

EXPENDITURE CATEGORIES AND THEIR ECONOMIC IMPORTANCE

1. What are the major current operating expenditures of the national government?

The major current operating expenditures of the national government are:

- Personal services, like salaries and wages, social security contributions, overtime pay, etc.;
- Maintenance and other operating expenditures, such as traveling expenses, supplies and materials, water, illumination and power Services, rent, etc.;
- Interest payments;
- Allotments to Local Government Units;
- Subsidies to government-owned and controlled corporations.

2. What is the government's policy regarding current operating expenditures

The government's policy regarding current operating expenditures maybe summarized as follows:

- Limit the growth of current operating expenditures with provisions for inflation adjustments;
- Encourage cost reduction measures in operation, particularly overhead expense items;
- Provide adequate maintenance funds for infrastructure facilities; and.
- Control the growth of spending for personal services within the level that can be sustained by available resources.

3. What are the capital outlays of the national government?

The capital outlays of the national government are appropriations spent for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of government, including investments in the capital stock of government-owned or controlled corporations and their subsidiaries.

The capital outlays of the national government may be broadly classified as follows: infrastructure outlays, equity contributions to government corporations, capital transfers to local government units, and other capital outlays.

Capital expenditures, particularly those classified as capital goods or durable goods to be used for non-military and productive purposes, such as construction of roads and bridges, dams, power and irrigation works, schools and hospitals, are generally desirable because of their high multiplier effect on the economy, i.e., they stimulate the growth and expansion of economic activities of the private sector and facilitate the integration of industries.

4. What are infrastructure expenditures?

Infrastructure expenditures refer to the disbursement of funds for the construction of various basic public works of the country, such as roads, ports, airports, water supply, irrigation, and other capital investments, the benefits of which extend to the general public. In the national budget, infrastructure expenditures generally refer to the capital outlays of the Department of Public Works and Highways and the Department of Transportation and Communication, the School Building Program of the Department of Education, Culture and Sports, and the national irrigation projects of the Department of Agriculture.

5. What constitute the other capital outlays of the government?

The other capital outlays of the government consist of land acquisition and land improvement outlays, buildings and structures outlays, acquisition of vehicles, aircraft, water transport vehicles, equipment, furniture, fixtures, etc.

6. What are capital transfers to local government units (LGUs)?

Capital transfers to local government units (LGUs) pertain to the portion of the Internal Revenue Allotment (IRA) which accrue to LGUs equivalent to not less than twenty percent (20%) of their IRA allocations, earmarked for development projects such as the construction/improvement, repair and maintenance of local roads, concrete barangay roads/multi-purpose pavements, and the rehabilitation and improvement of communal irrigation projects/systems.

7. What are the equity contributions to government corporations?

Equity contributions to government corporations refer to the national government investments in the authorized capital stock of government-owned or controlled corporations.

8. What are interest payments?

Interest payments represent the cost of borrowed funds which form part and parcel of the cost of the items financed by the loan. Interest payments are, therefore, considered as the real expense item in the budget.

9. How is the national government budget sectorally allocated?

The national government budget is allocated according to the following major sectors: social services, economic services, defense, general public services, and debt burden.

Allocation for social services include those for: a) education, culture and manpower development; b) health services; c) social security, welfare, and employment; d) housing and community development; and, e) land distribution.

Provision for economic services include those for: a) communications, roads

and transportation facilities; b) agriculture, agrarian reform and natural resources; c) water resources development and flood control; d) trade and industry; e) power and energy; and f) tourism.

Expenditures for defense include those that support the general effort to ensure national security, stability and peace which are indispensable to economic growth and development.

General public services expenditures are those that are spent for: a) general administration such as general government stipulation fiscal affairs, foreign affairs and international commitments, electoral, audit, civil service and lawmaking functions; and b) public order and safety including various functions pertaining to law enforcement, maintenance of public order and safety and political administration.

Expenditures for debt burden are those that go into the servicing of government's regular and assumed debts from domestic and foreign sources, including interest payments.

10. **How are government expenditures categorized by cost structure? What is the significance of this categorization?**

The national government budget is broken down into the following cost categories: 1) general administration and support; 2) support to operations, and 3) projects.

Expenditures for general administration represent those that are normally considered as agency overhead (i.e. the cost of general supervision) which the agency will incur to exist as a unit. Examples of expenditures for general administration and support are those spent for general management and supervision, human resources development, and for productivity incentive benefits.

Support to operations refers to those activities that facilitate the performance of the agency's mandated functions and services. Examples of expenditures under this category are those that are meant for policy formulation and planning services; for program/project coordination, monitoring and evaluation; and for information management support system.

Expenditures for operations are those that go to regular activities directly addressing the agency's mandates. They include expenditures for programs involving the production of goods; delivery of public services; regulation of societal activities; conduct of basic governance; or provision of general management and supervision of the entire government bureaucracy.

Project expenditures are those that fund activities which result in the accomplishment of identifiable outputs within a designated period. Project expenditures may be sourced from foreign assistance or from local funding.

The categorization of the budget by functional cost components allows for a better analysis of government expenditures to focus on more priority needs thus improving the quality of government spending.