

Economic Issue of the Day



Philippine Institute
for Development Studies
Surian sa mga Pag-aaral
Pangkaunlaran ng Pilipinas

Vol. XV No. 1 (July 2015)

Bottom-up Budgeting: People's participation at work

As part of the government's effort to pursue sustained and inclusive growth and, at the same time, promote good governance at the local level, the Bottom-up Budgeting (BUB) exercise¹—also called the Grassroots Participatory Budgeting (GPB) process—was initiated in 2012. It is a reform measure that aims to make the national budget a participatory process. Through the BUB, the government hopes to involve citizens in identifying projects that they believe will be beneficial for their own communities, particularly in terms of poverty reduction.

In the past, the General Appropriations Act (GAA) was crafted using a top-bottom approach, with government officials at the national level deciding where public funds should go. Under the BUB process, citizens, civil society groups, and local government units (LGUs) contribute directly in deciding the allocation of the national budget.

What is participatory budgeting?

Participatory budgeting (PB) can be broadly defined as the participation of citizens in the decisionmaking process of budget allocation and in the monitoring of public spending. It is a democratic process in which community members, through their elected representatives, decide how tax money should be spent.

The city of Porto Alegre, one of the most populated cities in South Brazil, has been the first to successfully implement the PB process in 1989. The high number of participants in the PB process in Porto Alegre suggests that PB encourages citizen involvement, which, in turn, resulted in improved accessibility and quality of various public welfare amenities. For instance, based on a study by the World Bank, sewer and water connections in the city increased from 75 percent of households in 1988 to 98 percent in 1997. Likewise, the number of schools has quadrupled since 1986 (Bhatnagar et al. 2003).

Currently, there are over 1,500 participatory budgets around the world. Most of these are at the city level. PB has also been used for counties, states, housing authorities, schools and school systems, universities, coalitions, and other public agencies. In the United States and Canada, PB has been used in Toronto, Montreal, Guelph, Chicago, New York City, and Vallejo (California).²

PB follows a basic process: residents meet to discuss urgent needs of the community, develop strategies, and identify projects for funding and implementation of concerned government agencies.

The Philippines has been the first in the world to implement the PB process on a national scale for its 2015 national budget. Initially, the BUB process focused on engaging the poorest municipalities identified by the Cabinet's Human Development and Poverty Reduction cluster. During the first year of implementation in 2012 for the 2013 national budget discussion, 609 municipalities and cities participated in the BUB process, of which 595 responded and submitted Local Poverty Reduction Action Plans (LPRAPs). For the fiscal year (FY) 2014 round, the exercise was expanded to cover 1,233 municipalities and cities. For the FY 2015 round, BUB was extended to all municipalities and cities across the country.

How does the BUB work?

Generally, the BUB process includes civil society organization (CSO) assemblies that select their

¹ In December 2014, President Benigno Aquino III approved the proposal to revert to the original name of the program, which is Bottom-Up Budgeting (BUB).

² "Participatory budgeting: Where has it worked?" The Official Website of the Participatory Budgeting. <http://www.participatorybudgeting.org/about-participatory-budgeting/where-has-it-worked/> (accessed on February 29, 2015).

representatives to the Local Poverty Reduction Action Teams (LPRATs). The LPRATs are tasked to identify projects based on the poverty situation analysis of the CSO assemblies. The projects identified by the LPRATs are submitted to the Regional Poverty Reduction Action Team (RPRAT) for review and then forwarded to the concerned national government agencies for inclusion in their proposed budgets, which are submitted to Congress and Senate for inclusion in the GAA.

There are two modalities observed in the implementation of the BUB. These are the regular BUB process for areas not covered by the *Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services-National Community-Driven Development Program*, otherwise known as KALAHYON-CIDSS, and the enhanced BUB process for LGUs that have graduated from or are currently implementing the KALAHYON-CIDSS program.

Under the regular BUB process, an LPRAT is formed, which is composed of the local chief executive, a *Sangguniang Panlungsod/Bayan* (city/municipal council) member, all local government department heads, representatives of national government agencies, representatives of CSOs, and a representative of the business sector. The group shall be composed of an equal number of government representatives and nongovernment representatives, and at least 40 percent of members must be female (DBM et al. 2014).

Meanwhile, under the enhanced BUB process, the LPRAT performs its functions as the technical working group of the enhanced Local Development Council. Aside from members under the regular BUB process, its members include the vice chairs of the Barangay Development Councils who are to be elected from among the KALAHYON-CIDSS community volunteers.

The BUB process

There are nine main components of the BUB process: (1) CSO assemblies, (2) LPRAP workshops, (3) submission of the list of priority projects to the Department of the Interior and Local Government (DILG) Regional Office, (4) consolidation of the projects by the DILG Regional Office, (5) validation of projects by the RPRAT and the National Poverty Reduction Action Team, (6) submission of the revised list of priority projects together with a Sanggunian resolution to the DILG Regional Office, (7) integration of the LGU projects in the budgets of participating agencies, (8) provision of an LGU counterpart, and (9) project implementation (DBM et al. 2014).

The DILG and the National Anti-Poverty Commission (NAPC) will convene the general assembly of CSOs at the

city or municipal level to select their representatives in the LPRAT. A co-chairperson of the LPRAT from the CSOs will be elected as well as three co-signatories for the LPRAP. Not eligible to be elected as CSO representatives are elected local officials and their relatives, and LGU employees.

Under the leadership of the mayor and the elected co-chairperson from the CSO representatives, the LPRAT will identify projects to be included in the LPRAP. Themes that could be used as guide in identifying projects are attainment of the Millennium Development Goals, poverty reduction, climate change adaptation and mitigation, and disaster preparedness. The LPRAP should be properly endorsed by the CSOs and the Sangguniang Bayan through a resolution.

The regional offices of the DILG will consolidate the list of priority projects by region, which will be provided to all members of the RPRATs and the Department of Budget and Management (DBM). The RPRAT is composed of the regional directors of the DILG, DBM, and other national agencies, a CSO representative per province, and representatives from the Department of Energy and National Electrification Administration (DBM et al. 2012). It will validate, review, and revise the list of projects as needed. It will also identify the appropriate implementing agency for each project.

The DBM shall consolidate all the plans submitted by the RPRATs and forward it to concerned government agencies, which will allocate a budget for the projects under the BUB.

Meanwhile, the LGUs must provide a cash counterpart for the BUB program equal to a percentage of their current local development fund. Without the LGU's counterpart, funding from the national government for these projects will not be released.

In addition, only LGUs that pass the Good Financial Housekeeping component of the Seal of Good Local Governance can implement BUB projects. In case an LGU is ineligible to implement a project, the project will be implemented by the concerned government agency.³

Monitoring and implementation of projects under the BUB are done through a quarterly meeting of the LPRAT.

³ Funding for BUB projects in a city or municipality shall only be released if the LGU achieves the following: (1) Pass the Good Financial Housekeeping component of the Seal of Good Local Governance under the most recent assessment; (2) Substantial accomplishment in the implementation of the Public Financial Management Improvement Plan as determined by the DBM; (3) Required BUB counterpart has been provided in the LGU Annual Budget; and (4) Submission of proper financial and physical accomplishment reports to the concerned national government agencies for BUB projects in previous years.

A quarterly report will be submitted to the RPRAT and concerned regional offices of the national agencies. The RPRAT should also meet quarterly and submit quarterly report to DILG, DBM Central Office, and NAPC.

The NAPC is tasked to conduct citizens' monitoring of target beneficiaries of projects under the BUB. A help desk and grievance system has been created to establish communication among those involved in the BUB process regarding the status and issues in implementing the projects. Likewise, the public could monitor and ensure that these projects are actually implemented through an interactive website (<http://openpub.gov.ph>).

Figure 1 shows an infographic that summarizes the various steps in a regular BUB process.

Prospects of the BUB

The BUB process provides a venue for people to express their needs and, together with the local governments, identify concrete solutions to problems they face. However, for the BUB to become truly inclusive and participatory, meaningful participation of basic sector organizations and CSOs in the process is necessary. These organizations are supposed to represent the interest and needs of the people in order to promote a more holistic perspective on poverty reduction and sustainable development.

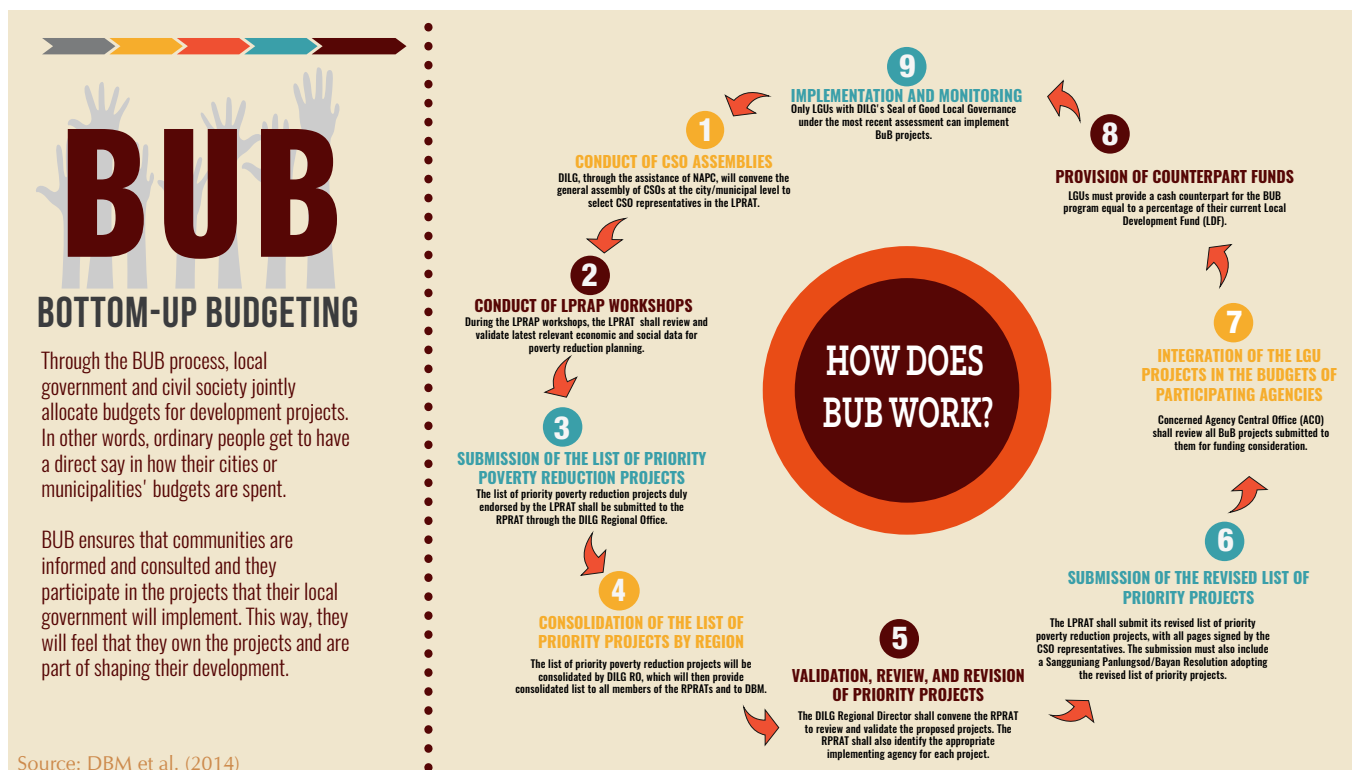
A policy note by the Philippine Institute for Development Studies (PIDS) on the impact evaluation of the BUB process⁴ recommends that an adequate monitoring, evaluation, and feedback system be integrated in its implementation cycle to address constraints affecting every stage (Pastrana and Lagarto 2014).

The PIDS policy note also emphasized the need to strengthen CSO's participation in the process. To encourage genuine participation (and not only compliance), CSOs should be given ample time to consult with their members and prepare for BUB activities. Meanwhile, the issuance of guidelines should be augmented by proper and adequate orientation of stakeholders at the regional, provincial, and municipal levels. They are responsible for the orientation of CSOs and the conduct of the CSO assembly and the LPRAP workshop. CSOs should also be capacitated on leadership skills, project proposal development, monitoring, and in engaging with the LGUs and other CSOs.

PIDS Senior Research Fellow Rosario Manasan, meanwhile, suggested the adoption of the enhanced BUB

⁴ This policy note presents the results of a process assessment of the BUB process in Quezon Province. Commissioned by the DBM to the PIDS, it was part of a bigger study that covered 12 municipalities and cities in four provinces representing Luzon, Visayas, and Mindanao.

Figure 1. The regular BUB process



process in more areas. In her paper on the Assessment of the BUB Process for FY 2015, Manasan observed a more genuine grassroots participation in local planning process among KALAHI-CIDDS areas. She attributed this to the KALAHI-CIDDS Community Empowerment Activity Cycle, which goes all the way down to the *sitio* level and involves a series of barangay assemblies, poverty situation analysis, as well as capacitation of communities in project development, implementation, and monitoring (Manasan 2015).

Transparency is also an important component of participatory budgeting. As shown in the Porto Alegre experience, PB has provided a platform in which the poor can express their needs and be aware of the status of the work that was promised to them during the previous year. The several rounds of meetings also give public representatives ample opportunity to make the government answerable for false promises or for the slow progress of the project in their localities. Participatory budgeting represents a shift from the culture of patronage that tends to serve a selected few and, at the same time, strengthens accountability in the government's budgeting mechanism (Goldsmith 1999).

In the Philippines, apprehensions have been raised by various sectors that the BUB could be used by the administration to advance its own political interest. However, Manasan pointed out that provisions of the Joint Memorandum Circular (JMC) No. 4-2013 gives national government little, if not, zero discretion in the allocation of funds across LGUs. And even if the BUB budget is a lump-sum appropriation, the guidelines under the joint circular appear to be applied uniformly regardless of political affiliation of incumbent local chief executives. Manasan pointed out that funding allocation across cities and municipalities is based on a formula, in which LGUs with more residents living below the poverty line get a higher BUB funding. In addition, the evaluation by regional and national government agencies of the list of projects proposed by LGUs for BUB funding appears to be limited to checking compliance with the guidelines set out in the

JMC. Since BUB funding across LGUs is rule based rather than discretionary, Manasan concluded that it is not as vulnerable to patronage politics at both the national and local levels compared with other more discretionary funding sources for LGUs. *

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