



Increments and Avalanches: Unpacking the 2018 Budget of the Duterte Administration

Institute for Leadership, Empowerment, and Democracy
6 April 2018

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2018 Institute for Leadership, Empowerment, and Democracy (iLEAD)

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The **Institute for Leadership, Empowerment, and Democracy, Inc. (iLEAD)** is a non-stock, non-profit think tank consultancy and resource center that focuses on strategic policy work to strengthen democratic institutions, in areas such as fiscal astuteness, meaningful devolution, and empowerment and protection of civic spaces.

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Executive Summary

The national budget is the language of public policy. In detail, it lays down the government's plans for the fiscal year, and suggests where the country might be headed in the short-to-medium term. Analyzing the budget is useful in that it provides a baseline from which various stakeholders can calibrate expectations and, later on, seek accountability. The value of insights drawn from the budget analysis increases with the realization that it is a product of dynamic interactions within a complex political system. It shows precisely which policies survived the bureaucracy's technical rigor, and whose political will triumphed behind closed doors.

President Duterte promised to spend the 2018 budget to reduce inequality, bring about sustainable development, build more infrastructure, and secure peace and order (Duterte, 2017). However, these are all long-term goals that require time, effort, and strategy to bear fruit. In fact, one would be hard-pressed to find exact metrics to evaluate the administration's success in fulfilling its promises. As an alternative exercise, this paper looks at allocations for different departments and programs, and compares them with the previous year's levels. Informed with context, this provides a rudimentary barometer of the administration's commitment to some major policy areas.

Using the Avalanche Budget Model by James True (2000), this paper found that the 2018 Budget contained substantial increases in infrastructure, security, and peace and order, and only incremental increases in social services. There were big upswings in the allocations for the Office of the President — with the President's Contingency Fund being the highest it has ever been — as well as for the police and military. It was also found that a big chunk of the public works and highways department's local program budget was allocated for easy-to-corrupt line items, with questionable geographic distribution.

Finally, this paper ends with the observation that the Duterte administration's budget priorities have indeed changed, largely due to macropolitical decisions made by the country's top brass. It calls for heightened awareness of the budget and the budget process from both the government and its citizens, as a platform of accountability that the country seems to increasingly need.

1 Introduction

The national budget describes how a government intends to spend money. It provides a summary of various macro- and micro-decisions, as well as a clear reflection of an administration's desired trajectory, expressed in its fiscal priorities. During his State of the Nation Address (SONA) on July 24, 2018, President Rodrigo Duterte submitted his proposed 2018 Budget to Congress. Five months later, after months of deliberations in the Lower and Upper Chambers of Congress, the 2018 General Appropriations Act — the first financial blueprint fully put together by the Duterte administration — was passed and signed into law in December 2017.

In President Duterte's Budget Veto Message (Duterte, 2017), he promised to usher in a “golden age of infrastructure,” secure peace and order, and accelerate human capital development for sustained and inclusive growth through the administration's **Php 3.767 trillion** expenditure plan. He committed to use the budget to bring about genuine and lasting change by reducing inequality, enhancing the social fabric, increasing growth potential, providing an enabling and supportive environment, and maintaining the groundwork for sustainable development.

While most of the work put into drawing up a budget is technical, it can be argued that intrinsically, it is also a result of political choices (Rubin, 2001) — that is, that the budget is both a **technical document** and a **political instrument**. Public budgeting undergoes processes which have direct and indirect implications on key programs and initiatives, through concomitant funding levels in the appropriations law. Rubin argues that politics is present and exerts pressure in either of two possible modes: on the budget process itself, and on the selection of major policy tracks an administration wishes to pursue. Politics in the budget process is most apparent in covert and overt steps taken by powerful actors to influence decisions at multiple stages. The more forceful the actor, the greater potential for penetrating the system at multiple entry points, across offices. On the other hand, politics can also be found in the series of debates over major policy issues, with emphasis on possible trade-offs among major budget areas such as social services, economic services, and defense (*ibid*).

Given this tendency of politics overpowering technical rigor, and confronted with the fact that those with the ultimate power to approve and implement the budget have inherent political considerations, it is important to routinely check on the national budget to see if public wealth is being spent according to public interests.

This analytical paper offers a glimpse into the 2018 Budget of the Philippines. It shows changes in funding levels of key government programs and agencies, and attempts to point out spending government priorities, contextualized by the technical and political processes involved in public budgeting¹.

¹ See *Annex: The Philippine Budget Process* for an infographic on the budget cycle.

2 Analytical Approach

In presenting some key details of the 2018 Budget, this paper will adopt some parts of the framework used by True in an analysis of budgetary trends in the United States (2000). Though the Philippines and the United States largely differ in multiple ways (form of government, global political standing, economic power, etc.), the budget processes of both countries are roughly similar. In both cases, the executive proposes a budget to Congress, which then studies, recommends, and drafts an appropriations bill for the President's final approval. We take this to be sufficient grounds to partially embrace the system put forth in True's paper.

2.1 Punctuated Equilibrium Theory

The first operative assumption that is that the Philippine government operates in multiple levels, with fiscal demands emanating from the grassroots barangays, all the way to national government agencies and central offices. Although institutionally connected, the frames for these levels of government are distinct. At times, these distinctions become more pronounced as disparity in centralization increases. That is, the most pressing and pervasive concerns in municipalities or provinces (even aggregated) may not necessarily find space in the chief executive's desk. To mitigate this, major policy areas, like health, education, and social welfare, have evolved their own agenda-setting and decision-making subsystems. This is to prepare for a time that an administration will be ready (or in some cases, eager) to engage particular issues. Engagement translates into funding, which is reflected in the budget.

Following this train of thought, it becomes easier to explain why some policy tracks and programs can receive stable appropriations for an extended period of time, and suddenly experience a windfall. This allows for the possibility of characterizing a political system as both stable and dynamic, given the intertemporal nature of both policy work and governance. Punctuated equilibrium, as the name implies, attempts to explain how long periods of equilibrium are punctuated by sudden, drastic disturbances. The theory combines two concepts in public policy: **policy communities** and **agenda-setting** (Cairney, 2011).

Policy communities are mainly concerned with forming stable relationships between public officials and exclusive interest groups. With proper matching, these relationships usually endure because of a general agreement among the involved actors. The exclusive behavior of interest groups is theorized to manifest in a two-pronged communication strategy: that there is a need to pay attention to their espoused issues, but that the discussion and policy-building process is tedious and technical. Simultaneously, this generates uptake demand and manufactures legitimacy for the groups. As a result, government action — consequently translated into increases in funding — tends to be incremental, and based on some previous group-government understanding. Agenda-setting, on the other hand, is most relevant in high-level governance,

and deals with identifying focus issues that attract great of attention from the public and media (*ibid*). The set of issues considered in the agenda could be discrete and predetermined (*a priori*), or triggered by certain crises and considerable noise from particular interest groups (*a posteriori*).

“[This] combination of approaches explains both continuity and change. Policies stay the same within policy communities because there is minimal external interest or a limited ability of outsiders to engage. Policies change when there is sufficient external interest to cause the collapse of previously insulated communities. External attention rises and the issues are considered in a broader political environment where power is more evenly spread and new actors can set the agenda.” (Baumgartner and Jones, 1993)

2.2 The Avalanche Budget Model

True (1997) claimed that macropolitical attention results in policy punctuations, “which in turn create major budget changes as they are implemented”. By applying the punctuated equilibrium theory on the budget process, True proposed the Avalanche Budget Model (2000), described as follows:

1. Rather than a single logic or process of decision making, government policy and budget decisions will reflect one set of processes at the subsystem level and another set of processes at the macropolitical level.²
2. When budget and policy decisions are left to policy subsystems, changes will be incremental.
3. When budget and policy decisions are made in the macropolitical institutions of the full Congress and the public presidency, changes will tend to be large scale (either major changes in funding levels or major changes in program law).
4. Rather than continuously adapting to changing circumstances, requests for more than incremental adjustments must compete for space on the macropolitical agenda, in which macropolitical attention lurches from one policy area to another and from one frame of reference to another.
5. Compared to a model of incremental change, the avalanche budget model expects both incremental and large-scale changes to occur.
6. Compared to a model of normal adaptation, the separate processes and institutions of the avalanche budget model will generate more than normal large-scale changes, more than normal incremental changes, and less than normal moderate changes.

(True, 2001)

In which **increments** are small top-ups to budget items, often for technical adjustments such as inflation, population change, and other factors; **avalanches**, on the other hand, are drastic upswings in allocation. True noted that when decision-making is left at the subsystem level, where technical personnel are compelled to follow rigorous rules, changes in the budget tend to

² The subsystem level consists of agency personnel — the technical staff involved in formulating the budget — while the macropolitical level includes the Presidency, the full Congress, the media, and the Supreme Court.

be incremental. In contrast, when budget decisions are made at the macropolitical level, major changes or funding shifts tend to occur (2001). Reflexively, increments and avalanches can be used as tools to diagnose deliberate governance choices: increments are indicators of stable policy commitments, while avalanches represent concrete high-level priorities.

3 Characterizing the 2018 Budget

With a total budget level of Php 3.767 trillion, the government's 2018 spending ceiling is **roughly 12% higher** than that of 2017. Such an increase is to be expected, as the country's national budget has been consistently growing for the past few years. Increments and avalanches, therefore, will be compared against figures culled from previously enacted budgets, and/or the proposed levels found in the 2018 NEP.

3.1 Top 10 Departments

Some gainers and losers emerge upon comparing the figures proposed by the executive with the final amounts appropriated for in the 2018 GAA. After legislative deliberations, the Department of Public Works and Highways (**DPWH**) and the Department of National Defense (**DND**) **rounded out with the highest increases**, with the DPWH budget increasing by **Php 7.62B** — 1.21% higher than NEP level — and the DND budget increasing by **Php 5.02B** — 3.47% increase from NEP .

Among the social services departments, the Department for Social Welfare and Development (**DSWD**) **got the highest increment**, increasing by **Php 3.95B** or 2.86% higher than NEP level. The increase in the (**DSWD**) budget was due to additional allocations for the Tax Reform Cash Transfers Project meant to mitigate the inflationary effect of the TRAIN Law among the poor (DBM, 2018).

Table 1 shows a summative comparison of budget allocations for the top 10 national government departments, including levels from the 2017 GAA, 2018 NEP, and 2018 GAA. Column A shows a percent change in budget levels between the 2018 NEP and 2018 GAA, while tables B and C show the absolute difference and percent change between (respectively) the 2017 and 2017 GAA. It's interesting to note that, roughly, **column A shows how Congress changed the executive's budget proposal**, while **column C shows the combined effect of changes from the executive and legislative**.

Based on the year-on-year comparison of allocations received by these major departments alone, it can be argued that DPWH, DoTR, DA, DILG, DOH, and DSWD received avalanche increases, while DND, DepED and DOST received incremental increases. Roughly speaking, **infrastructure, security, and peace and order rank highest in the administration's priorities, with health and social welfare following closely**. The massive increases in DPWH and DoTr, in particular, indicate that the government plans to spend substantially on the "Build, Build, Build" program for 2018.

Table 1. Top 10 Departments based on the 2018 NEP and 2018 GAA (in PHP)

Department	2017 GAA	2018 NEP	2018 GAA	[A] % Change (2018 NEP to 2018 GAA)	[B] Difference (2017 GAA to 2018 GAA)	[C] % Change (2017 GAA to 2018 GAA)
1. DPWH	454,721,013,000	630,243,311,000	637,864,483,000	+1.21	183,143,470,000	+40.28 ^A
2. DepEd*	544,109,087,000	585,735,332,000	552,522,689,000	-5.67	8,413,602,000	+1.55 ^I
3. DILG	148,037,078,000	170,733,651,000	170,763,865,000	+0.02	22,726,787,000	+15.35 ^A
4. DND	137,182,823,000	144,678,872,000	149,698,732,000	+3.47	12,515,909,000	+9.12 ^I
5. DSWD	128,301,467,000	137,865,349,000	141,814,436,000	+2.86	13,512,969,000	+10.53 ^A
6. DOH	96,336,792,000	104,719,742,000	107,299,569,000	+2.46	10,962,777,000	+11.38 ^A
7. DoTr	53,346,526,000	72,048,130,000	66,339,817,000	-7.93	12,993,291,000	+24.36 ^A
8. DA	45,222,425,000	51,833,306,000	53,336,259,000	+2.90	8,113,834,000	+17.94 ^A
9. DENR	26,645,954,000	27,116,460,000	24,910,729,000	-8.13	-1,735,225,000	-6.51
10. DOST	20,773,016,000	20,907,189,000	21,020,142,000	+0.54	247,126,000	+1.19 ^I

* DepEd budget does not include allocations for free tertiary education, as that is lodged under CHED

Legends: ^A Avalanche ^I Increment

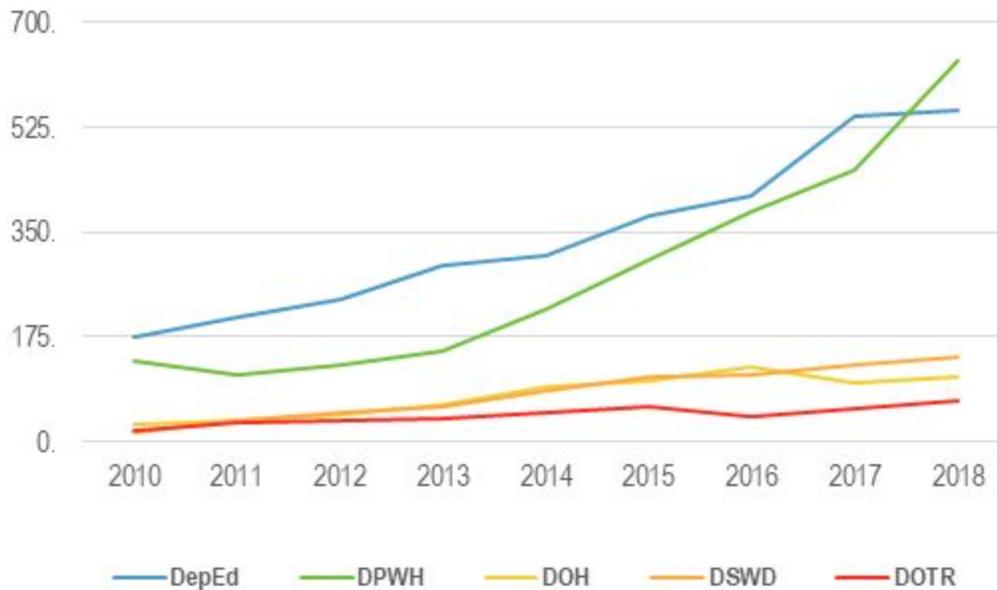
Sources:
 General Appropriations Act of 2017 (2016). Retrieved from <https://www.dbm.gov.ph/index.php/budget-documents/2017/republic-act-10924-general-appropriations-act-fy-2017>
 General Appropriations Act of 2018 (2017). Retrieved from <https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018>
 National Expenditure Plan of 2018 (2017). Retrieved from <https://www.dbm.gov.ph/index.php/budget-documents/2018/national-expenditure-program-fy-2018>

Since 2010, the DPWH budget has been steadily increasing, but the growth rates in the budgets of public works, highways, and transport did not come at the expense of allocations for social services departments. **Figure 1** shows that from 2010-2016, there were relatively large increases in the budgets of DSWD, DOH and DepEd as with the two infrastructure agencies. Although public spending for social services remain nominally huge in the 2018 Budget, **the increases pale in comparison to departments in charge of infrastructure and peace and order**. In fact, based on 2018 allocations, peace and order has overtaken social services as a priority. The DILG budget grew 15.35% this year owing to a **Php 20B** increase in the budget of the Philippine National Police (PNP), while the budgets of DOH, DSWD and DepEd grew 11.38%, 10.53% and 1.55%, respectively. DENR meanwhile, **lost Php 1.74B**, or 6.51% of its budget from 2017.

Following True's framework, it can be argued that the **incremental increases in the allocations for DSWD, DOH and DepEd suggests that budget decisions for social**

services agencies were largely left at the subsystem level, subject to the rules of public budgeting and existing program designs. **This is in contrast to the avalanches observed in the budgets of DPWH, DOTr and DILG which, evidently, were macropolitical budget decisions made by the Presidency, and which garnered strong support from the majority in Congress.**

Figure 1. Time Series Comparison of the DepEd, DPWH, DOH, DSWD, and DOTr Budget Allocations from 2010-2018 (in billion pesos)



3.2 The Public Education Budget

Based on DBM figures, total allocations for education in 2018 amount to **Php 705.8B** and **comprises 18.7%** of the year's budget. This covers pre-primary and primary education, as well as secondary and tertiary education (DBM, 2018b). The budget for the sector **grew by Php 57.6B** from its 2017 level of **Php 648.2B**. At the subsystem level, it appears that for President Duterte's economic managers, basic education was a funding priority over subsidizing free college tuition. Prior to the passage of the Universal Access to Quality Tertiary Education Act, the proposed DepEd budget actually stood at **Php 585.7B**. It was **Php 41.65B** or **7.65%** higher than the department's 2017 budget.

But the 2018 proposed budget for DepEd was significantly reduced during congressional budget deliberations with the need to free up some fiscal space to fund the requirements of the free tertiary education law. Among the major departments, **the DepEd budget suffered the biggest slash amounting to Php 33.21B**. These funds were initially proposed by DepEd for technical-vocational labs for Grades 11 and 12 students (**Php 30B**) (Cepeda, 2017a) and for its

school building program or the Basic Education Facilities Fund (**Php 3B**) (Cepeda, 2017b). These proposed funds were reallocated to the Commission on Higher Education (CHED) even as DepEd officials expressed concern over insufficient funding for the two programs.

In fact, when the 2018 Budget was being prepared, CHED did not propose funding for the free tertiary education law as they were not expecting President Duterte to sign the measure into law. While the bill was being discussed in Congress, the President’s economic team voiced strong opposition, arguing that the scheme will benefit only 12% of poor students. Budget Secretary Benjamin Diokno pointed out that the government could not shoulder the cost of implementation, as initial estimates ran as high as **Php 100B**. NEDA Director General Ernesto Pernia also cautioned that it would be fiscally unsustainable over time (Ordinario, 2017).

While these macropolitical budget decisions — that is, the choice to enact free tertiary education for SUCs and LUCs — on the part of the President and of Congress had indeed led to avalanches in the budgets of CHED and the SUCs, **improving the quality of basic education was effectively deprioritized**. A total amount of **Php 40B** was reallocated to CHED and SUCs while DepEd received its lowest increment since 2010. As shown in **Table 1**, the department ended up with a marginal net increase of 1.55% or only **Php 8.4B**.

In the course of the 2018 Budget deliberations, DBM Secretary Diokno said the budget department “would find ways to cut some agencies’ budgets,” in coordination with the House Committee on Appropriations and the Senate Committee on Finance. He added that if worse came to worst, submitting a supplemental budget was also an option (Lopez, 2017). Congress, however, decided differently when it exercised the power of the purse. Rather than considering other budgetary items with substantially larger allocations, it chose to significantly slash the budget for basic education, and decided that **what cannot be shouldered by the national government could instead be funded through loans**, as provided for in the free college tuition law:

“Other Sources of Funds. The national government is hereby authorized to prioritize funding this measure in negotiating and utilizing long-term deeply concessional official development assistance (ODA).” (Sec 16, RA 10931)

Funding the requirements of the free tuition law through loans is not fiscally sound and prudent. The abovementioned provision suggest that the sources of funds was a mere afterthought when it should have been a major consideration in deciding whether to pass the bill or not. The free tuition law is not a one-time avalanche. The government needs to provide funding for it annually. Every year, avalanches will occur in the budgets of CHED and the SUCs. The President’s economic managers had already warned that this would be unsustainable in the long run (Ordinario, 2017). But instead of heeding their recommendation, Congress and the President left technocrats and bureaucrats at the subsystem level to grapple with the long-term challenge of finding resources for it every single year.

4 ‘Avalanches’ in the 2018 Budget

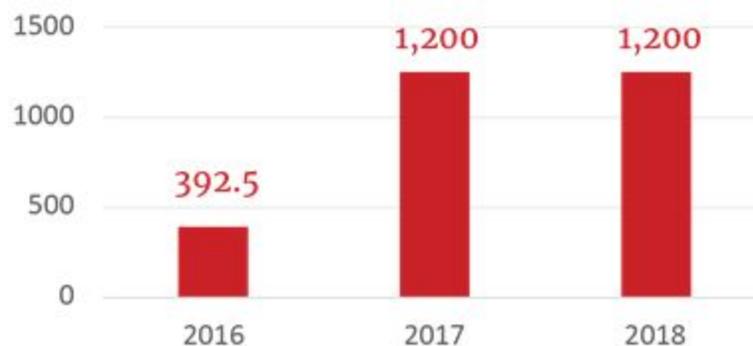
4.1 The Office of the President

When President Duterte assumed office in 2016, he sought a higher budget for the Office of the President (OP) in preparation for the country hosting of the 2017 ASEAN Summit. From a budget of **Php 2.8B in 2016**, the **OP budget ballooned over 600% to Php 20.2B in 2017**. **Php 15.5B** of this amount was allocated to various agencies for the hosting of the ASEAN Summit (Gutierrez, 2017), while the remaining **Php 4.7B** was meant for the expenses of running the President’s Offices. Thus, **excluding the budget for the hosting of the ASEAN Summit, the OP budget increased by over 60% in 2017**.

For 2018, the OP has a budget allocation of **Php6B**. Even though this is 70% lower than from 2017, the amount allocated for the OP’s day-to-day operations still rose. The current year’s OP budget is **Php 1.3B higher** than its 2017 allocations for regular programs and **Php3.2B higher** than the last OP budget under President Aquino. In other words, President Duterte’s 2018 OP budget is twice that President Aquino’s in 2016.

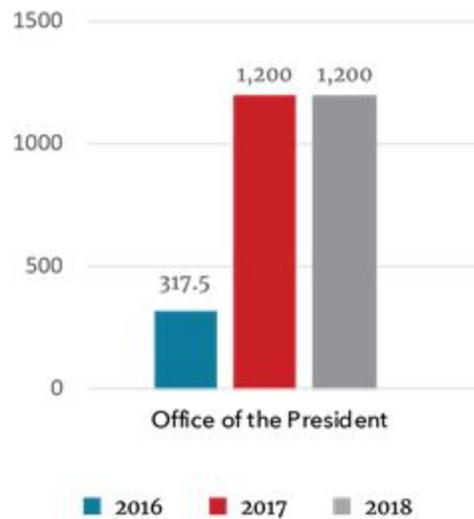
A closer look into the objects of expenditures³ within OP budget for the years 2016-2018 showed that certain items **grew in the range of 100%-500%** since President Duterte assumed office. Between 2016 and 2017, **confidential and intelligence funds** over which the President has full discretion **increased 218.5% and 293.7%**, respectively.

Figure 2. Increase in OP Confidential Fund from 2016 - 2018 (in million pesos)



³ Objects of expenditures refer to the type of goods or services (e.g. travelling expenses, communications expenses, supplies and material expenses) under an allotment class. An allotment class refers to the classification of expenditures under an item of appropriation (i.e. the program, project or activity included in the General Appropriations Act. The following are the allotment class categories: Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Financial Expenses (FinEx), and Capital Outlays (CO).

Figure 3. Increase in Office of the President Intelligence Fund from 2016 - 2018 (in million pesos)



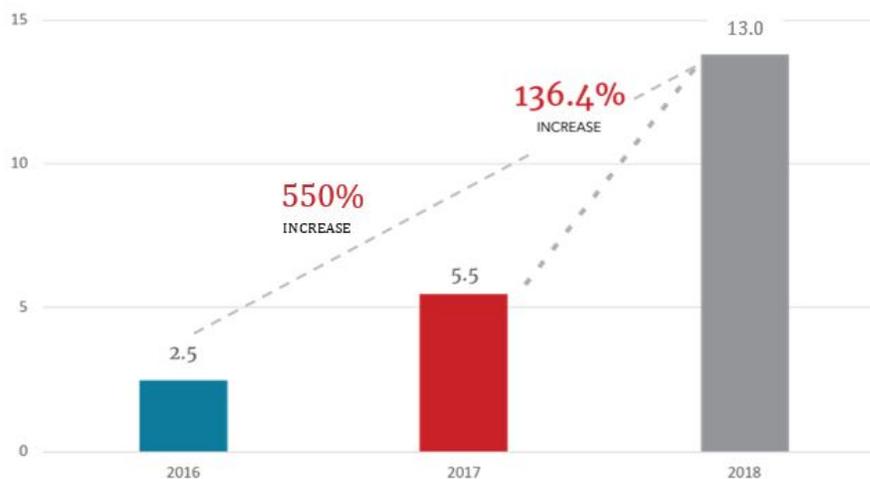
Funds for non-permanent positions and other MOOE expenditure items such as those meant for travel, communications, and professional services each grew substantially. Funds for non-permanent positions in 2018 **more than doubled** from its 2016 level, while professional services **ballooned 494.3%** in 2018. Funds for travel and communications each **grew almost 100% and 311.6%**, respectively.

These amounts found in the 2018 GAA are the same amounts reflected in the 2018 NEP. The proposed figures were left untouched during budget deliberations in both the House of Representatives and the Senate.

As shown in Table 2, travelling expenses under the OP's MOOE already amounts to **Php 885M** in 2018. Further, deficiencies in this allocation and other budget allocations within the President's operating budget may be augmented by the Contingent Fund. Reaching an unprecedented level of **Php 13B**, **President Duterte's Contingent Fund is historically the highest allocation that any Philippine President has ever had**. The Contingent Fund, which is a stand-by fund that can be used to cover the requirements of urgent and/or new projects and activities of government among other purposes (GAA 2018), **has never gone beyond Php 2.5B under previous presidencies**. Under President Duterte, it increased by **Php 3B in 2017** and **further increased by 136% in 2018**. It is **550%** higher than the 2016 Contingent Fund.

Table 2. Select Objects of Expenditures under the OP Budget

Budget Item	2016 GAA	2017 GAA	2018 GAA
Personnel Services (PS) Non-Permanent Positions	Php 256,543,000	Php 266,959,000	Php 535,891,000
Maintenance and Other Operating Expenses (MOOE) Travelling Expenses	447,209,000	2,128,255,000	884,979,000
Supplies and Material Expenses	74,670,000	488,001,000	128,670,000
Communications Expenses	25,024,000	1,315,657,000	102,997,000
Confidential Expenses	392,500,000	1,250,000,000	1,250,000,000
Extraordinary and Miscellaneous Expenses	10,427,000	12,067,000	19,835,000
Intelligence Expenses	317,500,000	1,250,000,000	1,250,000,000
Professional Services	50,887,000	2,114,739,000	302,412,000
Financial Assistance/Subsidy	0	9,508,000	17,924,000
Advertising Expenses	7,261,000	3,606,000	7,500,000
Subscription Expenses	1,946,000	5,476,000	9,788,000
Capital Outlay (CO) Buildings and Other Structures	0	10,000,000	300,300,000
Machinery and Equipment Outlay	20,791,000	500,000	6,870,000
Furniture, Fixtures, and Books Outlay	362,000	160,000	1,000,000
Sources: General Appropriations Act of 2016 (2015). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2016/general-appropriations-act-fy-2016/general-appropriations-act-2016-volume-i General Appropriations Act of 2017 (2016). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2017/republic-act-10924-general-appropriations-act-fy-2017 General Appropriations Act of 2018 (2017). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018			

Figure 4. Increase in the Presidential Contingent Fund from 2016 - 2018 (in million pesos)

The avalanches in the Office of the President’s budget as well as in the Contingent Fund could not have been a product of subsystem level budget decisions. As the 2018 allocations stand, **the President has at his disposal about Php 20B** from combined allocations in the OP budget (for day-to-day operations of his offices) and the Contingent Fund (for new programs or projects that he deems urgent).

The existence per se of discretionary funds like the Contingent Fund and Confidential and Intelligence Funds within the OP budget is not irregular. However, the sharp increases in these allocations since President Duterte assumed office are highly extraordinary. Given the President’s “strongman” leadership style, this casts worry and doubt over how the said funds would actually be used, considering that they are discretionary in nature. A Rappler report (2017) echoes this sentiment, and cites the case of the Philippine Charity Sweepstakes Office (PCSO) scam, which involved difficult-to-audit agency intelligence funds.

In the same report, Rappler also cited an interview with DBM Secretary Diokno, who, when asked about accountability for OP’s discretionary funds, simply asked people to trust Duterte; “we just have to trust him [Duterte] *na mabuting tao siya* (that he is a good person).”

Whether the Executive and Congress both allow continuous avalanches in discretionary items in the OP’s budget in the following years remains to be seen.

4.2 The Police and the Military

Aside from the passage of the free tertiary education law, which necessitated an allocation of **Php 40B** in the 2018 Budget, the President also signed into law **Joint Resolution No. 1**, which mandated a **100% increase** in the base pay of military and uniformed personnel

(MUP). The estimated total cost for the salary hike is **Php 64.2B** and will be funded from the 2018 Miscellaneous Personnel and Benefits Funds (MPBF). This is just the first round of increases. Another wave of salary increase for MUPs will take effect on January 1, 2019 (DBM, 2018b).

The increase in the base pay of MUPs comes against a backdrop of widespread criticism over President Duterte's anti-drug war campaign, and a specter of authoritarian rule looming large in the Philippines. **Amnesty International reported that crackdown campaign on drugs has led to a wave of unlawful killings across the country, many of which, have amounted to extrajudicial executions** (Amnesty International, 2017). Though the impact of the death squads as well as attacks on the media have yet to be measured, **Transparency International placed the Philippines on a watchlist due to the same violent campaign which the watchdog said was detrimental to democracy and democratic institutions** (Transparency International, 2017). **Freedom House has likewise placed the Philippines among a group of 10 countries that received lower ratings due to the thousands of extrajudicial killings as a consequence of the war on drugs** (Freedom House, 2017).

In February 2018, the International Criminal Court (ICC) **announced that it was investigating allegations that President Duterte had committed crimes against humanity**, in particular, the war on drugs which has **allegedly killed around 8,000 people** since the campaign began (Ellis-Petersen, 2018). While the president initially welcomed the investigations, he proceeded to order the withdrawal of the Philippines from the ICC (Ellis-Petersen, 2018). In a speech before policemen in Davao City, he also ordered the police and soldiers not to cooperate in any investigation on the drug war (Reuters, 2018).

Table 3. Comparison of Budget Allocations for Police Operations, Anti-Illegal Drugs Campaign, and Drug Treatment Centers under the 2018 NEP and GAA

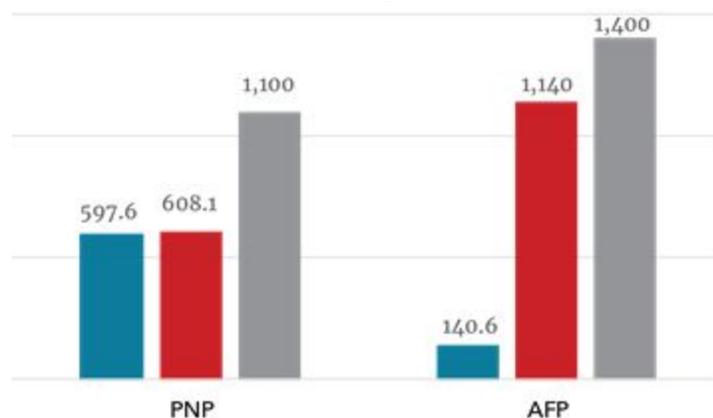
Budget Item	2018 NEP	2018 GAA	Difference
Philippine National Police Conduct of police patrol operations and other related confidential activities	Php 93,940,803,000	Php 94,873,337,000	Php 932,534,000
Oplan Double Barrel Project	900,000,000	0	-900,000,000
Department of Health Drug Treatment Centers	759,594,000	818,954,000	360,000,000
Sources: General Appropriations Act of 2018 (2017). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018 National Expenditure Plan of 2018 (2017). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2018/national-expenditure-program-fy-2018			

Over and above the increase in the base salaries of the police and the military, the avalanche in the budget of the Philippine National Police (PNP) and the Philippine Drug Enforcement Agency (PDEA) indicates that the police force is well-oiled and primed to continue anti-drug operations. The PNP had a proposed allocation of **Php 900M** in the 2018 NEP under locally-funded projects for a project called, “**PNP Anti-Illegal Drugs Campaign Plan-Double Barrel Project**” (Vol. II: p. 347). This line item was scrapped in the Senate, but reallocated elsewhere in the 2018 Budget. The PNP line item for police operations which had a proposed allocation of **Php 93.9B, increased by Php 932M** in the 2018 GAA (Vol. IB: p. 1037).

Executive Order No. 4, series of 2016 provided for the establishment and support of drug abuse treatment and rehabilitation centers throughout the country. It stated that the policy of the State is “to provide effective mechanisms or measures to reintegrate into society individuals, who have fallen victims to drug abuse or dangerous drug dependence, through sustainable programs of treatment and rehabilitation.” The avalanches that occurred in the PNP funds for operations and intelligence activities vis-a-vis the amounts allocated for rehabilitation do not appear to support this expressed policy. As the funds are programmed now, intelligence-gathering, law enforcement, and random drug testing are given priority.

Likewise, amid a commitment to remove the **Php 500M** MASA-MASID allocation from the DILG budget, the department still has **at least Php 295M** for programs supposedly with anti-drug components. Congress also retained the **Php 14M** allocation for an Anti-Illegal Drugs Information System, while the **PDEA budget for operations doubled (102.1% increase) from its proposed level to Php 2.4B**. Yet even with a bigger budget at its disposal, the agency said it would still have to rely on the PNP in conducting drug operations.

Figure 5. Increase in PNP and AFP Intelligence Fund, 2016 - 2018 from 2016 - 2018 (in million pesos)



4.3 The DPWH Local Infrastructure Program

As shown in **Table 1**, the DPWH received the highest increase among the major departments of the Executive branch. The **40.28% increase** in its budget is equivalent to **Php 183B** – a major funding avalanche that demonstrates the administration’s commitment to achieve the Philippines’ “golden age of infrastructure.” About **Php 580B** of the total **Php 637.8B** of DPWH will be used for its roads, bridges and flood control program, asset preservation program, network development program, convergence program, and local program.

In the 2018 NEP, the proposed DPWH allocation for its Local Program (e.g. national and local roads, multipurpose facilities, etc.) was only **Php 65.8B** (2018 GAA, Vol. II: p. 555). **It almost doubled to Php 118B after budget legislation** (2018 GAA, Vol. IB: p. 1166). The Local Program consists of sub-programs, namely: the Local Infrastructure Program (**LIP**), Various Infrastructure including Local Projects (**VILP**), and the PPP Strategic Support Fund. **Various local infrastructure projects proposed by legislators for their districts are typically inserted into the VILP item** of expenditure or P/A/P (Program/Activity/Project) during budget legislation.

Of the total **Php 118.96B** DPWH Local Program, **Php 69.22B (58%)** was allocated for VILP. This amount is **Php 27.48B more than the LIP**, which consists of projects programmed by the DPWH itself. **Php 41.74B** was allocated for LIP and **Php 8B** for its PPP Strategic Support Fund (2018 GAA, Vol. IB: pp. 1288-1345).

VILP consists of seven types of infrastructure projects: multipurpose facilities, flood control structures, drainage/protection works, national roads, local roads, local bridges, and water supply. Among these, local roads have the highest allocation, amounting to **Php 40.55B (58.58% of total VILP appropriations)**, followed by multipurpose facilities (e.g. multipurpose halls, covered courts, etc.) at **Php 10.28B (14.85% of total VILP appropriations)**. These two types of infrastructure projects alone amount to **Php 50.82B** worth of funds.

It would be useful to recall that according to the DPWH Special Provision (SP) regarding the implementation of the Local Infrastructure Program,

“priority shall be given to municipalities and their component barangays where the absolute number of poor families and the incidence of poverty are high... and in the order of LGU classification enumerated: (i) fourth to sixth class under Categories 1 and 2 provinces; (ii) fourth to sixth class in other provinces; (iii) second to third class; and (iv) first class.” (2018 GAA, Vol. IA: p. 1167)

Based on geographical distribution, the **VILP program does not seem to comply with the SP. Central Luzon, CALABARZON, and Eastern Visayas have gotten the highest share after NCR.** For Central Luzon, **nearly 50% of the regional allocation went to**

Pampanga. Meanwhile, NCR has more than half of the total VILP allocations. This is because many projects around the country, such as those in Mindanao, were lodged in the budget of the DPWH-Central Office and not in the budgets of their district engineering offices or DEOs within the regions. **The regions with the lowest allocations are SOCCSKSARGEN, CARAGA, and Cagayan Valley.**

Table 4. Top 5 and Bottom 5 Allocations for District Engineering Offices under the Various Infrastructure and Local Program

DEOs	Amount	% Share to Total VILP
TOP 5 Allocations		
Central Office	Php 38.8B	56%
Samar 1 st DEO	2.2B	3.14%
Metro Manila 1 st DEO	1.8B	2.67%
Batangas 4 th DEO	1.5B	2.20%
Pampanga 1 st DEO	1.4B	2.04%
BOTTOM 5 Allocations		
Leyte 1 st DEO Zambales 1 st DEO Camarines Sur 5 th DEO	Php 5M each	0.01%
Iloilo 2 nd DEO	4.9M	0.01%
Ifugao DEO	2M	0.01%
Palawan 3 rd DEO	2M	0.01%
Surigao del Sur 2 nd DEO	2M	0.01%
Source: General Appropriations Act of 2018 (2017). Retrieved from https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018		

Quite noticeable as well are **the higher allocations some DEOs have compared total allocations for entire regions.** Excluding the DPWH-Central Office, Samar's 1st DEO, Metro Manila's 1st DEO, Batangas' 4th DEO, Pampanga's 1st DEO, Misamis Occidental's 2nd DEO and Abra's DEO **have allocations way above total allocations for SOCCSKSARGEN, CARAGA, Cagayan Valley.** The aforementioned DEOs have allocations that fall within the **Php1B to Php2B range**, while **the bottom 2 regions (CARAGA and Cagayan Valley) have allocations of less than Php 500M (Php393.75M for CARAGA, Php 369.79M for Cagayan Valley).**

This is even more pronounced when the distribution per DEO is considered. Excluding DPWH-CO, DEOs which got the highest appropriations are Samar, Metro Manila, Batangas, Pampanga, Misamis Occidental. Apart from Samar, **most DEOs which got the highest total VILP allocations for the seven types of infrastructure projects are located in provinces that are not among the poorest in the country.**

The distribution of projects also shows an apparent disparity in allocations within the VILP program. Total appropriations per DEO went as high as **Php 2B** (e.g. Samar 1st DEO) and as low as **Php 2M** (e.g. Ifugao DEO). **Some DEOs also got zero appropriations for certain types of projects.**

While the avalanche in the DPWH budget supports the push for massive infrastructure development, the avalanche in the DPWH Local Program and how the VILP allocations, in particular, were distributed, confirm an earlier statement from House Speaker Pantaleon Alvarez, saying that legislators who do not support the shift to federalism would get zero allocations in the budget (ABS-CBN News, 2018).

5 Summary and Conclusion

Given that it was the first of its kind fully crafted under President Duterte, the budget contains clues about the administration's national policy. With a spending ceiling that is 12% higher than the 2017 Budget, locating significant increases in allocation would hint at where President Duterte intends to lead the country and what the government hopes to concretely achieve for the current year.

It is clear from the avalanches that infrastructure ranks as the highest priority. The government also continues to invest in education, social protection and agriculture. The increases are incremental in comparison to previous years, but it this may partly be due to the absorptive capacity of agencies. On the surface, the free tuition law appears to be an avalanche for the education sector, but a closer look into the 2018 Budget shows that funds for basic education suffered as a consequence of its passage.

Digging deeper under the avalanches, the macropolitical budget decisions reflected as items of expenditure in the 2018 Budget show that the Duterte administration's first financial blueprint heavily favors three groups of people: the Office of the President, the police and the military, and his allies in Congress. The VILP allocations ate up some much needed and contested fiscal space. It could have been used to fund other items, like the free tertiary education law, or channeled into social services, to fuel more reforms and transformation not contingent on infrastructure.

Lastly, the paper calls for heightened vigilance with regard to the budget and the budget process, manifested in civic awareness, citizen participation, and accountability, from all members of society: the government, its citizens, and all those who draw benefit from its protection.

Annex The Philippine Budget Process (The Lobbyist, 2017)



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