



Republic of the Philippines  
**Development Budget Coordination Committee**  
 Malacañang, Manila

**Year-End Report on the 2014 National Budget**  
 October 31, 2015

## Introduction

Over the past five years, the Philippine economy has been treading a path of inclusive development. Despite its slower and below-target growth performance in 2014, the country's economy still remains among the fastest-growing in the region. The average economic growth of more than 6 percent for the period 2010 through 2014 has been the highest in any given five-year period over the past 30 years.

Nevertheless, FY 2014 is faced with critical challenges to the government's goals of improving the quality of social well-being of the Filipino people. Foremost of these challenges is the slower-than-expected pace of government spending due mostly to institutional issues - from poor planning to sluggish procurement - that hampers the efficient delivery of government services. In response to this, the Aquino administration issued Administrative Order No. 46 to direct agencies to address these institutional weaknesses and facilitate the execution of programs and projects.

Last year's accomplishments were rather mixed: employment has improved, yet growth has slowed down, and number of poor people has increased. Still, there are clear signs that the country is treading on the right path, as supported by solid institutionalization of financial reforms. In particular, bold public financial management (PFM) reforms initiated since 2010 and bankrolled by the FY 2014 General Appropriations Act (GAA) enabled the government to *spend within its means, on the right priorities, with measurable results, and through an empowering regime of transparency, accountability, and citizen's engagement.*

The government's efforts for good governance as reflected in these PFM reforms - such as the Budget Priorities Framework (BPF), the GAA-as-release-document (GAARD), and Performance-Informed Budgeting (PIB) - may not have attained full fruition, but is now beginning to show results. In 2014, about a million jobs were generated<sup>1</sup>; about 15 million children enrolled in kinder and elementary<sup>2</sup>; 87 out of 100 Filipinos were covered by health insurance; more than 400,000

<sup>1</sup> Socioeconomic Report (SER) 2014, NEDA

<sup>2</sup> Basic Education Information System Statistics, DepEd

indigent senior citizens received their monthly pension<sup>3</sup>; more than half a million hectares of agrarian lands have already been distributed since 2010<sup>4</sup>; and more than half a million people have socialized housing<sup>5</sup>. These are clear indication of creating direct and meaningful benefits for the Filipino people.

Coming from a strong economic performance in 2013, the FY 2014 National Budget - A Budget for Inclusive Development - was crafted to intensify its investments on the people, especially in capacitating the poor through provision of education, healthcare, social protection, and other basic services. This report discusses how the implementation of this Budget enabled the government in pursuing its inclusive development agenda.

Prepared by the Development Budget Coordination Committee (DBCC), this Year-End Report for 2014 tackles the following:

- ❖ Overview of the principles and policy reforms embedded in the 2014 Budget;
- ❖ Examination of the year's overall performance relative to the macroeconomic, revenue, expenditure, financing, and debt targets;
- ❖ Discussion of national government's expenditure performance by sector, expense class, department, and program;
- ❖ Reporting of physical performance of key departments and major programs and projects based on the set performance indicators; and
- ❖ Summary of proposed legislative measures on fiscal reforms being supported.

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<sup>3</sup> Physical Report of Operations, DSWD

<sup>4</sup> Accomplishment Report (as published in the Transparency Seal), DAR

<sup>5</sup> SER 2014, NEDA

## I.

### The 2014 National Government Budget

The 2014 Budget was designed to give the poor a fair shot at the opportunities that the country's newfound prosperity has been providing. As the President said in his Budget Message, "*Ang hangarin natin: ang mga mamamayan mismo ang lumilikha at nagmamay-ari ng bagong kasaganaan ang ating bansa. Ang obligasyon natin bilang pamahalaan ay ilagay ang ating mga kabababayan sa patas na tungtungan* (Our desire is to enable the citizens themselves to create and take ownership of new prosperity in the country. Our obligation as government is to put our people on an equal footing)."

Anchoring the 2014 Budget on Inclusive Development is naturally the logical step in the Administration's journey towards reforming the Budget: from a Budget exploited by a culture of patronage, inefficiencies, and corruption to a People's Budget that fosters a regime of citizen empowerment.

This Budget was built on the reforms pursued and the accomplishments achieved by the Aquino administration through its preceding Budgets. The 2011 Budget saw how the government weeded out wasteful spending, opened up transparency mechanisms, and partnered with civil societies. The 2012 Budget, meanwhile, significantly reshaped budgetary priorities around the key result areas of the Aquino Social Contract with the Filipino People. The people have been given a greater voice and stake in the allocation of resources in the 2013 Budget after the government introduced the Bottom-Up Budgeting (BUB) program and other means for citizen's participation.

Meanwhile, the 2014 Budget sought to further empower citizens by creating equal opportunities for them—through the delivery of ample social safety nets and social services, as well as investments in economic expansion and job creation—through good governance. The following principles and key reforms shaped the 2014 Budget:

#### *Moving Toward Performance-Informed Budgeting*

Inclusive Development is not merely rhetoric. The government sought to bring down barriers to opportunities by ensuring each peso leads to direct and meaningful benefits for the people. The 2014 Budget has been able to quantify these benefits by linking budget to performance, which is further linked to the desired outcomes of the Philippine Development Plan (PDP).

For the first time, the National Budget presented performance targets of each agency at the output level alongside financial allocations. This shift to *Performance-Informed Budgeting* (PIB) has enabled the government to allocate more resources to programs that fulfill the Administration's prosperity for all

agenda. The PIB also sought to strengthen Congress' oversight function to hold agencies accountable for the results they commit to deliver in exchange of taxpayers' money. Ultimately, the PIB should empower citizens to monitor how their government spend their money and evaluate whether these expenditures are truly attuned to their needs.

*Tighter Budget Prioritization for Inclusive Development*

The government has greatly reshaped its priorities, focusing the Budget to the five Key Result Areas of the Aquino Social Contract with the Filipino People:

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

The 2014 Budget not only linked the budget to performance through PIB, but more importantly, ensured that the country's medium-term development plan is well funded. This Budget was guided by the *Budget Priorities Framework*, where resources were directed towards funding programs that are important to achieving inclusive development. Agencies were also directed to propose programs, activities, and projects based on key programs indentified in this document as well as tailor fit their programs based on the local needs of the identified poorest and most vulnerable provinces. Through this framework, the priorities that should be funded in the remaining years of the current Administration were identified, thus ensuring that the allocation of scarce resources efficiently prioritizes programs that matter the most to the people.

*Better Collaboration as the New Standard in Government*

To keep every agency on the same page, the government introduced the *Program Budgeting Approach*, where departments and agencies are encouraged to collaborate and talk first before submitting their individual budget proposals. This approach aims to ensure programs of every agency complement each other and support the government's development plan as well as its budget priorities. In the end, this approach seeks to deepen the focus of the budget on priority programs, and strengthen inter-agency collaboration and synergize their efforts in achieving the goals stated in the BPF.

*Enabling the Private Sector as Engine of Economic Growth*

The Administration has always held the belief that government should facilitate economic growth by helping the private sector to create more jobs and wealth for the nation. To this end, the government has been instituting better enabling policies, cutting too many steps in doing business, providing a stable macroeconomic and political environment, and most importantly, investing in the capacities of the Filipino people.

These investments, however, should not come at a hefty price. This Budget ensured that the government only spent within its means, as it was designed to sustain medium-term fiscal plan toward keeping a fiscal deficit limit at 2.0 percent of GDP and toward reducing outstanding debt to 46.8 percent of GDP. This Budget has also allocated more resources to fund the infrastructure needs of the country's growing economy and increasing population, so that the target 5 percent of GDP infrastructure spending is met by 2016.

*Transparency at the Core of Effective Public Financial Management*

This Budget asserts that transparency not only ensures the public is informed about how their taxes are allocated and spent, but also enables the government to more effectively manage scarce resources with efficiency, predictability, and effectiveness. For one, the 2014 National Budget was the first Budget crafted using the *Unified Account Code Structure*, which is important to ensuring that all financial processes follow a single classification. Managing government's cash has also become better following the maiden implementation of the Treasury Single Account, which provides a unified structure of bank accounts, consolidates in the process its cash resources, and in the end, helps the government determine how much money it has in real time.

*Empowering the Citizenry through the Budget*

For the Administration believes in the simple notion that the country's future rests on what the people need, the 2014 Budget allowed more citizens to decide on budget allocations alongside the government. For one, more civil society organizations (CSOs) and national government agencies entered into *Budget Partnership Agreements*. This mechanism provides CSOs a space to review agency's budgets and programs as well as suggest budget proposals.

Moreover, the *Bottom-Up Budgeting* (BUB), which was introduced in 2012, was expanded for the crafting of the 2014 Budget to include 1,226 cities and municipalities. Through the BUB process, people's organizations and

local CSOs work with their local government units to craft a poverty reduction plan that details programs and projects to be funded by the National Budget. The BUB process was also expanded from budget preparation to budget execution and accountability, where local community organizations were tapped to participate in and monitor the progress of implementing local poverty reduction projects.

## II. Macroeconomic and Fiscal Performance

### A. Macroeconomic Environment

In the face of headwinds that challenged the country, the Philippine economy ended the year strongly with a growth of 6.1 percent. Even if the full-year real Gross Domestic Product (GDP) growth was below the government's target of 6.5 to 7.5 percent and slower than the 7.2-percent growth recorded in 2013, it exceeded market expectations of 5.8 percent. In comparison with neighboring Asian economies on a full year basis, Philippines' GDP growth was second to China (7.4 percent), but higher than Vietnam (6.0 percent), Malaysia (6.0 percent), Indonesia (5.0 percent), and Thailand (0.7 percent).

**Table 1. FY 2014 Economic Performance**

Particulars	2014		
	FY 2014 BESF	FY 2015 BESF	Actual
	Initial Projections	Adjusted/Updated	
<b>Nominal GNI (in PhP million)</b>			
low-end	15,812,097	15,408,011	15,327,336
high-end	16,132,439	15,552,217	
<b>Real GNI Growth Rate (%)</b>	6.2 - 7.2	6.5 - 7.5	5.8
<b>Nominal GDP (in PhP million)</b>			
low-end	13,336,680	12,829,141	12,642,736
high-end	13,612,963	12,950,320	
<b>Real GDP Growth Rate (%)</b>	6.5 - 7.5	6.5 - 7.5	6.1

*Source: National Economic and Development Authority, Philippine Statistics Authority, and FY 2014 and FY 2015 Budget Expenditures and Sources of Financing (BESF)*

On the production side, output growth in 2014 was primarily driven by the services (+5.9 percent) and industry sectors (+7.9 percent), while agriculture also gave additional boost to growth (+1.6 percent). In more detail, growth was mainly driven by the expansion of manufacturing (+8.3 percent), trade (+5.7 percent), real estate, renting and, business activities (+8.7 percent), transport storage and communications (+6.2 percent), and construction (+9.9 percent).

Looking at the expenditure side, growth was mainly pushed by household consumption (+5.4 percent) and net exports (+49.0 percent). In particular, merchandise exports (+12.8 percent), consumption of food and non-alcoholic beverages (+4.6 percent), intellectual property products (+19.7 percent), and private construction (+12.1 percent), contributed the most to growth in 2014.

**Table 2. Growth of GDP, by components**

Particulars	Growth Rate (%)	
	2012-13	2013-14
<b>Supply Side</b>		
Agriculture	1.1	1.6
Industry	9.2	7.9
o.w. Manufacturing	10.3	8.3
Services	7.0	5.9
<b>Demand Side</b>		
Private Consumption	5.6	5.4
Government Consumption	5.0	1.7
Capital Formation	27.7	5.4
o.w. Fixed Capital	12.2	6.8
Exports	-1.0	11.3
Imports	4.4	8.7
<b>GROSS DOMESTIC PRODUCT</b>	<b>7.1</b>	<b>6.1</b>

*Source: Philippine Statistics Authority*

The deceleration in GDP growth (6.1 percent from 7.2 percent in 2013) stemmed from the contraction in changes in inventories (-37.1 percent) which arose from a combination of lower-than-expected demand and a substantial build-up of inventory in 2013; and the slowdown in purchases of durable equipment (3.7 percent, from 15.5 percent in 2013), mainly because of the completion of the re-fleeting program of major airlines. In addition, part of this slowdown was due to the below-program spending of the government (1.7 percent, from 5.0 percent in 2013 for government final consumption expenditure; and 6.3 percent, from 18.0 percent in 2013 for public construction) due to lags in adjusting to new spending protocols, legal uncertainties arising from the Supreme Court ruling on the Disbursement Acceleration Program, and institutional weaknesses—such as poor planning and procurement bottlenecks—that hampered the efficient and effective delivery of programs and projects.

The performance of domestic private demand is partly supported by the increase in net primary income. Net primary income (NPI), adjusted for inflation, grew by 4.1 percent in 2014, supported by the strong inflow of compensation and property income. This growth of NPI resulted in a 5.8 percent expansion in Gross National Income (GNI).

The country's macroeconomic fundamentals performed broadly in line with the revised macroeconomic assumptions for 2014, as reflected in the FY 2015 Budget of Expenditures and Sources of Financing (BESF). Average headline inflation in 2014 was 4.1 percent, well-within the government assumption of 3.0 to 5.0 percent. This was the sixth consecutive year that inflation fell within the government target band. Still, inflation in 2014 was slightly higher than the 3.0 percent average inflation



recorded in 2013, due mainly to higher food inflation induced by temporary disruptions in domestic supply of key commodities.

**Table 3. FY 2014 Performance vs. Macroeconomic Assumptions**

Particulars	2014		
	FY 2014 BESF	FY 2015 BESF	Actual
	Initial Projections	Adjusted/Updated	
Inflation	3.0 – 5.0	3.0 – 5.0	4.1
364-day T-bill rate <sup>a/</sup>	2.0 – 4.0	1.5 – 4.0	1.8
Exchange rate (PhP/USD, period average)	41.00 – 43.00	42.00 – 45.00	44.40
LIBOR (6 months)	0.5 – 1.5	0.3 – 1.5	0.3
Dubai crude oil price (US\$/barrel)	90.00 – 110.00	100.00 – 110.00	96.61
Merchandise exports growth <sup>b/</sup>	14.0	6.0	7.3
Merchandise imports growth <sup>b/</sup>	14.0	9.0	2.3

Notes:

a/ Based on primary market rates

b/ Based on the Balance of Payments Manual, 6th Edition (BPM6) concept

Source: Bangko Sentral ng Pilipinas, National Economic and Development Authority

To pre-empt the risk of second round effects from elevated prices in 2014, the *Bangko Sentral ng Pilipinas* (BSP) implemented adjustments to its key policy instruments to rein-in inflation expectations and contain strong liquidity growth resulting from strong domestic growth prospects. For one, the BSP raised the reverse repurchase (RRP) and the Special Deposit Account (SDA) rates by a cumulative 50 basis points to 4.0 percent and 2.5 percent, respectively. The BSP also increased the reserve requirement ratio by a cumulative two percentage points to 20.0 percent.<sup>6</sup> Consequently, domestic interest rates also rose. The average 364-day T-bill rate in the primary market increased to 1.8 percent in 2014, from 0.7 percent average in 2013. Nonetheless, the 2014 average 364-day T-bill rate registered within the 1.5- to 4.0-percent revised DBCC assumption in the FY 2015 BESF but fell short of the initial assumption of 2.0 to 4.0 percent in the FY 2014 BESF.

The peso-dollar exchange rate depreciated in 2014 as the rate averaged ₱44.40/US\$1, weaker than the 2013 average of ₱42.45/US\$1. This was also weaker than assumed in the FY 2014 BESF but within the revised assumption of ₱42.00 – ₱45.00/US\$1 in the FY 2015 BESF. The peso depreciation in 2014 was influenced mainly by the gradual tapering of the quantitative easing (QE) program in the United States (US) that triggered portfolio rebalancing by investors towards US-denominated assets. While the US Federal Reserve ended its QE program in October 2014, monetary authorities in other advanced economies, particularly in the Euro area and Japan, remained accommodative in their monetary policy stance. As a result, the 180-day London Interbank Offered Rate (LIBOR) stayed relatively low in 2014. London Inter-Bank Offered Rates (LIBOR) averaged 0.3 percent during the year, hitting the low-end of the revised DBCC assumption of 0.3 – 1.5 percent in the

<sup>6</sup> The 20.0 percent reserve requirement ratio applies to peso deposit liabilities and deposit substitutes of universal/commercial banks and deposit substitutes of non-banks with quasi-banking functions.

FY 2015 BESF. This was, however, lower than the initial assumption of 0.5 – 1.5 percent in the FY 2014 BESF.

Dubai crude oil prices declined considerably to US\$96.61 per barrel in 2014 from US\$105.52 per barrel in 2013. This was within the FY 2014 BESF crude oil assumption of US\$90.00 to 110.00 per barrel but fell outside the adjusted assumption of US\$100.00 to 110.00 per barrel in the FY 2015 BESF. The significant drop in oil prices was attributed to a combination of abundant supply, weak demand, and a strong dollar. Moreover, the strategic decision of the Organization of the Petroleum Exporting Countries (OPEC) to protect its market share was an important determining factor in oil price trends.

The stronger-than-expected performance in advanced economies, such as the US, European Union (EU), and Japan, supported the demand for the country's export products and led to the higher-than-expected improvement in the country's exports in 2014. Merchandise exports in 2014 grew by 7.3 percent, slightly higher than the revised government assumption for exports growth of 6.0 percent in the FY 2015 BESF. The firmer expansion was due mainly to increased demand for manufactures exports (i.e., electronics, machinery and transport equipment, garments, etc.), which accounted for about 80 percent of the country's total exports. The double-digit growth in agro-based (i.e., coconut, fruits and vegetables, other agro-based products) and mineral products also supported the growth in exports. Meanwhile, merchandise imports posted a modest increase of 2.3 percent, lower than the revised government assumption for imports growth of 9.0 percent in the FY 2015 BESF. This was due mainly to the reduced imports of capital goods (i.e., land transportation equipment, power generating and specialized machines, and aircraft, ships and boats).

Overall, amidst the lower-than-expected GDP growth in 2014, the country's strong macroeconomic fundamentals—within-target inflation, stable and competitive peso, robust financial system, and favorable fiscal and external balances—coupled with bright investment prospects, improved governance and key policy reforms, continue to stir a sound macroeconomic environment that enables a strong GDP growth path over the medium-term. This is also where public spending becomes crucial, since we need not only attain rapid economic growth, but to achieve inclusive growth. One of the strategies to address the key constraints to inclusive growth is to be able to bridge gaps in infrastructure and human capital development.

*Other Macroeconomic Indicators*<sup>7</sup>

The goal was to reduce poverty in a sustained manner through the massive generation of quality employment, resulting from rapid growth. Relative to 2014, the objective was to reduce the incidence of income poverty to between 23-25 percent from 27.9 percent during the first semester of 2012, through the (net) addition of at least 689,000 employed persons equivalent to an unemployment rate of 6.7-6.9 percent, resulting from an expansion of the economy by 6.5-7.5 percent.

**Table 4. Socioeconomic Indicators based on the Philippine Development Plan**

Indicators	Baseline (2012)	2013 Actual	Target based on PDP Midterm			2014 Actual
			2014	2015	2016	
Poverty Incidence (in %)	25.2	24.9	23.0-25.0	20.0-23.0	18.0-20.0	25.8
Unemployment Rate (in %)	7.1	7.2	6.8-7.0	6.6-6.8	6.5-6.7	6.8
Employment generated (in '000)	414	518	689-776	753-814	664-753	1024
Underemployment (in %)	19.7	19.0	18.7	18.0	17.0	18.4

Source: Socio-Economic Report 2014 (NEDA)

The 2014 accomplishment profile was mixed: the employment targets were met with the addition of at least 1M employed persons and unemployment rate of 6.8 percent; hitting the lower-end of the 6.8-7.0 percent target range for the year. In October, unemployment rate even reached 6.0 percent, recording the lowest rate in 10 years and registering a 1.05 million employment generation. However, underemployment remained as a challenge in the Philippines. While underemployment rate averaged 18.4 percent - an improvement from the previous year's 19.0 percent, and exceeded the 18.7-percent target for the year, more than 7 million Filipinos are still left looking for additional hours of work. Such is the case in the agriculture sector, where around 40 percent are underemployed. The year 2014 also saw very fast increases in the price of rice, at 11.9 percent compared to only 1.7 percent in 2013. Hence, the target poverty incidence was not met; it was recorded at 25.8 percent during the first semester of 2014.

**B. Fiscal Performance**

The National Government's (NG) fiscal stance remains to be prudent with the budget deficit ceiling set at 2.0 percent of GDP until 2016. For 2014, the NG ran a ₱73.1 billion budget deficit, down by 55.4 percent from the fiscal shortfall recorded in 2013, with revenues growing faster than disbursements. Relative to the size of the economy, the full year fiscal deficit plunged to 0.6 percent of GDP, lower than both the 2.0 percent program and the 1.4 percent recorded in the previous year.

<sup>7</sup> As reported by Secretary Balisacan during the meeting of the Joint Congressional Oversight Committee on Public Expenditures, June 2015.

**Table 5. National Government Fiscal Performance**  
(in Billion Pesos, unless otherwise indicated)

Particulars	2013		2014		Percent of GDP		Growth
	Actual	Program	Actual	Difference	2013	2014	
<b>Total Revenues</b>	<b>1,716.1</b>	<b>2,018.1</b>	<b>1,908.5</b>	<b>(109.5)</b>	<b>14.9</b>	<b>15.1</b>	<b>11.2</b>
Tax Revenues	1,535.7	1,879.9	1,720.1	(159.8)	13.3	13.6	12.0
Tax Effort (%)	13.3	14.7	13.6		0.1	0.1	
Non-Tax Revenues	177.5	136.1	186.5	50.3	1.5	1.5	5.1
Privatization	2.9	2.0	1.9	(0.1)	0.0	0.0	(33.7)
<b>Disbursements</b>	<b>1,880.2</b>	<b>2,284.3</b>	<b>1,981.6</b>	<b>(302.7)</b>	<b>16.3</b>	<b>15.7</b>	<b>5.4</b>
Current Operating Expenditures	1,519.2	1,800.9	1,616.7	(184.2)	13.2	12.8	6.4
Capital Outlays	344.3	458.4	351.5	(106.9)	3.0	2.8	2.1
Net Lending	16.6	25.0	13.4	(11.6)	0.1	0.1	(19.3)
<b>Surplus/(Deficit)</b>	<b>(164.1)</b>	<b>(266.2)</b>	<b>(73.1)</b>	<b>193.2</b>	<b>(1.4)</b>	<b>(0.6)</b>	<b>(55.4)</b>
% of GDP	(1.4)	(2.1)	(0.6)				

Memo Item:

Nominal GDP 11,542.3 12,829.1 12,642.7

### Revenue Performance<sup>8</sup>

In 2014, total revenues amounted to ₱1,908.5 billion, registering a growth of 11.2 percent year-on-year. Of the total revenues, ₱1,720.1 billion or 90.1 percent were tax revenues while non-tax revenues and privatization proceeds amounted to ₱188.4 billion or 9.9 percent.

Albeit lower than the collection target, total tax revenues increased by 12.0 percent year-on-year, further boosting tax effort to 13.6 percent compared to 13.3 percent registered in 2013. This is attributed mainly to the continued improved collection performance of the Bureau of Internal Revenue (BIR), Bureau of Customs (BOC) and other offices.

Tax revenues from BIR, which account for 77.6 percent of the total tax collection, grew by 9.7 percent year-on-year. The Bureau's commitment to the strict enforcement of the country's tax laws through the implementation of its priority programs, such as the invigorated Run after Tax Evaders (RATE) Program, and Oplan Kandado, among others, was the impetus behind this growth. The newly-implemented Internal Revenue Stamps Integrated System (IRSIS) Excise Fuse-on Stamps Program was also proven to be a worthwhile initiative with the significant improvements in the distribution of stamps and the collection of excise taxes.

Total collections of BOC continued to improve as its total collection reached ₱369.3 billion, a double digit growth of 21.1 percent over the 2012-2013 growth of 5.2 percent due to improved valuation and the various administrative reforms implemented by the Bureau to improve its collection efficiency.

Non-tax revenues totaled to ₱186.5 billion, which is higher by ₱9.0 billion year-on-year. The Bureau of the Treasury (BTr) registered an income and collection of ₱93.4 billion - higher by ₱12.4 billion from 2013, or 15.3 percent, as a result of pro-

<sup>8</sup> Please see Annex for details on the tax and non-tax revenues as reflected on Table C.1, C.2, and C.3 of the BESF

active cash and investment management, and the more aggressive stance by DOF to collect dividends from GOCCs.

Revenues from fees and charges amounted to ₱32.8 billion, growing by 7.3 percent year-on-year. Other non-tax revenues totaled to ₱60.0 billion in 2014 - a decrease from the previous year's ₱65.6 primarily due to lower revenue collected from the Malampaya operations amounting to ₱22.3 billion from ₱27.7 billion in 2013. Meanwhile, income from privatization totaled only to ₱1.9 billion - lower by 33.7 percent compared to 2013 proceeds, bulk of which came from the Presidential Commission on Good Government's (PCGG) disposition of properties, rental income, bond and cash dividends, etc., amounting to ₱1.534 billion. In addition, aside from PCGG's contribution, ₱0.413 billion came from the Privatization and Management Office's (PMO) disposition of properties, lease, interest and other income.

#### BIR Collections in 2014<sup>9</sup>

Income taxes had the highest impact on the BIR's total tax collection, accounting for 58.8 percent of total collections. Value-Added Tax (VAT) and excise taxes also contributed significant revenues, at 20.9 percent and 10.1 percent, respectively. Documentary stamp tax followed with 5.2 percent, and percentage taxes with 4.2 percent. In general, the 2014 tax revenues exceeded the previous year's revenues with income taxes, property taxes, VAT, excise taxes, franchise taxes, DST, and other taxes posting growth rates ranging from 3.1 percent to 53.4 percent.

**Table 6. BIR Collection Performance**  
(in Billion Pesos, unless otherwise indicated)

Particulars	2013	2014	Growth	2014 Distribution
<b>Total BIR Collections</b>	<b>1,216.7</b>	<b>1,334.8</b>	<b>9.7%</b>	<b>100.0%</b>
Taxes on Net Income and Profits	718.4	784.8	9.2%	58.8%
Taxes on Property	3.3	5.5	66.7%	0.4%
Taxes on Domestic Goods and Services	495.0	544.5	10.0%	40.8%
General Sales, Turnover or VAT	250.1	278.8	11.5%	20.9%
Selective Excise on Goods	118.9	135.3	13.8%	10.1%
Selective Taxes on Services	60.3	55.9	-7.3%	4.2%
Taxes on the Use of Goods or Property or Permission to Perform Activities	0.5	0.6	20.0%	0.0%
Documentary Stamp Tax (DST)	60.3	69.0	14.4%	5.2%
Other Taxes	4.9	4.9	1.2%	0.4%

Note:

Figures are based on the FY 2014 BIR Annual Report, and as reflected in the FY 2015 and FY 2016 BESF

Source: Bureau of Internal Revenues

<sup>9</sup> Based on the submission of the Bureau of Internal Revenue. Please see Annex A-1 and A-2 for a detailed breakdown of the actual collection, by source and by department/agency

*Taxes on Net Income and Profits*

The positive collection performance for income taxes (9.2 annual percent growth) was driven by several factors such as declaration of cash dividends, higher sales by various taxpayers as a result of the country's strong economic activity, and higher expanded withholding tax remittances resulting from increased purchases and cost of services. This increase in income tax collections was slightly tempered by the losses of banks from income-yielding investments such as stocks and government securities; utilization of prior year's excess tax credits; decline in the volume of gross domestic borrowings; and lower interest rates for savings deposit and SDA compared to 2013 rates.

*Selective Excise on Goods*

Likewise, the favorable collection performance of excise taxes was driven by the country's strong economic performance, which propelled collections from Miscellaneous and Mining Industry. Excise taxes on automobiles also contributed a healthy volume of revenues, as a consequence of the higher demand of automobile consumers due to easier financing access and the launch of new car models. The Mining Industry contributed significantly to the positive collection growth of excise taxes, owing to the boom in the construction and real estate in both public and private sectors. Revenues from tobacco increased due to the implementation of the Sin Tax Reform Act of 2012, which raised tax rates on alcohol and tobacco products, and the full implementation of Internal Revenue Stamps Integrated System (IRSIS). Tax revenues for alcohol products grew by 11.9 percent from last year despite the weakened demand. Excise tax collections from petroleum products also increased by 10.8 percent compared to last year.

*Impact of Sin Taxes*

The passage and implementation of R.A. No. 10351 (Sin Tax Law) boosted excise tax collections. For FY 2014, total collections from tobacco and alcohol registered at ₱75.5 billion and ₱38.5 billion, respectively. Thus, the National Government collected ₱50.2 billion in incremental revenues as defined under the Sin Tax Law, ₱7.4 billion higher than the projected incremental revenues of ₱42.9 billion. These proceeds are earmarked for the Universal Health Program.

**Table 7. Impact of Sin Tax Law Implementation**  
(in Billion Pesos, unless otherwise indicated)

Particulars	2013	2014	Growth
Tobacco	70.4	75.5	7.3%
Alcohol	33.0	38.5	16.7%
<b>Total</b>	<b>103.4</b>	<b>114.0</b>	<b>10.3%</b>

Note:

Includes both locally-produced and imported alcohol and tobacco products

Source: Department of Finance

**Table 8. Incremental Revenues**  
(in Billion Pesos, unless otherwise indicated)

Particulars	2014		
	Projected	Actual	Difference
Tobacco	29.6	39.4	9.8
Alcohol	13.3	10.8	(2.5)
<b>Total</b>	<b>42.9</b>	<b>50.2</b>	<b>7.4</b>

Source: Department of Finance

#### Value-Added Tax

VAT collections in 2014 exceeded the 2013 outturn by 11.5 percent due to increased revenues from the audit of deficiency VAT covering prior periods. The higher volume of sales by various taxpayers engaged in telecommunications, manufacturing, tobacco and alcohol industry also contributed to the increased collection. With these measures, the BIR attained 85.6 percent of its VAT collection target, as these were partly offset by the increase in claims of input taxes and organization restructuring of some multinational corporations.

#### Selective Taxes on Services

The decrease in percentage tax collections can be traced primarily to the downswing in trading gains due to the declining prices of fixed income securities, the absence of non-recurring sales of shares of stocks, and the decline in banking transactions by some banks brought about by the Third Basel Accord (Basel III) which put restrictions on banks in engaging with highly leveraged-activities that yield high trading gains.

### Documentary Stamp and Other Taxes

The improved collection in documentary stamp tax and other taxes was attributed to an increase in reloading of Electronic Documentary Stamp Tax (eDST) credits by banks; significant interest payments made for deficiency documentary stamp tax; and renewal of big insurance accounts.

### BOC Collections in 2014<sup>10</sup>

For 2014, the Bureau of Customs sustained its double-digit growth at 21.1 percent year-on-year. The reduction and elimination of duties under free trade agreements spurred higher volume of imports that positively impact on other BOC collections. This was coupled with the aggressive implementation of customs administrative reforms which involved the redeployment of Customs personnel and officials.

**Table 9. BOC Collection Performance**  
(in Billion Pesos, unless otherwise indicated)

Particulars	2013	2014	Growth	2014 Percentage Distribution
<b>Total BOC Collections</b>	<b>304.9</b>	<b>369.3</b>	<b>21.1%</b>	<b>100.0%</b>
<i>o.w. Tax Expenditure Fund</i>	<i>2.4</i>	<i>11.5</i>	<i>378.2%</i>	<i>3.1%</i>
<b>Import Duties</b>	<b>35.3</b>	<b>56.3</b>	<b>59.3%</b>	<b>15.2%</b>
Non-Oil	35.0	55.9	59.9%	15.1%
Oil	0.4	0.4	4.5%	0.1%
Crude Oil	0.0	0.0	0.0%	0.0%
Oil Products	0.4	0.4	4.5%	0.1%
<b>VAT</b>	<b>239.8</b>	<b>279.1</b>	<b>16.4%</b>	<b>75.6%</b>
Non-Oil	167.2	203.0	21.4%	55.0%
Oil	72.6	76.1	4.8%	20.6%
Crude Oil	33.5	34.0	1.4%	9.2%
Oil Products	39.1	42.1	7.8%	11.4%
<b>Excise Tax</b>	<b>26.9</b>	<b>30.4</b>	<b>12.9%</b>	<b>8.2%</b>
<b>Others</b>	<b>2.8</b>	<b>3.5</b>	<b>23.0%</b>	<b>0.9%</b>

Source: Bureau of Customs

Duties and VAT on non-oil, crude and petroleum products brought in a total of ₱56.3 billion and ₱279.1 billion, respectively, which are higher than 2013 collections by 56.3 percent and 16.4 percent as efforts to plug leakages managed to partly offset the decline in collections due to the lowering of international oil prices. Likewise, excise tax collections on other import goods for 2014 were realized at ₱30.4 billion, 12.9 percent higher than the 2013 collection of ₱26.9 billion.

<sup>10</sup> Based on the submission of the Bureau of Customs.



## Borrowing Performance

### Financing and Debt

With the fiscal deficit reaching its lowest level in 8 years and the government's healthy cash position, the NG was able to downscale its borrowing for the period, attaining a 73:27 borrowing mix in favor of domestic debt.

Total gross borrowing reached ₱529.8 billion, which is 29.4 percent lower than the ₱750.5 billion revised program for the year. Aside from the lower funding requirement brought about by the lower-than-expected deficit and the government's healthy cash position, the decline in gross financing is also due to the scaling back of contributions to the Bond Sinking Fund (BSF) used for the redemption of maturing domestic obligations.

**Table 10. National Government Financing**  
(in Million Pesos, unless otherwise indicated)

Particulars	2014			Actual vs. Revised	
	Program	Revised Program	Actual	Difference	%
<b>Financing</b>	274,110	283,970	175,239	(108,731)	-38%
External (Net)	5,036	4,236	12,572	8,336	197%
External (Gross)	95,030	130,500	141,949	11,449	9%
<i>Less: Amortization</i>	89,994	126,264	129,377	3,113	2%
Domestic (Net)	269,074	279,734	162,667	(117,067)	-42%
Domestic (Gross)	620,011	620,011	387,838	(232,173)	-37%
<i>Less: Amortization</i>	350,937	340,277	225,171	(115,106)	-34%
<b>Financing Mix (% of total)</b>					
External	13%	17%	27%		
Domestic	87%	83%	73%		

Source: Bureau of the Treasury

Domestic financing, which accounts for 73 percent of the total, was 37 percent below program. Aside from the regular issuance of debt securities, BTr successfully conducted a domestic bond exchange in the 3<sup>rd</sup> quarter of 2014 as part of the liability management initiatives of the government. This resulted in interest expense savings and eases future debt burden by retiring outstanding expensive debt in favour of cheaper and longer maturing securities.

Meanwhile, external borrowing in 2014 was higher vis-à-vis the revised program as well as actual borrowings from a year ago, mainly due to the availment of emergency loans to support Yolanda relief and reconstruction efforts. Also, the government raised ₱67.7 billion in global bonds offering, wherein ₱39.0 billion was used to accelerate the repayment of high interest debt while the remaining ₱28.7 billion was for general budgetary support.

## National Government Debt

As of end-2014, the NG outstanding debt was recorded at ₱5,735.2 billion. In line with risk management objectives, domestic debt amounting to ₱3,820.6 billion accounted for 67 percent of total NG obligations while external obligations were at ₱1,914.6 billion.

**Table 11. National Government Debt**  
(in Million Pesos, unless otherwise indicated)

Particulars	Actual			
	2013	2014	Difference	%
<b>Total NG Debt</b>	<b>5,681,153</b>	<b>5,735,242</b>	<b>54,089</b>	<b>1.0%</b>
External	1,947,731	1,914,639	(33,092)	-1.7%
Domestic	3,733,422	3,820,603	87,181	2.3%
<b>% of Total</b>				
External	34.3%	33.4%		
Domestic	65.7%	66.6%		
<b>% of GDP</b>	<b>49.2%</b>	<b>45.4%</b>	<b>-3.9%</b>	
External	16.9%	15.1%	-1.7%	
Domestic	32.3%	30.2%	-2.1%	
<b>Total Interest Payments</b>	<b>323,434</b>	<b>321,185</b>	<b>(2,249)</b>	<b>-0.7%</b>
External	101,117	100,690	(427)	-0.4%
Domestic	222,317	220,495	(1,822)	-0.8%
<b>Total IP as % of GDP</b>	<b>2.8%</b>	<b>2.5%</b>		
<b>Total IP as % of Disbursements</b>	<b>17.2%</b>	<b>16.2%</b>		
<b>Total IP as % of Revenues</b>	<b>18.8%</b>	<b>16.8%</b>		
<b>Average Maturity (years) <sup>a/</sup></b>	<b>10.03</b>	<b>9.90</b>		
External	10.89	11.13		
Domestic	9.57	9.20		
<b>Weighted Average Interest Rate</b>	<b>5.5%</b>	<b>5.4%</b>		
External	5.1%	4.8%		
Domestic	5.8%	5.7%		
<b>Interest Rate Mix</b>	<b>100.0%</b>	<b>100.0%</b>		
Fixed	94.1%	93.0%		
Floating	5.7%	6.8%		
Interest Free	0.1%	0.1%		

Note:

a/ Average maturity is measured in years on residual basis

Memo Items:

GDP	11,542,286	12,642,736
Peso/US\$	44.45	44.70
Disbursements	1,880,155	1,981,619
Revenues	1,716,093	1,908,527

Source: Bureau of the Treasury

Consistent with the borrowing program, outstanding NG debt issued in the domestic market increased by 2.3 percent year-on-year, equivalent to ₱87.2 billion. Meanwhile, external obligations decreased by ₱33.1 billion or 1.7 percent compared to end-2013 figures. The growth of NG debts is driven by the expansion of domestic

debt in line with the objective of reducing foreign exchange risks and other external shocks.

Attesting to the government's proactive liability management and sustained economic growth, debt sustainability indicators such as NG debt ratio has progressively improved, narrowing considerably to 45.4 percent as of end-December 2014 compared to 49.2 percent in the previous year. The 3.8-percentage point improvement could be attributed to the combined effect of strong economic growth and lower deficit resulting in reduced borrowings. Both domestic and external debt decreased relative to GDP at 30.2 percent and 15.2 percent, down by 2.1 percentage points and 1.7 percentage points, respectively.

Alongside improvements in the relative size of its obligations, the Government was also successful in shifting the profile of its outstanding debt in line with cost and risk considerations.

- NG obligations continue to exhibit resilience against interest rate risks resulting from the Government of the Philippines' (GOP) preference to issue fixed-rate securities. As of end-December 2014, only 6.8 percent of the total debt portfolio are subject to resetting, mitigating adverse swings and allowing for more certain projections such as those related to interest payments.
- Despite the rising interest rate environment, weighted average interest rate (WAIR) of the NG debt portfolio stays on a downward trend. WAIR for NG domestic and external obligations is at 5.7 percent and 4.8 percent from 5.8 percent and 5.1 percent as of end-2013, respectively. The contraction of borrowing costs result from a strategic issuance policy that takes advantage of favourable domestic interest rates to refinance maturing obligations, including those done through liability management transactions.
- The average maturity of the debt portfolio has maintained a comfortable average of 9.9 years, residing on the upper bound of the country's medium-term debt target of 7 to 10 years. This is because 88 percent of the country's total outstanding debt have long maturities, which diminishes the country's exposure to refinancing risks. Domestic and external debt have average maturities of 9.2 and 11.1 years, respectively.

Debt service metrics have simultaneously improved with interest payments taking up a lower percentage of revenues and expenditures. IP reached ₱321.2 billion in 2014, slightly less than the ₱323.4 billion for 2013 while generating savings of ₱31.5 billion against the full-year program. IP relative to revenues declined to 16.8 percent from 18.8 percent the

previous year, implying improved NG capacity to service debt. Similarly, IP fell to 16.2 percent of expenditures from 17.2 percent in 2013, freeing fiscal space for more productive government spending.

### *Disbursement Performance*

Total national government spending for 2014 reached ₱1,981.6 billion, higher than the 2013 disbursement level of ₱1,880.2 billion by ₱101.5 billion or 5.4 percent. The year-on-year growth of disbursements in 2014 has maintained the 5.8-percent growth in 2013. Netting out interest payments (IP), the cumulative growth in disbursements was at a relatively higher rate of 6.7 percent, resulting from a slight year-on-year decrease in IP of about 0.7 percent. The growth in spending was largely driven by increased spending on Personnel Services; the combined increase of 7.3 percent in productive expenditures such as Maintenance and Other Operating Expenditures (MOOE) and Infrastructure and Other Capital Outlays (CO); higher Internal Revenue Allotment (IRA) for Local Government Units (LGUs); subsidies to Government-Owned and -Controlled Corporations (GOCCs); and tax expenditure subsidies for GOCCs and National Government Agencies (NGAs) (*See Table 12 below*).

On the other hand, the cumulative disbursement outturn was lower than the program for the year by about ₱302.7 billion or 13.3 percent, which can be attributed in part to virtuous factors like savings in IP and net lending (₱43.1 billion). Unfortunately, shortfalls in the disbursement performance were also realized due to institutional problems in the delivery of goods and services, such as poor planning and procurement bottlenecks; as well as the unintended delays caused by the implementation of reforms, such as new payment rules (*See Table 13 below*).

Among the departments which registered the largest underspending in terms of magnitude are the Department of Public Works and Highways (DPWH), Department of Education (DepEd), Department of Social Welfare and Development (DSWD), Department of Interior and Local Government (DILG), Department of Agriculture (DA), Department of Health (DOH), Department of Transportation and Communications (DOTC), Department of Agrarian Reform (DAR) and the Department of Environment and Natural Resources (DENR). The extent of underperformance by these departments accounted for the ₱175.4 billion or nearly 58.0 percent of the total underspending of ₱302.7 billion in 2014.

Based on the consultation meetings conducted by the Department of Budget and Management (DBM) with these departments, the low disbursement outturn can be mostly attributed to the delays introduced by additional procedures required by the FY 2014 General Appropriations Act (GAA) for transparency and accountability; additional restrictions on the use of savings and realignments as a result of the SC ruling on the DAP; structural weaknesses within the departments demonstrated by

poorly prepared projects, project implementation difficulties and procurement issues; as well as other reasons that are said to be beyond the control of the departments/agencies (e.g., unforeseen circumstances, unfavorable weather conditions, and peace and order situation).

### *Year-on-Year Performance*

**Table 12. Disbursements by Expense Class, Year-on-Year**  
*(in Billion Pesos, unless otherwise indicated)*

Particulars	January-December		Increase/Decrease	
	2013	2014	Amount	%
<b>Current Operating Expenditures</b>	<b>1,519.2</b>	<b>1,616.7</b>	<b>97.5</b>	<b>6.4%</b>
Personnel Services	581.7	603.6	21.9	3.8%
Maintenance and Other Oper. Exp.	282.9	308.7	25.8	9.1%
Subsidy	66.3	80.4	14.1	21.3%
Allotment to LGUs	241.8	273.2	31.4	13.0%
Interest Payments	323.4	321.2	(2.2)	-0.7%
Tax Expenditure	23.0	29.5	6.5	28.3%
<b>Capital Outlays</b>	<b>344.3</b>	<b>351.5</b>	<b>7.2</b>	<b>2.1%</b>
Infrastructure & Other CO	261.8	276.0	14.1	5.4%
Equity	11.5	1.7	(9.7)	-84.8%
Capital Transfers to LGUs	71.0	73.8	2.8	3.9%
<b>Net Lending</b>	<b>16.6</b>	<b>13.4</b>	<b>(3.2)</b>	<b>-19.4%</b>
<b>TOTAL</b>	<b>1,880.2</b>	<b>1,981.6</b>	<b>101.5</b>	<b>5.4%</b>

*Source: Department of Budget and Management*

The major sources of year-on-year growth in disbursements are as follows:

- Spending for Personnel Services (PS) grew by ₱21.9 billion or 3.8 percent year-on-year largely on account of the increase in requirements of DepEd corresponding to the salaries and benefits of the 58,734 teaching positions created and filled in 2013, as well as the funding requirements for the 29,776 positions filled in 2014 out of the 33,006 positions created for the year. In addition, funding for the creation and recruitment of 13,000 Police Officer I positions and 1,200 Fire Officer I positions were provided in 2014 along with the ₱4.6 billion in retirement and separation incentives and benefits for rationalized personnel under the offices of DAR, DA and DENR.
- Maintenance spending reached ₱308.7 billion, higher by ₱25.8 billion or 9.1 percent from the 2013 level of ₱282.9 billion. This was essentially driven by the increased investments in major social protection services particularly the DSWD's *Pantawid Pamilyang Pilipino Program* (4Ps), which was expanded by 41.3 percent to cover 4,309,769 households under the regular conditional cash transfer (CCT) program from 3,809,769 beneficiaries in 2013, and additional requirements to cover 131,963 homeless families. Other programs of the DSWD that were expanded in 2014 were the Supplemental Feeding Program (from ₱3.0 billion in 2013 to ₱4.2 billion in 2014) which provides food to targeted children-beneficiaries

and the Social Pension for Indigent Filipino Senior Citizens (from ₱1.5 billion in 2013 to ₱3.1 billion in 2014) which entitles poor senior citizens to a monthly pension of ₱500 to augment their daily subsistence and other medical needs. On top of this is the amount of ₱4.3 billion released to the DSWD for the Emergency Shelter Assistance of LGUs in Yolanda-affected areas. This program provides cash assistance to families whose houses were either totally or partially destroyed/ damaged by Typhoon Yolanda, and have no permanent source of income or whose income is below the poverty threshold.

Other contributing factors to the increase in MOOE were the higher requirements allotted to DOH for the operation of special hospitals, medical centers and activities for Disease Prevention Control, as well as the ₱3.2 billion Medical Assistance Program for indigent patients, who are either confined or seeking outpatient services in government hospitals.

- Support to GOCCs in terms of subsidies surpassed the previous year's level by ₱14.1 billion or 21.3 percent owing to the ₱35.3-billion subsidy for health insurance premium of 14.7 million poor and near-poor families to be covered under the National Health Insurance Program (NHIP). However, this increase was partly subdued by the impact of the magnitude of releases made in 2013 for National Electrification Administration (NEA), National Irrigation Administration (NIA), and Philippine Coconut Authority (PCA) for the rehabilitation and restoration of calamity-affected areas.
- Allotment and capital transfers to LGUs expanded by ₱34.2 billion or 10.9 percent chiefly on account of the higher IRA share of LGUs resulting from a larger tax base in 2011.
- Tax expenditure subsidies paid by national government agencies and GOCCs to BIR and BOC rose to ₱29.5 billion, which is ₱6.5 billion or 28.3 percent more than the 2013 level. This was brought about by the combined impact of the smaller allocation for the Philippine Deposit Insurance Corporation (PDIC), whose 5-year entitlement to tax subsidy expired in June 2014 in accordance with R.A. No. 9576 (or PDIC Charter); and the increase in tax subsidies to the National Food Authority (NFA), which amounted to almost ₱11.0 billion in 2014 corresponding to the importation of 1.3 million metric tons of rice that year.
- Infrastructure and other capital outlays (CO) increased by only ₱14.1 billion or 5.4 percent to ₱276.0 billion in 2014. The increase was mostly on account of the higher releases for the infrastructure development programs of the DOTC (₱11.4 billion in 2014 Notice of Cash Allocation or

NCA, releases compared to ₱4.6 billion in 2013), and the ₱4.9 billion allocation for Department of National Defense (DND) to cover the requirements of the fighter/surface attack/lead-in fighter trainer (F/SA/LIFT) aircraft acquisition project including the purchase of communications security equipment and buyer-enhanced furnished equipment under the Revised Armed Forces of the Philippines (AFP) Modernization Program.

However, the year-on-year expansion of disbursements was partly weakened by the decline in the following expenditure items:

- Equity contributions to GOCCs dropped by ₱9.7 billion or nearly 85 percent to ₱1.7 billion in 2014 primarily due to the non-recurring release of ₱10 billion in December 2013 which already covered in full the balance of NG share in the capitalization of the BSP.
- Net lending to GOCCs also decelerated in 2014 by ₱3.2 billion or 19.4 percent with the decrease in NG advances for NFA as it opted to refinance and maximize the available credit lines from government financial institutions for its maturing bond obligations, and for North Luzon Railways Corporation given the accelerated payment in 2013 of the Export-Import Bank of China (China Exim Bank) loan.

#### *Program vs. Actual*

The substantial shortfall of ₱302.7 billion or 13.3 percent against the disbursement targets was mainly accounted for by the following:

**Table 13. Disbursements by Expense Class, Program vs. Actual**  
(in Billion Pesos, unless otherwise indicated)

Particulars	January-December		Deviation	
	Program	Actual	Amount	%
<b>Current Operating Expenditures</b>	1,800.9	1,616.7	(184.2)	-10.2%
Personnel Services	661.5	603.6	(57.9)	-8.8%
Maintenance and Other Oper. Exp.	374.6	308.7	(65.9)	-17.6%
Subsidy	109.0	80.4	(28.6)	-26.2%
Allotment to LGUs	273.2	273.2	-	0.0%
Interest Payments	352.7	321.2	(31.5)	-8.9%
Tax Expenditure	29.9	29.5	(0.3)	-1.2%
<b>Capital Outlays</b>	458.4	351.5	(106.9)	-23.3%
Infrastructure & Other CO	365.2	276.0	(89.2)	-24.4%
Equity	3.3	1.7	(1.6)	-47.4%
Capital Transfers to LGUs	84.9	73.8	(11.1)	-13.1%
CARP-LO Compensation	5.0	-	(5.0)	-100.0%
<b>Net Lending</b>	25.0	13.4	(11.6)	-46.3%
<b>TOTAL</b>	<b>2,284.3</b>	<b>1,981.6</b>	<b>(302.7)</b>	<b>-13.3%</b>

Source: Department of Budget and Management

- PS closed at 8.8 percent below program, primarily due to the unutilized funds from unfilled positions, and creation of new positions, as well as the unreleased allocations for lump-sum PS items such as the Miscellaneous Personnel Benefits Fund (MPBF) and the Pension Gratuity Fund (PGF).
- MOOE finished below expectations by ₱65.9 billion or 17.6 percent as a result of both the low obligation rates of MOOE-heavy departments<sup>11</sup> such as the Office of the President (OP, 54.8 percent) and DAR (49.4 percent), and to a greater degree, the huge unspent balances compared to the DBCC-approved program for DSWD, DA, DILG, DOH, and DENR. As earlier mentioned, the more significant causes of the underspending in these departments can be traced back to the structural weaknesses that undermine their ability to plan better, implement programs and projects on schedule and procure goods and services needed for these programs and projects in a timely manner.

More specifically, inadequate planning was noted in the delays in complying with the pre-conditions for release in the FY 2014 GAA, such as: the submission of a master plan for the provision of agricultural equipment and facilities of the DA; securing DPWH certification of LGU capacity to implement projects in the case of Recovery Assistance on Yolanda (RAY) under DILG; complete submission of geo-tagged photos and other requisites for the release of funds for the DENR National Greening Program; and the required validation of beneficiaries for the Socialized Pension program of the DSWD. Furthermore, as represented by DSWD, the low utilization of FY 2014 funds was also attributed mostly to the postponement of the Expanded CCT program until June 2014, resulting to unutilized funds of P5.1 billion corresponding to the January to May 2014 program, as well as the limited capacity of regional Technical Education and Skills Development Authority (TESDA) offices to implement skills training thereby causing delays in the implementation of the Sustainable Livelihood Program and in the disbursement of funds in the amount of ₱1.5 billion.

In the same manner, contributing to the underutilization of funds were the procurement difficulties experienced by some departments like the DepEd, for instance, which encountered delays in the finalization of requisite documents for the bidding of textbooks and other instructional materials; while other departments such as DOH, DAR, and DILG considered some of the following as key hurdles that slowed down their procurement process: 1) incidents of failed bidding; 2) insufficient bidding

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<sup>11</sup> These are the departments with more than one-third (33.3 percent) of their budget allocated to MOOE. Moreover, those considered with low obligation rates have absorptive capacities (obligations-to-allotments ratio) less than the average MOOE obligation rate of 77.2 percent over the period 2012 through 2014 for national government agencies.



requirements; 3) weak staff capacities; and 4) changes in technical specifications. OP has also attributed its low utilization to intricacies of the repair requirements for the Presidential Airlift Wing and the procurement process, which stalled the program for one year.

Lastly, the DA also cited the poor liquidation of cash advances by LGUs for agriculture banner programs and Bottom-Up Budgeting projects as one of the major reasons for their low disbursements. This signals the weak capacities of LGU in preparing fund liquidation requirements and highlights the need to capacitate LGU personnel in public financial management.

- Notwithstanding the significant growth in subsidies year-on-year, NG support to GOCCs in the form of operational and program subsidies slid below program by ₱28.6 billion or 26.2 percent mainly due to the delays in program/project implementation of the National Housing Authority (NHA), Social Housing Finance Corporation (SHFC), NEA, and the National Power Corporation (NPC). Bulk of the undisbursed amount for NHA was due to the following factors: 1) revision of housing design for the Armed Forces of the Philippines and Philippine National Police (AFP/PNP) Housing Project from loft-type to bungalow (₱4.1 billion); 2) lack of documentation or delays in securing clearances and permits from other agencies and LGUs for the Informal Settler Families (ISF) Housing Program (₱1.6 billion) and the AFP/PNP Housing Project Phase 2A (₱1.3 billion); 3) delay in the issuance of BIR ruling on exemption for payment of capital gains and documentary stamp tax despite the submission of complete requirements for the ISF Housing Program (₱3.2 billion) and for the AFP/PNP Housing Project Phases 2 and 2A (₱0.8 billion); and 4) procurement issues in the housing program for ISFs due to the non-compliant technical or financial proposals and delayed and insufficient submission of bidding documents by contractors (₱0.9 billion).

Likewise, SHFC has also encountered delays in the issuance of permits and licenses by LGUs such as Sangguniang Bayan resolutions, development and building permits, and other documentary requirements for its Community Mortgage Program which resulted to an underspending of ₱1.8 billion. In the case of NEA, they attributed most of its underutilization of funds to the refocusing of efforts to the rehabilitation of distribution lines of electric cooperatives in Typhoon Yolanda-affected areas. In particular, they said that NEA personnel and supply of materials were diverted to restore power in Yolanda-affected areas from the 4th Quarter, 2013 to 2nd Quarter, 2014, thereby delaying the implementation of electrification projects scheduled in FY 2014. Lastly, the NPC cited non-compliant deliveries or delays in deliveries or project

completion by suppliers and contractors as some of the reasons for the slow disbursement of FY 2014 funds. NPC somehow alluded this delay to port congestion, since some affected spare parts are internationally manufactured.

- Savings in IP amounted to ₱31.5 billion or 8.9 percent, due to the combined effects of lower volume of domestic borrowings particularly treasury bills and fixed rate treasury bonds, as well as lower-than-programmed interest rates (average 364-day T-bill rate of 1.8 percent for 2014 compared to the program of 3.0 percent). As a result, the share of IP in total disbursements declined to 16.2 percent in 2014, the lowest in three decades.
- The largest underspending in terms of magnitude was recorded under infrastructure and other CO, for which actual disbursements fell short of program by ₱89.0 billion or by 24.2 percent against program. This was mainly due to the considerably low NCA utilization rates of DPWH (76.9 percent) and DOTC (67.6 percent), and their much lower obligation rates of 69.3 percent for DPWH (compared to 90.6 percent in 2013) and 58.2 percent for DOTC (vs. 66.9 percent in 2013).

Based on the reports of both departments, CO underspending resulted from a mix of factors. Some justified reasons were the non-spending<sup>12</sup> of ₱2.1 billion in items affected by the SC decisions on the Priority Development Assistance Fund (PDAF) and DAP, and unspent funds in the amount of ₱9.7 billion due to factors beyond their control such as weather disturbances, peace and order problems, and delayed concurrence by or difficulty in securing approvals from authorities and donor institutions.

As previously discussed, others reasons affecting fund utilization point to the structural problems/inefficiencies and long standing constraints that hamper project implementation and slow down payment processes. Most of the bottlenecks came from the delays in the approval or issuance of documents to contractors which are requisites for claim payments, as well as late billings and incomplete documentation by contractors (₱18.1 billion as accounted for by DPWH); coordination problems with and limited capacity of implementing partner agencies/institutions (₱14.1 billion); unresolved right-of-way problems and other legal issues (₱4.2 billion); and difficulty in securing permits/clearances prior to project implementation (₱2.6 billion). The DOTC also attributed part of its slow disbursements to the procurement

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<sup>12</sup> Unutilized funds resulting from unpaid projects, inability to use savings and difficulty in realigning funds

issues encountered for the New Bohol Airport and the acquisition of rolling stocks for the MRT 3 Expansion.

- Capital transfers to LGUs were recorded below program by ₱11.1 billion or 13.1 percent due to the unreleased balances of the special shares of LGUs in the proceeds of national taxes such as VAT and the Tobacco Excise Tax, in the amounts of ₱4.7 billion and ₱5.6 billion, respectively. In the case of VAT, the 70 percent share of LGUs in accordance with Section 150 of R.A. No. 7160 is still unreleased pending BIR's identification of beneficiary LGUs where the situs of the branches, sub-outlets, plant or plantation, and retail stores are located. As for the Tobacco Excise Tax, the 30 percent and 80 percent shares of congressional districts with respect to the excise taxes of locally-manufactured Virginia-type cigarettes under R.A. No. 7171, and from Burley & Native tobacco under R.A. No. 8240, respectively, cannot be released in view of the SC ruling on PDAF declaring as unconstitutional any form of post-enactment intervention by legislators in the implementation of the budget. Prior to the issuance of that SC decision, the release of the congressional district share requires consultation or identification of programs and projects by legislators.
- The ₱5.0 billion allocation for the payment of landowners' compensation under the Comprehensive Agrarian Reform Program (CARP) was not released in 2014 in the absence of the Presidential Agrarian Reform Council (PARC) endorsement and in view of the huge and sufficient cash balance of the Agrarian Reform Fund (ARF) administered by the Land Bank of the Philippines (LBP).
- Actual net lending to GOCCs of ₱13.4 billion was lower than the program by ₱11.6 billion or 46.3 percent. The DOF attributed the decline to the policy initiatives undertaken for GOCCs that are directed towards fiscal discipline and prudent cash management, which includes refinancing of maturing obligations of some GOCCs by government financial institutions.

### III.

## National Government Expenditure Performance

### A. Allotments

As discussed in the FY 2014 Mid-Year Report, the total adjusted expenditure program for the year is ₱2,264.6 billion. Of the said program, the allotments made available to the departments and agencies, which enabled them to enter into commitments or obligations, amounted to ₱2,220.4 billion or 98 percent. This is higher by 10.9 percent than the allotment releases of ₱2,001.2 billion in 2013.

**Table 14. Status of the FY 2014 Budget**  
(in Billion Pesos, unless otherwise indicated)

Particulars	Program <sup>a/</sup>	Adjusment	Adjusted Program	Releases		Balance
				Amount	% of Program	
New GAA (R.A. No. 10633)	1,468.6	-	1,468.6	1,389.1 <sup>b/</sup>	94.6%	79.5
Departments	1,186.0	(31.1)	1,155.0	1,112.7	96.3%	73.4
Special Purpose Funds (SPFs)	282.6	31.1	313.6	276.4	88.1%	6.2
Automatic Appropriations	796.0		796.0	787.3	98.9%	8.7
Other Releases				44.1		(44.1)
Continuing Appropriations				21.5		(21.5)
GAA-R.A. 10352				7.2		
Supplemental Budget (R.A. No. 10634)				14.3		
Unprogrammed Fund				11.9		(11.9)
Other Automatic Appropriations				10.7		(10.7)
<b>ORIGINAL PROGRAM</b>	<b>2,264.6</b>		<b>2,264.6</b>	<b>2,220.4</b>	<b>98.0%</b>	<b>44.2</b>
<b>ADDITIONAL PROGRAM</b>	<b>22.5</b>		<b>22.5</b>	<b>-</b>		<b>22.5</b>
Supplemental Budget (R.A. No. 10652)	22.5		22.5	-		
<b>TOTAL</b>	<b>2,287.1</b>		<b>2,287.1</b>	<b>2,220.4</b>	<b>97.1%</b>	<b>66.7</b>

Note:

a/ Adjusted Program due to approved realignments and transfer of appropriations (see separate Annex for details of adjustments)

b/ Other releases which were accommodated within the 2014 Expenditure Program

Source: Department of Budget and Management

More specifically, allotments were released for 96.3 percent of the agency-specific budgets in the FY 2014 GAA, 88.1 percent of Special Purpose Funds (SPFs), and 98.9 percent of Automatic Appropriations, which was mostly for IP and IRA<sup>13</sup>. On top of this program is a ₱22.5 billion Supplemental Budget under R.A. No. 10652 which was enacted by Congress to fund urgent and important projects of the government, mostly for the Yolanda and past typhoons. However, since the same was only approved on December 23, 2014, the releases are practically carried forward in full to 2015 as continuing appropriations and is valid for obligation until December 31, 2015.

The top five departments who received the biggest share in the 2014 total allotment releases were as follows: 1) DepEd with actual releases of ₱298.3 billion or 99.2 percent of the department's budget allocation; 2) DPWH with allotments worth

<sup>13</sup> Please see Annex B-1 for details on the changes from the National Expenditure Program to the GAA; Annex B-2 for the adjustments during the execution of the FY 2014 Budget; and Annex B-3 for the details of SPF transfers to various departments/agencies.

₱257.9 billion or 90.8 percent of its obligation program; 3) DILG with ₱151.0 billion in allotment releases or 99.5 percent of its annual appropriations; 4) DND with ₱141.7 billion or almost 100 percent of its programmed budget; and 5) DSWD with releases amounting to ₱99.0 billion representing almost its entire budget. The allotment releases for these five major departments account for 42.7 percent of the ₱2,220.4 billion total allotments issued for the year.

## B. Obligations

In 2014, the National Government incurred obligations amounting to ₱2,019.1 billion, or 89.2 percent of the total budget program for the year.

**Table 15. Enacted vs. Actual Expenditures, By Sector**  
(in billion pesos, unless otherwise indicated)

Expenditures by Sector	2014			Obligations as % of GDP	Percent Distribution of Obligations
	Program (GAA)	Actual Obligations	Obligation Rate (%)		
Economic Services	593.1	492.5	83.0	3.9	24.4
Social Services	841.8	764.6	90.8	6.0	37.9
Defense	89.5	87.2	97.4	0.7	4.3
General Public Services	362.6	340.2	93.8	2.7	16.8
Net Lending	25.0	13.4	53.7	0.1	0.7
Interest Payments	352.7	321.2	91.1	2.5	15.9
<b>TOTAL</b>	<b>2,264.6</b>	<b>2,019.1</b>	<b>89.2</b>	<b>16.0</b>	<b>100.0</b>

Source: FY 2015 and FY 2016 BESF for the Program (GAA) and the Actual Obligations, respectively

By sector, Table 13 shows that more than one-third of the total obligations went to the delivery of social services such as education, culture and manpower development, health, social security, welfare, and employment, housing and community development programs. Departments and agencies implementing programs under this sector were able to obligate 90.8 percent or P764.6 billion of the P841.8 billion budget allocated for the social services, the largest among all the sectors.

This was followed by the Economic Services sector for which P492.5 billion or 83.0 percent of the P593.1 billion allocation was obligated. This outturn was contributed mostly by quick absorption of funds in the tourism, natural resources and environment, power and energy, and water resources and flood control.

The General Public Services sector ranked third, with obligation amounting to P340.2 billion or 93.8 percent of the sector's P362.6 billion allocation. This amount was used to cover programs and projects under general administration, public order and safety, and the dispensation of justice.

Obligations for Interest Payments amounted to P321.2 billion, which is 91.1 percent of the P352.7 billion programmed for the year. Relative to the total

obligations, IP had declined to 15.9 percent from the 16.2 percent recorded in the previous year.

The Defense sector placed fifth with obligation amounting to ₱87.2 billion of the sector's ₱89.5 billion allocation for the year. The said amount was obligated by the Department of National Defense in its effort to strengthen domestic security.

Lastly, ₱13.4 billion or 53.7 percent of the program, was obligated for the servicing of government guaranteed corporate debt. Compared to the previous year, actual net lending has declined by ₱3.2 billion. The decline was attributed to the strengthened fiscal discipline and improved cash management being undertaken for government corporations.

### ***C. Financial and Physical Performance of Selected Major Programs and Projects, by Department, as of 31 December 2014***

**Table 16. Enacted vs. Actual Expenditures, Selected Departments**  
*(in Billion Pesos, unless otherwise indicated)*

Department	FY 2014 Adjusted Appropriations <sup>1/</sup>	As of 31 December 2014		
		Allotments Received <sup>2/</sup>	Obligations Incurred <sup>3/</sup>	Obligation Rate (%) <sup>4/</sup>
Agrarian Reform	25.4	19.7	12.2	61.9
Agriculture	72.7	70.1	55.5	79.1
Education	308.6	306.3	274.5	89.6
Energy	4.1	4.1	0.9	21.9
Environment and Natural Resources	28.8	27.0	23.8	88.4
Health	56.4	56.4	47.2	83.6
Interior and Local Government	159.9	159.1	143.0	89.9
Public Works and Highways	301.2	274.9	191.8	69.8
Science and Technology	14.7	14.7	12.6	86.2
Social Welfare and Development	103.6	103.5	86.1	83.2
Transportation and Communications	58.0	58.0	34.1	58.8
Other Executive Offices				
<i>o.w. CHED</i>	9.8	9.8	5.6	56.4
<i>TESDA</i>	5.9	5.8	5.3	91.8

**Notes:**

- 1/ FY 2014 Adjusted Appropriations pertain to the following: 1) FY 2014 Budget including the Department-Specific Budget, releases to the Department charged against the Special Purpose Funds and Automatic Appropriations; 2) FY 2013 Continuing Appropriations that were released in 2014; and 3) unobligated allotments as of 31 December 2013, which are still valid for obligation until end-2014.
- 2/ Allotments received by the Departments charged against the following: 1) FY 2014 Budget including the Department-Specific Budget, releases to the Department charged against the Special Purpose Funds and Automatic Appropriations; 2) FY 2013 Continuing Appropriations that were released in 2014; and 3) unobligated allotments as of 31 December 2013, which are still valid for obligation until end-2014.
- 3/ Obligations incurred by the Departments in 2014 as reported in the FY 2016 BESF
- 4/ Ratio of obligations incurred to allotments received by departments - measure of absorptive capacity

Source: Department of Budget and Management

### **Department of Agrarian Reform**

- **Financial Performance.** DAR received a total allotment release of ₱19.7 billion, of which ₱12.2 billion or 62 percent was obligated. The low

obligation rate was recorded in foreign-assisted projects (FAPs), with total obligations amounting to ₱408 million, or 12 percent of its allotment of ₱3.5 billion. The department cited procurement problems and the implementation of the rationalization plan of DAR as the cause of delays of most FAPs. The Mindanao Sustainable Agrarian and Agriculture Development Project (MINSAAD), supported by the Japan International Cooperation Agency (JICA), only incurred obligations of ₱184 million, equivalent to 10 percent of its ₱1.8 billion allotment; while the Italian Assistance to the Agrarian Reform Community Development Support Program (IARCDSP) obligated only ₱31 million, or 3 percent of its ₱1.1 billion allotment for the year.

Among its major final outputs (MFOs), the Land Tenure Services (LTS) received the biggest allotment amounting to ₱5.9 billion, of which ₱4.0 billion or 68 percent was obligated. The Land Acquisition and Distribution (LAD), a component of LTS, was provided with an allotment of ₱4.1 billion, of which ₱3.2 billion or 78 percent was obligated. Meanwhile, the total allotment for Technical Advisory Services (TAS) amounted to ₱3.4 billion, with obligations totaling ₱2.5 billion (72 percent). The Agrarian Legal Services (ALS) received allotment of ₱1.1 billion, of which ₱822 million or 77 percent was obligated.

- *Physical Accomplishments.* For LTS, the DAR was able to acquire around 245,788 hectares of landholdings, exceeding its target for the year of 240,707 hectares. However, out of the 187,685-hectare target, only 104,996 hectares were distributed. Out of these landholdings distributed, 91,666 hectares was awarded with Certificate of Land Ownership Award (CLOA). For the 2,145,663-hectare scope covered by collective CLOAs, the department had subdivided around 989,482 hectares, while 264,457 hectares of landholdings were not yet identified for subdivision. Of the subdivided landholdings, a total of 23,208 hectares were accomplished during the year 2014. This reduced the balance to 891,724 hectares, accounted as of 1 January 2015, subject for subdivision in the subsequent years.

For TAS, the department held trainings in 31,213 days, catering to a total of 623,126 agrarian reform beneficiaries (ARBs), exceeding the target for the year of 534,527 ARBs. Around 95 percent of the participants rated the trainings satisfactorily.

For ALS, the department rendered 67,375 legal services to farmers and landowner clients, surpassing the 60,792-target for the year, and around 93 percent of the clients rating the services favorably. Likewise, around 65,845 agrarian reform cases were acted upon, exceeding the target

of 57,789 cases. Around 73 percent of the total caseload filed reached resolution, while 81 percent of cases were resolved by adjudication within three (3) months.

For MINSAAD, the procurement of the consulting firm that will be responsible for the review of infrastructure subprojects encountered significant delays. This resulted in the non-completion of its infrastructure development activities in year 2014. The DAR is addressing the issue by requesting clearance from the JICA to utilize the loan proceeds for small infrastructure projects which can be implemented by the LGUs and by facilitating the rebidding for consultancy services. Meanwhile, under the agricultural and environmental development component of the project, around 340 hectares were established as areas for agriculture and agribusiness development. The feasibility studies for the remaining 4,177 hectares of landholdings, as well as the 882 hectares identified for agroforestry development, are still underway. Moreover, under Project Management and Administration, technical assistance was provided to 11 targeted project monitoring offices, while preparation of 64 projects on agribusiness and agroforestry, 20 on irrigation, 78 on farm-to-market roads, 58 on potable water supply and 86 on post-harvest facilities had commenced, meeting the target for the year.

The implementation of IARCDSP was derailed by procurement problems and the turn-over of the Italian Grant-designated Chief Technical Advisor (CTA), causing the delay in the engagement of local consultants and the need to revise the project operation manual. As a result of these issues, no community infrastructure and agricultural enterprise development support activities was reported as completed in 2014. The issue in the project will be addressed through close coordination among its management and concerned field offices, as well as the bids-and-awards committee and technical working group, to facilitate the procurement and implementation of the project. For the meantime, under Local Capacity Building Support, the department conducted activities to strengthen farmer organizations comprising of 47 ARBs.

#### Department of Agriculture

- *Financial Performance.* For the year 2014, the DA received a total allotment of ₱70.1 billion and obligated ₱55.5 billion or 79 percent of such amount. Among the agencies under the DA, the biggest chunk of the releases went to the Office of the Secretary (DA-OSEC) for the administration of the Banner Commodity Programs and major projects of the department, most notably the Rice Program, the High Value Commodity Crop Program and farm-to-market road (FMR) projects. Out of the total allotment of ₱61.3



billion released to the DA-OSEC, the agency was able to obligate ₱48.4 billion or 79 percent. Meanwhile, an allotment of ₱6.7 billion was released to the Bureau of Fisheries and Aquatic Resources (BFAR), which in turn incurred obligations amounting to ₱5.3 billion, or 79 percent, for the Fisheries Program.

- *Physical Accomplishments.* Under the Food Staples Sufficiency Program, the DA distributed 665,160 kilograms of starter seeds for community seed banking, equivalent to 82 percent of its 815,600-seed target, due to insufficient seed variety at the Philippine Rice Research Institute, the reduction of its target driven by price increases, and the postponement of distribution because of the insufficient supply of water in some regions. Some of the seed varieties was planned to be procured in the first quarter of 2015, while distribution of undelivered seeds will resume during the target season.

Meanwhile, some of the Agri-Pinoy Trading Centers (APTC) had been completed and operationalized during the year. Among these facilities were the Quezon Corn Trading and Processing Center, and the newly launched APTCs in Pangasinan, Camarines Norte and Isabela. The construction of other similar facilities are ongoing and are expected to be completed in the subsequent years.

For FMR projects, only around 0.17 kilometers out of the 1,000-kilometer target was constructed or rehabilitated based on the report submitted by the DPWH. Some of the FMR projects are still undergoing the pre-engineering stage, while others are already undergoing construction.

Furthermore, around 122,626 target post-harvest equipment, machineries and facilities were constructed and delivered to the beneficiaries, which is equivalent to only 49 percent of the 252,025 target. The shortfall was caused by the delayed submission of Postharvest Development Master Plan as required by the special provision of the FY 2014 GAA. The implementation of remaining activities are currently being completed by the department.

For its credit support services, the department was able to grant loans amounting to ₱1.5 billion, or 69 percent of its ₱2.1 billion target, benefitting around 36,127 client farmers and fisher folk.

## Department of Education

- Financial Performance.* ₱306.3 billion was released to the DepEd in 2014 to, among others, support its preparations for the implementation of Senior High School under the K to 12 Program beginning 2016. Of the allotments released, ₱274.5 billion or 89.6 percent was obligated by DepEd. The bulk of the DepEd expenditures amounting to ₱243.4 billion funded the basic salaries and benefits of teachers, teaching-related and non-teaching personnel. Other major expenditure items pertain to the implementation of the Basic Education Facilities Fund (BEFF) amounting to ₱13.5 billion (DPWH – ₱11.3 billion and DepED – ₱2.2 billion); school MOOE with ₱13.0 billion; and Government Assistance to Students and Teachers in Private Education (GASTPE) at ₱6.2 billion.
- Physical Accomplishments.* During the year, a total of 11,515 classrooms were constructed out of the 48,634 target; while 6,409 classrooms were repaired or rehabilitated out of the 17,009 target. Likewise, 34,755 water and sanitation facilities were constructed while 2,056 were repaired or rehabilitated. These were all sourced from FYs 2013 and 2014 BEFF including the School Building Program.

Meanwhile, DepEd was able to procure 1,481,553 seats, 69.7 percent of the targeted school desks and chairs, and delivered these to beneficiary schools.

In terms of manpower requirements, of the 34,638 approved teaching and teaching-related items, a total of 30,619 positions or 88.4 percent was filled up. Meanwhile, 2,729 non-teaching positions or 80.6 percent of the target were likewise filled up.

The provision of textbooks and teachers' manuals has been continuously pursued. This translated to the procurement and delivery of close to 36.0 million learning materials out of 48.7 million target for the year.

The GASTPE which provides subsidy to high school grantees through education service contracting scheme and voucher system has benefited 855,449 students, or 86 percent of the 995,000 revised target.

The Abot Alam Program focuses on out of school youths (OSYs) by enrolling them into programs on education, employment, and entrepreneurship. Out of 1,550,986 mapped OSYs, only 543,456 were enrolled. This translates to 54.3 percent of the total target of 1.0 million beneficiaries.

Finally, 9,522 schools out of the 9,917 targeted beneficiaries across the country have been provided funding support to improve school internet connectivity.

#### Department of Environment and Natural Resources

- *Financial Performance.* The DENR received allotment of ₱27.0 billion and incurred obligations amounting to ₱23.8 billion, registering an 88.4-percent obligation rate. For the National Greening Program (NGP), around ₱5.9 billion was obligated from its allotment of ₱6.5 billion, recording a 91-percent obligation rate. Meanwhile, for the Cadastral Survey, an amount of ₱815 million, or 96 percent of the ₱850-million allotment, was obligated.

For the Air Quality Management Program under the Environmental Management Bureau, a total of ₱777 million, or 97 percent of its ₱781-million allotment, was obligated within the year. The Unified Mapping, a project under the National Mapping and Resource Information Authority (NAMRIA), reported obligations of ₱483 million, equivalent to 99 percent of the ₱488-million continuing allotment. Meanwhile, the Mines and Geosciences Bureau (MGB) received allotment of ₱424 million for its Geohazard Assessment and Mapping Project, of which ₱421 million or 99 percent was obligated.

Meanwhile, its foreign-assisted projects encountered significant procurement delays, resulting in low financial performance. The JICA-assisted Forestland Management Project (FMP) only obligated ₱260 million or 39 percent of its ₱672-million allotment; while the Integrated Natural Resources and Environmental Management Project (INREMP), supported by the Asian Development Bank (ADB) and the International Fund for Agriculture Development (IFAD), incurred obligations of ₱81 million or only 14 percent of its ₱591-million allotment. The DENR has taken actions to address these problems by securing the endorsement of NEDA and the subsequent concurrence of the JICA on the department's proposal to engage individual consultants for the FMP; and by securing a data sharing arrangement with NAMRIA in lieu of the satellite imageries that were not procured for INREMP.

- *Physical Accomplishments.* For the National Greening Program, a total of 205,414,639 seedlings were planted, covering 334,456 hectares of areas and exceeding the targets for the year of 164,646,538 seedlings in 300,000 hectares. As of the end of 2014, a total of 1,017,783 hectares had already been covered by the program. For the Cadastral Survey, around 124 cities

and municipalities were surveyed and issued with maps, meeting the target for the year.

For Linis Hangin Program, implemented by the EMB under Air Quality Management, around 12,931 smoke-belching vehicles were apprehended while three (3) anti-smoke belching unit teams were created and rolled-out. To strengthen ambient air monitoring, 66 sampling stations were maintained and monitored, while 118 air quality monitoring stations (AQMS) were calibrated. An additional eight (8) real-time AQMS were installed in Metro Manila, completing the target of one station per LGU in the National Capital Region. For the Unified Mapping Project of NAMRIA, very high resolution (VHR) satellite imageries covering the 1.5 million hectares were acquired; while 456 ortho-image maps were produced. Under Geohazard Assessment and Mapping, the MGB has conducted the assessment of 684 cities and municipalities and 1,241 relocation sites for land field mapping and survey, while 122 municipalities underwent assessment for coastal geohazard and impact of climate change, attaining the corresponding targets for the year.

#### Department of Energy

- *Financial Performance.* In 2014, the DOE obligated only 21.9 percent of its available allotment of ₱4.1 billion<sup>14</sup>, which is a lot less than its obligation rate of 77.8 percent in 2013. The low absorptive capacity of DOE stemmed from the failure to award a contract for the Market Transformation through the Introduction of Energy-Efficient Electric Vehicles Project (E-Vehicle Project) for 2014. Netting out the E-Vehicle Project of ₱3.1 billion<sup>15</sup>, the obligation rate of DOE should have been 87.3 percent for 2014.
- *Physical Accomplishments.* Out of the total obligations of the Department, some ₱132 million was for the Household Electrification Program (HEP) in Off-Grid Areas Using Renewable Energy. For 2014, the notable accomplishments include the installation and commissioning of the remaining 258 and 1,666 solar home systems under the amended HEP 2011 and HEP 2012 2<sup>nd</sup> batch, respectively, the issuance of notice to proceed for the HEP 2014 (Lot 1) covering 4,058 households in Luzon and Visayas, and the conduct of photovoltaic technician's training for beneficiary electric cooperatives and local government units.

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<sup>14</sup> Available allotment includes releases from current budget, supplemental and continuing appropriations as well as unobligated allotment as of December 31, 2014.

<sup>15</sup> Referring to Fund 102 and Fund 151 for the project.

## Department of Health

- Financial Performance.* To support the government's commitment to provide accessible and quality health services for all, especially the marginalized, through the Universal Health Care Program, the DOH was supported with a total allotment release of ₱56.4 billion in 2014. Of the said amount, total obligations reached ₱47.2 billion or 83.6 percent of allotment releases to DOH. The bulk of the funds were spent for the following priority health programs: a) National Health Insurance Program (NHIP) – ₱35.3 billion; b) Health Facilities Enhancement Program (HFEP) – ₱4.4 billion; c) Health Human Resource Program – ₱1.2 billion; d) National Immunization Program – ₱2.5 billion; e) Family Health and Responsible Parenting Program – ₱1.6 billion; f) TB Control Program – ₱0.7 billion; and g) Elimination of diseases such as malaria, filariasis, etc. – ₱0.7 billion.
- Physical Accomplishments.* The NHIP, which is being implemented through the Philippine Health Insurance Corporation (PHIC), covered a total of 14.7 million household beneficiaries, including those in the informal sector. This accomplishment, which seeks to reduce out-of-pocket expenses of the poor, was made possible through additional revenues from the Sin Tax Reform Law. However, program enhancements—such as intensive information campaign in tandem with the local government units; and improvement in health insurance benefit packages, including health facilities—need to be intensified.

Part of the whole package of providing health services entails the even distribution of health human resources across the country. This is done through the implementation of Doctors to the Barrios, Pinoy MD, Nurses Deployment Program, Registered Nurses for Health Enhancement and Local Service, and Rural Health Midwives Placement Program. In 2014, 320 doctors, 11,292 nurses, and 2,700 midwives were deployed.

DOH has provided full immunization, including vitamin and mineral supplementation to children below five years old, to a total of 2.2 million children covered by the National Immunization Program.

The Family Health and Responsible Parenting Program is another important undertaking which covers: 1) micronutrient supplementation, 2) family planning, and 3) adolescent immunization. The program was able to provide 5.1 million children below five years old with vitamin A supplementation, and 2.2 million women with family planning commodities and services.

Continued budgetary support has been given to combating tuberculosis, among the leading causes of mortality in the country. As a result, 257,912 cases of tuberculosis were treated in 2014 under the Tuberculosis Program.

In terms of other public health diseases, the treatment of the following were reported: 1) 6,962 cases of malaria, 2) 2.1 million cases of schistosomiasis, and 3) 17 million cases of filariasis.

#### Department of Interior and Local Government

- *Financial Performance.* To support the promotion of good local governance—including peace and order, public safety, local autonomy, and community development—DILG received a total allotment of P159.0 billion (inclusive of P8.4 billion allotment from previous years' budget) in 2014. Of this amount, DILG incurred a total obligation of ₱143.0 billion or 89.9 percent of allotments it received, of which P5.3 billion is from prior years' allotments. Bulk of DILG's obligations were incurred by the Philippine National Police (PNP) with ₱109.5 billion or 76.6 percent of total; followed by the DILG-Office of the Secretary (DILG-Osec) and the Bureau of Fire Protection (BFP), with ₱11.2 billion apiece or 7.8 percent of the total obligations incurred.
- *Physical Accomplishments.* The allotted budget for DILG-Osec enabled the provision of technical assistance on accountable transparent, participative and effective governance to 1,592 LGUs and assessment of 1,676 LGUs for their compliance with the standards of the Seal of Good Local Governance (SGLG). In addition, nine Salintubig subprojects and 741 BUB subprojects have been assisted with financial subsidy and technical assistance for project preparation and implementation of water facilities.

Meanwhile, the BFP inspected 947,414 buildings or 99.9 percent of the establishments targeted for the year. The agency also responded to 7,579 fire incidents and 4,667 fire related emergency or rescue calls nationwide. Moreover, an additional 1,200 fire officer I positions were created, bringing the fireman to population ratio to 1:5,530 (estimated 96 million population), still a far cry from the ideal 1:2,000 ratio. In terms of firetruck acquisition, a total of 380 units were purchased during the year, resulting to the actual ratio of firetruck to population of 1:50,157 as compared to the ideal ratio of 1:28,000. An additional 368 fire stations across the country were likewise constructed.

The PNP, on the other hand, conducted 6,535,619 foot patrols and 5,698,090 mobile patrols in 2014. This helped reduce the crime rate from

39.1 percent to 27.9 percent in 2014. Alongside these accomplishments, the civilian national police force has undertaken a total of 708,350 crime investigations that led to the arrest of 3,079 most wanted persons or high-value targets.

The creation of additional 13,000 police officer I positions resulted to an improved police to population ratio of 1:578 as compared to the previous year's 1:633 ratio. Under the Capability Enhancement Program, also known as the PNP Modernization Program, the government supported the acquisition of various transportation equipment requirements of the agency with P1.37 billion. Another P627 million was used to procure various firearms and communications equipment.

### Department of Public Works and Highways

- *Financial Performance.* To support DPWH's role as the construction arm of the national government, the government released a total budgetary allotment of ₱274.9 billion<sup>16</sup> to bankroll the agency's programs, particularly the construction, rehabilitation, and maintenance of national roads, bridges, and flood control systems. However, only around 69.8 percent or ₱191.8 billion was obligated. Still, the agency's current-year capital outlays obligation for 2014<sup>17</sup> increased by ₱9.2 billion from ₱147.2 billion in 2013 to ₱156.4 billion in 2014 or equivalent to ₱83.0 billion or 113.1 percent increase from 2011 levels.
- *Physical Accomplishments.* Supported by reforms to ensure *the right projects, at the right cost, with the right quality, finished right on time, and implemented by the right people*, the DPWH completed the paving of around 93.3 percent of the total 31,242 kilometers (km.) national road network as of end 2014. For the year alone, almost 1,600 km. were paved, higher than previous year's actual accomplishment of 1,262 km. This brings in the total accomplishment of almost 3,900 km. since 2011. Meanwhile, 7,129 lineal meters (lm.) of bridges were made permanent, bringing the total of permanent bridges along the national road network to 343,988 lm., 99.4 percent of the total 345,978 lm. targeted by 2016.

Furthermore, the DPWH increased the flood protected areas around the identified major and principal river basins from 14.5 percent in 2013 to 17.3 percent in 2014. To support this, DPWH completed, among others the construction or maintenance of 458 flood control structures and

<sup>16</sup> Available allotment includes releases from the current budget, supplemental and continuing appropriations, as well as unobligated allotment as of December 31, 2014

<sup>17</sup> Current year obligation includes agency specific budget, special purpose funds and automatic appropriations.

drainage systems and construction or rehabilitation of 18 flood control structures.

### Department of Science and Technology

- *Financial Performance.* The total allotment received by the Department of Science and Technology in year 2014 amounted to ₱14.7 billion, of which ₱12.6 billion or 86.2 percent was obligated. The Office of the Secretary (DOST-OSEC), which implements the Small Enterprise Technology Upgrading Program (SETUP), received an allotment of ₱3.6 billion and obligated ₱3.5 billion, recording a 97-percent obligation rate.

The total allotment released to the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) reached ₱1.9 billion, of which ₱1.4 billion or 74 percent was obligated. Meanwhile, the Philippine Institute of Volcanology and Seismology (PHIVOLCS) recorded a total allotment receipt of ₱368 million and obligations of ₱307 million, posting 83 percent rate.

Furthermore, the Science Education Institute reported that the agency obligated ₱1.7 billion, which was 99.8 percent of its allotment amounting to ₱1.75 billion. Similarly, almost 100 percent of the ₱1.67-billion allotment for its scholarship programs was obligated.

- *Physical Accomplishments.* Through the SETUP, 2,896 firms were provided with science and technology assistance, while 5,037 technology interventions were pursued and 31,683 jobs were generated, exceeding all the corresponding targets for the year.

For the scholarship programs of the SEI, around 14,495 students from different levels (12,117 in the Undergraduate level, 1,912 in the Master's and 466 in the Doctoral Program) were provided with educational assistance and stipends, covering 95 percent of its 15,230 target scholars.

Meanwhile, PHIVOLCS issued 1,308 hazards and risk maps and evaluation reports, which was beyond its target of 600. Likewise, the PAGASA released 2,553 weather and flood warnings, exceeding its target for the year of 1,920 warnings issued.



Meanwhile for Project Nationwide Operational Assessment of Hazards, Light Detection and Ranging (LiDAR) data had been generated for 29 areas, while 1,091 out of the 1,212 targeted automated rain gauges (ARGs) and water level monitoring system (WLMS) were established or installed.

### Department of Social Welfare and Development

- *Financial Performance.* With the resolve to protect the poorest and most vulnerable sectors in society, the 2014 allotment for the DSWD mainly funded the following social protection programs: a) Pantawid Pamilyang Pilipino Program (4Ps); b) Supplemental Feeding Program; c) Social Pension for Indigent Senior Citizens; and d) Sustainable Livelihood Program. As of year-end 2014, DSWD incurred a total obligation of ₱86.1 billion or 83.2 percent of the ₱103.6 billion in allotments it received during the year.
- *Physical Accomplishments.* As of 31 December 2014, DSWD was able to provide monthly cash allowances to 4,478,562 beneficiaries under the CCT program. The grant of the cash subsidy is contingent upon compliance to specific health and education requirements such as school attendance and medical check-up of school children and pregnant mothers.

The Supplemental Feeding Program, implemented in partnership with the LGUs, provides hot meals in LGU-run day care centers and supports supervised neighborhood play for children 2-5 years old for 120 days. For 2014, a total of 1.8 million day care children benefited from the program. However, delays in the submission of liquidation reports by some LGUs affected the program's implementation.

The provision of social pension of P500 monthly to indigent senior citizens, pursuant to the Expanded Senior Citizens Act of 2010 (R.A. 9994), already covered 452,836 or 95 percent of the targeted beneficiaries aged 77 and above.

Meanwhile, the Sustainable Livelihood Program, which employs a community-based capacity building approach, benefited a total of 123,890 families under the micro-enterprise development track and provided employment facilitation to another 9,627 families.

### Department of Transportation and Communications

- Financial Performance.* To support DOTC's mandate to improve land-based, air, maritime, and rail transport services, the government released a total allotment of ₱58.0 billion in 2014. Of this, only 58.8 percent<sup>18</sup> or ₱34.1 billion was obligated by the Department out of the total ₱58.0 billion allotment. It is noteworthy that more than 80 percent of these obligations were for MOOE and CO. For locally-funded projects, around ₱11.1 billion<sup>19</sup> was obligated. Big-ticket items include the acquisition of new rolling-stocks for MRT-3 (₱3.8 billion), subsidy for MRT-3 (₱3.7 billion), and the Integrated Transport System (ITS) – SLEX (FTI) Terminal and South Coastal Road (PRA) Terminal (₱2.1 billion). Meanwhile, ₱4.7 billion<sup>20</sup> was obligated for Foreign-Assisted Projects, including ₱3.3 billion was for Puerto Princesa International Airport Development Project.
- Physical Accomplishments.* Physical milestones of the projects funded in 2014 include: the on-going site acquisition for the ITS – SLEX (FTI) and South Coastal Road (PRA) Terminals; the approval of the designs of the new rolling-stocks for the MRT-3, towards the delivery of the prototype in 2015 and full delivery of rolling stocks by 2016; the obligation of the subsidy for MRT 3 to Metro Rail Transit Corporation to cover the equity rental fee; the ongoing implementation of the design-build contract for the Puerto Princesa Airport; and the procurement of consultants for the LRT Line 1 Cavite Extension Project, including the enhancement of the Mass Transit System in Metro Manila Project.

### Commission on Higher Education

- Financial Performance.* The Commission on Higher Education (CHED) which is mandated to ensure the promotion of accessible, relevant and quality higher education in the country, has obligated ₱5.6 billion or 56.4 percent of its total allotment of ₱9.8 billion. Bulk of the obligation funded the Tunong Dunong Scholarship Program and the Student Financial Assistance Program.
- Physical Accomplishments.* The Tunong Dunong Scholarship Program, a grants-in-aid program for graduating high school students who are poor but deserving, benefitted about 330,000 scholars. The low utilization of funds for this component is attributed to the delay in compliance of the beneficiaries to documentary requirements, such as certificate of enrolment and grades from the previous semester.

<sup>18</sup> Available allotment includes releases from the current budget, supplemental and continuing appropriations, as well as unobligated allotment as of December 31, 2014.

<sup>19</sup> Obligations for agency specific (current) budget only.

<sup>20</sup> Obligations for agency specific (current) budget and continuing appropriations only.

The Student Financial Assistance Program, which provides opportunities for quality higher education through scholarships, grants-in-aid and loan programs, supported 46,656 student beneficiaries, or 91 percent of its target in 2014.

Meanwhile, the Expanded Students' Grants-in-Aid Program, which provides financial assistance or scholarships through the various SUCs to poor but deserving students, particularly CCT beneficiaries, supported 34,152 students or 84 percent of the total targeted beneficiaries of 40,453.

#### Technical Education and Skills Development Authority

- *Financial Performance.* The Technical Education and Skills Development Authority (TESDA), which is tasked to formulate continuing, coordinated and integrated technical education and skills development policies and programs, was able to obligate a total of ₱5.3 billion or 91.8 percent of its total allotment of ₱5.8 billion as of end-2014. Of the said amount, ₱2.6 billion supported the Training for Work Scholarship Program (TWSP), the Private Education Student Financial Assistance (PESFA), and Special Training for Employment Program (STEP).
- *Physical Accomplishments.* In general, the numbers of target enrollees and graduates for the programs under the TWSP and PESFA had been exceeded due to the varying costs of trainings or scholarships being offered.

Specifically, the TWSP benefitted 175,522 enrollees out of the target of 163,300 enrollees; while 146,988 TWSP scholars graduated out of the 2014 target of 146,970. The program provides intervention to meet the need for highly critical skills through incentives and training that will link to existing jobs for immediate employment for both local and overseas.

In the case of PESFA, which is aimed to provide financial assistance to marginalized yet deserving students and guarantee immediate employment, the total number of enrollees reached 26,758 out of the 26,667 targetted enrollees. Similarly, 23,945 beneficiaries graduated, beating the target of 24,000 for 2014.

## IV.

### Fiscal Reforms and Future Policy Directions

Consistent with the government's goals of sustaining fiscal consolidation and bringing down public debt to respectable levels, the government will continue to limit its budget deficit to 2.0 percent of GDP as envisioned in the 2011-2016 Philippine Development Plan. The revenue collection effort will continue to be strengthened through various tax administration efficiency measures as well as proposed legislation to support the government's commitment to increase investments in social and economic development priorities over the medium term.

In line with its liability management goals, the National Government will continue to source majority of its funding requirements from domestic lenders to help advance local capital market development as well as to reduce vulnerabilities to foreign exchange fluctuations. Nonetheless, external borrowings will remain a significant funding source, as Official Development Assistance (ODA) loans still offer lower borrowing costs, while global bonds issuance provides investor base diversification.

To enable the national government to attain its medium term fiscal objectives, it will be pursuing the following priority legislative measures:

<p style="text-align: center;"><b>Fiscal Incentives Rationalization (FIR)</b></p>	<ul style="list-style-type: none"> <li>• The bill seeks to institute structural reforms and policy to enhance transparency and accountability in the grant and administration of fiscal incentives.</li> </ul> <p><b>Status:</b> Pending in the Committee on Ways and Means in the House and in the Senate</p>
<p style="text-align: center;"><b>Tax Incentive Management and Transparency Act (TIMTA)</b></p>	<ul style="list-style-type: none"> <li>• The bill seeks to foster transparency and accountability in the grant of tax incentives and to institutionalize a system of monitoring and reporting tax expenditures.</li> </ul> <p><b>Status:</b> For deliberation in the Bicameral Conference Committee after the House and Senate approved the Bill on final reading</p>
<p style="text-align: center;"><b>Customs Modernization and Tariff Act (CMTA)</b></p>	<ul style="list-style-type: none"> <li>• The bill aims to promote and secure international trade, protect government revenue, and modernize customs and tariff administration by adopting customs policies, rules and procedures which are clear, transparent and consistent with international agreements and customs best practices.</li> </ul> <p><b>Status:</b> Pending in the Committee on Ways and Means in the House and in the Senate</p>

<b>Valuation Reform Act</b>	<ul style="list-style-type: none"> <li>• The proposed bill seeks to institutionalize reforms in land and real property valuation which will translate into improved real property and related taxes.</li> <li>• Estimated revenue impact of ₱8.0 billion annually</li> </ul> <p><b>Status:</b> Pending in the Committee on Ways and Means in the House and in the Senate</p>
<b>Fiscal Regime for Mining Industry</b>	<ul style="list-style-type: none"> <li>• The bill proposes the adoption of a single fiscal regime for the large metallic mining sector and a simple formula in determining the revenue sharing arrangement between the government and the mining companies.</li> </ul> <p><b>Status:</b> Pending in the House Committee on Ways and Means</p>

On the expenditure side, the annual National Budget should sustain the strategic focus on deepening inclusive development through good governance. Framed in the context of a high GDP growth and a gradual decline in poverty and unemployment, the Budget should ensure not only that public funds are spent on programs that our people need and second, but also that these programs are tailor fitted according to the unique poverty and disaster vulnerability profiles of provinces across the archipelago.

The national government also recognizes the urgency of addressing institutional weaknesses to accelerate spending and improve the delivery of services in 2015 and in the coming years. the President issued Administrative Order (A.O.) No. 46 on March 30, 2015 to outline measures that all departments, agencies, and GOCCs of the executive branch must implement to address these institutional issues, particularly: poor planning and program or project design; procurement setbacks; and program or project implementation bottlenecks. In particular:

- Section 2 of A.O. No. 46 covers measures that seek to prompt faster budget execution through measures requiring lump sum funds to be disaggregated into specific programs and projects, and documentary requirements—such as network plans, geo-tagged photos, implementation guidelines, etc.—have to be submitted at the soonest possible time.
- The A.O. also requires agencies to submit to DBM copy furnished the Office of the Cabinet Secretary, implementation plans for their programs and projects under the FY 2015 GAA. These must detail the quarterly financial and physical plans and targets.

- Section 3 of the A.O. aims to address procurement-related delays and other issues, by instructing agencies to assign full-time support staff for Bids and Awards Committees (BACs) and to coordinate with the DBM to ensure that the requirements for the creation of more positions and BACs are immediately provided. To date, 90 additional positions have been created to support BACs. On June 4, 2015, National Budget Circular No. 2015-558 or the Guidelines in the Organization and Staffing of procurement Units was issued. The NBC was issued to guidelines on the establishment or strengthening of the organizational structure and staffing of the Procurement Units of agencies and provide adequate support to the BACs.
- To help address program and project implementation issues, Section 4 of A.O. No. 46 mandates each agency to create a full-time delivery unit, led by an Undersecretary and with supporting personnel, who shall monitor program and project implementation for their agency. This delivery unit shall ensure the execution and delivery of services according to their agency's implementation plan; and by the end of the first quarter, identify programs and projects with historical trends of low disbursement rates, or those with anticipated delays.

Other measures to speed up spending and ensure the efficient implementation of programs and projects include:

- To facilitate program or project implementation, assistance is being sought from the NEDA and the Government Procurement Policy Board (GPPB) to strengthen the planning capacities of departments and agencies, including procurement.
- The GPPB has also been directed to review the Implementing Rules and Regulations (IRR) of the Procurement Law and reconsider its provisions which can be simplified or threshold amounts which can be increased to facilitate the procurement process without weakening transparency and accountability mechanisms. The GPPB will likewise continue and strengthen its procurement training program for national and local governments, suppliers, and CSOs, particularly in the areas of procurement planning, market benchmarking, and development of specifications and costing. Towards this, the GPPB is finalizing its procurement professionalization courses to be piloted within 2015.
- More LGUs will be tapped to advance the implementation of the programs and projects. Current national government initiatives—such as the Seal of Good Local Governance, the LGU Public Financial Management Program, and Bottom-Up Budgeting—seek to enhance the

financial stewardship and service delivery capacities of LGUs while incentivizing their adoption of greater fiscal transparency and participation. Moreover, in order to establish effective partnership and proper coordination with them, the regional and field offices of departments and agencies should providing partner-LGUs with technical assistance in implementing projects, including better project planning and fund liquidation. The Philippine Constructors Association (PCA) have also conveyed their plans to train more architects and engineers to act as procurement observers in LGUs and to assist LGUs in project planning and management. Through the composite team of trainers established by the GPPB, LGUs will continuously be trained on the implementation of the procurement law, rules and regulations.

While these measures may provide immediate relief to the problem of underspending, some of the problems and their root causes cited earlier indicate a more fundamental and basic issue of weak planning-budgeting-implementation continuum both at the implementing agency and oversight levels. Hence, the government has to invest heavily in systems and processes which will enable agencies to plan ahead, to address gaps and deficiencies in their areas, and implement the programs and projects more efficiently and effectively.

Towards this, the government continues to roll-out its Public Financial Management (PFM) Reform program to improve transparency, accountability and efficiency in budgeting, accounting, cash management and other financial management systems. One of its components is the Unified Account Code Structure which will harmonize all government financial processes—from budgeting, cash management, to accounting and audit—by prescribing a single accounts classification system. This will simplify the collection, consolidation, and reporting of financial transactions across government, which will enable the Commission on Audit, DBM, and DOF to share a common set of information and, thus, avoiding unnecessary duplications in reports.

The PFM Reform Program also supports the development of the Treasury Single Account, which will enable the government to consolidate its cash resources on a daily basis, provide timely and accurate reports on the status funds, and thereby manage cash resources and debt more effectively. Towards establishing a full-scale Government Integrated Financial Management Information System—an ICT-based system which will harmonize all the financial information systems of oversight and implementing agencies—the government is currently developing the Budget and Treasury Management System that will integrate the budget execution and accountability functions of DBM and DOF-BTr.

Beyond the development of technology-based applications, the PFM Reform Program seeks to establish a cohesive policy framework for PFM that supports the institutionalization of reforms introduced since 2010. Towards this, a proposed *Public Financial Accountability Act* has been drafted and filed in Congress.<sup>21</sup>

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<sup>21</sup> As of this writing Senate President Franklin M. Drilon, and Senators Ralph G. Recto and Juan Edgardo M. Angara has filed their respective versions of the proposed Public Financial Accountability Act.



## Annex A-1

## REVENUE PROGRAM, BY SOURCE

(In Million Pesos)

Particulars	2013 Actual	2014			percent of GDP		Growth
		Program	Actual	Difference	2013	2014	
<b>TAX REVENUES</b>	<b>1,535,698</b>	<b>1,879,918</b>	<b>1,720,116</b>	<b>(159,802)</b>	<b>13.3</b>	<b>13.6</b>	<b>12.0</b>
Taxes on Net Income and Profits	718,210	877,210	784,859	(92,350)	6.2	6.2	9.3
Taxes on Property	3,552	5,060	5,450	390	0.0	0.0	53.4
Taxes on Domestic Goods and Services	<u>509,010</u>	<u>589,553</u>	<u>560,530</u>	<u>(29,023)</u>	<u>4.4</u>	<u>4.4</u>	<u>10.1</u>
General Sales, Turnover or VAT	250,619	310,672	278,727	(31,945)	2.2	2.2	11.2
Selected Excises on Goods	118,906	128,195	135,315	7,120	1.0	1.1	13.8
Selected Taxes on Services	59,921	66,709	55,881	(10,828)	0.5	0.4	(6.7)
Taxes on the Use of Goods or Property or Permission to Perform Activities	574	721	592	(129)	0.0	0.0	3.2
Other Existing Taxes	78,990	83,256	90,015	6,759	0.7	0.7	14.0
Taxes on International Trade and Transactions	304,925	408,096	369,277	(38,819)	2.6	2.9	21.1
<b>NON-TAX REVENUES</b>	<u>177,459</u>	<u>136,133</u>	<u>186,465</u>	<u>50,332</u>	<u>1.5</u>	<u>1.5</u>	<u>5.1</u>
Fees and Charges	30,541	32,871	32,771	(100)	0.3	0.3	7.3
Income from Treasury Operations	<u>47,466</u>	<u>35,622</u>	<u>53,390</u>	<u>17,768</u>	<u>0.4</u>	<u>0.4</u>	<u>12.5</u>
Interest Income on NG Deposits	3,432	2,178	3,159	981	0.0	0.0	(8.0)
Interest on Advances to GOCCs	190	750	142	(608)	0.0	0.0	(25.3)
Income from BSF/SSF	37,201	26,563	41,920	15,357	0.3	0.3	12.7
Guarantee Fee	2,245	3,600	3,120	(480)	0.0	0.0	39.0
Government Services	4,398	2,531	1,577	(954)	0.0	0.0	(64.1)
Foreign Exchange Risk Cover Fee	1,492	1,650	3,472	1,822	0.0	0.0	132.7
Fidelity Bond Premia	650	230	675	445	0.0	0.0	3.8
Subscription Fee - RoSS Participants	9	11	10	(1)	0.0	0.0	11.1
Escheat of Unclaimed Balances	29	20	140	120	0.0	0.0	382.8
Service Fee on Relent Loans	2,165	620	2,597	1,977	0.0	0.0	20.0
Other Miscellaneous Income	53	-	50	50	0.0	0.0	(5.7)
NG Income Collected by BTr	<u>33,547</u>	<u>20,615</u>	<u>40,054</u>	<u>19,439</u>	<u>0.3</u>	<u>0.3</u>	<u>19.4</u>
Dividends on Shares of Stocks	18,903	5,500	24,374	18,874	0.2	0.2	28.9
NG Share in Airport Terminal Fee	481	465	555	90	0.0	0.0	15.4
NG Share in PAGCOR Income	13,039	14,000	14,021	21	0.1	0.1	7.5
NG Share in MIAA Profit	1,124	650	1,104	454	0.0	0.0	(1.8)
Other Existing Non-Tax Revenues	65,584	47,025	60,017	12,992	0.6	0.5	(8.5)
Foreign Grants	321	-	233	233	0.0	0.0	(27.4)
<b>PRIVATIZATION</b>	<b>2,936</b>	<b>2,000</b>	<b>1,946</b>	<b>(54)</b>	<b>0.0</b>	<b>0.0</b>	<b>(33.7)</b>
<b>TOTAL REVENUES</b>	<b>1,716,093</b>	<b>2,018,051</b>	<b>1,908,527</b>	<b>(109,524)</b>	<b>14.9</b>	<b>15.1</b>	<b>11.2</b>
Memo item:							
Nominal GDP	11,548,191		12,642,736				

Source: FY 2015 and FY 2016 BESF

## Annex A-2

TAX REVENUE PROGRAM, BY COLLECTING DEPARTMENT/AGENCY, BY SOURCE, 2013 - 2014  
(In Million Pesos)

Particulars	2013 Actual	2014	
		Program	Actual
<b>DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</b>	<u>132</u>	<u>141</u>	<u>133</u>
<b>Office of the Secretary</b>	<u>132</u>	<u>141</u>	<u>133</u>
Taxes on Domestic Goods and Services			
Other Taxes			
Forest Charges	132	141	133
<b>DEPARTMENT OF FINANCE</b>	<u>1,521,586</u>	<u>1,864,416</u>	<u>1,704,039</u>
<b>Bureau of Customs</b>	<u>304,925</u>	<u>408,096</u>	<u>369,277</u>
Taxes on International Trade and Transactions	<u>304,925</u>	<u>408,096</u>	<u>369,277</u>
Import Duties and Taxes	35,341	60,835	56,279
VAT on Imports	239,831	319,703	279,114
Other Collections (Excise)	29,753	27,558	33,885
<b>Bureau of Internal Revenue</b>	<u>1,216,661</u>	<u>1,456,320</u>	<u>1,334,762</u>
Taxes on Net Income and Profits	<u>718,210</u>	<u>877,210</u>	<u>784,859</u>
Individual	252,610	309,898	283,651
Of which: Capital Gains Tax	11,128	11,330	
Company, Corporate and Enterprises	418,453	506,420	455,139
Tax on Treasury Bills	33,982	46,014	46,069
Commercial Paper	-	4	
Bank Deposits	13,166	14,874	
Taxes on Property	<u>3,552</u>	<u>5,060</u>	<u>5,450</u>
Property Transfer Tax	3,552	5,060	5,450
Taxes on Domestic Goods and Services	<u>494,898</u>	<u>575,050</u>	<u>544,453</u>
General Sales, Turnover or VAT 1/	250,619	311,672	278,727
Selective Excises on Goods	<u>118,906</u>	<u>128,195</u>	<u>135,315</u>
Alcohol Products	33,549	38,215	37,525
Tobacco Products	71,620	72,119	82,336
Fuel and Oils	8,505	12,270	9,419
Mining	2,516	2,813	3,203
Other Miscellaneous	2,716	2,778	2,832
Selective Taxes on Services	<u>59,921</u>	<u>66,709</u>	<u>55,881</u>
Other Percentage Taxes	30,055	34,355	28,769
Banks/Financial Institutions	29,278	31,526	25,485
Insurance Premiums	149	173	1,184
Amusements	439	655	445
Taxes on the Use of Goods or Property or Permission to Perform Activities	<u>574</u>	<u>721</u>	<u>592</u>
Franchise Taxes	574	721	592
Documentary Stamp Tax	59,867	62,041	69,017

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Other Taxes	<u>5,011</u>	<u>5,712</u>	<u>4,921</u>
Miscellaneous	5,011	5,712	4,921
Tax Refunds Other than VAT Refunds	-	(1,000)	-
<b>DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT</b>	<u><b>1,018</b></u>	<u><b>1,120</b></u>	<u><b>1,129</b></u>
<b>Bureau of Fire Protection</b>	<u>1,018</u>	<u>1,120</u>	<u>1,129</u>
Taxes on Domestic Goods and Services			
Other Taxes			
Fire Code Tax	1,018	1,120	1,129
<b>DEPARTMENT OF JUSTICE</b>	<u><b>69</b></u>	<u><b>73</b></u>	<u><b>72</b></u>
<b>Bureau of Immigration</b>	<u>69</u>	<u>73</u>	<u>72</u>
Taxes on Domestic Goods and Services			
Other Taxes			
Immigration Tax	69	73	72
<b>DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS</b>	<u><b>11,008</b></u>	<u><b>12,161</b></u>	<u><b>12,916</b></u>
<b>Office of the Secretary</b>	<u>11,008</u>	<u>12,161</u>	<u>12,916</u>
<b>Land Transportation Office</b>	<u>11,008</u>	<u>12,161</u>	<u>12,916</u>
Taxes on Domestic Goods and Services			
Motor Vehicle Tax	11,008	12,161	<u>12,916</u>
<b>OTHER EXECUTIVE OFFICES</b>	<u><b>1,885</b></u>	<u><b>2,008</b></u>	<u><b>1,827</b></u>
<b>Commission on Higher Education</b>	<u>1,626</u>	<u>1,732</u>	<u>1,542</u>
Other Taxes	1,626	1,732	1,542
<b>National Commission for Culture and the Arts</b>	<u>259</u>	<u>276</u>	<u>285</u>
Other Taxes	259	276	285
<b>TOTAL TAX REVENUES</b>	<u><b>1,535,698</b></u>	<u><b>1,879,918</b></u>	<u><b>1,720,116</b></u>

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Source: Department of Finance

Numbers may not add up due to rounding.





2014 YEAR-END REPORT

FY 2014 BUDGET TRACKING, BY DEPARTMENT/SPECIAL PURPOSE (In Thousand Pesos)										
PARTICULARS	FY 2014 NEP	ERRATA	NEP (Inclusive of ERRATA)	H.B. 2630 Inclusive of Auto	H.B. 2630	AMENDMENT-SENATE	SENATE	AMENDMENT-DBM	GAB with DBM Amendment	GAA (RA 10633)
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
AR	20,525,939	-	20,525,939	20,525,939	19,615,029	-	19,615,029	-	19,615,029	19,615,029
ARMM	20,525,939	-	20,525,939	20,525,939	19,615,029	-	19,615,029	-	19,615,029	19,615,029
IJEC	4,167	-	4,167	4,167	4,167	-	4,167	-	4,167	4,167
LEDAC	4,167	-	4,167	4,167	4,167	-	4,167	-	4,167	4,167
JUDICIARY	19,244,825	-	19,244,825	19,244,825	18,462,816	-	18,462,816	-	18,462,816	18,559,816
SCPLC	17,101,528	-	17,101,528	17,101,528	16,407,654	-	16,407,654	-	16,407,654	16,407,654
PET	91,174	-	91,174	91,174	88,023	-	88,023	-	88,023	88,023
SB	404,992	-	404,992	404,992	393,410	-	393,410	-	393,410	393,410
CA	1,391,963	-	1,391,963	1,391,963	1,329,129	-	1,329,129	-	1,329,129	1,426,129
CTA	255,168	-	255,168	255,168	244,600	-	244,600	-	244,600	244,600
CSC	1,274,030	-	1,274,030	1,274,030	1,213,353	-	1,213,353	-	1,213,353	1,213,353
CSC	1,195,766	-	1,195,766	1,195,766	1,137,290	-	1,137,290	-	1,137,290	1,137,290
CESB	78,264	-	78,264	78,264	76,063	-	76,063	-	76,063	76,063
COA	8,427,013	-	8,427,013	8,427,013	7,969,497	-	7,969,497	-	7,969,497	7,969,497
COA	8,427,013	-	8,427,013	8,427,013	7,969,497	-	7,969,497	-	7,969,497	7,969,497
COMELEC	2,885,984	-	2,885,984	2,885,984	2,735,321	-	2,735,321	-	2,735,321	2,735,321
COMELEC	2,885,984	-	2,885,984	2,885,984	2,735,321	-	2,735,321	-	2,735,321	2,735,321
OMBUDSMAN	1,794,019	-	1,794,019	1,794,019	1,732,334	-	1,732,334	-	1,732,334	1,732,334
OMB	1,794,019	-	1,794,019	1,794,019	1,732,334	-	1,732,334	-	1,732,334	1,732,334
CHR	347,800	-	347,800	347,800	326,923	-	326,923	-	326,923	326,923
CHR	347,800	-	347,800	347,800	326,923	-	326,923	-	326,923	326,923
<b>Sub-Total, Departments</b>	<b>1,211,905,373</b>	<b>25,321,809</b>	<b>1,237,227,182</b>	<b>1,237,227,182</b>	<b>1,188,233,005</b>	<b>(2,624,943)</b>	<b>1,185,608,062</b>	<b>2,550,500</b>	<b>1,190,783,505</b>	<b>1,186,029,690</b>
<b>SPFs</b>										
BSGC	46,696,697	-	46,696,697	46,696,697	45,710,497	(779,039)	44,931,458	1,512,000	47,222,497	46,255,210
ALGU	19,707,094	(527,803)	19,179,291	19,179,291	19,177,219	206,624	19,383,843	62,103	19,239,322	19,588,843
Spec. Shares	16,602,462	-	16,602,462	16,602,462	16,602,462	-	16,602,462	-	16,602,462	16,602,462
BODBF	50,000	-	50,000	50,000	50,000	-	50,000	-	50,000	50,000
LGSF (FSLGU)	200,000	-	200,000	200,000	200,000	-	200,000	-	200,000	405,000
Shares of LGUs in the Proceeds of Fire Code Fees	200,000	-	200,000	200,000	200,000	-	200,000	-	200,000	200,000
MMDA	2,654,612	(527,803)	2,126,809	2,126,809	2,124,737	206,624	2,331,361	62,103	2,186,840	2,331,361
<b>National Disaster Risk Reduction Management Fund (Calamity Fund)</b>	<b>7,500,000</b>	<b>-</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>5,500,000</b>	<b>13,000,000</b>	<b>17,500,000</b>	<b>25,000,000</b>	<b>13,000,000</b>
Contingent Fund	1,000,000	-	1,000,000	1,000,000	1,000,000	-	1,000,000	-	1,000,000	1,000,000
DepEd School Building Program	1,000,000	-	1,000,000	1,000,000	1,000,000	-	1,000,000	-	1,000,000	1,000,000
ICF	4,815,644	-	4,815,644	4,815,644	4,815,644	-	4,815,644	-	4,815,644	4,815,644
MPBF	80,713,614	347,994	81,061,608	81,061,608	81,061,608	(25,502,642)	55,558,966	(19,124,603)	61,937,005	53,535,086
Feasibility Studies Fund	400,000	-	400,000	400,000	400,000	-	400,000	-	400,000	400,000
<b>Rehabilitation and Reconstruction Fund-NEW</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>
PGF	120,495,952	-	120,495,952	120,495,952	120,495,952	-	120,495,952	(2,500,000)	117,995,952	120,495,952
PDAF	25,240,000	(25,240,000)	-	-	-	-	-	-	-	-
E-Government Fund	2,478,900	-	2,478,900	2,478,900	2,478,900	-	2,478,900	-	2,478,900	2,478,900
<b>Sub-Total, SPFs</b>	<b>310,047,901</b>	<b>(25,419,809)</b>	<b>284,628,092</b>	<b>284,628,092</b>	<b>283,639,820</b>	<b>(575,057)</b>	<b>283,064,763</b>	<b>(2,550,500)</b>	<b>281,089,320</b>	<b>282,569,635</b>
<b>NEW GAA</b>	<b>1,521,953,274</b>	<b>(98,000)</b>	<b>1,521,855,274</b>	<b>1,521,855,274</b>	<b>1,471,872,825</b>	<b>(3,200,000)</b>	<b>1,468,672,825</b>	<b>-</b>	<b>1,471,872,825</b>	<b>1,468,599,325</b>
<b>AUTOMATIC APPROPRIATION</b>										
Interest Payments	352,652,000	-	352,652,000	352,652,000	352,652,000	-	352,652,000	-	352,652,000	352,652,000
IRA	341,544,726	-	341,544,726	341,544,726	341,544,726	-	341,544,726	-	341,544,726	341,544,726
Net Lending	24,950,000	-	24,950,000	24,950,000	24,950,000	-	24,950,000	-	24,950,000	24,950,000
RLIP	-	-	-	-	28,859,006	-	28,859,006	-	28,859,006	28,859,006
Tax Refund	-	-	-	-	-	-	-	-	-	-
Special Account	-	-	-	-	21,116,662	-	21,116,662	-	21,116,662	21,116,662
Grant Proceeds	-	-	-	-	6,450	-	6,450	-	6,450	6,450
Pension	-	-	-	-	331	-	331	-	331	331
Tax Expenditures Fund	26,900,000	-	26,900,000	26,900,000	26,900,000	-	26,900,000	-	26,900,000	26,900,000
<b>Sub-Total, Automatic Appropriation</b>	<b>746,046,726</b>	<b>-</b>	<b>746,046,726</b>	<b>746,046,726</b>	<b>796,029,175</b>	<b>-</b>	<b>796,029,175</b>	<b>-</b>	<b>796,029,175</b>	<b>796,029,175</b>
<b>TOTAL PROGRAM</b>	<b>2,268,000,000</b>	<b>(98,000)</b>	<b>2,267,902,000</b>	<b>2,267,902,000</b>	<b>2,267,902,000</b>	<b>(3,200,000)</b>	<b>2,264,702,000</b>	<b>-</b>	<b>2,267,902,000</b>	<b>2,264,628,500</b>

## Annex B-2

CY 2014 PROGRAM, ALLOTMENT RELEASES, BALANCE						
January 1-December 31, 2014						
(In Thousand Pesos)						
PARTICULARS	CY 2014 BUDGET LEVEL			RELEASES	% of Releases Over Program	BALANCE
	PROGRAM	REALIGNMENTS/ AUGMENTATION	ADJUSTED PROGRAM			
A. GAA-R.A. 10633	1,468,599,325	-	1,468,599,325	1,389,086,057	94.6%	79,513,268
Departments	1,186,029,690	(31,071,777)	1,154,957,913	1,112,678,516	96.3%	42,279,397
COP	10,742,423	-	10,742,423	10,742,423	100.0%	-
OP	2,790,665	-	2,790,665	2,790,665	100.0%	-
OVP	217,296	-	217,296	217,296	100.0%	-
DAR	20,002,768	(524,581)	19,478,187	13,685,059	70.3%	5,793,128
DA	68,596,751	(10,009,033)	58,587,718	55,957,325	95.5%	2,630,393
DBM	997,494	511,737	1,509,231	1,509,231	100.0%	-
DepEd	281,774,247	(39,108,473)	242,665,774	240,394,950	99.1%	2,270,824
SUCS	35,934,625	450	35,935,075	35,623,729	99.1%	311,346
DOE	3,299,376	-	3,299,376	3,299,376	100.0%	-
DENR	23,345,621	-	23,345,621	21,485,124	92.0%	1,860,497
DOF	11,524,941	523,353	12,048,294	11,452,426	95.1%	595,868
DFA	12,130,738	-	12,130,738	11,652,036	96.1%	478,702
DOH	84,356,933	(38,121,512)	46,235,421	46,235,079	100.0%	342
DILG	100,295,430	-	100,295,430	99,483,596	99.2%	811,834
DOJ	10,903,778	(6,904)	10,896,874	10,896,874	100.0%	-
DOLE	12,177,273	(1,292)	12,175,981	12,173,981	100.0%	2,000
DND	82,265,071	-	82,265,071	82,065,071	99.8%	200,000
DPWH	206,634,047	50,734,216	257,368,263	231,092,166	89.8%	26,276,097
DOST	11,928,821	-	11,928,821	11,927,159	100.0%	1,662
DSWD	83,304,463	3,827,532	87,131,995	87,078,477	99.9%	53,518
DOT	1,994,061	-	1,994,061	1,994,061	100.0%	-
DTI	4,406,338	-	4,406,338	3,636,338	82.5%	770,000
DOTC	45,461,306	-	45,461,306	45,461,306	100.0%	-
NEDA	3,904,430	-	3,904,430	3,855,140	98.7%	49,290
PCOO	1,128,359	-	1,128,359	1,128,359	100.0%	-
ARMM	19,615,029	1,102,730	20,717,759	20,544,172	99.2%	173,587
LEDAC	4,167	-	4,167	4,167	100.0%	-
Judiciary	18,559,816	-	18,559,816	18,559,816	100.0%	-
CSC	1,213,353	-	1,213,353	1,213,353	100.0%	-
COA	7,969,497	-	7,969,497	7,969,497	100.0%	-
COMELEC	2,735,321	-	2,735,321	2,735,321	100.0%	-
Ombudsman	1,732,334	-	1,732,334	1,732,334	100.0%	-
CHR	326,923	-	326,923	326,923	100.0%	-
OEOs	13,755,995	-	13,755,995	13,755,686	100.0%	309
AMLC	38,805	-	38,805	38,805	100.0%	-
CCC	81,827	-	81,827	81,827	100.0%	-
CFO	83,586	-	83,586	83,586	100.0%	-
CHED	6,941,041	-	6,941,041	6,941,041	100.0%	-
CFL	49,744	-	49,744	49,744	100.0%	-
DDB	102,435	-	102,435	102,435	100.0%	-
ERC	210,689	-	210,689	210,689	100.0%	-
FDCP	46,931	-	46,931	46,931	100.0%	-
GAB	61,273	-	61,273	61,273	100.0%	-
GCG	88,241	-	88,241	88,241	100.0%	-
HLURB	189,428	-	189,428	189,428	100.0%	-
HUDCC	119,675	-	119,675	119,675	100.0%	-
MDA	98,807	-	98,807	98,807	100.0%	-
MTRCB	23,286	-	23,286	23,286	100.0%	-
NAPC	148,948	-	148,948	148,948	100.0%	-

CY 2014 PROGRAM, ALLOTMENT RELEASES, BALANCE						
January 1-December 31, 2014						
(In Thousand Pesos)						
PARTICULARS	CY 2014 BUDGET LEVEL			RELEASES	% of Releases Over Program	BALANCE
	PROGRAM	REALIGNMENTS/ AUGMENTATION	ADJUSTED PROGRAM			
NCCA	678,409	-	678,409	678,409	100.0%	-
Proper	29,280	-	29,280	29,280	100.0%	-
NHCP	352,705	-	352,705	352,705	100.0%	-
NLP	194,279	-	194,279	194,279	100.0%	-
NAP	102,145	-	102,145	102,145	100.0%	-
NCIP	877,663	-	877,663	877,663	100.0%	-
NCMF	415,451	-	415,451	415,451	100.0%	-
NICA	590,956	-	590,956	590,956	100.0%	-
NSC	88,584	-	88,584	88,584	100.0%	-
NTC	229,438	-	229,438	229,129	99.9%	309
OPAPP	351,547	-	351,547	351,547	100.0%	-
OMB	44,291	-	44,291	44,291	100.0%	-
PRRC	468,278	-	468,278	468,278	100.0%	-
PCW	50,264	-	50,264	50,264	100.0%	-
PDEA	869,096	-	869,096	869,096	100.0%	-
Philracom	111,783	-	111,783	111,783	100.0%	-
PSC	182,313	-	182,313	182,313	100.0%	-
PCUP	106,291	-	106,291	106,291	100.0%	-
PCDSPO	69,650	-	69,650	69,650	100.0%	-
PLLO	35,858	-	35,858	35,858	100.0%	-
PMS	301,407	-	301,407	301,407	100.0%	-
<b>Special Purpose Funds</b>	<b>282,569,635</b>	<b>31,071,777</b>	<b>313,641,412</b>	<b>276,407,541</b>	<b>88.1%</b>	<b>37,233,871</b>
Budgetary Support to Government Corporations	46,255,210	35,404,769	81,659,979	79,400,947	97.2%	2,259,032
Allocation to Local Government Units	19,588,843	-	19,588,843	7,944,429	40.6%	11,644,414
Special Shares of LGUs in the Proceeds of National Taxes	16,602,482	-	16,602,482	5,540,670	33.4%	11,061,812
Metropolitan Manila Development Authority	2,331,361	-	2,331,361	2,331,361	100.0%	-
Barangay Officials Death Benefits Fund	50,000	-	50,000	22,398	44.8%	27,602
Local Government Support Fund	405,000	-	405,000	50,000	12.3%	355,000
Special Shares of LGUs in the Proceeds of Fire Code Fees	200,000	-	200,000	-	0.0%	200,000
Contingent Fund	1,000,000	372,864	1,372,864	1,372,864	100.0%	-
DepEd School-Building Program	1,000,000	-	1,000,000	181,752	18.2%	818,248
E-Government Fund	2,478,900	-	2,478,900	1,626,061	65.6%	852,839
Feasibility Studies Fund	400,000	-	400,000	202,347	50.6%	197,653
International Commitments Fund	4,815,644	-	4,815,644	4,669,516	97.0%	146,128
Miscellaneous Personnel Benefits Fund	53,535,086	(2,600,000)	50,935,086	50,653,537	99.4%	281,549
National Disaster Risk Reduction Management Fund	13,000,000	2,600,000	15,600,000	15,535,468	99.6%	64,532
Pension and Gratuity Fund	120,495,952	(4,705,856)	115,790,096	106,064,875	91.6%	9,725,221
Rehabilitation and Reconstruction Fund	20,000,000	-	20,000,000	8,755,745	43.8%	11,244,255
<b>B. Automatic Appropriations</b>	<b>796,029,175</b>	<b>-</b>	<b>796,029,175</b>	<b>787,280,187</b>	<b>98.9%</b>	<b>8,748,988</b>
Retirement and Life Insurance Premium	28,859,006	-	28,859,006	31,665,061	109.7%	(2,806,055)
Internal Revenue Allotment	341,544,726	-	341,544,726	341,544,726	100.0%	-
Pension of Ex-Presidents/Widows	331	-	331	288	87.0%	43
Grants/Donations	6,450	-	6,450	6,450	100.0%	-
Special Account in the General Fund	21,116,662	-	21,116,662	21,116,662	100.0%	-
Motor Vehicle Users Charge Fund	13,011,543	-	13,011,543	13,011,543	100.0%	-
Others	8,105,119	-	8,105,119	8,105,119	100.0%	-
Net Lending	24,950,000	-	24,950,000	13,395,000	53.7%	11,555,000
Interest Payments	352,652,000	-	352,652,000	352,652,000	100.0%	-
Tax Expenditures Fund/Customs Duties and Taxes	26,900,000	-	26,900,000	26,900,000	100.0%	-



2014 YEAR-END REPORT

CY 2014 PROGRAM, ALLOTMENT RELEASES, BALANCE						
January 1-December 31, 2014						
(In Thousand Pesos)						
PARTICULARS	CY 2014 BUDGET LEVEL			RELEASES	% of Releases Over Program	BALANCE
	PROGRAM	REALIGNMENTS/AUGMENTATION	ADJUSTED PROGRAM			
C. OTHER RELEASES	-	-	-	44,065,655		(44,065,655)
CONTINUING APPROPRIATIONS-R.A. 10352	-	-	-	7,157,246		(7,157,246)
Departments	-	-	-	2,459,768		(2,459,768)
DA			-	514,138		(514,138)
DENR			-	78,807		(78,807)
DOF			-	357,017		(357,017)
DPWH	-	-	-	925,975		(925,975)
ARMM			-	583,831		(583,831)
Special Purpose Funds	-	-	-	4,697,478		(4,697,478)
ALGU	-	-	-	204,579		(204,579)
SSPNT			-	18,845		(18,845)
LGSF			-	185,734		(185,734)
Contingent			-	778,077		(778,077)
NDRRMF			-	3,714,822		(3,714,822)
SUPPLEMENTAL BUDGET-R.A. 10634	-	-	-	14,306,842		(14,306,842)
DSWD				3,400,000		(3,400,000)
National Disaster Risk Reduction Management Fund				10,906,842		(10,906,842)
UNPROGRAMMED FUND			-	11,884,147		(11,884,147)
OTHER AUTOMATIC APPROPRIATIONS	-	-	-	10,717,420		(10,717,420)
Grants/Donations			-	3,602,876		(3,602,876)
SAGF-OTHERS			-	1,751,302		(1,751,302)
Military Camps Sales Proceeds Fund			-	1,664,578		(1,664,578)
AFP Modernization Act Trust Fund			-	860,629		(860,629)
Motor Vehicle Users Charge Fund			-	94,728		(94,728)
Tax Exp. Fund/CDT			-	2,743,307		(2,743,307)
ORIGINAL PROGRAM	2,264,628,500	-	2,264,628,500	2,220,431,899	98.0%	44,196,601
SUPPLEMENTAL BUDGET	22,467,608		22,467,608			22,467,608
<b>TOTAL</b>	<b>2,287,096,108</b>	<b>-</b>	<b>2,287,096,108</b>	<b>2,220,431,899</b>	<b>97.1%</b>	<b>66,664,209</b>

2014 YEAR-END REPORT

SPF Transfers January 1-December 31, 2014 (In Thousand Pesos)												
PARTICULARS	Budgetary Support to Government Corporations	Allocation to LGUs	National Disaster Risk Reduction Management Fund	Contingent Fund	DepEd School Building Program	E-Government Fund	International Commitments Fund	Miscellaneous Personnel Benefits Fund	Rehabilitation and Reconstruction Program	Feasibility Studies Fund	Pension and Gratuity Fund	TOTAL
O E O s	-	-	-	102,658	-	37,000	17,207	219,351	-	-	169,760	545,976
CCC	-	-	-	-	-	-	-	140	-	-	-	140
CFO	-	-	-	-	-	-	-	1,529	-	-	1,726	3,255
CHED	-	-	-	-	-	-	-	11,281	-	-	14,433	25,714
CFL	-	-	-	-	-	-	-	245	-	-	1,677	1,922
DDB	-	-	-	-	-	-	-	1,499	-	-	1,085	2,584
ERC	-	-	-	-	-	-	-	3,291	-	-	23,179	26,470
FDCP	-	-	-	-	-	-	-	592	-	-	67	659
GAB	-	-	-	-	-	-	-	3,078	-	-	1,608	4,686
GCG	-	-	-	-	-	-	-	12,207	-	-	510	12,717
HLURB	-	-	-	-	-	-	-	6,352	-	-	4,926	11,278
HUDCC	-	-	-	-	-	-	-	420	-	-	-	420
MDA	-	-	-	-	-	-	7,547	1,006	-	-	-	8,553
MTRCB	-	-	-	-	-	-	-	1,236	-	-	503	1,739
NAPC	-	-	-	23,586	-	-	5,019	6,411	-	-	-	35,016
NCCA	-	-	-	-	-	37,000	-	10,025	-	-	5,198	52,223
Proper	-	-	-	-	-	-	-	951	-	-	-	951
NHCP	-	-	-	-	-	-	-	4,123	-	-	1,657	5,780
NLP	-	-	-	-	-	37,000	-	4,341	-	-	1,179	42,520
NAP	-	-	-	-	-	-	-	610	-	-	2,362	2,972
NCIP	-	-	-	-	-	-	-	27,132	-	-	13,390	40,522
NCMF	-	-	-	8,968	-	-	2,677	6,401	-	-	56,819	74,865
NICA	-	-	-	1,656	-	-	-	16,878	-	-	15,006	33,540
NSC	-	-	-	-	-	-	-	1,173	-	-	316	1,489
NTC	-	-	-	14,413	-	-	-	31,097	-	-	3,730	49,240
OPAPP	-	-	-	54,035	-	-	-	5,710	-	-	-	59,745
OMB	-	-	-	-	-	-	-	841	-	-	429	1,270
PRRC	-	-	-	-	-	-	-	256	-	-	244	500
PCW	-	-	-	-	-	-	1,964	896	-	-	271	3,131
PDEA	-	-	-	-	-	-	-	49,032	-	-	10,796	59,828
Philracom	-	-	-	-	-	-	-	1,367	-	-	945	2,312
PSC	-	-	-	-	-	-	-	798	-	-	408	1,206
PCUP	-	-	-	-	-	-	-	1,894	-	-	4,662	6,556
PCDSO	-	-	-	-	-	-	-	382	-	-	-	382
PLLO	-	-	-	-	-	-	-	1,519	-	-	69	1,588
PMS	-	-	-	-	-	-	-	14,663	-	-	7,763	22,426
GOCCs	79,400,947	-	11,000,000	69,200	-	-	-	-	178,100	-	1,084,241	91,732,488
LGUs	-	5,590,670	71,170	-	-	-	-	-	-	-	133,686	5,795,526
MMDA	-	2,331,361	-	45,311	-	-	-	49,316	-	-	2,716	2,428,704
TOTAL	79,400,947	7,944,429	15,535,468	1,372,864	181,752	1,626,061	4,669,516	50,653,537	8,755,745	202,347	106,064,875	276,407,541