



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACAÑANG, MANILA

A Brief on the Special Purpose Funds in the National Budget

Notes by the Department of Budget and Management

1. What are Special Purpose Funds?

Special Purpose Funds (SPFs) are budgetary allocations in the General Appropriations Act (GAA) allocated for specific purposes. These are usually lump sum in nature, as the recipient departments or agencies and/or the specific programs and projects have not yet been identified during budget preparation and legislation. These are then made available for allocation to agencies in addition to their built-in appropriations during budget execution, pursuant to special provisions and conditions pertaining to the SPF.

Moreover, these funds have specified socio-economic purposes, as detailed below. For certain funds like the Calamity Fund and Contingency Fund, these have to remain in lump sum form due to the specific purposes that the funds serve. Moreover, certain funds are, in fact, fleshed out into detail, like Budgetary Support to Government Corporations and the International Commitments Fund.

2. How much are the Special Purpose Funds in the 2014 Budget, and what are these for?

The total SPFs in the 2014 National Expenditure Program¹ is P1.056 trillion:

<u>Special Purpose Funds</u> Nature and Purpose	Amount (PhP billions)
<u>Budgetary Support to Government Corporations</u> National government's assistance to government-owned or -controlled corporations (GOCCs) in the form of equity, subsidy, relent loan proceeds or net lending (advances less repayments) for the servicing of debts guaranteed by the national government. The purpose and the list of GOCCs receiving support have been identified in the Budget. With the introduction of Performance-Informed Budgeting, each GOCC shall be held accountable for the accomplishment of the identified performance indicators.	71.65
<u>Allocation to Local Government Units</u> This refers to the total subsidy given by the national government to local government units (LGUs) corresponding to their share in national revenue collections. This includes the Internal Revenue Allotment of LGUs, as well as the LGU shares in the following: National Wealth (Mining taxes, royalties from mineral	361.25

¹ The National Expenditure Program (NEP) is the proposed Budget that the President submits to Congress. Once Congress approves it and the President signs it into law, it becomes the General Appropriations Act (GAA).

reservations, forestry charges, and fees and revenues collected from energy resources in the utilization and development of national wealth); Excise Taxes from Virginia Tobacco products; Excise Taxes from Burley and Native Tobacco products; Incremental Collection from VAT; Share from VAT in lieu of Franchise Tax; and Share in the Gross Income Taxes paid by all Businesses and Enterprises in Economic Zones. This also includes the budget of the Metropolitan Manila Development Authority.	
<u>Tax Expenditures Fund (including Customs Duties and Taxes)</u> This automatically appropriated SPF covers subsidies given to national government agencies (including documentary stamps on Government-Issued Securities), GOCCs and LGUs in lieu of actual payment of taxes and customs duties. These do not involve actual cash disbursements.	26.9
<u>Debt Service Fund –Interest Payments</u> These are automatic appropriations for interest payments, including commitment fees and other charges, incurred by the national government from foreign and domestic borrowings.	352.65
<u>Miscellaneous Personnel Benefits Fund</u> This SPF covers the payment of government personnel-related expenditures, with the required amounts and the recipients determined only during budget execution. This also includes various benefits of personnel, e.g., Performance-Based Bonuses (determined after evaluation of departments' and civil servants' performance); requirements for the filling up of authorized positions and for the creation of new positions (originally these were provided within agency budgets but now incorporated under this SPF for a complete presentation of the total funding for unfilled positions); and other personnel services deficiencies.	80.71
<u>Pension and Gratuity Fund</u> This is for the payment of pensions of uniformed government personnel whose pensions are fully subsidized by the national government (e.g. police and military); retirement and terminal leave benefits; separation benefits and incentives; and the monetization of leave credits.	120.496
<u>Calamity Fund</u> This fund is for relief, rehabilitation, reconstruction and other works or services in connection with the occurrence of natural calamities, epidemics, crises resulting from armed conflicts, and other catastrophes. As such occurrences cannot be accurately predicted, the Calamity Fund is necessarily a stand-by lump sum fund. Releases may only be made upon the recommendation of	7.5

the National Disaster Risk Reduction and Management Council (NDRRMC), and the approval of the President.	
<u>Contingent Fund</u> This fund, administered by the Office of the President, shall be used exclusively for requirements of new and/or urgent projects and activities that need to be implemented during the year. This fund may likewise be used to augment existing appropriations for local and foreign travels of the President. All releases from this fund require the prior approval of the President.	1.0
<u>DepEd-School Building Program/Educational Facilities</u> In addition to appropriations for educational facilities under the budget of the Department of Education (DepEd), this fund is made available for the construction, rehabilitation, and others, of school buildings; construction of water and sanitation facilities; and acquisition of school desks and other furniture. The distribution for which must be based on the provisions of the Fair and Equitable Access to Education Act (RA No. 7880), which sets a formula for the allocation of funds among legislative districts according to student population and classroom shortage.	1.0
<u>Priority Development Assistance Fund</u> Commonly known as the “pork barrel,” this is the allocation for legislators so they can nominate projects and programs for implementation for the benefit of their corresponding constituents. These funds can only be used for a fixed menu listed in the Budget. The President has declared its abolition.	25.24
<u>E-Government Fund</u> This is for the implementation of Strategic Information and Communications Technology projects which seek to enhance transparency, accountability and efficiency in the different services of the government.	2.48
<u>International Commitments Fund</u> International Commitments Fund (ICF) is the allocation to fund the government’s commitments and pledges to international organizations, e.g., membership contributions and requirements for hosting of international conferences such as the WEF, ASEAN, and APEC. All requests for funding are submitted to the Department of Foreign Affairs for review by the ICF Review Panel and approved by the President (Memorandum Circular 194, 11 June 2010).	4.82
<u>Feasibility Studies Fund</u> A Fund to be administered by the National Economic and Development Authority (NEDA) for purposes of the conduct of	0.4

feasibility studies by an agency proposing a project other than Public-Private Partnership projects. The availability of such financing enhances project success as feasibility studies check the prospective project's technical viability as well as provide greater transparency in project awards with the studies being financed by government instead of by perspective bidders or awardees.	
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3. What are the Unprogrammed Funds?

Unprogrammed Funds are standby appropriations² authorized by Congress in the annual general appropriations act which may be availed only when any of the following instances occur: (1) revenue collections exceed the original revenue targets in the Budget of Expenditures and Sources of Financing³ (BESF) submitted by the President to Congress; (2) new revenues are collected/realized from sources not originally considered in the BESF submitted by the President to Congress; or (3) newly-approved loans for foreign-assisted projects are secured or when conditions are triggered for other sources of funds such as perfected loan agreements for foreign assisted projects.

4. How much and what comprises the Unprogrammed Fund in the 2014 Budget?

The P139.9-billion proposed Unprogrammed Fund for 2014 will be for the following:

<u>Special Purpose Funds</u> Nature and Purpose	Amount (PhP billions)
<u>Budgetary Support to GOCCs</u> This is for the recording of loans re-lent by the national government to GOCCs.	0.037
<u>Support to Foreign-Assisted Projects</u> To provide for the expenditure requirements of approved loans for foreign assisted projects which were not considered in the agency specific budgets during budget preparation pursuant to National Budget Memorandum no. 115 dated. Dec. 28, 2012.	16.12
<u>General Fund Adjustments</u> This is for cost differentials in foreign exchange requirements of expenditures authorized in the GAA for on-going projects arising from fluctuations in the exchange rate.	1.0

² Congress deemed it proper to provide ready appropriations cover for such amounts under the Unprogrammed Fund so as not to delay implementation of programs/projects authorized therein once new or additional revenues sources are realized during the budget year. For FY 2014, for example, as the funding sources for the P139.9 billion Unprogrammed Fund are not included in the BESF submitted by the President to Congress, it is not part of the P2.268 trillion proposed FY 2014 National Budget, which is the sum of new programmed appropriations for departments and SPFs, and automatic appropriations.

³ Mandated by the Constitution, the BESF contains the macroeconomic assumptions, public sector context (including overviews of LGU and GOCC financial positions), breakdown of the expenditures and funding sources for the fiscal year and the two previous years. (More information in "Budget Preparation Phase" section of www.budgetngbayan.com)

<u>Support for Infrastructure Projects and Social Programs</u> This is intended for the proposed buy-out of MRT 3 (per E.O. 126 dated Feb. 28, 2013) and the DENR-National Greening Program.	56.35
<u>AFP Modernization Program</u> This is the proposed allocation for the AFP's acquisition projects for 2014 under the Revised AFP Modernization Program (RA No. 10349, December 11, 2012), which extends the modernization of the AFP for a further 15 years from 2013 to 2027 and provides for the allocation of at least P75 billion for the first five years. Aside from the amount funded from the GAA, other funding sources include BCDA Remittances or Interest Income, and Malampaya Funds. It is a lump sum allocation because the Revised AFP Modernization Program, which is the list of acquisition of platforms, equipment and armaments of the AFP, was not yet finalized at the time of budget preparation. The President, upon the recommendation of the Secretaries of the Budget and National Defense, shall submit the Revised AFP Modernization Program to Congress pursuant to RA No. 10349. The list is also subject to upgrading or reprioritization due to strategic considerations or technological requirements.	10.89
<u>Debt Management Program</u> This program allows access to lower cost of borrowings and better maturity structures for GOCCs.	25.0
<u>Risk Management Program</u> This supports the Public-Private Partnership Program, as it covers commitments made by, and obligations of the government in the concession agreements relative to PPP projects.	30.0
<u>People's Survival Fund</u> This is intended for financing of adaptation programs and projects of local governments and communities brought about by climate change such as improvement of the monitoring of vector-borne diseases and forecasting and early warning systems, among others, as identified under RA No. 10174.	0.5

Note: Copies of the National Expenditure Programs (NEP) and General Appropriations Acts (GAA) are downloadable from the DBM website: www.dbm.gov.ph (under the section, "Our Budget")

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