

ECONOMIC POLICY REFORM & ADVOCACY

MIDTERM REPORT

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ATENEODEMANILA
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MESSAGE FROM THE PROJECT HEAD

The generally lackluster performance of the Philippine economy over the past decades traces to the nature of our past economic reforms, which had been largely slow and inadequate, and often inconsistent. The turning point came in the 1990s, when the pace and quality of economic reform generally picked up. This ushered in a new economic dynamism, but whose momentum was cut short by both external (the Asian financial crisis) and internal forces (governance challenges) that beset the country at the closing years of the decade. Among the governance challenges were policy reversals, accompanied by performance reversals in indicators like employment, tax and revenue effort, income distribution, and certain human welfare indicators. Furthermore, fundamental barriers to broad-based and equitable economic growth persist. Thus, despite the wide-ranging reforms that marked the 90s, economic reform remains a compelling imperative at this time.

We in the EPRA Consortium are guided by the conviction that the process of reform is just as important as the substance of the reform itself. The reform process must ensure wide participation and thereby wide ownership and support by the stakeholders of reform. By providing for informed participation in the reform process, we ensure both the soundness and durability of the reforms undertaken. We consider reforms to be sound when they promote the greatest good of the greatest number, and they are durable when they enjoy wide support from the people.

Among past and present reform-oriented programs, EPRA's unique contribution lies in ensuring informed participation and achieving wide ownership and support for reforms. Thus, apart from providing analytical, empirical and logistical support for economic reforms, EPRA's work entails responsive capacity building for both government and non-government stakeholders, patient efforts in building partnerships and coalitions, and effective communication and advocacy to broaden effective constituencies for reform.

As we take stock of our accomplishments mid-stream, we in EPRA take satisfaction in the significant strides we have made in providing these key ingredients for effective participatory economic reform. We can also rightfully claim to have helped shape certain reforms already undertaken, and to be influencing the direction of reform initiatives currently underway. As we look to the second half of the project and towards its completion, we aim to build further and improve on what we have so far achieved, as we maintain the resolve to make a tangible contribution to improving the lives of Filipinos through sound economic policy reforms that they can identify with and truly benefit from.

CIELITO F. HABITO
Project Director, EPRA



MESSAGE FROM THE DEPUTY HEAD

After a year and a half of project implementation, our consortium has laid the foundations for a more participatory process in economic policy-making. Relying mostly on our multi-stakeholder teams (MSTs), we have defined various reform initiatives and public awareness programs in six critical sectors – agriculture, financial markets, local government finance and planning, tax administration, fiscal policy and public sector participation in infrastructure.

While many policy makers in the Philippines think that civil society interventions in the process may not be at all fruitful, we in the consortium think otherwise. Policies drafted and formulated through a participatory process have a better chance of successful implementation. This is because a wider constituency will support the reforms being executed by government agencies. More importantly, such policies usually benefit a greater majority of the population or mitigate possible negative impact on affected sectors.

Of course, consultative and participatory methodologies require more resources than the typical reform trajectories. They need more time and the guidance of “policy pilots”. These pilots facilitate the complex and dynamic reform process between and among the various players and stakeholders. Skills in networking and constituency building are critical requirements for such pilots.

Our emphasis on the importance of the quality of the process in the economic policy-making has led us to document our Multi-stakeholder Teams’ experiences. It is hoped that aside from our contributions to actual policy reform, we will also impart the lessons and insights from our participatory methodologies. This will provide some guide to various sectors who will embark on economic reform advocacy.

FERNANDO T. ALDABA
Deputy Director, EPRA



Overview of MIDTERM ACCOMPLISHMENTS

Overview

In which we explain what the project is all about, where we went with it mid-stream, and what's on the horizon in the next half of our project term.

The Economic Policy Reform & Advocacy Project was conceived on the premise that economic policy reform in the Philippines requires a complex mix of research, networking, advocacy, political will and capacity building among various stakeholders. It is now commonly accepted that effective policy reform must involve the participation of the three key stakeholder groups in society: government, civil society, and the private enterprise sector. A participatory mode of policy reform ensures responsiveness to people's real needs, promotes ownership of policies and programs undertaken by the government thereby ensuring wide support, and harnesses resources from outside of government especially under current severe fiscal constraints.

The private business sector has traditionally been closely involved in economic policy reform initiatives of the Philippine government, whether formally (i.e., via policy councils, multi-sectoral advisory bodies, consultations and other participatory mechanisms) or informally (i.e., through lobbying efforts of various forms, both legal and illegal). Indeed, some even accuse the government or government officials of directly serving powerful business interests. The wider public's experience in participating in the policy reform process has been mixed, however, through legitimate civil society organizations like nongovernment organizations (NGOs) and people's organizations (POs). Proactive initiatives to enrich such participation are thus called for.

It was against this background that the Ateneo de Manila University (ADMU) and members of the EPRA consortium proposed an involved but practical process of formulating an economic policy reform agenda grounded on sound analyses while being owned and supported by key stakeholders. Through a partnership with a number of NGOs with established track records, the Ateneo-led EPRA Consortium was formed, and became the recipient of a USAID institutional grant for policy development under the TIERG umbrella project. This is a report of what we accomplished during the first half of EPRA's project life, September 1, 2004 to February 28, 2006.

What we had set out to do

EPRA's avowed mission was to improve the *process* of economic policy reform as it worked to ensure the *soundness* of the reforms undertaken, i.e., that the reforms truly promote the greatest good for the greatest number. As envisaged, EPRA's distinctive contribution to the policy reform process is in the promotion of wide ownership and support for economic reforms through wide participation in their formulation.

EPRA's policy agenda had six policy areas: (1) Agriculture, (2) Financial Markets Development, (3) Fiscal Management, (4) Local Government Financial Planning and Management, (5) Private Sector Participation in Public Infrastructure, and (6) Tax Administration. As the project commenced its first year of activities, the following broad objectives had been defined:

- Establish effective mechanisms for participatory policy reform;
- Define an Economic Policy Reform Agenda that enjoys broad support;
- Strengthen civil society's capability and role in economic policy reform; and
- Strengthen the capability of Ateneo and other think tanks to provide timely technical and political support to economic policy reform initiatives.

In particular, the following specific objectives had been defined for the first year of the project's work program:

- Build capacity of EPRA's stakeholders to equip them for work in economic policy reform

- Facilitate establishment and operation of Multi-Stakeholder Teams (MSTs) in each of the six policy areas of concern
- Define, using a consultative process spearheaded by the MST, a policy reform agenda for the six EPRA focus policy areas
- Undertake research to analyze policy options and policy impacts
- Achieve broad support for the policy reform agenda via consultative processes including policy meetings, sectoral consultations, and advocacy network-building; and
- Help in the actual adoption/enactment of and advocacy for reforms identified in the reform agenda

What we had achieved

EPRA's accomplishments during the last one year and a half may be summarized in the following activities and outcomes:

- Put in place project systems, mechanisms and guidelines
- Established good working rapport with key stakeholders
- Defined EPRA's vision and mission, key result areas and strategies
- Undertook training activities for internal and external EPRA stakeholders to better equip them to identify, analyze, and advocate for appropriate policy reform initiatives
- Established and mobilized MSTs in the EPRA focus sectors, with varying degrees of maturity
- Defined policy reform agenda in the EPRA six focus sectors with the MST partners
- Undertook constituency-building thru policy meetings, consultations and networking initiatives
- Advocated for and assisted in advocacy efforts of government for specific policy reforms
- Undertook baseline research to define "state of knowledge" on EPRA focus sectors
- Initiated focused research in certain identified policy issues
- Provided direct technical assistance to policymakers for specific reforms enacted within the year



EPRA year-end Assessment Workshop, August 18-20, 2005, CPF, Batangas City.



Experts forum on Fiscal Incentives, Sulo Hotel, September 2005

- Assisted government agency partners in improving policy implementation; and
- Contributed to the eventual adoption of specific policy reforms.

Each is further elaborated on below.

Project Mobilization

Even as the first release of funds for the project happened only in the sixth month of the project's formal commencement, EPRA wasted no time in setting up offices in the Rockwell and Loyola campuses of Ateneo. With the Ateneo School of Government (ASG) as the project's initial home institution, ASG staff and resources were assigned and allocated to support project activities within the first month of official commencement. ASG advanced significant financial resources toward staff salaries and other project expenses, including its first training activity, to ensure a smooth start-up. Meetings with the NGO consortium partners were also held promptly, both as a group and individually, to organize work arrangements and agree on various relationship parameters. Meanwhile, administrative staff of ASG and the Ateneo central administration coordinated closely with USAID personnel on firming up financial and other administrative arrangements.

Representations with key stakeholders

From the first month of the project's commencement, project managers began to hold meetings with key policymakers involved in the six focus policy areas of the project. Courtesy calls were made on senior officials and principals of the key government agencies and departments directly concerned with EPRA's six policy areas of concern, including the Department of Trade and Industry (DTI) particularly the BOT Center and the Small Business Guarantee and Finance Corporation, Department of Budget and Management (DBM), Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR), Department of Agriculture (DA), Insurance Commission (IC), and National Economic and Development Authority (NEDA), among others.

Beyond the national government entities, meetings were held and linkages established with relevant institutions like the League of Provinces, League of Municipalities, League of Cities, Liga ng Mga Barangay, Capital Markets Development Council (CMDC), and the Financial Executives Institute of the

management of other projects serving our policy areas of concern, such as the Canadian-supported Local Government Support Project (LGSP) and the ADB-supported Infrastructure for Rural Productivity Enhancement Sector (INFRES) program for the DA.

Definition of the Project Vision, Goals and Objectives

In February 2005, project management and staff together with representatives of our NGO consortium partners undertook a two-day out-of-town retreat to define a shared vision statement for EPRA, along with key result areas (KRAs), goals and objectives to guide the project's work and activities.

The team established EPRA's Vision Statement to be: *An economic policy environment responsive to the needs and aspirations of Filipinos, especially the poor, enjoying broad-based support and producing tangible results.*

The identified Key Result Areas were multi-stakeholdership; knowledge management for policy reform; institutional development; policy research, development and advocacy; and monitoring and evaluation.

In subsequent planning exercises undertaken toward the end of the project's first year (August and September 2005), the EPRA team further sharpened its goals, objectives and targets that will serve as progress milestones with which to assess accomplishments.

All of these have helped achieve clear direction for the project's thrusts and activities, and had clarified expectations among project staff and NGO consortium partners thereby promoting stronger teamwork and unity of purpose.

Training Activities

Through the project's first year and a half, various training activities for both internal and external stakeholders of EPRA have been undertaken. Listed below are the topics covered by the various training programs undertaken as of midterm, along with the groups that participated in each:

- Technology of Participation – EPRA staff and NGO consortium partner members
- Principles of Public Finance – BIR officials and staff; Congress technical staff; NGO consortium partners; EPRA staff
- Basic Research Methods – BIR officials and staff; Congress technical staff; NGO consortium partners; EPRA staff



Top: Year End Assesment Workshop Part II, with Consortium Partners. September 15-16, 2005, Eugenio Lopez Center, Antipolo City.

Bottom: Year End Assesment Part I, CPF, Batangas City.

- Local Government Financial Management – LGU financial managers (e.g. Treasurers, budget officers) and planners from Luzon, Visayas and Mindanao; local chief executives; NGO consortium partners; financial sector representatives (e.g. FINEX); EPRA staff
- Local Government Financing Options – LGU financial managers (e.g. Treasurers, budget officers) and planners from Luzon, Visayas and Mindanao; local chief executives; NGO consortium partners; financial sector representatives (e.g. FINEX); EPRA staff
- Economic Literacy — officials and staff from government agency partners; Congressional technical staff; EPRA staff; NGO consortium partners
- Financial Literacy – officials and staff from SEC, IC, BSP, PSE, and DOF; EPRA staff; financial sector representatives; NGO consortium partners
- Tax and Expenditure Incidence Analysis – DBM officials and staff; EPRA staff; NGO consortium partners
- Technology of Participation, Part 2 - EPRA staff; NGO Consortium Partners
- Principles of Advocacy Writing- EPRA Staff, NGO Consortium Partners

The project drew on acknowledged experts in the respective fields, including Ateneo faculty members, as resource persons for these training programs, with durations ranging from two days to two weeks. The usefulness and effectiveness of the various training activities undertaken were affirmed by consistently positive evaluation feedback provided by training participants, through the evaluation surveys systematically provided at the end of each training activity.



MST organization and mobilization

The MSTs under each of the six EPRA focus policy areas were strategically organized with the objective of being the primary venue for the project's promotion of civil society participation in the economic reform process. This entailed the initial identification of (1) a regular representative from the NGO consortium partner, (2)

Introduction to Financial Markets and Development, Aug. 30-31, 2005, AIM Conference Center.

technical expert(s) to serve as sector subject specialist(s), and (3) an appropriate reform champion in the relevant government agency(ies) at the senior official level (i.e., Director, Assistant Secretary or Undersecretary level). These members comprise a complete MST for the purposes of the project, with a corresponding sector manager designated



YEAW Part 2, Antipolo City

by the project to facilitate the organization and functioning of the MST.

Actual organization of the six MSTs proceeded at varying paces.

The **MST for Agriculture** was the first to be completely organized, with the early designation of the CODE-NGO representative (Joel Pagsanghan, succeeded by Cezar Belangel), the subject specialist (Dr. Eliseo Ponce) and the government reform champion (DA Undersecretary Segfredo Serrano).

The **Tax Administration MST** was likewise organized relatively quickly, with the Transparency and Accountability Network (TAN) representatives (Vincent Lazatin and Flora May Cerna), the subject specialist (Dr. Rosario Manasan) and the government reform champion (BIR Deputy Commissioner Lilia Guillermo) coming on board early in the project.

The **Financial Markets Development MST** is composed of Lorna Villamil of the Philippine Center for Policy Studies (PCPS), Dr. Emmanuel Esguerra as subject specialist, and SEC Commissioner Joselia Poblador, BSP Deputy Governors Diwa Guinigundo and Nestor Espenilla, BSP Director Francis Dakila, and Insurance Commission Director Rey Vergara as government reform champions.

The **MST for LGU Financial Planning and Management** is composed of Apolinario Dichoso of the Evelio B. Javier Foundation as the NGO partner, Lydia Oriol and Dr. Ernesto Bautista as subject specialists, and the Executive Directors of the Leagues of Provinces, Cities and Municipalities as initial partners in government. Recently, NEDA OIC-Deputy Director-General for Regional Development Marcelina Bacani has been recruited to the MST as government reform champion at the national government level.

The **Fiscal Management MST** is composed of Joyce Gracia of the Public Finance Institute of the Philippines as NGO partner, Dr. Milwida Guevara as subject specialist, and DOF Assistant Secretary Gil Beltran and Director Maria Lourdes Recente and Ronnie Buenviaje as government reform champions.

Finally, the **Private Sector Participation in Public Infrastructure MST** remained without an NGO consortium partner for most of the first year of the



Making Financial Reform and Credit Opportunities work for LGUs, MMLOC, June 2005

project. This was due to the unexpected withdrawal by the originally designated NGO consortium partner for the sector (Partnership of Philippine Support Service Agencies or PHILSSA), after having been involved in the initial proposal and planning of the project. Action for Economic Reforms (AER) was subsequently recruited to be the NGO consortium partner, with Miss Maita Gomez being their representative in the MST. Dr. Renato Reside has also recently agreed to be the subject specialist for the sector. The absence of an NGO consortium partner and a subject specialist did not prevent the project from working closely with BOI Governor Concepcion Perez and BOT Center Director Angelito Taruc on the amendments to the Implementing Rules and Regulations (IRR) of the BOT Law (Republic Act No. 7718). Both officials are thus considered the government reform champions in the sector's MST. DTI Secretary Peter Favila has also recently designated Undersecretary Elmer Hernandez as the focal person among his deputies for EPRA's work with DTI on BOT matters.

Policy Agenda Formulation

Most of the MSTs had completed the intended consultative process during the first year to define priority reforms in their respective sectors. Each sector had derived a list of policy concerns from various meetings and small consultations (e.g., focused discussion groups) held with government, NGO and business sector stakeholders.

The specific policy issues prioritized by the MSTs and addressed during the first year and a half's of work program are as follows:

Agriculture

- Advocacy for extension of the agricultural competitiveness enhancement fund (ACEF) in light of its expiry in 2005.
- Technical preparations for bilateral negotiations on trade agreements with Korea, India, Japan, and USA. EPRA chose not to directly address preparations for the December 2005 WTO Ministerial Meeting in Hong Kong, inasmuch as the DA was already receiving assistance from other donors on this.
- Reorganization and reorientation of the DA bureaucracy toward greater effectiveness in exercising leadership in managing agricultural development. The MST and the various consultative forums they organized recognized that the perennial inability of the government to improve the country's agricultural situation traces to institutional weaknesses and rigidities in the DA. In particular, an agreed

imperative is for DA to rely more on LGUs to implement projects and deliver agricultural services, rather than do these directly.

Financial Markets Development

- Promotion of wider financial literacy especially among small savers. A two-day training program on Financial Literacy has been conducted for EPRA stakeholders in government and civil society. This is intended to be repeated to reach wider audiences in the second year of the project.
- Promotion of the Personal Equity Retirement Account (PERA) as a key savings instrument and vital pillar of a reformed pension system. Discussions have been held with the Capital Markets Development Council (CMDC) and FINEX to determine areas of cooperation in the advocacy for the PERA Bill.
- Equitable tax treatment of similar saving/investment instruments such as trust accounts (UITFs) and mutual funds. Legislative bills providing for such equitable tax treatment are being studied and advocated in the EPRA work.
- Proliferation of fake Compulsory Third Party Liability (CTPL) insurance policies required for the registration of motor vehicles. EPRA was among the first to call public attention to the seriousness of the problem, and this subsequently received prominent attention among lawmakers and the media.
- Increased mobilization of OFW remittances towards productive investments as opposed to consumption expenditures. An advocacy network is currently being formed with various OFW organizations situated both in Metro Manila and in the provinces.

Fiscal Management

- Amendments (i.e. indexation) of excise taxes on “sin products.” EPRA engaged in various consultations and facilitated technical advice to particular legislators in the course of Congressional and Senate deliberations on the “sin taxes” bill.
- Reformed VAT Law. As in the Sin Taxes Law, EPRA provided technical advice to legislators (including the Chair of the Senate Ways and Means Committee) in the course of deliberations on the R-VAT Law.



Top: EPRA, YEAW Part 2, Antipolo

Below: Agri Consultation Workshop, June 3, 2005, DA Conference Hall, Cebu City.



- Analytical tools to project revenue impacts of economic trends and policies.
- Fiscal incidence analysis. At the request of the DBM, training has been provided to DBM officials and staff on tax and expenditure incidence analysis, to equip them with better understanding of the distributional effects of alternative tax and expenditure allocation directions.
- Corporate governance of government owned and controlled corporations (GOCCs), including the pension system (GSIS and SSS).

LGU Financial Planning and Management

- Training in and adoption of the new Local Government Accounting System (LGAS)
- Need for increased awareness of alternative financing options available to LGUs for funding local development projects (e.g. municipal bonds, BOT)
- Obstacles to increased local revenue generation to reduce LGUs' reliance on the Internal Revenue Allocation (IRA)
- Need for widened LGU credit rating system

Private Sector Investment in Public Infrastructure

- Streamlining government processing of BOT proposals and contracts
- Appropriate risk sharing between government and private sector in BOT contracts
- Appropriate setting of user-fees for BOT infrastructure facilities

Tax Administration

- Industry Profiling of the Telecommunications Industry & on the Retailing of Mobile Phone Credits by Electronic Loading
- Detection and Elimination of Revenue Leakages (Documenting Techniques of Tax Evasion in the Payment of the Estate Tax; Monitoring the Delivery of Letter Notices; Benchmarking)
- Taxpayer Organization
- Addressing Taxpayer Satisfaction
- Taxpayer Education on the Reformed VAT
- Taxpayer Education for Professionals & the Self-Employed

Constituency-Building

EPRA sought to widen the constituencies for economic reform in its six focus policy areas through the conduct of policy meetings, focused group discussions, sectoral consultations, training programs and other participatory exercises.

In **agriculture**, a series of consultations with various civil society organizations on the agricultural policy reform agenda were held all over the country. EPRA also held similar consultations with acknowledged experts in the sector, and with the DA Secretary's Technical Advisory Group (STAG), a group of eminent persons chosen by the DA Secretary.

In **financial markets development**, the training on financial literacy afforded a widening of the project's advocacy network for financial market reforms, with the participation of various institutions and organizations both within and outside the government. EPRA has likewise forged partnerships with CMDC and FINEX to complement efforts in the advocacy for financial market reforms. Meanwhile, active efforts to liaise with OFW organizations are being undertaken by the MST, led by the PCPS representative.

In **fiscal management**, EPRA has linked up and is now regularly engaged with an on-going advocacy group on fiscal matters (the "First Thursday Group," which derives its name from the day of the group's monthly meetings) composed of prominent persons in the field.

In **LGU financial planning and management**, the various leagues of local executives (governors and mayors) have become direct EPRA partners in the MST for the sector. In addition, the local financial managers numbering more than 200 who have participated in the EPRA trainings on LGU financial management and alternative financing options have become enthusiastic members of an advocacy network for reforms in local financial management.

In **private sector investment in public infrastructure**, an NGO-led consultation forum on privatized water supply and electric power has provided a wider NGO constituency to EPRA's work in the sector. By providing a forum for dialogue between government officials involved in BOT policy and NGOs vocal in privatization issues, EPRA has helped achieve greater leveling of stakeholders' perspectives on privately-provided public infrastructure.



*Principles of Advocacy
Writing, Dec 5-6, 2005, Social
Science Conference Room,
ADMU.*



Top: Financial Literacy Training, Aug. 30-31, 2005
Asian Inst. of Management (AIM).

Bottom: Basic Research Techniques and Public
Finance Theory, May 9-10, 2005, Social Science
Conference Room, ADMU

In **tax administration**, the NGO consortium partner TAN held small group discussions on various tax administration issues to be able to identify problem areas and issues for resolution. EPRA assisted TAN in the conduct of the group's strategic planning for its advocacies in the coming years. This has strengthened the partnership both with TAN as a network and with its various member organizations, who will potentially form the base for on-the-ground NGO initiatives to assist the government achieve improved tax collection efficiency.

Policy Advocacy

Policy advocacy has been done through preparation of articles published in the popular media, including articles prepared by EPRA staff and consultants that found publication as newspaper feature articles; regular newspaper columns (e.g., "Yellow Pad" in *BusinessWorld* and "No Free Lunch" in the *Philippine Daily Inquirer*); and as stand-alone policy briefs.

Project management and staff have also participated actively in various forums on economic policy issues directly related to EPRA's focus policy areas, including Congressional hearings, symposiums and seminars.

At the same time, EPRA assisted in taxpayer education on the Reformed VAT through the preparation and reproduction of a VAT primer in two languages and a primer on the tax compliance of professionals is also being produced.

EPRA had begun to undertake policy advocacy in the area of fiscal incentives by supporting two major researches that will establish the costs and benefits of the proposed fiscal incentives bill. These studies had significantly guided the Department of Finance in establishing its position with regard to the fiscal incentive proposals that are being deliberated upon in the senate.

Policy Analysis and Base-line Research

The Research Advocacy and Advisory Group (RAAG) had undertaken research both in-house and by contracting out researches to various consultants. Policy situationer papers for each the EPRA focus policy areas were prepared, with three of them published as stand-alone papers that are distributed during participatory events held under the project.

EPRA commissioned an analysis of the utilization of the ACEF in the past years that helped reinforce the argument for continuation of the fund beyond its initial 10-year life span. At the request of NGO network Agri-Watch, EPRA engaged the services of a consultant to examine and analyze the various issues for negotiation with bilateral trade partners with whom bilateral preferential trade agreements are impending. This is to help provide the technical basis for Philippine negotiating positions in these bilateral trade deals. In response to a direct request from former DOF Secretary Cesar Purisima for quantitative analytical tools to be added to DOF's analytical capability, EPRA has mobilized work to enhance and update Ateneo's quantitative economic models (particularly the Ateneo Macroeco-nomic Forecasting Model and the Habito PhilCGE model). The intention is to eventually transfer the technology to DOF, NEDA and the Presidential Management Staff to provide in-house capability to make use of these quantitative analytical tools. In support of improved tax administration, a study on the telecommunications electronic load system is being undertaken to help plug tax leakages in the sector. Some studies on tax evasion to support more effective tax administration are in the pipeline.

In the area of fiscal management, EPRA engaged the services of fiscal experts from the UP School of Economics to quantify the cost and benefits of the Fiscal Incentives Bill and assist the Department of Finance in coming up with its own version of the bill. Another study on foreign debt reduction strategy was undertaken in order to provide civil society organizations and government negotiators an analysis of available options faced by heavily indebted developing countries to reduce its foreign debt and analyze room for maneuverability allowed by the international financial system. For tax administration, parallel studies aimed to document techniques for tax evasion were undertaken. Another ongoing study is focused on how to better improve collection of taxes in the telecommunication sector.

In the LGU sector, EPRA had embarked on an institutional mapping analysis which aims to provide the project comprehensive understanding of the institutional landscape, the linkages and incentive systems between various institutions, and the interactions of social actors operating within various institutions assisting LGUs improve their financial capability. The findings of the institutional mapping will enable the Ateneo-EPRA Project and the MST to identify "action arenas", trace problems and explore possible solutions in coordination with other related initiatives in order to avoid or minimize overlap or duplication of efforts. Institutional mapping will thus aid the Project in minimizing unintended consequences and maximizing desirable consequences of policy reform activities in the sector.

Technical Assistance to Policymakers

EPRA fielded technical advisers to brief policymakers upon their request. For example, EPRA's subject specialist for fiscal policy and tax administration Dr. Rosario Manasan briefed Rep. Henedina Abad on the latter's request in preparation for the House Ways and Means Committee



deliberations on the key tax revenue measures recently passed by Congress. She also provided technical input on a draft Revenue Memorandum Order on benchmarking. The Project Director provided direct advice to certain Cabinet members on EPRA's focus policy concerns. Some of the MSTs have been actively consulted by policymakers in the course of deliberations for specific policy reforms (e.g., reorganization of the Department of Agriculture, rationalization of fiscal incentives).

Assistance in Policy Implementation

EPRA's work in tax administration is more in the area of efficient and effective policy implementation than in policy formulation. For example, upon the request of BIR, the project is looking into the mobilization of NGO partners in the regions to help monitor unanswered letter notices. An ongoing study on the telecommunications sector will potentially help BIR plug tax leakages in the sale of electronic loads for cellular phone services. Another study on documenting techniques of tax evasion of the estate tax may also improve revenue collection from this tax.

Similar assistance in implementation has been provided to LGUs through the training on the new Local Government Accounting System (LGAS). Advice on alternative financing options for LGU projects has been provided both through the training programs conducted for LGU financial managers, and through continuing communication with them on individual request basis.

Contributions to Policy Reforms

Through the various interventions and mechanisms described above, EPRA believes that it has made positive contributions in the shaping of certain economic policy reforms undertaken in the past year. These include the major revenue legislations passed by Congress, the policy guidelines on Voice Over Internet Protocol (VOIP) issued by the National Telecommunications Commission, the amended guidelines to the BOT Law, the current effort to curb spurious Third Party Liability insurance policies, and a number of other policy initiatives being undertaken by the government.

As EPRA builds momentum in its effort to institutionalize wider and more meaningful civil society and academic participation in economic policy reform process, it may be expected that even more positive contributions to economic policy reform will be achieved in the year and a half ahead.

SECTORAL ACCOMPLISHMENTS

AGRICULTURE

The agriculture sector's goals identified by the Multi-stakeholder team (MST) at the end of the EPRA project are:

- a revitalized National Aquatic and Fisheries Council (NAFC) that streamlines its functions, resolves the issue on conflict of interests, integrates various agricultural councils, enhances multi-stakeholders' participation and strengthens its national role in policy-making, monitoring and evaluation in agriculture;
- a clearly defined and integrated policy reform agenda for the agriculture sector with broad multi-stakeholder's support well in place;
- a broad-based, active, informed and organized policy reform/ civil society constituency for agriculture; and
- a strengthened institutional capacity of key multi-stakeholders involved in the process of a broad-based policy reform advocacy in Philippine Agriculture.

Enhancing Participation in Policy Reform

Capacity Building and Constituency Building/Knowledge Management. The agriculture MST held several consultations/dialogues with NGOs/civil society, which included a *National Civil Society Organization Briefing and Consultation* (last May 26, 2005); a *Civil Society Forum for the Agriculture Policy Reform Agenda Constituency-Building* (last July 5, 2005); and a *Discussion on Proposed Civil Society Policy Agenda for Agriculture and Collective Advocacy Work* (last July 26, 2005). As evidence of public support for the National Agriculture Reform Summit formerly referred to as the Agriculture Policy Reform Agenda (APRA), they have committed to support reforms in the agricultural bureaucracy and the agriculture sector, in general.



EPRA played a significant role in the turnover ceremony on July 15, 2005 of former DA Secretary Arthur Yap and Secretary Domingo Panganiban by providing technical assistance in defining the DA Bureaucracy's role in the policy reform process and in attaining the broad-based APRA

As EPRA embarked on its second year of operations, the agriculture MST conducted the *Civil Society Consultation and Planning* (October 21, 2005) and a *CSO Forum on Updates and Challenges in the CMT Process of DA* (March 31, 2006).

EPRA played a significant role in the turnover ceremony on July 15, 2005 of former DA Secretary Arthur Yap and Secretary Domingo Panganiban by providing its technical assistance in defining the DA Bureaucracy's role in the policy reform process and in attaining the broad-based APRA. An important recommendation made by

2. A Financial Management Committee to transform the DA's budget structure from commodities to functions;
3. A Program Development Team to oversee the design transformation of national banner programs from commodities to the thematic goals of AFMA; and,
4. A Good Governance Team to enhance the DA's ability to carry out the Philippine Agriculture 2015 program.

As far as knowledge management is concerned, the EPRA agriculture MST will be conducting research on



Dr. Lisa Pilapil during the Open forum CSO March 2006



Expanded MST Meeting. November 7, 2005 at Usec Serrano's Office, DA. Discussion focused on the accomplishments of APRA and the updates of activities

Secretary Yap, which incoming Secretary Panganiban committed to was the formation of four (4) new management teams in DA, namely:

1. A Change and Development Management Team (CDMT) to oversee the structural transformation of the DA and its attached agencies;

the *Status of the Agriculture Bureaucracy* and the *Status of Multi-stakeholders' Participation in Agriculture Governance*, a DA priority policy agenda.

¹ A National Extension Policy Conference-Workshop was held on December 1-2, 2005.

EPRA has completed the study on the Agricultural Competitiveness Enhancement Fund (ACEF) extension and a *Review of Bilateral/Multilateral Agriculture Trade Agreements/ Commitments in the World Trade Organization (WTO)*, done in coordination with civil society and the DA. At the same time, EPRA has been providing technical assistance to the DA Agricultural Training Institute (ATI) in developing a proposal for the *National Agricultural Extension Policy*¹.



(From left) Usec Segfredo Serrano, incoming Sec Domingo Panganiban and (then) outgoing Sec Arthur Yap. Sec Yap briefed incoming Sec Panganiban on the needed reforms in DA. July 12, 2005, at the BAR Conference Room DA.

Establish Participatory Mechanism. EPRA established the Agriculture multi-stakeholder team (MST) as its participatory mechanism composed of an NGO Consortium Partner, the CODE-NGO, represented by Mr. Cezar Belangel and Mr. Ruel Cabile, its Subject Specialist in the person of Dr. Eliseo Ponce and its Reform Champion DA Undersecretary Segfredo Serrano. EPRA Policy Development Specialist Sarah Lantican assists in the facilitation of MST work in support of the National Agriculture Reform Summit. The team categorized its MST into levels it termed as its “Core” agriculture

MST, its “Expanded” MST and an Advisory Committee for Agriculture to review and further improve the planning, implementation, monitoring and evaluation of MST activities.

The agriculture MST’s advocacy work pertaining to the National Agriculture Reform Summit is a continuing effort which started with relevant dialogues and consultations with government and civil society. The MST recognized that the numerous issues/bottlenecks in the agriculture sector are old issues that had been identified in earlier consultations with different stakeholders, foremost of which is government, as overwhelming and complex in nature.

The agriculture MST’s advocacy work pertaining to the APRA is a continuing effort which started with relevant dialogues and consultations with government and civil society.

¹ Due to the change in DA management, the APRA Summit was postponed for December 2005 then subsequently to mid-2006 under the newly-appointed DA Secretary Domingo Panganiban.

² The EPRA project’s value-added input into the consultations was to incorporate past consultations’ results and provide an overall framework in assessing the issues/concerns in the agriculture sector. The idea that emerged was of an “Agriculture Tree” form of analysis, wherein: the Roots are the determinants of agricultural growth (i.e., R&D, credit, infrastructure) which need to be nurtured; the Trunk is governance, which needs to be transparent, accountable, and predictable to efficiently deliver nutrients to the branches and leaves; and the Fruits are food security, global competitiveness, sustainable production systems, and prosperous farmers/reduced poverty.



Ms. Annie Villaruz during the "Synthesis Workshop on APRA" held last June 21, 2005 at Conference Room, BAR, DA.

The Reform Agenda, however, emerged after several consultations as part of the APRA activities. The APRA regional consultations entitled, "Crafting and Affirming a Vision-led Reform Agenda for a Revitalized Philippine Agriculture" took place in Davao City on May 30, 2005, Cebu City on June 3, 2005 and Metro Manila on June 8, 2005. Consultations with the Secretary's Technical Advisory Committee or STAG was done on May 12, 2005, Experts' Forum on July 4, 2005, Synthesis Workshop on June 22, 2005 and a DA Bureaucracy Workshop on July 2, 2005.

The MST has been providing continuous technical assistance to the Change Management Team (CMT) process of the Department of Agriculture. The first was in September 2005, the *DA-CMT Seminar Workshop on Defining the Economic and Management Framework of the Rationalization Process*. Two months after in November, support for the *Strategic Review of the Agriculture Sector and Development of the*

Rationalization Framework, was rendered. In January 9, 2006, another workshop was conducted on *Formulation of Criteria to Operationalize the Approved Rationalization Principles*. The Rationalization Principles approved were as follows:

1. simplify the national agriculture bureaucracy
2. specialize to achieve efficiency and avoid conflict of interest
3. provide balance across functions
4. decentralize the provision of national public goods
5. organize services to avoid jurisdictional spillover
6. partner with public, private non-profit, or profit organizations to reduce cost of government and increase investment in agriculture;
7. outsource public goods
8. streamline to achieve increased system's efficiency
9. human resource as the most important asset, and
10. transform DA into knowledge-centered organization



Speakers and Mr Cezar Belangel of Code NGO, CSO Forum, June 5, 2006

Promoting Sound Policy Reforms

Advocacy for government/policymakers, public toward policy analysis. Integrating the results of the APRA consultations, a working document entitled, “*VISION 2015 for Philippine Agriculture*” (*Pride and Prosperity*) was drafted. The paper outlined the vision and strategies to attain a modernized and sustainable agriculture sector, namely:

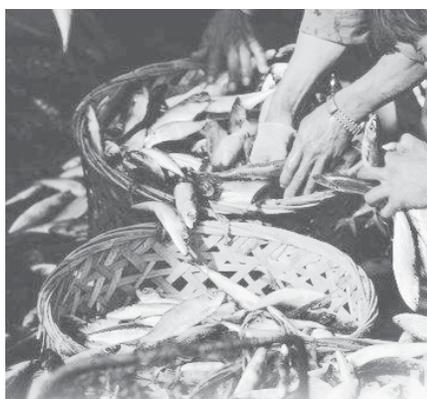
VISION

By 2015, agriculture is the locomotive of growth that enables the Philippines to enjoy food security; provide unprecedented prosperity among the small farmers; fisherfolk, & producers; and set standards for excellence in the world market for fresh and processed farm & fishery products both in quality and the sustainable manner we produce them.

STRATEGIES

1. Agriculture development must focus on the most important element of the transformation: the small Filipino agriculture and fishery producers. Therefore, the agriculture development program must enable the poor to help themselves by developing their social capital and physical assets; strengthen the focus on the small Filipino farmers and fishers as major participants and beneficiaries of the development process; give special attention to the role of women and youth in agriculture development; & provide critical attention to the problems and commodities central to the growth and development of the small farmers and producers.

An Agriculture Consultative Forum in July 2006 will precede the summit. For this purpose, EPRA had commissioned six experts to write policy papers on the following three key sectors: Coconut, Fisheries and Upland Agriculture.



2. Enable the agriculture bureaucracy to effectively and efficiently respond to a truly pro-farmer, pro-poor, and market-driven agriculture development program given limited resources and globalized economy, the Philippines must transform its agriculture bureaucracy. The DA must exercise its true leadership role i.e., of “steerer” or direction setting and leave the “rowing” or actual implementation to the LGUs in partnership with the civil society and the private sector; strengthen the entrepreneurial & investment capabilities of the local governments and the farmers and

fishers by fully decentralizing commodity and other community-based programs to the local governments and communities.

3. The national program paradigm should be transformed from one that is supply-driven to one that is demand-driven based on the principles of good governance: transparency, accountability, participative, and predictability; matching grants with due consideration to social equity; and market-led development that increases the competitiveness of small-scale farmers.

Last December, 2005, the Agriculture sector co-sponsored the National Agriculture and Fisheries Extension Policy Summit conducted in the Philippine Institute of Development Studies (PIDS). The proposed Philippine Agriculture and Fisheries Extension Policy and the Draft Bill on Extension (the National Agriculture and Fisheries Extension Act of 2006) were discussed and commented on during the workshop. This activity was followed by the Policy Formulation Workshop: Strengthening the Role of Local Government in Agriculture and Fisheries Development held on December 14-15 at the same venue. The major output of this workshop/consultation was a signed draft resolution and policy paper entitled *Strengthening Agriculture and Fisheries Services of Local Government Units: A Framework for Department of Agriculture and Local Governments Partnership*.

The National Agriculture Reform Summit entitled “*A Vision for Philippine Agriculture 2015: Karangalan at Kasaganahan*” is scheduled for July 2006. The Pre-Summit program included activities such as:

1. exhibit of outstanding LGU Agri Projects
2. presentation of outstanding LGU Agri projects



CSO Forum, March 30, 2006

3. presentation of synthesis of regional consultations and recommendations for Philippine agriculture reform
4. a consensus building workshop: key actions to accelerate Philippine agriculture reform, and
5. the DA secretary's dinner with key partners.

An Agriculture Consultative Forum to be held in July 2006 will precede the summit. For this purpose, EPRA had commissioned six experts that will write policy papers on the following three key sectors: Coconut, Fisheries and Upland Agriculture.

FINANCIAL MARKET DEVELOPMENT

The prevailing issues in the sector namely, 1) overlapping/duplicated functions among regulatory agencies; 2) need to improve financial literacy among small savers; and 3) need to focus on small savers regarding protection of consumer rights (e.g. pre-need; pyramiding scams) had prompted EPRA to prioritize and address these key concerns. The way by which EPRA had chosen to intervene is by establishing a participatory mechanism that involves the regulatory agencies in the sector and linking them up with the academe and civil society. Together, these groups that form the Financial Markets MST, undertake literacy efforts catering to the needs of NGOs, small savers groups, OFW support groups, and other civil society partners.

In January, 2005, the Financial Markets MST decided to define the sector's focus on small savers realizing that existing efforts had been largely concentrated on various reforms relating to large players and banking institutions. Various measures were identified starting with literacy efforts aimed to help increase savings among small savers. The MST also initiated efforts to identify and enhance collaboration with Financial Markets advocacy partner and worked on the publication of advocacy articles. Several researches were also identified including a Multi-stakeholder analysis on the financial markets sector.



Enhancing Participation in Policy Reform

Capacity Building and Constituency Building/ Knowledge Management.

A number of advocacy articles were caused to be published by the EPRA Project, i.e., article on financial markets literacy entitled “Empowering the Filipino Saver” by EPRA Deputy Project Director, Dr. Fernando Aldaba (Business World, May 3, 2005 and Manila Standard Today, April 27, 2005; on mutual funds entitled “Discovering the Mutual Funds” by RAAG’s Lea Neri (Phil. Daily Inquirer, June 6, 2005); and in the weekly column of Project Director Dr. Cielito Habito, “No Free Lunch” in the Phil. Daily Inquirer. A special issue on “money” published by Newsbreak came out in November, 2005.



As regards literacy efforts, EPRA conducted a financial markets literacy training last August 30-31, 2005. It was attended by representatives from various NGOs, OFW-support groups, and representatives from the Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), Securities and Exchange Commission (SEC), Insurance Commission (IC), and Small Business Finance and Guarantee Corporation (SBGFC). The training provided an

overview of the financial markets, discussion of the financial institutions and instruments including definition of terms, a presentation of the regulatory framework focusing on the need for financial regulations, discussion of prevailing issues as well as proposed solutions to general banking and small depositors’ protection, pre-need plans, pension and retirement, cooperatives, and government bonds for small savers.

The sector is currently working with the BSP to help provide literacy trainings for OFWs and their beneficiaries, and training for public school teachers to help inculcate the value of saving at a young age.

The sector has likewise developed a laymanized primer on basic Financial Markets concepts and principles which is being used as the basic tool in literacy trainings.

Establish a Participatory Mechanism. EPRA has linked up with various government agencies to discuss in its policy reform agenda including the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Insurance Commission (IC), Phil. Deposit Insurance Corporation (PDIC), Commission on Filipino Overseas (CFO), Small Business



Financial Literacy Training, August 2005, AIM.

Finance and Guarantee Corp. (SBGFC); other industry players like the Capital Markets Development Council (CMDC), Philippine Stock Exchange (PSE), Investment Houses Association of the Philippines (IHAP), and the Investment Companies Association of the Philippines (ICAP); and NGOs and civil society organizations

Promoting Sound Policy Reforms Advocacy for Government/Policymakers, Public toward Policy Analysis. EPRA has linked up and is currently working with various civil society organizations which are focused on promoting savings among OFWs and rural folks, including the following:

Atikha is a non-government organization based in San Pablo City, Laguna which provides economic and social services to overseas Filipinos

and their families in the Philippines. Atikha has developed programs and services that address the economic concerns of the Overseas Filipinos. It helped form the Koop Balikabayani International, a credit cooperative organized by overseas Filipinos, Filipino returnees and their families, as well as the Batang Atikha Savers Club among the children of overseas Filipinos and other members of the community. Atikha's findings are that: (i) although, overseas migration has raised the standard of living of families, it has not contributed substantially to the economic development of communities; (ii) most overseas Filipino workers have no substantial savings despite years of work abroad; and, (iii) overseas Filipinos are on the look-out for viable enterprises that will support them when they retire or enable their families to have additional income.

Koop Balikabayani International is a cooperative that provides savings and credit facilities for overseas Filipinos, their families and other members of the community. The cooperative mobilizes the capital of the overseas workers and other members of the community and invests such capital in the enterprises in the area. Batang Atikha Savers Club is a laboratory cooperative attached to the Koop Balikabayani

International. It conducts savings mobilization campaigns in partnership with schools with high concentration of children of overseas Filipinos.

San Pablo multi-sectoral committee on OFWs. The MST also linked with the San Pablo multi-sectoral committee on OFWs made up of representatives from the LGU of San Pablo City, Department of Trade and Industry (DTI), Department of Science and Technology (DOST), TESDA, Catholic church, local Chamber of Commerce and Industry, academe, farmers' groups, fisherfolk, women's groups, and NGOs. The committee assists Atikha in helping develop and manage micro and small enterprises for OFW families and, in conducting environment scanning and feasibility study of viable enterprises in the areas.

(Milamdec) Foundation. In Mindanao, the MST linked with the Mindanao Lumad and Muslim Development Center (Milamdec) Foundation through its head, Father Emeterio Barcelon, S.J. Milamdec is an entity engaged in micro-finance services catering to rural folks in Northern Mindanao based in Xavier University, Cagayan de Oro City. It works with poor women using a microcredit and savings scheme named "Tibod", a native term for an ancestral jar used

for keeping valuables. Milamdec Tibod has 10,500 members who are all active savers and 9,500 active borrowers doing business with Milamdec's 14 branches all over Northern Mindanao.

Overseas Filipino Workers Journalism Consortium which is currently helping the project come up with news packets for OFWs containing basic Financial Markets articles, as well as developing a mini-portal for basic Financial Markets concepts in their website. The news packets are going to be circulated among OFW e-groups, and shall be sent to news organizations in the Philippines, as well as in major Pinoy publications in countries with large Filipino populations.

Based on the recommendations of the World Bank's Country-Level Savings Assessment to collect more data on savings patterns and preferences as "studies analyzing the savings behavior of low-income households and their potential demand for deposit services were extremely difficult to find," EPRA has prepared a concept paper on the assessment of the savings behavior of small savers. The assessment is proposed to be done by using the data from the Family Income and Expenditure Survey (FIES) or include

a rider in the survey on the Filipino savings preferences, as well as their response to changes in interest rates. The data gathered from the latter shall also be used in connection with another initiative aimed to determine how to structure the proposed Personal Equity Retirement Account (PERA). In a roundtable discussion held last October 19 at the BSP Business Executive Center, it was determined that it is worthy for EPRA to conduct as initiative on the cost-benefit analysis on the PERA and on the responsiveness of investors/contributors to interest rates and tax incentives in order to determine how best to structure the account.

FISCAL MANAGEMENT

EPRRA began at a time when the government's fiscal reform agenda had already been largely defined (i.e. through the President's ten point agenda) and proceeding through the legislative process.

Thus, even as it was still in the process of building the Multi-Stakeholder Team (MST), EPRA was compelled to engage the legislative at a very early stage. In a sense, the sector started on a "fire-fighting mode" since the predetermined fiscal agenda by the government was already moving full-throttle. However, EPRA sought to enhance participation in pushing for the "pre-determined" policy reforms by expanding participation to include briefings and forums organized for government, NGO stakeholders and others in its advocacy. In this case, the key EPRA objective of enhancing participation through the participatory process developed hand in hand with and in support of the promotion of sound policy reforms already identified.



Enhancing Participation in Policy Reform

Under such policy milieu, the sector was involved in the following policy reform initiatives which molded the sector's efforts to participate in the fiscal policy arena:

- ***Policy briefing and advocacy on the fiscal crisis and the government's key revenue measures***

The civil society partners were briefed on the legislative status and the policy implications of the legislative proposal on the Sin Tax bill, the Expanded Value-Added Tax (EVAT) bill, Fiscal Incentives, Lateral Attrition, and other key revenue measures. Dr. Felipe Medalla, who was co-author of the UP 11 White Paper gave the briefing and explained the fiscal crisis that the UP professors spelled out in its paper.

Moved by that briefing and the prevailing concern by civil society to advocate sound fiscal reform measures that will immediately address the looming fiscal crisis, civil society partners such as the Public Finance Institute of the Philippines (PFIP) and Caucus of Development - NGO (CODE-NGO) ventured into the publication of newspaper advertisements espousing their positions on the current fiscal reforms and the urgency of addressing the fiscal crisis.

- ***Indexation of sin taxes***

Realizing the possibility of generating significant revenues from the indexation of sin taxes without even increasing tax rates for sin products, Dr. Milwida Guevara, who headed the PFIP and concurrent sector subject specialist organized briefings for key legislators.



Expert's Forum on Fiscal Incentives Bill, Sept 2005.

Members of the First Thursday Group (FTG) which was a constituent of the PFIP was given a policy briefing on the revenue impact of including certain sectors under the coverage of VAT.

After the briefings, Senators Panfilo Lacson and Madrigal were convinced to sponsor a provision that would index the tax base for cigarette products to current prices instead 1996 levels. Unfortunately, the controversial amendment was voted down in plenary.

- **Technical briefings on the EVAT bill**

To ventilate the underlying policy issues of the EVAT (subsequently remained the Reformed VAT or R-VAT) bill, the sector engaged civil society partners and various legislators in a series of policy dialogues and briefings. Members of the First Thursday Group (FTG) which was a constituent of the PFIP was given a policy briefing on the revenue impact of including certain sectors under the coverage of VAT.

Upon the request of the House of Representatives Liberal Party Members through the sector's reform champion, Rep. Henedina Abad, the sector assisted in providing a technical briefing on EVAT by its subject specialist, Dr. Rosario Manasan. This helped the Party firm up its official position on the EVAT bill.

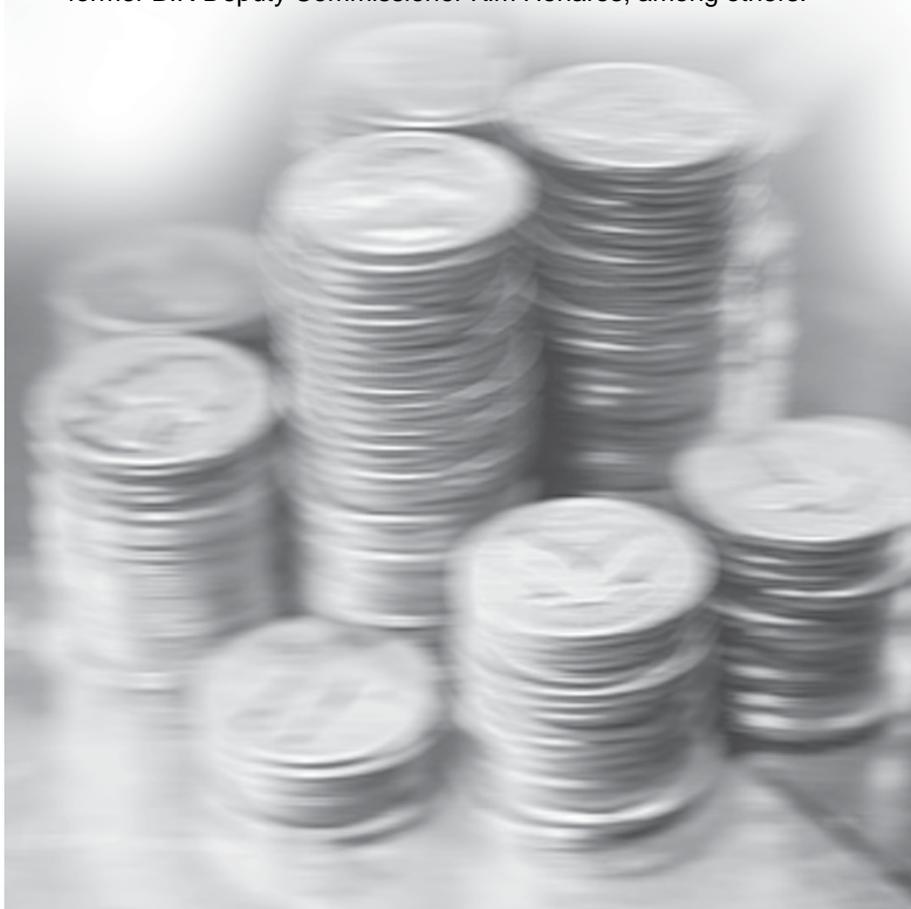
*Experts Forum. Fiscal Incentives Bill.
From left: Prof. Vic Abola of UA & P,
Harvey Buena (EPRA) Dr. Milwida Guevarra,
Dr. Felipe Medalla, Dr. Cielito Habito.*



At the Senate, Dr. Milwida Guevara organized a technical briefing on the EVAT bill with Senate Ways and Means Committee Chairman Ralph Recto. At the said technical briefing, Dr. Cielito Habito, EPRA Project Director, Dr. Felipe Medalla, Mr. Romeo Bernardo, and the Domestic Finance Group of DOF gave their views and analysis on the EVAT measure.

Partnership with First Thursday Group (FTG)

In the first quarter of EPRA's year two, the Fiscal Management Sector had established a partnership with FTG which regularly meets as a volunteer civil society body to discuss advocacies for fiscal policy reforms and other private sector concerns. The convenor of the group is former DOF Secretary Roberto de Ocampo and it is usually attended by former fiscal practitioners like former DOF Secretary Ernest Leung, former BIR Commissioner Guillermo Parayno, and former BIR Deputy Commissioner Kim Henares, among others.



After seeing the passage of revenue measures, the sector saw the need to balance its policy efforts by pushing for an expenditure measure that will instill fiscal discipline in the public sector.

The regular participation of EPRA in the FTG allows it to address key concerns that arise from the discussions. Related to this, EPRA had commissioned the Public Finance Institute of the Philippines (PFIP) to come up with baseline information on the individual income tax system, which could help the FTG and the DOF in coming up with concrete recommendations to congress on how to make the individual income tax productive, equitable and efficient.

Roundtable Discussion on SNITS. In order to broaden participation in the discussion of the Simplified Net Income Tax Scheme (SNITS), also known as House Bill No. 4906 under Report No. 1198, a roundtable discussion was held in, involving the Domestic Finance Group of DOF, a representative of BIR and four of the top accounting firms. This was requested by Usec. Beltran and Dir. Malou Recente of DOF as a preparatory work for the upcoming deliberations on the SNITS bill.

Promoting Sound Policy Reforms

Policy networking for the fiscal responsibility bill

After seeing the passage of revenue measures, the sector saw the need to balance its policy efforts by pushing for an expenditure measure that will instill fiscal discipline in the public sector.

Realizing that pushing for this policy agenda was a quite a formidable task, it began identifying its stakeholders and started to explore the possibility of creating a policy network that will help push for the said measure. At the end of the first year, the sector had been in coordination with the Department of Budget and Management's (DBM) Legislative Service, DOF's Domestic Finance Group, the Foundation For Economic Freedom (FEF), and the Action for Economic Reform (AER).

At the start of the second year, the sector, through the help of EPRA's subject specialist Dr. Rosario Manasan, provided technical assistance to Rep. Henedina Abad by incorporating sound fiscal policy guidelines in the draft substitute version of the fiscal responsibility bill.

Technical assistance on the drafting of a policy paper on the rationalization of fiscal incentives

Upon the request of Dir. Malou Recente of the Domestic Finance Group for assistance in the rationalization of fiscal incentives, Dr. Felipe Medalla was commissioned by EPRA to write a policy paper that will serve as basis for drafting amendatory provisions to the bill. The completed policy paper contained a historical background of the fiscal incentives regime, a discussion of existing laws and regulations governing the actual practice of providing incentives by BOI and PEZA, a rationalization policy on the provision of fiscal incentives by classification of industry, and proposed refinements to the pending fiscal incentives bill at the Senate.

Study on the cost/benefit analysis of fiscal incentives

As part of the technical assistance requested by the Domestic Finance Group, EPRA supported the conduct of the cost/benefit analysis of fiscal incentives bill. Dr. Renato Reside, in the study, provided an estimation of the redundancy rate of fiscal incentives being granted by the Philippine government to investors. Furthermore, the study used an industry level approach to establish some conclusions with regard to motivations governing a firm's decision to invest vis-à-vis the fiscal incentives and other factors that are inherent in the country's investment climate.

The study on Fiscal Incentives used an industry level approach to establish some conclusions with regard to motivations governing a firm's decision to invest vis-à-vis the fiscal incentives and other factors that are inherent in the country's investment climate.



LGU FINANCIAL PLANNING and MANAGEMENT

The first one and a half year of the project have been marked by active coordination and consultation with the key stakeholders in LGU financial planning and management. These were directed at forging consensus on the priority reformed issues in the sector.

Enhancing Participation in Policy Reform

Establish a Participatory Mechanism

During the first year of the project, the LFPM sector composed of Dr. Lisa Pilapil as Sector Manager; Mr. Apolinar Dichoso and Mr. Rommel Martinez from Evelio B. Javier Foundation, Inc. (EBJFI) as the consortium partner; and, Ms. Lydia Oriol as subject specialist, conducted a series of meetings with officers' leagues of LGUs to introduce the EPRA project. Each leagues namely, League of Cities of the Philippines (LCP), League of Municipalities of the Philippines (LMP), League of Provinces of the Philippines (LPP) and Pambansang Liga ng mga Barangay, expressed their support indicating particular policy issues they wanted to advocate for reform.





Making Financial reform and Credit Opportunities work, June 2005

The LGU MST also initiated dialogues/consultations with other donor driven groups primarily to avoid duplication of efforts. Meetings with other institutions/agencies such as the Local Government Support Program II (LGSP) and the Land Administration and Management Project (LAMP) of the Department of Environment and Natural Resources were thus conducted.

On its second year, with a new Policy Development Specialist (PDS) assigned to the sector, the members of the LFPM MST at this time formally included in its core of members, the LMP, LCP, LPP, and the Bureau of Local Government Finance (BLGF) represented by Mr. Norberto Malvar. The expanded MST members include Local Government Policy Forum (LGPF), Financial Executive of the Philippines (FINEX) LGU Committee, Commission on Audit (COA), National Economic Development Authority (NEDA), and Department of Interior and Local Government (DILF). Another subject specialist, Dr. Ernesto Bautista, was hired though in a short period, and had assisted the sector on its first action planning held last September 2005. The LFPM MST was able to clarify mandates, roles, tasks, systems and procedures which could lead to a more efficient, effective operation and meaningful engagement of the team in policy reform advocacy.

As an initial step towards constituency building, the MST conceptualized the Institutional Mapping Study which seeks to determine the status of support provided by the various organizations in the area of LFPM. It will identify and

As an initial step towards constituency building, the MST conceptualized the Institutional Mapping Study which seeks to determine the status of support provided by the various organizations in the area of LFPM.



(LFPM) VisMin Seminar-Workshop in "Making Financial Reforms and credit Opportunities Work for LGUs" July 21-22, 2005, Ateneo de Davao University, Davao City.

Another milestone of the LFPM sector is its membership in the Philippine Development Forum (PDF) in early 2006. The PDF was organized by World Bank to harmonize the different efforts of various agencies and donors in the area of program and project planning and development.

describe the various support provided to LGUs in the form of efforts, initiatives, and assistance by the government and non-government organizations, international funding agencies, and academic institutions. This study was commissioned to a team led by Dr. Rufo Mendoza. The survey forms were distributed to various LGUs with the endorsement letters from the leagues. An initial result is expected to be provided by the team at the end of March 2006. Aside from this study, EPRA commissioned the Ateneo School of Government on the benchmarking and best practices awards on LFPM.

Another milestone of the LFPM sector is its membership to the Philippine Development Forum (PDF) in early 2006. The PDF was organized by World Bank to harmonize the different efforts of various agencies and donors in the area of program and project planning and development.

Promoting Sound Policy Reforms

Several Focus Group Discussions (FGDs) were held aimed to determine the priority issues and concerns affecting the LPPs, LCPs and LMPs in the area of financial planning and management. The first FGD was done with the LPP on February 18-19, 2005 to determine the priority issues and concerns of LPPs. The Technical Working Group members of LPP and the LPP secretariat participated in the event. The focus group discussion focused on:

- Presentation of key issues and concerns relating to local government finance, fiscal autonomy and local government finance and credit financing;
- Identification and prioritization of issues and concerns and policy reform areas.

Focus Group Discussions (FGDs) were held to determine the priority issues and concerns affecting the LPPs, LCPs and LMPs in the area of financial planning and management.

The FGD identified issues and concerns clustered into the following major areas:

- Real Property Assessment and Valuation
- RPT Collections, Remittances, Shares and Exemptions
- Professional Tax Collection and Exemptions
- Franchise Taxes and Share in the National Wealth
- Local Planning and Budgeting Linkage
- Local Fund Management Capability

Next was the Seminar-Workshop on Local Government Financial Planning and Management: Making Financial Reforms and Credit Opportunities Work for LGUs. Two sets of seminar-workshop were conducted in Luzon and Mindanao, in partnership with the Financial Executive-LGU Committee (FINEX LGU-GC) and in cooperation with the Commission on Audit and the Bureau of Local Government Finance (BLGF) of the Department of Finance (DOF). The seminar-workshop aimed to promote among LGUs the importance of instilling values and standards of good governance in the institutional framework of the local government, specifically in the area of budget and financial management. Specifically, it aimed to serve as venue for identifying areas of policy reform to priority issues and concerns related to financial management and planning systems. The workshop focused on the following topics:

- The Local Government Accounting System (LGAS)
- Credit Financing Opportunities for LGU Infrastructure Project
- LGU Financial Planning and Management

The two seminar-workshops were participated in by Local Accountants, Treasurers, Planning Officers and Budget Officers from selected provinces, cities and municipalities. Other participants were representatives from



Bridging Leadership Seminar, April 26-28, 2006, MMLDC



LFPM action planning May 8-9, 2006, Tagaytay Highlands.

(LFPM) June 8-9, 2005 Luzon Seminar-Workshop on "Making Financial Reforms and credit Opportunities Work for LGUs", MMLDC.



private sector, government financial institutions and donor agencies. The events came up with a number of policy issues/concerns and recommendations which were consolidated by the MST. These include:

- Expenditure Assignment
- Unfunded Mandates
- Personnel Management
- Mismatch assignment of revenues and expenditures between different levels of government
- Internal Revenue Allotment
- Real Property Tax
- Franchise Taxes and Share in the National Wealth
- LGU Economic Enterprises
- Poor and/or lack of coordination between NG and LGUs and within LGUs
- Depository bank
- LGU financing options and availments of LGU infrastructure credit programs
- LGU Accounting System
- Planning and Budgeting Linkage

The seminar-workshops also served as venue for policy dissemination and orientation for the local officials on the new government accounting system, identification and clarification of policy issues encountered in the implementation of the new system.



On the second quarter of the year two, the LFPM sector conducted a series of Local Chief Executives Conferences entitled “Responsibilities with Resources: LGUs Can Do It Better” and presented the issues gathered from the seminar-workshops. The first one was held last January 20, 2006 in coordination with the League of Municipalities of the Philippines. This was attended by 21 municipal mayors and representatives from both national and government agencies and non-government organizations. The municipal mayors prioritized the following action reform proposals and signed the declaration of support and commitment:

1. DBM/GPPB & LGU to hold a dialogue on the implementation of the Procurement Act, amend provisions for relevance to LGU operations
2. NGAs-LGU coordination before implementation of any NGA projects affecting LGUs
3. DOF to review, depoliticize and standardize existing RPT administration rules and regulations; examine ways to assist LGUs in addressing payment of capital gains tax for real properties foreclosed;
4. Implement training programs for LGU internal capacity enhancement
5. Dialogue between LGUs through the Leagues and the relevant NGAs on delineation of functions and unfunded mandates
6. Sufficient IRA share and predictability of release

LGUs are also expected to provide budgetary support to NGAs operating at the local level like police, fire protection, local courts and COA. To date, there are about 25 nationally mandated plans to be financed by the LGUs.

(LFPM) Seminar-Workshop on "Making Financial Reforms and Credit Opportunities Work for LGUs" June 8-9, 2005. Meralco Management Leadership and Development Center (MMLDC), Antipolo City. Participants were LGU Treasurers, Planners, Accountants and Budget Officers.



7. Civil society organization (CSO) participation in LGU planning and budgeting process
8. Credit financing access issues
9. Opening of LGU deposits with private banks

These reform proposals were presented at the LMP National Directorate Meeting held last February 2, 2006. The members streamlined the list of policy reform areas, as follows:

1. DBM/GPPB & LGU to hold a dialogue on the implementation of the Procurement Act, amend provisions for relevance to LGU operations
2. DOF to review, depoliticize and standardize existing RPT administration rules and regulations; examine ways to assist LGUs in addressing payment of capital gains tax for real properties foreclosed
3. Increase and automatic retention of the share of the host municipalities re: income from mining, quarries, national wealth etc. (amend the DOF rules and regulations- transfer tax, issuance of permits on quarrying)
4. Automatic release of LGU IRA share regardless of the passage of GAA



Another LCE Conference was held, this time with the League of Cities of the Philippines, during its City Mayors General Assembly last January 24, 2006 at the Sarabia Manor Hotel in Iloilo City. The City Mayors headed by Mayor Gerry Trenas, league president, chose six action proposals as follows:

1. Appointment of local treasurers and assistant treasurers should be done by LGU and not DOF
2. DBM/GPP and LGU leagues to hold dialogue on the implementation of Procurement Act
3. Conduct review and revision and standardization of schedule of market values of real property
4. Help LGUs get financial assistance
5. DOF to review, Depoliticized and standardize existing RPT and administration rules and regulations
6. Reconcile LGC section 171 and National Internal Revenue Code (NIRC) Section 71

The last Local Chief Executives Conference was conducted during the 7th General Assembly of the League of Provinces of the Philippines at the Century Park Hotel last February 3, 2006. EPRA LFPM Subject Specialist Lydia Oriol presented the summary of reform proposals prioritized by the city and municipal mayors in the past two LCE conferences. The governors approved for the adoption of the reform proposals which are as follows:

1. Dialogue on the implementation of the Procurement Act, amend provisions for relevance to LGU operations
2. N-GAs-LGU coordination before implementation of any NGA projects affecting LGUs
3. Review and standardization of existing RPT administration rules and regulations; examine ways to assist LGUs in addressing payment of capital gains tax for real properties foreclosed;

Developing management capacity for local economic enterprises requires identifying the types of enterprises and assessing what kind of capacity gaps need to be addressed to come up with the design for an effective capacity development support program.

(LFPM) June 8-9, 2005 Luzon. Seminar Workshop on "Making Financial Reform and credit Opportunities Work for LGUs", MMLDC.



4. Appointment of LGU Treasurers and Assistant Treasurers by the LCEs (not by DOF)
5. Reconciling of Local Government Code Section 171 and National Internal Revenue Code Section 71
6. Uniformity of interpretation of Accounting Rules by COA
7. Review of SITUS of Tax Rule
8. Implementation of training programs for LGU internal capacity enhancement in credit packaging
9. Dialogue between LGUs through the Leagues and the relevant NGAs on delineation of functions and unfunded mandates
10. Equitable IRA share, transparency in IRA computation by NGAs and predictability of IRA release
11. Civil society organization (CSO) participation in LGU planning and budgeting process
12. Credit financing access issues
13. Opening of LGU deposits with private banks

PRIVATE SECTOR PARTICIPATION IN PUBLIC INFRASTRUCTURE (PSPPI)

Through most of the first year of the project, EPRA's work in private sector participation in public infrastructure proceeded without a complete multi-stakeholder team (MST) in place. This was due to the withdrawal from the project of the originally designated NGO consortium partner. Nonetheless, EPRA had proceeded to engage with the BOT Center, an attached agency for the Department of Trade and Industry (DTI), on widening public participation on reforms in the sector.

EPRA assisted in the conduct of consultations for the amendments to the Implementing Rules and Regulations (IRR) of the BOT Law. This was completed by the latter part of 2005.

The sector's MST was activated in September 2005 with the designation of Action for Economic Reforms (AER) as the NGO Consortium Partner for the sector. A courtesy call was subsequently made with then newly appointed Secretary Peter Favila of DTI, who designated Undersecretary Elmer Hernandez as the lead focal point for the MST.

Enhancing Participation in Policy Reform

Participatory events held under the PSP sector are summarized below:

It was only in September when the MST for the sector was completed with the designation of a consortium partner, the Action for Economic Reform (AER). Also, during this month EPRA finally had its courtesy call with the new DTI Secretary who appointed Undersecretary Elmer C. Hernandez, managing director head of the BOI and BOT Center, as the official contact person for our project. The sector has Dr. Renato Reside as its subject specialist.

On June 10, 2005, EPRA contracted Philippine Rural Reconstruction Movement (PRRM) to manage a forum that presented case studies in transport and water privatization; two case studies each were presented by BANTAY TUBIG's Maitet Diokno-Pascual and the Freedom From Debt Coalition for water and the Kilusan Para Sa Pambansang Demokrasya and the Bukluran Ng Manggagawang Pilipino for transport specifically on the Northern Luzon Expressway.

An AER Fellows' Focused Group Discussion (FGD) meeting was held on October 15-16, 2005 in Pangasinan to share inputs and consolidate emerging positions on the PSP sector's issues. Highlighted were the following problem areas:

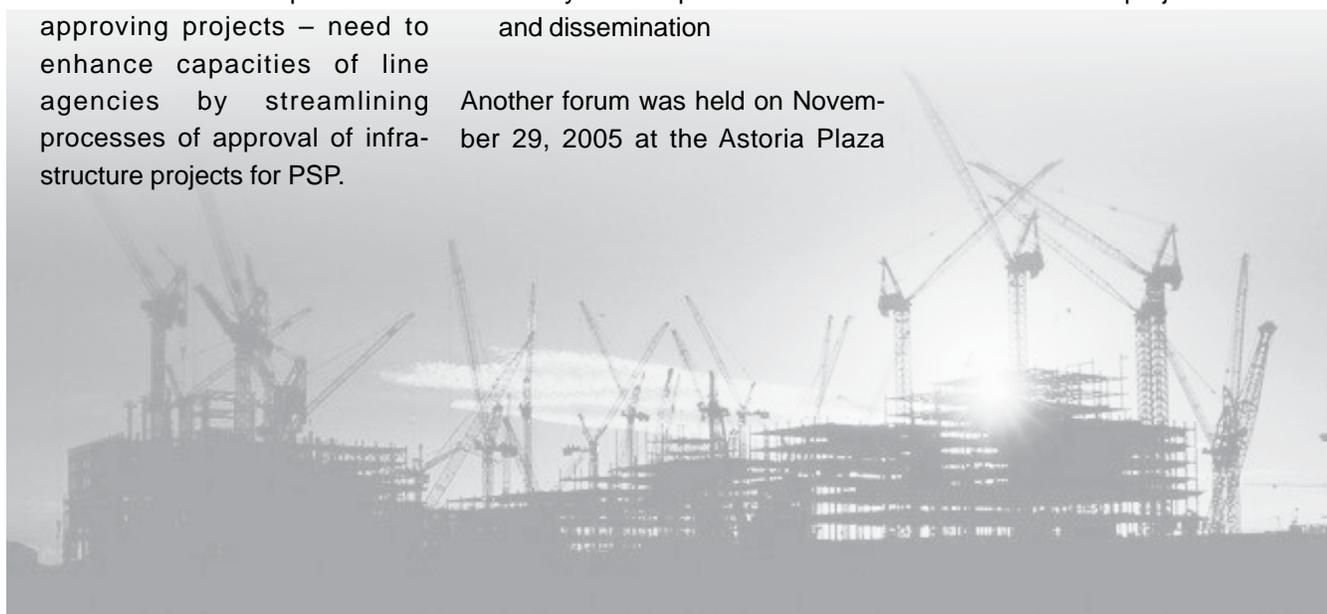
- Calculating risk and benefit mechanism in the process of approving projects – need to enhance capacities of line agencies by streamlining processes of approval of infrastructure projects for PSP.

- The need for an independent regulatory body might pose more problems but rather focus should be on the participation of a third party in ICC and other PSP discussion arena.
- Development of capital market – bond market.
- Identifying loopholes for corruption in the contracting and bidding process – ex-ante and ex-post. The bottom line is that there's a strong political interference in the whole process that creates more risk for the government.
- Access to information to contracts – record keeping problem in government; transparency of information, and; central clearinghouse for information; absence of formal document and final draft
- Need to discuss the BOT law line by line for public awareness and dissemination

Another forum was held on November 29, 2005 at the Astoria Plaza

among concerned government agencies on the BOT Law and how to ensure the participation of PSP in Infrastructure. This was participated by a total of 86 representatives from various sectors: government agencies; water, power and environment sectors; road, transport and ports sector; ICT and social infrastructure; and different government financial agencies. The forum yielded the following policy recommendations:

- Streamline process of approval
- If investors assume all risks, no need for ICC approval
- strengthen regulatory body
- balancing financial viability and affordability
- give LWUA enough funds for small projects



- create Water Development Board
- have project evaluation for government guarantees (ex post)
- amendment to BOT Law should include Swiss Challenge
- No common policies between government agencies
- Undue political influence
- Incentives vs. cost
- Social impact vs. profitability
- Government facilitation – ROW funding process
- Solicited vs. unsolicited
- Social acceptability
- PPA Charter (PD 1857) vs BOT Law
- advocacy on the benefits of PSP for better public acceptance
- contract reopening provision for a dynamic program implementation
- capacity building for National and LCEs

Regular meetings and consultations among MST members were conducted on December 2005 and January 2006 to discuss and evaluate the results of the past consultations. The MST prioritized the following issues for further studies:



- Elimination of unsolicited proposals by providing government agencies with project development funds.
- Strengthening planning at the agency level to avoid politicking, with synchronized budget and forward budgeting to accommodate contingency planning for liabilities. This will definitely lessen unsolicited proposals.
- Addressing institutional issues such as conflict of roles/interest, e.g., an independent regulatory body at the same time an implementing agency (PPA Charter).
- Mainstreaming of government corporations into bureaus can be an advocacy for EPRA.
- Institutional issues i.e., political issues; performance diagnostics, e.g. EPIRA will fail if ERC is not capable.
- Studies on capability of Department of Health (DOH) retained hospitals and issues on devolution and how to address them.
- Universal charge issues check on NWRB to bring about realization of universal coverage on water.



- HRD issues such as: incentives of salary to regulatory personnel; application of more competitive rates/industry rates; effect of SSL but make it reasonable and competitive with the private sector, i.e., social fund, calamity fund, pork barrel, counterpart development fund (unmonitored fund).

A series of Round-Consultation dialogues were carried out from February 2006 to April 2006. The first was participated by representatives from the business sectors involved in the Water and Energy Sectors while the latter were joined by those involved in Transport, Roads and Ports including PAL, Clark Development Board, and the Manila North Tollways Corporation.

Promoting Sound Policy Reforms

EPRA provided logistical support for a "Consultation with Multi-stakeholders on the Amendments to the Implementing Rules and Regulations (IRR) of the BOT Law," which was held in the BOI. It was attended by almost 200 stakeholders including investors and their lawyers, users, and other government agencies including the Light Rail Transit Authority (LRTA). Various groups presented their comments and all of these shall be consolidated, after which the proposed amendments shall be published.

Dr. Renato Reside initiated the writing of PSP Policy Note to be published on a regular basis. The first PSP Policy Note was an Overview of Private Sector Participation in Infrastructure. Succeeding policy notes will discuss the Proposed Amendments to the BOT Law; Overview of Project Development Cycle; Project Evaluation Framework; Existing Government Guarantee Framework for PSP, among others. Two more policy notes were published and distributed in March 2006. These were a summary of the emerging issues on PSP that came out during the consultation dialogues with the private sector and the government.

For the succeeding months, the PSP sector, together with the Action for Economic Reform as consortium partner, will organize more sectoral consultations and dialogues in order to come up with a consolidated matrix of issues and possible resolutions to the problems besetting the private sector participation in infrastructure.

TAX ADMINISTRATION

EPRA's efforts to improve the tax administration policy environment converged on contributing towards two broad outcomes — increased revenues and capacitated non-government organizations that can sustain its engagement in policy reform in the sector.

Enhancing Participation in Policy Reform

Together with the Transparency and Accountability Network (TAN), EPRA's consortium partner, and the Fellowship of Christians in Government (FOCIG), EPRA widened participation in tax administration policy reform by addressing the following specific issues:

- Taxpayer Organization
- Taxpayer Education
- Transparency and Accountability
- NGO Organizational Strengthening and Capacity Building
- Multi-Stakeholdership



Taxpayer Organization

TAN organized a series of small group discussions (SGDs) with various industry associations and groups of professionals and the self-employed to brainstorm on their proposal to establish a taxpayers association. TAN proposes that the association represent individual taxpayers and groups of taxpayers that are underrepresented in the policy debate. Among the questions TAN put forth to the groups are: (1) the advocacy of the association; (2) membership; (3) purposes; and, (4) methods of financing. For the SGDs, a policy issue paper on the international experience on taxpayers associations was presented.

Taxpayer Education

EPRA contracted FOCIG, a TAN member NGO that has a track record in undertaking joint projects with the BIR, to disseminate the primer on the tax compliance of professionals by conducting a clinic-to-clinic campaign to medical practitioners of Metro Manila's top 18 hospitals. The campaign will include short briefings to the MPs on the contents of the primer. BIR Deputy Commissioner Lucita Rodriguez had earlier identified MPs as a particular focus among the professionals as a taxpayer segment. FOCIG has received strong interest for the briefings from hospital administrators and MPs themselves. FOCIG members were trained on how to conduct the campaign by officials from the BIR Taxpayer Assistance Service.



Transparency and Accountability

From its General Assembly-Project Formulation Workshop for EPRA, TAN member organizations wrote action plans for three pre-identified projects:

- Lifestyle Check Tool
- Revenue Performance Monitoring
- Philippine Taxpayers Association (*see Taxpayer Organization above*)

Lifestyle Check

TAN is developing a tool that CSOs can use in support of the Department of Finance's (DOF) lifestyle checks, thus promoting accountability in tax administration. The project involves the training of CSOs on conducting lifestyle checks, the finalization of the tools & training modules and, the publication of a lifestyle check manual.

Revenue Performance Monitoring

TAN conceptualized two projects that monitor the performance of the BIR in revenue generation. The first is the tracking of Letter Notices and the development of a manual for CSO monitoring of Letter Notices. The second involves the benchmarking of revenue collection performance using independent sources of data.

Organizational Strengthening and Capacity Building

EPRA assisted TAN in applying its Vision/Mission/Strategies to, and enriching its engagement in, the tax administration policy arena. Being the biggest network of civil society groups engaged in transparency and accountability issues, TAN has the expertise and credibility on T & A issues. In particular, it is a reliable partner of government agencies and the Office of the Ombudsman for anti-corruption projects. There was a need, however, to establish the same organizational knowledge on tax administration issues. Thus, a Framework Setting Session and Strategic Planning were held where TAN drafted its agenda for the sector.

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EPRA sponsored three trainings in public finance, economics and research techniques and a training on participatory techniques that were participated in by TAN and BIR officials.

Multi-Stakeholdership

TAN held small group discussions on the following issues:

- Attrition Act and measures on how TAN and other NGOs can support its objectives
- An assessment of the political feasibility of the passage of the National Revenue Authority bill

EPRA and TAN began discussions with the BIR on holding a tax administration reform conference focused on addressing taxpayer satisfaction, one of the strategies of the BIR in exceeding its revenue targets. The conference will also showcase partnerships between DOF/BIR and CSOs where fostering further partnerships and the issues attendant to these will be discussed.

Multi-Stakeholder Teams (MSTs) were established according to particular issues. The representative of the BIR to the MST would vary depending on the issue or strategy it was dedicated to while the two other members, Dr. Rosario Manasan as subject specialist and TAN as the consortium partner, remained the same. Other NGOs and subject experts would form part of the MST when their expertise were needed. At present, the MST's on the detection and estimation of revenue leakages, on improving taxpayer compliance and taxpayer satisfaction and, on taxpayer information dissemination and education are functional.

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Promoting Sound Policy Reforms

EPRA's efforts to contribute towards increased revenues employed two strategies: (1) detecting and eliminating revenue leakages and (2) improving tax compliance through taxpayer information dissemination and education.

Detection and Elimination of Revenue Leakages

The Multi-Stakeholder Team with the BIR Business Intelligence Task Force initiated efforts that contribute to increased revenues through the detection and elimination of revenue leakages. Thus, studies on the determination of tax administration gaps in the retailing of mobile phone credits through e-load and in the payment of estate taxes were contracted out.

The first study was undertaken upon the request of Deputy Commissioner Lilia Guillermo and subsequently reaffirmed by Commissioner Jose Bunag. Its objectives are: (1) To examine the entire process chain of retailing prepaid airtime SMS and an approximation of the magnitude (in terms of number of players, number of subscribers, revenues earned in pesos, etc.) at each part of the chain and, (2) To analyze revenue regulations governing retail companies engaged in selling prepaid airtime SMS and a thorough assessment whether at present, there are adequate and sufficiently clear revenue regulations in place to cover all taxable transactions.

The study will result in an industry profiling of the telecommunications industry and on the wholesale level of e-load retailing. The results may assist in determining benchmarks for the industry and in strengthening the audit functions of the Large Taxpayers Service. Commissioner Bunag signed Revenue Special Order No. 522-2005 creating the BIR project team to assist EPRA in the conduct of the study and serve as the counterpart to the EPRA team of consultants. This team includes counterparts from the National Telecommunications Commission.

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Initial findings of the study led BIR to request for a seminar from the consultants on the basics of telecommunications. Midterm findings led the LTS to request for a seminar on the telecoms industry and its accounting practices that was delivered to all its examiners. As an offshoot of the study and after the instruction of DOF Sec. Margarito Teves that the BIR develop experts in the industry, the LTS requested for a training on the technology and accounting practices in the industry. This is presently being designed. The production of an audit manual on the industry is also being planned. The BIR expressed approval that the findings and the recommendations of the study has contributed to setting the direction that it has to take to develop expertise in the taxation of the telco industry.

The study documenting techniques of tax evasion in the payment of estate taxes was undertaken upon the request of former Finance Sec. Cesar Purisima. It will result in a documentation of the tax payment process and leakages in the payment of the estate tax. The results may be used in improving the tax administration gaps in this type of tax.

An action research, Monitoring the Delivery of Letter Notices, may also contribute to process improvements in the delivery of Letter Notices to taxpayers found to have discrepancies in their tax payments. Deputy Commissioner Guillermo identified this area of assistance as it was found that regional offices had a difficult time locating these taxpayers and serving the LNs.

EPRA assisted in the benchmarking efforts of the BIR Deputy Commissioner Guillermo raised the possibility of updating the study by Dr. Manasan, Estimating Industry Benchmarks for the VAT. Subsequently, Dr. Manasan briefed Assistant Comm. for the LTS Merle Ordoyo and Atty. Marissa Cabrerros on the 2003 study. Current efforts are underway to assist the LTS on benchmarking.

EPRA also provided technical assistance upon the request of then Deputy Commissioner for the Operations Group Lilian Hefti. Dr. Manasan assisted in validating the contents of a draft Revenue Memorandum Order on the guidelines & procedures in the conduct of benchmarking. The draft requires all Revenue District Offices to conduct benchmarking before the end of the year. The RMO 4-2006 was issued on January 27, 2006 by the Commissioner.

Improved Tax Compliance through Taxpayer Information Dissemination and Education

The Multi-Stakeholder Team with the office of Usec. Emmanuel Bonoan of the Department of Finance initiated efforts that contribute to increased revenues through improved tax compliance. Thus, EPRA and TAN assisted in the production and printing of some one million copies of the Reformed Value Added Tax FAQs in Filipino and Ilokano.

EPRA and TAN have also proposed the publication of a VAT How-to-Guide for SMEs and an advocacy campaign for it, which DOF has approved. The objectives of TAN-EPRA on the SME Guide are: 1) to increase revenues by improving tax compliance of SMEs through greater understanding of the VAT; and, 2) to promote transparency in tax administration. Subsequently, a policy issue paper on the tax profile of SMEs was presented to TAN for its action.

Then Assistant Comm. Lucita Rodriguez of the BIR Taxpayer Assistance Service requested EPRA's assistance in producing information materials to help professionals in their tax payments, especially the medical practitioners. Thus, 250,000 copies of the Tax Guide for Professionals will be printed and sent to the Revenue District Offices. A memorandum from ACIR Lucita Rodriguez instructing RDOs on the distribution of the primer has been drafted. This will be distributed with the primers.

EPRA and TAN organized a pre-testing of the material/briefing for professionals where the participants' suggestions were incorporated in the draft. The Fellowship of Christians in Government (FOCIG), a TAN member, has agreed to implement a primer dissemination plan in Metro Manila's top hospitals after exploratory talks initiated by the EPRA Policy Dev't Specialist Deeda Gonzalez. Conducting such door-to-door tax campaigns is regularly done by FOCIG.