

# PEOPLE'S PROPOSED BUDGET

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2015

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Republic of the Philippines

DEPARTMENT OF BUDGET AND MANAGEMENT

## PEOPLE'S PROPOSED BUDGET

# 2016

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# PAGGUGOL NA MATUWID

*The National Budget has come a long way as an indispensable tool in achieving inclusive growth.*

**T**he 2011 Budget brought about a new era in budgeting. We trimmed wasteful spending, made available a vast amount of budget information, and nurtured genuine relationships with civil society.

While the birthing pains of reform—including curbing corruption and plugging leakages in the budget—slowed down spending, the we committed to deliver services in a timely manner. The 2012 Budget made sure that your taxes were spent on priority actions detailed in President Aquino's Social Contract with you.

These priorities should be ultimately owned by you. The 2013 Budget funded programs and projects for poverty reduction that you identified through Bottom-Up Budgeting (BUB).

Midway into our journey, we made sure that the Budget showed measurable results. Thus, the 2014 Budget was created as a Performance-Informed Budget (PIB) and outlined the actual targets of agencies. We also introduced the General Appropriations Act (GAA)-as-Release Document to improve budget execution.

We used the 2015 Budget to intensify financial management reforms by, among others, focusing resources on 44 of the poorest and most vulnerable provinces, expanding citizen participation through the BUB, and scaling up the PIB and GAA-as-Release Document.

The 2016 Proposed Budget remains true to these commitments by upholding the simple idea that good governance must be sustained to achieve long-term inclusive development. It is designed to cement

budget reforms we've introduced since 2010 to enable the government *to spend within its means, invest in the right priorities, deliver measurable results, and empower citizens* through greater transparency, accountability, and citizen participation.

Since 2010, we've shown that your government can spend more for social and economic services when it collects enough revenues without burdening you with more taxes or debt. You see meaningful changes in your living standards when your needs are prioritized by your government. You regain your trust in us when we show results. Most importantly, the government becomes more responsive to you when you have a greater voice and stake in its processes.

This new edition of the People's Proposed Budget communicates our shared story toward building an inclusive society. In this edition, we established priorities in 2016 by looking at what we came upon five years ago, what we've done to address problems, what we've accomplished so far, what will continue to challenge us beyond 2016, and how the 2016 Proposed Budget can build on our gains and address identified gaps.

Ultimately, this publication is for you. Your government created this to help you understand your Budget and invite you to participate in the process, especially when your lawmakers discuss how your taxes will be spent. We hope this publication enables you to join in the debate and influence the design of the 2016 People's Budget.

**Florencio "Butch" Abad**

SECRETARY

# CHALLENGES TO INCLUSIVE DEVELOPMENT

*Good governance ensures that the country's progress is felt by all.*

**W**hen your government is more open, holds public leaders accountable for their decisions, and makes you participate in its processes, it is committed to be effective and efficient.

Thus, when your government performs better, goods and services are attuned to your needs and delivered to you in a timely manner.



■ **4.48 million households** have received cash transfers since 2014



■ **84,478 new classrooms** have been built

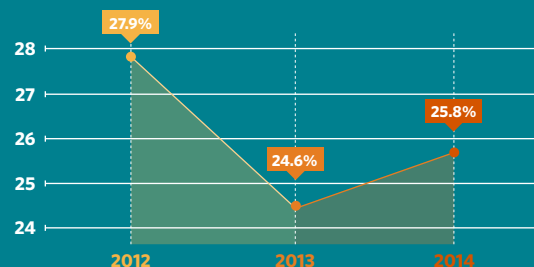


■ **14.7 million poor households** have become PhilHealth members

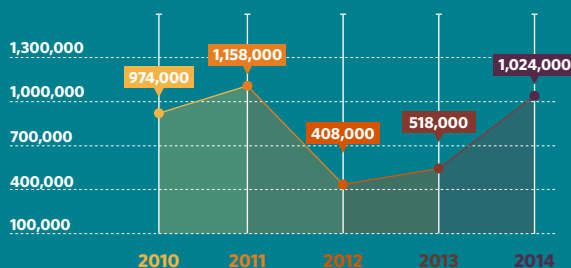
Because it spent on important services, your government has made significant impact on reducing poverty.

Good governance has also promoted a stable political environment where many businesses grow and are able to create more wealth and jobs through more efficient business processes.

**Poverty Incidence Among Population<sup>1</sup>**



**Employment Generated<sup>2</sup>**



Because of our common goal of "mabuting pamamahala," we have made the impossible possible, and this has restored trust and confidence in the government.

However, the slowdown in economic growth<sup>3</sup>, the rising number of poor families<sup>4</sup>, and the number of underemployed<sup>5</sup> continue to pose challenges to achieving inclusive growth.

These challenges show that inclusive growth must be sustained in the next decade. Between 2010 and 2016, the administration laid down foundation of an inclusive economy: one that gives everyone, especially the poor, a fighting chance at a better life. The next six years present a critical period in pursuing the kind of progress that can further reduce poverty, nurture an emerging middle class, and shift the economy into higher gear.

All data and figures are updated as of August 17, 2015

<sup>1</sup> First Semester Poverty Incidence, Philippine Statistics Authority (PSA).

<sup>2</sup> Labor Force Survey, PSA. Estimates for 2013 and 2014 do not include Region VIII.

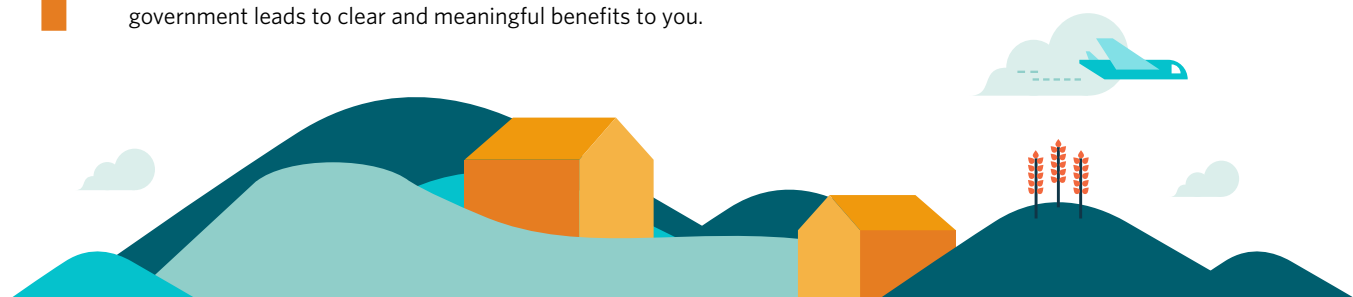
<sup>3</sup> Gross Domestic Product (the amount of the country's total goods and services produced) decreased to 6.1 percent in 2014.

<sup>4</sup> Poverty incidence among the population increased from 24.6 percent in the first semester of 2013 to 25.8 percent in the same period in 2014, based on PSA data.

<sup>5</sup> About 6.9 million Filipinos are underemployed, 2014 Annual Labor Force Survey, PSA.

# PAGGUGOL NA MATUWID: SALIGAN NG TULOY- TULOY NA PAG-UNLAD

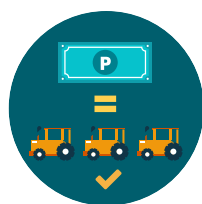
**T**he 2016 National Budget aims to achieve inclusive development by growing the economy to 7 to 8 percent and reducing poverty to 18 to 20 percent of the population. To do so, the Budget ensures that every peso spent by your government leads to clear and meaningful benefits to you.



## Spending within Means

Through the 2016 Budget, the next administration will inherit a healthy treasury and a system that keeps spending in check:

- By providing the succeeding administration with enough resources to contribute to growth.
- By efficiently collecting more revenues and carefully managing the country's debt.
- By implementing the Two-Tier Budgeting approach, which sets a sufficient budget for ongoing programs and focuses the remaining funds only on priority programs.



## Spending on the Right Priorities

This Budget reshapes government priorities:

- By focusing on the five priority programs (Pursuing Good Governance; Making Growth Inclusive; Sustaining the Growth Momentum; Climate Change Adaptation and Disaster Risk Reduction and Management; and Just and Lasting Peace).
- By specifically addressing the needs of the 44 poorest and most vulnerable provinces<sup>6</sup>.



## Spending with Measurable Results

This Budget addresses the problems the government faces in efficiently releasing funds and effectively delivering services:

- By cutting the number of steps required to release funds, procuring important projects in advance, and paying contractors via bank-to-bank transactions.
- By improving the capacity of agencies to procure, spend their budgets on time, and monitor their progress.
- By establishing collaborations with capable local government units and the private sector to implement projects.
- By linking budget allocations to performance targets through Performance-Informed Budgeting.



## Citizen Empowerment

This Budget believes in the power of active citizenship to push the government to be efficient and effective:

- By providing a wider space for citizens to shape government priorities through Bottom-Up Budgeting, Budget Partnership Agreements, and direct release of funds to local governments.
- By requiring agencies to provide more information on their websites.

<sup>6</sup> These 44 provinces belong to areas with the highest poverty incidence and poverty magnitude, and are the most vulnerable to disasters. These provinces—also called Focus Geographic Areas—are identified in the updated Philippine Development Plan.

# FISCAL PROGRAM OVERVIEW

**T**he Budget affects the economy because public services like education enable citizens to be productive. As workers become more productive, the country, in turn, produces more goods and services and creates more wealth.

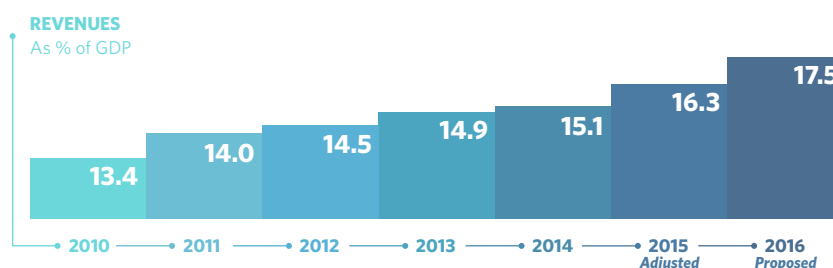
For 2016, the government will spend a total of **P29,075<sup>7</sup>** for every Filipino or about P8.2 billion a day to provide services to all. If the entire P3-trillion budget is spent, government spending will contribute about P19.5 in every P100 of the country's total output (GDP).

## Fiscal Program<sup>8</sup> (in Billion Pesos)

DISBURSEMENTS	1,522.40	1,557.70	1,777.80	1,880.20	1,981.60	2,558.90	3,005.50	3,379.90	3,766.80
REVENUES	1,207.90	1,360.00	1,535.00	1,716.10	1,908.50	2,275.20	2,696.80	3,040.00	3,390.20
SURPLUS/(DEFICIT)	(314.50)	(197.80)	(242.80)	(164.10)	(73.10)	(283.70)	(308.70)	(340.00)	(376.60)
	2010	2011	2012	2013	2014	2015 Adjusted	2016 Adjusted	2017 Projection	2018 Projection

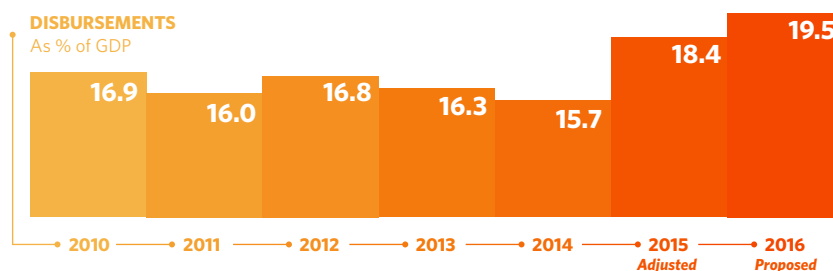
## Revenues

Before the government can spend, it must raise money. Since 2010, the government has funded various programs not by raising new taxes (except the Sin Tax), but by efficiently collecting more revenues.



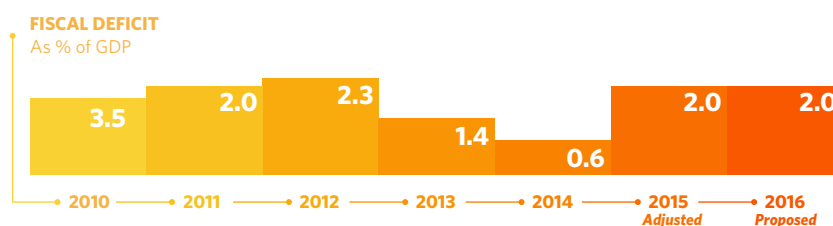
## Disbursements\*

Since 2010, the government has consistently allocated more resources to social and economic services.



## Fiscal Deficit\*\*

A "fiscal deficit" means the government is spending more than it is making. The government has capped the deficit at 2 percent of the GDP to limit the borrowing required to fund the National Budget.



\* Disbursements pertain to the actual payments of the government arising from its current and previous years' commitments. Obligation budget refers to the amount that the government is legally allowed to spend in a year.

\*\* The annual two-percent cap is the rate at which the government can reduce its debt to a sustainable level.

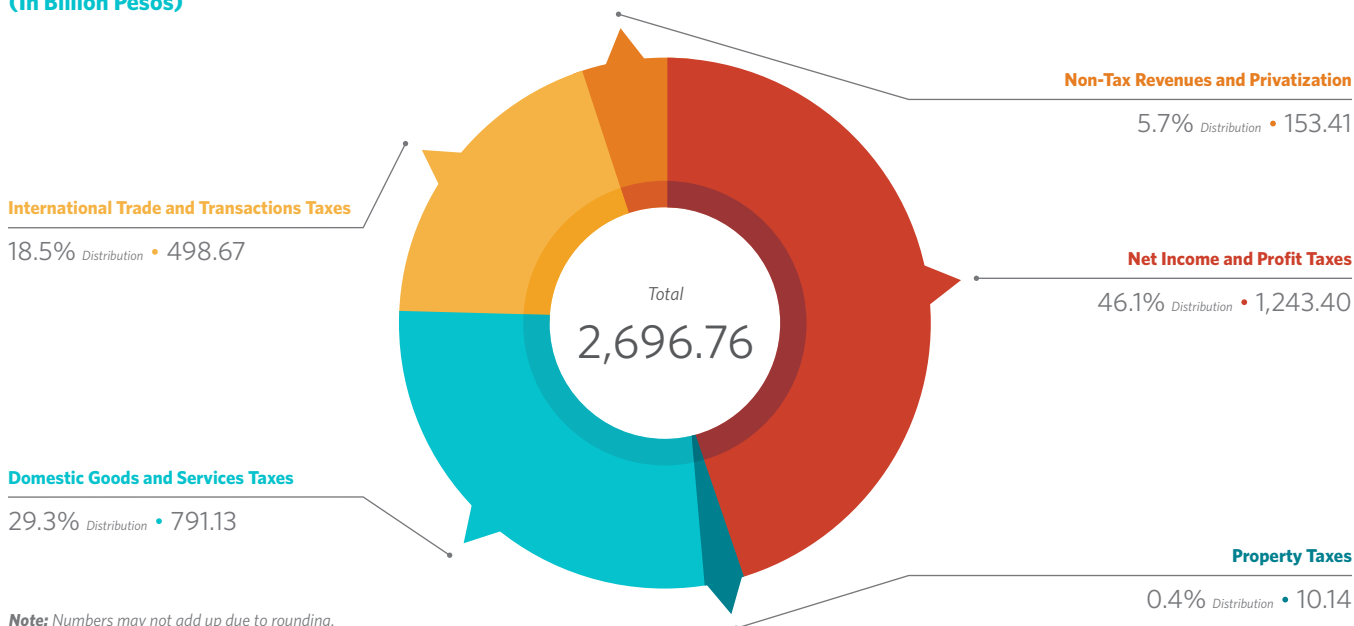
<sup>7</sup> Sources of basic data: PSA for population projection and DBM for fiscal program

<sup>8</sup> Data for 2010-2014, DBM; Data for 2015-2018, DBCC.

# REVENUES

**T**o fund the P3-trillion budget, the government expects to raise P2.7 trillion in revenues. This collection is equivalent to 17.5 percent of the GDP, which means the government has to collect taxes more efficiently from the country's total output.

## BREAKDOWN OF REVENUE SOURCES (In Billion Pesos)



## WHY IS YOUR GOVERNMENT EARNING MORE NOW?



### Sin Tax Reform

This law imposes a uniform tax on cigarettes and spirits, eliminates the old practice of taxing old brands differently from new ones, and adjusts rates to keep inflation<sup>9</sup> from decreasing revenues. This law added a total of P216.2 billion to the national revenue in 2013 and 2014<sup>10</sup>.



### Oplan Kandado Program

Erring establishments are closed to business until tax violations are corrected. Between 2010 and 2014, the BIR collected P589.2 million<sup>11</sup> from this program.



### Run After Tax Evaders/ Run After the Smugglers

The BIR and Customs actively pursue tax evaders and smugglers, which translates to higher revenues when deficiencies in duties and taxes are recovered.



### Letter Notices

The BIR issues letter notices to businesses subject to audit investigations. This program provided the government with a total of P1.8 billion from 2010 to 2014.



### VAT Audit Program

The BIR pursues audit investigations to increase value-added tax collection. From 2013 to 2014, the government collected a total of P2.67 billion from 2,339 cases<sup>12</sup>.

<sup>9</sup> Inflation refers to the increase in prices of goods and services over time.

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>10</sup> BIR



# BORROWING

**S**imilar to a household, the government must borrow money because its expenses are usually higher than its revenue. Borrowing is necessary to support government services, pay loans, and improve service delivery.

For 2016, P674.80 billion will be borrowed to cover the fiscal deficit and pay the principal of the country's loans, and about P85 in every P100 borrowed will be raised domestically.



## REDUCED DEFICIT

The deficit is estimated at **P308.70 billion or 2 percent of the GDP**. This lower deficit means future generations will not shoulder the debt burden of the present generation.



## DEBT AMORTIZATION

**P347.70 billion** will be used to amortize or pay off the country's debts.

# DEBT

**E**very Filipino owes about P62,191<sup>13</sup>. The good news is that the country is in an excellent position to pay back its debt because the ratio of what the country owes compared with what it produces is declining.



## Outstanding National Government Debt as % of GDP<sup>14</sup>



<sup>13</sup> Estimated outstanding debt for 2016 amounts to P6.42 trillion (Source: Bureau of the Treasury); Population for 2016 is projected at 103.2 million (Source: PSA).

<sup>14</sup> Data for 2000-2014, BTr's NG Debt Indicators; estimates for 2015 to 2018 from the BTr's submission of the final National Government debt summary table.

<sup>15</sup> NG Debt Indicators 2000-2014, BTr

<sup>16</sup> Ibid

<sup>17</sup> Ibid

## HOW DOES YOUR GOVERNMENT KEEP ITS DEBT IN CHECK?



### Reduced foreign borrowing

The government now borrows more money domestically than abroad because, first, domestic banks have enough money to lend and, second, the country is protected from external financial shocks by doing so. The share of domestic debt to the total debt has increased from 49.3 percent in 2000 to 66.6 percent in 2014<sup>15</sup>.



### Peso-denominated external debt

Debts loaned by foreign markets to the government are denominated in Peso instead of foreign currencies to reduce the effects of foreign exchange fluctuations. The share of Peso-denominated bonds to the total external debt has increased from zero in 2000 to 6.8 percent in 2014<sup>16</sup>.

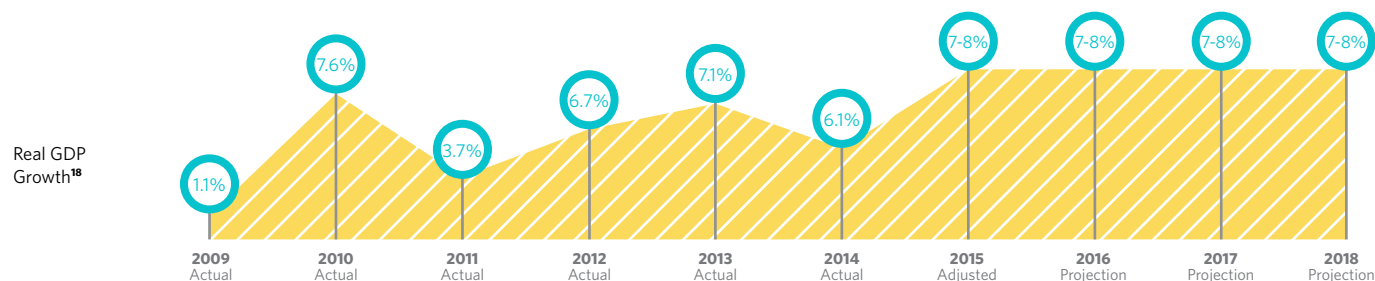


### Longer repayment period

Most of its debts can be repaid by the government over a longer period of time, which means debt servicing will not eat up most of the present budget. Under this strategy, the share of long-term debts to the total debt has risen from 62.2 percent in 2000 to 88.2 percent in 2014<sup>17</sup>.

# THE ECONOMY AND THE BUDGET

**T**he economy affects the Budget because when the economy grows, people earn more, businesses create more wealth, and the government collects more revenues. In fact, a **one percentage point** increase in GDP adds **P21.6 billion** more in revenues. For 2016, the economy is expected to grow by 7 to 8 percent.



*The economy grows when the government spends enough. What the government spends on roads, for example, is actually calculated as part of economic growth.*

The amount of public spending depends on the following factors:

## Inflation

Increases in prices boost revenues from goods and services being taxed by government. **For 2016, inflation should be kept at 2 to 4 percent.**

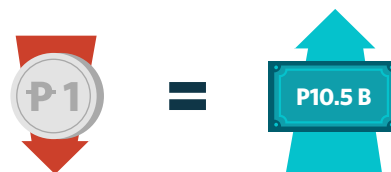
Every 1 percentage point increase in Inflation Rate = P20.8 billion in revenues



## Foreign Exchange

The depreciation of the Peso against the US Dollar increases the cost of foreign-denominated debt. **In 2016, the foreign exchange is assumed to be P43 to P46 per US Dollar.**

Every P1 depreciation = P10.5 billion revenues



## Interest Rates

Increases in interest rates can push the cost of borrowed money. **Thus, the domestic 364-day Treasury Bill Rate<sup>19</sup> must be kept at 2 to 4 percent, while the foreign benchmark LIBOR<sup>20</sup> must be kept at about 1 to 2 percent.**

Every 1 percentage point increase in Treasury Bill Rate = P2.6 billion deficit



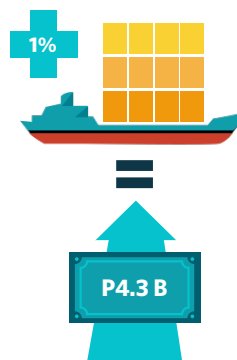
Every 1 percentage point increase in LIBOR = P4.2 billion deficit



## Growth Rate of Imports

Increases in merchandise imports affect revenues by increasing the tax base for import duties. **In 2016, the growth rate of imports on goods must grow by 12 percent.**

Every 1 percentage point increase in import growth rate = P4.3 billion revenues



<sup>18</sup> Data for 2009-2014 come from PSA; estimates for 2015-2018 come from DBCC.

<sup>19</sup> Treasury Bill is a short-term debt, which the government promises to repay upon the debt's maturity date. TBill is used to raise money to cover budget deficit.

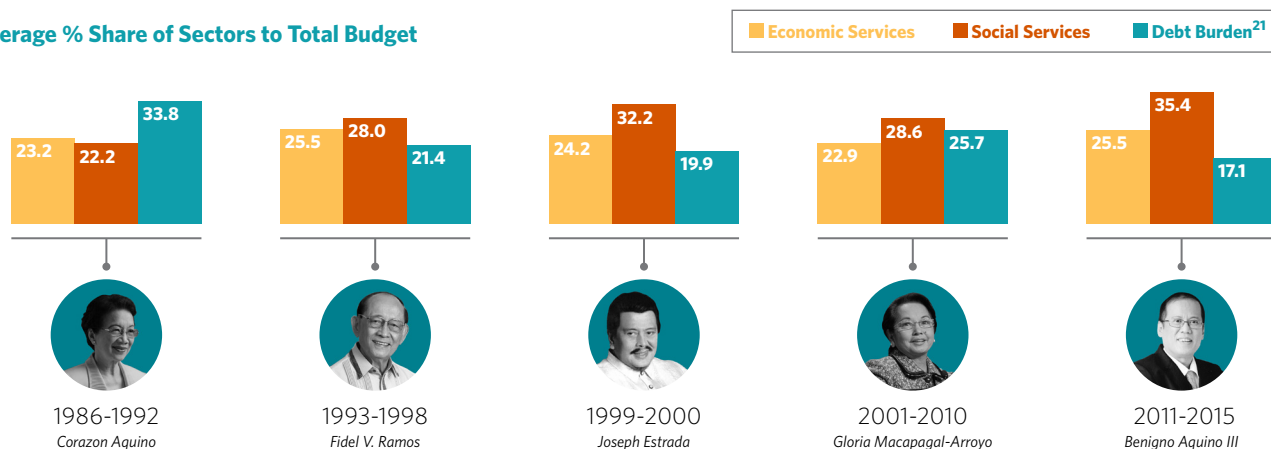
<sup>20</sup> LIBOR (London Interbank Offered Rate) is a benchmark rate that leading banks in London offer to short-term loans.

# BUDGET DIMENSIONS

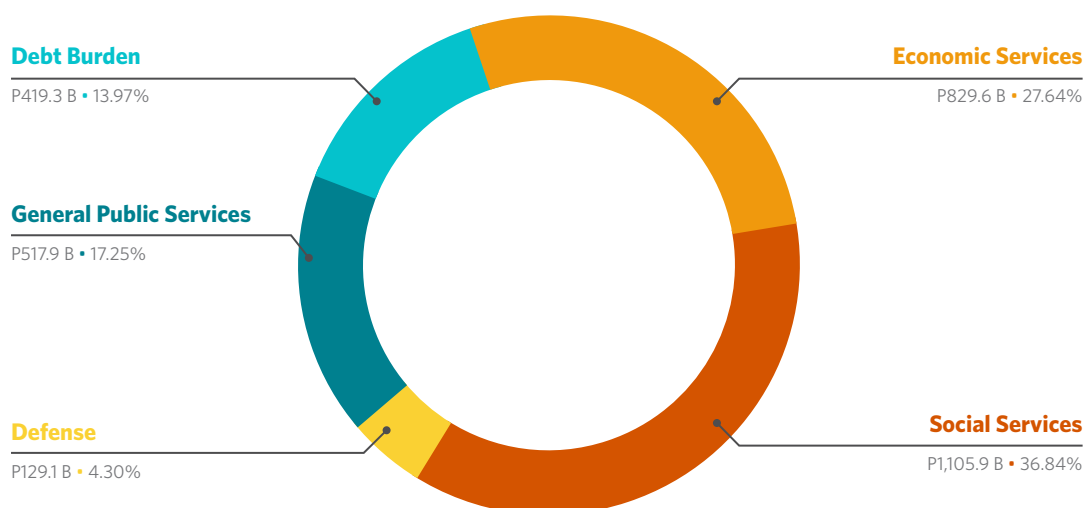
*By Sector (Old System\*)*

**N**o other administration since 1986 has given as much value to social and economic services as the current one.

**Average % Share of Sectors to Total Budget**



For the first time in 30 years, the Budget will provide the highest allocations to social and economic services through budget reforms and reducing debt burden. For 2016, P64 in every P100 of the National Budget will be spent on social and economic services to continue fostering inclusive growth.



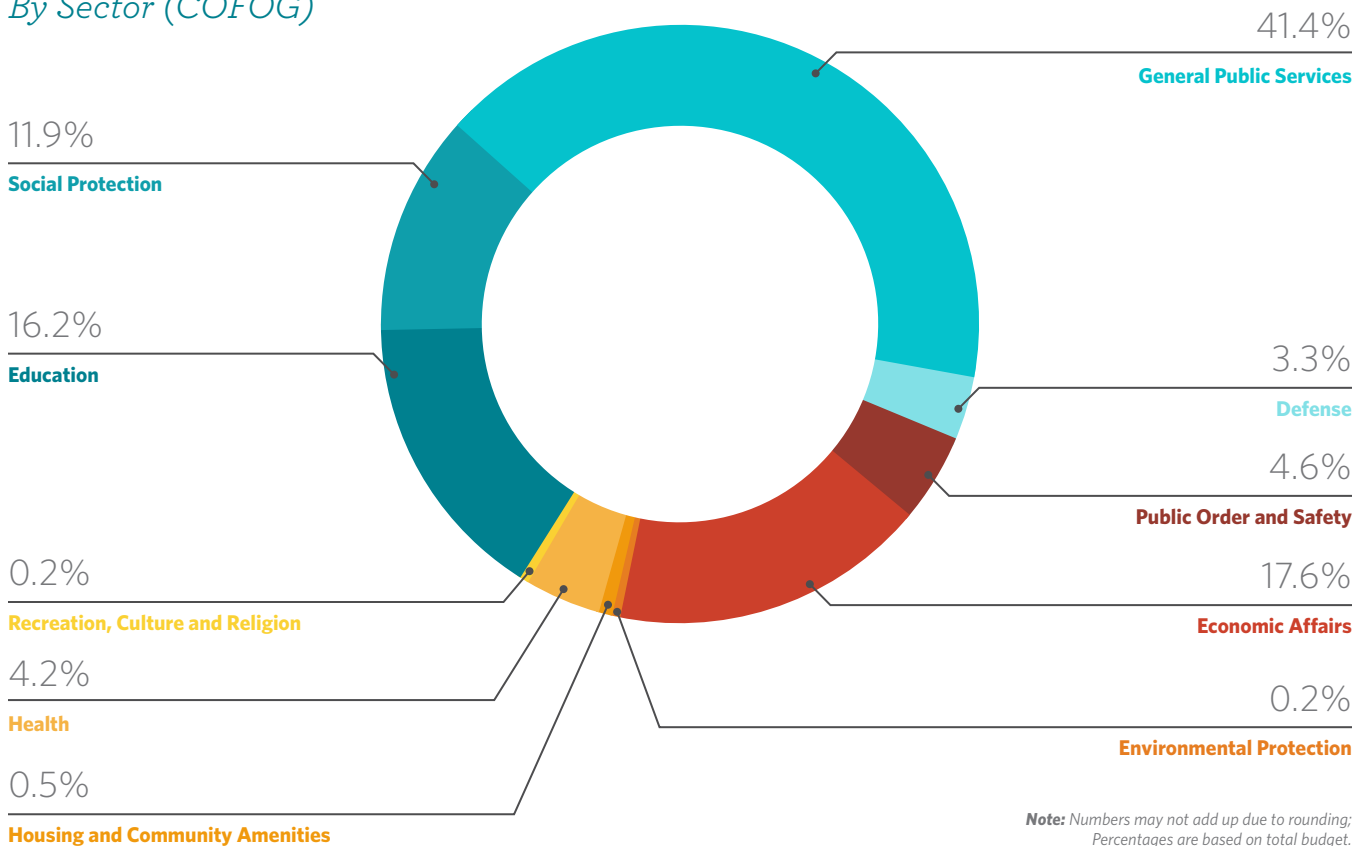
\* Figures are computed using the old method, where agency budgets fall under the sectors they represent.

<sup>21</sup> The Debt Burden represents the sum of Interest Payments on outstanding national government debts and Net Lending to government corporations

# BUDGET DIMENSIONS

By Sector (COFOG)

The largest portion of the 2016 budget goes to social and economic services. Using the Classification of the Functions of Government (COFOG) system (see sidebar), half of the budget will improve social protection, health, education, and economic affairs.



**41.4%** P1,243.00 B  
**General Public Services**

of which:

- General Services**  
P253.2 B • 8.4%
- Public Debt Transactions**  
P419.3 B • 14%
- Intergovernmental transfers**  
P483.2 B • 16.1%

**11.9%** P356.2 B  
**Social Protection**

of which:

- Old-age pensions**  
P115.2 B • 3.9%
- Housing development**  
P32.5 B • 1.1%
- Conditional Cash Transfers**  
P62.7 • 2.1%

**17.6%** P527.1 B  
**Economic Affairs**

of which:

- Agriculture, forestry, fishing, & hunting**  
P108 B • 3.6%
- Transport**  
P352.8 B • 11.8%

**4.6%** P136.8 B  
**Public Order and Safety**

of which:

- Police services**  
P92.2 B • 3.1%
- Law courts**  
P18.9 B • 0.6%

**0.2%** P5.5 B  
**Environmental Protection**

**0.5%** P15.1 B  
**Housing and Community Amenities**

**16.2%** P487.5 B  
**Education**

of which:

- Basic education (pre-primary, primary, and secondary)**  
P314.7 B • 10.5%
- Tertiary education**  
P36.7 B • 1.2%
- School buildings**  
P89 B • 3.0%

**3.3%** P99.1 B  
**Defense**

**4.2%** P125.4 B  
**Health**

**0.2%** P6.1 B  
**Recreation, Culture and Religion**

*The first five sectors benefit society as a whole by improving governance, protecting the country's territory, sustaining growth, improving service delivery, and protecting the environment.*



#### General Public Services

The Budget will fund general administration activities, such as lawmaking, fiscal management, foreign affairs, governance, and other regulatory services. This sector, which includes debt servicing and internal revenue allotments (IRAs) for local governments, **roughly accounts for the government's overhead expenses.**



#### Defense

The Budget will protect the country from security threats.



#### Public Order and Safety

The Budget will strengthen law enforcement, uphold the rule of law, and ensure public safety.



#### Economic Affairs

The Budget will promote economic growth, industry competitiveness, and job creation.



#### Environmental Protection

The Budget will help reduce pollution and protect the country's biodiversity.

**Note:** This budget does not represent the total budget for climate change (see pages 42-44).

*The next five sectors directly benefit individual citizens.*



#### Housing and Community Amenities

The Budget will provide housing to Filipinos and consider community needs, such as potable water.



#### Health

The Budget will ensure that every Filipino receives the best quality healthcare possible.



#### Recreation, Culture, and Religion

The Budget will promote the country's national identity by promoting cultural heritage and sports.



#### Education

The Budget will ensure equal access to education regardless of birth, gender, or place of origin.



#### Social Protection

The Budget will provide social safety nets that the poorest sectors of society can depend on. **Note:** The budget for socialized housing is lodged under this sector.

#### WHAT IS COFOG?

The COFOG is an international standard in budgeting adopted by the Philippines in 2015. It is used to assign portions of the budget to a sector according to the total budgets of agencies falling under this sector. As an international standard, COFOG reflects the multiple contributions of various agencies to different sectors. Prior to COFOG, for instance, the entire Department of Labor and Employment (DoLE) budget was categorized under the Social Services sector even if it also contributed to the General Public Services and Economic Services sectors.



# BUDGET DIMENSIONS

## By Expense Class

**A**bout 25 percent of the National Budget will be invested in public infrastructure to boost economic growth and improve service delivery. Another 27 percent of the Budget will pay for salaries and other government human resource requirements.

PARTICULARS (in Billion Pesos)	2015 Adjusted	2016 Proposed	Growth Rate
<b>CURRENT OPERATING EXPENDITURES</b>	<b>1,911.44</b>	<b>2,091.06</b>	<b>↑ 9.4%</b>
Personnel Services	745.96	810.81	8.7%
Maintenance and Other Operating Expenses	463.33	515.47	11.3%
Financial Expenses	1.68	1.66	-1.2%
Allotment to LGUs (IRA)	311.89	342.90	9.9%
Subsidy to Government Corporations	15.72	27.42	74.4%
Interest Payments	372.86	392.80	5.3%
<b>CAPITAL OUTLAYS</b>	<b>668.06</b>	<b>884.23</b>	<b>↑ 32.4%</b>
Infrastructure	595.77	766.54	28.7%
Special Shares to LGUs	25.23	35.92	42.4%
Equity to Government Corporations	1.04	31.00	2,880.8%
Other Capital Outlays	46.02	50.77	10.3%
<b>NET LENDING</b>	<b>26.50</b>	<b>26.50</b>	<b>0</b>
<b>Total</b>	<b>2,606.0</b>	<b>3,001.8</b>	<b>15.2%</b>



### Personnel Services (PS)

Spending for the salaries, wages, and compensation of permanent, temporary, contractual, and casual workers will increase by 8.7 percent as the government seeks to increase employees' salaries, provide performance bonuses, create new positions, and fill up unfilled posts.



### Allocations to LGUs

Spending for IRA and other shares in the national revenue of local government units (LGUs) will increase by 12.4 percent\* due to higher revenue collections in 2013—the base year for determining the IRA for 2016—and additional performance-based allocations to LGUs.



### Maintenance and Other Operating Expenditures (MOOE)

Spending for goods and services (e.g., supplies, utilities, and professional services) necessary to keep government offices operating daily will increase by 11.3 percent because of the needs of the K to 12 Education Program, regular DPWH maintenance work, and national and local election requirements, among others.



### Equity to Government Corporations

This support will be used to add capital to the Land Bank of the Philippines and the Development Bank of the Philippines.



### Infrastructure and Other Capital Outlays

Spending for capital goods that add up as government assets will increase by 27.3 percent\*\* to build classrooms, health stations, and roads, bridges, and other transport infrastructure.



*For the first time since 1986, the Budget sets aside funding equivalent to the international benchmark of 5 percent of the GDP to build the country's infrastructure. This increased funding sustains economic growth and attracts more investors.*

**Note:** Numbers may not add up because of rounding off.  
**Source:** Table B10, Budget of Expenditures and Sources of Financing

\*Accounts for IRA and special shares to LGUs.

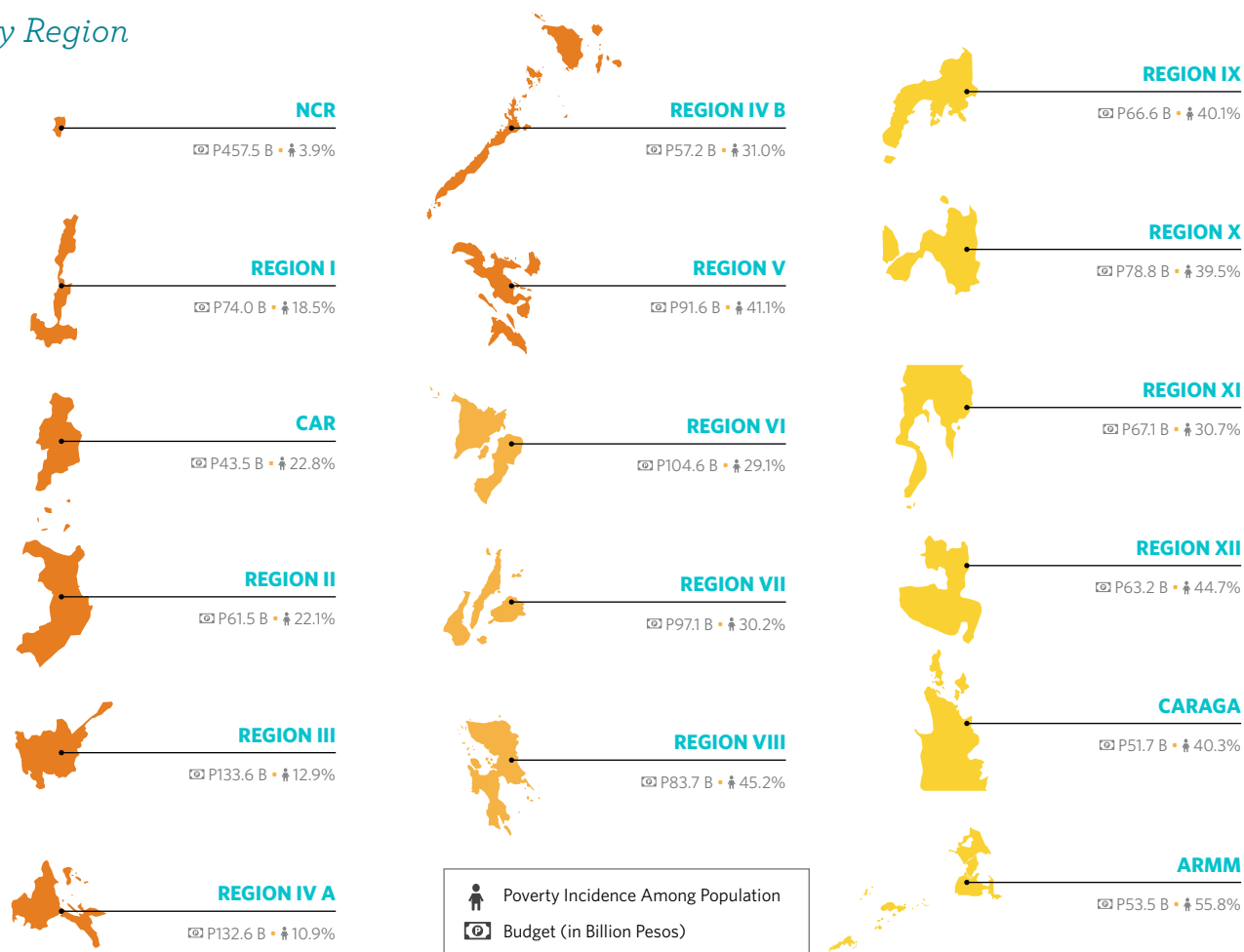
\*\*Accounts for Infrastructure and Other Capital Outlays.

# BUDGET DIMENSIONS



57 in every P100 of the Budget will be distributed to the various regions. As the government seeks to distribute wealth equitably, the budgets for Luzon, Visayas, and Mindanao will significantly increase.

## By Region



Source: 2012 Full Poverty Incidence, PSA

Note: Numbers may not add up due to rounding.

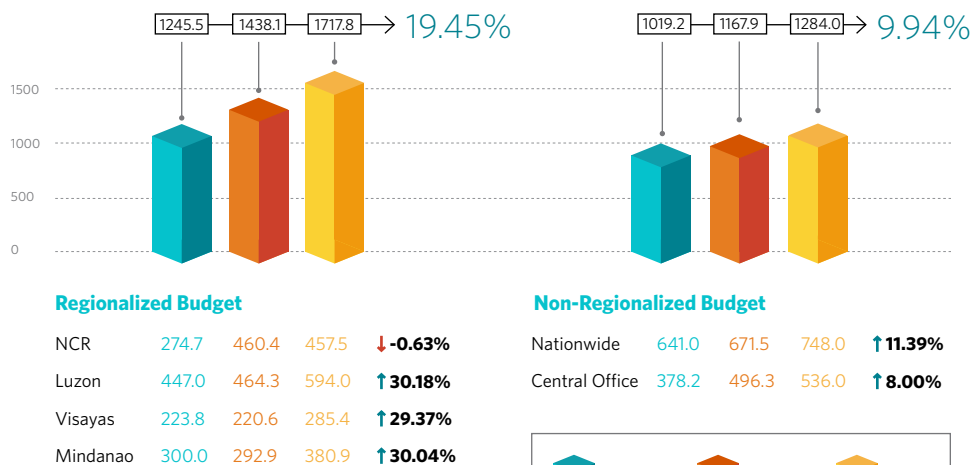
### Notes:

① As the Unified Account Code Structure is implemented, the breakdown of the Budget by region is based on the location of the implementing units, and the locations of programs and projects.

② "Nationwide" refers solely to multi-user Special Purpose Funds (SPFs).

③ "Central Office" refers to allocations managed by the central offices of each department and agency.

④ The NCR includes allocations for national government offices located in this region, such as the offices of the President, the Vice President, and Legislature.



### Regionalized Budget

NCR	274.7	460.4	457.5	↓-0.63%
Luzon	447.0	464.3	594.0	↑30.18%
Visayas	223.8	220.6	285.4	↑29.37%
Mindanao	300.0	292.9	380.9	↑30.04%

### Non-Regionalized Budget

Nationwide	641.0	671.5	748.0	↑11.39%
Central Office	378.2	496.3	536.0	↑8.00%

2014
 2015
 2016

# BUDGET DIMENSIONS

## Top Ten Departments



54 in every P100 of the National Budget will fund the needs of the top 10 departments whose programs are crucial to attain inclusive development.



1

Department of Education

2015: P377.7 B • 2016: P436.0 B

Growth Rate: ↑ 15.4%



2

Department of Public Works and Highways

2015: P304.1 B • 2016: P394.5 B

Growth Rate: ↑ 29.7%



3

Department of National Defense

2015: P154.1 B • 2016: P172.7 B

Growth Rate: ↑ 12.1%



4

Department of the Interior and Local Government

2015: P147.2 B • 2016: P154.5 B

Growth Rate: ↑ 5.0%



5

Department of Health

2015: P102.6 B • 2016: P128.4 B

Growth Rate: ↑ 25.1%



6

Department of Social Welfare and Development

2015: P108.3 B • 2016: P104.2 B

Growth Rate: ↓ -3.8%



7

Department of Agriculture

2015: P90.2 B • 2016: P93.4 B

Growth Rate: ↑ 3.5%



8

Department of Finance

2015: P16.9 B • 2016: P55.3 B

Growth Rate: ↑ 227%



9

Department of Transportation and Communications

2015: P59.4 B • 2016: P49.3 B

Growth Rate: ↓ -17.0%



10

Department of Environment and Natural Resources

2015: P21.7 B • 2016: P25.8 B

Growth Rate: ↑ 18.9%

**Note:** These budgets include allocations from or in Special Purpose Funds, such as Pension and Gratuity Fund, Miscellaneous and Personnel Benefits Fund, and Budgetary Support to Government Corporations.

Figures may not add up due to rounding

Total	1,382.1 T 2015 Budget	1,614.0 T 2016 Proposed Budget	↑ 16.8%
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# BUDGET DIMENSIONS

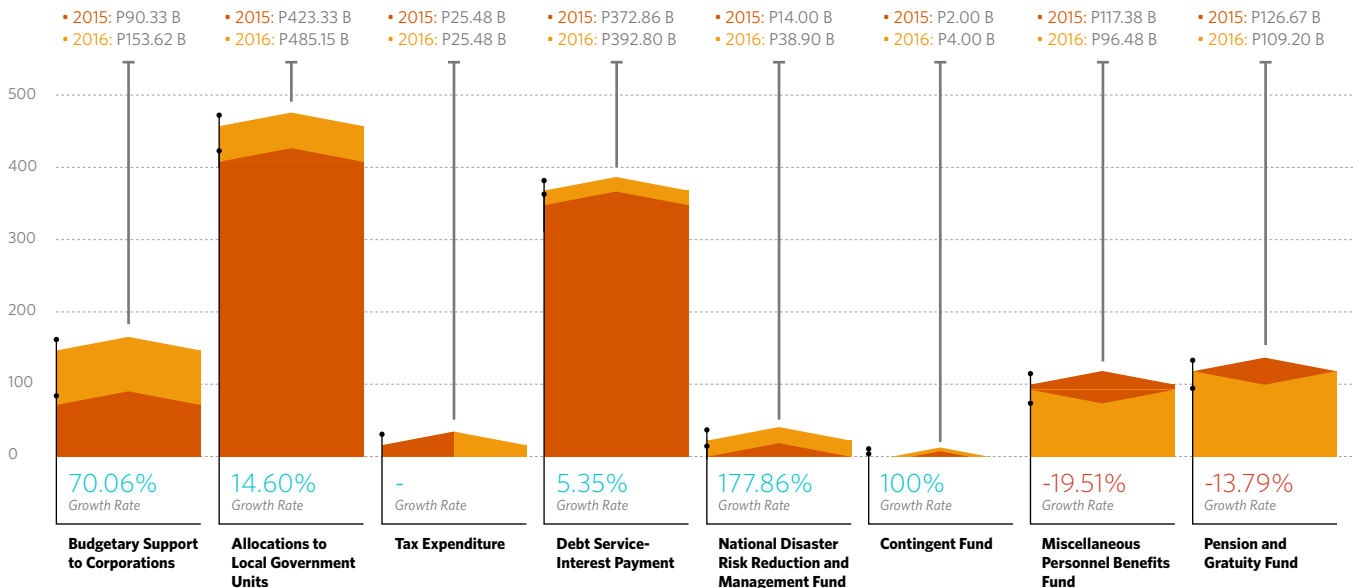
*By Department and SPFs*

**Note:** The budgets of the departments here may differ from those in the previous page. This table only shows agency-specific budget, while figures in the previous page include allocations from or in Special Purpose Funds.

DEPARTMENTS	Budget (in Thousand Pesos)
Congress of the Philippines	12,530,818
Office of the President	2,860,076
Office of the Vice President	234,341
Department of Agrarian Reform	10,386,022
Department of Agriculture	48,377,772
Department of Budget and Management	1,422,613
Department of Education	432,917,692
State Universities and Colleges	46,013,772
Department of Energy	1,846,375
Department of Environment and Natural Resources	23,270,376
Department of Finance	20,344,366
Department of Foreign Affairs	20,637,522
Department of Health	125,058,665
Department of the Interior and Local Government	125,322,579
Department of Justice	13,582,392
Department of Labor and Employment	15,796,424
Department of National Defense	116,055,347
Department of Public Works and Highways	391,166,733
Department of Science and Technology	18,137,101
Department of Social Welfare and Development	104,105,616
Department of Tourism	3,613,141
Department of Trade and Industry	4,071,046
Department of Transportation and Communications	45,071,274
National Economic and Development Authority	6,986,782
Presidential Communications Operations Office	1,130,902
Other Executive Offices	20,833,758
Autonomous Region in Muslim Mindanao	29,412,953
Joint Legislative-Executive Councils	2,883
The Judiciary	26,675,171
Civil Service Commission	1,317,005
Commission on Audit	9,134,560
Commission on Elections	15,653,045
Office of the Ombudsman	1,775,506
Commission on Human Rights	428,526
<b>DEPARTMENT BUDGETS</b>	<b>1,696,173,154</b>
<b>SPECIAL PURPOSE FUNDS</b> <small>See full details in the next page</small>	<b>1,305,626,846</b>
<b>Grand Total</b>	<b>3,001,800,000</b>
<b>UNPROGRAMMED FUND</b>	<b>67,500,000</b>

# SPECIAL PURPOSE FUNDS (SPFs)

Aside from their budgets, agencies can obtain additional resources from SPFs set aside for specific needs such as disaster response. These SPFs (e.g., personnel benefits and pensions) have been channeled to the budgets of the relevant agencies for greater transparency.



## LUMP SUM SPFS

This term refers to SPFs that could not be disaggregated when the Executive Branch prepared the 2016 Budget. Some specific projects can only be identified when the budget has been implemented.



### National Disaster Risk Reduction and Management Fund

This fund is used to respond to calamities and disasters. Of the total fund, P18.9 billion will be used to rehabilitate and reconstruct communities affected by Typhoon Yolanda. Another P1 billion under the People's Survival Fund will finance climate change adaptation projects. Since climate change is a priority, the government increased this fund from a mere P2 billion in 2010 to P38.9 billion in 2016.



### Contingent Fund

This fund will be used to implement President-approved projects and programs that are urgently needed during the year.

## DISAGGREGATED SPFS



### Miscellaneous Personnel Benefits Fund

This fund will be used to pay for the performance bonuses of employees, fill up unfilled positions, and create new positions, among others. The fund decreased from 2015, as allocations for hiring new employees are now lodged under the budgets of the respective agencies concerned (e.g., the DepEd's budget includes funds for hiring teachers).



### Pension and Gratuity Fund

This fund pays for the pensions of uniformed personnel, retirement and terminal leave benefits, separation pay, and incentives, etc. The fund decreased from 2015 because allocations for the pensions of retired policemen, soldiers, and other uniformed personnel are now lodged under their respective agencies.

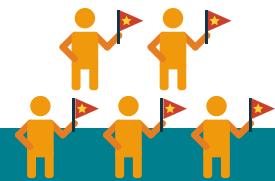


### Budgetary Support to Government Corporations

This support comes in the form of equity and subsidy to government owned and/or controlled-corporations.

## UNPROGRAMMED APPROPRIATIONS

Besides SPFs, government agencies can also tap additional resources from Unprogrammed Appropriations, which will only support priority programs when additional resources are available, i.e., when actual revenue collections exceed targets or when additional loans are perfected.



*Of the total P3-trillion budget, only 3% or P79.3 B is strictly considered lump sum funds.*

# PROPOSED APPROPRIATION

*The proposed National Budget for 2016 is composed of (a) new general appropriations for Congress' approval and (b) automatic appropriations authorized under existing laws.*

P2,071.1 B

## NEW GENERAL APPROPRIATIONS

This is the portion of the Budget that Congress must approve for next year's spending. In 2016, about P2.07 trillion will be spent for new general appropriations.

P930.7 B

## AUTOMATIC APPROPRIATIONS

Certain programs require automatic approval without going through Congress deliberations as these programs have already been authorized under existing laws. For 2016, automatic appropriations will reach P930.7 billion or 31 percent of the Budget.

P3.002 T  
Total

P428.6 B

## INTERNAL REVENUE ALLOTMENT

The national government shares a portion of its total revenues with local government units. According to the Local Government Code, 20 percent of the IRA must fund development projects.

P392.8 B

## INTEREST PAYMENT

This fund pays for the interest incurred by the country's debt.

P64.4 M

## GRANT PROCEEDS

This term refers to transfers from private and foreign agencies.

P26 B

## SPECIAL ACCOUNTS IN THE GENERAL FUND

This term refers to income from various agencies set aside for specific programs and projects, as mandated by certain laws. These accounts include the Malampaya Fund, which is sourced from royalties paid for the extraction of natural gas from the Malampaya project off Palawan and must be used for energy development.

P26.5 B

## NET LENDING

This term refers to advances made by the national government to service the debts of government corporations.

P25.5 B

## TAX EXPENDITURE FUND

This fund pays for the customs duties and taxes of agencies and government corporations.

P31.2 B

## RETIREMENT AND LIFE INSURANCE PREMIUM

This fund pays for the mandatory insurance of government employees.



**PRESIDENTIAL DECREE NO. 1177**, issued in 1977, states that spending on the retirement premiums and service insurance of government employees, as well as the principal and interest of the country's debt, is automatically appropriated.

# BUDGET PRIORITIES FRAMEWORK



f the P3-trillion budget, about P2.42 trillion will fund the cost of ongoing programs and projects, such as salaries and operating expenses. The remaining P582.7 billion—or the “fiscal space”—will be spent on expanding existing programs or

funding new ones.

To ensure that the fiscal space is spent on the right things, the Budget Priorities Framework<sup>21</sup> focuses funds on five priorities with critical funding gaps and ensures that the poorest provinces top the priority list.



## Pursuing Good Governance

*Good Governance and Anti-Corruption*

**Societies that are governed well tend to show better development.** The Budget seeks to improve the government's processes and create greater opportunities for citizen participation. This is good governance.



## Creating Equal Opportunities to All

*Social Protection and Social Services*

**No one should be left behind as the country progresses.** The Budget seeks to reduce poverty to 18 to 20 percent of the population by expanding social safety net programs.



## Sustaining Growth Momentum

*Economic Expansion and Job Creation*

**The Budget will expand the economy by creating more opportunities** through building infrastructure and supporting key industries such as manufacturing, tourism, and agriculture.



## Managing Disaster Risk

*Climate Change Adaption and Disaster Risk Reduction*

**Development can be easily interrupted by natural disasters.** The Budget seeks to improve the country's responses to natural disasters and strengthen its natural ecosystems.



## Forging Just and Lasting Peace

*Peace, Security, and the Rule of Law*

**Peace enables inclusive development.** The Budget seeks to support peace negotiations, reduce crime, and strengthen territorial defenses.

<sup>21</sup> For detailed explanation of this policy, read National Budget Memorandum No. 124 dated March 30, 2015.

# PURSUING GOOD GOVERNANCE

## *Good Governance and Anti-Corruption*

**T**hrough Daang Matuwid, the government declares that doing business in the Philippines is now a fair game.



### THE PAST SITUATION

Filipinos and international observers placed low trust in the past administration, which was hounded by corruption and illegitimacy<sup>22</sup>. Thus, investments came in slowly because of extortive practices, Filipinos felt alienated from their government, and corruption and inefficiency distorted government priorities<sup>23</sup>.



### THE GOVERNMENT'S SOLUTION

The Aquino Administration based its Inclusive Development (Kaunlaran para sa Lahat) agenda on the premise of good governance (Daang Matuwid). Processes and policies were reformed to shift the culture of patronage and corruption to one of transparency, accountability, and citizen engagement.



### OUR ACCOMPLISHMENTS

Over the last five years, the Philippines has proven that good governance leads to better government performance and meaningful results for its people.

<sup>22</sup> The country's rank in the six dimensions of governance in the World Governance Indicators in 2009 remained within the lower half. In a previous Pulse Asia presidential performance and trust ratings survey, former President Gloria Macapagal-Arroyo received her lowest rating of 16 percent in July 2010.

<sup>23</sup> Philippine Development Plan 2011-2016

<sup>24</sup> The WGI measures governance in terms of six dimensions, including: Control of Corruption. For the entire results of the 2013 WGI, go to <http://info.worldbank.org/governance/wgi/index.aspx#countryReports>.

<sup>25</sup> This is an index published by the World Bank that ranks economies based on parameters that define the ease of doing business. Distance to frontier score shows how far the economy is from the best performance, which is scored 100. Retrieved from <http://www.doingbusiness.org/Custom-Query/philippines>

■ **World Governance Indicators (WGI)'s Control of Corruption Index<sup>24</sup>**



43.5 *in 2013*  
from 22.4 in 2010

■ **World Bank's Ease of Doing Business (distance to frontier)<sup>25</sup>**



62.08% *in 2015*  
from 54.31% in 2010

■ **World Economic Forum's** Global Competitiveness Index<sup>26</sup>



**52** of 144 countries in **2014**  
from 85 of 139 countries in 2010

■ **Transparency International's** (71) Corruption Perception Index<sup>27</sup>



**52** of 144 economies in **2014**  
from 137 of 178 economies in 2010

■ **Heritage Foundation's** Economic Freedom Index<sup>28</sup>



**76** of 178 countries in **2015**  
from 115 of 179 countries in 2011



### CHALLENGES BEYOND 2016

Good governance initiatives, particularly reforms that aim to improve public spending, must strengthen the capacity of agencies to deliver services efficiently and with great impact. Efforts must also be directed toward making reforms irreversible.

*The Budget seeks to improve the capacity of institutions to govern and deliver services by funding the following programs:*

#### Clean and Honest Elections

The fate of the country in the next decade depends on peaceful and honest elections this 2016. Of the **P12.95 billion** allocated by the Budget:

**P6.26 B** will be spent for the 2016 National and Local Elections.

**P6.69 B** will be spent for the Sangguniang Kabataan and Barangay Elections.

#### Fight Corruption

Corruption takes away funds from the people who need the most help. To ensure speedy resolution of graft and corruption cases, the Budget provides:

**P602 M** will help the Office of the Ombudsman resolve 20,064 complaints, finish 4,275 fact-finding investigations, and put on trial 2,821 cases.

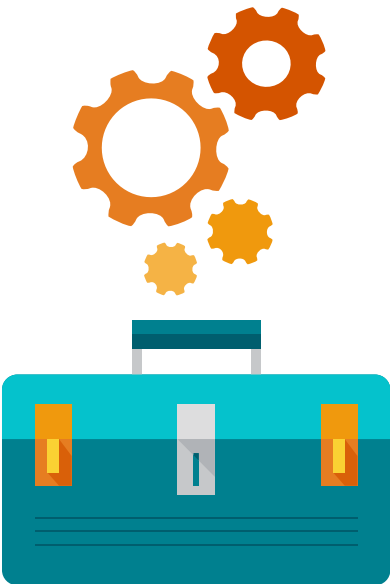
**P307 M** will help the Sandiganbayan handle 3,480 cases and dispose 418 cases.

<sup>26</sup> This assesses productivity of country based on 12 pillars. Retrieved from <http://www.competitive.org.ph/rankings/wef-globalcompetitivenessreport.php>

<sup>27</sup> This index determines the perceived level of corruption, as determined by experts and opinion surveys. Retrieved from <http://www.competitive.org.ph/rankings/ti-corruptionperceptionindex.php>

<sup>28</sup> The index measures economic freedom based on 10 factors. Retrieved from <http://www.competitive.org.ph/rankings/hf-economicfreedomindex.php>

*The Budget protects the country’s finances and supports a friendly business climate.*



Improve revenue collection

Higher revenues will be earned by supporting the following services:

P5.51 B

for the Bureau of Internal Revenue to collect **P2.03 TRILLION** in revenues

P2.05 B

for the Bureau of Customs to collect **P498.7 BILLION** in revenues

Strengthen Public Financial Management

Scarce resources should be managed well. Thus, the Budget will fund:

P3.54 B

for the Commission on Audit to conduct **24,020 audits, 131 special audits, and 76 fraud audits**

P726.6 M

for the Bureau of the Treasury to implement **Treasury Single Account**, a unified and real-time portal for cash management

P12.5 M

for the DBM to set up **Public Financial Management** system testing and training facilities

P7.0 M

for the DBM to fund the **Comprehensive Human Resource Information System (CHRIS)**<sup>29</sup>

Improve the Ease of Doing Business

The country can entice new investors by easing business processes. To this end, the Budget provides:

P10.79 B

for the Department of Foreign Affairs to assist **20,000 overseas Filipinos** and **issue 3.9 million consular and legal documents**

P164.0 M

for the Department of Trade and Industry to process **374,200 business name applications** and **34,300 applications for licenses, permits and registration.**

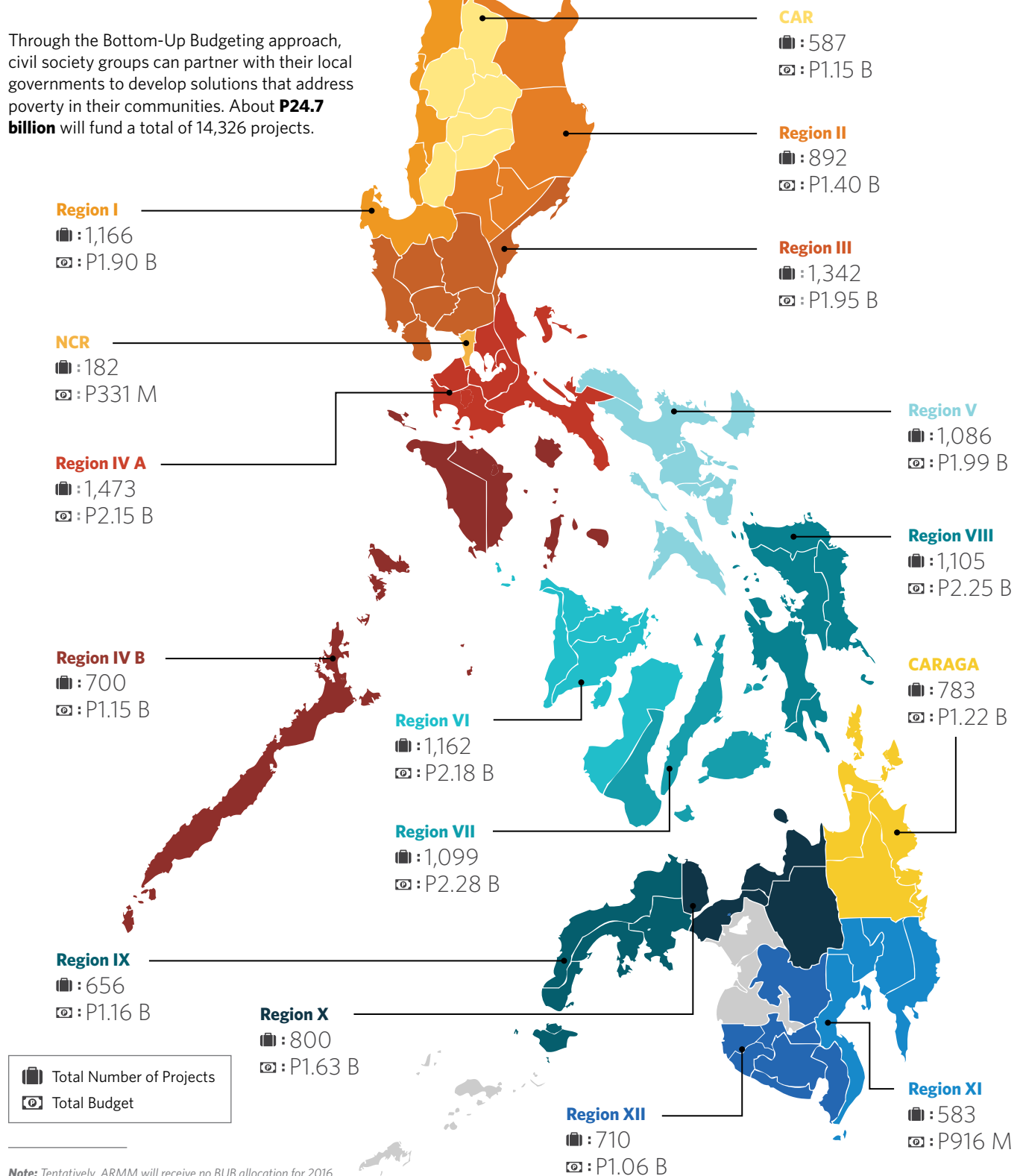
P132.78 M

for the Department of Finance to **approve and issue 11,550 registrations and licenses** and **monitor 70,780 target entities/reports/disclosures**

<sup>29</sup> CHRIS is a web-based system for managing human resource and payroll needs of the government.

## *The Budget gives citizens the power to allocate resources.*

Through the Bottom-Up Budgeting approach, civil society groups can partner with their local governments to develop solutions that address poverty in their communities. About **P24.7 billion** will fund a total of 14,326 projects.





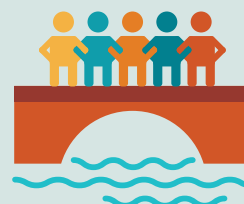
# SOCIAL PROTECTION AND SOCIAL SERVICES

*Creating Equal Opportunities for All*



## THE PAST SITUATION

In the past, 21 agencies spread their limited funds over 65 social protection programs<sup>30</sup>. Limited funding meant these programs could not provide enough benefits to the poor who needed them.

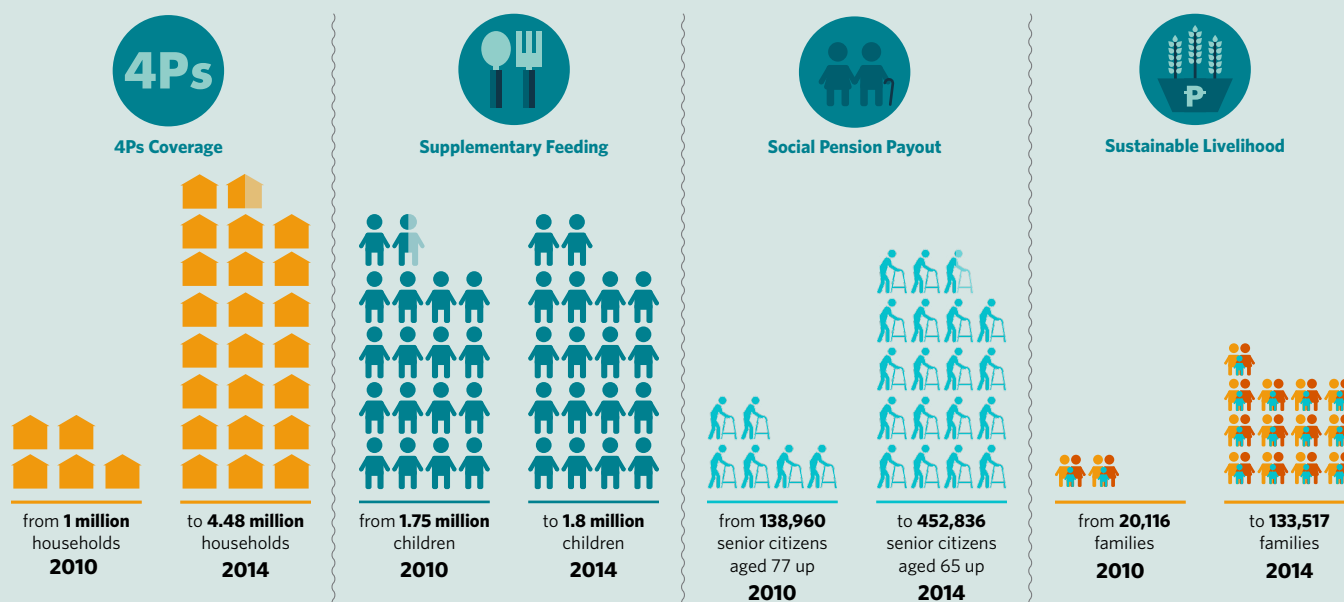


## THE GOVERNMENT'S SOLUTION

This administration expanded the Pantawid Pamilyang Pilipino Program (4Ps)<sup>31</sup> as its key anti-poverty program. This expansion was meant to cover more families and link 4Ps to other social protection programs such as health and scholarships.

## OUR ACCOMPLISHMENTS

Over the past five years, the government has expanded the reach and coverage of its social protection programs<sup>32</sup>.



## CHALLENGES BEYOND 2016

Considering that the number of poor families increased from 18.8 percent<sup>33</sup> in 2013 to 20 percent in 2014 despite the 4Ps implementation, government efforts should focus on reaching more of the poor, providing them with greater safety nets, and continuously linking 4Ps beneficiaries to other programs that can bring them to self-sufficiency.

<sup>30</sup> In a 2009 study by Development Academy of the Philippines as cited in PDP 2011-2016

<sup>31</sup> The Conditional Cash Transfer Program started in 2008 to break the cycle of poverty from one generation to the next.

<sup>32</sup> Accomplishment data, DSWD

<sup>33</sup> First Semester Per Capita Thresholds and Incidences: 2013 and 2014 (Source: PSA)

*The Budget provides greater protection to vulnerable and newly disadvantaged groups.*



#### Pantawid Pamilyang Pilipino Program

The Regular CCT will have a budget of **P59.38 billion** to support 4.4 million poor households so that children can go to school and mothers and their children can become healthy. Of this budget, about **P5.2 billion** will support the education of 1.15 million beneficiaries aged 15 to 18 years old.

The Modified CCT will receive a budget of **P3.29 billion** to help 218,377 households classified as itinerants, homeless street families, indigenous people, and families in need of special protection by providing education and healthcare grants, as well as assistance packages such as cash-for-work.



#### Community-Driven Development

Through a **P10.98 billion** budget, the KALAHI-CIDSS National Community-Driven Development will help 1.7 million households, along with their local governments, to choose, design, and implement 7,713 projects that address their needs.



#### Sustainable Livelihood Program

Another **P9.61 billion** will be provided to:

**170,470 FAMILIES**

to help them put up micro-enterprise businesses.

**208,352 BENEFICIARIES**

to provide technical-vocational training.



#### Social Pension for Indigent Senior Citizens

With a budget of **P7.51 billion**, a total of 1,182,941 indigent senior citizens aged 60 years old and above will receive a monthly pension of P500.

# BASIC EDUCATION



## THE PAST SITUATION

Low achievement scores among students have been partly blamed on the old education cycle, where every concept and skill to be learned was squeezed into 10 years. Students also underperformed because of a poor curriculum and the lack of classrooms, teachers, and textbooks. These problems led to poor education outcomes such as low enrolment and completion of schooling, and high incidence of dropout.



## THE GOVERNMENT'S SOLUTION






The K to 12 Education Program adds a mandatory year of kindergarten and two more years of senior high school to give students enough time to master concepts and skills. The government has invested in facilities, scholarships, and personnel to address critical shortages and ensure that children finish their education.



## OUR ACCOMPLISHMENTS

The government addressed the shortages recorded for 2010 in time for the opening of senior high schools between 2010 and 2014.

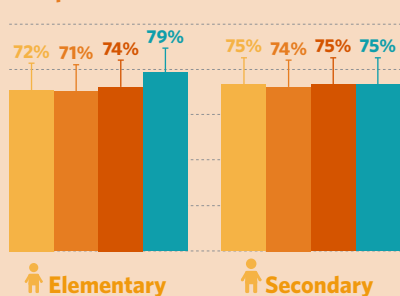
### Gaps in 2010 Are Now Closed <sup>34</sup>:

2010 SHORTAGE	2010-2014 Accomplishment
 <b>Classrooms</b> 66,800	84,478 classrooms constructed as of February 2015
 <b>Teacher Items</b> 145,827	128,105 teachers hired as of 2014
 <b>Water and Sanitation</b> 135,847	80,197 completed, 23,414 ongoing constructions, and 43,536 ongoing procurements as of May 2014
 <b>Textbooks</b> 61.7M	1:1 student-textbook ratio achieved as of 2012
 <b>Seats</b> 2,573,212	1:1 student-seat ratio achieved as of 2012

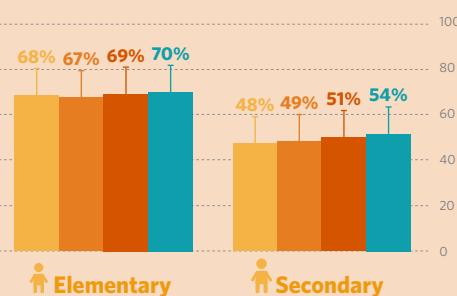
*The government's investment in the youth has improved education outcomes.*

**Note:** Completion rate is the percentage of first year entrants who finish schooling in accordance with the required number of years. National Achievement Test Rate is the average of Mean Percentage Scores of five subject areas. Mean Percentage Score indicates the ratio between the number of correctly answered items and the total number of test questions.

### Completion Rate



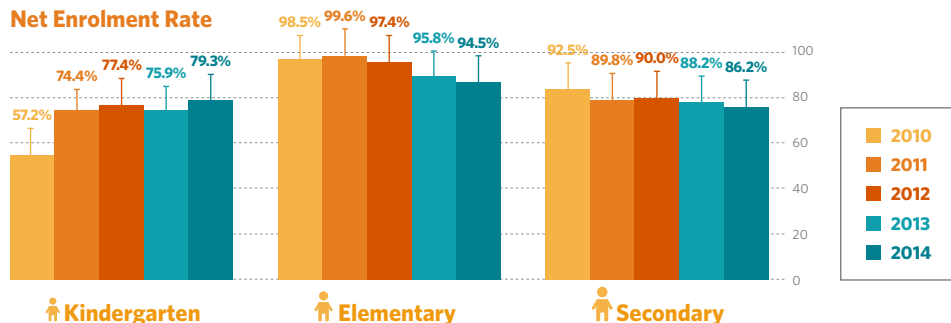
### National Achievement Test Rate



■ 2010 ■ 2011 ■ 2012 ■ 2013 ■ 2014

<sup>34</sup> Source: DepEd

## Net Enrolment Rate



## K to 12

## CHALLENGES BEYOND 2016

From 2016 onwards, the government must continue to invest more money and effort in ensuring the success of the K to 12 Program. Resources should enhance curriculum, develop teacher's capacity, and support alternative learning.

*To ensure the success of senior high schools, the Budget addresses additional input gaps and provides sufficient manpower and facilities.*



## Basic Education Facilities

With a budget of **P61.8 billion**, the Department of Education (DepEd) will be able to provide enough facilities for the growing student population by constructing 43,000 classrooms, **majority of which will fill the classroom demand for senior high school.**



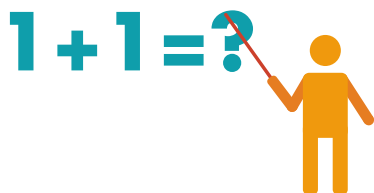
## Textbooks and Instructional Materials

An estimated 103.2 million textbooks and learning materials will be procured in 2016 with a budget of **P4.18 billion**. **Of the total materials available, 68.3 million will be provided for Grades 11 and 12.**



## Computerization Program

Cyberspace offers new avenues for learning. The Budget will set aside **P6.83 billion** to buy 7,368 ICT packages. **Senior high schools will receive 6,653 of these ICT sets.**



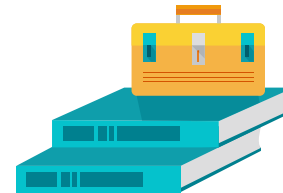
## Hiring of Teachers

The anticipated enrolment of students from kindergarten to senior high school requires an adequate supply of competent teachers. A budget of **P13.47 billion** will fund the hiring of 62,320 teaching personnel, **including 40,320 teachers for senior high school.**



## Alternative Learning System

Non-formal education helps students who drop out or cannot enroll in regular classes complete their schooling<sup>35</sup>. A total of **P445.5 million** will fund the DepEd's Alternative Learning System, where education happens outside the typical classroom.



## Government Assistance to Students and Teachers in Private Education (GASTPE)

The government gives students who wish to pursue secondary education in private schools a tuition subsidy. Likewise, teachers who handle classes with GASTPE grantees are given salary subsidy. To ensure wider access to education, the GASTPE will subsidize the tuition of 1.81 million grantees with a budget of **P21.19 billion**.

**Note:** Net enrolment rate is the ratio of students who are enrolled to total population of that age-range.

<sup>35</sup> UNESCO; retrieved from <http://unesdoc.unesco.org/images/0012/001240/124001E.pdf>

# UNIVERSAL HEALTH CARE



## THE PAST SITUATION

Eight years ago, only P8 in every P100 of health expenses was paid for by the National Health Insurance Program<sup>36</sup>. Patients could not avail of insurance benefits because of few accredited health facilities and doctors in the community. In 2007, only 4 in every 10 barangays had health stations<sup>37</sup>. Thus, the Philippines lagged behind other countries in achieving health-related UN Millennium Development Goals<sup>38</sup>, especially those related to maternal and child mortality.



## THE GOVERNMENT'S SOLUTION

A Universal Health Care Program<sup>39</sup> was crafted to ensure that the poor receive health insurance and access to health care from the best possible public health facilities and well-trained health workers. The passage of the Sin Tax Reform Law ensured that the government has enough resources to fund its Health Care for All Agenda.



## OUR ACCOMPLISHMENTS

Based on the latest data, 5 of the 15 health indicators in the Philippine Development Plan have been achieved<sup>40</sup>.



### Malaria

**Morbidity Rate:** decrease from 22 percent in 2009 to **4.9 percent per 100,000 population in 2014**  
**Mortality Rate:** .03 percent deaths per 100,000 population in 2009 to **below .008 percent per 100,000 population in 2014**



### Tuberculosis

**Detection Rate:** increase from 73 percent in 2008 to **87 percent in 2014**



### HIV and AIDS

**Prevalence:** maintained below 1 percent of the population



### Sanitary Toilets

**Families with access to sanitary toilets:** increase from 76.8 in 2008 to **94.1 percent in 2014**



### PhilHealth

**Percent of the population covered by PhilHealth:** Increase from 87 percent in 2014 to **88 percent in second quarter of 2015<sup>41</sup>**  
**PhilHealth utilization rate:** Increase from 6 percent in 2012 to **11 percent in 2014**



### Health Facilities

**Health Facilities Constructed:** 2,862 barangay health stations; 2,626 rural health units/municipal health units/urban health centers; and 685 LGU hospitals and other health facilities  
**Number of deployed health workers (2010-2014):** 425 doctors; 64,022 nurses; and 9,137 midwives.



## CHALLENGES BEYOND 2016

Despite significant health-related improvements, the Philippines must do more, as the number of maternal deaths and people contracting HIV have continued to increase. Allocating billions to fund the PhilHealth premiums of poor families, construct PhilHealth-accredited facilities, and hire of health professionals should reduce out-of-pocket spending, which is now at 57 percent of the country's total health expenditure<sup>42</sup>.

<sup>36</sup> Philippines National Health Accounts 2007, PSA

<sup>37</sup> 2007 Field Health Services Information System, DOH

<sup>38</sup> Philippine Development Plan 2011-2016, NEDA

<sup>39</sup> For detailed discussion of the policy, read DOH Administrative Order No. 2010-0036.

<sup>40</sup> Sources: DOH and Socioeconomic Report 2014

<sup>41</sup> Source: PhilHealth

<sup>42</sup> Philippine National Health Account 2012, PSA

*To ensure a healthy population, the Budget will expand public health programs, increase benefits from PhilHealth, and address gaps in health facilities.*



#### Health Insurance for the Poor

**P43.84 billion** will subsidize the health insurance premiums of 15.4 million indigent families and 2.8 million senior citizens.



#### Health and Human Resource

Well-equipped facilities can only provide better care when there is an adequate supply of health workers. **P7.07 billion** will hire a total of 946 doctors, 15,727 nurses, 3,100 midwives, 324 dentists, 713 public health associates, and 308 medical technologists. These professionals shall be deployed in communities<sup>43</sup> that need them the most.



#### First 1,000 Days Intervention Package

A child's development depends on how well he or she is nurtured in his or her first eight years in life. To ensure that each child receives better social protection, health and nutrition, and education, the Budget provides **P3.45 billion** to fund the First 1,000 Days Intervention Package.



#### Health Facilities Enhancement Program

For the poor to gain access to health services, facilities must be improved. Thus, **P26.98 billion** will:

- Upgrade 3,886 birthing facilities and 796 PHIC-TSEKAP-accredited barangay health stations (BHS).
- Construct 3,200 school-based BHS.
- Construct and rehabilitate 2,623 rural health units.



#### Family Planning and Responsible Parenting

The Budget will set aside **P3.28 billion** to ensure that mothers and their children receive quality services.

This Budget will provide micronutrient supplements to 4.4 million children, family planning commodities to 2.7 million women, and sub-dermal contraception implants to 1 million women.



#### Public Health Programs

The Budget will further fund the following critical public health programs:

**P3.99 B**

**National Immunization Program:** To provide full immunization to 2.2 million children and pneumococcal vaccines to 1.2 million senior citizens and 429,000 infants.

**P1.08 B**

**TB Control:** To treat 253,381 cases.

**P793.0 M**

#### Treatment of Public Health Diseases:

To treat 3,885 malaria cases, 2.48 million schistosomiasis cases, and 17.9 filariasis cases.

**P1.06 B**

**Other Infectious Diseases:** To diagnose and provide antiretroviral drugs to 35,000 HIV/AIDS cases, among others.

<sup>43</sup> The 10 provinces with high poverty incidence under the Accelerated and Sustainable Anti-Poverty Program (ASAPP) shall be given priority. These provinces include: Pangasinan, Quezon, Camarines Sur, Negros Occidental, Cebu, Iloilo, Leyte, Zamboanga del Sur, Davao del Sur, and Sulu.

# SOCIALIZED HOUSING



## THE PAST

From 2004 to 2010, a total of 812,463 housing and shelter units were provided by government—only a fifth of the 3.7 million housing needed by 2010<sup>44</sup>. The present government inherited a sizable backlog, which means the provision of houses has not kept pace with the increasing urban population and rapid growth of informal dwellings.



## THE GOVERNMENT'S SOLUTION

The government increased the budget for socialized housing to provide homes for families living in danger zones and those displaced by calamities. These families are, however, not simply relocated: they are given the power to decide where to resettle through their proposed People's Plans<sup>45</sup>.

<sup>44</sup> Philippine Development Plan 2011-2016

<sup>45</sup> People's Plan is a resettlement and relocation plan of an urban poor community. The plan undergoes consultation with and requires approval by the community involved.

<sup>46</sup> Ibid

<sup>47</sup> NHA Physical Report of Operations 2011-2014



## OUR ACCOMPLISHMENTS

Housing production and assistance has increased under the Administration.

### NHA Housing Production<sup>46</sup>



Number of in-city and off-city housing units

2011	21,518				
2013	20,698				
2014	9,888				



Number of relocated informal settler families living in danger zones in Metro Manila

2011	13,798				
2013	9,523				
2014	2,119				

### SHFC Community Mortgage Program<sup>47</sup>



Number of ISFs assisted under Community Mortgage Program

2011	15,875				
2012	9,287				
2013	12,537				
2014	13,120				



## CHALLENGES BEYOND 2016

Even with the current record-high production of housing units, the capacity of housing agencies to build and deliver more projects must be strengthened.

*P33.03 billion will be set aside for socialized housing.*



#### Housing for Informal Settlers

- P4.3 B** will help the National Housing Authority to relocate **12,148 informal settler families (ISF)** in danger zones in Metro Manila.
- P909 M** will help the Social Housing Finance Corporation relocate **1,882 ISFs** in danger in Metro Manila.
- P643 M** will provide rental assistance to **31,826 beneficiaries** under the Interim Shelter Fund, which provides one-time rental assistance to informal settler families who are waiting to complete their units.



#### Housing for Victims of Calamities

- P25.6 B** will extend housing to **87,405 indigent beneficiaries** who were affected by Typhoon Yolanda.



#### Regular Housing Programs

- P1.0 B** will help **19,015 beneficiaries** through the Community Mortgage Program, which helps associations of residents in depressed areas to finally own the lots they occupy.
- P577 M** will support **7,215 beneficiaries** through the Resettlement Program, which seeks to acquire and develop lands for housing families displaced from government infrastructure project sites as well as those living in danger areas.



# SUSTAINING GROWTH MOMENTUM

## Economic Expansion and Job Creation

### THE PAST SITUATION

The country's poor infrastructure limited economic growth because products cannot be easily transported to markets and people cannot connect to opportunities. The lack of infrastructure is a result of low public investment, failure to meet the needs of the growing economy, and the increasing population<sup>48</sup>. The quality of infrastructure also suffered from graft and corruption.



### THE GOVERNMENT'S SOLUTION

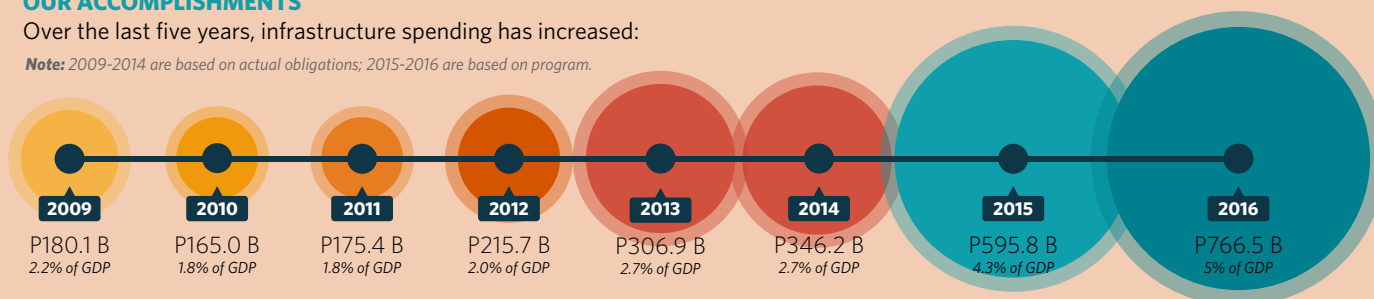
The government has significantly increased total infrastructure spending to achieve the international benchmark of 5 percent of the GDP by 2016. This increase in spending is complemented by encouraging public-private partnerships, improving governance to curb corruption, climate-proofing facilities, and improving procurement.



### OUR ACCOMPLISHMENTS

Over the last five years, infrastructure spending has increased:

**Note:** 2009-2014 are based on actual obligations; 2015-2016 are based on program.



Today, the government is poised to complete key infrastructure projects:

#### Percent of permanent bridges:

98% of 364,693 lineal meters of bridges<sup>49</sup>

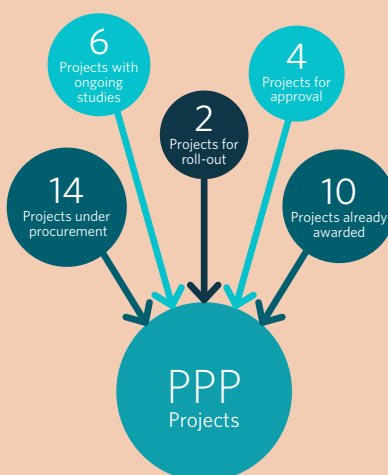


#### Percent of paved national roads:

85% of 32,526.50 kilometers of roads<sup>50</sup>



The progress of public-private partnership projects is also on track<sup>51</sup>:



As a result, the Philippines' rank in the Global Competitiveness Index Infrastructure pillar recovered significantly from 104 of 139 countries in 2010 to 91 of 144 in 2014.



### CHALLENGES BEYOND 2016

Despite increasing investments, budgets for infrastructure projects—particularly on facilities such as health centers, classrooms, water and sanitation, and power supply facilities, among others—must be spent immediately and efficiently to achieve the 2016 target.

<sup>48</sup> Philippine Development Plan 2011-2016, NEDA

<sup>49</sup> DPWH Road and Bridge Inventory 2014, DPWH

<sup>50</sup> Ibid

<sup>51</sup> Status of PPP Projects as of August 2015, Public-Private Partnership Center.

*To meet the 2016 target, the Budget will improve the capacity of agencies to design quality projects, prepare contracts, and procure supplies. Local government units will be allowed to build local roads and PPP projects will be fast-tracked, among others.*



### Road Transport

**P208.6 billion** will be set aside to improve road transport, spur trade, and transport people faster and safer.

Of which, **P203. billion** will help the DPWH via the National Roads and Bridges program to:

- Complete the paving of all 31,242 kilometers of national roads
- Make 345,978 lineal meters of bridges permanent
- Expand logistic infrastructure in Cagayan de Oro, Davao, General Santos, Bukidnon, Agusan del Norte, Agusan del Sur, Compostella Valley, Sultan Kudarat, South Cotabato, Misamis Oriental, and Surigao

**P4.80 B** will fund DOTC Projects—aimed at decongesting roads—including:

- P2.8 B** for the Integrated Transport Systems Project
- P1.34 B** for the Cebu Bus Rapid Transit Project
- P188 M** for the Metro Manila BRT-Line 1;
- P20 M** for Metro Manila BRT-Line 2
- P251 M** for PUV Rationalization
- P200 M** for PPP Strategic Fund



### Air Transport

**P9.04 billion** will improve airport facilities throughout the country:

- P2.09 B** will fund the Clark International Airport New Terminal Building
- P2.14 B** will fund the New Bohol (Panglao) Airport
- P1.0 B** will fund the Camarines Sur (Naga) Airport
- P747 M** will fund the Bicol International Airport
- P578 M** will fund the Sanga-Sanga (Tawi-Tawi) Airport
- P700 M** will fund the Regional Airports Projects (PPP)



### Railways

With a budget of **P15.66 billion**, the DOTC, LRTA, and PNR will improve mass transit railways to ensure the safety and speedy transport of public commuters and cargoes:

- P8.0 B** will fund the extension and rehabilitation of the LRT 1 and 2
- P3.64 B** will subsidize the MRT3
- P2.5 B** will fund PNR North-South projects as well as other repair and expansion projects

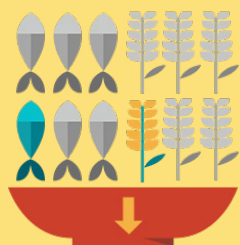


### Maritime Transport

The proposed **P2.0 billion** budget will build, repair, and rehabilitate seaports across the archipelago:

- P1.21 B** will fund various ports and wharves
- P800 M** will fund the Maritime Safety Capability Improvement Project

# AGRICULTURE DEVELOPMENT



## THE PAST SITUATION

Over the past two decades, the agriculture, forestry, and fishery sector grew by an average of only 3.11 percent<sup>52</sup>. This sector has not been productive because of poor support, corruption, and climate change. Thus, farmers and fisherfolk remain the poorest members of society.



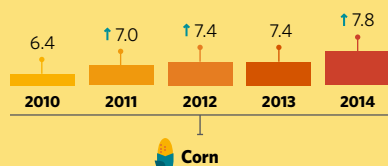
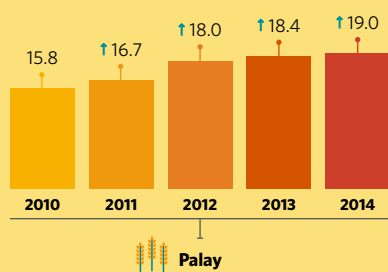
## THE GOVERNMENT'S SOLUTION

To increase production and farmer incomes, the government has introduced reforms aimed at completing land reform, diversifying crops, policing rice imports, improving the sector's resilience to risks like climate change, and providing better technologies, among others.

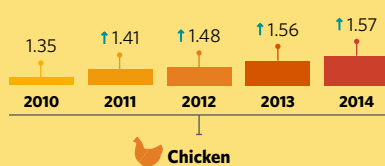
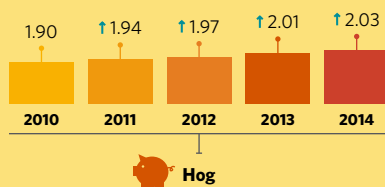
## OUR ACCOMPLISHMENTS

Over the last few years, the sector has shown remarkable changes:

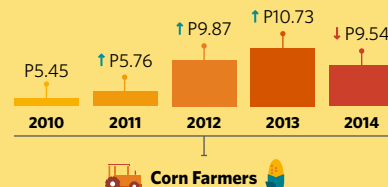
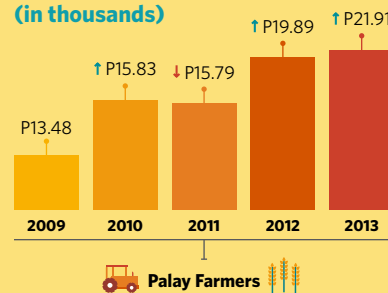
### Volume of Production (in million MT)<sup>53</sup>



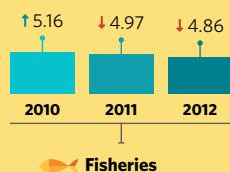
### Livestock and Poultry Production (in million MT)<sup>54</sup>



### Farmers' income per hectare<sup>55</sup> (in thousands)



### Fisheries Volume of Production (in million MT)<sup>56</sup>



654,556 hectares

Agrarian reform lands distributed (2010-2014)<sup>57</sup>



635,050 hectares

Remaining balance for land acquisition and distribution (2015-2018)



301,524 legal assistance

Number of services to farmers and landowner clients (2010-2014)

<sup>52</sup> National Accounts, PSA

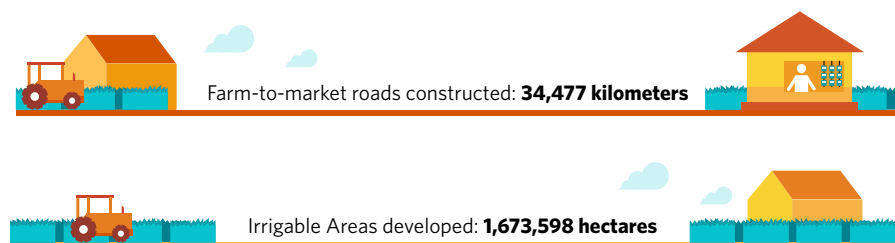
<sup>53</sup> PSA-Bureau of Agricultural Statistics

<sup>54</sup> Ibid

<sup>55</sup> Ibid

<sup>56</sup> Ibid

<sup>57</sup> Source: DAR



### CHALLENGES BEYOND 2016

The sector needs to grow by an average of 10.8 percent to achieve the 2016 target of 3.5 to 4.5 percent growth<sup>58</sup>. This growth rate can be achieved by increasing yields through improved service delivery, strengthening forward and backward linkages<sup>59</sup>, and completing agrarian reform.

*Under the Agriculture Development program, the government seeks to expand support to increase yields and improve infrastructure facilities. Farmers' incomes will be increased by enhancing their capacities, linking them to value chains, and introducing new farming technologies.*

### Agriculture Infrastructure

**P35.98 billion** will help address the following gaps in infrastructure:



**P22.31 B**

will help the National Irrigation Authority create new service areas and restore non-operational ones.



**P12.91 B**

will build 1,285.37 kilometers of farm-to-market roads.



**P756 M**

will construct 252 fish landings.



### Agrarian Reform

**P3.7 B**

will complete **260,217** hectares of land acquisition and distribution in the CARPER balance.

**P1.3 B**

will support **397,604** agrarian reform beneficiaries by building their capacities, providing access to services, and developing enterprises.

**P794 M**

will try **57,160** cases and provide free legal assistance to 63,988 farmers and landowner clients.

### Agriculture Commodity Program



**P7.06 B**

will fund the **Rice Program** and produce 20.09 million metric tons of rice per hectare.



**P2.25 B**

will fund the **Corn Program** and ensure production of 3.08 million metric tons of white corn and 6.78 million metric tons of yellow corn.



**P2.92 B**

will fund the **High Value Commodity Crops Program** and yield 9.5 million MT of banana, 2.7 million MT of pineapple, 892 thousand MT of mango, 513 thousand MT of rubber, 87 thousand MT of coffee, and 10 thousand MT of cacao.



**P1.27 B**

will fund the **Coconut Program** and produce 2.61 million metric tons of coconut and copra.



**P1.80 B**

will fund **Sugar Industry Development** and assist 50 block farms and construct 76.2 kilometers of farm-to-market roads.



**P4.36 B**

will fund the **Fisheries Program** and fast-track production of 4.92 million metric tons of fish and other aquatic produce.



**P1.17 B**

will fund the **Livestock and Poultry Program** and boost production of 2.10 million metric tons of hogs and 1.82 million metric tons of chicken.

<sup>58</sup> Socioeconomic Report 2014, NEDA

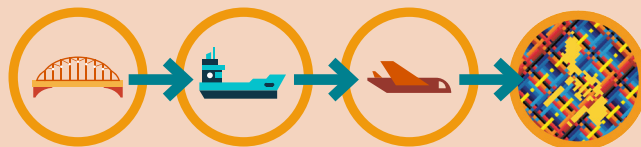
<sup>59</sup> As per NEDA, forward and backward linkages refer to the channels through which products, materials, and money flow out from suppliers to the firms (backward) and from suppliers to customers (forward).

# TOURISM DEVELOPMENT



## THE PAST SITUATION

Six years ago, the country ranked only sixth among its ASEAN neighbors in attracting foreign tourists<sup>60</sup> partly because of poor infrastructure, political instability, and security issues.



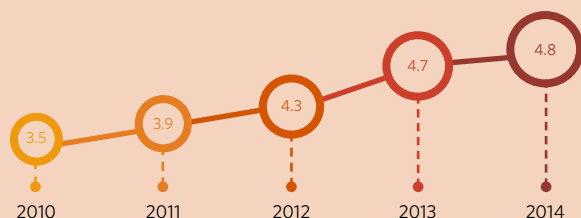
## THE GOVERNMENT'S SOLUTION

To entice more tourists, the government built and repaired access roads, improved seaports and airports, and strengthened the country's name as a brand.

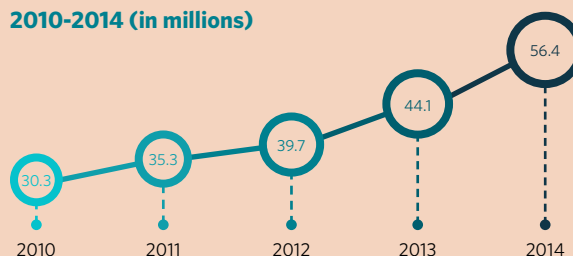
## OUR ACCOMPLISHMENTS

From 2010 to 2014, foreign tourists have come in droves to experience the country's world-class sunsets, pristine blue waters, and hospitality.

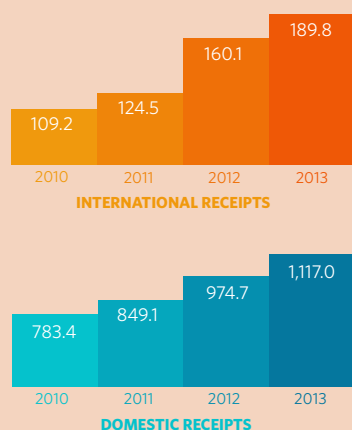
**Foreign tourist arrivals<sup>61</sup>**  
(in millions)



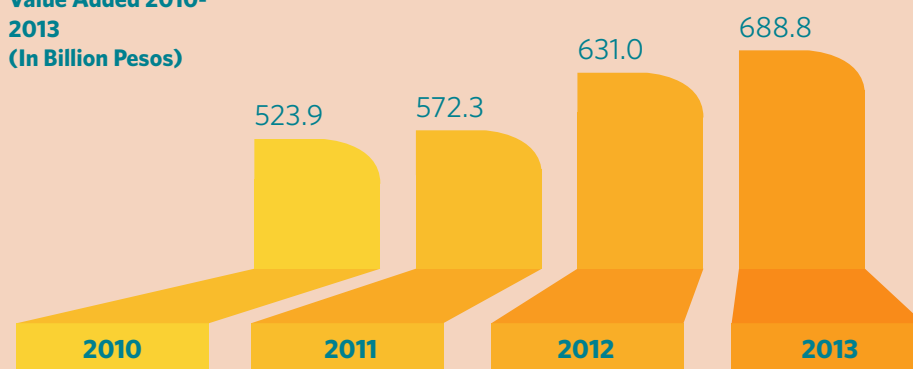
**Domestic tourist arrivals**  
2010-2014 (in millions)



**Tourism receipts 2010-2013**  
(in Billion Pesos)



**Tourism Gross Value Added 2010-2013**  
(In Billion Pesos)



## CHALLENGES BEYOND 2016

Although tourism arrivals continue to increase, meeting the 2016 target of 10 million international tourist arrivals and 56.1 million domestic travelers is a challenge. Investing in tourism infrastructure and promotion will help attract as much as or even more tourists than the country's ASEAN neighbors.

<sup>60</sup> Philippine Development Plan 2011-2016

<sup>61</sup> Tourism Satellite Accounts, DTI

*To create 7.4 million jobs and earn P2.31 trillion<sup>62</sup> in tourism, the Budget commits to making tourism destinations and products competitive, improving the quality of infrastructure, and strengthening tourism governance.*

### TOURISM PROMOTIONS

The Budget will fund plans to market the country's beautiful places and people:



**P2.70 B**

will fund the Department of Tourism's programs:

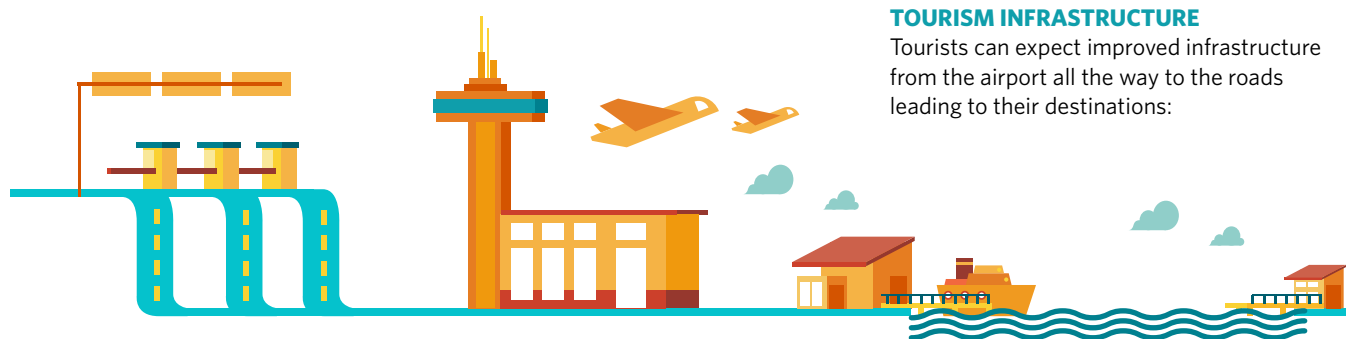
■ Branding Campaign  
(**P1.15 Billion**)

■ Market and Product Development  
(**P497.0 million**)



**P1.64 B**

will fund the **Tourism Promotions Board**, which will provide tourism promotion services.



### TOURISM INFRASTRUCTURE

Tourists can expect improved infrastructure from the airport all the way to the roads leading to their destinations:

**P24.0 B**

will be used to construct and **improve 1,200 kilometers** of roads leading to tourism destinations.

**P7.02 B**

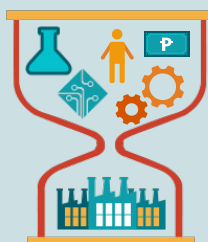
will be used by the DOTC to modernize airports and improve maritime transport facilities.

**P113.0 M**

will be used by the DOTC to develop maritime ports.

<sup>62</sup> Includes domestic and foreign receipts

# MANUFACTURING RESURGENCE



## THE PAST SITUATION

Between 1998 and 2010, the contributions of the manufacturing sector to the economy have declined<sup>63</sup> because of poor infrastructure, poor access to credit, and low research and development funding. As such, the sector has yet to become a major source of high-paying jobs, as it only currently employs 8 in every 100 workers<sup>64</sup>.



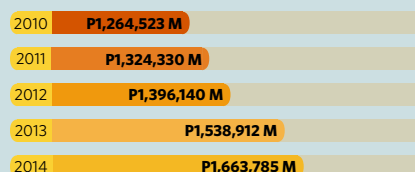
## THE GOVERNMENT'S SOLUTION

The government aims to shift the country's growth path from a consumption-led economy to an industry-driven one by revitalizing the manufacturing sector, which means building new infrastructure, improving the business climate, and providing strategic support.

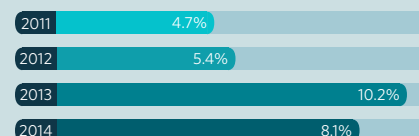
## OUR ACCOMPLISHMENTS

The government has been able to establish an enabling environment for the sector's revival. Recent increases in gross value added<sup>65</sup> in manufacturing have been observed.

### Gross Value Added in Manufacturing<sup>66</sup>



### Growth Rate of Manufacturing GVA



27,445<sup>67</sup>

Total number of technology interventions provided by DOST to MSMEs 2010-2014.



96,305<sup>68</sup>

Total number of sitios energized.



304,045

Total number of micro, small, and medium enterprises (MSMEs) assisted by DTI 2010-2014.



827,417<sup>69</sup>

Total beneficiaries of TESDA Training for Work Scholarship Program.

<sup>63</sup> National Income Accounts, PSA

<sup>64</sup> 2008 Annual Labor and Employment, PSA

<sup>65</sup> GVA refers to the value of goods and services produced in a sector.

<sup>66</sup> National Income Accounts, PSA

<sup>67</sup> DOST Performance Reports 2010-2014

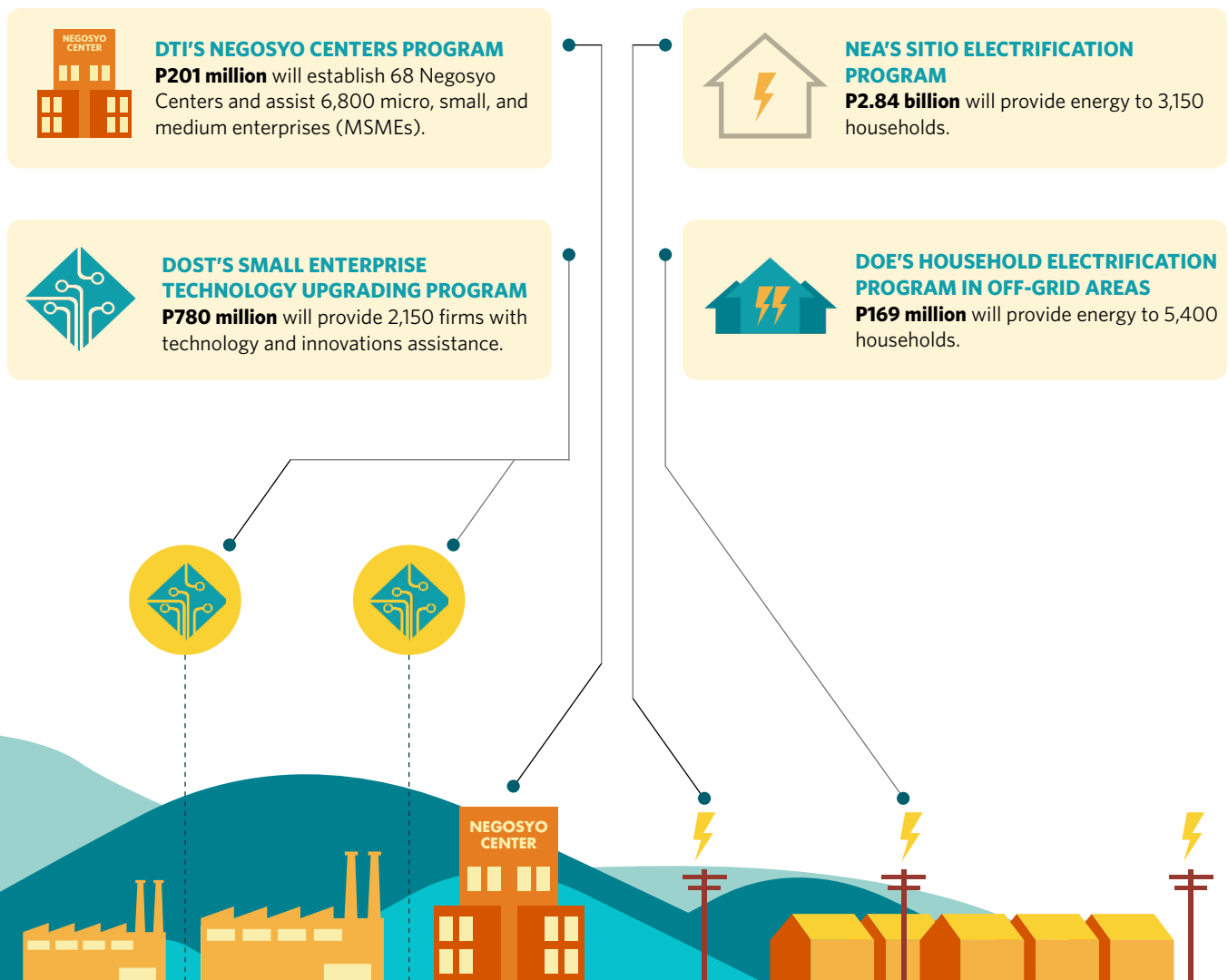
<sup>68</sup> NEA's Status Report of President's Sitio Electrification Program as of June 30, 2015.

<sup>69</sup> TESDA

## CHALLENGES BEYOND 2016

Reviving the manufacturing industry entails addressing problems in power, logistics, and infrastructure, enhancing products with competitive edge, developing worker skills, promoting innovations, and supporting small and medium enterprises, among others.

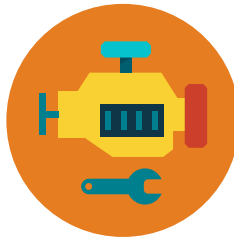
*Through the Budget, enterprises and households will be provided with technology-based processes and other necessary infrastructure and facilities, roadmap plans will be developed, a national research and development agenda will be completed, and workers will receive scholarships and skills trainings.*





*The Budget ensures that workers are equipped to meet the needs of priority industries.*

## TECHVOC EDUCATION



### Training for Work Scholarship Program (TESDA)

**P2.20 B**

will provide skills training to **231,895 grantees** and help 208,705 beneficiaries graduate.



### Special Training for Employment Program (TESDA)

**P337 M**

will help **24,687 beneficiaries** receive specialty training based on the specific skill needs of their communities.



### Private Education Student Financial Assistance (TESDA)

**P200 M**

will provide **P9,500 to 21,053 beneficiaries** who will learn critical skills that respond to emerging and in-demand jobs in local and overseas markets.



### JobStart Philippines Program (DOLE)

**P107 M**

will give **3,200 youths** access to technical and life skills training, work place experiences, and mentoring.

## TERTIARY EDUCATION



### Student Financial Assistance Program (CHED)

**P2.22 B**

will provide scholarship, grants-in-aid, and loan program to **155,690 students**.



### Expanded Students' Grants-In-Aid Program for Poverty Alleviation (CHED)

**P2.50 B**

will help **40,453 poor but deserving students** take up priority degree programs in State Universities and Colleges.



### Tulong Dunong Program (DOST)

**P831 M**

will help **68,736 deserving students** who are studying in SUCs and need financial assistance.

# MANAGING DISASTER RISKS

*Climate Change Adaption and Disaster Risk Reduction*



## THE PAST SITUATION

Between 1990 and 2014, natural disasters took 37,590 lives and cost US\$21 billion in total damages<sup>70</sup>. Insufficient resources and poor governance have prevented the government from responding to frequent calamities.

## THE GOVERNMENT'S SOLUTION

Since 2010, the government has increased resources for climate response and implemented the whole-of-government National Climate Change Action Plan. After Typhoon Yolanda flattened communities in Visayas and Mindanao, "Build Back Better" has become the core strategy for reconstruction and rehabilitation.

## OUR ACCOMPLISHMENTS

Climate-related expenses have increased as the government adopted the Climate Change Action Plan and improved governance to ensure transparency in the way these are used.



### Climate-related Budget

**P128.6 billion** or 5 percent of the 2.606-trillion budget for 2015, increasing from P16.8 billion or 1.2 percent of the P1.2-trillion budget for 2009<sup>71</sup>.



### On Yolanda Recovery

Total funds released as of May 2015: **P87.39 billion**<sup>72</sup>

Of which:



**P21 B**

Housing assistance and construction of housing units.



**P800 M**

Provision of bancas and other fishing paraphernalia.



**P5.7 B**

Provision of school seats, classroom rehabilitation, and construction of library hubs.



### Risk Resiliency Program

**1,034,041** Number of hectares planted with seedlings under the National Greening Program (2011-June 2015).  
hectares<sup>73</sup>

**1,851**<sup>74</sup> Number of large-scale and coastal geohazard maps produced (2010-2014).

**4,950**<sup>75</sup> Number of flood control structures built and maintained (2011-2014).

**1,634**<sup>76</sup> Number of cities and municipalities covered by cadastral survey.

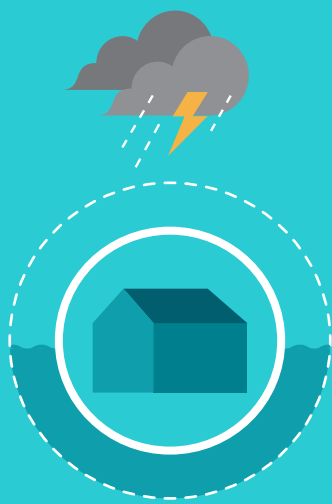
# BUILD BACK BETTER

The Budget provides the government with enough resources to help disaster-ravaged communities get back on their feet as quickly as possible.

## National Disaster Risk Reduction and Management Fund (NDRRMF)

**P38.9 billion** for the **National Disaster Risk Reduction and Management Fund (NDRRMF)**.

This includes **P18.9 billion** for the Yolanda Comprehensive Rehabilitation and Reconstruction Program. This fund will go to:



### CHALLENGES BEYOND 2016

Enhancing the country's resilience and improving the capacity of communities to adapt to the changing climate remain significant challenges, as evidenced by increasing damages and losses due to disasters over the past years. Also, rehabilitation and reconstruction in Yolanda-affected areas must be accelerated.



**1**  
Department of Agriculture  
**P5,584 M**



**7**  
Department of Trade and Industry  
**P803 M**



**2**  
Department of Environment and Natural Resources  
**P420 M**



**8**  
Department of Transportation and Communications  
**P1,000 M**



**3**  
Department of Finance  
**P48 M**



**9**  
Commission on Higher Education  
**P541 M**



**4**  
Department of Health  
**P439 M**



**10**  
Housing and Land Use Regulatory Board  
**P29 M**



**5**  
Department of Labor and Employment  
**P1,148 M**



**11**  
National Commission on Indigenous Peoples  
**P62 M**



**6**  
Department of Tourism  
**P1,148 M**



**12**  
Philippine Coconut Authority  
**P7,676 M**

<sup>70</sup> EM-DAT Database, Center for Research on the Epidemiology of Disasters

<sup>71</sup> National Climate Change Expenditure Tagging Initiative, DBM, Climate Change Commission & World Bank

<sup>72</sup> Status Report of Fund Releases provided to DBM

<sup>73</sup> National Greening Program website as of June 2015

<sup>74</sup> DENR-MGB

<sup>75</sup> DPWH & MMDA

<sup>76</sup> DENR-Land Management Bureau

### Quick Response Fund

**P5.67 billion** of the Budget will furnish the Quick Response Funds of the DA, DepEd, DOH, DND, DPWH, DSWD, and NIA. Agencies can use this fund for quick relief and recovery during emergencies.

# RISK RESILIENCY PROGRAM

*The Budget supports the government's shift in responding to climate change from a reactive approach focused on rehabilitation and recovery to a proactive approach rooted on preparedness and mitigation.*



## Flood Control and Drainage



**DPWH**  
**P59.84 B**

will fund the construction and maintenance of 1,090 flood control and drainage structures throughout the country.



**MMDA**  
**P503.81 M**

will fund the repair and construction of 66 flood and sewerage structures in Metro Manila.



## National Greening Program

**P10.16 billion** will be used to buy 546.78 million seedlings to cover 330,648 hectares of land and enhance the country's resilience to climate change.



## Geohazard Assessment Program

To provide government units and communities with necessary data to enhance their capacities to mitigate disaster risks, **P397 million** will be used to:

- Conduct information, education, and communication campaigns in 22,028 barangays.
- Cover 200 municipalities under vulnerability and risk assessment.
- Provide 101,000 copies of 1:10,000 maps.
- Conduct sub-surface assessment on 15 cities/municipalities



## Clean Air Regulation

**P280 million** will be used to put up 28 real-time air quality monitoring stations.

# FORGING JUST AND LASTING PEACE

## Peace and Security



### THE PAST SITUATION

Despite years of negotiations, conflicts have persisted, particularly in Mindanao, where basic services have deteriorated and poverty remains rampant. Besides internal conflicts that have yet to be addressed, disputes in the West Philippine Sea continue to pose threats to national security.



### THE GOVERNMENT'S SOLUTION

The government has continuously pursued the settlement of all armed conflicts and provided development projects to conflict-torn communities. It has also improved territorial defenses by investing in the capabilities of law enforcement and military.

### OUR ACCOMPLISHMENTS

Peace has been established with the signing of the Comprehensive Agreement on Bangsamoro. Likewise, the government has strengthened the capabilities of the police and the military.

#### Law Enforcement



- **1 police = 1 pistol** achieved
- 2010: 1 police = 670 citizens
- ➔ **2015: 1 police = 550 citizens**

#### Territorial Defense



- Brand new equipment acquired:
- 2** Hamilton-class cutters
- 12** FA-50 Fighter Jets
- 8** Bell 412 Combat Utility Helicopters

#### Delivery of Justice



- 580** Witnesses protected as of 2013
- 7.5 M** Number of clients served by PAO (2014)
- 1,940** Number of cases disposed by Sandiganbayan (2010-May 2015)

### Peace Process<sup>77</sup> (Status as of August 2015)

<b>Moro Islamic Liberation Front (MILF)</b>	The government and the MILF signed the Comprehensive Agreement on the Bangsamoro (CAB) on March 27, 2014. In June 2015, both parties began the first phase of decommissioning.
<b>Moro National Liberation Front (MNLF)</b>	The government and the MNLF continue a workable partnership to complete the implementation of agreements toward a comprehensive solution of the Bangsamoro issue.
<b>CPP-NPA-NDF</b>	Efforts to move the peace negotiations forward are ongoing.
<b>CBA-CPLA</b>	Closure Agreement signed; implementation is nearing completion.
<b>RPM-P/RPA/ABB</b>	Both parties engage in efforts to prepare communities for the signing and implementation of the Closure Agreement.



### CHALLENGES BEYOND 2016

The continuing deliberation of the Bangsamoro Basic Law and the limited capacity of local governments and other actors to handle funding for development, among others, continue to challenge peace in the country. Law enforcement must be improved to reduce crime and the capacity of the armed forces must be strengthened to defend the country's sovereignty.

<sup>77</sup> Source: OPAPP

*The Budget supports the Bangsamoro peace agreement, ensures completion of all peace settlements, and provides basic services to conflict-torn communities.*

### Supporting the Bangsamoro Peace Agreement

**P383.9 million** will fund the implementation of Annex on Normalization to provide transitioning troops and displaced families opportunities to a peaceful life.

### PAMANA

Conflict can be mitigated by addressing poverty, inequality, and other issues in conflict-torn communities. Thus, about **P12.84 billion** will fund the following projects:



*Developed communities are safe and secure. Thus, the Budget will improve the capability of law enforcers and defense forces to promote justice and the rule of law, as well as defend national security.*



#### Public Order and Safety

The Philippine National Police will use:

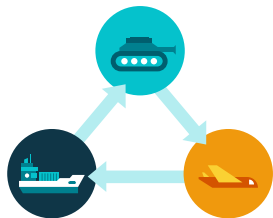
**P73.56 B**

to conduct 7.2 million foot and 6.28 million mobile patrols.

**P609 M**

to undertake 802,201 crime investigations.

Another **P2 billion** will fund the PNP Modernization Program.



#### Strengthening Territorial Defense

The Armed Forces of the Philippines will be provided with the following support:



**PA**  
Philippine Army

**P39.74 B**

to maintain 189 tactical battalions.



**PAF**  
Philippine Air Force

**P11.78 B**

to maintain 140 supportable aircraft.



**PN**  
Philippine Navy

**P11.26 B**

to maintain 124 mission-ready fleet marine units.

Another **P25 billion** will fund the AFP Modernization Program.

#### Strengthening the Delivery of Justice



**P26.68 B**  
Judiciary

**P2.3 B**

to fund the operating expenses of 2,117 lower courts and reduce reliance on LGUs for support

**P1.2 B**

to pay for Fort Bonifacio property, which will house the Supreme Court

**P239 M**

to hire court decongestion officers

**P1.46 B**

to build an information systems plan



**P13.58 B**  
Department of Justice

**P3.26 B**

to investigate and resolve 320,000 criminal complaints

**P151 M**

to act on 20,000 requests for legal services



**P2.06 B**  
Public Attorney's Office

- to serve 4.98 million clients
- to provide 1.87 million legal advisories



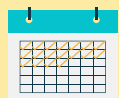
**P1.22 B**  
National Bureau of Investigation

- to process 5.5 million applications for clearance
- to act on 53,700 investigations

**Note:** Numbers may not match actual figures due to rounding.

# THE BUDGET CYCLE

## ① PREPARATION



### Budget Call JAN OF PRIOR FY\*

Budget preparation starts with the Budget Call, which sets the parameters and procedures to guide agencies in preparing their respective proposed budgets. It includes the **Budget Priorities Framework**, which identifies priority programs and localities where resources must be focused on. A Fiscal Year is a period of twelve months for which a government plans its management of money.



### Citizen Engagement JAN-MAR OF PRIOR FY

Agencies engage citizens as they prepare their proposed budgets, through mechanisms like the **Budget Partnership Agreements** with civil society organizations and **Bottom-Up Budgeting**.



### Program Budgeting JAN OF PRIOR FY

Lead and contributing agencies for each program priority of the government (for example, tourism) meet and synergize their proposed agency budgets to meet targeted outcomes.



### Agency Proposals MARCH OF PRIOR FY

Agencies submit their proposed budgets through the **Online Submission of Budget Documents**, a facility recently established by the DBM.



### Budget Hearings & Review APR-JUNE OF PRIOR FY

Agencies defend their proposals during Technical Budget Hearings. After evaluating the proposals, the DBM technical bureaus present their recommendations to the Executive Review Board, composed of the DBM Secretary and senior officials.



### Presentation to the President JUNE OF PRIOR FY

The DBM, the Department of Finance, and the National Economic and Development Authority present the proposed Budget before the President and the Cabinet for discussion and approval.



### Consolidation, Validation, Confirmation JUNE OF PRIOR FY

The DBM validates the approved agency budgets and consolidates these into the Budget of Expenditures and Sources of Financing (BESF) and other budget documents.

## ④ ACCOUNTABILITY



### Audit WITHIN FOLLOWING FY

The Commission on Audit (CoA) reviews the accounts of each agency in order to ensure their accountability in the use of public funds. The DBM uses CoA's Audit Reports in confirming agency performance, determining budgetary levels for agencies, and addressing issues in fund usage.



### Mid-Year and Year-End Reports BY SEPT OF FY AND WITHIN THE NEXT FY

The Development Budget Coordination Committee (DBCC) publishes reports on macroeconomic developments, the fiscal situation of the national government, and performance of key programs and projects.



### Performance Review THROUGHOUT

DBM technical bureaus perform regular reviews of the financial and physical performance of agencies against their targets. In addition, the DBM deploys **Account Management Teams** in key departments to closely monitor their performance and address bottlenecks proactively.



### Citizen Engagement THROUGHOUT

Citizens, through civil society organizations, help monitor and evaluate the performance of agencies in using public funds and delivering services through mechanisms such as **Budget Partnership Agreements** and **Bottom-Up Budgeting**.



### Public Disclosures THROUGHOUT

Agencies publish the required reports and essential budget information on their websites through the **Transparency Seals**. The DBM, DoF, and NEDA regularly release reports on the status of budget implementation and the fiscal scenario.



### Accountability Reports MONTHLY OR QUARTERLY

Agencies submit Financial Accountability Reports on a monthly or quarterly basis, as required by the DBM and the Commission on Audit. The DBM also requires agencies to submit quarterly Physical Reports of Operation to report on the outputs delivered in the use of such funds.



### Performance Targets JAN OF FY (WITH GAA)

Budget accountability starts with the setting of targets that agencies are to be held accountable for. With the **Performance-Informed Budget**, the GAA beginning 2014 now contains the targeted outcomes, outputs and performance indicators of each agency.

**Note:** Fiscal Year (FY\*)

\*A Fiscal Year is a period of twelve months for which a government plans its management of money.



## ② LEGISLATION



### The President's Budget

JULY OF PRIOR FY

President Aquino has consistently submitted the proposed Budget a day after his State of the Nation Address, much earlier than the deadline set by the 1987 Constitution.



### House Deliberations

AUG-OCT OF PRIOR FY

The House Committee on Appropriations holds public hearings on the proposed Budget. Afterward, it sponsors its recommended General Appropriations Bill (GAB) before the plenary. Once approved, the House transmits the GAB to the Senate.



### Senate Deliberations

SEPT-NOV OF PRIOR FY

The Senate conducts its own committee hearings and plenary deliberations on the GAB. To expedite the process, the Senate Committee on Finance usually start hearings well before the House formally submits the GAB.



### Bicameral Deliberations

NOV-DEC OF PRIOR FY

After the House and Senate approve their versions of the GAB, they constitute a panel to the Bicameral Conference Committee, which discusses and harmonizes conflicting provisions.



### Ratification & Enrolment

DEC OF PRIOR FY

The Harmonized or "Bicam" version of the GAB is then submitted back to both Houses, which then vote to ratify the final GAB. Both houses then submit or "enrol" the ratified GAB to the President.



### Enactment

DEC OF PRIOR FY

Budget legislation ends when the President signs the General Appropriations Act (GAA) into law. Prior to this, the President may veto or set conditions for implementation for certain items in the GAA, which are contained in the President's Veto Message.

## ③ EXECUTION



### Disbursement

THROUGHOUT

Monies are paid out from the Treasury to settle government obligations. With the **Expanded Modified Direct Payment Scheme**, most payment transactions of government will become checkless and cashless.



### Cash Allocation

JAN (COMPREHENSIVE) AND THROUGHOUT

The DBM issues disbursement authorities, such as the Notice of Cash Allocation (NCA) to authorize an agency to pay the obligations it incurs.



### Obligation (Bidding & Award)

THROUGHOUT

Agencies incur liabilities, which the national government will pay for, as they implement programs, activities, and projects. Agencies incur obligations when, for instance, they hire new staff or enter into a contract with suppliers of goods and services (*also see Early Bidding*).



### Allotment Release

JAN (COMPREHENSIVE) AND THROUGHOUT

The DBM issues allotments to agencies to authorize the latter to incur obligations. With the **GAA-as-Release Document**, the enacted Budget itself serves as the allotment release for all budget items except those contained in a negative list, which require Special Allotment Release Order (SARO).



### Budget Program

NOV-DEC OF PRIOR FY

Agencies submit Budget Execution Documents to outline their financial plans and performance targets for the year. The DBM consolidates these plans into the budget program, which breaks down the allotment and cash releases for each month of the year.



### Early Bidding for Infrastructure

OCT-DEC OF PRIOR FY

The Department of Public Works and Highways (DPWH) and other agencies that implement infrastructure projects **bid their projects before the GAA is enacted**. Early bidding allows agencies to award their approved projects as early as day one of the new fiscal year.

# TWO-TIER BUDGETING APPROACH

To date, the 2016 National Budget is the most scrutinized one. A “Two-Tier Budgeting” approach was introduced to the budgeting process to ensure that (1) agencies get only what they can spend to operate efficiently, and (2) the remaining resources only go to important programs with critical funding needs.

## How was your 2016 budget crafted?

### PRELIMINARY STEP



First, the government determines how much it can spend next year.

The government forecasts growth and other macroeconomic factors for the medium term.

It considers the deficit path it would take over the medium term. For the medium term, a deficit of 2 percent of the GDP is maintained.

Based on this forecast, it sets its revenue collection targets.

3T

### TIER 1

Thus, the Budget was determined to be **P3.002 trillion**

The government estimates overhead expenses and the cost of ongoing programs and projects for the medium term. These items are called **forward estimates**.



During first-tier budgeting, the DBM assesses agencies for the following:

Operating expenses include the cost of daily operations, such as:

- Salaries and benefits of government employees
- Electricity, rent, and other utilities to keep offices running
- Gas to power patrol cars, commuter trains, and other public vehicles

Costs of ongoing programs include:

- Road maintenance
- Conditional cash transfers
- DepEd's books, supplies, scholarships, etc.

- Decision Points:**
- How much does an agency need to operate daily?
  - How did the agency spend its budget and deliver on previous targets?
  - How much does the agency need to keep a program running?



3T

P2.42 T

Out of the **P3.002 trillion** Budget, **P2.42 trillion** was allocated to cover ongoing expenditures.

P582.7 B

What's left of the Budget is called the **fiscal space**, which is the subject of second-tier budgeting. The fiscal space is strictly used for the following instances:

- ① To fund new development programs and projects; or
- ② To expand existing programs and projects that foster inclusive development.



### TIER 2

During second-tier budgeting, DBM asks agencies the following:

#### Decision Points:

- Do their proposals fall under the Budget Priorities Framework?
- Does it have an implementation plan? Are beneficiaries targeted and identified? For roads (e.g. farm-to-market roads), is it supported by a network plan?
- Do these proposals have a measurable impact to citizens?



After second-tier budgeting, the government was able to fund:

① **New Programs**

e.g., the First 1000 Days Intervention Package, which will provide vaccines, vitamin A supplements, medicines, and other essential health packages to children aged 2 and below.

② **Expanding Programs**

e.g., DSWD's Sustainable Livelihood Program, the budget for which doubled from 2015 to 2016, to cater to the needs of families graduating from the government's conditional cash transfer program.

# GLOSSARY

## ALLOTMENT CLASS

The classification of government expenses by:

**Personnel Service:** Salaries, other compensation (e.g., salary increases, allowances, honoraria) for permanent, temporary, contractual, and casual employees of the government, and retirement benefits (e.g., terminal leave, retirement gratuity)

**Maintenance and Other Operating Expenditures (MOOE):** Funds to operate government agencies, including supplies and materials, transportation and travel, utilities, and other maintenance activities

**Financial Expenditures:** Management, supervision, or trusteeship fees, interest expenses, bank charges, and other financial charges

**Capital Expenditure or Capital Outlay:** Purchase of goods and services that add to the government's assets, including infrastructure, vehicles, and investments in capital stocks of government corporations

## APPROPRIATION/ITEM OF APPROPRIATION

The amount indicated in the General Appropriations Act, Automatic and Supplemental Appropriations allowed for spending on a program, activity, or project (P/A/P).

## AUGMENTATION

The use of savings by constitutional officers such as the President to cover deficiencies in an item of appropriation existing in the GAA.

## MAJOR FINAL OUTPUT (MFO)

Goods and services that a department or agency must deliver to external clients through the implementation of programs, activities, and projects. MFOs are evaluated using performance indicators according to quality, quantity, and timeliness.

## ORGANIZATIONAL OUTCOME

The results that define the purpose of the organization or agency.

## PROGRAM/ACTIVITY/PROJECT (P/A/P)

An item of appropriation specified further as follows:

**Program:** An integrated group of activities that contributes to an agency's continuing objective. These groups may include General Administration and Support, Support to Operations, and Operations

**Activity:** A work process that contributes to the fulfilment of a program, sub-program, or project, such as research, surveys, monitoring, etc.

**Project:** A special agency task that must be completed within a definite timeframe and which is designed to produce goods and services, such as road widening, installation of street lamps, etc.

## REALIGNMENT OF FUND

The reallocation, modification or change in details within an existing P/A/P, provided that the change will not increase the total amount appropriated for that P/A/P. Realignment may only be done within a P/A/P and covers changes such as: Object of expenditure within an allotment class, Implementing or Operating Units, and project modifications as authorized in special provisions in the GAA.

## SAVINGS

Savings mean remaining balances of an appropriation which have not released or obligated:

- ① After a project is discontinued or abandoned **due to factors that are not the agency's fault or negligence (e.g., right of way issues)**
- ② After a project does not start because **the agency is unable to use released allotment due to disasters or factors that are not the agency's fault**
- ③ Arising from efficiencies in the delivery of services **consistent with agency's performance targets**
- ④ Arising from a **lower cost** than the provided cost in the approved contract budget
- ⑤ Arising from unused personnel services costs pertaining to **A) unfilled or abolished positions; B) non-entitlement to allowances; C) leaves of absences without pay; D) death of pensioners, decrease in number of retirees, or other related causes**



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