Legislative Budget Research and Monitoring Office (LBRMO)

Budget Facts & Figures

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THE PROPOSED FY 2014 NATIONAL EXPENDITURE PROGRAM: ITS COMPOSITION, DISTRIBUTION, AND FINANCING

I. MACROECONOMIC ASSUMPTIONS AND PERFORMANCE

The overall macroeconomic framework upon which the national budget for fiscal year 2014 rests is presented in the table below:

Table 1
Macroeconomic Parameters, 2012-2016
(Amount In Millions)

Particulars		Actual 2012	Adjusted 2013	Projections[1] 2014	2015	2016
Nominal Gross Domestic Product (GDP)		10,564,886				
(in PhP Million)						
Budget Assumption	low		11,914,477	13,336,680	14,855,844	16,619,876
	high		12,054,036	13,612,963	15,298,153	17,265,380
Real GDP Growth (%)		6.8				
Budget Assumption			6.0 - 7.0	6.5 - 7.5	7.0 - 8.0	7.5 - 8.5
Inflation Rate, CPI (2006=100)		3.2	3.0 - 5.0	3.0 - 5.0	2.0 - 4.0	2.0 - 4.0
Unemployment Rate (%)		7.0	6.8	6.7	6.6	6.5
364-Day Treasury Bill Rate (%)		2.0	1.0 - 3.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0
LIBOR, 6-months (%)		0.7	0.5-1.5	0.5-1.5	1.0-2.0	1.0-2.0
Foreign Exchange Rate (PhP/US$)		42.25	41 - 43	41 - 43	41 - 43	41 - 43
Exports of Goods[2]						
Level (in US$ Million)		46,284	51,375	58,568	67,939	78,809
Growth Rate (%)		20.9	11.0	14.0	16.0	16.0
Imports of Goods[2]						
Level (in US$ Million)		61,489	69,483	79,210	90,299	102,944
Growth Rate (%)		11.3	13.0	14.0	14.0	14.0
Gross Int'l. Reserves (year-end)						
Level (in US$B)		83.8	87.0	92.0	n.a.	n.a.
Equivalent Months of Imports		11.9	11.0	10.1	n.a.	n.a.

1 Assumptions adopted by the Development Budget Coordination Committee (DBCC) on July 3, 2013

2 Based on the IMF's Balance of Payments (BOP) Manual 6 (BPM6) concept. The IMF revised the BOP Manual to address globalized production process and migration, balance sheet analysis, and financial innovation.

In 2012, the economy attained a 6.8 percent real Gross Domestic Product (GDP) growth, while Gross National Income (GNI) grew by 6.5 percent. The fastest growth rate in the previous year was accounted for by the Service Sector at 7.6 percent, followed closely by the Industry Sector at 6.8 percent. Agriculture, Hunting, Forestry and Fishing lagged with a much lower 2.8 percent annual growth for the same period.

In the first quarter of 2013, the Philippine economy posted a 7.8 percent GDP growth compared with 6.5 percent in the first quarter of 2012. This growth, based on National Statistics Coordination Board (NSCB) pronouncements, was the highest so far under the Aquino administration and was buoyed primarily by the strong performance of Manufacturing and Construction. Although doubts abound as to the nature of the country's economic growth, still Moody's Analytics described the Philippines as "Asia's rising star" for its robust performance amid the lackluster scenario in the global economy.

The average inflation rate targeted from 2013 to 2014 is 3.0-5.0 percent. Meanwhile, the full-year average inflation rate in 2012 was 3.2 percent. Statistics from the National Economic and Development Authority (NEDA) indicate that for the first seven months of 2013, headline inflation rate averaged only at 2.9 percent, lower than the low-end target of 3.0 percent for the year.

The benchmark 364-day T-bill rate is expected to settle within the range of 2.0-4.0 percent from 2014 to 2016. The full-year adjusted average rate for 2013 is slightly lower at 1.0-3.0 percent.

The peso-dollar exchange rate is assumed to remain within the range of P41-P43 from 2013 to 2016. The earlier assumption based on the FY 2013 BESF was higher at P42-P45, indicating that the country's economic managers are anticipating a stronger peso relative to the US dollar. The London Interbank Offered Rate (LIBOR), the world's most widely-used benchmark for short-term interest rates, is expected to settle at 0.5-1.5 percent from 2013 to 2014.

With a 13 percent growth rate, imports of goods are projected to grow faster than exports of goods which will grow by 11 percent this year. In 2014, however, the government expects both exports and imports to grow at the same rate of 14 percent. This remains a challenge in the face of weaker international demand for our exports in view of the prevailing global uncertainties in the world market.

Gross International Reserves (GIR), which constitute the Bangko Sentral ng Pilipinas' holdings of gold and other assets denominated in foreign currencies, are projected to reach US$92 billion in 2014, equivalent to 10.1 months of imports.

The unemployment problem continues to be a major priority of the national government in the face of criticisms on "the economy's jobless growth." In the Asian Development Outlook released in April 2013, the Asian Development Bank (ADB) underscored the fact that despite the Philippines' strong economic growth, the challenge is how to make such growth more inclusive by stimulating employment. The unemployment rate targeted this year is 6.8 percent and a lower 6.7 percent in 2014. Statistics from the National Statistical Coordination Board place the country's unemployment rate at 7.1 percent in January 2013, only slightly lower than the 7.2 percent recorded in January 2012.

II. DIMENSIONS OF THE 2014 EXPENDITURE PROGRAM

A. Sources of Appropriations

The total proposed expenditure program for FY 2014 is P2.268 trillion. This represents an increase of P262.100 billion or 13.07 percent as against the FY 2013 figure of P2.006 trillion. It also accounts for 17 percent of the national government's (NG) Gross Domestic Product (GDP), in comparison to this year's 16.8 percent. The appropriations cover will come from the following:

(In thousand pesos)	
New General Appropriations	P1,611,874,584
Automatic Appropriations	796,029,175
Total Available Appropriations	2,407,903,759
Less: Unprogrammed Fund	139,903,759
Total Expenditure Program	P2,268,000,000

Unprogrammed Appropriation of P139.904 billion is part of the New Appropriation that has to be legislated by Congress but is not included in the computation of the total obligation budget. As a stand-by appropriation, it may only be used if the conditions set forth for its release have been complied with. A summary of the NG expenditure program by source of appropriation is presented in Table 2.

Table 2
Sources of Appropriations, FY 2013 – 2014
(In Billion Pesos)

Particulars	2013 Adjusted	2014 Proposed	Variance 2014 vs. 2013	
			Amount	%
Appropriations				
New General Appropriation	1,368.229	1,611.875	243.646	17.81
Automatic Appropriation	755.219	796.029	40.810	5.40
Continuing Appropriation	181.997		(181.997)	(100.00)
Total Available Appropriations	2,305.445	2,407.904	102.459	4.44
Less: Unused Appropriations/ Unobligated Allotments	(299.545)	(139.904)	159.641	(53.29)
Total Obligations	**2,005.900**	**2,268.000**	**262.100**	**13.07**
GDP	**11,914.477**	**13,336.680**		
% of GDP	16.8	17.0		

Source: FY2014 National Expenditure Program

The Automatic Appropriation, which do not require periodic action by Congress since it is already covered by separate laws, will increase to P796.029 billion, 87.21 percent of which will be earmarked for Interest Payments on NG Debts and the Internal Revenue Allotment (IRA).

The Annually Appropriated Special Accounts in the General Fund (SAGFs), which were previously included in the new appropriation measure, are now presented under the automatic appropriations category, together with other automatically appropriated special accounts.

IRA, which is automatically appropriated and released, constitutes the share of local government units (LGUs) corresponding to 40 percent of the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year. The share of each LGU is determined pursuant to the provisions of the Local Government Code, determined according to population/land area/equal sharing. The amount for IRA in FY 2014 will reach P341.545 billion, P39.241 billion higher (12.98 percent) than the current year's figure of P302.304 billion.

Debt Service will reflect an increase of P18.750 billion or 5.62 percent in comparison to this years' allocation of P333.902 billion. Details of automatically appropriated items from FY 2013 to FY 2014 are shown in Table 3.

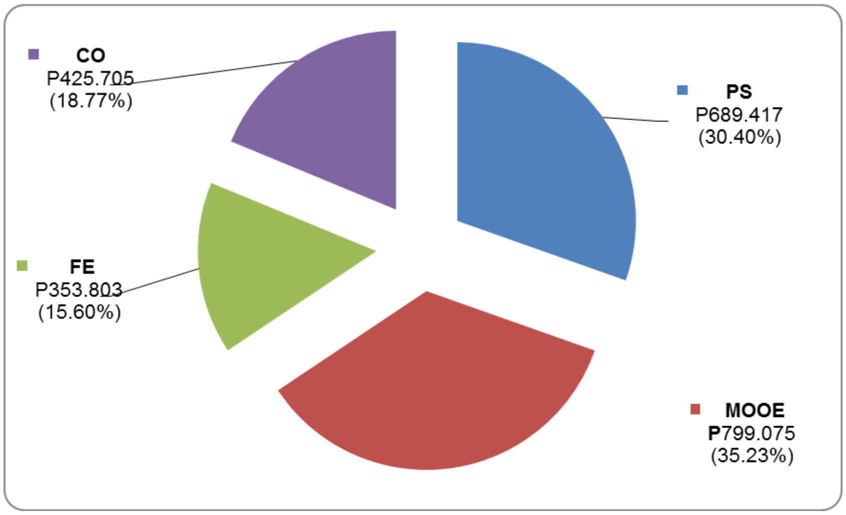
Table 3
Automatic Appropriations, FY 2013 – 2014
(In Billion Pesos)

Particulars	2013 Adjusted	2014 Proposed	Variance 2014 vs. 2013	
			Amount	%
Interest Payment on NG Debts	333.902	352.652	18.750	5.62
Tax Refunds	15.518		(15.518)	(100.00)
Internal Revenue Allotment	302.304	341.545	39.241	12.98
Rewards and Incentives Fund	2.183		(2.183)	(100.00)
Grant Proceeds	0.546	0.006	(0.540)	(98.82)
Tax Expenditures Fund	26.900	26.900		
Net Lending	26.500	24.950	(1.550)	(5.85)
Retirement and Life Insurance Premiums	28.126	28.859	0.733	2.61
Special Account	19.240	21.117	1.877	9.75
Total Automatic Appropriations	**755.219**	**796.029**	**40.810**	**5.40**

Source: DBM Submission

B. Distribution of the FY 2014 Budget by Expense Class

Chart 1
FY 2014 Expenditure Program By Expense Class
(In Billion Pesos)



Current Operating Expenses, which include allocations for Personal Services, Maintenance and Other Operating Expenses (inclusive of Internal Revenue Allotment), and Financial Expenses, will account for 81.23 percent of the budget. The balance of P425.71 billion or 19 percent will go to Capital Outlays.

Personal Services will increase from P640.58 billion in FY 2013 to P689.42 billion in FY 2014 or a growth of P48.83 billion or 8 percent. While its share to the total budget will slide from 32 percent to 30 percent, it will still account for the biggest share of the budget. It will be used to pay the salaries, wages and other personal services of the entire work force, both civil service and military personnel of the government.

The increase in personal services is partly due to the creation of 34,702 teaching and nonteaching positions amounting to P8.56 billion, additional provision for pension and gratuity of P21.78 billion and the provision for the performance based incentive bonus which will be made available to the staff of the departments/agencies who have met their performance targets.

Table 4
Expenditure Program By Expense Class, 2013-2014
(In Billion Pesos)

Particulars	2013 Adjusted	2014 Proposed	Variance Amount
Personnel Services	640.585	689.417	**48.832**
Maintenance and Other Operating Expenses	705.768	799.075	**93.307**
Financial Expenses	333.902	353.803	**19.901**
Capital Outlays	325.645	425.705	**100.060**
Grand Total	**2,005.900**	**2,268.000**	**262.100**
% Increase		13.07	

Source: FY 2014 NEP

In accordance with the Commission on Audit revised chart of accounts, the FY 2014 budget has excluded from the MOOE accounts the Interest payments and bank charges and instead classified it as Financial Expenses, a new separate account. Thus, the FY 2013 budget was adjusted accordingly to make it comparable with the FY 2014 budget.

Maintenance and Other Operating Expenses of P799.07 billion will register a growth of 13 percent, which is P93.31 billion more than the P705.77 billion for the current year. The increase will support additional enrollees as well as extended CCT coverage for children in high school of the Pantawid Pamilyang Pilipino Program (4Ps); increase in the Extraordinary and Miscellaneous; increase in medical allowance for prisoners; additional 44,899 GASTPE beneficiaries amounting to P473.3 million; and the increase in Premium subsidy for indigent families of P22.7 billion. The MOOE's share to the total budget is maintained at 35 percent.

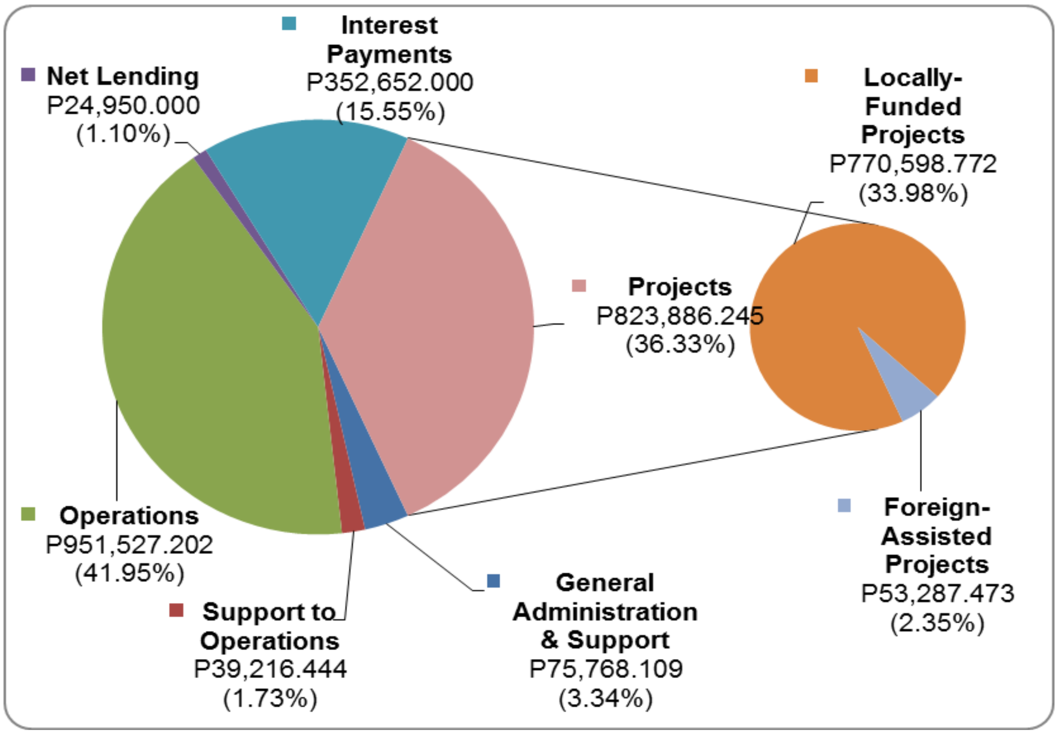
Financial Expenses of P353.80 billion will be primarily used to pay interest payments and is considered as the nonproductive portion of the budget. It is P19.90 billion more than the FY 2013 allocation of P333.90 billion. Its share to the total budget will decline from 17 percent of the current year to 16 percent for next year. Among the expense classes, it will reflect the smallest growth at 6 percent. This means that more funds will be freed to support the productive sector of the budget.

The FY 2014 Capital Outlays of P425.70 billion will reflect the biggest increase at P100.06 billion or 31 percent over the current year's budget of P325.64 billion. At 3.2 percent of GDP, it is an improvement from this year share-to-GDP ratio of 2.7 percent, but is still way below the recommended capital expenditure of 5 percent of GDP for developing countries. The increase in capital outlays will go to Infrastructure Outlay, particularly roads and bridges, basic educational facilities, airport and navigational facilities.

Table 4 shows the distribution of the NG budget by expense class from 2013 and 2014.

C. Distribution of the FY 2014 Budget by Cost Structure

Chart 2
FY 2014 Budget Cost by Structure
(In Million Pesos)



By cost structure, the FY 2014 total expenditure program will be distributed as follows: P823.886 billion for projects (locally-funded & foreign-assisted), P352.652 billion for payment of interest, P1.066 trillion for programs (GAS, STO & Operations) and P24.95 billion for Net Lending.

Net of interest payments and net lending, the productive portion of the budget will increase by P 244.9 billion or 14.88 percent.

Allocation for projects, which currently accounts for 44.52 percent of the total obligations, will now decrease to 36.33 percent. The decline is due to the reclassification of the locally funded projects into Operations.

Consequently, the allocation for Operations will grow by 49.06 percent in FY 2014. A tabular summary of the cost structure of the budget from 2012 to 2014 is shown in Table 5.

Table 5
Budget Cost by Structure, 2012 - 2014
(In Billion Pesos)

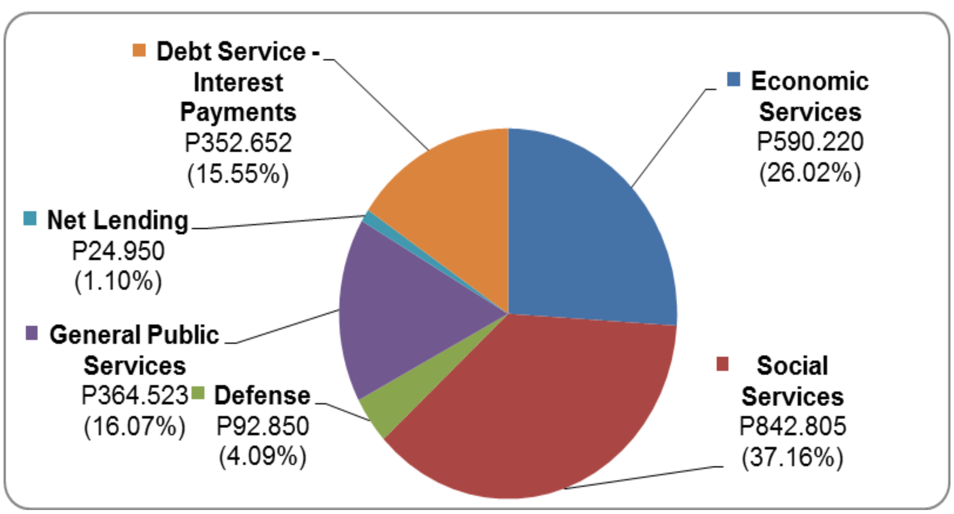
Particulars	Amount			Percent (%) Distribution		2014 vs. 2013 Variance	
	2012	2013	2014	2013	2014	Amount	%
Programs	**943.671**	**752.428**	**1,066.512**	**37.51**	**47.02**	**314.084**	**41.74**
General Overhead	**212.536**	**114.073**	**114.985**	**5.69**	**5.07**	**0.912**	**0.80**
General Administration & Support	181.561	73.922	75.768	3.69	3.34	1.847	2.50
Support to Operations	30.976	40.151	39.216	2.00	1.73	(0.935)	(2.33)
Operations	**731.135**	**638.355**	**951.527**	**31.82**	**41.95**	**313.172**	**49.06**
Projects	**545.090**	**893.070**	**823.886**	**44.53**	**36.33**	**(69.184)**	**(7.75)**
Locally-Funded Projects	512.711	854.024	770.599	42.58	33.98	(83.425)	(9.77)
Foreign- Assisted Projects	32.379	39.046	53.287	1.95	2.35	14.241	36.47
Total Obligations (Productive Portion)	**1,488.761**	**1,645.498**	**1,890.398**	**82.03**	**83.35**	**244.900**	**14.88**
Net Lending	**27.421**	**26.500**	**24.950**	**1.32**	**1.10**	**(1.550)**	**(5.85)**
Interest Payments	**312.799**	**333.902**	**352.652**	**16.65**	**15.55**	**18.750**	**5.62**
TOTAL	**1,828.981**	**2,005.900**	**2,268.000**	**100.00**	**100.00**	**262.100**	**13.07**

Source: FY 2014 BESF

D. Sectoral Distribution

Among the sectors, the Social Services Sector will continue to get the biggest share of the budget pie at 37.16 percent. Likewise, funds for education, culture and manpower development, health, as well as, social security and welfare services will expand in FY 2014. This sector will also register the highest growth of P143.364 billion or 20.50 percent, which is consistent with the President's Priority Areas under his Social Contract with the Filipino People.

Chart 3
FY 2014 Budget Distribution by Sector
(In Billion Pesos)



Included under the Social Services Sector are big departments, such as the Department of Social Welfare and Development (DSWD) which administers the Conditional Cash Transfer Program (CCT) of P62.61 billion; the Department of Education (DepEd) which is in charge of the expanded public school system; and the Department of Health (DOH) which will implement the universal health care.

The Economic Services Sector, which includes the enhancement of industrial/agricultural production capacities like the development of natural resources, promotion of trade and industry, and the setting up of infrastructure and utilities, will have an allocation of P590.220 billion or 26.02 percent of the total expenditure program. This will post an increase of P81.029 billion or 15.91 percent in comparison to this year's figure of P509.191 billion.

The General Public Services Sector which covers general administration, public order and safety, and the dispensation of justice will get 16.07 percent of the FY 2014 total budget.

The Defense Sector, on the other hand, is responsible for strengthening domestic security and maintenance of peace and order and will receive the least portion of 4.09% among the four (4) sectors.

Table 6
Budget Distribution by Sector, 2012-2014
(In Billion Pesos)

	2012		2013		2014		Variance 2014 vs. 2013	
Particulars	**Amount**	**% Share**	**Amount**	**% Share**	**Amount**	**% Share**	**Amount**	**Percent**
Economic Services	490.247	26.80	509.191	25.38	590.220	26.02	81.029	15.91
Social Services	592.159	32.38	699.441	34.87	842.805	37.16	143.364	20.50
Defense	74.370	4.07	89.539	4.46	92.850	4.09	3.311	3.70
General Public Services	331.985	18.15	347.327	17.32	364.523	16.07	17.196	4.95
Net Lending	27.421	1.50	26.500	1.32	24.950	1.10	(1.550)	(5.85)
Debt Service-Interest Payments	312.799	17.10	333.902	16.65	352.652	15.55	18.750	5.62
TOTAL	**1,828.981**	100.00	**2,005.900**	100.00	**2,268.000**	100.00	262.100	13.07

Source: FY 2014 BESF

E. Infrastructure Program

The Global Competitiveness Report 2012-2013 places the Philippines at 3.2 in a range of one (1) to seven (7) – seven (7) being the best score or the most extensive and efficient by international standards. It shows that the Philippines has the lowest quality of infrastructure compared to Malaysia-5.1, Thailand-4.6 and Indonesia-3.8.

For FY 2014, an amount of P399.432 billion is proposed for the total infrastructure outlays of the National Government (NG) representing 3 percent of GDP, a minimal improvement from the 2.47 percent in FY 2013 but still way below the recommended infrastructure expenditure of 5 percent of GDP for developing countries.

The bulk of the NG infrastructure spending will go to roads and bridges with P144.442 billion (36.16 percent of the infrastructure budget). The allocation for flood control/seawalls/ drainage improvement will reflect a substantial increase of P17.533 billion (106.03 percent). On the other hand, budget proposal for ports, lighthouses and harbors will decline by P995.971 million or 41.97 percent.

Table 7
Infrastructure Outlays, FY 2012 - 2014
(In Billion Pesos)

Particulars	2012	2013	2014
Roads and Bridges	84.218	108.097	144.443
Farm-to-Market Roads	4.868	5.657	12.603
Flood Control/Seawalls/Drainage Improvement	11.331	16.536	34.069
Preliminary and Detailed Engineering	0.780	1.724	3.026
National Buildings		0.312	0.425
National Irrigation	24.193	22.211	16.172
Bridge/Spillway	0.043	0.091	0.121
Airports/Air navigational Facilities	0.802	5.195	9.014
Ports, Lighthouses and Harbors	0.679	2.373	1.377
Water Supply	1.583	3.335	4.503
Pre/Post Harvest Facilities	0.036	0.012	0.012
Other Public Works Projects	15.120	1.321	5.092
Quick Response Fund	1.383	1.150	1.305
Basic Educational Facilities	10.927	25.268	44.625
Health Facilities Enhancement Program	5.078	13.558	9.037
Land Transportation	0.116	3.834	1.642
Housing	10.018	22.203	15.317
Electrification	4.941	6.374	9.679
School Building	0.085	1.000	1.000
Internal Revenue Allotment	30.064	33.253	37.570
Others	5.419	17.152	27.168
Various Infrastructure	4.050	4.050	21.233
TOTAL	**215.734**	**294.707**	**399.431**

F. By Recipient Unit – NG/LGU/GOCCs

Table 8
By Recipient Unit
(In Billion Pesos)

PARTICULARS	2013 Amount	2013 % Share	2014 Amount	2014 % Share	Variance Amount	Variance Per Cent
National Government Agencies	1,280.761	63.85	1,482.449	65.36	201.688	15.75
Government Owned and Controlled Corporations	44.901	2.24	46.697	2.06	1.796	4.00
Allocations to Local Government Units	319.836	15.94	361.252	15.93	41.416	12.95
Internal Revenue Allotment	302.304	15.07	341.545	15.06	39.241	12.98
Special Shares to LGUs	17.532	0.87	19.707	0.87	2.175	12.41
Creditors	360.402	17.97	377.602	16.65	17.200	4.77
Interest Payments	333.902	16.65	352.652	15.55	18.750	5.62
Net Lending	26.500	1.32	24.950	1.10	(1.550)	(5.85)
TOTAL	2,005.900	100.00	2,268.000	100.00	262.100	13.07

Source: 2014 BESF

Among the recipient units, the national government will continue to receive the largest share of P1.482 trillion or 65.36 percent of the FY 2014 budget.

Support to government-owned-or-controlled corporations (GOCCs) will show a minimal increase of 4 percent from P44.901 billion in FY 2013 to P46.697 in FY 2014. The P46.7 billion allocation will provide for the operations of 40 GOCCs in the form of subsidy support (P42.9 billion) and equity contribution (P3.8 billion). The largest support will be for housing (P16.1 billion); electrification (P9.7 billion) and rice buffer stocking (P4.2 billion).

The P361.252 billion in Allocations to LGUs shall be set aside specifically for Internal Revenue Allotment and Special Shares to LGUs. The FY 2014 allocation will show an increase of P41.416 billion or 12.95 percent over the FY 2013 level.

Interest Payments of P352.652 billion will account for a 15.55 percent share of the total budget and will increase by P18.750 billion or 5.62 percent in FY 2014.

Net Lending, as earlier defined in Distribution by Expense Class, includes loans outlays or proceeds from program loans relent to government corporations. For FY 2014, P24.950 billion is provided for net lending, registering a decrease of P1.550 billion or 5.85 percent from the current level of P26.5 billion.

G. Top Five (5) Departments

Table 9
Top Five Departments, FY 2013-FY 2014
(In Billion Pesos)

Department	2013 Program		Rank	2014 Proposed		Rank	Variance Amount	Variance Percent
Department of Education (includes MPBF & SBP)	293.400	1/	1	336.900	1/	1	43.500	14.83
Department of Public Works and Highways (includes BSGC)	152.400	2/	2	213.500		2	61.100	40.09
Department of Interior and Local Government (includes MPBF & PGF)	121.800		3	135.400		3	13.600	11.17
Department of National Defense (includes MPBF & PGF)	121.600		4	123.100		4	1.500	1.23
Department of Health (includes MPBF, PGF & BSGC)	59.900	3/	6	87.100	3/	5	27.200	45.41
Department of Agriculture (includes BSGC)	75.000		5	80.700		6	5.700	7.60
Source: The President's Budget Message, FY 2014								

Notes: 1/ Gross of School Building Program (SBP)
2/ Net of SBP and HFEP
3/ Gross of Health Facilities and Enhancement Program (HFEP)

Legend:
MPBF - Miscellaneous Personnel Benefits Fund
PGF -Pension and Gratuity Fund
SBP -School Building Program
BSGC -Budgetary Support to Government Corporations
HPEF -Health Facilities Enhancement Program

The distribution of the national budget among departments has remained unchanged over the years.

The Department of Education, in accordance with the constitutional mandate that education should get the highest allocation in the national budget, will continue to get the lion's share among the various departments at P336.934 billion. This means that the government has to invest an additional P43.5 billion to educate more than 21 million students in kinder, elementary and high school in the public school system in 2014. The additional funds will be used for hiring 33,194 new teachers and 1,508 non-teaching positions which will have a combined cost of P8.564 billion. The budget will also continue to provide for the construction and maintenance of basic educational facilities, which will include school building, seats, water and sanitation facilities in the amount of P44 billion.

The amortization for the construction of school building under the private-public partnership is provided P1.628 billion. Since the government cannot absorb all high school students wanting to enroll in the public school system, the government has adopted the Government Assistance to Students and Teachers in Private Education (GASTPE) program to assist 1,044,899 students enrolled in private schools.

The DPWH, with an allocation of P213.5 billion, is considered as the chief construction agency of the government, and will rank 2nd among the departments. This is due to the substantial amount that the government has put in for roads and flood control in 2014 to spur development and create more jobs. The budget of DPWH will further increase once the allocation for farm-to-market roads and school buildings will be transferred in accordance with the policy of the government for DPWH to handle all construction activities.

Inclusive of its allocation from the Miscellaneous Personnel Benefits Fund and Pension and Gratuity, the DILG whose aggregate budget stands at P135.4 billion will remain in the 3rd slot. The growth in the budget of the DILG is accounted for by the inclusion of P1.245 billion for the Housing Program for Informal Settler Families in Danger Areas within Metro Manila, the adjustment in the medicine allowance of the expected 78,547 prisoners of the Bureau of Jail Management and Penology (BJMP) and the P1 billion budget for the procurement of fire trucks.

The Department of Defense will still rank 4th with P123.1 billion. Included again is the P5 billion allocation for the modernization of the Armed Forces of the Philippines and the Quick Response Fund for DND and the Office of Civil Defense to allow them to respond when calamities strike the country. The increase in the budget of the DND will be allocated for the purchase, repair and maintenance of IT equipment, aircrafts, and transportation equipment. Funds were also provided for the construction and repair of military hospital facilities.

The Department of Health has overtaken the Department of Agriculture for the 5th slot due to the additional funding it received from the recently-passed sin tax law which allocated funds for the Universal Health Care Program.

H. Regional Distribution of the Budget

The total regionalized component of the national budget in FY 2014, net of the allocation for nationwide and central office, is distributed among the three main island groups as shown in Table 10. Luzon, which has the biggest land area and population, will account for 58 percent of the regionalized budget. Mindanao, as in the previous year, will rank 2nd at P301.04 billion or 24.05 percent while the Visayas, the smallest among the three island groups, will have the smallest allocation of P224.65 billion and will account for the remaining 17.95 percent.

Table 10
Regional Distribution

Particulars	Amount (In Billion Pesos)	% Share of the budget		2010 Population (In Million)
		Regional	Total	
Nationwide	**653.749**		**28.82**	
Central Offices	**362.507**		**15.98**	
Regional	**1,251.744**		**55.19**	
NCR	275.921	22.04	12.17	11.856
Region I	55.732	4.45	2.46	4.748
CAR	32.248	2.58	1.42	1.617
Region II	48.080	3.84	2.12	3.229
Region III	94.880	7.58	4.18	10.137
Region IV-A	102.894	8.22	4.54	12.610
Region IV-B	43.026	3.44	1.90	2.745
Region V	73.269	5.85	3.23	5.420
Sub-total, Luzon	**726.049**	**58.00**	**32.01**	**52.362**
Region VI	85.293	6.814	3.76	7.102
Region VII	71.572	5.718	3.16	6.800
Region VIII	67.785	5.415	2.99	4.101
Sub-total, Visayas	**224.650**	**17.95**	**9.91**	**18.003**
Region IX	50.284	4.02	2.22	3.407
Region X	59.654	4.77	2.63	4.297
Region XI	53.133	4.24	2.34	4.468
Region XII	50.793	4.06	2.24	4.109
CARAGA	42.601	3.40	1.88	2.429
ARMM	44.580	3.56	1.97	3.256
Sub-total, Mindanao	**301.045**	**24.05**	**13.27**	**21.966**
Total	**2,268.000**	**100.000**	**99.99**	**92.331**

Among the seventeen (17) regions, the National Capital Region (NCR) will still get the biggest share of P275.920 billion or 12.17 percent of the total budget, which is even bigger than the allocation for Visayas. The smallest allocation among the region of only P32.248 billion or 1.42 percent will go to the Cordillera Administrative Region (CAR).

The Nationwide allocation, which accounts for 28.82 percent of the total budget, includes Interest Payment of P352.652 billion, other Special Purpose Funds of P296.096 billion such as Calamity Fund, Pension and Gratuity Fund and Miscellaneous Personnel Benefits Fund, and P5.0 billion for Capital Outlays (CO) and Scholarship Programs (MOOE) of State Universities and Colleges.

The budget for the Central Office will cover the requirement of the Head and other centrally-managed funds.

IV. FINANCING THE FY 2014 FISCAL PROGRAM

A. National Government Revenues

The revenue targets for FY 2014 is P2.018 trillion, P272.19 billion or 15.59 percent higher than the FY 2013 revised revenue projections of P1.745 trillion. The targets for both 2013 and 2014 already include collections from the newly-legislated sin tax amounting to P33.96 billion and P42.86 billion, respectively

The revenue effort is placed at 15.13 percent for 2014 which is 0.48 percentage point higher than the 2013 revenue effort of 14.65 percent.

Tax revenues for 2014 of P1.879 trillion accounts for 93.15 percent of the total revenues and is equivalent to 14.10 percent of GDP. This is an improvement from the 13.50 percent tax effort registered in 2013.

The Bureau of Internal Revenue (BIR), the premier tax collecting agency of the government is estimated to contribute P1.456 trillion or 77.48 percent of tax revenues. The balance will be accounted for by the Bureau of Customs' expected collection of P408.10 billion and P15.50 billion from other offices.

Table 11
National Government Fiscal Program
(In Billion Pesos)

Particulars	Levels (In P Billion)		Percent of GDP		Growth
	2013 Program	2014 Proposed	2013	2014	2013-2014
Revenues	**1,745.90**	**2,018.10**	**14.7**	**15.1**	**15.6**
Tax	**1,607.90**	**1,879.90**	**13.5**	**14.1**	**16.9**
o.w. BIR	*1,253.70*	*1,456.30*	*10.5*	*10.9*	*16.2*
BOC	*340.0*	*408.1*	*2.9*	*3.1*	*20.0*
Non-Tax	**136.0**	**136.1**	**1.1**	**1.0**	**0.1**
o.w. BTR Income	*57.7*	*56.2*	*0.5*	*0.4*	*(2.6)*
Privatization	**2.0**	**2.0**			
Disbursements	**1,983.90**	**2,284.30**	**16.7**	**17.1**	**15.1**
Current Operating Exp.	1,558.50	1,736.50	13.1	13	11.4
o.w. Interest Payments	*332.2*	*352.7*	*2.8*	*2.6*	*6.2*
Capital Outlays (CO)	410.9	522.9	3.4	3.9	27.3
o.w. Infrastructure	*299.4*	*418.2*	*2.5*	*3.1*	*39.7*
Net Lending	**14.5**	**24.9**	**0.1**	**0.2**	**71.7**
Surplus/(Deficit)	**(238.0)**	**(266.2)**	**(2.0)**	**(2.0)**	**11.9**
Memo Item: GDP			*11,914.50*	*13,336.70*	

Non tax revenue will be pegged at P136.13 billion and will reflect a very insignificant increase over current-year estimates of P135.99 billion. Dividends from stocks which amounted to P24.86 billion in 2012 will slide to P10 billion in 2013 and will further be reduced to P5.5 billion. Among the non-tax revenues, only fees and charges of P75.44 billion will exhibit an increase over its 2013 target of P70.53 billion, but will still be lower compared with its 2012 collections of P81.33 billion. Included under non-tax revenues are BTR income (P56.24 billion), fees and charges (P75.44 billion), and other fees and charges remitted to BTR (P4.45 billion).

B. Cash Disbursement Program

The total cash requirements for 2014 to pay previous years and current year obligations will amount to P2.284 trillion which is equivalent to 17.1 percent of GDP. Since 81 percent of the country's budget is for current operating expenditures (COE), it is expected that the bulk of the cash disbursements will be used to pay the said expenditure to a tune of P1.736 trillion or 76 percent while cash disbursement for Capital Outlays will amount to P523 billion or 23 percent.

Included under the COE are personal services, internal revenue allotment, debt servicing for interest payment and other MOOE. A substantial amount of the disbursements for capital outlays will cover payment for infrastructure projects.

Cash disbursement requirements will include payment of obligations entered in the previous years but which still remain unpaid (accounts payable) and current-year obligations that need to be settled within the year. The portion of the current budget that has been obligated but will remain unpaid will be considered as accounts payable and will be carried to and paid in the ensuing year.

For 2014, the cash disbursement program of P2.284 trillion exceeds the budget of P2.268 trillion, which means that the government's cash disbursement requirements will include a substantial amount to settle previous years' accounts payable.

C. National Government Fiscal Position

The deficit of the national government is determined by the cash disbursement requirement and the revenues that it generates Since the total cash disbursements for 2014 of P2.284 trillion is higher than the projected revenues of P2.018 trillion, there is a financing gap of P266.25 billion. The said deficit is P28.219 billion higher than the 2013 level of P238.03 billion but as a percentage of GDP, it remains at 2 percent which is also the government's target until the end of the Aquino administration. The 2013 and 2014 fiscal performance is an improvement compared with the 2012 wherein the deficit was at 2.3 percent of GDP. If the government will be able to improve its revenue effort to around 17 percent of GDP, the deficit will be wiped out.

D. The National Government Financing Program

Despite a higher budget deficit, the national government's financing program for FY 2014 of P715.041 billion is P19.990 billion lower than the current year's program of P735.031 billion. This is due to a bigger requirement for budgetary accounts for 2013, which is usually done when the government beefs up its cash balance. The borrowings will be raised by the national government from domestic and foreign sources of P620.011 billion and P95.030 billion, respectively. This will be used to finance the P266.247 billion budget deficit, settle maturing obligations of P440.931 billion, and build up the Treasury cash balance by P7.863 billion.

The government will continue to rely more on the domestic capital market. For FY 2014, borrowings from domestic sources will account for 86.70 percent, which is a bit higher than this year's 85.80 percent. The policy to borrow more from the domestic capital market is in line with this year's strategy to minimize the country's vulnerability to foreign exchange fluctuations, lengthen maturities and lower interest costs to generate fiscal space and spare the government from the conditions attached to foreign loans.

Table 12

National Government Financing Program
(In Billion Pesos)

Particulars	2012 Actual	2013 Adjusted	2014 Proposed	Variance, 2014 vs. 2013	
				Amount	%
Gross Borrowings	955.148	735.031	715.041	(19.990)	(2.72)
Domestic	798.527	630.691	620.011	(10.680)	(1.69)
Foreign	156.621	104.340	95.030	(9.310)	(8.92)
Less: Amortizations	416.976	435.185	440.931	5.746	1.32
Domestic	330.401	327.403	350.937	23.534	7.19
Foreign	86.575	107.782	89.994	(17.788)	(16.50)
Net Financing	538.172	299.846	274.110	(25.736)	(8.58)
Net Domestic Borrowings	468.126	303.288	269.074	(34.214)	(11.28)
Net Foreign Borrowings	70.046	(3.442)	5.036	8.478	(246.31)
Less: Change in Cash (Budgetary Accounts)	295.345	61.818	7.863	(53.955)	(87.28)
TOTAL FINANCING REQUIREMENTS	**242.827**	**238.028**	266.247	28.219	11.86

E. Consolidated Public Sector Financial Position

Table 13
Consolidated Public Sector Financial Position
(In Billion Pesos)

Particulars	Levels (P billion) 2013 Adjusted	2014 BESF	As Percentage of GDP 2013 Adjusted	2014 BESF
PUBLIC SECTOR BORROWING REQUIREMENT	**(231.079)**	**(259.728)**	**(1.9)**	**(1.9)**
National Government	(238.027)	(266.247)	(2.0)	(2.0)
CB Restructuring	(2.064)	(2.064)	0.0	0.0
Monitored GOCCs	(5.488)	(16.367)	0.0	(0.1)
Adjustment in net lending and equity to GOCCs	14.500	24.950	0.1	0.2
Other adjustments				
OTHER PUBLIC SECTOR	**147.581**	**158.945**	**1.2**	**1.2**
SSS/GSIS/PHIC	72.707	59.424	0.6	0.4
Bangko Sentral ng Pilipinas	1.000	1.000	0.0	0.0
Government Financial Institutions (GFIs)	11.403	12.812	0.1	0.1
Local Government Units (LGUs)	62.471	85.709	0.5	0.6
Timing adjustment of interest payments to BSF				
Other adjustments				
CONSOLIDATED PUBLIC SECTOR SURPLUS/(DEFICIT)	**(83.498)**	**(100.783)**	**(0.7)**	**(0.8)**

The Consolidated Public Sector Financial Position presents the overall cash positions of the national government, central bank, government-owned-or-controlled-corporations (GOCCs), government financial institutions (GFIs), and local government units (LGUs).

A slightly higher consolidated public sector deficit is expected in FY 2014 amounting to P100.783 billion or 0.8 percent of GDP. The expected total surplus of P158.945 billion coming from Other Public Sector consisting of SSS/GSIS/PHIC, Bangko Sentral ng Pilipinas, Government Financial Institutions (GFIs), and local government units (LGUs) will not be sufficient to cover the public sector borrowing requirements of P259.728 billion in FY 2014.

V. DEBT PROFILE

A. The Public Debt Stock, 2012-2014

At the close of FY 2014, NG's outstanding debt is projected to increase by 7.80 percent, from the current year's level of P5.865 trillion to P6.322 trillion. While the country's debt stock is growing, the NG Debt to GDP ratio is actually improving. From 51.87 percent in FY 2012, it is projected to decline to 49.22 percent this year, and will further decline to 47.40 percent in FY 2014. This ratio is nearly 2 and 4.5 percentage point lower than the FY 2013 estimate and FY 2012 actual ratio, respectively. The drop in the debt ratio is one of the indicators for the country to earn a credit ratings upgrade. Table 14 shows the composition of NG's debts from FY 2012-2014 and its relation to the economy, as measured by the ratio of Total NG Outstanding Debt to GDP.

Table 14
NG Outstanding Debt
(In Billion Pesos)

Particulars	2012 Actual	2013 Adjusted	2014 Proposed	Variance 2014 vs. 2013 Amount	Variance 2014 vs. 2013 %
Domestic Debt	**3,470.437**	**3,860.082**	**4,312.887**	**452.805**	**11.73**
Regular Accounts	**3,468.007**	**3,857.652**	**4,312.887**	**455.235**	**11.80**
Assumed Liabilities	**2.430**	**2.430**		**(2.43)**	**(100.00)**
% Distribution	63.34	65.82	68.22	2.40	3.65
As % of GDP	32.85	32.40	32.34	(0.06)	(0.18)
Foreign Debt	**2,009.019**	**2,004.580**	**2,009.186**	**4.61**	**0.23**
Regular Accounts	**2,005.334**	**2,004.580**	**2,009.186**	**4.61**	**0.23**
Assumed Liabilities	**3.685**				
% Distribution	36.66	34.18	31.78	(2.40)	(7.02)
As % of GDP	19.02	16.82	15.07	(1.76)	(10.46)
TOTAL OUTSTANDING DEBT	**5,479.456**	**5,864.662**	**6,322.073**	**457.41**	**7.80**
% Distribution	100.00	100.00	100.00		
As % of GDP	51.86	49.22	47.40	(1.82)	**(3.70)**
Regular Accounts	**5,473.341**	**5,862.232**	**6,322.073**	**459.84**	**7.84**
% Distribution	99.89	99.96	100.00	0.04	0.04
As % of GDP	51.81	49.20	47.40	(1.80)	(3.66)
Assumed	**6.115**	**2.430**		**(2.43)**	**(100.00)**
% Distribution	0.11	0.04		(0.04)	(100.00)
As % of GDP	0.06	0.02		(0.02)	(100.00)
GDP Nominal	**10,564.886**	**11,914.477**	**13,336.680**	**1,422.203**	**11.94**

Disaggregating the NG's total debt for FY 2014, 68.22 percent or P4.313 trillion represents domestic debts and 31.78 percent or P2.009 trillion represents foreign debt. This debt structure is consistent with the NG's strategy of sourcing its borrowings from the domestic capital market. For the current year, the debt structure is 65.82 percent domestic and 34.18 percent foreign.

By the end of FY 2014, the country's total debt stock will all consist of regular accounts by the national government. The assumed liabilities from the Development Bank of the Philippines (DBP) and the National Development Company (NDC), which at the beginning of this year is at P6.115 billion, will already be paid. The foreign portion amounting to P3.685 billion is projected to be paid this year, while the domestic portion amounting to P2.430 billion is projected to be paid in FY 2014.

Table 15
Details of Outstanding Domestic Debts, Regular
(In Billion Pesos)

Particulars	2012 Actual	2013 Adjusted	2014 Proposed	Variance 2014 vs. 2013	
				Amount	%
Total	**3,468.007**	**3,857.652**	**4,312.887**	**455.235**	**11.80**
Treasury Bills	274.889	354.889	396.889	42.000	11.83
Fixed Rate Treasury Bonds	1,438.019	1,859.943	2,398.475	538.532	28.95
Benchmark Bonds	910.574	834.134	726.208	(107.926)	(12.94)
Retail Treasury Bonds	745.924	710.169	669.763	(40.406)	(5.69)
US Dollar Multicurrency RTBs	17.580	5.905	5.905		
Euro Multicurrency RTBs	4.265	0.305	0.305		
Onshore Dollar Bonds	21.150	21.150	21.150		
Agrarian Reform Bonds	5.450	21.002	44.035	23.034	109.67
CB-BoL (T/Bonds)	50.000	50.000	50.000		
Backpay Obligations, RA 304	0.079	0.079	0.079	(0.000)	(0.06)
Backpay Obligations, RA 897	0.048	0.048	0.048	(0.000)	(0.10)
Guerrilla Currency Notes,RA 369	0.029	0.029	0.029	(0.000)	(0.07)

The bulk of NG's outstanding domestic debts are in the form of fixed rate treasury bonds amounting to P2.398 trillion, which accounts for nearly 38 percent of the total debt stock. For foreign-denominated debts, debt securities issued by the government for budgetary support, which accounts for more than 63 percent of the total foreign debt, constitute 20 percent of the total debt stock.

Among the international agencies the country borrows money from, the Japan International Cooperation Agency (JICA) is our biggest creditor with US$6.037 billion (P259.590 billion at P43 to US$1). It is followed by the Asian Development Bank (ADB), with US$4.936 billion, (P212.233Billion), then by the International Bank for Reconstruction and Development (IBRD), with US$ 3.684 billion (P158.419 billion). Table 16 shows the details of NG's Outstanding Foreign Debts from Regular Liabilities.

Table 16

Outstanding Foreign Debt, Regular

(In Thousand US Dollars)

Particulars	2012 Actual	2013 Adjusted	2014 Proposed	Variance 2014 vs. 2013	
				Amount	%
Total	**46,654,397**	**46,221,469**	**46,568,722**	**347,253**	**0.75**
Asian Development Bank Loans (ADB)	5,458,833	4,825,954	4,935,643	109,689	2.27
Int'l. Bank for Reconstruction and Development Loans (IBRD)	2,922,650	3,371,635	3,684,158	312,523	9.27
Int'l Development Association Loans (IDA)	141,723	132,458	122,720	(9,738)	(7.35)
Int'l Fund for Agri Dev. Loans (IFAD)	65,654	70,863	76,925	6,062	8.55
Org. of Petroleum Exporting Countries (OPEC)	8,536	7,375	4,221	(3,154)	(42.77)
Japan Eximbank Loans	490,279	399,152	353,803	(45,349)	(11.36)
Japan Int'l Cooperation Agency Loans (JICA)	6,242,190	6,026,826	6,036,980	10,154	0.17
KFW Loans	31,986	29,418	26,795	(2,623)	(8.92)
Public Law 480 Loans	222,393	223,334	211,516	(11,818)	(5.29)
US Agency for Int'l Dev Loans (USAID)	45,133	37,027	30,178	(6,849)	(18.50)
French Protocol	68,911	59,975	51,383	(8,592)	(14.33)
Other Foreign Creditors Loans	1,659,765	1,540,986	1,482,649	(58,337)	(3.79)
Paris Club Account	72	48	24	(24)	(50.00)
Debt Securities for Budgetary Support	29,296,272	29,496,418	29,551,727	55,309	0.19

B. Debt Service

Net of principal amortization, which is an off-budget item, interest payments will account for 15.55 percent of the P2.268 trillion expenditure program for FY 2014 and nearly 6 percent of the total outstanding debt for FY 2014.

The ratio of principal amortization to debt service will continue to decline from 57.13 percent in 2012 to 56.71 percent in 2013 and to 55.56 percent in 2014, which means the government is spending more for interest payments than amortization of the principal debt.

Table 17
NG Debt Service Expenditures
(In Billion Pesos)

Particulars	2012	2013	2014	Variance	
				Amount	%
Interest Payments	**312.800**	**332.210**	**352.652**	**20.442**	6.15
Domestic	201.215	227.613	248.396	20.783	9.13
Foreign	111.585	104.597	104.256	(0.341)	(0.33)
Principal Amortization	**416.974**	**435.185**	**440.931**	**5.746**	1.32
Domestic	330.401	327.403	350.937	23.534	7.19
Foreign	86.573	107.782	89.994	(17.788)	(16.50)
Total Debt Service	**729.774**	**767.395**	**793.583**	**26.188**	3.41
Domestic	531.616	555.016	599.333	44.317	7.98
Foreign	198.158	212.379	194.250	(18.129)	(8.54)
NG Expenditures	**1,828.982**	**2,005.900**	**2,268.000**	262.100	13.07

VI. CONCLUDING REMARKS

In his Budget Message entitled "Paggugol na Matuwid: Daan sa Kasaganaan", the President underscores the economic growth or prosperity that our country has achieved under his watch. Indeed from 6.5 percent real GDP growth in the 1st quarter of 2012, the economy grew by 7.8 percent in the 1st quarter of 2013. For the whole of 2012, the economy attained a 6.8 percent GDP growth rate.

And yet various marginalized sectors have lamented the fact that the said "new prosperity" did not seem to have reached their empty pockets. No less than NEDA Secretary Arsenio Balisacan has once noted the minimal change in our poverty incidence from 28.6 percent in the 1st semester of 2009 to 27.9 percent in the 1st semester of 2012.

Clearly, the need for inclusive growth that, according to the President, "benefits all and leaves no one behind" must be addressed by the proposed national budget. The question begging to be asked then is whether the budget really supports the agenda for Inclusive Development. Clearly, the significant chunk of the budget allotted for health and education supports inclusiveness. In particular, the Conditional Cash Transfer Program (CCT) which will directly benefit the poorest of the poor accounts for 80% of the DSWD's budget and will present an increase of P18.359 billion or 41.48 percent in FY 2014. The budgets of the Department of Education (DepEd) and the Department of Health (DOH) will similarly grow by P43.5 billion (14.83%) and P27.2 billion (45.41%), respectively. In the same manner, the Economic Services sector must be given due attention if the government is to sustain the robust growth of our economy through increased spending for infrastructure and utilities and attracting foreign direct investments to the country. Job generation should also constitute a top priority in the face of mounting criticisms especially from the civil society sector on the "jobless growth" of the economy.

On a brighter note, the prevailing fiscal scenario with respect to our targeted 2.0% fiscal deficit-to-GDP ratio by 2016 paints a bright picture. As it stands, our fiscal deficit in 2012 amounted to P242.827 billion, constituting 2.3% of GDP. For this year and the next, we are already targeting a 2.0% NG deficit-to GDP ratio. With the intensive, high-profile drive of the Bureau of Internal Revenue to beef up their revenue collections, the government seems poised to meet its deficit target under the Philippine Development Plan.

Finally, with the onset of the legislative deliberations on the national budget, legislative scrutiny is expected to reveal the feasibility and implications, intended or unintended, of the new Performance Informed budgeting approach, particularly as to how it can transform the national budget into a tool towards the economy's inclusive growth.

Sources:

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This paper was written by LBRMO Director-General Yolanda D. Doblon, Ma. Victoria C. Francia (Director for Social Services Sector), Raquel P. Laude (Director for General Services Sector, Eireen R. Palanca (Director for Defense and Security Services Sector), and Mercedita F. Urbano (Director for Economic Services Sector), with the invaluable assistance of Atty. Noemi Sabornido and Ms. Chelsea Estrada.

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