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TPAP!

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The Importance of Accountability in Fiscal Reforms:

Learning from G-Watch's Multi-Level Monitoring of the Health Budget from Sin Tax

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About TPA Now! Paper Series

The challenge of transformative impact of transparency, participation and accountability (TPA) initiatives points to the need for a different way of doing accountability. To advance the discourse and practice of 'strategic TPA,' Government Watch (G-Watch), in partnership with Accountability Research Center (ARC), has launched *TPA Now! A Paper Series on Transparency, Participation and Accountability* as a platform for practitioners, researchers and action strategists to present evidence and reflect on the practice and research on strategic TPA and to broaden awareness on the importance of accountability in governance.

G-Watch is an independent citizen action and research for accountability in the Philippines that aims to contribute in the deepening of democracy through political reform and citizen empowerment.

ARC is an action-research incubator based at American University in Washington, DC that seeks to strengthen and learn from the work of civil society organizations and policy reformers on the frontlines of accountability work and build knowledge for the field of transparency, participation and accountability.

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About the Author

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This paper was completed in 2020 and is being published now as part of the TPA Now! paper series to contribute to the discourse on fiscal accountability reforms and health budget that G-Watch's new initiative, PRO-Health, is taking up. PRO-Helath or Promoting Rights Organizing for Health is an initiative of Government Watch and Accountability Research Center on strategic approach to accountability in health. It aims to improve public health governance in ensuring quality reproductive, maternal and newborn, children, and adolescents health services accessible to all through organizing, monitoring, coalition-building, advocacy and learning of monitors and accountability frontliners of G-Watch's local core groups, and other partner civil society organizations in collaboration with allied local government units.

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Summary

Passed in 2012, the Sin Tax Law (Republic Act No. 10351) was passed to generate additional revenue for health and curb smoking and alcohol consumption by simplifying and increasing the excise tax on tobacco and alcohol. The passage of the Sin Tax Law was in account of a confluence of factors, which include long-standing calls for tax reform in the tobacco and alcohol industry, as well as the organizing of a broad constituency of advocates for reform and support from the top, by no less than former President Benigno Aquino, Jr.

Generally, all assessments show that the law has achieved its intended objectives. Sin tax has been hailed as an effective tool to support health or a successful fiscal policy to achieve improved health outcomes. Despite all these positive reviews on the Sin Tax Law's impact on health, realities on the ground seem to contradict these claims, given the continuing problems of access and quality of health services in the country.

With the puzzle of increased health budget yet continuing inaccessibility and low quality of health services in the country, a civil society monitoring was initiated by Government Watch (G-Watch) — a national organization in the Philippines that has pioneered citizen monitoring of government programs and services.

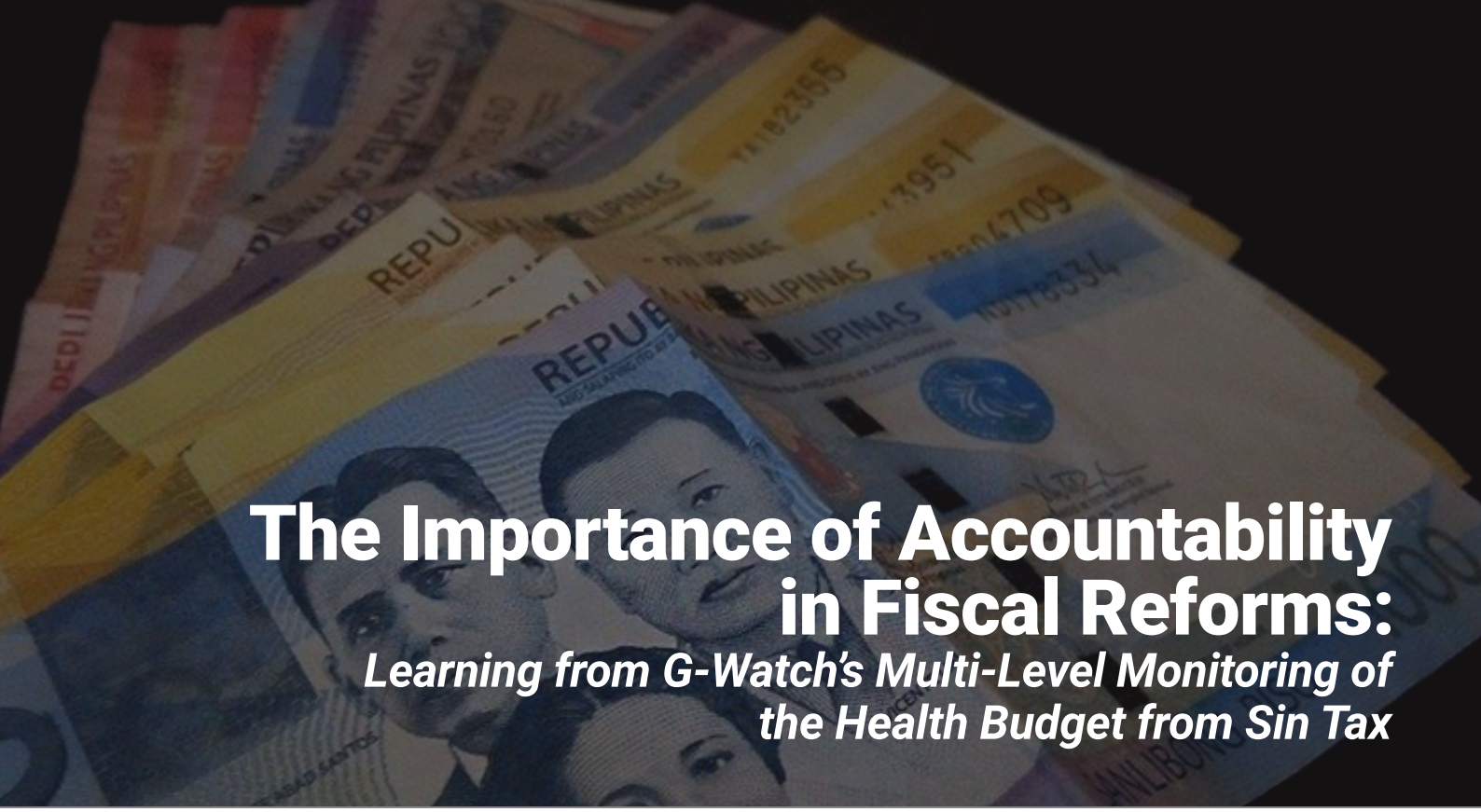
G-Watch's monitoring of the health budget revealed that while contribution of the sin tax to the health budget has been increasing, there has been no proportional increase in the budget from regular sources. It also shows that while the budget from the sin tax is monitored at the national level, the same budget is not traceable from the sub-national to the barangay levels. This is crucial in checking whether the increase in the budget has indeed trickled down to ground-level service delivery. G-Watch also noted that the health budget's vulnerability to corruption at the program-level is a hindering factor in achieving the intended outcome of sin tax reforms. It also notes that ground-level fraud is a serious challenge in tax collection.

This analysis of sin tax reform invites a rethinking of its positive gains. Sin tax policy is not enough. It shows that the success or failure of reforms are attributable to many factors that need to be planned and accounted for. To improve citizen access to health services, there are other factors at play, including local governments and a working accountability system.

G-Watch's monitoring in 2019 and 2020 showed that there are major gaps in the accountability system of health budget execution. The amount of sin tax money that could be lost to corruption due to the breakdown of accountability in PhilHealth highlights the importance of incorporating effective and working accountability in any reform measure, especially fiscal reforms that involve money.

G-Watch's monitoring of health budget reveals that one critical gap in the accountability system of sin tax is strategic citizen involvement. Gleaning from the G-Watch monitoring, there are three ways that gaps can be filled up: enabling community-level monitoring, making patients participate in fighting fraud in PhilHealth, and complementing tax enforcement.

In sum, the good news is that the Sin Tax Law allowed for dramatic, rapid increases in national health spending, which was supposed to broaden the coverage of the poor. That is a big deal. The bad news is that the government's systems for monitoring, oversight and public disclosure of where that increased spending actually goes are weak – and the increased spending was (apparently) not accompanied by strengthened anti-corruption safeguards. The increased health spending would be more effective for citizens with more government focus on documenting the impacts on service quality and coverage at the last mile – bolstered by more robust anti-corruption measures that include balanced oversight partnerships with local citizen organizations.



The Importance of Accountability in Fiscal Reforms:

Learning from G-Watch's Multi-Level Monitoring of the Health Budget from Sin Tax

Introduction

Passed in 2012, the Sin Tax Law (Republic Act No. 10351) has been passed to generate additional revenue for health and curb smoking and alcohol consumption by simplifying and increasing the excise tax on tobacco and alcohol.

Generally, all assessments show that the law has achieved its intended objectives. Positive gains have been reported by government and civil society so far on the impact of sin tax, particularly the increase of the health budget and the enrollment of more indigents in the country's public insurance corporation, the Philippine Health Insurance Corporation (PhilHealth), which received 80% of the total health budget from sin tax.

However, in recent years, especially with the pandemic in 2020, the insufficiency of the health budget, the inaccessibility of health services and the dismal working conditions of health workers became a reality felt by all Filipinos. The allegations of corruption in PhilHealth made things worse. Funds that are meant to support the poor coming from a supposed successful fiscal reform measure seem to end up in the pockets of a few government officials. All this puts to question the so-claimed success of the Sin Tax Law. It also underscores the importance of complementing fiscal reforms with effective accountability measures that check the reform measure's impact from the ground up.

Background of 'Sin Tax' Reform

The passage of the Sin Tax Law in 2012 was in account of a confluence of factors, which include long-standing calls for tax reform in

the tobacco and alcohol industry, as well as the organizing of a broad constituency of advocates for reform and support from the top, by no less than former president Benigno Aquino, Jr. The benefit of increased social investments has been an attractive reform for the Aquino administration and advocates from civil society (Kaiser et al. 2016).

The broad multi-sectoral coalition supporting it and their multi-faceted campaign strategies pushed back resistance coming from the tobacco industry. The passage of the Sin Tax Law has been hailed as an example of successful campaign through a multi-sectoral coalition with champions from the top (in government and the development sector) and grassroots support from civil society and the community.

The Sin Tax Law aims to generate additional revenue for health and curb smoking and alcohol consumption by simplifying and increasing excise tax on cigarettes and alcohol, and earmarking revenue for government health programs and tobacco-growing regions. The measure removed the complex tiers and rates on cigarettes, set a floor price for all cigarette brands and raised minimum tax by almost 400% from 2012 to 2016.

Generally, all assessments show that the Sin Tax Law has achieved its intended objectives (See AER 2014 and 2019; Jurado 2014; Kaisler 2016; CTFK 2017).

Sin tax have been hailed as an effective tool to support health or a successful fiscal policy to achieve improved health outcomes.[1] CTFK (2017) concludes in its study that "The Sin Tax Law has successfully reached its purpose of significantly simplifying the tax system, quickly reducing tobacco use, and raise high incremental revenue needed to fund universal health coverage—especially among the poor—as well as additional revenue for health and economic development programs."

There has been an increase in the health budget due to sin tax. The Department of Health (DoH) reported that 43% of the DOH budget in 2018 was contributed by sin tax. Increased revenues from the Sin Tax Law in 2013 have facilitated an unprecedented 57.3% increase in the 2014 national health budget, from Php53.23 billion (US$1.06 billion) in 2013 to Php83.72 billion (US$1.67 billion). In 2019, around Php91 billion (US$1.82 billion) or 55.5% came from sin tax.

The bulk of the additional budget (Php22.7

1 See https://www.doh.gov.ph/node/16806; https://www.cgdev.org/blog/new-syntax-sin-taxes-framing-health-taxes-strengthen-public-finances-and-advance-population.

billion or US$454 million) was allocated for the PhilHealth insurance coverage of the poorest families, benefitting around 24 million Filipinos" (DOH data from AER, 2014). As a result, there are more Filipinos, especially indigents, covered by PhilHealth.[2] *[See Annex 1 for more relevant figures on gains from the Sin Tax Law.]*

Despite all these positive reviews on the impact of sin tax on health, realities on the ground seem to contradict these claims. Budget earmarked for health has reportedly gone down in the past two years.[3] More seriously, there have been reports that health services in the Philippines have become more unaffordable and inaccessible of late.[4]

A study from Action for Economic Reforms (AER) concluded that, "Better health financing through the Sin Tax Law (RA 10351) has boosted the provision of and demand for health services. However, it has not led to improvements in human resources and facilities, which are just as essential for the attainment of UHC, and can affect health services delivery. Indeed, the consequent increase in demand has even put a strain on human resources and facilities, raising what experts have called a 'problem of absorptive capacity'" (2017).

This brings to question whether the increase in the health budget has actually resulted in better and accessible health services that are felt by the people. Did the additional funds from the sin tax go to improving access and quality of health services? If not, what happened?

G-Watch Monitoring of Health Budget from Sin Tax

With the puzzle of increased health budget yet continuing inaccessibility and low quality of health services in the country, a civil society monitoring was initiated by Government Watch (G-Watch). Founded in 2000 in response to the plethora of corruption allegations hounding the government, G-Watch has specialized on tracking budget execution and program implementation through multi-level monitoring (Fox and Aceron 2016).

G-Watch's monitoring of the health budget from 2019 to 2020 involved tracking and documentation of the processes, actors, budget amount and outcomes from revenue

2 See https://www.who.int/features/2015/ncd-philippines/en/.

3 See https://newsinfo.inquirer.net/1168031/funds-for-health-cut-by-p10-billion?utm_medium=Social&utm_source=Facebook#Echobox=1569191242.

4 See https://www.philstar.com/business/2019/07/05/1932014/philippines-healthcare-unaffordable.

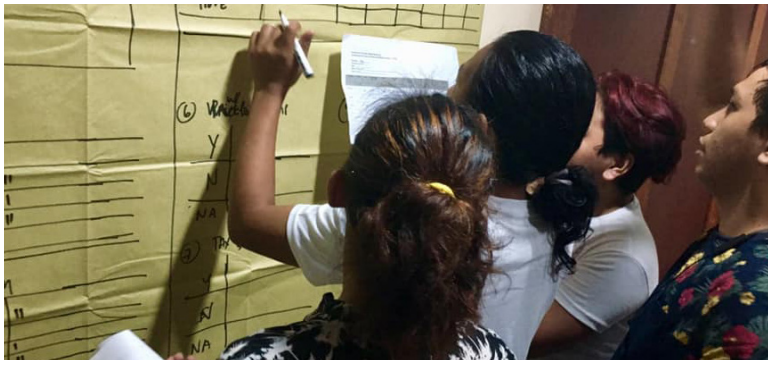
generation to accountability of health budget sourced through sin tax. It looked into national processes and conducted ground/ local monitoring of health budget and services at barangay (village) health stations (BHSs).

The monitoring also intended to check whether and how existing transparency, participation and accountability mechanisms in the health budget have worked (or not) in ensuring that the health allocation from sin tax has achieved its intended objectives.

G-Watch's monitoring involves connecting the dots of the various elements of the policy implementation process and related accountability issues, to explore how the gaps can be filled up with exploratory/ pilot civil society efforts. It further tests vertical integration – whether a vertically integrated view of reform "can reveal more clearly where the main problems are, permitting more precisely targeted civil society advocacy strategies." Such approach is argued to be best suited in today's context wherein the "design and implementation of public policy is increasingly (being) shared between different levels of decision-making."[5]

To complete a vertically integrated monitoring, G-Watch has complemented existing transparency, participation and accountability (TPA) mechanisms by doing the following:

- Consolidating budget over time (before and after sin tax) at the national and subnational levels.
- Disaggregating the health budget from sin tax or health services funded by sin tax at the national to community levels.
- Monitoring of medicines and services at barangay health stations.
- Monitoring of tobacco prices at the store level through interviews with buyers/ store owners.
- Client/ citizen satisfaction survey at the barangay health station level.



Two G-Watch sites participated in the monitoring: Cebu and Dumaguete. Each site covered three municipalities/ cities and 3 barangays per city/ municipality.

5 Fox (2001) in Aceron, Joy, ed. (2018). *Going Vertical: Citizen-Led Reform Campaigns in the Philippines (Second Edition)*. Quezon City and Washington, DC: Government Watch and Accountability Research Center.

Five tools were used: National-level tool, Regional to LGU-level tool and three Barangay-level tools: Sari-sari store-level, barangay health station (BHS)-level and Client satisfaction tools. The monitoring points in the tools include Process (including actors and roles), Quantity/ Amount and Quality / Outcome. The monitoring methods includes documents review, key informant interview, survey and actual observation. *[See Attachment for the tools used.]*

Health Budget from Sin Tax: Standards and Critical Issues

The sin tax are collected through tax stamps. If manufactured domestically, once the tobacco products are ready to be released, manufacturers have to pay the excise tax. Only upon payment will the shipment or cargo be released from the factory (called "on a removal basis"). If imported, they pay upon release from the port. Tax stamps are provided/given upon payment.

The revenues from the sin tax goes to the regular fund of the government. It is accounted for separately by the Department of Finance (DoF), with 85% going to the Department of Health and 15% to tobacco-producing local governments. The funds with the DoH is allocated and disbursed like any regular budget.

85% of the sin tax goes to health: 80% of it goes to UHC, MDG, and Health Awareness; 20% to Medical assistance and Health Enhancement Facilities Program. See table 1 for the programs and services where health budget from sin tax funds goes, according to reports.

Presented below are the key findings of G-Watch's monitoring of the health budget from sin tax.

While contribution of sin tax to the health budget has been increasing, the budget from regular sources has not been increasing proportionately.

G-Watch tracked the health budget from sin tax over time, including the budget coming from regular sources. Referring to several reports from DoH and AER, G-Watch has put together Table 2 below.

Table 2 shows that the health budget from regular sources has only slightly increased from 2014 to 2016 despite the high contribution from sin tax. In 2016 and 2019, 50% of the health budget came from sin tax. Contribution from regular sources slightly increased from 2017 to 2018, but drastically dropped from 2018 to 2019, which means there was a drastic cut of the budget coming from regular sources in 2019. The health budget increased by Php12 billion or US$240 million (totaling Php176 billion or US$3.5 billion) in 2020, according to DoH (DoH Budget Brochure). There is no available data on the sin tax's

Table 1: Programs and Services Where Health Budget from Sin Tax Goes	
Allocation for UHC, MDGs, and Health Awareness (80%)	**Allocation for Medical Assistance and Health Enhancement Facilities Program (20%)**
Enrollment and Coverage of Indigent Families and Members in the Informal Economy • National Health Insurance Program Strengthening of Preventive Health Programs towards Attainment of MDGs • Public Health Management • Operation of the PNAC Secretariat • National Immunization • Family Health, Nutrition and Responsible Parenting • Rabies Control • Prevention and Control of Other Infectious Diseases • Assistance to Philippine Tuberculosis Society • Prevention and Control of Non-Communicable Diseases Health Awareness Programs • Health Promotion Implementation Research to Support UHC • Health Sector Research Development	Medical Assistance • Assistance to Indigent Patients either Confined or Out- Patients in Government Hospitals/ Specialty Hospitals/LGU hospitals/Philippine General Hospital/West Visayas State University Hospital Financial Assistance for Health Enhancement Facilities Program • Health Facilities Enhancement Program Service Delivery Network Local Health Systems Development and Assistance

Table 2: Sin Tax Contribution to the Health in the DOH Budget									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total amount of health budget*	-	Php55 billion	Php86 billion	Php9 billion	Php126 billion	Php151 billion	Php171 billion	Php169 billion	Php176 billion
Total amount of health budget from sin tax**	-	-	Php30.5 billion	Php33.74 billion	Php62.7 billion	Php59.2 billion	Php71.2 billion	Php90.9 billion	
% of health budget from sin tax	-	-	35.47%	37.49%	49.76%	39.21%	41.64%	53.79%	
Total amount of health budget not from sin tax	-	-	Php55.5 billion	Php56.26 billion	Php63.30 billion	Php91.80 billion	Php99.80 billion	Php78.10 billion	

Compiled by G-Watch.

**Source: DOH 2020 GAA Budget Brochure*

***source: DOH Sin Tax Law Incremental Revenue for Health Annual Report 2019*

contribution to the 2020 health budget as of writing.

While the budget from sin tax is monitored at the national level, it is not traceable from the sub-national to the barangay level.

Any increase in the health budget on account of sin tax is being tracked by DoH at the national level. DoH is supposed to report on the implementation of the Sin Tax Law to the Congressional Oversight Committee. Action for Economic Reforms (AER) is also tracking the sin tax results, presenting several reports to Congress in support of new sin tax laws.

One critical point of inquiry is whether the increase in the health budget due to sin tax has lowered investments on health by national and local governments across time and for specific programs/ projects since there is already additional funding. However, there is no mechanism that checks how the budget for health from sin tax is affecting regional to barangay health budget and service delivery. The budget is lumped with general appropriations and allocated to programs and projects that are supposed to benefit from sin tax as determined by the DoH Central Office.

These projects and services are regular programs and projects of DoH, with additional budget from sin tax presumably increasing their allocation. The regional offices of DoH are given their share of the budget for these programs and projects

as lump sum (the budget from sin tax not indicated). While DoH reports indicate that the budget from sin tax allocated per program/ projects are accounted for at the national level, we have yet to find allocation from sin tax per region. G-Watch requested for this information from DoH, and DoH-Region VII provided G-Watch voluminous data of its entire budget from 2012 to 2018.

Local governments are given their share of these programs and projects according to need and requests made by the local government. This is provided in-kind by DoH regional/ provincial offices. Those on the ground are not aware which of the programs and projects (or portions thereof) are from sin tax.

AER agrees that tracing services and projects that are funded by the health budget from sin tax at the service delivery level is difficult (interview with AER). This has been earlier pointed out in Kaisler et. al. 2016: "the timely availability of data to track implementation is a challenge."

The tool that G-Watch is testing can track increase—indicative of how the budget from sin tax contributed to the increase in budget at sub-national and local levels. However, so far, DoH has given G-Watch voluminous data that are hard to read. DoH does not have data disaggregated according to programs and services where sin tax goes. It also took G-Watch a while to access the data, which is reflective of the state of open government mechanisms for sin tax reforms.

The health budget's vulnerability to corruption at the program (PhilHealth) level is a hindering factor to achieving its intended outcome.

As per DoH reports, around 60 to 80% goes to subsidizing the enrollment and contribution of indigents to PhilHealth, particularly the beneficiaries of the Pantawid Pamilyang Pilipino Program (4Ps) and identified through the Department of Social Welfare and Development's (DSWD) National Housing Targeting Program (NHTP). It is unclear to PhilHealth if the funds are from sin tax. The lists of indigents being supported are submitted on a per annual basis.

Table 3 below shows the amount of funds from sin tax that has been allocated to PhilHealth and its percentage when compared to the total PhilHealth budget. In 2014-2015, sin tax funds constituted over 70% of the PhilHealth budget, and over 60% in 2018 and 2019.

In 2019, a series of media reports featured a whistleblower who said that Php154 billion (US$3.08 billion) were lost due to overpayments, overcharging, and fraud (i.e., ghost patients, fake receipts, upcasing of common ailments, etc.) committed by

Table 3: PhilHealth Budget from Sin Tax 2014-2019 (in Billion Pesos)					
2014	**2015**	**2016**	**2017**	**2018**	**2019**
Php22.71 billion (74%)	Php24.56 billion (73%)	Php31.26 billion (45%)	Php40.59 billion (43%)	Php48 billion (67%)	Php54.73 billion (60%)

Compiled by G-Watch

the officials of Philhealth since 2013.[6,7] According to a PhilHealth anti-fraud officer, Php15 billion (US$300 million) went to a syndicate inside PhilHealth in 2019 alone.[8] There were allegations of questionable releases from the Interim Reimbursement Mechanism (IRM),[9] overpriced IT project flagged by the Commission on Audit (COA)[10], and overpriced COVID test kits.[11] In an audit report, COA issued a Notice of Disallowance amounting to Php6.6 billion (US$132 million) as of 2018.[12]

The multiple allegations of corruption and anomalies facing PhilHealth puts to question whether the billions of pesos given by the national government to PhilHealth from sin tax to support indigents is part of the money allegedly lost in fraud or how vulnerable it is to such schemes.

The Senate ended up investigating the fraudulent PhilHealth claims. The Senate inquiry exposed the weak safeguards in PhilHealth charging. PhilHealth president Ricardo Morales himself admitted that "anomalies could 'happen at any point in the process,' adding that it is impossible to stop all fraud because of the sheer number of insurance claims that they handle."[13]

6 See https://newsinfo.inquirer.net/1127693/philhealth-lost-p154b-to-overpayments-fraud.

7 See https://newsinfo.inquirer.net/1127963/philhealth-mafia-seen-behind-padded-claims.

8 See https://newsinfo.inquirer.net/1316858/whistleblower-p-15b-went-to-philhealth-syndicate.

9 The IRM is a special fund meant to disburse quick release of funds for emergencies and disasters. It is a cash advance program for healthcare institutions that apply for it. See https://rappler.com/newsbreak/iq/things-to-know-philhealth-interim-reimbursement-mechanism.

10 See https://newsinfo.inquirer.net/1312035/coa-flags-overpriced-philhealth-it-project.

11 See https://news.abs-cbn.com/news/05/21/20/philhealth-to-change-cost-of-overpriced-covid-19-test-packages.

12 A Notice of Disallowance is issued for transactions which are irregular/unnecessary/excessive and extravagant. See https://www.coa.gov.ph/index.php/gov-t-owned-and-or-controlled-corp-goccs/2018/category/7815-philippine-health-insurance-corporation. See alsohttps://www.coa.gov.ph/phocadownloadpap/userupload/Issuances/Circulars/Circ2009/COA_C2009-006.pdf.

13 See https://www.bworldonline.com/senators-scold-philhealth-for-lack-of-safeguards/.

The Department of Justice (DOJ) also reported that "PhilHealth allowed thousands of fraud cases to go unchecked, most of them remaining within the internal legal mechanisms of the agency where officials preferred settlement rather than filing charge."[14]

These recent investigations in PhilHealth demonstrated weak or lack of internal control and checks within the institution, leading to the breakdown of accountability. With 80% of the health budget from sin tax going to PhilHealth for the health needs of indigents, corruption in PhilHealth could be one of the reasons the additional budget from sin tax is not making a difference in access to health. It shows the importance of strengthening accountability systems as part of fiscal reform.

Ground-level fraud are serious challenges in tax collection.

The additional tax on tobacco (sin tax) is collected through tax stamps. On September 5, 2014, the Bureau of Internal Revenue (BIR) issued Memorandum Circular No. 72, which imposes the use of the Internal Revenue Stamp Integrated System (IRSIS) for the ordering, distribution, affixture and monitoring of tax stamps on imported and locally manufactured cigarettes.

In simplest terms, once cigarette packs leave the warehouses of tobacco companies, these already have the stamps which the company bought from the Bureau of Internal Revenue. This makes it crucial to check whether the tobacco sold in the market have tax stamps and whether these are genuine.

Fake stamps and illicit trading are big problems during tax collection.

For example, the Multi-Industry Illicit Trade Research Study of the University of Asia and the Pacific found out that the government's excise tax and VAT losses due to the illicit trading of cigarettes increased from Php2.6 billion (US$52 million) in 2012 to PhpP19.9 billion in 2014 (398 million), and then to Php17.9

14 See https://www.rappler.com/nation/philhealth-allowed-thousands-fraud-cases-to-go-unchecked-doj.

billion in 2015 (US$358 million), the same period when the Sin Tax Reform Law was implemented.[15]

Another critical area of inquiry, therefore, is whether and how the introduction of sin tax could have increased illicit trading. This is especially relevant since the latest industry report shows that, "Tobacco continued to see a strong current value increase in 2018, with growth seen in all categories. This performance was stimulated mainly by price rises from most players and brands, due to a further increase in taxation in July 2018" (Euromonitor 2019). Euromonitor accounts the strong standing of tobacco sales to tobacco companies diversifying their portfolio and increasing economy brands, but it is worth looking at whether different efforts to evade taxes also come into play.

The Department of Finance, in 2017, introduced a new tax stamp with "improved" security features to avoid fraud in tax stamps.[16] However, fake stamps continue to be a problem. There are reports about schemes that recycle tax stamps.[17] Government reports in July 2019 indicated that Php245 million (US$4.9 million) was lost to fake tax stamps, printed in just one warehouse in Malabon that the government recently raided.[18]

Rethinking Positive Gains: Sin Tax Policy is Not Enough

DoH reports claim that there was a decrease in the number of smokers after the introduction of sin tax. Whether the decrease is due to sin tax still needs to be empirically proven.

- In interviews done for this initiative, respondents say that the increase in prices did not deter consumption.
- There are other anti-smoking policies, programs and efforts that could be the reason for the decrease.
- Only a meager percentage of the health budget from sin tax goes directly to anti-smoking efforts.

Attributing other impacts such as improved

15 See https://www.philstar.com/headlines/2019/03/04/1898507/special-report-government-cracks-down-cigarette-smuggling-counterfeiting.

16 See https://www.google.com.ph/amp/s/business.inquirer.net/238428/dof-new-improved-cigarette-tax-stamp-to-be-rolled-out-in-january/amp.

17 See https://www.google.com.ph/amp/s/amp.rappler.com/business/227761-cigarette-tax-stamps-traded-sardines-noodles.

18 See https://www.pna.gov.ph/articles/1074134.

UHC indicators to sin tax could be misleading since there could be a lot of other factors that lead to these impacts.

The involvement of local government units (LGUs) in health has increased over the years and there were initiatives of communities and NGOs too with support from international partners. As pointed out by the study of AER, sin tax could have increased the budget resulting in an increase in PhilHealth coverage, but the rest (human resource and facilities) largely remained the same.

G-Watch's monitoring at the barangay health station level (see Annex 2) shows that generally, the clients interviewed have received the services that they needed, albeit insufficiently for some. Most are also satisfied with the health services they have received, though some have complaints. In terms of feedback whether health services have improved, the response is generally mixed: while a majority said that it improved, a significant number also said that it remains the same.

However, due to the lack of reliable means to account for the contribution of sin tax at the local level, especially at the barangay level, it is hard to attribute the generally improved satisfaction level of clients of health services to sin tax. The processing of monitoring results with monitors and interviews conducted also point to the improved prioritization of local government for health. Some local governments have prioritized health spending that could better explain the improved health services at barangay health stations.

While many studies hail the sin tax as a successful tax reform measure due to its significant contribution to the health budget, the inaccessibility of health care in the country puts this to question. The vulnerability and weakness of the Philippine health system is further

revealed as the COVID-19 pandemic hit the country. Health facilities and equipment, health supplies and test kits were inadequate, and the health system was seriously understaffed that made it impossible for the country to quickly and effectively respond to COVID-19.

Some of the programs where the sin tax revenues are supposed to go to are (1) the Health Emergency Preparedness and Response, (2) Epidemiology and Surveillance (3) Prevention and Control of Other Infectious Disease, and (4) Health Facilities Enhancement Program (HFEP) that primarily aims to upgrade health facilities and equipment. These are the very programs needed by the Philippine health sector in preparing well for health emergencies, like COVID-19.

The deteriorating state of the public health sector, despite increases in its budget from a fiscal reform measure (such as sin tax) invites a serious rethinking of the success of sin tax and what truly improves citizen access to health services.

Filling in the Gaps in the Accountability System of Sin Tax Reform

G-Watch's monitoring of the health budget in 2019 and 2020 revealed a critical gap in the accountability system of sin tax: strategic citizen involvement.

Learning from the G-Watch monitoring, there are three ways that the gaps can be filled up: enabling community-level monitoring, making patients participate in fighting fraud in PhilHealth, and complementing tax enforcement.

Enabling Community-Level Monitoring

Mapping the existing transparency, participation and accountability mechanisms in the health budget, G-Watch has noted that at the national level, CSOs advocate for the policy and engage the budget process. There is also a regular reporting on the sin tax contribution to the health budget done by the government and civil society.

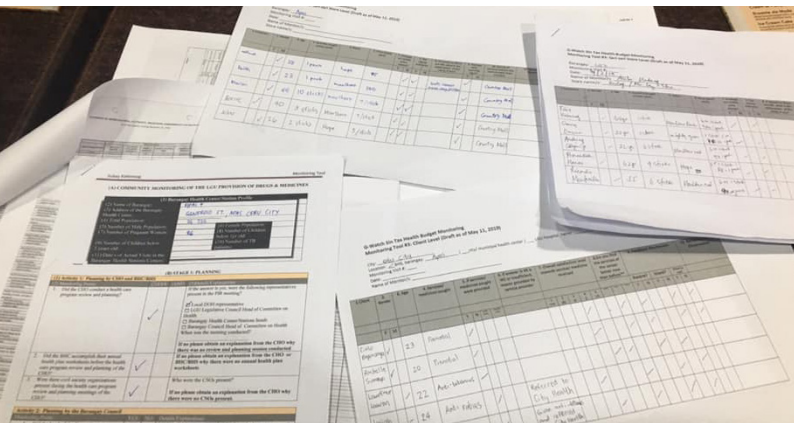
Health budgeting from sin tax is top-down, centralized and with no citizen participation. Respondents from DoH said that allocations at the regional and local levels are according to needs/ demands. There is also a Local Health Board (LHB) in localities with CSO participation that determines the needs of a locality, but how much of bottom-up processes affect the allocation remains a question.

For one, the fact that the allocation is in-kind and does not take into account the extent of smoking problems in a given locality, and shows limited bottom-up budgeting in the health budget from sin tax. There is also a question of why only a meager part of the health budget from sin

tax goes to direct anti-smoking efforts. DoH indicated a memo enabling civil society participation in the budget, but this was not observed in the localities covered by G-Watch.

There is a need to revisit these enabling mechanisms for citizen participation in the health budget and make them operational.

At the community level, there are CSOs monitoring health services in a few localities at very few times. The Local Health Boards and Anti-Smoking Councils are government bodies with CSO representation but with no clear mandate in monitoring the sin tax budget. This can easily be fixed by adding accountability mandates to these existing participatory mechanisms.



There is clearly a gap in checking whether and how additional budget from sin tax yields to improved access and quality of health services being received by the people and whether people are more satisfied. There is no way to determine whether citizens are more satisfied now because barangay health stations have no mechanisms to get the satisfaction ratings of its clients. This means it is not immediately measurable whether and how sin tax contributes to the improvement of health service delivery and what are the implications of this.

G-Watch's monitoring showed that civil society can be tapped to conduct periodic citizen satisfaction surveys crucial in checking the level of citizen satisfaction at the barangay level. Feedback mechanisms at barangay health stations are also working in some BHSs and can also be made operational in other BHSs.

Patients' Participation in Stopping Fraud

PhilHealth has no mechanisms for patients to take part in avoiding fraud. With the apparent breakdown of accountability in PhilHealth as evidenced by new reports, an independent citizen-led checks becomes crucial. While PhilHealth claims patients are always advised to check their billing statements where PhilHealth charging is shown, this is, in no way, a proactive approach to promoting patient vigilance. PhilHealth members are not organized.

While PhilHealth personnel and offices can be approached by members for

any feedback, queries or complaints, more proactive, relatively independent awareness and education efforts and a corresponding grievance redress mechanism are needed as additional transparency and accountability measures in PhilHealth that can help avoid fraud and improve its performance. Organized PhilHealth members capacitated in citizen monitoring can contribute to this.

Tax Enforcement Can be Complemented with Community Participation

Government's efforts have largely been on enforcement. The government has undertaken several efforts to fight fake stamps and smuggling. Most of these efforts involved national agencies (DoF, BIR, Bureau of Customs, mainly) and security forces (National Bureau of Investigation) going after smuggling and the wholesale printing of fake stamps.

Tax stamps can be detected too at the sales level, at sari-sari stores. However, this can only be done with the participation of local governments, communities and citizens which remain untapped.

There was an earlier initiative to involve the public but this was cut short. An initiative

by DoF and the World Bank called SinTax Open Data was introduced in 2014 "as a digital accountability platform to mobilize the public as an 'ally' to help monitor cigarette prices and turn tax revenues into resources to support social welfare gains for the country...Contributors can report on compliance with the required cigarette tariffs by brand, shop, and location, using Android apps...Premise then updates this data on a weekly basis."[19] As per our checking, The last updating of the said dashboard was in 2016.[20]

Preliminary results of G-Watch's pilot-test of the monitoring tool to check tax stamps showed that a citizen-friendly tool can be used to involve ordinary citizens to help in checking tax stamps. *[See Annex 2 for preliminary processing of results]*. Barangays can be enjoined by BIR, DoF and DoH to undertake these efforts, alongside the Anti-Smoking Councils present at the local government unit level.

19 See http://documents.worldbank.org/curated/en/174491467602317699/pdf/PH-154297-OG2Public-WB-Cover.pdf.

20 See https://www.dof.gov.ph/.

This kind of efforts converges the anti-smoking campaign efforts of DoH and LGUs and the anti-smuggling/ illicit trading enforcement efforts of BIR, DoF and the National Bureau of Investigation (NBI), with sin tax viewed not only as an additional tax measure but a health measure too in stopping/ curbing smoking. At the moment, while Anti-Smoking bodies at the LGU level oversee the implementation of anti-smoking policies, they are not yet involved in the enforcement of sin tax law implementation. Monitoring of tax stamps on cigarettes that ensure that the prices of cigarettes remain high to deter consumption can be the convergence of these approaches. So far, the LGUs and barangays we engage with are open, but BIR, DoF and DoH Central Office must provide the enabling environment, such as supporting policies and/ or a national initiative.

While citizens can do the checking or reporting (as the case of the DoF-World Bank initiative), getting the stores to let citizen-monitors to check stamps in cigarette packs would be a challenge. Most buyers do not buy by pack, but in pieces, hence the need to check with the stores. Checking whether the stamps are genuine would also be a challenge absent an accessible and easy-to-use technology. BIR's QR code for cigarette tax stamps, for instance, was not working when G-Watch tried to use it. A quick run of the tool in a few stores showed that stores could refuse monitoring. For example, monitors observed a store that use bottles as containment of cigarettes instead of packs with tax stamps.

Final Remarks

G-Watch monitoring shows that there are major gaps in the accountability system of health budget execution. Since the health budget from sin tax are not traceable when transferred to regional level down to the communities, it is hard to check sin tax's actual impact at the citizen level. There are also no working accountability mechanisms on the ground, not even a working citizen feedback.

Such gaps in the accountability system prove fatal in PhilHealth where 80% of the health budget goes. The investigations on alleged corruption in PhilHealth shows weak or lack of internal control and checks within the institution leading to a breakdown of accountability. The strengthening of holistic and multi-level accountability should have been part of sin tax reforms from the beginning. This shows the importance of incorporating effective and working accountability in any reform measure, especially fiscal reforms that involve money.

Monitoring at the level of clients at barangay health stations and buyers

at the sari-sari store level allowed first-hand data on the actual level of access and satisfaction of citizens availing public health care and the compliance of tax requirements at the retail/ supply level which checks/ deters tax evasion. However, there is a clear gap with the information on standards, e.g., what citizens should expect.

This means an integrated monitoring that involves citizens must have an information-education campaign component. Scaled up monitoring (with scale referring to the high number of monitoring points/ coverage) can be facilitated with the use of information communication technology that is embedded in actual organized citizen collective action. Partnership or collaboration with the government can also help with scaling or increasing the number of coverage.

G-Watch monitoring also showed that there are many factors that come into play in a success or failure of a reform. Sin tax was a success because it increased the health budget, but the increase of the health budget in some localities and the effectiveness of the anti-tobacco campaign are also because of efforts by local governments. Viewing a reform in a vertically integrated and holistic way showed the many factors that come into play that will either facilitate or hinder reform in achieving its gains. This also points clearly where the gaps are and how efforts can be connected to make the effort more effective.

In sum, the good news is that the Sin Tax Law allowed for dramatic, rapid increases in national health spending, which was supposed to broaden coverage of the poor. That is a big deal. The bad news is that government's systems for monitoring, oversight and public disclosure of where that increased spending actually goes are weak—and the increased spending was (apparently) not accompanied by strengthened anti-corruption safeguards. The increased health spending would be more effective for citizens with more government focus on documenting the impacts on service quality and coverage at the last mile—bolstered by more robust anti-corruption measures that include balanced oversight partnerships with local citizen organizations.

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Jo-Ann Diosana, Consultant, Action for Economic Reforms (AER), May 31, 2019.

Karl Chua, Undersecretary and Director, Department of Finance (DoF), June 7, 2019.

Lindsley Jeremiah "LJ" D. Villarante, Department Legislative Liaison Specialist / Team Lead - Sectoral Planning and Budget Allocation, Health Policy Development and Planning Bureau - Health Planning Division, June 20, 2019.

Nerissa Santiago, Senior Vice-President, PhilHealth, July 17, 2019.

Focus Group Discussions

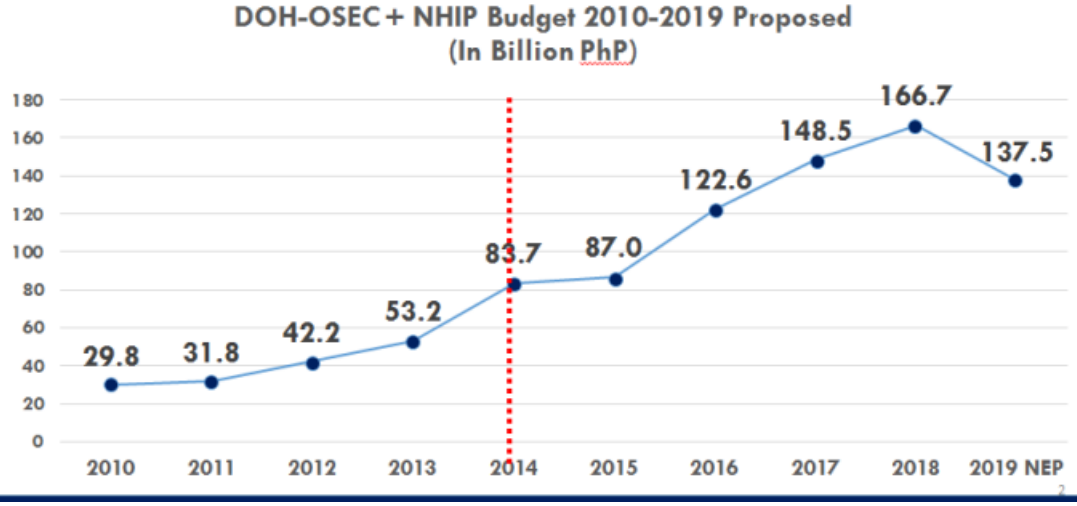
Dumaguete, 8 May attended by city health officials, DoH representatives and civil society

Cebu City, 3 September attended by PhilHealth, DBM and civil society.

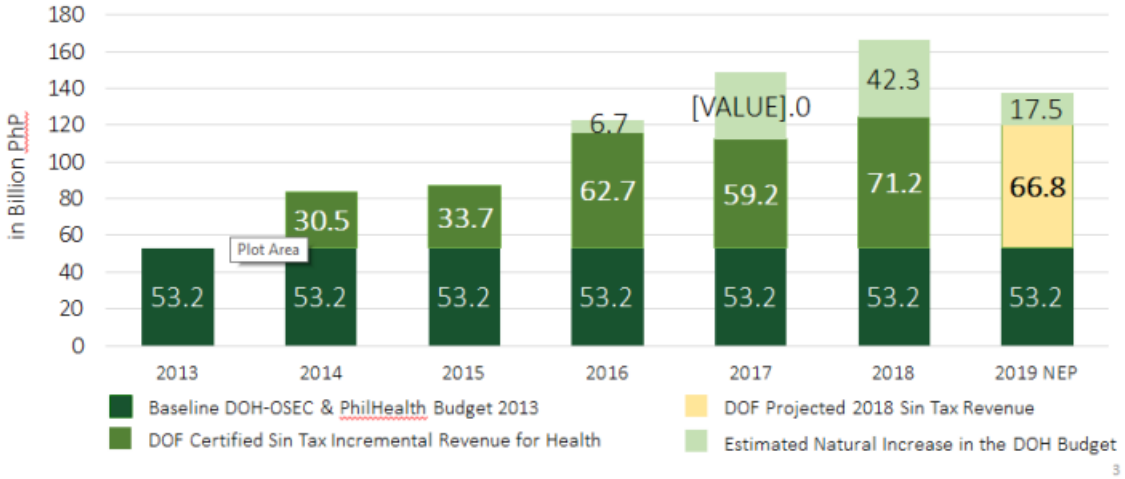
Annex 1: Relevant Tables on Positive Impact of Sin Tax from Reports

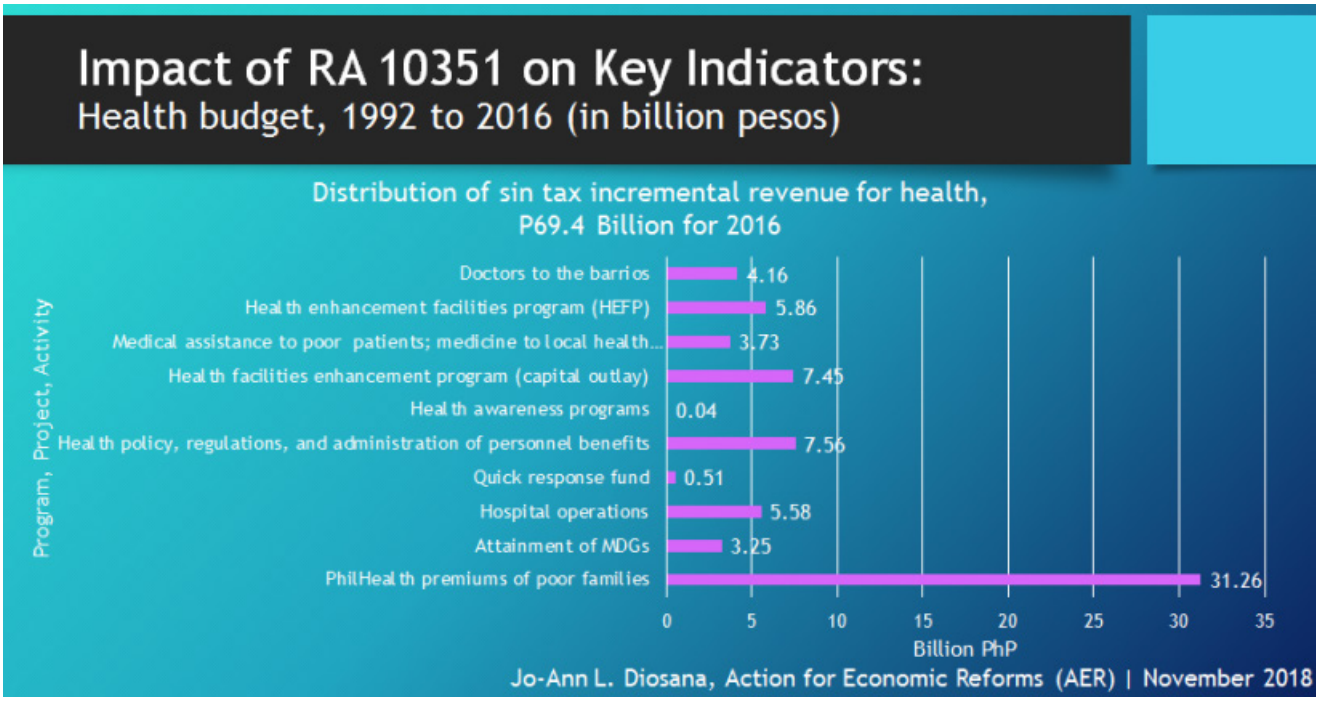
INPUT

The DOH Budget increased by almost three-fold in 2018 compared to its 2013 budget level

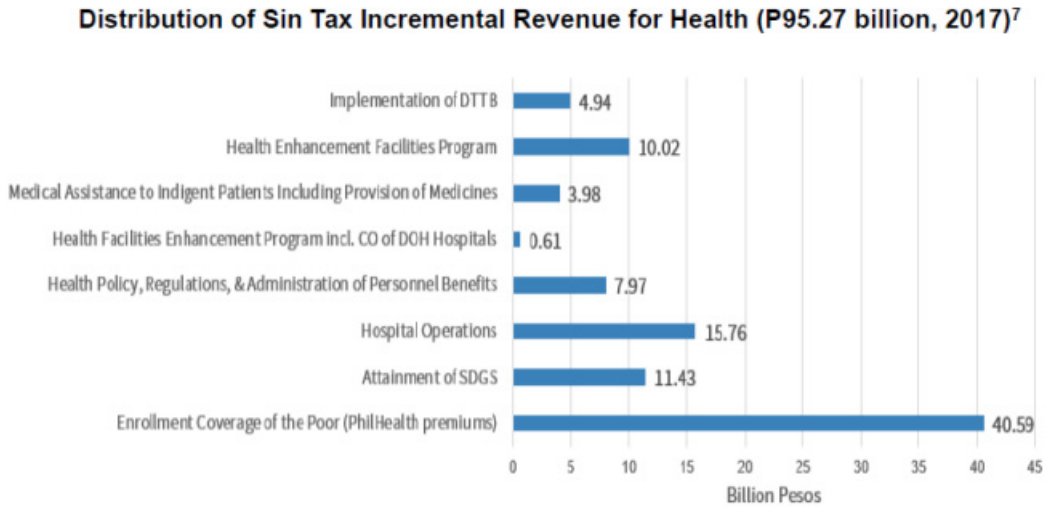


43% of the DOH Budget in 2018 is contributed by the Sin Tax



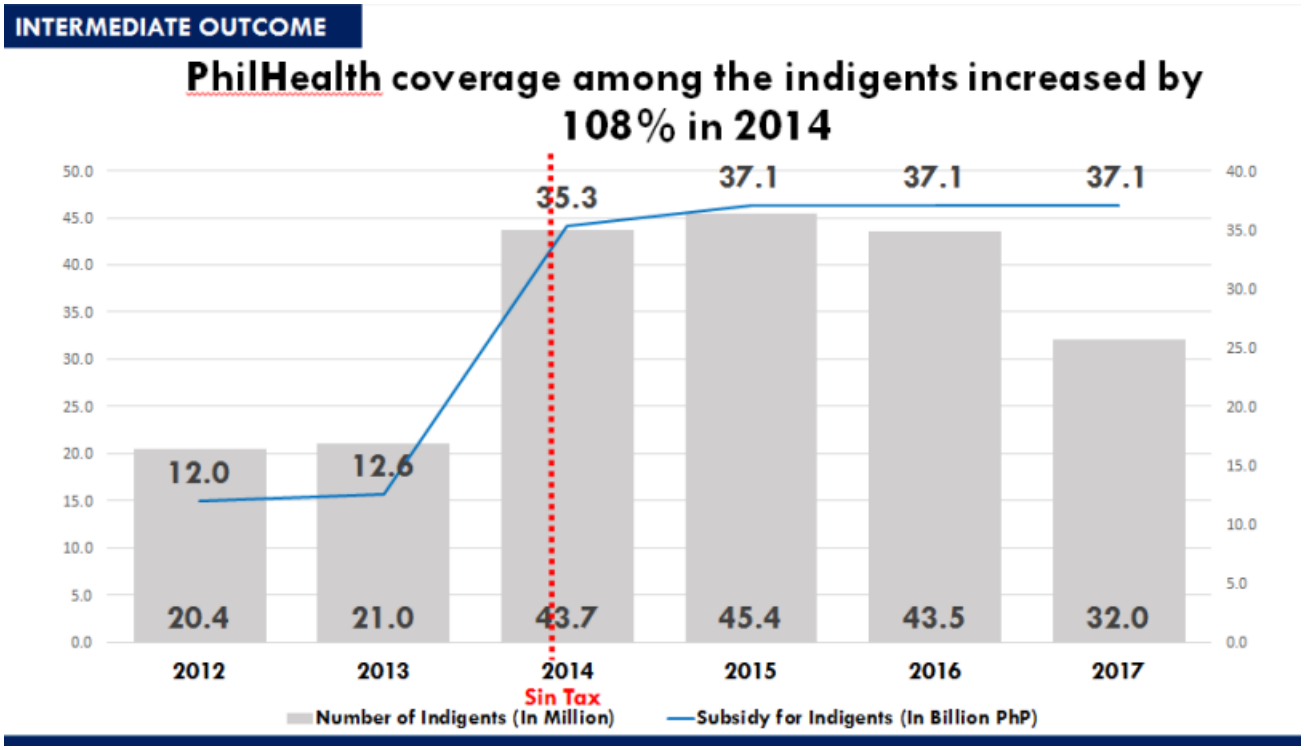


Source: AER Presentation Deck



[7] 2017 DOH Sin Tax Report (https://www.doh.gov.ph/publications)

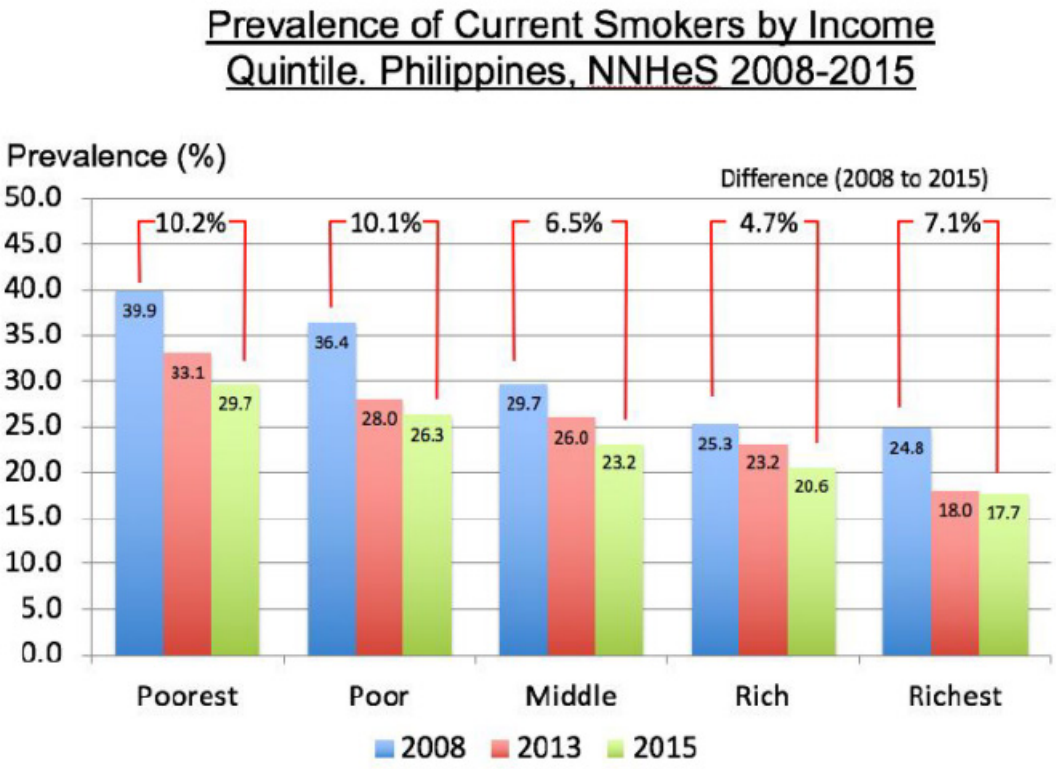
Source: Briefer on Tobacco Tax, AER, 2019



Source: DOH Presentation Deck

Tracking Increase in PhilHealth Beneficiaries Over Time

	2012	2013	2014	2015	2016	2017	2018
# of Phil-Health beneficia-ries (new and total) (source: Philhealth Stats and Charts https://www.philhealth.gov.ph/about_us/statsn-charts/)	Total: **28.49M** https://www.philhealth.gov.ph/about_us/statsn-charts/snc2012.pdf	Total: **31.27** New*: **2.78M** *diff. bet. 2012 and 2013 total https://www.philhealth.gov.ph/about_us/statsn-charts/snc2013.pdf	Total: **36,409,410** New: **~5.14M** https://www.philhealth.gov.ph/about_us/statsncharts/snc2014.pdf	Total: **40,501,872** New: **4,092,462** https://www.philhealth.gov.ph/about_us/statsncharts/snc2015_2nd.pdf	Total: **41,231,849** New: **729,977** https://www.philhealth.gov.ph/about_us/statsncharts/snc2016.pdf	Total: **49,583,787** New: **8,351,938** https://www.philhealth.gov.ph/about_us/statsncharts/snc2017.pdf	Total: **53,816,468** New: **4,232,681** https://www.philhealth.gov.ph/about_us/statsncharts/snc2018.pdf



Source: Briefer on Tobacco Tax, AER, 2019

Annex 2

G-Watch Sin Tax Health Budget Monitoring
Consolidated Monitoring Data and Insights/ Lessons from Monitoring

Monitoring Tool #3: Client Level

Insights and Lessons:

- G-Watch monitoring at the client level at barangay health stations shows that there is a clear gap for such a mechanism.
- Some barangay health stations have a feedback mechanism. It is also a standard to have it in frontline service providers. However, many clients are not aware of it and have not used it.
- G-Watch monitoring at the client level at barangay health stations was able to get a profile of the clients and the kind of services that they need, the services that are sufficient and lacking and the satisfaction level of clients. There is no other mechanism that measures the satisfaction of clients at barangay health stations.
- Through the G-Watch monitoring at the client level at barangay health stations, there is a clear ground-level data on the state of citizen access to and quality of health services.

Key Findings:

1) Almost an equal number of women and men avail services in the localities monitored.

Locality	2. Gender	
	Female	Male
Cebu (15 respondents)	11	4
Lapu-lapu	12	3
Mandaue	8	7
Dumaguete City	3	7
Municipality of Valencia	4	6
Municipality of San Jose	2	8
TOTAL	40	35

2) Most of the clients are between 19-60 years old, with few 18-below and senior citizens.

Locality	3. Age				
	18-below	19-30 yo	31-45 yo	45-60 yo	60-above yo
Cebu	3	4	8		
Lapu-lapu	2	3	4	5	1
Mandaue		4	7	3	1
Dumaguete City	0	3	5	2	0
Municipality of Valencia	0	2	6	1	1
Municipality of San Jose	1	5	3	2	0
TOTAL	6	21	33	13	3

3) Generally, the clients interviewed have received the services that they needed, albeit insufficiently for some.

4. Services/ medicines sought	Cebu					Lapu-Lapu					Mandaue				
		5. If services/ medicines sought were provided					5. If services/ medicines sought were provided					5. If services/ medicines sought were provided			
		Y	N	sufficiently	insufficiently		Y	N	sufficiently	insufficiently		Y	N	sufficiently	insufficiently
RH/ Family planning/Pre-Natal	3	3		1		6	6								
URTI meds	2	2		2											
Immunization	1	1		1							3	3		3	
Dental	1	1													
Tetano	3	3				2	2								
Doctors' prescription	3	3				7	7				1		1		
Anti-rabies	2		2												
Hypertension											1	1		1	

4. Services/ medicines sought	Dumaguete City					Municipality of Valencia					Municipality of San Jose				
		5. If services/ medicines sought were provided					5. If services/ medicines sought were provided					5. If services/ medicines sought were provided			
		Y	N	sufficiently	insufficiently		Y	N	sufficiently	insufficiently		Y	N	sufficiently	insufficiently
RH/ Family planning/Pre-Natal		6		/			5		/			5		/	
URTI meds															
Immunization		2		/			3		/			3		/	
Dental															
Tetano		1		/			1		/			2			/
Doctors' prescription		1			/		1		/						
Anti-rabies															
Hypertension															

6. If answer in #4 is NO or insufficient, reason provided by service provider
Referred to City Health because they don't stock the Anti Rabies Vaccines. (Cebu)
Medicine sought were not enough (Lapulapu)
No Doctor Available (Mandaue)
Medicine sought were not enough (Valencia)
Anti-tetano vaccine not available (San Jose), patient needed to buy TT vaccine.

4) Most are satisfied with the health services they have received, though some are neutral about it and have complaints.

Locality	7. Overall satisfaction level towards service/ medicine received				
	1 VDS	2 DS	3 N	4 S	5 VS
Cebu			1	9	5
Lapu-Lapu			1	1	13
Mandaue		1	2	7	5
Dumaguete City				10	
Municipality of Valencia			1	9	
Municipality of San Jose			2	8	
TOTAL		1	7	44	23

10. Remarks/ Other Observation
The health center is much better now because of the new renovation of the building (Lapulapu)
Service is much better now (Lapulapu)
Medicines are not available (Lapulapu)
No more medicine for diabetes (Lapulapu)
Availability of medicine is limited (Lapulapu)
The health center is much better now because of the new RHU building and most medecines are free except Tetanus Toxoid (Valencia)
Service is much better now because of free medicines for high blood and antibiotics (Dumaguete)

5) In terms of feedback whether health services have improved, the response is generally mixed: while majority says it improved, a significant number also says it is the same.

Locality	8.Do you find the services of the center better now than before?*		
	better	same	Worse
Cebu	8	7	
Lapu-lapu	10	5	
Mandaue	8	7	
Dumaguete City	9	1	0
Municipality of Valencia	10	0	0
Municipality of San Jose	8	2	0
TOTAL	53	22	0

6) A significant number of clients is not aware of the any feedback mechanism. Majority did not use any feedback mechanism. Most want to use a feedback mechanism.

Locality	9. Feedback Mechanism					
	Aware?		Used?		Want to use?	
	Y	N	Y	N	Y	N
Cebu	13	2	6	4	5	2
Lapu-lapu	12	3		1	5	3
Mandaue	9	6	4	11	4	8
Dumaguete City	6	4	6	4	1	0
Municipality of Valencia	4	6	4	6	0	0
Municipality of San Jose	6	4	6	4	0	0
TOTAL	50	25	26	30	15	13

Annex 3:
G-Watch Sin Tax Health Budget Monitoring
Consolidated Monitoring Data and Insights/ Lessons from Monitoring

Monitoring Tool #3: Sari-sari Store Level

Insights and Lessons:

- The monitoring is able to generate profile of cigarette users (eg. gender, age, the quantity commonly consumed).
- It is able to check whether the prices are consistent in a given locality. Overall, the prices of the cigarettes are consistent. However, the wide variety of brands makes it hard to compare across locality and to have a bigger samples per brand.
- It is able to check whether the cigarette packs have authentic stamps and warning signs, though information on what an authentic stamp looks like is needed
- It is able to check the sources of the cigarettes sold in sari-sari stores, providing a hint where scaled monitoring can be done

Key Findings:
1) Most of the buyers of cigarettes were male.

Locality	2. Gender	
	F	M
Cebu (20 respondents)	7	13
Lapu-lapu	0	15w
Mandaue	2	13
Dumaguete(15)	4	11
Valencia(15)	3	12
San Jose (15)	4	11
TOTAL	20	75

2) Majority of the cigarette users are between 19-60 years old. There are a few (4) who are 15-18 years old and 7 who are senior citizens.

Locality	3. Age						
	15-below	15-18 yo	19-27 yo	28-35 yo	36-45 yo	46-60 yo	60-above yo
Cebu			5	6	4	2	3
Lapu-lapu			7	2	3	3	
Mandaue		4	4		3	2	2
Dumaguete			2	3	7	3	0
Valencia			1	5	5	2	2
San Jose			5	3	4	3	0
TOTAL		4	24	19	26	15	7

3) Almost half of cigarette users usually buy 1-7 pcs, while almost half buy a pack.

Locality	4. Quantity bought (sticks/ pack)				
	1-3 pcs	4-7 pcs	8-10 pcs	1 pack	More than 1 pack
Cebu	5	4	1	5	
Lapu-lapu	7	7	1		
Mandaue	2	5	3	5	
Dumaguete	0	1	1	10	3
Valencia	3	0	1	9	2
San Jose	0	2	1	9	3
TOTAL	17	19	8	38	8

4) In general, the prices are consistent in a given locality. There is no variation of prices between and among the respondents per brand, per piece/ pack. The brands are numerous and the cigarette users interviewed highly vary with the the brand that they use, which makes it hard to compare across locality.

CEBU

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Marlboro Black	4		3				1
Mighty Green	5		5				
Marlboro Red	5		5				
Hope	3		2				1
Marlboro Ice Black	1						1
Fortune White	1					1	
Winston Red	1		1				

LAPU-LAPU

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Jackpot White	2	11					
Mighty Red	1	1					
Winston Red	1		11				
Mighty White	2	11					
Hope Short	1		1				
Marlboro Red	3		3				
Marlboro Ice Blast	1		1				
Fortune White	1	1					
Mighty White	1	1					
Mighty Green	1	1					

MANDAUE

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Mighty Red	3		1				2
Marlboro Iced Blast	5		5				
Fortune White	1		2				
Marloboro Red	3		1				2
Fortune Red	2		1				1

DUMAGUETE

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Marlboro Black	3		5				3
Mighty Green							
Marlboro Red							
Hope	5		2				3
Marlboro Ice Black							
Fortune White	2						2
Winston Red	1						1
Jackpot White	2					2	

VALENCIA

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Jackpot White							
Mighty Red							
Winston Red	1						1
Mighty White							
Hope Short	7		2				5
Marlboro Red	3		3				3
Marlboro Ice Blast							
Fortune White							
Mighty White	3				3		
Mighty Green							

SAN JOSE

5. Brand		6. Price (per piece)			Price (per pack)		
		P4- below	P5-8	P9-above	P60 below	P61-80	P81-above
Mighty Red	4		1			3	
Marlboro Iced Blast	4		2				2
Fortune White							
Marloboro Red							
Fortune Red							
Hope	4						4
Winston	3						3

5) All respondents say that the tax stamp of the cigarette they bought was authentic, although the respondents also admit as side comment that they are not sure of what authentic stamp looks like. Also, there are respondents that say stamps are not visible. Consistently, cigarette package contains warning signs, according to the respondents.

Locality	7. Package w/ visible price stamp?		8. Tax stamp authentic?		9. Package with warning signs?	
	Y	N	Y	N	Y	N
Cebu	10	10	20		20	
Lapu-lapu	15		15		15	
Mandaue	15				15	
Dumaguete	15	0	15	0	15	0
Valencia	11	4	15	0	15	0
San Jose	15	0	15	0	15	0

8. If answer to #6,#7 are NO, what is the explanation of the store, if any?

- I seldom buy by packs so I don't get to see the price stamp.

6) Most of the stores buy their cigarettes from big retail stores, with a few buying it in malls.

Locality	10. Source of product (where the store bought their stocks?)	
	Big Retail Stores	Malls
Cebu	9	11
Lapulapu	15	
Mandaue		15
Dumaguete	15	0
Valencia	15	0
San Jose	15	0