



# THE PRESIDENT'S BUDGET MESSAGE

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FISCAL YEAR  
**2016**

*Paggugol na Matuwid:  
Saligan ng Tuloy-Tuloy na Pag-Unlad*

**THE PRESIDENT'S BUDGET MESSAGE  
FISCAL YEAR 2016**

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**Message of  
His Excellency Benigno S. Aquino III  
President of the Philippines  
to the Sixteenth Congress of the Philippines  
on the National Budget for Fiscal Year 2016**

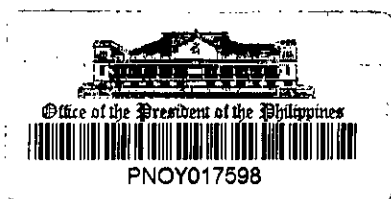
July 28, 2015

Ladies and Gentlemen of the  
16<sup>th</sup> Congress of the Philippines:

By the mandate vested upon me by the sovereign will of the Filipino people, I have the honor to submit to you, through the President of the Senate and the Speaker of the House of Representatives, the Proposed National Budget for 2016.

**OUR CONTINUING JOURNEY ALONG THE DAANG MATUWID**

I took my oath of office on June 30, 2010, fully aware of the great responsibility that rested upon my shoulders. We knew from the start that our journey along the *Daang Matuwid* would be difficult. We knew that dealing with the root causes of corruption, especially the deeply entrenched patronage system, that had weakened the capability of our public institutions to govern and serve, was easier said than done.



### *The President's Budget Message*

In spite of these formidable challenges, we carried on. Driven by the hopes and dreams of the people who installed us to power, we fought hard to make the impossible possible:

To confront powerful and deeply entrenched vested interests by implementing game-changing reforms;

To expand our scarce resources without imposing new taxes, except through the Sin Tax Reform Law;

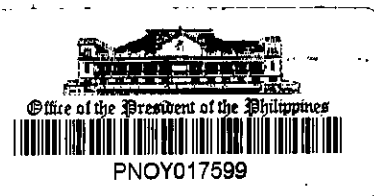
To make up for the lost opportunity in the past decade and reduce poverty incidence from 28.6 percent in 2009 to 25.8 percent in 2014<sup>1</sup> by transforming the way we deliver basic services;

To achieve growth and rejuvenate the investing community's confidence in our country.

Our people dared us to demonstrate how good governance leads to better performance and brings them meaningful benefits. By delivering the real and measurable dividends of good governance, we enabled our countrymen to aspire for greater prosperity for themselves and their country.

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<sup>1</sup> Poverty incidence among population, first semester.



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*Sa sama-sama nating pagsulong sa Daang Matuwid, narating ng ating bansa ang bagong yugto ng kaunlaran<sup>2</sup>.*

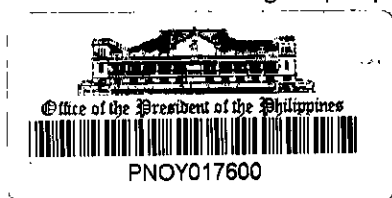
Our country is now on the cusp of a sustained and accelerated growth path. Our firm commitment to good governance has allowed us to set the stage for a transformed economy, driven by local and foreign investments and the emergence of a robust middle class. Our vision of People Power—a citizenry empowered to steer the direction of their government and society—is now taking shape because of our people’s staunch support and unrelenting demand for change.

We are still faced with the daunting tasks of sustaining the country’s upward growth and helping more Filipinos out of poverty. We continue to face obstacles that could derail our momentum—the machinations of a powerful few to backslide to their positions of privilege, as well as our own missteps. Paradoxically, we also now have to contend with more complex challenges that have surfaced because of our achievements.

In the face of all of these, we must continue to stand on the solid platform of good and effective governance.

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<sup>2</sup> “Through our collective journey on the Straight Path, our country has reached a new stage of prosperity.”



### *The President's Budget Message*

To achieve inclusive development, we must sustain, if not intensify, governance reforms so that we can tackle the institutional weaknesses that hamper the timely and effective delivery of services. We must continue to transform the bureaucracy to become one that is nimble and capable of creating solutions to the emerging challenges of our time.

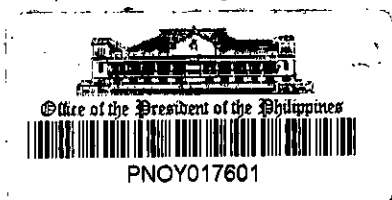
Moreover, as we establish greater efficiency, integrity, and transparency in government, we must deepen the participation of citizens in the way public institutions operate. Only by doing this can we fulfill the vision of People Power.

Beginning today until June 30, 2016, we must prepare the way for the next administration to build on our achievements and bring our country to a higher path of prosperity. We must remain faithful to our Social Contract with the Filipino People: to lead the charge for honest and effective governance—especially in how taxes are spent.

***Sa paggugol na matuwid, nagtatatag tayo ng matibay na saligan ng tuloy-tuloy na pag-unlad<sup>3</sup>.***

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<sup>3</sup> "Through honest and effective management of public expenditures, we provide a strong foundation for sustained progress."



Fiscal Year 2016

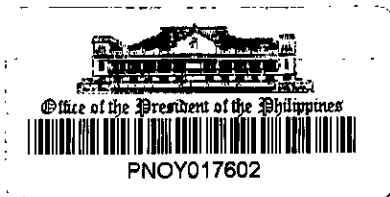
## **THE 2016 PROPOSED NATIONAL BUDGET FOR INCLUSIVE DEVELOPMENT THROUGH SUSTAINED REFORM**

The Budget is central to our pursuit of inclusive development. Since the start of our term, we have introduced reforms that ensure that the government *spends within its means, invests in the right priorities, and delivers measurable results* for our people. We are driven by our belief that the Budget is the government's most potent instrument in achieving its development goals.

Through the Budget, we set the pace and tone of governance reform: from establishing tighter controls against corruption, to improving the capability of public institutions to deliver services while being held accountable for their performance. Moreover, we use the Budget to empower citizens in statecraft through greater transparency, accountability, and public engagement.

Ladies and gentlemen of the 16<sup>th</sup> Congress: today, I submit a proposed National Budget that is designed to consolidate the reforms that we have introduced since 2010 and provide a strong foundation for Inclusive Development.

This P3-trillion Budget is anchored on four principles that define public financial management under our administration—principles that must continue to characterize budgeting and management beyond our term:



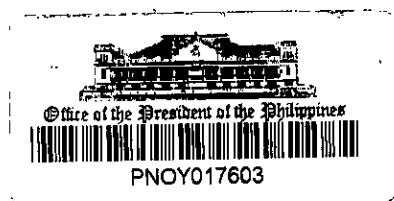
### *The President's Budget Message*

*Spending Within Our Means.* This Budget was designed to dramatically boost revenue collections, reduce the debt burden, contain the fiscal deficit, and keep public spending within the authority set by Congress—ensuring that our successor inherits a healthy treasury.

*Investing in the Right Priorities.* This Budget makes inclusive growth an achievable goal and not a mere aspiration by focusing our scarce resources on programs that have the greatest impact in improving the lives of our people, especially those in the poorest communities.

*Delivering Measurable Results.* This Budget addresses the institutional weaknesses that prevent key agencies from delivering services in a timely way and with impact, while likewise leveraging alternative means of delivery together with the private sector and local governments.

*Empowering Citizens through the Budget.* This Budget allows us to intensify our pursuit of transparency, accountability, and participation: to empower the people—who installed us to power in the first place—to take an active part in our quest for inclusive growth.





## **SPENDING WITHIN OUR MEANS**

The 2016 Budget will enable us to continue addressing our people's urgent needs while fulfilling our commitment to fiscal responsibility. Because of our efforts to boost revenue collections, deftly manage our debt and liabilities, and dramatically curb leakages and inefficiencies in spending systems, we have almost doubled our Budget from P1.541 trillion to P3.002 trillion in the last six fiscal years.

We knew that we could only finance our Social Contract with the People by pursuing reforms relentlessly. Thus, we vigorously ran after tax evaders, smugglers, and their collaborators in government, and brought them to justice. We plugged loopholes in our tax collection systems and boldly shook up the Bureau of Customs. We recalibrated our borrowing strategy to develop our domestic capital market, lengthen the maturities of our liabilities, and lessen risks in our debt portfolio. We pursued public expenditure reforms to free up more resources for urgently needed services.

As a result, our revenue effort improved to 15.1 percent of GDP in 2014, from a low of 13.4 percent in 2010. This has enabled us to reduce our fiscal deficit to below 2 percent of GDP in the last two years, from 3.5 percent of GDP in 2010. Our debt stock declined to 45.4 percent of GDP in 2014 from 52.4 percent in 2010. In the same period, we eased the burden of interest payments to 16.8 percent of total



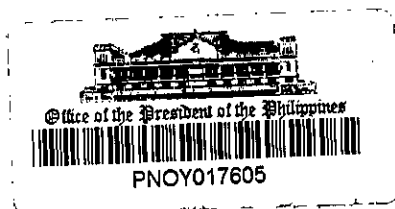
### *The President's Budget Message*

revenues, from 24.4 percent when we assumed office. These established a virtuous cycle of fiscal stability which restored our government's credibility in the domestic and international market—demonstrated by the successive investment-grade credit rating upgrades that we have achieved during our term.

Because of good governance, our economy has become among the fastest-growing in Asia and among the fastest-rising in global competitiveness benchmarks.

To sustain our growth trajectory, we must continue to be vigilant against volatilities in the global market and mitigate their impact on our domestic economy. We must continue to look out for opportunities to improve the lives of our people. We must address the key issues encountered by agencies in spending their budgets in a timely manner and with impact. With the measures we established to curb underspending as well as to sustain the confidence of the private sector, we continue to aspire for a 7- to 8-percent GDP growth in 2015, 2016, and beyond.

***Fiscal Program.*** The continued growth of our economy, combined with sustained revenue reforms, will enable us to collect P2.7 trillion in revenues next year: an 18.5-percent increase from projected revenue collections in 2015. This boosts our capacity to address the needs and wants of our people without ballooning our national debt.



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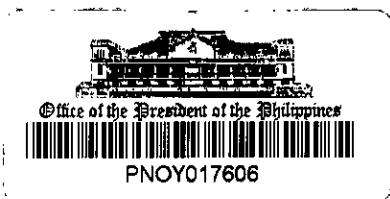
Because of increased revenues, our nominal fiscal deficit will increase by only 8.8 percent year-on-year. We must keep the deficit within 2 percent of GDP over the medium-term to boost public spending while reducing our outstanding debts. Only by doing so can we sustain economic growth and poverty reduction while maintaining our newfound credibility with the investing public.

**Table 1: National Government (NG) Fiscal Program, 2014-2018**

	2010	2011	2012	2013	2014	2015	2016
<b>Levels (in PHP Billion)</b>							
<b>Revenues</b>	1,208	1,360	1,535	1,716	1,909	2,275	2,697
<b>Disbursements</b>	1,552	1,558	1,778	1,880	1,982	2,559	3,006
<b>Balance</b>	(314.5)	(197.8)	(242.8)	(164.0)	(73.1)	(283.7)	(308.7)
<b>Percent of GDP (%)</b>							
<b>Revenues</b>	13.4	14.0	14.5	14.9	15.1	16.3	17.5
<b>Disbursements</b>	16.9	16.0	16.8	16.3	15.7	18.4	19.5
<b>Balance</b>	(3.5)	(2.0)	(2.3)	(1.4)	(0.6)	(2.0)	(2.0)

*Note: 2010-2014 figures are actual and 2015-2016 are based on program*

**Revenues.** We must persevere with our reform agenda to further increase our revenue effort to 17.5 percent of GDP in 2016. The Bureau of Internal Revenue will continue to aggressively pursue tax evaders and streamline its tax collection processes. The ongoing revamp of the Bureau of Customs—from a stronghold of smugglers to a paragon of good governance—will continue.

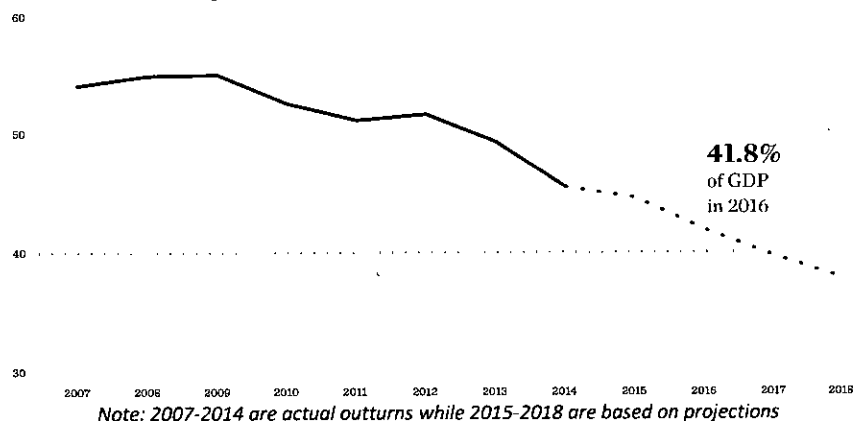


### *The President's Budget Message*

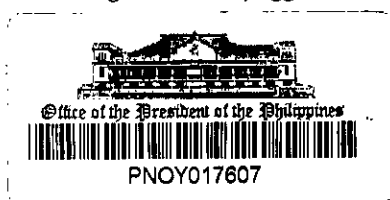
However, we, in the Executive, cannot successfully push for revenue reforms alone. I am confident that the people can rely on Congress, too, to support crucial revenue reforms, as it had done with the Sin Tax Reform Law. I ask Congress to pass the Fiscal Incentives Rationalization Bill and the Tax Incentives Management and Transparency Act to bring greater transparency, efficiency, and accountability into our incentives system while providing competitive incentives to investors.

**Borrowings and Debt.** Because of our fiscal consolidation efforts, we will need to borrow only P674.8 billion to finance the projected P308.7-billion deficit, to amortize P347.7 billion of our maturing outstanding debt, while maintaining sufficient available cash<sup>4</sup>. This will enable us to further reduce our debt stock to 41.8 percent of GDP by end-2016.

Figure 1: NG Outstanding Debt, 2007 to 2018



<sup>4</sup> Change in cash is pegged at P18.4 billion in 2016



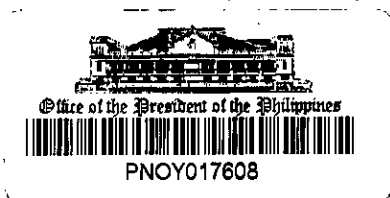
We have set the stage for the next administration to further improve the financial condition of the government by reducing the cost of our borrowings and lessening risks associated with foreign-denominated debts. If the succeeding administration sustains our commitment to fiscal consolidation, it can further reduce the debt stock below 40 percent of GDP by its second year in office.

**Expenditures.** Because we established a regime of fiscal sustainability and disciplined resource allocation, we are now able to meet our people's needs and mitigate their suffering sooner. We began with the Zero-Based Budgeting approach, and we continue to reform public expenditure management to restructure the Budget. As a result, we have widened our fiscal space<sup>5</sup>—the portion of the Budget available for new programs and projects or the expansion of existing ones—from a measly 42.7 billion in 2010 to 582.7 billion in 2016.

We intensified these reforms as we prepared our final Budget by introducing the **Two-Tier Budgeting Approach**: a process that enabled us to free up more resources for our people's most urgent priorities over the medium-term.

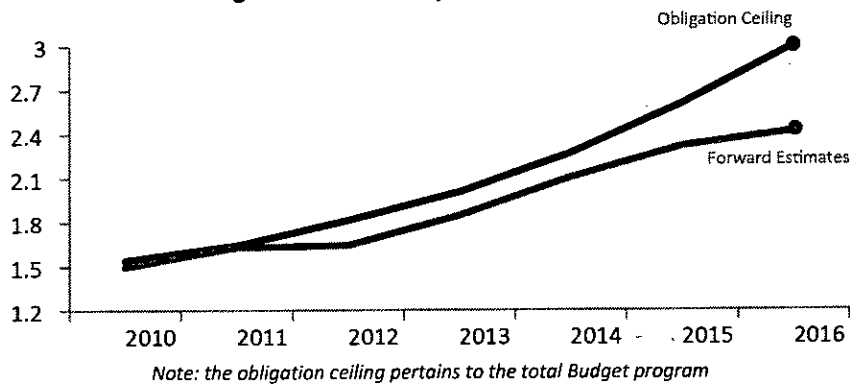
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<sup>5</sup> The fiscal space is the difference between a) the obligation budget ceiling, which is P3.002 trillion in 2016, based on the fiscal program and b) the forward estimates of the costs of ongoing expenditures, which is P2.419 trillion. For 2016, the fiscal space is P582.7 billion.



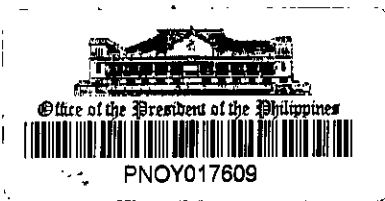
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Figure 2: NG Fiscal Space, 2010 to 2016



Under the first tier, we critically examined overhead expenditures as well as ongoing programs and projects of agencies against their real requirements and their current performance. The forward cost of these ongoing expenditures reached P2.419 trillion, leaving a balance or fiscal space of P582.7 billion for 2016: more than double the P287.3-billion fiscal space in 2015.

Under the second tier, where we allocated our fiscal space, we prioritized new or expanded programs and projects that meet the objectives of our Budget Priorities Framework. In addition, we tasked agencies to develop implementation-ready proposals: disaggregated into specific programs and projects; their beneficiaries and locations are targeted in a precise manner; and mechanisms to measure their impact are in place.

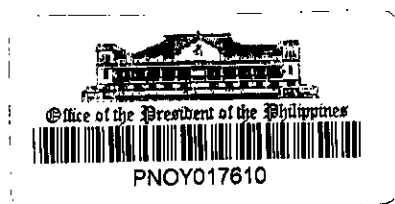


## **INVESTING IN THE RIGHT PRIORITIES**

We have never been more explicit: the Budget must fund only programs and projects that have real and measurable impact on the lives of our people.

We have rolled out reforms that enshrine greater discipline in allocating resources. The **Zero-Based Budgeting** approach rigorously examines programs and cancels those prone to leakages and those that failed to deliver results. The **Program Budgeting Approach** strengthens collaboration among agencies to meet the cross-cutting goals of the Philippine Development Plan. The **Budget Priorities Framework** focuses our scarce resources on the five priority areas of the Social Contract with the Filipino People and on the needs of the 44 poorest and most climate-vulnerable provinces.

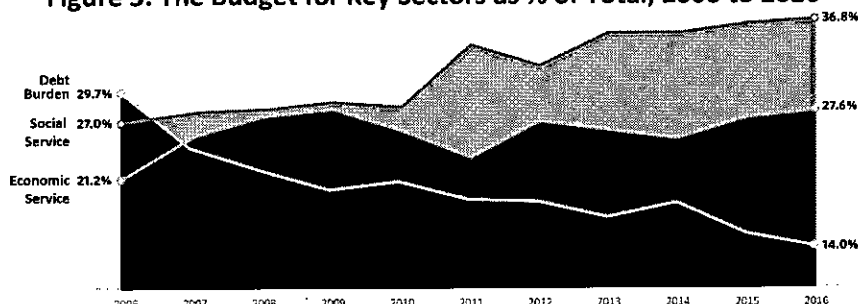
These reforms have allowed us to dramatically reshape the Budget. In 2005, P32 for every P100 was eaten up by the Debt Burden; it will be halved to P15 this year and further reduced to P14 in 2016. Combined expenditures for Social and Economic Services have increased in the last decade, from P45 for every P100 in 2005 to P64 in 2015 and P64.50 in 2016. Meanwhile, our other expenses to run the government and ensure peace and security have remained relatively stable at P21.50 per P100.



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Allow me to broadly discuss our priority investments for 2016, consistent with the Budget Priorities Framework:

**Figure 3: The Budget for Key Sectors as % of Total, 2006 to 2016**



*Note: 2006-2014 are based on actual obligations; 2015-2016 are based on program.*

**Good Governance and Anti-Corruption.** Since 2010, the Philippines has leapfrogged in international governance benchmarks. Our unrelenting fight against corruption enabled our country to rise by a total of 49 places to 85<sup>th</sup> of 175 countries in the 2014 Corruption Perceptions Index. Our efforts to streamline frontline services and establish regulatory stability pushed our country up by 33 places to 52<sup>nd</sup> of 144 countries in the 2014-2015 Global Competitiveness Index (GCI) and by 49 places to 95<sup>th</sup> of 189 countries in the 2015 Ease of Doing Business Index. These clearly demonstrate that our country has regained the trust and confidence of our people and the investment community.

We must leverage the 2016 Budget to further lock in good governance reforms. Of primary importance are policies that strengthen the capacity of public institutions to deliver services: from dramatically reducing lump sum funds, to





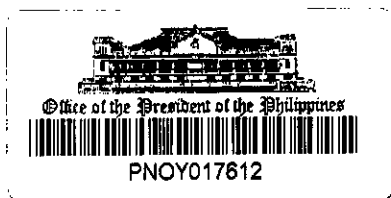
providing more resources to hire technical staff needed to enable agencies to implement programs and projects.<sup>6</sup>

Trustworthy and capable leadership is essential to good governance. We must therefore ensure honest, orderly, and peaceful elections. Thus, the Commission on Elections (COMELEC) has been allocated P13.0 billion in 2016 to administer the National and Local Elections, as well as the Barangay and Sangguniang Kabataan Elections. This will also enable Filipinos overseas to vote for national officials. Together with its P13.7-billion budget in 2015, COMELEC's operations for the 2016 elections will be amply funded.

To restore trust in public institutions, investments in fighting corruption will continue. The Office of the Ombudsman will receive P1.78 billion next year—a cumulative 68-percent increase from its P1.06-billion budget in 2010—enabling it to more vigorously prosecute corruption cases. Also, P505.9 million will enable the Sandiganbayan to adjudicate these cases expeditiously. This budget—51 percent larger than in 2010—will cover the creation of two more divisions to ease its case backlogs. Furthermore, the Commission on Audit will have P9.13 billion in 2016—almost 140 percent more than its budget in 2010—to bolster its auditing services, especially to conduct special and fraud audits, by leveraging technology and hiring more auditors, lawyers, and other experts.

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<sup>6</sup> See pages 28 to 30 for more discussions on how the 2016 Budget supports faster budget execution and strengthens institutional capacity to deliver.



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In all these efforts, a well-motivated and performance-oriented government workforce is critical. Thus, with its P16.8-billion allocation for 2016, the **Performance-Based Incentive System** will continue to recognize and reward public servants who surpass their targets. This will make sure that the individual public servant's performance determines his rewards, leading to a more efficient and dedicated bureaucracy. Also integrated into this Budget is a proposal to make government compensation as competitive as that of the private sector, in a manner that tightly links pay received to performance delivered.

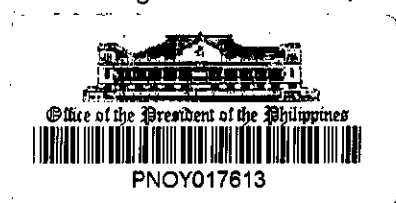
***Making Growth Inclusive.*** To reduce poverty incidence to the 18 to 20 percent range by 2016, we have, since 2010, revamped our social service delivery strategy and focused spending on well-designed and sharply targeted programs for the poor.

One such step is the expansion of the *Pantawid Pamilyang Pilipino* Program (4Ps) of the Department of Social Welfare and Development (DSWD) to help the poorest families keep their children in school all the way to high school, access healthcare services, and gain meaningful work.

For 2016, we propose P62.7-billion to benefit 4.6 million poor households.<sup>7</sup> This will also support the ongoing update

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<sup>7</sup> The regular conditional cash transfer (CCT), which has been expanded to cover high school students, will benefit 4.4 million indigent households;



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of the National Household Targeting System for Poverty Reduction, which is critical especially after the extensive destruction brought by Typhoon Yolanda.

We will also refocus spending to support households especially those graduating from the 4Ps in obtaining gainful employment and livelihood. Thus, we more-than-doubled the budget of the Sustainable Livelihood Program to P9.6 billion and set aside almost P11 billion for the continuation of the National Community-Driven Development Program.

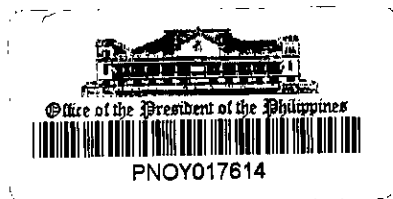
We continue to nurture the potential of our people to create prosperity for themselves through their skills and hard work.

Education is still our top budgetary priority. For 2016, the budget of this sector increased by 21 percent to P547.3 billion. In particular, this amount will enable the Department of Education (DepEd) to continue implementing the K-12 Basic Education Reform Program, including the first year of senior high school in 2016. After finally closing the inherited backlog in the supply of classrooms and teachers, today, we invest in improving the quality of education to better prepare our graduates for work or higher education.

We have allotted more resources to secure the health of our people through *Kalusugang Pangkalahatan*. For 2016, we increased the health sector's budget by 38 percent to

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while the modified CCT will cover 218,337 itinerant, homeless, indigenous peoples, and other households in need of special protection.



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P132.7 billion. This will enable the Department of Health (DoH) to build more PhilHealth-accredited basic health facilities in the barangays, deploy more healthcare workers to the countryside, and provide adequate health insurance to the poorest families.

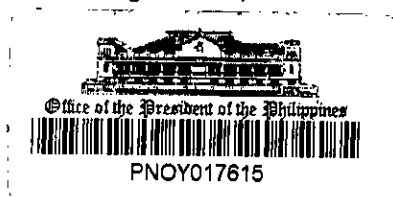
Moreover, P3.45 billion<sup>8</sup> will fund the First 1,000 Days Intervention Package for its pilot run in 10 provinces with the largest poor population. This will promote early childhood care and development, and synergize government efforts to improve maternal health and reduce child mortality and malnutrition.

The people in the most vulnerable communities—those without shelter, as well as those living in constant danger—have benefitted from the construction and repair of 433,908 decent housing units<sup>9</sup>; more than any past administration has achieved. While the provision of in-city housing remains our priority, we acknowledge that this has been more difficult due to the prohibitive price of land and zoning issues.

However, this constraint does not deter us from increasing our investments in socialized housing to P33.0 billion next year from almost P11.0 billion this year. Included in this

<sup>8</sup> Under the budgets of DoH, DSWD, National Nutrition Council, Early Child Care and Development Council, and Bureau of Fisheries and Aquatic Resources.

<sup>9</sup> Housing units constructed and provided assistance by the National Housing Authority from 2011 to 2014.



amount is P25.6 billion to complete our coverage of the 205,128 victims of Typhoon Yolanda<sup>10</sup>.

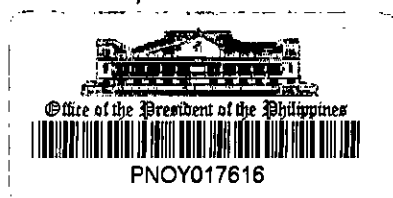
Furthermore, to energize the farthest-flung barangays and sitios, we have invested a total of P25.0 billion for rural electrification<sup>11</sup>—almost four times the combined spending of the three previous administrations—enabling us to so far provide electricity to 25,257 sitios as of June 2015. For 2016, we increased the budget for the Sitio Electrification Program to P2.8 billion from P1.5 billion this year to complete the electrification of 32,441 sitios in the country.

***Sustaining the Growth Momentum.*** When we assumed office, public infrastructure spending was only at about 2 percent of GDP, not even half the level being spent by peer countries. This was worsened by the poor quality of infrastructure: the country's rank on the GCI Infrastructure pillar<sup>12</sup> fell to 104<sup>th</sup> of 139 countries in 2010, from 88<sup>th</sup> of 125 in 2006. Corruption plagued the sector, where collusion among bidders and government officials resulted in substandard and unsafe infrastructure.

<sup>10</sup> The amount for 2016 will cover 87,405 victims.

<sup>11</sup> Through the National Electrification Administration, from 2011 to 2015.

<sup>12</sup> This is one of the twelve pillars that form part of the GCI. This measures the quality and extensiveness of transport and other infrastructure of a country.



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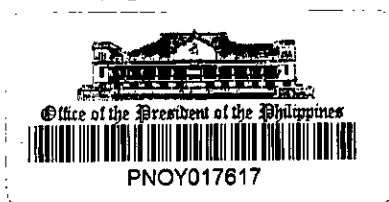
Thus, we implemented bold reforms to ensure that we spend on the right projects at the right cost and with the right quality. The Department of Public Works and Highways (DPWH) has been implementing measures to objectively select projects, reform project specifications and cost structures, and streamline procurement processes. We have put in place other major reforms, such as the Public-Private Partnership (PPP) program to entice private sector investment in big-ticket infrastructure projects<sup>13</sup>; revamped the design and implementation of farm-to-market roads; and adopted "build back better" standards to make public infrastructures more resilient to climate change.

As a result, our country's rank in the GCI Infrastructure pillar has recovered to 91<sup>st</sup> of 144 countries in 2014-2015. Moreover, infrastructure investments have increased to 3 percent of GDP in 2014 and 4 percent this year.

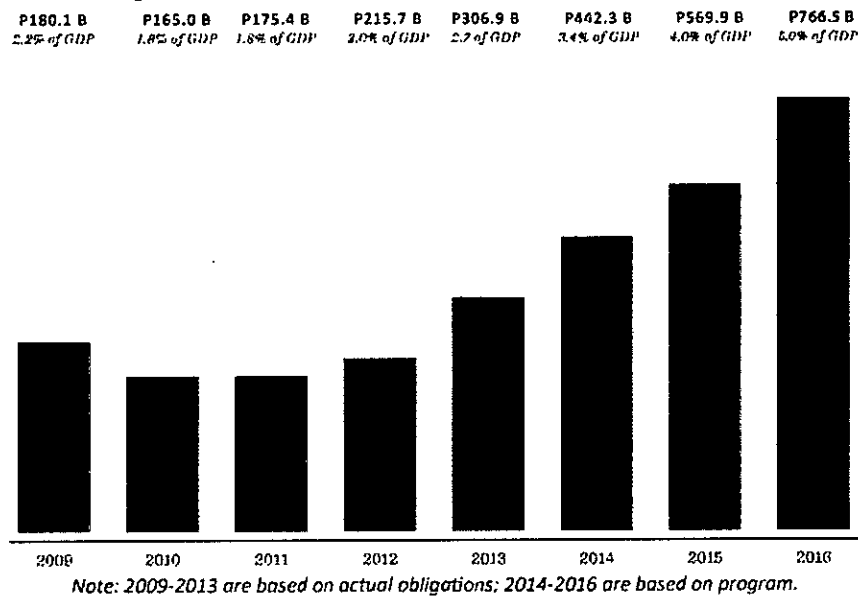
For 2016, total infrastructure outlays will jump by 29 percent year-on-year to P766.5 billion, equivalent to 5 percent of GDP. This will, among others, bankroll crucial transport infrastructure to declog our congested growth centers and bring opportunities to the margins.

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<sup>13</sup> See page 33 for more discussions on the PPP program.

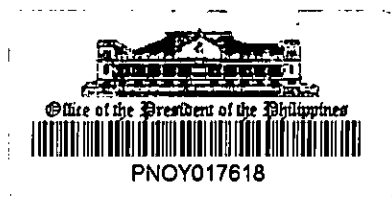


**Figure 4: The Infrastructure Budget, 2009 to 2016**



Of this total, the DPWH will have P268.4 billion to, among others, pave all national roads by 2016 and construct access roads to airports, seaports, and tourist destinations. The Department of Transportation and Communications will use P10.2 billion to construct or improve airports and seaports; and P15.7 billion to rehabilitate and expand mass railway systems.

In addition to infrastructure, this Budget invests in strategic support services to boost agriculture, revitalize the manufacturing sector, and further expand the tourism industry.

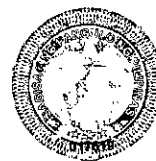
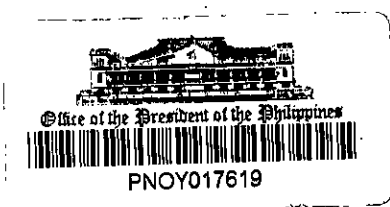


### *The President's Budget Message*

The agriculture sector remains at the core of our quest for inclusive growth. With a P93.4-billion budget, the Department of Agriculture seeks to increase yields and improve farmers' incomes by providing farm-to-market roads and irrigation services, as well as targeted support services to help farmers diversify their crops, reach the right markets, and leverage research. In its final stages of its land tenure program, the Department of Agrarian Reform (DAR) will have P4.5 billion for the acquisition and distribution of covered lands to farmer-beneficiaries.

With the manufacturing sector growing faster than our GDP, this Budget continues to support our Manufacturing Resurgence Program to enable small- and medium-scale enterprises (SMEs) to flourish. In particular, we allocated P780 million for the Small Enterprise Technology Upgrading Program to assist 2,150 SMEs; and P201 million to establish 68 more Negosyo Centers to provide business registration and advisory services to 6,800 SMEs. In addition, P10.6 billion has been set aside for various technical-vocational and tertiary education scholarships. We recognize that a modernizing economy requires a quality workforce.

Through our Tourism Development Program, we have created 4.8 million more jobs in 2014 alone by attracting 4.8 million foreign tourists. We continue to maximize our gains by investing P4.3 billion in 2016 to intensify our tourism promotion for the branding campaigns and market





development initiatives of the Department of Tourism and the Tourism Promotions Board. In addition, we are investing P24.0 billion to build infrastructure that will make tourism destinations more accessible to visitors.

***Climate Change Adaptation and Disaster Risk Reduction.***

Through Typhoon Yolanda, we have seen how the climate's 'new normal' has wrought unimaginable suffering to our people. We owe it to them to hasten and boost our rehabilitation and reconstruction efforts. The government has so far released a total of P87.4 billion since 2013 to provide housing and livelihood assistance for victims, as well as to rehabilitate damaged infrastructure and facilities. We ask Congress to support an additional P18.9 billion to bankroll the Yolanda Comprehensive Rehabilitation and Recovery Plan<sup>14</sup> as well as the P25.6 billion for housing for Yolanda victims.

Our investments in disaster risk management have so far strengthened the resilience of communities most vulnerable to calamities. For one, this Budget provides P59.8 billion—from merely P14 billion in 2010—to enable the DPWH to continue to construct flood control facilities, especially in the 18 major river basins and principal rivers and watersheds. So far, 14.5 percent of the total area within the 56 priority river basins are already protected from floods, from 12.8 percent in 2011. This will further increase to 19.7 percent by 2016.

<sup>14</sup> This amount is part of the National Risk Reduction and Management Fund.



### *The President's Budget Message*

The government has also been boosting investments in state-of-the-art early warning systems and environmental resiliency: For instance, our Project NOAH<sup>15</sup> has so far exceeded its target to upgrade the country's weather and flood forecasting capability. In addition, by 2016, our country's first micro-satellite, called Diwata, is expected to take off and provide real-time weather information. These innovations empower our countrymen with real-time and accurate information on disaster risks. Meanwhile, we will complete our six-year National Greening Program with P10.2 billion—almost ten times larger than its budget in 2011—to complete the reforestation of 1.5 million hectares by 2016, and to ensure that all trees planted are accounted for through geo-tagging and drone technology.

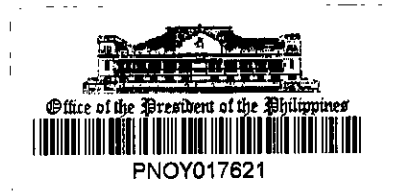
We also saw it fit to increase the National Disaster Risk Reduction and Management Fund (NDRRMF) under our term to provide ample funding to address the 'new normal' of climate change: from P2 billion in 2010<sup>16</sup> when we assumed office, to a whopping P38.9 billion under the 2016 Budget<sup>17</sup>. In addition, this Budget provides a total of P5.7 billion in Quick Response Funds under the budgets of key implementing agencies<sup>18</sup>.

<sup>15</sup> Nationwide Operational Assessment of Hazards

<sup>16</sup> At that time called the Calamity Fund.

<sup>17</sup> The 2016 NDRRMF is composed of the P18.9-billion Yolanda Comprehensive Rehabilitation and Recovery Plan, the P1-billion People's Survival Fund, and P19 billion for rehabilitation, relief, and other calamity-related services.

<sup>18</sup> DSWD, Department of National Defense-Office of Civil Defense, DPWH, DepEd, DA, DOH, and the National Irrigation Administration.



*Fiscal Year 2016*

***Forging Just and Lasting Peace.*** This Budget was crafted based on the belief that prosperity gravitates to areas where peace and the rule of law reign.

Achieving lasting peace in Mindanao is at hand; we are about to see the end of decades of strife and poverty. The Comprehensive Agreement on the Bangsamoro was but the start of a peace process that would provide our Muslim brothers and sisters the means to create progress for themselves while preserving their cultural heritage. I urge Congress to pass the Bangsamoro Basic Law and let peace and prosperity reign in the South.

Even under the current framework, we have already hiked investments in improving governance and delivering much-needed services in the Autonomous Region in Muslim Mindanao (ARMM). Under our watch, the budget of ARMM has almost tripled from P10.4 billion in 2010 to P29.4 billion in 2016 to boost the delivery of social services and access to infrastructure such as roads and water facilities. In addition, national government agencies will implement P25.1 billion in socio-economic programs and projects in the region next year. Our investments since 2010 have so far made an impact in improving life expectancy, family income, and other human outcomes in the violence-torn region. The proposed allocations for 2016 should enable the future Bangsamoro Autonomous Region to establish a regime of peace, democracy, and meaningful development.



### *The President's Budget Message*

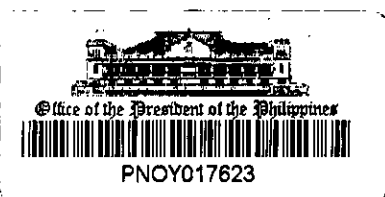
We continue to invest in initiatives that address the root causes of conflict: poverty and injustice. Thus, we will boost the Payapa at Masaganang Pamayanan or PAMANA Program with a P12.8-billion budget in 2016—P5.5 billion more than its allocation this year—to deliver basic services to conflict-affected areas throughout the archipelago.

To reinforce the environment for peace and the rule of law, the Revised Armed Forces of the Philippines Modernization Program will continue to receive substantial support with P25.0 billion. This is on top of the P78.9-billion budget for the territorial defense, security, and stability services of the Army, the Navy, and the Air Force. Because of our commitment to upgrade the capability of our armed forces to protect our national sovereignty, we have so far acquired modern and brand-new equipment: including the two Hamilton-Class cutters that we have been using, as well as the 12 FA-50 fighter jets and the eight Bell 412 combat utility helicopters that are now being delivered.

Likewise, the modernization of the Philippine National Police, through a P88.3-billion budget,<sup>19</sup> will continue to bolster internal security. Our investments to upgrade the capacity of our police force have so far yielded positive results: from achieving a 1:1 police-to-pistol ratio for the first time in our history; to improving the police-to-population ratio from 1:670 in 2010 to 1:550 this year.

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<sup>19</sup> Includes P2 billion for the PNP Modernization Program.



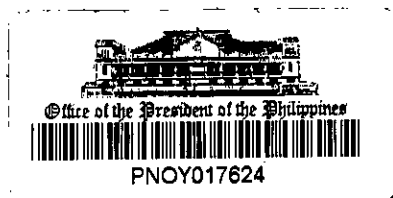
*Fiscal Year 2016*

To enable our judicial system to deliver equal justice for all, we propose a budget of P26.7 billion for the Judiciary: 22 percent more than its budget this year, and twice its budget in 2010. By augmenting its resources, the Judiciary stands a better chance of reducing the case backlog of its courts and fast-track the resolution of cases. Part of this budget is P2.3 billion to cover all operating expenditures of lower courts to enhance their independence and reduce their dependence on local governments.

Moreover, P1.2 billion is allocated for the Supreme Court's transfer to its new location in Bonifacio Global City. We have also committed P3.29 billion over four years<sup>20</sup> for the construction of the new Supreme Court building, of which P122.7 million has been set aside in the 2016 Budget to fund the detailed architectural and engineering design and project management needs of the project. Meanwhile, the Department of Justice will have P13.6 billion to intensify the prosecution of criminal cases, provide ample protection to witnesses, and support indigent defendants.

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<sup>20</sup> Through the issuance of a Multi-Year Obligational Authority (MYOA) covering 2016 to 2019 requirements of the projects.



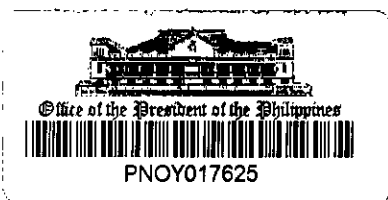
*The President's Budget Message*

**DELIVERING MEASURABLE RESULTS**

We continue to transform the way in which the government delivers services—for maximum impact on the economy and maximum benefit for the people.

**Faster Budget Execution.** To de-clog budget execution, we have **reduced lump sum funds**—a source of abuses in the past and a major bottleneck—and have fleshed these out into detailed programs and projects. To streamline budget releases, we have adopted the **GAA-as-Release-Document**, which enabled us to comprehensively release 78 percent of the 2015 GAA at the start of the year: an improvement from 61.5 percent in 2013 when this policy was not yet in place. Through the **cashless and checkless disbursement schemes** that we introduced, around 80 percent of payments to government suppliers are now being done through bank-to-bank transactions. To induce efficiency and responsiveness, we have also introduced **procurement innovations**: from allowing agencies to advance certain procurement activities even before the GAA is enacted, to expanding the features of the Philippine Government Electronic Procurement System.

We owe it to our people to further speed up public spending, deliver services in a responsive manner, and boost economic growth in the remaining 11 months. We must acknowledge that much more needs to be done to



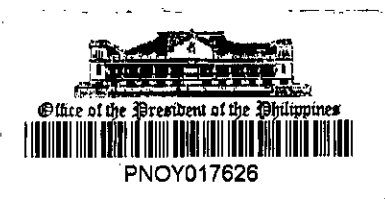
boost public spending and speed up the delivery of crucial public services. In 2014, government disbursements fell short of program by P302.7 billion. Our analysis shows that 46 percent<sup>21</sup> of this was caused by structural weaknesses within key departments and agencies, such as poor planning and program and project design; procurement difficulties, including frequent bid failures and the weak capacity to procure; and other bottlenecks, including right-of-way issues, difficulties in securing permits, and coordination problems.

***Institutional Strengthening.*** Beyond streamlining budget execution processes, we are now decisively addressing deeply-ingrained institutional weaknesses that hamper the capability of our agencies to deliver services with impact.

Recently, I issued Administrative Order No. 46 to institute measures that strengthen the capacity of government agencies to effectively plan, budget, execute, and monitor and evaluate programs and projects. In particular, we directed all agencies to set up **Full-time Delivery Units**. These will regularly monitor the progress of priority programs and projects, quickly address implementation

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<sup>21</sup> The remaining 54 percent is attributed to: savings from lower interest payments (14 percent); the refocusing of agency efforts to the rehabilitation and recovery of areas affected by Typhoon Yolanda (1 percent); budget items affected by recent Supreme Court decisions (1 percent); and other reasons, including weather disturbances and peace and order problems (38 percent).

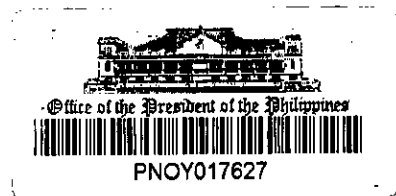


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bottlenecks, and push their performance. Moreover, we allowed key spending agencies to create more **Bids and Awards Committees** (BACs) and tasked them to assign permanent support staff to these BACs.

We have also restricted the agencies to only propose programs and projects that are specific enough and readily implementable, within their mandate and capacity to implement, and have built-in monitoring and evaluation mechanisms. This Budget also supports the hiring of additional technical staff for planning, procurement, project management, and monitoring and evaluation. For instance, part of this amount will allow the DPWH to hire 1,396 more civil engineers to boost its capacity to design, procure, and implement construction projects.

We are particularly interested in transforming the DPWH as **the lead construction agency** of the government. Secretary Rogelio Singson has implemented reforms that enable the DPWH to undertake *the right projects, at the right cost and right quality, completed right on time, and with the right people*. This move unloads key departments such as the DepEd, DoH, and DA, of their construction requirements and enables them to focus on their core mandates.





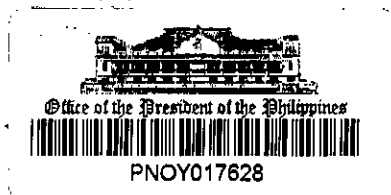
**Budget Integrity.** We are obliged to make sure that each peso we spend is according to the appropriations approved by Congress. With greater budget integrity, faster spending does not only accelerate growth per se, but also ensures that agencies implement programs and projects efficiently and with greater accountability for the outcomes.

Thus, we have further clarified the parameters in declaring and using **savings** in accordance with the Constitution. We have tightened the policies on **realignment**<sup>22</sup>, so that heads of agencies have limited yet reasonable flexibility to manage their finances. The installation of the **Unified Account Code Structure** (UACS) will enable efficient accounting of each item of appropriation once allocated and implemented. Furthermore, the magnitude of **Special Purpose Funds** will be significantly reduced, as funds for creating or filling up of positions, as well as for compulsory retirement and pension benefits will be included in the budgets of pertinent agencies.

We ask Congress to ensure greater budget integrity by restoring the policy of **one-year validity of appropriations** to mandate agencies to obligate<sup>23</sup> their appropriations within the year they are enacted. The current policy that allows the agencies to carry over the obligation of their

<sup>22</sup> As opposed to the augmentation of budget items using savings from other budget items, the realignment of funds pertains to the reallocation, modification, or change in the details within an item of appropriation.

<sup>23</sup> To enter into contracts with suppliers and other binding commitments for the payment of funds in line with approved appropriations.



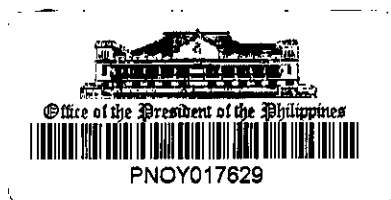
*The President's Budget Message*

budgets to the following year not only promotes delays in the delivery of services, but also convolutes the accounting of those carryover budgets.

**Alternative Service Delivery Schemes.** Even as we strengthen the capacity of the national government agencies to implement programs and projects, we must also leverage alternative means of delivering services to our people—through local government units (LGUs) and the private sector.

This is an opportunity to push our agenda for meaningful devolution. Our local governance and financial stewardship initiatives like the **LGU PFM Program**, the **Seal of Good Local Governance**, and the **Performance Challenge Fund** have been boosting the LGUs' ability to absorb more funds and deliver basic social and economic services—those that are currently undertaken by the national government, even if these appropriately fall under the mandate of LGUs under the Local Government Code.

Taking these reforms a step further, the 2016 Budget will enable the **performance-based downloading of funds to LGUs** to implement a total of P18.2 billion in key projects funded by the national government—from community-based poverty reduction projects identified through Bottom-Up Budgeting (BUB), to the rehabilitation and upgrading of



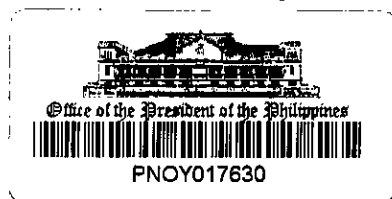
provincial roads<sup>24</sup>. These mechanisms promote good governance: LGUs—regardless of political affiliation—that have the right capacity, meet good local governance standards, and embrace citizens' participation are tapped to implement these projects. These also make the national government more responsive when designing programs as they are based on feedback from LGUs and their communities. In addition to these, this Budget establishes a policy where the Bureau of the Treasury will now directly release the internal revenue allotments and special shares in national government revenues to LGUs.

In due course, the beneficiary-communities themselves would be empowered to directly implement programs in partnership with national government agencies and LGUs. We are moving towards this ideal through the experience we have gained from BUB and the National Community-Driven Development Program.

Likewise, the **Public-Private Partnership (PPP) Program** has enabled us to roll out big ticket infrastructure projects—those that are beyond the agencies' capacities to implement—by tapping the resources and expertise of the private sector.

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<sup>24</sup> Of the amount: 1) P11.7 billion in BUB-identified local poverty reduction projects—including those for disaster risk reduction and management, local health, education, local roads and infrastructure—to be implemented by municipalities; 2) P6.5 billion for the upgrading and rehabilitation of provincial roads to be implemented by provincial governments which meet good governance standards and social development benchmarks, and established monitoring and evaluation mechanisms.



### *The President's Budget Message*

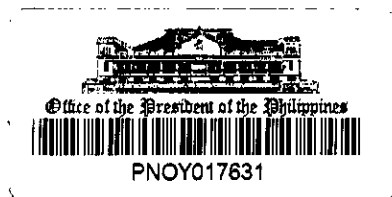
With the help of the PPP program, for instance, the DepEd was able to close the classroom backlog that the agency inherited in 2010 by December 2013<sup>25</sup>.

At present, 10 PPP projects worth P189 billion have already been awarded, while 13 more projects worth P518 billion are already being bid out. Compare this to the past three administrations, which implemented just six solicited PPP projects. To sustain the success of our PPP program and close the gaps in our policy regime, I ask Congress to pass the Public-Private Partnerships Act.

**Stronger Performance Accountability.** Each peso must not only be spent efficiently and in a timely way but also, and ultimately, must lead to direct, substantial, and measurable benefits for our people. In 2013, we adopted the **Performance-Informed Budgeting (PIB)** to clearly link the agencies' spending to their performance commitments. The 2016 Budget continues to present agencies' targeted outputs and outcomes alongside their budgets: for instance, the number of households to be served by the DSWD through the 4Ps is linked to the number of those who should become self-sufficient as a result of the program.

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<sup>25</sup> Of the 66,800 backlog in classrooms, 19,980 were constructed through PPP. The remaining 46,820 were funded through the regular budget of DepEd.



Taking the PIB a notch higher, we begin to implement the **Program Expenditure Classification** (PREXC), which entails the restructuring of all the activities and projects of the agencies under a set of major programs consistent with their mandates. This way, output and outcome targets are directly linked to programs, and all activities and projects of the agencies are factored into their performance targets. Soon after submitting the proposed Budget for 2016, we will submit to Congress an advocacy volume showing the PREXC as implemented in the budgets of six pilot agencies<sup>26</sup>.

**Public Financial Management.** The government, through the Commission on Audit (CoA) and the Departments of Budget and Management (DBM) and Finance (DoF), has been implementing a comprehensive Public Financial Management (PFM) Reform Roadmap since 2011.

To date, these reforms are leading towards a more cohesive, orderly, and accountable system for managing public finances. The **Treasury Single Account** (TSA) is helping us better manage our cash resources. The **PIB** and the **PREXC** directly link expenditures to performance. The **UACS** and **harmonized accountability reports** make the tracking of each financial transaction easier. The UACS, I emphasize, is foundational to the success of the PFM

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<sup>26</sup> Departments of Social Welfare and Development, Tourism, the Interior and Local Government, Environment and Natural Resources, and Foreign Affairs, and the National Kidney and Transplant Institute.



*The President's Budget Message*

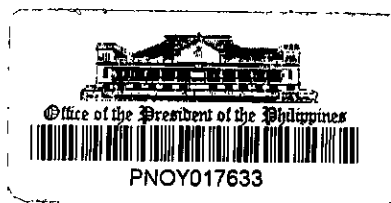
Reform Program, as it overturns the past regime of convoluted accounting, inaccurate reporting, and leakages. I urge Congress to pass a GAA where all items have a UACS code.

The 2016 Budget provides a total of P789 million<sup>27</sup> for the roll out of technology platforms that automate PFM functions, including the Comprehensive Human Resource Information System and the TSA Reporting and Monitoring System, and to support the sustained roll-out and management of policy reforms under the PFM Program.

These PFM reforms still need to be completed, scaled up, embedded, and fully practiced by agencies. I therefore ask Congress to help us institutionalize these reforms by passing the **Public Financial Accountability Act**.

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<sup>27</sup> P727 million under the DoF-Treasury and P62.2 million under DBM.



## EMPOWERING CITIZENS THROUGH THE BUDGET

We aim to empower citizens, especially those in the margins, by strategically allocating and effectively deploying public resources. We further support them by implementing reforms that establish greater fiscal openness and by recognizing their voice in how their taxes are spent.

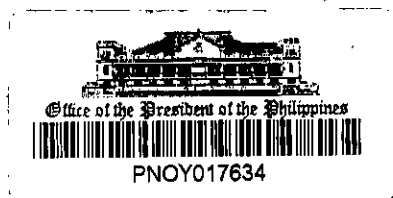
### ***Greater transparency for efficiency and accountability.***

Our steadfast pursuit of reform has dramatically improved our standing in global benchmarks of budget transparency. The International Monetary Fund has declared that our country exhibits good and advanced practices in several areas of its new Fiscal Transparency Code<sup>28</sup>. Also, the International Budget Partnership's Open Budget Survey (OBS) Tracker shows that we now publish all required budget documents<sup>29</sup>.

We firmly believe that greater fiscal transparency leads to a more responsive government. By **reducing lump sum funds** and presenting the spending plan into detailed programs and projects, we do not only reduce opportunities for corruption but also speed up the budget execution

<sup>28</sup> Philippines: Fiscal Transparency Evaluation, 30 June 2015.

<sup>29</sup> The OBS Tracker ([www.obstracker.org](http://www.obstracker.org)) regularly measures the availability of the eight prescribed budget documents, while the full OBS survey also measures comprehensiveness. In the 2012 OBS, the Philippines only published four of the eight required documents. The results of the 2015 OBS will be released in September 2015.



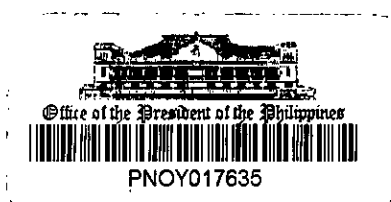
*The President's Budget Message*

process. Through innovations, such as the **Transparency Seal**, **Open Data Philippines**, and the **People's Budget**, our citizens understand the Budget better and access information on government finances and operations faster. By publishing performance information through the **PIB** and the **regular budget reports**, we also empower them to hold us accountable for the results of our actions. These policies continue to be embedded in the proposed Budget for 2016.

To ensure the permanency of transparency policies, we urge Congress to pass the **Freedom of Information Act**.

**Greater voice and stake for the grassroots.** We introduced the **Bottom-Up Budgeting** (BUB) in 2012 to keep our people, through their communities and their civil society organizations (CSOs), informed about our actions and decisions and provide them wider spaces to engage the budget process.

Through BUB, the LGUs and local community organizations identify poverty reduction projects that should be implemented in their localities. As a result, LGUs become more responsive to their constituents by requiring them to engage CSOs in crafting local poverty reduction plans, as well as making them adopt good governance standards before implementing BUB projects.



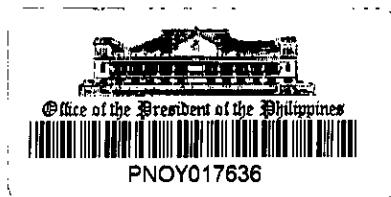


*Fiscal Year 2016*

The 2016 Budget supports the expansion of the BUB. Local poverty reduction projects identified by communities and LGUs in 1,514 cities and municipalities have been allocated P24.7 billion: an increase from P8 billion in 2013 for the projects identified in 595 cities and municipalities. In addition, BUB projects are now being complemented in more empowering ways: from directly linking the process to those of the National Community-Driven Development Program and the local development councils, to launching a BUB monitoring portal ([bub.gov.ph](http://bub.gov.ph)).

Despite being in its incipient stage, the BUB, we are proud to declare, achieved recognition worldwide as a model for empowering citizens in the budget process. For instance, it won a gold award in the inaugural Open Government Awards in 2014 in New York, USA. Through BUB, we are leading the way in demonstrating that making the budget process responsive to the needs of communities, while fraught with challenges, is not impossible.

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*The President's Budget Message*

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

*Maaabot ng ating bansa ang kaunlarang para sa lahat sa pamamagitan ng aktibong pagkilos ng mamamayan at patuloy na pagtalima ng pamahalaan sa Daang Matuwid<sup>30</sup>.*

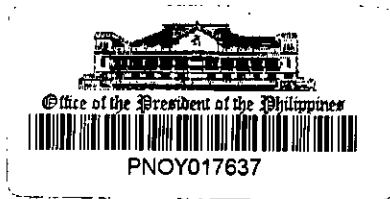
Ladies and Gentlemen of the 16<sup>th</sup> Congress: the budget process continues to be a primary arena for reform, where our country's long-term progress should remain as the sole focus, and where our people's interests should prevail.

When I signed the 2015 General Appropriations Act into law, I defined the ideal of a People's Budget: one that puts the people's interests paramount, and one in which they are empowered at every step of the process. I thank Congress for supporting this vision in the past fiscal years.

I laud you, in particular, for approving the Budget on time for five fiscal years in a row. Because of this, you ended the old regime of frequent budget re-enactment, which had given the previous President vast discretion over how public funds were spent, at the expense of your power of the purse. In its place, you established a new tradition of efficiency, integrity, and responsiveness in public financial management. I am confident that you will sustain this by likewise passing the 2016 Budget on time.

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<sup>30</sup> "Our country will achieve inclusive growth through the collective action of our people and our unwavering commitment to the Straight Path."



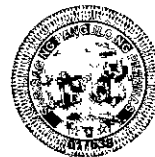
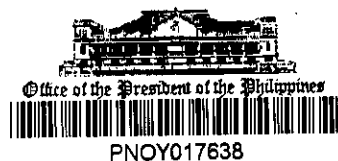
*Fiscal Year 2016*

I also thank the agencies of the Executive—from the Secretaries to the career civil servants—for ensuring the success of reforms. On top of delivering services to the people, you have been taking on the difficult task of effecting fundamental changes in your respective bureaucracies.

Most important, I thank the Filipino People. By their engagement in the process of reforming the Budget, and by believing in their own power to create lasting change, they have shown here and across the world that People Power continues to thrive in the halls of government.

Through our collective efforts, our country has reached another crucial juncture in its history. We are at a point of lasting change in our government and society. We have laid a strong foundation for achieving greater prosperity for all.

My beloved countrymen, my bosses: in about nine months, you will cast your votes for our country's new set of leaders. But you must remember that the 2016 Election is not merely a contest among personalities. You must remember that the power of the State rests upon you. Thus, the upcoming polls should be about you once again claiming your stake in our country's future and taking action to install a trustworthy and dependable government beginning 2016.



*The President's Budget Message*

*Hindi telenobela ng mga magkakatatungaling kandidato o partido ang parating na halalan. Nililikhang kasaysayan ito: ang patuloy na pagkilos ng taumbayan upang paigtingin ang tuwid na pamamahala at kaunlarang para sa lahat<sup>31</sup>.*

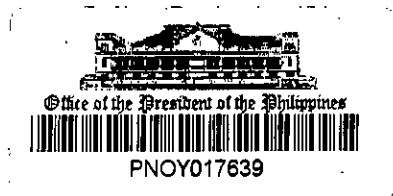
Will you allow yourselves to be swayed by populist yet empty promises, be blinded by manufactured images of benevolence, or be shoved aside by the machinations of a few powerful groups who seek to regain control over public institutions? Or, will you choose to take on the cudgels and sustain the *Daang Matuwid* so that our country can continue to tread the straight path to progress?

I have much faith that you will make the right choice. As you have shown in 1986, when you toppled a dictator through your collective action, and in 2010, when you campaigned for reform in the treacherous arena of the elections, you have the power to make meaningful change in our society possible.

*"Mga Boss: marami na tayong nagawa. Marami pa tayong nakalatag na gagawin. Hindi pa tayo tapos<sup>32</sup>."*

<sup>31</sup> The upcoming polls is not a *telenovela* of clashing candidates or parties. You are writing history, one where the people continue to take action to intensify good governance and inclusive development.

<sup>32</sup> To my Bosses: we have achieved so much. But there is much more to be done. Our quest is not yet over.




*Fiscal Year 2016*

With your indispensable support, we will continue making the right choices. By submitting this proposed Budget for 2016, I choose to ensure that the next generation will inherit a healthy treasury, a government that can confront the new challenges and surprises of our volatile world, and a society that is poised for further progress.

On behalf of our people, I ask Congress to make the right choice: to approve a People's Budget for 2016 that puts their constituents' interests on top and center; one that empowers them to create a prosperous future for themselves through their talents and actions; one that places their voice at the heart and center of the State.

In the spirit of People Power,

  
**BENIGNO S. AQUINO III**  
President of the Philippines

