

Introduction

INTRODUCTION

The FY 2020 budget is crafted with the overall theme “Continuing the Journey to a More Peaceful and Progressive Philippines” and aims for a better quality of life for all Filipinos by FY 2022. The P4.100 trillion budget shall serve as the guide and tool for the sustainable, effective and efficient use of available funds to ensure that planned programs and projects are actually carried out in FY 2020, to provide the Filipino with goods and services he deserves at a time when he needs it most.

This budget shall continue to reflect the aggressive yet prudent fiscal and economic policies of the Duterte Administration, particularly the expansion of public investment to address the infrastructure gap, climate change and disaster risk vulnerability, and to generally uplift the quality of life of all Filipinos particularly those belonging to challenged sectors of society. The Build-Build-Program of the Duterte Administration as well as programs for the attainment of social amelioration objectives such as raising compensation for lower-level employees within government and expanding coverage and magnitude of health care programs, among others are proof of this purpose. In the same vein, the implementation of key administrative reforms geared towards enhanced budget transparency and reliability shall be sustained.

The formulation of the FY 2020 budget proved to be more challenging than usual, with the delayed approval of the FY 2019 budget. While incurrence of obligation, project completion and payments within a calendar year are envisioned under the cash budgeting approach started in FY 2019, the successful continuous implementation of this budget shift is partially affected by the extended availability of the FY 2018 budget for MOOE and CO up to December 31, 2019, the election ban relative to the conduct of the national and local elections in May 2019, and the government’s operating under a reenacted FY 2018 budget for the first quarter and up to April of FY 2019. In addition, the validity for obligation of FY 2019 appropriations for infrastructure outlays has already been extended up to December 31, 2020.

THE PROPOSED NATIONAL GOVERNMENT FISCAL PROGRAM, FY 2020

The P4.100 trillion budget reflects the government’s resolve to allocate the available annual budgetary resources only for those programs, activities and projects which are better planned and can be executed and completed within the budget year by agencies based on implementation capacities. This national expenditure program is consistent with the fiscal program comprised of revenue collection target of P3.536 trillion, disbursement ceiling of P4.213 trillion and net financing sources to cover the corresponding P677.6 billion budgetary deficit. The national government deficit, or the difference between revenue collections and disbursements, is maintained within the medium term cap of 3.2% of the GDP. Such financial stance supports the expansionary fiscal policy to finance strategic infrastructure developments and human capital development.

The FY 2020 fiscal outlook, anchored on real GDP growth of 6.5% to 7.5%, inflation forecast of 2.0-4.0% and peso-to-US dollar exchange rate of P51-55, is supported by the following aggregates:

PARTICULARS	LEVELS (P Billion)			GROWTH RATE(%)		% of GDP			% of EXPENDITURE PROGRAM		
	2018	2019	2020	2018-2019	2019-2020	2018	2019	2020	2018	2019	2020
REVENUES	2,850.2	3,149.7	3,536.2	10.5	12.3	16.4	16.5	16.7	75.7	86.0	86.2
DISBURSEMENTS	3,408.4	3,769.7	4,213.8	10.6	11.8	19.6	19.7	19.9	90.5	103.0	102.8
SURPLUS/(DEFICIT)	(558.3)	(620.0)	(677.6)	11.1	9.3	(3.2)	(3.2)	(3.2)	(14.8)	(16.9)	(16.5)
EXPENDITURES	3,767.0	3,661.6	4,100.0	(2.8)	12.0	21.6	19.2	19.4	100.0	100.0	100.0
GDP	17,426.2	19,082.9	21,117.0	9.5	10.7	100.0	100.0	100.0			

The sustained adoption of one-year validity of appropriations implemented since FY 2017 strives to promote faster and more effective and efficient delivery of public services, as agencies recognize the need to complete programs and projects as authorized under the annual general appropriations within the budget year.

THE PROPOSED NATIONAL GOVERNMENT EXPENDITURE PROGRAM, FY 2020

New General Appropriations

The total proposed expenditure program for FY 2020 amounts to P 4.100 Trillion, broken down as follows:

Summary of Appropriations of the National Government, FY 2018-2020 (In Billions)			
Particulars	2018 Actual	2019 Program	2020 Proposed
APPROPRIATIONS			
New General Appropriations	2,816.5	2,777.2	3,066.5
Automatic Appropriations	978.0	1,071.5	1,249.8
Continuing Appropriations	20.9	209.8	
Total Available Appropriations	3,815.4	4,058.5	4,316.3
Less: Unreleased Appropriations	(87.8)	(229.7)	(216.3)
Unobligated Allotments	(195.8)	(167.2)	
TOTAL EXPENDITURE PROGRAM	3,531.8	3,661.6	4,100.0

The amount of P 3,066.5 billion in New General Appropriations which require legislative authorization and is proposed for enactment in FY 2020 is composed of programmed appropriations of P 2,850.2 billion and unprogrammed appropriations (UA) of P 216.3 billion.

By Department/Special Purpose Funds

The proposed P 4.100 trillion expenditure program is allocated among the various departments and special purpose funds, as follows:

Summary of Proposed New Appropriations, FY 2019-2020 In Billions				
PARTICULARS	FY 2018 Actual	FY 2019 Program	FY 2020 Proposed (Inclusive of Automatic Appropriations)	FY 2020 Proposed (Net of Automatic Appropriations)
Departments and Agencies	2,429.2	2,220.8	2,364.8	2,304.7
Special Purpose Funds	1,102.6	1,440.8	1,735.2	761.8
Total	3,531.8	3,661.6	4,100.0	3,066.5

Automatic Appropriations

Automatically appropriated expenditures or those authorized from automatic appropriations and do not require regular annual legislative approval by virtue of their nature and enabling laws, amount to P1,249.8 billion or 30.5% of the P4,100 billion budget and 16.6% increase over the FY 2019 level. The bulk of increase or 35.7% is attributed to the inclusion of the Bangsamoro Block Grant amounting to P 63.6 billion which is considered automatically appropriated pursuant to Republic Act No. 11054.

PARTICULARS	LEVELS (P Billion)		AS PERCENT OF TOTAL AUTOMATIC APPROPRIATIONS		INCREASE/(DECREASE) 2019-2020	
	2019	2020	2019	2020	Amount	(%)
Internal Revenue Allotment	575.5	648.9	53.7	51.9	73.4	12.8
Bangsamoro Block Grant	-	63.6	-	5.1	63.6	100.0
Debt Service-Interest Payment	399.6	451.0	37.3	36.1	51.4	12.9
Retirement and Life Insurance Premiums	47.2	49.3	4.4	3.9	2.1	4.4
Net Lending	14.5	10.0	1.4	0.8	(4.5)	(31.0)
Tax Expenditure Fund	14.5	14.5	1.4	1.2	-	-
Special Accounts in the General Fund	20.2	12.5	1.8	1.0	(7.7)	(38.1)
Pension of Ex-Presidents/Spouses (<P0.1B)	0.0	0.0	0.0	0.0	-	-
Total	1,071.5	1,249.8	100.0	100.0	178.3	16.6

Unprogrammed Appropriations

On the other hand, UA amounting to P216.3 billion, or 5.3% of the proposed expenditure program represent standby authority to be released only when revenue collections in any one of the identified revenue sources exceed targets per Budget of Expenditures and Sources of Financing (BESF) or when foreign loans or grants are received. About P182.2 billion or four-fifths of the proposed P216.3 billion UA for FY 2020 are mainly accounted for by: Support to FAPs (P90.4 billion), Budgetary Support to GOCCs-conversion of advances into subsidy (P61.8 billion), and Risk Management Program (P30.0 billion). UA net of the P90.4 billion for FAPs will amount to P125.9 billion, or correspond to 3.1% of total expenditure program. The sizeable standby-appropriations for FAPs considered the possible approval within FY 2020 of foreign loans to finance priority infrastructure programs. These programs were not included in the proposed programmed national expenditures due to the non-existence of signed loan agreements within the designated cut-off dates, (i.e., May 20, 2019).

DIMENSIONS OF THE 2020 BUDGET

Government expenses may be classified in various categories, for purposes of recording, presentation and reporting. Economic or expense classification distributes the budget by expense or type of expenditure incurred, like salaries, goods and services, interest payment, etc. Functional or sectoral classification identifies expenditure as to the intended purpose or objective. On the other hand, administrative classification segregates the budget according to implementing entity which manages the funds.

By Expense Class

The main expense classes are Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), and Capital Outlays (CO), with proposed allocation broken down as follows:

PARTICULARS	2019		2020	
	Amount (P Billion)	% Distribution	Amount (P Billion)	% Distribution
Current Operating Expenditure				
Personnel Services	1,138.0	31.1	1,255.7	30.6
Maintenance and Other				
Operating Expenses*	1,819.9	49.7	2,040.1	49.8
Sub-Total	2,957.9	80.8	3,295.8	80.4
Capital Outlays and Net Lending	703.7	19.2	804.2	19.6
TOTAL	3,661.6	100.0	4,100.0	100.0

*Inclusive of Financial Expenses

Consistent with the government's aggressive Build-Build-Build infrastructure program, the proposed P804.2 billion allocation for capital outlays and net lending considered the nature of such projects which are generally long-gestating and have pre-procurement issues such as right-of-way concerns and more detailed bidding requirements, among others.

Out of the consolidated budget for current operating expenses (COE) amounting to P3,295.8 billion, the proposed P2,040.1 billion budget for MOOE continue to account for almost half of the FY 2020 expenditure program.

The amount of P1,255.7 billion proposed to be allocated for PS, inclusive of transfers from Special Purpose Funds (SPFs) and automatically appropriated accounts, comprises 30.6% of the total P4,100 billion program.

By Sector

SECTORS	LEVELS (P Billion)		INCREASE/DECREASE 2020-2019		% of Total Budget	
	2019	2020	in P Billion	%	2019	2020
ECONOMIC SERVICES	970.2	1,183.7	213.5	22.0	26.5	28.9
SOCIAL SERVICES	1,377.8	1,525.2	147.4	10.7	37.6	37.2
DEFENSE	188.6	195.6	7.0	3.7	5.2	4.8
GENERAL PUBLIC SERVICES	710.9	734.5	23.6	3.3	19.4	17.9
DEBT BURDEN	414.1	461.0	46.9	11.3	11.3	11.2
TOTAL	3,661.6	4,100.0	438.4	12.0	100.0	100.0

The sectoral allocation of the FY 2020 budget reflects the Duterte Administration's budget priorities: i.e., infrastructure and human development, with the budget for economic and social services combined comprising 66.1% of the proposed budget, albeit calibrated with the inclusion of only the implementation-ready programs and projects and taking into account agencies' implementation capacities.

General public services ranks third in terms of budget allocation with a 17.9% share of the total budget, mainly for building a more secure and peaceful nation by ensuring the internal security of the country and maintaining public order.

Debt burden (interest payments and net lending to be disbursed to the creditors/recipients) is allotted P461.0 billion, or 11.2% of the total FY 2020 budget. This is consistent with the budget deficit target of P677.6 billion or 3.2% of GDP.

By Recipient Entity

RECIPIENT ENTITY	LEVELS (P Billion)		INC/(DEC):2020/2019		% of Total Budget	
	2019	2020	in P Billion	%	2019	2020
National Govt Agencies	2,420.8	2,665.9	245.1	10.1	66.1	65.0
Local Government Units	639.2	781.1	141.9	22.2	17.5	19.1
Govt-owned/-controlled Corporations	187.5	192.0	4.5	2.4	5.1	4.7
Creditors	414.1	461.0	46.9	11.3	11.3	11.2
TOTAL	3,661.6	4,100.0	438.4	12.0	100.0	100.0

The largest share of the proposed budget for FY 2020, amounting to P2,665.9 billion, or 65.0% of the budget pie, is allocated for the programs/projects/activities being implemented by national government agencies inclusive of transfers from special purpose funds and tax expenditures.

GOCCs are proposed to be allocated P192.0 billion in budgetary support (in terms of subsidies and equity), comprising 4.7% of the budget.

The proposed allocation to LGUs amounts to P781.1 billion, or 19.1% of the budget. The 22.2% increase over the FY 2019 allocation largely corresponds to the P73.4 billion higher IRA shares as well as the funding requirements for the Bangsamoro Autonomous Region in Muslim Mindanao. The automatically appropriated Internal Revenue Allotment (IRA) shares amounting to P648.9 billion continues to account for the lion share (83.1%) of the ALGU funds. This will increase to 91.2% when combined with the BARMM block fund of P63.6 billion. The other government transfers to LGUs include P29.1 billion for special shares of LGUs in the proceeds in the national taxes, including fire code fees; P4.1 billion for MMDA, and P28.0 billion provision for Local Government Support Fund.

For FY 2020, payments to creditors (in terms of interest payments and net advances to service debts incurred by GOCCs) are proposed to be provided P461.0 billion.

Departments with Highest Agency-Specific Budget Allocations

Out of the P2,364.8 billion proposed budget for departments including automatic appropriations, the top ten highest recipients of the FY 2020 budget allocation account for P2,154.0 billion or 91.1% of the allocation. Their combined budgets comprise 52.5% of the P4,100 billion expenditure program.

DEPARTMENT	2019 PROGRAM		2020 PROPOSAL		2019-2020 INC./(DEC.)	
	Amount (P Billion)	Rank	Amount (P Billion)	Rank	Amount (P Billion)	% Change
TOTAL NATIONAL BUDGET	3,661.6		4,100.0		438.4	12.0
ALL DEPARTMENTS (incl. automatic appropriations)	2,220.8		2,364.8		144.0	6.5
o.w. TOP TEN DEPARTMENTS	2,003.8		2,154.0		182.5	9.1
<i>% of National Budget</i>	<i>54.7</i>		<i>52.5</i>			
<i>% of All Departments</i>	<i>90.2</i>		<i>91.1</i>			
Education (DepEd, SUCs, CHED and TESDA)	665.1	1	673.0	1	7.9	1.2
DPWH	464.6	2	534.3	2	69.7	15.0
DILG	230.4	3	238.0	3	7.6	3.3
DND	186.5	4	189.0	4	2.5	1.3
DSWD	141.4	5	158.6	5	17.2	12.2
DOTr	69.4	7	147.0	6	77.6	111.8
DOH	102.0	6	92.2	7	(9.8)	(9.6)
DA	49.7	8	56.8	8	7.1	14.3
Judiciary	39.5	9	38.7	9	(0.8)	(2.0)
ARMM	32.3	10				
DENR	22.9		26.4	10	3.5	15.3
OTHER DEPARTMENTS	217.0		210.8		(6.2)	(2.8)
REST OF NATIONAL BUDGET	1,440.8		1,735.2		294.4	20.4

Pursuant to the constitutional mandate to provide education with the largest budget share, the education sector composed of DepEd, CHED, SUCs and TESDA is provided a combined budget allocation of P673.0 billion, or 16.4% of the total 2020 budget.

The budget for infrastructure departments, DPWH (P534.3 billion) and DOTr (P147.0) will provide connectivity for all Filipinos and for the implementation of major projects of the Administration's ambitious Build, Build, Build Program.

The DILG is to be allotted P238.0 billion, the third highest allocation for a department, to help promote citizen engagement in governance, efficient delivery of public goods and services at the local level.

In addition, to provide a secure, orderly and safe environment conducive to social and economic development, the DND is provided P189.0 billion, ranking 4th among the top ten departments.

The DSWD, coming in 5th position, with its proposed budget of P158.6 billion, will continue to support the Conditional Cash Transfer Program and its variants that will provide cash grants to extremely poor households. The said budget for DSWD will protect Filipino individuals and families against situations that threaten their quality of life and will lead them self-sufficiency and confidence.

The DOH's P92.2 billion budget, ranked 7th among the top ten departments, is an assurance of the commitment to make available health services to the poor, providing medical assistance to indigent patients, full immunization of children, micronutrient supplementation for infants, pregnant and lactating women, and severely acute malnourished children.

The P56.8 billion proposed DA budget (ranked 8th) is aimed at increasing rice production and fishing output (commercial, municipal and aquaculture) and sustaining the sector's strong performance and ensuring continued food security for all Filipinos.

In pursuit of the Administration's support to improve access to justice with a peaceful and inclusive society founded on the principles of good governance and the rule of law, The Judiciary with a proposed budget of P38.7 billion ranked 9th among the top ten agencies.

The DENR ranked 10th with a P26.4 billion proposed budget that will help sustain various projects to support the environment and climate change mitigation and adaptation.

The details of the budgets of Departments and Special Purpose Funds are presented in the following tables:

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| Table 1 | - | Summary of Proposed New Appropriations by Department, FY 2019-2020 (Inclusive of Automatic Appropriations) |
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Table 1
Summary of Proposed New Appropriations by Department, FY 2019-2020
In Thousand Pesos

Departments/Agencies	FY 2019 GAA	FY 2020 Proposed (Inclusive of Automatic Appropriations)	FY 2020 Proposed (Net of Automatic Appropriations)
Congress of the Philippines	20,872,614	23,455,628	22,881,045
Office of the President	6,822,945	8,250,182	8,201,318
Office of the Vice-President	671,553	673,019	664,883
Agrarian Reform	8,202,528	8,426,342	8,035,200
Agriculture	49,672,190	56,816,739	54,431,684
Budget and Management	3,640,563	2,331,352	2,265,194
Education	531,565,249	551,715,849	518,853,188
State Universities and Colleges	68,337,557	68,502,656	64,866,907
Energy	2,147,848	2,302,539	1,395,561
Environment and Natural Resources	22,865,668	26,444,364	25,495,843
Finance	20,263,046	18,719,676	17,293,807
Foreign Affairs	20,651,267	22,649,978	22,471,632
Health	102,034,427	92,195,065	88,722,820
Human Settlements and Urban Development		641,561	613,853
Information and Communications Technology	7,142,930	5,153,537	3,674,199
Interior and Local Government	230,415,852	237,954,031	236,224,917
Justice	22,922,832	23,194,112	21,754,305
Labor and Employment	16,896,598	14,905,074	14,420,635
National Defense	186,528,513	188,963,237	188,650,846
Public Works and Highways	464,555,273	534,285,525	533,496,624
Science and Technology	20,261,466	20,181,615	19,932,130
Social Welfare and Development	141,373,006	158,559,651	158,348,522
Tourism	3,428,031	3,855,180	3,808,584
Trade and Industry	19,096,453	18,099,387	17,699,123
Transportation	69,385,666	147,022,970	145,769,575
National Economic and Dev. Authority	8,679,576	9,647,993	9,421,412
Presidential Communications Operations Office	1,512,693	1,697,722	1,633,882
Other Executive Offices	68,669,677	50,891,730	48,511,187
Autonomous Reg. in Muslim Mindanao	32,285,789	-	-
Joint-Executive-Legislative Council	4,037	3,918	3,636
The Judiciary	39,521,566	38,712,947	37,651,425
Civil Service Commission	1,897,368	1,792,069	1,692,115
Commission on Audit	12,557,369	12,913,106	12,290,539
Commission on Elections	10,377,440	9,818,184	9,613,164
Office of the Ombudsman	4,695,739	3,146,605	3,087,547
Commission on Human Rights	860,537	853,125	813,138
Total Departments	2,220,815,866	2,364,776,668	2,304,690,440

TABLE 2
Summary of Proposed Special Purpose Funds, by Appropriation Source, FY 2019-2020
(In Thousand Pesos)

Particulars	FY 2019 Program	FY 2020 Proposed (Inclusive of Automatic Appropriations)	FY 2020 Proposed (Net of Automatic Appropriations)
Budgetary Support to Government Corporations	201,984,606	201,982,531	190,303,935
Allocations to LGUs	639,246,067	781,148,117	68,587,918
Internal Revenue Allotment	575,520,580	648,921,246	
Share in Proceeds of Taxes	27,324,009	29,093,329	29,093,329
Barangay Officials Death Benefits Fund	50,000	50,000	50,000
Local Government Support Fund	32,730,124	27,977,219	27,977,219
Share in the Proceeds of Fire Code Fees	250,000	365,463	365,463
Bangsamoro Autonomous Region in Muslim Mindanao	-	70,634,076	7,000,000
Metro Manila Development Authority	3,371,354	4,106,784	4,101,907
Contingent Fund	13,000,000	13,000,000	13,000,000
Miscellaneous Personnel Benefits Fund	35,529,267	63,404,890	63,404,890
National Disaster Risk Reduction Management Fund	20,000,000	20,000,000	20,000,000
Pension and Gratuity Fund	117,001,503	190,223,794	190,223,794
Tax Expenditure Fund	14,500,000	14,500,000	
Debt Service Fund - Interest Payments	399,571,000	450,964,000	
Unprogrammed Appropriations			216,303,492
Total Special Purpose Funds	1,440,832,443	1,735,223,332	761,824,029