

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Third Regular Session



COMMITTEE REPORT NO. 2383

Submitted by the Committee on Appropriations on 05 SEP 2012

Re: House Bill No. 6455

Recommending its approval without amendment:

Sponsors: Representatives Abaya, Belmonte, Jr. (F.), Limkaichong, Benedicto-Angping, Bravo, Jr., Bondoc, Almario, Samiento (M.S.), Jaafar, Puno, Crisologo, Andaya, Jr., Arago, San Luis, Cua, Malapitan, Nava, Joson, Balindong, Lacson-Noel, Violago and Osmeña

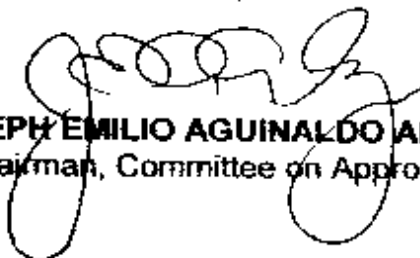
Mr. Speaker,

The Committee on Appropriations has the honor to submit to the House of Representatives, for its immediate consideration and approval, the attached House Bill No. 6455, titled:

**AN ACT APPROPRIATING FUNDS FOR THE OPERATION
OF THE GOVERNMENT OF THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY ONE TO DECEMBER
THIRTY-ONE, TWO THOUSAND AND THIRTEEN, AND
FOR OTHER PURPOSES**

without amendment.

Respectfully submitted:


JOSEPH EMILIO AGUINALDO ABAYA
Chairman, Committee on Appropriations

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City**

KEY PROVISIONS:

- Adopts the budget theme "*Paggugol na Matuwid: Atas ng Taumbayan.*"
- Authorizes the enactment of funds amounting to P1.368 trillion, consisting of P1.251 trillion of Programmed Appropriations and P117.5 billion of Unprogrammed Appropriations as standby fund should revenues exceed targets or new loans be secured to support the proposed budgets.
- Authorizes the utilization of P755.219 billion which are deemed automatically appropriated as these were previously authorized under pertinent laws and therefore outside the purview of this General Appropriations Bill.
- Proposes a total obligation budget of P2.006 trillion which is 10.5 percent or P190 billion higher than the 2012 level of P1.816 trillion. As a percentage of Gross Domestic Product (GDP), the budget is 16.8 percent, slightly lower than the 16.9 percent in 2012.
- Assumes a GDP growth rates of 5.0 – 6.0 percent in 2012 and expected to accelerate further to 6.0 – 7.0 percent in 2013. The proposed budget is also formulated and consistent with the following macroeconomic assumptions: Gross National Income (GNI) of 4.4 – 5.4 percent in 2012 and 5.4 – 6.4 percent in 2013; inflation rate of 3.0 – 5.0 in 2013, same level as in 2012; 364-day T-bill rates of 3.0 – 5.0; and foreign exchange rate of 42.0 – 45.0 peso to one US dollar.
- The 2013 budget is also formulated on the following fiscal program:
 - Total revenue projection of P1.78 trillion which translates to 14.9 percent of GDP and higher by 14.1 percent from the revised program of P1.56 trillion for 2012.
 - The Consolidated Public Sector deficit will significantly decline from the programmed 2.0 percent (P213.9 B) of GDP in 2012 to 1.3 percent (P158.3 B) in 2013.
 - National government budget deficit of P241.0 billion or 2.0 percent of GDP, lower than the programmed 2012 deficit of P279.1 billion or 2.6 percent of GDP. The medium-term goal is to achieve a fiscal deficit of 2.0 percent of GDP by 2013 up to 2016.
 - Outstanding NG debt of P5.7 trillion by the end of 2013 or a debt to GDP ratio of 49.5 percent, lower than the 50.3 percent of GDP in 2012.
- Top Departments –
 - The Department of Education (Dep-Ed) remains at the top, as in previous years with an allocation of P292.7 billion for 2013, - up by 22.6 percent or P53.9 billion from the 2012 level of P238.8 billion. The Dep-ed will plug all resource gaps for classrooms, teachers, and textbooks by the end of 2013.

- The DPWH takes the second largest share of the budget in line with the President's goal of strengthening the country's infrastructure base and fueling economic growth. With a total 2013 budget of P152.9 billion, the DPWH will focus on preserving the existing road network, upgrading and constructing national roads and bridges, and tourism infrastructure development programs.
- The DND receives a total of P121.6 billion, up by 12.5 percent or P13.5 billion from its 2012 level of P108.1 billion. The DILG also receives a budgetary boost of 21.3 percent or P121.1 billion from its current year's allocation of P99.8 billion.
- The DA gets 20.7 percent increase or P12.7 billion bringing the agency's budget to P74.1 billion from the current year's level of P61.4 billion. The increase will support the agency's goal to achieve food self-sufficiency by 2013. The DOH receives a significant increase of 24 percent or P11 billion with its total allocation rising to P56.8 billion in 2013. The increase will help the government advance its universal health care agenda for all Filipinos, particularly the poor and vulnerable.
- The DSWD takes some P56.2 billion, up by 15.2 percent or P7.4 billion from its 2012 level of P48.8 billion. The allocation will support the government's bid to reduce poverty. The 4Ps will continue to be supported with P44.3 billion in 2013, reflecting an increase of P4.8 billion or 10.9 percent from the current year's provision of P39.4 billion. The DOTC receives 6.9 percent increase bringing its 2013 budget to P37.1 billion from its 2012 level of P34.7 billion.
- The DOF and DENR have the highest percentage growth of 40.7 percent and 35.4 percent, respectively. In absolute terms, the DOF receives P33.2 billion while the DENR gets some P23.7 billion.
- Sectoral Allocation of the 2012 budget –
 - The government sustains its comprehensive support of the Social Services sector which continues to get the largest share among the other sectors with P698.8 billion or 34.8 percent of the total budget. The sector will increase by 13.9 percent or P85.4 billion from the 2012 level of P613.4 billion. The total allocation of P698.8 billion will be used to close goods-and-service delivery gaps in public education, health, and social protection for the poor and vulnerable in the next fiscal year.
 - The Economic Services sector follows with P511.1 billion or 25.5 percent share, up by 16.4 percent or P72.1 billion from the 2012 level of P439 billion. The increase supports the rapid, sustained and inclusive growth that redounds to all Filipinos in a direct, immediate, and sustainable manner.
 - General Public Services sector take the third largest share with P346 billion or 17.2 percent, higher by 8 percent or P25.7 billion from the 2012 level of P320.3 billion.

- Debt burden comes next with P360.4 billion or 17.9 percent of the total budget. This services the payment of interest of P333.9 billion and net lending account of P26.5 billion.
- The Defense sector gets a share of P89.7 billion or 4.5 percent of the total budget, higher by about 3 percent from the 2012 level of P87.2 billion.
- Allocation by Expense Class –
 - In terms of expense class, the obligation budget of P2.006 trillion is allocated as follows: P641.3 billion or 32 percent goes to personal services (PS); P1,039.5 billion or 52 percent will go to maintenance and other operating expenses (MOOE); and P325.2 billion or 16 percent will go to capital outlays (CO) and net lending (NL).
- Regional Allocation –
 - By regional allocation, the distribution of the budget by main island groups will significantly increase in 2013. The regionalized budget for 2013 increased to P990.4 billion or 49.4 percent share of the total budget of 2.006 trillion as compared to the regionalized budget in 2012 of P799.6 billion or 44 percent share of the total budget of P1.816 trillion.
 - The island of Mindanao will get a share of P258.6 billion or 26.1 percent of the regionalized budget of P990.4 billion, up by P39.4 billion or 18 percent from the P219.2 billion allocation in 2012.
 - The Visayas island will get a share of P193.8 billion or 19.6 percent of the total regionalized budget, higher by P28.6 billion or 17.3 percent than the 2012 budget of P165.2 billion.
 - The island of Luzon will get the biggest share of P538 billion or 54.3 percent of the regionalized budget, up by P122.8 billion or 29.6 percent than the 2012 allocation of P415.2 billion.
- Funding the Social Contract with the Filipino People -

The 2012 budget was sharply focused on the government's social contract with the people. In 2013, the government remains focused in fulfilling the contract and have intensified the level of prioritization that will lift the poor from poverty particularly on the five key result areas, to wit:

- Anti-corruption and transparent, accountable, and participatory governance - focused on programs/projects for anti-corruption and good governance like the digitization of financial management and governance, and the streamlining of regulatory processes like business permits.
- Poverty reduction and empowerment of the poor and vulnerable - programs and projects on social protection, education, public health, and affordable housing and settlements were expanded.

- Rapid, inclusive, and sustained economic growth – significant increase is allocated to support the expanded requirements for infrastructure projects, food self-sufficiency, and tourism development, among others.
 - Just and lasting peace and the rule of law – support to the peace process, implementation of the multi-agency program PAMANA for the reconstruction and development in conflict affected communities, the continuance of judicial reforms, and the modernization of the AFP and PNP.
 - Integrity of the environment and climate change adaptation and mitigation – programs and projects shall be focused on the major river basins where risks and climate change vulnerability is high.
- Reforms and Approaches of the Budget –
 - Programs and projects of each government agency are geared towards the five priorities and the basic tool used is the continued implementation of the **zero-based budgeting** approach ensuring that the government only spends on programs and projects with priority endeavors.
 - Introduction of the **program budgeting** approach wherein budget information and decision making should be structured according to the objectives of the government and that component programs are coordinated to ensure the delivery of services and results.
 - Accelerates the completion of priority program targets in line with the social contract. In view hereof, the DPWH shall be the principal infrastructure agency to ensure that infrastructure outlay are focused on the right projects, with the right costs and the right quality. Line agencies shall focus on their core mandate and accelerate the delivery of targets to ensure the greatest impact of government activities.
 - The budget is also designed to strengthen the agency's accountability to their mandate and performance. The **performance budgeting** approach is applied by moving towards the harmonization of all performance management systems in government, using the **Results-Based Performance Management System (RBPMS)**. This will reward public institutions and public servants who meet or even surpass their outputs and commitments under the Social Contract.
 - **Bottom-up-budgeting** is introduced as a methodology to amplify the voice of the grassroots in the way public funds are allocated. Some 595 municipalities were able to identify services which have been considered and included in the budgets of eleven implementing national government agencies.
 - The 2013 budget asserts that **transparency** is an essential tool not only in deterring corruption but also in enabling the delivery of fast and clear results. The government sustained its policy of **disaggregating lump-sum funds**. With the budget containing greater detail on programs and projects the government will be able to shift to a **Budget as Release**

Document Regime by 2014 that eliminates the duplicative budget request and release process.

- Transforming the Budget into a release document allows government agencies to conduct pre-procurement activities. Contracts can then be awarded on the first working day of the following fiscal year and projects can be implemented and completed much earlier than usual. To support this new regime, the predictability of public expenditure will be strengthened through a new policy of **One-Year Validity of Appropriations in 2013**.
- Financing the proposed budget –
 - The national government will raise P1.780 trillion in revenues to support the expenditure plan for 2013. This is 14.1 percent or P219.5 billion higher than this year's revenue target of P1.560 trillion. The tax collection effort in 2013 is expected to reach 13.8 percent of GDP, higher than the 13.3 percent in 2012. Tax revenues are expected to grow by 15.7 percent, with the BIR and BOC collections increasing by 16.2 percent and 14.5 percent, respectively.
 - The Bureau of Internal Revenue will collect P1.239 trillion or 69.6 percent of the total revenue while the Bureau of Customs will collect P397 billion or 22.3 percent. The balance of 8.1 percent or P144 billion will be collected by other agencies which are sourced from fees and charges, BTr income and privatization proceeds, among others.
 - The proposed revenue of P1.780 trillion will support about 88 percent of the total cash requirement of P2.021 trillion in 2013 while the balance of 12 percent will be sourced from borrowings

RELATED LAWS:

- Various Provisions of the 1987 Constitution related to the appropriations of funds.
- Executive Order No. 292, series of 1987.
- Various Laws related to the appropriation of fund.

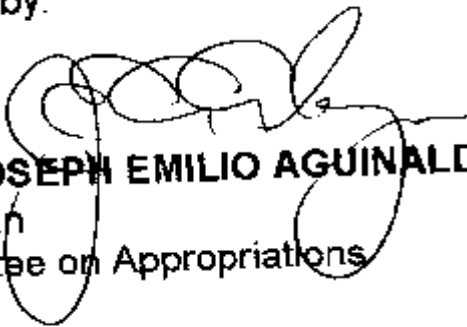
September 5, 2012

CERTIFICATION

This is to certify that the Committee Report submitted by the Committee on Appropriations on House Bill No. 6455, titled "AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND AND THIRTEEN, AND FOR OTHER PURPOSES", was approved in the Executive Meeting held on September 5, 2012, 9:00 A.M. at the Rolando R. Andaya Hall, South Wing Building, House of Representatives.

Carolyn B. Buhanan
CAROLYN Q. BUKUHAN
Committee Secretary

Attested by:


REP. JOSEPH EMILIO AGUINALDO ABAYA
Chairman
Committee on Appropriations

**House of Representatives
Committee Affairs Department**

FACT SHEET

House Bill No. 6455

**AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE
GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM
JANUARY ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND AND
THIRTEEN, AND FOR OTHER PURPOSES**

Introduced By: REPRESENTATIVES ABAYA, BELMONTE, JR. (F.) LIMKAICHONG, BENEDICTO-ANGPING, BRAVO, JR., BONDOC, ALMARIO, SARMIENTO (M.S.), JAAFAR, PUNO, CRISOLOGO, ANDAYA, JR., ARAGO, SAN LUIS, CUA, MALAPITAN, NAVA, JOSON, BALINDONG, LACSON-NOEL, VIOLAGO, OSMEÑA, ABAD, BENITEZ, TING, GO (A.C.), BERNOS, PRIMICIAS-AGABAS, TOMAWIS, ENVERGA, JALOSJOS (S.F.), ARENAS, CALIXTO-RUBIANO, DE VENECIA, FABIAN, YAP (S.), GONZALEZ, SAHIDULLA, BAGATSING, MARCOS, HARESCO, JR., UNGAB, MENDOZA (M.L.), DAYANGHIRANG, FLORES, JR., JALOSJOS, JR. (R), SINGSON, JR., (E) DUAVIT, LAGDAMEO, JR., (A), BICHARA, PANTO, VILLARICA, LANETE, GO (A.), YAMBAO, CARI, PARAS, AMATONG, CASTELO, PONCE-ENRILE, JR., CATAMCO, OLIVAREZ, LEONEN-PIZARRO, BAGUILAT, JR., RODRIGUEZ, JR. (I), LOONG, BIAZON, TAN, CASTRO, RAMOS, JR., DY, CAJAYON, LOYOLA, ERIGUEL, MELLANA, UMALI (C.), TEVES, ZAMORA-APSAY, COJUANGCO (E.), CERAfica, MENDOZA (J.A.), UMALI (R.), FORTUNO, APOSTOL, COLLANTES, TREÑAS, BAUTISTA, ACOP, SACDALAN, ALCALA, DEL MAR, SARMIENTO (C.), ALMONTE, ONG, VALENCIA, HERRERA-DY, LOPEZ (C.J.), GARAY, CASIÑO, BAG-AO, ILAGAN, BRIONES, RODRIGUEZ, JR. (M.), EJERCITO, LAGDAMEO (M.Y.), GOLEZ (R.), MIRAFLORES, EMANO, TIENG, GARBIN, MAGSAYSAY (E.), BIRON, GULLAS, AUMENTADO

Committee Referral: APPROPRIATIONS
Committee Chairperson: REP. JOSEPH EMILIO AGUINALDO ABAYA

OBJECTIVES:

- To authorize the appropriation of funds for the operation of the national government, the local government units and government owned and controlled corporations for Fiscal Year 2013.
- To approve the national budget amounting to P2.006 trillion with a greater and deeper commitment to the President's social contract with the Filipino people.

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Metro Manila**

**FIFTEENTH CONGRESS
Third Regular Session**

HOUSE BILL NO. 6455



Introduced by Representatives Abaya, Belmonte, Jr. (F.) Limkaichong, Benedicto-Angping, Bravo, Jr., Bondoc, Almario, Sarmiento (M.S.), Jaafar, Puno, Crisologo, Andaya, Jr., Arago, San Luis, Cua, Malapitan, Nava, Joson, Balindong, Lacson-Noel, Violago, Osmeña, Abad, Benitez, Ting, Go (A.C.), Bernos, Primicias-Agabas, Tomawis, Enverga, Jalosjos (S.F.), Arenas, Calixto-Rubiano, De Venecia, Fabian, Yap (S.), Gonzalez, Sahidulla, Bagatsing, Marcos, Haresco, Jr., Ungab, Mendoza (M.L.), Dayanghirang, Flores, Jr., Jalosjos, Jr. (R), Singson, Jr., (E.) Duavit, Lagdameo, Jr., (A.), Bichara, Pancho, Villarica, Lanete, Go (A.), Yambao, Cari, Paras, Amatong, Castelo, Ponce-Enrile, Jr., Catamco, Olivarez, Leonen-Pizarro, Baguilat, Jr., Rodriguez, Jr. (I.), Loong, Biazon, Tan, Castro, Ramos, Jr., Dy, Cajayon, Loyola, Eriguel, Mellana, Umali (C.), Teves, Zamora-Apsay, Cojuangco (E.), Cerafica, Mendoza (J.A.), Umali (R.), Fortuno, Apostol, Collantes, Treñas, Bautista, Acop, Sacdalan, Alcala, Del Mar, Sarmiento (C.), Almonte, Ong, Valencia, Herrera-Dy, Lopez (C.J.), Garay, Casiño, Bag-ao, Ilagan, Briones, Rodriguez, Jr. (M.), Ejercito, Lagdameo (M.Y.), Golez (R.), Miraflores, Emano, Tieng, Garbin, Magsaysay (E.), Biron, Gullas, Aumentado

EXPLANATORY NOTE

The President of the Philippines, His Excellency Benigno Simeon C. Aquino III, submitted to Congress, a day after his SONA, the third financial blueprint of the government which embodies its commitment to fulfill his Social Contract with the Filipino People. As the President said in his Budget Message, the proposed 2013 national budget is a crucial step in the government's continuing pursuit of good governance – governance that will give the impoverished countrymen the opportunity to lift themselves out of their situation; governance that will ensure that this country moves forward together.

As in previous years, the President's budget is supported with documents as itemized in the Budget of Expenditures and Sources of Financing (BESF), accompanied by the National Expenditure Program (NEP), the President's Budget Message and other documents, in compliance with the President's constitutional duty under Section 22, Article VII of the Constitution, which provides that "the President shall submit to the Congress within thirty-days from the opening of every regular session, as the basis of the general appropriations bill, a budget of expenditures and sources of financing, including receipts from existing and proposed revenue measures."

Having laid down the foundation of transparency and accountability in public fund management, the government assumed an outward-looking position in the crafting of the 2013 national budget. The

“empowerment budget” seeks to expand the government’s engagement with the larger Filipino public, beginning with civil society, grassroots communities, and members of the private sector. It invests significantly in the people’s capabilities by prioritizing funding for public services that provide jobs, educate the youth, ensure a healthier citizenry, and empower each Filipino to participate in economic activity. Thus, the 2013 budget is anchored on the budget theme *“Paggugol Na Matuwid: Atas ng Taumbayan.”* Guided by this principle, the 2013 budget has been crafted not just to serve the needs of the people but, ultimately, to ensure rapid, sustainable, and inclusive socio-economic growth in the country.

The proposed budget was crafted with the following guiding principles to make the budget a tool to empower the people: a) greater and deeper commitment to the Social Contract; b) accelerated completion of priority program targets; c) stronger government accountability to perform and respond; d) transparency for faster budget execution and clearer results; and e) greater stakeholder participation in budget preparation and execution. The “bottom-up budgeting” approach is introduced as a methodology to amplify the voice of the grassroots in the way public funds are allocated and used. This aims to significantly reduce poverty by incorporating in the budgets of key departments the priority requirements of poor municipalities that cannot be shouldered fully by the LGUs.

The Committee on Appropriations submits this proposed General Appropriations Bill for your scrutiny and to report to your constituencies that the budget is the embodiment of their collective hopes and desires.

Macroeconomic Assumptions

The Philippine economy grew by 6.4 percent in the first quarter of 2012. Indeed this growth is well above the market’s consensus forecast of 4.8 percent, as well as above the preliminary average GDP growth of 3.8 percent of comparable countries in the ASEAN region. Based on the latest country data, the 6.4 percent growth was faster than Indonesia (6.3 percent), Malaysia (4.7 percent), Vietnam (4.0 percent), and Thailand (0.3 percent). However, China’s GDP growth was relatively faster at 8.1 percent. Depending on how the balance of upward and downside risks will play out in the next three quarters of 2012, the strong 6.4 percent real GDP growth in the first quarter implies that the country’s growth for 2012 will most likely be on the high end of, if not possibly exceed, the 5.0 – 6.0 percent growth assumption. These are the reports presented by the Development Budget Coordination Committee (DBCC) during the presentation of the 2013 national budget to Congress.

The government remains committed to provide the best opportunities for all Filipinos in the attainment of inclusive growth. Notwithstanding recent positive developments, the government remains vigilant against possible external shocks since there is a general consensus that 2012 will be a challenging year for the global economy as a weaker global outlook continues to loom large.

For 2013, real GDP growth is expected to accelerate further to 6.0 – 7.0 percent. Inflation rate is maintained at 3.0 – 5.0 percent while the peso is expected to continue its stability against the US dollar, keeping a P42 – 45 peso-US dollar exchange rate for next year.

The DBCC-approved growth assumptions for 2013 takes into consideration the following macroeconomic assumptions:

MACROECONOMIC PARAMETERS, 2012 - 2013

Particulars	Projections/Targets (Adopted by the DBCC on 26 June 2012)	
	2012	2013
GNI Growth (%): Budget Assumptions	4.4 - 5.4	5.4 - 6.4
GDP Growth (%): Budget Assumption	5.0 - 6.0	6.0 - 7.0
Nominal GNI (In Million Pesos)		
Budget Assumption Low	14,381,259	15,915,970
High	14,508,810	16,209,815
Nominal GDP (In Million Pesos)		
Budget Assumption Low	10,734,207	11,951,880
High	10,830,331	12,176,622
Inflation Rate CPI (2006=100) (%)	3.0 - 5.0	3.0 - 5.0
364-day T-bill rates (%)	3.0 - 5.0	3.0 - 5.0
Foreign Exchange Rate (P/US\$)	42.0 - 45.0	42.0 - 45.0
Dubai Crude Oil Price (US\$/barrel)	90.0 - 110.0	90.0 - 110.0
LIBOR Rate, 6-months (%)	0.4 - 1.4	0.5 - 1.5
Exports of Goods, Level (US\$ Million)	51,954.0	58,188.0
Growth Rate (%)	10.0	12.0
Imports of Goods, Level (US\$ Million)	70,203.0	80,033.0
Growth Rate (%)	12.0	14.0

Source: FY 2013 BGSF

The 2013 budget is also formulated on the following fiscal program:

- Total revenue projection of P1.78 trillion which translates to 14.9 percent of GDP and higher by 14.1 percent from the revised program of P1.56 trillion for 2012.
- The Consolidated Public Sector deficit will significantly decline from the programmed 2.0 percent (P213.9 B) of GDP in 2012 to 1.3 percent (P158.3 B) in 2013.
- National government budget deficit of P241.0 billion or 2.0 percent of GDP, lower than the programmed 2012 deficit of P279.1 billion or 2.6 percent of GDP. The medium-term goal is to achieve a fiscal deficit of 2.0 percent of GDP by 2013 up to 2016.
- Outstanding NG debt of P5.7 trillion by the end of 2013 or a debt to GDP ratio of 49.5 percent, lower than the 50.3 percent of GDP in 2012.

The Proposed Expenditure Program

The proposed 2013 empowerment budget of P2.006 trillion is 10.5 percent or P190 billion higher than the 2012 level of P1.816 trillion. As a percentage of GDP, the budget is 16.8 percent, slightly lower than the 16.9 percent in 2012.

Of the P2.006 trillion obligation budget, the new general appropriations which Congress will authorize is P1.368 trillion, consisting of P1.251 trillion of Programmed New Appropriations and P117.5 billion of Unprogrammed Appropriations as standby fund should revenues exceed targets or new loans be secured to support the proposed budget. The programmed new appropriations of P1.251 trillion, together with the P755 billion of automatic appropriations which is outside the purview of this General Appropriations Bill, will provide for the appropriation cover for the P2.006 trillion budget.

The proposed expenditure program, computed on an obligation basis, is presented below:

New Appropriations	P 1,368.329	Billion
Programmed New Appropriations	1,250.781	
Unprogrammed New Appropriations	117.548	
Automatic Appropriations	755.219	
Interest Payments on NG Debts	333.902	
Internal Revenue Allotment	302.304	
Retirement & Life Insurance Premiums	28.126	
Customs Duties and Taxes, including Tax Expenditure Fund	26.900	
Net Lending	26.600	
Rewards and Incentives Fund	2.183	
Special Account	19.240	
Tax Refund	15.518	
Grants	.546	
Total Available Appropriations	2,123.548	
Less: Unprogrammed New Appropriations	117.548	
Total Obligations	P 2,006.000	Billion

Financing the Proposed Budget

A. Revenues

The national government will raise P1.780 trillion in revenues to support the expenditure plan for 2013. This is 14.1 percent or P219.5 billion higher than this year's revenue target of P1.560 trillion. The tax collection effort in 2013 is expected to reach 13.8 percent of GDP, higher than the 13.3 percent in 2012. Tax revenues are expected to grow by 15.7 percent, with the BIR and BOC collections increasing by 16.2 percent and 14.5 percent, respectively. The Bureau of Internal Revenue will collect P1.239 trillion or 69.6 percent of the total revenue while the Bureau of Customs will collect P397 billion or 22.3 percent. The balance of 8.1 percent or P144 billion will be collected by other agencies which are sourced from fees and charges, BTr income and privatization proceeds, among others. The proposed revenue of

P1.780 trillion will support about 88 percent of the total cash requirement of P2.021 trillion in 2013 while the balance of 12 percent will be sourced from borrowings.

Shown below is the comparative sources of revenues to support the 2013 budget.

REVENUES, 2012 -2013

(In Billion Pesos)

Particulars	2012 Program	2013 Proposed	Percent of GDP		Growth	
			2012 Program	2013 Proposed	Amount	Percent
Revenues	1,560.6	1,780.1	14.5%	14.9%	219.5	14.1%
Tax Revenues	1,427.4	1,651.2	13.3%	13.8%	223.8	15.7%
BIR	1,066.1	1,238.6	9.9%	10.4%	172.5	16.2%
BOC	347.1	397.3	3.2%	3.3%	50.2	14.5%
Others	14.2	15.3	0.1%	0.1%	1.1	7.7%
Non-Tax	133.2	128.9	1.2%	1.1%	(4.3)	-3.2%
Fees and Charges	67.9	69.5	0.6%	0.6%	1.6	2.4%
B'fr Income	63.3	57.4	0.6%	0.5%	(5.9)	-9.3%
Privatization	2.0	2.0	0.0%	0.0%	0.0	0.0%

Memo Item:

GDP (in billion pesos) 10,734.2 11,951.9

B. Borrowings

The projected budget deficit of P241 billion will be sourced from net borrowings of P308.3 billion, of which P80.8 billion will come from foreign while P227.5 billion will come from domestic sources. The remaining excess of the total net borrowings of P67.3 billion will be used to raise the necessary cash balance in the Treasury.

Dimensions of the FY 2013 Budget

Sectoral Allocation

By sector, the government sustains its comprehensive support of the Social Services sector which continues to get the largest share among the other sectors with P698.8 billion or 34.8 percent of the total budget. The Sector will increase by 13.9 percent or P85.4 billion from the 2012 level of P613.4 billion. The total allocation of P698.8 billion will be used to close goods-and-service delivery gaps in public education, health, and social protection for the poor and vulnerable in the next fiscal year.

The Economic Services sector follows with P511.1 billion or 25.5 percent share, up by 16.4 percent or P72.1 billion from the 2012 level of P439 billion. The increase will support rapid, sustained and inclusive growth that redounds to all Filipinos in a direct, immediate, and sustainable manner.

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Debt burden comes next with P360.4 billion or 17.9 percent of the total budget. This will service the payment of interest of P333.9 billion and net lending account of P26.5 billion.

The Defense sector will get a share of P89.7 billion or 4.5 percent of the total budget, higher by about 3 percent from the 2012 level of P87.2 billion.

Sectoral Allocation
FY 2012 – 2013
(in billion pesos)

Sector	Levels		Percent Share		Increase/(Decrease)	
	2012	2013	2012	2013	Amount	%
Economic Services	439.0	511.1	24.2%	25.5%	72.1	16.4%
Social Services	613.4	698.8	33.8%	34.8%	85.4	13.9%
Defense	87.2	89.7	4.8%	4.5%	2.5	2.9%
General Public Services	320.3	346.0	17.6%	17.2%	25.7	8.0%
Net Lending	23.0	26.5	1.3%	1.3%	3.5	15.2%
Debt Service- Interest Payments	333.1	333.9	18.3%	16.6%	0.8	0.2%
Total	1,816.0	2,006.0	100.0%	100.0%	190.0	10.5%

Allocation by Expense Class

In terms of expense class, the obligation budget of P2.006 trillion is allocated as follows: P641.3 billion or 32 percent goes to personal services (PS); P1,039.5 trillion or 52 percent will go to maintenance and other operating expenses (MOOE); and P325.2 billion or 16 percent will go to capital outlays (CO) and net lending (NL).

Regional Allocation

By regional allocation, the distribution of the budget by main island groups will significantly increase in 2013. The regionalized budget for 2013 increased to P990.4 billion or 49.4 percent share of the total budget of 2.006 trillion as compared to the regionalized budget in 2012 of P799.6 billion or 44 percent share of the total budget of P1.816 trillion.

The island of Mindanao will get a share of P258.6 billion or 26.1 percent of the regionalized budget of P990.4 billion, up by P39.4 billion or 18 percent from the P219.2 billion allocation in 2012.

The Visayas island will get a share of P193.8 billion or 19.6 percent of the total regionalized budget, higher by P28.6 billion or 17.3 percent than the 2012 budget of P165.2 billion.

The island of Luzon will get the biggest share of P538 billion or 54.3 percent of the regionalized budget, up by P122.8 billion or 29.6 percent than the 2012 allocation of P415.2 billion.

REGIONALIZED BUDGET

2012 - 2013

ISLAND	Levels (in billions)		Percent Share		Growth	
	2012	2013	2012	2013	Amount	Percent
LUZON	415.2	538	51.9%	54.3%	122.8	29.6%
VISAYAS	165.2	193.8	20.7%	19.6%	28.6	17.3%
MINDANAO	219.2	258.6	27.4%	26.1%	39.4	18.0%
TOTAL	799.6	990.4	100.0%	100.0%	190.8	23.9%

Top Departments

The Department of Education (Dep-Ed) remains at the top, as in previous years with an allocation of P292.7 billion for 2013, - up by 22.6 percent or P53.9 billion from the 2012 level of P238.8 billion. The Dep-ed will plug all resource gaps for classrooms, teachers, and textbooks by the end of 2013.

The DPWH takes the second largest share of the budget in line with the President's goal of strengthening the country's infrastructure base and fueling economic growth. With a total 2013 budget of P152.9 billion - higher by 21 percent or P26.5 billion than the 2012 level of P126.4 billion, the DPWH will focus on preserving the existing road network, upgrading and constructing national roads and bridges, and tourism infrastructure development programs.

The DND will receive a total of P121.6 billion, up by 12.5 percent or P13.5 billion from its 2012 budget of P108.1 billion. The DILG will likewise receive a budgetary boost of 21.3 percent or P121.1 billion from its current year's allocation of P99.8 billion.

The DA will get 20.7 percent increase or P12.7 billion bringing the agency's budget to P74.1 billion from the current year's level of P61.4 billion. The increase will support the agency's goal to achieve food self-sufficiency by 2013. The DOH will also receive a significant increase of 24 percent or P11 billion with its total allocation rising to P56.8 billion in 2013. The increase will help the government advance its universal health care agenda for all Filipinos, particularly the poor and vulnerable.

The DSWD will take some P56.2 billion, up by 15.2 percent or P7.4 billion from its 2012 level of P48.8 billion. The allocation will support the government's bid to reduce poverty. The 4Ps will continue to be supported with P44.3 billion in 2013, reflecting an increase of P4.8 billion or 10.9 percent from the

- Anti-corruption and transparent, accountable, and participatory governance - focused on programs/projects for anti-corruption and good governance like the digitization of financial management and governance, and the streamlining of regulatory processes like business permits.
- Poverty reduction and empowerment of the poor and vulnerable - programs and projects on social protection, education, public health, and affordable housing and settlements were expanded.
- Rapid, inclusive, and sustained economic growth – significant increase is allocated to support the expanded requirements for infrastructure projects, food self-sufficiency, and tourism development, among others.
- Just and lasting peace and the rule of law – support to the peace process, implementation of the multi-agency program PAMANA for the reconstruction and development in conflict affected communities, the continuance of judicial reforms, and the modernization of the AFP and PNP.
- Integrity of the environment and climate change adaptation and mitigation – programs and projects shall be focused on the major river basins where risks and climate change vulnerability is high.

Major Budget Reforms and Approaches

The proposed budget was crafted with the assurance that the programs and projects of each government agency are geared towards these five priorities and the basic tool used is the continued implementation of the *zero-based budgeting* approach ensuring that the government only spends on programs and projects with priority endeavors. The other new budget reform utilized is the introduction of the *program budgeting* approach wherein budget information and decision making should be structured according to the objectives of the government and that component programs are coordinated to ensure the delivery of services and results.

The 2013 budget seeks to accelerate the completion of priority program targets in line with the social contract. In view hereof, the DPWH shall be the principal infrastructure agency to ensure that infrastructure outlay are focused on the right projects, with the right costs and the right quality.

On the other hand, line agencies shall focus on their core mandate and accelerate the delivery of targets to ensure the greatest impact of government activities.

The budget is also designed to strengthen the agency's accountability to their mandate and performance. The *performance budgeting* approach is applied by moving towards the harmonization of all performance management systems in government, using the *Results-Based Performance Management System (RBPMS)*. This will reward public institutions and public servants who meet or even surpass their outputs and commitments under the Social Contract.

To enshrine greater stakeholder participation in the crafting of the budget, *bottom-up-budgeting* is introduced as a methodology to amplify the voice of the grassroots in the way public funds are

allocated. Some 596 municipalities were able to identify services which have been considered and included in the budgets of eleven implementing national government agencies.

The 2013 budget asserts that *transparency* is an essential tool not only in deterring corruption but also in enabling the delivery of fast and clear results. The government sustained its policy of *disaggregating lump-sum funds*. With the budget containing greater detail on programs and projects the government will be able to shift to a *Budget as Release Document Regime by 2014* that eliminates the duplicative budget request and release process. Transforming the Budget into a release document allows government agencies to conduct pre-procurement activities. Contracts can then be awarded on the first working day of the following fiscal year and projects can be implemented and completed much earlier than usual. To support this new regime, the predictability of public expenditure will be strengthened through a new policy of *One-Year Validity of Appropriations in 2013*.

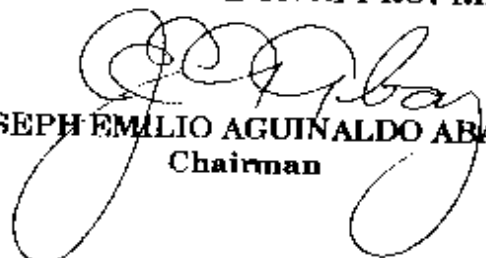
To summarize, the new general appropriations which Congress will authorize is P1,368.3 billion consisting of P1,250.8 billion of Programmed New Appropriations and P117.5 billion of Unprogrammed New Appropriations. The proposed automatic appropriations of P755.2 billion has been previously authorized under existing laws and therefore is outside the purview of this General Appropriations Bill.

Colleagues and Members of the 15th Congress, let us once again support this reform budget. Congress is responsible and is committed to the early passage and approval of the budget of the Filipino people. Congress is likewise responsible in delivering to their lives the food, the medicines, the children's books and school desks, and other basic needs which Congress has promised them through the budget.

May this representation, the Chairman, also take this opportunity to thank the Speaker, the Vice-Chairmen and members of the Committee on Appropriations, as well as other members of the House and the Minority for their time, effort, and wisdom in constructively scrutinizing and considering the budget. Likewise, may this representation express his heartfelt gratitude and appreciation for the trust and confidence conferred upon this representation by the House of Representatives as Chairman of the Appropriations Committee. It has been a sincerely self-actualizing, soul-warming, character-building, gratifying, and equally humbling experience. This representation wishes that everyone will be given the opportunity to assume this post someday. Maybe not in the next Congresses, but in God's time and in accordance with God's plans.

The Chairman therefore respectfully requests the Honorable Members of the House of Representatives for their support for the 2013 General Appropriations Bill, the very last budget of this Congress and of this humble representation.

FOR THE COMMITTEE ON APPROPRIATIONS


JOSEPH EMILIO AGUINALDO ABAYA
Chairman