

2018

PEOPLE'S PROPOSED BUDGET



Republic of the Philippines
DEPARTMENT OF BUDGET AND MANAGEMENT

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FOREWORD



While preparing the National Budget for Fiscal Year 2018 for submission to and approval of the Philippine Congress, we referred to it as “the first real budget crafted by the Duterte Administration”.

For those who were involved in its planning, and who will inevitably be responsible and accountable for its implementation, there is always a consciousness that this Budget should reflect the leadership and governance priorities and principles of President Rodrigo Roa Duterte. We were keenly aware of the crucial role of this financial plan in preserving the gains of the first year of the Administration and ensuring that these will be sustained and extended onto the next five years.

Foremost among these gains is the realization by our people that change is possible. That it is positive, it is real, and that it has begun. But, as the President himself has said, “we need to put in more work in order to sustain the change in governance which we have begun.”

We can do this – with an “activist” budget of PhP3.767 trillion. With this financial program, designed on the basis of expressed desires of an awakened and participative citizenry, we can lay a stronger foundation for a robust, wealth-generating, and wealth-distributing economy that our people deserve.

The Philippine Development Plan (PDP) 2017-2022 is the Duterte Administration’s roadmap to economic progress within six years. It is the government’s response to the Filipino people’s desire for a life that is *matatag, maginhawa, at panatag*.

The 2018 National Budget will give flesh, blood, and soul to the PDP – it will breathe life into this response, this agenda of change and prosperity. It will endeavor to achieve this, not at some remote moment in the future, but at this time and beginning with this generation. The work will involve strengthening the four pillars that will assure development and growth: Reducing Inequality; Enhancing the Social Fabric; Increasing Growth Potential; and Fortifying the Foundations for Sustainable Development.

This Budget – our People’s Budget – will fuel the government’s machinery to sustain the momentum of our progress. It will guarantee that the reforms necessary for real change will be implemented as planned, and thus effect a positive, genuine, and more lasting transformation, for the nation and our people, for this generation and others to follow.

Through this presentation, the Department of Budget and Management (DBM) hopes not only to inform the Filipino, but to involve them, in the shared mission ahead. Understanding and appreciating this National Budget will enable us to work hand in hand in providing a real and lasting experience of a better life – “in peaceful and safer communities, with enhanced opportunities for advancement, and supported by convenient, reliable services from their government.”

BENJAMIN E. DIOKNO
Secretary



The 2018 Budget: Priorities and Policy Directions

The FY 2018 National Budget aims to enhance the capability of the government and its people to effect the reforms that are crucial to achieve its goals of inclusive growth, high-trust resilient society, and globally competitive knowledge economy. Anchored on the Philippine Development Plan (PDP) 2017-2022, the country’s blueprint in the medium-term, the Budget targets to achieve the transformation that will ensure real and lasting change, guided by the following policy directions and priorities:

- **Credible and disciplined fiscal policy.** Maintain the budget deficit to a manageable 3 percent of GDP while pursuing positive reforms to generate the needed revenues. These will include improvements in tax laws and non-tax bases, as well as governance reforms.
- **Fiscal space focused on equitable progress and social order.** Increase outlays in infrastructure development and social services, ensuring improvements in quality and quantity, and targeting emerging growth centers and lagging communities, particularly in disaster- and conflict-affected areas.
- **Accelerated infrastructure development.** The “Build, Build, Build” Program aims to increase government spending from 5 percent to 7 percent of GDP.
- **Commitment to transparency, participation, and accountability.** Agencies will be held responsible and accountable for the proper implementation of their budgets and encouraged to involve the people in the selection and monitoring of the use of government funds.
- **Support for and enhancement of partnerships with local governments,** especially in the more isolated and depressed areas, to ensure sustainable and inclusive development.
- **Restructuring of the FY 2018 agency budget using the Program Expenditure Classification (PREXC) approach,** which shifts the classification and focus of government programs/projects/activities (PAPs) from output-based to results-based programs, thereby clearly reflecting the agencies’ policies and priorities.
- **Strengthening the implementation of the Two-Tier Budgeting Approach (2TBA),** which separates the review of the ongoing programs and projects from the new and expanded programs. Under Tier 2, proposals are evaluated based on implementation readiness, agency absorptive capacity, consistency, or proposals with the priorities stated in the Budget Priorities Framework, and evidence of agency planning.

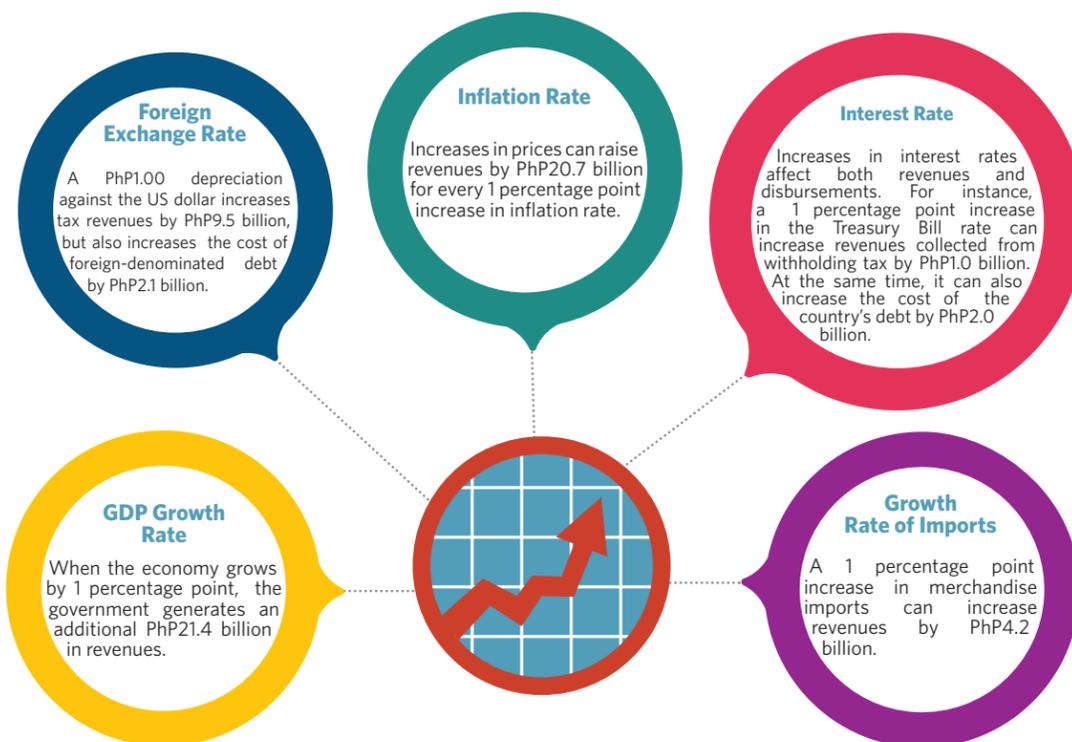
THE BUDGET AND THE ECONOMY

THE FISCAL PROGRAM

The DBCC, composed of the Secretary of the Department of Budget and Management (DBM) as Chairperson, and the heads of the Department of Finance and the National Economic and Development Authority, and the Executive Secretary of the Office of the President as Members, and the Bangko Sentral ng Pilipinas as a Resource Institution, is in charge of reviewing and approving the macroeconomic targets (revenue projections, borrowing level, aggregate budget level, and expenditure priorities of the government). It also recommends to the Cabinet and the President the fiscal program.

In crafting the National Budget, the government, through the Development Budget Coordination Committee (DBCC), considers several macroeconomic indicators such as growth in gross domestic product (GDP), inflation rate, interest rate, and foreign exchange rate. Any fluctuation in these indicators can influence (increase or reduce) revenues and/or disbursements.

Macroeconomic Indicators and their Impact on the Budget



The government adopts an expansionary fiscal policy in the medium term to allow more spending for priority expenditures such as infrastructure and social services. This will help the economy grow by 7.0% to 8.0% and reduce the debt-to-GDP ratio to 38.1% in 2022 from 40.6% in 2017.

Revenues

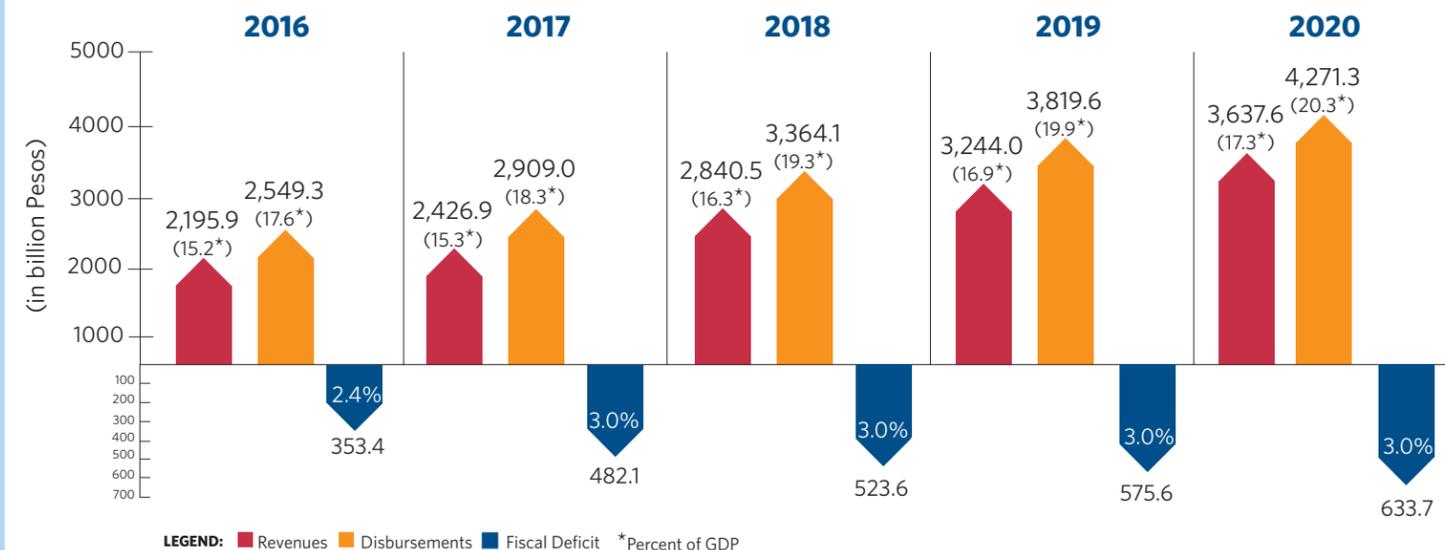
About 94% of the total revenues for 2018 will come from taxes to be collected by the revenue-generating agencies such as the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).

Disbursements

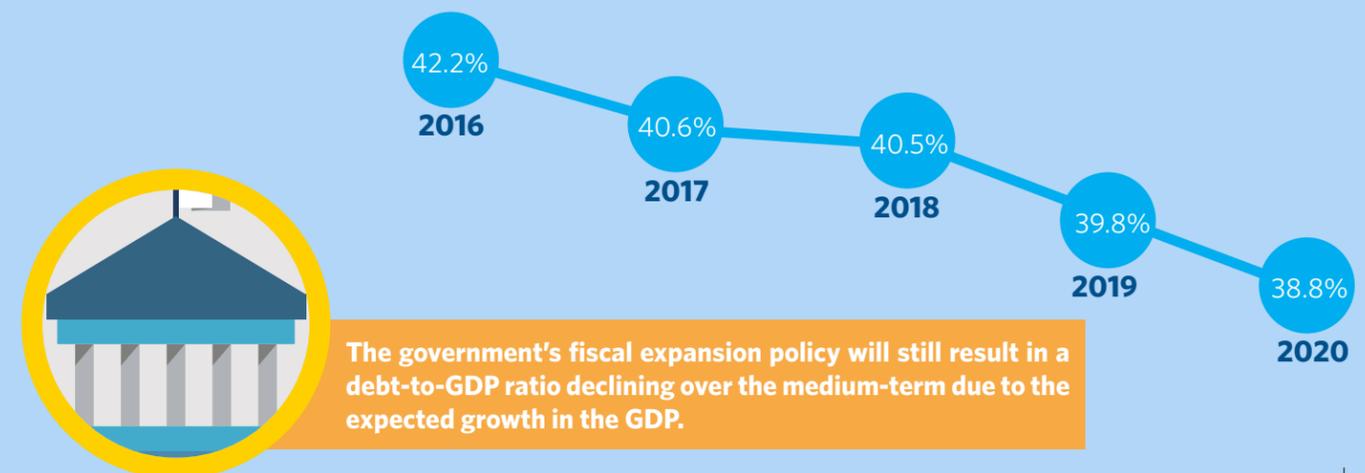
To sustain the growth momentum, disbursements, or the settlement of government obligations, are targeted to reach PhP3,364.1 billion in 2018 and PhP4,271.3 billion in 2020.

Fiscal Deficit

Despite the fiscal expansion, the fiscal deficit will remain at 3% of GDP in the medium term. A fiscal deficit is incurred when government spending exceeds the collected revenues.



Debt as a Percentage of GDP, 2016 - 2020



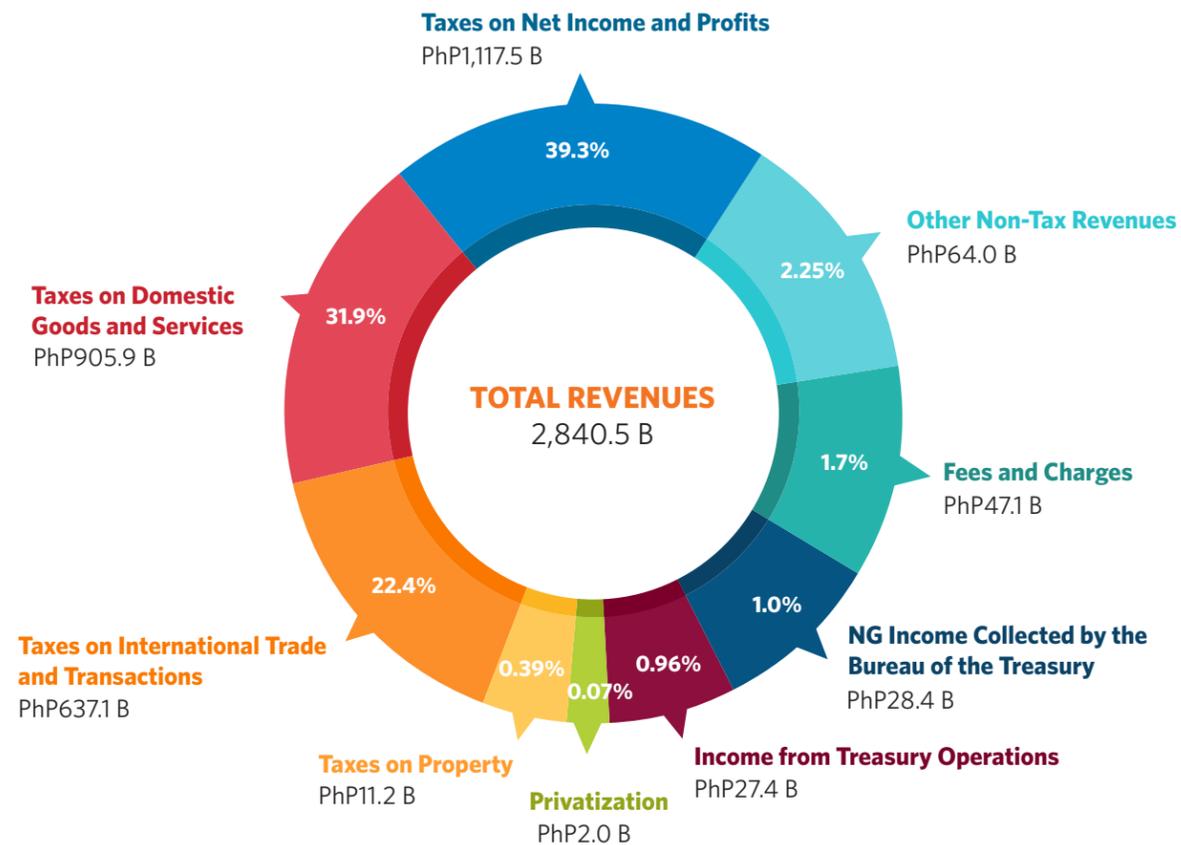
Indicator	Actual 2016	Adjusted 2017	2018 Projections	Change	Revenues	Disbursements	Budget Balance ¹
Real GDP Growth Rate (%)	6.9	6.5-7.5	7.0-8.0	1 percentage point increase	PhP21.4 B	—	PhP21.4 B
Inflation Rate (%) (CPI 2006=100)	1.8	2.0-4.0	2.0-4.0	1 percentage point increase	PhP20.7 B	—	PhP20.7 B
Treasury Bill Rate (%)	1.8	2.5-4.0	2.5-4.0	1 percentage point increase	PhP1.0 B	PhP2.0 B	(PhP1.0 B)
LIBOR (%) (180-day)	1.1	1.0-2.0	1.5-2.5	1 percentage point increase	—	PhP5.3 B	(PhP5.3 B)
Peso-to-US Dollar Exchange Rate	47.5	48-50	48-51	PhP1.00 depreciation	PhP9.5 B	PhP2.1 B	PhP7.5 B
Growth Rate of Imports (%)	16.6	10.0	10.0	1 percentage point increase	PhP4.2 B	—	PhP4.2 B

¹ A negative figure in the budget balance means an increase in deficit.

REVENUES

Seventy-five percent (75%) of the 2018 proposed National Budget will be funded by revenues, or the money collected from taxes, fees, and charges. For 2018, revenues are expected to increase by 17%, from PhP2,426.9 billion to PhP2,840.5 billion, due to the administrative reforms being undertaken by the BIR and the BOC. This includes the PhP134 billion expected yield from the Tax Reform Bill being shepherded in Congress.

Breakdown of Revenues



Note: Figures may not add up due to rounding off.

Efforts to Increase Revenue Collections

Two of the government's main revenue-generating agencies are also undertaking reforms to improve tax collection efficiency by plugging tax leakages, improving taxpayer compliance, and combating smuggling.



BIR

- Run After Tax Evaders (RATE) Program
- Oplan Kandado Program
- Simplification of tax forms and processes
- Mobile Revenue Collection Officers System
- Revival of the fuel marking scheme



BOC

- Run After the Smugglers (RATS) Program
- Enhancement of cyber security in all ports
- Modernization of BOC facilities

TAX REFORMS AND THEIR BENEFITS TO THE PEOPLE



The Administration is pushing for the passage in Congress of the first package of the Comprehensive Tax Reform, dubbed as the Tax Reform for Acceleration and Inclusion (TRAIN) Act.

THE TAX REFORM PACKAGE PROPOSES TO:

Put more money in people's pockets

- Shift to a simplified Personal Income Tax (PIT) system by adjusting the income brackets and reducing the maximum rate to 25% over time, except for the highest income earners
- Restructure the tax for micro businesses to a flat rate of 8% (in lieu of income and VAT or percentage taxes) for businesses with gross sales below PhP3 million
- Reduce and restructure the donor's tax to a single rate of 6% on net donations for gifts exceeding PhP100,000 annually
- Reduce and restructure the donor's tax to a single tax rate of 6% based on the net value of the estate

Source: Department of Finance

Fund more investments for a more inclusive growth

- Broaden the VAT system by limiting exemptions to raw food and other necessities (e.g., health and education)
- Stagger the increase in excise tax of all petroleum products and index to inflation
- Update the excise tax on automobiles

Where will the additional revenues go?

For Higher Investments in Human Capital and Infrastructure



Infrastructure

To increase infrastructure spending from 5.4 percent of GDP in 2017 to 7.3 percent of GDP by 2022. This means around PhP8.1 trillion of spending in six years.



Education

To increase spending for education, culture, and manpower development from 4.4 percent of GDP in 2017 to 4.7 percent by 2022.



Social Security, Welfare, Employment, and Other Social Services

To increase spending for social security, welfare, employment, and other social services (such as housing and community development) from 3.1 percent in 2017 to 3.3 percent by 2022.



Health

To increase spending for health from 1.0 percent of GDP in 2017 to 1.2 percent of GDP by 2022.

Social Mitigating Measures¹



Targeted cash transfers for the poor and the vulnerable, PhP25.7 B



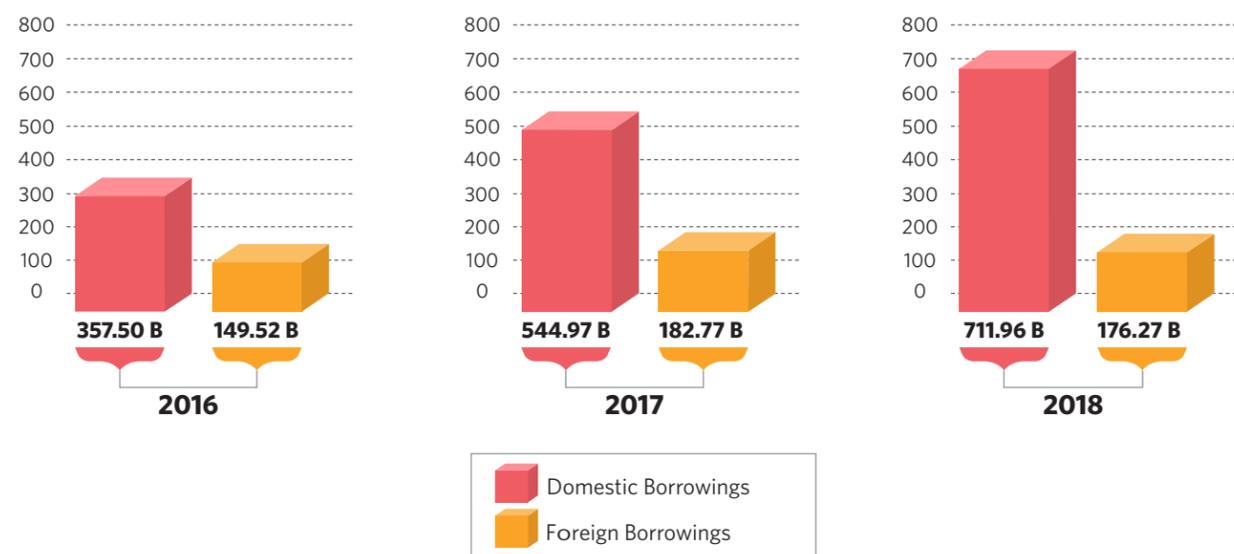
PUV Modernization Program, PhP3.1 B

¹ Some PhP977 million for the implementation of the Pantawid Pasada Program is included in the proposed Unprogrammed Fund.

BORROWINGS

To support the PhP3.767-trillion proposed Budget of the Duterte Administration, the government will borrow a total of PhP888.2 billion from domestic and foreign sources to finance the deficit and its other obligations. The borrowing level is equivalent to 5.1% of the country's GDP. As a policy and financial strategy, the government will rely more on domestic borrowings, covering 80% of the borrowing mix, to minimize exposure to fluctuations in foreign exchange rate.

(in billion Pesos)



GROSS FOREIGN BORROWINGS

Program Loans	PhP84.21 B
Project Loans	PhP41.06 B
Bonds and Other Inflows	PhP51.00 B
TOTAL	PhP176.27 B

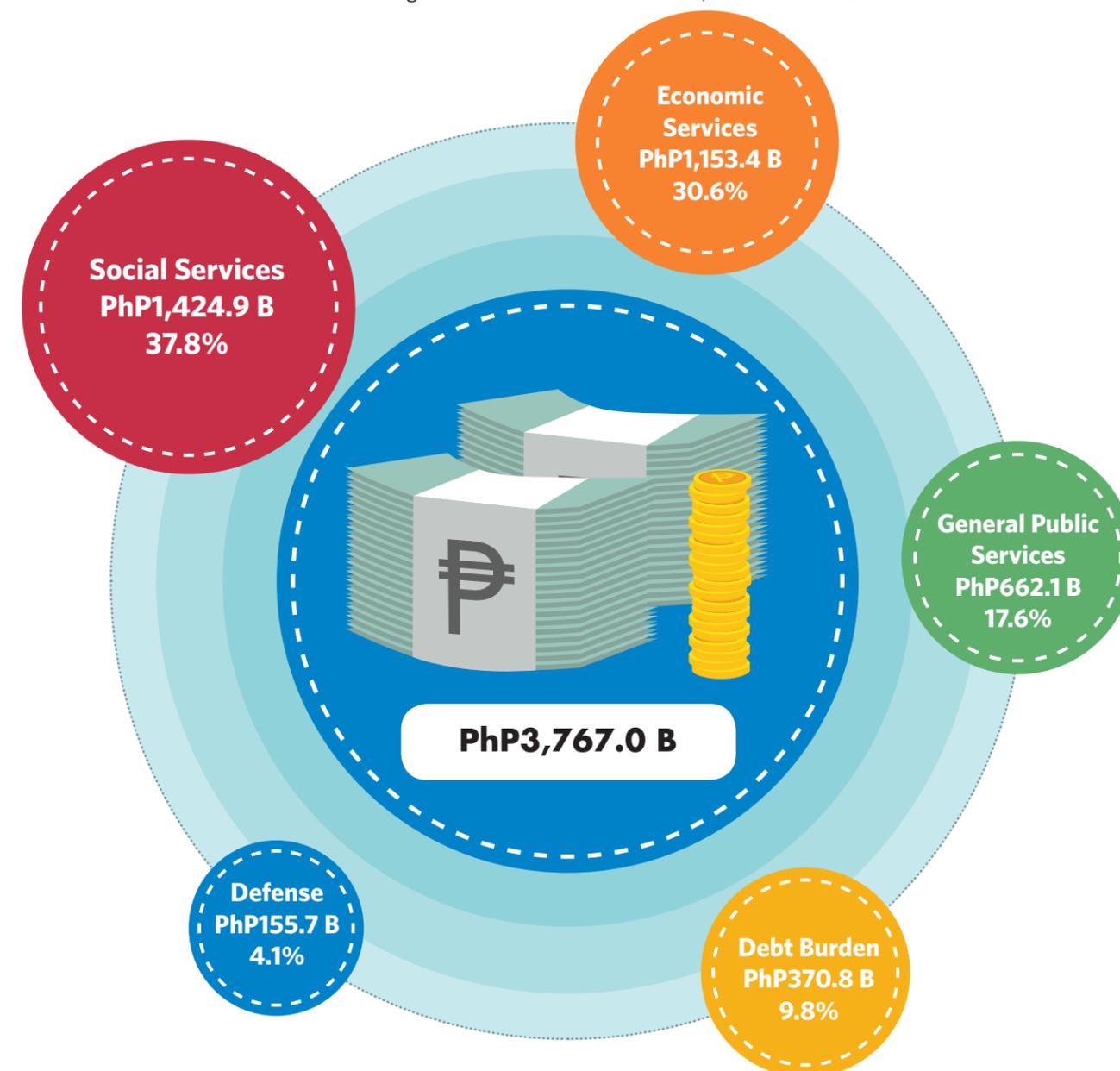
GROSS DOMESTIC BORROWINGS

Treasury Bills	PhP71.96 B
Fixed Rate Treasury Bonds	PhP640.00 B
TOTAL	PhP711.96 B

BUDGET DIMENSIONS BY SECTOR (old system)

The social services sector continues to get the largest share of the 2018 Budget at 37.8% or PhP1,424.9 billion. The bulk of the funds will go to human capital investments such as education, health, and social welfare. The economic services sector, on the other hand, receives the second biggest share at 30.6%, or PhP1,153.4 billion, to fund critical infrastructure programs such as roads, bridges, flood control facilities, ports, airports, and railways.

Share of debt burden in the total budget has declined to 9.8% in 2018, from 10.5% in 2017 and 11.9% in 2016.



	2016	2017	% increase		2016	2017	% increase
Social Services	PhP972.6 B	PhP1,351.5 B	39.0%	Debt Burden	PhP319.8 B	PhP351.6 B	10.0%
Economic Services	PhP820.3 B	PhP922.9 B	12.5%	Defense	PhP113.8 B	PhP148.7 B	30.6%
General Public Services	PhP456.3 B	PhP575.4 B	26.1%				

Note: Figures may not add up due to rounding off.

BUDGET DIMENSIONS BY SECTOR (COFOG)

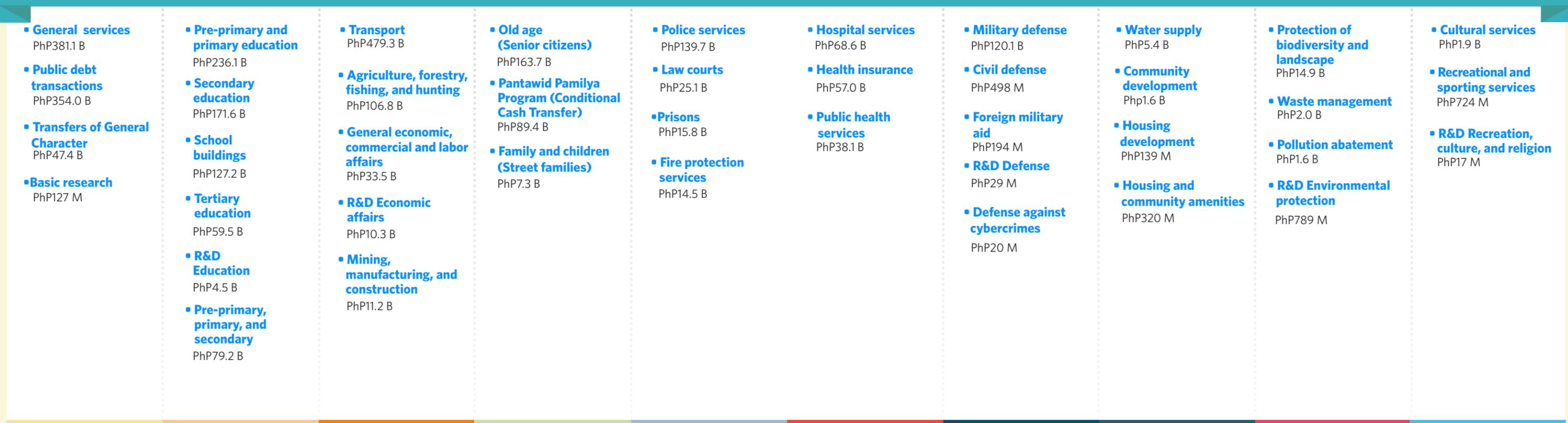
The budget can also be disaggregated by functions of government. For the past few years, the government is adopting the Classification of the Functions of Government (COFOG), a system developed by the Organisation for Economic Co-operation and Development (OECD), to report and compare data on expenditures along international standards.

What are the major differences between COFOG and the Expenditure Program by Sector?

- Allocations in the expenditure program by sector are mandate-based, thus, an agency budget is assigned to the sector it contributes the most. Under COFOG, expenditures are tagged based on the nature of the activities (PAPs) of an agency. Hence, the budget of an agency under COFOG may be classified under two or more sectors/sub-sectors.
- General Administration under COFOG contains the overhead costs of all agencies, while under the traditional classification by sector, General Administration consists only of agency budgets from oversight/policy-making agencies.

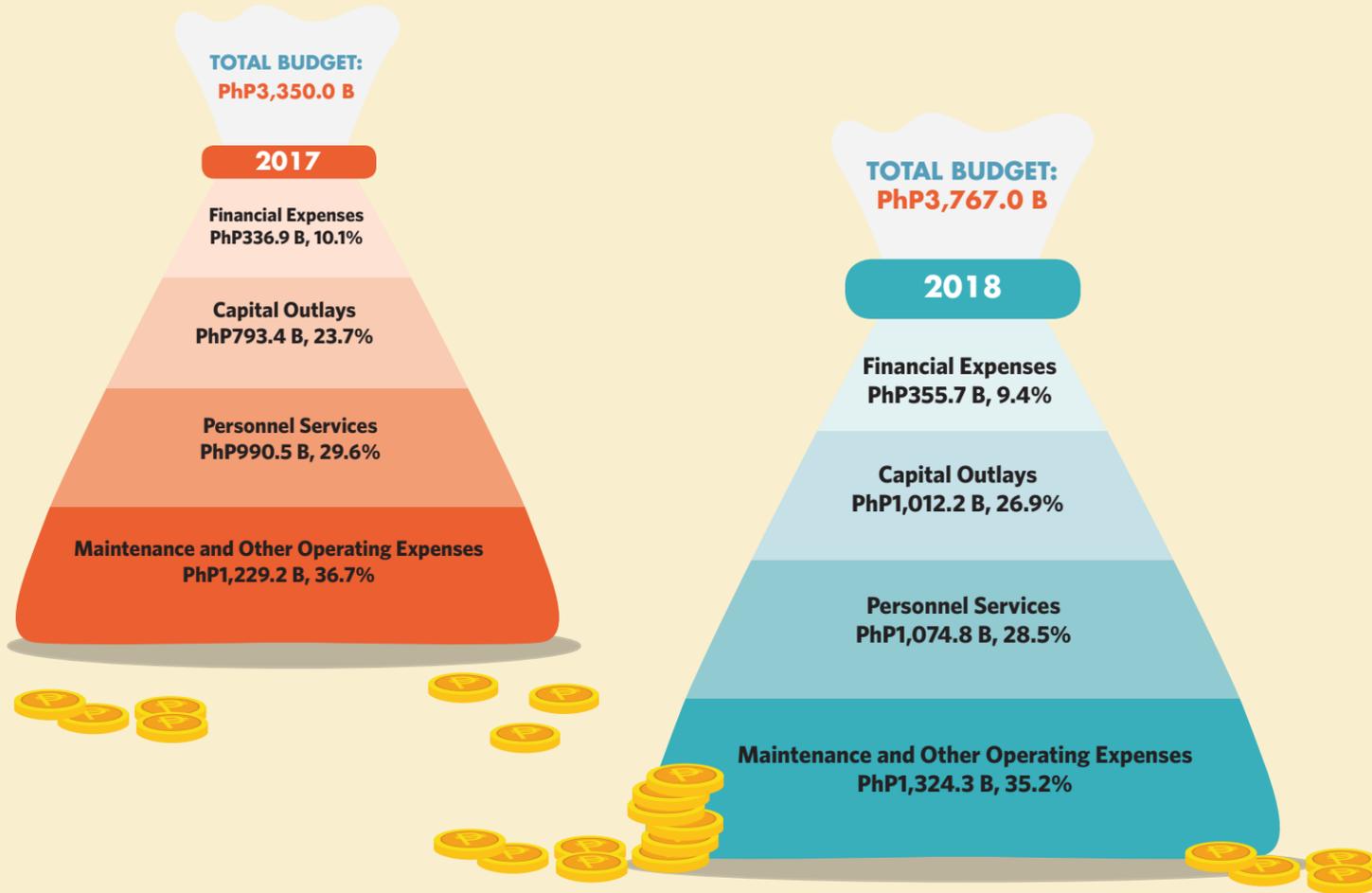


KEY ITEMS UNDER EACH SECTOR



BUDGET DIMENSIONS BY EXPENSE CLASS

Among the main expense classes, Capital Outlays gets the biggest increase at 27.6%, from PhP793.4 billion in 2017 to PhP1,012.2 billion in 2018. This is reflective of the government's commitment to boost economic growth by providing critical road infrastructure and transport programs and projects.



Personnel Services (PS). Covers the salaries and other compensation of civil servants. Part of the increase in PS will fund the creation and filling of positions for teachers and uniformed personnel, the third tranche of the SSL IV salary increase for civilian personnel, and the additional allowance for military/uniformed personnel.

Financial Expenses (FinEx). Refers to management supervision/trusteeship fees, interest expenses, guarantee fees, bank charges, commitment fees, and other financial charges incurred in owning or borrowing an asset property. Includes interest payments made by the Treasury on domestic and foreign debts.

Capital Outlays (CO). For investment outlays such as roads, school buildings, transportation and communications, as well as the acquisition of fixed assets like navy ships and other goods and services that contribute to productivity. The substantial increase will fund the Build, Build, Build Program of the government, as well as the Revised AFP Modernization Program, among others.

Maintenance and Other Operating Expenses (MOOE). Supports the delivery of government services and other maintenance and operating requirements. Part of the funds will go to the implementation of the Conditional Cash Transfer Program and the acquisition of 21 million textbooks for the K-to-12 Program.

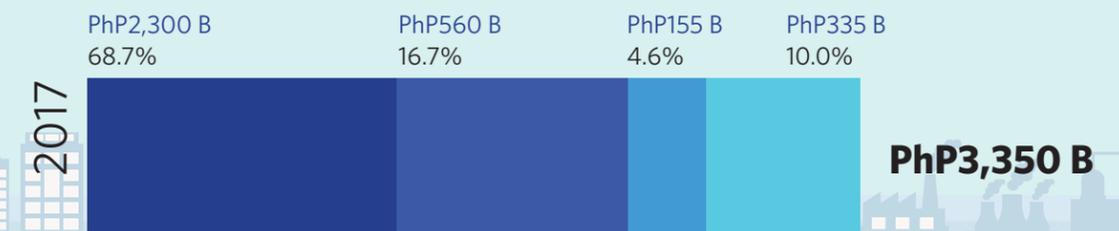
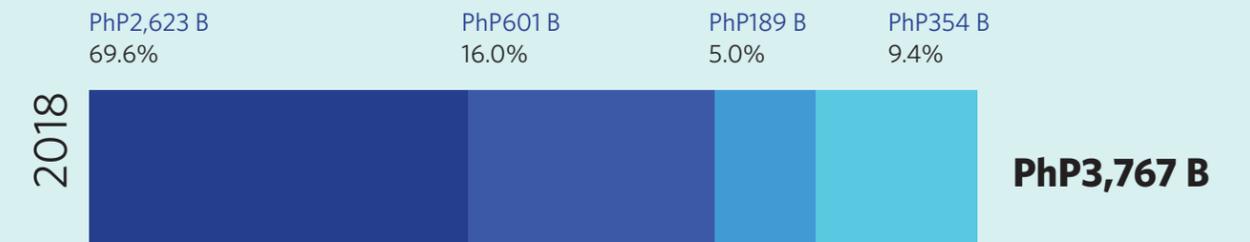
BUDGET DIMENSIONS BY RECIPIENT UNIT



Of the total national government budget for 2018, almost 70%, or PhP2,623 billion, will go to the national government agencies to implement programs and projects and fund personnel and maintenance expenses of the government, among others. On the other hand, 16% or PhP601 billion will be for the local government units (LGUs). Said amount will cover the Internal Revenue Allotment (IRA) shares of LGUs, Local Government Support Fund (LGSF) and special shares of LGUs in the proceeds of national taxes.

Government-Owned and/or -Controlled Corporations (GOCCs) will get PhP189 billion in budgetary support to fund subsidies and equity. The amount corresponds to 4.6% of the total proposed budget.

BUDGET BY RECIPIENT UNIT, 2017-2018



- National Government Agencies
- Local Government Units
- Government Corporations (includes Net Lending)
- Creditors

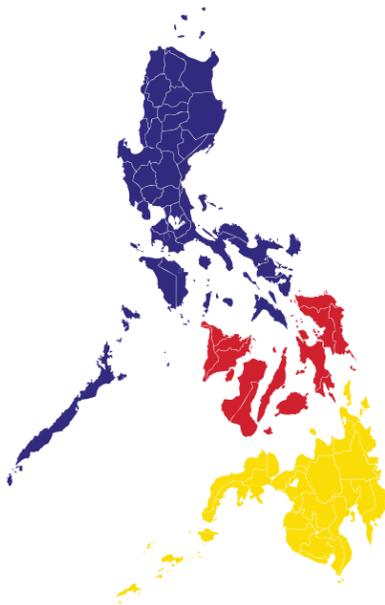
BUDGET DIMENSIONS BY REGION

Distribution of the Regionalized Budget

Region	2017 Allocation	2018 Allocation	% Increase	Per Capita Allocation
CAR	PhP45.62 B	PhP50.60 B	10.9%	26,918
Region I	PhP91.23 B	PhP98.06 B	5.3%	18,415
Region II	PhP72.05 B	PhP78.33 B	8.7%	21,498
Region III	PhP161.72 B	PhP171.59 B	6.1%	14,808
Region IV-A	PhP170.62 B	PhP180.04 B	5.5%	12,065
Region IV-B	PhP66.84 B	PhP70.90 B	6.1%	21,611
Region V	PhP109.94 B	PhP119.62 B	8.8%	18,726
Region VI	PhP119.33 B	PhP130.48 B	9.3%	16,252
Region VII	PhP112.88 B	PhP124.19 B	10.0%	15,898
Region VIII	PhP96.54 B	PhP106.11 B	9.9%	22,147
Region IX	PhP77.61 B	PhP88.00 B	13.4%	22,206
Region X	PhP83.19 B	PhP89.56 B	7.7%	18,157
Region XI	PhP76.41 B	PhP87.62 B	14.7%	16,696
Region XII	PhP82.47 B	PhP94.05 B	14.0%	19,309
CARAGA	PhP56.77 B	PhP62.80 B	10.6%	21,761
ARMM	PhP40.04 B	PhP48.15 B	20.2%	12,053

Note: Figures may not add up due to rounding off.

About PhP2.5 trillion or 66.4% of the PhP3.767 trillion budget will go to the regions, particularly in the rural areas, to foster inclusive growth. The budget for the regions is 25% higher than the 2017 allocation of PhP2.0 trillion.

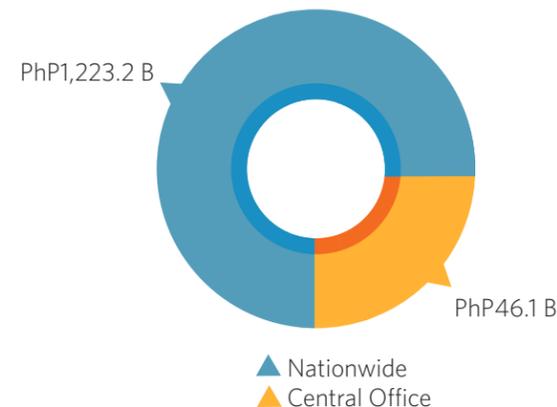


Non-Regionalized Budget, FY 2018

The non-regionalized budget is composed of nationwide and central office allocations.

Nationwide - consists of allocations to be distributed from the departments/agencies to multi-users of special purpose funds such as the Allocation to LGUs, Pension and Gratuity Fund, and National Disaster Risk Reduction and Management Fund.

Central Office - refers to allocations being managed by the Head Office for the departments/agencies. It also includes the Debt Service Fund.



BUDGET DIMENSIONS BY DEPARTMENT AND SPF (in billion Pesos)

DEPARTMENTS

	2016 GAA	2017 GAA	2018 Proposed
Congress of the Philippines	13.88	15.44	15.20
Office of the President	2.86	20.21	6.07
Office of the Vice-President	0.50	0.43	0.45
Department of Agrarian Reform	10.14	10.14	10.28
Department of Agriculture	48.94	45.95	54.20
Department of Budget and Management	1.42	1.48	2.19
Department of Education	433.38	568.44	613.05
State Universities and Colleges	49.66	61.44	64.56
Department of Energy	1.87	2.66	2.66
Department of Environment and Natural Resources	22.27	27.35	27.93
Department of Finance	20.22	23.17	19.73
Department of Foreign Affairs	20.78	16.72	19.66
Department of Health	124.95	98.40	107.23
Department of the Interior and Local Government	125.40	149.36	172.33
Department of Information and Communications Technology	0.00	3.59	6.93
Department of Justice	13.78	16.56	18.47
Department of Labor and Employment	18.77	11.73	11.16
Department of National Defense	117.73	137.44	144.96
Department of Public Works and Highways	397.11	467.66	643.25
Department of Science and Technology	18.22	20.96	21.12
Department of Social Welfare and Development	110.91	128.41	137.99
Department of Tourism	3.64	2.56	3.38
Department of Trade and Industry	4.30	4.83	6.74
Department of Transportation	44.30	55.70	73.84
National Economic and Development Authority	5.79	5.44	9.10
Presidential Communications Operations Office	1.25	1.37	1.35
Other Executive Offices	45.95	45.95	39.66
Autonomous Region in Muslim Mindanao	29.41	33.47	33.47
Joint Legislative-Executive Development Council	.003	.003	.004
The Judiciary	26.79	32.77	34.77
Civil Service Commission	1.32	1.43	1.59
Commission on Audit	9.33	10.96	12.11
Commission on Elections	16.16	3.32	16.15
Office of the Ombudsman	2.06	2.30	2.59
Commission on Human Rights	0.46	0.75	0.68

SPECIAL PURPOSE FUNDS

	2016 GAA	2017 GAA	2018 Proposed
Budgetary Support to Government Corporations	131.75	154.93	188.96
Allocations to Local Government Units	485.83	560.04	600.99
Customs Duties and Taxes, Incl. Tax Expenditures	25.48	19.50	19.50
Debt Service Fund-Interest Payments	392.80	334.88	354.01
National Disaster Risk Reduction and Management Fund	38.90	15.76	25.50
Contingent Fund	2.50	5.50	13.00
Miscellaneous Personal Benefits Fund	96.26	89.10	84.45
Pension and Gratuity Fund	109.97	141.92	145.75

GRAND TOTAL

3,001.8 3,350.00 3,767.00

Note: May not sum up due to rounding off

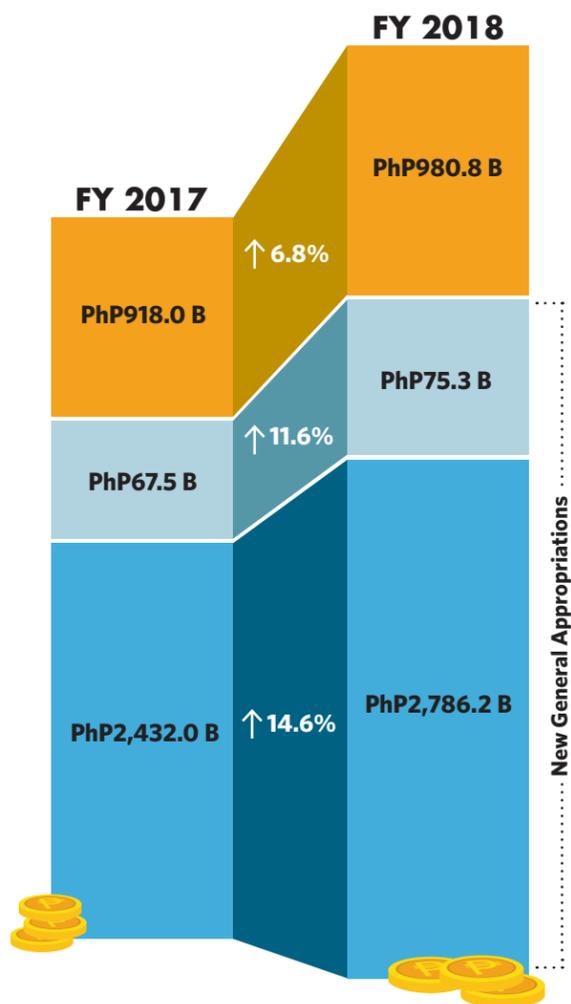
TOP TEN RECIPIENTS

- Department of Education**
(Including State Universities and Colleges, Commission on Higher Education, and Technical Education and Skills Development Authority)
2018: PhP698.1 B
2017: PhP656.3 B
- Department of Public Works and Highways**
2018: PhP643.3 B
2017: PhP467.7 B
- Department of the Interior and Local Government**
2018: PhP172.3 B
2017: PhP149.4 B
- Department of Health**
(includes PHIC budget)
2018: PhP164.3 B
2017: PhP151.6 B
- Department of National Defense**
2018: PhP145.0 B
2017: PhP137.4 B
- Department of Social Welfare and Development**
2018: PhP138.0 B
2017: PhP128.4 B
- Department of Transportation**
2018: PhP73.8 B
2017: PhP55.7 B
- Department of Agriculture**
2018: PhP54.2 B
2017: PhP45.9 B
- Autonomous Region in Muslim Mindanao**
2018: PhP33.5 B
2017: PhP33.5 B
- Department of Environment and Natural Resources**
2018: PhP27.9 B
2017: PhP27.3 B

NEW GENERAL AND AUTOMATIC APPROPRIATIONS

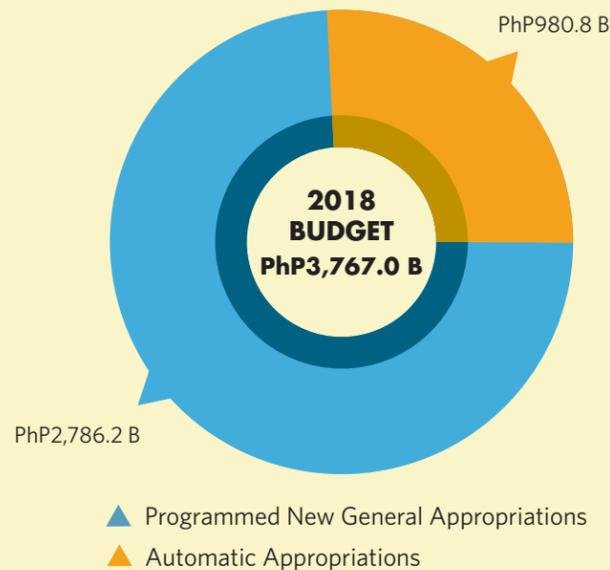
New General Appropriations, composed of Programmed New General Appropriations (PhP2,786.2 B) and Unprogrammed New General Appropriations (PhP75.3 B), amount to PhP2,861.5 billion. These items require legislative authorization. On the other hand, expenditures under Programmed Automatic Appropriations (PhP980.8 B) such as Internal Revenue Allotment, Interest Payments, and Retirement and Life Insurance Premiums do not require regular annual legislative approval by virtue of their nature and enabling laws.

EXPENDITURE PROGRAM



- ▲ Programmed Automatic Appropriations
- ▲ Unprogrammed Appropriations
- ▲ Programmed New General Appropriations

Programmed New General and Automatic Appropriations



Unprogrammed New General Appropriations

The government is also proposing a **PhP75.3 billion** unprogrammed appropriations to fund the Risk Management Program (PhP30 B) for contingent liabilities, support for infrastructure projects and social programs (PhP18.9 B), budgetary support for GOCCs (PhP4 B), and AFP Modernization Program (PhP5 B), among others.

The unprogrammed appropriation is a standby authority which shall only be released when the identified revenue sources exceed the targets or when grants or foreign loans are received.

EXPENDITURE PRIORITIES

Strengthening the link between planning and budgeting, the proposed 2018 Budget is anchored on the pillars of the Philippine Development Plan 2017-2022, the Administration's master plan to lay down the foundation for a "matatag, maginhawa at panatag na buhay" for the Filipino people.

The 2018 Budget weaves the pillars together by funding programs and projects that would help attain the Plan's envisioned goals and outcomes.



INEQUALITY-REDUCING TRANSFORMATION

ACCELERATING HUMAN CAPITAL DEVELOPMENT: HEALTH FOR ALL



According to the World Health Organization, health is not merely the absence of disease but the condition of complete mental, physical, and social well-being.

In 2014, the country's total health expenditure was at 4.7% of GDP, compared to Malaysia's 4.2% and Indonesia's 2.8%.

About 85% of revenues generated from sin taxes are earmarked for the government's universal health care program and upgrading of medical facilities, among others.

Why Invest in Health?

Good health is a critical element to develop every citizen's full potential and productivity. As such, more funds are being invested in the health sector to ensure equal access to quality health services to reduce inequality and poverty. For 2018, PhP172.9 billion is provided for the health sector, about 62% of which will go to the DOH.

PhP172.9 B 2018

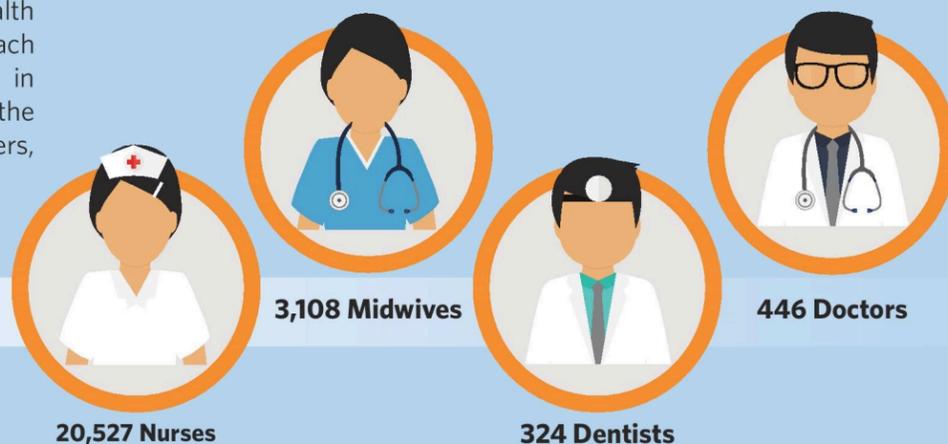
PhP158.3 B 2017

PhP125.2 B 2016

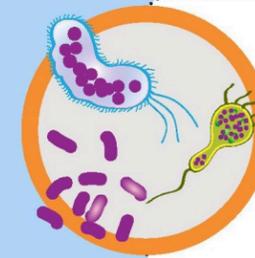
PhP105 B 2015

Health and Human Resources

To address the need to have more health personnel in public health facilities, particularly in hard to reach areas, PhP9.7 billion is provided in 2018, PhP1.9 billion more than the 2017 budget, to hire, among others, the following:



National Immunization Program



From PhP7.1 billion in 2017, the budget for this Program increased to PhP7.4 billion to:

- Provide pneumococcal vaccines for infants and senior citizens
- Fully immunize 2.7 million infants against hepatitis B, measles, rubella, polio, Japanese encephalitis, etc.
- Immunize Grade I and Grade 7 students against measles, rubella, tetanus, and diphtheria
- Immunize pregnant women with tetanus and diphtheria vaccines
- By the end of 2018, the target is to fully immunize 95% of children, from 45.6% in 2015.

Tuberculosis Control

PhP785 million has been provided in 2018 to help attain the PDP target of reducing tuberculosis incidence to 225 per 100,000 population in 2022 from 322 in 2015.



Prevention and Control of Other Diseases

Part of the PhP1.7 billion budget for this program will be used to prevent and control dengue, influenza, and HIV/AIDS.



Health Facilities Enhancement Program (HFEP)



From PhP24.2 billion in 2017, the budget for HFEP has been increased to PhP29.0 billion to improve the people's access to health facilities. The bulk of the amount will be used for the:

- Construction of 1,497 Barangay Health Stations (BHSs) to provide basic health services to the communities
- Improvement of facilities of 353 hospitals
- Construction of 177 new Rural Health Units (RHUs)
- By the end of 2018, 3,320 RHUs and 28,188 BHSs have been completed/equipped.

National Health Insurance Program (NHIP)

To cushion the impact of the high cost of health care on the poor, PhP57.1 billion is provided for the NHIP, from PhP53.2 billion in 2017. Said amount will ensure health insurance coverage of 100% indigents, senior citizens, Moro Islamic Liberation Front beneficiaries, former rebel families, and communities.



Beneficiaries

- 15.4 M families
- 5.4 M senior citizens
- 22,514 families under the PAYapa at MASaganang PamayaNAn (PAMANA) Program
- 22,709 beneficiaries under the Bangsamoro Program

Premium

- PhP2,400/family
- PhP3,120/senior citizen
- PhP2,400/family
- PhP2,400/family

INEQUALITY-REDUCING TRANSFORMATION

ACCELERATING HUMAN CAPITAL DEVELOPMENT: QUALITY, ACCESSIBLE, AND RELEVANT EDUCATION



In terms of quality of education in primary schools, the country fared well, taking 54th place, compared to Thailand (78th) in 2016.¹

Cohort survival rates, or the percentage of first grade/year enrollees who completed the final year of elementary/secondary levels, have increased for both elementary and secondary levels from 74.2% and 79.4% in 2010 to 87.01% and 80.8% in 2015, respectively.²

The country ranked 74th out of 127 countries in tertiary education, compared to Thailand's 90th place in the 2017.³



Sources:
¹ Human Capital Index Report 2016
² PDP 2017-2022
³ Global Innovation Index

Education is the “great equalizer”. It can help fight poverty and even raise a person’s income for every additional year of schooling. Acknowledging this fact, the government is banking on the education sector to transform the lives of its people by lifting the competencies of its workforce and enabling them to become globally competitive.

BASIC EDUCATION

The Department of Education receives PhP613.1 billion for 2018 to fund additional educational inputs needed to fully implement the K-to-12 Program and to improve interventions to keep children in school. The amount is 7.9% higher than the 2017 level of PhP568.4 billion.



Selected Targets to Ensure Lifelong Opportunities for All

Indicators	Baseline (2015)	End of the Plan Target (2022)
Net Enrolment Rate		
Kindergarten	74.65%	95.00%
Elementary	91.05%	95.00%
Junior High School	68.15%	75.44%
Completion Rate		
Elementary	83.43%	90.00%
Junior High School	73.97%	78.48%
Students awarded with scholarships, grants, and other financial assistance	5%	10%
Increased government expenditure for higher education, R&D, and innovation	0.17% of GDP	0.5% of GDP

Source: PDP 2017-2022

Learning Resources

To fund the following:

2018: PhP19.4 B
 2017: PhP21.7 B



- 21 million textbooks
- 3,183 sets of Science and Mathematics equipment
- 22,883 packages for the computerization program
- 4,600 sets of technical-vocational equipment

Manpower

To fund the following:

2018: PhP23.0 B
 2017: PhP19.4 B



- Creation of 81,100 teaching positions
 - K-to-10: 78,924 positions
 - Senior High School: 232
 - Special Education: 1,944
- Creation of 140 non-teaching positions

Government Assistance and Subsidies to Students and Teachers

To foster the complementarity between public and private education, PhP39.3 billion has been provided to implement a financial assistance program extended to students and teachers in private schools and non-DepEd public schools. Said program will benefit:



2,849,198 students



35,945 teachers participating in the Teacher Salary Subsidy Program

Basic Educational Facilities

To fund the following:

2018: PhP126.0 B
 2017: PhP118.8 B



- Construction of 47,000 classrooms
- Purchase of 84,781 sets of school seats
- Construction of 12,037 computer, technical-vocational, and Science laboratories
- Repair/rehabilitation of 18,000 classrooms

Health and Nutrition Services

Aside from basic educational facilities and other education-related resources, the government has also provided PhP5.3 billion to implement the school-based Feeding Program. This will benefit:

- 1,823,443 severely wasted and wasted students (those with low weight compared to their height)
- 631,334 kindergarten students in priority provinces



HIGHER EDUCATION AND TECHNICAL-VOCATIONAL EDUCATION

Higher education and technical-vocational education are key drivers to boost productivity and economic competitiveness. Studies show that skilled workers and those with college and post-graduate degrees earn more than unskilled workers and high school graduates.

Given the country's growing young population, improvements in the quality of tertiary and technical-vocational education would help enhance their productivity by equipping them with the knowledge and skills necessary for employment.

Technical-Vocational Education

PhP7.0 billion is provided to the Technical Education and Skills Development Authority (TESDA) in 2018, higher by PhP200 million from the 2017 level of PhP6.8 billion. The amount will fund, among others, the following:

Particulars	2017 GAA	2018 Proposed
Training for Work Program (TWSP)	PhP2.4 B	PhP2.6 B
No. of enrollees	293,333	247,370
No. of graduates	264,000	222,633
Special Training for Employment Program (STEP)	PhP0.9 B	PhP0.7 B
No. of beneficiaries	66,651	49,974
Private Education Student Financial Assistance (PESFA)	PhP0.2 B	PhP0.2 B
No. of beneficiaries	11,111	11,111



Tertiary Education

For 2018, tertiary education gets a budget of PhP81.8 billion. The amount is broken down as follows:

- **State Universities and Colleges (SUCs)**
PhP64.6 B
- **Commission on Higher Education (CHED)**
PhP13.5 B

To fund:

▶ Student Financial Assistance Programs

2018: PhP7.1 B Beneficiaries: 550,696 students
2017: PhP6.0 B Beneficiaries: 463,000 students



Tulong Dunong Program

PhP5.9 billion to provide scholarships for 483, 521 students.



▶ CHED K-to-12 Transition Program

PhP4.1 billion to provide 5,953 scholarships for graduate studies, 254 faculty and staff development grants, and 81 institutional and innovation grants.



• Department of Science and Technology (DOST)-Science Education Institute

2018: PhP3.6 B to provide science and technology (S&T) scholarships for 28,414 beneficiaries
2017: PhP2.9 B for 22,723 beneficiaries

INEQUALITY-REDUCING TRANSFORMATION

ACCELERATING HUMAN CAPITAL DEVELOPMENT:
CREATING OPPORTUNITIES FOR LABOR AND EMPLOYMENT



FAST FACTS

The government targets to reduce unemployment rate to 3 to 5% by 2022, from 5.7% in April 2017.¹

Limited employment opportunities in the country force people to migrate.²

The country's employment rate was estimated at 94.3% in April 2017, slightly higher than the April 2016 level of 93.9%.

Sources:
¹ PDP 2017-2022
² Philippine Statistics Authority

To improve the employability of the country's workforce and advance their welfare, the Department of Labor and Employment is allotted PhP11.2 billion to fund, among others, the following:

Kabuhayan or Livelihood Program PhP992 M

To provide capacity building on entrepreneurship and skills training to 47,136 poor workers in the informal sector. The beneficiaries will also get working capital to buy materials, equipment, and tools.



Special Program for Employment of Students PhP709 M

To provide 163,802 poor students and out-of-school youths with temporary employment.



Government Internship Program PhP690 M

To provide 19,848 indigent youths the opportunity to work in the government for 3 to 6 months.



Rural and Emergency Employment Program PhP129 M

To assist displaced workers. Part of the amount will assist 444 teachers and non-teaching personnel in Higher Education Institutions who were affected by the additional two years of high school under the K-to-12 Program.



JobStart Philippines Program PhP106 M

To help 3,200 youths aged 18 to 24 years find jobs by informing them of vacancies and the skills needed for these jobs.

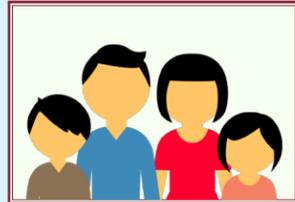


INEQUALITY-REDUCING TRANSFORMATION

REDUCING THE VULNERABILITY OF INDIVIDUALS AND FAMILIES

FAST FACTS

- The country's poverty incidence registered 21.6%, declining from 25.2% in 2012. The government targets to reduce it to 14.0 percent by 2022.¹
- The country holds the record as the third most disaster-prone country for 2015 and 2016 based on the World Risk Report.²
- Poverty pushes children to work.³



Sources:
¹ Philippine Statistics Authority
² World Risk Report 2015-2016
³ PDP 2017-2022

LEAVING NO ONE BEHIND

Disaster can worsen poverty and pull down a family into poverty. With strengthened social protection mechanisms, the Duterte Administration ensures that no vulnerable group will be left behind. To achieve this, the budget of the Department of Social Welfare and Development (DSWD), the primary agency tasked to implement the Conditional Cash Transfer Program and social welfare programs, and improve disaster response, has been increased from PhP128.4 billion in 2017 to PhP138.0 billion in 2018.

LIFTING FAMILIES FROM THE POVERTY THRESHOLD

<p>Conditional Cash Transfer Program - to provide educational, livelihood, and health assistance to 4.4 million poor families</p> <p>2018: PhP89.4 B 2017: PhP78.2 B</p>	<p>Social Pension for Indigent Senior Citizens - to provide PhP500 monthly stipend for 3 million indigent senior citizens</p> <p>2018: PhP19.3 B 2017: PhP17.1 B</p>	<p>Supplementary Feeding Program - to augment the regular meals of students and ensure their nutritious food intake</p> <p>2018: PhP3.4 B 2017: PhP3.2 B</p>
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Bangsamoro Umpungan sa Nutrisyon - to improve the nutritional status of 7,000 underweight children aged 0 to 12 years in the Autonomous Region in Muslim Mindanao

2018: PhP156 M

The Program will ensure culturally-appropriate indigenous food that will also benefit:

- 1,000 pregnant women (including teenage mothers)
- 1,000 lactating mothers (including teenage mothers)
- At least half of 7,000 parents who are unemployed or underemployed
- Some 75 barangays and 40 municipalities in need of technical support for sustainable nutrition intervention

Implementation of the Centenarians Act - to provide a one-time cash reward of PhP100,000 to 1,895 senior citizens aged 100 and up

2018: PhP189.5 M

CONVERGE OPPORTUNITIES TOWARDS SELF-SUFFICIENCY

- **Sustainable Livelihood Program PhP7.1 B**
To help poor families organize microenterprises and provide them assistance to obtain decent employment
- **KALAHI-CIDSS PhP5.4 B**
To complete the community development projects in 347 municipalities and 7,127 barangays
- **Disaster Response and Rehabilitation Program PhP3.6 B**
To provide disaster response services to internally-displaced households.

FORTIFY PROTECTION FOR FILIPINOS

- **Social Protection and Welfare for Overseas Filipinos (OFs) PhP593 M (under OWWA)**
To provide training and scholarship grants and welfare services to OFs
- **Reintegration Program for OFs PhP73 M**
To provide assistance to OFs in opening a business or microenterprise
- **Services to Distressed OFs PhP90 M**
For rehabilitation, counseling, and psychosocial services to distressed and abused OFs



INEQUALITY-REDUCING TRANSFORMATION

EXPANDING OPPORTUNITIES IN AGRICULTURE, FORESTRY, AND FISHERIES (AFF)

FAST FACTS

The Philippines has a land area of 30 million hectares, 47% of which is agricultural.¹

The country is one of the mega-biodiverse countries in the world, having between 70% and 80% of the world's plant and animal species.²

As lowest-paid workers in the Philippines, farmers and fisherfolk registered the highest poverty incidence with 38.3% and 39.2%, respectively.³

Farmers are ageing. The average age of farm operators of palay, corn, bangus, and tilapia ranges from 48 to 55 years old.⁴

Sources:
¹Pinas.dlsu.edu.ph
²Convention on Biological Diversity
³PDP 2017-2022
⁴Ibid

THE NEED TO REVITALIZE THE AFF SECTOR

The agriculture, forestry, and fisheries sector is the cornerstone of food security for every Filipino. It is also the sector that employs 27% of the total labor population of the country and where raw materials are sourced to support the other sectors of the economy. For 2018, PhP141.0 billion is provided to the AFF to:

Make Food Available

Rice Program



→ **2018: PhP11.8 B - Target: 19.79 million metric tons (MMT)**
 2017: PhP9.7 B - Target: 18.57 MMT

Corn Program



→ **2018: PhP3.0 B - 8.87 MMT**
 2017: PhP2.8 B - 8.45 MMT

Farm-to-Market Roads



→ **PhP11.8 B - To construct 1,179 kilometers (km) of roads in 2018**
 PhP6.0 B - 600 km of roads targeted in 2017

Fund Research and Development

PhP1.3 B For DOST's **Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development** to produce climate-resilient plant varieties

PhP353 M For the **Bureau of Fisheries and Aquatic Resources' R&D**: Expand research on post-harvest losses covering the additional species of sardines and tuna in Central Luzon, MIMAROPA, Western Visayas, and CARAGA

PhP243 M For the **Forest Products Research and Development Institute** to look into the processing and utilization of senile and unproductive rubberwood for school furniture, mouldings, and joinery products

Mechanization and Post-harvest Facilities

PhP4.2 B To increase production of agricultural crops by providing additional Rice Processing Centers, storage facilities, tractors, hauling trucks, and combine harvesters and transplanters.

National Food Authority

PhP7.0 B For the National Food Authority to provide sufficient and affordable rice supply for the Filipinos. Part of the amount will be used for the Buffer Stocking Program to ensure enough stockpile of rice during the lean season.

Increase Resilience to Climate Risks

Given the vulnerability of the AFF sector to climate shocks, PhP40.9 billion is provided for the National Irrigation Administration (NIA) to construct, maintain, and repair irrigation systems.

Irrigated Areas

Dry Season
2018: 582,898 hectares (ha)
 2017: 587,760 ha

Wet Season
2018: 613,193 ha
 2017: 635,764 ha

Loan Assistance

Farmers and Fisherfolk Quick Credit Program
2018: PhP900 M - 18,000 beneficiaries
 2017: PhP750 M

Agricultural Insurance

Crop Insurance Program
2018: PhP3.5 B
 2017: PhP2.5 B

Increase the Income of Farmers and Fisherfolk

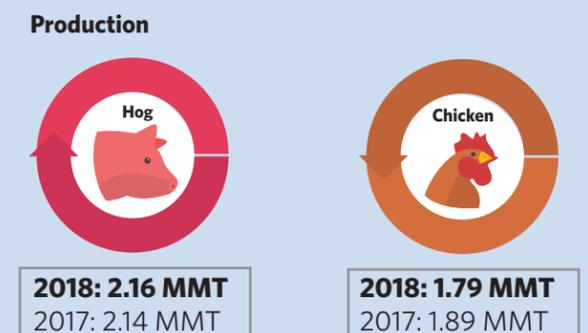
PhP3.5 B High Value Crops Program



PhP4.5 B Fisheries Program



PhP2.1 B Livestock Program



INEQUALITY-REDUCING TRANSFORMATION

EXPANDING OPPORTUNITIES IN INDUSTRY AND SERVICES



FAST FACTS

The Philippines ranked as the 10th fastest economy in the world for 2017 based on World Bank's Global Economic Prospects.

It placed 99th out of 190 economies in the 2017 Ease of Doing Business Report, compared to its 103rd place out of 189 economies in 2016.

The Industry and Services sector is a key generator of employment. An estimated 54% of the country's workforce was employed in the services sector in 2014.¹

The industry sector's contribution to GDP was 31% from 2010-2016, assisting in structural change of economics.

Source:
¹ www.investopedia.com

The Industry and Services sector is the main provider of jobs for Filipinos, especially in the Micro, Small, and Medium Enterprises (MSMEs), which comprised 99.5% of domestic firms in 2015. With a budget of PhP6.7 billion in 2018, the Department of Trade and Industry (DTI) is harnessing the potential of MSMEs to maintain the growth momentum of the country's economy by:

<p>Giving MSMEs access to energy efficient technologies, equipment, and tools under a shared system.</p> <p>Shared Service Facilities (SSFs)</p> <p>2018: PhP200 M</p> <p>To establish 83 and maintain 2,200 SSFs</p>	<p>Providing MSMEs an alternative source of financing at a reasonable cost.</p> <p>Pondo sa Pagbabago at Pag-asenso Program</p> <p>2018: PhP1.0 B</p> <p>To assist 2,500 microenterprises</p>	<p>Expanding assistance in doing business and facilitating financial assistance.</p> <p>Negosyo Centers</p> <p>2018: PhP515 M</p> <p>To establish 150 and maintain 597 Negosyo Centers</p>	<p>Boosting competence in marketing native products through effective design, packaging, and utilization of online tools.</p> <p>One-Town, One Product: Next Generation</p> <p>2018: PhP100 M</p> <p>To assist 6,000 MSMEs and develop at least 5 products per province</p>	<p>Giving output-based fiscal support to automotive manufacturing industries as they accelerate production of vehicles and parts.</p> <p>Comprehensive Automotive Resurgence Strategy (CARS)</p> <p>2018: PhP1.6 B</p> <p>To help generate 67,500 jobs and PhP7.6 B in revenues</p>
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ENHANCING THE SOCIAL FABRIC

CITIZEN-CENTERED, CLEAN, AND EFFICIENT DELIVERY OF PUBLIC GOODS AND SERVICES



FAST FACTS

The Philippines scored 64 out of 100 in terms of budget transparency, higher than the global average score of 45.¹

To make the government more transparent and accountable, the Commission on Audit (COA) and civil society organizations (CSOs) launched the Citizen Participatory Audit (CPA), an anti-corruption project which won the country an international award in 2013.²

To cut red tape, the government has trimmed down the number of procedures and days for business registrations to a maximum of 3 steps and 3 days.³

The 2018 Budget invests in the country's greatest resource - its people. It will fund programs intended to reduce corruption, improve the delivery of public services, and empower citizens to ensure a clean, pro-people, and efficient governance.

¹ Open Budget Index 2015
² Commission on Audit
³ Joint Memorandum Circular No. 01, s. 2016 (Revised Standards in Processing Business Permits and Licenses in All Cities and Municipalities)

Combat Corruption

With this budget, the OMB targets to:

PhP2.6 B

For the Office of the Ombudsman (OMB) to pursue transparent and accountable governance.
2017: PhP2.3 B



Resolve and act on 77% of complaints and grievances



Complete 20% of fact-finding investigations



Prosecute 17.9% of cases

PhP21 M

for the OMB to develop strategic programs promoting community awareness against corruption.

Achieve Seamless Service Delivery

PhP6.9 B

For the Department of Information and Communications Technology (DICT) to provide better government services to citizens and businesses.
2017: PhP3.6 B

PhP1.7 B

Free Wi-Fi Internet Access
In 5,308 public sites

PhP1.2 B

National Broadband Program (NBP)
To connect 30% of total municipalities, public schools, and rural health units

PhP422 M

National Government Portal (NGP)
To provide a one-stop shop for online government services to the public and private sectors

PhP206 M

Expanded Tech4ED⁴ Program
Establish 1,000 new Tech4ED centers, 10 Technology Business Incubation Centers, 10 internet training centers, and train 3,000 center managers to serve communities with limited or no access to government services

PhP242 M

National Government Data Center (NGDC) Infrastructure
Provide centralized servers and storage facilities for better collaboration and data exchange in 110 government agencies

PhP50.4 B

For the **Local Government Support Fund (LGSF)** to support LGUs in their service delivery functions, of which:

- **PhP21.4 B** is for Assistance to Municipalities;
- **PhP5.0 B** is for Assistance to Cities; and
- **PhP 18.0 B** is for Conditional Matching Grant to Provinces for road repair, rehabilitation, and improvement.

Enhance Administrative Governance

The Administration is dedicated to maintaining a lean, clean, and effective bureaucracy.



Passage of the Rightsizing the National Government Bill

The Rightsizing Bill will:

- 1 Eliminate redundant or overlapping functions in government agencies;
- 2 Rechannel government resources to important programs and projects; and
- 3 Promote simplicity and efficiency in government operations.



Passage of the Budget Reform Bill (BRB)

The BRB aims to:

- 1 Promote greater government accountability and transparency;
- 2 Strengthen the Congress' power of the purse;
- 3 Institute an integrated public financial management (PFM) system; and
- 4 Shift to one year cash appropriations system.

Improve Citizen Engagement

The government aims to make policies, programs, and projects more responsive to the people's needs.

PhP38 M

For the Civil Service Commission (CSC) to strengthen the implementation of the Anti-Red Tape Law.

PhP27 M

For the Public Assistance and Contact Center ng Bayan (CCB) Project of the CSC.



A total of **172,645** transactions have been facilitated through the CCB from 2012 to June 2016.



ENHANCING THE SOCIAL FABRIC

SWIFT AND FAIR ADMINISTRATION OF JUSTICE

FAST FACTS

The Philippine criminal justice system is composed of five pillars: (1) law enforcement, (2) prosecution, (3) judiciary, (4) penology, and (5) the community.

Providing equal access to justice requires that the various justice institutions function effectively to reach and serve the most vulnerable sectors of society.

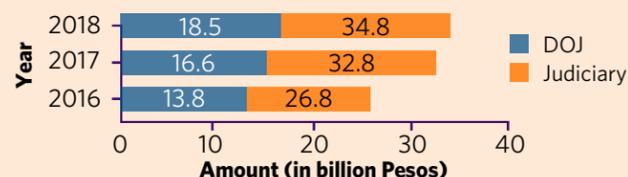
Effective implementation of and adherence to the rule of law reduces corruption and poverty by promoting government accountability, inclusive development, and economic growth.

Every Filipino has the right to swift, fair, and accessible justice. The 2018 Budget ensures that justice, impartial and real-time, is available especially to the poor and marginalized.

Fast-track Justice Delivery

Provisions for the Department of Justice (DOJ) and the Judiciary have increased to provide speedy justice for all.

Allocations for the Judiciary and the DOJ, 2016-2018



Establish a Unified Corrections System



Php2.4 B
Bureau of Corrections (BuCor)
Keep national prisoners safe and rehabilitated.



Php15.4 B
Bureau of Jail Management and Penology (BJMP)
Construct new jail facilities to ease prison congestion.



Php0.9 B
Parole Probation Administration (PPA)
Enhance offender reformation program.

Php34.8 B THE JUDICIARY

6.1% INCREASE FROM 2017 LEVEL

Operations of the Supreme Court (SC) including the Maintenance and Other Operating Expenses (MOOE) of 2,225 Lower Courts

Php31.4 B

Construction of a New SC Complex in Fort Bonifacio, Taguig City

Php1.5 B

Construction of 23 Halls of Justice (HOJ) Buildings

Php0.9 B

Hiring of Court Decongestion Officers

Php0.2 B

11.4% INCREASE FROM 2017 LEVEL

Php18.5 B DEPARTMENT OF JUSTICE

Php3.2 B

Free Legal Services to Indigents under the Public Attorney's Office (PAO)

Php1.5 B

Investigation Services under the National Bureau of Investigation (NBI)

Php0.2 B

Legal Services

Php7 M

Implementation of the National Justice Information System (NJIS)

Strengthen Human Resources of the Justice Sector

Php3.2 B PUBLIC ATTORNEY'S OFFICE (PAO)

Achieve target of 1:1 public attorney-to-court ratio by 2022.



Php185 M BUREAU OF JAIL MANAGEMENT AND PENOLOGY (BJMP)

Create 1,000 new Jail Officer 1 (JO1) positions to bring the jail officer-to-inmate ratio to 1:35 by 2018, an improvement from the ratio of 1:37 in 2017.



Php179 M PHILIPPINE JUDICIAL ACADEMY (PHILJA)

Ensure legal competence of justices, judges, court personnel, and lawyers.



INCREASING GROWTH POTENTIAL

VIGOROUSLY ADVANCING SCIENCE, TECHNOLOGY, AND INNOVATION



FAST FACTS

The Philippines rose a notch, ranking 73rd of 127 economies in the Global Innovation Index Report of 2017 (a ranking of the most innovative economies) from 74 out of 128 countries in 2016.

The United States Agency for International Development (USAID)-Science, Technology, Research, and Innovation for Development's report revealed that there are more graduates of Science, Technology, Engineering, and Mathematics-related courses than the number of job opportunities that are available for them.

Innovation is a primary source of wealth creation within an economy.

The Department of Science and Technology (DOST) is given Php21.1 billion to contribute towards achieving national goals and boosting inclusive growth through the effective implementation of Science, Technology, and Innovation (STI)-related programs, projects, and strategies.

Developing Human Resources in STI

To help reach the UNESCO benchmark of 380 researchers per million population, Php4.0 billion will be allotted for the scholarship programs of the DOST.

Php4.0 B
36,997 Scholars
2018



Php3.2 B
30,806 Scholars
2017



Php2.4 B
27,007 Scholars
2016



1 graduate icon = 10,000 scholars

Php43 M

For the research, promotion, and development of Science and Technology (S&T) education and training

Increasing Investment in MSMEs

DOST's Small Enterprise Technology Upgrading Program (SETUP) will be provided Php848 million to assist 792 MSMEs adopt technological innovations and develop new products.

Increasing Public Awareness on STI

Php18.9 M

For DOST's Filipino Weather Channel, "DOSTv", to broadcast the latest weather updates and forecasts, and local science-and-technology-related stories.



Php9.9 M

For the installation of more Science and Technology Research - Based Openly Operated Kiosk Stations (STARBOOKS) nationwide. STARBOOKS contain digitized S & T resources/information.



MAINTAINING THE FOUNDATIONS FOR SUSTAINABLE DEVELOPMENT JUST AND LASTING PEACE



Peace is a prerequisite to sustain economic growth.

1,611,220 persons in Mindanao were displaced from 2012 to June 2017 due to armed conflicts, clan feuds, and crime and violence.¹

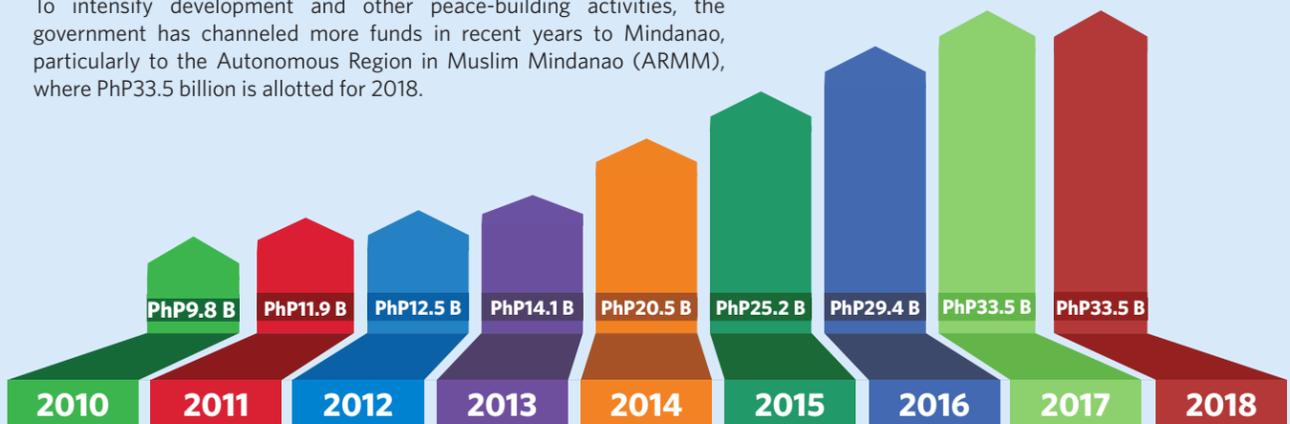
A multi-donor facility, the Mindanao Trust Fund, has funded 573 projects in 315 conflict-affected communities, benefiting 650,000 people from a PhP1.4 billion budget.

Source:
¹United Nations Office for the Coordination of Humanitarian Affairs

Mindanao is referred to as the land of promise because of its rich biodiversity and natural resources. Despite such abundance, many of its provinces remain among the poorest in the country due to the continuing armed struggles, among others. Such condition will persist until just and lasting peace is attained.

To intensify development and other peace-building activities, the government has channeled more funds in recent years to Mindanao, particularly to the Autonomous Region in Muslim Mindanao (ARMM), where PhP33.5 billion is allotted for 2018.

ARMM Budget (Amounts include Retirement and Life Insurance Premium)



Highlights of the Proposed 2018 ARMM Budget

- PhP11.5 B Education, Science and Technology Program
- PhP10.8 B Road Network and Other Public Infrastructure Facilities Program
- PhP1.4 B Health and Nutrition Program
- PhP632 M Agriculture, Fishery, and Land Reform Program
- PhP340 M Environmental Conservation and Management and Human Settlement Regulatory Program
- PhP162 M Social Welfare and Protection Program
- PhP151 M Trade, Industry and Investment Development, Promotion and Regulatory Program
- PhP71 M Transportation and Communications Program
- PhP56 M Employment Promotion and Development of Industrial Peace Maintenance Program
- PhP39 M Peace, Law and Order, and Human Rights Protection and Promotion Program



Development Interventions for Conflict-affected Areas

To help individuals and communities recover, the government implements peace and development programs in conflict-affected and vulnerable communities to improve their living conditions.



Community Support (DSWD) - PhP1.5 B



Health Insurance Premiums (PhilHealth) - PhP54 M



Study Grants (CHED) - PhP19 M



Support to Indigenous Peoples (NCIP) - PhP8 M



Various Projects (OPAPP) - PhP7.0 B

Particulars	Project Cost
Agricultural Productivity Support	PhP65 M
Agri-Fishery	PhP146 M
Bridge	PhP417 M
Capacity Building	PhP40 M
Community Infrastructure	PhP253 M
Electrification	PhP294 M
Livelihood	PhP22 M
Road	PhP4,558 M
Road with Bridge	PhP792 M
Water Supply System	PhP413 M

Marawi Recovery and Rehabilitation Program

The Administration has set aside PhP10 billion for the reconstruction and rehabilitation of Marawi City in 2018 to be sourced from the National Disaster Risk Reduction Management Fund. Said amount is on top of the PhP5 billion allocated in 2017.



ARMM-Health, Education, Livelihood, Peace, and Synergy (HELPS)

To provide social services to barangays
2018: PhP2.0 B
2017: PhP1.8 B



ARMM-Bangsamoro Regional Inclusive Development Program for Sustainable Growth and Equity (BRIDGE)

To empower communities and support local governance
2018: PhP3.6 B
2017: PhP2.1 B



MAINTAINING THE FOUNDATIONS FOR SUSTAINABLE DEVELOPMENT

SECURITY, PUBLIC ORDER, AND SAFETY



To improve the defense capabilities of the country, a budget of PhP155.7 billion has been allocated for the defense sector.

3,677 barangays nationwide have been declared cleared from illegal drugs.¹

Total crime volume has been reduced by 10.9%, from 626,567, a year before President Duterte's term, to 565,158 in his first year in office.²



Sources:
¹ Philippine Drug Enforcement Agency
² Philippine National Police

The Administration views security, public order, and safety as essential pillars in achieving a dynamic community. Only when people feel safe can they fully commit themselves to their personal and social activities. As a top priority, the government invests in protecting the country from internal and external threats.

Armed Forces of the Philippines 2018 Budget: PhP140.4 B



Philippine Army	Philippine Air Force	Philippine Navy
PhP54.4 B	PhP18.1 B	PhP17.4 B
to maintain 191 tactical battalions	to maintain 154 supportable aircraft	to maintain 184 mission-ready fleet marine units
2017: PhP51.9 B	2017: PhP17.5 B	2017: PhP17.2 B

Safeguarding the Country's Territory

To improve the defense capabilities of the country, the Administration allots PhP145.0 billion to the Department of National Defense, up by 5.5 percent from last year's PhP137.4 billion.

- PhP25.0 B = Revised AFP Modernization Program

2018 Targets

- 82%** operational readiness of tactical battalions
- 90%** effective strength of tactical battalions that can be mobilized in one hour

2018 Targets

- 90%** accomplishment of one-hour response to flight-directed mission
- 100%** flying hours achieved

2018 Targets

- 38** Navy units prepared for deployment
- 55** force-level support services units sustained



Ensuring Public Safety

To guard and protect civilians, a budget of PhP131.5 billion is given to the Philippine National Police, an 18% increase from the 2017 level of PhP111.8 billion.

Some Targets

Crime Prevention:			
• No. of patrols conducted by foot			
2016	2017	2018	
6,370,253	5% increase	5% increase	
• No. of patrols conducted by mobile cars			
2016	2017	2018	
5,094,462	5% increase	5% increase	
• Change in Crime Rate			
2016	2017	2018	
11 percent	5% decrease	5% decrease	
Crime Investigation:			
• Crime investigations undertaken			
2016	2017	2018	
583,774	842,311	522,301	
• % of high value targets/most wanted persons arrested			
2016	2017	2018	
15%	5% increase	5% increase	



- PhP1.9 B** creation of 10,000 Police Officer 1 positions effective July 2018 to achieve the ideal police ratio of 1:500, from 2017's 1:551
- PhP3.0 B** Capacity Enhancement Program (CEP); another PhP959 million for the CEP of the Special Action Force
- PhP534 M** construction of 93 police stations and 3 provincial offices



- To support the expected increase in number of inmates due to the drug war:
- PhP1.5 B** Construction of 70 new jail facilities in Regions II, IV-B, V, VI, VII, VIII, NCR, and CAR
 - PhP184 M** Hiring of 1,000 JO1 effective July 2018 to improve the Jail Officer to prisoner ratio to 1:35 from 1:37 in 2017
 - PhP4.7 B** Allowance for
 - food: 60/day
 - medicine: 10/day
 for the projected 182,556 inmates

MAINTAINING THE FOUNDATIONS FOR SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE DEVELOPMENT



- The Duterte Administration has a planned infrastructure spending of PhP8.4 trillion – the largest infrastructure spending in any six-year period in the country.
- The dismal state of the country's infrastructure was caused by the low spending in the sector, averaging 2.6% of GDP during the previous six administrations that spanned 50 years.
- In 2017, the country's infrastructure budget reached 5.4% of GDP, more than the 5% of GDP international benchmark for infrastructure spending.
- By 2022, the government targets infrastructure spending at 7.4% of GDP.

Build, Build, Build

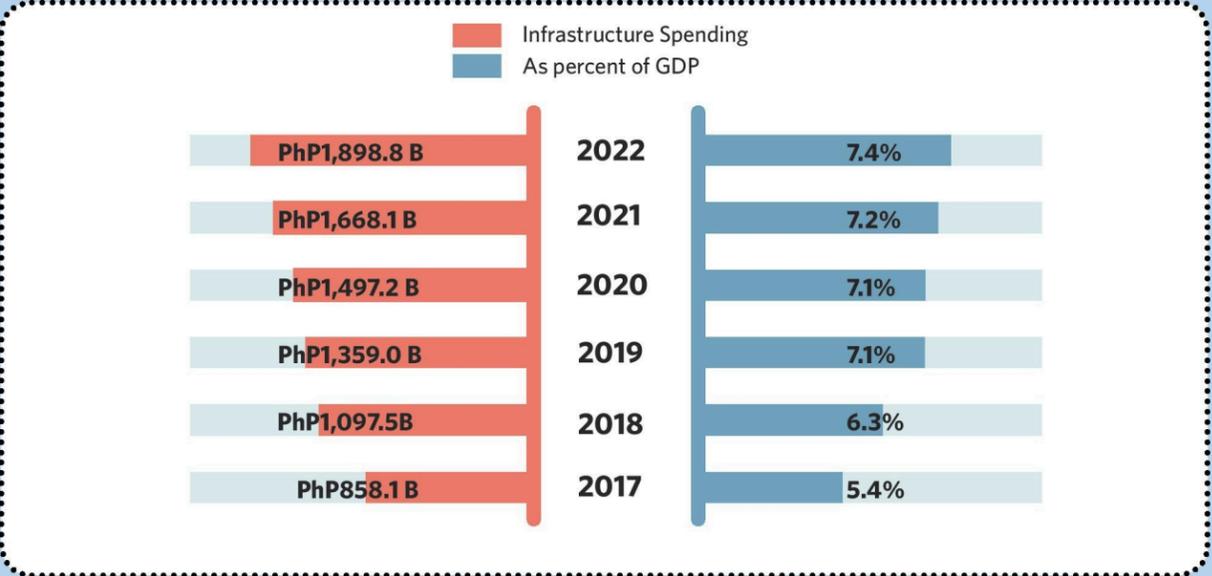
Supporting the strong economy of the country can be best complemented by building adequate infrastructure that will boost economic activities and create new opportunities.

To complement the massive infrastructure spending of the government, several measures have been undertaken to expedite implementation of infrastructure projects.

- Conduct of early procurement activities short of award even before the budget is approved
- Simplification of procurement rules and procedures
- Creation of additional Bids and Awards Committees to hasten project implementation
- Implementation of the Three-Year Rolling Infrastructure Program (TRIP) to ensure that infrastructure projects are implementation-ready, hence minimizing underspending
- Adoption of a 'hybrid' Public-Private Partnership where the government funds project construction; and upon completion, hands it over to the private sector for operation and maintenance

The Golden Age of Infrastructure

Committed to improve the country's state of infrastructure, the Administration will invest heavily in growth-enhancing infrastructure projects and provide efficient intermodal logistics solutions to fast-track development. From 5.3% of GDP in 2017, the government targets to increase the share to 7.4% by 2022.



To support the pursuit of the Golden Age of Infrastructure, a budget of PhP1,097.5 billion is allotted for the public sector infrastructure, up by 27.9% from 2017's PhP858.1 billion. The Administration will build well-designed and strategically positioned infrastructure nationwide.

Particulars	2016 GAA (in billion Pesos)	2017 (in billion Pesos)	2018 NEP (in billion Pesos)
Road Network	304.6	327.6	424.9
School Buildings	91.3	78.6	92.7
Flood Control Systems	69.0	82.0	133.4
Irrigation Systems	23.6	27.5	28.7
Hospitals and Health Centers	19.2	11.3	22.3
Water Supply Systems	7.7	10.0	6.4
Power Supply Systems	8.5	4.8	4.2
Seaport Systems	1.8	2.6	2.8
Airport Systems	9.6	6.8	10.1
Buildings	28.6	35.8	35.3
Development Fund of LGUs	85.7	97.4	104.5
Reforestation Projects	7.6	6.6	7.4
Railways	12.5	22.1	26.0



Public-Private Partnership (PPP)

As of July 2017, 15 PPP Projects have already been awarded and 20 PPP Projects are in the pipeline. To help boost the Administration's Build, Build, Build Program, the Administration will adopt the re-envisioned PPP or the Hybrid PPP where the government finances and constructs a project, and upon completion, bids out its operation and maintenance to the private sector.



Road Transport

Road transportation accounts for 98% of passenger traffic and 58% of cargo traffic in the country. The government will continue to build more roads and bridges as the DPWH will receive the biggest share at PhP431.1 billion, up by 23.5% from 2017's PhP349.2 billion.



- PhP95.2 B Construction/maintenance of flood mitigation structures and drainage systems
- PhP55.0 B Construction of by-pass/diversion roads
- PhP36.8 B Construction and maintenance of bridges
- PhP51.4 B Construction/improvement of access roads leading to airports, seaports, and declared tourism destinations
- PhP56.5 B Payments for Right-of-Way acquisitions



Air Transport

Considering the archipelagic nature of our country, air transportation in the Philippines is very vital. For 2018, the government increases the budget for aviation infrastructure by 48.5%, from PhP6.8 billion in 2017 to PhP10.1 billion.



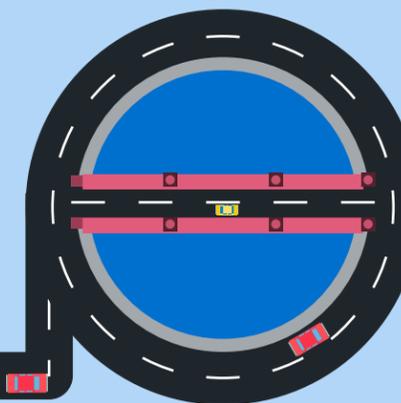
- PhP2.7 B The biggest project in 2018 is the Clark International Airport as the Administration is developing Clark to be an alternative to the Ninoy Aquino International Airport to decongest the latter. With the development of Clark International Airport, its passenger capacity is expected to double from 4 million to 8 million.
- PhP1.1 B Region V – San Jose Airport, Camarines Sur; Virac Airport, Catanduanes; Bicol International Airport, Albay
- PhP1.2 B Region VI – Kalibo Airport, Aklan; Roxas Airport, Capiz; Antique Airport, Panay Islands
- PhP1.2 B Region VIII – Calbayog and Borongan Airports, Samar; Maasin, Tacloban, and Ormoc Airports, Leyte
- PhP2.1 B To boost the night-time landing capabilities of 10 airports, most of which are located in Mindanao.



Road Transport

For the Land Public Transportation Program, a budget of PhP12.6 billion is allotted, 157.1% bigger than 2017's PhP4.9 billion.

- PhP5.4 B **Cebu Bus Rapid Transit (BRT) Project.** This 23-km mass transit project in Cebu City will stretch from Barangay Bulacao (in the South) to Barangay Talamban (in the north).
- PhP1.8 B **Metro Manila (MM) BRT Line 1 (Quezon City).** The 12.3-km MM BRT Line 1 will traverse España Boulevard in Manila City and Quezon Avenue.
- PhP3.1 B **Metro Manila BRT Line 2 (EDSA).** This 48.6-km mass transit system will run from Calaoocan City to Pasay City.



Rail Transport

To fast-track the construction, development, and rehabilitation of the country's mass railway system, a budget of PhP26.0 billion is provided for the sector.

North-South Commuter Railway – PNR North

PhP2.5 B

North-South Railway Project Phase 2 – PNR South

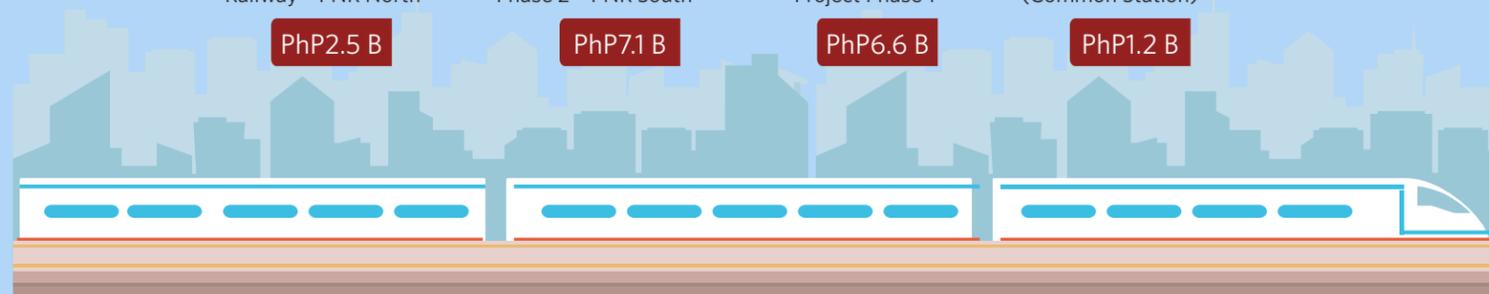
PhP7.1 B

Mindanao Railway Project Phase 1

PhP6.6 B

LRT Line 1 North Extension (Common Station)

PhP1.2 B



Sea Transport

Ports serve as gateways to the country's islands. The maritime transport will get a budget of PhP5.3 billion for 2018.

- PhP3.6 B Maritime Safety Capability Program: 10 44-meter and 92-meter Multi-Role Response Vessels
- PhP71 M to cover the continuation of construction of Taganak Port in Turtle Island, Tawi-Tawi.
- PhP41 M for the rehabilitation of Maribojoc, Baclayon, and Guindulman Ports in Bohol, which were destroyed in the 2013 Bohol Earthquake.





MAINTAINING THE FOUNDATIONS FOR SUSTAINABLE DEVELOPMENT

ENSURING ECOLOGICAL INTEGRITY, CLEAN, AND HEALTHY ENVIRONMENT



FAST FACTS

The Philippines, given its location and topography, is one of the world's most disaster-prone countries.

In 2015, it ranked 4th among the countries which had the highest number of disasters for the past 20 years.

Natural hazards expose the country to economic losses at PhP80 billion annually.

Making the country climate change and disaster resilient would help minimize socioeconomic losses and foster sustainable growth, particularly in vulnerable areas.

Intensify Environmental Protection

For 2018, the Department of Environment and Natural Resources (DENR) is given PhP27.9 billion, 2.2% more than its 2017 budget of PhP27.3 billion, to promote ecological integrity.

National Greening Program



Forest Protection

Provided with PhP963 million, PhP230 million more than the 2017 level, to patrol 1.066 million kilometers of forest areas and hire 146 Forest Protection Officers



Solid Waste Management

PhP859 M

To support 50 LGUs in the closure and rehabilitation of dumpsites and assist 500 LGUs in the establishment of material recovery facilities



Clean Water Program

PhP239 M

To monitor 456 esteros, 119 more than the 2017 target of 337 esteros



Clean Air Program

PhP152 M

For the operation and maintenance of 94 Air Quality Monitoring Stations and calibration of 48 stations

Strengthen the Communities' Adaptive Capacities

The 2018 Budget likewise invests on programs that will help improve communities' resilience to climate change and disasters.

PhP1.5 B **PAGASA Modernization Program**
To enhance weather data collection and research capabilities.

PhP1.5 B **Flood Control**
For the Metropolitan Manila Development Authority to construct and/or repair flood control and drainage structures.

PhP285 M **Geohazard Mapping and Assessment Program**
To determine susceptibility of areas to weathering, landslides, and other geological hazards.

PhP25.5 B **Disaster Risk Reduction**
For the National Disaster Risk Reduction and Management Fund to cover disaster relief, recovery, and rehabilitation services to communities/areas affected by man-made and natural disasters.

THE BUDGET CYCLE

The four phases of the Budget Cycle overlap in continuing cycles. While the Executive Branch implements the Budget for the current year, it also prepares the Budget for the next fiscal year and defends it before Congress. The government monitors, evaluates, and reports on actual performance year-round. This schedule is based on Joint Circular No. 2017-1 issued on June 30, 2017 by the Department of Budget and Management, Department of Finance, and the National Economic and Development Authority.

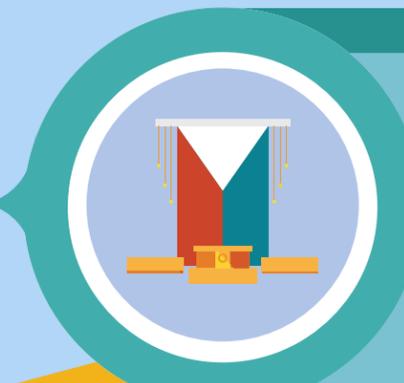
01 PREPARATION

- 1.1 Issuance of the Budget Call-----December of previous year
- 1.2 Citizen Engagement/ RDC Consultations-----January-February
- 1.3 Conduct of budget hearings and review for Tier I of Budget Year (BY)-----February
- 1.4 Program convergence-----April
- 1.5 Submission of Tier II budget proposals for BY-----April-May
- 1.6 Conduct budget hearings and review for Tier II of BY-----May-June
- 1.7 Consolidation, Validation, and Confirmation-----June
- 1.8 Approval of the proposed National Budget by the Cabinet for BY-----July
- 1.9 Submission of the Proposed National Budget to Congress-----July



02 LEGISLATION

- 2.1 Budget deliberations in the House of Representatives and Senate-----August-November
- 2.2 House and Senate ratification of the General Appropriations Bill-----August-November
- 2.3 Enactment of the General Appropriations Act (GAA)-----December



03 EXECUTION

- 3.1 Early procurement activities-----August of previous year
- 3.2 Submission of Monthly Disbursement Program-----October of previous year
- 3.3 Submission of Budget Execution Documents (BEDs) based on NEP-----December of previous year
- 3.4 Awarding of contracts-----January of Current Year (CuY)
- 3.5 Submission of adjusted BEDs based on GAA-----January of CuY
- 3.6 Release of Notice of Cash Allocations (NCAs) for 1st semester-----January of CuY
- 3.7 Release of NCAs for 2nd semester-----July of CuY



04 ACCOUNTABILITY

- 4.1 Submission of quarterly Budget and Financial Accountability Reports-----Every quarter of the CuY
- 4.2 Posting of Disbursement Assessment Reports-----Every month of the CuY
- 4.3 Publication of Mid-Year Report for CuY and Year-End Report for Prior Year PY-----August-September
- 4.4 Conduct of Audit-----Within the following year

Legend:
BY: Budget Year (Current year + 1 year)
PY: Prior Year (Current year - 1 year)
CuY: Current Year



COMMONLY USED BUDGETING TERMS

1 Allotment. Authorization issued by the Department of Budget and Management (DBM) to an agency, permitting the agency to commit/incur obligation and/or pay out funds within a specified period of time within the amount specified through the:

1. General Appropriations Act as an Allotment Order (GAAAO) (starting FY 2017), for specific appropriation items deemed released upon effectivity of the GAA;
2. General Allotment Release Order (GARO) for the full year requirement for the automatically appropriated Retirement and Life Insurance Premium (RLIP) contributions; and
3. Special Allotment Release Order (SARO) for budget items requiring compliance with certain conditionalities.

2 Allotment Class. Classification of expenditures under the following categories:

1. Personnel Services (PS)
2. Maintenance and Other Operating Expenses (MOOE)
3. Financial Expenses (FinEx)
4. Capital Outlays (CO)

3 Appropriation. An authorization pursuant to law or other legislative enactment directing the payment of goods and services out of government funds under specified conditions or for specified purposes.

4 Budget. The budget is the government's plan for a year. It is a table/schedule of expenditures, based on either obligations or cash concepts and the corresponding sources of financing, either from revenues, borrowings, or cash balance drawdown. Ultimately, it is a tool that enables government to achieve its development agenda.

5 Budget Deficit. The shortfall of revenues from disbursements excluding debt repayments and payments on budgetary accounts.

6 Debt Service. The sum of debt amortization and interest payments including commitment fees and other charges on foreign and domestic borrowings.

7 Disbursement. A settlement of government obligations either in the currency, check, or constructive cash such as the issuance of Tax Remittance Advice (TRA) for the remittance to BIR of taxes withheld from employees and suppliers and Non-Cash Availment Authority for direct payments made by international financial institutions to suppliers and consultants of foreign-assisted projects.

8 Expenditure Program. The ceiling on the obligations that could be incurred by the government in a given budget year. The said ceiling is supported by estimated financial resources.

9 Fiscal Policy. The part of government policy which is concerned with raising of resources through taxation and borrowing and deciding on the level and pattern of expenditures.

10 Gross Domestic Product (GDP). The sum of gross value added of all resident producer units plus that part (possibly the total) of taxes on products, less subsidies on products, that is not included in the valuation of output.

11 Obligation. A commitment by a government agency arising from an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money.

Source: Budget of Expenditures and Sources of Financing



DEPARTMENT OF BUDGET AND MANAGEMENT 2018 PEOPLE'S PROPOSED BUDGET PUBLICATION SURVEY FEEDBACK FORM

Date: _____

Name:	
Organization (w/ Position):	
Location/Address:	
Nature of the Organization:	
Sector (Pls. encircle):	a. SUCs b. LGUs c. Academe d. CSOs e. Media f. Others (Please specify):

Kindly rate (encircle) based on the following criteria:

**5 - Strongly Agree | 4 - Agree | 3 - Neither Agree nor Disagree/Undecided
| 2 - Disagree | 1 - Strongly Disagree**

A. Is the publication informative?

The 2018 Budget: Priorities and Policy Directions	5	4	3	2	1
The Budget and the Economy	5	4	3	2	1
Fiscal Program (Revenues, Tax Reform, Borrowings)	5	4	3	2	1
Budget Dimensions (By Sector, Expense Class, Recipient Unit, Region, and Department/SPF)	5	4	3	2	1
Expenditure Priorities	5	4	3	2	1
Inequality-Reducing Transformation	5	4	3	2	1
Enhancing the Social Fabric	5	4	3	2	1
Increasing Growth Potential	5	4	3	2	1
Maintaining the Foundations for Sustainable Development	5	4	3	2	1
The Budget Cycle	5	4	3	2	1
Commonly Used Budgeting Terms	5	4	3	2	1

B. Is the publication understandable?

The content is logical and well-organized.	5	4	3	2	1
The connection between ideas are clear.	5	4	3	2	1
The language is simple for me to understand.	5	4	3	2	1
Technical topics are tackled in a citizen-friendly way.	5	4	3	2	1
The examples given are significant and helpful.	5	4	3	2	1
The graphs, tables, and illustrations aid in understanding the text better.	5	4	3	2	1

C. Is the publication readable?

The font used (e.g. typeface, size) is easy to read.	5	4	3	2	1
The graphs and charts used are clear.	5	4	3	2	1
The color scheme is appealing.	5	4	3	2	1
The layout of the publication is pleasing to the eye.	5	4	3	2	1



2018 PEOPLE'S PROPOSED BUDGET



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August 2017**

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