

PHILIPPINES' POLICY IMPROVEMENT PROCESS

**MILLENNIUM CHALLENGE CORPORATION
INDICATOR ON CONTROL OF CORRUPTION**

November 2009

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PHILIPPINES' POLICY IMPROVEMENT PROCESS MILLENNIUM CHALLENGE CORPORATION INDICATOR ON CONTROL OF CORRUPTION

EXECUTIVE SUMMARY

At the request of the Millennium Challenge Corporation in late 2008, the Philippines decided to take a fresh approach of 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 current public and private sector initiatives.

The President appointed an MCC Point of Contact (POC) from the private sector who would be outside the MCA Philippines core team. The highest political will was also demonstrated by assigning her most senior cabinet member, the Executive Secretary Eduardo R. Ermita to be the coordinator of all inter-agency efforts of the PIP projects.

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 an uptick in COC indicator perceptions.

This report discusses in some detail three of the higher-priority projects, the outcomes that will be achieved after one year's time and the factors of corruption that are being addressed.

The process-improvement approach will overlap with on-going organization-reform efforts to strengthen the internal governance system and will involve external stakeholders as true partners, not merely watchdogs.

The PIP teams are aware that the proposed changes will have to be seen extensively through the sequential stages of planning, implementation, and institutionalization up to late 2011. The expected completion of the above stages will help assure the continuity and sustainability of these projects beyond impending change in national leadership after the mid-2010 elections.

It is hoped that the Board of Directors of MCC during their next meeting, will appreciate the “doability” of these three PIP projects, the commitments to results by both the government officials and the private sector leaders involved and the inevitable uptick in the country scorecard especially on COC.

This should enable the MCC to sign a Compact with the Philippines soon after their Board meeting, for the benefit of alleviating the plight of our poor sector and to further build the development partnership between the United States and the Philippines

PART 1: INTRODUCTION

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

The Board then believed that the Philippines should continue to develop the Compact proposal with MCC, even as it prepares to conclude in May 2009 a 32-month Threshold Program on anti-corruption and improving revenue administration under the MCC Millennium Challenge Account. Nonetheless, in order for the Philippines to sign a Compact Agreement, the Philippines should meet the eligibility criteria of the MCC in the areas of ruling justly, investing in people, economic freedom, and hurdle the anti-corruption indicator under the "ruling justly" category which it missed by 0.01%.

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 Philippines 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)** and 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 an evidence of the firm resolve of the Philippine Government in its fight against 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 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 having a team composed of the most senior government official in the concerned department

as champion, with a private person as a co-champion. This public-private partnership approach was well received by 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 that will deliver benefits to the constituents. 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 uptick in COC perception. MCC officials laud the unique and innovative approach to policy improvement as the process took shape promptly 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 Philippines (GOP) now hereby formally submits to the Millennium Challenge Corporation its proposed Policy Improvement Process (PIP), which aims to enhance GOP's efforts in controlling corruption and instituting good governance in the public sector which should result in improved scores in the COC index. The GOP commits to the various goals and integrity development action plans spelled out in this PIP.

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 goal 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 continues to damage the social fabric. Consequently, the GOP calls for a collective front in the fight against corruption and it has 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 was crafted which serves as the umbrella program for all anti-corruption initiatives undertaken by government and non-government organizations to ensure convergence of efforts. It utilized the frameworks of the United Nations Convention Against Corruption, Millennium Development Goals and the MTPDP.

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

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

The Philippines, however, does not take such unfavourable perception lightly and idly, and it remains resolute in its efforts against corruption. Said efforts and initiatives of the GOP are outlined under the following 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:

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 resulted to irregularities and budget losses and subsequent distortion in the quality and quantity of delivered public services. In response, the Government Procurement Reform Act of 2003 (R.A. 9184) was enacted to uphold transparency, accountability, equity, efficiency and economy in the procurement process.

In order to achieve the aforementioned objectives, the procurement law mandates the following: (1) wide dissemination of bid opportunities through the Philippine Government Electronic Procurement System; (2) participation of non-government organizations in the procurement process as observers; (3) streamlined procurement process uniformly applies 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. In this regard, a total of 3,197 public procurement personnel from 178 government agencies were trained on the law, its Implementing Rules and Regulations (IRR) and the Philippine Bidding Documents as of March 2009

Technology has been harnessed to further increase transparency in the procurement process. As of 2009, 8,467 government agencies and 38,976 suppliers have been registered in the Philippine Government Electronic Procurement System.

After extensive consultations with stakeholders, taking into account the Philippine experience on 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 as follows:

- 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.

To further enhance transparency, competitiveness and public accountability in government procurement, Executive Order No. 662 was issued in 2007 which led to the creation of the Procurement Transparency Group (PTG) composed of members from the 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. Out of the 43 projects initially identified to be monitored, 26 priority projects are being monitored by the PTG, which are in different stages of the project cycle. Results of monitoring the country's important infrastructure projects are uploaded in the PTG website to further foster transparency.

On the other hand, the Pro-Performance System (PPS) created pursuant to Executive Order 564 also provided the venue to widen the space for multi-sectoral participation. The PPS monitors the implementation of the Medium Term Philippine Investment Plan (MTPIP), State of the Nation Address (SONA) commitments, major infrastructure projects, health, education programs, and other Presidential directives.

In addition, the PPS and Procurement Transparency Group are tasked to review the road projects covered by the World Bank loan. In the same manner, the PPS and the National Economic and Development Authority undertake regular consultations with foreign-funding institutions to minimize, uncover, and address anomalies in foreign-funding projects.

With the multi-sectoral composition of the PPS, implementation issues (i.e. cost over run problems) have been addressed in a timely manner; completion of at least 39 of 149 priority projects has been fast tracked; and the launching of more than 26 projects for completion in 2009 has been facilitated.

2. Reducing Red Tape

Recognizing that red tape is a constraint to start and operate 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 a particular service; and the guaranteed performance level that the public may expect for that service. Information such as procedures to avail 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 were 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 directed agencies to undertake reengineering of frontline services. The law and its IRR direct agencies with frontline services 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. To ensure the law's successful implementation, the Civil Service Commission (CSC) is mandated to conduct regular compliance and performance monitoring.

Among the 4, 628 government entities nationwide being monitored by the CSC, 3,058 agencies and local government units (LGUs) are fully compliant with the ARTA's requirements on the institutionalization of a Citizen's Charter. The remaining 1,570 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 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, which is being undertaken in partnership with the Department of Finance, to run after tax cheats and delinquents is also an important vehicle highlighting 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 October 2009, 116 cases were filed, 99 of which are with the Department of Justice for action while 17 are pending before the courts.

A parallel effort being implemented at the Bureau of Customs is its Run After the Smugglers (RATS) Program. To beef up the capacity of the Bureau to run after smugglers, additional new lawyers were hired for deployment at the Finance Department and Office of the Solicitor General to prosecute custom-related cases. As a result, 78 criminal cases have been filed against 349 respondents covering shipments valued at Php1.7 billion. Administrative cases were also filed against erring customs personnel while eight personnel were relieved due to involvement in smuggling.

In addition, the Department of Finance's Revenue Integrity Protection Service also strengthens the fight against corruption in revenue-generating agencies.

5. Improving Systems to Control Corruption

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

- 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, is being 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, including 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) 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 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.

- c) Pre-audit by the Commission on Audit. Necessitated by the inadequacy in internal controls of government systems as exemplified by the frequency of 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
- d) National Government 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 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. To date, 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.
- e) Lateral Attrition Law. Altering the behavior of corrupt agents is also a function of good incentives and effective sanctions. To this effect, the Lateral Attrition Law was enacted which provides incentives and rewards for good performance (exceeding the target collections) and sanctions bad performance (collections shortfall and other unlawful behavior).
- f) 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 3 years, there is an observed dramatic improvement in its conviction rate: from 19% in 2006 to 55% in 2007, the conviction rate shot up to 73.42% in 2008.

The OMB filed 416 information before the *Sandiganbayan*, the anti-graft court in 2008, and 155 more information from January to July 2009. 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 a retired general of perjury. 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 ability of the OMB has been reinforced through a larger budgetary support which allowed it to increase the number of prosecutors and field investigators.

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

The OMB has been conducting Lifestyle Checks 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 a total of 153 punitive and 902 non-punitive penalties from 2001-2008. As of 2008, a total of 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 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 increased, reaching Php10.27 billion in 2008. Budget has been allocated to provide free legal representation for indigent litigants. In addition, court fees and other incidental expenses have been made affordable.

Launched in July 2008, the Case Management Information System is designed “to help the Judiciary unplug congested dockets and helps solve delays in case management and resolution” through the use of information technology. In conjunction to this, 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

The Justice on Wheels Program, a decongestion strategy, resulted in the release of 731 inmates after merely six (6) months of operations in 2008.

Screening for applicant to judicial posts is undertaken by an independent Judicial Bar Council.

As a result of the aforementioned reforms in the judiciary, improvements in the performance of the courts have been on the rise. Case disposition rate has been on the increasing trend, particularly for the Supreme Court from 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.

From the foregoing, it is evident that the GOP is making significant strides to control corruption. As previously stated, these initiatives, however, have not totally dispelled the perception of corruption in the government. To address this concern, the GOP commits to undertake several Policy Improvement Processes (PIPs) leveraging on public-private sector partnership.

Summary of Selected Figures

Reducing Red Tape

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

Status of ARTA Implementation	Government Agencies compliant with ARTA	Government Agencies non-compliant with ARTA
Fully compliant with ARTA implementation	3,058	
Citizen's Charter Finalized		365
Citizen's Charter Being Finalized		688
Ongoing ARTA compliance		200
Without Action on Citizen's Charter		317
Total number of government agencies	4,628	

Controlling Corruption in Revenue-Collecting Agencies

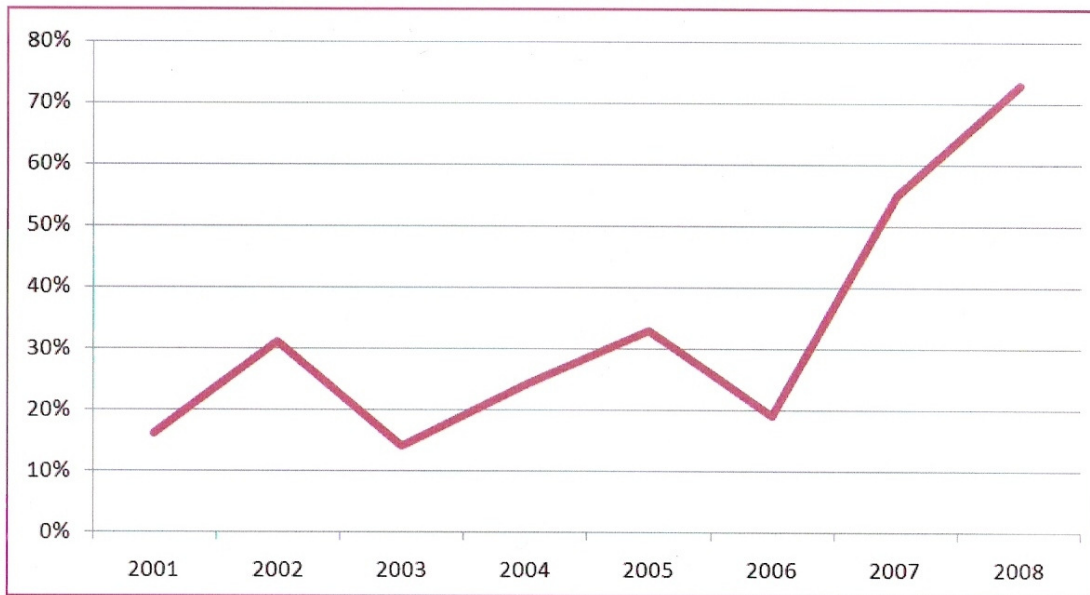
Case Filed under RATE (Run After Tax Evaders) Program

Status	No. of Cases
Pending before the DOJ	99
Pending before the courts	17
TOTAL	116

Source: Bureau of Internal Revenue, October 2009

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

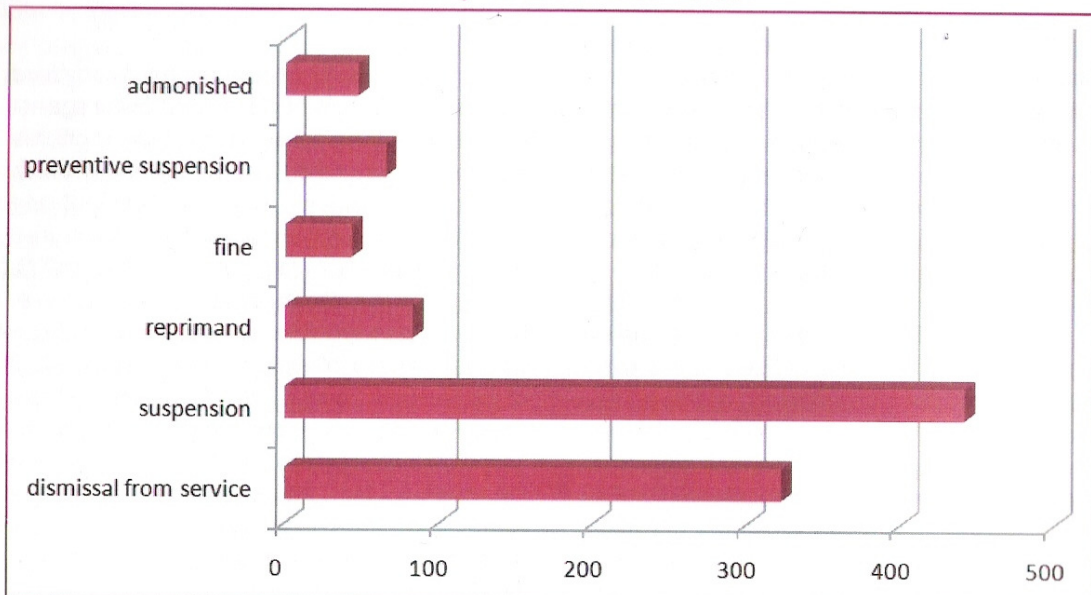
Conviction rate of the OMB from CY 2001 to 2008



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%
Jul2009	2,362	214	9%

Source: Sandiganbayan Statistics Office

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

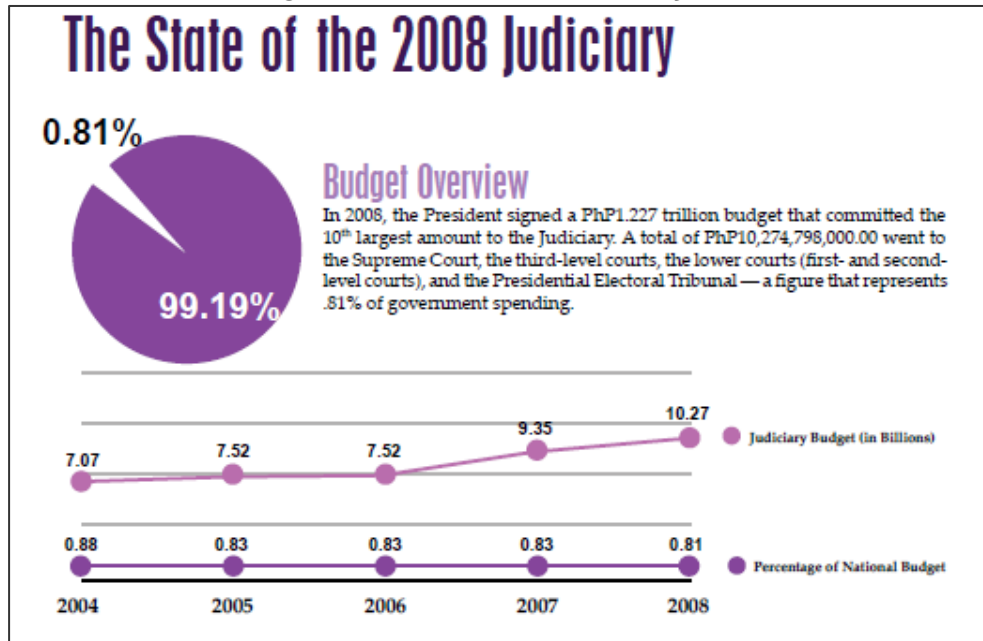
Sources: SC Annual Reports of 2006, 2007 and 2009

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 (MTDP) the selection criteria of ongoing high-impact government anti-corruption projects to showcase to MCC. Specifically, the MTDP 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. The third PIP project consists of mobilizing selected Local Government Units (LGUs) noted for their dynamic local chief executives in the creation and implementation of localized strategy plans as a bottom up approach to supplement the top-down approach of the national government to promote good governance and cascade anti-corruption efforts down to the local level. The aims of this project is to enhance / strengthen interaction with national government agencies, including the legislature, on national laws and regulations that impact on the development of LGU policies and procedures to combat corruption and ultimately 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

institutional strengthening of integrity systems to nurture good governance practices within government.

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 policy-making, 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 serves as a road map outlining the strategic and high-impact activities that demonstrate the Philippines' progress in addressing graft and corruption to meet the Control of Corruption criteria. The provided operational framework of each project functions as an operational tool to assess, monitor, and improve performance. For this purpose, the program tables follow the MCC-prescribed format detailing the indicator sub-component (as identified in the Indicator Analysis report of MCC dated May 2008), the factors affecting indicator performance (as stated in the same report and supplementary documentation from third party sources), proposed actions / ongoing reforms, proposed timelines of project outputs and outcome indicators (with 2009 baselines and 2010 objective targets) and the government offices responsible.

The selected PIP projects consist of:

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

The Local Government Unit (LGU) is the closest political entity to the people with its residents immediately feeling the trickledown effect of LGU policies, regulations, services including the impact of investments on its economic development. Thus, the need to harness LGU Local Chief Executives (LCEs) as sparkplugs for economic development in a bottom up approach to supplement the top-down approach of the national government.

In this connection, these LGUs are being prepared to reduced their processes in issuing business permits and licenses to be able to be comparable to the other half of the World Bank/IFC Doing Business Survey. This is the specific objective of one of the other PIP teams for which initial outcomes are expected by mid 2010.

Through its local chief executives (LCEs), the LGUs shall develop to change improvement agents with its empowered organization with the help of external stakeholders.

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

While this process consists of stages from Initiation to Institutionalization, it is expected that by the end of 2010, the Initiation stages would have been substantially complete

The NGAs were identified upon the recommendation of the Civil Service Commission (CSC) and the Development Academy of the Philippines (DAP) based on the selection criteria that operations of such agencies involve (1) significant revenue generation; (2) high levels of procurement; (3) major spending on infrastructure; and (4) which showed 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 six NGAs include:

- a. Department of Education
- b. Department of Health
- c. Department of Transportation and Communication
- d. Department of Public Works and Highways
- e. Bureau of Internal Revenue
- f. The Philippine National Police

C. Policy Improvement Process on Improving Transparency in Budget Delivery.

The Department of Budget and Management (DBM) has started work on an Electronic Lump Sum Appropriations Management Program (eLAMP) system which is a web-based application designed to streamline and automate the processing, releasing and tracking of lump-sum funds for local governments (from revenue collections on national taxes), for congressional pork-barrel projects and for a special project on building schools nationwide: and thereby lowering the likelihood of corruption by reducing the points of contact between DBM and project proponents. DBM is also developing a web portal to provide a common, standardized and central location for information within which basic transactions can also take place to raise public awareness and increase public confidence with DBM's stewardship on the budget process and enforce accountability of fund recipients. The system shall also allow access to barangays as to availability of funds for their IRA releases while targeting to increase the number of electronic and manual transactions processed per month. To monitor progress and user satisfaction, surveys and be conducted thru private chambers in a PPP approach.

PART 5: CONTINUITY AND SUSTAINABILITY OF IMPROVEMENTS

The strong presence of business leaders representing private groups' institutions in the project teams, working together with the concerned government agencies typifies the private-public cooperation which is successful in other endeavors such as the National Competitiveness Council.

Conscious efforts to engage the 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.

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.

As part of our Communication Strategy, there will be a section in the competitiveness website, www.competitive.org.ph that will be devoted to the progress of the PIP projects. This will enable the public and the civil society especially the NGOs, to send their comments/views as they monitor the team's progress. Such dialogues with external stakeholders will be ensured by the PIP teams.

It was made clear to participating private groups and agency officials that they will be required to see through the three stages of the projects:

<u>STAGES</u>	<u>PROJECTS STATUS</u>	<u>TIME FRAME</u>
Stage I	Roadmapping	Up to December '09
Stage II	Execution	Up to December '10
Stage III	Proficiency/ Institutionalization	Up to December '11

Policy Improvement Process on Developing 120 LGUs As Sparkplugs for Economic Development
Draft as of 23 Oct. 2009

<i>Ruling Justly: Control of Corruption (Source: World Bank Institute)</i>				
Indicator Sub-component	Factors Affecting Indicator Performance	Proposed Actions / Ongoing Reforms	Timeline and Expected Results	Persons Responsible
Local Government / Corruption in Rural Areas	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)	A. Identify 120 LGUs spread throughout the country to serve as "Sparkplugs" and models of good governance. ¹ These LGUs will undertake a three-pronged program aimed at (a) assisting the LGUs develop their potential to attract investments in any of the sector priorities of the government, e.g. agribusiness, tourism, mining and IT-Business processing outsourcing through more meaningful operationalization of public-private partnership (PPP); (b) effectively implementing performance management systems for better informed decision-making that would allow greater participation of stakeholders in tracking performance and in exacting accountability from local chief executives. (c) streamlining regulatory processes especially those dealing with businesses as means of cutting down the opportunities for bribery and other forms of corruption which is tackled in PIP # 3; The first program will have two components:		An LGU Sparkplugs Development Task Force will be organized with DILG Undersecretary Austere Panadero and Mr. Ruy Moreno of the National Competitiveness Council who will see through the three programs for the priority 120 LGUs under PIP2.

¹ Choice of the LGUs were based on: (1) their participation in various training programs in clustering, transformation and strategic development planning given by private, multilateral/ bilateral institutions, ex., WB/City Development Strategy, Balanced Scorecard, USAID/Transparent & Accountable Governance; (2) commitment and dynamism of Local Chief Executives and key LGU staff (i.e., head of planning); and (3) economic potential of the LGUs including their attractiveness to investors.

	<p>Local “bosses” from powerful families continue to play an overarching role in politics and hold an outsized share of land and corporate wealth and often control local areas, dominate local decisions about the use of public funds limiting accountability and encouraging abuses of power. (Freedom House 2007); Restricting few opportunities for broader civil society involvement (WB)</p> <p>There is lack of appreciation by LGUs in the cost of corruption which is the cause of joblessness.</p> <p>The move by investors to locate outside the capital is the opportunity to showcase the benefit of good public governance in terms of progressive community.</p>	<p>B. Component on Enhancing the Competitiveness of 120 Sparkplug LGUs</p> <p>1. Preparation of a mini-strategy plan for the sectors which the LGUs have a competitive advantage using the PPP framework to ensure broad-based support from all stakeholders in the community. The plan would have the following components:</p> <ul style="list-style-type: none"> • Shared vision for the LGU including the creation of a unique and sustainable competitive position in the sunrise industry • Strategic programs and projects that will make the LGU place and sector competitive which will be included in the LGU annual investment program to ensure funding support • Monitoring system to ensure the effective implementation of projects 	<p>Objective: To encourage transparency and broad participation in planning, budgeting and overall decision-making in the development of the LGU; to improve the attractiveness of the LGU as an investment site as means of promoting local economic development and generating employment and increased own-source revenues</p> <p>Baseline: A number of LGUs have undergone capacity building programs on planning, budgeting and other LGU core operations. These LGUs have comprehensive development plans or Executive Legislative Agendas as required by the Local Government Code and DILG directives. However, very few of these LGUs have undertaken strategic sector planning that will provide them with the strategic direction to develop competitive and world- class products.</p> <p>Target: Mini-strategy plans for 60 LGUs completed by <u>October</u> 2010 focusing on LGUs with potential in the four priority sectors of the government, i.e. agribusiness, mining, tourism and business processing-information technology (BPO-IT) in addition to the cities and municipalities in the Compact Program located in the provinces of Iloilo,</p>	<p>Government Sector Officials Usec A. Panadero with–Usec. O. Palbyab (Tourism); -Usec R. Paje (Mining); Comm. Ibrahim (CICT);Dir. M. Agbon (Agriculture)</p> <p>Private Sector Champions: Ruy Moreno; P Romualdez/Sammie Lim/Oscar Torralba/Oscar Sañez</p>
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			Albay and Samar. In Q4, 2011 – the rest of the 120 Sparkplugs will have mini-strategy plans	
		<p>C. The results shall be:</p> <ul style="list-style-type: none"> - More outward looking LCE and staff - Increased economic activity that shall provide the LGU with sources of revenue (revenue from permits, etc.) in addition to Internal Revenue Allotments (IRA) provided by the central government - More trust in the local bureaucracy by the people who feel the immediate effect of LGU governance. 	<p>Baseline: These data to be supplied by DILG - employment level in the LGUs; # of enterprises in the sunrise industry chosen; LGU budget mostly from IRA</p> <p>Output - In Q4 2010 - the first 60 LGUs will have generated 30% more jobs as a result of more investments in the defined industry sector; LGU Budget will be down to 60% from IRA.</p> <p>Baseline: Training required by the LGUs in Iloilo, Albay, Samar to be supplied by DILG</p>	<p>USec. Austere Panadero</p> <p>USec. Austere Panadero Ruy Moreno</p> <p>USec. Austere Panadero</p>

		<p>D. Trainings on leadership, governance and strategic planning for newly elected officials</p>	<p>Objective: To provide local chief executives who will win the 2010 election with the rudiments of governing LGUs and promote good leadership and governance practices</p> <p>Baseline: Started by DILG during the 2007 elections in partnership with the LGU Leagues</p> <p>Target: Cover at least 70 percent of first-time newly-elected Local Chief Executives</p>	<p>DILG Usec. Panadero with the LGU Leagues,</p>
	<p>There is absence of processes at the local level which ensures accountability and transparency in decision making and disclosure of information to the constituents. There are few opportunities for broader civil society involvement (WB)</p>	<p>E. Implementation of Local Performance Monitoring Systems</p> <p>1. Implementation of configured Local Government Performance Management System (LGPMS) of DILG</p> <ul style="list-style-type: none"> • Submission of data to the LGPMS • Inclusion of additional nine financial indicators in the LGPMS 	<p>Objective: To encourage good performance among LGUs and informed decision making based on performance standards and measurements</p> <p>Baseline: New LGPMS has just been reconfigured thru assistance from the Asian Development Bank (ADB); 14 core financial indicators for each LGU computed by the DOF at the national level</p> <p>Target: 70% compliance by provinces, and cities and municipalities (outside of ARMM) of LGPMS and the integration of the nine financial indicators using 2009 data by LGUs by August 2010.</p>	<p>DILG Usec. Panadero with LGU Leagues</p>

		<p>2. Preparation of the State of Local Governance Report including analysis of the financial and fiscal conditions of LGUs</p>	<p>Objective: Similar to the State of the Nation Address given by the President to Congress, the State of Governance Report which is based on the LGPMS will provide the LGU constituents with an assessment tool on the performance of the Local Chief Executive and can be used by the LCE as a rallying point for reforms and assistance from the private sector</p> <p>Baseline: Report has not been made using the new system</p> <p>Target: 70% of provinces, cities and municipalities (outside of ARMM) will prepare the report to be validated with DILG</p>	<p>Usec. Panadero and R.Y. Moreno</p>
		<p>3. Institutionalized the no. of external monitoring review by senior public and private sector officials to the LGUs to help implementation of mini-strategy plans, together with performance report system to DILG.</p>	<p>Baseline: External monitoring team's review with LCEs every 6 months/benchmark -10 LGUs</p> <p>Objective: In Q4 2010 - the first 60 LGUs will have 6 monthly reviews by an external monitoring team.</p>	<p>Usec. Panadero R.Y. Moreno</p>

		<p>4. The PPP Team will transform itself to be the LGU Sparkplugs Development Task Force chaired by USec. Austere Panadero and Mr. Ruy Moreno, who will see through Stage 1 (Roadmapping) in 2009, Stages 2 (execution), to Stage 3 (institutionalization) in 2012.</p>		<p>USec. Panadero R.Y. Moreno</p>
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POLICY IMPROVEMENT PROCESS ON THE INSTITUTIONALIZATION OF THE BALANCE SCORECARD SYSTEM IN SIX (6) NATIONAL GOVERNMENT AGENCIES. Draft as of 23 Oct. 2009

Indicator Sub-component: Procurement/ Red Tape/ Government Bureaucracy/ Tax Administration/ / Police and Enforcement

Ruling Justly: Control of Corruption (Source: World Bank Institute)			
Factors Affecting Indicator Performance (relevant National Government Agency)	Proposed Actions / Ongoing Reforms	Timeline and Expected Results	Responsible Persons
<p>Integrity Systems:</p> <p>Corruption is not only a symptom of failed governance, but it can also act to further weaken the governance environment. Thus, the bidder's acts of corruption exacerbate the inefficiency, and make it even more difficult to be disentangled from the web of corruption. (AIM Policy Center)</p>	<p>Establishment of the Performance Governance System (PGS) thru a private sector-led initiative to provide the infrastructure for public officials and citizens to work together in crafting a long-term reform agenda anchored on a strategy road map complete with internally-generated set of specific outputs, performance milestones and measurable targets that are monitored through a system of scorecards down to the operational level that is subject to an audited review with the private sector through a formalized four-stage accreditation process</p>	<p>2009: Completion of Phase 1: PGS Initiation with the establishment of the technical working group (composed of career public officials) and a multi-sectoral council (with external stakeholders) who both underwent training on the PGS and jointly produced a Charter Statement, a Strategy Map and a Governance Scorecard for the national government agency (2009)</p> <p>2010: Completion of Phase 2: PGS Compliance whereby the private sector verifies the cascading of the PGS concept down to the government operational units who develop their own respective targets and measures in the second-level scorecards, and the alignment of allocated resources and people to the strategy map</p>	<p>Executive Secretary Eduardo Ermita (OP), Jesus P. Estanislao (ISA) Antonio D. Kalaw, Jr. (DAP)</p>

The programs highlighted in gray are initiatives identified in the Performance Governance System that are subject to formal assessment of the private sector.

<p>1. PROCUREMENT (DOH, DEPED, DOTC):</p> <p>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, difficulties in securing licenses and permits, and lack of access to credit. (WB Assessment on Procurement 2008)</p> <p>Low number of bidders in public biddings due to lack of knowledge by private companies of how the public procurement system operates, because Government has not included them in its training program. (WB Assessment on Procurement 2008)</p>	<p><u>Dept of Health:</u> Continuous training on the Procurement Law (RA 9184) and its implementing rules and regulations for members of bids and awards committees (BAC) and technical working groups, BAC Secretariat, supply, property and finance staff members</p>	<p>2009: None yet 2010: 4 Refresher courses for 200 participants</p>	<p>COBAC, HHRDB, IAS, Financial Mgt. Service</p>
	<p><u>Dept of Health:</u> Roll out of the Electronic New Government Accounting System (e-NGAS) to strengthen Public Finance Management (PFM)</p> <p>Note: COA put a temporary stop to the e-NGAS roll out in June 2008 because they are upgrading the system. The DOH target will be reached if COA lifts the hold order early in the year).</p>	<p>2009: Installation in 22 offices and hospitals 2010: Installation in 63 additional offices and hospitals</p>	<p>Financial and Management Service (FMS)</p>
	<p><u>Dept of Health:</u> Strengthening of the Internal Audit Service following its establishment in 2008</p>	<p>2009: Ongoing on-the-job training of IAS personnel 2010: Formal training of IAS personnel on the risk based audit approach</p>	<p>DOH – Internal Audit Service</p>
	<p><u>Dept of Health:</u> Systems integration of procurement, logistics, warehousing, and finance management through computerization with the DOH-IMS as administrator</p>	<p>2009: Bidding for consultancy services completed 2011: Outsourcing of System Development, Test run of the developed software, User Training, Full system implementation</p>	<p>COBAC, FMS, MMD-AS, IMS, BIHC</p>

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	<p><u>Dept of Health:</u> Partnership w/ NGOs (National Movement for Free Elections (NAMFREL) and Transparency and Accountability Network (TAN) of the Coalition against Corruption are members of the DOH Integrity Development Committee.</p>	<p>2009: The Partnership remains strong. Besides monitoring DOH procurement activities, NAMFREL and TAN also participate in DOH – IDC workshops nationwide. 2010: ____</p>	<p>DOH – Integrity Development Committee</p>
	<p><u>Dept of Education:</u> Decentralization of procurement procedures at school level using Principal-led school-based management scheme for projects under grant or loan agreement following the WB procurement guidelines on shopping method of procurement</p> <p>Note: subject to approval of Congress in allowing DepED to continue with the Principal-led approach</p>	<p>2009: Implementation of SBP</p> <ul style="list-style-type: none"> ➤ Reduction in the delivery times of school furnitures from 150 days to 120 days ➤ Incurred savings from Php 16,182,372.64 to Php 38,889,778.51 ➤ The school system was able to infuse a total of 14,887 classrooms with assistance from the private sector. <p>2010: Implementation of Principal-led SBP especially in areas experiencing acute classroom shortage</p>	<p>DepEd - Physical Facilities and School Engineering Division; Procurement Service</p>
	<p><u>Dept of Education:</u> Mandatory registration and posting to Philippine Government Electronic Procurement System (PhilGEPS). This is the new internet-based central portal on all public procurement activities put up by the Dept of Budget and Management includes three features: (a) an Electronic Bulletin Board for posting procurement opportunities, notices, awards and reasons for award for government procurement; (b)</p>	<p>2009: Core DepED offices trained on the use of PhilGEPS ____</p> <p>2010: Conduct on-site training on the use of PhilGEPS for the remaining Regional and division offices including schools with fiscal autonomy</p>	

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	an Electronic Catalogue to support purchases of common goods, supplies, materials and equipment by public sector agencies. The catalogue is a listing of all the items available in the Procurement Service; and (c) a Supplier Registry for the registration of suppliers who wish to do business with government agencies		
	<u>Dept of Education: Partnership with NGOs at national and local levels on procurement of textbooks and construction materials for school buildings</u>	2009: 36 active civil society / NGOs in the various stages of the procurement process including Procurement Watch Inc.. 2010: Continue to link with NGOs and CSOs (Civil Society Organizations)	DepEd
	<u>Dept of Education: Involvement of stakeholders in the Textbook Watch program of the Department and Unbundling of textbook procurement (manuscript development from the printing and delivery of books)</u>	2009: Instituted textbook procurement reforms since 2006 which resulted to: ➤ Lowered the cost of textbooks from Php 70 – 120 to Php 37 – 59 ➤ Improved quality of paper used in the new textbooks from newsprint type 54 grams psqm to book quality 70 grams psqm 2010: Continue to engage Third Party Monitors during procurement processes. The Third Party Monitors shall serve as observers or witnesses during delivery of TXs / TMs, volunteers from the community, barangay, PTCA, LGUs, and other concerned	DepEd

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		civilians. This is disseminated during orientation workshops conducted on TX Count	
	<u>Dept of Transportation and Communications</u> – Implementation of specific provisions of IRR (as amended) of RA 9184 on Government Procurement Reform Act	2009: 100% compliance as of Sept 2009 2010: Continue implementation	
	<u>Dept of Transportation and Communications</u> – Institutionalization and Professionalization of the procurement process. (Compliance with DBM Memorandum Circular No. 517 re: Creation of the Procurement Service)	2009: Documents for the creation of the new service has been submitted to DBM last July 2009 for review and immediate action. 2010: Approval of DBM and implementation of proposed structure	
	<u>Dept of Transportation and Communications:</u> Preparation and implementation of institutional strengthening and capacity building on policy based budgeting system to ensure efficient, timely and effective allocation and utilization of resources	2009: None 2010: 75% of DOTC offices implementing effective policy based budgeting system	DOTC
	<u>Dept of Transportation and Communications:</u> Establishment of Transport Sector Consultative Council to ensure the participation of stakeholders at all levels	2009: Absent 2010: 25% Stakeholders' satisfaction rating	DOTC
1. PROCUREMENT (DPWH -1) Corruption is endemic in road building, permeating the entire life of road	Full implementation of Road Information Support System (RIMSS) for a computer based registry to automate and expedite post qualification process and conduct eligibility screening of civil works contractors	2009: Currently in use 2010: Upgrading of Quality Assurance for Civil Works Registry data and software to latest requirements	DPWH

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<p>projects, from bidding to completion...(involving) collusion among bidding contractors, ghost deliveries, ghost projects, the use of substandard materials, the intervention of politicians, and the outright bribery of highway officials. (Philippine Center for Investigative Journalism 2000)</p>	<p>Enhancements to Document Tracking System to streamline approval, track, and manage information on civil works including status of all contract related documents and billings of contractors for increased accountability</p>	<p>2009: In use and has reduced average contract approval time from 81 days to 41 days 2010: Interfaced with DPWH. This is the omnibus levels of authorities of DPWH officials, decentralizing accountability of authorities. (Dept Order 24 Series 2007)</p>	<p>DPWH</p>
	<p>Implement ISO certification program for public works contractors to comply and be recognized for conforming with internationally-accepted standards</p>	<p>2009: None 2010: All large B contractors according to RA 9184 are projects or contracts with total cost of more than Php 150 Million.</p>	<p>DPWH – Bids and Awards Committee (Central Office)</p>
	<p>Rollout of Automated Cost Estimation System (CES) to streamline procedures for cost estimation, bidding and award, and contract mgt. & monitoring</p>	<p>2009: Pilot testing started in 2007 2010: For Database finalization; 2011: Full implementation as a requirement under the National Road Improvement and Management Program (phase 2) of the World Bank</p>	<p>DPWH + World Bank</p>
<p>1. PROCUREMENT (DPWH - 2) The World Bank notes that at a national level, the budgeting process needs improvement to address</p>	<p>Implement reforms in financial and physical resource management at all levels in DPWH including (a) adherence to programming criteria among various external stakeholders; (b) strengthen supervision and monitoring & evaluation of project implementation (i.e time and cost control); and (c) enhance</p>	<p>2009: On going 2010: 50% of projects implemented in accordance with the Pavement Management System; 55% of projects completed on time and within budget; Two (2) systems</p>	<p>DPWH</p>

The programs highlighted in gray are initiatives identified in the Performance Governance System that are subject to formal assessment of the private sector.

perceptions of manipulation, especially the allocation for general maintenance and project listing in capital budgets, and to reduce the opportunity for budget realignment and authorization which at times have been instruments of cash diversion to local officials. (World Bank 2007)	resource planning and management systems	improved (among Right-of-Way, e-NGAS, heavy equipment and vehicles, IT equipment , land and buildings, and other assets)	
1. PROCUREMENT (DPWH -3) Experience under Phase 1 of the World Bank’s National Roads Improvement and Management Program indicated that... vulnerabilities remained in the bid evaluation and approval processes, and external pressures limited competition in the industry and resulted in prevalent over-pricing and a related misuse of public funds. (WB 2007)	Adoption and implementation of Integrity Development Action Plan developed with the Presidential Anti-Graft Commission (PAGC) with focus on the 22 “doables” through Prevention, Education, Deterrence, and Partnership	2009: No.3 (1st quarter 2009) in terms of compliance to identified “doables” from No.8 in 2006 2010: To be within top 3 level semestral ratings	DPWH + PAGC
	Implement reform activities following the Integrity Development Review (IDR) conducted with the Office of the Ombudsman which included a Corruption Resistance Review (CRR) and a Corruption Vulnerability Assessment (CVA)	2009: Ongoing 2010: Cascade Integrity Development Committee (IDC) in the Regional Offices and creation of Integrity Circles at the office level	DPWH + Office of the Ombudsman
	Enhance partnership with Non-Govt. Organizations such as the “Bantay Lansangan” (Road Watch) project that was required under the National Road Improvement and Management Program	2009: C+ approval rating in the Road Sector Status Report Card of Road Watch 2010: Maintain approval rating and	DPWH

The programs highlighted in gray are initiatives identified in the Performance Governance System that are subject to formal assessment of the private sector.

	(phase 2) of the World Bank and funded thru AusAID until March 2010 using volunteers technically trained to monitor and focus on uncovering any shortcuts which may indicate aspects of corruption and collusion on the part of various government representatives, consultants, and contractors	use of parallel, independent evaluation by Independent procurement Advisor/ Assessor	
<p>2. RED TAPE (DOH, DEPED, DOTC)</p> <p>Red tape associated with starting and operating a business is considered a constraint. (Asian Development Bank 2007)</p> <p>For businesses the payment of small bribes, or <i>lagay</i>, 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)</p>	Implementation of the Citizen’s Charter in All offices	2009: RA 9485 issued by the President for the Civil Service Commission (CSC) to ensure compliance. 2010 –Full Implementation expected	CSC Chairman All agency heads
	<u>Dept of Transportation and Communications:</u> Improvement of PPP processes and stronger public sector institutional context to create a conducive and dynamic environment for private-public sector partnership (PPP)	2009: <u>(no.)</u> transport projects implemented through PPP 2010: +25% increase of transport projects implemented through PPP	DOTC
	<u>Dept of Transportation and Communications:</u> Implementation of new disbursement procedures for locally funded infrastructure projects (Dept. Order No. 2009-07)	2009: 100% compliance	DOTC
	<u>Dept of Transportation and Communications:</u> Delegation / delineation of authority in DOTC-Central Office regarding _____ (Dept Order No. 2008-25)	2009: 100% compliance	DOTC
	<u>Dept of Transportation and Communications:</u> Inclusion of Anti Red Tape Act module in all re-orientation programs with 6 batches	2009: Implemented	DOTC
	<u>Dept of Transportation and Communications:</u> Implementation of Quality Management	2009: Absent 2010: 50% of DOTC offices	DOTC

The programs highlighted in gray are initiatives identified in the Performance Governance System that are subject to formal assessment of the private sector.

	System and other relevant ISO standards in all DOTC sectoral and attached agencies	certified to ISO standards	
<p>3. PUBLIC ADMINISTRATION / CIVIL SERVICE (DOH, DEPED, DOTC)</p> <p>Poorly paid bureaucrats have their own individual incentives for corrupt behavior, and are often able to engage in corrupt acts with impunity. (Freedom House 2007)</p> <p>The Asian Development Bank recommends that compensation and incentive structures in government be reviewed for better performance. (ADB 2007)</p> <p>In law, there are regulations governing gifts and hospitality offered to civil servants; however, these regulations are not enforced in practice. (Global Integrity 2007)</p> <p>Civil servants are legally required to recuse</p>	<p><u>Dept of Health:</u> Development of the DOH employees' manual incorporating therein the DOH Code of Conduct (COC) which consolidates the different DOH issuances on norms of behavior including the acceptance of gifts</p>	<p>2009: COC issued and Orientation workshops held at all DOH Center for Health Development offices</p> <p>2010: Disseminated to all DOH offices nationwide</p>	<p>DOH - Integrity Development Committee, HHRDB</p>
	<p><u>Dept of Health:</u> Implementation of a monitoring and evaluation system using a performance rating system in the balanced scorecard to measure the progress of the agency in contributing to the attainment of the goals of the DOH-Central Office, Center for Health Development (CHDs), and Hospitals</p>	<p>2009: to be determined</p> <p>2010: 50% rating in the balanced score card;</p>	<p>DOH-Bureau of Local Health Development (BLHD)</p> <p>Health Policy Development & Planning Bureau (HPDPB)</p>
	<p><u>Dept. of Health:</u> Strengthening of Internal Audit thru creation of DOH Internal Audit Service</p>	<p>2009: Started in 2008.</p> <p>2010: On-going on-the-job training of IAS personnel.</p>	<p>DOH</p>
	<p><u>Dept of Education:</u> Develop and institutionalize competency-based performance management system (hiring, deployment, promotion, professional development, appraisal, welfare) for all positions</p>	<p>2009: Salary Standardization Law 3 was recently approved which increases the salary of government employees. Not yet operational</p> <p>DepED has developed a National Competency –Based Teachers Standards (NCBTS) which became the basis for refining the hiring, deployment, appraisal, awards and</p>	<p>Basic Education Sector Reform Agenda (BESRA)</p> <p>Technical Working Groups (TWGs)</p>

The programs highlighted in gray are initiatives identified in the Performance Governance System that are subject to formal assessment of the private sector.

<p>themselves from policy decisions where their personal interests may be affected; however the requirements for civil service recusal from policy decisions affecting personal interests are not completely effective. (Global Integrity 2007)</p>		<p>recognition, etc., policies. It also became the basis for the issuance of DepED-CHED policy on pre-service for teachers.</p> <p>2010: Develop competency standards for school heads and other positions.</p> <p>Install Office Performance Evaluation System. It aims to: 1) Measures the collective performance of an office; 2) Focuses on outputs; 3) Uses a standard unit of measure; 4) Allows comparison of performance across offices or function; and 5) Applies to smallest operating units i.e. divisions of sections</p>	
	<p><u>Dept of Transportation and Communications:</u> Implementation of Government Rationalization Plan to strengthen policy making and supervisory capacity of the Department as Apex for transport policy, planning and coordination, and to guarantee a responsive and enabling organizational structure</p>	<p>2009: Absent</p> <p>2010: 10% completeness in the reorganization of DOTC for a new organizational structure</p>	<p>DOTC</p>

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	<u>Dept of Transportation and Communications:</u> Preparation and implementation of integrity development review, integrity development action plan, office performance evaluation system, moral renewal action plan and other governance strengthening measures in all attached and sectoral agencies to sustain a culture of excellence and service quality	2009: absent 2010: 50% average Performance Evaluation Rating of DOTC Employees	DOTC
4. TAX ADMINISTRATION -1 (BIR) 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)	Expanding Coverage of the Electronic Filing and Payment System (EFPS) for online filing and payment of internal revenue/taxes	2009: Available to all taxpayers; mandatory to all Large Taxpayers, top 20,000 Private corporations, & contractors of govt projects 2010: Include top 5,000 individual taxpayers	Operations Group (OG) + Information Systems Group (ISG)
	Implementation of the E-registration System for the online registration of taxpayers	2009: Available to the following: i) Single Proprietor; ii) Professional; iii) Mixed Income Earner; iv) Employers applying for TINs in behalf of their employees; v) Authorized Government Agencies and Instrumentalities (GAIs) applying TINs in behalf of taxpayers transacting with their office; vi) Other authorized users who were granted access to the system by the BIR 2010: Available for all taxpayer types	Taxpayers Assistance Service (TAS) thru Taxpayer Service Programs and Monitoring Division (TSPMD) and Security Management Division (SMD)

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	Establishment of a Single Taxpayer Database with migration of data from all existing databases	2009: Absent 2010: Continued implementation	Information Systems Group
	Clean-up of Registration Database to eliminate erroneous registration of tax types, enhance the accuracy of registration data and reduce invalid stop-filer cases	2009: task force created; Reduction of stop-filer cases by 10% (as of 2008) 2010: Continued implementation	Taxpayer Assistance Service and ISG
	Integration with the Philippine Business Registry of the Dept of Trade and Industry for on-line one-stop shop registration of new businesses as taxpayers	2009: Time required for Primary Registration and Release of TIN & Certificate of Registration is 5 days 2010: one day	Taxpayer Assistance Service
	Roll out of iRETURNS project for the electronic scanning, document imaging and capturing of tax return data using Optical Character Recognition (OCR) technology	2009: pilot in 2 sites 2010: rollout to 3 more sites	Operations Group and ISG
	Continue project on Electronic Revenue Assurance to establish a direct link with district offices thru telecommunication companies to capture transactions of taxpayers in real time for later matching with tax declarations	2009: Absent 2010: Project Study Concept Complete	Large Taxpayers Service (LTS) Task Force
	Formulate Track & Trace system for excisable products for cigarette, alcohol, other excisable products to determine if correct excise taxes have been paid prior to removal and detect non-payment of excise tax on selected products sold in the market.	2009: Absent 2010: Contract awarded for the system on cigarette products. 2015: Installed for alcohol products 2020: Installed for other excisable products	Large Taxpayers Service

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	Institutionalization of the Taxpayer Satisfaction Survey to be conducted by an independent contractor to selected taxpayers on the public perception on services, filing and payment, information on projects and programs of the BIR	2009: first survey conducted with Taxpayer Satisfaction Rating still to be determined 2010: Taxpayer Satisfaction Rating of 4 (scale of 1(very unsatisfied) to 5 (highly satisfied))	Taxpayer Assistance Service (TAS)
4. TAX ADMINISTRATION -2 (BIR) 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)	Dissemination of compendium of anti-corruption laws, rules and regulations	2009: posted in BIR website 2010: for updating as needed	Internal Security Division, Personnel Inquiry Division, ISG, Corporate Communications Division
	Application development for a Tax Rulings and Case management system to monitor and manage the BIR rulings, legal and administrative cases in a centralized data repository	2009: Procurement of a software solution for customization 2010: Contract awarded for a software solution	Legal Service
	Development of a National Audit and Information Plan (NAIP) based on risk analysis to help coordinate and manage audit and information activities based on available resources	2009: Development of a NAIP model 2010: full implementation	Assessment Service
	Implement use of comprehensive audit program using Computerized Assisted Audit Tools (CAATs) such as audit software in the examination of the taxpayers' books of accounts	2009: obtained 42 licenses for computerized audit tools 2010: Procurement of 250 licenses & 250 laptops; Retraining of revenue officers in the use of CAATs	Large Taxpayers Service / CAATs Team

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	Installation of a central / integrated, accessible Knowledge Database including Benchmark and Profiling information for objective criteria in selecting taxpayers for audit	2009: Absent 2010: 10 industry sectors with acceptable benchmarks	CIR / DCIR / RD / RDO
4. TAX ADMINISTRATION -3 (BIR) The BIR employs a substantial number of casual or contractual employees and numerous others that are hired by select officials and personnel to assist them in dealing with taxpayers. These salaries are paid from monies collected from taxpayers, otherwise known as bribes or grease money. (Global Integrity 2008)	Implementation of the Rationalization Plan to align staffing levels with updated human resource requirements and thereby also address shortages of manpower resources	2009: ongoing review/ evaluation by the Department of Budget and Management (DBM); approval for the Enforcement and Assistance Service (EAS) 2010: For implementation	Policy and Planning Service + Human Resource Devt Service
	Implementation of the BIR Integrity Development Action Plan:	2009: IDAP ranking of 6 (as of 1Q-2009) 2010: IDAP ranking of 5	BIR
5. POLICE AND ENFORCEMENT (PHILIPPINE NATIONAL POLICE) In practice, there is poor public perception of police action on complaints, which	Application for ISO Certification of all frontline services to achieve excellence in performing the integrated “QUAD +” (PNP four Core Functions – INTELLIGENCE, INVESTIGATION, OPERATIONS, POLICE COMMUNITY RELATIONS + Hardware and Software Tools)	2009: None 2010: Issuance of ISO 9001:2008 certification (national office) for operations related to motor vehicle clearance, firearms, the crime lab, civil security clearance, and training	Respective heads of the different concerned offices

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adversely affects the number of people reporting crimes and complaints. (Global Integrity 2008)	Institutionalization of Community Oriented Policing System (COPS), Establishment of Model Police Stations and Design and implement PNP Crime Management Information System Project to adopt the best practices in community and rights-based policing supported by appropriate information and communications technology	2009: 70 or 4% of police stations 2010: 84 or 5% of police stations compliant with the standards of a Model Police Station; 10% of station connected to CMIS	Directorate for Operations
	Implement Police Career Development System to raise the no. of personnel assigned to positions according to their competency and skills	2009: 50% 2010: 60%	Directorate for Human Resource and Doctrine Development
In practice, the Internal Affairs Service of the PNP is not able to endorse (decided administrative) cases for criminal proceedings because of limited funds. (Global Integrity 2008)	Monitoring and expeditious resolution of administrative complaints involving PNP personnel with the reassignment of summary hearing officers, action PNCO, researchers, process servers and computer operators/encoders to this task thru the reorganization of Discipline, Law and Order sections of regional Personnel Human Resource Doctrine Divisions of Police Regional Offices (as approved by the Chief, PNP on June 17, 2009)	2009: 1,525 pending cases 2010: Resolution of all pending administrative cases	Directorate for Personnel and Records Management
Police corruption in the Philippines is a serious problem. In most places they work as virtual bodyguards for the local political warlords.	Rationalization of mobile groups, police security and protection groups and other police bodyguards for local politicians through the restructuring and rationalizing of all Regional and Mobile Groups and strict implementation of PNP guidelines and	2009: Approval and implementation this year of the circular governing the rationalization of the deployment of Mobile Groups, Police Security Protection Group and other police	Directorate for Operations – (overall in charge)

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(Global Integrity 2008)	procedures governing the detail of PNP uniformed personnel as protective security in accordance with NAPOLCOM Memorandum Circular No. 2000-008 dated August 29, 2000, entitled Providing the General Guidelines Governing the detail of PNP Personnel as Protective Security.”	protective security for local politicians. 2010: Preparation of the various requirements on personnel deployment, training needs, procurement plan and yearly appropriations	
Corruption is endemic in the police force, which has lost much public support as a result. In many cases going to the police to report bribery requests will be an ineffective route of dealing with such requests (especially if they are made by the police). The escape of some suspects from police custody has aroused suspicion that they have been freed by police officials in return for bribes. (Global Insight 2007; U.S. state Department Human Rights Report 2007)	Implement nationwide advocacy campaign on the PNP Integrated Transformational Program to sustain public information and dialogue with the stakeholders and the other pillars of the criminal justice system	2009: 80% of internal audience / stakeholders are knowledgeable / informed. 2010: participation of internal and external stakeholders to 100% and 3% respectively	Directorate for Police Community Relations

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POLICY IMPROVEMENT PROCESS ON IMPROVING TRANSPARENCY IN BUDGET DELIVERY.

(as of 16 Nov. 2009)

Ruling Justly: Control of Corruption (Source: World Bank Institute)				
Indicator Sub-component	Factors Affecting Indicator Performance	Proposed Actions / Ongoing Reforms	Timeline and Expected Results	Person Responsible
Budget Transparency	Public access generally limited to lump sum appropriations as details on itemized budget allocations are not always available to the public (Global Integrity 2006). See notes below	<p><u>PIP-5: Improved Transparency of Budget Delivery</u> to review and enhance the Electronic Lump Sum Appropriations Management Program (eLAMP) system which is a web-based application designed to streamline and automate the processing, releasing and tracking for Internal Revenue Allotment (IRA) for LGUs, for congressional allocation funds and for school building construction projects nationwide. This will enhance the access of all stakeholders (LGUs, implementing agencies, beneficiary communities, etc.) to information on the release of funds and discourage corruption</p>	<p>Baseline: Implementation of 1 (DEPED-SBP) out of 4 types of lump-sum funds (Q4-2009);</p> <p>Populate Database of other 3 types (2Q-2010)</p> <p>Objective: full implementation covering all 4 types of lump-sum funds (2Q-2010); quarterly monitoring of key performance indicators starts (3Q-2010)</p> <p>Validation to be done by private chambers</p>	<p>Usec. Relampagos</p> <p>Usec. Relampagos</p> <p>T. Lipana</p>
			<p>Conduct of user satisfaction survey thru private chambers</p>	<p>Baseline: No survey (Sep 2009) Objective: Complete 1st survey on IRA (1Q-2010) Complete 2nd survey on (3Q-2010)</p>

		Development of DBM web portal to provide a common, standardized and central location for information on budget transactions to raise public awareness and accountability	Baseline: under construction Objective: start operation in 2010 Project component includes the procurement/implementation of Document Management System for DBM	Usec. Relampagos
		All LGUs particularly Barangays can access the availability of funds for their IRA releases	Baseline: System for enhancement Objective: Posting of IRA releases (2Q-2010)	Usec. Relampagos
		Increase the no. of electronic transactions versus manual transactions processed per month	Baseline: 80% processed electronically Objective: 90% complete in (3Q-2010)	Sec. Andaya

Notes:

- 1) Fragmentation between priority setting and funding, the recurrent budget and the investment budget, central and line agencies, and central and regional offices within an agency; the use of congressional insertions not driven primarily by policy considerations, and by the use of executive discretion to reallocate funds or create new initiatives during the year; Continuous policy making throughout the budget cycle, which contributes to the lack of predictability in policy and funding and also creates room for the introduction of new special interest programs not subject to proper vetting. (WB 2008)
- 2) Budget process is characterized by a high degree of executive prerogative and legislative insertions that take place out of public view. (Freedom House 2007; Global Integrity 2006)

REPORT ON COMPUTERIZATION INITIATIVES OF DBM

PEM Reform: Development of Electronic Lump-sum Appropriations Monitoring System

Brief Description:

As part of DBM's initiative in promoting transparency, an automated system was developed which aims to provide and enhance the budget execution and accountability tracking of lump sum appropriations and will enable DBM to facilitate coordination, enhance communication and share information. Another component of the project is the development of Content Management System that will enhance the capability of DBM website to provide the public and civil society organizations to access timely, accurate and useful budget data. The project considers four (4) lump sum funds which includes the following:

- Priority Development Assistance Fund (PDAF)
- Internal Revenue Allotment (IRA)
- Department of Education School Building Program (DepEd SBP)
- Department of Public Works and Highways Congressional Allocation

Project Updates

Project Component	Remarks
a) PDAF The eLAMP system streamlines the release documents processing for the Regional Operations and Coordination Service (ROCS) bureau (now as Budget and Management Bureau-G), which handle the PDAF. The system will enable the users to process SARO and NCA documents. This will empower the users to collate needed information for generating reports,	Ready for use with some additional functionality as requested by end-user. As a prerequisite, all necessary reference data for prior years shall be prepared and uploaded to the database.

which can be used for internal or management decision purposes and for posting on the website.	
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Project Component	Remarks
<p>b) IRA</p> <p>The eLAMP system will allow the user to compute individual LGU shares from IRA. It provides a management system for the creation and updating of Provinces, Municipalities, Cities, and Barangays. The system also streamlines the release documents processing for the ROCS bureau, which handle the IRA fund. Similar to other modules, this will empower the users to collate needed information for generating reports, which can be used for internal or management decision purposes and for posting on the website.</p>	<p>For further enhancement to accommodate needed functionalities. System is unable to re-compute the IRA releases for the remaining month's vis-à-vis the actual releases (balance for the remaining months net of the actual monthly releases). During system design, it is assumed that IRA releases are equally distributed every month, but due to special cases like Supreme Courts rulings and other legal considerations, LGU shares from IRA has to be re-computed and re-allocated. Since this is not part of the design, system enhancement was considered to complete the process.</p>
<p>c) DepEd SBP</p> <p>The eLAMP system streamlines the release and processing of realignment request for the Budget and Management Bureau- B, which handles the</p>	<p>Ready for use.</p>

<p>releases from the Department of Educations School Building Programs. The system will enable the users to post comprehensive listing of School Building Projects on the website.</p>	
Project Component	Remarks
<p>d) DPWH Congressional Allocation</p> <p>The eLAMP system streamlines the release documents processing for the Budget and Management Bureau- A, which handle the releases from the Department of Public Works and Highways Congressional Allocation. The system will enable the users to process SARO, NCA and other related documents. Similar to other modules, this will empower the users to collate needed information for generating reports, which can be used for internal or management decision purposes and for posting on the website.</p>	<p>Ready for use with some additional reports and functionality enhancements as requested by end-user. As a prerequisite, all necessary reference data for prior years shall be prepared and uploaded to the database</p>

Next Steps

1. Updating and enhancement of eLAMP System covering 4 lump-sum funds for implementation by second quarter of 2010. This also includes a new transactional module covering all assistance/releases (such as special shares, franchise tax) to LGUs (except for financial subsidy).
2. Outsourcing to service provider who will conduct encoding of post/approved releases which includes 1st and 2nd tranches releases. Encoding should start January 2010.
3. Posting in the DBM website of School Building Program by mid November 2009.
4. Development of DBM Web Portal and populating the database of the 3 finished modules by Q4 2009 to Q2 2010.
5. Currently, programmed IRA shares of LGU's can be viewed in the DBM website as part of DBM issuances. Actual IRA releases shall be made available by second quarter of 2010.
6. Document Management System procurement/implementation by 2010.