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Assessment of Planning and Programming for Capital Projects at the National and Agency Levels

Epictetus E. Patalinghug

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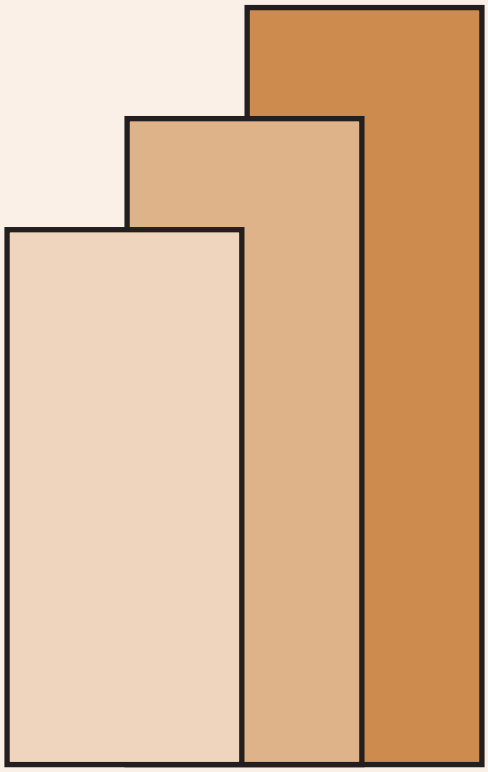

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For comments, suggestions or further inquiries please contact:
The Research Information Staff, Philippine Institute for Development Studies
18th Floor, Three Cyberpod Centris – North Tower, EDSA corner Quezon Avenue, 1100 Quezon City, Philippines
Tel Numbers: (63-2) 3721291 and 3721292; E-mail: publications@mail.pids.gov.ph
Or visit our website at https://www.pids.gov.ph

ASSESSMENT OF PLANNING AND PROGRAMMING FOR CAPITAL PROJECTS AT THE NATIONAL AND AGENCY LEVELS

EPICTETUS E. PATALINGHUG

PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

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LIST OF ABBREVIATIONS

AA	Advice of Allotment
ADB	Asian Development Bank
AIP	Annual Infrastructure Program
ARMM	Autonomous Region for Muslim Mindanao
BCDA	Bases Conversion and Development Authority
BESF	Budget of Expenditures and Sources of Funds
BTr	Bureau of Treasury
CAG	Corporate Affairs Group
CALABARZON	Cavite-Laguna-Batangas-Rizal-Quezon Region
CBA	Cost-Benefit Analysis
CEA	Cost-Effectiveness Analysis
CIIP	Comprehensive and Integrated Infrastructure Program
CIPs	Core Investment Programs and Projects
COA	Commission on Audit
CPMC	Cash Programming and Monitoring Committee
DA	Department of Agriculture
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DED	Detailed Engineering Design
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DFA	Department of Foreign Affairs
DILG	Department of the Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOST	Department of Science and Technology
DOTC	Department of Transportation and Communications
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
EAC	Equivalent Annual Cost
ESRI	Economic and Social Research Institute
FAP	Foreign Assisted Projects
FE	Forward Estimate

FOS	Field Operations Service
FPA	Fertilizer and Pesticide Authority
GAA	General Appropriations Act
GFIs	Government Financial Institutions
GOCCs	Government-Owned and Controlled Corporations
ICC	Investment Coordination Committee
ICT	Information and Communication Technology
INFRACOM	Committee on Infrastructure
IPC	Infrastructure Planning Commission
IRR	Internal Rate of Return
JICA	Japan International Cooperation Agency
LFP	Locally Funded Project
LGU	Local Government Unit
MAP	Management Association of the Philippines
MFOs	Major Final Outputs
MITHI	Medium-Term Information and Communications Technology Harmonization Initiative
MoP	Ministry of Planning
MSMEs	Micro, Small, and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
MTPIP	Medium-Term Public Investment Program
MWSS	Metropolitan Water and Sewerage System
MYOA	Multi-Year Obligational Authority
NAR	National Asset Register
NCR	National Capital Region
NDP	National Development Plan
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
NG	National Government
NIA	National Irrigation Administration
NIS	National Investment System
NPV	Net Present Value
ODA	Official Development Assistance
OPIF	Organizational Performance Indicator Framework
PAPs	Programs, Activities, and Projects
PEGR	Partnership for Economic Governance Reform

PDMF	Project Development and Monitoring Facility
PDP	Philippine Development Plan
PDS	Project Development Staff
PEM	Public Expenditure Management
PIB	Performance-Informed Budgeting
PIDS	Philippine Institute for Development Studies
PIP	Public Investment Program
PIPOL	PIP Online System
PIS	Public Investment Staff
PMS	Planning and Monitoring Staff
PPP	Public-Private Partnership
PREXC	Program Expenditure Classification
PS	Procurement Service
PVC	Present Value of Cost
QA	Quality Assurance
QAE	Quality at Entry
RAP	Resettlement Action Plan
RDC	Regional Development Council
RDIP	Regional Development Investment Program
RM	Results Matrices
ROW	Right of Way
SERG	Strategy, Economics, and Results Group
SPCMAD	Special Projects Coordination and Monitoring Division
SSIP	Small Scale Irrigation Project
TA	Transaction Adviser
2TBA	Two-Tier Budgeting Approach
TRIP	Three-Year Rolling Infrastructure Program
TWG	Technical Working Group
UK	United Kingdom
ZBB	Zero-Based Budgeting

ASSESSMENT OF PLANNING AND PROGRAMMING FOR CAPITAL PROJECTS AT THE NATIONAL AND AGENCY LEVELS

Abstract

This study assesses the existing planning and programming systems for capital projects at the national and agency levels, examines the experiences of other countries in planning and programming capital projects, and presents recommendations to improve planning and programming systems in the country. In assessing the effectiveness of the planning and programming systems, the study employs a combination of document review of public investment planning, and programming process, a comparative analysis of international experiences, and key informant interviews.

The study shows that the country's current planning and programming systems have strengths and weaknesses. The strengths are the recent reform orientation of the oversight agencies and their policy coordination. The weaknesses are the inconsistency in the oversight program and output indicators, and the institutional weakness of the project approval process. The study suggests that international best practices be adopted, and recommends institutional reforms such as establishment of online public investment project database as well as a multi-year planning and budgeting system fully costed and coordinated with the budget process and consistent with the long term fiscal projections which is regularly updated and reviewed, among others.

Keywords: infrastructure, capital projects, public investment planning, planning and programming systems, infrastructure development, infrastructure projects

EXECUTIVE SUMMARY

Introduction

This study assesses the existing planning and programming systems for capital projects at the national and agency levels, examines the experiences of other countries in planning and programming capital projects, and presents recommendations to improve planning and programming systems in the country.

In assessing the effectiveness of the planning and programming systems, the study employs a combination of document review of public investment planning, and programming process, a comparative analysis of international experiences, and key informant interviews (see Appendix C for the list of officials interviewed) with the staff and officials of four oversight agencies: Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), Department of Finance (DOF), and PPP Center, and officials of three implementing agencies responsible for the national government's infrastructure program: Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), and Department of Agriculture (DA).

Assessment of Existing Planning and Programming System for Capital Projects at the National and Agency Levels

Continued investment in infrastructure is needed to support rapid and sustained economic growth and to equalize development opportunities. However, planning and coordination are important aspects in infrastructure development as required investments are large, involve many players, span over many years, and are immersed in a political process in trying to address public needs. The early approach to public investment management was to concentrate it on the country's development plan. But this approach has the tendency to become disconnected from fiscal constraints that leads to a situation that the required funding in the development plan is not matched by the approved budget. To address the need to synchronize infrastructure planning, programming,

budgeting, monitoring, and evaluation, three public expenditure management systems have been instituted: (1) performance-informed budgeting (PIB), (2) public investment program (PIP), and (3) three-year rolling infrastructure program (TRIP).

Performance-informed budgeting (PIB) is an improvement of output-based budgeting by presenting both financial and physical targets in the General Appropriations Act (GAA). This approach shows where the funds will be allocated and the expected results from each allocation.

The Public Investment Plan (PIP) is a six-year programming document accompanying the Philippine Development Plan (PDP) together with the Results Matrix (RM). The PIP contains the priority programs and projects to be implemented by the national government (NG), government-owned and controlled corporations (GOCCs), government financial institutions (GFIs), and other national government offices and instrumentalities that contribute to the societal goals and outcomes in the PDP and RM, within the medium-term.

TRIP is intended to ensure that the agencies' annual budget ceilings are optimized and utilized in the funding of priority infrastructure programs, activities, and projects (PAPs) which are likewise responsive to the outcomes and outputs under Philippine Development Plan (PDP), and are readily implementable.

The policy framework governing capital projects involves the implementing agencies or line agencies preparing the project proposals and submitting them to the oversight agencies for approval and inclusion in the annual National Expenditure Program that the President submits to Congress. Three key NEDA Board committees play a significant role in the planning and programming of infrastructure projects in the country: Development Budget Coordination Committee (DBCC), Investment Coordination Committee (ICC), and Development Committee on Infrastructure (INFRACOM).

The participation of the Department of Finance (DOF) in the formulation and vetting process of capital projects is to examine and evaluate the resource implications of

such projects because badly conceived, designed, or executed projects end up increasing the country's debts to the detriment of new projects in the future.

The role of the Public-Private Partnership (PPP) Center in the process is to assist implementing agencies, which submit their inputs to the PIP in identifying the potential PPP projects. Once a potential PPP project is identified among the PIP projects, the PPP Center helps the implementing agencies in conducting feasibility studies, through the procurement of a transaction adviser (TA) who will do the feasibility studies, and assists the implementing agencies get the approval of the ICC.

Implementing Agencies' Participation in the Planning, Programming and Budgeting Process

- **Department of Public Works and Highways (DPWH)**

In the development of infrastructure projects (e.g. roads, bridges, flood control facilities, and water supply), DPWH follows a four-phase cycle process: (a) project identification, (b) project preparation, (c) project implementation, and (d) project operation and evaluation.

- **Department of Agriculture (DA)**

The Planning and Monitoring Staff (PMS) is tasked to formulate the medium-term plan and public investment program. They also monitor and evaluate the implemented annual plan, medium-term plans and programs. On the other hand, the Project Development Staff (PDS) is tasked to process and evaluate project proposals for ODA financing and other funding sources. Likewise, they are in charge of processing projects to be submitted to the ICC for approval.

- **Department of Transportation (DOTr)**

Project preparation process at DOTr slightly varies from one sector (e.g. rail and tollroads) to another (e.g. maritime). But basically the proposals must be aligned with the goals of PDP. Sometimes project ideas emanate from top leadership of DOTr who identify projects that address certain transportation needs.

International Experience of the Planning and Programming Systems for Capital Projects

The experiences of Chile, United Kingdom, Norway, Australia, and Ireland in planning, programming, and budgeting systems are described. The salient features of good practices in their processes are:

- The central agencies are mainly tasked to define procedures for line ministries and implementing agencies. They specify the cost-benefit analysis (CBA) to be used.
- They are able to put in place a system that addresses the specialized knowledge and expertise required in public investment planning and management, either by capacity-building program, procuring the expertise in the market, or by establishing arrangements with think tanks and research institutes.
- Their systems require all public investment projects, including defense, to comply with the same quality standards and rules for project preparation and appraisal.
- They are able to establish publicly-accessible databases to provide insights and lessons from projects completed.
- They are able to strengthen the link between medium-term plans and long-term vision by introducing the concept of long-term budget commitment for large projects.

Conclusions and Recommendations

The current planning and programming systems have strengths and weaknesses. The strengths are the recent reform orientation of the oversight agencies and their policy coordination. The weaknesses are the inconsistency in the oversight program and output indicators, and the institutional weakness of the project approval process. The study suggests that international best practices be adopted, and recommends the following institutional reforms:

- Short-Term
  - Harmonization of DBM-PREXC indicators with NEDA-RM indicators
  - The establishment of online public investment project database
  - DBM should disseminate to a wider audience information on their budget reform initiatives
  - DPWH should anticipate additional personnel requirements to cope with the demands of the Build, Build, Build program
  - DOTr needs to address its organizational weaknesses by submitting its restructured staffing pattern to DBM for funding
  - DA should explore a coordinative mechanism with its infrastructure related attached agencies
  - DOF should take the lead in the preparation of medium-term fiscal strategy
- Medium-Term
  - NEDA should assume the responsibility of processing and evaluating large infrastructure projects
  - NEDA should take the initiative in formulating a continuous training and capacity building program in project analysis for government officials
  - NEDA should develop and produce sector-specific manuals
- Long-Term
  - With trained personnel and sector-specific project evaluation manuals, line agencies can reassume the task of preparing and evaluating projects
  - A multi-year planning and budgeting system ought to be established fully costed and coordinated with the budget process and consistent with the long term fiscal projections which is regularly updated and reviewed.
  - Adopt a project approval process implemented by a single agency operating within a framework established by the Cabinet Secretaries

- Under the proposed planning and programming system, the implementing agencies oversee the investment, financial design, construction, and operation of the projects; and NEDA handles the post-assessment phase.

ASSESSMENT OF PLANNING AND PROGRAMMING FOR CAPITAL PROJECTS AT THE NATIONAL AND AGENCY LEVELS

Epictetus E. Patalinghug*

I. Introduction

Infrastructure capital or the so-called economic infrastructure (roads, railroads, seaports, airports; water and waste water treatment facilities; electricity generation, transmission, and distribution facilities; and telecommunications) is positively related to growth (Esfahani and Ramirez, 2003; Aschauer, 1989; Calderon and Serven, 2004; and Sahoo, Dash, and Nataraj, 2010).Empirical evidence suggests that there is a significant link between rural infrastructure and agricultural productivity (Llanto, 2012). Electricity and roads are significant determinants of agricultural productivity. This is consistent with a related finding on the constraints imposed on growth by inadequate infrastructure. Although the relationship has always been viewed by economists and policy makers as a key ingredient for economic development and is supported by accumulated evidence, it is still subject to considerable debate and uncertainty. The link between infrastructure and growth is not particularly clear from the data (Straub and Terada-Hagiwara, 2010 and Straub, 2011).

World Bank (2004) identifies the challenges developing and transition economies face in restructuring, encouraging private participation, and establishing new approaches to regulation in infrastructure. In another report, World Bank (2005) analyzes the

*Professor Emeritus, University of the Philippines and Consultant, Philippine Institute for Development Studies. The research assistance of David Bunao, Ivory Myka Galang, and Evelyn Ulpindo is gratefully acknowledged. The comments of DBM and those of the participants of the research workshop at PIDS on July 19, 2017 are highly appreciated. The views expressed in this paper are those of the author and do not necessarily reflect the views of any individual or organization. All remaining errors are my own.

challenges facing Philippine economic infrastructure sectors. While the country has achieved significant accomplishments in infrastructure provision, particularly in terms of access to infrastructure services by the general population, infrastructure deployment has not kept up with high population growth and rapid urbanization and this has implication to the country's competitiveness as well as its growth and poverty reduction targets. Competitiveness rankings underscore the importance of infrastructure to the Philippines' investment climate. The World Economic Forum's *Global Competitiveness Report 2014-2015* reveals that among the original ASEAN 5, the Philippines in fact ranks the lowest (see Table 1A).

Table 1A

Rankings, Quality of Infrastructure, ASEAN Countries, 2013-2014

Country	Overall	Roads	Rail	Ports	Airport	Elec.
Cambodia	109	93	98	97	106	110
Indonesia	72	72	41	77	64	84
Lao PDR	66	68	na	129	82	64
Malaysia	20	19	12	19	19	39
Myanmar	138	134	94	125	137	117
Philippines	**95**	**87**	**80**	**101**	**108**	**87**
Singapore	5	6	na	2	1	6
Thailand	76	50	74	54	37	58
Vietnam	112	104	52	88	97	88

Source: World Economic Forum, *Global Competitiveness Report 2014-2015*.

The World Bank (2005) cites the following challenges that impede the country's infrastructure development:

1. Low current spending on infrastructure
2. Inefficient use of existing resources
3. Poor business environment (including corruption perception)
4. Unsatisfactory public sector performance

Based on the World Bank assessment of transport infrastructure of the Philippines (World Bank, 2009), capacity in government agencies needs enhancement from the

planning and project preparation as well as monitoring and evaluation of programs/projects as most agencies do not give priority to and provide adequate funding for project preparation, i.e., feasibility studies, analysis for value for money and value engineering, to improve the quality of national planning processes regarding transport infrastructure. Major efforts by the government to provide infrastructure have often been a reactive response to crises rather than a proactive input into effective long-term infrastructure planning. A combination of insufficient central oversight; lapses in coordination among agency plans and projects; and failure to insulate infrastructure planning, prioritization, and implementation from political intrusion is hampering infrastructure development.

This study assesses the existing planning and programming systems for capital projects at the national and agency levels, examines the experiences of other countries in planning and programming capital projects, and presents recommendations to improve planning and programming systems in the country. Capital projects are defined as infrastructure projects, regardless of the funding source.

In assessing the effectiveness of the planning and programming systems, the study employs a combination of document review of public investment planning, and programming process, a comparative analysis of international experiences, and key informant interviews (see Appendix C for the list of officials interviewed) with the staff and officials of four oversight agencies: Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), Department of Finance (DOF), and PPP Center, and officials of three implementing agencies responsible for the national government's infrastructure program: Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), and Department of Agriculture (DA).

This paper is organized as follows. Section II provides an assessment of the existing planning and programming systems at the national and agency levels. Section III examines the experiences of selected countries planning, programming and budgeting. Section IV

explains the need for a long-term infrastructure plan. Section V presents the conclusions. And Section VI enumerates the short-term, medium-term, and long-term recommendations in how to improve the existing planning and programming system.

II. Assessment of Existing Planning and Programming Systems for Capital Projects at the National and Agency Levels

Continued investment in infrastructure is needed to support rapid and sustained economic growth and to equalize development opportunities. However, planning and coordination are important aspects in infrastructure development as required investments are large, involve many players, span over many years, and are immersed in a political process in trying to address public needs. The traditional approach to public investment management practiced in developing countries was to concentrate it on the country's development plan produced by a separate planning ministry. But this approach has the tendency to become disconnected from fiscal constraints that leads to a situation that the required funding in the development plan is not matched by the approved budget. To address the need to synchronize infrastructure planning, programming, budgeting, monitoring, and evaluation, three public expenditure management (PEM) systems have been instituted: (1) performance-informed budgeting (PIB), (2) public investment program (PIP), and (3) three-year rolling infrastructure program (TRIP).

A. Performance-Informed Budgeting (PIB)

The Department of Budget and Management (DBM) has departed from incremental budgeting approach to adopt the zero-based budgeting (ZBB) approach. The former is based on the agency's historical budget and adjusted for non-recurring and terminated projects as well as for changes in inflation rate and exchange rate. The latter is based on the agency's need and performance, as well as its relevance to national priorities and strategic plan. Another approach to link planning and budgeting is the adoption of the two-tier budgeting approach (2TBA) in 2015, which is aimed to ensure that a budget is

designed to allocate taxpayers' money only to carefully planned projects that deliver tangible results for public welfare. Under Tier 1 of this approach, DBM assesses agencies based on their operating needs, the cost of running existing programs and projects, and their ability to use up their budget and deliver on their targets. Under Tier 2, DBM assesses agencies' proposals for new projects or expand existing ones. Under Tier 1, agencies will get only the budget that they need and can dispose within the stated period, and under Tier 2, agencies have to convince DBM that their projects are implementable, have direct and measurable impact on the public, and are in line with the government's agenda for inclusive growth. For FY 2018, the Development Budget Coordination Committee (DBCC) has earmarked 83% of obligation budget ceiling to Tier 1 and 17% to Tier 2 based on forward estimates. See DBM, 2016a, 2017b, 2017c. Forward estimate (FE) refers to future costs of the on-going policies (translated into programs and projects) of the government over the three-year period. Once the FE is identified, then DBM issues a ceiling to the agency for their Tier 1. With the FE, DBM can determine how much fiscal space is available, based on DBM's obligation budget (see Box 1). The DBCC approves the fiscal position for a particular year (e.g. FY 2018) and this approved fiscal position will translate to an obligation budget ceiling (e.g. PhP 3,840.0 billion for FY 2018).[1] Performance-informed budgeting (PIB) is an improvement of output-based budgeting by presenting both financial and physical targets in the General Appropriations Act (GAA). This approach shows where the funds will be allocated and the expected results from each allocation. In 2000, DBM introduced the Organizational Performance Indicator Framework (OPIF) to improve the way the budget is allocated, reported, and spent towards greater accountability and transparency in the delivery of public services. OPIF attempts to shift an agency's accountability from activities (inputs) to major final outputs, and it strengthens the alignment of department/agency major final outputs with the sectoral/spatial outcomes identified in the Philippine Development Plan (DBM, 2011). In

[1]President Duterte and his Cabinet approved on July 3, 2017 a proposed national budget of PhP 3.767 trillion to be submitted to Congress on July 24, 2017.

2018, DBM will implement the next phase of the PIB called PREXC or Program Expenditure Classification which was conceptualized in 2015. OPIF directs resources towards results and accounts for performance by identifying the major final outputs (MFOs) which the agency delivers to its clients. OPIF attaches indicators of performance for each MFO (see Figure 1). On the other hand, PREXC restructures an agency's budget to group all recurring activities as well as projects under appropriate programs or key strategies. Thus, performance information and costs are assigned at the program level rather than at the agency and Major Final Output levels (see Table 1). PREXC provides a more concrete picture of the short to medium-term benefits of the strategies or program which the agency employs. Finally, PREXC strengthens the link between planning and budgeting via a clear articulation of how government's strategies and investments under each program are linked to the attainment of desired sectoral, spatial, and socio-economic results (see Box 2). In sum, PREXC aims to further link budgeting and results, down to the level of programs (DBM, 2016a, 2016b).

Box 1. Australia's Forward Estimates System

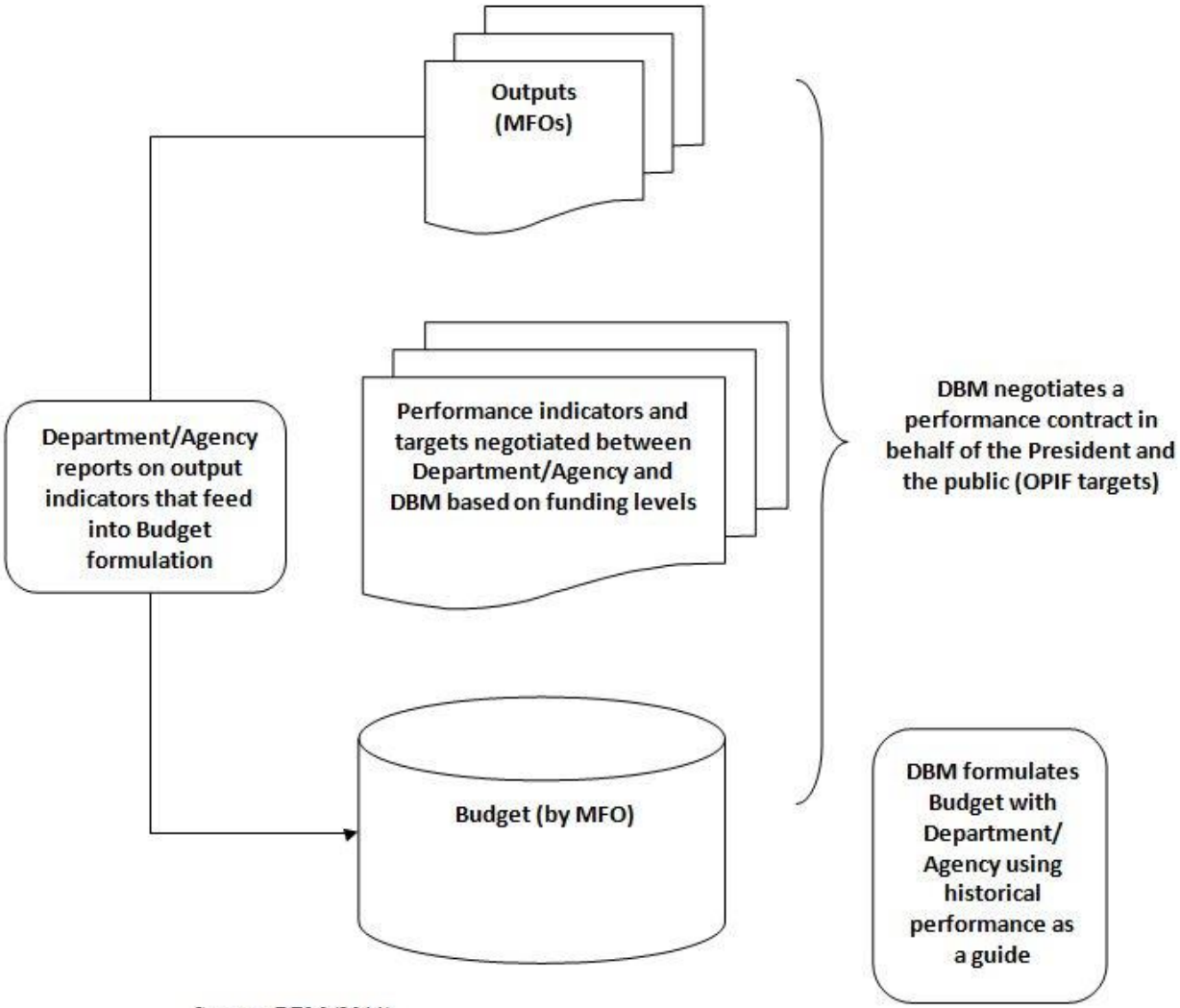
Since the early 1980s, Australia has made annual budget decisions within the framework of estimates for the financial year immediately ahead and forward estimates for each of the next three years. Australia introduced the forward estimates because of serious deficiencies in one year-at-a-time budgeting. The forward estimates establish an authoritative baseline or starting point for work on each year's budget. When a Minister proposes a program change, she or he adjusts to the forward estimate accordingly.

The forward estimates are rolled forward each year, and adjusted for government decisions, changes in economic conditions, and revised estimates of the costs of various programs. The forward estimates are not designed to cut back expenditures or downsize government, though they can be used toward these ends. Rather, they enable the government to see program spending priorities within an aggregate fiscal framework that disciplines claims on future budgets. In a period of constrained budgets, the system has eased the inevitable fractions of budgeting and has permitted the government to finance new priorities while slowing the growth rate of public expenditure.

Source: Schick (1999).

Figure 1

Performance-Based Contracting and Budgeting



Source: DBM (2011).

Table 1

OPIF Versus PREXC

OPIF	PREXC
• Outcome performance indicators at the organizational level	• Outcome performance indicators at the program level to show how programs and strategies contribute to achieving an agency's objectives.
• Organizational-level outcome and output (Major Final Output) targets	• Program-level outcome and output targets
• Line items defined as Programs, Activities, and Projects (PAPs) are grouped under each MFO	• Line items (whether recurring or projects) are grouped by program

Source: DBM (2016b).

Box 2. Example of Budget Execution and Accounting System

Australia. The Accrual Information Management System (AIMS) is the central reporting system. The spending agencies have their own management systems and post every month accounting summaries in the AIMS.

France. Payment orders and all cash transactions go through the treasury system without exception. A budget execution system centralizes data on commitments and payment orders. Both systems are linked with spending agencies.

Spain. All government transactions are processed through the system, which registers up to six different stages: budget allocation, commitment, verification (factual expenditures), payment request, payment order, and payment. Budget preparation also goes through the system. The system performs accounting and reporting functions. Electronic links are being established with all spending units.

United States. The General Ledger System registers expenditure at different stage in the budget cycle. Spending agencies have their own management systems that are linked to the general ledger and must comply with its standards. For budget preparation, there is a separate system.

Source: Allen and Tommasi (2001).

Moreover, DBM argues that the shift from the focus on agency outputs to programs or strategies provides a better handle in assessing agency performance and tradeoffs; provides better information for planning, prioritization and the organizational management of agencies; contributes to improved transparency and accountability; and helps better link inputs to objectives or outcomes (DBM, 2017a).

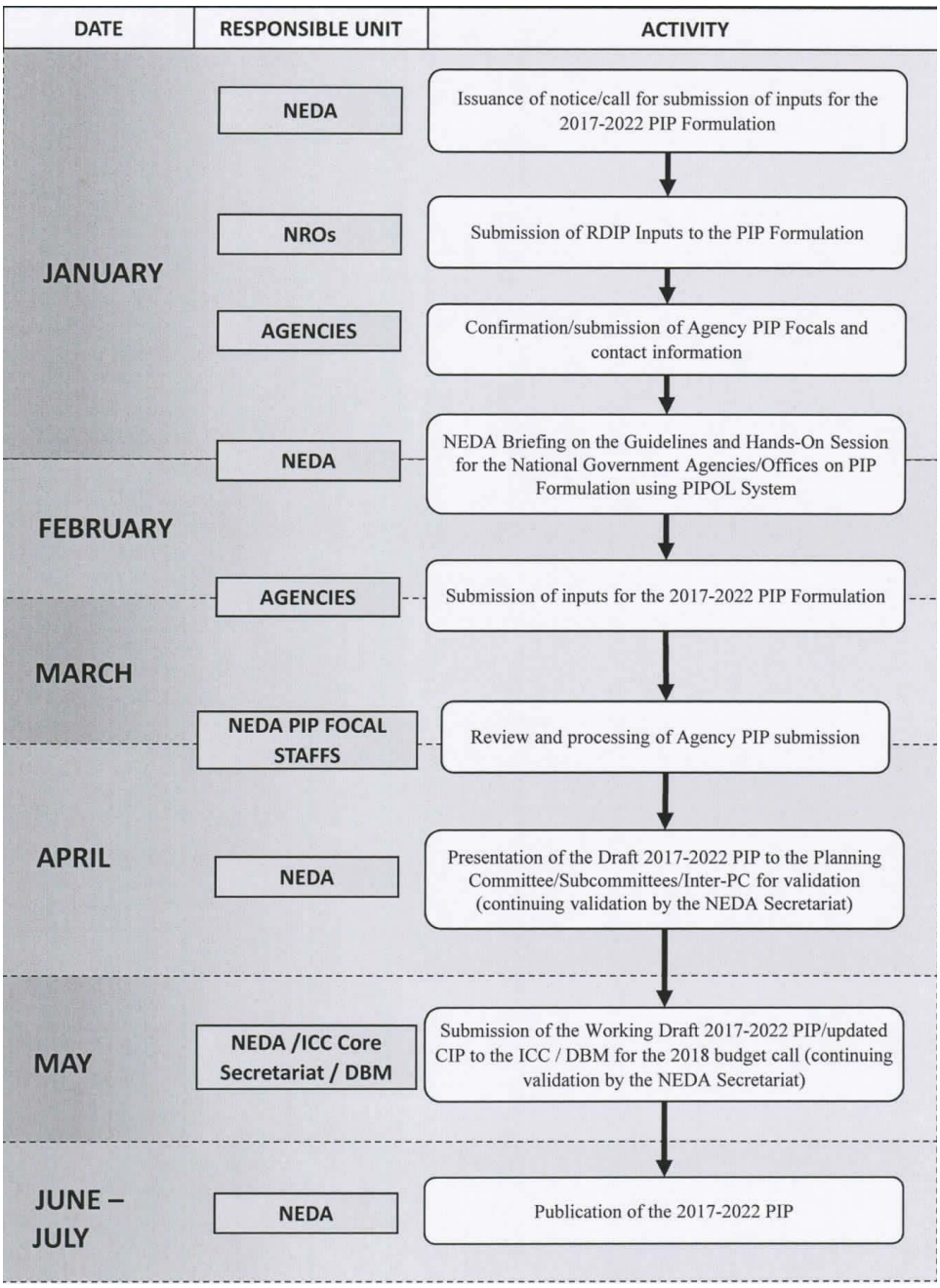
B. Public Investment Program (PIP)

The Public Investment Plan (PIP) is a six-year programming document accompanying the Philippine Development Plan (PDP) together with the Results Matrix (RM). The PIP contains the priority programs, activities, and projects (PAPs) to be implemented by the national government (NG), government-owned and controlled corporations (GOCCs), government financial institutions (GFIs), and other national government offices and instrumentalities that contribute to the societal goals and outcomes in the PDP and RM, within the medium-term. The PIP also incorporates proposed NG-implemented programs and projects in the Regional Development Investment Program (RDIP).[2] The planning and programming process also links the spatial coherence of the sectoral inputs of national agencies with the RDIP. Agencies are required to submit their PAPs for inclusion in the PIP through the PIP Online System (PIPOL). The latter is a web-based project database system that manages data entry and updates on programs and projects, including the generation of reports (NEDA, 2014, 2017a). Figure 2 shows the PIP formulation process flow.

[2]RDIP contains priority programs and projects that contribute to the societal goals and outcomes spelled out in the Regional Development Plan and its Results Matrices (NEDA, 2017a).

Figure 2

2017-2022 Public Investment Program (PIP)
Formulation Process Flow



Source: NEDA (2017a).

The purpose of the PIP is to serve as an instrument to tighten the linkages between planning, programming, budgeting, monitoring and evaluation; to be the basis for public sector resource allocation and for lining up public sector PAPs for processing at the Investment Coordination Committee (ICC) and the NEDA Board; and to be the basis in

monitoring public investment performance vis-à-vis the goals and targets set under the PDP/RM. This process was demonstrated in the Revalidated Public Investment Program: 2011-2016 which discussed the status of major priority PAPs implemented from 2011 to 2012, identified the priority PAPs for the remaining Plan period (2013-2016), and highlighted the strategic core investment programs and projects (CIPs) that address critical indicators of the Results Matrices (RM). The revalidation process involved consultation with representatives from Regional Development Council (RDC), civil society organizations, private sector, and various government agencies, including regional offices, attached agencies, and bureaus (NEDA, 2014).

PIP is composed of Tier 1 and Tier 2 PAPs that are aligned with the PDP and RM, and which satisfy the responsiveness, readiness, and other criteria. The PAPs could be implemented via GAA, official development assistance (ODA), and public-private partnership (PPP).

Table 2 shows the top ten agencies in terms of 2013-2016 PIP investment targets. It indicates that the Department of Public Works and Highways (DPWH) has the highest investment targets at PhP 985.59 billion, followed by the Department of Agriculture (DA) at PhP 462.47 billion, and Department of Transportation (DOTr) at Php 348.51 billion. The 2017-2022 PIP is still being finalized, but data for DOTr shows that it submitted 2017-2022 PIP investment targets valued at Php 1,573.82 billion which are 352% higher than its 2013-2016 investment targets. See Table 3 for prioritization criteria used for inclusion in the PIP.

Core Investment Programs and Projects (CIPs) are a subset of the PIP and contain the big ticket programs and projects of the PIP that serve as pipeline for the ICC and the NEDA Board. NEDA (2014) identified 114 strategic CIPs for 2013-2016, 89 of which are projects for accelerating infrastructure development, costing PhP 1.3 trillion. Table 4 shows that most strategic CIPs are region-specific. Central Luzon, CALABARZON, Central Visayas, and National Capital Region dominate in both the number and value of CIPs.

Table 2

Top Ten Agencies In Terms of 2013-2016 PIP Investment Targets
(In million pesos)

	Agency	Total for 2013-2016	Total for continuing investment targets	Overall total
1.	Department of Public Works and Highways (DPWH)	985,586.25	575.322.39	1,560,908.64
2.	Department of Agriculture (DA)	462,468.07	49,287.62	511,755.68
3.	Department of Transportation and Communications (DOTC)	348,508.26	14,452.25	362,960.51
4.	Department of Education (DepEd)	274,192.33	5,353.78	279,546.11
5.	Department of Social Welfare and Development (DSWD)	257,558.92	-	257,558.92
6.	Department of Health (DOH)	242,374.74	-	242,374.74
7.	Department of Environment and Natural Resources (DENR)	160,794.68	7,493.36	168,288.04
8.	Department of Energy (DOE)	151,493.25	-	151,493.25
9.	Department of National Defense (DND)	73,560.14	15,893.63	89,453.77
10.	Department of the Interior and Local Government (DILG)	68,007.03	42,460.50	110,467.53

Source: NEDA (2014).

Table 3

Criteria for Inclusion and Prioritization of Projects in the 2017-2022 PIP

I. AGENCY LEVEL PRIORITIZATION

1. 1st Level Prioritization: Relevance/responsiveness

Under this first criterion, only programs and projects to be implemented within 2017-2022 that satisfy the following will be included in the PIP:

a) Aligned with the mandate and functions of the proponent agency; AND
- Agencies should ensure that programs/projects to be implemented are aligned with their respective Agency mandates.

b) Responsive to the 2017-2022 PDP/ RM and the 0 + 10-point Socioeconomic Agenda.
- The program/project output(s) should also be linked with the sector outcome(s)/output(s) in the RM to establish the program/project's contribution to the achievement of sectoral outcomes and outputs.

If applicable, agencies shall also indicate whether the proposed program/project is included in a) sectoral or intersectoral program/framework/masterplan; AND/OR b) policy directives from the NEDA Board-committees (Investment Coordination Committee, Infrastructure Committee, Social Development Committees, Development Budget Coordination Committee, etc.).

2. 2nd Level Prioritization: Project readiness

Programs and projects which comply with the first criterion will be further validated based on the following readiness criteria (stages of project development, expected submission for ICC processing and approval, and inclusion in the National Expenditure Program or NEP):

(i) Level 1 – with NEDA Board and/or ICC[1] project approval but not yet ongoing

(ii) Level 2 – with Feasibility Study (FS) completed, for ICC processing in 2017 (where applicable) and for inclusion in the NEP for 2018

(iii) Level 3 – with FS currently being prepared and to be completed in 2017, for ICC processing in the 2018 (where applicable) and for inclusion in the NEP for 2019

[1]For programs and projects which are not covered by ICC review, implementing agencies shall coordinate with the DBM for inclusion in the NEP.

(iv) Level 4 – with Concept Paper and FS for completion in 2018, for ICC processing in 2019 (where applicable) and for inclusion in the NEP for 2020

As a minimum requirement, only priority programs and projects with Concept Paper containing the following information will be included in the PIP:

a) Desired Outcome/Objectives/Expected Outputs;
b) Estimated Project Cost and Annual Investment Targets;
c) Target Beneficiaries; and
d) Implementation Period/Indicative Timeline of Activities

3. Based on the aforementioned criteria, agencies will determine the overall level of priority and classify their PAPs according to the following:

a) High
b) Medium
c) Low

II. NEDA SECRETARIAT PRIORITIZATION/EVALUATION

The prioritization process of the NEDA Secretariat will involve three (3) stages:

1. First Pass:

The NEDA Secretariat will validate the alignment of the program/project proposals with the mandate of their respective proponent agencies and responsiveness of the program/project to the 2017-2022 PDP/ RM and the 0 + 10-point Socioeconomic Agenda.

Under the Programmatic Approach, the NEDA Secretariat will also evaluate the relevance of the program/project proposals based on its contribution to the sectoral priority areas. Additional emphasis will be given to programs and projects that promotes convergence and contributes to more than one sector or included in sectoral or intersectoral program/framework/masterplan.

In line with the current plan's overall strategy to reduce inequality, the NEDA Secretariat, during validation, shall accord priority to programs and projects that will target regions and provinces with higher level of poverty incidence, vulnerability to climate change impacts, disaster risks, and need of social protection.

2. Second Pass:

At the second pass, the NEDA Secretariat will evaluate proposals using the **E**(ffectiveness), **R**(eadiness) and **S**(ustainability) criteria.

a. Effectiveness – evaluation of the extent of the proposed program/project's contribution to the achievement of the targets and desired outcome identified in the 2017-2022 PDP/ RM and the 0 + 10-point Socioeconomic Agenda, vis-à-vis the cost and amount of resources it will require;

b. Readiness – evaluation of the implementation readiness of the program/project and whether it satisfies the minimum requirement of having a Concept Paper;

c. Sustainability – evaluation of the technical capacity of the agency to sustain the benefits of the program/project; budget space to undertake the required O&M, beneficiaries and stakeholders' supposed to ensure its sustained operations.

3. <u>Third Pass:</u>

Based on the results of the evaluation at the first and second pass, the NEDA Secretariat will determine the overall level of priority based on the alignment/relevance, ERS criteria and urgency of the demand for the program or project to be implemented in their respective sector, and classify the program or project as follows:

a. High
b. Medium
c. Low

III. PLANNING COMMITTEE VALIDATION

The results of the NEDA Secretariat's validation of the PIP submissions will be presented to the Planning Committees (PCs)/Subcommittee (SCs) for validation. The PCs/SCs may adopt or modify the Prioritization Criteria under the PIP Guidelines or formulate its own prioritization criteria and procedure.

An inter-PC will also be convened, as necessary, to validate cross-cutting programs/projects and deliberate on multi-sectoral concerns and conflicting programs/projects.

The PCs/SCs shall validate the initial PIP 2017-2022 and medium-term update of the PIP while the Subcommittees will convene for the validation for the annual PIP/CIP updating. The annual updating of the PIP/CIP will be done to ensure agency's commitment and accountability in the implementation of the programs/projects in their PIP/CIP submissions.

Source: NEDA (2017a)

Table 4

Investment Targets of Strategic CIPs By Spatial Coverage[a]
(In million pesos)

Spatial coverage	Number of strategic CIPs	Total for 2013-2016	Total for continuing investment targets	Overall total
Nationwide	11	70,481.61	40,506.48	110,988.09
Interregional	34	332,534.07	377,424.01	709,958.08
Region-specific	69	365,793.28	115,155.99	480,949.27
I: Ilocos	*2*	*1,417.50*	*-*	*1,417.50*
II: Cagayan Valley	*4*	*12,179.00*	*11,616.00*	*23,795.00*
III: Central Luzon	*11*	*70,804.99*	*42,424.31*	*113,229.30*
IV-A: CALABARZON	*4*	*75,728.68*	*-*	*75,728.68*
IV-B: MIMAROPA	*4*	*4,125.16*	*4,173.50*	*8,298.67*
V: Bicol	*3*	*2,007.20*	*3,157.95*	*5,165.15*
VI: Western Visayas	*1*	*66.50*	*1,236.38*	*1,302.88*
VII: Central Visayas	*7*	*37,610.93*	*14,556.71*	*52,167.64*
VIII: Eastern Visayas	*3*	*2,452.49*	*1,807.81*	*4,260.30*
IX: Western Mindanao	*1*	*8,567.00*	*-*	*8,567.00*
X: Northern Mindanao	*2*	*2,679.66*	*1,959.75*	*4,639.41*
XI: Davao Region	*1*	*68.13*	*1,635.11*	*1,703.24*
XII: SOCCSKSARGEN	*2*	*116.06*	*2,785.31*	*2,901.36*
NCR	*24*	*147,969.99*	*29,803.16*	*177,773.15*
Total	**114**	**768,808.95**	**533,086.49**	**1,301,895.44**

[a] *Regions CAR, CARAGA and ARMM do not have strategic CIPs. Figures may not add up due to rounding off.*

Source: NEDA (2014).

C. Three-Year Rolling Infrastructure Program (TRIP)

The three-year rolling infrastructure program (TRIP) was reinstituted by the NEDA Board Committee on Infrastructure (INFRACOM) in October 27, 2014 in order to build the pipeline of strategic and other projects needed to promote inclusive growth and to synchronize the infrastructure planning, programming, budgeting and execution processes both at the oversight and implementing agency level. TRIP is intended to ensure that the agencies' annual budget ceilings are optimized and utilized in the funding of priority infrastructure programs, activities, and projects (PAPs) which are likewise responsive to the outcomes and outputs under Philippine Development Plan (PDP), and are readily implementable. The lack of project readiness at entry is one of the causes of delay in the approval process. In addition, approved project implementation plans are never carried out in full terms of annual work schedules and budgets, leading to implementation delays, underspending, expenditure realignment, or cost overruns (DBM-NEDA, 2016).

Agencies submit to NEDA their respective TRIPs. In consultation with respective agencies, NEDA reviews agencies' TRIP submissions and produces a consolidated TRIP which has to be presented to INFRACOM for approval before submitting it to DBM. DBM then determines agency budget ceilings based on spending levels approved by the DBCC. The TRIP reporting process follows the two-tier budgeting approach of DBM. A new or expanded program or project submitted for budget allocation in the TRIP shall describe the objective, problem/issue being addressed, the resulting increase in operational efficiency with the adoption of technology improvements, the risk mitigation strategy, monitoring and evaluation plan, and expected outcomes/outputs. Likewise, approval by the Investment Coordination Committee (ICC) for large projects (e.g. costing PhP 1 billion and above) and by appropriate bodies (e.g. head of agency, regional development council, etc.) for small projects (e.g. costing less than PhP 1 billion) remains in effect. IT projects shall also undergo an appraisal process by the Medium-Term Information and

Communications Technology Harmonization Initiative (MITHI). Figure 3 shows the TRIP process flow and timelines.

Figure 3
TRIP Process Flow and Timelines

A	Issuance of Notice/ Call for Submission of Inputs to TRIP **Responsible Agency**: NEDA	15th of July
B	Deadline of Submission of TRIP inputs **Responsible Agency**: All concerned agencies	15th of September
C	Review/processing and incorporation of the submitted programs/projects into a consolidated TRIP **Responsible Agency**: NEDA (in close coordination w/ agencies)	September-October
D	Presentation of TRIP to INFRACOM for approval/confirmation **Responsible Agency**: NEDA	4th week of October
E	Submission of Approved TRIP to DBM **Responsible Agency**: NEDA	Upon approval/confirmation of TRIP by INFRACOM
F	Determination of Programmed Spending Levels and Hard Budget Ceilings of Agencies **Responsible Agency**: DBM/DBCC	Based on budget schedule to be issued by DBM annually
G	Development of the National Expenditure Program (NEP) **Responsible Agency**: DBM (in consultation with all agencies)	Based on budget schedule to be issued by DBM annually

Source: DBM-NEDA (2016).

TRIP is a subset of the PIP and covers all nationally-funded infrastructure projects irrespective of cost and financing source (GAA, PPP, or ODA), based on the synchronized planning, programming and budgeting process of the government. Agencies are required to indicate the different stages[3] of the projects listed under the TRIP to ensure that well-developed and readily implementable projects queue up for the budget. TRIP is a programming and monitoring mechanism to ensure that the government target spending on public infrastructure (e.g. 5% - 7% of GDP) shall be met.

[3]TRIP requires information on the type and magnitude of budgetary resources needed by the projects such as right-of-way (ROW) acquisition, resettlement action plans (RAP), conduct of feasibility studies, detailed engineering design (DED), pre-construction expenses, and construction implementation.

Table 5 presents the Duterte administration's three-year rolling infrastructure program (TRIP) from 2018 to 2020. Note that PhP 2.33T are allocated to transportation infrastructure which comprise 58% of total TRIP allocation for this period. These proposals are assumed to be aligned with the priorities of the Philippine Development Plan (PDP) and the agency's organizational outcome/output targets.

Table 5

Three-Year Rolling Infrastructure Program: 2018-2020
(In billion pesos)

Sectoral Breakdown	2018	2019	2020	Total	Share
Transportation	627.37	764.56	937.84	2,329.77	58%
Water Resources	79.21	72.55	87.26	239.02	6%
Social Infrastructure	390.90	339.88	312.70	1,043.48	26%
Energy	15.08	12.36	12.67	40.11	1%
ICT	53.17	41.54	18.14	112.85	3%
Others	17.72	14.95	19.99	52.66	1%
Admin Bldg.	85.92	72.28	38.79	196.99	5%
Total	**1,269.37**	**1,318.12**	**1,427.39**	**4,014.88**	**100%**

Source: Pernia (2017).

Inclusion in the TRIP is a requirement for issuance of multi-year obligational authority (MYOA) by the DBM. MYOA is a document issued by DBM for projects (locally funded or foreign assisted) implemented by agencies in order to authorize the agencies to enter into multi-year contracts for the full project cost. The obligation to be incurred in any given year shall not exceed the allotment released for the project during the given year. Agencies must submit to DBM for succeeding budget year the requirement of the project covered with MYOA (DBM, 2015).

D. Coordination Committees

The policy framework governing capital projects involves the implementing agencies or line agencies preparing the project proposals and submitting them to the oversight agencies for approval and inclusion in the annual National Expenditure Program

that the President submits to Congress. Three key NEDA Board committees play a significant role in the planning and programming of infrastructure projects in the country:

1. Development Budget Coordination Committee (DBCC). DBCC is composed of the Director-General of the National Economic and Development Authority, the Executive Secretary and the Secretaries of Finance and of Budget and Management. The Committee approves the macroeconomic assumptions and economic policy directions for the preparation of the annual national government budget and for the requirements of the PDP. The Committee recommends to the President the approval of the level of the annual government expenditure program. It also recommends to the President the amount set to be allocated for capital outlay under each development activity for the various capital or infrastructure projects.
2. Investment Coordination Committee (ICC). The ICC is composed of the Director-General of the National Economic and Development Authority, the Executive Secretary, the Secretaries of Finance, Agriculture, Trade and Industry and of Budget and Management and the Governor of the Central Bank. The Committee evaluates the fiscal, monetary and balance of payments implications of major national projects (now those costing Php 1 billion or more), and recommends to the President the timetable of the implementation of these projects on a regular basis.[4]
3. Committee on Infrastructure (INFRACOM). The INFRACOM is composed of the Director-General of the National Economic and Development Authority, the Executive Secretary, and the Secretaries of Public Works and Highways, Transportation and Communications, Finance, and Budget and Management. The Committee advises the President and the NEDA Board on matters concerning infrastructure development including highways, airports, seaports

[4]DBM National Budget Memorandum No. 128 (dated March 23, 2017) has indicated that the ICC will review the proposals costing more than PhP 2.5 billion.

and shore protection; railways; power generation, transmission and distribution; telecommunications; irrigation, flood control and drainage water supply; national buildings for government offices; hospitals, sanitation and related buildings; state college and universities, elementary and secondary school buildings; and other public works. As mentioned in earlier discussion, INFRACOM's approval of TRIP is required before it is submitted to the DBM.

In sum, the PDP-RM-PIP/TRIP/CIP Framework creates a planning and budgeting system that starts by highlighting the societal goals of the country over a 6-year period; describes the results (outputs, outcomes and impacts) to be achieved by sector and responsible agencies; lists the priority programs, activities, and projects to be implemented over the 6-year period; synchronizes the link between planning and budgeting by creating a pipeline of strategic infrastructure projects over a 3-year span; and identifies the big ticket programs, activities, and projects from the public investment program to serve as pipeline for the ICC and the NEDA Board.

The participation of the Department of Finance (DOF) in the formulation and vetting process of capital projects is to examine and evaluate the resource implications of such projects because badly conceived, designed, or executed projects end up increasing the country's debts to the detriment of new projects in the future. As the country's fiscal stability depends on the proper choice and implementation of such projects, it is best that these projects pass the standards set by the DOF before agreeing to implement these projects. The DOF Secretary is the chair of the ICC. Moreover, within the DBCC framework, the Treasurer of the Philippines chairs the Cash Programming and Monitoring Committee (CPMC), and the Bureau of the Treasury (BTr) acts as the secretariat of the CPMC. DOF Undersecretary is the chair of Sub-Committee on GOCCs and its secretariat is

DOF's Corporate Affairs Group, and DOF Undersecretary is the chair on Technical Working Group on Program Loans whose secretariat is NEDA's Public Investment Staff (PIS).[5]

DOF performs its capital-project vetting role through its participation in the above TWGs, subcommittees, and cabinet-level committees.

E. The Role of the PPP Center

The role of the Public-Private Partnership (PPP) Center in the process is to assist implementing agencies, which submit their inputs to the PIP in identifying the potential PPP projects. Once a potential PPP project is identified among the PIP projects, the PPP Center helps the implementing agencies in conducting feasibility studies, through the procurement of a transaction adviser (TA) who will do the feasibility studies, and assists the implementing agencies get the approval of the Project Development and Monitoring Facility (PDMF) Committee.[6] In the ICC approval process, the PPP Center acts as the Secretariat of the ICC for PPP projects, and convenes the technical working group (TWG) composed of the PPP Center, DOF, NEDA, and DENR. In the TWG, the PPP Center does the bankability and value-for-money analysis; DOF looks at the financial and risk allocation aspects; NEDA examines the alignment to the PDP; and DENR assesses the PPP project's environmental impact. In other words, the TWG does a wholistic evaluation of projects. From the PPP Center, the PPP project appraisal process goes to the ICC Cabinet Committee, and if it passes this hurdle, it goes up to the NEDA Board Committee for final approval. The implementing agencies can seek the help of the PPP Center in the bidding process (See Figure 4 on the PPP appraisal and approval process).

Thus, the vetting process for all foreign-assisted projects and for large locally-funded projects that are required to get ICC approval, follows a two-track flow, after hurdling all previous steps:

[5]The research team failed to secure an interview with DOF to clarify its view on the existing planning and programming process. However, Usec. Gil Beltran sent an email message in response to some queries sent to him.

[6]The committee is chaired by NEDA, and has DBM, DOF, and PPP Center as members.

(1) For PPP projects

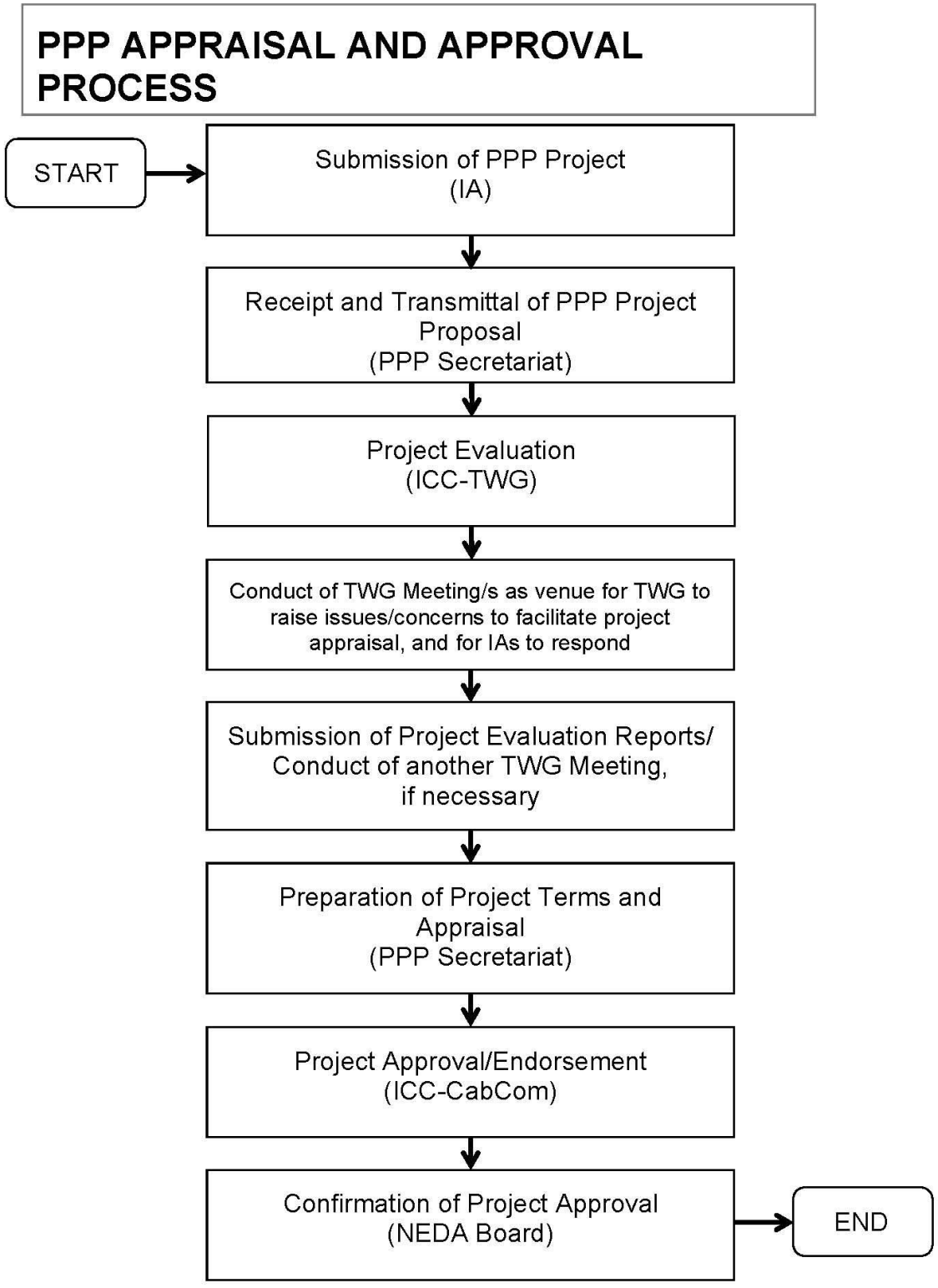
PPP Technical Working Group→ ICC Cabinet Committee → NEDA Board
(Secretariat: PPP Center)

(2) For Non-PPP projects

ICC Technical Board → ICC Cabinet Committee → NEDA Board
(Secretariat: NEDA Infrastructure Staff)

The rationale for this two-track framework is to reduce technical discussions in the ICC which could lengthen the meeting without necessarily adding quality to the involved projects. This set up was put in place to fast-track the project review, appraisal and evaluation process. The idea is to discuss technical details of the project at the TWG level, and to elevate it to the cabinet level for the decision to approve, and to endorse it to the NEDA Board which is tasked to give the final approval.

Figure 4



Source: PPP Center (2016).

F. Implementing Agencies' Participation in the Planning, Programming and Budgeting Process

This section explains how the implementing or line agencies prepare the project proposals before submitting them to the oversight agencies (NEDA, DBM, DOF, and PPP Center) for approval. Let us begin by discussing the importance of three identified implementing agencies[7] in infrastructure development. As indicated in Table 2, the top three agencies in terms of the 2013-2016 PIP investment targets are the Department of Public Works and Highways (DPWH), the Department of Agriculture (DA), and the Department of Transportation and Communications (DOTC); the latter is now renamed the Department of Transportation (DOTr). Table 6 shows the mandate of DPWH, DOTr, and DA, respectively.

Table 6

Mandate of DPWH, DOTr, and DA

Agency	Mandate
DPWH	DPWH is responsible for the planning, design, construction and maintenance of infrastructure, especially the national highways, flood control and water resources development system, and other public works in accordance with national development objectives.
DOTr	Serves as the primary policy, planning, programming, coordinating, implementing and administrative government agency on the promotion, development and regulation of a dependable and coordinated network of transportation systems, as well as in the fast, safe, efficient and reliable transportation services.
DA	DA is responsible for the promotion of agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises.

Table 7 shows the different implementing agencies' investment targets on infrastructure development. Again DPWH, DOTr, and DA belong to the top four

[7]DBM has identified these agencies as DPWH, DOTr, and DA.

implementing agencies in infrastructure development. The three agencies account for more than half of the infrastructure budget for the 2013-2016 period.

Tables 8 and 9 add another dimension to demonstrate the importance of these three agencies in the national infrastructure program. The figures come from DBM's Budget of Expenditures and Sources of Funds 2015-2017. Table 8 shows that DPWH projects by far comprise the bulk of the national government's infrastructure spending accounting for almost 50% of total infrastructure spending from 2015 to 2017. The combined shares of DPWH, DOTr, and DA, account for approximately 54% of total infrastructure spending for the period. Its combined share exceeds 60% if the budget for the National Irrigation Administration (NIA) is included in the DA budget. Table 9 shows the agency's infrastructure spending by disaggregating foreign-assisted project (FAP) outlay from locally-funded project (LFP) outlay. Again, it shows that DPWH by far accounts for the bulk of the infrastructure spending for both FAP and LFP. Table 9 likewise shows that among the top ten agencies in terms of infrastructure spending, only DPWH, DOTr, DA, and DENR have FAP components, and DPWH, DOTr, and DA account for the bulk of the FAP component for this period.

Now, let us examine how the implementing agencies prepare the project proposals before submitting them to the oversight agencies for approval.

Table 7

Investment Targets on Infrastructure Development by Implementing Agency (In million pesos)

Agency/Department	2013	2014	2015	2016	Total for 2013-2016	Total for continuing investment targets	Overall total
Department of Public Works and Highways (DPWH)	130,185.71	272,989.43	300,628.17	256,962.59	960,765.90	567,633.34	1,528,399.23
Department of Health (DOH)	15,481.15	19,601.16	47,309.46	41,425.06	123,816.84	350,902.68	474,719.51
Department of Transportation and Communications (DOTC)	68,674.28	92,905.54	106,843.22	85,892.23	354,315.26	14,452.25	368,767.51
Department of Agriculture (DA)	26,304.38	40,954.16	47,846.07	41,184.73	156,289.35	41,392.32	197,681.67
Department of Education (DepEd)	32,055.98	48,533.11	52,931.55	19,603.15	153,123.79	-	153,123.79
Department of Energy (DOE)	14,144.07	29,991.36	67,541.17	39,540.80	151,217.40	-	151,217.40
National Housing Authority (NHA)	10,000.00	10,000.00	10,000.00	10,000.00	90,582.00	-	90,582.00
Local Water Utilities Administration (LWUA)	1,785.58	6,798.08	9,160.61	6,926.08	24,670.35	7,639.06	32,309.40
Metro Manila Development Authority (MMDA)	4,472.33	5,925.02	4,040.29	653.00	15,840.64	1,000.00	16,840.64
Department of the Interior and Local Government (DILG)	1,816.13	4,285.42	4,607.08	4,947.78	15,656.41	-	15,656.41
Cagayan Economic Zone Authority (CEZA)	1,533.58	979.00	131.00	1,409.00	4,052.58	5,587.68	9,640.26
Presidential Communication Operations Office (PCOO)	654.72	759.19	581.49	855.99	2,851.39	-	2,851.39
Department of Science and Technology (DOST)	149.38	1,399.59	367.83	168.94	2,749.31	-	2,749.31
National Disaster Risk Reduction and Management Council (NDRRMC)	550.00	654.77	680.96	708.20	2,593.92	-	2,593.92
Department of Environment and Natural Resources (DENR)	-	500.00	500.00	500.00	1,500.00	-	1,500.00
National Telecommunications Commission (NTC)	-	-	-	-	176.47	-	176.47
Authority of the Freeport Area of Bataan (AFAB)	30.00	30.00	30.00	30.00	120.00	-	120.00
Philippine Postal Corporation (PhlPost)	17.11	2.59	2.59	2.59	24.88	-	24.88
Bases Conversion and Development Authority (BCDA)	-	-	-	-	-	-	-
Total	**307,854.39**	**536,308.42**	**653,201.50**	**510,810.12**	**2,060,346.47**	**988,607.32**	**3,048,953.79**

Source: NEDA (2014).

Table 8

Top Ten Departments in Terms of Infrastructure Spending
(In thousand pesos)

Department	2015	2015 % Share	2016	2016 % Share	2017	2017 % Share
1. DPWH	273,456,657	47.50	373,585,703	49.39	429,692,546	49.93
2. DepEd	63,870,162	11.10	84,878,764	11.22	119,697,144	13.91
3. DOTr	21,418,700	3.72	23,478,177	3.10	28,546,187	3.32
4. DA	13,759,420	2.39	17,424,690	2.30	11,709,243	1.36
5. DILG	10,111,155	1.76	10,292,632	1.36	7,308,312	0.85
6. DOH	9,683,916	1.68	19,270,617	2.55	11,848,983	1.38
7. DENR	8,174,372	1.42	7,924,271	1.05	10,365,398	1.20
8. DFA	593,296	0.10	2,763,756	0.37	1,102,827	0.13
9. DOF	539,894	0.09	2,120,000	0.28	1,400,210	0.16
10. DOST	538,067	0.09	1,016,192	0.13	3,047,988	0.35

Source: DBM, Budget of Expenditures and Sources of Funds 2017.

Table 9

Infrastructure Outlays: 2015-2017
(In thousand pesos)

Department	2015			2016			2017		
	FAP	LFP	Total	FAP	LFP	Total	FAP	LFP	Total
1. DPWH	11,055,696	262,400,961	273,456,657	10,324,710	363,260,993	373,585,703	7,758,894	421,933,652	429,692,546
2. DepEd	-	63,870,162	63,870,162	-	84,878,764	84,878,764	-	119,697,144	119,697,144
3. DOTr	9,674,492	11,744,208	21,418,700	8,478,162	15,000,015	23,478,177	7,342,031	21,204,156	28,546,187
4. DA	7,707,047	6,052,373	13,759,420	6,431,672	10,993,018	17,424,690	148,679	11,560,564	11,709,243
5. DILG	-	10,111,155	10,111,155	-	10,292,632	10,292,632	795,968	6,512,344	7,308,312
6. DOH	-	9,683,916	9,683,916	-	19,270,617	19,270,617	-	11,848,983	11,848,983
7. DENR	370,282	7,804,090	8,174,372	400,315	7,523,956	7,924,271	1,643,485	8,721,913	10,365,398
8. DFA	-	593,296	593,296	-	2,763,756	2,763,756	-	1,102,827	1,102,827
9. DOF	-	539,894	539,894	-	2,120,000	2,120,000	121,600	1,278,610	1,400,210
10. DOST	-	538,067	538,067	-	1,016,192	1,016,192	-	3,047,988	3,047,988

Note: FAP stands for Foreign Assisted Projects, and LFP stands for Locally Funded Projects.

Source: DBM, Budget of Expenditures and Sources of Funds 2017.

- **Department of Public Works and Highways (DPWH)**

In the development of infrastructure projects (e.g. roads, bridges, flood control facilities, and water supply), DPWH follows a four-phase cycle process: (a) project identification, (b) project preparation, (c) project implementation, and (d) project operation and evaluation.

a. Project Identification

Projects are submitted by DPWH Regional/District Offices, local government units (LGUs), and other stakeholders. To be included in the PIP and Annual Infrastructure Program (AIP), the following are required to be complied for them to be considered in the pipeline of locally funded projects: (1) its relevance with the mandate and priorities of DPWH, (2) its consistency with master plans such as high standard highway plan, tourism plan, and flood control plan; (3) they have to satisfy prioritization criteria such as tourism road infrastructure project prioritization criteria, flood control criteria, and project impact analysis; and (4) they have to produce approved program of work, design plans and specifications, detailed unit price analysis, among others.

b. Project Preparation

The projects are subject to feasibility studies to determine whether the project can and should be carried out, and if so, how and when. Various agencies are involved in the review and evaluation of project parameters such as its cost estimates. If the project passes the vetting process in the first two phases, it goes up to the oversight agencies for inclusion in the PIP; detailed engineering of a project is undertaken in preparation for actual implementation under the medium-term infrastructure program. Projects proposed for inclusion in the annual infrastructure program are those that rank high in priority and those that are technically ready for actual implementation during the year (e.g. those with substantially completed detailed engineering). After DBM issues a Budget Call,

DPWH's Programming Division issues programming guidelines based on DPWH strategic infrastructure policies and programs. In the formulation of the proposed budget for on-going and new FAPs, the following are to be considered: project timelines, NEDA Board approval, loan effectivity/expiry, pre-construction activities, and implementation schedule. A coordination meeting among concerned offices is held to finalize the list of ODA projects and the corresponding allocation to be included in the AIP.

c. Project Implementation

Immediately after the NEDA Board approves the annual infrastructure program, the DBM issues the Advice of Allotment (AA) for the projects under a comprehensive program. Right-of-Way (ROW) acquisition, bidding and contracting, and construction.

d. Project Operation and Maintenance

National roads and bridges, major flood control structures, and related facilities of national importance remain under the responsibility of DPWH during the operational phase. Regional and District Offices generally undertake the maintenance of the facilities. Impact evaluation or post-project appraisal is undertaken to assess the project's actual performance.

At DPWH, the planning and programming functions are the responsibility of the Planning Service Bureau, particularly its Development Planning Division, Programming Division, and Project Preparation Division. DPWH's Medium-Term Public Investment Program: 2017-2022 has a total capital outlay of PhP 3.13 trillion for the period to cover general management and supervision, support to operations, and operations. The latter accounts for the bulk of capital outlay because it provides outlay for asset preservation, construction and maintenance of bridges along national roads, construction and maintenance of flood mitigation structures and drainage systems; construction and improvement of access roads

leading to airports, seaports, and declared tourism destinations and ecozones; PPP strategic support fund, national building program, and funding counterpart for FAPs in roads, bridges, and flood control.

In performing these functions, DPWH clearly shows that it possesses project-analysis capability. This is validated by its ability to regularly produce its medium-term plans. DPWH also assumes the right-of-way task for DOTr. However, the ramp-up spending on infrastructure in the Build, Build, Build program will require DPWH to hire additional engineers for it to cope up with the large number of projects and activities.

- **Department of Agriculture (DA)**

The Planning and Monitoring Staff (PMS) is tasked to formulate the medium-term plan and public investment program. They also monitor and evaluate the implemented annual plan, medium-term plans and programs. On the other hand, the Project Development Staff (PDS) is tasked to process and evaluate project proposals for ODA financing and other funding sources. Likewise, they are in charge of processing projects to be submitted to the ICC for approval. Project proposals come from various proponents who are usually local and regional-level stakeholders, and projects are based on stakeholders' respective needs. To be considered by DA, project proposals must first satisfy the initial hurdle that they should be aligned with DA's medium-term plan. Once a project is approved, it is endorsed to Field Operations Service (FOS), specifically to Special Projects Coordination and Monitoring Division (SPCMAD) which monitors project implementation, and assists the proponents in costing the projects. The PDS mirrors the ICC project evaluation process within DA, to anticipate or minimize problems encountered in the planning, programming and budgeting process. DA project analysts reveal that they find NEDA, *Reference Manual on Project Development and Evaluation (2005)*; NEDA, *Advanced Manual on Project Evaluation (2006)*; NEDA, *Value Analysis Handbook (2009)*, and DBM, *OPIF Reference Guide (2011)* as useful references. DA prefers a shortened ICC process. For

instance, DA's irrigation project proposal completes its feasibility study in 2018 but it goes through ICC processes only in 2019, and to be included in the NEP in 2020.

Project proposals have varying levels of readiness. In terms of agency level prioritization, DA follows the criteria described in Table 3.

At present, DA Medium-Term Plan: 2017-2022 has not been finalized, but their Medium-Term Plan: 2011-2017 can be gleaned from DA's *Agriculture and Fisheries Modernization Plan: 2011-2017*, which targets a public infrastructure program valued at PhP 269.6 billion for the 2011-2016 period, and PhP 319.6 billion for the 2011-2017 period. DA's infrastructure portfolio is focused on irrigation, farm-to-market roads, drying facilities, and storage facilities. Since NIA is no longer under the supervision of DA, the latter's irrigation projects are limited to small scale irrigation projects (SSIPs) such as small water impounding projects, small farm reservoirs, diversion dams, shallow tube wells, pump irrigation systems for open source, spring developments, and alternative irrigation systems (e.g. ram pumps, solar pumps, and wind pumps). Rice, corn, fishing, livestock, poultry, banana, coconut-copra, and sugarcane account for 80% of the agri-fishery sector's gross value added. The plan's staple grain food production targets (particularly for rice production targets) require frontloading investments in irrigation to hasten the rehabilitation, restoration, and generation of new irrigated areas, and DA's embrace of integrated watershed management approach requires an institutional set-up where DA in dealing with rice production support services such as those delivered by NIA and Fertilizer and Pesticide Authority (FPA) would require that they are under its administrative jurisdiction for a better policy coordination (DA, 2014).

DA clearly possesses project analysis competence based on its track record of prioritizing projects to be included in its medium-term plan using cost-benefit analysis. DA's 2011-2016 medium-term plan was focused on staple-grain self-sufficiency program. But DA's 2017-2022 medium-term plan attempts to shift its focus to rural development, non-farm income opportunities, and poverty alleviation. DA's infrastructure programs

(irrigation, farm-to-market roads, post-harvest facilities) require DA to have supervision of its attached agencies that are engaged directly or indirectly in infrastructure. The organizational structure of DA is also an illustration of a fragmented structure where the supervision of some DA's attached agencies is removed from the DA Secretary and assigned to the Presidential Adviser for Agricultural Modernization. This creates a coordination problem.

- **Department of Transportation (DOTr)**

Project preparation process at DOTr slightly varies from one sector (e.g. rail and tollroads) to another (e.g. maritime). But basically the proposals must be aligned with the goals of PDP. Sometimes project ideas emanate from top leadership of DOTr who identify projects that address certain transportation needs. In DOTr's process, project analysis requires the following inputs: description of product, beneficiaries, proposed annual budget, demand analysis, target population, market growth rate, supply chain, traffic flow, and site visit. Agency level prioritization follows the criteria described in Table 3. Project analysts at DOTr consider their PIP and TRIP online submission to NEDA as equivalent to DOTr's Medium-Term Investment Program: 2017-2022. They likewise reveal that they are not using NEDA's (2005, 2006, 2009) project evaluation and value analysis manuals as references. They find the manuals to be too technical and less user friendly. In addition, DOTr officials complain that NEDA intervenes in areas where an implementing agency has technical competence. For example, it cites NEDA's and DOTr's contrasting stand on the choice between standard or narrow gauge for railway track; and NEDA's revision on DOTr's proposal with respect to a tollway's number of lanes.

DOTr's multi-modal transport mandate makes it more critical to set up an intermodal project planning and policy framework. At present, DOTr has no Undersecretary for Planning. At the time this study started, DOTr has no Undersecretaries for Planning; Aviation and Airports; Rail and Tollroads; and Legal and Procurement, respectively. There is no record or paper trail to show that DOTr has an existing Medium-

Term Public Investment Plan. Among the three implementing agencies, DOTr is the most inaccessible, the most secretive, and the most media-focused in terms of "perception management." The constant MRT-LRT train breakdowns consume the time of DOTr officials in charge of rails to address public concerns through the media. Recently, there has been a succession of media releases on the groundbreaking of LRT-1 Cavite Extension Project, LRT-2 Masinag and Emerald Stations Project, and the scheduled groundbreaking of LRT-MRT Common Station Project, Manila-Clark Railway Project, Tagum-Davao-Digos segment of Mindanao Railway Project, as well as press coverage on the soon-to-be released 5-year driver's licenses, and the launch of the three-year Public Utility Vehicle (PUV) Modernization Program. In addition, there have been press releases that ODA funding is sought for the Mega Manila Subway Project, EDSA Bus Rapid Transit Project, and the Manila-Bicol segment of the North-South Railway Project.

At present, DOTr has no in-house project analysis competence; it simply relies on external consultants and on the services provided by the transaction advisers (TA) assigned to facilitate the processing and approval of DOTr's PPP projects. At present, DOTr's ROW function is assumed by the DPWH. DOTr needs to address its organizational weaknesses by producing an organizational and staffing plan and submitting it to DBM for funding. In the meantime, DOTr can seek assistance from DPWH in its project preparation and appraisal functions in order to fast-track the evaluation of its projects.

G. Evaluation of the Existing Framework

The policy framework governing capital projects in the Philippine setting includes implementing agencies or line agencies preparing the project proposals and submitting them to the oversight agencies for approval and inclusion in the National Expenditure Program that the President submits to Congress. The DBCC decides on the annual program of expenditures, while the ICC approves all major government projects (now costing PhP2.5 billion or more), including those with foreign assistance. The smaller capital

projects (locally funded costing less than PhP 2.5 billion) are reviewed by DBM through the technical budget hearings.

The PIP contains the priority programs and projects to be implemented within the medium-term. PIP incorporates the programs and projects in the RDIP which contains those programs and projects endorsed by the Regional Development Councils (RDCs). TRIP and CIP are subsets of the PIP. TRIP is intended to ensure that the annual budget ceilings of agencies are optimized and utilized in the funding of priority infrastructure PAPs. INFRACOM screens the infrastructure programs of the agencies before these go through the ICC process. CIP contains the big ticket PAPs of the PIP that serve as pipelines for the ICC and the NEDA Board.

As discussed in the earlier section (II.F), project identification starts with the line agencies. The role of the LGUs and RDCs in the project identification stage varies from agency to agency. Although line agencies should coordinate with LGUs and RDCs in planning and prioritizing their infrastructure projects, there is actually a lack of effective coordination and consultation to ensure that local and regional infrastructure projects are included or are consistent with national priorities. Line agencies simply obtain inputs from their regional offices before submitting their TRIP and PIP inputs to NEDA. World Bank (2005) observes that ICC evaluates only large projects for financial viability, social desirability, and budgetary implications. GOCCs and LGUs, however, are left on their own to make investment decisions on projects that do not require major capital expenditure by the government. Previous attempts to harmonize sectoral plans with geographic strategies failed "because the coordinating agencies that were set up to encourage integration at the local level had little control over budget and resources, and no political influence over the agencies with direct control of resources …the majority of RDCs are weak and ineffective when it comes to infrastructure planning and coordination … RDCs have practically no budget allocation and very little influence on the national budget" (World Bank, 2005, page 40). LGUs are constrained in their capacity to plan, prepare, and

implement infrastructure projects because they cannot retain and attract relevant expertise to prepare projects, do feasibility studies, make detailed designs, and supervise construction. Manasan (2007) observes that decentralization has had little influence on Philippine development. Since devolution, nearly all local government expenditures have been funded by central government transfers. Corpuz (2016) sees the need to align infrastructure plans and implementation responsibilities between LGUs and national agencies. He likewise stresses that LGUs do not have much incentive to support metropolitan-regional plans because these are viewed as impositions on local autonomy; these plans are essentially toothless because of the absence of metropolitan or regional governments.

Furthermore, it is shown in Table 4 (see Section II.B) that the planning, programming, and budgeting of projects (both in quantity and value) reinforce the unequal spatial and regional development. Clausen (2010) documents the geographical manifestations of spatial and social disparities in the Philippines for the period 1984 to 2009. Balicasan and Hill (2003) observe significant variations in per capita income across regions and assert that growth in industry and services tends to increase regional inequality; but growth in agriculture tends to decrease it. Balisacan, Hill, and Piza (2007) state that economic activity is highly uneven and is concentrated around the National Capital Region, Central Luzon, and CALABARZON. Together, these three regions produce about 55% of total national output. They recommend that infrastructure investment should have regional development in mind. Llanto (2007) shows that in the period 1988-2003, 76% if fixed capital investment took place in the National Capital Region and in CALABARZON. Balisacan (2007) documents glaring spatial distinctions. He states that infrastructural deficiencies and disparities in educational attainment play a large role in explaining persistent differences in subnational growth rates, and these in turn are the dominant sources of variation in poverty alleviation. Balisacan, Hill and Piza (2009) find that very high spatial disparity in economic performance and social development in the Philippines

is quite remarkable. They show that poverty has strongly spatial dimensions with some regions and provinces far more multidimensionally deprived than others. They assert that government's allocation of scarce infrastructure funds has had implications for regional development patterns and they recommend that spending priority in infrastructure, health, and social services should be accorded in lagging regions. Corpuz (2016) has likewise stated that cities and urbanization are associated with economic growth and poverty reduction. However, urban areas in the Philippines perform better than rural areas in terms of having lower poverty incidence, infant mortality rates and underemployment, and higher functional literacy. But compared to other countries, Metro Manila and other urban areas have been underperforming. The lack of infrastructure and its poor quality are some of the reasons cited for the underperformance of Philippine cities (Corpuz, 2016). Dumayas (2017) has found that while the National Capital Region, Central Luzon, and CALABARZON remain to be the top contributors of the country's total output, the fastest-growing regions from 2009-2013 are Central Visayas, Central Luzon, and CARAGA. This implicitly suggests the possible diffusion of growth to regions outside Luzon. The end result is that physical resource allocation in the Philippines is heavily sector-based and favors mega regions around Metro Manila (National Capital Region, CALABARZON, and Central Luzon). The National Spatial Strategy (NSS) in the PDP 2017-2022 is intended to reverse this trend. But its effectiveness is doubtful given that 83% of the 2018 budget (see DBM, 2017b) is allocated to sector-based Tier 1 projects and programs. The rest of the 17% allocated to Tier 2 projects and programs has doubtful effects on correcting geographical inequality because Tier 2 proposals are evaluated if they are implementation ready which most likely can only be satisfied by projects and programs intended for dominant sectors and regions.

The DOF has created the Strategy, Economics, and Results Group (SERG) to provide strategic advice and research on fiscal policies as well as the financial implications of the government priority programs. On the other hand, the DBM-DOF-NEDA Joint Circular 2017-

1 assigns to DBM the task of preparing the fiscal planning and accountability reports (e.g. Statement of Fiscal Policy, Medium-Term Fiscal Policy). In other countries like Sweden, Norway, and UK, the Ministry of Finance or Treasury does the tasks being handled by DBM, DOF, and NEDA combined. For instance, Sweden with a much bigger GDP than the Philippines has only ten ministries to manage bigger fiscal resources compared to the Philippines which has 22 departments to manage smaller fiscal resources. DBM's Fiscal Planning and Reforms Bureau performs similar tasks as those undertaken by NEDA's National Policy and Planning Staff and DOF's Strategy, Economics, and Results Group. The fragmented cabinet system creates a coordination problem that is evident in the planning and programming system of capital projects. This coordination problem is partly being addressed by the recent reforms initiated by DBM.

World Bank (2007) has likewise advocated for a realignment of the agricultural budget allocation away from commodity-specific support and towards public goods provision and market development support. It urged the government to invest in essential public goods such as rural roads, wholesale markets, market information, research and development, and food safety and quality.

World Bank (2009) has concluded that the credibility of the national planning processes (regarding transport infrastructure) can be improved: the capacity to assess investment projects from the line agencies is limited. It specifically cites the need to improve the quality of project proposals and that proper cost-benefit and technical analysis of projects are not undertaken on a routine basis. Furthermore, it stresses that the varying quality of the planning documents reduces their usefulness for prioritization and guidance in the budget preparation process, and few feasibility studies are carried out, even for high profile projects. This World Bank analysis is consistent with the analysis of this report as contained in the next section.

World Bank (2009) also stated that "the quality of investment project proposal preparation in the planning process are duplicated in the annual budget process" (page

54). All of the above weaknesses limit the usefulness of the planning process documents for the budget process. Lastly, unrealistic burden is placed on DBM's budget examiners because the quality of proposals and lack of guidelines, criteria, and requirements necessitate DBM to verify the technical and economic aspects of projects already evaluated by the ICC. The same staff makes an assessment of projects below PhP2.5 billion which are not evaluated by NEDA. It concluded that improved project preparation in line agencies will improve the planning and budgeting processes.

The problem with the current PIP applies to the previous Comprehensive and Integrated Infrastructure Program (CIIP) which according to World Bank (2011a) has a long list of infrastructure projects many of which are yet to be implemented. An objective prioritization process is needed to select a shorter list of projects within budget ceilings and supportive of the current government's agenda. It suggests to use studies that prioritize projects based on technical and socio-economic analysis. At present, some agencies' PIPs are simply long wish lists with no clear prioritization and sequencing.

PIP prioritization criteria is shown on Table 3. The existing PIP prioritization criteria are too cumbersome. Once a project passes the "Effectiveness" test, it should be subjected to a full-blown project appraisal. Then if the project satisfies the CBA or CEA hurdle rate, and passes the "Readiness" test, it should proceed to be queued in the budget preparation and execution process where the "Sustainability" test is implemented. However, the ERS criteria are not used consistently in some large projects. The next section mentions some DOTr projects that do not pass through the ERS criteria on the grounds that they are "flagship projects" or are part of the "Master Plan". World Bank (2005) analyzed that "in the absence of a more systematic and empirical basis for prioritization, the ICC process… can become a superficial exercise where an agency can easily justify the inclusion (or exclusion) of projects in its list of priorities" (page 36).

The Build, Build, Build program has to heed the World Bank (2011b) advice that the particularly low efficiency rate of public transport spending and the high levels of

corruption must be addressed first before stepping up public expenditures on the sector. In addition, World Bank (2007) suggests that "the best way of increasing the impact of public expenditure and pro-poor agricultural growth in the Philippines is to improve the composition of expenditures rather than increasing its level" (page x). World Bank (2011b) likewise attributed the low efficiency in public spending to disparities in the distribution of public expenditures across income groups and across geographic regions.

Previous assessments also support this report's analysis. For instance, World Bank (2011b) recommends that all new projects should be subjected to the regular planning, evaluation, budgeting and monitoring system to enhance their transparency. It likewise validates the conclusion made by the DBM-DOF-NEDA Joint Circular 2017-1 that a recent review of budget execution found that "the key bottlenecks were the late enactment of the budget, procurement overlaps (particularly the initiation or the bidding process) and the weaknesses in the planning capacity of government agencies and spending units" (page 53). ADB (2012) has likewise found that limited implementation capacity contributes to the poor quality of the road system.

Although budgetary reforms eliminated the late budget enactment practice, other institutional weaknesses remain such as poor planning and project preparation, procurement difficulties, and bottlenecks in program or project implementation. However, these are simply symptoms of the core problem which is the lack of capacity in the agencies due to lack of continuous training for officials at all levels of government, and in all regions. This can be enhanced by producing sector-specific manuals containing methodologies and guidelines for preparing and appraising projects as well as establishing a publicly available integrated databank of projects to facilitate analysis and decision making. Although DBM's Procurement Service is credited for generating savings for agencies that use it to purchase common-use supplies such as paper and computers, its practice of undertaking the bidding and procurement functions on behalf of the implementing agencies for a fixed fee as a percent of total approved budget is not

promoting the institutional capacity of the implementing agencies. In fact, it can be perceived as a conflict-of-interest situation because DBM is the same agency that assesses the absorptive capacity of agencies before determining their budget ceilings. In some instances, when the implementing agencies changed their mind after signing a memorandum of agreement with DBM-PS, the latter refused to return the procurement responsibility and the project budget to the concerned agency.

Although DPWH received a substantial increase in its budget in 2007, it only managed to disburse 66% of available funds due to difficulties in financial management and procurement procedures, according to ADB (2012)[8]. It likewise observed that "technical capacity in planning, intermodal integration, project appraisal, and monitoring is also insufficient in sector agencies" (page 7). The technical and financial capacity of LGUs for the development and management of the local road network is also found to be inadequate.

Finally, Schuster, et al. (2017) recommends strengthening the department and agency processes for project identification, appraisal, prioritization, and selection.

The findings of the previous studies are consistent with the assessment of this report which finds a weak project preparation appraisal and prioritization contribution of the existing planning and programming system before the budget preparation and execution stages.

Project identification, processing, feasibility, appraisal, and implementation lie with the implementing agencies. Large projects go through NEDA-ICC for approval while small projects are approved by heads of agencies and go through the DBM technical budget hearings. In the project cycle, planning and programming start with project identification and end with the post evaluation stage. Budgeting comes after project approval stage when decisions are made as to which projects are to be included in the National Expenditure Program, given the agencies' budget ceiling.

[8] DPWH disbursement rate improved from 78% in 2014 to 97% in 2015, that of DA improved from 75% in 2014 to 86% in 2015. But that of DOTr declined from 80% in 2014 to 79% in 2015 (DBM, 2016a).

The weakness of the existing planning and programming system is that it is fragmented. It does not provide a coherent framework for identifying, coordinating, evaluating, and implementing public infrastructure projects. Instead it relies on multi-layered interagency bodies (DBCC, ICC, and INFRACOM) to set macroeconomic targets and to screen infrastructure projects. The weakness of the interagency framework is that the frequency of its meeting depends on the availability of its members to attend. However, the members of these committees are chosen based on their positions in government and not based on their ability to analyze and appraise projects. Cabinet level and sub-cabinet level committees rely on the inputs of the technical working groups supported by their respective secretariats which makes this system too bureaucratic and less efficient.[9]This analysis is reinforced by World Bank (2011b) which observes that the low efficiency rates of public transport spending "is likely due to fragmentation, politicization, and poor governance and accountability. Actual decision making on infrastructure expenditure is highly fragmented and implementation is poor" (page 67). It recommends an overhaul of the public investment management system to make project selection more technical and less political.

This study suggests transforming the existing system into a more coherent system through the following reforms:

a) to focus on NEDA the responsibility to process and evaluate all infrastructure projects based on projects identified by the implementing agencies. NEDA can make a conditional approval (requiring reformulation), an unconditional approval, and outright rejection.

[9] For instance, the DBCC is a Cabinet level committee chaired by the DBM Secretary. Under the DBCC is the Executive Technical Board (ETB) which is chaired by a DBM Undersecretary and which receives technical support from DBM that serves as the ETB Secretariat. The DBCC Secretariat is chaired by the Director of DBM's Fiscal Planning and Reforms Bureau. Furthermore, there are four technical working groups or subcommittees chaired by the Treasurer, NEDA ADG, and by two DOF undersecretaries, respectively. The four technical working groups are supported by their own respective secretariats.

b) With a positive NEDA approval, the agency can request a budget appropriation from the DBM taking into account sectoral/agency budget ceilings set by the DBM.

c) The process continues to ex-post assessment phase where major projects are evaluated in the context of the performance budgeting framework currently adopted by the DBM.

To improve the effectiveness of the socioeconomic evaluation of projects, the following institutional safeguards are proposed. NEDA has to standardize project presentation format, establish explicit application and evaluation processes for infrastructure projects, provide general as well as sector-specific methodological guidelines for a cost-benefit analysis of projects and programs, and institute a system that separates the institution that evaluates projects from the proponents of the projects. These safeguards require government to fund NEDA to develop sector-specific project development manuals, to undertake continuous training of government officials at all levels and in all regions, and to establish a publicly available integrated databank of infrastructure projects to facilitate efficient, coordinated, and evidence-based policy making. The ultimate goal of the training program is to establish an appraisal culture within the public sector whereby most officials embrace the importance of evaluating projects before they stand a chance of being funded.

Recall that the World Bank (2009) has assessed that NEDA's task is daunting because few resources are dedicated to the appraisal of project proposals with varying format and quality and that insufficient project data preclude a consistent screening of project feasibility, ranking, and scoring of preparedness. Because of these constraints, NEDA simply checks whether the projects are generally consistent with the President's 0+10 Point Socioeconomic Agenda, PDP 2017-2022, and the vision of AmBisyon Natin 2040, and whether the required information is complied with (e.g. the implementing agency, project cost, financing cost, etc.). This system is vulnerable to being questioned or

influenced by key stakeholders. Nevertheless, the processing time for ICC takes a long time because of NEDA's daunting tasks given its limited resources. In 2003-2004, NEDA's review of 138 contracts indicated that on average, award of civil works took 9.5 months, consulting services 9.3 months, and goods 7.9 months from submission of bids to issuance of notice to proceed.

The proposed system still requires line agencies to gather all the required information and data relating to the project, and verify that NEDA requirements are fulfilled before submitting the project funding application to NEDA online in NEDA-prescribed format. NEDA should assign a project investment analyst who determines, within 5 working days, if the project contains complete information and qualifies to be part of the pool of projects to be evaluated. Within 10 working days after admission to NEDA's project pool, NEDA releases the results of the socio-economic analysis which may be one of the following: (a) unconditional approval, (b) conditional approval, and (c) outright rejection. In the case of conditional approval, the implementing agency can present a revised version of the project to NEDA which has 10 working days to issue its evaluation results of the revised project proposal (Gómez-Lobo, 2012).

In performing its appraisal function, NEDA checks if the suggested methodology based on sector-specific project manual is applied correctly and appropriately. Procedures and methodologies can be standardized and the historical information of many projects across sectors can be stored in a centralized databank. It is recommended that NEDA delegate the rigorous appraisal of project to an external organization (e.g. research institute or academic institution) or obtain advisory services from an external academic institution, and the evaluation of large projects (e.g. 75 big ticket items) must have an independent expert opinion.

Another feature of the proposed system is to require large infrastructure projects to pass through multistage evaluations. For instance, the 75 high-impact infrastructure flagship projects approved by the NEDA Board on June 27, 2017 should be evaluated at

several stages of the project cycle before start-up. These various filters or stages are: (a) identification stage – identification and appraisal of alternative solutions to a certain problem or need are required before pre-feasibility studies can be allowed, (b) pre-feasibility stage: conduct of simple estimates of costs and benefits of alternatives based on secondary data or from experience of related projects. The objective is to make a preliminary judgment as to the technical and economic merits of undertaking the proposed project. Alternatives are evaluated in more detail and are ranked according to socio-economic profitability, (c) feasibility stage – the most feasible or promising alternative identified at the pre-feasibility stage is subjected to a more accurate and detailed project analysis. An unconditional-approval evaluation at this stage, allows the project proponent to apply for funding at DBM. Small projects do not have to undergo all stages of the project cycle. NEDA determines the stages a given project must complete and are described in specific methodological manuals for each sector. The project investment analyst is not the same person that makes the final evaluation decision on the project. With the assistance of an external advisory expert, NEDA may establish an internal review committee for projects that are difficult to evaluate methodologically.

Although NEDA produces several general project methodology manuals (e.g. *Reference Manual on Project Development and Evaluation, 2005*; *Advanced Manual on Project Evaluation, 2006; and Value Analysis Handbook, 2009)*, it has to develop and produce sector-specific manuals (e.g. roads, rails, airports, dams, etc.) which provide specific guidelines on what shadow prices and social discount rates to use, which method of appraisal should be used (cost-benefit analysis, CBA, or cost-effectiveness analysis, CEA), which specific criteria to use for estimating costs in the respective sectors, which indicators to use to evaluate projects (NPV, IRR, or the different types of CEA indicators), and in the case of CBA, some guidelines as to how demand and benefit estimates should be projected in the future. The projects applying for DBM funding in a particular infrastructure category must be presented according to NEDA's standardized project

presentation format and must be appraised according to the instructions provided in the NEDA manual in that particular category.

H. Strengths and Weaknesses

In the past seven years, DBM in partnership with NEDA, DOF, and the Commission on Audit (COA), embarked on a journey in budget and management reforms, despite facing developing-country constraints such as poor quality of public institutions and fragmented cabinet system that create problems of policy coordination and efficient planning.[10] DBM embraces the adoption of two-tier budgeting, forward estimates, and zero-based budgeting in its efforts to link planning and budgeting. Likewise, it adopts performance-informed budgeting (PIB) in order to link budgeting and results. First DBM experimented with the application of Organizational Performance Indicator Framework (OPIF) that measures results and accounts for performance by identifying the major final outputs (MFOs) that an agency delivers to its external clients. Recently, DBM shifts from OPIF and embraces the Program Expenditure Classification (PREXC) system which restructures an agency's budget by classifying all recurrent activities as well as projects under appropriate programs or key strategies. PREXC facilitates the monitoring and evaluation of programs with the performance indicators attached to each program (DBM, 2016).

On the other hand, NEDA, with the assistance of NEDA Board committees, such as DBCC, ICC, and INFRACOM, embarks on the Plan-Program-Budget or the PDP-RM-PIP/TRIP/CIP framework. The results matrix (RM) is an instrument designed to provide results orientation to the Philippine Development Plan (PDP). Public Investment Program (PIP) lists the priority programs, activities, and projects (PAPs) to be implemented by the national government and its attached agencies and instrumentalities that contribute to the societal goals and outcomes in the PDP and aligned with the outputs, outcomes and impacts in the RM. The three-year rolling infrastructure program (TRIP) is a key feature of the budgetary reform to tighten the link between planning and budgeting of all

[10] See the previous section for a discussion of this fragmented structure.

infrastructure PAPs of the government, and the core investment programs and projects (CIPs) contain the big ticket PAPs of PIP that serve as pipeline for the ICC and the NEDA Board (NEDA, 2017).

The existing system has several strengths. Budgeting needs to be closely tied to policy making and planning, and the TRIP framework is an attempt to achieve this. The adoption of multi-year obligation authority (MYOA) puts more clarity about the criteria for funding multi-year projects. The DBM's use of the OPIF-PREXC framework is in line with the increasing emphasis on performance measurement, stressing on outputs relative to inputs in budgeting procedures.

The Plan-Program-Budget framework is consistent with the goals of public investment management: (a) aggregate fiscal discipline, (b) allocative efficiency, and (c) technical efficiency. First, the Plan-Program-Budget framework ensures that the PIP/TRIP/CIP projects are consistent with PDP's goal of macroeconomic stability and inclusiveness. Second, the selection and funding of individual projects are consistent with the PDP's policy priorities for the sector (as stated in the PIP/TRIP/CIP guidelines prepared by NEDA); and third, policy guidelines are aimed to ensure that projects are implemented so that they deliver the expected outputs and outcomes in a cost-efficient manner.

In a bureaucracy where policy coordination is problematic, the DBM-NEDA active cooperation in the implementation of TRIP is one of the strengths of the existing system. In addition, the reform orientation at DBM creates an internal mechanism to further improve the existing system such as proposing a Budget Reform Law that will modernize the budgetary system, improve the budget process, and strengthen the oversight power of Congress. The existing system (e.g. budget priorities framework, two-tier budgeting, performance budgeting) satisfies the main requirements for fiscal transparency (see Appendix A). The reform achievement so far is not to be belittled because it usually takes

years to reform budgetary institutions as they are closely related to the development of political and economic institutions (see Appendix B).

And finally, the existing system can be tweaked to smoothen the link between fiscal rules that guide macroeconomic management of the economy with budgeting rules and project appraisal procedures that create the right incentives at the microeconomic level.

On the other hand, the existing system has some weaknesses. Multi-year nature of capital projects necessitates that budget resources and costs need to be planned and managed over multiple years, but specialized skills which are crucially needed to evaluate projects and manage their implementation are lacking. Chile addressed this gap by intensifying training at all levels of government.[11] Norway and Ireland fill the expertise gap by procuring from the market and by establishing tie-up arrangements with think tanks and research institutes.

In 1977, President Marcos issued Presidential Decree No. 1177 institutionalizing long-term and zero-base budgeting in order to develop a budget reflective of the national development goal. Long-term budgeting is defined as "present and future-year outlays of current government commitments and programs in support of treaty obligations, integrated regional development activities, multiyear projects, loan covenants, and receipts under present tax laws" (Budget Commission, 1977, p.11) and zero-base budgeting[12] is defined as "a management and budgeting process which requires each manager responsible for a major activity, cost center, or function to justify his entire budget request in detail by identifying each activity, whether ongoing or new, in terms of levels of performance and funding, evaluated and ranked in the order of importance by systematic analysis. The term 'zero-base' refers to yearly analysis, evaluation and justification of each activity, project or program, starting from a zero performance and

[11] Chile partnered with the Catholic University of Chile to develop and conduct a course on preparation and appraisal of projects offered continuously to all government officials at all levels. This study proposes a sector-specific standardized training on project analysis to all government officials.

[12]Note that ZBB is spelled as "zero-base budgeting" in 1977 by the Budget Commission, and spelled as "zero-based budgeting" in 2016 by DBM.

funding level. ZBB does not accept the prior year's budget as a starting point for analysis" (Budget Commission, 1979, p. 1). The ZBB method was first introduced in 1977 during the preparation of the calendar year (CY) 1978 budget.

But DBM claims that ZBB was implemented in 2010 upon the instruction of President Aquino to challenge the status quo of incremental and leakage-prone spending. This time, it describes that "Through ZBB, every expenditure and program/activity/project (P/AP) should be justified before it is funded, which is how we should be spending taxpayers' hard-earned money. ZBB does not include by default the budgetary items in the prior or current year's budget" (DBM, 2016a, p. 6). It seems that the 1977 Budget Commission and 2016 DBM definitions of ZBB are similar. However, recently, DBM clarifies its definition of ZBB that it "is not really about budgeting starting from scratch. This notion would seem to negate or contradict the Two Tier System…we adopted the term ZBB approach in 2010 to mean the evaluation of selected major programs in the budget to analyze whether they still delivering on promised outcomes to determine whether they should be scrapped, maintained at the same level, or be given additional funding" (DBM Comments-Study on Capital Projects, July 17, 2017).

In the 1970s, U.S. and OECD countries opted for zero-based budgeting, but the practice was dropped later because it did not work very well in practice. They found out that efficient annual budgeting is not possible without a well considered baseline as a starting point (Spackman, 2002). It remains to be seen if ZBB has value added towards improving the public financial management system. The budget reform proposal of DBM submitted to Congress proposes to shift from a 2-year validity to a 1-year appropriation period, as well as the shift from budgeting obligations to budgeting for cash.

An IMF study argues for the relevance of the accrual approach to public investment:

> The accrual approach takes a more comprehensive view of assets, allowing government to report systematically on the use of resources from the moment of asset creation through the life of the asset. Recording information on the age of the

> asset, its useful life, and its utilization rate gives some indication of how much should be spent on maintaining the stock of capital, and enables more effective planning and better use of resources for maintenance (Fainboim, Last, and Tandberg, 2013, p. 318).

The DBM budget reform proposal is the opposite of the thrust of promoting longer budgeting horizon. In fact, the UK system introduced "end-of-year flexibility" which allows departments and agencies to carry forward unspent funds from one year to the next to avoid the acceleration of spending towards the end of the budgeting year.

However, DBM has succeeded in putting in place reforms. It is suggested that DBM resurrect the practices of its predecessors, the Budget Commission and the Ministry of the Budget, which produce informative budget documents and journals (e.g. *Occasional Budget Papers, Staff Papers, Budget Administration Handbook, Zero-Base Budgeting Handbook, and Philippine Budget Management*). Currently, most of DBM's memorandum circulars are disseminated in electronic forms. DBM may want to also produce a printed form using the publication format of its predecessors. For example, DBM's recent publications, *The Kwento sa Bawat Kwenta (2016*) and *People's Budget (2017)*, are similar to marketing brochures rather than informative publications to be stored in Philippine libraries for public access. Take the case of Jaime Laya's *Budgeting Innovation in the New Society (Budget Commission, 1977)* which explains in detail the milestones in budget development, funding allocation, budget preparation, compensation reform, budget legislation, management improvements, budget execution, and budget accountability. Manuel Alba's *Know Your Budget (Ministry of the Budget, 1979)* gives the same informative content. Similar publications can be produced by DBM (in monograph format) to explain its recent budgetary reforms, including an explanation why OPIF is abandoned in favor of PREXC.

The procedures for approving capital projects are explicitly stated in the ICC Manual. It states that the requisite documents needed for ICC review are: feasibility study/project proposal, accomplished ICC project evaluation forms, two CD/e-copies of

economic and financial analysis in traceable formula format, among others. On the other hand, the Japan ODA funded Mega Manila Subway Project was one of the thirteen projects that were up for approval by President Duterte during the NEDA Board meeting on June 27, 2017. The Japan International Cooperation Agency (JICA) senior representative in the Philippines revealed that "the project was still in the final process of the feasibility study with the project cost and final plan yet to be examined closely." Without a feasibility study, a top ICC official was quoted that "the project and its planned ODA financing were of high priority." The NEDA Board deferred approval on June 27, 2017 on the Mega Manila Subway project as the feasibility study is still being completed (De Vera, 2017; Kabiling, 2017). However, ICC rules classify project proposals by level of readiness namely, Level 1: approved by NEDA Board and ICC, but not-ongoing (project is ready to implement), Level 2: feasibility study completed and ready for ICC processing for the current year, Level 3: feasibility study is already prepared and to be completed within the year, and to be processed by the ICC next year, and Level 4: concept paper and feasibility study are on the conceptual stage (e.g. the feasibility study is completed in 2018, ICC processing will be in 2019, and inclusion in NEP for 2020). Thus, the level of prioritization category for the Mega Manila Subway Project is in Level 3. The point is that the ICC review and appraisal process is not as rules-based as those implemented in Chile, Norway, UK and Ireland.[13] The project reaches higher ICC level with incomplete documentation due to other less transparent factors (see Table 10). Instead of following rigid project appraisal process, the ICC process follows the model practiced in most developing countries in which "development remains a priority agenda and securing funding is the critical issue for public investment" (Fainboim, Last, and Tandberg, 2013, page 321). Top officials of the implementing agency make a political decision based on their view of what contributes to economic development, rather than based on objective project analysis. The information

[13] In Chile, Norway, UK and Ireland, its planning and programming systems mandate that all public investment projects (including defense) comply with quality standards and norms for project analysis. According to NEDA, projects included in the "Master Plan" or "flagship projects" are included in the Build, Build, Build program, even if not all of them have feasibility studies or cost-benefit analyses.

publicly accessible is not consistent with information contained in government documents suggesting lack of transparency (see Box 3). NEDA-ICC maintains no publicly accessible databank of completed projects to provide input to policy research and to gain insights on lessons learned from past project management experience (see Table 11). For instance, Flyvbjerg, Holm, and Buhl (2004) have found out that cost escalation is strongly dependent of length of implementation phase. The determination of PhP 500 million as the minimum value of large project in March 4, 2005, to PhP 1 billion up to March 21, 2017 when it decided to raise it to PhP 2.5 billion (see DBM, National Budget Memorandum No. 128, dated March 23, 2017) is not very clear. Besides, the project screening and appraisal system in many countries with best-practiced processes does not distinguish large from small projects. In addition, officials in the implementing agencies involved in project preparation and appraisal are complaining of the lengthy ICC approval process which usually delays funding and implementation schedule. There is a need to improve the existing system's project investment and management transparency.

Table 10

State of Project Preparation By Agency[a]

Agency	Number of Projects with Cost	Number of Projects without Cost
DPWH	22	14
DOTr	15	2
NIA	8	0
DA	3	0
BCDA	2	3
DOE	2	2
MWSS	1	0
Total	53	21

[a] Does not include one project from ARMM

Source: Pernia (2017).

At present, the OPIF-PREXC indicators are not consistent with PDP's RM indicators, and there is no clear planning and budgeting link between PDP, PIP, TRIP, CIP, and PREXC

on one hand, and the long-term vision called "AmBisyon Natin 2040," on the other. The latter provides a vision of Filipinos enjoying a comfortable and secure life by 2040, but for the last two years NEDA failed to provide that detailed roadmap to achieve this vision. For instance, the RM sector-level indicator for PDP's goal of stable macroeconomy is to increase GDP growth from 6.5%-7.5% in 2016 to 7.0%-8.0% in 2017-2022. However, the PREXC program level indicators for NEDA's Socioeconomic Development Planning Program are percentage of requests for policy recommendations adopted, percentage of end-of-pan targets achieved, and average client satisfaction rating of members of NEDA Board, SDC, CTRM, NLUC, RDCom, PCSD, MICC, and RDCs with the Secretariat services provided.[14]

Organizational effectiveness can likewise be achieved by addressing the institutional weaknesses of DOTr, as well as the fragmented authority structure at DA vis-à-vis its attached agencies. But these are institutional changes that should be addressed when a detailed roadmap for AmBisyon Natin 2040 is prepared.

[14] The proposed DBM-PREXC program level outcome indicators may be problematic. For instance, World Bank (2005) compared the results of the previous medium-term plan with its targets and showed that many important targets were achieved or nearly achieved, but many of the intended infrastructure outcomes were not achieved. NEDA's performance cannot be evaluated based on this indicator because NEDA has no control of the operations of the rest of the bureaucracy to achieve the Plan targets.

Table 11

Common Problems in the Decision Making Process

- Hidden agendas, not openly expressed or used publicly to argument decisions that might contradict available analysis and advice
- Bias among planners and decision makers, resulting in only parts of available information being used, to support the preferred alternative
- Poor or incomplete planning and analysis; due to lack of knowledge, planning resources or time
- Inconsistency or invalid assumptions in prognoses, analyses, estimates or planning
- Misrepresentation, either conscious (tactical budgeting) or unconscious (planning optimism)
- Lack of good planning data
- Inadequate ability to terminate unviable public projects to minimize loss is poor. Once started, it is difficult to stop.
- Projects have a tendency to grow larger over time, substantial cost increase is usual.
- Too few alternatives are presented in the decision making process
- Missing or poor evaluation of the benefits of public investments, especially in some sectors
- Inconsistent methods and assumptions across sectors
- Frequent change of managers, reducing the ability to gather experience and build competence, especially in some sectors

Source: Klakegg, Samset, and Magnussen (2006).

Box 3. Manila-Clark Railway Project: Media Information versus PIP Details

The lack of transparency in the planning and programming process creates inconsistent data and confusion in the dissemination of information. Consider the case of DOTr's proposed Manila-Clark Railway project. One media report[a] states that the project will cost PhP 300 billion and is divided into two phases: Phase 1 is the development of a 38-kilometer line connecting Tutuban in Manila to Malolos in Bulacan, and Phase II is the development of the 69.5-kilometer Malolos-Clark line. Another report[b] indicates that the project cost PhP 255 billion, and supports its report by stating that "according to a DOTr statement, the 106-kilometer railway project running from Tutuban in Manila to the Clark Freeport Zone in Pampanga is among the 'high-impact' projects of President Duterte under the government's 'Build Build Build' infrastructure program." Finally, another media report[c] cites the marking of the first five stations of the 17-stations 106-kilometer Manila-Clark railway project on June 26, 2017 in Caloocan City by government transportation officials. It further states that the Php 225 billion project is expected to be completed by the last quarter of 2021.

Now compare the above contrasting project information with the details contained in the PIP submission of DOTr to NEDA:

Implementing Agency	Project Title	Investment Targets 2017-2022
○ DOTr-PNR	(Rail) PNR North Phase 1 37 kilometers, Manila to Malolos, Bulacan	PhP 111,781,552,000
○ DOTr-PNR	(Rail) PNR North Phase 2 55 kilometers, PNR North 1 to Clark, Pampanga	PhP 143,00,000,000

Sources: [a] Madelaine Miraflor, "DOTr to Relocate Operation in Clark in July," Manila Bulletin, June 26, 2017, page B-7.
[b] Jerome Aning, "DOTr to Mark Manila-Clark Railway's 1st Five Stations," Philippine Daily Inquirer, June 26, 2017, page A2-2.
[c] Genalyn Kabiling, "Station Marking Rites Held for Manila-Clark Railway Project," Manila Bulletin, June 27, 2017, page 2.

III. International Experience of the Planning and Programming Systems for Capital Projects

Public investment projects do not always meet the expectations of different stakeholders. We need to examine how the planning, programming, and budgeting system in other countries minimize project delays, cost overruns, questionable quality, and not meeting anticipated effect. The procedures and methods for approving capital projects vary between countries, but the Philippines can learn from their experiences in terms of some universal principles of good practice. The following describes country experiences in planning, programming, and budgeting of capital projects that are relevant to the Philippines.

A. Chile

Chile has more than four decades of successful experience in the appraisal of public investment by establishing in 1975 the National Investment System (NIS) at the Ministry of Planning (MoP). The NIS is a set of norms, techniques and procedures which govern the public investment process in Chile. According to Chilean law, all public investment projects shall be evaluated on the basis of cost-benefit analysis, carried out with a clearly specified methodology published by the MoP.[15] The NIS maintains a publicly available online databank of reports that helped coordinate policy making. The NIS is intended to increase the quality of public investment by providing the government with a program of viable and socially desirable investment projects; and it has a legal mandate to send to Congress only those projects which it has formally assessed. The success of the NIS is attributed to the following factors: (a) the continuity of the strong political will that supported the system across time; (b) the substantial amount of training and capacity building at all levels of government; (c) the simplicity of the methodological manuals published, and constantly updated by the MoP; and (d) the practice of reviewing the

[15]The methodology specifies the shadow price system and the social discount rate to be used in the cost-benefit analysis. Currently, the NIS is jointly administered by the MoP and the Ministry of Finance.

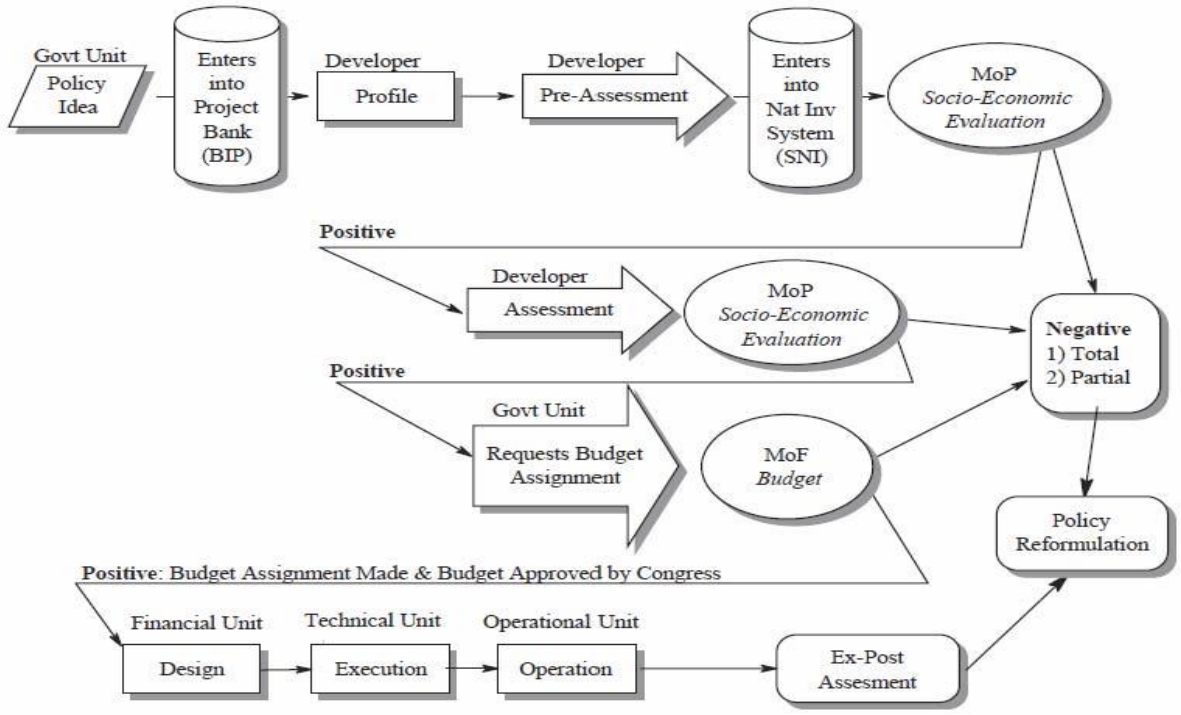
appraisal of projects before they have too many clients and beneficiaries so they can still be reformulated, redesigned, or abandoned (Ley, 2006).

The NIS is not a computer system, but a system based on three thousand professionals who are well trained on how to undertake project preparation and project evaluation. The NIS requires any investment initiative to go through each stage of the project life cycle analysis: (a) pre-investment stage – idea profile preparation, prefeasibility, feasibility, financing, and approval; (b) investment stage – detailed design, investment, operation, and ex-post evaluation. The NIS mandates that all public investment projects (including defense) comply with quality standards and norms for identification, formulation, evaluation, and analysis of projects. Figure 5 presents a schematic representation of the project approval cycle in Chile. At the start, an implementing agency submits a project idea, which enters into the project data bank and is assigned a project ID. Next, it is subjected to a pre-assessment study. After satisfying the required documentation, the project ID is entered into the NIS. The MoP then conducts a pre-feasibility assessment and makes a recommendation to accept, reformulate, or reject. The projects which gain outright acceptance by the MoP will undergo a full-fledged cost-benefit analysis (CBA). The cost-benefit analysis uses the Net Percent Value (NPV) and the Internal Rate of Return (IRR) as evaluation criteria. When benefits cannot be quantified, cost-effectiveness analysis is used which utilizes Present Value of Cost (PVC) and Equivalent Annual Cost (EAC) as decision criteria. Based on this analysis, the MoP makes a recommendation to accept unconditionally, to accept provisionally contingent on reformulating the project, or to reject outright. Under the Chilean system, previously approved projects may be abandoned if conditions change drastically. A positive assessment means that the project is included in the budget submitted to Congress, but its inclusion in the approved budget is not guaranteed. The Chilean system does not allow a project to be included in the budget without going through the rigorous NIS project approval process. If the project makes it to the approved budget, the Budget Directorate

oversees the investment, financial design, and implementation stage. The implementing agency takes over the operation after the completion of the project. The NIS handles ex-post assessment phase to determine the efficiency and effectiveness of each project by measuring the short-, medium-, and long-term results, and compares predicted with actual performance (Ley, 2006; Mimica, 2008; Fainboim, Last and Tandberg, 2013).

Figure 5

Schematic Public-Investment Project Appraisal Cycle in Chile



Source: Ley (2006).

B. United Kingdom

Although Medium-Term Expenditure Framework (MTEF) is effective in bringing public investment within budgeting constraints, only binding, not indicative MTEFs provide assurance of funding over the MTEF period. Furthermore, the short-term horizon of the MTEF (3-5 years) compared to the long-term horizon (10-30 years) for major capital

investment projects puts a project's priority at risk during its implementation lifetime. The UK in 1997 has decided to strengthen the link between MTEF and long-term planning by embracing the concept of long-term budget commitments for large investment projects. The pre-1997 fiscal framework was too short to allow departments to plan their investments properly (Fainboim, Last and Tandberg, 2013).

The UK Treasury produces the "Green Book" which provides the framework for undertaking project appraisal in government, and provides government departments and agencies with a consistent tool to evaluate public investment projects.[16] The Green Book likewise provides guidelines to government departments and agencies on what parameters to use when calculating the optimism bias (underestimating cost and completion times) of a project. UK was likewise the first country to introduce the "gateway" model which combines strategic reviews with risk assessment at key points throughout the project cycle. The model is used to assess whether a project should proceed from one phase to the next (Toigo and Woods, 2006; Fainboim, Last and Tandberg, 2013).

The framework for public investment in the UK is based on two key elements: (a) a set of fiscal rules that guide the macroeconomic management of the economy, and (b) budgeting rules and capital appraisal procedures that create the right incentives at the microeconomic level. The UK adopted two fiscal rules: (a) the golden rule – the government will borrow only to invest and not to fund current spending over the business cycle, and (b) the sustainable investment rule – the proportion of public debt to GDP will be held stable over the business cycle. In addition to longer budgeting horizon, the UK introduced "end-of-year flexibility" which allows departments and agencies to carry forward unspent funds from one year to the next to avoid the acceleration of spending towards the end of the budgeting year. To effectively manage existing assets, the UK created a comprehensive registry of all assets owned by government departments and agencies, the National Asset Registry (NAR). The capital budgeting framework was also

[16] Treasury (2005), "The Green Book, Appraisal and Evaluation in Central Government", London: UK Treasury.

complemented with appropriate capital-appraising tools by providing a guide book in evaluating public investment projects (Toigo and Woods, 2006).

Finally, in 2008, the UK established through legislation the Independent Infrastructure Planning Commission (IPC) with the mandate of fast-tracking strategic infrastructure projects. Each ministry (energy, aviation, road and rail transport, water and sanitation) was asked to produce its detailed national infrastructure priorities. The IPC was mandated to decide independently whether or not to proceed with a project within the framework established by the ministers (Fainboim, Last and Tandberg, 2013).

C. Norway

The Ministry of Finance introduced the quality-at-entry (QAE) regime in 2000 to address the problems affecting public investment projects such as cost overruns, completion delay, and suboptimal quality. The focus of QAE at the early stage was to reduce implementation cost. It was later expanded to include quality assurance at the choice-of-concept stage to ensure that the right projects get started, and to dismiss unviable projects. The process allows the enforcement of changes in project design at a stage when there are still real options available. External consultants were pre-qualified to perform quality assurance of large public investment projects (e.g. costing more than Euro 60 million); 50 projects were granted funds by the Parliament after passing through quality assurance assessment undertaken by the external consultants in the first four years. The QAE system was later revised to include two separate quality assurance (QA) analyses in sequence: QA1 – quality assurance at the choice-of-concept, and QA2 – quality assurance of cost estimates, the basis for control and management, and for the chosen project alternatives. The choice-of-concept is a political process and the role of the consultants is limited "to reviewing the professional quality of underlying documents constituting the basis for decision" (Klakegg, Samset, and Magnussen, 2006, page 3).

QA 1 is undertaken at the end of the pre-study phase as an input to the Office of the Prime Minister in its decision on whether the project is worth planning; and if the

assessment is positive, the decision on which alternative concept is chosen. QA1 consists of a thorough review of the project's supporting documents such as needs analysis, overall requirement specification, overall strategy document, and alternative analysis. QA2 focuses on the central aspect of the project to ensure that the budget is realistic and reasonable before Parliament appropriates the funds. QA2 reviews the basis for decision making and control, cost and benefit estimates, risk and uncertainty analysis, and program management strategy; the analysis is intended to substantiate the final decision to fund the project and to recommend ways and control mechanisms that are useful during the implementation phase (Klakegg, Samset, and Magnussen, 2006).

> The responsibility of professionals assigned to review the quality of projects will be to make sure that the basis for decision making sufficiently highlights the right needs, identifying relevant alternatives and takes into account the effects and consequences of the investment. Success for the investor (the Government) is simply to make the right decision. It is easier said than done. (Klakegg, Samset, and Magnussen, 2006, page 2).

In addition to the quality assurance component, the QAE system includes a research program which is independent of the quality assurance scheme. The research program is undertaken by the Concept Program of the Norwegian University of Science and Technology. Consultants are required to provide specified project data to the research database administered by the Concept Program at the end of their assignments. The Ministry of Finance established two forums for the exchange of project experience: (1) Project Owners Forum, and (2) Project Management Forum. The research findings of the Concept Program are fed to the participants in these forums in order to improve the QAE regime and public investment performance (Klakegg, Samset, and Magnussen, 2006).

The long-term goal of the Norwegian QAE system is to improve government practices in planning and execution of projects. Instead of building internal expertise as in the Chilean experience which takes time, it leverages on the professional expertise available in the academic and consultancy sectors.

D. Australia

Australia established Infrastructure Australia in 2008 to depoliticize public investment assessment and decision making processes. This body is mandated to: (a) undertake independent assessment of a project's value for money, (b) establish a pipeline of priority projects for implementation, (c) provide a national perspective on infrastructure priorities, and (d) overcome the tendency of spending ministries to consider only a limited set of investment options. Australia has likewise given the Auditor-General an instrumental role in evaluating project performance after the implementation period (Fainboim, Last and Tandberg, 2013; Klakegg, Samset, and Magnussen, 2006).

In 2016, Infrastructure Australia delivered to the Australian Government its first 15-year *Australian Infrastructure Plan* with an accompanying document, the *Infrastructure Priority List*. The former provides a comprehensive audit on the country's infrastructure assets, and the latter provides an investment roadmap for Australia's economic infrastructure sector covering transport, energy, communications, and water subsectors. This institutional framework is intended to integrate infrastructure and planning decision across all three levels of government in Australia: Commonwealth, state, and territory governments. The Australian Infrastructure Plan delegates the responsibility of implementing some recommendations in the infrastructure reform agenda to state and territory governments. Thus, Infrastructure Australia provides an important guiding role for the Australian government in shaping its strategic decision on a long list of priority infrastructure projects in Australia (Commonwealth of Australia, 2016).

E. Ireland

Ireland's National Development Plan (NDP) contains a strategic investment plan for the country. The NDP includes capital spending as well as current spending that develops human and social capital. The NDP is managed by the Department of Finance, and the investment plan is fully costed and coordinated with the budget process. Likewise, the investment plan has financing allocation consistent with long-term fiscal projections and is

regularly updated and reviewed during annual budget review and medium-term budget review. The Irish budget process is designed to provide predictability in multi-year activities such as infrastructure investment. In 2004, the Department of Finance provided a rolling five-year capital projects plan, and in 2005 decided to go further and provided a ten-year multi-annual transport plan. The system puts an overall limit on the amount of investment that can take place each year. The Department of Finance produces project appraisal guidelines that must be followed, establishes the criteria by which projects are to be assessed, and provides guidance on the management arrangements of projects. In short, it has put in place processes that will lead to good project appraisal and management. The preparation of the National Investment Priorities Plan and the review of the proposed investment priorities were subcontracted to a private think tank (Economic and Social Research Institute, ESRI) via a competitive bidding (Fainboim, Last and Tandberg, 2013; Laursen and Myers, 2009). The ESRI advised the government to ensure the importance of cost-benefit analysis on all proposed projects and the importance of learning lessons from projects already completed.

F. Summing Up

The cross-country experiences in planning, programming, and budgeting capital projects have some salient features of good practices that can be highlighted as potential templates for the Philippines.

First, the central agencies are mainly tasked to define procedures for line ministries and implementing agencies. In the case of Chile it specifies the cost-benefit analysis (CBA) methodology including the shadow price system and the discount rate to be used. The methodology manuals are simple and easy to follow, and consistently updated. The same practice is followed in Ireland.

Second, putting in place processes that lead to good project appraisal and management requires addressing the "technical deficit"[17] by enhancing or allowing the training, retention, or procurement of professionals with planning and project management skills. Chile opts to undertake substantial amount of training and capacity building at all levels of government to address the "technical deficit" problem. Norway and Ireland opt to procure external consultants and establish tie-up and contractual arrangements with think tanks and academic institutes.

Third, the planning and programming system in place mandates that all public investment projects (including defense) comply with quality standards and norms for identification, formulation, analysis, and evaluation of project. This system is implemented in Chile, UK, Norway, and Ireland. See Table 12 on how Chile implements this process.

Fourth, publicly-accessible databases were set up to provide insights and lessons from projects completed. Research institutes were recruited to maintain the database in Norway and Ireland. In Chile, the Ministry of Planning managed a publicly-accessible online databank. In Norway and Ireland, research findings from researchers using their database are fed to implementing agencies and project managers in order to improve project management and public investment performance.

And fifth, the short-term horizon of medium-term investment plan compared to long-term horizon of major public investment projects necessitates a strong link between medium-term expenditure framework (MTEF) and longer-term planning. UK and Ireland have strengthened the link between MTEF and longer-term planning by introducing the concept of long-term budget commitments for large investment projects.

[17] This term refers to the lack of technical capability in planning and appraisal of projects in the public sector.

Table 12

Chile's National Investment System

Cycle Phase	Activity
• Idea	– Identification of benefits, geographic locale, and objectives
• Profile	– Examination of technical and institutional alternatives – Establishment of first-cost assessments for investment, operation, project life, and other requirements – Delivery of a preliminary evaluation
• Prefeasibility	– Elimination of nonviable alternatives – Early assessment of financing – Conduct of marketing, demand, technical environmental, human resources, and institutional analyses – Delivery of financial, economic, and distributional appraisals – Sensitivity and risk analysis – Identification of the best alternative
• Feasibility	– Definition of key risk parameters – Arrangement of final financing scheme – More in-depth study of modules with highest risks – Check all assumptions
• Design	– Detailed engineering design – Blueprints and specifications – Definition of all logistics – Final adjustments before execution stage – Drafting of bidding proposal
• Ex Post Evaluation	– Comprehensive approach focused on program and institutional performance

Source: Fainboim, Last, and Tandberg (2013).

IV. Is There a Need for a Long-Term Infrastructure Plan?

As early as 1977, the Budget Commission has pushed for long-term budgeting to have a long-range view of agency activities. It then views the long-term plan to provide awareness of future implications of current budgetary issues and decisions,

to anticipate the scope and timing of future major activities, and to identify areas for possible budgetary expansion or restraint (Budget Commission, 1977). The short-term horizon of the TRIP (3-6 years) compared to the long-term horizon of major infrastructure projects (e.g. 32 years for LRT1 PPP) puts priority projects at risk during its implementation lifetime. Long-term budget commitments for large investment projects are useful for improving public investment management in the Philippines. Do we need to have a long-term infrastructure plan now? The timing depends on whether the current bureaucracy, particularly the oversight agencies, is already overburdened with the responsibilities of formulating the medium-term public investment program. Even medium-term plans will not be fully implemented or pursued within a political regime in times of financial and economic crises. The importance of the long-term infrastructure plan is to provide a roadmap of the Philippines' economic infrastructure sector covering roads; railroads; seaports; airports; water and waste water treatment facilities; electricity generation, transmission, and distribution facilities; and telecommunications. Long-term infrastructure plan helps put a clear connection between the medium-term plans such as the 2011-2016 plan which aimed to have a development agenda that is "results-oriented that promotes accountability"; the current plan (2017-2022) that aims to regain people's trust in public institutions ("Malasakit"), to create more opportunities for growth of output and income to benefit small farmers and fisherfolk, and MSMEs ("Pagbabago"), and to increase potential growth through knowledge-based and resilient economy with an enabling and supportive economic environment; and maintaining macroeconomic stability and fiscal prudence ("Pag-uunlad"); and successor 6-year plan for the next administration, on the one hand, and "AmBisyon Natin 2040", on the other, that raises the peoples' expectations

that the Philippines by 2040 will be a prosperous middle class society where no one is poor. The report stresses the need to have a clear link between the goals of medium term plans and the vision of AmBisyon Natin 2040. What is the state of long-term infrastructure planning in the country? We are not yet there. So far we have achieved “baby-steps” in reaching the goal from the execution of the TRIP to the recent approval of a national transport policy that will synchronize decisions and investments of all transport-related projects in the Philippines. In fact, the underspending problems, identified by the DBM-DOF-NEDA Joint Circular 2017-1, due to poor planning and program/project design, procurement difficulties, and bottlenecks in program or project implementation cannot be addressed by limiting the budget year to simply the current year.

So far nothing moves forward as far as implementing the so called “National Transport Policy”. In 2009, a study commissioned by the Philippine-Australian Partnership for Economic Governance Reform (PEGR) already advocated a national policy and planning framework which consists of: a) the formulation of an overarching national transport policy framework covering all modes, and b) the preparation of medium-term plans by the concerned transport agencies which will be governed by the National Transport Policy to be embodied in an Executive Order or an Act of Congress. The weakness of this proposal is that it assigns the major responsibility to DOTC to formulate, coordinate, and implement this policy, with the assistance of DPWH and NEDA. However, DOTC has the weakest institutional framework among these three agencies. While inter-modal coordination is DOTC’s mandate, it does not have the capability to pursue its mandate. A program to ramp up infrastructure spending must also take into account the human resource implications of increased spending. In any

organization, an increased volume of spending, activities and projects requires an automatic review of the staffing pattern of the concerned agencies. The country cannot move towards having a long-term infrastructure plan without addressing the human resource bottleneck in achieving its medium-term goals. But eventually, the goal is to establish a multi-year planning and budgeting system (e.g. six-year or ten-year capital projects plan) fully costed and coordinated with the budget process. The public investment plan has financing allocation consistent with long-term fiscal projections and is regularly updated and reviewed during annual budget review and medium-term budget review.

V. Conclusions

The budgetary reforms initiated by DBM in the last seven years and the increasing policy coordination among the oversight agencies are to be lauded. The existing planning, programming, and budgeting system clearly satisfies the main requirements for fiscal transparency.

However, the project investment management system lacks the degree of transparency practiced in Chile, UK, Norway, Australia, and Ireland. There is a lack of project preparation and appraisal capability both at the oversight and implementing agencies. Likewise, DBM's budget reform initiatives need to be disseminated and explained to a wider audience. The study suggests that international best practices be adopted, and that tweaking some aspects of the existing planning and programming system be made.

Finally, the inconsistency between DBM's program based output/outcome indicators and NEDA's sector-based medium-term output/outcome indicators needs to be reconciled. There is also a need to link the medium-term plan indicators with the goals of AmBisyon Natin 2040.

VI. Policy Recommendations

After assessing the existing planning and programming system for capital projects at the national and agency levels and after describing the experiences of Chile, Norway, UK, Australia, and Ireland that put in place a system that allows best-practiced capital project appraisal to work, a set of recommendations is suggested below.

A. Short-Term

1. The harmonization of DBM-PREXC indicators with the NEDA-RM indicators is needed to make the current attempt to link planning and budgeting useful. The implementing agencies (DPWH, DOTr, and DA) feel they are mandated to perform duplicative tasks by the oversight agencies (NEDA, DBM, and DOF) with no clear view of how the two separate submissions are integrated at the end of the planning and budgeting process. This proposed policy change can be achieved by tweaking the current guidelines and processes by way of joint DBM-NEDA memorandum circular or administrative order.
2. NEDA needs to establish an integrated databank of infrastructure projects to facilitate efficient, coordinated, and evidence-based policy making.
3. The DBM should disseminate to a wider audience information on their budget reform initiatives. For instance, they can publish the benefits of their proposed Budget Reform Law, and preferably produce a cost-benefit analysis of abandoning OPIF in favor of PREXC. Lastly, to strengthen the institutional capacity of the implementing agencies, DBM-PS should refrain from undertaking the procurement function in behalf of the implementing agencies.
4. To cope up with the requirements of the Build, Build, Build program, DPWH will need to already project the number of new engineers it needs and submit a funding proposal to DBM.

5. DOF ought to take a leading role in the preparation of Statement of Fiscal Policy and the Medium-Term Fiscal Strategy.
6. To address its institutional weaknesses, it is beneficial for DOTr to produce an organizational plan and staffing pattern and submit this to DBM for funding support.
7. DA should explore a coordinative mechanism of its infrastructure attached agencies, such as NIA, that have been removed under its supervision.

B. Medium-Term

1. To address the lack of project preparation and appraisal capabilities in line agencies, NEDA should assume the responsibility of processing and evaluating large infrastructure projects, particularly the 75 big ticket items of the Build, Build, Build program. In performing this function NEDA can delegate this task to an external organization (research institute or academic institution).
2. NEDA should take the initiative in formulating a continuous training and capability training program of government officials at all levels and in all regions. NEDA can tie up with an academic institution to design, develop, and conduct the project preparation and appraisal course.
3. In addition to NEDA's general project methodology manuals, it should develop and produce sector-specific manuals which provide specific guidelines on how to undertake cost-benefit analysis or cost-effectiveness analysis in a particular sector. It should establish explicit application and evaluation processes for infrastructure projects.

C. Long-Term

1. Line agencies can reassume the task of preparing and evaluating infrastructure projects given trained personnel, sector-specific project evaluation manuals, and standardized project presentation format mandated by NEDA.
2. A multi-year planning and budget system (six-year or ten-year capital projects plan) fully costed and coordinated with the budget process ought to be established provided that the investment plan has financing allocation consistent with long-term fiscal projections and is regularly updated and reviewed during annual budget review and medium-term budget review.
3. The government should eventually adopt a project approval process implemented by a single department (e.g. NEDA like the Chilean system) without the need for a multi-layered approval process. The current DBCC-ICC-INFRACOM structure can be abandoned. The decision to proceed with the project is lodged with one agency (e.g. NEDA) operating within a framework established by the Cabinet Secretaries.
4. Under the proposed planning and programming system, the implementing agencies oversee the investment, financial design, and construction for projects with approved budget, and its operation after the completion of the projects; and NEDA handles the post-assessment phase.

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APPENDIX A

Main Requirements for Fiscal Transparency

- Clarity of Roles and Responsibilities
  - A budget or administrative framework, covering budgetary as well as extra-budgetary activities and specifying fiscal management responsibilities should be in place
  - Taxation should be under the authority of law and administrative application of tax laws should be subject to procedural safeguards.

- Public Availability of Information
  - Extra-budgetary activities should be covered in budgetary documents and accounting reports
  - Original and revised budget estimates for the two years preceding the budget should be included in budget documents
  - The level and composition of central government debt should be reported annually with a lag of no more than six months.

- Open Budget Preparation, Execution, and Reporting
  - A fiscal and economic outlook paper should be presented with the budget, including among other things a statement of fiscal policy objectives and priorities, and the macroeconomic forecasts on which the budget is based.
  - A statement of "fiscal risks" should be presented with the budget documents
  - All general government activities should be presented with the budget documents.
  - All general government activities should be covered by the budget and accounts classification.
  - The overall balance should be reported in budget documents, with an analytical table showing its derivation from target estimates.
  - A statement of accounting standards should be presented with the budget.
  - Final central government account should reflect high standards, and should be audited by an independent external auditor.

- Independent Assurances of Integrity
  - Mechanisms should be in place to ensure that external audit findings are reported to the legislature and that remedial action is taken.
  - Standards for external audit practices should be consistent with international standards.
  - Working methods and assumptions used in producing forecasts should be made publicly available.

Source: Allen and Tommasi (2001).

APPENDIX B

Selected Dates in the Development of Budget Systems: France, the United Kingdom, and the United States 1/

France	The United Kingdom	The United States (Federal)
1791: Accounting Office reporting to parliament 1807: Independent "Cour des comptes" 1814-1819: First Restoration – Baron Louis' reforms 1862: Imperial decree on rules for budgeting and treasury single account _____ 1959: Medium-term budget framework for investments 1968: "Rationalisation des choixbudgetaires" (RCB) 2001-06: Program budgeting From 2006: Accrual accounting 2008: Full medium-term expenditure framework (MTEF)	1787: Consolidated Fund established 1866: Exchequer and Audit Departments Act (established modern budgeting and accounting system) 1866: Comptroller and Auditor General established _____ 1960s: Public Expenditure Survey (PES) and Program Assessment Review (PAR) 1980s: Next Steps Program 1990s: Comprehensive multi-annual budgeting 1991: Citizen's Charter 1998: Public Service Agreements 2000-04: Resource (accrual) budgeting	1776: Treasury Office of Accounts established 1809: Appropriations Act (modified in 1870 and 1874) 1887-89: Consolidated accounting, bookkeeping, reporting procedures (Cockrill Commission) 1894: "Dockery Act" established Comptroller of the Treasury; consolidated annual statement of revenues and expenditures 1921: Budgeting and Accounting Act established Bureau of the Budget and General Accounting Office 1940: Consolidation of uniform standards and procedures for accounting and reporting 1950: Accounting and Auditing Act _____ 1982: Federal Managers Financial Integrity Act 1990: Chief Financial Officers Act 1993: Government Performance and Results Act 1994: Government Management Reform Act

1/ Measures that established the basic framework of accounting and budgeting are shown above the line; items shown below the line are subsequent ("new wave") reforms.

Source: Allen (2009).

APPENDIX C

LIST OF OFFICIALS INTERVIEWED

Department of Agriculture

Planning and Monitoring Service
- Carlos Magnaye, Director
- Joseph Manicad
- Toni Marcel Rimando
- Jerech Flauta
- Alec Karlo Bagunu

Project Development Service
- Rowel B. Del Rosario
- Ma. Aliza J. Antinero

Department of Budget and Management

Fiscal Planning and Reform Bureau
- Rolando U. Toledo, Director
  BMB-A Bureau
- Carmencita P. Mahinay, Director

Department of Public Works and Highways

Planning Service
- Milagros Manaysay
  Programming Division Chief
- Nenita Jimenez
  Development Planning Division Chief

Department of Finance

Office of the Chief Economist
- Gil S. Beltran,* Undersecretary

Department of Transportation
- Leonel Cray P. De Velez
  Project Development Officer, Office of the Undersecretary for Rail
- Raphael S. Lavides
  Division Chief, Air Transport Planning
- Manuel O. Lardizabal III
  Senior Communication Development Officer, Water Transport Planning Division

National Economic and Development Authority

Infrastructure Staff
- Roderick M. Planta, Director

PPP Center
- Eleazar C. Ricote
  Deputy Executive Director
- Feloisa Francisca T. Concordia
  Director
- Jeffrey I. Manalo, Director
- Lawrence G. Velasco, Director

* Through e-mail.

Postscript

Revisions of the Report that Incorporate DBM's Comments

Comment 1: Zero-based budgeting is not really about budgeting starting from scratch. This notion would seem to negate or contradict the Two Tier System.

- Please see pages 49-50 on the report's discussion on this issue.

Comment 2: The government generally has notions of the problems besetting infrastructure planning and programming. The DBM-DOF-NEDA Joint Circular NO. 2017-1 candidly admitted that the main problem of under spending is caused by "pervasive institutional weakness" due to poor planning and program design, procurement difficulties and bottlenecks in implementation. To be useful, can we ask the PIDS study to provide more detailed evidences that would either confirm or negate the above perception and more concrete recommendations that government can actually implement. The report is basically descriptive and can still improve on the analysis of current planning and programming practices. Some recommendations, for instance, can still be detailed, e.g. streamlining of ICC procedures (note – what specific procedures and how to streamline).

- See discussion on pages 40-41 related to the DBM-DOF-NEDA Joint Circular No. 2017-1. And see discussion on Section II.G ("Evaluation of Existing Framework") on detailed recommendations on how to improve over the existing ICC procedures.

Comment 3: The report can be enriched by ***improving on*** similar studies that have already been conducted on the same topic years ago (e.g. World Bank. ADB). We hope that the PIDS study can come up with fresh ideas on reform measures needed to address current gaps in infrastructure planning and programming that may prevent the government in reaching its Build, Build Build goal, especially in terms of quality of the infrastructure projects.

- See discussion on Section II.G ("Evaluation of Existing Framework") on analyses of similar studies on this topic.

Comment 4: Clarify the term "capital projects." Where does planning and programming start and end? Does programming include budgeting?

- See page 3; see also discussion on page 42.

Comment 5: Does the Philippines have a long-term infrastructure plan that extends beyond political terms? Do we need to have one? Is the medium-term public investment program enough to bring us to our long-term goals? The long-term recommendation for NEDA to "start reconciling the PDP 2017-2022 with Ambisyon 2014" is not the same as formulating a long-term infrastructure plan. The study should at least give guidance on the importance of having a long-term infra plan and how to do this (e.g. lead to long-term budget commitments). In other words, what is the current state of infra planning in the country?

- See discussion on Section IV ("Is There a Need for a Long-Term Infrastructure Plan?)

Comment 6: At the outset, the study needs to situate infrastructure planning and programming in the context of the whole project development and implementation cycle (from formulation of infra policies, project conceptualization, project feasibility, project processing and approvals, project implementation and post implementation). Then discuss the activities related to planning and programming in the Philippine context. In the process, the study can cite the problems related to planning and programming in terms of agency/committee responsibilities, procedures, etc.

- See discussion on pages 43 - 47.

Comment 7: While the study's main focus is planning and programming at the national level, the programming process (formulation of the public investment program) includes receiving inputs on the regional development investment plan especially as the PDP 2017-2022 introduced the spatial aspect of development given the thrust of reducing inequality. What level of analysis and prioritization is being done by NEDA? Is this satisfactory? At the same time, presumably the national projects identified by national agencies come from their regional offices. What is the role of the local governments in identifying these regional projects submitted by regional line agencies? What is the role of the Regional Development Councils? Shouldn't these matters be discussed and assessed in the study especially as the current PDP has elaborated on the need for spatial development strategies?

- See detailed discussion on spatial and regional development in Section II.G (Evaluation of Existing Framework).

Comment 8: The study should go deeper into the operations of relevant committees – ICC, DBCC, Infracom and determine areas for improvement. The study merely described functions found in the literature. It is not enough to cite one-or two instances of inconsistencies and generalize. Ideally, one should do a tracking of processing time for a sample of projects. Bottomline- Why does it take long for ICC to process applications? Is the Infracom doing its job as stated in its TOR and is its current focus correct? How about DBCC? What do these committees have to do to accelerate processing time so that it can fast-track the implementation of infra projects?

- See discussion on pages 39 - 47. The DBCC-ICC-INFRACOM framework creates fragmentation. It needs to be supplanted by a better system. See also discussion on "International Experience of the Planning and Programming Systems for Capital Projects."

Comment 9: The economic managers admitted the presence of "pervasive organizational weaknesses." The study should be able to concretely identify these, based on reliable information, for each of the agencies involved in infrastructure planning and programming. What are the recommendations?

- See Section II.F ("Implementing Agencies' Participation in the Planning, Programming and Budgeting Process"), Section II.H ("Strengths and Weaknesses"), and Section VI ("Policy Recommendations").

Comment 10: Was the Study Able to Evaluate whether any of the 75 Big Ticket Items Followed the Criteria for Inclusion in the PIP?

- See discussion on pages 45 - 46 and on pages 51 - 53.

Comment 11: What skills and training should be done?

The report recommends that NEDA commissions an external organization to produce sector-specific manual on project evaluation. Then training of all government officials involved in project preparation and evaluation is recommended based on a standardized methodology on project appraisal that limits discretion by agencies that may undertake cost-benefit analysis (or cost-effectiveness analysis) differently, without specific guidelines. See also pages 44 - 47 of the report.

Comment 12: Comment Elaborate on the meaning of “weak cabinet system” and “technical deficit.”

- See discussion on fragmented cabinet system on page 39; see also footnote #17 on the meaning of “technical deficit.”

Final Note: The comments of Evelyn Managuelod of August 14, 2017 are already incorporated in the Revised Final Report (August 2017).