Corruption and Participatory Budgets: The Bottom-Up Budgets in the Philippines

Participatory budgets (PBs) have been credited for improving the quality of democracy by increasing the decision-making power of citizens and local governments. However, PBs are usually controlled by the executive power at the national or city level, which creates a potential venue for corruption: leaders could use PB strategically to benefit their inner circles. In this sense, this paper analyzes potential sources of corruption in one of the most representative cases of PB: the Bottom-Up Budgeting (BUB) program in the Philippines during the Benigno Aquino III government. This paper identifies sources of corruption based on government documents and secondary sources. Finally, I propose a policy solution using the identified sources of corruption and results from empirical studies on corruption.

Chapter I:
Responsibilities, processes, and internal structure

An important part of understanding the BUB process in the Philippines implies understanding how institutions and public officials implemented the BUB program. In this sense, Table 1 presents the involved institutions and their respective role. In particular, the column, "role," describes the level of decision-making-power of several institutions at the moment of implementing BUB. The following were the different roles that each institution assumed:

- Responsible: Low/medium decision-making power. It refers to institutions following instructions from other institutions.

- Accountable: This role has the highest decision-making power. The institution receives results for the responsible role.

- Consulted: the institutions or agents that provide information or evidence to the policymaking process. For example, technical experts or agencies.

- Informed: all those agents or institutions required to receive information before or after a decision is made.

Table 1: Role classification of BUB institutions

Institution	Goal	Role
National Poverty Reduction Action Team (NPRAT)	Coordinate between local and regional government institutions. Also, it collects and verifies that local and regional institutions follow guidelines	Consulted
Regional Poverty Reduction Action Team (RPRAT)	Validates the local priorities defined by the Local Reduction Action Team	Accountable at the regional level
Local Poverty Reduction Action Team (LPRAT)	Define local projects and monitors the implementation of the BUB.	Accountable and informed at the local level
Department of Interior and Local Government (DILG)	It starts the BUB process by defining the BUB guidelines and selecting CSO representatives in the LPRAT	Accountable at the national level
Local Government Units (LGU).	This is a set of organizations that provide public goods/services at the local level. Moreover, it participates in LPRAT and provides counterpart funding to BUB funds. Finally, LGUs execute BUB funds	Responsible and consulted
Civil Society Organizations (CSO)	Composed of the different local NGOs, the central role of the CSO was to synthesize the community's voice into an actionable plan against corruption. To do so, CSO was responsible for organizing the community meetings that allowed collecting opinions from the citizens	Responsible and informed
Congress	Philippines bi-cameral Congress was required to approve through an ordinary law the approved projects by RPRAT and NPRAT	Accountable

Based on Table 1, the BUB program aimed to decentralize decision-making power from the executive branch by including local institutions and citizens in defining how to allocate the national budget. However, most of the accountable positions or, in other words, most of the decision-making power was concentrated in national level institutions, as is the case of DILG or Congress. This centralization feature in the BUB institutional architecture reinforces potential risks of elite capture through national executive and legislative organizations. These possible mechanisms of corruption and elite capture are described in the following chapters after describing BUB procedures.

Chapter I:
BUB process description

According to the Global Initiative for Fiscal Transparency (GIFT) (2016), and the Department of Interior and Local Government (DILG) (2013), the BUB process has three stages:

Stage 1: Community participation

The first stage had a central goal of electing representatives from the Community Service Organizations (CSO) to participate in the Local Poverty Reduction Action Team (LPRAT). The election of CSO members is done by the Community Mobilizer. The basic work of the Community Mobilizer is to select and verify that NGOs are certified as nonprofit organizations in a master data set controlled by the government. Once the CM certifies which NGOs are eligible, his main work consists in calling them to a general meeting to select the most useful for the community. The elected CSO representatives in LPRAT are accountable to the CSO assembly in representing the community interests defined in the CSO assembly. Finally, elected officials at the local or national level are ineligible to be part of the CSO organizations integrating the CSO assembly.

According to the DILG, 2013, once LPRAT representatives have been selected, the CSO assembly analyzes the social and economic data of the city or municipality to define potential solutions for the local gaps. The CSO assembly receives technical support from Municipal and Planning coordinators and LGU department heads at the moment of defining solutions to identified gaps. As a result, the CSO produces the Poverty Situation Analysis gathering the structures' solutions during the joint assembly between both CSO and Local Government Units (LGU) department heads.

Stage 2: Projects consolidation through local and regional work

Having an initial course of action to reduce poverty locally with the poverty diagnostic, the LPRAT workshop defines actionable initiatives to reduce poverty in conjunction with national government representatives and LGU heads by consensus or majority vote. The list of selected projects constitutes what the Local Poverty Reduction Action Team (LPRAT) sends to the Regional Poverty Reduction Action Team (RPRAT) and the Department of Interior and Local Government (DILG). Both RPRAT and DILG assure that both CSO and LPRAT follow the defined guidelines for celebrating CSO assembly and LPRAT workshops. Precisely, the compliance verification consists in verifying the following criteria:

- Conduct the CSO assembly and election of CSO representatives: evidence must be provided to guarantee that several CSOs were invited to conform the assembly, but mainly that LPRAT representative elections were transparent by having a fair voting system.
- LPRAT workshops: the evidence to guarantee LPRAT workshops are photos of each meeting and members of the workshop and the minutes of each session where the socioeconomic priorities were defined.

Once compliance is achieved, RPRAT reviews and "submits the list of selected projects to a national institution, [the] Department of Budget and Management (DBM), designated to include local projects within the budget of the national agencies" (DILG, 2013).

Stage 3: Approval and implementation

Once projects have been approved, LGU and sectoral national agencies must work together to execute project funds. The BUB opens a possibility of cooperation among LGU and local NGOs with specific experience in developing anti-poverty projects.

Stage 4: Project monitoring

The monitoring of BUB projects is done quarterly during the LPRAT meetings: LGU representatives monitor and compile findings of the project's level of completion to RPRAT. Also, RPRAT collects and sends a regional report to DILG about the level of completion of projects. Please check the appendix at the end of this document for additional information about the last steps of the BUB process**.**

Chapter II:
Decision-makers, agents, and potential sources of power abuse

- **Stage one: possible corruption in community mobilizer's work**

  Based on the previous description, stage one of the BUB processes starts with the Community Mobilizer (CM) working at gathering NGOs (aka "CSOs") to confirm the CSO assembly. The CM provides a public service by selecting the best NGOs to participate as representatives of citizens at the local level. CSOs must be certified by the government to join the BUB program. This certification does not have a cost for the CSO. Still, DILG guidelines implicitly require the participant NGOs to have sufficient capacity to receive an official certificate as a CSO.

Therefore, there is a price (*p*) associated with CM's public service in classifying NGOs as legitimate using the cost for NGOs to receive CSO certifications.

Using Schleifer and Vishny's (1993) framework to differentiate types of bribes by their marginal costs, the community mobilizer can obtain private benefits by:

- ***Bribing with theft:*** the community mobilizer could allow uncertified NGOs to participate in the CSO assembly. The marginal cost of the bribe is lower or equal to the price of the public good *p*. For this bribe type, the community mobilizer might want to maximize profit by acting as an independent agent (principal-agent problem). This is a likely scenario of corruption, considering that there are no explicit auditing processes of the selected NGOs by the community mobilizer.

- ***Bribing without theft:*** in this scenario, a legitimate certified CSO–that effectively has been certified –is either not convened by the community mobilizer, or its admission is delayed. As a result, the CM might require the NGOs to pay a fee to be prioritized among all certified and non-certified NGOs applying to be part of the CSO assembly.

NGOs benefit from participating in the CSO assembly in bribing with and without theft because they can acquire decision-making power to define the most appropriate anti-poverty projects in the local community. The CSO can use this power to sell their vote inside the CSO assembly or charge bribes to potential beneficiaries of BUB projects.

Also, both extortion and collusive bribery are part of corruption options during the first stage, given the discretional power of the Community Mobilizer to restrict NGOs from participating in the CSO assembly. Image 1 provides an important insight: BUB ended up centralizing citizen participation in national agencies like DILG, NAPC, or RPRAT, which makes collusive bribery or centralized corruption more likely to happen if someone in executive power in Congress has direct influence over executive agencies like DILG or monitoring ones like NAPC.

- **Stage 2: potential corrupt practices in Local Anti-Poverty Teams (LPRAT)**

LPRAT elections:

Each CSO assembly (by the municipality) and LGUs vote for one assembly member to represent them in the LPRAT. The LPRAT decides the participatory projects to close poverty gaps at the municipal level. It is important to note that LPRAT is integrated 50% by CSOs and 50% by Local Government Units (LGUs). Analogously, the CSO has 50% of the power to elect LPRAT members and LGUs. In the case of splits, RPRAT will solve disputes by randomly assigning LPRAT membership among CSO assembly members. This last scenario where RPRAT chooses LPRAT representatives would be the least preferred by local organizations since it would delegate a discretional decision to foreign hands.

The first way of corruption is the LPRAT elections: NGOs could potentially bribe the CSO assembly members and LGUs in exchange for a position on LPRAT. To illustrate better how corruption would operate in this stage, let's suppose that one CSO assembly for the municipality "Pangolosod" is composed of 4 CSO representatives and one LGU: three non-aligned independent NGOs, one corrupt NGO, and the local water authority in the representation of LGUs. For our initial example, an NGO can be selected to be part of LPRAT by obtaining the support of the local LGU (water company) and by getting support from at least one CSO member.

Initially, one can assume that the water authority is interested in successfully receiving funding from participatory projects because additional funds might represent higher salaries or more discretion in hiring employees. Therefore, a corrupt NGO could potentially obtain LGU support if it demonstrates that it belongs to the government's coalition; this increases the possibility for the municipality to be benefited from BUB funding, which is the main interest of a local public company.

A second path to corruption is a potential collusion between all selected NGOs conforming to the CSO assembly, guaranteeing 50% of voting support for a particular NGO to integrate

LPRAT. Under this scenario, an NGO bribes the other CSO members in exchange for support for the LPRAT selection. However, this bribing coalition would need to obtain approval from the water company (LGU) to reach a majoritarian vote.

Based on the two described scenarios, the least expensive option for corruption for a CSO (the most preferred) to be selected in LPRAT consists in bribing the LGU *first* to assure 50% of the required votes for majoritarian support. After bribing the LGU, a corrupt NGO only needs to bribe only one NGO to finally obtain the majority of votes (50% from LGU plus 12.5% from bribing one CSO).

Anti-poverty reports and project selection:

The third source of corruption arises from procedures for selecting an anti-poverty project. It is important to remember that LPRAT's primary goal is to identify a local project that reduces poverty by increasing income or employment levels. As mentioned before, BUB projects are selected based on the menu of projects prepared by DILG national guidelines that contain poverty diagnostics.

Extortion and collusion are equally likely to happen when a credited proposal for BUB proposal is identified in LPRAT. An elected CSO in LPRAT has to share an important portion of decision-making power with regional-level organizations: one LPRAT member holds veto power and is recommended by a city mayor or the governor. Therefore, CSOs' participation can be easily blocked by local level or government officials. As a result, supposing that the CSO member chooses a BUB project that maximizes social benefit, this CSO must negotiate with an elected official for the project's approval. The mayor or governor representative could restrict the whole BUB by not approving what the CSO identified as the best project. For this reason, the LPRAT increases opportunities for collusion or extortion because CSOs must negotiate with elected officials whose primary rationale is to maximize their political survival through public investments or clientelism, two pervasive corruption problems in the Philippines. Additionally, collusion can be

a possibility for corruption because the mayor or governor representative can grant support for a project that benefits a procurement company or a constructor to receive a portion of the contract later at the moment of funds disbursement. As a result, ineffective projects closing poverty gaps can be selected because of these latent collusive agreements between elected officials and third parties.

A fourth discretionary decision that could lead to corruption during the BUB's second stage is the possibility that selected projects serve the interests of wealthier populations instead of the needs of the average inhabitant.

Using **Reinikka and Svensson's (2014)** findings analyzing Uganda's 1990's education program, in a context where elite capture diverts a significant portion of public funding, researchers found that "schools in better-off communities managed to claim a higher share of their entitlements." Moreover, there is a possibility that the menu from which LPRAT chooses its projects benefits wealthier communities relative to poorer communities. This is a likely scenario considering that the mayor would like to support BUB projects in areas where significant and more affluent populations live.

- **Fourth stage: implementation**

Finally, a significant risk associated with the implementation of BUB projects is described by **Olken (2007),** through the evidence of road construction in Indonesia. For the BUB case, construction companies hired by LGU to execute a BUB project can reduce the quality of the infrastructure project in order to lower the total cost of construction and increase their own profits. Given the level of secrecy in assessing the quality of an engineering project--which would imply, for example, LGUs hiring a consultant for extracting material cores--a corrupt contractor might decide to underreport the amount of construction materials and pay a bribe to the public supervisors to avoid a verification study. This corruption risk can be analyzed through the following hypothetical scenario: the public water works have received funding approval from the national level to start constructing an irrigation

system that will benefit 500 farmers in a determined municipality. Frank, the manager of the public water company, is interested in helping the company "Joe Construction Suppliers, INC." (JOCOSU), because Joe, the material construction owner, is willing to provide part of the contract revenue to Frank. To avoid potential accountability issues, Frank discretionally chooses to execute the participatory budget without forming a team with any of the NGOs with experience in building irrigation systems for small farmers.

After blocking potential accountability threats, Frank takes a second important decision to receive private benefits from the procurement contract: given the close relation with JOCOSU, he knows the strengths of this company; for example, JOCOSU is the largest supplier of cement in the region. Frank tailors a procurement contract that benefits his friend Joe by demanding that all companies who aim to win the bidding process have a high volume of cement in stock at a low price, which JOCOSU can quickly achieve. Finally, Frank prepares a tailored budget that benefits JOCOSU: the main selection criteria is a low price in cement, but prices for iron or sand are overpriced. Frank sends the customized budget to his friend Joe to ensure that JOCOSU fulfills all the budget-biding selection criteria.

JOCOSU is selected as the official procurement company. Personal benefits are created and distributed in the following manner: Joe knows that nobody will be verifying whether the standard amount of materials is being used when constructing the irrigation district. For this reason, Joe can pay Frank's bribe because of the overpriced products in the procurement contracts. Also, Joe obtains personal benefits from a public contract reducing the number of materials being used in the project, making functional irrigation for only the most affluent farmers in the region.

Chapter III:
Corruption facts about the BUB and information-gathering needs

The official and secondary sources of information do not point to concrete examples of corruption in the BUB. However, based on the Philippines' legacy of corruption, the pervasive dynamic of elite capture was a likely factor defining how resources were distributed or diverted. Furthermore, the BUB program did not invest any resources to assess potential cases of elite capture at the local level, which implicitly reveals a preference to cover corruption from the President's cabinet.

Amidst the lack of concrete evidence for corruption, an important hint shows that BUB investments did not reflect citizens' needs, indicating failures to secure a participatory process. G-Watch & Aceron (2016) revealed that 91% of a representative sample of households in the Philippines considered BUB projects were not addressing their most pressing poverty-related needs. This large percentage of households feeling not represented in the chosen participatory public goods raises concerns for potential elite capture.

In my opinion, the BUB program must collect data and information that would enable measuring the impact of BUB projects in reducing poverty through program evaluation studies that isolate the causal effects of a public good (e.g., irrigation system) over the level of employment or income of a representative sample of households.

Secondly, considering the imminent risk of elite capture for the BUB resource allocation, I suggest collecting data to measure whether political alignment increased the probability of a region receiving more BUB funds. This political alignment would constitute a good indicator of the transparency of institutions like Congress approving funds or NPRAT setting obstacles for certain regions.

Finally, the inclusiveness of the BUB program should be assessed by collecting information regarding the type of social organizations that were able to participate in the BUB process. This information about participating NGOs should be helpful to discern if development-

focused NGOs are being selected at the beginning of the process where participatory projects are defined.

Chapter IV:
Corruption assessment: addressing the most harmful forms of corruption in DILG hands

The present study analyzes corruption in the BUB from what the head of DILG can discretionally do to correct or prevent corruption. Potential corruption risks were analyzed in Chapter II, where the main objective was to systematically assess the opportunities for DILG to use its status as a President's cabinet member to correct or prevent corruption threats. In this sense, the present chapter assesses corruption risks and harms. Table 2 synthesizes the analyzed corruption threats, their risk description, and the level of power of DILG at trying to correct these potential risks:

Table 2

Corruption threat	Risk, Harm, and likelihood	Is Prevention/correction depending on DILG?
Stage 1- community mobilizer– Bribing with theft	**Risk**: Interest or ideology-based groups are selected in the CSO assembly. **Harm:** The CSO assembly does not represent average voters' preferences and needs. Furthermore, this opens a door for the elite capture to impose preferences over BUB allocation. **Likelihood: is** high, based on what is known of corruption cases in BUB about CSOs.	Yes, partially: DILG must map interest groups aiming to participate in BUB and specialized organizations that can join in the BUB assembly. However, in some municipalities, churches are the central leading organization assisting marginalized communities.
Stage 1- community mobilizer– Bribing without theft	**Risk:** specialized/experienced NGOs focused on poverty and development are excluded from the CSO assembly. **Harm:** projects that effectively close poverty get executed or are constantly delayed **Likelihood:** high; there are no check and balance mechanisms here.	Yes, DILG could prioritize verification in CSO assemblies composed of a small proportion of development/poverty NGOs.

Stage 2- LPRAT elections **Stage 2- Anti-poverty reports and project selection**	**Risk:** selected projects create income and employment opportunities primarily for LGU and NGO workers and non-priority socioeconomic groups **Harm:** selected projects don't contribute to closing poverty gaps at the local level **Likelihood:** medium, the LPRAT work is influenced by DILG through the work of the community mobilizer	Yes, partially. DILG has a responsibility because this stage belongs still to the community mobilizer's influence.
Stage 3- RPRAT and NPRAT requisites verification and congress approval	**Risk:** both RPRAT and NPRAT become an obstacle for non-aligned organizations to approve their participatory projects **Harm:** legitimate BUB projects could not get approval **Likelihood:** high**; amidst** not having evidence, RPRAT and NPRAT are autonomous organizations, which could present accountability and transparency issues. However, it is easy to verify how RPRAT and NPRAT influence because their only responsibility is to verify requisites defined by BUB guidelines. In the case of congress, DILG can use President's power to supervise how funding approvals are delivered, but this still is not discretionary for DILG.	No, NPRAT and RPRAT are independent of DILG. Also, congress approves BUB through the national budget law; DILG has no control over congress.
Stage 4- The bidding process	**Risk:** funds can be deviated in favor of third parties because of LGUs or NGOs influence **Harm:** BUB public goods are reduced due to illegal deviations **Likelihood:** high**; amidst** not having evidence, LGUs are autonomous organizations, which could present accountability and transparency issues. But DILG can supervise works through LPRAT auditing.	No, LGUs are independent of DILG. Because of LGU's
Stage 4- Construction verification	**Risk:** BUB projects don't meet technical requirements **Harm:** BUB projects don't deliver expected benefits after investing public funds **Likelihood:** high; there is a long history of public funds for infrastructure projects being siphoned by corruption	No, LGUs are independent institutions from DILG. Although LPRAT could potentially

Based on Table 2, DILG can correct or prevent corruption threats belonging to stage 1 and stage 2 and introduce mechanisms that could reduce opportunities for corruption in the later stages of the BUB when regional, national, or local independent organizations participate.

Chapter V:
Policy solutions

Klitgaard (1988) offers a series of suitable policy interventions for the challenges described in chapters related to what is known of corruption cases and corruption threats with a high likelihood where the DILG has discretionly power to correct or prevent corruption. To have clarity of what policy solutions are taken from Klitgaard's case, the following type of interventions were prioritized:

- **Increase information and corruption probability of detection:** the corruption analysis of the BUB is constrained due to the lack of data explaining why RPRAT, NPRAT, or Congress are providing more funding to certain municipalities relative to others. For this reason, an appropriate intervention requires setting a series of corruption checks, particularly at the beginning of the participatory process when DILG has direct control. Both corruption checks, during local steps--stages 1 and 2--can change the probability of detecting corruption and the possibility of correcting an unfair distribution of benefits.

- **Change rewards and penalties:** it is necessary to offer incentives to critical actors in the BUB process by rewarding their efficiency in enabling transparent citizen participation, celerity at distributing funds, and supervision at executing projects. Certainly, DILG does

not control all BUB stages, but still, DILG has control over designing the general guidelines of the participatory budget process.

- **Use external guarantees to obtain information regarding LPRAT:** Klitgaard suggests using informal networks– like those created by nepotism–to get information that guides agents' selection and provides effective surveillance over their work. The potential counterargument against this solution is that using clan networks might bring unreliability and incompetence. For this reason, the informal network's solution can be complemented by using full-time auditors belonging to the President's office that contrast the information provided by nepotic clans.

The previous solutions implemented in Klitgaard's case are a toolkit to be implemented in the following stages of the BUB process:

Solution #1–Improving the Community Mobilizer (CM) role because of the high likelihood of corruption and under DILG's authority

Using Klitgaard's anti-corruption tools, I think it is critical to use external guarantees to increase accountability during the Community Mobilizer's work at choosing the type of CSO participating in the BUB process. The pursued benefit: increasing the probability that a legit NGO is selected to be part of the CSO assembly and LPRAT might reduce the likelihood of funding innocuous anti-poverty projects. Furthermore, a legit NGO–dedicated to fighting poverty independently from traditional parties—might help to raise awareness when a corrupt agent tries to influence the BUB process.

Once an independent and meritocratic CM has been selected per municipality, the second policy change in the BUB guidelines strips away the capabilities of the CM to select what CSO can participate in the local assembly. The justification for the previous decision:

the CM can be incentivized by corrupt agents or elites to select non-certified or politically aligned NGOs.

Selecting a solvent and capable CM is just half of the intervention. The CM's primary roles must be reformed to become a liaison between LPRAT and CSO assembly and the regional and national institutions. DILG work must be articulated by the CMs to help local organizations fulfill all bureaucratic funding proceedings efficiently. Aceron's (2016) findings show that 48% of BUB resources by 2013 were not executed after three years of implementation. Local governments were constantly vetoed by NPRAT and RPRAT from receiving BUB funds, which might be attributed to potential cases where a bribe was expected before releasing funds.

Solution #2– Increase information and corruption probability detection: a multistage solution

The first and second stage

The CM convokes certified CSOs in the government database. After reviewing the available information, this database seems to be constructed using programmatic requisites to select appropriate CSOs.

Similar to Plana's case, I propose to hire a team of CPA auditors that frequently verify the financial statements of certified NGOs, focusing on those organizations with more significant levels of assets or equity. The main goal of this forensic audit is to determine whether approved certified NGOs use their resources to alleviate poverty in their local operations. The results of this analysis should be publicly available to future interested NGOs to ratify their certification by submitting information that allows the DILG to establish their appropriateness for the BUB process.

There is a possibility that distant zones from urban centers have fewer non-profit organizations that fulfill the expectations around experience, independence, and transparency. The joint work of the forensic auditing team and the Community Mobilizer for this region with the low level of NGOs participation consists of mapping all NGOs, including those elected to the CSO assembly. In case there are not enough NGOs or they are corrupt and inefficient, the DILG could open an international public tender for NGOs specialized in executing development projects to come and participate in a competitive public bidding process to execute BUB funds in one or several provinces.

Understanding the subnational NGO gaps per municipality is critical to improving how LPRAT chooses BUB projects. In places where NGOs integrate LPRAT with low institutional capacity or experience, there is a greater opportunity for misallocation and corruption. For this reason, I propose to gather information about citizen-led organizations that are not necessarily formal NGOs. Still, their leadership gathers more than 50 local citizens and creates income-generating opportunities for their associates: for example, farmer associations with proven experience in managing revenues for their associated families. The DILG CPA team can assess these farmer's associations leaders and certify them as potential NGOs to conform to LPRAT if their management record has been clean and positive.

LPRAT antipoverty diagnostics

Often, developing countries face challenges in measuring poverty considering their budgetary constraints. Encompassing surveys like the DHS or Afrobarometer are onerous and far from fitting in the small budget of countries like the Philippines. For the case of the BUB, based on the information provided by government officials and secondary sources, it is not clear whether the poverty diagnostics used by LPRAT to define whether the BUB projects

are based on evidence, ideology, or corruption. Moreover, given the subnational allocation of BUB resources, the BUB would require the government and the DILG to differentiate between poor and wealthier inhabitants at the household level. Based on this discernment, the DILG would be better able to design an appropriate menu of BUB projects.

The lack of evidence-based approaches to guide national and local agencies in allocating BUB resources represents a clear opportunity for corruption: it increases discretion for LPRAT members in allocating resources to projects that might provide them a private benefit. In lieu of census data or surveys, GIS solutions offer a cheap and easy way to obtain data at a granular geographical level, targeting resources in the most needed communities. For this reason, DILG must hire a technical team of GIS experts to measure poverty levels at sub-national levels by using remote sensing imagery and machine learning tools to capture visible information regarding the quality of life of the Philippines' rural and urban populations. Based on these estimates, poverty diagnostics should be able to target BUB resources in geographical poverty hotspots but also in areas with high levels of infrastructure gaps (roads, irrigation districts).

In synthesis, BUB national guidelines must target investments geographically using evidence-based studies that accurately reflect poverty scenarios at a subnational level like cheap and accessible remote sensing imagery data. As a result, the menu of BUB projects that LPRAT chooses to invest BUB funds in must coherently consider the evidence-based diagnostic performed by DILG.

Using informal network information to obtain information regarding LPRAT and CM

Corruption descriptions at the beginning of this paper point to elites as responsible for corruption and specifically for nepotism in the Philippines. These elites are distributed in the

Philippines in family clans that control public offices of local government agencies and lucrative industries. Given their influence, these powerful local clans can be powerful allies in understanding whether two critical agents of the BUB process are working transparently. An additional task for the DILG national-level team consists of mapping influential local clans willing to cooperate by providing information to Congress representatives or private actors bribing LPRAT and the CM. In exchange, families can receive appointments within DILG or the government.

Furthermore, the information received from clans must be contrasted with the information provided by a clandestine network of citizens that might work with DILG auditor teams in understanding important discretional decisions performed by CSO assembly members, LGU managers, and national-level actors (NPRAT or Congress members) trying to influence local-level decisions.

In synthesis, the present solution aims to increase information regarding the CM and LPRAT by including two mechanisms to collect information per city and municipality: using the knowledge of robust family networks to assess whether LPRAT's anti-poverty projects are coherent geographically and functionally with poverty diagnostics. Furthermore, in order to assess the level of honesty from these cooperative clans, DILG must invest in creating a network of clandestine citizens that provide additional information in relation to LPRATs and CMs per municipality and city.

Creating BUB national dashboard

Part of increasing accountability requires citizens to be able to differentiate between good and bad public servants. For this reason, DILG must prepare a publicly available dashboard that informs the level of execution of funds per municipality or city. Also, this

dashboard must include the reasons explaining procedural delays, an action plan to solve these procedural issues, and a person responsible for executing such an action plan.

Solution # 3–Increasing the accountability cost associated with national-level public servants or Congress members for negligence or clientelism at allocating or executing BUB projects.

Public hearings, radio or TV transmissions, and BUB dashboard

The DILG does not control what Congress or national-level agencies decide in relation to BUB. However, the DILG can provide incentives and costs for public servants delaying funds or engaging in corruption by creating public hearings where Congress representatives and national agents per each province/municipality show to their constituents their work furthering voters' interests in the BUB process.

The DILG guidelines must include public hearings transmitted by radio and TV every three months connecting three agents: NPRAT representatives, LPRAT representatives, Congress representatives, and citizens per province and municipality. During these public hearings, Congress representatives must present to citizens the BUB dashboard created by DILG showing potential odds for the municipality to receive funds, but also their commitments to overcome those gaps.

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Annex

I. **Additional details of the participatory budgeting process**

BUB additional information

BUB process descriptions of stages three and four in both GIFT (2016) and DILG (2013) are not sufficiently detailed in describing implementation and monitoring stages.

For this reason, the previous description of the BUB process is complemented by G-Watch Citizen Action for Accountability and Aceron, (2019) analysis of BUB. Image 1 provides additional information about the four stages of the BUB process. In particular, this graph allows us to distinguish between the national executive, national legislative, regional, and municipal/city processes. The following are the stages described by G-Watch:

Image 1: BUB process description according to G-Watch
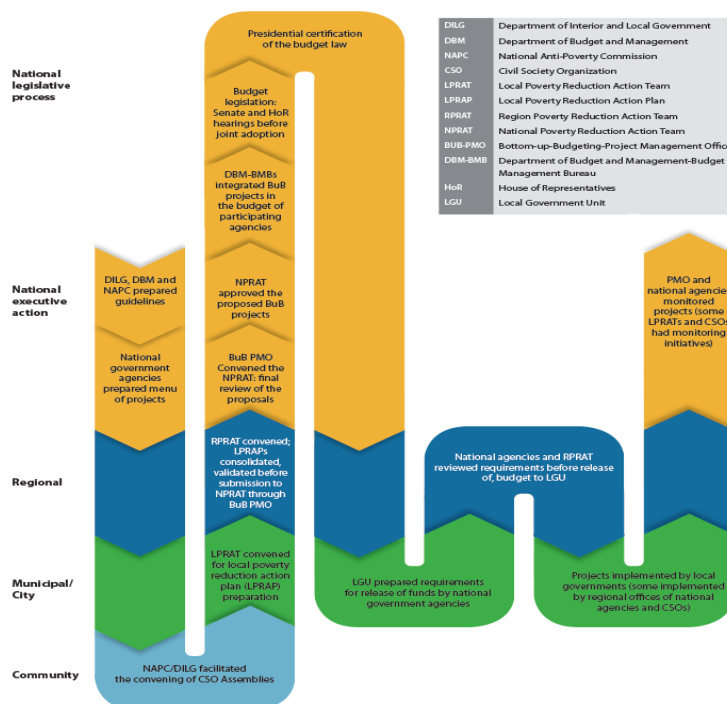
Source: G-Watch-Aceron (2016)

Based on image 1, an important difference in this BUB process description: DILG, NAPC, and Department of Budget and Management (DBM), all national government agencies, prepare a menu of projects for municipalities and cities to choose from during the LPRAT needs assessment workshops' (Poverty Situation Analysis). Once, every LPRAT votes BUB projects, RPRAT consolidates and verifies project requisites at the provincial level and submits a report to NPRAT seeking for approval. At the national level, NPRAT verifies primarily that projects are oriented to close poverty by choosing the right type of project: for example, irrigation systems, bridges or local roads. For the previous reason, NPRAT seeks feedback from the Project Management Office of DILG (PMO); this feedback aims to gather LGUs' project-specific information in relation to time and cost estimates. It is important to remember that LGUs' are public companies that provide technical information considered relevant for the purpose of the projects.

NPRAT provides a budget estimate that should be included in the National Expenditure Program (NEP). As a result, BUB cost estimates are included in Philipines national budget. The last step consists in the President sending NEP to the Senate and House of Representatives for approval through the ordinary procedure of passing an ordinary law: "three readings in both Houses separately before it was deliberated and passed in a joint session." Once NEP is approved by congress, DILG distributes resources to cities and municipalities contingent on the fulfillment of the following requisites:

Table: Requirements for local government to access approved BUB resources

Requirement	Description
Transparency and public disclosure requirements	DILG required LGUs to proactively disclose certain financial transactions such as the budget and procurement. Local governments must at least achieve a Good Financial Management level in the Seal of Good Housekeeping/Seal of Local Governance.
Public Finance Management Improvement Plan	Required by the DBM, this plan contains what the LGU intends to do to improve its financial management.
Required LGU counterpart funding for BUB projects	In 4 rounds, there were changes in the definition of the LGU counterpart. For the first year, it was not required unless required by law given the nature of the projects. For the second year (2014), the LGU counterpart was defined according to LGU socioeconomic classification.
Compliance with BUB processes that ensure meaningful participation of citizens and grassroots	Conduct of CSO Assembly convening of LPRAT with 50% representation of CSOs conduct of LPRAT workshops
Validated and audited commission on Audit reports	One of the requirements is not to have any adverse findings

Source: G-Watch-Aceron (2016)

Table 1 provides additional details in relation to the verification requisites that local governments must comply with to BUB funds. In the case of transparency requisites, the Seal of Good Housekeeping/Seal of Local Governance is a status granted to those local governments who pass a series of audits conducted by DILG, LPRAT, and at least one CSO. These audits are random and on-person verification visits that ask local governments and LGU for evidence in relation to three criteria: "accountable, transparent, and participatory governance". There is no additional information describing the audit's questions and acceptable evidence that local governments are required to obtain the Seal of Good Governance. Additional requirements like the financial improvement plan or the funding counterpart show that not only LPRAT or CSO are required to be compliant with BUB funding requirements, but also the LGUs hold a considerable amount of responsibility in the verification process.

The present chapter provided a detailed description of the BUB process. However, descriptions were limited to the available information provided by the limited information provided by current DILG employees and online secondary.

The following chapter discusses potential sources of power abuse based on the described attributes of the BUB process. Complementary, secondary sources describing BUB's limitations are used to come up with a well-grounded analysis of sources of corruption.