REPUBLIC OF THE PHILIPPINES

DEPARTMENT OF BUDGET AND MANAGEMENT

MALACAÑANG, MANILA

NATIONAL BUDGET MEMORANDUM

No. 126
Date: April 4, 2016

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 2017 AGENCY BUDGET PROPOSALS UNDER TIER 2 OF THE TWO-TIER BUDGETING APPROACH**

1.0 RATIONALE

The FY 2017 Budget is a transition budget which aims to bridge the goals and policies of the Aquino government with those of the next administration. With the institutionalization of reforms, this Budget will hopefully guide the new administration in the allocation and management of public funds based on the principles of fiscal discipline, allocative and operational efficiencies, transparency, and empowerment.

With the introduction of bold and game-changing reforms under the current administration, the country was able to achieve an average growth rate of 6.2 percent from 2010 to 2015. The economy continued to grow in 2015 because of a strong household consumption and expansionary government spending. The Philippines managed to post a respectable 5.8 percent growth amidst the global turmoil, making it one of the fastest growing economies in Asia, next to India, the People's Republic of China and Vietnam.

Albeit the improvements in recent years, the socioeconomic conditions of the country remain daunting with poverty incidence still high, and agriculture sector productivity, consistently low. Poverty incidence for the first semesters of 2012 and 2015 were 27.9 percent and 26.3 percent, respectively. The annual growth of farm production, on the other hand, averaged at 1.4 percent from 2012 to 2015 as compared to the 7.6 percent and 6.8 percent average growth rates of the industry and services sectors, respectively and its 3.0 percent to 4.0 percent target. For these reasons, the Budget Priorities Framework (BPF) for 2017 focuses on these gaps and its related causes, but also anticipates future directions as indicated by the commitments made during the APEC Economic Leaders' Declaration Meeting and the targets set under the Sustainable Development Goals (SDGs).

Hence, the government will need to continue implementing programs and projects that will substantially reduce poverty through an inclusive development strategy and at the same time, will actively generate quality employment and livelihood especially from agri-based industries, tourism and BPO, and manufacturing. Other supportive strategies and priorities which will be supported are:

1.1 To support comprehensive structural reforms, achieve positive economic, social, and environmental outcomes, and promote good governance;
1.2 To foster an enabling trading environment that is responsive to new ways in which goods and services are produced and delivered and that promotes inclusiveness, especially for Micro, Small and Medium Enterprises (MSME);
1.3 To build sustainable and disaster-resilient economies and communities;
1.4 To make urbanization work for growth;
1.5 To redouble efforts to empower people with the tools to benefit from and participate in economic growth; and,
1.6 To develop the services sector as an enabler of economic growth and inclusion.

2.0 PURPOSE

This FY 2017 BPF aims to provide departments and agencies with the following:

2.1 Information on the amount of the FY 2017 fiscal space (FS) available for new and expanding programs and projects based on the macroeconomic assumptions and fiscal aggregates that were approved by the Development Budget Coordination Committee (DBCC);

2.2 The key specific strategies and programs/projects which will be prioritized for funding under the Fiscal Space during budget preparation as they respond to either a deficiency in the current targets and/or emerging directions in the different sectors and KRAs, including the geographical focus of the programs/projects; and,

2.3 The specific guidelines in the crafting of Tier 2 proposals to be submitted on April 22, 2016.

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

3.1 Macroeconomic Assumptions

For the medium-term, the fiscal and budget aggregates shall be based on the following macroeconomic assumptions approved by the DBCC during its meeting on February 15, 2016.

Table 1. Macroeconomic Assumptions, FYs 2015-2019

Particulars	2015 Actual	Projections 2016	2017	2018	2019
Real GNI Growth (%)	5.4	6.5-7.5	6.3-7.3	6.7-7.7	6.6-7.6
Real GDP Growth (%)	5.8	6.8-7.8	6.6-7.6	7.0-8.0	6.9-7.9
Inflation (%)	1.4	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
364-Day T-bill Rate (%)	2.1	2.5-4.0	2.5-4.0	2.5-4.0	2.5-4.0
LIBOR, 6 mos. (%)	0.5	1.0-2.0	1.5-2.5	1.5-2.5	1.5-2.5
Foreign Exchange Rate (P/$)	45.5	45-48	45-48	45-48	45-48
Dubai Oil (US$/bbl)	50.92	45-60	50-65	50-65	50-65
Merchandise Exports Growth (%)*	-13.1^{p}	5.0	8.0	10.0	10.0
Merchandise Imports Growth (%)*	-3.2^{p}	10.0	12.0	13.0	13.0

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

*Based on BPM6 concept

p - preliminary actual as of March 18, 2016

The country's economic outlook remains optimistic despite the current challenges posed by external and domestic factors. The strong macroeconomic fundamentals, in particular, the low and stable inflation environment, favorable interest rates, sustained OFW remittances, vibrant business process outsourcing, and increasing tourism receipts continue to drive the economy.

For the medium-term, the DBCC macroeconomic assumptions and targets have been revised to account for the recent developments in the global and domestic markets. The Dubai crude oil projections were adjusted downwards because of the significant decline and continued low oil prices. The low oil price is expected to linger over the medium-term due to geopolitical developments. On the other hand, the inflation target is kept unchanged considering that the risks remain broadly balanced. Furthermore, domestic interest rates have been adjusted to reflect the latest market data. Export and import projections have been scaled down based on the 2015 outturn and global developments.

Overall, the economy is expected to grow between 6.8 percent and 7.8 percent in the medium-term behind strong household consumption and expansionary government investments.

3.2 Fiscal Stance and Revenues

The Aquino administration will entrust a healthier fiscal position to the incoming administration as a result of the various public financial management reforms implemented during its six-year term. To maintain this sound and sustainable fiscal environment in the coming years, the government will target a rising revenue effort reaching 18.8 percent of GDP by 2019 and a deficit level of 2.0 percent of GDP over the medium term, pending the fiscal strategy of the next administration. This policy will allow the government to spend more on expenditure priorities to a high of 20.9 percent of GDP by 2019, and at the same time, reduce the impact of the fiscal deficit on long term debt levels. Accordingly, the country's debt profile is expected to decline further from 44.8 percent of GDP in 2015 to 35.5 percent of GDP by 2019.

The slowdown in revenues – from 12.9 percent annual growth in 2012 to only 10.5 percent in 2015 – shows that existing revenue measures only provide the country with a narrow revenue base that is not enough to support the country's growing development needs. Hence, to expand this revenue base, it is necessary for the government to implement both administrative and new legislative measures starting 2017.

Table 2. Fiscal Aggregates, FYs 2015-2019

Particulars	2015 Actual	2016 Adjusted	2017 Proposed	2018 Projection	2019 Projection
Levels, in billion Pesos					
Revenues	2,109.0	2,696.8	3,040.0	3,391.7	3,787.0
Disbursements	2,230.6	2,995.4	3,371.7	3,760.3	4,196.2
Fiscal Balance	(121.7)	(298.6)	(331.8)	(368.7)	(409.2)
Obligation Budget	2,606.0 *	3,001.8	3,350.0	3,746.8	4,181.5
Percent of GDP					
Revenues	15.9	18.1	18.5	18.6	18.8
Disbursements	16.8	20.1	20.5	20.7	20.9
Fiscal Balance	(0.9)	(2.0)	(2.0)	(2.0)	(2.0)
Obligation Budget	19.6	20.1	20.4	20.6	20.8
Growth Rate					
Revenues	10.5	27.9	12.7	11.6	11.7
Disbursements	12.6	34.3	12.6	11.5	11.6
Fiscal Balance**	(66.5)	(145.4)	(11.1)	(11.1)	(11.0)
Obligation Budget	29.1	15.2	11.6	11.8	11.6
GDP, in billion Pesos	13,285.2	14,931.5	16,456.6	18,191.8	20,090.9
Gross Financing Mix***, in %					
Foreign	31%	16%	20%	20%	20%
Domestic	69%	84%	80%	80%	80%
Debt-to-GDP Ratio***	44.8%	41.3%	39.7%	37.8%	35.5%

Notes:
* GAA Level
** A positive growth rate indicates an improvement in the fiscal balance, while a negative growth rates implies a deterioration in the fiscal balance.
*** Based on BTr estimates

Sources: DBM, DOF, BTr and NEDA

3.3 Expenditures

3.3.1 2015 Performance

Government disbursements reached P2,230.6 billion in 2015 on account of the substantial growth of maintenance and capital expenditures (30.0 percent and 25.0 percent, respectively) to support the expansion of social services, investments in defense, road and transport infrastructures. The increase in government spending was also brought about by the higher personnel services expenditures to augment the government workforce, and provide for additional performance-based benefits. Disbursements grew by 13.0 percent, recovering from the single-digit growths of 5.8 percent and 5.4 percent in 2013 and 2014, respectively.

Although the government missed its spending target by some P328.3 billion or 12.8 percent of the program in 2015, disbursements accelerated towards the latter part of the year with the adoption of expenditure measures under AO 46[1]. Hence, to sustain the growth momentum this 2016, government agencies are advised to continue implementing measures such as early procurement, improved planning and budgeting under a synchronized fiscal calendar, and regular, periodic program/project monitoring and problem-solving through full-time delivery unit (FDU) meetings.

3.3.2 2016 Outlook

To further improve the delivery of core social services, bolster public infrastructures and help expand the economy by at least 6.8 percent growth, the National Government intends to spend some P2,995.4 billion this 2016. This spending target is equivalent to 20.1 percent of GDP.

3.3.3 2017 Proposed

Government spending will aim to accelerate domestic growth amidst the global economic slowdown by allocating funds increasingly to vital growth-inducing economic and social development programs. To do this, government disbursements for 2017 are targeted to expand by 12.6 percent to P3,371.7 billion, equivalent to a disbursement-to-GDP ratio of 20.5 percent. This proposed disbursement program will support the 6.6 percent to 7.6 percent growth target for 2017.

3.4 Financing Program

The government will continue to favor borrowings from domestic sources to improve the domestic-to-foreign borrowing mix of 84:16 in 2016 to 80:20 from 2017 to 2019. This will lessen the country's exposure to exchange rate volatility, and at the same time, support domestic liquidity for cheaper and more efficient future fund raising efforts. Access to external financing will still be maintained however to allow greater borrowing flexibility. As mentioned, this financing program is seen to further trim down the debt-to-GDP ratio from 44.8 percent in 2015 to around 35.5 percent in 2019.

3.5 Obligation Budget Ceiling and Fiscal Space for 2017

The above 2017 disbursement program will translate to an obligation budget ceiling of P3,350.0 billion, P348.2 billion or 11.6 percent more than the 2016 budget level of P3,001.8 billion. This Budget will continue to address the key remaining gaps in the administration's social contract across the social and economic sectors as identified in the latest Socio-Economic Report (SER) as well as the emerging concerns as discussed above.

Of the P3,350.0 billion obligation budget ceiling, around 82.0 percent or P2,762.5 billion is earmarked for the cost of ongoing programs and projects in Tier 1 (Forward Estimates). This leaves a fiscal space of P587.5 billion for expanded and new programs and projects in Tier 2. The hard budget ceilings arising from Tier 1 (Forward Estimates) for each department/agency for FY 2017 are shown in Annex A.

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[1] Administrative Order No. 46 entitled *Directing All Heads of Departments and Agencies to Implement Measures to Facilitate Budget Execution for Fiscal Year (FY 2015)*, issued on March 30, 2015.

4.0 PRIORITY OUTCOMES AND PROGRAMS

4.1 Transparent, Accountable, and Participatory Governance

Maintaining good governance practices is essential across sectors to sustain the efficient and effective delivery of goods and services especially during budget execution. The spending slowdowns experienced in 2014 and 2015 reflect the need to raise the capacities of implementing agencies to new standards of doing things, which require additional skills, manpower and technology, among others. Likewise, poor planning and coordination, lack of baseline data/information for decision-making, weak monitoring and evaluation (M&E) frameworks, and inadequate procurement skills and personnel are the major weaknesses identified for most of the implementing agencies.

Also, while substantial accomplishments have been achieved in terms of budget transparency as indicated by the Open Budget Index (OBI), wherein the country ranked 21st best in the world and 4th best in Asia; and the Open Data Portal, wherein the government achieved more than its targeted publication rate in 2015 of 2,000 data sets; as well as the significant increases in scores in international ratings in ease of doing business and governance standards, the following challenges have been identified by the 2015 SER:

4.1.1 Governance reforms need to be sustained despite political change. The 2016 national and local elections will bring in a new administration which should be encouraged to sustain the governance reforms, particularly those targeted for the LGUs such as the Seal of Good Local Governance and Public Financial Management (PFM) and the Bottom-Up Budgeting (BUB).

4.1.2 The LGUs' delivery of basic public services should be improved in the face of natural calamities. Climate change adaptation, and disaster risk reduction and management should be integrated in all governance reforms and initiatives, particularly at the sub-national and community levels which are at the frontline.

4.1.3 The government should be able to adapt to advanced technology-based communication and business transactions to exploit the substantial benefits of IT in streamlining and integrating regulatory processes and related databases. Pertinent government laws, rules and regulations should be reviewed and amended if necessary, to allow the utilization and procurement of new IT goods and services to foster faster delivery turn-around times and a more results-oriented environment.

To address these concerns, the following strategies are suggested: (1) increase investment in new technologies for the automation of processes including upgrading of systems and equipment for better service delivery; (2) implement the government M&E framework and programs to ensure the better tracking, communicating and documenting of programs and projects; (3) establish a risk management business continuity framework which responds to external shocks or natural calamities which is the new norm; and, (4) disseminate information on ASEAN integration and its governance implications for common understanding among stakeholders. Relative to the last point, there is still no lead agency/coordinator that will harmonize the country's conformance to ASEAN commitments, and lead an information, education, and communication campaign on the country's trade competition efforts.

To implement the said strategies, continued budgetary support for the following programs/projects/interventions is necessary:

4.1.4 Capacity-building for agencies on planning, investment programming, and program/project implementation, and enhancement of M&E systems and information systems;

4.1.5 Streamlining of government processes on business regulations and frontline services to attract more foreign and local investments;

4.1.6 Providing incentives to LGUs to improve their capacity to absorb and manage increasing direct downloads of national government funding;

4.1.7 Sustaining the BUB Program to enhance transparency and citizen participation as well as to strengthen LGUs planning and implementation capacities; and

4.1.8 Expansion of Citizens' Participatory Budgeting and Audit and related activities in agencies.

4.2 Poverty Reduction and Empowerment of the Poor and Vulnerable

4.2.1 Education

Essentially, the three (3) key messages pointed out during the recent ADB Dissemination Workshop of the Key Indicators 2015 of "A Smarter Future: Skills, Education, and Growth in Asia" which capture the state of education in the country, are as follows:

4.2.1.1 The Philippines has done well in expanding education resulting in the increased levels of schooling.

4.2.1.2 However, educational quality rather than quantity drives growth. And given that quantity is high, quality becomes more important. However, weaknesses in labor market demand may not be solved by quality improvement alone and can result to the development of many skills developed through education, remaining unutilized.

4.2.1.3 Central to the improvement of educational quality in the country are: (a) a system to collect and share information across countries, (b) attention to curriculum content, and (c) early childhood education.

The implementation of the K to 12 Basic Education Program has been pursued by Government to respond to the issue of the deficient number of years of basic education in the Philippines as compared to other countries. The Program requires collaboration involving DepED, CHED and TESDA. Related to this, a number of challenges beset the education sector which need to be addressed:

4.2.1.4 Improving the Quality of Education. The low performance indicators on the students' mastery of competencies can be improved with continuous teacher training on the enhanced basic education curriculum together with higher education faculty training to raise the passing rates in licensure examinations. Likewise, the enactment of the Open Distance Learning Act, the Unified Student Financial Assistance System for Tertiary Education (UniFAST) Act, and the Implementing Rules and Regulations (IRR) of the Ladderized Education Act of 2014 will help strengthen the access to quality tertiary education. The availability of education inputs using disaster-resilient facilities, giving priority to areas with poor education performance and hard-to-reach and vulnerable learners will also help. The strengthening of the implementation of other education modes such as Alternative Learning System (ALS), Indigenous People's (IP) education and special education will have to be continuously supported.

4.2.1.5 Displacement of Higher Education Personnel. The implementation of SHS will drastically reduce the number of higher education enrollees for the period 2016 to 2018, affecting the employment of teaching and non-teaching personnel. However, this situation can be a window of opportunity for faculty members to pursue graduate studies, scholarships and grants. Similarly, TVET trainers can do industry immersion or training on new technologies. DepED, CHED and DOLE will have to continue to collaborate in ensuring the adoption of measures to address the concern of facilitating employment, and providing the needed skills for livelihood and employment in the different geographic localities.

4.2.1.6 Readiness of Higher and Technical Education Institutions for ASEAN Integration. Part of improving the quality of education is ensuring that the higher and technical education institutions are globally competitive and ready for the ASEAN integration. One major concern pertains to the need to address the job-skills mismatch as indicated by the 2015 ADB Key Indicators analysis "A Smarter Future: Skills, Education, and Growth in Asia" that about 40.0 percent of tertiary educated Filipinos are employed in mid and low-skilled occupations. This clearly indicates that among other measures, HEIs need to update their course programs to be also at par with international standards while responding to the job and skills needs in their localities as discussed above. Similarly, TESDA has to upgrade the qualifications and skills of trainers and assessors including facilities and centers. In addition, CHED and TESDA have to review their policies and guidelines to consider the current developments in the implementation of the Philippine Qualifications Framework.

4.2.2 Early Childhood Care and Development (ECCD)

After the pilot-testing in 2016, the implementation of the ECCD First 1,000 Days Program will shift from the mere attribution of funds lodged in the different implementing agencies to focusing on the determination of the Program's collective requirements and the phasing of implementation, with the National Nutrition Center steering the Program. The objective will be to expand Program coverage, giving priority to the poorest of the poor.

But more than this, the government will have to aim to intensify the coordinated implementation of health, nutrition, education and social welfare services to ensure that children aged 0 to 8 years particularly the indigents, will be strategically provided with equal opportunities in life. The adoption of this holistic approach through the budget, started this year with the First 1000 Days Program. This Program will cover the time of conception up to the child's first two years of life, which is critical for growth and development and is the "window of opportunity" to prevent stunting, a permanent and irreversible type of malnutrition presently affecting 3.6 million children in the country. During the recent launch of the 2015 Global Nutrition Report, malnutrition was cited as a major problem among many countries including the Philippines and accounts for the death of 95 Filipino children every day. Malnutrition affects the children's physical and mental development, adversely affecting their later capacities as productive members of the society. The various forms of malnutrition are caused by: poor quality diets, lack of education, weak care for mother and child, insufficient access to health services, and unsanitary, unhealthy environments[2]. Hence, mandatory to the implementation of this intervention package involves agriculture for adequate food, clean water and sanitation, education, social welfare, public health and participation of the families and LGUs involved, among others.

[2] Synopsis of Global Nutrition Report 2015

4.2.3 Social Protection

The country's vulnerability to climate-related risks and other natural disasters and the stubbornly high poverty incidence necessitate the implementation of social protection programs to ensure that poverty reduction is accelerated and those affected by climate change will be assisted to be able to recover faster. The 2015 SER identifies the following sector concerns:

4.2.3.1 Expanding Livelihood and Employment Opportunities to Pantawid Pamilyang Pilipino Program (4Ps) beneficiaries. Capacitating the beneficiaries for sustainable livelihood and gainful employment is necessary since the educational and health allowances under the Program are time-bound and the beneficiaries need to be successfully prepared for the exit phase. This will ensure the attainment of the goals of 4Ps.

4.2.3.2 Depreciation of CCT Cash Grants. Since the Program's implementation in 2008, cash grants provided to CCT beneficiaries have not been adjusted to consider inflation. Hence, according to the Philippine Statistics Authority, the income gap of the poor has remained at 29.0 percent from 2012 to 2015 and the rate of poverty reduction has remained slow from 27.9 percent in the first semester of 2012 to 26.3 percent during the same period of 2015.

4.2.3.3 Supply Side Limitation. With the fast increase in the number of program beneficiaries, there have been concerns on the failure of some Pantawid Pamilya beneficiaries to comply with the conditionalities due to inaccessibility of schools and facilities in certain localities including those for children with disabilities. This will require the strengthening of convergence efforts involving DepED, DOH and PhilHealth. It is also important to continue to increase the health insurance availment of beneficiaries through intensive advocacy campaigns at the local level.

4.2.3.4 Lack of Social Protection Programs for Workers in the Informal Sectors (WIS) and Indigenous Peoples (IPs). The emerging requirement is to institutionalize the generation of data for these groups for profiling and targeting purposes and to serve as basis for the formulation of the protection programs. Similarly, there needs to be a registry system for persons with disabilities (PWDs) and displaced families.

4.2.3.5 Need for Safety Nets for Poor Farmers and Fisherfolk. The increasing difficulty of bringing down poverty in the agriculture sector requires enhanced provision of agricultural insurance and credit to poor families. The maintenance and improvement of the Registry System for Basic Sectors in Agriculture (RSBSA) and other farmers' registries (National Farmers' Registry for Coconut, Fisheries and ARBs) will need to be harmonized and institutionalized.

4.2.4 Universal Health Care Program

The provision of good quality health services especially for the poor under the Universal Health Care (UHC) Program or the Kalusugang Pangkalahatan has been a banner program of the Aquino Administration starting 2010. This has been ensured with the availability of earmarked funds from the Sin Tax Reform Law of 2012. The continued support for the Program will need to address the following sector challenges cited in the 2015 SER:

4.2.4.1 Communicable and Non-Communicable Diseases as Public Health Concerns. The morbidity and mortality cases from communicable diseases (e.g., acute respiratory infections and pneumonia) and non-communicable diseases (e.g., diseases of the heart and cardiovascular system and malignant neoplasm) are on the rise. Given these concerns, there is a need to strengthen the implementation of public health programs such as: (a) Expanded Program on Immunization; (b) Maternal, Neonatal, Child Health and Nutrition Interventions including the First 1,000 Days Program; (c) Prevention and Control Programs on TB, Malaria and non-communicable diseases; (d) Doctors to the Barrios and other Health Human Resource Programs; (e) Family Health and Responsible Parenting Program; and (f) provision of essential commodities, drugs and medicines to the health facilities. Likewise, technical support and capacity building for LGUs will need to be provided in the implementation of devolved public health programs including health and nutrition promotion. Another concern pertains to the alarming rate of increase in cases of HIV-AIDS particularly among the most-at-risk populations (MARPs). As of September 2015, the DOH AIDS Registry reported 28,428 cumulative HIV/AIDS cases, and an increase of 30.0 percent in the number of newly-diagnosed individuals with HIV per day from 17 in 2014 to 22 in 2015.

4.2.4.2 Gaps in Health Facilities and Services. Despite the huge budgetary outlays already provided for the construction and upgrading of health facilities through the Health Facilities Enhancement Program (HFEP) across the country since 2010, delays and inadequate facility compliance to standards have been encountered in project implementation. This is coupled by the inadequate number of health workers especially in some geographically isolated and depressed areas (GIDAs). The challenge for 2017 will be to complete the construction and provisioning of the needed Rural and Barangay Health Units in the country.

In a recent Philippine Institute for Development Studies (PIDS) study on the "Improvement of the Implementation Procedures and Management Systems for Health Facilities Enhancement Grant of the DOH", policy options were laid out to improve the equity and efficiency in the allocation of HFEP funds such as the need for a clearer policy on HFEP fund allocation and establishing a monitoring and evaluation plan for HFEP, among others.

4.2.4.3 Low Utilization of National Health Insurance Program (NHIP) Benefits. Even with the increase in PhilHealth coverage rates and new package offerings, the utilization of benefits remains very low, with only about 6.0 percent of PhilHealth members having filed claims in the first semester of 2015. Other implementation issues cover gaps in coverage, enrolment of those in the informal and self-employed sectors, ensured uniform access to basic benefit packages for all income groups, and low support value of NHIP.

4.2.4.4 Emerging Health Threats. The country, being prone to disasters like typhoons and earthquakes, can experience disruptions in the delivery of basic necessities such as safe water and sanitation which can result to disease outbreaks. Other major concerns include malnutrition among children, as mentioned above; the increasing incidence of teenage pregnancies at 13.6 percent in 2013 from 6.3 percent 2002; and the low use of reproductive health services among the said age group.

4.2.5 Housing

The government's funding support for the sector will need to be increased to address the following challenges which have been identified in the 2015 SER:

4.2.5.1 Remedy of existing gaps in the P50.0 billion housing program for ISFs living in danger areas in Metro Manila. Because of the persistent problems of land acquisition, site development and building construction, and relocation, only about 48.0 percent of the total target housing units have been completed. Land acquisition problems include the lack of suitable and affordable land, the objection of LGUs to absorb ISFs residing near or in their cities, delays in issuances of BIR ruling on capital gains tax exemption, and difficulty of ISF communities to comply with necessary technical requirements. Meanwhile, site development is hindered by the delays in the issuances of LGU permits and other requirements. But more problematic concerns the estimated 15,000[3] housing units completed by the National Housing Authority in the 26 resettlement sites which remain unoccupied due to the refusal of the intended beneficiaries to transfer because of the lack of livelihood, health facilities, schools, and basic amenities such as electricity and water in the resettlement areas. This has been validated by a PCUP study of the Resettlement Programme covering 2014-2015.

4.2.5.2 Need for an inclusive and sustainable urbanization framework. This is in view of the housing developments thus far, and the implications of population growth, rapid urbanization and rural-urban migration in the country. The total national housing need is estimated at 5,556,463 for the period 2011 to 2016 (including initial needs/backlog from previous years) with regional growth areas comprising the NCR, Central Luzon and CALABARZON accounting for almost a third of the housing need. As of 2011, out of the estimated 1,502,336 informal settler families (ISFs) nationwide, 584,425 ISFs live in Metro Manila. Although the recommended alternative and innovative approaches on land acquisition (e.g., usufruct, long-term lease, land banking) and housing solutions (e.g., high-density mass housing, vertical developments for socialized housing, public rental housing) are explored by a few LGUs, these LGU efforts are limited and intensified promotion is only at the national level.

4.2.5.3 Fragmented institutional arrangements in the housing sector. Likewise, to successfully implement key housing strategies and reforms, there needs to be a clearer delineation of responsibilities between the national key housing shelter agencies and local government units, with housing being a devolved function. It is important also to improve the linkage of local shelter plans to regional and national plans for a more holistic settlements planning.

4.3 Rapid, Inclusive, and Sustained Economic Growth

4.3.1 Public Infrastructure

The sustained expansion of the economy is hindered by infrastructure bottlenecks as evident in the recent experiences of port and road congestion,

[3] DILG figure cited during the Inter-Agency on Housing Concerns meeting held March 11, 2016 at DBM

and the breakdowns of the MRT and LRT facilities with their adverse impact on the economy and government credibility. The traffic situation in the country has been reported as one of the worst in the world. The average one-way commuting and travelling time in the country is now at least 46 minutes for people to reach their destination[4]. Despite the ongoing improvements in public transportation and the substantial building, upgrading and maintaining of roads in recent years, there is an urgent need to increase access and ease the traffic condition through the construction of skyways and rail roads coupled with long-term mass transport solutions to expedite the efficient transport and delivery of people, goods and services and the setting-up of business opportunities.

The identified sector challenges are the following:

4.3.1.1 Infrastructure Spending Gaps /Challenges. Albeit the increased spending on infrastructure development since 2011, the infrastructure spending target reflected in the Philippine Development Plan Midterm Update is yet to be attained (Table 3) due to: (a) lack of forward planning that affects the absorptive capacities of implementing agencies and the private sector; (b) right-of-way and just compensation issues; (c) the presence of obstructions involving electric power lines and posts, telecommunication lines, natural gas pipelines, and, water distribution lines; (e) presence of informal settler families and the required investment for their relocation, housing and livelihood; (f) difficulty in securing social acceptability of projects such as coal-fired plants, large multi-purpose dams, and sanitary landfills; and (g) delays in securing permits from relevant government agencies (e.g., LGUs, Regional Development Council (RDC), DENR, etc.).

Table 3. Infrastructure Expenditures as a Percentage Share of GDP, 2011-2015

Particulars	2011	2012	2013	2014	As of 3rd quarter 2015
GDP in PB	9,703.33	10,561.09	11,542.29	12,642.74	9,578.1
Infrastructure outlays PB	175.37	215.73	306.89	346.24	243.0
% of GDP, actual	1.81%	2.04%	2.66%	2.74%	2.55%
% to GDP, PDP target	n.a.	2.20%	2.50%	3.50%	4.00%

n.a. – not applicable

In order to meet the medium-term infrastructure spending targets, the government has to address the above implementation bottlenecks.

4.3.1.2 Expanding the Role of Private Sector and Local Governments in Infrastructure Development to Boost Infrastructure Investments. The greater participation of the private sector and foreign investors in PPP projects is needed as well as LGUs in the construction and maintenance of local roads and bridges, water supply and sanitation projects using their local development funds. Enhancing the participation and capacity of these two entities will accelerate infrastructure development and enable the national government to focus on its core functions and strategic issues.

[4] Helen Flores (September 5,2015) The Philippine Star

4.3.1.3 Quality of Service Remains a Challenge under the Transport Sector. The transport sector remains problematic due to the following supply and demand issues: 1) reduced travel speed in major corridors in Metro Manila, particularly EDSA; 2) road congestion leading to inefficiencies in the use of Manila ports; 3) underutilization of the Subic and Batangas ports; 4) long queues and overcrowding in a number of mass rail transit lines; 5) service cancellation/ interruption of urban mass transport operations due to mechanical breakdown and untoward incidents, and 6) airside congestion at the NAIA.

4.3.1.4 Issue of Physical Connectivity. Connectivity implies seamless infrastructure systems such as roads, ports, seaports, and airports connecting Metro Manila to other corridors such as Metro Davao, Metro Cebu and Metro Cagayan de Oro to enhance the mobility of people, and the manufacture and trade of goods and services.

In order to improve physical connectivity, there is a need to fast-track the implementation of projects under the Roadmap for Transport Infrastructure Development for Metro Manila and its Surrounding Areas in GMA (Regions III and IV-A) which was already approved by the NEDA Board, and the High Standard Highway Master Plan that will increase the mobility of people, goods and services and the system of ports, and airports to regional growth hubs and corridors. The Tourism Master Plan and its system of roads, airports, and ports also needs to be continued.

4.3.1.5 Insufficient Water and Electricity. The supply of electricity and water service levels are insufficient to meet the ever growing demand, especially with the threat of El Niño. Notwithstanding the additional installed capacities for the Luzon, Visayas and the Mindanao grids, energy security measures in terms of meeting power demand[5] and the required reserve, are thin. The periodic El Niño episodes reduces the electricity output of hydropower plants which may lead to power shortage if supply reserve is insufficient, particularly in the Mindanao grid which sources about 50 percent of its total demand from hydropower plants. Adding pressure to the power supply is in the upsurge in the use of cooling appliances.

Specific interventions and strategies which can be pursued and included in the 2017 Budget are:

4.3.1.6 Accelerate infrastructure development. The 2015 SER has identified the following strategies: a) improving connectivity efficiency among urban centers, and regional growth hubs; b) pursuing energy and water security; c) pursue legislation recognizing energy projects as "projects of national significance"; d) eliminate the conflicting roles of transport agencies having both regulatory and operation/operator functions; e) amending the IRR of the Water Code; f) implementing the new law on ROW or site acquisition for government projects; g) improving access to and adequacy of infrastructure to address gaps in far-flung areas; h) providing safety and security measures by supporting the creation of an independent body that investigates transport accidents and provides transport recommendations, and i) promote and adopt Global Navigation Satellite System (GNSS) technology such as Global Positioning System (GPS) in achieving seamless and green intermodal transportation to

[5] Ratio of available capacity to the sum of system peak demand and required reserve.

enhance capabilities for preparedness to natural disasters and emergency response.

Likewise, the improvement of the quality of National Roads through the Long Term Performance Based Maintenance Contracts (LTPBM) needs to be considered. With the completion of the upgrading of all national roads, developing a program and allocation of sufficient funds for the upgrading and maintenance of local roads can be implemented. To support this, the KALSADA program, which was introduced through the 2016 budget with a P6.5 billion allocation, can be scaled up to improve the quality of the local road network across the country at the same time strengthen the planning, implementation, and financial management capacities of LGUs to ultimately share the task of developing the country.

4.3.1.7 Use of the Unified Financing Framework (UFF) for Water Supply and Sanitation. The recently approved Unified Financing Framework (UFF) by the INFRACOM aims to optimize the use of the national government resources in increasing access to and improving Water Supply and Sanitation (WSS), particularly in the LGUs. To implement this policy approach, an executive order for approval of the President may be necessary.

The revival of the Three-Year Rolling Infrastructure Program (TRIP) as issued by NEDA and DBM on January 29, 2016 is intended to solve the issues surrounding accelerated infrastructure development. The objective of the said framework, is to ensure that only well developed and implementation-ready projects, particularly the large ones, queue up for the budget. Likewise, under the TRIP, the policy of dispersing the investment/infrastructure spending towards growth regions in the Visayas and Mindanao Area (e.g. Central Visayas Region and Northern Mindanao Region) is pursued to provide the physical infrastructure support for the promotion and development of business and industries.

4.3.2 Agriculture Development

The performance of the agriculture and fisheries (A&F) sector, in terms of gross value added (GVA) for the last quarter of 2015, registered a contraction of 0.4 percent, bringing its full year performance to a growth of 0.3 percent, lower than the 3.3 percent target for 2015. However, despite the dismal overall growth of the sector, there were gains realized in the high value crops such as: coconut (0.8 percent), banana (2.2 percent), pineapple (2.8 percent), cassava (6.8 percent) and mango (1.6 percent).

Several challenges continue to surround the sector, causing a slower than desired growth and the minimal improvement in the income of small farmers and fisherfolk, as follows:

4.3.2.1 Aggressive Pursuit of Free Trade Agreements. The aggressive pursuit of free trade agreements serves both as an opportunity and challenge. It is a challenge for the less competitive local producers who will be competing with external suppliers who can provide the same products/commodities at a lower price. The 2015 SER highlighted some of the emerging developments in the international front namely, the implementation of the ASEAN Economic Community (AEC) in 2015 and the lifting of the quantitative restrictions (QRs) on rice in 2017, which heighten the pressure of competition for local producers. Thus, the major challenge in this sector is the identification of strategies and implementation of interventions that will help local producers improve their competitiveness within the shortest time possible and realize the opportunities that open markets offer.

4.3.2.2 Choke Points in Crude Coconut Oil and Fishery Sub-sectors. Based on the PIDS study[6], "choke points" were identified in the supply chain of two selected commodity groups which are of interest to the ASEAN region: crude coconut oil and fishery/aquatic invertebrates. For crude coconut oil, no major choke points were identified from mill site to export stages, but cost and delay factors were found at the farm-to-mill stage, such as low farm productivity, poor post-harvest practices (leading to low quality of copra) and inefficiencies in trading practices to get the coconut to the mill. For fisheries, several choke points were identified, such as poor quality of roads and low capacity of vehicles, high cost and poor service of inter-island shipping, inadequate conditions in some ports, weak link in the cold chain, poor compliance with sanitary and phyto-sanitary (SPS) regulations, and the inadequate number of certified laboratories. The study recommends specific type of road investments, a competition policy both for crude coconut oil and fisheries, industry restructuring in the case of coconut and compliance with SPS measures in the case of fisheries.

4.3.2.3 Slow Implementation of LAD. The slow pace of the Land Acquisition and Distribution (LAD) of private agricultural lands as well as the subdivision of the Certificates of Land Ownership Award (CLOA) have also prevented farmers from using their land titles as collaterals to access credit and other services that modernize farm management practices. The achievement of the PDP target for land distribution also poses a major challenge since majority of the remaining LAD balance are under compulsory but difficult acquisition circumstances. Moreover, the issuance of Notice of Coverage (NOC) still remains an issue since the period for its issuance expired in June 2014.

4.3.2.4 Vulnerability of the Agriculture Sector to Climate Risk and Disasters. Another challenge that threatens the sector is the country's vulnerability to climate risks and natural disasters. Past experiences have shown how gains in the sector can easily be negated by the occurrence of extreme weather disturbances, the effects of which are greatly experienced by small farmers and fisherfolk. According to the 2015 SER, for the period of January to October 2015 alone, estimated damages to the sector due to natural calamities amounted to about 4.3 percent of the A&F GVA. Also, the target to irrigate potential irrigable area of 3.02 million hectares by 2015 is unlikely to be met given the adverse impact of drought by El Niño episode.

There is a great need to further intensify efforts to develop the A&F sector for it to become competitive, inclusive and sustainable. The 2015 SER highlighted the following strategies that will help meet these objectives:

4.3.2.5 Promotion of area-based development vis-à-vis commodity-based development. Through this area-based development strategy, national

[6] RPS 2014-02 Choke Points and Opportunities in the Supply Chain of ASEAN Agricultural Products: A Philippine Country Study by Israel, Danilo and Briones, Roehlano M.

programs which may have limited effects on some areas can be better tailored fitted to the needs of the area. This approach is also in line with the Focus Geographical Approach being advocated by the national government. In order to support area-based strategy in the A&F sector, the government can focus on: a) enhancement of the provision of support services; and b) promotion of production diversification/intensification.

4.3.2.6 Enhancement of the provision of support services – This strategy entails programs and activities that will further improve the sector's production efficiency and further increase productivity. The SER highlighted the following interventions that can support this strategy:

a) Increase investments in climate-resilient rural infrastructure and logistics facilities such as irrigation, farm-to-market roads (FMRs), bridges, and post-harvest facilities.
b) Bolster investments in research especially those that generate appropriate technologies including climate-smart technologies and farm management practices and strengthen extension support.
c) Promote production diversification/intensification to expand/ improve economic opportunities and increase the income of farmers and fisherfolk.

4.3.2.7 Enhancement of market and trade in A&F products – This strategy entails programs/activities/projects that will help local producers to remain competitive despite the influx of cheaper food commodities brought about by trade liberalization.

a) Formulate the action plan for the tariffication of rice. The Quantitative Import Restriction (QIR) on rice is ending in 2017. Necessary steps should be taken on the country's move towards a tariff regime and help the farmers cope with the elimination of the trade protection. Ultimately, this will require legislative action to amend the Agricultural Tariffication Act of the Philippines.
b) Enhance domestic product standards and facilitate compliance with international requirements such as ASEAN Economic Cooperation/Integration.
c) Develop and strengthen markets for possible global integration.
d) Enhance value chain of agricultural commodities. Aside from the provision of inputs and support services, there is a need to strengthen and develop viable enterprises with the right tools and investments needed for the development of commodities in a particular locality[7]. Some of the possible interventions that can be provided are:

   i. Provision of training to farmers and fisherfolk in value-adding, agri-business development and value chain management[8].
   ii. Strengthening and organizing cooperatives and associations that can later on be transformed into MSMEs, this will help bring small holders into higher value markets.

[7] WB Conducts Review on DA's Rural Development Projects, published at www.daprdp.net on August 25, 2015
[8] Value Chain Analysis and Competitiveness Strategy: Fresh Mango in Mindanao, published at http://drive.daprdp.net/iplan/vca/VCA%20of%20Mango%20(Mindanao).pdf accessed on March 17, 2016

iii. Espousing programs that would help establish links between the agriculture enterprises to the national and global markets[9].

If properly executed the value chain approach can serve not only as a tool to increase productivity but also as a tool that will help achieve inclusive growth.

4.3.2.8 Fast-track agrarian reform program by prioritizing the resolution of cases involving landholdings to be covered and those being covered under LAD and the subdivision of collective CLOAS. The recognition and promotion of leasehold agreements can also be studied as an alternative track to assuring tenurial security.

4.3.2.9 Enhance provision of agricultural insurance and credit to farmers and fisherfolk through the following:

a) Ensure that the provision of agricultural credit and insurance is guided by farmer registries like the RSBSA and the National Farmers' Registry for Coconut, Fisheries and ARBs.
b) Provide weather-based insurance especially for subsistence farmers and fisherfolk. With the advent of climate change, there is a growing need to reduce the exposure of the agriculture sector to risks brought about by drastic changes in weather patterns. One of the ways is through Weather Index Based Crop Insurance (WIBCI). With WIBCI, the provision of compensation to farmers will be faster since it will rely chiefly on the rainfall data of PAGASA. In a study conducted by the PIDS[10], it was found that under the WIBCI, farmers can get compensation whenever there is little or excess rainfall. However, the implantation of the WIBCI should be coupled with a training and education and information campaign since this is very much different from traditional crop insurance schemes. Currently, WIBCI is under its development stage where some of the pilot testing sites are regions X and XI.
c) Increase awareness on financial instruments available to members of the agriculture sector. According to the survey conducted by PhilRICE, microfinance and crop insurance are not common to farmers because it is perceived as an additional cost of production. Also, 25 percent of the respondents said that they have a lack of awareness about financing. Financial literacy campaign in the A&F sector is important in order to improve the appreciation of the benefits of financial instruments.

4.3.2.10 Create a policy environment that promotes greater private sector participation by allowing the private sector to participate in the importation and marketing of rice and encouraging investments support to agri-business schemes such as contract grooving and joint venture agreements.

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[9] Ibid

[10] C.M. Reyes et al., Review of Design and Implementation of the Agricultural Insurance Programs of the Philippine Crop Insurance Corporation, January 2015.

4.3.3 Industries and Services Development

The performance of the Industry and Services Sectors has remained encouraging in spite of the weakening of the global market. However, these sectors need to increase their ability to compete in the domestic market while maintaining and strengthening their presence in the global market.

The Industry Development Program (IDP) has resulted in the formulation of industry roadmaps by the local industries themselves to define the sector's current situation and identify measures to make them globally competitive. The Board of Investments (BOI) reported that forty (40) sectoral roadmaps have been submitted, of which thirty-two (32) have been completed and are currently being implemented. Among the completed industry roadmaps are the following: automotive and automotive parts, copper and copper products, cement, chemicals, electronics, manufacturing, petrochemicals, tool and dye, pulp and paper and rubber products. The rest are still draft roadmaps such as those for jewelry, bamboo, coco coir, gold, and services.

Market opportunities still exist in spite of uncertainties. Thus, the industry and services sectors should be able to take advantage of these opportunities given that the domestic demand has proven robust. These sectors should also be able to tap new markets and expand the range of their offerings, maximize existing FTAs, and advance the Philippine interests in agreements currently being negotiated.

Public and private investments in logistics and infrastructure are critical to the efficiency of markets. Hence, the institutionalization of the regulatory framework for multimodal transport needs to be a priority program to promote social and economic exchanges among provinces and islands. Further, this institutionalized regulatory framework needs result to the establishment of a national accreditation body for multimodal transport operators which would enable the country to implement the multimodal transport agreement signed by the Philippines with ASEAN.

For the improvement of the skills matching, the strengthening of industry-academe linkages can be expedited by promoting on-the-job (OTJ) trainings. The enactment of the National Apprenticeship Program law will facilitate school-to-work transition.

Strategies to address the gaps in the trade and industry sector include the:

4.3.3.1 Manufacturing Resurgence Program. Empowering the Micro, Small, and Medium Enterprises (MSMEs) can be sustained by providing them with appropriate technical support through the shared services facilities (SSF), SME Roving Academy, and improve access to finance. Aside from these programs, the passage of the Customs Modernization Act and Tariff Act will result in faster and less costly trade. Likewise, the enactment of the Competition Law, with the establishment of the Philippine Competition Commission, would ensure a level playing field for the new market entrants.

4.3.3.2 Quality Jobs and Durable Livelihood. To prepare the CCT beneficiaries for graduation from the 4Ps Program, the DSWD has been implementing the Sustainable Livelihood Program (SLP) since 2011. It is a community-based capacity-building program which involves 2 tracks from which the CCT beneficiaries can choose from, namely, (1) micro-enterprise development or (2) employment facilitation. The former supports the setting up of micro-enterprises which are organizationally and economically viable while the latter assists participants to access appropriate employment opportunities.

4.3.3.3 Expansion of Market Access. To support the competitiveness of exports as well as the expansion of market access, the components of the National Quality Infrastructure should be strengthened and harmonized. These includes increasing access to testing, certification, and accreditation facilities that would facilitate local compliance with the international quality requirements of our exports.

Establishing a trade representative office, a mechanism similar to the US Representative Office, may be considered to monitor the costs and benefits resulting from the various trade agreements being negotiated by the country. This would also help in refining the country's engagement and maximize the benefits in the future trade agreements.

These strategies aim to provide more opportunities to expand markets and industries. The completion and development of roadmaps will provide a structure for industries to serve the growing domestic demand while ensuring measures for global competitiveness. Improvements in infrastructure, particularly in multi-modal transportation, will bring down costs to do business. Accompanied by the maximization of trade benefits and improved quality, exports will have greater market access. Support for the SMSEs and the Competition Law will ensure that both small and new players will benefit from these opportunities as well.

The expansion of markets and industries, especially for service-heavy industries such as Agriculture (e.g. food manufacturing) and Tourism (e.g. hotel and management and related jobs), will be accompanied by the demand for manpower. In particular, the agriculture has great potential for employment generation as it employs 28.0 percent[11] of the labor force. The OTJ trainings and the National Apprenticeship program will also develop human resources.

4.3.4 Tourism Development

The tourism industry gross value added stood at P982.4 billion in 2014, up by 14.4 percent from its 2013 level. The share of the tourism industry to the economy is 7.8 percent, while the share of employment in tourism industries to the total employment in the country is estimated at 12.7 percent in 2015[12].

International visitor arrivals in 2015 is estimated at 5.36 million with the corresponding tourism receipts of P227.6 billion or an increase of 6.0 percent from actual receipts in 2014.. Meanwhile, domestic travelers are estimated to have slightly declined to 51.7 million in 2015 from 54.6 million domestic travelers during 2014. Nonetheless, domestic tourism receipts for 2015 registered at P1.6 billion from P1.5 billion in 2014 level

Hence, the sector is seen as one of the key contributors to rapid and inclusive growth.in view of its potential to contribute to generation of employment, livelihood, and tourism receipts. The sector has also contributed to the other development of the other sectors such as infrastructure, agri-tourism industry and human resources.

[11] Source: Table 6B: Percent Distribution of Employed Persons by Sex, by Region and Major Industry Group, Philippines: July 2015, www.census.gov.ph
[12] The State of Philippine Tourism Report to the Economic Development Cluster

4.3.4.1 Building a Philippine Tourism Road Network. The tourism road infrastructure program leading to airports, seaports and tourist destinations targets a total of 2,502.5 km and 463 road projects. As of June 30, 2015, only a total of 1,549.6 km or 62.0 percent of the total have been completed involving some 116 road projects.

4.3.4.2 Greater Opportunities for Devolution. The development of the top nine tourism destinations, namely: (1) Central Visayas, (2) Metro Manila and CALABARZON; (3) Central Luzon; (4) Palawan; (5) Western Visayas; (6) Davao Gulf; and Coast (7) Cagayan de Oro Island; (8) Bicol; and (9) Laoag-Vigan[13] provide significant local economic opportunities, given the linking of agriculture based industries and trade in these localities. This increases the likelihood of the success of the devolution of tourism promotion and management to LGUs. The 2009 Tourism Act provides that LGUs should be capacitated to monitor and administer tourism activities and enforce tourism laws, rules and regulations in their respective jurisdictions.

4.3.4.3 Human Resource Development/Employment Opportunities. Employment in the tourism was estimated at 4.99 million in 2015, higher by 4.0 percent in 2014. The share of employment in tourism industries to the total employment in the country is estimated at 12.7 percent in 2015 based on preliminary data. The linking of the tourism industry with educational and training institutions will increase and enhance the quality of professional tourism services while boosting employment opportunities.

4.4 Just and Lasting Peace and Rule of Law

4.4.1 Peace and Security

Inclusive growth can only be achieved within the context of peaceful and safe communities. Basically, this entails intensifying the development of peace-building initiatives in conflict–affected areas; strengthening law enforcement to reduce criminality; and modernizing the AFP being a vital cog in asserting Philippine sovereignty, especially over the West Philippine Sea.

Challenges for this sector include:

4.4.1.1 The stalling of the Bangsamoro Basic Law (BBL) passage due to the Mamasapano incident in January 2015; the threats of violence; and the impasse of peace talks may aggravate poverty and endanger lives in conflict-affected areas; including those areas covered by peace talks with the Communist Party of the Philippines (CPP)-New People's Army (NPA)-National Democratic Front (NDF).

4.4.1.2 Heightened risk in the territorial integrity and sovereignty over the West Philippine Sea due to China's claim requires support for a revised AFP Modernization Program to boost the surveillance, deterrence, and border patrol capacities of the country's air force, navy, and coastguard.

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[13] Mid-term Update Philippine Development Plan

4.4.2 Rule of Law

Alongside its efforts to achieve peace and security, the government will continue to strengthen the rule of law to address the following priority concerns:

4.4.2.1 Need to address the absorptive capacities in the justice system. The number of case backlogs has to be reduced significantly for both the Judiciary and the Executive Branches. Also, the upgrading of the justice system through the Electronic Court System or e-Courts Project has been slow with unmet targets for courts with rolled-out e-subpoena and e-courts systems.

4.4.2.2 Fragmentation of efforts among agencies in the justice system. To ensure the effective sector approach to the administration of justice, the Justice Sector Coordinating Council (JSCC), composed of senior representatives from the Judiciary, Department of Justice (DOJ) and the Department of the Interior and Local Government (DILG) should continue to identify areas for policy and institutional coordination.

4.4.2.3 Personnel inadequacy hinders the law enforcement agencies' and justice administration efficiency. To remove the backlogs, a study of the impediments to the hiring of additional investigators, prosecutors, immigration officers and court personnel may be needed given the substantial unfilled positions in these agencies. Likewise, the continued recruitment of police personnel and the rationalization of the legal and institutional framework of law enforcement/criminal justice will also help. The coordination between the AFP and the PNP should also be established through the implementation of the Revised Joint Implementing Rules and Regulations to Executive Order (E.O.) 546 s.2006 in relation to E.O. 110 s. 1999[14].

The need for funding support for these programs for 2017 can be raised to achieve the goals for this sector:

4.4.2.4 Conduct of a Nationwide Crime Victimization Survey;
4.4.2.5 Enhancement of the National Justice Information System;
4.4.2.6 Establishment of new crime/forensic laboratories;
4.4.2.7 Enhancement of cybercrime-solving capabilities of PNP and NBI;
4.4.2.8 Updating of the Criminal Code for greater responsiveness to new laws and changes in social conditions and crime trends;
4.4.2.9 Full Implementation of the revised AFP Modernization Program;
4.4.2.10 Additional investment on disaster preparedness and response operations;
4.4.2.11 Enhancement of LGUs' capacities for disaster management;
4.4.2.12 Implementation of the Bureau of Corrections Modernization Act;
4.4.2.13 Formulation and Implementation of Government Cyber Security Plan;
4.4.2.14 Strengthening of the dangerous drugs suppression program; and
4.4.2.15 Technical assistance to LGUs and Regional Line Agencies (RLAs) for capacity building.

[14] "directs the PNP to take active support to the AFP for the suppression of insurgency and other serious threats to national security"

4.5 Integrity of the Environment and Climate Change Adaptation and Mitigation

The Philippines was categorized as "extremely vulnerable" based on the 2016 Climate Change Vulnerability Index, ranking 13 among 186 countries. In the 2016 Global Climate Risk Index, the country ranked fifth among the most affected by climate change from 1995 to 2014. The amount of damages suffered from climate-related disasters for the period 2011-2014 show an annual average of P54.0 billion. The worth of damage to properties from extreme climate events, like the El Niño phenomenon, reached approximately P1.9 billion[15] from January to September 2015. Due to the country's location, archipelagic formation, population distribution, and the degradation of natural resources, the country will continue to be threatened with climate change risks. This constant exposure calls for strategies focused on adaptation and mitigation to address the following sector challenges:

4.5.1 Poor Air Quality. The country's air quality has seen significant improvements but progress has been slow. While the air quality in Metro Manila remains below standard, other major urban centers like Naga, Mandaue, and Iriga have greatly improved due to continuous implementation of major government programs. The implementation of major government programs has also helped increase the water quality levels of most priority rivers outside the Greater Manila Area while the water quality of certain rivers suffered from the increase in pollution load from point and non-point sources. Solid waste disposal, despite an increase in the diversion rate, air quality improvement still fell short of its targets.

4.5.2 Impact of El Niño. The negative impact of El Niño can significantly affect both land and marine ecosystems. Further damage to the land may be brought about by the possibility of accelerated topsoil erosion, which negatively affects soil fertility. The marine ecosystems may incur just as much damage due to the probability of coral bleaching, red tide, the slow growth and low survival rate of marine and freshwater species. Support for the NGP, through the close monitoring of planting and maintenance activities, identification and inclusion of highly vulnerable areas in site mapping and planning and appropriate site-species matching, must be given. The completion of the Disaster Statistics Framework, in line with the adoption of the Sendai Framework for Disaster Risk and Reduction, will help in the identification of both short-term and long-term actions. Following the National Climate Change Action Plan's perspective on mitigation as an approach to adaptation, the country pledged as its Intended Nationally Determined Contributions (INDC) to reduce its greenhouse gas (GHG) emissions by 70.0 percent by 2030. This entails creating a road map, obtaining a monitoring, reporting and verification system (MRV), and the financing of capacity building and technology development and transfer.

In the light of the status of the country's resilience and environmental sustainability assessment, the 2015 SER identified three challenges in the way of the country's improved climate risk resiliency: (1) funding for the sustainable management of natural resources and improvement of environment quality; (2) improving the governance and capacity of NGAs, LGUs, and local communities; and (3) mitigating the impacts of the El Niño on important ecosystem functions. In order to address these challenges, the following strategies are recommended:

4.5.3 Improving the Regulatory Capacities of NGAs and LGUs. There is a particular need for the strengthening of the implementation and enforcement of environmental laws, acquisition of monitoring equipment for air and water quality,

[15] The amount of P1.9 billion due to El Nino damage came from the 2015 SER of NEDA

and the establishment of storm water management facilities in each LGU. In addressing these needs, there should be: (a) financing for the Amended Fisheries Code for the monitoring and policing of illegal practices, capacity building of its enforcers, informing and educating affected parties on the code's important provisions (e.g., rights, obligations, and penalties), and providing alternative livelihood for fisherfolk affected by income and revenue losses, (b) initiation of public-private partnerships and cleaner production technologies for the enhanced implementation of the Clean Air Act, Clean Water Act and Ecological Solid Waste Management Act, (c) establishment of motor vehicle inspection systems (MVIS) linked to the information system of the LTO for the improvement of air quality in Metro Manila.

4.5.4 Enhancing the Capacity of Local Communities. The capacity of local communities as (a) partners in the implementation of the NGP activities, (b) contributors in the formulation and implementation of the ADSDPPs and NRM plans, and (c) beneficiaries of the PSF, should be enhanced. As such, people's organizations (POs) should be allocated funds for community organizing and capacity building with regard to their participation in the NGP.

4.5.5 Risk Resiliency Program (RRP). In the face of natural calamities, it is of utmost importance that a vulnerability risk management assessment for business continuity be mandatory. This is especially true for immediate responses to external shocks and natural disasters. The approach must be holistic with a strengthened inter-agency coordination through the RRP for the 18 major river basins/provincial river basins across the country. This framework will include geo-tagging of vulnerable hazard sites in the LGUs.

5.0 FOCUS GEOGRAPHICAL AREAS

As in the FY 2016 budget preparation, departments and agencies will need to focus the allocation of the fiscal space to the 44 provinces which have been identified to be 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.

In the preparation of the FY 2016 Budget, agencies were required to provide the UACS location codes of their proposed P/A/Ps up to the province level. This was an enhancement from the FY 2014 and FY 2015 budget preparation where the location codes for the P/A/Ps were manually tagged and was only possible up to the regional level. The provision of the location codes up to the province level was required to facilitate the matching of the proposals with focus geographical areas identified in the priorities framework.

For the preparation of the FY 2017 Budget, agencies are again required to use the UACS location code (regional and provincial) for all capital outlays (GASS and STO), all Operations P/MPs, and all Project P/A/Ps, similar to what has been done in the preparation of the FY 2016 Budget. The absence of a UACS location code will reduce the likelihood of a Tier 2 proposal being approved for inclusion in the budget.

The program/projects recommended by the HDPR Cluster to be undertaken in these provinces are as follows:

5.1 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.

5.2 Provinces with High Poverty Incidence: In contrast to the previous list, these provinces essentially have lesser opportunities for growth, generally being 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.

5.3 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 FORMULATING TIER 2 PROPOSALS

6.1 Requirements for the Proposals

The two-tiered budgeting approach separates the discussion and deliberation on existing activities and projects of the agencies from the consideration of entirely new spending proposals, and the expansion of existing activities, for a more strategic budget preparation and review.

During the budget preparation phase, the agencies prepare their own budget proposals based on their ongoing programs and services and their new priority initiatives contained in the PDP and supported by the BPF.

For the FY 2017 Budget Preparation, the revised Budget Preparation (BP) Forms 202 and 203 has been issued for departments/agencies to accomplish for each proposed new/expansion of program or project. The forms will explain the basic justifications of agency for the proposals and indicate the implementation readiness of the proposals. The BP Forms 202 and 203 shall be accomplished for every new program/project proposal and every expanded program/project. Failure to do so can lead to the non-consideration of the Tier 2 proposals.

Limiting and Ranking the Proposals Based on Priorities and Budget Growth. Agencies are required to limit the list of their Tier 2 proposals such that the sum of the cost of the new programs/projects and/or expanded activities for 2017 is contained to be equivalent to a maximum 20 percent growth from their 2016 agency budget level. The agencies shall also force rank the Tier 2 proposals in accordance with the priorities of the government agency, which criteria will be disclosed in their submission. Inability to limit and rank the Tier 2 proposals shall also lead to the non-consideration of the said proposals.

Keeping with the Timelines. The submission of the details of the agency forward estimates under Tier 1 and the new programs/projects including expanded existing activities under Tier 2 shall be submitted on April 22, 2016. This is in line with the conduct of technical budget hearings on Tier 2 budget proposals on April 25 to May 13, 2016.

6.2 Procedure for Processing of Proposals

6.2.1 Role of the SC-PPA and the ICC

To ensure objectivity, balance and use of expertise in the review of the agency proposals, the following evaluation process for the Tier 2 proposals will be implemented:

6.2.1.1 The DBCC Sub-Committee on Program/Project Appraisal (SC-PPA) shall evaluate new and expanded program/project proposals whose total program/project costs amount to more than P300 million but less than P1.0 billion as well as programs costing more than P1 billion, but not requiring the approval of the Investment Coordination Committee (ICC). DBM will review and evaluate proposals costing less than P300 million.

6.2.1.2 The ICC evaluation shall be utilized for total capital projects proposals costing P1.0 billion or more as well as PPP related funding requests. Hence, these second set of proposals must have been submitted to the ICC Secretariat beforehand.

6.2.1.3 The GCG and the DOF shall be invited to evaluate all GOCC Tier 2 proposals with DBM;

6.2.1.4 IT projects shall undergo the Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) appraisal process. The inclusion in the budget shall be based on the review of agency proposals and Information Systems Strategic Plan (ISSP) of the agency.

However, all infrastructure projects will be subject to the INFRACOM evaluation under the TRIP. Annex C presents the TRIP guidelines.

The SC-PPA will be composed of the DBCC board members (DBM, DOF, NEDA, OP) and sector technical working groups (STWGs) headed by the DBM BMB Directors. Validation and evaluation will start once the STWGs receive the agency proposals. Agencies may be asked further questions and clarifications during their respective TBH and Program Convergence Budgeting Sessions. The STWGs will submit their recommendations on a proposals' acceptance (or non-acceptance) and its level of funding for the evaluation of the Board members. The SC-PPA will then submit its recommendations to the ERB and the DBCC. Programs recommended by the SC-PPA and approved by the ERB and the DBCC shall be included in the NEP of a given budget year.

6.2.2 Prioritization Criteria for Tier-2 Proposal

As mentioned, infrastructure proposals will be evaluated based on the TRIP process that is, according to: 1) agency absorptive capacity; 2) consistency with the PDP, SDG, APEC Commitments and BPF; 3) implementation readiness; and 4) other criteria such as priority areas for increased spending, spatial/geographical context, and programmatic approach[16]. Likewise, non-infrastructure proposals will be

[16] Still subject for approval by the INFRACOM

evaluated according to their (1) importance, rank, and consistency with the BPF, (2) agency absorptive capacity or budget utilization rate, (3) financial and economic viability and sustainability, including geographic distribution, (4) implementation readiness, and (5) consistency with the organizational outcomes/outputs. Hence, it is of utmost importance that these information be reflected clearly, comprehensively, and completely in the revised BP 202 and 203 Forms as stated in NBM No. 125-A (DBM Form Nos. 703-F2 and F3 for GOCCs as stated in CBM No. 38-A). Supporting documents, such as feasibility studies or concept papers, must be attached to and submitted with the forms. The agencies must also rank their proposals according to their priorities. The agency rankings will determine the cut-off of the proposals' inclusion in the list of recommended program/projects by the SC-PPA.

7.0 For immediate compliance.

FLORENCIO B. ABAD
Secretary

Attachment:

Annex A:	Tier 1 Budget Ceilings
Annex B:	List of Focus Geographical Areas/Provinces by Category
Annex C:	Policy Guidelines and Procedures for the Formulation of the TRIP

FY 2017 Budget Ceilings
in thousand Pesos

Department/Agencies	PS	MOOE	FINEX	CO	TOTAL
CONGRESS OF THE PHILIPPINES	6,383,249	7,074,443	-	-	13,457,692
Senate of the Philippines	2,115,720	1,813,302	-	-	3,929,022
Senate Electoral Tribunal	196,501	57,815	-	-	254,316
Commission on Appointments	235,576	354,320	-	-	589,896
House of Representatives	3,714,671	4,801,085	-	-	8,515,756
House of Representatives Electoral Tribunal	120,781	47,921	-	-	168,702
OFFICE OF THE PRESIDENT	741,838	1,670,734	-	-	2,412,572
OFFICE OF THE VICE-PRESIDENT	65,442	171,983	-	-	237,425
DEPARTMENT OF AGRARIAN REFORM	4,026,590	4,141,768	-	1,179,444	9,347,802
Office of the Secretary	4,026,590	4,141,768	-	1,179,444	9,347,802
DEPARTMENT OF AGRICULTURE	3,898,779	18,995,775	1,647	13,295,531	36,191,732
Office of the Secretary	2,742,036	13,798,851	1,579	12,334,800	28,877,266
Agricultural Credit Policy Council	35,052	15,960	10	-	51,022
Bureau of Fisheries and Aquatic Resources	600,935	4,372,652	43	960,731	5,934,361
Philippine Fiber Industry Development Authority	126,340	87,633	-	-	213,973
Philippine Council for Agriculture and Fisheries	41,960	129,355	15	-	171,330
National Meat Inspection Service	176,923	159,012	-	-	335,935
Philippine Carabao Center	90,463	301,869	-	-	392,332
Philippine Center for Postharvest Development and Mechanization	85,070	130,443	-	-	215,513
DEPARTMENT OF BUDGET AND MANAGEMENT	665,003	600,958	108	2,000	1,268,069
Office of the Secretary	640,316	590,659	107	2,000	1,233,082
Government Procurement Policy Board - Technical Support Office	24,687	10,299	1	-	34,987
DEPARTMENT OF EDUCATION	331,159,239	69,940,305	-	34,318,545	435,418,089
Office of the Secretary	331,012,455	69,289,838	-	34,227,104	434,529,397
National Book Development Board	19,648	12,536	-	-	32,184
National Council for Children's Television	4,743	9,364	-	-	14,107
National Museum	97,236	121,545	-	91,441	310,222
Early Childhood Care and Development Council	6,900	460,467	-	-	467,367
Philippine High School for the Arts	18,257	46,555	-	-	64,812
STATE UNIVERSITIES AND COLLEGES	33,365,352	10,257,427	-	-	43,622,779
DEPARTMENT OF ENERGY	423,154	1,608,555	-	51,135	2,082,844
Office of the Secretary	423,154	1,608,555	-	51,135	2,082,844
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	6,802,455	7,161,056	-	2,004,625	15,968,136
Office of the Secretary	5,205,956	5,044,709	-	1,918,175	12,168,840
Environmental Management Bureau	644,529	659,333	-	-	1,303,862
Mines and Geo-Sciences Bureau	486,180	572,446	-	38,000	1,096,626
National Mapping and Resource Information Authority	367,795	810,520	-	27,000	1,205,315
National Water Resources Board	53,874	43,627	-	21,450	118,951
Palawan Council for Sustainable Development Staff	44,121	30,421	-	-	74,542
DEPARTMENT OF FINANCE	7,353,663	4,599,440	837,852	2,735,812	15,526,767
Office of the Secretary	305,899	197,633	-	1,863,448	2,366,980
Bureau of Customs	1,392,946	922,201	-	-	2,315,147
Bureau of Internal Revenue	4,167,858	2,575,085	137,852	609,296	7,490,091
Bureau of Local Government Finance	151,007	64,025	-	-	215,032
Bureau of Treasury	432,502	321,335	700,000	230,068	1,683,905
Central Board of Assessment Appeals	14,470	1,257	-	-	15,727
Cooperatives Development Authority	303,293	85,928	-	-	389,221
Insurance Commission	139,799	135,811	-	1,000	276,610
National Tax Research Center	39,973	13,613	-	-	53,586
Privatization and Management Office	42,554	-	-	-	42,554
Securities and Exchange Commission	363,362	282,552	-	32,000	677,914
DEPARTMENT OF FOREIGN AFFAIRS	6,750,764	6,473,964	17,889	53,800	13,296,417
Office of the Secretary	6,699,654	6,446,490	17,884	53,800	13,217,828
Foreign Service Institute	40,442	12,588	3	-	53,033
Technical Cooperation Council of the Philippines	1,167	3,305	2	-	4,474
UNESCO National Commission of the Philippines	9,501	11,581	-	-	21,082
DEPARTMENT OF HEALTH	21,328,274	75,399,530	-	16,550,000	113,277,804
Office of the Secretary	21,082,121	74,649,392	-	16,550,000	112,281,513
Commission on Population	170,818	229,871	-	-	400,689
National Nutrition Council	75,335	520,267	-	-	595,602

Annex A

FY 2017 Budget Ceilings
in thousand Pesos

Department/Agencies	PS	MOOE	FINEX	CO	TOTAL
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT	123,027,138	17,726,453	-	3,495,012	144,248,603
Office of the Secretary	2,620,697	3,395,970	-	31,249	6,047,916
Bureau of Fire Protection	10,794,022	1,327,906	-	1,201,618	13,323,546
Bureau of Jail Management and Penology	6,020,376	3,130,991	-	157,728	9,309,095
Local Government Academy	32,101	196,239	-	-	228,340
National Police Commission	1,429,361	182,018	-	4,417	1,615,796
Philippine National Police	101,273,747	8,827,172	-	2,100,000	112,200,919
Philippine Public Safety College	856,834	666,157	-	-	1,522,991
DEPARTMENT OF JUSTICE	11,614,883	3,638,925	-	1,737,600	16,991,408
Office of the Secretary	4,614,753	730,909	-	-	5,345,662
Bureau of Corrections	808,339	1,251,724	-	-	2,060,063
Bureau of Immigration	534,775	292,327	-	-	827,102
Land Registration Authority	863,629	514,891	-	-	1,378,520
National Bureau of Investigation	822,638	432,212	-	1,633,268	2,888,118
Office of the Government Corporate Counsel	117,200	13,019	-	-	130,219
Office of the Solicitor General	608,074	133,870	-	-	741,944
Parole and Probation Administration	637,686	122,912	-	34,228	794,826
Philippine Commission on Good Government	61,342	48,561	-	-	109,903
Public Attorney's Office	2,546,447	98,500	-	70,104	2,715,051
DEPARTMENT OF LABOR AND EMPLOYMENT	5,538,307	7,684,556	-	34,643	13,257,506
Office of the Secretary	2,080,678	3,191,101	-	-	5,271,779
Institute of Labor Studies	22,409	8,258	-	319	30,986
National Conciliation and Mediation Board	134,353	65,940	-	-	200,293
National Labor Relations Commission	831,549	151,627	-	-	983,176
National Maritime Polytechnic	34,757	44,356	-	4,100	83,213
National Wages and Productivity Commission	132,407	67,564	-	1,184	201,155
Philippine Overseas Employment Administration	225,708	163,166	-	-	388,874
Professional Regulations Commission	356,233	324,527	-	14,940	695,700
Technical Education and Skills Development Authority	1,720,213	3,668,017	-	14,100	5,402,330
DEPARTMENT OF NATIONAL DEFENSE	111,695,455	27,905,587	19	25,030,412	164,631,473
Office of the Secretary	151,666	283,093	-	-	434,759
Governmnet Arsenal	226,702	858,292	-	-	1,084,994
National Defense College of the Philippines	35,666	35,351	-	-	71,017
Office of Civil Defense	120,780	889,899	-	-	1,010,679
Philippine Veterans Affairs Office	10,695,194	818,588	-	-	11,513,782
Philippine Veterans Affairs Office - Proper	10,036,390	346,526	-	-	10,382,916
Veterans Memorial Medical Center	658,804	472,062	-	-	1,130,866
Armed Forces of the Philippines	100,465,447	25,020,364	19	25,030,412	150,516,242
Philippine Army	42,825,981	8,007,672	-	9,600	50,843,253
Philippine Air Force	9,050,020	7,014,506	-	-	16,064,526
Philippine Navy	11,282,270	5,949,965	-	20,812	17,253,047
General Headquarters	37,307,176	4,048,221	19	25,000,000	66,355,416
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS	7,788,463	10,648,369	-	333,198,351	351,635,183
Office of the Secretary	7,788,463	10,648,369	-	333,198,351	351,635,183
DEPARTMENT OF SCIENCE AND TECHNOLOGY	3,559,687	9,735,980	-	1,047,373	14,343,040
Office of the Secretary	497,824	3,012,722	-	-	3,510,546
Advance Science and Technology Institute	48,041	109,602	-	-	157,643
Food and Nutrition Research Institute	113,613	89,660	-	8,500	211,773
Forest Products Research and Development Institute	129,749	29,045	-	2,291	161,085
Industrial Technology Development Institute	221,800	48,280	-	40,000	310,080
Information and Communications Technology Office	532,500	228,431	-	-	760,931
Metals Industry Research and Development Center	144,023	42,171	-	55,132	241,326
National Academy of Science and Technology	11,020	58,850	-	-	69,870
National Research Council of the Philippines	26,809	28,585	-	1,000	56,394
Philippine Atmospheric, Geophysical and Astronomical Services Administration	509,214	445,584	-	318,000	1,272,798
Philippine Council for Agriculture, Aquatic and Natural Resources Research and	163,537	747,227	-	-	910,764
Philippine Council for Health Research and Development	38,946	541,033	-	-	579,979
Philippine Council for Industry, Energy and Emerging Technology Research and Development	56,212	616,905	-	-	673,117
Philippine Institute of Volcanology and Siesmology	131,860	143,507	-	196,555	471,922
Philippine Nuclear Research Institute	150,429	88,406	-	20,500	259,335
Philippine Science High School	621,575	567,113	-	391,395	1,580,083
Philippine Textile Research Institute	50,590	17,846	-	2,000	70,436
Science Education Institute	37,809	2,830,536	-	-	2,868,345
Science and Technology Information Institute	34,307	22,324	-	-	56,631
Technology Application and Promotion Institute	39,829	68,153	-	12,000	119,982

FY 2017 Budget Ceilings
in thousand Pesos

Department/Agencies	PS	MOOE	FINEX	CO	TOTAL
DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT	5,121,072	79,179,283	695,276	6,488	85,002,119
Office of the Secretary	4,973,570	79,009,834	695,276	-	84,678,680
Council for the Welfare of Children	13,633	32,672	-	-	46,305
Inter-Country Adoption Board	17,102	27,805	-	-	44,907
National Council for Disability Affairs	32,629	14,930	-	804	48,363
National Youth Commission	52,316	46,052	-	-	98,368
Juvenile Justice and Welfare Council	31,822	47,990	-	5,684	85,496
DEPARTMENT OF TOURISM	632,236	1,302,287	1,600	-	1,936,123
Office of the Secretary	538,625	1,184,752	1,600	-	1,724,977
Intramuros Administration	26,958	14,553	-	-	41,511
National Parks Development Committee	66,653	102,982	-	-	169,635
DEPARTMENT OF TRADE AND INDUSTRY	1,678,470	2,158,226	1,202	-	3,837,898
Office of the Secretary	1,440,561	1,856,427	1,200	-	3,298,188
Board of Investments	142,774	174,689	-	-	317,463
Construction Industry Authority of the Philippines	47,692	44,312	-	-	92,004
Philippine Trade Training Center	27,481	22,433	-	-	49,914
Design Center of the Philippines	19,962	60,365	2	-	80,329
DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS	7,111,690	10,395,805	5,362	47,745,780	65,258,637
Office of the Secretary	1,404,071	7,909,250	5,362	47,720,780	57,039,463
Civil Aeronautics Board	41,366	27,697	-	-	69,063
Maritime Industry Authority of the Philippines	328,880	493,077	-	-	821,957
Office of Transportation Cooperatives	18,150	7,084	-	-	25,234
Office for Transportation Security	656,661	124,987	-	-	781,648
Philippine Coast Guard	4,647,097	1,821,917	-	25,000	6,494,014
Toll Regulatory Board	15,465	11,793	-	-	27,258
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY	1,661,808	2,353,105	211	810	4,015,934
Office of the Director-General	707,310	531,821	-	-	1,239,131
Philippine National Volunteer Service Coordinating Agency	14,051	10,692	13	810	25,566
PPP Center of the Philippines	82,019	60,024	-	-	142,043
Philippine Statistical Research and Training Institute	13,558	16,921	-	-	30,479
Tariff Commission	49,423	18,487	-	-	67,910
Philippine Statistics Authority	795,447	1,715,160	198	-	2,510,805
PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE	612,191	519,596	-	-	1,131,787
Presidential Communications Operations Office-Proper	48,004	161,495	-	-	209,499
Bureau of Broadcast Services	194,530	97,346	-	-	291,876
Bureau of Communications Services	20,680	14,832	-	-	35,512
National Printing Office	11,323	-	-	-	11,323
News and Information Bureau	87,903	36,056	-	-	123,959
Philippine Information Agency	195,430	115,874	-	-	311,304
Presidential Broadcast Staff (RTVM)	54,321	93,993	-	-	148,314
OTHER EXECUTIVE OFFICES	4,867,642	10,195,884	2	621,694	15,685,222
Anti-Money Laundering Office	-	21,411	-	-	21,411
Climate Change Commission	15,125	58,926	-	-	74,051
Commission on Filipino Overseas	36,609	45,881	-	4,423	86,913
Commission on Higher Education	359,654	6,587,532	-	516,000	7,463,186
Commission on the Filipino Language	37,775	17,446	-	-	55,221
Dangerous Drugs Board	53,951	148,110	-	1,750	203,811
Energy Regulatory Commission	177,355	118,991	-	-	296,346
Film Development Council of the Philippines	15,462	108,705	-	-	124,167
Fertilizer and Pesticide Authority	49,696	32,752	-	-	82,448
Games and Amusements Board	71,609	10,818	-	-	82,427
Governance Commission for GOCCs	67,729	54,174	-	-	121,903
Housing and Land Use Regulatory Board	245,882	89,519	-	-	335,401
Housing and Urban Development Coordinating Council	42,770	46,623	-	-	89,393
Mindanao Development Authority	56,223	67,284	-	-	123,507
Movie and Television Review and Classification Board	30,372	58,458	-	4,000	92,830
National Anti-Poverty Commission	60,550	121,383	-	-	181,933
National Commission for Culture and the Arts	217,015	613,398	2	62,083	892,498
National Commission for Culture and the Arts-Proper	29,290	377,718	2	10,000	417,010
National Historical Commission of the Philippines	66,061	89,954	-	8,000	164,015
The National Library of the Philippines	64,703	82,504	-	44,083	191,290
National Archives of the Philippines	56,961	63,222	-	-	120,183
National Commission on Indigenous People	678,627	288,492	-	-	967,119
National Commission on Muslim Filipinos	475,334	102,262	-	-	577,596
National Intelligence Coordinating Agency	489,805	172,675	-	5,000	667,480
National Security Council	60,337	52,206	-	-	112,543
National Telecommunications Commission	252,252	118,237	-	-	370,489
Office of the Presidential Adviser on the Peace Process	84,932	294,614	-	-	379,546
Optical Media Board	28,695	16,976	-	-	45,671
Pasig River Rehabilitation Commission	13,115	97,417	-	-	110,532
Philippine Commission on Women	33,527	33,426	-	5,000	71,953
Philippine Drug Enforcement Agency	781,385	325,571	-	-	1,106,956
Philippine Racing Commission	35,937	88,121	-	-	124,058
Philippine Sports Commission	61,071	175,766	-	-	236,837
Philippine Commission on the Urban Poor	80,776	68,125	-	1,500	150,401
Philippine Communications Development and Strategic Planning Office	-	-	-	-	-
Presidential Legislative Liasion Office	30,858	18,533	-	-	49,391
Presidential Management Staff	223,214	142,052	-	21,938	387,204

Annex A

FY 2017 Budget Ceilings
in thousand Pesos

Department/Agencies	PS	MOOE	FINEX	CO	TOTAL
AUTONOMOUS REGION IN MUSLIM MINDANAO	12,973,709	2,725,277	-	10,103,816	25,802,802
Autonomous Regional Government in Muslim Mindanao	12,973,709	2,725,277	-	10,103,816	25,802,802
JOINT LEGISLATIVE-EXECUTIVE COUNCILS	2,790	545	-	-	3,335
Legislative-Executive Development Advisory Council	2,790	545	-	-	3,335
THE JUDICIARY	19,494,139	5,478,596	-	2,200,495	27,173,230
Supreme Court of the Philippines and the Lower Courts	17,739,802	4,804,057	-	2,197,870	24,741,729
Presidential Electoral Tribunal	86,006	12,592	-	-	98,598
Sandiganbayan	301,613	140,968	-	2,625	445,206
Court of Appeals	1,158,893	444,372	-	-	1,603,265
Court of Tax Appeals	207,825	76,607	-	-	284,432
CIVIL SERVICE COMMISSION	965,787	253,606	9	-	1,219,402
Civil Service Commission-Proper	933,371	217,663	9	-	1,151,043
Career Executive Service Board	32,416	35,943	-	-	68,359
COMMISSION ON AUDIT	9,217,070	348,097	-	-	9,565,167
COMMISSION ON ELECTIONS	2,531,271	652,672	-	-	3,183,943
OFFICE OF THE OMBUDSMAN	1,660,945	393,628	-	16,122	2,070,695
COMMISSION ON HUMAN RIGHTS	297,520	125,210	10	-	422,740
BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS	-	41,572,857	-	316,640	41,889,497
Department of Agriculture	-	3,317,355	-	-	3,317,355
National Dairy Authority	-	189,945	-	-	189,945
National Tobacco Administration	-	255,000	-	-	255,000
Philippine Crop Insurance Corporation	-	1,600,000	-	-	1,600,000
Philippine Rice Research Institute	-	518,000	-	-	518,000
Philippine Fisheries Development Authority	-	111,000	-	-	111,000
Sugar Regulatory Administration	-	643,410	-	-	643,410
Department of Energy	-	3,466,388	-	-	3,466,388
National Electrification Administration	-	1,817,100	-	-	1,817,100
National Power Corporation	-	1,649,288	-	-	1,649,288
Department of Health	-	1,667,124	-	-	1,667,124
Lung Center of the Philippines	-	255,190	-	-	255,190
National Kidney and Transplant Institute	-	454,854	-	-	454,854
Philippine Children's Medical Center	-	533,163	-	-	533,163
Philippine Heart Center	-	373,917	-	-	373,917
Philippine Institute for Traditional and Alternative Health Care	-	50,000	-	-	50,000
Department of Trade and Industry	-	3,011,683	-	-	3,011,683
Aurora Pacific Economic Zone and Freeport Authority	-	59,115	-	-	59,115
Center for International Trade Expositions and Missions	-	195,000	-	-	195,000
Philippine Economic Zone Authority	-	2,757,568	-	-	2,757,568
Department of Transporation and Communications	-	770,970	-	-	770,970
Light Rail Transit Authority	-	55,970	-	-	55,970
Philippine National Railways	-	715,000	-	-	715,000
National Economic Development Authority	-	73,672	-	-	73,672
Philippine Institute for Development Studies	-	73,672	-	-	73,672
Presidential Communications Operations Office	-	100,000	-	316,640	416,640
People's Television Network, Inc.	-	100,000	-	316,640	416,640
Other Executive Offices	-	29,165,665	-	-	29,165,665
Bases Conversion Development Authority	-	1,031,466	-	-	1,031,466
Cultural Center of the Philippines	-	240,600	-	-	240,600
Development Academy of the Philippines	-	191,730	-	-	191,730
National Food Authority	-	4,250,000	-	-	4,250,000
National Home Mortgage Finance Corporation	-	237,409	-	-	237,409
National Housing Authority	-	577,220	-	-	577,220
National Irrigation Administration	-	19,105,542	-	-	19,105,542
Philippine Center for Economic Development	-	26,745	-	-	26,745
Philippine Coconut Authority	-	1,287,887	-	-	1,287,887
Philippine Postal Corporation	-	536,537	-	-	536,537
Southern Philippines Development Authority	-	33,785	-	-	33,785
Subic Bay Metropolitan Authority	-	1,596,744	-	-	1,596,744
Zamboanga City Special Economic Zone Authority	-	50,000	-	-	50,000
ALLOCATIONS TO LOCAL GOVERNMENT UNITS	25,574	1,329,023	-	296,000	1,650,597
Metro Manila Development Authority	25,574	1,329,023	-	296,000	1,650,597
TOTAL CEILING	755,041,649	444,419,505	1,561,187	496,042,128	1,697,064,469

ANNEX B

List of Focus Geographical Areas

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 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

ANNEX B

List of Focus Geographical Areas

Region	Province
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	Suriqao 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)

DEPARTMENT OF BUDGET AND MANAGEMENT (DBM) – NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) JOINT CIRCULAR No. 2016-01

29 January 2016

TO : **All Departments, Bureaus, Offices, and Agencies of the National Government (NG), Including State Universities and Colleges (SUCs) and Government-Owned and/or Controlled Corporations (GOCCs)**

SUBJECT : **POLICY GUIDELINES AND PROCEDURES FOR THE FORMULATION OF THE THREE (3) – YEAR ROLLING INFRASTRUCTURE PROGRAM (TRIP)**

1.0. BACKGROUND AND RATIONALE

The NEDA Board Committee on Infrastructure (INFRACOM), during its 27 October 2014 meeting, approved the reinstitution of the Three (3)-Year Rolling Infrastructure Program (TRIP) in order to build the pipeline of strategic and other projects needed to sustain inclusive economic growth. It shall synchronize the infrastructure planning, programming, budgeting and execution processes of the government both at the oversight and implementing agency (IA) level. This shall ensure that the agencies' annual budget ceilings are optimized and utilized in the funding of priority infrastructure programs/activities/projects (PAPs) which are responsive to the outcomes and outputs under Philippine Development Plan (PDP) and are readily implementable so as to minimize under spending, expenditure realignments or cost overruns.

The different stages of the projects listed under the TRIP shall be determined so that the TRIP can indicate the type and magnitude of budgetary resources needed by the projects, i.e., for resettlement action plans (RAP), development of feasibility studies (F/S), right-of-way (ROW) acquisition, detailed engineering design (DED), pre-construction expenses, or construction implementation. The objective is to ensure that well developed and readily implementable projects queue up for the budget and a more rigorous program and project appraisal system can also be put in place. This shall contribute to confidence that the agency proposals shall indeed have a positive net contribution to national economic and social welfare through proper complementation and convergence of programs/projects (e.g., roads/rail to ports/airports).

The TRIP can also be used by the government as a programming and monitoring mechanism in ensuring that the National Government's (NG) target spending on public infrastructure shall be met [i.e., at least 5% of Gross Domestic Product (GDP) in 2016].

2.0 PURPOSE AND COVERAGE

This Joint Circular is being issued to guide all concerned Departments, Bureaus, Offices and Agencies of NG, including SUCs and GOCCs in the development and updating of the TRIP. It shall cover all nationally-funded infrastructure projects irrespective of cost and financing source, e.g., whether foreign-assisted projects or locally-funded projects, based on the synchronized planning, programming and budgeting process of the government, including public-private partnership (PPP) projects.

3.0 GENERAL POLICY

It is the policy of the State to promote the optimum utilization of public resources consistent with the priorities and strategies in the PDP. For this purpose, any available fiscal space shall be allocated to readily implementable priority programs/projects, especially support infrastructure that promotes economic growth and inclusive development to priority sectors/industries, among others, the agriculture & fisheries (A&F) sector, the tourism, industry and the micro, small and medium enterprises (MSMEs).

The infrastructure policy shall be an instrument towards growth regions/corridors.

4.0 DEFINITION OF TERMS

4.1 Infrastructure PAPs – these are PAPs involving the construction, improvement, rehabilitation, restoration or maintenance of physical structures, systems and facilities needed for the operation of the government and for the provision of government services.

4.2 Infrastructure projects shall cover the construction, improvement, rehabilitation, restoration or maintenance of roads and bridges including highways, expressways, interchanges, tunnels; non-rail based mass transit facilities; railways; airports; seaports/fish ports including navigable inland waterways, piers, wharves, quays; information and communication technology and facilities including backbone network, terrestrial and satellite facilities, IT networks and database infrastructure; irrigation, flood control and drainage, water supply, sanitation, sewerage and solid waste management systems and facilities; shore/coastal protection, energy/power and electrification facilities; national/government buildings; school buildings and hospital buildings, reclamation and dredging works; industrial and tourism estates or townships; housing projects; warehouses; post-harvest facilities; public markets, slaughterhouses; major public and national security facilities/equipment and other climate change mitigation and adaptation infrastructure projects, among others, as defined under the following laws Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA), RA No. 6957 as amended by RA

No. 7718 or the Build, Operate and Transfer (BOT) Law, and the Joint Venture (JV) Guidelines.

4.2.1 To provide further guidance, **Annex A** lists the type of additional programs/projects not mentioned in the coverage above that shall also be considered as Infrastructure Outlays.

4.2.2 Exceptions include items related to "stand alone" capital equipment (e.g., computers, printers and motor vehicles) classified under General Administrative and Support Services (GASS) and Support to Operations (STO).

4.3 Readiness of Project – considers the readiness of agencies/units to implement the construction phase of projects/programs, such that the projects are readily implementable within the prescribed timeline, armed with the required approvals by the appropriate authorities [e.g., NEDA Board, Investment Coordination Committee (ICC), Regional Development Council (RDC), etc.] and have undergone F/S and/or with pre-F/S and DEDs, RAP and with no issues related to ROW acquisition, if applicable.

4.4 Infrastructure PAP preparatory activities - include activities such as RAP, ROW acquisition, pre-F/S, F/S and DED, among others.

4.5 On-going projects – projects that are included and funded through the General Appropriations Act (GAA) and already in the actual implementation/construction stage of the project.

5.0 GENERAL GUIDELINES

5.1 The TRIP shall be submitted by NEDA to the DBM upon approval/confirmation of the NEDA Board - INFRACOM for: (a) the determination of program spending levels for presentation/approval of the DBCC; and (b) consideration in determining agency budget ceilings. This shall then serve as the basis for the list of infrastructure-related PAPs (new and on-going) to be included by DBM in the National Expenditure Program (NEP). Further, it shall be updated annually to guide the Forward Estimates (FEs) for on-going and new infrastructure PAPs for budgeting purposes.

5.2 Agencies shall also distinguish projects based on (a) status (i.e., on-going or new programs/projects); (b) project type (i.e., project/program; subsidy to LGUs/GOCCs/NGAs, etc.; recurring activity based on mandate); (c) project support requirement (e.g., for F/S, ROW acquisition, DED, implementation); (d source of main financing (e.g., locally-funded; foreign-assisted; grant; PPP) and; (e) type of obligation (i.e., one-time or multi-year investments).

5.3 Programs/projects costing above PhP1 billion, regardless of financing source, are required to undergo the Investment Coordination Committee (ICC) approval process. Agencies shall seek and/or secure ICC-Cabinet Committee approval by

September of the second year preceding the target year of start of implementation (i.e., projects programmed to start implementation in 2017 shall be ready to secure approval and/or submit the proposed project to the ICC for approval by September 2015), in time for the submission of PAPs to NEDA for inclusion in the TRIP (in accordance with Section 6.2). This shall also allow about 12 months to prepare the necessary loan agreements and DEDs; to settle right-of-way issues/acquisition; or to undertake the necessary procurement activities prior to actual start of project. Otherwise, the project may not be included in the NEP. This measure is being put in place to be able to ensure that resources are allocated to readily implementable projects.

5.4 Non-IT Projects costing less than PhP1 billion shall seek/secure necessary approval from the appropriate bodies [e.g., Head of Agency, Regional Development Council (RDC)] by September of the second preceding year of target implementation, similar to Section 5.3.

5.5 IT projects shall undergo the Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) appraisal process.

5.6 For projects proposed to be implemented through Public-Private Partnership (PPP) which shall require subsidies and/or amortization payments and/or other strategic support from NG, the amount and timing of the subsidy and/or amortization payment shall be accordingly indicated.

6.0 SPECIFIC GUIDELINES[1]

6.1. NEDA shall issue a notice for updating and/or submission of list of programs/projects both Tier 1 (ongoing) and Tier 2 (new and expanded) together with the template for the TRIP every 15th of July.

6.2. Agencies shall submit to NEDA their respective Three-Year Rolling Infrastructure Programs by 15th of September. These submissions shall be reviewed and incorporated by NEDA, in consultation with respective agencies, into a consolidated Three-Year Rolling Infrastructure Program which shall be presented to the INFRACOM every 4th week of October for its confirmation/ approval.

6.3. For Tier 1 spending proposals

6.3.1. Agencies shall be guided by DBM issuances on the management of the FEs for infrastructure-related PAPs and on the procedures, information and documentation requirements.

6.4. For Tier 2 spending proposals

6.4.1. Only programs/projects that are consistent with Section 7.0 of these Guidelines shall be prioritized and be given appropriate funding according

[1] Process flow and timelines attached as Annex B.

to the stage of project development. On the other hand, agency proposals that are not aligned with the PDP priorities and agency's organizational outcomes/output targets shall be disapproved or discarded to give way to other priority infrastructure PAPs that require additional funding support.

6.4.2. Agencies shall indicate preparatory activities (Section 4.3) which would require budgetary support. To cite, for projects costing PhP1 billion and above targeted for implementation in 2019, agencies shall include the projects' F/S development in its TRIP for FY2016 or earlier in order to be ready for the ICC appraisal process by 2017.[2]

6.4.3. Any new or expanded program/project submitted for budget allocation in the TRIP shall cite, among others, the problem/issue being addressed, the objective, strategy and expected outcome/s of the project, the resulting increase in operational efficiency with the adoption of technology improvements, the risk mitigation strategy; and M&E plan. These are specified in BP Form 206; and

6.4.4. Funding for the new expenditure proposals shall be subject to the available fiscal space and priority sectoral spending to be determined by the DBCC.

6.5. For ICT-pertinent items under the MITHI

6.5.1. Inclusion in the budget shall be determined by the DBM based on MITHI recommendations after a review of agency proposals and Information Systems Strategic Plans (ISSPs). Subsequently, the MITHI Secretariat shall submit a listing of such approved items to NEDA.

6.5.2. Where applicable, PAPs requiring NEDA-ICC approval shall secure the same after the agency ISSPs has been endorsed by MITHI.

7.0 PRIORITIZATION AND BUDGET PROGRAMMING The prioritization framework serves as general basis or guidelines for agencies in establishing their own internal prioritization frameworks that shall be used in determining the agency's list of proposed priority new infrastructure PAPs for inclusion in the TRIP.

7.1 <u>Contribution to identified gaps to achieve development targets</u> – considers the program's/project's contribution in addressing the identified development gaps as well as adherence to the national objectives (i.e., in the PDP);

7.2 <u>Programmatic Approach</u> – ensures that utilization of the investment gap shall be anchored on a programmatic approach and considers complementation of proposed infrastructure programs/projects, either by a sectoral or spatial/ geographical approach, with the other productive sectors of the economy [e.g., agriculture & fisheries (A&F), tourism and micro- and small scale industries, among others]. In relation thereto, the priority infrastructure PAPs submitted for

[2] For projects targeted for implementation in 2017 or 2018, preparatory activities including F/S development shall be undertaken in 2015 and 2016, respectively.

funding shall be consistent with relevant programs/projects/roadmaps/master plans;

7.3 Spatial/Geographical Context – ensures that there is equitable access to basic infrastructure services and considers the urgency to expand economic opportunities to the marginalized sectors deemed as having the highest poverty incidences among the basic sectors in the Philippines[3] (e.g., fishermen and farmers) by promoting viable economic growth and development in priority areas identified as emerging growth corridors/centers outside of Metro Manila; and

7.4 Priority Areas for Increased Spending – provides a premium for PAPs aimed at providing/improving basic infrastructure facilities/services; building climate resiliency among vulnerable communities (e.g., flood management and solid waste management, among others); improving connectivity and destination infrastructure; institutional/governance improvements (e.g., construction of administrative buildings, training/research and development [R&D] centers); and other areas which may be identified under the annual Budget Priorities Framework.

8.0 AMENDMENT AND ADDENDA

NEDA and DBM may amend this Circular as may be necessary. NEDA may formulate supplemental guidelines in the form of addenda or annexes for the review process as stipulated in 6.2 hereof without need of amending this Circular.

9.0 EFFECTIVITY

This Joint Circular shall be effective immediately in line with the Issuance of Budget Call by the DBM starting the 2017 Budget.

FLORENCIO B. ABAD	**ARSENIO M. BALISACAN**
Secretary of	Secretary of
Budget and Management	Socioeconomic Planning

[3] Based on the poverty statistics of the Philippine Statistics Authority (PSA)

Annex A – Additional List of Infrastructure Outlays

1.0 In line with the preparation of the new expenditure proposals for budgeting, please be guided by the additional types of infrastructure programs/projects that shall be considered as Infrastructure Outlays.

1.1 Transport Infrastructure

1.1.1 Signage and markings, electrical systems (street lighting and traffic lights), edge treatments (curbs, sidewalks, landscaping), and maintenance depots and rest areas;
1.1.2 Mass transit system including bus transportation;
1.1.3 Lighthouses;
1.1.4 Aircrafts including navigational systems;
1.1.5 Bicycle paths and pedestrian walkways, including pedestrian bridges, pedestrian underpasses and other specialized structure for cyclists and pedestrians; and
1.1.6 Ferries and watercrafts

1.2 Water Management

1.2.1 Coastal management including structure such as seawalls, breakwaters, floodgates, as well as the use of soft engineering techniques such as protection of mangrove forest and coastal wetlands and other related facilities

1.3 Information and Communications Technology

1.3.1 Internet including the internet backbone, core routers and server farms, local internet providers as well as the protocols and other basic software required for the system to function and other related IT equipment

1.4 Solid Waste Management

1.4.1 Garbage and recyclables collection major equipment/facilities;
1.4.2 Solid waste incinerators and plasma gasification facilities;
1.4.3 Materials recovery facilities; and
1.4.4 Hazardous waste disposal facilities.

1.5 Earth Monitoring and Measurement Networks

1.5.1 Meteorological monitoring networks;
1.5.2 Tidal/Storm surge monitoring networks;
1.5.3 Seismometer networks;
1.5.4 Earth observation satellites; and
1.5.5 Global Positioning System.

1.6 Agriculture

1.6.1 Agricultural infrastructure, including specialized food and livestock transportation and storage facilities, agricultural warehouses, logistics and value chain support; and

1.6.2 IT and civil works of price support system, experimental farms and agriculture research centers, testing facilities and schools, IT and civil works of licensing and quota management system.

1.7 Natural Resources

1.7.1 Forestry and fisheries infrastructure, including IT and civil works of enforcement system against poaching, forest wardens and fire fighting and reforestation activities, and other related facilities.

1.8 Defense Infrastructure

1.8.1 Emergency services, such as police, fire protection and ambulance, including specialized vehicles, buildings, communications and dispatching systems; and

1.8.2 Military infrastructure[4], including military bases, arms depots, training facilities, command centers, communication facilities, major transport vehicles like trucks, aircraft and ships.

2.0 The following shall also be classified under Infrastructure Outlays:

2.1 Subsidy for GOCCs, which are in the nature of infrastructure;
2.2 Development Fund or the twenty percent (20%) from the Internal Revenue Allotment (IRA); and
2.3 Special Shares of LGUs, which are in the nature of infrastructure.

[4] In the case of confidential military infrastructure, the project title and lumped project costs shall be provided to the NEDA Secretariat.