

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Metro Manila

SIXTEENTH CONGRESS  
First Regular Session

HOUSE BILL NO. **2630**



Introduced by Representatives Ungab, Belmonte, Jr. (F.) Nava, Benedicto-Angping, Sy-Alvarado, Andaya, Jr., Violago, Lacson-Noel, Almario, Ong, Cua, Abayon, Alvarez (M.), Evardone, Singson, Zamora (Ma. C), Sema, Quisumbing, Lobregat, Teves, Bataoil, Piamonte, Sarmiento (M.S.), Robes, Umali (C.), Bag-ao, Benitez, , Biazon, Calixto-Rubiano, Cari, Castelo, Cerafica, Del Rosario (A.G.), Espina, Fortunio, Lopez (C.), Ramos, Jr. Sarmientc (C.), Erice, Rodriguez (O.), Acosta-Alba, Adiong, Fortun, Iway, Lagman, Jr., Leachon, Gerona-Robredo, Loong, Mellana, Sakaluran, Ting, Antonino-Nadres, Garcia (G.), Tambunting, Panotes, De Venecia, Haresco, Jr., Antonio, Magsaysay, Rodriguez Jr. (M.), Arbison, Gonzales (F.), Acop, Echiverri, Deloso-Montalla, Garay, Chipeco, Jr., Hofer, Uy (R.), Alcala, Arenas, Agarao, Jr., Hataman-Salliman, Nuño, Cagas, Amante, Cruz-Gonzales, Masongsong, Acharon, Jr., Celeste, Escudero, Hagedorn, Lanete, Leonardia, Rodriguez, Jr. (I.), Yap (S.), Tan, Yap (A.), Ongsiako-Reyes, Belmonte (J.C.), Pernes, Tolentino, Vargas III, Kho, Abu, Matugas, Abellanosa, Sahali, Suansing, Co, Acedillo, Briones, Almonte, Baguilat, Jr., Bernos, Mendoza (J.), Calalay, Jr., Bravo (M.V), Pancho, Uy (J.)

### EXPLANATORY NOTE

The proposed FY 2014 national budget which was submitted by President Benigno Simeon C. Aquino III to Congress, a day after he delivered his State of the Nation Address spells out the fourth financial blueprint of the government which embodies its commitment to fulfill his Social Contract with the Filipino People.

The President's budget is supported with documents consisting of the Budget of Expenditures and Sources of Financing (BESF), a National Expenditure Program (NEP) with accompanying Annex A consisting of Volumes 1 and 2, 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 continues to face challenges in the remaining three years of the President's social contract with the Filipino people. As the President declared in the FY 2014 Budget Message, the proposed national budget supports the agenda for Inclusive Development and is focused on fulfilling the

five priority areas, to wit: (i) transparent, accountable and participatory governance; (ii) poverty reduction and empowerment of the poor and vulnerable; (iii) rapid, inclusive and sustained economic growth; (iv) just and lasting peace and the rule of law; and (v) integrity of the environment and climate change adaptation and mitigation. These are in line with the objective of achieving inclusive growth as enunciated in the Philippine Development Plan 2011-2016. The proposed budget is crafted to ensure the sustainability and irreversibility of the governance reforms already set in place. However, the way the budget has been structured through the years were focused on the financials and on the programs and projects, with no clear link to performance and does not address the objective of promoting a government attuned to meeting real outcomes for the people. Thus, the FY 2014 budget is prepared by embarking on a bold move towards Performance-Informed Budgeting wherein every peso is now presented alongside the results, outcomes, outputs and performance targets that government agencies commit to achieve within their respective budgets.

The proposed budget was also designed not in the usual way, wherein agencies competed against each other for scarce resources. With the Program Budgeting Approach, government agencies move out of their silos to converge their efforts and resources along priority programs. Another structural reform is moving towards a new Public Financial Management (PFM) regime. With the PFM Reform Roadmap, the government will move towards a Budget-as-a Release Document regime wherein the budgets of agencies, except those to be contained in a negative list, are considered released to them as soon as the General Appropriations Act is enacted. Finally, in crafting the proposed budget, the government continued the mechanisms for citizen's participation in the budget process through Budget Partnership Agreements between agencies and civil society organizations and bottom-up budgeting involving local government units (LGUs). The bottom-up budgeting approach was introduced in the 2013 budget and sustained in the crafting of the 2014 budget 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.

### **Macroeconomic Assumptions**

The government remains committed to provide the best opportunities for all Filipinos in the attainment of inclusive growth. The national budget is a potent fiscal tool that can be used to stimulate economic development, thus, the efficient and effective allocation and implementation of the budget would ensure that resources are made available to support national development objectives.

Given the robust growth in the first quarter of 2013 of 7.8 percent, the 2013 full-year GDP growth is seen to surpass the high-end target of 6.0 – 7.0 percent. The economic growth assumption for 2014 is expected to expand within the 6.5 – 7.5 percent range. 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 P41 – 43 peso-US dollar exchange rate for next year.

The DBCC-approved growth assumptions for 2014 takes into consideration the following macroeconomic assumptions:

# MACROECONOMIC PARAMETERS, 2013 - 2014

| Particulars                               | Projections/Targets<br>(Adopted by the DBCC on 3 July 2013) |              |
|-------------------------------------------|-------------------------------------------------------------|--------------|
|                                           | 2013                                                        | 2014         |
| GNI Growth (%): Budget Assumptions        | 5.9 – 6.9                                                   | 6.2 – 7.2    |
| GDP Growth (%): Budget Assumption         | 6.0 – 7.0                                                   | 6.5 – 7.5    |
| Nominal GNI (In Million Pesos)            |                                                             |              |
| Budget Assumption      Low                | 14,169,227                                                  | 15,812,097   |
| High                                      | 14,328,202                                                  | 16,132,439   |
| Nominal GDP (In Million Pesos)            |                                                             |              |
| Budget Assumption      Low                | 11,914,477                                                  | 13,336,680   |
| High                                      | 12,054,036                                                  | 13,612,963   |
| Inflation Rate CPI (2006=100) (%)         | 3.0 – 5.0                                                   | 3.0 – 5.0    |
| 364-day T-bill rates (%)                  | 1.0 – 3.0                                                   | 2.0 – 4.0    |
| Foreign Exchange Rate (P/US\$)            | 41.0 – 43.0                                                 | 41.0 – 43.0  |
| Dubai Crude Oil Price (in US\$/barrel)    | 90.0 – 110.0                                                | 90.0 – 110.0 |
| LIBOR Rate, 6-months (%)                  | 0.5 – 1.5                                                   | 0.5 – 1.5    |
| Exports of Goods, Level (in US\$ Million) | 51,375.0                                                    | 58,568.0     |
| Growth Rate (%)                           | 11.0                                                        | 14.0         |
| Imports of Goods, Level (in US\$ Million) | 69,483.0                                                    | 79,210.0     |
| Growth Rate (%)                           | 13.0                                                        | 14.0         |

Source: FY 2014 DESF

The 2014 budget is also formulated on the following fiscal program:

- Total revenue projection of P2.018 trillion which translates to 15.1 percent of GDP and higher by 15.6 percent from the 2013 program of P1.746 trillion for 2013.
- Consolidated Public Sector deficit of P100.783 billion equivalent to 0.8 percent of GDP.
- National government budget deficit of P266.2 billion or 2.0 percent of GDP, which is in line with the medium term fiscal program. 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 P6.2 trillion by the end of 2014 or a debt to GDP ratio of 46.8 percent, compared to the P5.8 trillion by the end of 2013 or a debt to GDP ratio of 48.7 percent.

## The Proposed Expenditure Program

The proposed 2014 national budget of P2.268 trillion is 13.1 percent or P262.1 billion higher than the 2013 level of P2.006 trillion. As a percentage of GDP, the budget is 17.0 percent, slightly higher than the 16.8 percent in 2013.

Of the P2.268 trillion obligation budget, the new general appropriations which Congress will authorize is P1.612 trillion, consisting of P1.472 trillion of Programmed New Appropriations and P139.903 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 P1.472 trillion together with the P796 billion of automatic appropriations which is outside the purview of this General Appropriations Bill, will provide for the appropriation cover for the P2.268 trillion budget.

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

|                                                          |             |         |
|----------------------------------------------------------|-------------|---------|
| New Appropriations                                       | P 1,611.874 | Billion |
| Programmed New Appropriations                            | 1,471.971   |         |
| Unprogrammed New Appropriations                          | 139.903     |         |
| Automatic Appropriations                                 | 796.029     |         |
| Interest Payments on NG Debts                            | 352.652     |         |
| Internal Revenue Allotment                               | 341.545     |         |
| Retirement & Life Insurance Premiums                     | 28.859      |         |
| Customs Duties and Taxes, including Tax Expenditure Fund | 26.900      |         |
| Net Lending                                              | 24.950      |         |
| Special Account                                          | 21.116      |         |
| Grants and Others                                        | .007        |         |
| Total Available Appropriations                           | 2,407.903   |         |
| Less: Unprogrammed New Appropriations                    | 139.903     |         |
| Total Obligations                                        | P 2,268.000 | Billion |

## Financing the Proposed Budget

### A. Revenues

The national government will raise P2.018 trillion in revenues to support the expenditure plan for 2014. This is 15.6 percent or P272.2 billion higher than this year's revenue target of P1.746 trillion. The tax collection effort in 2014 is expected to reach 14.1 percent of GDP, higher than the 13.5 percent in 2013. Tax revenues are expected to grow by 16.9 percent, with the BIR and BOC collections increasing by 16.2 percent and 20.0 percent, respectively. The Bureau of Internal Revenue will collect P1.4 trillion or 72.2 percent of the total revenue while the Bureau of Customs will collect P408 billion or 20.2 percent. The balance of 7.6 percent or P153.6 billion will be collected by other agencies which include

sourced from fees and charges, BTr income and privatization proceeds, among others. The proposed revenue of P2.018 trillion will support about 88.3 percent of the total cash requirement of P2.284 trillion in 2014 while the balance of 11.7 percent will be sourced from borrowings.

Shown below is the comparative sources of revenues to support the 2014 budget.

**REVENUES**  
**2013-2014**  
**In Million Pesos**

| Particulars            | 2013<br>Estimate | 2014<br>Estimate | Increase/(Decrease) |         |
|------------------------|------------------|------------------|---------------------|---------|
|                        |                  |                  | Amount              | Percent |
| Revenues               | 1,745,857        | 2,018,051        | 272,194             | 15.6%   |
| Tax Revenues           | 1,607,870        | 1,879,918        | 272,048             | 16.9%   |
| BIR                    | 1,253,679        | 1,456,320        | 202,641             | 16.2%   |
| BOC                    | 340,000          | 408,096          | 68,096              | 20.0%   |
| Others                 | 14,191           | 15,502           | 1,311               | 9.2%    |
| Non-Tax                | 135,987          | 136,133          | 146                 | 0.1%    |
| Fees and Charges       | 70,532           | 75,442           | 4,910               | 7.0%    |
| BTr Income             | 57,729           | 56,237           | (1,492)             | -2.6%   |
| Other Fees and Charges | 7,726            | 4,454            | (3,272)             | -42.4%  |
| Privatization          | 2,000            | 2,000            | 0                   | 0.0%    |

### B. Borrowings

The projected budget deficit of P266.2 billion will be sourced from net borrowings of P274 billion, of which P5.04 billion will come from foreign sources while P269.07 billion will come from domestic sources. The remaining excess of the total net borrowings of P7.9 billion will be used to raise the necessary cash balance in the Treasury.

### Dimensions of the FY 2014 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 P842.8 billion or 37.2 percent of the total budget. The Sector will increase by 20.5 percent or P143.4 billion from the 2013 level of P699

billion. The spending for social services will improve the living conditions of the citizens, particularly the poor, through education, health, social security and other social services to reduce poverty.

The Economic Services sector follows with P590.2 billion or 26.0 percent share, up by 15.9 percent or P81 billion from the 2013 level of P509.2 billion. The increase will support rapid, sustained and inclusive growth in agriculture, transport infrastructure, and tourism, among others.

General Public Services sector gets the third largest share with P364.5 billion or 16.1 percent, higher by 5 percent or P17.2 billion from the 2013 level of P347.3 billion. Spending for this sector will support expenditures for general administration, such as fiscal management, foreign affairs, lawmaking, and public order and safety, among others.

Debt burden comes next with P352.6 billion or 15.5 percent of the total budget. This will service the payment of interest of P352.7 billion and net lending account of P24.9 billion.

The Defense sector will get a share of P92.8 billion or 4.1 percent of the total budget, higher by 3.7 percent from the 2013 level of P89.5 billion.

Sectoral Allocation  
FY 2013 – 2014  
(in million pesos)

| Sector                          | Levels           |                  | Percent Share |               | Increase/(Decrease) |              |
|---------------------------------|------------------|------------------|---------------|---------------|---------------------|--------------|
|                                 | 2013             | 2014             | 2013          | 2014          | Amount              | %            |
| Economic Services               | 509.191          | 590.220          | 25.4%         | 26.0%         | 81.029              | 15.9%        |
| Social Services                 | 699.441          | 842.805          | 34.9%         | 37.2%         | 143.364             | 20.5%        |
| Defense                         | 89.539           | 92.850           | 4.5%          | 4.1%          | 3.311               | 3.7%         |
| General Public Services         | 347.327          | 364.523          | 17.3%         | 16.1%         | 17.196              | 5.0%         |
| Net Lending                     | 26.500           | 24.950           | 1.3%          | 1.1%          | -1.550              | -5.8%        |
| Debt Service- Interest Payments | 333.902          | 352.652          | 16.6%         | 15.5%         | 18.750              | 5.6%         |
| <b>Total</b>                    | <b>2,005.900</b> | <b>2,268.000</b> | <b>100.0%</b> | <b>100.0%</b> | <b>262.100</b>      | <b>13.1%</b> |

### Allocation by Expense Class

In terms of expense class, the obligation budget of P2.268 trillion is allocated as follows: P689.417 billion or 30.4 percent goes to personal services (PS); P803.231 billion or 35.4 percent will go to maintenance and other operating expenses (MOOE); P354.004 billion or 15.6 percent will be for financial expenses, of which P352.652 billion corresponds to the payment of interest on NG loans; and P421.347 billion or 18.6 percent will go to capital outlays (CO) of P396.397 billion and net lending (NL) of P24.950 billion.

## Regional Allocation

By regional allocation, the distribution of the budget by main island groups will significantly increase in 2014. The regionalized budget for 2014 increased to P1,251.8 billion or 55.2 percent share of the total budget of P2.268 trillion as compared to the regionalized budget in 2013 of P918.7 billion or 45.8 percent share of the total budget of P2,005.9 billion.

**REGIONALIZED BUDGET  
2013 - 2014**

| ISLAND       | Levels (in billions) |                | Percent Share |               | Growth       |              |
|--------------|----------------------|----------------|---------------|---------------|--------------|--------------|
|              | 2013                 | 2014           | 2013          | 2014          | Amount       | Percent      |
| LUZON        | 489.1                | 726.1          | 53.2%         | 58.0%         | 237.0        | 48.5%        |
| VISAYAS      | 187.1                | 224.7          | 20.4%         | 18.0%         | 37.6         | 20.1%        |
| MINDANAO     | 242.5                | 301.0          | 26.4%         | 24.0%         | 58.5         | 24.1%        |
| <b>TOTAL</b> | <b>918.7</b>         | <b>1,251.8</b> | <b>100.0%</b> | <b>100.0%</b> | <b>333.1</b> | <b>36.3%</b> |

## Top Departments

The Department of Education (Dep-Ed) consistently gets the biggest allocation with P336.9 billion, consistent with the constitutional mandate of providing the largest budget to education. The amount will help close the critical gaps in the supply of teachers, classrooms and for the increased needs brought about by the K-12 basic education reform program.

The Department of Public Works and Highways (DPWH), as the infrastructure arm of the national government will receive the second largest share of the budget of P213.5 billion. This will enable DPWH to meet its national roads and bridges targets and support the growth of key sectors such as tourism.

At the third and fourth positions are the Department of the Interior and Local Government (DILG) with P135.4 billion and the Department of National Defense (DND) with P123.1 billion, respectively.

The fifth slot will go to the Department of Health (DOH) with P87.1 billion to pursue the Universal Health Care program, particularly for preventive healthcare services and for health insurance coverage of poor families, among others.

The Department of Agriculture (DA) will receive P80.7 billion to raise productivity in agriculture and improve the incomes of farmers and the fisher folk while the Department of Social Welfare and Development (DSWD) will take some P79.0 billion to deliver meaningful social protection services, particularly the expanded Pantawid Pamilyang Pilipino (PPP) Program that will cover the benefits of about 4.3 million indigent households.

The Department of Transportation and Communications (DOTC) will get P48.7 billion to support the construction of airports, seaports and railways needed to improve the competitiveness of industries. The Department of Environment and Natural Resources (DENR) and the Department of Agrarian Reform (DAR) will receive P23.9 billion and P20.4 billion, respectively.

**TOP DEPARTMENTS**  
**2013 - 2014**  
(Amounts, In Billion Pesos)

| Particulars                                                                                                                   | FY 2013 |    |      | FY 2014 |    |      | Increase/(Decrease) |         |
|-------------------------------------------------------------------------------------------------------------------------------|---------|----|------|---------|----|------|---------------------|---------|
|                                                                                                                               | LEVEL   |    | RANK | LEVEL   |    | RANK | Amount              | Percent |
| Dep-ed (incl. MPBF and SBP)                                                                                                   | 293.4   | 1/ | 1    | 336.9   | 1/ | 1    | 43.5                | 14.8%   |
| DPWH (incl. BSGC)                                                                                                             | 152.4   | 2/ | 2    | 213.5   |    | 2    | 61.1                | 40.1%   |
| DILG (incl. MPBF and PGF)                                                                                                     | 121.8   |    | 3    | 135.4   |    | 3    | 13.6                | 11.2%   |
| DND (incl. MPBF and PGF)                                                                                                      | 121.6   |    | 4    | 123.1   |    | 4    | 1.5                 | 1.2%    |
| DOH (incl. MPBF, HFEP and BSGC)                                                                                               | 59.9    | 3/ | 6    | 87.1    | 3/ | 5    | 27.2                | 45.4%   |
| DA (incl. BSGC)                                                                                                               | 75.0    |    | 5    | 80.7    |    | 6    | 5.7                 | 7.6%    |
| DSWD                                                                                                                          | 56.4    |    | 7    | 79.0    |    | 7    | 22.6                | 40.1%   |
| DOTC (incl. MPBF, PGF, and BSGC)                                                                                              | 37.1    |    | 8    | 48.7    |    | 8    | 11.6                | 31.3%   |
| DENR (incl. MPBF and PGF)                                                                                                     | 23.7    |    | 9    | 23.9    |    | 9    | 0.2                 | 0.8%    |
| DAR                                                                                                                           | 21.4    |    | 10   | 20.4    |    | 10   | (1.0)               | -4.7%   |
| 1/ Gross of School Building Program<br>2/ Net of School Building Program<br>3/ Gross of Health Facilities Enhancement Program |         |    |      |         |    |      |                     |         |

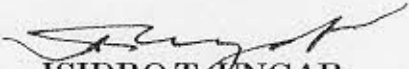
To summarize, the new general appropriations which Congress will authorize is P1,611.9 billion consisting of P1,472 billion of Programmed New Appropriations and P139.9 billion of Unprogrammed New Appropriations. The proposed automatic appropriations of P796 billion has been previously authorized under existing laws and therefore is outside the purview of this General Appropriations Bill.

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.

Colleagues and Members of the 16<sup>th</sup> 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.

May this representation, the Chairperson, take this opportunity to thank the Speaker, the Vice Chairpersons and members of the Committee on Appropriations, as well as other members of the House of Representatives and the Minority for their time, effort, and wisdom in constructively scrutinizing and considering the budget.

**FOR THE COMMITTEE ON APPROPRIATIONS:**

  
**ISIDRO T. UNGAB**  
Chairperson  
Committee on Appropriations