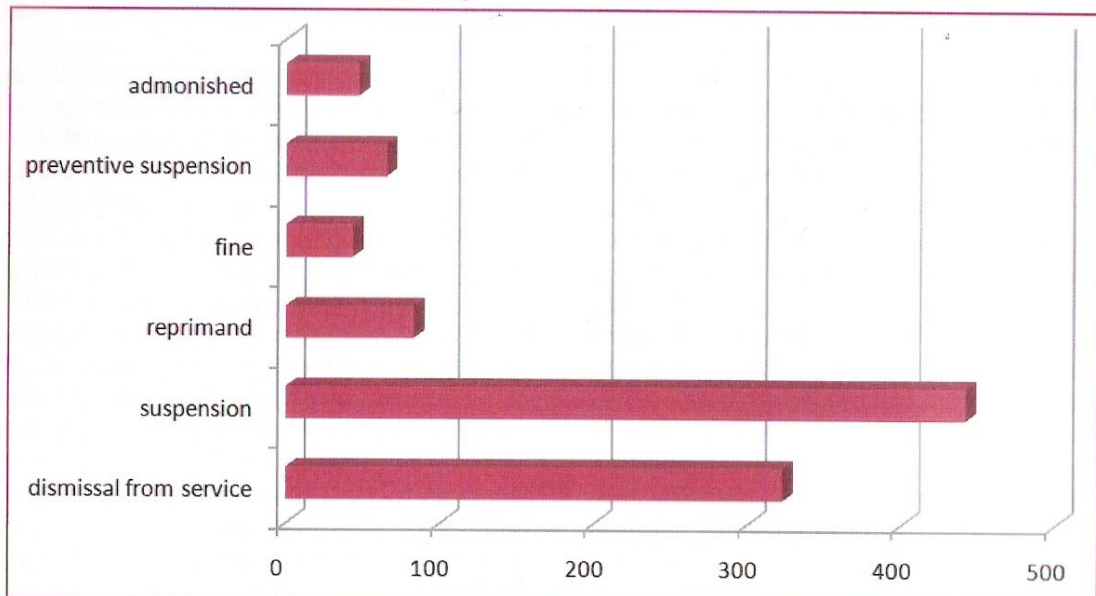
Conviction rate of the OMB from CY 2001 to 2008 *



Note: The conviction rate was computed using the formula of MCA-PTP-TAP

Source: Office of the Ombudsman, 2009

Number of public officials and employees sanctioned by the OMB January to December 2008



Note: Admonished and preventive suspensions are not penalties. Admonished is a mere warning that a similar offense in the future shall be dealt with strongly, while preventive suspensions are remedial measures adopted during PI/AA.

Source: Office of the Ombudsman, 2009

Sandiganbayan Case Disposition Rate

| Year | Total Cases | Disposed Cases | Disposal Rate |
|----------|-------------|----------------|---------------|
| 2006 | 3,152 | 638 | 20% |
| 2007 | 2,627 | 308 | 12% |
| 2008 | 2,805 | 641 | 23% |
| Jul 2009 | 2,362 | 214 | 9% |

Source: Sandiganbayan Statistics Office

D. Enhancing Judicial Capability

Case Disposition Rate

Lower Courts

| Year | Total Cases | Disposed Cases | Disposition Rate |
|------|-------------|----------------|------------------|
| 2006 | 1,153,314 | 437,239 | 37.9 |
| 2007 | 1,092,347 | 416,979 | 38.2 |
| 2008 | 1,061,910 | 418,031 | 39.4 |

Sources: SC Annual Reports of 2006, 2007 and 2009

Appellate Courts (Court of Appeals, Court of Tax Appeals & Sandiganbayan)

| Year | Total Cases | Disposed Cases | Disposition Rate |
|------|-------------|----------------|------------------|
| 2006 | 38,844 | 15,334 | 39.5 |
| 2007 | 34,692 | 13,958 | 40.2 |
| 2008 | 32,793 | 12,950 | 39.5 |

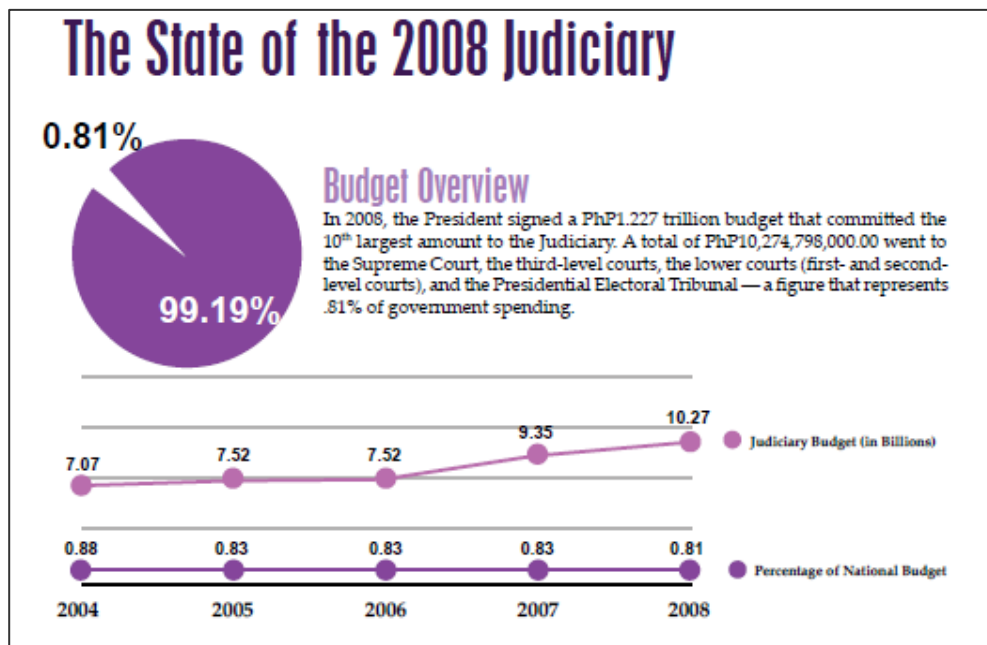
Sources: SC Annual Reports of 2006, 2007 and 2009

Supreme Court

| Year | Total Cases | Disposed Cases | Disposition Rate |
|------|-------------|----------------|------------------|
| 2006 | 11810 | 5302 | 44.9 |
| 2007 | 16188 | 8303 | 51.3 |
| 2008 | 11943 | 7032 | 58.9 |

Sources: SC Annual Reports of 2006, 2007 and 2009

Budget Overview of the Judiciary, 2004 to 2008



Source: Supreme Court Annual Report of 2008

PART 3 : GOVERNMENT STRATEGY IN SELECTING POLICY IMPROVEMENT PROCESS PROJECTS

This Policy Improvement Process draws from the Medium Term Philippine Development Plan (MTPDP) the selection criteria of ongoing high-impact government anti-corruption projects to showcase to MCC. Specifically, the MTPDP provides the overall policy framework on the fight against corruption in specifying the following areas of reform:

1. Punitive measures that include effective enforcement.
2. Preventive measures focused on strengthening anti-corruption laws, improving integrity systems, and conducting integrity development review
3. Promotion of zero-tolerance for corruption, which involves heavy advocacy To inform all anti-corruption actors of the ills of corruption and how each individual can give his or her own share to help curb this problem

For the purpose of this PIP however, current initiatives on punitive measures involving the investigation and prosecution of corrupt practices are excluded as the judiciary and the Office of the Ombudsman are not under the purview of the Executive Branch of government being a co-equal branch and a constitutionally independent body respectively.

For preventive measures, the PIP POC chose the specific project area of budgetary reform to highlight the significant inroads of government in raising budget transparency. But to go beyond the traditional measure of corruption prevention, a new project utilizing the Balanced Scorecard approach on dealing with corruption and promoting good governance was launched this July 2009. The primary objective of this Performance Governance System (PGS) is to provide the process infrastructure for six national-level government agencies to undertake organizational reform using the Balanced Scorecard system which has proven to be successful for both private corporations and public offices worldwide. The entire process is subject to a formal accreditation program that is recognized worldwide as the gold standard of strategic performance. This is part of the building block of the government to include more agencies in the organization reform program.

Another PIP project consists of mobilizing selected Local Government Units (LGUs) to serve as sparkplugs for governance and economic development by improving their governance landscape to encourage local firm productivity and competitiveness.

(Additional detail on the underlying rationale behind the selection of PIP projects is in the notebbox below.)

All three projects are geared to significantly address the first five broad cluster-groups around the Control of Corruption indicator cited in part II: (1) Reforming the procurement process; (2) Reducing Red Tape; (3) Ensuring a Performing Bureaucracy; (4) Controlling Corruption in Revenue-Collecting Agencies; and (5) Improving Systems to Control Corruption.

The last two clusters on (6) Enforcing Anti-Graft Policies: Efforts of Anti-graft Bodies and (7) Enhancing Judicial Capability being punitive measures were excluded for reasons cited above. The COC factor on police and enforcement is however included as the national police are under the authority of the Executive Branch of government.

This pioneering strategy is private-sector led under the auspices of the National Competitiveness Council which has member-representatives from the local business chambers as the Public-Private Task Force on Philippine Competitiveness by virtue of Presidential Executive Order No. 571, to address the improvement of the country's competitiveness.

Rationale for PIP Project Selection: Corruption, Integrity and Good Governance

The objectives of government are vital to the understanding of the diverse negative effects of corruption on public service, business competitiveness and sustained economic development. Corruption renders governments unable or unwilling to maximize the welfare of the public. It distorts agents' decisions and limits the contractual space available to agents and the government.

A corrupt principal creates allocation inefficiencies and cripples the government's credible commitment to effective policies, and opens the door to opportunism for personal gain at the expense of the poor as the critical beneficiaries of public service. Corruption suffocates development, reduces aid effectiveness and undermines the conditions for sustainable progress through private enterprise activities. It hurts the collective electorate especially the poor through lower growth, regressive taxes, reduced and lower quality services, higher investment risks, and lack of protection of legal and civil rights.

The anti-thesis of corruption is integrity and not prevention, detection and deterrence. The latter measures which can be successful in reducing the opportunity, raising the risks and altering the behavior associated with corruption only attack the symptoms and not the disease. Addressing the manifestations of the corruption disease does not solve the problem. Merely catching the crooked public official or even the payer is a stop gap measure at best. No matter how many crooks are caught, the corruption will not stop because the culture that spawns it persists. If there is the unscrupulous businessman or dishonest taxpayer or erring driver who is ever ready to offer a bribe, the culture of corruption will produce the bureaucrat or traffic enforcer who will accept the bribe, render the illegal service or look away. Government institutions may create opportunities for corruption, but individuals are the perpetrators as well as the performance monitors, investigators, prosecutors and external observers.

Thus, the long-term remedy and only effective solution for corruption in the Philippines is the eradication of the culture of corruption starting with individual character development and the 21 institutional strengthening of integrity systems to nurture good governance practices within government.

While corruption is viewed as exacerbating condition of low income, poor health and education status, vulnerability to poverty shocks, it is also known that poor countries are seen as breeding grounds for systemic corruption due to social and income inequalities and perverse economic incentives. Hence, economic development and job creation will directionally have positive impact on reducing corruption.

Integrity, according to famous pastor Richard Dortch "involves everything about the wholeness of our inner person, our heart, mind and will. Integrity simply means singleness: Singleness of our purpose, singleness of our will, singleness of our hearts. There is no dividing of the truth that splits the wholeness of what we are about". This originally philosophical concept when applied to the organizational setting denotes the perceived consistency of actions, values, methods, measures, principles, expectations and outcomes in relation to pre-defined goals, inherent limitations and acquired competencies. Conversely, corruption is a sign of eroding integrity within the institution and its members whose illegal actions indicate the prevailing duplicity in their professional and private life.

Developing integrity within individuals and institutions entails the formation of a working environment conducive to promoting good governance. Governance according to UNESCAP involves both the process of decision-making and the process by which decisions are implemented (or not implemented). In the organizational setting, good governance implies a high level of operational effectiveness in relation to policy-formulation and the policies actually pursued, especially in the conduct of economic policy and its contribution to growth, stability and popular welfare. In contrast to corruption, good governance connotes accountability, transparency, participation, openness and the rule of law. So doing it helps business and the poor by facilitating markets and economic growth, by promoting participation and empowerment, by ensuring that lawful taxes are paid so that public services are adequately funded, and by enabling delivery of high-quality services. It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources. This conceptual view of good governance in relation to corruption is consistent with the World Bank in Governance: The World Banks' Experience report which stated that: "Good governance is epitomized by predictable, open and enlightened policymaking, a bureaucracy imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. Poor governance (on the other hand) is characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption."

PART 4: SELECTED PIPS AS PROGRAMS OF ACTIONS AGAINST CORRUPTION

The PIP is a road map of the strategic and high-impact activities that demonstrate the Philippines' progress in addressing graft and corruption to meet the Control of Corruption criteria. The operational framework of each project serves as a tool to assess, monitor, and improve performance. For this purpose, the attached PIP tables (Annexes B, C and F) detailed the following:

- indicator sub-component (as identified in the Indicator Analysis report of MCC dated May 2008);
- factors affecting indicator performance (as stated in the same report and supplementary documentation from third party sources);
- proposed actions/ongoing reforms;
- expected results;
- outputs or outcome indicator; and
- government offices responsible

In order to further firm-up the various commitments from the six (6) agencies, the GRP mobilized the various PIP Teams composed of government and private sector representatives to:

1. Revisit and redefine the indicators to make them more SMART;
2. Identify focal persons for key initiatives/reforms to highlight the agency/department ownership of the PIPs; and
3. Ensure inclusive and wider stakeholder participation and private-public partnership for all the PIPs.

While these three (3) PIPs will be undertaken in five years, the targets for the PIP on the Institutionalization of the Balanced Scorecard System in Six (6) National Government Agencies are limited to two (2) years. These will be updated, however, to cover the rest of the period in due course in the progress monitoring report that the GRP will submit to MCC.

Following is a detailed discussion of the three (3) PIPs :

A. Policy Improvement Process on Developing 120 LGUs As Sparkplugs for Governance and Economic Development

The national government has declared that a clear way to achieve robust and long-term growth needed to create jobs and reduce poverty is through the creation of a business-

friendly environment. LGUs play a pivotal role in providing the right atmosphere and business climate to encourage investors. There are, however, broad challenges that need to be addressed to avoid undermining investors' confidence.

There is a general perception that corruption is prevalent at the local level. This can be attributed to three factors: (1) inefficient manual processes that perpetuate person-to-person contact that provides opportunities for corruption; (2) lack of political will on the part of LCEs to implement reforms; and (3) lack of vigilance on the part of the private sector to demand bureaucratic reforms.

In addition, according to the *Doing Business 2010* study of the World Bank which compared Ease of Doing Business among 183 countries worldwide, the Philippines slipped down to 144th rank from its 2009 ranking of 141st.

As a response to these institutional constraints and considering the downward trend of the Philippines' ranking in terms of Ease of Doing Business, this PIP underscores that improving the governance landscape of an LGU would result to improved business climate. The resulting conducive business environment would serve as strong platform for LGUs to become Sparkplugs for local economic development.

Specifically, the LGUs will be embarking on a three-pronged program aimed at:

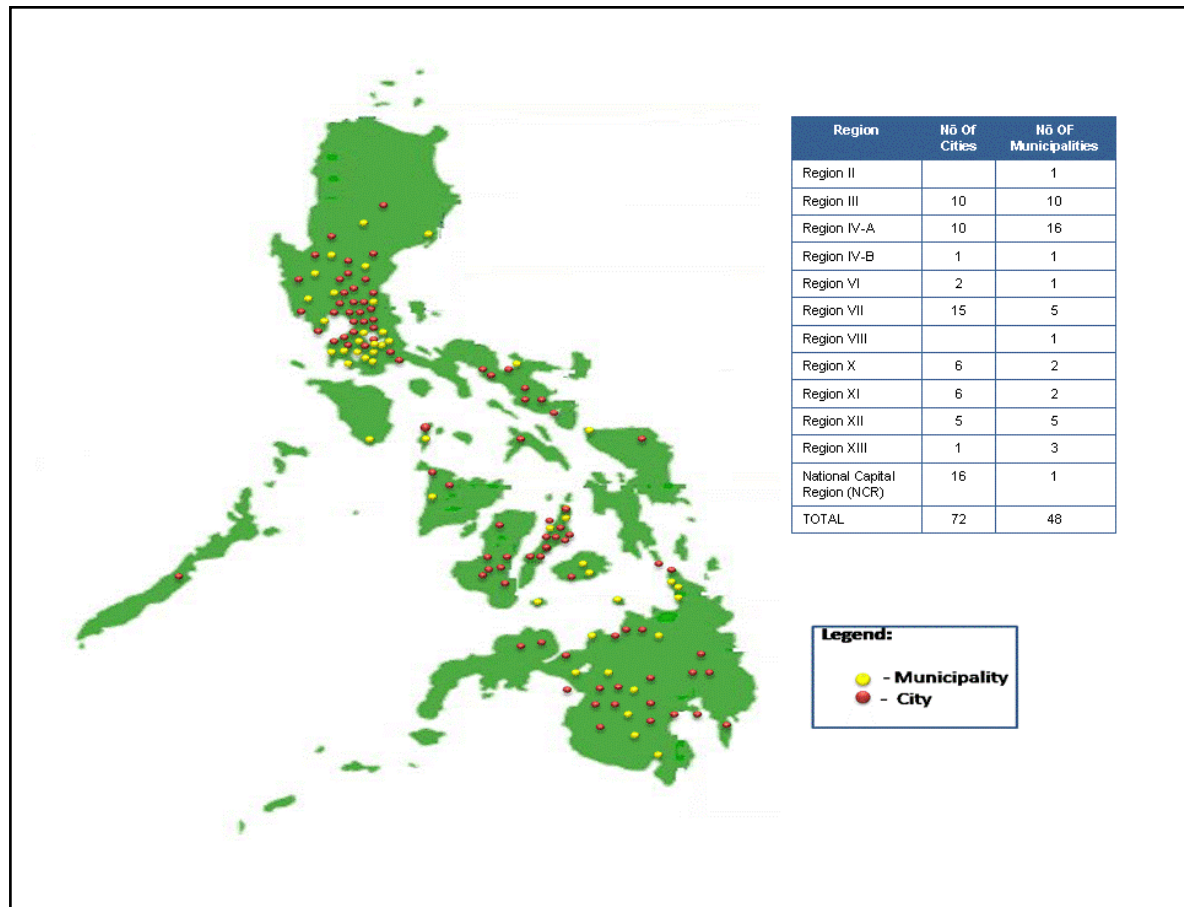
1. streamlining regulatory processes, initially those dealing with businesses, as means of cutting down the opportunities for bribery and other forms of corruption
2. implementing the Anti-Red Tape Act of 2007 which is aimed at expediting transactions with government through the formulation of the Citizen's Charter
3. enjoining LGUs to participate in the Enhanced Local Government Performance Management System (LGPMS) for better informed decision-making that would allow for greater participation of stakeholders in tracking performance and exacting accountability from LCEs

The 120 LGUs covered under this PIP were selected based on the following criteria:

- LGUs with the most number of business establishments which have oftentimes been targets of corrupt practices by local public servants
- Investment potential of LGUs so that governance reforms are likely to have impact in terms of improving competitiveness and generating investments
- Commitment to reforms as evidenced by awards received (e.g. Galing Pook Awards) or participation in developmental projects (e.g. Cities' Development Strategy of the World Bank, ADB's Comprehensive Development Plan Formulation Project)

Using these criteria, Figure 1 provides a summary of the covered LGUs composed of 72 cities and 48 municipalities. The detailed list of the identified LGUs is contained in Annex A.

Figure 1: Summary of 120 Local Government Units



A.1 Streamlining of Business Permits and Licensing System (BPLS)

To reduce cost of doing business by fostering greater efficiency in processing business permits and licenses is the primordial intent of streamlining the BPLS. This will be achieved through the implementation of the following standards in processing permits:

1. limiting the processing time of LGUs to a maximum of ten days for new business applications and five days for business renewals
2. using one single form for new applications and renewals by LGUs
3. limiting the number of steps in processing new applications to maximum of five steps, and renewals to a maximum of four steps.

The project will involve (1) capability building for BPLS streamlining; (2) organizing the regional offices of the Department of Trade and Industry (DTI) and Department of the Interior and Local Government (DILG) to work with LGUs in implementing the BPLS reforms; and (3) harmonizing different initiatives by development partners on BPLS streamlining.

A.2. Anti-Red Tape Act (ARTA) of 2007

At the local level, DILG has set up its centerpiece program in support of ARTA. Called the Comprehensive and Unified Response to Eliminate (CURE) Red Tape, the program aims to track and ensure full compliance of LGUs with the major provisions of the law.

The Program involves three components, namely:

1. General advocacy through orientations
2. Capacity building
3. Policy and performance audit through the Policy Audit and Compliance Tracking (PACT) System

A.3 Enhanced Local Government Performance Management System (LGPMS)

An initiative to ensure effective and responsive local governance is the Enhanced Local Government Performance Management System (LGPMS). It is a self-assessment management on-line national information system on local government.

As a web-based system, it has the ability to generate information on the state of local governance performance and the state of local development using governance and development indicators.

Governance indicators are collected and reported annually which are intended to provide information for policy reforms as well as assessment of the governance effectiveness of the LGUs.

Through the State of the Local Governance Report, an LGU is able to communicate the LGPMS results to its constituents. This effort combined with posting of the e-State of Local Governance Report, the e-Report on Financial Performance (including utilization of funds) and the State of Local Development on the LGPMS website is intended to increase public awareness.

In the same manner, LGPMS is expected to be a springboard for enhancing transparency as it provides wider space for decision-making and multi-sectoral participation.

B. Policy Improvement Process on the Institutionalization of the Balanced Scorecard System in Six (6) National Government Agencies.

As a strategic planning and performance management tool, the Balanced Scorecard (BSC) is used extensively in the private sector, non profit organizations and even in the public sector worldwide. To ensure a more 'balanced' view of organizational performance, BSC tracks and measures performance given the following perspectives: constituency, process excellence, learning and growth and finance.

The Performance Governance System (PGS) is the Philippine adaptation of the BSC model considering the country's local conditions. It brings to fore the need to have a

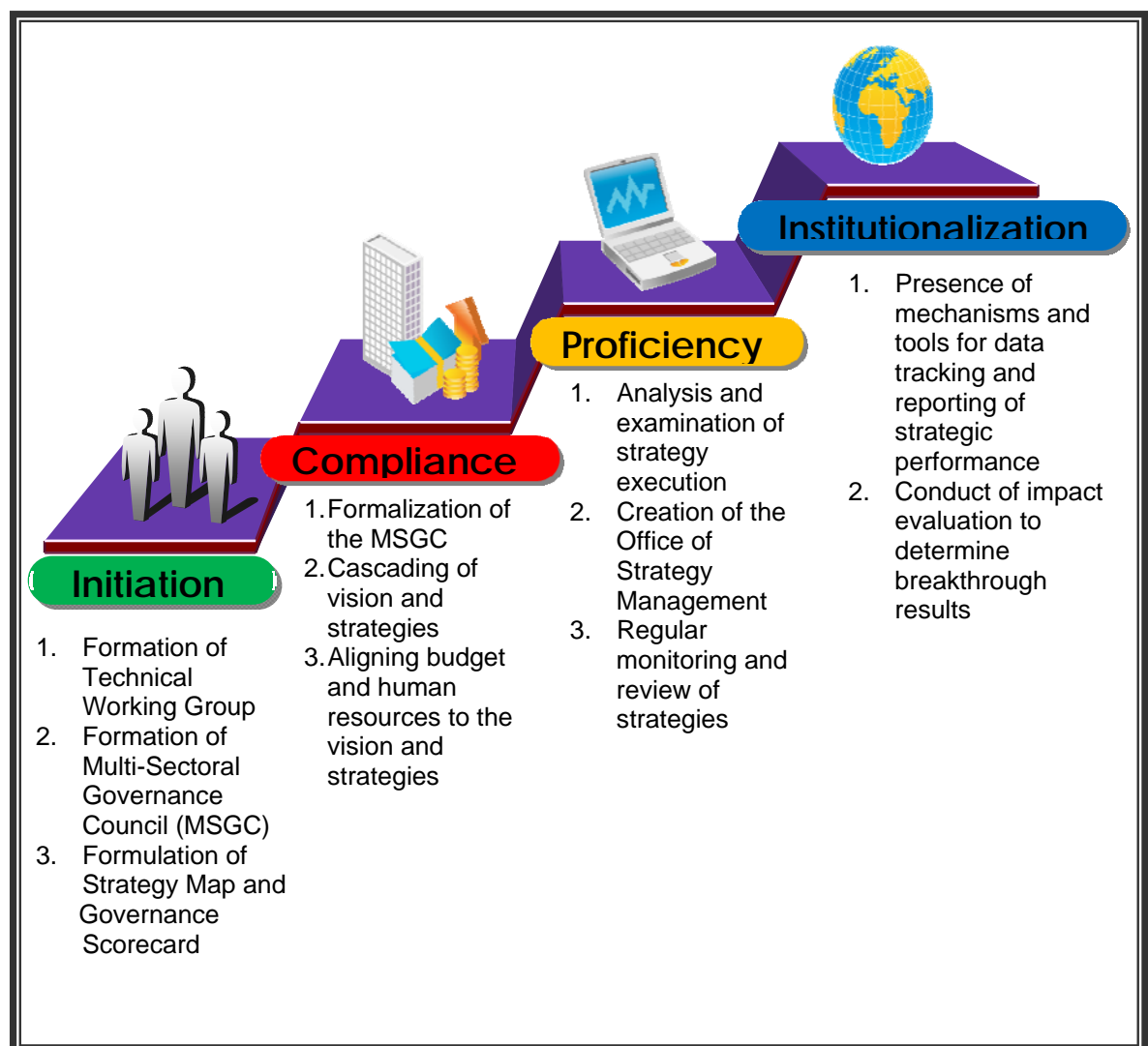
common reference for governance initiatives. Leveraging on public-private sector partnership, the PGS puts premium on strategy formulation and execution to effect breakthrough results.

The PGS roadmap and scorecard allow government agencies to be assessed objectively, and therefore foster transparency and accountability in the different tiers of the organization.

In addition, the participation of multi-sectoral stakeholders through the Multi-Sectoral Governance Coalition ensures that there is a collective stance to control corruption to bring the organization closer to its desired state.

As contained in Figure 2, PGS is divided into four stages, namely: Initiation, Compliance, Proficiency, and Institutionalization. The sequencing of stages is designed in a manner that each will build on each other as a guide from strategy identification and formulation leading towards successful strategy execution. Consequently, specific requirements have to be complied with before moving on to the next stage.

Figure 2: Stages of the Performance Governance System



Six national government agencies were selected to institutionalize the PGS based on the following selection criteria: (1) significant revenue generation; (2) high levels of procurement; (3) major spending on infrastructure; and (4) institutional gains in improving their integrity systems based on their higher than average scores in the Integrity Development Review conducted by the Office of the Ombudsman in 2009. These agencies are:

1. Department of Education
2. Department of Health
3. Department of Public Works and Highways
4. Department of Transportation and Communication
5. Bureau of Internal Revenue
6. Philippine National Police

A seventh national government agency, the Department of Social Welfare and Development (DSWD), is being proposed for PGS institutionalization. A recipient of the Millennium Challenge Account - Philippines (MCAP), DSWD is tasked to implement the KC-OBAMA (Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery Social Services - Operations for Barangay and Municipal Assistance).

To achieve a balanced perspective, the different control of corruption initiatives enumerated in the succeeding discussion were subsumed given the four BSC perspectives, namely Constituency, Process Excellence, Learning and Growth and Finance.

B.1. Constituency Perspective

One major governance initiative subsumed under the constituency perspective is the implementation of the Anti-Red Tape Act (ARTA) of 2007. In broad strokes, ARTA aims to ensure fast, efficient, reliable and convenient services to the public. To be able to achieve this, agencies need to comply with the service standards contained in their Citizen's Charter. In addition, with the establishment of the public assistance desks and regular conduct of the Report Card Survey, it is expected that complaints and feedback generated shall be used as inputs for planning and continuous improvement.

Customer satisfaction rating shall be derived from the Report Card Survey that will be undertaken by the agencies.

In the same manner, to exact compliance from the six agencies and their respective regional offices, they are expected to comply with ALL of the following major provisions of the law, namely:

- approved Citizen's Charter;
- posted its Citizen's Charter in the form of information billboards in most conspicuous places;

- developed published materials; and
- established its public assistance desks.

To ensure that the Citizen's Charter will remain responsive to the needs of the clients given the changing times, all agencies shall review their Citizen's Charter whenever necessary but not less than once every two years as provided for in the ARTA.

B.2 Process Excellence Perspective

Instituting procurement reforms through the implementation of the Government Procurement Reform Act will be the main initiative under process excellence.

To address the peculiarities and nuances of government agencies with respect to their mandates, the six agencies are formulating and updating their procurement manual taking into account the revisions outlined in the Revised Implementing Rules and Regulations of the procurement law.

There are also agency-specific reforms to foster transparency and accountability in the procurement process.

In support of its School-Based Management Program, DepED has decentralized the procurement process through the Principal-led System. The intent is to reduce procurement timelines to readily address the needs of the schools.

For its part, the DPWH is pursuing the following interventions aimed at enhancing transparency in road construction and maintenance:

- Civil Works Registry
- Document Tracking System
- Road and Bridge Information Application

Aside from procurement reforms, the Integrity Development Action Plan is also highlighted to make systems of government more corruption-resistant. To demonstrate progress, IDAP Rank is used as the indicator.

Another intervention that agencies identified is ISO certification of their core offices and services. This holds true for DPWH and PNP.

In the case of BIR, four (4) reforms on systems improvement to enhance organizational capacity and tax administration were identified. These reforms are as follows: iRETURNS project; Electronic Revenue Assurance; Track & Trace System for Excisable Products; and OPLAN Kandado.

B.3 Learning and Growth Perspective

Foremost among the interventions to develop a critical mass of public servants to achieve zero tolerance for corruption is the Moral Renewal Action Plan (MRAP) Program. In 2009, all six agencies have formulated and submitted to PAGC their respective MRAP.

To set the stage and maintain the required momentum to achieve MRAP goals, sustained training program is imperative. For this purpose, number or percentage of participants that attended relevant MRAP training for each agency is used as an indicator.

There are also critical training programs that necessitate participation of government personnel. One of these is procurement training intended for all government procurement practitioners.

Another training pertains to Strengthening of Internal Audit System in agencies such as DepED, DoH and DOTC.

Lastly, BIR is committed to undertake the Statement of Assets, Liabilities and Networth training to beef up capability of BIR personnel to do lifestyle checks.

B.4. Finance Perspective

To address problems on manual accounting system and improve accountability and governance through transparency in government financial management, the Commission on Audit (COA) developed the Electronic New Government Accounting System (e-NGAS) that generates and ensures correct, reliable, and timely recording of financial transactions of government agencies.

In case of the DPWH, it has already installed e-NGAS in the Central Office down to its 16 Regional Offices and 99 District Engineering Offices. By 2010, it targets e-NGAS installation in all 50 remaining District Engineering Offices. In the same manner, the DOH has already installed e-NGAS in its 22 offices covering the Central Office and all CHDs. By 2010, it targets a figure of 35 offices accounting for additional offices and hospitals.

C. Policy Improvement Process on Improving Transparency in Budget Delivery

The GRP recognizes the need to enhance governance in the public sector by putting Anti-Corruption at the forefront of its priorities. In the MTPDP 2004-2010, the strengthening of financial accountability reforms¹, particularly the computerization and development of a Government Integrated Financial System, was identified. In 2008, however, the International Budget Partnership (IBP), through its Open Budget Index, gave the Philippines an overall score of 48% which means that the GOP “provides some information to the public in its budget documents during the year.”² The 2008 Open Budget Index rating is three percentage points (3%) lower than the 2006 rating given by IBP.

¹ In the MTPDP, three areas of reform for anti-corruption efforts were identified, namely: (1) punitive measures, (2) preventive measures, and (3) promotion of zero tolerance for corruption through societal values formation. Strengthening of financial accountability reforms, along with strengthening of anti-corruption laws. Improvement of integrity systems, and the conduct of integrity development reviews, is the identified efforts under preventive measures.

² From the International Budget Partnership's Open Budget Index website at http://openbudgetindex.org/files/cs_philippines.pdf. In the assessment of the Philippine budget process, it was determined that 6 out of 8 Key Budget Documents and Citizens Budget are made available but the quality and level of details within the reports could be improved. Moreover,

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In addition, in an analysis of Former DBM Secretary Emilia T. Boncodin of the national budgeting system,³ various opportunities for corruption in each step of the budget process were identified.



Source: Boncodin, 2009. Citizen Engagement in Anti-Corruption Programs in the Philippines: The Budget Network Case.

In 2009, the Public Expenditure and Financial Accountability Program (PEFA) identified the fractious Philippine public financial management system in oversight agencies as one of the weaknesses in budget execution and financial management reporting. These oversight agencies are: Commission on Audit (COA), Department of Budget and Management (DBM), and Department of Finance (DOF).⁴

In an assessment of the Philippine Budget Process and Governance Effectiveness,⁵ former DBM Secretary Boncodin gave a rating of “Poor” to: (1) Predictability of Payments/

opportunities for citizen participation and the capacity and independence of the audit institutions need room for improvement.

³ Boncodin, 2009. Citizen Engagement in Anti-Corruption Programs in the Philippines: The Budget Network Case. A paper presented during the World Civic Forum in Seoul, Korea, 5-8 May 2009.

⁴ As cited by the Asian Development Bank (ADB) in the Technical Assistance Report for Republic of the Philippines: Strengthening Transparency and Accountability in the Road Subsector, December 2009.

⁵ From the Case Study: The influence of the budget process on governance effectiveness by former DBM Secretary Emilia T. Boncodin, as commissioned by the Human Development Network in 2008.

Responses, (2) Compliance to laws, and (3) Transparency among the performance indicators of governance effectiveness of the budget process (Annex E).

DBM is mandated to promote sound, efficient, and effective management and utilization of government resources. As the lead agency in PIP for improving transparency in the budget delivery process, DBM is intensifying its efforts in enhancing internal management towards transparency, equity, and accountability.

DBM operates under the principle that IT-based systems and improvements are effective anti-corruption tools in that these reduce discretion and direct contact between clients and process owners, while enhancing efficiency and transparency. Hence, the DBM is currently developing and/or enhancing the following: Electronic Lump-sum Appropriations Monitoring (eLAMP), and Document Tracking System (DTS). Annex F shows the detailed initiatives and reforms of the DBM in improving transparency in the budget delivery process.

C.1. The Electronic Lump-sum Appropriations Monitoring (eLAMP) System

The Electronic Lump-sum Appropriations Monitoring (eLAMP) system, the banner IT-based reform of DBM and part of the technical assistance provided by the USAID through the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE), is a web-based application designed to streamline and automate the processing, releasing and tracking of lump-sum funds (LSF) which comprise 20% of total national government budget (2009). The system covers the processing of Special Allotment Release Orders (SARO) prior to the release of Notice of Cash Allocations (NCA) to DBM's client agencies. NCAs are released depending on the cash position of the government and, upon issuance, allow agencies to draw cheques from accredited banks against the Internal Revenue Allotment (IRA) of local governments from national taxes, and the congressional allocations under the Priority Development Assistance Fund or PDAF, public works (for the Dept of Public Works and Highways or DPWH) and school building projects (SBP) nationwide.

Through the eLAMP, access of all stakeholders (LGUs, implementing agencies, beneficiary communities, the general public, etc.) to information on the release of funds will be enhanced. Moreover, eLAMP discourages possible corruption from any government official who may solicit bribes in exchange for supposedly facilitating the release of payments from DBM to suppliers even if the funds have actually already been released by DBM.

In addition, the system will enable the users to collate information on the SARO and NCA documents for generating reports, which can be used for internal or management decision purposes and for posting on the website.

The eLAMP's specific objectives are:

1. Streamline and automate the preparation of Special Allotment Release Orders (SAROs) and Notices of Cash Allocations (NCAs) for the following lump-sum projects/funds:
 - a) Priority Development Assistance Fund (PDAF)
 - b) DPWH Congressional Allocation for Infrastructure (DPWH-CA)
 - c) Allocations to local government units (LGUs) covered by the Internal revenue Allotment (IRA)
 - d) School Building Program (SBP)
2. Automate the budget releasing process on a nationwide basis to complement the implementation of the electronic mode of transactions across government agencies;
3. Upgrade the existing document management system to enable the storage of relevant data and provision of a secure and real-time inquiry for the public and DBM clients on the status of exchanges of documents between DBM, the LGUs, and other government units; and
4. Enhance the capability of the DBM website with an efficient content management system for greater user satisfaction.

On April 24, 2009, Asiagate Networks, Inc. completed and turned over the eLAMP system to DBM for implementation in selected operating units. However, prior to actual implementation, several issues, particularly some insufficient functionalities were discovered. Hence, implementation of the eLAMP was deferred until the resolution of the system issues. To date, the DBM and eLAMP's developer are focused on the completion of enhancements for the eLAMP administrative system and four lump-sum modules.⁶

In 2010, the modules for the electronic processing and releasing of the SAROs for PDAF, DPWH-CA, and SBP would be completed. Enhancements for the module on IRA, on the other hand, would be completed by the first quarter of 2011.

The DBM envisions that, by 2014, all lump-sum releases would be processed through the eLAMP. In the meantime, the DBM targets the gradual increase in the percentage of SAROs (in number and Peso value) processed through eLAMP from 50% in 2010 to 95% in 2013. This shall result in the overall reduction in processing time between request, release of SAROs and posting of information in the DBM website from the baseline of 5-10 days in 2009 to 3 days in 2012.

Aside from the system and module enhancements, the DBM and its private sector partners are currently developing the survey tools and methodology to determine the baseline and subsequent targets, on the level of user satisfaction for eLAMP. In addition, information, education and communication (IEC) activities shall be conducted to promote eLAMP and to determine the extent to which budget information on the lump-sum funds

⁶ The four lump-sum modules are: School-Building Program (SBP) Fund module, Internal Revenue Allotment (IRA) module, Priority Development Assistance Fund (PDAF) module, and DPWH Congressional Allocation (DPWH-CA) module.

are being accessed by the public. The exact activities and performance indicators, however, are still being developed.

C.2. The Document Tracking System (DTS)

The DBM Document Tracking System (DTS) aims to prevent unnecessary delays in processing by keeping track of and managing action documents.

Upon completion of its enhancements, the DTS shall be the main system within the DBM to store and track SAROS, NCAs, requests, and other pertinent action documents.

By the end of 2010, the DBM envisions that 30% of NCAs processed shall be coursed through the DTS, resulting in a five (5) day reduction in response time on between request for the NCA and the response of DBM. Through the DTS, DBM also aims to reduce the processing time between request and release of the NCA. For instance, NCA releases for PDAF shall only be 40 days by 2011, from 55 days in 2009. NCA processing for IRA would be reduced to 5 days this year, from last year's 10 days.

PART 5: CONTINUITY AND SUSTAINABILITY OF IMPROVEMENTS

As contained in its MTPDP, the GRP is earnest in the control of corruption in the country. For years, the country has instituted administrative and legislative measures that will minimize, if not totally eradicate the opportunities for corruption.

The fight against corruption is not easy, considering the resources required to reform the bureaucracy and other government instrumentalities and make them resistant to corruption. However by implementing a plan of action in partnership with the MCC, the GRP is confident that it will make marked improvement in terms of policy performance.

The GRP is aware that its efforts to make life better for the Filipino people are undermined with the siphoning of scarce resources to illegitimate purposes. This is the driving force that guides government agencies both at the national and local levels to come up with measures to control corruption. The GRP is positive that the MCC shares this aspiration and with the grant of compact status to the Philippines, the GRP will be in a better position and better prepared to meet head-on the remaining challenge associated with sustaining efforts to make integrity a cornerstone of Philippine governance.

The PIPs possess key features that target continuity and sustainability of the improvements. One feature is the private-public composition of the project teams. Business leaders representing private groups working with government agencies typify the private-public cooperation which is successful in other endeavors such as the National Competitiveness Council.

Conscious efforts to engage career officials of the agencies involved in support of the top, politically appointed cabinet secretaries, were made to draw on their wealth of expertise on the processes involved.

The move towards reforming organization dynamics such as the Balanced Scorecard System places in a broader perspective the stakeholders involved in ensuring the achievements of their objectives. Cascading the initiatives to all levels of the organization, drawing external stakeholders in its implementation, and conducting monitoring sessions with private sector leaders, are all part of the transformation.

The POC is suggesting the creation of the Presidential Council for Governance and Competitiveness, which will involve the consolidation of the MCA Taskforce and National Competitiveness Council to ensure the sustainable achievement of the objectives indicated in the Action Plan. The proposal is undergoing Completed Staff Work by the Office of the President.

As part of the GRP Communication Strategy, there will be an exclusive website, www.governance.org.ph, which will be devoted to governance issues both for the PIP

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projects and GRP key initiatives against corruption. This will enable the public and civil society especially the NGOs to send their comments/views as they monitor the teams' progress.

All of the above elements assure not only the prompt execution of the process improvement plans to achieve early harvests, but also the continuing drive even after a change in political leadership in the future.

ANNEXES



Annex A. List of 120 LGUs Sparkplugs for Governance and Economic Development

| Region | Province | City | Municipality |
|--------|--|--|--|
| NCR | | <ol style="list-style-type: none"> 1. Quezon 2. Manila 3. Makati 4. Caloocan 5. Parañaque 6. Pasig 7. Pasay 8. Las Piñas 9. Mandaluyong 10. Valenzuela 11. Muntinlupa 12. Marikina 13. Taguig 14. San Juan 15. Malabon 16. Navotas | <ol style="list-style-type: none"> 1. Pateros |
| II | Nueva Vizcaya | | <ol style="list-style-type: none"> 2. Quezon |
| III | Bataan Bulacan Nueva Ecija Pampanga Tarlac Zambales Aurora | <ol style="list-style-type: none"> 17. Balanga (Capital) 18. Malolos (Capital) 19. Meycauayan 20. San Jose del Monte 21. Cabanatuan (Capital) 22. Gapan 23. Angeles 24. San Fernando (Capital) 25. Tarlac (Capital) 26. Olongapo | <ol style="list-style-type: none"> 3. Mariveles 4. Sta. Maria 5. Baliuag 6. Marilao 7. Mabalacat 8. Guagua 9. Concepcion 10. Subic 11. Sta. Cruz 12. Baler (Capital) |
| IV-A | Batangas Cavite Laguna Quezon Rizal | <ol style="list-style-type: none"> 27. Lipa 28. Batangas (Capital) 29. Tanauan 30. Trece Martires (Capital) 31. Cavite 32. Calamba 33. Sta. Rosa 34. San Pablo 35. Lucena 36. Antipolo | <ol style="list-style-type: none"> 13. Sto. Tomas 14. Dasmariñas 15. Bacoor 16. Imus 17. Carmona 18. Silang 19. Gen. Trias 20. Rosario 21. Biñan 22. San Pedro 23. Cabuyao 24. Los Baños 25. Sta. Cruz (Capital) 26. Cainta 27. Taytay 28. San Mateo |
| IV-B | Occidental Mindoro Palawan | <ol style="list-style-type: none"> 37. Puerto Princesa (Capital) | <ol style="list-style-type: none"> 29. San Jose |
| VI | Iloilo Aklan Negros Occidental | <ol style="list-style-type: none"> 38. Iloilo(Capital) 39. Bacolod (Capital) | <ol style="list-style-type: none"> 30. Kalibo (Capital) |

| Region | Province | City | Municipality |
|---------------|-----------------------|--|--|
| VII | Bohol | 40. Tagbilaran | 31. Panglao 32. Loboc |
| | Cebu | 41. Cebu (Capital) 42. Mandaue 43. Lapu-lapu | 33. Catmon 34. Tabogon |
| | Negros Oriental | 44. Talisay 45. Danao 46. Carcar 47. Bogo 48. Toledo 49. Naga 50. Dumaguete (Capital) 51. Tanjay 52. Bayawan 53. Guihulngan 54. Bais | |
| | Siquijor | | 35. Siquijor |
| VIII | Northern Samar | | 36. Catarman |
| X | Bukidnon | 55. Malaybalay (Capital) 56. Valencia | |
| | Camiguin | | 37. Mambajao (Capital) |
| | Lanao del Norte | 57. Iligan | 38. Tubod (Capital) |
| | Misamis Occidental | 58. Ozamis 59. Oroquieta | |
| | Misamis Oriental | 60. Cagayan de Oro (Capital) | |
| XI | Davao del Norte | 61. Tagum (Capital) 62. Palabo 63. Samal | |
| | Davao del Sur | 64. Davao (Capital) 65. Digos | |
| | Davao Oriental | 66. Mati (Capital) | |
| | Compostela Valley | | 39. Nabunturan (Capital) 40. Compostela |
| XII | North Cotabato | 67. Kidapawan (Capital) | 41. Midsayap |
| | South Cotabato | 68. Gen. Santos (Capital) | 42. Polomolok |
| | | 69. Koronadal | 43. Tampakan |
| | Independent Component | 70. Cotabato | |
| | Sultan Kudarat | 71. Tacurong | 44. Isulan (Capital) |
| | Sarangani | | 45. Arabel (Capital) |
| | Surigao del Norte | 72. Surigao | 46. Mainit 47. Claver 48. Tubod |
| TOTAL | | 72 | 48 |

Annex B. Policy Improvement Process Matrix on Developing 120 LGUs As Sparkplugs for Governance and Economic Development

| |
|---|
| Ruling Justly: Control of Corruption (Source: World Bank Institute) |
| Focal Person: Undersecretary Austere Panadero (Department of the Interior and Local Government - DILG) |

| FACTORS AFFECTING INDICATOR PERFORMANCE | PROPOSED ACTIONS/ ON-GOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | | PERSON RESPONSIBLE | |
|---|---|-------------------------------|---|-----------|---|----------|----------------|------|------|------|------|--------------------|---|
| | | Expected Results | | Indicator | | Baseline | Annual Targets | | | | | | |
| | | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | TOTAL |
| High incidence of financial corruption in the form of demands for special payments and bribes connected with regulatory functions and ordinance powers intersecting with business requirements for prompt clearances and approvals. (International Country Risk Guide 2007) | 1. Streamlining of Business Permits and Licensing | 1.1 | Reduced red tape and eliminated informal payments | 1.1.a | Number of LGUs which adopted any of the three standards set by government in processing new business applications or business renewals ¹ | 5 | 15 | 25 | 25 | 25 | 25 | 120 | DILG, Undersecretary Austere Panadero Department of Trade and Industry (DTI), Undersecretary Zenaida Maglaya |
| | 2. Anti-Red Tape Act of 2007 The DILG has set up the Comprehensive and Unified Response to Eliminate | 2.1 | Ensured fast, efficient, reliable and convenient and services to the public | 2.1.a | Number of LGUs that complied with ALL of the following: • Formulated the Citizen's Charter | 50 | 10 | 15 | 15 | 15 | 15 | 120 | DILG - Bureau of Local Government Supervision, Dir. Rolando Acosta |

¹ The standards set by government include: (1) one form; (2) number of processing days to be limited to the requirements consistent with the Anti-Red Tape Act of 10 days for new business and five days for business renewals; and (3) number of steps, i.e. 4 steps for business renewal and 5 steps for new applications

| FACTORS AFFECTING INDICATOR PERFORMANCE | PROPOSED ACTIONS/ ON-GOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | PERSON RESPONSIBLE | | | |
|--|--|-------------------------------|---|-----------|--|----------------|------|------|------|------|--------------------|-------|--|--|
| | | Expected Results | | Indicator | Baseline | Annual Targets | | | | | | | | |
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | TOTAL | | |
| | (CURE) Red Tape to track the compliance of LGUs to RA 9485. <ul style="list-style-type: none"> Regular monitoring of compliance with RA 9485 Development of the DILG's Policy Audit and Compliance Tracking (PACT) system including the construction of a database and preparation of regular reports | | | | <ul style="list-style-type: none"> - published form - billboard • Established public assistance/ complaints desk • Established one-stop shops • Established courtesy lane for pregnant women, senior citizens and persons with disabilities | | | | | | | | | |
| There is an absence of processes at the local level which ensures accountability and transparency in decision making and disclosure of | 3. Enhanced Local Governance Performance Management System | 3.1 | Effective and responsive local governance | 3.1.a | Number of LGUs which have electronically-generated reports posted at the LGPMS available for | | | | | | | | | DILG – Bureau of Local Government Supervision, Dir. Rolando Acosta |

| FACTORS AFFECTING INDICATOR PERFORMANCE | PROPOSED ACTIONS/ ON-GOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | PERSON RESPONSIBLE | |
|---|--|-------------------------------|--|--|------------------------|----------------|------|------|------|------|--------------------|-------|
| | | Expected Results | | Indicator | Baseline | Annual Targets | | | | | | |
| | | | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | TOTAL |
| information to the constituents. There are few opportunities for broader civil society involvement (WB) | <p>Performance management and development tool that involves not only the LGUs and DILG but also the major stakeholders in the locality.</p> <p>The State of the Local Governance Performance Report is used as the main vehicle to communicate the LGPMS results to a wide range of LGU stakeholders.</p> <ul style="list-style-type: none"> • Posting of reports on the LGPMS website | | | public viewing | | | | | | | | |
| | | | | <ul style="list-style-type: none"> • State of the Local Governance Performance Report | Posting starts in 2010 | 35 | 30 | 30 | 25 | - | 120 | |
| | | | | <ul style="list-style-type: none"> • Financial performance report | Posting starts in 2010 | 35 | 30 | 30 | 25 | - | 120 | |
| | | | | <ul style="list-style-type: none"> • State of Local Development Report | Posting starts in 2010 | 35 | - | - | 85 | - | 120 | |

Annex C. Policy Improvement Process on the Institutionalization of the Balanced Score Card in Six National Agencies

Ruling Justly: Control of Corruption (Source: World Bank Institute)

| FACTORS AFFECTING INDICATOR | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|---|---|-------------------------------|--|----------------------|----------------------|---|
| | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | 2009 | 2010 | |
| Corruption is not only a symptom of failed governance, but it can also act to further weaken the governance environment (AIM Policy Center) | <p>The Performance Governance System (PGS) is a local adaptation of the Balanced Scorecard (BSC) for tracking performance using critical measures to ensure organizational reform.</p> <p>The PGS allows for multi-sectoral participation in translating the agency vision into executable strategies and realizable initiatives. In order to achieve breakthrough results in the governance arena, the agencies need to undertake the following stages:</p> <p>1. Initiation</p> <ul style="list-style-type: none"> • Revisiting Vision, Mission, Goals, and Core Values; • Crafting the Strategy Map and Governance Scorecard. <p>2. Compliance</p> <ul style="list-style-type: none"> • Cascading the high-level strategy into various and geographical units of the agency. • Alignment of units and resources in support of the high-level strategies and initiatives <p>3. Proficiency</p> <ul style="list-style-type: none"> • Execution of strategies • Monitoring strategies. <p>4. Institutionalization</p> <ul style="list-style-type: none"> • Conduct of impact evaluation. | Improved agency performance | Number of agencies that completed each stage | 6 agencies initiated | 6 agencies compliant | <p>BIR: Commissioner of Internal Revenue Joel Tan-Torres DepED: Sec. Jesli Lapus DOH: Sec. Esperanza Cabral DOTC: Sec. Leandro Mendoza DPWH: Sec. Victor Domingo PNP: Chief Jesus Versoza</p> <p>DAP: Pres. Antonio Kalaw, Jr.</p> <p>Private Sector - ISA: Chair Jesus Estanislao</p> |

| FACTORS AFFECTING INDICATOR | | | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|--|---|-----|-------|---|---|---|---|---|--|
| | | | | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | | | | 2009 | 2010 | |
| CONSTITUENCY PERSPECTIVE | | | | | | | | | |
| Red tape associated with starting and operating a business is considered a constraint. (Asian Development Bank 2007) | 1 | | | Anti-Red Tape Act of 2007 (applicable to six agencies) | Fast, efficient, reliable and convenient services | Customer satisfaction rating | <i>-not applicable to five (5) agencies- (being developed and will be generated through the Report Card Survey)</i> | | BIR: CIR. Joel Tan-Torres DepED: Sec. Jesli Lapus DOH: Sec. Esperanza Cabral DOTC: Sec. Leandro Mendoza DPWH: Sec. Victor Domingo PNP: ChiefJesus Versoza |
| For businesses the payment of small bribes, or lagay, to "improve communication" during negotiations has been a common practice, and many local officials rely on such payments to supplement their incomes. (Global Insight 2007) | | | | | | Number of agencies and regional offices that are compliant with ALL of the following provisions of the ARTA: -Approval of the submitted CC ² -Posting of the information billboard in conspicuous place -Development of published materials | 6 | BIR: 1 HO, 19 ROs and 126 Revenue District Offices DepEd: 1 CO and 17 Ros DOH: 1 CO and 17 Ros DOTC: 1 CO and 16 Ros DPWH: 1 CO and 16 Ros PNP: 1 NHQ and 17 ROs | BIR: CIR. Joel Tan-Torres DepED: Sec. Jesli Lapus DOH: Sec. Esperanza Cabral DOTC: Sec. Leandro Mendoza DPWH: Sec. Victor Domingo PNP: ChiefJesus Versoza |
| | | 1.1 | 1.1.a | Bureau of Internal Revenue Institutionalization of the Taxpayer Satisfaction Survey to be conducted by an independent contractor to gauge public perception on BIR services such as filing and payment, information on projects and programs. | Improved Taxpayer Satisfaction | Taxpayer satisfaction Rating (scale of 1-very unsatisfied to 5 - highly satisfied) | | <i>Initial taxpayer satisfaction survey is still being developed and conducted.</i> | 4 Taxpayer Assistance Service (TAS) - Zenaida B. Chang |

| FACTORS AFFECTING INDICATOR | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE | |
|--|---|------------------------------------|--|--|---|---------------------|--|---|
| | | | Expected Results | Indicator | Baseline | Target ¹ | | |
| | | | | | 2009 | 2010 | | |
| PROCESS EXCELLENCE | | | | | | | | |
| Perception that collusion or rigging of bids is common, particularly for big ticket contracts. Among the multiple constraints identified by the assessment team are: tedious payment processes, the intervention of politicians in the procurement process, cumbersome procurement requirements, and | 2 | | Implementation of Government Procurement Reform Act (GPRA) (applicable to six agencies) | Enhanced transparency and streamlined procurement process. | Number of agencies with approved customized procurement manual consistent with the revised IRR of GPRA ³ | 1 | 6 | DOH: Usec Alexander Padilla DepED: Director Aida Carpintero DPWH: Usec Romeo Momo for Luzon; Usec Rafael Yabut for Visayas; and Usec Bashir Rasuman for Mindanao DOTC: PNP: Directorate for Logistics BIR: |
| | | 2.1 | Department of Public Works and Highways | | | | | |
| | | 2.1.a | Civil Works Registry <i>Stores and checks the eligibility requirements of contractors; automates and expedites the eligibility checking process to ensure only eligible contractors can participate in the bidding process with no human intervention</i> | Enhanced transparency and streamlined procurement process. | Number of BAC installed with Civil Works Registry | 1 (Central Office) | 16 (Regional Office) 52 (District Office) | Usec Romeo Momo for Luzon; Usec Rafael Yabut for Visayas; and Usec Bashir Rasuman for Mindanao |
| difficulties in securing licenses and permits. (WB Assessment on Procurement 2008) | 2 | 2.1.b | Document Tracking System <i>Automated tracking system to monitor contract procurement, contract processing and payment of claims vis a vis prescribed timelines.</i> | Enhanced transparency and streamlined processes in DPWH transactions | Percentage compliance to prescribed timelines | 75% | 80% | Procurement Office and all heads of offices Asec Raul Asis Director Elizabeth Yap |
| | | 2.1.c | Road and Bridge Information Application (RBIA) <i>Database of road and bridge inventory, needs and conditions for prioritization of projects based on technical and economic factors</i> | Enhanced transparency in road services | Percentage of national roads paved International Rough Index | 75.15% 5.5 | 76.82% 5.5 | All Planning and Maintenance Offices Nationwide headed by Asec. Maria Catalina Cabral, PhD |

| FACTORS AFFECTING INDICATOR | PROPOSED ACTIONS / ONGOING REFORMS | | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|-----------------------------|------------------------------------|--|---|---|---|----------------------|---|
| | | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | | 2009 | 2010 | |
| | 2.2 | Department of Education | | | | | |
| | 2.2.a | Principal-led School Based Management Scheme <i>Customization of the procurement procedures was decentralized to schools</i> | Reduced procurement timelines | Number of schools implementing Principal-led system | 11,378 | 11,757 | Physical Facilities and School Engineering Division: Director Oliver Hernandez |
| | 3 | Integrity Development Action Plan (applicable to six agencies) <i>Serves as the national anticorruption framework in the areas of prevention, education, deterrence, and strategic partnership.</i> | Improved systems integrity | improved IDAP rank | | | |
| | 3.1 | BIR | | | 5th | rank of at least 5th | CIR Joel Tan-Torres |
| | 3.2 | DepED | | | 8th | rank of at least 8th | Usec. Franklin Sunga |
| | 3.3 | DOH | | | 1st | 1st | Usec David J. Lozada, Jr. |
| | 3.4 | DOTC | | | 10th | rank of at least 9th | Div. Chief Emelita S. Raffles |
| | 3.5 | DPWH | | | 3rd | rank of at least 3rd | IDC head: Asec Raul C. Asis |
| | 3.6 | PNP | | | 4th | rank of at least 4th | Directorate for Operations and Directorate for Personnel and Records Management |
| | 4 | ISO Certification | | | | | |
| | 4.1 | Department of Public Works and Highways | Improved project implementation | Percentage of DWPH contractors | 6.84 | 28% | Procurement Office for Civil Works: Engr. Emerson Benitez |
| | 4.1.a | ISO Certification Program for DPWH Contractors | Improved project implementation | Percentage of DWPH contractors | 6.84 | 28% | |
| | | 4.1.b | ISO Certification Program for DPWH core processes | Standardized and improved processes and procedures in office operations | Number of processes for ISO certification | 0 | 5 |

| FACTORS AFFECTING INDICATOR | | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|--|---|-------|--|---|---|----------|---------------------|---|
| | | | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | | | 2009 | 2010 | |
| In practice, there is poor public perception of police action on complaints, which adversely affects the number of people reporting crimes and complaints. (Global Integrity 2008) | 4 | 4.2 | Philippine National Police | | | | | |
| | | 4.2a | ISO Certification | Achieved excellence in QUAD + operations | Number of services for ISO Certification | 1 | 13 | Directorate for Operations (DO) Highway Patrol Group (HPG) Firearms and Explosives Division (FED) Security Agency and Guards Supervision Division (SAGSD) Crime Laboratory Group (CLG) PNP Training Service (PNPTS) WCPC Human Rights Affairs Office (HRAO) Directorate for Intelligence (DI) |
| | | 4.3 | Department of Transportation and Communications | | | | | |
| | | 4.3.a | ISO Certification for DOTC processes | Standardized and improved processes and procedures in office operations | Number of DOTC processes with ISO certification | 3 | 9 | Usec. Anneli Lontoc |

| FACTORS AFFECTING INDICATOR | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|--|-------|--|--|--|---|---|--|
| | | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | | 2009 | 2010 | |
| Respondents to the 2005 Investment Climate Survey identified inefficiencies and lack of transparency in the tax administration as a constraint to doing business, with about 26% of the firms considering these as major or severe constraints. (ADB 2007) | 5 | Tax Administration Systems Improvement | | | | | |
| | 5.1 | Bureau of Internal Revenue | | | | | |
| | 5.1.a | 7.1.c. Roll out of iRETURNS project to facilitate document retrieval for taxpayers thru electronic scanning, document imaging and capturing of tax return data using Optical Character Recognition (OCR) technology | Expanded coverage of the iReturns project in district offices. | Number of district offices implementing the iReturns project. | 2 district offices (representing 2.36% of annual collections) | 3 additional district offices | Operations Group (Nelson Aspe) and ISG |
| | 5.1.b | Continue project on Electronic Revenue Assurance to establish a direct link with taxpayers to capture transactions of large firms in real time for later matching with tax declarations | Established the Electronic Revenue Assurance System. | Stage of development/implementation of the Electronic Revenue Assurance System | Start of conception stage approved | Proof of concept and TORs completed | Large Taxpayers Service (LTS) Task Force Nestor S. Valeroso |
| | 5.1.c | Formulate an objective Track & Trace System for Excisable Products for cigarette, alcohol, other similar products to determine if correct excise taxes have been paid prior to removal and detect non-payment of excise tax. | Established the Track & Trace System for Excisable Products | Stage of implementation of the Track & Trace System for Excisable Products | Concept under review | Contract awarded to cover cigarette products <i>By 2015: Operational for cigarette & alcohol products; By 2020: Add other excisable products</i> | Large Taxpayers Service |
| The World Bank identifies the maze of complex tax rulings and procedures, the lack of a national audit plan and inadequate performance management system as key contributors to high discretionary powers in the tax bureau. (IMF / World Bank 2007) | 5.1.d | Sustained implementation of OPLAN Kandado by shutting down business establishments that do not comply with tax laws despite sufficient notice of violations committed | Increased tax compliance of business establishments | Number of tax evading business establishments shut down | 387 business establishments were closed (as of September 2009). This is 82.17% of the 471 target set. | <i>-not applicable- This project is currently under Temporary Restraining Order by the courts</i> | CIR/DCIR-OG/RDs/RDOs |

| FACTORS AFFECTING INDICATOR | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE |
|--|-----|--|---|---|--|--|---|
| | | | Expected Results | Indicator | Baseline | Target ¹ | |
| | | | | | 2009 | 2010 | |
| LEARNING AND GROWTH | | | | | | | |
| Corruption is not only a symptom of failed governance, but it can also act to further weaken the governance environment. (AIM Policy Center) | 6 | Moral Recovery Action Plan (MRAP) <i>Focuses on values formation and ethical behavior for government officers and employees, as well as the strengthening of people's values to achieve zero tolerance for corruption.</i> | Improved ethical leadership within the organization | Percentage of employees that attended training with moral renewal | | | |
| | 6.1 | Department of Transportation and Communications | | | 30% of all officials and employees at the Central Office | 75% of all employees at the Central Office | Usec. Thompson Lanchon |
| | 6.2 | Department of Public Works and Highways | | | 10% of all officials and employees | 10% of all employees nationwide | IDC head, Asec. Raul Asis |
| | 6.3 | Philippine National Police | | Number of Trainees attending Moral Renewal or Recovery | 281,190 ⁴ | 25,780 | Directorate for Police Community Relations and Directorate for Human Resources and Doctrine Development |
| | 7 | Procurement Training | Professionalized public procurement practitioners | Number of procurement personnel that attended training | | | |
| | 7.1 | Department of Health | | | 21 | 23 | Health Human resource and Development Bureau: Director Kenneth G. Ronquillo |
| | 7.2 | Department of Transportation and Communications | | | 12 | 70 | HRDD Director Rowena Quiogue |
| | 7.3 | Philippine National Police | | | 164 | all BAC members nationwide | Directorate for Logistics |
| | 8 | Strengthening of the Internal Audit System | Strengthened internal controls | Number of participants in Internal Audit Training Programs | | | |
| | 8.1 | Department of Education | | | 14 | 5 | Usec. Jesus Galvan |
| | 8.2 | Department of Health | | | 12 | 17 | IAS Director Ma. Carolina Taino |
| | 8.3 | Department of Transportation and Communications | | | 10 | 4 | HRDD Director Rowena Quiogue |
| | 9 | Training on the Analysis of Statements of Liabilities and Networth (SALN) | Enhanced capability to do lifestyle checks | Type of training conducted and attended by all Internal Security Division Staff | | | |
| | 9.1 | Bureau of Internal Revenue | | | Basic | Specialized | CIR Joel Tan-Torres |

| FACTORS AFFECTING INDICATOR | | PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | OFFICES/PERSONS RESPONSIBLE | |
|-----------------------------|------|--|--|---|----------|---|--|--|
| | | | Expected Results | Indicator | Baseline | Target ¹ | | |
| | | | | | 2009 | 2010 | | |
| FINANCE PERSPECTIVE | | | | | | | | |
| | 10 | Electronic New Government Accounting System (eNGAs) | Efficient and timely financial reporting | Number of offices that installed e-NGAS | | | | |
| | 10.1 | Department of Health | | | | 22 | 35 | Financial and Management Service (OIC Director Laureano C. Cruz) |
| | 10.2 | Department of Public Works and Highways | | | | 116 (CO, 16 Regional Offices, 99 District Engineering Offices) | 166 (CO, 16 Regional Offices, 149 District Engineering Offices) | IDC head: Asec Raul C. Asis |

Notes:

¹These targets will be updated to include years 2011-2015 in the progress monitoring report that the GRP will submit to MCC.

² As provided for the ARTA, the agency shall review the CC whenever necessary but not less than once every two years. Hence updating of the CC shall be done.

³ From 2010 onwards, compliance monitoring and implementation of the customized procurement manual will be undertaken

⁴ There were four (4) training topics covered in 2009. Thus, possible double counting of training participants may have occurred.

Annex D. Partner Civil Society Organizations of the Six National Government Agencies

| | |
|---|--|
| National Citizens' Movement for Free Elections (NAMFREL) | Regular member of the DOH Integrity Development Committee (The DOH Integrity Development Committee was created last January 7, 2005) |
| | Member of DepED Procurement Watch which utilize citizens and community organizations to participate in monitoring the procurement and delivery process and conduct an analytical assessment to ascertain the efficiency in time, cost and compliance in the law. |
| Transparency and Accountability Network (TAN) | Regular member of the DOH Integrity Development Committee (The DOH Integrity Development Committee was created last January 7, 2005) |
| | Actively involved in the anti-corruption measures in BIR in all the stages of the procurement process especially in the pre-bid conference, opening of bids, bid evaluation, post-qualification, contract award and BAC Special Meetings. |
| Procurement Watch | Monitor public biddings of various NGAs and submits to the Head of the Bids and Awards Committee a Diagnostic Report reflecting actual observations on the bidding activity monitored. |
| G-Watch | Aims to systematize and institutionalize the mobilization, capacity-building and recognition of citizen's organizations as procurement observers in order to increase and sustain the supply of Central Office observers. |
| | Participate as observers in the Bids and Awards Committee activities for all regional and district offices of the DPWH |
| Bantay Lansangan | Bantay Lansangan is currently involved in monitoring the performance of the Department of Public Works and Highways (DPWH), so as to reduce the costs for road construction and maintenance, increase road users' satisfaction, and improve the public's perception of the DPWH. |
| Coalition Against Corruption (CAC) | CAC deployed observers in the Bids and Awards Committees of the Department of Public Works and Highways-Region IV-A (DPWH), Philippine National Police (PNP), and the Department of Health (DOH). |
| Ateneo de Manila University | Participate in the procurement and delivery of school building, textbooks and furniture at the national and local levels |
| Boy Scouts of the Philippines | Participate in the procurement and delivery of school building, textbooks and furniture at the national and local levels |
| Girl Scouts of the Philippines | Participate in the procurement and delivery of school building, textbooks and furniture at the national and local levels |

Annex E. Assessment of the Governance Effectiveness of the Budget Execution in the Budget Process

| 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. |
| | 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 |

| 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 | 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 |

* E- Excellent, S- Satisfactory, P- Poor

Source: Boncodin, Emilia T., 2008. Case Study: The influence of the budget process on governance effectiveness.

Annex F. Policy Improvement Process Matrix on Improving Budget Transparency in Budget Delivery

| |
|---|
| Ruling Justly: Control of Corruption (Source: World Bank Institute) |
| Indicator Sub-Component: Budget Release Transparency |
| Factor Affecting Indicator Performance: Public access generally limited to lump sum appropriations as details on itemized budget allocations are not always available to the public (Global Integrity 2006). |
| Focal Person: Undersecretary Mario L. Relampagos (Department of Budget and Management – DBM) |

| PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | PERSON RESPONSIBLE | | |
|---|-------------------------------|---|----------|--|------|------|------|------|------|--------------------|------|------------------------|
| | Expected Results | Indicator | Baseline | Annual Targets | | | | | | | | |
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | | |
| 1. eLAMP. Review and addition of enhancements to the Electronic Lump Sum Appropriations Management Program (eLAMP) system, a web-based application designed to streamline and automate the processing, releasing and tracking of lump-sum funds (LSF) which comprises 20% of total national government budget (2009). The system covers the processing of Special Allotment Release Orders (SARO) prior to the release of Notice of Cash Allocations (NCA) which, depending on the cash position of the government, allows the release of funds from banks to the relevant government | 1.1 | Streamlined and automated the processing, releasing and tracking for Internal Revenue Allotment (IRA), for congressional allocation and for school building construction projects nationwide. | 1.1.a | SAROs processed through the eLAMP System | | | | | | | | Usec. Mario Relampagos |
| | | | i | Numbers (as %) | 0% | 50% | 80% | 90% | 95% | 100% | 100% | |
| | | | ii | Peso Value (as %) | 0% | 50% | 80% | 90% | 95% | 100% | 100% | |
| | | | 1.1.b | Processing time between request, release of SARO and posting of information in the DBM website (in days) | | | | | | | | |
| | | | i | PDAF | 10 | 5 | 4 | 3 | 3 | 3 | 3 | |
| | | | ii | DPWH-CA | 10 | 5 | 4 | 3 | 3 | 3 | 3 | |
| | | | iii | SBP | 5 | 5 | 4 | 3 | 3 | 3 | 3 | |

| PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | | PERSON RESPONSIBLE |
|--|-------------------------------|---|---|--|------|------|------|------|------|------|------------------------|
| | Expected Results | Indicator | Baseline | Annual Targets | | | | | | | |
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | |
| unit for the Internal Revenue Allotment (IRA) of local governments from national taxes, and the congressional allocations under the Priority Development Assistance Fund or PDAF, public works (for the Dept of Public Works and Highways or DPWH) and school building projects (SBP) nationwide. | 1.2 | Enhanced access of all stakeholders (LGUs, implementing agencies, beneficiary communities, etc.) to information on the release of funds and subsequently discourage corruption. | iv IRA | 5 | 5 | 4 | 3 | 3 | 3 | 3 | |
| | | | 1.2.a User satisfaction rating | <p><i>-User satisfaction survey is still being developed, targets would be set upon finalization of the 1st user satisfaction survey-</i></p> <p><i>In 2009, draft questionnaire has been formulated 3rd Q: Initial survey for baseline 4th Q, 2010 onwards: Quarterly surveys conducted</i></p> | | | | | | | |
| | | | i DBM Users | | | | | | | | |
| | | | ii Client Agencies as recipients of: PDAF DPWH -CA SBP IRA | | | | | | | | |
| 2. Document Tracking System (DTS). | 2.1 | Improved timeliness in service delivery. | 2.1.a NCAs processed through DTS | | | | | | | | Usec. Mario Relampagos |
| Development of a Document Tracking System (DTS) that centrally logs requests, keeps track of and manages action documents, and prevents unnecessary delays fund releases including the next stage of the process – the release of the Notice of Cash Allocation which authorizes the release of the check from banks. The system will allow the tracking of the request for NCA from the government agencies to the actual release of the NCA. | | | i Numbers (as %) | 0% | 30% | 70% | 80% | 90% | 100% | 100% | |
| | | | ii Peso Value (as %) | 0% | 30% | 70% | 80% | 90% | 100% | 100% | |
| | | | 2.1.b Processing time between request for NCA and DBM response (in days) | | | | | | | | |
| | | | i PDAF | 15 | 10 | 8 | 5 | 5 | 5 | 5 | |
| | | | ii DPWH -CA | 15 | 10 | 8 | 5 | 5 | 5 | 5 | |
| | | | iii SBP | 15 | 10 | 8 | 5 | 5 | 5 | 5 | |
| | | | iv IRA | 15 | 10 | 8 | 5 | 5 | 5 | 5 | |
| | | | 2.1.c Processing time between request for | | | | | | | | |

| PROPOSED ACTIONS / ONGOING REFORMS | TIMELINE AND EXPECTED RESULTS | | | | | | | | | | PERSON RESPONSIBLE | |
|------------------------------------|-------------------------------|-----------|--|----------------|------|------|------|------|------|----|--------------------|--|
| | Expected Results | Indicator | Baseline | Annual Targets | | | | | | | | |
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | | |
| | | | NCA and issuance of NCA ¹ (in days) | | | | | | | | | |
| | | i | PDAF ² | 55 | 45 | 40 | 40 | 40 | 40 | 40 | 40 | |
| | | ii | DPWH -CA | 40 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | |
| | | iii | SBP | 40 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | |
| | | iv | IRA | 10 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | |

¹ The release of NCA depends on revenue collections and cash available to the Government at any particular time. Hence, some NCAs, regardless of lump-sum type, may take a longer time to process and release than others, subject to available cash.)

² PDAF processing takes a longer time as it requires prior approval from the Office of the President.