Republic of the Philippines
Development Budget Coordination Committee
Malacañang, Manila

Mid-Year Report on the 2014 National Budget

30 September 2014

Introduction

The first half of Fiscal Year 2014 welcomed the Philippines with a series of historic credit rating upgrades that validate the Aquino Administration's belief that good governance is good economics. These credit upgrades reflect an undeniable reality: after undergoing massive structural, administrative, institutional, and governance reforms under the Aquino Administration, the Philippines has finally been put on track in significantly reducing poverty, and creating high-quality jobs for the people, toward a sustainable economic growth path.

Under this premise, the 2014 National Budget was designed to fulfill the Administration's commitment to achieve Inclusive Development: that no one regardless of birth, gender, and geography should be left in the country's progress. This Mid-Year Report for Fiscal Year 2014 details the contribution of the National Budget—as the government's most eloquent expression of its development agenda—in pursuing an economic growth that is sustainable and inclusive.

This Report tackles the following:

- Overall budgetary principles, reforms, and targets;
- Examination of year-to-date performance relative to macroeconomic assumptions, revenue, expenditure, financing, and debt targets as initially adopted in the Budget;
- Discussion on the effects of trends in performance on the estimates of full-year revenues, expenditures, financing, and debt;
- Updated projections for revenues, expenditures, financing, and debt for the full fiscal year; and,
- Revised economic forecasts for the full fiscal year, which take into account economic performance to date and updated projections for the rest of the year.

I.
The 2014 National Government Budget

The 2014 National Budget was crafted to ensure that everyone can contribute to expanding the economy by making the most of the opportunities that this nation can offer. As President Aquino said in his Budget Message, "I believe that every Filipino holds the key to his or her own prosperity. Our role as government is to further empower our people in actualizing their individual and collective potential, by laying the foundations for equitable progress; for growth that benefits all and leaves no one behind. This is what we have been working on in our first three years in office; and this is what we continue to fulfill from now until the end of my term."

The 2014 National Budget is hinged upon the Philippine's medium-term goal of achieving Inclusive Development. Building on the remarkable growth and other economic feats achieved in 2013, this Budget seeks to facilitate the creation of equal opportunities for all, through the effective delivery of adequate social safety nets and human development investments, as well as public goods that enable key industries to create more jobs and livelihood. Building on the early achievements of the Aquino Administration in improving the quality of governance, this Budget is likewise anchored on the goal of empowering citizens through greater transparency and wider spaces for their participation in the workings of government.

Towards achieving Inclusive Development, the P2.265-trillion General Appropriations Act approved by Congress for the current fiscal year is guided by the following principles and reforms:

Moving Toward Performance-Informed Budgeting

Measuring whether the Budget successfully deepens Inclusive Development necessarily entails the establishment of meaningful performance metrics that gauge how spending achieves the government's overall development agenda. Through the years, the National Budget, while premised on well-intended agenda, has been weak in linking budgeting and performance, making it hard to account for how effective public spending is in achieving development goals.

Under the 2014 Budget, the Aquino Administration introduced a major shift in budgetary policy: the Performance-Informed Budget (PIB), where financial allocations are presented alongside the targeted outputs—the actual goods and services—that each agency commits to deliver. By presenting budgetary allocation alongside performance targets on agencies' major final outputs (MFOs), in the context of desired development outcomes under the Philippine Development Plan and each agency's mandate, the PIB structure enables policymakers to allocate resources to fulfill priority social goals.

The PIB also redefines accountability as a commitment to deliver meaningful, direct, and measurable services to citizens. The PIB, for one, enables Congress in fulfilling its oversight function to hold government agencies accountable for the results they deliver in using public funds. Ultimately, PIB empowers citizens with new information, which had not been publicly available in the past.

Tighter Budget Prioritization for Inclusive Development

The government under the Aquino Administration has greatly reshaped its budget priorities, sharply refocusing allocation to the five Key Result Areas of the Aquino Social Contract with the Filipino People:

1. Transparent, Accountable, and Participatory Governance
2. Poverty Reduction and Empowerment of the Poor and Vulnerable
3. Rapid, Inclusive, and Sustained Economic Growth
4. Just and Lasting Peace and the Rule of Law
5. Integrity of the Environment and Climate Change Adaptation and Mitigation

The 2014 National Budget has tightly linked development planning and spending because its design was informed by the Budget Priorities Framework (BPF). This policy document, issued for the first time, directed all departments and agencies to craft their respective budget proposals along program priorities set for the fiscal year in line with the Social Contract. The BPF also focused the Budget on priority areas where the poor are and where great potential lies. This allowed the government to tailor fit interventions based on the needs of localities on the ground.

Better Collaboration as the New Standard in Government

To support the BPF, the government also pursued the Program Budgeting Approach to strengthen inter-agency collaboration in achieving the commitments underlined by the Social Contract with the Filipino People. This approach encourages departments and agencies to move out of their silos and synergize their efforts in achieving strategic objectives set by the BPF.

Enabling the Private Sector as Engine of Economic Growth

The 2014 National Budget affirms that a vibrant private sector fuels the country's development and progress. Supporting the private sector necessitates regaining trust and confidence in government through sustaining the elusive economic and political stability that was only achieved in recent times under the Aquino Administration.

This entails following through on the medium-term fiscal plan of keeping the fiscal deficit to 2.0 percent of gross domestic product (GDP) from 2014 to 2016 and further reducing debt stock to more sustainable and respectable levels. This Budget also further increases investments in public goods that support industrial development: particularly by increasing infrastructure spending to 5.0 percent of GDP by 2016.

Likewise, this Budget supports programs that further streamline business processes in order to advance the country's competitiveness.

Transparency at the Core of Effective Public Financial Management

The 2014 National Budget puts to action the key components of the Philippine Public Financial Management Reform Program. These include the Unified Account Code Structure, which harmonizes all charts of accounts and code structures in government. This enables accountability, in comparison to the past where disparate account codes made it difficult to track how public funds were actually used.

It also supports the implementation of another important reform: the Treasury Single Account, which will inject transparency and predictability in the treasury cash management. The system will consolidate 9,500 agency bank accounts into a manageable number by 2014. This is envisioned to provide the government with clear visibility on the bank balances of agencies on a daily basis, thus leading to savings from interest cost on borrowings.

Empowering the Citizen through the Budget

The 2014 Budget further widened spaces for citizen's engagement, believing that development must be owned by the Filipino people. For one, in crafting this expenditure plan, the process of Budget Partnership Agreements between civil society organizations (CSOs) and national government agencies was sustained. This partnership provides CSOs a meaningful space to review agencies' budgets, programs, and projects as well as a greater voice in crafting such agencies' budget proposals.

The Bottom-Up Budgeting process (now known as Grassroots Participatory Budgeting), which was introduced in the 2013 National Budget, was sustained for Fiscal Year 2014 and its coverage expanded to 1,226 cities and municipalities. With more grassroots communities and local CSOs participating in the crafting of local poverty reduction programs and projects, the allocation for such in the National Budget increased to P20 billion from only about P8 million in the 2012 Budget.

II.
Macroeconomic and Fiscal Performance

a. Macroeconomic Performance

For the first semester of 2014, the country's real GDP grew by 6.0 percent, coming from a high base of 7.8 percent in the same period a year ago. This indicates that the economy is still tracking a high growth path buoyed by the improvement in external trade in line with a more positive global economy, favorable business sentiment, and robust inflow of Overseas Filipino remittances. This strong inflow of remittances also propelled the increase in the country's Gross National Income (GNI) by 7.2 percent during the period, well within the target for the year.

Table 1. Mid-Year 2014 Economic Performance vs. Macroeconomic Assumptions

Particulars	2014		
	FY 2014 BESF Initial Projections	FY 2015 BESF Adjusted/ Updated	Actual 1st Semester
Nominal GNI (in PhP million)			
low-end	15,812,097	15,408,011	7,240,055
high-end	16,132,439	15,552,217	
Real GNI Growth Rate (%)	6.2-7.2	6.5-7.5	7.2
Nominal GDP (in PhP million)			
low-end	13,336,680	12,829,141	5,996,743
high-end	13,612,963	12,950,320	
Real GDP Growth Rate (%)	6.5-7.5	6.5-7.5	6.0

Source: National Economic and Development Authority

The expansion of the Philippine economy for the first half of 2014 stems from the country's strong domestic consumption as well as the recovery of exports which registered a double-digit growth coming from a contraction in the same period last year. However, tempering this growth is the slowdown in government consumption and capital formation, specifically in changes in inventories and construction. The second quarter of 2014 particularly saw a decline in public spending partly due to administrative bottlenecks to be discussed further in the report.

On the supply side, the services sector continues to drive the economy, followed by industry and then agriculture. Key subsectors which drove these expansions are manufacturing; real estate, renting and business activities; and trade and repair of motor vehicles, motorcycles, personal and household goods. The expansion of business process outsourcing (BPO) firms and the strengthening of the manufacturing sector bode well for the economy. Agriculture also grew stronger in the first semester of 2014 compared to the same period a year ago.

However, consistent with the demand side, the slowdown in construction and public administration tempered the overall growth of the economy.

The growth the country experienced during the period was coupled with some upside price pressures with headline inflation settling slightly above the midpoint of the 2014 target band of 4 percent ± 1 percentage point. The 4.2 percent average inflation during the January - June period was driven by the uptick in food prices due to production and distribution constraints. In the financial market, yields on the 364-day T-bill in the primary market averaged 1.7 percent during the first six months of the year, near the low-end of the 2.0-4.0 percent assumption of the Development Budget Coordination Committee (DBCC) for 2014. The higher rates on government debt papers compared to a year ago could be attributed to the market reactions to the tightening of the BSP's policy stance as well as the unwinding of the US Federal Reserve's bond-buying program. Meanwhile, the peso depreciated during the first half of 2014, as it averaged P44.50/US$1 vis-à-vis the DBCC assumption range of P41-43/US$1. The portfolio investment readjustments arising from policy normalization in the US contributed to the weakness of the peso. However, sustained inflow of remittances, robust BPO earnings, as well as credit rating upgrade earned by the country moderated the downside pressures on the peso.

Table 2. Selected Macroeconomic Indicators

Particulars	2014 DBCC Assumptions*	Actual January – June 2014
Real GDP growth	6.5-7.5	6.0
Inflation	3.0-5.0	4.2
364-day T-bill rate [a/]	2.0-4.0	1.7
Exchange rate *(PhP/USD, period average)*	41.00-43.00	44.50
London Interbank Offered Rates (LIBOR), 6 months	0.5-1.5	0.3285
Dubai crude oil price *(USD/barrel)*	90.00-110.00	105.29
Merchandise exports growth [b/]	14.0	6.6
Merchandise imports growth [b/]	14.0	4.1

* Based on FY 2014 BESF
[a/] Based on primary market rates
[b/] Based on the Balance of Payments Manual 6 (BPM6) concept

Sources: Department of Budget and Management, Philippine Statistics Authority and Bangko Sentral ng Pilipinas

In international markets, the modest pace of growth and outlook of the global economy was manifested by low LIBOR as central banks of major economies continued to pursue an accommodative monetary policy stance to support economic activity. The LIBOR averaged 0.3 percent during the January-

June 2014 period, near the low-end of 0.5-1.5 percent range of DBCC assumption for 2014. The price per barrel of Dubai crude oil in the first six months of the current year remained within the government assumption, owing mainly to abundant supply from non-OPEC producers despite the geopolitical instability in major oil-producing countries in the Middle East and the Ukraine-Russia region. In the external sector, the weaker-than-expected performance of some advanced economies (i.e., US and Europe) and moderation of growth in emerging and developing economies (particularly China) dampened the demand for the country's products in Q1 2014. In particular, electronics exports (which accounted for around 35.0-40.0 percent of the country's total exports) performed lower than expected. Similarly, merchandise imports grew modestly in Q1 2014 primarily on account of the slowdown in the demand for the materials and accessories for the manufacture of electronics equipment.

b. Fiscal Performance

The National Government incurred a fiscal deficit of P54.0 billion for the first half of 2014, slightly higher compared to the same period last year of about P51.3 billion. However, the cumulative budget gap for the first semester is lower than the program by a significant P138.6 billion, given the revenue shortfall of P52.6 billion and lower-than-programmed spending by P191.2 billion.

Table 3. National Government Revenue Performance

(in Billion Pesos)

NG Fiscal Position	2013	2014		% Growth
	Jan-June	Jan-June		
	Actual	Program	Actual	
Total Revenues	839.5	986.3	933.7	11.2%
Tax Revenues	746.3	918.1	824.4	10.5%
BIR	593.7	711.1	643.2	8.3%
BOC	145.1	199.0	173.4	19.5%
Other Offices	7.5	7.9	7.8	4.4%
Non-Tax Revenues	92.9	68.2	107.6	15.9%
Fees & Charges	14.2	16.1	16.8	18.8%
Income from Treasury Operations	24.1	21.1	31.7	31.6%
NG Income Collected by BTr	25.4	8.0	31.2	22.8%
Other Non-Tax	29.1	23.0	27.7	-4.6%
Grants	0.1	0.0	0.1	3.5%
Privatization	0.3	0.0	1.7	513.6%
Disbursements	890.8	1178.9	987.7	10.9%
Surplus/(Deficit)	(51.3)	(192.6)	(54.0)	5.2%.

Revenue Performance

For the first half of 2014, total revenue collections posted a double-digit growth of about 11.2 percent to reach P933.7 billion from the P839.5 billion for same period last year. This growth is led by the Bureau of Customs (BOC) with 19.5 percent year-on-year increase while BIR contributing another 8.3 percent.

The BOC was able to collect P173.4 billion for the period January to June 2014, P28.3 billion higher than the collections for the same period last year.

The BOC performance is a result of the President's call for change in the BOC during last year's SONA. Several measures were undertaken, including personnel movements and the appointment of a new Commissioner, six new Deputy Commissioners and other new officials and staff.

New offices were also created under the DOF to help BOC implement its reforms - the Office of Revenue Agency Modernization (ORAM) and the Customs Policy Research Office (CPRO). These offices are tasked to review current systems in revenue generating agencies to increase collections and modernize operations. The movement of the post entry audit functions from the BOC to the DOF Fiscal Intelligence Unit was also instituted last year.

Actual collections for BIR were recorded at P643.2 billion while BTr income totaled P62.9 billion. Total tax revenues for the first semester amounted to P824.4 billion, representing 88.0 percent of total revenues while the remaining 12.0 percent came from non-tax revenues.

Impact of Sin Tax

The passage and implementation of RA 10351 (Sin Tax Law) boosted excise tax collections. Tax collections from the so-called "Sin Products" continued to post a remarkable increase in revenues for the first semester of 2014. Total collections from tobacco and alcohol products reached P46.0 billion in January to June of this year which is 29.7 percent higher than the collections made in the same period in 2013 amounting to P35.5 billion. As compared to the goal of P35.0 billion, there was an excess of P11.0 billion or 31.6 percent.

Table 4. Impact of Sin Tax Law Implementation

(in Billion Pesos)

Excise Tax Collections	Jan - June		% Growth
	2013	2014	
Tobacco (local only)	19.5	28.2	44.4%
Alcohol	16.0	17.8	11.6%
TOTAL	35.5	46.0	29.7%

The incremental revenues from the sin tax law for the period exceeded its target by 42.6 percent to P19.1 billion against the P13.4 billion goal. Incremental revenues year-on-year for the first semester of the year posted 108.6 percent increase from P9.1 billion in 2013 to P19.1 billion in 2014.

Collection from tobacco products is the main contributor in surpassing the goal by posting collections amounting to P28.2 billion which is 94.9 percent higher than the P14.5 billion target. On the other hand, excise tax collections from alcohol products of P17.8 billion was short of the P20.5 billion target by 13.1 percent, but has managed to attain 11.6 percent gain year-on-year from P15.9 billion in 2013.

Expenditure Performance

With a full-year deficit target of 2.0 percent of GDP, equivalent to P266.2 billion for 2014, national government disbursements are projected to reach P2.284 trillion. This disbursement level is larger by 21.5 percent from the 2013 actual spending level, and corresponds to 17.8 percent of GDP.

Table 5. FY 2014 Disbursement Program

(In Billion Pesos)

Particulars	2013 Actual	2014			Percent of GDP		Growth Rate
		Based on 2014 BESF	Assessment Program*	Difference	2013 Actual	2014 Assessment Program	
REVENUES	1,716.1	2,018.1	2,018.1	0.0	14.9	15.7	17.6
DISBURSEMENTS	1,880.2	2,284.3	2,284.3	(0.0)	16.3	17.8	21.5
Current Operating Exp.	1,519.2	1,764.4	1,800.9	36.5	13.2	14.0	18.5
Personnel Services	581.7	689.4	661.5	(27.9)	5.0	5.2	13.7
MOOE	282.9	379.4	374.6	(4.8)	2.4	2.9	32.4
Subsidy	66.3	42.9	109.0	66.1	0.6	0.8	64.3
Allotment to LGUs	241.8	273.2	273.2	0.0	2.1	2.1	13.0
Interest Payments	323.4	352.7	352.7	(0.0)	2.8	2.7	9.0
Tax Expenditures	23.0	26.9	29.9	3.0	0.2	0.2	29.8
Capital Outlays	344.3	494.9	458.4	(36.5)	3.0	3.6	33.2
Infrastructure/Other CO	261.8	404.8	365.2	(39.6)	2.3	2.8	39.5
Equity	11.5	3.8	3.3	(0.5)	0.1	0.0	(71.0)
Capital Transfers to LGUs	71.0	81.3	84.9	3.6	0.6	0.7	19.6
CARP-LO Compensation	-	5.0	5.0	-	-	0.0	
Net Lending	16.6	25.0	25.0	-	0.1	0.2	50.1
SURPLUS/(DEFICIT)	(164.1)	(266.2)	(266.2)	0.0	(1.4)	(2.1)	62.3
Memo Item: GDP	11,548.2		12,829.1				

* Consistent with the 2014 Program reflected in the FY 2015 BESF Table B. 28

It may be noted that the 2014 aggregate fiscal numbers were maintained at 2014 BESF level as approved by the DBCC. However, based on the latest nominal GDP projections, the resulting deficit-to-GDP ratio corresponding to the deficit cap of P266.2 billion is changed from 2.0 percent to 2.1 percent of GDP.

Although the aggregate disbursement program was maintained at P2.284 trillion, there were adjustments made in the breakdown by expense class to consider the following changes:

a. Reallocation made by Congress from the Proposed Budget or NEP to the final levels in the General Appropriations Act (i.e., reduction of PS allocation under

MPBF, abolition of the Priority Development Assistance Fund, increases in the National Disaster Risk Reduction and Management Fund, creation of the Reconstruction and Rehabilitation Program Fund, etc).

b. Increased cash support for GOCCs in the form of subsidy and equity on account of the additional cash requirements for unfunded prior year's allotment (P36.0 billion) and the transfer from DOH to PHIC of the requirement for the National Health Insurance Program (P35.3 billion). The bulk of the unfunded prior years' allotment is intended for the NHA's Housing and Resettlement Program (P24.9 billion), Task Force Pablo Emergency Housing Assistance to Calamity Victims (P4.8 billion) and the AFP/PNP Housing Project (P794 million); and for the SSS' Educational Assistance Fund Program (P2.7 billion).

c. The program for TEF considered the P24.9 billion level recently approved by the DOF Secretary for BIR and BOC.

d. Upward adjustment on the requirements for the Special Shares of LGUs in the Proceeds of National Taxes (P3.6 billion) to cover the cash requirements of prior year's obligation for the monetization of IRA and shares from taxes imposed on tobacco products (Virginia and Burley).

e. The assessment program for disbursements is based mainly on the Monthly Disbursement Programs (MDPs)[1] submitted by the departments/agencies. Among the major considerations in the MDPs preparation were as follows:

- Seasonality (peak and slack times) of activities and other factors that tend to influence programming, such as:

  - the timing of the grant of PS benefits;

  - activities/work programs that require adjustments, e.g., payment of rentals and procurement of supplies and materials;

  - the schedule of work targets, (e.g., initial construction activities that only entail 15.0 percent mobilization cost and the balance shall be in accordance with the work program; purchase of equipment will require NCA only on the expected delivery date, not during procurement stage); construction of farm-to-market roads, and other infrastructure projects shall be scheduled during the first quarter of the year in consideration of our country's good weather condition.

[1] To ensure timely release of funds, departments and agencies submitted their plans and targets for the year, including the monthly disbursement programs.

- For foreign-assisted projects (FAPs), the timing of the peso counterpart and loan proceeds (LP) components has been assumed to be synchronized, i.e., cash portion of LP component shall depend on the expected receipt of the BTr certification on the availability of LP from the lending institution.

- Historical trend/data on actual disbursements, at least for the last three years.

As a result of these changes, the assessment program, which will be used in monitoring of disbursement performance, expects that the bulk (or 78.8 percent) of the total programmed disbursements will be for Current Operating Expenditures, while targeting P458.4 billion or 3.6 percent of GDP will be spent for Capital Outlays. In terms of growth, the full-year disbursement program considers a 50.1 percent year-on-year increase in Net Lending, followed by 33.2 percent growth in Capital Outlays, and 18.5 percent expansion in Current Operating Expenditures.

This disbursement program reflects the projected payments to be made by the national government for goods and services rendered in the implementation of programs and projects. This will be greatly influenced by the level of obligations and contracts entered into by the government through the implementing departments and agencies.

<u>Allotments</u>

Recent budget reforms, most notably the GAA-as-Release Document (GAARD), ensured that allotments are made available to departments and agencies on the day when the GAA takes effect (i.e., first working day of the year). Within the first half of 2014, the total available allotment for all departments and agencies[2] corresponds to 91.0 percent of the programmed appropriations for the year. Such allotments—or authorizations which agencies use to incur obligations—had been mostly released immediately via the GAARD. This percentage could have been higher if the five departments with the lowest allotment release rates like DAR, DoE, DA, DENR and DPWH were able to submit the required documents such as roadmaps, network plans and other supporting documents. For instance, the P12.0 billion for farm-to-market roads (FMRs) under DA had not been released within the first half of 2014 due to the delayed submission of the list of FMRs and the classification if these are connected to arterial and national roads.

It may be noted in Table 6, that the P2.265 trillion approved budget level for the year has been adjusted within the total amount to account for the P35.3 billion allocation for the premium subsidy for indigents under the National

[2] The appropriations of departments and agencies include both their agency-specific budgets under the GAA and allocations from Special Purpose Funds.

Health Insurance Program, which was transferred from the budget of the Department of Health to the Philippine Health Insurance Corporation as budgetary support (under Special Purpose Fund). Other adjustments within department-specific budgets include, among others, the transfer from the Department of Education to the Department of Public Works and Highways of the allocation for Basic Educational Facilities in the amount of P39.0 billion; and transfer from the Department of Social Welfare and Development to the Autonomous Region of Muslim Mindanao of allocation for various banner programs (livelihood assistance, capability-building, and social welfare protection services) in the amount of P387.6 million.

Table 6. Status of Appropriations, Allotments and Obligations, As of June 30, 2014

(In Billion Pesos)

Particulars	Budget Level			Available Allotment		Obligations Incurred	
	Original Program	Realignments/ Augmentation	Adjusted Program	Amount	As % of Adjusted Program	Amount	As % of Allotments Released
Current Year Budget	2,264.6	-	2,264.6	1,950.3	86%	1,116.1	57%
New GAA (R.A. No. 10633)	1,468.6	-	1,468.6	1,193.6	81%	577.2	48%
Departments	1,186.0	(35.3)	1,150.7	1,051.2	91%	515.8	49%
Special Purpose Funds (SPFs)	282.6	35.3	317.9	142.4	45%	61.4	43%
Automatic Appropriations *	796.0	-	796.0	756.7	95%	538.9	71%
Other Fund Sources	-	-	-	25.4		2.1	8%
Continuing Appro. (R.A. No. 10352)				4.6		0.0	0%
Supplemental Budget (R.A. No. 10634)				10.0		2.1	21%
Unprogrammed Fund **				5.1			
Other Automatic Appropriations **				5.6			
Unobligated Allotment as of 12/31/2013				76.5		19.4	25%
TOTAL	2,264.6	-	2,264.6	2,052.1	91%	1,137.6	55%

* Includes allotment releases and actual disbursements for Debt Service - Interest Payments

** Obligations incurred under these sources are included in the Current Year

<u>Obligations</u>

Given the 91.0 percent allotment-to-appropriations ratio, the government has incurred obligations in the amount of P1.138 trillion or an obligation rate of 55 percent by the end of the first half of the year. Net of interest payments, 57.0 percent of allotments available to departments and agencies had been obligated in the first semester. This is 17.0 percent more than the 40.0 percent obligation rate posted in the first quarter.

<u>Disbursements</u>

Total national government disbursements registered at P987.7 billion for the first semester of the year, higher by P97.0 billion or 10.9 percent than the actual figure of P890.8 billion in the first semester of 2013. The rate of expansion is comparable with the 8.9 percent average growth rate from 2005 to 2013. Relative to program, the spending of the national government stayed within the P1.179 trillion target for the first semester by P191.1 billion or by 16.2 percent.

Program vs. Actual

Considering the reforms in place (e.g., GAARD, advance procurement, etc.), the disbursement program is relatively more frontloaded (at 51.6 percent share in the first semester) than how spending had been in the first half during the last three years, which averaged only about 45.7 percent of the full-year actual outturn.

Table 7. Disbursements by Expense Class, Program vs. Actual

(In Billion Pesos, unless otherwise indicated)

Particulars	January to June		Deviation	
	Program	Actual	Amount	%
Current Oper. Exp.	928.1	805.0	(123.1)	(13.3)
PS	325.6	292.8	(32.8)	(10.1)
MOOE	191.1	152.4	(38.6)	(20.2)
Subsidy	85.7	49.5	(36.1)	(42.2)
Allotment to LGUs	136.6	136.6	-	-
IP	171.0	159.7	(11.3)	(6.6)
TEF	18.1	13.9	(4.2)	(23.3)
Capital Outlays	239.8	176.3	(63.5)	(26.5)
Infra and Other CO	195.3	136.6	(58.7)	(30.0)
Equity	2.1	0.4	(1.6)	(79.2)
Cap. Transfers to LGUs	40.3	39.2	(1.2)	(2.9)
CARP-LO Comp.	2.1	-	(2.1)	(100.0)
Net Lending	11.0	6.5	(4.5)	(41.2)
TOTAL	1,178.9	987.7	(191.1)	(16.2)

However, it turned out that actual spending lagged against program, mainly on account of the following:

- Spending for PS was lower than program by P32.8 billion or 10.1 percent, partly due to the lower-than-expected claims for retirement gratuity and terminal leave benefits and the balances of the allocation for the grant of the FY 2013 Performance-Based Bonus and other personnel benefits under the MPBF.

- Maintenance and other operating expenditures fell below expectations by P38.6 billion or 20.2 percent partly on account of the low obligation rates[3] of OP, DSWD, and DOH, in addition to the low NCA utilization (below 80 percent) of DA, DSWD, DENR, DOH, DFA, DOST, DAR and OP.

  Some of the reasons cited by the DSWD to explain the below par disbursement performance for the first semester are as follows: 1)

[3] Compared to the 50% benchmark ratio of obligations to allotments received for the first semester (assuming equal pace of obligations throughout the year)

postponement of the roll-out/payment from January to June 2014 for the Expanded CCT which resulted to unutilized funds amounting to almost P3.0 billion; 2) low turnout of registration of children 15 to 18 years old led to the significant underutilization of the 2014 Budget for the Expanded CCT; 3) payment of Social Pension to beneficiaries was deferred due to ongoing special validation for non-National Household Targeting System (non-NHTS) beneficiaries in compliance to Special Provision No. 3 in the GAA; 4) for programs under the Grassroots Participatory Budgeting, the DSWD field offices are still conducting validations and preparation of necessary documents; and 5) for the Assistance to Individuals in Crisis Situations (AICS), it took some time for the field offices to set up satellite offices and hire staff for the implementation of the program.

Likewise, the DOH attributed the underspending to the delay in the procurement of commodities. They noted that the preparation for procurement of 2014 commodities actually started as early as June 2013 but slowed down due to the disasters in the latter part of last year as activities of the hospitals and regional offices were re-focused in assisting the affected areas. The new eligibility requirement for bidders - current and valid tax clearance - resulted in the failure of bids and/or re-bidding of most commodities amounting to P974 million. Also, the awarding for family planning commodities in the amount of P1.0 billion was put on hold due to the Supreme Court requirement for a FDA certification that said commodities are not abortifacient or do not induce abortion. There was also a delay in the obligation of the P3.2 billion financial assistance/subsidy to indigent patients due to the several revisions made on the implementing guidelines.

The unreleased balances under MOOE of the following departments and SPFs also contributed to the lower-than-programmed spending as of June: 1) DAR's Comprehensive Agrarian Reform Program - P6.0 billion; 2) e-Government Fund - P1.2 billion; 3) National Disaster Risk Reduction and Management Fund - P5.0 billion; and 4) Rehabilitation and Reconstruction Program - P2.7 billion.

- Infrastructure and other capital outlays was recorded below program by P58.7 billion or by 30.0 percent, which can be largely attributed to the lower-than-programmed spending of the DPWH by some P30.0 billion (P97.3 billion program vs. P66.9 billion actual payments). The DPWH ascribed this performance to the delayed pre-construction activities due to program modification and realignments; non-collection by some contractors of their 15.0 percent mobilization cost and/or preference of contractors to claim only upon completion of the project rather than issue progress billings; right-of-way problems; failure of biddings, among others. To address these issues, the DPWH has identified immediate/ short-term action plans which involve regular meetings with contractors to fast-track projects and encourage them to collect monthly billings with focus on avoiding the lapsing of NCAs.

Some big-ticket infrastructure projects of other departments that are to be implemented by the DPWH also remain unreleased as of end-June. One of which is the Tulay ng Pangulo Para sa Kaunlarang Pang-Agraryo (P2.1 billion) on which DAR had encountered difficulties in identifying the areas for the project. Accordingly, DAR has only recently submitted the list to DPWH which will have to endorse the bridges to be constructed, as required under the Special Provisions in the GAA. Moreover, the P30.0 billion budgetary allocation for the DepEd's Basic Educational Facilities is still unreleased as of June due to the late submission of the list and location of school buildings and water and sanitation facilities by the DepEd. As represented, the delay was caused by the need to make more calamity-resilient school building designs, which will also entail adjustments in the cost.

Other contributing factors to the underspending in CO are the underutilization of NCAs by DOTC, DENR and DA, as well as the unreleased appropriations for some big-ticket CO items in the FY 2014 Budget such as DA's farm-to-market (FMR) road projects (P12.0 billion) and other irrigation projects (P8.4 billion), which remain intact due to the late submission of the FMR network plan with geo-tagged information on the roads, and irrigation plans as required in the GAA.

- Some P36.1 billion of underspending was recorded under subsidies to GOCCs. Contributing to more than half of this lower-than-expected performance are the unreleased funds for the NHA in the amount of P23.8 billion because of the difficulty encountered in the implementation of projects due to the lack of available land where housing units and medium-rise buildings can be built. Moreover, based on NHA's observation, contractors wait until the last quarter of the year to send their billings, hence the low disbursement in the first half.

In addition, there were also unreleased subsidies for the NFA in the amount of P4.3 billion due to delayed submission of Special Budget Request and requisite documents prior to release; for NEA in the amount of P4.0 billion as one of the conditions for the release of funds - the submission of barangay certifications with regard to the barangay and sitio electrification programs, are yet to be secured by the electric cooperatives, albeit some of the projects are ready for implementation; and for NPC in the amount of P2.6 billion since the monthly cash program was determined based on contracts already awarded, the actual releases, however, were based on progress billings. Some of these items were already or partially released in July, while the rest will be reprogrammed for release in the succeeding months.

- Savings in IP amounted to P11.3 billion or 6.6 percent, of which about 86.1 percent is accounted for by the lower-than-programmed payments for domestic borrowings. This is due to the impact of lower volume and lower interest rates on Treasury Bills and Fixed Rate Treasury Bonds. The average 364-day T-bill rate as of June at 1.8 percent was lower than the 3.0 percent program assumption. For interest payments due to external creditors, P1.6 billion in savings was due to the combined effect of fluctuations of various currencies and higher actual than assumed FX rate.

- Lastly, capital transfers to Local Government Units (LGUs) were also lower-than-program by P1.2 billion due to the unreleased balance for the special shares of LGUs in the incremental collection of Value-Added Tax (VAT) under R.A. No. 7643. The release of these appropriated shares is conditional on the reconciled certifications from the BIR and the BTr. To date, the certifications issued by the BIR corresponding to share of LGUs in VAT have been referred to BTr for validation of remittances.

Year-on-Year

As a result of the encouraging outturn in June, cumulative disbursements bounced back to register a double-digit growth of almost 11.0 percent for the first semester, from the 4.7 percent as of May. Net of interest payments, this year-on-year expansion would be higher at 12.9 percent from the 2013 first semester figure.

Table 8. Disbursements by Expense Class, 2013 vs. 2014

(In Billion Pesos, unless otherwise indicated)

Particulars	January to June		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	732.6	805.0	72.4	9.9
PS	282.9	292.8	9.9	3.5
MOOE	145.0	152.4	7.4	5.1
Subsidy	13.2	49.5	36.3	274.8
Allotment to LGUs	120.9	136.6	15.7	13.0
IP	157.1	159.7	2.6	1.7
TEF	13.5	13.9	0.4	3.2
Capital Outlays	161.6	176.3	14.7	9.1
Infra and Other CO	123.4	136.6	13.3	10.8
Equity	0.3	0.4	0.1	29.9
Cap. Transfers to LGUs	37.9	39.2	1.3	3.4
CARP-LO Comp.	-	-	-	
Net Lending	(3.4)	6.5	9.9	287.7
TOTAL	890.8	987.7	97.0	10.9

The main driver of this rise in spending was subsidy to GOCCs, which recorded a cumulative increase of P36.3 billion or 274.8 percent. This was followed in nominal terms by transfers to LGUs which increased by P17.0 billion or 10.7 percent year-on-year on account of the higher mandated shares of LGUs in the Internal Revenue Allotment. The combined growth of productive spending such as MOOE and CO was also at a respectable pace of 7.7 percent, an improvement from the modest 2.8 percent recorded as of May. Net lending also contributed to a large extent in this performance as it expanded by about P10.0 billion due to repayments made by PSALM to the national government in 2013, as discussed in previous reports.

c. Financing and Debt

National Government Financing

The National Government posted a significantly lower deficit for the first half of the year, resulting to a reduced borrowing requirement than originally programmed. The borrowing program continued to favor domestic financing as borrowing operations reflected the effects of normalizing international rates and the Government's issuance of international bonds after a one-year hiatus.

Table 9. National Government Financing, January to June, 2014

(in Million Pesos)

Particulars	January to June 2014				2014 Full-Year Outlook	
	Program	Actual	Difference	%	Original	Revised
Financing	154,707	95,914	-58,793	-38%	274,110	283,970
External (Net)	-7,470	-9,428	-1,958	26%	5,036	4,236
External (Gross)	57,588	57,082	-506	-1%	95,030	130,500
Less: Amortization	65,058	66,510	1,452	2%	89,994	126,264
Domestic (Net)	162,177	105,342	-56,835	-35%	269,074	279,734
Domestic (Gross)	308,341	106,599	-201,742	-65%	620,011	620,011
Less: Amortization	146,164	1,257	-144,907	-99%	350,937	340,277
Financing Mix (% of total)						
External	16%	35%			13%	17%
Domestic	84%	65%			87%	83%

Source: Bureau of the Treasury

To start the year, NG marked its return to international capital markets through the issuance of USD1.5 billion in 10-year USD Global Bonds. The issuance marked the Republic's first as an investment grade borrower and was part of a liability management exercise that realized interest-cost savings as well as extend the maturity profile of NG debt.

Meanwhile, the lower fiscal shortfall and NG's comfortable cash position allowed the prudent management of domestic borrowing over the first half of 2014. This resulted in a 65%-35% borrowing mix between domestic and external financing which further bolster resilience against foreign exchange risk in the country's debt portfolio. Moreover, amortization for domestic debt was kept low compared to forecasts through the continuing program of scaling back contributions to the Bond Sinking Fund (BSF) used to redeem domestic obligations which are still in line with debt management objectives.

National Government Debt

The end-June 2014 total NG outstanding debt was recorded at P5,651 billion – 3.7 percent or P199.5 billion higher from its level a year ago. Growth is still driven by domestic debt expansion consistent with the borrowing program. Attesting to the Government's proactive liability management and sustained economic growth, debt sustainability has steadily improved with NG debt as a percentage of GDP falling to 46.9 percent as of June 2014 compared to 49.5 percent a year ago.

Table 10. National Government Debt, As of June 2014

(in Million Pesos)

Particulars	June			
	2013	2014	Difference	%
Total	5,451,328	5,650,882	199,554	3.70%
External	1,949,537	1,919,087	-30,450	-1.60%
Domestic	3,501,791	3,731,795	230,004	6.60%
% of Total				
External	35.80%	34.00%		
Domestic	64.20%	66.00%		
% of GDP	49.50%	46.90%		
External	17.70%	15.90%		
Domestic	31.80%	31.00%		
Average Interest				
External	5.01%	4.72%		
Domestic	6.09%	5.82%		
IP as % of Revenues	18.70%	17.10%		
IP as % of Expenditures	17.60%	16.20%		
Average Maturity (years)	11	10.14		
External	11.1	11.39		
Domestic	10.9	9.39		
Memo Items				
GDP	11,022,581	12,053,431		
Peso/USD	42.907	43.75		

Average Maturity measured in years on residual basis.

Source: Bureau of the Treasury

Active liability management has translated to improvements in the Government's debt metrics. As of June 2014, the share of domestic debt has increased to 66.0 percent from 64.2 percent a year ago. Meanwhile, average interest on domestic and external debt has gone down to 5.82 percent and 4.72 percent, respectively, while maintaining a comfortable maturity profile.

III. Macroeconomic and Fiscal Outlook For the Rest of 2014

a. Macroeconomic Outlook

The DBCC continuously monitors and assesses the macroeconomic environment in line with the review of the macroeconomic assumptions needed for the next budget formulation. The foregoing assessment considers the outlook for the remainder of 2014.

Table 11. Macroeconomic Assumptions, FY 2015 BESF Outlook

Particulars	FY 2015 BESF Outlook
Nominal GNI (in PhP million)	
low-end	15,408,011
high-end	15,552,217
Real GNI Growth Rate (%)	6.5-7.5
Nominal GDP (in PhP million)	
low-end	12,829,141
high-end	12,950,320
Real GDP Growth Rate (%)	6.5-7.5

Source: National Economic and Development Authority

GDP Growth

The government remains optimistic that the Philippine economy will be able to reach its FY 2014 target of 6.5-7.5 percent growth in real GDP on the back of the country's sound macroeconomic fundamentals, positive outlook of businesses, upbeat domestic spending, and an improved external trade environment. Likewise, GNI is expected to exceed the initial forecast of 6.2-7.2 percent propelled by strong inflow of remittances.

On the supply side, the agriculture, fishery and forestry sector is seen to slowly recover from the impact of the natural calamities with the addition of the increasing consumer demand due to the fast-approaching yuletide season. The industry sector is also expected to post stronger growth in the second half, to be led by higher manufacturing output and the acceleration of government infrastructure projects. Services will continue to grow driven by the upbeat domestic demand, continued inflow of remittances, influx of tourist arrivals, and expansion of retail and IT-BPM firms.

The upbeat consumer sentiment in the country, as reflected in the strong growth of household spending, is expected to continue for the rest of the year. The administrative bottlenecks that slowed down the public sector's contribution to the growth of the economy are already being addressed and government spending is expected to pick up at a much faster pace in the succeeding quarters. Likewise, the positive developments in the external front will likely benefit the trade sector of the country.

While the optimism in the domestic economy reigns, the government remains on guard to provide the necessary measures to mitigate, if not prevent, the adverse impacts of domestic and external risks which include:

External Risks

- Mixed signals concerning the United States' Quantitative Easing (QE) Program
- Slowdown in large emerging economies, particularly China and India
- Tightening fiscal policy stance in Japan
- Uncertainty of growth recovery in Euro Area
- Geopolitical tensions in the Middle East and Russia-Ukraine region

Domestic Risks

- Natural hazards (e.g., typhoons, prolonged monsoon rains, El Ñino – now with 60-65% chance[4])
- Possible spike in commodity prices (e.g., petroleum, power, rice)
- Delays in infrastructure and reconstruction projects
- Destructive coconut scale insect infestation
- Logistical bottlenecks

[4] http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_disc_sep2014/ensodisc.html, accessed on 09 September 2014

Table 12. Outlook for Selected Macroeconomic Indicators

Particulars	2014 DBCC Assumptions*	2014 DBCC Assumptions**
Real GDP growth	6.5-7.5	6.5-7.5
Inflation	3.0-5.0	3.0-5.0
364-day T-bill rate [a/]	2.0-4.0	1.5-4.0
Exchange rate *(PhP/USD, period average)*	41.00-43.00	42.00-45.00
London Interbank Offered Rates (LIBOR), 6 months	0.5-1.5	0.3-1.5
Dubai crude oil price *(USD/barrel)*	90.00-110.00	100.00-110.00
Merchandise exports growth [b/]	14.0	6.0
Merchandise imports growth [b/]	14.0	9.0

* Based on FY 2014 BESF
** Based on FY 2015 BESF
[a/] Based on primary market rates
[b/] Based on the Balance of Payments Manual 6 (BPM6) concept
Source: Department of Budget and Management

Inflation

Forecasts show slight upside price pressures but inflation would likely be within target range. Projections indicate that inflation could settle above the midpoint of the 4 percent ± 1 percentage point target range for 2014. An assessment of recent economic and financial developments on the global and domestic fronts suggests that the risks to the inflation outlook are skewed slightly to the upside. Possible upticks in food prices as a result of tight domestic supply conditions, delays in shipments due to port congestion and pending petitions for utility rate adjustments constitute the upside risks to inflation. In addition, higher-than-expected liquidity growth could also lead to higher inflation. Meanwhile the uneven outlook on the pace of global economic recovery represents downside risk to inflation.

Peso-to-Dollar Exchange Rate

Foreign exchange rate is expected to be broadly stable. Following the correction in the peso-dollar rate in the first semester of the year, the DBCC has adjusted the peso-dollar rate assumption for the remainder of the year to P42-45/US$1. The peso-dollar exchange rate is expected to remain broadly steady at its current level. The country’s investment grade status, steady stream of remittances, increased tourist receipts, and robust BPO earnings could provide support to stable peso. However, uncertainties in the growth trend and monetary policy stance in advanced economies as well as expectations of higher interest rates in the US could weigh down the stability of the peso.

Dubai Oil Price

Oil prices are expected to be broadly in line with DBCC assumptions, barring major supply disruptions. International energy agencies expect oil prices to remain manageable within the next two years as oil production is expected to outpace oil demand due largely to the continued expansion in non-OPEC production, particularly in the North America region. However, an escalation of geopolitical tensions in Ukraine-Russia and the Middle East poses upside risk to world oil prices.

364-Day Treasury-bill Rate

Yields of the 364-day T-bill rate are expected to settle within the DBCC assumption range of 1.5-4.0 percent. The DBCC assumption range has been adjusted from the earlier assumption of 2.0-4.0 percent to reflect prevailing yields and the presence of ample liquidity in the market. Looking ahead, there could be some upside pressures on interest rates given policy adjustments by the BSP and the US Federal Reserve. The BSP has acted pre-emptively to ward off inflation threats as evident in the upward adjustments of the reserve requirement (1 percentage point each in March and May), the Special Deposit Account rate (25 bps in June), and the reverse repurchase rate (25 bps in July). Meanwhile, the US Federal Reserve has commenced the unwinding of its asset purchase program and is widely expected to increase interest rates next year. However, the outlook on T-bill rates would also be dependent upon the NG's medium-term fiscal program and its commitment to fiscal discipline which could help the government secure funding at a lower rate. At the same time, while domestic liquidity growth has begun to decelerate, there is still adequate liquidity in the system to support a low interest rate environment.

180-Day LIBOR Rate

The trend in 180-day LIBOR will continue to be driven by policy actions by major central banks. The year 2014 could close off with slightly higher world interest rates as the US Federal Reserve exits from its bond-buying program. Interest rates in the US could also increase next year. However, the monetary policy actions by other major central banks would still be dictated by the developments in their economies. The continued uncertainty surrounding the global economic recovery could cap upside adjustments in world interest rates.

Exports

The lower growth outlook for the advanced economies (i.e., US and Europe) and expected moderation in emerging and developing economies (particularly China) could temper merchandise exports growth in 2014. Against this backdrop, the full-year 2014 exports growth was revised downward from 14.0 percent reflected in the 2014 BESF to 6.0 percent in the 2015 BESF.

Imports

Imports growth is also expected to be modest in 2014. The downward revision in imports growth from 14.0 percent in the 2014 BESF to 9.0 percent in the 2015 BESF incorporates the expected moderate recovery of raw materials imports (especially inputs to electronics exports).

b. Fiscal Outlook

For the remainder of the year, the government remains committed to the fiscal consolidation efforts and this translates to working within the target fiscal deficit ceiling of P266.2 billion. Hence, the government maintains the full-year targets of P2,018.1 billion for revenue collections which is equivalent to 15.7 percent of GDP, and disbursements of P2,284.3 billion equivalent to 17.8 percent of GDP.

Table 13. FY 2014 Fiscal Outlook

(in Billion Pesos, in percent)

Particulars	2013 Actual	2014 Outlook	Growth (%)
REVENUES	1,716.1	2,018.1	17.6
% of GDP	*14.9*	*15.7*	
Tax Revenues	1,535.3	1,879.9	22.4
Non-Tax Revenues	177.8	136.1	(23.5)
Privatization	2.9	2.0	(31.9)
DISBURSEMENTS	1,880.2	2,284.3	21.5
% of GDP	*16.3*	*17.8*	
Current Operating Expenditures	1,519.2	1,800.9	18.5
Capital Outlays	344.3	458.4	33.2
Net Lending	16.6	25.0	50.1
SURPLUS/(DEFICIT)	(164.1)	(266.2)	62.3
% of GDP	*(1.4)*	*(2.1)*	
Memo item: GDP	*11,548.2*	*12,829.1*	

However, as earlier discussed, the financial performance of major departments, measured by their obligation rates and actual disbursements, had been slower than expected. Unrealistic cash programs may have been partly the reason for the low utilization of NCAs as departments/agencies have apparently programmed more than what they need in the first semester. Problems have also been identified within the internal processes and procedures of agencies which also experienced slowdown in spending (e.g., failure of the budget and planning personnel to consult with the operations personnel, poor coordinated action, lack of or issuance of unclear guidelines on financial management, procurement issues, and the processing of claims for payment, etc).

Hence, interventions are being proposed to boost the ability of departments to absorb their budgets and implement programs and projects in a timely manner. For one, there have been discussions with the private sector and other stakeholders on concrete and innovative solutions to address these critical implementation bottlenecks. For instance, the number of Bids and Awards Committees (BACs) can be increased in big departments like DOTC, DPWH, DepEd, and DSWD where the number and complexity of the items to be procured warrants and their BAC secretariats strengthened. Another option is to designate in every major department/agency, a full-time delivery unit with a senior official in-charge, not lower than a Undersecretary, to focus on: (1) ensuring execution/delivery of services and outputs according to the program of implementation; (2) anticipating and addressing all possible delays; (3) trouble-shooting bottlenecks and delays; and, (4) working closely with the DBM in the monitoring and evaluation of project execution to facilitate remedial measures.

The government may also tap assistance from development partners to capacitate the budget personnel on a more comprehensive and better approach to cash programming, or to strengthen the capacity of infrastructure agencies and LGUs to develop viable programs and projects, detailed engineering designs and better execute implementation.

The DBM will hence be intensifying its monitoring of agency performance in the coming months which should encourage agencies to get back on track on program implementation. The ongoing efforts to clarify savings and related transactions with Congress and the focusing of the performance bonuses on the achievement of targeted deliverables should also translate into faster agency disbursements in the coming months.

Fiscal Reforms and Future Policy Directions

To enable the attainment of the desired revenue effort and medium term fiscal objectives, the following key legislative agenda will be pursued:

Fiscal Incentives Rationalization (FIR)	The bill seeks to institute structural reforms and policy to enhance transparency and accountability in the grant and administration of tax incentives. **Status:** Pending in the Committee on Ways and Means in the House and in the Senate
Tax Incentive Management and Transparency Act (TIMTA)	The bill seeks to foster transparency and accountability in the grant of tax incentives and to institutionalize a system of monitoring and reporting tax expenditures. **Status:** Pending in the Committee on Ways and Means in the House and in the Senate
Customs Modernization and Tariff Act (CMTA)	The bill aims to promote and secure international trade, protect government revenue and modernize customs and tariff administration by adopting customs policies, rules and procedures which are clear, transparent and consistent with international agreements and customs best practices. **Status:** Pending in the Committee on Ways and Means in the House and in the Senate
Valuation Reform Act	The proposed bill seeks to institutionalize reforms in land and real property valuation which will translate into improved real property and related taxes. **Status:** Pending in the Senate Committee on Ways and Means and

	Local Government and House Committee on Government Reorganization
Fiscal Regime for Mining Industry	The plan is to design a scheme which adopts a single fiscal regime and a simple formula in determining the sharing arrangement. **Status:** The Mining Industry Coordinating Council has submitted the draft bill to the Presidential Legislative Liaison Office.

c. Financing and Debt Outlook

The revised outlook for 2014 reflects a borrowing mix of 83.0 percent domestic and 17.0 percent external financing which is still broadly in line with the initial 87.0 percent - 13.0 percent program. Adjustments can be ascribed to the higher availment of emergency concessional loans for reconstruction and rehabilitation related programs in areas hit by natural disasters in 2013.