



**REFORMING
THE PHILIPPINE
BUDGETING SYSTEM**

**THE
2019
NATIONAL BUDGET**

A Modern and Open Cash-Based Budget

**State Universities and Colleges
and
Government-Owned and/or -Controlled Corporations**



Annual Cash-Based Budgeting: A First in Philippine Budgeting

FY 2019 marks the shift to the first annual cash-based budget of the Philippine government. Under this system, all government programs and projects budgeted for the fiscal year should be implemented and delivered within the same fiscal year. Goods and services delivered, inspected, and accepted until the end of the fiscal year will be settled within the same year, up to the 3-month period following the end of the fiscal year, or the Extended Payment Period (EPP).



Why is the shift to annual cash-based budgeting necessary?

1

It promotes discipline among agencies because only the programs and projects which are shovel-ready, or those ready for implementation, are included in the budget. Hence, it requires better planning, early procurement, and greater coordination among agencies. It spurs action from the agencies and more active management of budgetary resources.

2

It raises the credibility of the government with its suppliers and contractors by ensuring that the payment of contractual obligations which are scheduled to be delivered in the fiscal year are reflected in the Budget and that the payments of those deliverables accepted are settled within the year up to the EPP.

3

It supports the government's expansionary policy by addressing underspending, enabling it to double expenditures for infrastructure services and expand social services from 30% to 40% of the Budget from 2017 to 2022. These will support the government's growth target of 7-8% during this period.

4

It modernizes our budgeting system and raises it to international standards.



How did the shift to an annual cash-based budget affect the 2019 Proposed National Budget?

It made the 2019 Proposed Budget ...

Disciplined

Because bigger is not always better!

As illustrated in the graphs, budget of state universities and colleges (SUCs) and budgetary support to government-owned and/or -controlled corporations (GOCCs) have not been fully utilized.

Disbursement rate is also lower compared to the obligation rate. This means that while agencies have entered into contracts within the fiscal year, deliveries were not necessarily made within that same year to enable payments/disbursements.

With the Annual Cash-Based Budgeting System, incurring of obligations and disbursement of payments will be limited to the goods delivered and services rendered and inspected, accepted within the fiscal year. Payments for these should likewise be settled within the fiscal year and up to the Extended Payment Period.

Accountable

Agency performance will not be based on the contracts awarded or obligated (but which cannot always be delivered), but on programs and projects implemented and outputs delivered and paid for during the fiscal year. Obligations are intentions, cash disbursements mean outputs.

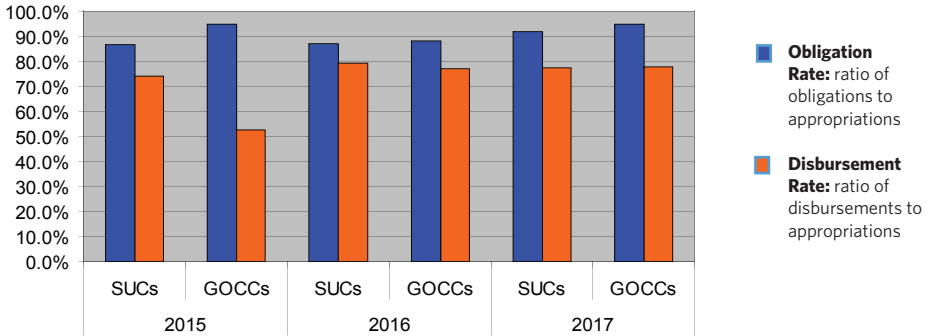
The 2019 Budget is consistent with the Administration's goal of becoming an upper middle-income and globally competitive economy by 2022 and reducing the national poverty incidence from 21.6% in 2015 to 14.0% by 2022.

An Instrument for Faster Service Delivery

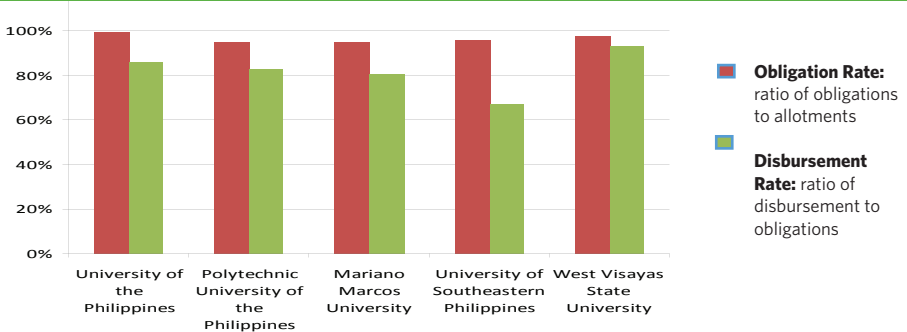
The confusing pile up of undelivered obligations under the current system will stop, as agencies will be pushed to deliver their programs and projects within the one-year horizon. Otherwise, their cash appropriations will revert to the Treasury and will need to be reappropriated.



Budget Utilization Rates of SUCs and GOCCs, 2015-2017

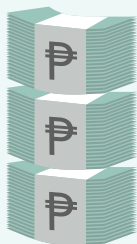


Budget Utilization Rates of Selected SUCs, 2017



Obligation

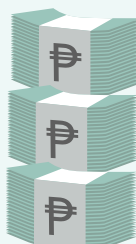
A commitment by a government agency arising from an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money. The agency is authorized to incur obligations only in the performance of activities which are in pursuit of its functions and programs authorized in appropriations acts/laws within the limit of the allotment released by the DBM.



Terms Explained

Disbursement

Refers to the settlement/liquidation/payment of an obligation incurred in the current or prior years, involving cash or non-cash transactions and covered by disbursement authorities.



How is the annual cash-based budgeting system different from the previously used obligation-based budgeting system?

OBLIGATION-BASED BUDGETING

ANNUAL CASH-BASED BUDGETING

Time Horizon / Period of Implementation



Contracts awarded within the fiscal year can be delivered even after the end of the year.

Contracts intended to be implemented for the fiscal year should be fully delivered, inspected, and accepted by the end of the fiscal year.

Obligation-based Appropriations (24 months & beyond)



Cash-based Appropriations (12 months)



Period of Payment

Inspection, verification, and payment is done within and beyond the end of the fiscal year.

Payment is done within the fiscal year and up to a three-month Extended Payment Period (EPP) after the fiscal year for goods and services accepted by December 31 of the fiscal year.

Obligation-based Appropriations (24 months & beyond)



Cash-based Appropriations (15 months)



How will the shift to the Annual Cash-Based Budgeting System affect the period of disbursement of funds provided to SUCs and GOCCs?



Period of Disbursement/Utilization for SUCs

Similar to other national government agencies, funds provided to SUCs should be disbursed within the fiscal year. and up to a three-month EPP.



Period of Disbursement/Utilization for GOCCs

Because of the one-year validity of appropriations for transfers to GOCCs which started in 2018, downloading of funds from the national government shall be done within the fiscal year. These funds, which are in the form of program subsidies, operating subsidies, and equity should be disbursed by the GOCCs within the fiscal year.

Annual Cash-Based Budgeting under the Transition Period (2019)

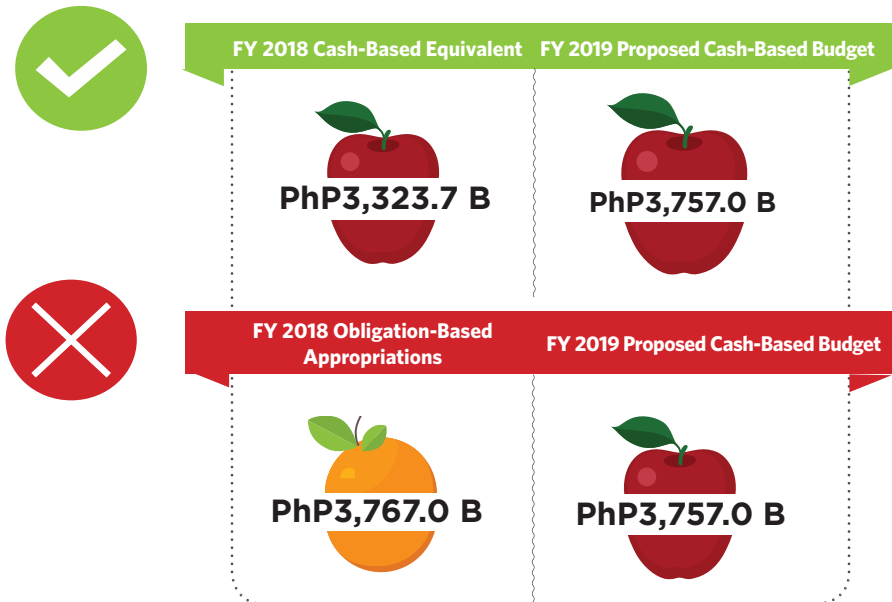
For 2019, the implementation of the Annual Cash-Based Budgeting System will be subject to a transition to enable agencies to better implement their infrastructure projects. Under this transition period, provision for the infrastructure capital projects of agencies, including SUCs and GOCCs, would have to be obligated within 12 months (e.g., enter into contracts up to December 2019) and to be implemented and disbursed in 18 months or up to June 2020. The EPP will not be applied for these infrastructure capital outlays.

Non-infrastructure projects/items such as Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) will be subject to the Annual Cash-Based Budget. Appropriations shall be available for release and can be obligated and implemented until December 31, 2019. Payment must be done within the fiscal year and up to a three-month EPP after the fiscal year for goods and services accepted by December 31, 2019.

Infrastructure/Capital Outlay	Non-Infrastructure Items
Time Horizon/Period of Obligation & Implementation	
12 months to obligate <i>(January-December 2019)</i> 18 months to implement <i>(Jan 2019-June 2020)</i>	12 months to obligate and implement <i>(January-December 2019)</i>
Period of Payment	
18 months <i>(Jan 2019-June 2020)</i>	12 months + 3 months EPP <i>[Jan-Dec 2019 + EPP (Jan-March 2020)]</i>

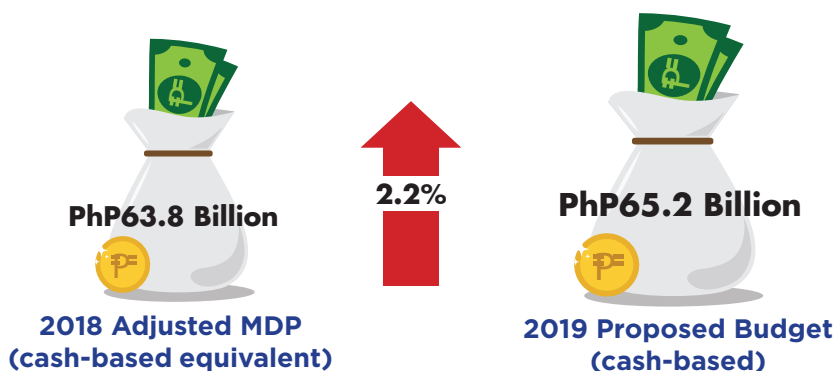
Given these major differences, is the 2019 cash-based budget comparable with the 2018 obligation-based budget?

Comparing the 2019 cash-based budget with the 2018 obligation-based budget is like comparing apples with oranges. To have an apple-to-apple comparison, the 2019 Budget should be compared with the cash-based equivalent of the 2018 Budget.



The cash-based equivalent of the 2018 obligation-based budget is derived from the Monthly Disbursement Program (MDP) submitted by agencies such as SUCs and GOCCs and removing the prior years' payments for accounts payable from these. This leaves the cash disbursements estimated to be made by the agencies for the current year's budget.

2019 Cash-Based Budget of SUCs in Comparison with their 2018 Cash-Based Equivalent



SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
State Universities and Colleges	63,752,622	65,198,731	1,446,109	2.27
National Capital Region	20,919,085	20,480,286	(438,799)	-2.10
Eulogio "Amang" Rodriguez Institute of Science and Technology	246,935	235,393	(11,542)	-4.67
Marikina Polytechnic College	182,547	133,021	(49,526)	-27.13
Philippine State College of Aeronautics	118,656	182,517	63,861	53.82
Philippine Normal University	807,345	726,071	(81,274)	-10.07
Polytechnic University of the Philippines	1,469,449	1,589,163	119,714	8.15

^{1/} DBM-approved, net of Prior Years' Obligations; data based on the consolidated MDP submissions generated from the Unified Reporting System.

Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Rizal Technological University	418,756	420,681	1,925	0.46
Technological University of the Philippines System	697,478	739,899	42,421	6.08
University of the Philippines System	16,977,918	16,453,541	(524,377)	-3.09
Cordillera Administrative Region	1,839,873	1,842,919	3,046	0.17
Abra State Institute of Science of Technology	189,577	196,822	7,245	3.82
Apayao State College	169,190	114,274	(54,916)	-32.46
Benguet State University	593,556	625,809	32,253	5.43
Ifugao State University	397,219	346,368	(50,851)	-12.80
Kalinga State University	217,893	296,012	78,119	35.85
Mountain Province State Polytechnic College	272,438	263,634	(8,804)	-3.23
Region I	2,458,381	3,631,256	1,172,875	47.71
Don Mariano Marcos Memorial State University	662,696	1,005,619	342,923	51.75
Ilocos Sur Polytechnic State College	178,717	239,713	60,996	34.13
Mariano Marcos State University	567,104	1,034,106	467,002	82.35
North Luzon Philippines State College	54,071	88,121	34,050	62.97
Pangasinan State University	587,353	646,319	58,966	10.04
University of Northern Philippines	408,441	617,378	208,937	51.15

^{1/} DBM-approved, net of Prior Years' Obligations; data based on the consolidated MDP submissions generated from the Unified Reporting System.

Note: Amounts in thousand Pesos

SUC	2018 MDP [∨] (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Region II	2,655,314	2,613,494	(41,820)	-1.57
Batanes State College	119,103	52,452	(66,651)	-55.96
Cagayan State University	695,643	769,245	73,602	10.58
Isabela State University	1,073,969	1,081,113	7,144	0.67
Nueva Vizcaya State University	457,920	527,400	69,480	15.17
Quirino State University	308,679	183,284	(125,395)	-40.62
Region III	5,069,652	5,193,608	123,956	2.45
Aurora State College of Technology	200,478	157,642	(42,836)	-21.37
Bataan Pensinsula State University	461,271	563,614	102,343	22.19
Bulacan Agricultural State College	214,490	211,630	(2,860)	-1.33
Bulacan State University	735,188	642,138	(93,050)	-12.66
Central Luzon State University	903,212	864,426	(38,786)	-4.29
Don Honorio Ventura Technological State University	376,977	462,760	85,783	22.76
Nueva Ecija University of Science and Technology	413,817	439,394	25,577	6.18
Pampanga State Agricultural University	402,851	356,216	(46,635)	-11.58
Philippine Merchant Marine Academy	244,847	256,988	12,141	4.96
President Ramon Magsaysay State University	340,464	435,447	94,983	27.90
Tarlac Agricultural University	332,335	313,500	(18,835)	-5.67
Tarlac State University	443,722	489,853	46,131	10.40

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Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Region IV-A (CALABARZON)	2,400,689	2,404,707	4,018	0.17
Batangas State University	571,569	531,607	(39,962)	-6.99
Cavite State University	528,810	583,187	54,377	10.28
Laguna State Polytechnic University	453,322	465,047	11,725	2.59
Southern Luzon State University	327,878	317,688	(10,190)	-3.11
University of Rizal System	519,111	507,178	(11,933)	-2.30
MIMAROPA	1,790,750	1,816,459	25,709	1.44
Marinduque State College	204,204	193,985	(10,219)	-5.00
Mindoro State College of Agriculture and Technology	288,898	387,993	99,095	34.30
Occidental Mindoro State College	250,349	262,853	12,504	4.99
Palawan State University	378,866	446,303	67,437	17.80
Romblon State University	328,412	285,388	(43,024)	-13.10
Western Philippine University	340,021	239,937	(100,084)	-29.43
Region V	3,414,910	4,108,173	693,263	20.30
Bicol State College of Applied Sciences and Technology	156,166	185,097	28,931	18.53
Bicol University	918,482	1,051,234	132,752	14.45
Camarines Norte State College	339,793	475,346	135,553	39.89
Camarines Sur Polytechnic Colleges	231,540	250,117	18,577	8.02

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Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Catanduanes State University	355,091	578,393	223,302	62.89
Central Bicol State University of Agriculture	544,969	492,230	(52,739)	-9.68
Dr. Emilio B. Espinosa, Sr. Memorial State College of Agriculture and Technology	205,600	262,196	56,596	27.53
Partido State University	336,564	443,158	106,594	31.67
Sorsogon State College	326,705	370,402	43,697	13.38
Region VI	4,792,199	5,013,329	221,130	4.61
Aklan State University	423,035	438,282	15,247	3.60
Capiz State University	573,884	682,207	108,323	18.88
Carlos C. Hilado Memorial State College	287,768	370,475	82,707	28.74
Central Philippines State University	215,094	191,853	(23,241)	-10.81
Guimaras State College	94,512	110,957	16,445	17.40
Iloilo Science and Technology University	569,210	591,641	22,431	3.94
Iloilo State College of Fisheries	320,618	360,870	40,252	12.55
Northern Iloilo Polytechnic State College	428,455	386,662	(41,793)	-9.75
Northern Negros State College of Science and Technology	184,946	186,400	1,454	0.79
University of Antique	372,238	373,378	1,140	0.31

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Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
West Visayas State University	1,322,438	1,320,604	(1,834)	-0.14
Region VII	1,631,656	2,119,900	488,244	29.92
Bohol Island State University	244,640	333,727	89,087	36.42
Cebu Normal University	246,647	298,844	52,197	21.16
Cebu Technological University	726,420	910,685	184,265	25.37
Negros Oriental State University	319,861	499,099	179,238	56.04
Siquijor State University	94,087	77,545	(16,542)	-17.58
Region VIII	4,288,853	3,362,250	(926,603)	-21.60
Eastern Samar State University	498,478	411,859	(86,619)	-17.38
Eastern Visayas State University	412,662	409,353	(3,309)	-0.80
Leyte Normal University	401,582	207,554	(194,028)	-48.32
Naval State University	238,135	178,848	(59,287)	-24.90
Northwest Samar State University	298,471	165,557	(132,914)	-44.53
Palompon Institute of Technology	255,344	177,973	(77,371)	-30.30
Samar State University	336,657	245,917	(90,740)	-26.95
Southern Leyte State University	317,562	300,731	(16,831)	-5.30
University of Eastern Philippines	565,377	477,859	(87,518)	-15.48
Visayas State University	964,585	786,599	(177,986)	-18.45

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Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Region IX	1,552,365	1,561,855	9,490	0.61
J. H. Cerilles State College	170,831	206,829	35,998	21.07
Jose Rizal Memorial State University	347,669	386,322	38,653	11.12
Western Mindanao State University	624,733	636,476	11,743	1.88
Zamboanga City State Polytechnic College	225,612	178,416	(47,196)	-20.92
Zamboanga State College of Marine Sciences and Technology	183,521	153,812	(29,709)	-16.19
Region X	2,962,908	2,725,417	(237,491)	-8.02
Bukidnon State University	440,917	474,769	33,852	7.68
Camiguin Polytechnic State College	82,292	79,620	(2,672)	-3.25
Central Mindanao State University	626,094	636,281	10,187	1.63
Mindanao State University - Iligan Institute of Technology	1,081,565	1,057,668	(23,897)	-2.21
University of Science and Technology of Southern Philippines - Cagayan de Oro Campus	433,231	311,190	(122,041)	-28.17
University of Science and Technology of Southern Philippines - Claveria Campus	171,688	100,997	(70,691)	-41.17
Northwestern Mindanao State College of Science and Technology	127,120	64,892	(62,228)	-48.95

^{1/} DBM-approved, net of Prior Years' Obligations; data based on the consolidated MDP submissions generated from the Unified Reporting System.

Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Region XI	1,179,238	1,338,329	159,091	13.49
Compostela Valley State College	139,674	92,279	(47,395)	-33.93
Davao del Norte State College	130,749	154,312	23,563	18.02
Davao Oriental State College of Science and Technology	263,361	227,508	(35,853)	-13.61
Southern Philippines Agri-business and Marine and Aquatic School of Technology	135,166	153,862	18,696	13.83
University of Southeastern Philippines	510,288	710,368	200,080	39.21
Region XII	1,373,612	1,186,271	(187,341)	-13.64
Cotabato City State Polytechnic College	132,130	138,411	6,281	4.75
Cotabato Foundation College of Science and Technology	225,995	175,329	(50,666)	-22.42
Sultan Kudarat State University	373,236	326,163	(47,073)	-12.61
University of Southern Mindanao	642,251	546,368	(95,883)	-14.93
Region XIII	1,224,457	1,598,403	373,946	30.54
Agusan del Sur State College of Agriculture and Technology	220,455	217,259	(3,196)	-1.45
Caraga State University	386,063	388,170	2,107	0.55
Surigao del Sur State University	282,705	575,128	292,423	103.44

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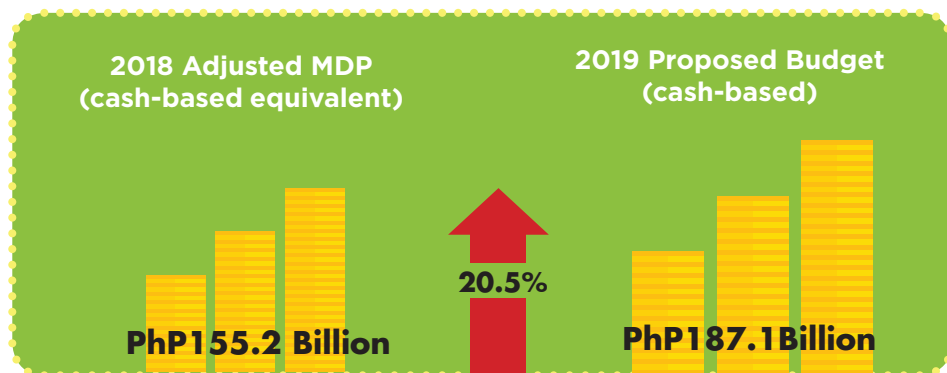
Note: Amounts in thousand Pesos

SUC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
Surigao State College of Tech- nology	335,235	417,846	82,611	24.64
<i>Autonomous Region in Muslim Mindanao</i>	<i>4,198,679</i>	<i>4,202,075</i>	<i>3,396</i>	<i>0.08</i>
Adiong Memorial Polytechnic State College	119,877	59,652	(60,225)	-50.24
Basilan State College	152,482	101,315	(51,167)	-33.56
Mindanao State University (MSU Proper)	3,068,987	3,241,107	172,120	5.61
Mindanao State University - Ta- wi-Tawi College of Technology and Oceanography	594,555	568,494	(26,061)	-4.38
Sulu State College	101,936	118,209	16,273	15.96
Tawi-Tawi Region- al Agricultural College	160,843	113,298	(47,545)	-29.56

^{1/} DBM-approved, net of Prior Years' Obligations; data based on the consolidated MDP submissions generated from the Unified Reporting System.

Note: Amounts in thousand Pesos

2019 Cash-Based Budget of GOCCs in Comparison with their 2018 Cash-Based Equivalent



GOCC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
BSGC	155,247,229	187,085,553	31,838,324	20.5
DA	6,552,144	6,189,510	(362,634)	(5.5)
NDA	520,213	251,441	(268,772)	(51.7)
NTA	345,530	401,370	55,840	16.2
PCIC	3,500,000	3,500,000	-	-
PFDA	135,250	765,190	629,940	465.8
PRRI	778,357	771,509	(6,848)	(0.9)
PSC	272,794	-	(272,794)	(100.0)
SRA	1,000,000	500,000	(500,000)	(50.0)
DOE	3,639,792	2,756,930	(882,862)	(24.3)
NEA	2,036,939	1,527,944	(508,995)	(25.0)
NPC	1,602,853	1,228,986	(373,867)	(23.3)
DOF	28,755,547	36,602,638	7,847,091	27.3
DBP	3,133,840	-	(3,133,840)	(100.0)
LBP	25,621,707	36,488,000	10,866,293	42.4

^{1/} DBM-approved, net of Prior Years' Obligations; figures validated by DBM BMB-C.
Note: Amounts in thousand Pesos

GOCC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
DOH	57,291,367	70,809,169	13,517,802	23.6
LCP	408,653	225,870	(182,783)	(44.7)
NKTI	804,554	859,364	54,810	6.8
PCMC	938,585	1,070,063	131,478	14.0
PHIC	54,127,542	67,353,360	13,225,818	24.4
PHC	885,600	1,157,893	272,293	30.7
PITACH	126,433	142,619	16,186	12.8
DPWH	220,000	325,317	105,317	47.9
LWUA	220,000	325,317	105,317	47.9
DOT	1,862,450	-	(1,862,450)	(100.0)
TIEZA	169,000	-	(169,000)	(100.0)
TPB	1,693,450	-	(1,693,450)	(100.0)
DTI	3,755,672	1,302,879	(2,452,793)	(65.3)
APEZFA	59,513	58,721	(792)	(1.3)
CITEM	231,876	244,158	12,282	5.3
PEZA	2,464,283	-	(2,464,283)	(100.0)
SBC	1,000,000	1,000,000	-	-
DOTr	1,723,172	1,493,987	(229,185)	(13.3)
LRTA	333,172	1,473,987	1,140,815	342.4
PNR	1,390,000	20,000	(1,370,000)	(98.6)
NEDA	131,811	165,694	33,883	25.7
PIDS	131,811	165,694	33,883	25.7
PCOO	76,097	576,321	500,224	657.4
PTN Inc	76,097	576,321	500,224	657.4
OEOs	49,171,591	66,834,502	17,662,911	35.9
AFAB	159,599	191,530	31,931	20.0
BCDA	6,825,066	17,178,853	10,353,787	151.7

^{1/} DBM-approved, net of Prior Years' Obligations; figures validated by DBM BMB-C.

Note: Amounts in thousand Pesos

GOCC	2018 MDP ^{1/} (cash-based equivalent)	2019 NEP (cash-based)	Increase/Decrease	
			Amount	%
CIC	53,915	19,311	(34,604)	(64.2)
CCP	300,253	315,173	14,920	5.0
DAP	638,712	316,484	(322,228)	(50.4)
HGC	500,000	500,000	-	-
NFA	7,000,000	7,000,000	-	-
NHMFC	500,000	500,000	-	-
NHA	706,816	360,208	(346,608)	(49.0)
NIA	29,210,663	36,897,729	7,687,066	26.3
PCED	35,925	28,255	(7,670)	(21.4)
PCA	1,486,466	1,251,356	(235,110)	(15.8)
PPC	585,642	541,323	(44,319)	(7.6)
SHFC	641,826	800,000	158,174	24.6
SPDA	47,993	53,505	5,512	11.5
SBMA	2,078,614	381,296	(1,697,318)	(81.7)
ZCSEZA	439,081	398,239	(40,842)	(9.3)
CEZA	-	101,240	101,240	----
BSGC-OTHERS	28,606	28,606	-	-

^{1/} DBM-approved, net of Prior Years' Obligations; figures validated by DBM BMB-C.
Note: Amounts in thousand Pesos