



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACAÑANG, MANILA

NATIONAL BUDGET MEMORANDUM

No. 124
March 30, 2015

F O R : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Other Instrumentalities of the National Government and all Others Concerned

SUBJECT : **BUDGET PRIORITIES FRAMEWORK FOR THE PREPARATION OF THE FY 2016 AGENCY BUDGET PROPOSALS UNDER TIER 2 OF THE TWO-TIER BUDGETING APPROACH**

1.0 RATIONALE

The FY 2016 Budget is the final budget that will be prepared by the Aquino Administration. Consistent with National Budget Memorandum No. 123 dated January 28, 2015, the Two-Tier Budgeting Approach (2TBA) has been adopted in its preparation to strengthen the strategic decision-making process with the discussion with the agencies of the ongoing and approved programs and projects under Tier 1 separate from that for the new and expanded ones under Tier 2. Hence, this Budget Priorities Framework (BPF) is being issued to guide the departments/agencies in the preparation of their proposals for new and expanded programs, activities and projects in line with the Administration's goal of sustaining rapid growth and inclusive development.

As in the last five years, the Aquino Administration for 2016, will focus on the following priority objectives:

- 1) Pursuit of good governance and anti-corruption measures (building constituencies for reform, strengthening planning, monitoring and evaluation (M&E) and public financial management systems, streamlining frontline and bureaucratic processes, and implementing the LGU and ARMM reform programs) to create a better environment to attract investments and quality jobs.
- 2) Making growth inclusive (expansion of the 4Ps, universal health care, K to 12 Basic Education Program, and housing for informal settlers) in order to raise the quality of the Filipino workforce;
- 3) Creating more and better jobs and livelihood by sustaining the growth momentum (strategic infrastructure development, strengthening tourism and agricultural development, and reviving industrial development);

- 4) Managing disaster risks (implementing climate change adaptation measures and risk reduction and management programs) in order to prevent the loss of lives, properties and livelihood;
- 5) Establishing an enabling environment of just and lasting peace and the rule of law to promote and implement peace agreements and modernize the military and police, and,

The FY 2016 BPF upholds these five priority objectives but focuses on the last four objectives as the areas needing more resources. It also treats the first objective—good governance—as the platform upon which the reforms the other objectives stand on.

2.0 PURPOSE

The issuance of the BPF for FY 2016 aims to identify the following:

- 2.1 Key outcomes of departments and agencies for 2016;
- 2.2 Programs and strategies that will be supported in the FY 2016 budget;
- 2.3 Required spatial or geographical focus of the programs and strategies; and,
- 2.4 Guidelines and procedures in determining and submitting the priority programs and strategies for the FY 2016 budget.

3.0 MACROECONOMIC ASSUMPTIONS, BUDGET AGGREGATES AND FORWARD ESTIMATES AND FISCAL SPACE

- 3.1 For FYs 2016 to 2018, the fiscal position and macroeconomic assumptions approved by the Development Budget Coordination Committee (DBCC) during its meeting on April 7, 2015 are as follows:

Table 1. Fiscal Aggregates, FYs 2014-2018

Particulars	2014 Actual	2015 Adjusted	2016 Proposed	2017 Proposed	2018 Proposed
Levels (in Billion Pesos)					
Revenues	1,908.5	2,275.2	2,696.8	3,039.9	3,390.2
Disbursements	1,981.6	2,558.9	3,005.5	3,379.9	3,766.8
Fiscal Balance	(73.1)	(283.7)	(308.7)	(340.0)	(376.6)
Obligation Budget *	2,264.6	2,606.0	3,000.0	3,350.0	3,750.0
Percent of GDP (%)					
Revenues	15.1	16.3	17.5	17.9	18.0
Disbursements	15.7	18.3	19.5	19.9	20.0
Fiscal Balance	(0.6)	(2.0)	(2.0)	(2.0)	(2.0)
Obligation Budget	17.9	18.7	19.5	19.7	20.0
Growth Rate (%)					
Revenues	11.2	19.2	18.5	12.7	11.5

Disbursements	5.4	29.1	17.5	12.5	11.4
Fiscal Balance **	55.4	(288.1)	(8.8)	(10.1)	(10.8)
Obligation Budget	13.3	15.1	15.1	11.7	11.9
GDP (in Billion Pesos)	12,634.1	13,919.1	15,376.6	16,998.0	18,788.2
Gross Financing Mix (%)					
Foreign ***	27	16	14	12	11
Domestic ***	73	84	86	88	89
Debt-to-GDP (%) ***	45.4	44.7	42.1	40.1	38.3

Notes:

* 2014 Budget is based on GAA level

** A positive growth rate indicates an improvement in the fiscal balance, while a negative growth rate implies a deterioration in the fiscal balance.

*** Based on BTr estimates

Sources: DBM, DOF and NEDA

Table 2. Macroeconomic Assumptions, FYs 2014-2018

Particulars	2014 Actual	2015	2016	2017	2018
Real GNI Growth (%)	6.3	6.7-7.7	6.7-7.6	6.6-7.6	6.7-7.6
Real GDP Growth (%)	6.1	7.0-8.0	7.0-8.0	7.0-8.0	7.0-8.0
Inflation (%)	4.1	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
364-Day T-bill Rate (%)	1.8	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Foreign Exchange Rate (P/\$)	44.4	43-46	43-46	43-46	43-46
Dubai Oil (US\$/bbl)	96.71	50-70	55-75	65-85	70-90
Merchandise Exports Growth (%)*	9.0	5.0	6.0	8.0	10.0
Merchandise Imports Growth (%)*	2.4	1.0	12.0	13.0	14.0

Source: NEDA, BSP

* Actuals per NSO, 2014-2018 projections per BPM6 concept

3.2 With economic growth projected to grow by 7.0-8.0 percent in 2016 up to 2018, and considering the impact of various organizational reforms and legislative measures aimed at raising tax administration efficiency, the government's revenue take is expected to reach P2,696.8 billion by 2016, 18.5 percent more than the estimated 2015 collections. As a percentage of GDP, revenue effort is set to register at 17.5 percent by 2016, reflecting a more than one percentage point improvement from the 2015 outlook of 16.3 percent. This will result from

the boost in BIR collections of about 21.0 percent and an enhanced tax effort of 13.2 percent in 2016 from 12.0 percent in 2015, as well as the larger increase in BOC collections of 14.2 percent over this year's level.

- 3.3** Consistent with the Philippine Development Plan (PDP) targets, the fiscal deficit is set at 2.0 percent of GDP for 2016, or equivalent to a nominal level of P283.7 billion. The government envisages to extend this fiscal stance and peg the fiscal deficit at 2.0 percent of GDP up to 2018 to buttress the rapid growth of the economy and to sufficiently provide for critical public goods and services. With this deficit path, the outstanding debt of the national government as a percentage of GDP will gradually taper from 45.4 percent in 2014 to 42.1 percent by 2016, and will contract further to 38.3 percent by 2018.
- 3.4** The projected revenue and deficit will enable the government to disburse P3,005.5 billion in 2016, equivalent to 19.5 percent of GDP and 17.5 percent higher than the 2015 disbursement outlook of P2,558.9 billion. This expansion will enable the government to strategically allocate funds for economic and social development programs intended to sustain economic growth, reduce poverty, and create quality employment for the people. More significantly, it will amply provide room for the expansion in infrastructure and capital spending to 5.0 percent of GDP by 2016, which is critical to the country's competitiveness and development.
- 3.5** The fiscal position for FY 2016 will translate to an obligation budget ceiling of P3.0 trillion, up by P394.0 billion or 15.1 percent more than the FY 2015 Budget of P2,606.0 billion. Net of the P392.8 billion interest payments in 2016, the growth in the obligation program will be at a relatively higher rate of 16.8 percent. This trend agrees with the declining share of interest payments in the total budget from 14.3 percent in 2015 to 13.1 percent in 2016.
- 3.6** Of the P3.0 trillion budget ceiling, around 80 percent or P2,419.1 billion will be eaten up by the Forward Estimates (FEs) or the cost of ongoing programs and projects. This leaves funds available for expanded and new programs and projects of P580.9 billion, nearly one-fifth of the proposed budget ceiling for FY 2016. This additional fiscal space will be directed towards addressing critical funding gaps in various sectors, as detailed in Section 4.0 below.
- 3.7** The hard budget ceilings arising from the FEs for each department/ agency for FY 2016, is shown in Annex A. The FEs were determined in consultation with agencies during the Tier I Technical Budget Hearings and in consideration of the following factors:

 - a. Consistency with priorities and strategies in the revalidated PDP and its corresponding Results Matrix (RM), Planning Tools of departments and agencies approved by the President, and the 2014 Socio-Economic Report (SER);

- b. FY 2014 and prior years' performance and implementation capacities of agencies; and,
- c. Approved adjustments and updates, or revisions of plans or profiles for program/project implementation.

Proposed realignments across PAPs within these hard budget ceilings are discouraged and **will have to be strongly justified** by the agency during the Tier 2 deliberations.

- 3.8 All new spending proposals that are in line with the BPF will be taken up during the Tier 2 deliberations. The requirements of the Bottom-Up Budgeting program will be included in the agency budget proposal after the Tier 2 deliberations.
- 3.9 The final Personnel Services (PS) level shall be based on the updated Government Manpower Information System (GMIS) per cut-off date to be determined by the DBM. Other necessary adjustments such as those items previously lodged under the Miscellaneous Personnel Benefits Fund (MPBF) and Pension and Gratuity Fund (PGF) will be included in the budgets of the agencies after the Tier 2 deliberations. PS requirements as indicated in the agency ceiling **cannot be reallocated** to other expenditure items.

4.0 PRIORITY PROGRAMS

4.1 Pursuit of Good Governance and Anti-Corruption Measures

This sector objective cuts across other sectors and its significance cannot be overemphasized as has been very evident in the challenges in budget execution and delivery of public goods and services in the last few years as well as in the strengthening of the rule of law. The compliance to various expenditure management reforms has been slow, resulting to sizeable underspending since 2011 up to 2014. Consequently, implementation delays have been experienced in various government programs and projects. This condition may be attributed to insufficient capacities of government agencies to adjust to the new standards and the requirement for new personnel, software systems and hardware. For some departments, poor planning has been identified as the bottlenecks to good procurement and program implementation.

In the case of justice administration, weak management structure and absorptive capacities, and fragmentation of efforts in the justice system have hampered the reduction of backlogs in the number of investigations and filing of cases on tax enforcement.

To address the said concerns, the following strategies shall continue to be employed: (1) strengthen management structure including planning and procurement capacities of agencies and LGUs; (2) improve business-related processes and procedures of agencies and LGUs; (3) intensify the campaign against corruption; and, (4) improve citizen's participation and empowerment.

4.4.1 Programs/Projects/Interventions

To implement the above strategies, budgetary support to the following programs/projects/ interventions can be proposed, supported by proper documentation:

- Conduct of trainings for capacity building on procurement for both national and local government, suppliers and CSOs;
- Hiring of additional personnel particularly for procurement, project/program monitoring, planning and M&E;
- Support corruption deterrence services and resolution of graft and corruption cases;
- Formalize and implement the National Anti-Corruption Plan/Strategy;
- Provision for additional Philippine Mediation Centers, Barangay Justice Systems, and other Alternative Dispute Resolution mechanisms;
- Sustain Run-After-Tax-Evaders Program of BIR and Run-After-the-Smugglers Program of BOC;
- Enhance business regulation and frontline service delivery;
- Sustain Performance Challenge Fund for LGUs;
- Expand Citizen's Participatory Budgeting and Audit, and,
- Institutionalization of Regulatory Impact Assessment.

4.2 Making Growth Inclusive

Programs and projects under this sector aim to accelerate poverty reduction to meet the Millennium Development Goal (MDG) on the reduction of poverty incidence of 16.0 percent, and continue to create better opportunities especially for the poor. These basically include: 1) Social Protection; 2) Education and Manpower Development; 3) Universal Health Care; and, 4) Socialized Housing.

4.2.1 Social Protection. The continued exposure of people to vulnerabilities brought about by climate change and disaster hazards requires the provision of safety nets through various government programs. The 2014 SER enumerates the following challenges in this area:

4.2.1.1 Need to Update the 2010 National Household Targeting System for Poverty Reduction (NHTS-PR). This is to recognize new disadvantaged groups and widen its use for other programs. This concern will now be addressed with the provision of P1.9 billion under the 2014 Supplemental Budget for the purpose.

4.2.1.2 Low Coverage of Vulnerable Groups in Social Protection Programs such as the remaining 243,332 waitlisted/unserved indigent beneficiaries aged 60-64 years and above under the Social Pension Program; Sustainable Livelihood Program with priority on the Pantawid Pamilya beneficiaries; PhilHealth benefits of informal sector workers; scholarships for females in technical-vocational courses; livelihood and skills training for women at the local level; assistance to overseas Filipino workers; indigenous peoples; persons with disabilities (PWDs); displaced families; and, orphans.

4.2.1.3 More Responsive Safety Nets and Insurance from Shocks Required for Poor and Vulnerable Families in Agriculture Sector. The frequency of both natural and man-made disasters and the inability of poor families particularly in agriculture and informal sector workers to cope calls for the provision of safety nets and insurances to prevent them from further sliding into poverty. Basically, this will entail the expansion of more crop insurance to cover additional beneficiaries, including those identified in the Registry System for Basic Sectors in Agriculture and increase in coverage for certain types of crops, livestock, etc.

4.2.2 Education Services

For 2016, being a transition year for the implementation of the Senior High School in the K to 12 Basic Education Program, coupled with the need to comply with the education-related MDGs, the DepED, in partnership with CHED and TESDA will have to respond to the concerns on the curriculum quality and relevance as well as the resource requirements for the introduction of Senior High School (SHS). Corollary to these, the mismatch of competencies and job requirements of both industry and business sectors will have to be addressed as well as the minimal improvement and varying performance across regions on basic education outcomes. Although the country has improved its cohort survival and completion

rates for both elementary and secondary levels in 2013¹, these are still lower compared to the other Asian and Pacific countries².

4.2.2.1. Preparing for the introduction of SHS. DepED will have to ensure the following:

- Provision and maintenance of basic education facilities;
- Support for Government Assistance to Students and Teachers in Private Education (GASTPE);
- Resources shall be focused on areas with poor educational performance;
- Progress in the critical areas shall be constantly monitored;
- Scholarships and financial assistance shall be harmonized;
- Basic education curriculum as well as learners' and teachers' materials shall be enhanced and developed.

4.2.2.2 Possible displacement of Higher Education Institutions (HEIs) faculty and staffs. CHED in coordination with DepED and DOLE shall devise interventions to mitigate the adverse impacts of the initial implementation of SHS from 2016 to 2020 particularly on the affected HEI teaching and non-teaching staff. The provision of necessary assistance, incentives, scholarships and grants will be sustained.

4.2.2.3 TechVoc Enhancement and Upgrading of Higher Education System. With the inclusion of technical-vocational livelihood track in the enhanced basic education curriculum, Technical Vocational Education Training capacity will need to be continuously aligned with the K to 12 requirements. This is to equip SHS graduates with middle level skills that will offer them better employment opportunities or become entrepreneurs. Thus, improved TVET programs and partnerships will have to be in place, including adjustments in the curriculum content of higher education to be aligned with labor market demands and international standards.

4.2.2.4 Early Childhood Care and Development (ECCD). Investments in ECCD are important because studies indicate that interventions in the early years tend to provide children with greater opportunities and better outcomes relating to education, physical growth and health and consequently in productivity. This becomes more relevant in the case of poor and disadvantaged children who experience various risks factors such as the lack of access to: basic water and sanitation infrastructures; quality health services; quality day-care centers and preschools; inadequate nutritional inputs; and parents with low education levels³.

¹ Cohort Survival Rate or the proportions of pupils starting grade 1 who reach grade 6 has improved by 1.2 percentage points, from 79.4 % in 2010. For the completion rate, 78.5 Percent was recorded in 2013, 6.4 percentage points higher than the 2010 level.

² Asian Development Bank. Key Indicators for Asia and the Pacific 2014. <http://www.adb.org/sites/default/files/publication/43030/ki2014-mdg2.pdf>.

³ Investing in Young Children An early Childhood Development Guide for Policy Dialogue and Project Preparation, 2011 World Bank Document

.For 2016, the government will have to start to take a holistic approach to the provision of health, nutrition, education and social welfare services to children 0 to 8 years of age with the enactment of the Early Years Act of 2013 in order to start addressing the problems of hunger and malnutrition, the deterioration of immunization and other health services to this sector, and the low enrolment in kindergarten and lack of day care centers.

4.2.3 Universal Health Care Program

With earmarked funds coming from the Sin Taxes Law, funding support for the Program shall be boosted to address the following gaps identified in the 2014 SER:

4.2.3.1 Lagging Health-Related MDGs. Topping the list is the high Maternal Mortality Ratio (MMR), attributed to the lack of enough birthing facilities and health professionals in the LGUs, unmet needs for family planning and contraception and risks due to the high incidence of teenage pregnancy. Other concerns include the continuing undernutrition of children under 5 years old at 20.2 percent prevalence rate; increasing prevalence of HIV and AIDS cases especially among the most-at-risk-population; sustaining the gains of morbidity and mortality relating to TB and malaria; and, non-communicable diseases (NCDs) such as cardiovascular diseases, cancer, diabetes, among others.

There is a clear need to intensify public health programs such as: (a) Expanded Program on Immunization; (b) Maternal, Neonatal, Child Health and Nutrition interventions including Adolescent Health Program; (c) various Prevention and Control Programs involving TB, Malaria, HIV/AIDS, and non-communicable diseases; (d) Doctors to the Barrios Program; and (e) Family Health and Responsible Parenting Program. Moreover, this will also involve: procurement and provision of essential commodities, drugs and medicines; technical support and capacity building for LGUs in the implementation of public health programs; deployment of health human resources in areas they are required; and, health promotion.

4.2.3.2 Challenges in the National Health Insurance Program (NHIP) Implementation. Despite the huge increase in funding support for the Program over the last few years, the following concerns have been identified: (a) low utilization of benefits especially among the poor families; (b) gaps in coverage; (c) low support value of benefits as manifested by the high-out-of-pocket cost at 57.0 percent; (d) need to review benefit packages to ensure access across all income groups; and, (e) need to cover out-patient delivery services.

In order to improve health outcomes, expansion of the NHIP coverage and benefit delivery must be accompanied by enhanced accessibility and quality of health facilities. Likewise, partnership with LGUs and information campaigns involving them must be intensified.

4.2.3.3 Need to Address Gaps in Health Facilities and Services. This situation can be partly attributed to the LGUs' lack of resources, capacity and commitment to implement better health services. Despite the allocation of sizeable amounts for the Program starting in 2010, much remains to be desired in terms of implementation. There is a need to come up with a consolidated inventory of all health facilities/equipment and mapping for proper needs assessment down to the local level. This should be accompanied by an appropriate M&E system and enhancing DOH CHD's creative collaboration with the LGUs to fasttrack program implementation.

4.2.4 Housing and Resettlement Services

The sector continues to face the following concerns:

4.2.4.1 Weak absorptive capacities with considerable funds unused. Some of the reasons cited for low budget utilization⁴ are: a) limited suitable land for socialized housing; b) difficulty in securing environmental clearances and permits from MGB and LGUs; c) delay in compliance with requirements of LGUs and beneficiaries; d) contradicting issues among LGUs and beneficiaries; e) change of location preferences by CSO-assisted communities affected by government relocation activities; and, f) coordination problems and limited capacity of implementing partner agencies.

Considering the low funds utilization and the capacity of the implementing agencies to complete the five year housing program commitment by 2016, NHA, SHFC and DILG will have to formulate specific measures to address the abovementioned bottlenecks. This is to ensure that the remaining target of 7,139 housing units in 2016 will be constructed. However, it is noted that an additional 10,422 housing units may need to be constructed due to the updating of the list of ISFS done in July 2011.

4.2.4.2 Persistent challenges in meeting fully the demand for decent, socialized and low-cost housing. Essentially, this is attributed to the following: a) enormous housing need due to rapid urbanization and high influx of rural-urban migration; b) proliferation of informal settlements; c) weak enforcement of laws and policies against professional and squatting syndicates; d) lack of suitable land for socialized housing; e) need for new

⁴ Based on 2014 SER

building standards for calamity-resilient structures; and, f) need to ensure affordability of housing units by the poor.

To address the said challenges, the following strategies⁵ are suggested to be undertaken by the concerned housing agencies and corporations:

- HUDCC/NHA to: (1) strengthen partnerships with stakeholders, particularly local government units (LGUs); (2) adopt land acquisition modalities such as usufruct, long-term lease, land banking; and, (3) include green technology in national standards for housing projects and disaster resiliency design guidelines.
- HUDCC to: (1) facilitate passage of the National Land Use Act (NALUA)⁶; (2) promote for the amendment of Section 18 of the Urban Development Act of 1992 or R.A. No 7279 ⁷; (3) institutionalize the National Informal Settlements Upgrading Strategy (NISUS)⁸; and, (4) propose viable ISF resettlement costs to be incorporated in the infrastructure project allocation.
- NHA to: (1) intensify consultation with ISFs to boost occupancy rates; (2) conduct of social preparation; and, (3) conduct of censuses and tagging of affected families.
- SHFC to promote high density mass housing solutions and public rental housing.
- HGC to expand housing microfinance initiatives through the Guaranty Program for Countryside Housing Development/Acquisition.

4.3 Sustaining the Growth Momentum

Programs and projects under this sector objective aim to sustain the rapid economic growth the country has been able to accomplish in recent years by providing the infrastructure facilities needed to support the burgeoning growth of the economy, and the industrial environment needed to attract investments particularly to the countryside and lagging communities to create and sustain livelihood opportunities and raise incomes, specially of the poorest farmers and fishers. These basically include: 1) Transport Development; 2) Tourism Development; 3) Agricultural Development; and, 4) Manufacturing Resurgence.

⁵ Based on 2014 SER Report

⁶ The bill aims to institutionalize a centralized paradigm for classifying land according to use

⁷ The proposed amendment intends to include construction of condominium units as a form of socialized housing

⁸ The NISUS aims to guide the efforts of national and local government units in upgrading the slum communities and improving the living conditions of informal settlers in the cities.

4.3.1 Transport Sector Development

To meet the target of an infrastructure spending equivalent to 5.0 percent of GDP, among the strategies in the revalidated PDP include: (1) massive acceleration of infrastructure development through the build up of adequate infrastructure project pipelines, capacity building on project design, contract preparation and procurement processes, and of monitoring and evaluation units; (2) optimizing resources and investments in physical infrastructures to meet the outcomes of enhanced inter-connectivity and competitive infrastructure P/A/Ps; (3) empowering local government units to construct local roads which meet the standards of the Department of Public Works and Highways (DPWH), and to provide continuous local road maintenance; and, (4) implementation of PPP projects.

Pending the implementation of the Three-Year Rolling Infrastructure Program (TRIP), the Comprehensive Integrated and Infrastructure Program (CIIP) for 2013-2016 will be the basis for budgetary allocation for infrastructure development. For 2016, the aggregate CIIP infrastructure requirements amount to P6.0 trillion, of which P4.3 trillion or 72.4 percent will address the outcome of enhanced competitiveness and about P885 billion or 14.7 percent will contribute to the PDP outcome of enhanced basic infrastructure services. More than half of the investment targets under the Revalidated Public Investment Program (PIP) have nationwide coverage. In terms of sector investment, the highest share of the 2016 investments will go to the transportation sector at P432.9 billion, the second largest share to the social infrastructure at P160.3 billion, and the third largest share to the energy sector at P133.1 billion. The DPWH has the highest investment targets at P985.6 billion, or 28.6 percent under the Revalidated CIIP.

In terms of funding source, public infrastructure spending of around P831.8 billion is targeted for 2016. Out of this amount, only 59.5 percent or P494.5 billion shall be funded out by the national government together with Official Development Assistance (ODA) Grants and Loans, while the remaining portion shall be funded from GOCCs, the private sector and other sources.

Among the Public Private Partnerships (PPPs) being implemented are the Tarlac-Pangasinan-La Union Expressway (TPLEX), NLEX-SLEX Connector Road and Cavite-Laguna Expressway (CALAX) while the NAIA Expressway and Daang Hari-SLEX Link Road Project are targeted to be finished by 2016. Additional projects are included in the Connectivity Projects submitted to the President for approval. These PPP Projects will help accelerate infrastructure development and sustain economic development.

The DPWH will complete the paving of all national arterial and secondary roads and to be in good condition by 2016. In addition, temporary bridges will be made permanent, taking into account climate proofing and international seismic

standards. To improve their quality, roads with Portland cement concrete pavement (PCCP) shall be covered with asphalt overlay.

Meanwhile, the Department of Transportation and Communications (DOTC) Planning Tool will target the following outcomes by the end of 2016: (a) transport cost reduction by 8.5 percent; (b) reduction in logistics costs of good and services from 24.0 percent to 15.0 percent; (c) sufficient airport infrastructure for the targeted 10 million foreign and 56 million domestic tourists; and, (d) reduced transport-related accidents.

To meet these outcomes, DOTC will pursue various strategies: (a) increase urban transport ridership from 1.2 million to 2.2 million in 2016 which shall generate some P54.0 billion in time savings; (b) develop intermodal facilities; (c) improve transport linkages and efficient link of production to consumption markets; (d) identify and develop key airport tourism destinations to improve market access and connectivity; (e) identify and implement effective transport policies and regulations; and, (f) promote the imposition of standards and uniform operating procedures.

The critical connectivity projects of the DOTC are mostly concentrated in the urban areas under Category 1 for provinces with high poverty magnitude, and in areas under both Categories 1 and 3 for provinces with high poverty magnitude and provinces with high vulnerability to shocks and disasters.

4.3.2. Tourism Development

As one of the strongest backbones of the economy, tourism generates revenues and employment through the combined efforts of tourism promotion, interconnected transportation infrastructure, and world-class service. However, tourist arrivals indicated in the Mid-Term Update of the PDP, showed that despite the increase in tourist arrivals in the last two years, tourist arrivals in the country account for only 4.8 percent of the total tourist arrivals among the ASEAN countries.

Tourism development has to continue to focus on the nine main cluster areas and programs/projects such as access roads to tourist destinations of the DPWH; airports and port programs of the DOTC; upgrading airport facilities to level up with other international airports in ASEAN region; other infrastructure projects, e.g., customs facilities inside the airports, intermodal transport facilities like Roll-on-roll-off (RORO) to lend mobility to international tourists from one destination to other destination clusters; and, unified branding campaign selling the Philippines as good tourist destination, both international and domestic campaign. The nine main cluster priority areas are the following: (1) Central Visayas; (2) Metro Manila and CALABARZON; (3) Central Luzon; (4) Palawan; (5) Western Visayas; (6) Davao Gulf Coast (7) Cagayan de Oro Island and Hinterland; (8) Bicol; and, (9) Laoag-Vigan cluster.

4.3.3 Agriculture Development

As reflected in the 2014 SER, the agriculture and fishery sector will aim to increase its gross value added by 3.5-4.5 percent, the value of agricultural exports by 9.5-10.5 percent, and labor productivity by 2.0-5.0 percent by year 2016.

However, several challenges impede the growth of the sector, causing the low stagnant income of farmers and fisher folks. Among the challenges identified in the updated PDP and the 2014 SER are slow market growth and poor linkage to value-adding activities due to limited diversification of production; limited connectivity and inadequate facilities; and weak capacity of farmers and fisher folks. The sector is still catching up with the desired production and yield levels due to the poor adoption of farming practices and technologies and lack of access to credit and insurance. Key production areas remain severely vulnerable to risks of destructive calamities, threatening the agricultural yield. Incomplete implementation of agrarian reform creates uncertainty for landowners and investors, hindering the development of the sector. With the gradual liberalization of goods due to the ASEAN integration and the end of the Quantitative Restrictions for Rice in 2017, the downward adjustment on agricultural commodities is inevitable, which will pull down the income of farmers and fisher folks.

To bolster growth and realize the income generation potential of the agriculture and fishery sector, the updated PDP identifies strategies to be set up to improve production and innovation capacity, reduce vulnerability to risks, and facilitate linkage of the agriculture sector to industry and services sector. These measures are the following:

4.3.3.1 Promotion of production of high value commodities with comparative advantage, such as banana, pineapple, mango, rubber, cacao, coconut, coffee and vegetables. Production efficiency in key production areas should be optimized to ensure sufficient production and yield levels and minimize costs and losses and enhance market linkage. Necessary interventions shall be provided in production areas where yield gaps are present and where the most poor and vulnerable farmers and fisher folks reside. Among these interventions are training and access to efficient and climate-responsive farming technologies and practices.

4.3.3.2 Enhancing the capacity of farmers and fisher folks on production, value-adding and value chain management through extension services and training and adoption of new farming technologies. Furthermore, transformation of farmer and fisher folk groups and cooperatives into viable small and medium enterprises shall be supported. These interventions include Convergence on Value Chain Enhancement for

Rural Growth and Empowerment (ConVERGE) and the Fisheries, Coral Resources and Livelihood (FishCORAL).

4.3.3.3 Improvement of rural infrastructure and facilities to enhance production efficiency, market delivery and connectivity. The proper prioritization of the farm-to-market road (FMR) Network Plan according to the key production areas, to reach the greatest magnitude of poorest farmer beneficiaries, and to connect to existing national and local roads; and the implementation of priority fish port projects will be essential in improving the delivery of products from production areas to market centers. The irrigation projects under the Irrigation Development Plan of National Irrigation Authority (NIA) will need to support the improvement of agricultural harvest. The establishment of post-harvest and storage facilities will be supported to minimize losses in agriculture and fishery produce.

4.3.3.4 Promotion of programs and technologies that will enhance resilience of households in agriculture and fishery sector to climate risks and other calamities. Increasing investment in research, development and extension will provide opportunity to develop new farming technologies to augment production, enhance resistance of agricultural crops to climate and pest risks, as well as improve product development of agricultural products and promote progress in agri-processing necessary for integration to industry. Access to credit, insurance and other financial packages, especially for farmers in poor or highly-vulnerable areas, must be also promoted and improved.

4.3.3.5 Fast-tracking the implementation of Comprehensive Agrarian Reform Program to ensure security of tenure for concerned farmer-landowners, and to improve their access to services and opportunities intended for the sector.

4.3.4 Manufacturing Resurgence

The manufacturing industry continues to post a positive growth and remains an integral contributor to the country's GDP. One of the priorities of the government is to revitalize the manufacturing subsector, given its potential for innovation, value adding and backward linkage with the agriculture sector, which is the main source of livelihood of the poor. However, the sector is beset with some issues, such as complex business procedures, weak linkages, limited access to finance, poor access to infrastructure facilities, and lack of skilled workers, among others. The implementation of the Manufacturing Resurgence Program will seek to address these issues to enhance productivity, increase the number of products for various markets and augment household income and employment.

The Manufacturing Roadmap for Structural Transformation identifies measures to bolster the manufacturing sector and address pressing issues hampering its growth. Among the vertical issues are the closing of supply chain gaps, expansion of domestic market and exports, human resource development and skills training, development of small and medium enterprises and promotion of innovation and green growth. Meanwhile, horizontal measures, such as intensifying promotion; improving access to infrastructure, logistics and low-cost power; improving regulation and reducing cost of doing business, shall be pursued. Other strategies include the implementation of sound policies, the close coordination among agencies and the improvement of efficiency in the bureaucracy.

Among the interventions that can be implemented to revitalize the manufacturing sector are the following:

4.3.4.1 Provision of technological support for the upgrading of key industries and enhancement of market potentials of industrial products. This will facilitate the adoption of international best practices in terms of conducting technology-based processes and undertaking product development. Through the **Small Enterprise Technology Upgrading Program**, technology assistance will be provided to micro, small and medium enterprises, especially those in poverty-stricken areas.

4.3.4.2 Development and adoption of industry roadmaps to determine the specific needs of industries;

4.3.4.3 Formulation and execution of the national Research and Development (R&D) agenda, and conduct of R&D and Design intended for the manufacturing sector. These R&D efforts should help develop cutting-edge, sustainable and climate-smart technologies that will support innovation and efficiency;

4.3.4.4 Implementation of demand simulation policy initiatives;

4.3.4.5 Provision of scholarship programs and skills training to increase competencies of laborers and promote market-driven fields of expertise; and,

4.3.4.6 Provision of adequate and necessary infrastructure, facilities and equipment, such as transport and power facilities to facilitate the conduct of business in the country. Also, the establishment of treatment and testing facilities and product development hubs accessible to SMEs that would provide opportunity for SMEs and other businesses to enhance their products and encourage them to innovate.

4.4 Climate Change Adaptation and Disaster Risk Reduction and Management

The Philippines ranked fifth among the most affected from 1994-2013 in terms of long-term climate vulnerability to risk as measured by the Global Climate Risk Index. This is due to the weather-related loss events during the said period.

It also ranked first in the list of countries most affected by extreme weather events due to the US\$13.0 billion economic loss and 6,000 deaths inflicted by the unprecedented onslaught of Typhoon Haiyan, locally known as Yolanda, in 2013.

Sea level rise is an even larger threat to the Philippine coastline compared to other countries in the region with 42.0 percent of the coastal population (second in the world) and 14.0 percent of the total population (first in the world) at direct risk.

To abate the impact of climate change on the country, there is a need to build the country's resilience to climate risks, and focus efforts on strengthening the country's natural ecosystems and the adaptive capacity of government institutions and communities. In view of this, the government demonstrated a strong commitment to address climate change through the formulation of a comprehensive climate change reform agenda and implementation of climate change actions under the National Climate Change Action Plan.

Relatedly, the Cabinet Cluster on Climate Change Adaptation and Mitigation has developed as its approach the Risk Resiliency Program on 18 major river basins and principal river basins, which are vulnerable to shocks and disasters. Also, different localities have certain geographic characteristics which make the areas exposed to disasters and prone to multiple hazards, such as landslides, and flooding. Climate change action priority areas shall focus on provinces with major river and principal rivers as identified by the said Cluster which are located in the following provinces: Ilocos Norte; Abra, Benguet; Cagayan, Isabela; Nueva Vizcaya, Quirino; Pampanga, Zambales, Cavite, Laguna, Quezon, Rizal, Albay, Antique, Bohol, Iloilo, Eastern Samar, Leyte, Zamboanga del Sur, Zamboanga Sibugay, Agusan del Sur, and Surigao del Sur.

Other strategies include the promotion of energy efficiency and renewable energy standards to deepen climate change response; and prioritization of adaptive capacities while establishing the enabling environment for the private sector to optimize climate change mitigation opportunities.

The government has also identified key climate change actions that contribute to the broad development goals. For 2016, these programs/projects include the National Greening Program of the DENR and the flood mitigation and drainage projects of the DPWH, including its Rain Water Harvesting and water supply projects, among others.

4.5 Establishing an Enabling Environment of Just and Lasting Peace

The pursuit of inclusive growth requires a safe and secure environment. To implement this, the national government needs to: a) facilitate peace negotiations to curtail internal and armed conflicts; b) assist and rehabilitate the conflict-affected and vulnerable communities; c) reduce crime incidents; and d) strengthen territorial defense. Essentially, these entail the provision of continued budgetary support to various programs and projects relating to Bangsamoro Development and Payapa at Masaganang Payamanan Program (PAMANA), Capability Enhancement Program of the PNP and AFP Modernization Program, among others.

The following sector issues have to be addressed:

4.5.1 Declining Global Peace Index (GPI) Rank from 130th in 2013 to 134th in 2014. Despite the collective efforts to maintain a safe and secure environment, the Philippines has remained among the least peaceful countries in the 2014 Global Peace Index Report of the Institute for Economics and Peace. The slide in rank was attributed to the persistence of internal conflict, crime incidents, terrorism and territorial dispute with China.

4.5.2 Delay in the completion of the peace process amidst recent developments. After 17 years of negotiation, the Comprehensive Agreement of Bangsamoro between the government and Moro Islamic Liberation Front was signed in March 2014. In anticipation of the enactment of the Basic Bangsamoro Law (BBL), initial funding support has been provided for socio-economic programs and Annex on Normalization of the Framework Agreement on the Bangsamoro. However, the completion and implementation of the peace agreement was hampered by recent developments such as the Mamasapano incident early this year. Initially, it was expected that the BBL should be passed by Congress within the first quarter of 2015, and will provide more time for the Bangsamoro plebiscite before the 2016 National Elections.

4.5.3 Limited capacity of LGUs and Regional Line Agencies (RLAs) to implement programs in conflict-stricken and vulnerable areas. To mitigate the impact of armed hostilities to affected communities, peace-building and development interventions in seven (7) geographical zones are being implemented through the Payapa at Masaganang Pamayanan (PAMANA) Program. But the scaling up of programs and services in target areas may be hindered by the limited absorptive capacity of LGUs and RLAs.

Below are some of the strategies identified to achieve a safe and secure environment:

- Facilitate negotiated political settlement of internal and armed conflict process;
- Modernize defense and security establishments;
- Intensify law enforcement interventions;
- Strengthen cooperation with external and bilateral partners;
- Fine-tune physical and financial plan of programs and projects to be implemented during the Transition Phase of the Bangsamoro Basic Law; and,
- Enhance planning and implementation capacity of agencies and LGUs.

Alongside these strategies, funding support will need to be sustained for the following:

- Peace-building and development programs and projects such as the Bangsamoro Development Plan and PAMANA Program;
- Conduct of post-arbitration initiatives on the West Philippine Sea;
- Strengthening of national security and improvement of law enforcement through the AFP Modernization Program (acquisition of mission essential equipment) and PNP Modernization Plan (covers air transport and aerial surveillance, maritime patrol, anti-terrorism, etc.);
- Alien Registration Program (for baseline data and intelligence system);
- Bureau of Corrections Modernization Act;
- Formulation and implementation of Government Cyber Security Plan;
- Fire fighting facilities and equipment;
- Dangerous drugs suppression;
- Establishment of crime and forensic laboratories in strategic regions such as Cebu and Davao; and,
- Technical assistance to LGUs and RLAs for capacity building.

5.0 FOCUS GEOGRAPHICAL AREAS

As in the 2015 budget preparation, departments and agencies will need to focus the allocation of the fiscal space to the 44 provinces which have been identified in the updated PDP as contributing the most to the achievement of inclusive development. As listed in Annex B, these are: a) Category 1 for provinces that have been identified to have the highest poverty magnitude or number of poor households; b) Category 2 for provinces with the highest poverty incidence or areas with the least opportunities for poverty alleviation; and, c) Category 3 for provinces or areas that have the highest risk

when it comes to natural disasters and where economic and social services will be severely affected the most when calamity strikes. The number of said provinces by major island group are broken down as follows: 21 provinces in Luzon, 9 provinces in the Visayas and 14 provinces in Mindanao. The provision of new and expanded programs outside these focus areas will need to be strongly justified.

To help in matching the agency proposals with the priority geographical focus, the submission of the FY 2016 Budget shall require the use of the UACS location code (regional and provincial) for all capital outlays (GASS and STO), all Operations P/A/Ps, and all Project P/A/Ps. The absence of a UACS location code will reduce the likelihood of a Tier 2 proposal being approved for inclusion in the budget.

5.1 The program/projects recommended by the Human Development and Poverty Reduction Cluster to be undertaken in these provinces are as follows:

Provinces with high poverty magnitude or biggest number of poor household: Strategies to be adopted in these provinces will include promoting higher economic growth to create opportunities for employment; and, enabling the poor to participate in the growth process through improvements in human capital and flexible work arrangements.

Provinces with High Poverty Incidence: In contrast to the previous list, these provinces essentially have lesser opportunities for growth, for they are generally characterized by small population, low density and remote areas. Strategies to be adopted in these provinces are: provision of social assistance programs while economic opportunities are being created; and, creation of programs that promote economic and physical mobility.

Provinces Vulnerable to Shocks and Disasters: These are 28 provinces where the marginally non-poor can easily slide into poverty, while the poor can slide deeper into poverty, given shocks or disasters, natural or man-made. Strategies to be adopted in these provinces will include risk reduction and mitigation; social insurance and social protection; and, income diversification.

6.0 GUIDELINES FOR BUDGET PROPOSALS/SUBMISSIONS

6.1 Details of Hard Budget Ceilings

6.1.1 Agencies shall encode the details of the ceilings provided for in Annex A by object class per P/A/P through the Online Submission of Budget Proposal System (OSBPS), in close coordination with their counterpart bureaus in the DBM. Agencies shall strictly comply with the specific instructions in accomplishing the BP Forms as indicated in Annex D of the Budget Call for FY 2016, issued under National Budget Memorandum No. 123, dated January 28, 2015. They shall ensure that

the details of the hard budget ceilings are encoded in the correct columns in the relevant BP forms.

6.1.2 Adjustments within a P/A/P are allowed provided that the total allocation for that specific P/A/P will not be exceeded, and as long as PS requirements are not transferred to other expenditure item as provided in **Section 3.9** in this BPF. Said adjustments should not also result to the expansion of an ongoing/existing activity nor the inclusion of new spending proposals in the agency hard budget ceiling.

6.1.3 Realignment from one P/A/P to another **shall not be allowed** during the encoding of ceilings. Agencies however may justify the need for realignments across ongoing PAPs or to new PAPs in the Tier 2 discussions to support the request for the expansion of ongoing/existing activities or a proposal of new expenditure programs.

6.2 Tier 2 Budget Proposals

6.2.1 All new and expanded programs to be included in the FY 2016 Budget Proposal to Congress must directly contribute to inclusive development as supported by the BP 206 forms (BP 703 F2, for GOCCs) and other proper evidences and documentation. BP 206/703 F2 will contain the justification and appraisal by the agency/GOCC of their proposed new and/or expanded PAPs which will be reviewed and evaluated by DBM in accepting or disapproving the agency proposal. For each program/project proposed, it presents: (1) diagnosis/assessment-what problem/condition is being addressed, (2) reasonable objective/target-what is sought to be achieved within the year, 3) strategy/tactics to be adopted and (4) initial milestones and time-lines (basis for work and financial plan). Hence it is important that the agency accomplishes these clearly, comprehensively and completely for every new and expanded PAP proposal⁹. Only programs/projects (whether existing or new) rating high on their direct connection and/or contribution to the programs listed in **Section 4.0** and in their likelihood of being able to mitigate or alleviate the issues listed as shown in BP 206/BP703 F2 will be included in the final FY 2016 Budget Proposal. Low ranking agency proposals shall be discarded or their resources shall be realigned to the high ranking ones.

6.2.2 It is also important that agencies/GOCCs indicate/prove the implementation readiness of the program/project by discussing the state of

⁹ Some project categories like farm-to-market roads, repair and construction of local and national roads or bridges, water supply, forestry replanting, health facilities enhancement projects which are presented as a PAP can be treated as one (1) project. They need to be justified by an explanation of their objectives, rationale and prioritization criteria relative to this BPF, location according to the focus province (at least, if city or municipality locations are not yet available), and the basic individual project design or specifications.

or steps taken in program/project preparation so that the proper allocation of funds can be made (e.g for infrastructure projects, Feasibility Studies, or Detailed Engineering Designs and other Pre-construction Expenses or Construction Funds). The presence of a risk management approach in BP 206/703 F2 will also indicate some degree of implementation readiness. As mentioned in National Budget Memorandum No. 123, dated January 28, 2015 (NBM 123), the proposed programs/projects without a clear M&E plan or baseline information will not be approved.

6.2.3 Expansion of ongoing or existing activities shall be limited to those programs or projects with high budget utilization rates. Agencies using BP 206/703 F2, must be able to provide credible strategies or measures which will lead to successful implementation of the expanded program/project and prove readiness to execute the proposed program and budgetary allocation by January 1, 2016.

6.2.4 Locations of proposed new or expanded programs/projects as indicated by the UACS location code, shall be concentrated on the focus geographical or convergence areas discussed above and listed in Annex B. Central Offices shall guide and coordinate with their Regional Offices on the focus areas in each region, interventions required, and magnitude of resource allocation.

6.2.5 Consistent with the "no lump sum policy", budget proposals shall be disaggregated into detailed project components and geographic locations up to at least provincial level locations. Departments who are required by Congress to present more disaggregated projects/activities and locations such as DPWH, DOH, DepEd, and DENR shall do so using the UACS location codes and shall be supported by documentation in BP 206/703 F2 forms. Proposals without the said disaggregation (by province, if city and municipality locations are not yet available) and required documentation will not be included in the Tier 2 deliberations.

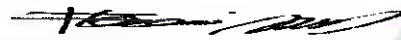
6.2.6 Agencies shall take note and comply with the specific guidelines and instructions in accomplishing the other relevant BP forms as provided in Annexes C and D of the Budget Call for FY 2016, issued under NBM 123.

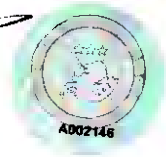
6.2.7 In view of the above requirements, it will be important and necessary for the Budget Officer of the agency to work with his/her counterparts in the Planning and Operations Units of the agency in the crafting and formulation of the proposed program/project and its accompanying BP 206/713 and other forms.

6.2.8 Submission of agency budget proposals, including the encoding of the details of the budget ceilings shall be completed thru the OSBPS **not**

later than May 4, 2015. Hard and soft copies of the BP 206/703 F2 forms shall be submitted to DBM and also to NEDA and DOF to facilitate the review. Please contact the Budget Technical Services to know the email addresses to which the soft copies will be forwarded to.

7.0 For immediate compliance.

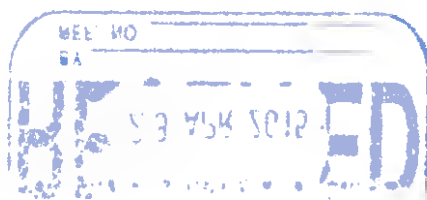

FLORENCIO B. ABAD
Secretary



Attachment:

Annex A: Indicative Tier 1 Budget Ceilings

Annex B: List of Focus Geographical Areas/Provinces By Category



Annex A

FY 2016 Budget Ceilings in thousand Pesos

Department/Agencies	PS*	MOOE	FINEX	CO	TOTAL
CONGRESS OF THE PHILIPPINES	5,873,513	6,530,164	-	27,509	12,431,186
Senate of the Philippines	1,695,524	1,707,021	-	-	3,602,545
Senate Electoral Tribunal	106,096	35,378	-	2,499	143,973
Commission on Appointments	214,502	345,559	-	3,860	563,921
House of Representatives	3,551,266	4,399,285	-	21,150	7,971,703
House of Representatives Electoral Tribunal	106,123	42,921	-	-	149,044
OFFICE OF THE PRESIDENT (inclusive of pension)	661,077	1,944,511	-	3,995	2,609,583
OFFICE OF THE VICE-PRESIDENT	50,587	177,722	-	2,019	230,328
DEPARTMENT OF AGRARIAN REFORM	2,954,862	7,416,419	-	911,221	11,282,502
Office of the Secretary	2,954,862	7,416,419	-	911,221	11,282,502
DEPARTMENT OF AGRICULTURE	2,913,920	19,601,609	2,006	18,455,295	40,972,830
Office of the Secretary	2,039,059	14,701,679	1,756	17,082,749	33,825,243
Agricultural Credit Policy Council	26,534	15,678	10	2,267	44,689
Bureau of Fisheries and Aquatic Resources	426,397	3,999,088	240	1,346,643	5,772,366
National Meat Inspection Service	137,503	217,643	-	4,189	359,335
Philippine Carabao Center	75,705	305,220	-	9,389	390,314
Philippine Council for Agriculture and Fisheries	36,076	129,670	-	-	165,946
Philippine Fiber Industry Development Authority	111,731	96,035	-	6,292	214,058
Philippine Center for Postharvest Development and Mechanization	60,915	136,196	-	3,766	200,877
DEPARTMENT OF BUDGET AND MANAGEMENT	558,330	588,055	108	19,797	1,166,290
Office of the Secretary	536,809	571,452	107	18,950	1,129,318
Government Procurement Policy Board - Technical Support Office	19,521	16,603	1	847	36,972
DEPARTMENT OF EDUCATION	250,833,650	43,011,549	-	112,891,060	406,736,259
Office of the Secretary (inclusive of the requirements for creation of positions)	250,714,924	41,940,654	-	112,860,723	405,536,301
Early Childhood Care and Development Council	6,900	800,518	-	-	607,418
National Book Development Board	11,547	12,663	-	544	24,754
National Council for Children's Television	3,130	10,118	-	-	13,248
National Museum	81,526	194,964	-	4,837	261,347
Philippine High School for the Arts	15,623	52,612	-	4,956	73,191
STATE UNIVERSITIES AND COLLEGES	24,189,046	11,062,989	-	-	35,252,035
DEPARTMENT OF ENERGY	331,633	1,480,038	-	106,534	1,918,205
Office of the Secretary	331,633	1,480,038	-	106,534	1,918,205
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	4,012,816	7,536,739	-	6,796,157	18,345,712
Office of the Secretary	3,065,749	5,753,247	-	6,497,709	15,336,705
Environmental Management Bureau	201,918	491,271	-	83,101	776,290
Mines and Geo-Sciences Bureau	362,529	333,971	-	28,528	725,028
National Mapping and Resource Information Authority	284,479	883,929	-	163,250	1,331,658
National Water Resources Board	41,801	44,556	-	21,275	107,632
Palawan Council for Sustainable Development Staff	36,340	29,765	-	2,294	68,399
DEPARTMENT OF FINANCE	6,410,361	6,132,456	849,900	623,768	14,016,485
Office of the Secretary	231,281	253,037	-	7,484	491,802
Bureau of Customs	1,176,585	1,770,335	-	-	2,948,920
Bureau of Internal Revenue	3,725,352	3,325,643	149,899	596,617	7,797,511
Bureau of Local Government Finance	134,670	64,177	-	9,379	208,426
Bureau of Treasury	376,539	330,959	700,000	-	1,407,498
Central Board of Assessment Appeals	5,897	1,286	-	519	7,702
Cooperatives Development Authority	232,767	91,396	-	3,840	328,003
Insurance Commission	126,859	75,557	1	1	204,418
National Tax Research Center	31,883	14,238	-	2,075	46,196
Privatization and Management Office	42,442	-	-	-	42,442
Securities and Exchange Commission	321,886	205,828	-	3,853	531,567
DEPARTMENT OF FOREIGN AFFAIRS	6,432,320	5,493,382	17,892	1,300,404	13,243,998
Office of the Secretary	6,389,024	5,466,250	17,884	1,298,249	13,171,407
Foreign Service Institute	37,487	12,467	3	2,150	52,107
Technical Cooperation Council of the Philippines	923	3,237	2	2	4,164
UNESCO National Commission of the Philippines	4,866	11,428	3	3	16,320

Department/Agencies	PS*	MOOE	FINEX	CO	TOTAL
DEPARTMENT OF HEALTH	16,494,161	15,790,558		325,165	32,609,884
Office of the Secretary	16,309,171	15,340,123		314,006	31,963,300
Commission on Population	139,403	201,035		6,093	346,531
National Nutrition Council	45,587	249,400		5,066	300,053
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT	103,398,790	18,454,370		4,434,413	126,287,573
Office of the Secretary	2,072,808	4,761,699		783,497	7,618,004
Bureau of Fire Protection <i>(inclusive of pension)</i>	8,664,454	1,282,451		1,230,763	11,177,668
Bureau of Jail Management and Penology <i>(inclusive of pension)</i>	5,172,001	2,773,329		81,124	8,026,454
Local Government Academy	19,527	225,801		1,087	246,415
National Police Commission	1,299,465	172,947		11,883	1,484,295
Philippine National Police <i>(inclusive of pension)</i>	85,465,408	8,593,741		2,121,981	96,181,130
Philippine Public Safety College	705,127	644,402		204,078	1,553,607
DEPARTMENT OF JUSTICE	8,689,819	3,474,193		146,913	12,310,925
Office of the Secretary <i>(inclusive of pension)</i>	3,298,903	601,232		65,392	3,965,527
Bureau of Corrections	682,486	1,241,670		17,455	1,941,611
Bureau of Immigration	441,576	285,116		3,443	730,135
Land Registration Authority <i>(inclusive of pension)</i>	702,898	569,209		-	1,272,107
National Bureau of Investigation	656,839	371,686		8,661	1,037,186
Office of the Government Corporate Counsel <i>(inclusive of pension)</i>	94,486	12,837		297	107,620
Office of the Solicitor General <i>(inclusive of pension)</i>	449,559	130,315		-	579,874
Parole and Probation Administration	491,176	117,859		11,284	620,319
Philippine Commission on Good Government	55,980	47,963		143	104,086
Public Attorney's Office	1,815,916	96,306		40,238	1,952,460
DEPARTMENT OF LABOR AND EMPLOYMENT	4,052,379	7,321,796		215,382	11,589,557
Office of the Secretary	1,393,728	2,853,015		42,461	4,289,204
Institute of Labor Studies	18,732	10,230		909	29,871
National Conciliation and Mediation Board	104,728	68,953		5,373	179,054
National Labor Relations Commission <i>(inclusive of pension)</i>	578,825	150,337		7,478	736,640
National Maritime Polytechnic	23,472	36,579		6,370	66,421
National Wages and Productivity Commission	109,370	69,171		5,696	184,237
Philippine Overseas Employment Administration	181,175	166,445		131,373	478,993
Professional Regulations Commission	256,778	381,359		1,705	639,842
Technical Education and Skills Development Authority	1,385,571	3,585,707		14,017	4,985,295
DEPARTMENT OF NATIONAL DEFENSE	97,275,706	25,274,501	19	20,338,856	142,889,062
Office of the Secretary	113,185	399,455		232,500	745,140
Government Arsenal	199,664	756,899		-	956,563
National Defense College of the Philippines	30,184	34,611		-	64,795
Office of Civil Defense	149,735	880,418		-	1,030,153
Philippine Veterans Affairs Office	10,552,448	71,1365		11,514	11,275,327
Philippine Veterans Affairs Office - Proper <i>(inclusive of pension)</i>	10,007,242	277,846		9,358	10,294,446
Veterans Memorial Medical Center	545,206	433,519		2,156	980,881
Armed Forces of the Philippines	96,230,490	22,491,753	19	20,094,842	128,817,104
Philippine Army	34,712,837	7,338,108		54,161	42,105,106
Philippine Air Force	7,436,009	6,450,696		40,681	13,927,386
Philippine Navy	8,510,603	4,761,693		-	13,272,296
General Headquarters <i>(inclusive of pension)</i>	35,571,041	3,941,256	19	20,000,000	59,512,316
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS	5,965,735	14,423,101		268,606,386	288,995,222
Office of the Secretary	5,965,735	14,423,101		268,606,386	288,995,222
DEPARTMENT OF SCIENCE AND TECHNOLOGY	2,973,145	10,507,601		1,887,214	15,367,960
Office of the Secretary	402,171	3,191,503		73,233	3,666,907
Advance Science and Technology Institute	41,163	552,995		264,289	858,447
Food and Nutrition Research Institute	98,799	159,104		6,427	264,330
Forest Products Research and Development Institute	111,538	22,059		6,825	140,422
Industrial Technology Development Institute	195,944	47,509		12,075	255,528
Information and Communications Technology Office	483,328	1,089,439		677,611	2,250,378
Metals Industry Research and Development Center	120,779	40,576		144,866	306,221
National Academy of Science and Technology	9,176	65,131		258	74,565
National Research Council of the Philippines	22,776	23,618		663	47,057
Philippine Atmospheric, Geophysical and Astronomical Services	471,479	437,764		343,657	1,252,900
Philippine Council for Agriculture, Aquatic and Natural Resources	141,957	789,121		26,374	957,452
Philippine Council for Health Research and Development	35,863	456,626		3,160	495,649
Philippine Council for Industry, Energy and Emerging Technology Research and Development	47,062	633,016		4,114	684,192
Philippine Institute of Volcanology and Seismology	117,315	138,020		175,826	431,161

Department/Agencies	PS*	MOOE	FINEX	CO	TOTAL
Philippine Nuclear Research Institute	132,340	93,839	-	30,865	257,044
Philippine Science High School	399,658	451,058	-	90,354	941,070
Philippine Textile Research Institute	44,260	17,426	-	10,355	72,041
Science Education Institute	32,074	2,207,024	-	1,568	2,240,666
Science and Technology Information Institute	31,000	23,570	-	3,155	57,725
Technology Application and Promotion Institute	34,463	68,203	-	11,539	114,205
DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT	4,784,629	87,096,163	700,000	131,478	92,712,270
Office of the Secretary	4,658,632	86,934,650	700,000	123,915	92,417,197
Council for the Welfare of Children	12,316	25,863	-	1,013	39,192
Inter-Country Adoption Board	14,550	28,060	-	1,638	44,248
Juvenile Justice and Welfare Council	32,647	45,909	-	875	79,431
National Council for Disability Affairs	24,470	15,739	-	1,818	42,027
National Youth Commission	42,014	45,942	-	2,219	90,175
DEPARTMENT OF TOURISM	374,274	1,845,045	1,522	5,115	2,225,956
Office of the Secretary	300,203	1,725,017	1,522	4,150	2,030,892
Intramuros Administration	21,529	14,297	-	-	35,826
National Parks Development Committee	52,542	105,731	-	965	159,238
DEPARTMENT OF TRADE AND INDUSTRY	1,204,830	1,898,295	1,215	17,156	3,121,496
Office of the Secretary	1,016,083	1,612,646	1,200	11,369	2,641,298
Board of Investments	112,477	166,027	-	-	278,504
Construction Industry Authority of the Philippines	38,414	43,140	-	2,936	84,490
Design Center of the Philippines	17,380	56,265	15	2,524	76,184
Philippine Trade Training Center	20,476	20,217	-	327	41,020
DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS	6,174,849	11,114,097	5,575	12,369,306	29,663,826
Office of the Secretary	1,375,335	7,833,672	5,575	12,327,315	21,541,897
Civil Aeronautics Board	34,454	31,145	-	4,244	69,843
Maritime Industry Authority of the Philippines	192,299	745,666	-	15,452	953,417
Office of Transportation Cooperatives	13,459	6,534	-	1,409	21,402
Office for Transportation Security	445,532	196,213	-	7,872	649,617
Philippine Coast Guard (<i>inclusive of pension</i>)	4,101,728	2,288,141	-	12,871	6,402,740
Toll Regulatory Board	12,041	12,726	-	143	24,910
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY	1,653,085	2,385,736	218	56,144	4,095,183
Office of the Director-General	497,386	614,368	-	8,242	1,119,996
Philippine National Volunteer Service Coordinating Agency	8,349	10,882	20	153	19,404
Philippine Statistical Research and Training Institute	11,738	14,552	-	200	26,490
Philippine Statistics Authority	1,040,151	1,674,577	198	39,930	2,754,856
PPP Center of the Philippines	58,835	50,797	-	5,776	115,408
Tariff Commission	36,626	20,560	-	1,843	59,029
PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE	631,131	515,122	-	4,771	1,151,024
Presidential Communications Operations Office-Proper	35,574	161,494	-	2,952	200,020
Bureau of Broadcast Services	171,407	97,533	-	351	269,291
Bureau of Communications Services	17,915	15,042	-	875	33,832
National Printing Office	132,272	-	-	-	132,272
News and Information Bureau	68,985	36,055	-	-	105,040
Philippine Information Agency	161,433	110,519	-	-	271,952
Presidential Broadcast Staff (RTVM)	43,545	94,479	-	593	138,617
OTHER EXECUTIVE OFFICES	3,894,013	6,175,276	10	1,562,038	13,631,337
Anti-Money Laundering Office	-	40,790	-	3,443	44,233
Climate Change Commission	19,770	69,351	-	496	89,617
Commission on Filipino Overseas	28,930	32,943	2	3,181	65,056
Commission on Higher Education	257,228	4,574,453	-	261,411	5,093,092
Commission on the Filipino Language	30,062	14,814	-	-	44,876
Dangerous Drugs Board	44,700	144,531	-	3,501	192,732
Energy Regulatory Commission (<i>inclusive of pension</i>)	138,975	97,421	-	12,039	248,435
Fertilizer and Pesticide Authority	38,992	29,069	-	1,668	69,729
Film Development Council of the Philippines	14,084	105,550	-	555	120,189
Games and Amusements Board	56,723	20,822	-	1,561	79,106
Governance Commission for GOCCs	44,872	64,245	-	538	109,655
Housing and Land Use Regulatory Board	199,413	107,795	-	558,303	865,511
Housing and Urban Development Coordinating Council	49,133	72,102	-	-	121,235
Mindanao Development Authority	39,278	60,753	-	-	100,031
Movie and Television Review and Classification Board	24,928	46,879	-	10,282	82,089
National Anti-Poverty Commission	42,900	123,397	-	8,935	175,232
National Commission for Culture and the Arts	182,229	591,992	8	604,360	1,378,589
National Commission for Culture and the Arts-Proper	28,097	377,035	8	10,525	415,665
National Historical Commission of the Philippines	54,168	93,213	-	484,885	632,266

Department/Agencies	PS*	MOOE	FINEX	CO	TOTAL
The National Library of the Philippines	55,567	60,311	-	107,450	223,328
National Archives of the Philippines	44,397	61,433	-	1,500	107,330
National Commission on Indigenous People	551,920	269,960	-	14,327	836,207
National Commission on Muslim Filipinos	374,767	92,165	-	-	466,932
National Intelligence Coordinating Agency	379,246	165,077	-	24,689	569,012
National Security Council	45,940	49,029	-	3,662	96,631
National Telecommunications Commission	197,028	124,198	-	1,341	322,567
Office of the Presidential Adviser on the Peace Process	84,932	274,614	-	-	359,546
Optical Media Board	26,364	18,776	-	808	45,948
Pasig River Rehabilitation Commission	9,671	125,754	-	948	136,373
Philippine Commission on Women	25,514	27,292	-	3,932	56,738
Philippine Drug Enforcement Agency	629,039	315,315	-	12,003	956,357
Philippine Racing Commission	28,419	90,509	-	2,680	121,608
Philippine Sports Commission	46,665	145,290	-	-	192,155
Philippine Commission on the Urban Poor	58,720	63,670	-	2,919	125,309
Philippine Communications Development and Strategic Planning	22,814	50,248	-	76	73,138
Presidential Legislative Liaison Office	24,029	16,240	-	175	40,444
Presidential Management Staff	176,528	150,232	-	24,205	350,965
AUTONOMOUS REGION IN MUSLIM MINDANAO	10,705,230	3,342,082	-	11,160,916	25,208,228
Autonomous Regional Government in Muslim Mindanao	10,705,230	3,342,082	-	11,160,916	25,208,228
JOINT LEGISLATIVE-EXECUTIVE COUNCILS	2,351	532	-	-	2,883
Legislative-Executive Development Advisory Council	2,351	532	-	-	2,883
THE JUDICIARY	16,599,841	4,219,974	-	1,586,413	22,406,228
Supreme Court of the Philippines and the Lower Courts (<i>inclusive of pension</i>)	15,088,529	3,571,334	-	1,583,788	20,241,651
Presidential Electoral Tribunal	77,983	12,557	-	-	90,540
Sandiganbayan (<i>inclusive of pension</i>)	207,199	126,324	-	2,625	336,148
Court of Appeals (<i>inclusive of pension</i>)	1,045,979	435,718	-	-	1,481,697
Court of Tax Appeals (<i>inclusive of pension</i>)	182,151	74,041	-	-	256,192
CIVIL SERVICE COMMISSION	823,188	258,778	13	17,580	1,099,559
Civil Service Commission-Proper	797,558	211,973	9	11,705	1,021,245
Career Executive Service Board	25,630	46,805	4	5,875	78,314
COMMISSION ON AUDIT	7,836,873	338,675	-	-	8,175,548
COMMISSION ON ELECTIONS	8,764,720	6,861,296	-	-	15,626,016
OFFICE OF THE OMBUDSMAN (<i>inclusive of pension</i>)	1,480,692	253,183	-	21,402	1,755,277
COMMISSION ON HUMAN RIGHTS	245,635	124,615	10	6,914	377,174
BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS	-	50,682,183	-	908,939	51,591,122
Department of Agriculture	-	2,178,472	-	-	2,178,472
National Dairy Authority	-	170,472	-	-	170,472
National Tobacco Administration	-	190,000	-	-	190,000
Philippine Crop Insurance Corporation	-	1,300,000	-	-	1,300,000
Philippine Rice Research Institute	-	518,000	-	-	518,000
Department of Energy	-	3,389,688	-	-	3,389,688
National Electrification Administration	-	2,000,000	-	-	2,000,000
National Power Corporation	-	1,389,688	-	-	1,389,688
Department of Health	-	1,939,685	-	-	1,939,685
Lung Center of the Philippines	-	192,144	-	-	192,144
National Kidney and Transplant Institute	-	462,071	-	-	462,071
Philippine Children's Medical Center	-	919,323	-	-	919,323
Philippine Heart Center	-	316,147	-	-	316,147
Philippine Institute for Traditional and Alternative Health Care	-	50,000	-	-	50,000
Department of Tourism	-	1,630,552	-	-	1,630,552
Tourism Promotions Board	-	1,630,552	-	-	1,630,552
Department of Trade and Industry	-	243,500	-	-	243,500
Aurora Pacific Economic Zone and Freeport Authority	-	48,500	-	-	48,500
Center for International Trade Expositions and Missions	-	195,000	-	-	195,000

Department/Agencies	PS*	MOOE	FINEX	CO	TOTAL
Department of Transportation and Communications	-	1,781,764	-	-	1,781,764
Light Rail Transit Authority	-	1,422,764	-	-	1,422,764
Philippine National Railways	-	359,000	-	-	359,000
National Economic Development Authority	-	73,672	-	-	73,672
Philippine Institute for Development Studies	-	73,672	-	-	73,672
Presidential Communications Operations Office	-	100,000	-	708,939	808,939
People's Television Network, Inc.	-	100,000	-	708,939	808,939
Other Executive Offices	-	39,344,850	-	200,000	39,544,850
Authority of the Freeport Area of Bataan	-	-	-	150,000	150,000
Credit Information Corporation	-	45,000	-	-	45,000
Cultural Center of the Philippines	-	229,000	-	-	229,000
Development Academy of the Philippines	-	167,000	-	-	167,000
National Food Authority	-	4,250,000	-	-	4,250,000
National Home Mortgage Finance Corporation	-	1,000,000	-	-	1,000,000
National Housing Authority	-	4,877,220	-	-	4,877,220
National Irrigation Administration	-	26,174,028	-	-	26,174,028
Philippine Center for Economic Development	-	13,169	-	-	13,169
Philippine Coconut Authority	-	1,287,887	-	-	1,287,887
Philippine Postal Corporation	-	301,000	-	-	301,000
Social Housing Finance Corporation	-	908,516	-	-	908,516
Southern Philippines Development Authority	-	42,030	-	-	42,030
Zamboanga City Special Economic Zone Authority	-	50,000	-	50,000	100,000
ALLOCATIONS TO LOCAL GOVERNMENT UNITS	23,388	1,359,691	-	234,017	1,617,096
Metro Manila Development Authority	23,388	1,359,691	-	234,017	1,617,096
TOTAL CEILING	609,270,578	386,692,496	1,578,488	465,174,277	1,462,715,839

*subject to GMIS updating

Annex B

List of Focus Geographical Areas (FGAs)

Region	Province
A. Provinces with High Poverty Magnitude ¹	
Region 1	Pangasinan
Region 4A	Quezon
Region 5	Camarines Sur
Region 6	Negros Occidental
Region 6	Iloilo
Region 7	Cebu
Region 8	Leyte
Region 9	Zamboanga del Sur
Region 11	Davao del Sur
ARMM	Sulu
B. Provinces with High Poverty Incidence ²	
CAR	Apayao
Region 5	Masbate
Region 8	Eastern Samar
Region 8	Northern Samar
Region 9	Zamboanga del Norte
Region 10	Camiguin
Region 12	North Cotabato
Region 12	Saranggani
ARMM	Lanao del Sur
ARMM	Maguindanao
C. Provinces with Vulnerable to Shocks and Disasters ³	
Region 1	Ilocos Norte
Region 1	Ilocos Sur
CAR	Abra
CAR	Benguet
Region 2	Cagayan
Region 2	Quirino
Region 2	Isabela
Region 2	Nueva Vizcaya
Region 3	Zambales
Region 3	Pampanga
Region 3	Aurora
Region 4A	Cavite
Region 4A	Laguna
Region 4A	Rizal
Region 4A	Quezon
Region 5	Albay
Region 5	Catanduanes
Region 6	Antique
Region 6	Iloilo
Region 7	Bohol
Region 8	Eastern Samar
Region 8	Leyte

Region 8	Northern Samar
Region 8	Southern Leyte
Region 9	Zamboanga del Sur
Region 9	Zamboanga Sibugay
Caraga	Dinagat Islands
Caraga	Agusan del Sur
Caraga	Surigao del Norte
Caraga	Surigao del Sur

Sources:

*1/ National Household Targeting System for Poverty Reduction
(Department of Social Welfare and Development, 2010)*

2/ Philippine Statistics Authority - National Statistical Coordination Board (2013)

*3/ Department of Science and Technology and
Department of Environment and Natural Resources (2012)*