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A Note on the 2019 President's Budget

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Abstract

The short note on the 2019 President's Budget attempts to assess the proposed shift from obligation-based to cash-based budgeting and its implications on the 2019 proposed national budget. In the process, it aims to inform policy deliberations on Senate Bill 1761 (formerly Senate Bill 1450), otherwise known as the Budget Reform Bill, by discussing the concept of cash-based budgeting with focus on its advantages and disadvantages and also, its implications on the 2019 proposed national budget and on government operations and practices. It also examines the past disbursement performance of the national government as well as the factors affecting their performance. The note argues for the need to reconsider DBM's initiative to shift from obligation-based to annual cash-based budget scheme in view of the perennial issues that government agencies/units have been facing.

Keywords: government budget, obligation-based budget/appropriations, commitment-based budget/appropriations, cash-based budget/appropriations, annual cash-based appropriations, fiscal discipline, public financial management, Early Procurement Law, Budget Reform Bill, Budget Modernization Bill

Table of Contents

List of Tables

A note on the 2019 President's budget

Janet S. Cuenca*

1. Introduction

The 2019 President's Budget has not yet been approved and thus, the government will operate on a reenacted budget in the early part of 2019. It means that no new projects can start and the last tranche of salary increase for government employees will have to wait until the 2019 budget is approved. The delay in the approval of the 2019 budget stemmed from the opposition of some legislators to cash-based budgeting, which is blamed for significant budget cuts in crucial sectors such as the Department of Public Works and Highways (DPWH), Department of Health (DOH), and Department of Education (DepED), among others. Such opposition to cash-based budgeting is unexpected considering that the House of Representatives (HOR) passed in March 2018 House Bill No. 7302,[1] otherwise known as the Budget Modernization Bill, which mandates and institutionalizes the adoption of cash-based budgeting.

Apparently, there was limited understanding among the legislators of what cash-based budgeting is and its implications when HB 7302 was being deliberated. On the contrary, the fact that majority of member countries of the Organisation for Economic Cooperation and Development (OECD) adopt cash-based system of budgeting had been clearly pointed out in budget deliberations.[2] It was only on August 28, 2018 when House Resolution No. 2104 (i.e., Resolution directing the appropriate committee of the HOR to conduct an inquiry, in aid of legislation, on the legal basis and possible effects of the shift from obligation-based to a cash-based budgeting system as proposed in the fiscal year 2019 national budget) was introduced and adopted.

The said house resolution admits that HOR members are concerned of the effect of budget cuts on the delivery of goods and services and on government's infrastructure program and other vital projects. It also recognizes that the adoption of cash-based appropriations does not take into account possible obstacles (e.g., natural calamities and right of way problems) that could hamper government agencies' implementation of programs and projects within the fiscal year. Nevertheless, it is not sure whether the HOR members may and/or will actually recall HB7302.

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[1] An Act to Reform the Budget Process by Enforcing Greater Accountability in Public Financial Management (PFM), Promoting Fiscal Sustainability, Strengthening Congress' Power of the Purse, Instituting an Integrated PFM System, and Increasing Budget Transparency and Participation

[2] Congressional Record Plenary Proceedings of the 17th Congress, Third Regular Session of the House of Representatives dated September 19, 2018 (Wednesday), Volume 2 Number 22

The Department of Budget and Management (DBM)'s introduction of concept of cash-based appropriation in the proposed 2019 national budget is considered a breakthrough. It has placed the country alongside many developed countries (e.g., OECD countries)[3] that adopted cash-based budget system, which based on DBM (2018a, p.2) "has been proven to promote more disciplined and accountable budget execution." The DBM asserts that the benefits from cash-based budgeting are recognized worldwide and so cash-based budget system is adopted in majority of OECD member countries. As the widely used budget system, cash-based budgeting is envisioned to promote better discipline and accountability in fiscal management and in turn, will improve delivery of basic services.

Among OECD countries, 21 out of 34 (i.e., 62 percent) adopt cash basis for budget preparation and appropriations but many of these countries include information on debt, commitments,[4] and guarantees in the budget and thus, their budget system does not qualify as pure "cash basis" (See Figure 3 of Moretti 2016 in Annex A). Some countries that provide information on commitments in their budgets have regarded their budgeting system as "cash and commitment frameworks," instead of cash basis budgeting (Moretti 2016).

Moreover, replicating the budget reforms adopted by the OECD countries in developing countries such as the Philippines should be deliberated carefully because "reforms in OECD countries have been designed to deal with particular problems in these countries, and are unlikely to be applicable to problems of developing countries and transitional economies" and "even when problems are relevant, developing countries may not have the administrative capacity or other pre-requisites needed for the effective introduction of these reforms (Brumby nd, p.2)."

In this light, this short note attempts to assess the proposed shift from obligation-based to cash-based budgeting and its implications on the 2019 President's Budget. In the process, it aims to inform policy deliberations on Senate Bill 1761 (formerly Senate Bill 1450),[5] which likewise mandates the adoption of cash-based budgeting, by discussing the concept of cash-based budgeting with focus on its advantages and disadvantages over other systems of budgeting (i.e., obligation/commitment-based budgeting and accrual budgeting) and also, its implications on government operations (including the 2019 budget) and practices. It also examines the past performance of national government agencies in the implementation of programs, activities, and projects (PAPs), particularly in terms of budget utilization and disbursement, as well as the factors affecting their performance.

[3] Marti and Kasperskaya (2015, p.166) argue that "countries with a higher level of development are expected to have, on average, both better governance perception measures and a higher degree of sophistication of their PFM." PFM here refers to public financial management. The said study explores the link between PFM systems and expert perceptions of countries' governance in 97 countries, including the Philippines which is categorized under factor-driven countries based on the 2008 World Economic Forum Competitiveness Report. PFM are likely to influence the characteristics of governance perceptions such as voice and accountability, governmental effectiveness, and corruption perception. Countries with higher level of development tend to have greater budget transparency.

[4] Considered as a special feature of budget systems that do not fall neatly into the cash or accrual categories (Moretti 2016, p. 16)

[5] An Act to Reform the Budget Process by Enforcing Greater Accountability in Public Financial Management (PFM), Promoting Fiscal Sustainability, Strengthening Congress' Power of the Purse, Instituting an Integrated PFM System, and Increasing Budget Transparency and Participation

The rest of the short note is organized as follows. Section II discusses the concept of cash-based budgeting as well as its advantages and disadvantages over other budget schemes (i.e., obligation/commitment-based budgeting and accrual budgeting). Section III delves into the implications of cash-based budgeting on the 2019 President's Budget and on government operations and practices. Section IV examines the past disbursement performance of the national government and summarizes the factors affecting their performance as documented in the various reports of the Department of Budget and Management (DBM) and the Commission on Audit (COA). The short note ends with the concluding remarks in Section V.

2. Cash-Based Budgeting: Concepts and Pros and Cons

2.1. What is cash-based budgeting? How is it different from other systems of budgeting?

Cash-based budgeting is the budget system that proposes cash-based appropriations, which "guarantees and authorizes payments for the items (goods and services) that are included in the budget over a limited period of time, generally corresponding to the fiscal year in consideration." In contrast, obligation-based budgeting proposes obligation-based appropriations,[6] which authorize government agencies "to enter into contractual commitments and to make payments according to these commitments, without a predetermined time limit (DBM 2018a, p.2)."

Based on Marti (2006, p.48), "cash-based budgeting records receipts and outlays at the same time cash is received or paid, without regard to when the activity generating the revenue, consuming the resources, or increasing the liability occurs. Obligation-based budgeting focuses upon controlling the legal obligations or commitments entered that will require payment during the same or a future period. Accrual-based budgeting records transactions in the period when the activity generating the revenue, increasing the liability, or consuming the resources occurs. The term 'accrual budgeting' has been used to refer to the recording of budget costs based on financial accounting standards."

Accrual budgeting is also defined as the budget scheme that "consists of forecasting economic events[7] that will be generated by the government policies on accrual basis and managing obligations as opposed to cash - in other words, accrual budgeting forecasts and makes decisions about how rights to resources are established and received, and how obligations are incurred and settled (Moretti and Youngberry 2018, p.116)." It is defined in Schiavo-Campo and Tommasi (1999, p.5) in two ways, albeit the first one generally refers to "accrual-based budget":

[6] Also known as commitment-based appropriations, which authorize the government to make commitments and make payments for these commitments without a predetermined limit (Schiavo-Campo and Tommasi 1999; van der Hoek 2005); Adopted in the US, Philippines, or Micronesia (Schiavo-Campo and Tommasi 1999) but obligation-based and cash-based budgeting system is longstanding and still exists in the US (Jones 2012; Jones et al 2013, p.431)

[7] Or recognizing economic events (e.g., the delivery of a taxable service by a private company (for which the government accrues tax revenue), performance of a public service by a government employee (for which the government accrues a salary and perhaps a pension expense), or the loss or theft of a government asset such as a vehicle or equipment (for which a reduction in the asset stock will be recognized)) at the time at which they occur, regardless of when the related cash receipts and payments change hands (Moretti and Youngberry 2018, p.116)

1. A budget where appropriations are on an accrual basis[8] and are *not* a limit for cash payment or commitment (e.g., the New Zealand budget). Cash payments are controlled, but through separate means rather than on the basis of the appropriations.
2. A budget that presents accrual information and projections of the balance sheet of the government, but where appropriations also define cash limits. Many budgets of local governments in developed countries are presented along these lines. In Iceland, the budget is presented both on cash and on accrual basis.

In terms of appropriations, the difference between cash-based and accrual-based budgets lies in the treatment of pensions, running costs, and in the case of New Zealand, purchase of national assets such as national parks, highways, and parliament buildings (Schiavo-Campo and Tommasi 1999).

2.2. Advantages and disadvantages of cash-based budgeting

Cash-based budgeting promotes better discipline and accountability in fiscal management and improves the government's capacity in delivery of basic services (DBM 2018a). It responds well to the need for expenditure control and budget administration. In contrast, accrual-based budgeting fosters performance because of the availability of information on full costs, which provides incentive to agencies to assess their costs and also, the availability of accrual information on liabilities or interest subsidies, which is beneficial for transparency and policy formulation (Schiavo-Campo and Tommasi 1999).

Nevertheless, attempt to implement accrual budgeting might pose major problems to developing and transition countries considering that (i) accrual budgeting requires full accrual accounting, which entails heavy requirements, and (ii) improving cost measurement and assessing and ensuring accuracy of (estimates of) full costs is a challenge, among others (Schiavo-Campo and Tommasi 1999). On the other hand, under cash basis budget scheme, "spending ministries can incur liabilities requiring payments in future years without having to count them against their budgets at the time the liabilities are incurred," thus creating "perverse behavioural incentives for individual spending ministries (and for the government as a whole) by encouraging them to spend now while deferring payments to the future." Accrual budgeting can be used to induce spending ministries to control their liabilities better (i.e., by counting against their budgets the expenses that involve future payments) [Robinson 2016, p.39].

[8] Accrual-based appropriations cover full costs, for the operations of a department and other increases in liabilities or decreases in assets (called expenses by accountants). Full costs are the goods and services consumed (as opposed to acquired) over a period. Therefore, depreciation for physical assets, variations in inventories and variations in liabilities are added to actual payments to calculate the full costs of a program (Schiavo-Campo and Tommasi 1999, p.2; van der Hoek 2005).

Table 1 provides a summary of the arguments in favor and against cash and accrual budgeting found in the literature (van Helden and Reichard 2018). Most of the comparison done in the literature is between cash budgeting and accrual budgeting. Cash and accruals are regarded as two end points on a spectrum of possible accounting and budgeting bases (Blondal 2003). OECD member countries have traditionally adopted the cash end of the spectrum for their public sector activities but to date majority (i.e., about three quarters) of these countries have shifted to accruals end of the spectrum, particularly to accrual accounting with some implementing accrual budgeting as well (Blondal 2003; Moretti and Youngberry 2018).

Table 1. Overview on arguments used in literature in favour and against cash and accrual budgeting respectively

Criteria for assessment	Cash Budgeting	Accrual Budgeting	Assessment
Consistency of accounting system for budgeting and financial reporting	CB and AR follow diverging logics and cannot easily be compared with each other. The two modes are thus incoherent.	AB and AR follow the same accrual logic and both parts of the system are aligned with each other.	Clear argument in favour of AB
Appropriateness for financial and fiscal steering and control	CB is focused on budget authorization. It allows easy planning and control of monetary spending of government ("money is core"). CB is more connected with fiscal policy-making, e.g. with the level of indebtedness, fiscal sustainability reporting or midterm expenditure frameworks which are all cash-based.	Spending control via AB is more ambiguous and spending departments have more discretion. Risk of overspending may be higher. Budgetary focus may shift from compliance to general performance issues. On the other side, accrual information has a mid-term perspective (e.g. pension provisions) which is lacking for cash information. Moreover, macroeconomic fiscal statistics like ESA and GFS are based on accrual data. Accrual-based budgetary reporting would need less significant adjustments for transformation into national (macro-economic) accounts compared to cash-based reporting.	Generally stronger arguments for CB, but with some limitations, e.g. with regard to national accounting
Coverage of financial information	CB has a limited focus: it only discloses cash-related transactions while non-cash activities are excluded. Thus, CB doesn't inform about the full resource creation and consumption of a public sector organization.	AB doesn't exclude the disclosure of cash data: Usually, the AB includes accrual data as well as cash flow figures. Furthermore, AB covers full costs of government activities (e.g. depreciation of assets) and not only cash-related transactions. Contingent liabilities like provisions are also disclosed (although certain long-term obligations like social insurance benefits are not covered). Thus, AB may lead to higher inter- generational equity and result in strengthened accountability.	Clear advantages of AB
Usability of budget by major stakeholders	The content and functioning of CB are easily comprehensible, also by non-experts like elected politicians in the budget committee. Cash is an unambiguous "language". The CB doesn't require sophisticated accounting knowledge.	AB is more complex and difficult to understand and to handle. It requires some solid accounting knowledge of the major actors. Elected politicians are said to be reluctant to use accruals, and thus budgetary powers may shift from legislation to professionals. Furthermore, AB requires considerable discretion of managers to decide e.g. on valuation of assets. Because of high complexity, the budget cycle may be overloaded and not be finished in time.	CB is easier manageable and less demanding; this may be partly outweighed by various disadvantages of CB
Manipulation risk	CB is considered as being vulnerable to manipulation, e.g. by anticipating or postponing cash-transactions.	Also AB is suspected to be manipulated, e.g. with regard to the valuation of assets or interest rates. Manipulation in AB may be more difficult to be detected and to be prevented compared to CB.	Highly contestable for both CB and AB

Source: van Helden and Reichard (2018)

Nevertheless, accruals is more popular for financial reporting than for budgeting purposes (Blondal 2003; Alijarde and Julve 2014; Warren 2014; Marti and Kasperskaya 2015; Moretti 2016; van Helden and Reichard 2018). In particular, a number of countries (i.e., 34 percent when reckoned world-wide and 50 percent among OECD countries) use cash for budgeting and accruals for financial reporting at the central government level (van Helden and Reichard 2018).

As a caveat, financial reporting might not be taken seriously or it might be viewed as "a purely technical accounting exercise" if accruals is adopted only for financial reporting and not for budgeting (e.g., the budget is on a cash basis) [Blondal 2003, p.44]. Such practice may contradict a basic financial management logic that underscores the importance of coherent system for budgeting and financial reporting to ensure that planned and realized financials are comparable. This argument brings to the fore the need for cautious choices on accounting systems that will be adopted for budgeting and reporting purposes in the public sector (van Helden and Reichard 2018). Further, the International Monetary Fund noted the divergence in budgeting and reporting processes and urged that such divergence (i.e., between budgetary, reporting, and statistical measures of government financial performance) be reduced (Warren 2014).

In the case of OECD countries, questions on the cost and usefulness of accrual reforms are increasingly posed. The unsettled debate is whether only those countries adopting accrual budgeting can achieve full benefits of accrual accounting (Moretti and Youngberry 2018). Nevertheless, governments in many Western countries have retained cash-based budgeting systems despite shifting their cash-based systems into accrual-based systems for reporting in the last decades. Although combining accruals for both budgeting and financial reporting ensures consistency between the budgeting and reporting logic and accruals provide richer information relative to cash-based systems, there is also merit in combining cash for budgeting and accruals for reporting which provides easy control mode with the comparison of cash-based appropriations and actual cash outflows. The choice between cash and accruals for budgeting should depend on the assessed added value to the users (Reichard and van Helden nd).

Austria, New Zealand, and the United Kingdom (UK) regard the use of accrual concepts in their budget cycle (i.e., for the budget, accounts, and statistics) as a critical factor in obtaining better outcomes from accrual reforms (Moretti and Youngberry 2018). Australia, New Zealand, and UK aligned their accounting standards across budgets, statistics, and accounts on accrual basis for greater transparency and accountability at the national level (Marti and Kasperskaya 2015).[9]

Austria and UK recognize the importance of consistency of the entire accounting system and the need to include information on resource consumption in the budget. In contrast, Belgium and Portugal continue to adopt cash budgeting despite the use of accruals-based financial reporting because for them a clear view at cash spending is authoritative for their budgeting concept and also, because accrual-based budget is not acceptable to political decision makers in these countries. The change process that occurred in these four countries was driven by several contextual factors (e.g., cash- accounting legacies and previous NPM-reforms). In terms of implementation, cash-based budgeting with accrual financial reporting takes more time than accruals for budgeting and financial reporting (van Helden and Reichard 2018).

[9] New Zealand and Australia pioneered the adoption of accrual accounting in the 1990s because of the limitations of the traditional cash-based systems in tracking government spending efficiency (Marti and Kasperskaya 2015).

3. Cash-Based Budgeting: Implications on the 2019 President's Budget and Government Operations and Practices

3.1. Implications on the 2019 President's Budget (2019 National Expenditure Program or NEP)

This section examines the implications of cash-based budgeting on the proposed national budget with highlight on the Department of Public Work and Highways (DPWH), Department of Education (DepED), Department of Health (DOH), and Department of Social Welfare and Development (DSWD). These national government agencies are critical in fulfilling the Duterte Administration's "commitment to make change happen, and for good" through its passion to build (i.e., build public infrastructure through "Build, Build, Build" and build human capital or build up the Filipino people by focusing on health and education) [DBM 2018a, p.4; Duterte 2018].

The shift from obligation-based appropriations to annual cash-based appropriations is the government's way of modernizing the budgeting system to meet international standards and adopt good practices that will improve better service delivery (Duterte 2018). It made the 2019 proposed national budget disciplined (i.e., by drawing up the agency budgets based on absorptive capacity and the readiness of programs, activities, and projects or PAPs to be implemented within the fiscal year), accountable (i.e., by assessing agency performance based on PAPs implemented and outputs delivered and paid within the fiscal year), and an instrument for faster service delivery (i.e., by pushing agencies to deliver their PAPs within the fiscal year lest their cash appropriations will revert to the Treasury and will need re-appropriation) [DBM 2018b] but its actual impact highly depends on how the budget will be executed.

In this light, the 2019 proposed budget includes only the most "implementation-ready" or "shovel-ready" PAPs, which resulted in seemingly reduction in budget of various agencies relative to the previous year's approved budget (i.e., 2018 General Appropriations Act/GAA). Straightforward comparison of the 2018 GAA and 2019 NEP is misleading because the two budgets are not comparable (i.e., obligation-based budget vis-à-vis cash-based budget) as emphasized in DBM (2018a; 2018b). DBM (2018a) and DBM (2018b) provide agency-level comparable data (i.e., 2018 cash-based equivalent based on the agencies' monthly disbursement program/MDP and 2019 cash-based budget),[10] albeit comparable data for specific PAPs are neither included in the said briefer nor in the technical notes accompanying the proposed budget (i.e., DBM 2018a).

Table 2 shows the comparable data for the top 10 departments/recipients.[11] The education gets the highest priority in budget allocation but it posted a modest increase of 11 percent compared to other gainers in the 2019 budget (e.g., Department of Transportation/DOTr with 89.3%, Department of National Defense/DND with 34.4%, Autonomous Region in Muslim Mindanao/ARMM with 32.4%, Department of the Interior and Local Government/DILG with

[10] With different budget for the education sector, i.e., PhP587B based on DBM (2018a) vis-à-vis PhP590B based on DBM (2018b)

[11] Although the table indicates that the 2019 NEP is cash-based, it should be noted that DBM (2018e) cautions that the 2019 NEP presents the modified cash-based FY 2019 budget as it includes both cash-based appropriations and the obligations from previous years' appropriations along with the payments for received deliveries. A comparison of Table 2 and Table 3 reveals that the cash-based budget for the education sector in Table 2 (PhP659B) is bigger than the aggregate budget for the education sector in Table 3 (PhP624B). The same observation holds true for the other sectors (e.g., DPWH's budget of PhP555.7B based on Table 2 vis-à-vis PhP545B based on DBM (2018g)). While DBM (2018b) assures the comparability of the figures in Table 2, this note points out the need to reconcile the data provided in Table 2 and the data provided in Annex B of DBM (2018g).

30.9%, and DPWH with 25.8%). The DPWH follows DepED in ranking. The highest priority given to education and infrastructure is consistent with the pronouncement of Duterte's Administration on prioritizing human capital development as well as infrastructure development.

Table 2. Top Ten Departments/Recipients (in billion Pesos)

DEPARTMENT/ RECIPIENT	2018 MDP[1/] (Cash-based equivalent)		2019 NEP (Cash-based)		INCREASE/ DECREASE	
	Amount	Rank	Amount	Rank	Amount	%
Education (DepEd, SUCs, CHED, TESDA)	589.9	1	659.3	1	69.4	11.8
DPWH	441.8	2	555.7	2	113.9	25.8
DILG	172.4	3	225.6	3	53.2	30.9
DND	136.5	6	183.4	4	46.9	34.4
DSWD[3/]	164.4	4	173.3	5	8.9	5.4
DOH[4/]	153.7	5	141.4	6	-12.3	-8
DOTr	40.2	8	76.1	7	35.9	89.3
DA	50.7	7	49.8	8	-0.9	-1.8
Judiciary	35.4	9	37.3	9	1.9	5.4
ARMM	24.4	10	32.3	10	7.9	32.4

[1/] DBM-approved, net of Prior Years' Payments and Accounts Payable. Agency Specific Budget excludes allocations from Special Purpose Funds

[2/] Includes projected Current Year's Accounts Payable to be paid in 2019

[3/] Includes provision for Unconditional Cash Transfer lodged under the Land Bank of the Philippines

[4/] Includes budget of the Philippine Health Insurance Corporation

Source: DBM (2018b)

A closer look at the proposed 2019 budget provides a better understanding of the budget allocation within sector. In particular, the education sector includes the Department of Education (DepED) and its attached agencies, State Universities and Colleges (SUCs), Commission on Higher Education (CHED), and Technical Education and Skills Development Authority (TESDA). Notably, DepED's budget comprises bulk of the allocation for the education sector, with the Office of the Secretary (OSEC) accounting for 81.7 percent of the total DepED budget, on the average in 2017-2019.

Table 3. Summary of Obligations and Proposed New Appropriations Education Sector (in thousand pesos)

Department	Obligation-Based		Cash-Based	Share to total Education		
	2017 Actual	2018 Adjusted	2019 Proposed	2017 Actual	2018 Adjusted	2019 Proposed
EDUCATION	481,518,996	672,414,724	624,061,030	100	100	100
DepED	401,217,993	553,312,832	498,334,990	83.32	82.29	79.85
of which	0	0	0			
Office of the Secretary	400,449,606	552,522,689	497,756,382	83.16	82.17	79.76
National Book Development Board	39,611	44,691	48,768	0.01	0.01	0.01
National Council for Children's Television	23,148	14,398	15,151	0.00	0.00	0.00
National Museum	517,478	521,871	363,860	0.11	0.08	0.06
Philippine High School for the Arts	130,693	135,667	93,182	0.03	0.02	0.01
Early Childhood Care and Development Council	57,457	73,516	57,647	0.01	0.01	0.01
SUCs	56,273,648	62,115,320	61,572,413	11.69	9.24	9.87
CHED	17,284,275	49,426,187	49,499,081	3.59	7.35	7.93
TESDA	6,743,080	7,560,385	14,654,546	1.40	1.12	2.35

Source: DBM (2018g)

Apparently, DepED's OSEC directed the biggest chunk (i.e., about 96 percent, on the average in 2017-2019) of its budget to operations, which are classified into five programs as specified in Table 4. In particular, it allocated about 60 percent, on the average in 2017-2018, of its budget for support to schools and learners program and about 33 percent, on the average in 2017-2018, of its budget for basic education inputs program. With the shift to cash-based budgeting, the share of support to schools and learners program increased to 78.5 percent in 2019, with a concomitant significant reduction in share of basic education inputs program, i.e., from an average of 33 percent in 2017-2018 to only 16.3 percent in 2019.

Table 4. Summary of Obligations and Proposed New Appropriations for DepED OSEC (in billion pesos)

	Obligation-based		Cash-based	Share to total		
	2017 GAA	2018 GAA	2019 NEP	2017	2018	2019
GAS	15.74	26.16	12.31	2.90	4.74	2.47
Support to operations	1.20	3.35	3.20	0.22	0.61	0.64
Operations	526.25	523.01	482.25	96.88	94.66	96.88
of which						
1. Education Policy Development Program	5.63	7.24	7.60	1.04	1.31	1.53
2. Basic Education Inputs Program	188.77	169.08	81.20	34.75	30.60	16.31
of which						
Learning Tools and Equipment	4.54	7.80	4.12	0.84	1.41	0.83
Basic Education Facilities	118.78	105.46	34.74	21.87	19.09	6.98
Quick Response Fund	0.00	2.00	2.00	0.00	0.36	0.40
Creation and Filling up of Positions	55.07	39.16	32.19	10.14	7.09	6.47
Textbooks/Instructional Materials	3.04	2.99	1.79	0.56	0.54	0.36
DepED Computerization Program	6.85	8.66	4.28	1.26	1.57	0.86
3. Inclusive Education Program	8.68	1.25	0.75	1.60	0.23	0.15
4. Support to Schools and Learners Program	319.42	342.02	390.76	58.80	61.90	78.51
of which						
Elementary (Kinder to Grade 6)	177.22	193.39	209.21	32.63	35.00	42.03
Secondary	96.77	0.00	0.00	17.81	0.00	0.00
Junior High School (Grade 7 to Grade 10)	0.00	97.49	110.05	0.00	17.64	22.11
Senior High School (Grade 11 to Grade 12)	0.00	14.14	26.97	0.00	2.56	5.42
School-Based Feeding Program (SBFP)	0.00	5.30	3.97	0.00	0.96	0.80
Education Service Contracting (ESC) Program for Private Junior High Schools	9.46	10.67	10.67	1.74	1.93	2.14
Voucher Program for Private Senior HS	23.86	13.69	18.76	4.39	2.48	3.77
Voucher Program for Non-DepEd Public Senior HS	1.28	0.74	1.53	0.24	0.13	0.31
Joint Delivery Voucher for Senior HS TecVoc and Livelihood Specialization	1.18	1.16	1.16	0.22	0.21	0.23
5. Education Human Resource Development Program	3.75	3.42	20.53	0.69	0.62	0.39
Total	543.19	552.52	497.76	100.00	100.00	100.00
Memo item	2017 (Actual)	2018 (Adjusted)	2019 (Proposed)			
Based on Volume 3 of the 2019 NEP (DBM 2018g)	400.45	552.52	497.76			

Source of raw data: 2017 GAA, 2018 GAA.and 2019 NEP

Ironically, two of the three identified banner programs of the Administration in improving accessibility, learning condition, and competency of schools and training institutions, namely the basic education facilities program and the government financial assistance and subsidy to students and teachers[12] (DBM 2018a) account to only about 7 percent and 6.5 percent, respectively, of the 2019 proposed budget for DepEd OSEC. In contrast, support for elementary and junior high school under the support to schools and learners program represents about 64 percent of the DepED OSEC's budget (Table 4).

As regards DPWH's budget, the increase of 25.8 percent posted in 2019 (Table 2) improves the share of support to operations to total DPWH budget from 7 percent in 2018 to 9 percent in 2019 but the share of operations to total DPWH budget deteriorates from almost 73 percent in 2018 to 67 percent in 2019. Such reduction in share of operations to total DPWH budget is associated with the decline in share of network development[13] to total DPWH budget from 29 percent in 2018 to 23 percent in 2019 and also, in share of convergence and special support program[14] from 8 percent in 2018 to 6 percent in 2019. Nevertheless, network development still has the biggest share of DPWH budget pie as compared to the other PAPs (Table 5).

Table 5. Summary of Obligations and Proposed New Appropriations for DPWH OSEC (in billion pesos)

	Obligation-based		Cash-based	Share to total		
	2017 GAA	2018 GAA	2019 NEP	2017	2018	2019
GAS	10.37	9.46	10.46	2.28	1.48	1.92
Support to operations	41.19	44.53	50.01	9.06	6.98	9.18
Operations	309.55	464.92	364.16	68.07	72.89	66.88
of which						
1. Ensure Safe and Reliable National Road System/ National Road Network Services	216.89	286.22	215.60	47.70	44.87	39.60
Asset Preservation of National Roads	41.41	64.98	58.99	9.11	10.19	10.83
Network Development	140.93	185.51	122.92	30.99	29.08	22.57
Bridge Program	34.54	35.73	33.70	7.60	5.60	6.19
2. Protect lives and properties against major floods/ Flood Management Services	72.93	127.73	114.30	16.04	20.03	20.99
3: Convergence and Special Support Program/ Maintenance and Construction Services of other infra	19.73	50.96	34.26	4.34	7.99	6.29
Projects	93.61	118.96	119.89	20.59	18.65	22.02
Locally funded	83.63	118.96	119.89	18.39	18.65	22.02
of which						
Buildings and Other Structures	19.32	35.81	32.39	4.25	5.61	5.95
Flood Control and Drainage	6.07	11.27	17.33	1.33	1.77	3.18
National Roads	22.17	12.21	30.26	4.88	1.91	5.56
National Bridges	5.51	0.00	0.68	1.21	0.00	0.12
Local Roads	24.68	51.33	33.85	5.43	8.05	6.22
Local Bridges	2.28	5.11	4.03	0.50	0.80	0.74
Water Management	3.61	3.24	1.35	0.79	0.51	0.25
Foreign assisted	9.97	0	0	2.19	0.00	0.00
of which	0	0	0			
Buildings and Other Structures						
Flood Control and Drainage	2.23	0	0	0.49	0.00	0.00
National Roads	6.62	0	0	1.46	0.00	0.00
National Bridges	1.13	0	0	0.25	0.00	0.00
Local Roads						
Local Bridges						
Water Management						
Total	454.72	637.86	544.52	100.00	100.00	100.00

Source of raw data: 2017 GAA, 2018 GAA.and 2019 NEP

[12] Includes ESC program for private junior high schools, voucher program for private senior high schools, voucher program for non-DepED public senior high schools, and joint delivery voucher for senior high school technical vocational and livelihood specializations

[13] Includes road widening and upgrading (i.e., from unpaved to paved) and construction of bypasses, diversion, roads, flyovers, interchanges, and underpasses, among others

[14] Includes construction and improvement of access roads leading to airports, seaports, and declared tourist destinations, and construction and rehabilitation of accessibility facilities for physically challenged persons, among others

Budget prioritization favors asset preservation of national roads with budget share of 10.8 percent in 2019 vis-à-vis 10.2 percent in 2018; bridge program with 6.2 percent in 2019 vis-a-vis 5.6 percent 2018; flood management services with almost 21 percent in 2019 vis-à-vis 20 percent in 2018; and locally funded projects with 22 percent in 2019 vis-à-vis 19 percent in 2018 (Table 5).

In contrast, the reduction of 8 percent in the DOH's budget in 2019 places the agency in 6th notch among the top ten recipients. This contradicts the supposed priority given to it to foster human capital development (DBM 2018a; Duterte 2018). Such reduction translates into deterioration in the share of operations to the total DOH OSEC budget, i.e., from an average share of about 86 percent in 2017-2018 to only 77 percent in 2019 (Table 6). On the contrary, it means increases in the share of general administration and support to total budget (i.e., from 8.3 percent in 2018 to 11.9 percent in 2019) and support to operations (i.e., from 2 percent in 2018 to 2.9 percent in 2019) [Table 6].

Table 6. Summary of Obligations and Proposed New Appropriations for DOH OSEC (in billion pesos)

	Obligation-based		Cash-based	Share to total		
	2017 GAA	2018 GAA	2019 NEP	2017	2018	2019
GAS	7.43	8.78	8.33	7.80	8.28	11.88
Support to Operations	1.53	2.17	2.04	1.61	2.04	2.91
Operations	82.33	90.26	54.12	86.41	85.09	77.17
of which:						
1. Health Policy and Standards Development Program	0.63	0.21	0.22	0.66	0.20	0.31
2. Health Systems Strengthening Program	34.96	41.24	2.55	36.69	38.87	3.63
of which						
2.a. Service Delivery Subprogram	26.92	31.08	0.92	28.26	29.30	1.32
of which:						
Health Facility Policy and Plan Development	0.00	0.24	0.19	0.00	0.23	0.27
Health Facilities Enhancement Program	23.62	30.27	0.05	24.79	28.53	0.07
Local Health Systems Development and Assistance	3.30	0.40	0.27	3.46	0.38	0.38
Pharmaceutical Management	0.00	0.16	0.42	0.00	0.16	0.59
2.b. Health Human Resource Subprogram	7.91	9.84	1.33	8.30	9.27	1.89
2.c. Health Promotion	0.12	0.32	0.29	0.13	0.30	0.42
3. Public Health Program	18.38	19.59	17.41	19.29	18.47	24.83
of which:						
Public Health Management	0.00	4.62	4.04	0.00	4.36	5.76
Operation of PNAC Secretariat	0.01	0.01	0.01	0.01	0.01	0.01
Environmental and Occupational Health	0.07	0.00	0.03	0.08	0.00	0.04
National Immunization	7.10	7.44	7.55	7.46	7.01	10.76
Family Health, Nutrition and Responsible Parenting	4.27	3.64	2.47	4.48	3.43	3.53
Elimination of Disease such as Malaria, Schistosomiasis, Leprosy and Filariasis	0.89	0.37	0.22	0.94	0.35	0.31
Rabies Control	0.49	0.58	0.91	0.52	0.55	1.30
Prevention and Control of Other Infectious Diseases	1.97	1.69	0.74	2.07	1.60	1.05
TB Control	1.32	0.78	0.88	1.39	0.74	1.26
Assistance to Philippine Tuberculosis Society (PTS)	0.01	0.01	0.01	0.01	0.01	0.02
Prevention and Control of Non-Communicable Diseases	2.22	0.43	0.56	2.33	0.41	0.79
Assistance to Private Sector Health Centers	0.01	0.00	0.00	0.01	0.00	0.00
4. Epidemiology and Surveillance Program	0.12	0.06	0.26	0.12	0.06	0.38
5. Health Emergency Management Program	0.23	0.82	0.77	0.24	0.77	1.10
6. Health Facilities Operation Program	27.33	27.58	32.09	28.69	26.00	45.76
7. Health Regulatory Program	0.68	0.75	0.82	0.71	0.71	1.16
Projects	3.98	4.87	5.63	4.18	4.59	8.03
Locally funded	3.98	4.87	5.63	4.18	4.59	8.03
Total	95.27	106.08	70.12	100.00	100.00	100.00

Source of raw data: 2017 GAA, 2018 GAA.and 2019 NEP

Among the various DOH OSEC programs, health facilities enhancement program (HFEP) posted a dramatic drop in budget share in 2019, i.e., from about 25 percent in 2017 and almost 29 percent in 2018 to less than 1 percent in 2019 due to DOH's poor performance in implementing the program (DBM 2018a). Looking back, HFEP got the biggest chunk (i.e., almost 29 percent) of DOH budget in 2018, followed by health facilities operation program[15] which received 26 percent of the total DOH budget. In 2017, HFEP was second to health facilities operation program, which accounted for almost 29 percent as compared to HFEP's 25 percent. From a priority program, HFEP now joins the programs with the least budget share (e.g., environmental and occupational health with 0.04 percent, among others). On the other hand, health facilities operation program now has the largest share (i.e., almost 46 percent) of the DOH budget pie, which is 20 percent higher than its 2018 budget share (Table 6).

On the other hand, the increase in DSWD's budget by 8.9 percent (Table 2) results in increases in budget share of general administration and support with 0.53 percent in 2019 from 0.50 percent in 2018 and also, budget share of support to operations with 2.81 percent in 2019 from a low budget share of 0.62 percent in 2018. The latter is associated with significant increase in budget share of NHTS-PR (i.e., from a meager budget share of 0.10 in 2017-2018 to 2.15 percent in 2019). On the contrary, the budget share of operations dips from almost 99 percent in 2018 to 97 percent in 2019 (Table 7).

Notably, DSWD OSEC's budget is thinly spread across the many programs and projects. Majority of the budget items under operations receive less than 1 percent of the DSWD OSEC budget. Likewise, shifts in budget prioritization are noticeable across these budget items, except for the Pantawid Pamilyang Pilipino Program or 4Ps which consistently represents the largest share of the DSWD OSEC budget pie in 2017-2019. From a budget share of 61 percent in 2017, 4Ps now has budget share of 65 percent and thus, it remains as the top recipient of the DSWD OSEC budget (Table 8).

Social pension for indigent senior citizens accounts for the second biggest share, albeit such share is much lower (i.e., 17 percent in 2019, which is 3.36 percent higher compared to 2018's) than that for 4Ps. Combining all the budget allocations for the other top 10 recipients (i.e., non-4Ps) form part of about 31.5 percent of total OSEC budget for 2019 which is not even half of that for 4Ps (Table 8). It reflects the very high priority given to 4Ps, which based on rigorous evaluation studies (Orbeta and Paqueo 2016), is proven to have positive effects on its beneficiaries (e.g., keeping children in school, reduction in time spent on paid work for children, and improved access to essential health services, among others).

[15] Includes the operations of DOH hospitals in Metro Manila and DOH regional hospitals, and operations of dangerous drug abuse treatment and rehabilitation centers as well as blood centers and institutes for disease prevention and control, among others

Table 7. Summary of Obligations and Proposed New Appropriations for DSWD OSEC (in billion pesos)

	Obligation-based		Cash-based	Share to total		
	2017 GAA	2018 GAA	2019 NEP	2017	2018	2019
GAS	0.57	0.70	0.73	0.45	0.50	0.53
Support to Operations	0.76	0.88	3.83	0.59	0.62	2.81
of which						
National Household Targeting System for Poverty Reduction/NHTS-PR	0.12	0.14	2.93	0.10	0.10	2.15
Operations	126.74	139.81	131.86	98.96	98.88	96.66
of which						
Well-being of Poor Families Improved						
1. Promotive Social Welfare Program	97.53	99.89	93.16	76.15	70.65	68.29
of which						
Pantawid Pamilya (Implementation of Conditional Cash Transfer)	78.19	89.41	88.11	61.05	63.23	64.59
Sustainable Livelihood Program	9.11	5.06	2.28	7.12	3.58	1.67
Foreign-Assisted Project(s)						
KALAHI-CIDSS: National Community Driven Development Project	10.23	5.38	2.77	7.99	3.80	2.03
Locally-Funded Projects						
KALAHI-CIDSS: Kapangyarihan at Kaunlaran sa Barangay	0.00	0.05	0.00	0.00	0.04	0.00
Rights of the Poor and Vulnerable Sectors Promoted and Protected						
2. Protective Social Welfare Program	26.10	34.02	34.13	20.38	24.06	25.02
of which						
Residential and Non-Residential Care Sub-Program: Services for residential and center-based clients	1.42	3.85	1.75	1.11	2.73	1.28
Supplementary Feeding Subprogram: Supplementary Feeding Program	4.43	3.43	3.49	3.46	2.42	2.56
Social Welfare for Senior Citizens Subprogram	18.04	19.47	23.29	14.09	13.77	17.08
of which						
Social Pension for Indigent Senior Citizens	17.94	19.28	23.18	14.01	13.64	17.00
Implementation of R.A. No. 1086B or the Centenarians Act of 2016	0.10	0.19	0.11	0.08	0.13	0.08
Protective Program for Individuals and Families in Especially Difficult Circumstances	2.19	7.10	5.43	1.71	5.02	3.98
of which						
Protective services for individuals and families in difficult circumstances	2.14	5.71	4.15	1.67	4.04	3.04
Assistance to Persons with Disability and Older Persons	0.01	0.01	0.01	0.01	0.01	0.01
Locally-Funded Project(s)	0.04	1.38	1.27	0.03	0.98	0.93
of which						
Comprehensive Project for Street Children, Street Families and IP's	0.04	0.04	0.03	0.03	0.03	0.03
Reducing Vulnerabilities of Children from Hunger and Malnutrition in ARMM or Bangsamoro Umpungan sa Nutrisyon (BangUN)	0.00	0.16	0.16	0.00	0.11	0.12
Tax Reform Cash Transfer Project	0.00	1.18	1.08	0.00	0.84	0.79
Social Welfare for Distressed OFWs and Trafficked Persons Subprogram	0.02	0.17	0.17	0.02	0.12	0.12
of which						
Services to Distressed Overseas Filipinos	0.00	0.09	0.09	0.00	0.06	0.07
Services to Displaced Persons (Deportees)	0.00	0.05	0.05	0.00	0.04	0.04
Recovery and Reintegration Program for Trafficked Persons	0.02	0.03	0.02	0.02	0.02	0.02
Immediate Relief and Early Recovery of Disaster Victims/Survivors Ensured						
3. Disaster Response and Management Program	2.20	4.90	3.50	1.72	3.47	2.56
of which						
Assistance to victims of disasters and natural calamities	1.39	3.45	3.19	1.08	2.44	2.34
Locally funded projects	0.81	1.45	0.30	0.63	1.03	0.22
Peace and Development						
Impelementation and Monitoring of Payapa at Masaganang Pamayanan (PAMANA) Program - Peace and Development Fund	0.18	0.80	0.00	0.14	0.56	0.00
Impelementation and Monitoring of Payapa at Masaganang Pamayanan (PAMAMA) Program - DSWD/LGU Led Livelihood	0.63	0.66	0.30	0.49	0.46	0.22
Others						
Program management and monitoring	0.06	0.00	0.00	0.05	0.00	0.00
Continuing compliance of Social Welfare and Development Agencies to Standards in the Delivery of Social Welfare Services Ensured						
4. Social Welfare and Development Agencies Regulatory Program	0.06	0.07	0.06	0.05	0.05	0.04
Delivery of Social Welfare and Development programs by LGUs through Local Social Welfare and Development Offices Improved						
5. Social Welfare and Development Technical Assistance and Resource Augmentation Program	0.79	0.93	1.01	0.62	0.66	0.74
Total	128.07	141.40	136.42	100.00	100.00	100.00

Source of raw data: 2017 GAA, 2018 GAA.and 2019 NEP

Table 8. Summary of Obligations and Proposed New Appropriations for DSWD OSEC Operations - Top 10 Recipients (in billion pesos)

	Obligation-based		Cash-based	Share to total		
	2017 GAA	2018 GAA	2019 NEP	2017	2018	2019
Well-being of Poor Families Improved						
1. Promotive Social Welfare Program	97.53	99.89	93.16	76.15	70.65	68.29
of which						
Pantawid Pamilya (Implementation of Conditional Cash Transfer)	78.19	89.41	88.11	61.05	63.23	64.59
Sustainable Livelihood Program	9.11	5.06	2.28	7.12	3.58	1.67
Foreign-Assisted Project(s)						
KALAHI-CIDSS: National Community Driven Development Project	10.23	5.38	2.77	7.99	3.80	2.03
Rights of the Poor and Vulnerable Sectors Promoted and Protected						
2. Protective Social Welfare Program	26.10	34.02	34.13	20.38	24.06	25.02
of which						
Residential and Non-Residential Care Sub-Program: Services for residential and center-based clients	1.42	3.85	1.75	1.11	2.73	1.28
Supplementary Feeding Subprogram: Supplementary Feeding Program	4.43	3.43	3.49	3.46	2.42	2.56
Social Welfare for Senior Citizens Subprogram	18.04	19.47	23.29	14.09	13.77	17.08
of which						
Social Pension for Indigent Senior Citizens	17.94	19.28	23.18	14.01	13.64	17.00
Protective Program for Individuals and Families in Especially Difficult Circumstances	2.19	7.10	5.43	1.71	5.02	3.98
of which						
Protective services for individuals and families in difficult circumstances	2.14	5.71	4.15	1.67	4.04	3.04
Tax Reform Cash Transfer Project	0.00	1.18	1.08	0.00	0.84	0.79
Immediate Relief and Early Recovery of Disaster Victims/Survivors Ensured						
3. Disaster Response and Management Program	2.20	4.90	3.50	1.72	3.47	2.56
of which						
Assistance to victims of disasters and natural calamities	1.39	3.45	3.19	1.08	2.44	2.34
Delivery of Social Welfare and Development programs by LGUs through Local Social Welfare and Development Offices Improved						
5. Social Welfare and Development Technical Assistance and Resource Augmentation Program	0.79	0.93	1.01	0.62	0.66	0.74
Total	128.07	141.40	136.42	100.00	100.00	100.00

Source of raw data: 2017 GAA, 2018 GAA.and 2019 NEP

The budget share of sustainable livelihood program has been declining from 7.1 percent in 2017 and 3.6 percent in 2018 to 1.7 percent in 2019. The same observation holds true for KALAHI-CIDSS (i.e., from 8 percent in 2017 and 3 percent in 2018 to 2 percent in 2019) as well as services for residential and center-based clients, which used to have a budget share of 2.7 percent in 2018 but now has only 1.3 percent in the proposed 2019 DSWD OSEC budget. In contrast, other budget items posted improvement in budget share, albeit some increases are minimal, particularly supplementary feeding program, which has a budget share of 2.6 percent in 2019 as compared to 2.4 percent in 2018; and technical assistance and resource augmentation program whose budget share has been growing from 0.62 percent in 2017 and 0.66 percent in 2018 to 0.74 percent in 2019 (Table 8).

Apparently, the budget allocation for DILG and DND is bigger than that for DOH and DSWD. These agencies are on the 3rd and 4th rank, respectively, among the top ten recipients. DSWD and DOH falls on the 5th notch and 6th notch, respectively (Table 2). The high priority given to the DILG and DND in terms of budget allocation is aimed at building a more secure and peaceful nation (Duterte 2018).

A close look at the DILG budget reveals that the Philippine National Police (PNP) consistently gets the highest budget share in 2017-2019 (Table 9). The marked improvement in budget share in 2018 and 2019 is meant to cover for expenses related to the intensified PNP campaigns against illegal drugs and criminality, among others, and also, to implement the adjustment in the base pay of uniformed personnel (DBM 2018a). On the other hand, the DND budget favors the Philippine Army with an average budget share of almost 41 percent; Philippine Navy with an average budget share of 13.4 percent; and Philippine Air Force with an average budget share of 12.2 percent in 2017-2019 (Table 7). The consistent increases in these agencies' budget share reflect the Administration's resolve to strengthen the country's defense units (DBM 2018a).

Table 9. Summary of Obligations and Proposed New Appropriations DILG and DND, CY 2017-2019 (in thousand pesos)

Department	Obligation-Based		Cash-Based	Share to Total		
	2017 Actual	2018 Adjusted	2019 Proposed	2017 Actual	2018 Adjusted	2019 Proposed
DILG	189,436,504	170,763,865	223,993,314	100	100	100
of which						
Office of the Secretary	10,848,895	5,465,459	6,699,246	5.73	3.20	2.99
Bureau of Fire Protection	14,904,701	14,750,386	21,979,235	7.87	8.64	9.81
Bureau of Jail Management and Penology	13,314,146	14,517,551	18,866,469	7.03	8.50	8.42
Local Government Academy	270,475	249,065	258,679	0.14	0.15	0.12
National Police Commission	1,418,049	1,654,655	1,736,067	0.75	0.97	0.78
Philippine National Police	147,092,234	132,312,980	172,346,873	77.65	77.48	76.94
Philippine Public Safety College	1,588,004	1,813,769	2,106,745	0.84	1.06	0.94
DND	206,474,213	149,698,732	183,118,958	100	100	100
of which						
Office of the Secretary - Proper	403,368	443,004	477,735	0.20	0.30	0.26
Government Arsenal	1,226,197	1,216,188	1,258,628	0.59	0.81	0.69
National Defense College of the Philippines	75,055	644,313	98,787	0.04	0.43	0.05
Office of Civil Defense	909,188	1,067,198	1,374,775	0.44	0.71	0.75
Philippine Veterans Affairs Office - Proper	10,989,184	738,614	553,308	5.32	0.49	0.30
Veterans Memorial Medical Center	1,190,801	1,625,669	1,711,380	0.58	1.09	0.93
Philippine Army (Land Forces)	63,532,907	63,998,132	89,004,828	30.77	42.75	48.60
Philippine Air Force (Air Forces)	20,922,553	19,720,330	24,584,360	10.13	13.17	13.43
Philippine Navy (Naval Forces)	22,264,710	21,299,554	27,787,155	10.78	14.23	15.17
General Headquarters, AFP and AFP-Wide Service Support Units	84,960,250	38,945,730	36,268,002	41.15	26.02	19.81

Source: DBM (2018g)

Nevertheless, budget documents clearly state that programs and projects that promote infrastructure development (under the Build, Build, Build Program) and human development (with focus on education and health) are "particularly highlighted and supported (Duterte 2018, p.5)." Intensifying infrastructure development and expanding programs on human development, particularly education, universal health for all, and social protection are on top of the list of key budget priorities in the President's Budget Message while building a more secure and peaceful nation is in the bottom part of the list (Duterte 2018).

In addition, DBM (2018a, p.4) emphasizes that the underlying principle of the 2019 budget is the continuing passion to build, which is regarded as the "operative word" of the Duterte Administration. The word "build" is taken to mean: "to invest in public infrastructure that will connect and unite people and regions" and "to invest in human capital development – to build up our people." Further, "The passion to "Build, Build, Build" will continue to guide the Administration's spending priorities for 2019." Inevitably, it is expected that there is higher priority for DOH and DSWD and other critical sectors that support human capital development over DILG and DND in the proposed 2019 budget.

3.2. Implications on government operations and practices

The 2019 President's Budget is dubbed as a revolutionary budget as it marks the shift from the traditional obligation-based appropriations to cash-based appropriations in pursuit of greater fiscal discipline. The two budget schemes basically differ in the time horizon or implementation period of programs, activities, and projects (PAPs). The latter limits contractual obligations and disbursement of payments for goods and services delivered, inspected, and accepted within the fiscal year but with an Extended Payment Period (i.e., three months for non-infrastructure goods and services or six months for infrastructure projects, under the transitory cash-based budget for FY2019) following the end of the fiscal year. In contrast, obligation-based budgeting allows for inspection, verification, and payment even after the fiscal year (DBM 2018a; DBM 2018b; DBM 2018c).

However, agencies or any government-owned and –controlled corporations (GOCCs) may obtain a Multi-Year Obligational Authority (MYOA)[16] from the DBM for projects with implementation period beyond a year (DBM 2018c) but the mechanics for this is not discussed in DBM's briefing materials on cash-based budget and the guidance that is emphasized in these materials is that for government agencies to only propose PAPs that are implementation-ready and thus can be fully implemented within FY2019 (DBM 2018d).

[16] A commitment by implementing agency or GOCC that the annual funding requirements for the multi-years projects shall be included in its budget proposals or corporate operating budget (COB) for the covered years, consistent with the provided implementation schedule (DBM 2018c, p.4)

The shift to annual cash-based budgeting is deemed necessary to (i) promote discipline among agencies as their budget would only include implementation-ready PAPs, which entails better planning, early procurement, and greater coordination among agencies; (ii) raise the credibility of the government with its suppliers and contractors by ensuring that payment for contractual obligations are included in the budget and are settled within the fiscal year up to the EPP; (iii) support the government's expansionary policy by addressing underspending, i.e., significantly increasing expenditures for infrastructure and social services; and (iv) modernize the government's budgeting system and raise it to international standards. In general, the shift is aimed at adopting reforms in public financial management to address the need for expenditure control and budget administration, including the issues on government agencies' underspending and low absorptive capacity (DBM 2018b).

Under a cash-based budget scheme, agencies will have to limit its obligations to PAPs which can be completed within the fiscal year and pay for goods and services delivered, inspected, and accepted within the year up to the set extended payment period. Implementation readiness and consistency of proposed PAPs with priorities (i.e., as identified in the Budget Priorities Framework, Philippine Development Plan, and Public Investment Program) will be the criteria in the evaluation and approval of budget proposals. In this regard, government agencies are expected to do better planning of PAPs (DBM 2018a).

The shorter time horizon (i.e., one year) for budget execution will induce government agencies to plan well and procure early (e.g., budget proposal are accompanied by an indicative annual procurement plan; right-of-way issues are settled beforehand), have better coordination within and with other agencies/units (e.g., budget and planning officers are working closely with program and project managers to ensure that budget proposals are aligned with implementation schedules; centrally managed items are coordinated with operating units during the preparation of budget proposals), and improve monitoring, This will help achieve faster and prompt delivery of public services to the people. In this sense, cash-based budgeting can enhance government accountability (DBM 2018a; DBM2018d).

In this regard, government agencies will have to adapt to the new budget system by implementing reforms and improvements in their operations. This is a huge challenge considering the perennial issues that impede government operations which are identified in Table **xx** in Section 4. To be able to adapt to the proposed annual cash-based budget scheme, government agencies are expected to be mindful of the one-year validity of appropriations,[17] although lawmakers can issue a house joint resolution to extend its validity (e.g., House Joint Resolution Nos. 30 and 32 submitted on November 20, 2018, which extended the availability of the 2018 appropriations for maintenance and other operating expenses and capital outlays until December 31, 2019).

[17] A DBM initiative that started in 2017 which limits the validity of funds from two years to one year and was done to prepare for the shift to annual cash-based budget scheme in 2019

In addition, agencies will have to conduct early procurement as what has been practiced since 2009 to ensure that all single-year projects will be implemented within the validity period of the 2019 national budget. With the shift to annual cash-based budgeting, the DBM issued a circular letter (No. 2018-8) dated July 30, 2018 prescribing the guidelines on the conduct of early procurement for the 2019 NEP.

Based on the said circular, early procurement activities should have been undertaken from October to December 2018 (Section 4.1 of the circular letter) but Section 4.8 of the circular letter states that "the issuance of notice of award of contract may, however, be done only upon approval or enactment of the respective appropriations or budget authorization document and based on the amount authorized therein." As of December 2018, the proposed national budget has not yet been approved. This has implications on the procurement timelines and bid validity. Nevertheless, the Government Procurement Policy Board (GPPB) issued Circular 09-2018 dated December 20, 2018 to provide guidance to procuring entities in the award of contract done through early procurement activities under a reenacted budget.

4. Performance of Government Agencies in Previous Years

Table 10 shows the comparison between programmed and actual disbursements of the national government in 2013-2017. The deviation is glaring particularly in 2014 and 2015, which is about PhP300B. It is the monetary equivalent of the public goods and services that could have benefited the Filipinos. However, such deviation dramatically dropped to only PhP96B in 2016 and further down to PhP85B in 2017, although still a huge amount.

The relatively strong disbursement performance in 2017 is attributed to some strategies that the government adopted in recent years. In particular, the government enforced the one-year validity of appropriations and implemented the "early procurement, short of award" policy. In addition, it adopted the "GAA-as-Allotment Order" Policy, which ensured the predictability of budget release, reduced the long and repetitive budget release process (DBCC 2018). Nevertheless, these strategies should be complemented with measures in addressing the perennial issues that national government agencies and even local government units face. These issues are summarized in Table 11.

Table 10. National Government Disbursement Performance (in billion pesos)

PARTICULARS	2013		Deviation		2014		Deviation		2015		Deviation		2016		Deviation		2017		Deviation	
	Program	Actual	Amount	Percent	Program	Actual	Amount	Percent	Program	Actual	Amount	Percent	Program	Actual	Amount	Percent	Program	Actual	Amount	Percent
CURRENT OPERATING EXPENDITURES	1,588.4	1,519.2	-69.2	-4.4	1,800.9	1,616.7	-184.2	-10.2	1,985.7	1,784.9	-200.8	-10.1	1,973.1	1,928.5	-44.6	-2.3	2,195.6	2,113.9	-81.7	-3.7
Personnel Services	624.4	581.7	-42.7	-6.8	661.5	603.6	-57.9	-8.8	743.2	664.4	-78.8	-10.6	726.2	723.2	-3.0	-0.4	882.4	808.4	-74.0	-8.4
Maintenance and Other Operating Exp	317.9	282.9	-35.0	-11.0	374.6	308.7	-65.9	-17.6	424.8	403.4	-21.4	-5.0	493.7	439.0	-54.7	-11.1	474.5	465.4	-9.1	-1.9
Subsidy	45.0	66.3	21.3	47.3	109.0	80.4	-28.6	-26.2	118.6	78.0	-40.6	-34.2	70.7	103.2	32.5	46.0	95.5	131.1	35.6	37.3
Allotment to LGUs	241.8	241.8	0.0	0.0	273.2	273.2	0.0	0.0	311.9	311.9	0.0	0.0	342.9	342.9	0.0	0.0	392.3	390.2	-2.1	-0.5
Interest Payments	332.2	323.4	-8.8	-2.6	352.7	321.2	-31.5	-8.9	361.8	309.4	-52.4	-14.5	327.7	304.5	-23.2	-7.1	334.9	310.5	-24.4	-7.3
Tax Expenditure	26.9	23.0	-3.9	-14.5	29.9	29.5	-0.4	-1.3	25.5	17.8	-7.7	-30.2	11.8	15.7	3.9	33.1	16.0	8.3	-7.7	-48.1
CAPITAL OUTLAYS	381.0	344.3	-36.7	-9.6	458.4	351.5	-106.9	-23.3	546.7	436.0	-110.7	-20.2	655.7	605.5	-50.2	-7.7	696.6	714.1	17.5	2.5
Infrastructure/Other Capital Outlays	303.4	261.8	-41.6	-13.7	365.2	276.0	-89.2	-24.4	431.6	345.3	-86.3	-20.0	533.1	493.0	-40.1	-7.5	549.4	568.8	19.4	3.5
Equity	1.3	11.5	10.2	784.6	3.3	1.7	-1.6	-48.5	2.9	0.8	-2.1	-72.4	8.6	11.7	3.1	36.0	4.1	5.4	1.3	31.7
Capital Transfers to LGUs	76.3	71.0	-5.3	-6.9	84.9	73.8	-11.1	-13.1	112.2	90.0	-22.2	-19.8	114.0	100.8	-13.2	-11.6	143.2	140.0	-3.2	-2.2
CARP - Land Acquisition and Credit	0.0	0.0	0.0			0.0	0.0			0.0	0.0				0.0				0.0	
Debt Management Program	0.0	0.0	0.0				0.0				0.0				0.0				0.0	
NET LENDING	14.5	16.6	2.1	14.5	25.0	13.4	-11.6	-46.4	26.5	9.7	-16.8	-63.4	16.8	15.3	-1.5	-8.9	16.8	-4.2	-21.0	-125.0
GRAND TOTAL	1,983.9	1,880.2	-103.7	-5.2	2,284.3	1,981.6	-302.7	-13.3	2,558.9	2,230.6	-328.3	-12.8	2,645.6	2,549.3	-96.3	-3.6	2,909.0	2,823.8	-85.2	-2.9
Memo items:																				
Revenues	1,745.9	1,716.1	-29.8	-1.7	2,018.1	1,908.5	-109.6	-5.4	2,275.2	2,109.0	-166.2	-7.3	2,256.7	2,195.9	-60.8	-2.7	2,426.9	2,473.1	46.2	1.9
Surplus/(Deficit)	-238.0	-164.1	73.9	-31.1	-266.2	-73.1	193.1	-72.5	-283.7	-121.6	162.1	-57.1	-388.9	-353.4	35.5	-9.1	-482.1	-350.7	131.4	-27.3

Source: DBM's Assessment of National Government Disbursement Performance, various years

Table 11. Factors that caused underspending, 2013-2017

	2013	2014	2015	2016	2017
Personal Services (PS)	Unreleased balance under the Miscellaneous and Personnel Benefits Fund (MPBF) intended for unfilled positions, creation of new positions, and other lump-sum PS items	Unutilized funds for unfilled positions and creation of new positions; unreleased allocations for lump-sum PS items such as MPBF and the Pension Gratuity Fund (PGF)	Program balances from MPBF and PGF; unfilled positions due to hiring difficulties related to the qualifications of applicants		Program balances from MPBF (e.g., low releases for PBB, creation and filling of positions) and PGF (e.g., minimal claims from pension and retirement benefits); Undisbursed funds for personnel services expenditures of the COMELEC (e.g, honoraria, salaries and allowances of poll watchers) due to postponement of SK and barangay elections
Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO)	Occurrence of more intense calamities (e.g., Yolanda, 7.2 magnitude earthquake in Central Visayas)	Factors beyond the control of agencies (e.g., unforeseen circumstances such as the postponement of the Expanded CCT program, unfavourable weather conditions/ weather disturbances)		Postponement of SK and Barangay Elections in October 2016	Postponement of SK and barangay elections
	Zamboanga stand-off/siege	Peace and order situation			
	PDAF and DAP issues	Additional restrictions on the use of savings and realignments as a result of the Supreme Court (SC) ruling on DAP; SC decisions on PDAF and DAP			
	Delays in procurement process	Procurement issues and difficulties (e.g., delayed finalization of requisite documents for bidding; incidents of failed bidding; insufficient bidding	Procurement difficulties due to the size and complexity or nature of projects	Procurement issues (e.g, delays and failed biddings); procurement difficulties	Delayed and unsuccessful procurement of equipment

		requirements; weak staff capacities; and changes in technical specifications); intricacies of repair requirements and procurement process		such as non-compliance of bidders or difficulty on the part of bidders to comply with product or service specifications	
	Modification of projects and/or calibration of targets with the changes in the assumptions used during the planning phase	Revision of project design			
	Outstanding checks[18] which have not yet been encashed by creditors	Late billings and incomplete documentation by contractors	Progress billings and delayed encashment of checks of creditors or contractors	Billing issues such as incomplete and non-submission of documentary requirements, of statement of billings or claims	Late submission of billing claims from contractors or suppliers
	Incomplete submission of documentary requirements	Delayed and incomplete submission of documentary requirements; Poor liquidation of cash advances by LGUs	Incomplete or non-submission of documentary requirements	Incomplete or non-submission of liquidation reports	Incomplete or late submission of supporting documents
	Lapses in coordination with partner entities (e.g., LGUs)	Coordination problems			
	Right-of-Way (ROW) acquisition issues	Unresolved ROW problems and other legal issues	ROW negotiation issues and environmental compliance issues		
		Structural weaknesses within the departments demonstrated by inadequate planning and poorly prepared	Weak planning capacities		

[18] Checks issued by the departments and agencies

		projects, among others; limited capacity of implementing partner agencies			
		Delayed concurrence/ difficulty in securing approval from other agencies, LGUs, authorities, and donor institutions; delayed issuance of permits and licenses by LGUs; delayed issuance of BIR ruling on exemptions for payment of capital gains and documentary stamp tax			Delayed approval of projects
		Project implementation difficulties; structural problems/inefficiencies and long standing constraints that hamper project implementation and slow down payment processes			Delays in the implementation of projects
		Delays due to additional procedures required by 2014 GAA for transparency and accountability			
		Weak LGU capacities in preparing fund liquidation requirements and financial management			
		Noncompliant deliveries or delays in the delivery/project completion by some suppliers/contractors		Slower actual delivery of goods (e.g., fuel, lubricant); non-completion of acceptance and testing of delivered items	
		Unreleased balances of the special shares of LGUs in the proceeds of national taxes such as value-added tax and			

		tobacco excise tax due to pending BIR's identification of beneficiary LGUs where the situs of the branches, sub-outlets, plant or plantation, and retail stores are located			
			Land acquisition issues		
			LGU objections to absorb informal settlers		
				Election ban in the early part of 2016	
				Funds not yet requested by implementing agencies	
Affected agencies	Some of the agencies mentioned in the report include DPWH, DepED, DND, DA, DILG, DSWD, DOH, DENR, and DOE.	Some of the agencies mentioned in the report include DPWH, DepED, DSWD, DILG, DA, DOH, DOTC, DAR, DENR, TESDA, NHA, SHFC, NEA, NPC and OP.	Some agencies mentioned in the report include DepED, PNP, NHA, and NIA.	Some agencies mentioned in the report include DOH, DICT, DA, DepED, CHED, DOTr, DILG, DOF-BIR, and DFA.	Some agencies include OP, CHED, DepED, DOLE, DOTr, DAR, and DOST-PHIVOLCS.
Source: DBM's Assessment of National Government Disbursement Performance, various years					

5. Concluding Remarks

The DBM's initiative to shift from obligation-based to annual cash-based budget scheme has merits but Manasan (2017, p.5) argues that such change "might be too radical and disruptive." In view of the longstanding issues identified in Table 11, such argument rings truer because it will surely take long before these issues are resolved. If these issues are not properly addressed, the adoption of annual cash-based budgeting will be in vain. Thus, it is deemed important for DBM to reconsider its move to shift to annual cash-based budget scheme, particularly giving attention to the contextual factors that have been affecting the disbursement performance of government agencies/units across the years. The policy question that should be asked is this: considering the many perennial issues that government agencies/units have been facing, is the shift to annual cash-based budgeting the right policy intervention?

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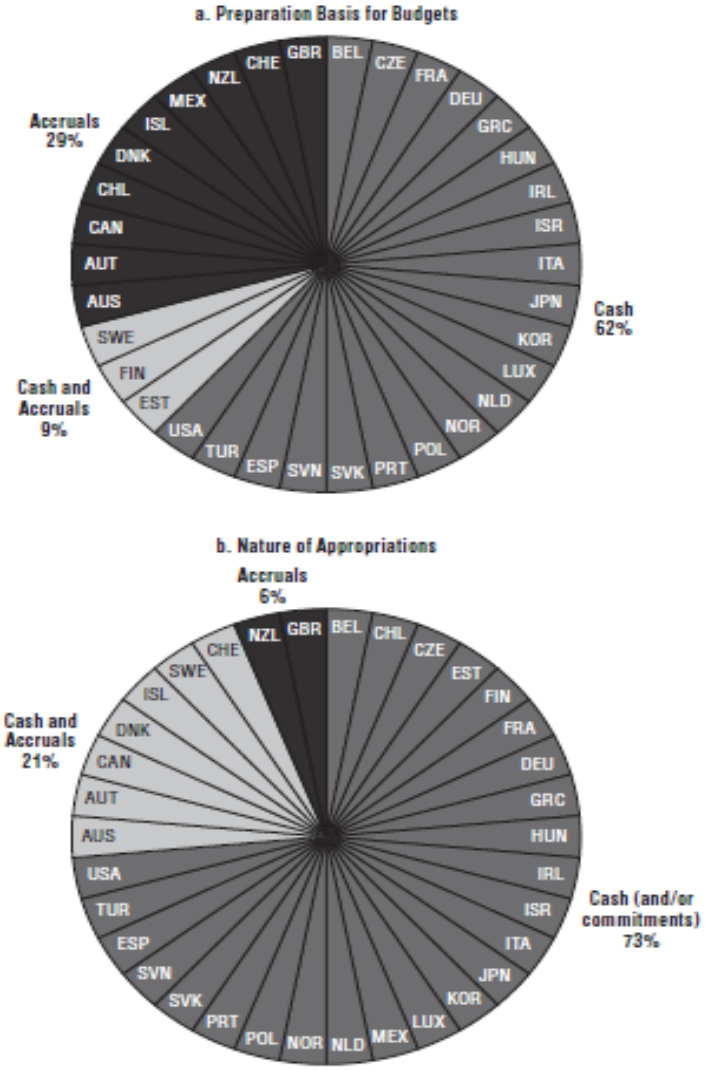
Annex A

Figure 3. **OECD Countries: Selected Budgeting Practices**



Note: (Figure 3.a) Sweden and Finland are presented in figure in the "Cash and Accruals" category as the budget includes both accrual and cash elements, Estonia is planning a transition to accrual accounting to be completed by 2017.
Source: OECD Accruals Survey (2016).