

Budget manipulation made easy

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At this time of budget deliberations in Congress, I hope this article will shed some light on how government budgeting procedures facilitate misappropriation.

A bad rule and a bad practice in government budgeting

The recent exposure of the DAP (Disbursements Acceleration Program) opened our eyes to high-level manipulation of the government budget. Let's take a closer look at this problem.)

Budget manipulation made easy

The Constitution allows the heads of the branches of government and constitutional commissions to realign their respective budgetary savings to other items in their budget. (See Art.VI, Sec.5, 1987 Constitution.) This is a bad budgeting rule that opens the door to misappropriation of public funds.

Another bad thing is the government's practice of treating all budgetary surplus as budgetary savings, even though not all surplus is savings. Realigning surplus that is not derived from savings is misappropriation of funds.

This constitutional rule allowing realignment and the government's practice of treating all budgetary surplus as savings provide the conditions for manipulation of the budget by high officials with authority over budget preparation,

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approval and realignment, as distinguished from the traditional graft pervasive up and down the government machinery which is done by officials with authority over budget implementation.

Government budget realignment is bad policy

Housewives are free to realign any surplus from their budget. It's their money and it's their budget. They can overhaul the budget to the fullest extent and realign whatever they want to realign, for whatever reason they wish, and there would be nothing objectionable about that. The same, however, does not hold for their servants. The servants have to return any surplus to the owner.

Government executives are like the servant, not the housewife. It's not their money and it's not their budget, but that of their employer, the nation. They are just supposed to prepare and recommend the budget for approval and, once approved, implement it. Congress holds the separate power to approve the budget and this naturally includes approving changes, for what's the use of approving something if someone else can change what you approve? Thus, the power to approve changes, including realignments, naturally inheres to the one with the power to approve, Congress.

The Constitution however gave the heads of government branches and constitutional commissions a power to realign savings. Thus, it is constitutional, but that doesn't change the fact that it splits up the power of the purse, a power that should be intact with Congress because it is a substantiation of the separation of powers principle

that defines our form of government. This principle is higher than budget policy.

This breach of principle weakens the government's financial management checks and balances. Budgetary savings can be contrived by deliberately overproviding the budget and the contrived savings can later be realigned to items that are easily diverted. What facilitates this is the fact the one who prepares the budget and implements it is also the one with the power to realign. (To borrow from baseball parlance, the pitcher is also the batter.)

The proper thing to do with all budgetary surplus is to return it to the owner or, in the case of government, to the Treasury, so that it can be put to good use later.

Not all budgetary surplus is savings

A budget is based on assumptions and estimates. As a rule, it is prepared conservatively and so there is usually a remainder or surplus. For example, if you are sending someone to Baguio and the trip ordinarily costs 400 to 500 pesos, you will probably provide 550 pesos to be on the safe side, and there will tend to be a surplus of 50 to 150 pesos. That is not savings but just an excess provision or surplus due to conservative budgeting.

Savings is a surplus that comes from higher productivity, which is the result of better ideas or better work, or it can be due to external changes, like the opening of a cheaper route to Baguio or a rollback in the fare.

The power of realignment given by the Constitution refers only to savings, but in actual practice the government is able to realign the entire surplus by the simple expedient of treating all surpluses as 'savings.' Even the money unused due to discontinuance of an approved plan is also treated as 'savings.'

Executive manipulation

When realignment is not allowed (as is the practice in most institutions), the budget can be prepared very conservatively and that will not matter very much since all surpluses will go back to treasury anyway. But when realignment is allowed, the magnitude of surplus makes a big difference, and the honesty and precision of budget preparation and approval are very much at issue. In our example of the trip to Baguio, if the budget were set at 2000 pesos instead of 550 pesos, there would be a huge surplus of 1500 to 1600 pesos that can be realigned and that doesn't sound like honest budgeting.

(The magnitude of surplus in the case of the DAP, was roughly 150 billion pesos (6 times the annual PDAP) over two years. The wonder of it was that, huge though it was, the public had no inkling until a beleaguered Sen. Estrada blew the whistle on it.)

Let's tighten up on 'savings'

Given that there's little that can be done about realignment because it is allowed by the Constitution, something can still be done about 'savings.' Its correct definition and scrupulous use are the last remaining line of defense against predations on the nation's coffers from the august heights of government.