

ASSOCIATION DES SECRETAIRES  
GENERAUX DES PARLEMENTS



*ASSOCIATION OF SECRETARIES  
GENERAL OF PARLIAMENTS*

**COMMUNICATION**

by

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on

**“Parliament’s framework and tools for efficiently scrutinising government  
spending”**

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**“PARLIAMENT'S FRAMEWORK AND TOOLS FOR EFFICIENTLY  
SCRUTINIZING GOVERNMENT SPENDING”**

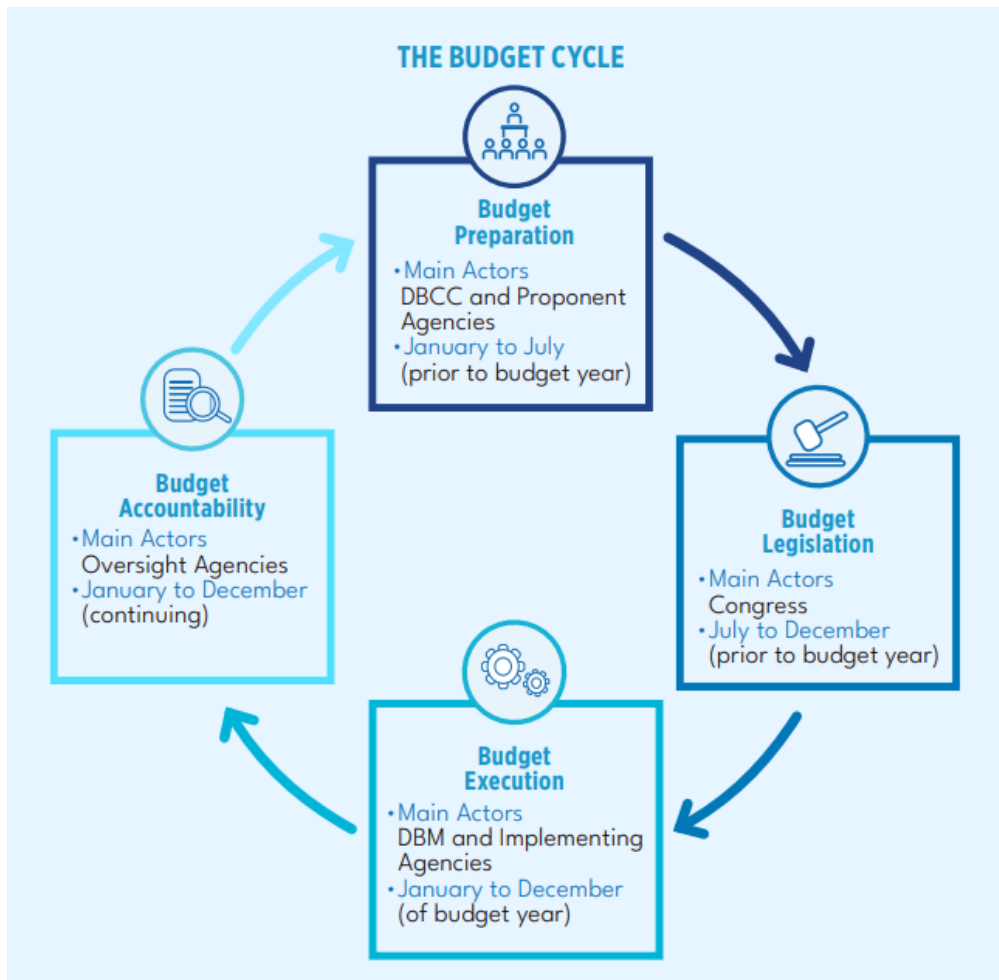
Honorable Najib El Khadi, President of ASGP;

Fellow Secretaries-General and Parliamentary representatives;

Distinguished ladies and gentlemen;

The Republic of the Philippines divides the powers of the State into its three (3) major branches: the Legislative, the Executive, and the Judiciary. While the Philippines observes the principle of separation of powers to ensure checks and balances, government budgeting, appropriation, and spending is a joint responsibility shouldered by the Legislative and the Executive. The budget cycle is thus divided into four (4) phases:

- Budget Preparation
- Budget Legislation
- Budget Execution
- Budget Accountability



Source: A Legislator's Guide in Analyzing the National Budget (CPBRD)

As the law-implementing arm of the State, the Executive is the best situated to keep records of the implementation of State policies on the ground – with all the attendant considerations for resource utilization, distribution, and expenditures. Thus, the proponent and implementing agencies from the Executive are required to track their actions during the Budget Execution phase and to report such during the Budget Preparation phase.

Congress, well-versed in debating and balancing competing interests as the law-making arm of the State, takes the helm during the Budget Legislation phase. Utilizing the data reported by the Executive, Congress creates a budget that answers existing obligations while leaving enough fiscal space to maneuver anticipated trends and unforeseen emergencies. As part of the bicameral Congress, the House of Representatives, with Members elected by local and sectoral constituents, is expected to closely reflect citizens' interests and is thus the Chamber entrusted with initiating all legislation on expenditures and taxes.

To ensure the proper and effective utilization of the budget, Congress shares oversight responsibility in the Budget Accountability phase together with the Department of Budget and Management (DBM) from the Executive and the independent Commission on Audit (COA).

On the other hand, public financial management reforms in the country have sought to shift the handling of the national budget from the traditional line-item system into a Public Expenditure Management (PEM) approach. While line-item budgets promoted transparency and consistency by listing specific allocations at approved prices, it was often inflexible and cumbersome in practice. The line-item budget could hardly account for the myriad of socio-political, economic, and environmental upheavals that could occur over a fiscal year. Too often, it rendered government spending inflexible and government action sluggish as the Executive could not deviate from its budget without law.

The PEM approach shifts the focus from line-items to desired outputs and outcomes and the policies, processes, and incentives to achieve them. In doing so, the discussion on budget allocation and analysis shifts from one that seeks *control* to one that seeks *solutions*.

Pursuing a balance between accountability and autonomy, an agency or office must justify its budget proposal with quantifiable targets and outcomes for programs and policies that support its organizational mandates. Rather than focusing on how much they spend pursuing State policies, government actors now highlight how much they *accomplish*. The PEM approach thus aims to strengthen the links between planning, budgeting, and implementation and pursue four (4) mutually reinforcing outcomes:

1. Fiscal discipline – spending within our means;
2. Strategic allocation – spending on the right priorities;
3. Operational efficiency – obtaining value for citizens' money;  
and
4. Citizen empowerment – allowing citizens a role in identifying, discussing, and prioritizing public spending.

Before it even reaches Congress for approval, budget estimates are drafted and submitted by proponent agencies to the DBM for review, deliberation, and consolidation. The proponent agencies use a few key tools to form the structure and content of their proposals, such as:

- A Medium-Term Expenditure Framework (MTEF) where agencies prepare three-year projections of the costs of ongoing policies and existing programs, activities, and projects (PAPs);
- A Two-Tier Budgeting Approach (2TBA) where agencies submit two sets of budget proposals: a Tier 1 to cover the operating needs of agencies and the cost of running existing PAPs, and a Tier 2 for new PAPs or the expansion of existing ones;
- A Program Expenditure Classification (PREXC) where agencies group related activities and projects by major programs that share common outcomes and clientele —

providing performance indicators and targets and the oversight bodies that can monitor such accomplishments;

- A Cash Budgeting System (CBS) where agencies state implementation-ready PAPs in their proposals; and
- A Program Convergence Budgeting (PCB) where different agencies are encouraged to harmonize the preparation of proposed budgets, performance indicators, and timing of related programs that contribute to similar outcomes, among others.

The consolidation of budgets using these tools allows the Executive to present a clear and systematized National Expenditure Program (NEP) for the deliberation of Congress for both Budget Legislation and Budget Accountability. Further, the above presentation tools aid Congress in determining the appropriateness of allocations and measuring the effectiveness of existing PAPs to justify their continued implementation.

Determined as the chamber closer to the people, the House of Representatives is tasked with the initial round of deliberations. The Committee on Appropriations and its subcommittees conduct hearings on the proposed budget before the general appropriations bill (GAB) is submitted for plenary deliberations. The GAB then undergoes the same process in the Senate and differences between the House and Senate versions of the GAB are reconciled in a bicameral conference committee.

The systematized budget proposals are crucial for the role of Congress in Budget Accountability as it is usually done alongside Budget Legislation. During the committee hearings of both chambers, agency heads and officers are requested to report their accomplishments and justify program implementation and their use of agency resources.

Congress conducting both Budget Legislation and Budget Accountability concurrently presents a challenge of a time crunch. A new GAB must be passed within the prescribed timeframe as failure to do so will result in the automatic reenactment of the previous year's GAB. While this safeguards against deadlocks that would interrupt the delivery of crucial government services, it also disincentivizes Congress from conducting prolonged deliberations or additional investigations lest it forfeits its power of the purse completely. While Congress may conduct inquiries throughout the whole year, especially by oversight committees over public expenditures, modifications and controls that may be exercised on the existing budget are naturally limited outside of Budget Legislation.

My distinguished colleagues,

Ladies and Gentlemen,

Our Honorable Members contend with balancing thoroughness and agility in their duty to enact and oversee the government budget. It is only through transparency and coordination with the Executive and the independent COA that Congress can fulfill this responsibility. The continued implementation of reforms that ensure the completeness and timeliness of data,

compliance with reporting standards, and performance monitoring are crucial to ensure that government resources are allocated and utilized wisely.

I am eager too to hear and learn from your own Parliament's framework and tools for efficiently scrutinizing Government spending.

Thank you and *Mabuhay*.

## REFERENCES

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