



The Government of the
Republic of the Philippines



2005 Update and 2006 Program

Expenditure Accounts

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Overarching Theme

- ❑ The government is implementing an expenditure program consistent with its fiscal consolidation goals and aligned with the President's 10-Point Agenda.
- ❑ Better revenue collections is facilitating the improvement of expenditure management



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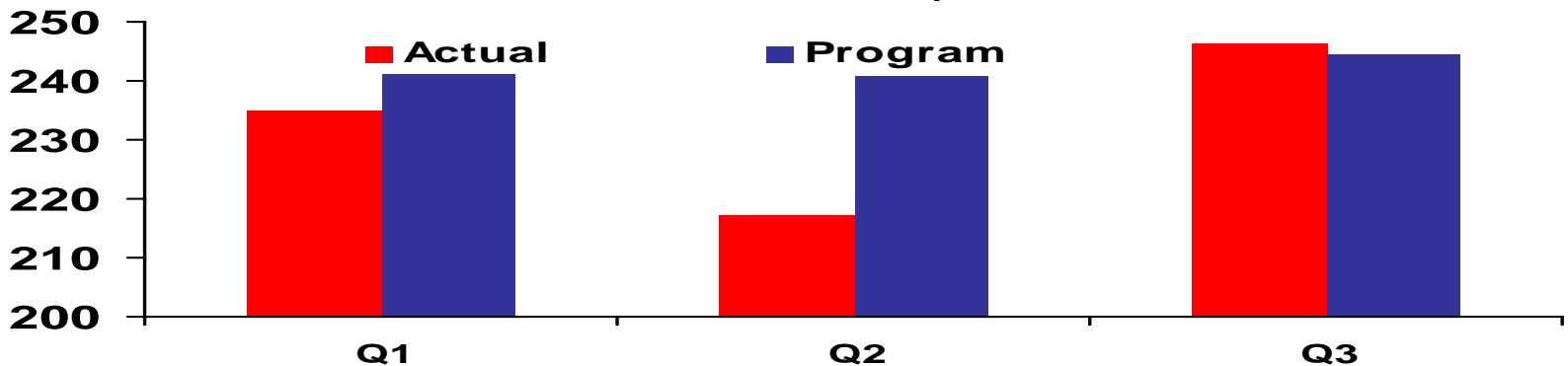
Current Developments

Actual spending for 2005 well within program

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2005 Expenditures: Actual vs. Targets
(In billion pesos)



Particulars	JANUARY TO SEPTEMBER		
	Program	Actual	Deviation
Current Operating Expenditures	619.9	604.3	(15.6)
ow. Interest Payments	242.6	235.3	(7.3)
Allocation to LGUs	89.8	90.2	0.4
Capital Outlays	101.0	89.9	(11.1)
ow. Infrastructure	71.2	60.6	(10.7)
Net Lending	5.4	3.8	(1.5)
Grand Total	726.2	698.0	28.2

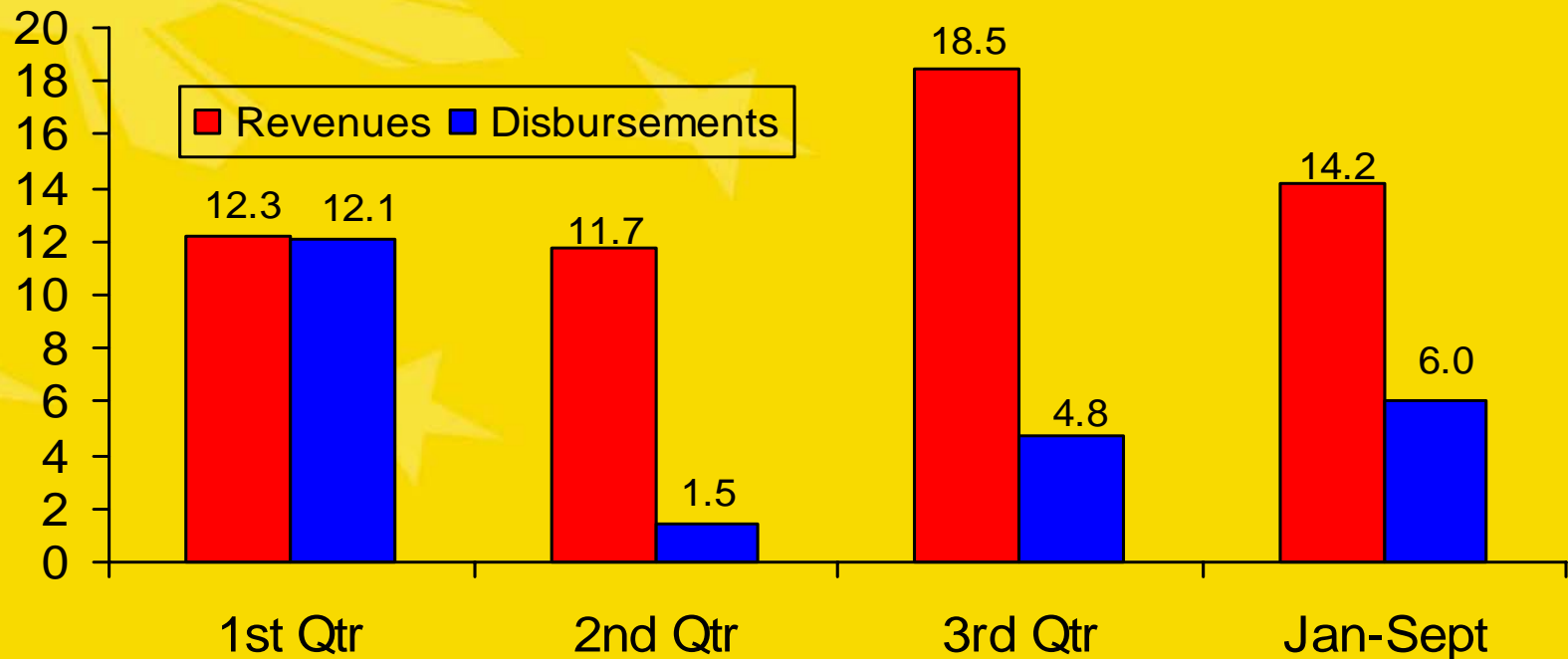


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Spending growth lower than revenue growth ...

Revenue Growth vs. Disbursement Growth





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Expansion in spending due to mandatory accounts

Assessment: Jan-Sept, 2005 vs 2004
(in billion pesos, unless otherwise)

Particulars	Jan-Sept		Inc/Dec	
	2004	2005	Amount	%
Personal Services	208.6	214.1	5.5	2.6
Maintenance Expenditures	56.6	60.1	3.5	6.2
Infra and Other Capital Outlays	69.4	60.6	(8.8)	(12.7)
CARP Land Acquisition	3.4	3.1	(0.2)	(7.1)
Allotments to LGUs	109.0	116.2	7.2	6.6
GOCCs	3.6	4.8	1.2	31.8
Int. Payments/Net Lending	<u>207.8</u>	<u>239.1</u>	<u>31.3</u>	15.1
Total	<u><u>658.3</u></u>	<u><u>698.0</u></u>	<u><u>39.7</u></u>	6.0



Expenditures will not exceed targets ...

- ❑ Government is committed to achieve deficit target for the year
- ❑ New payment scheme is limiting generation of arrears
- ❑ Conservative budget and lower interest rates likely to translate into savings

Outlook for rest of 2005 (Php billion)

Particulars	Full year 2004 Actual	2005 Program		2005 Program Full Year
		Q1-Q3	Q4	
Expenditures	886.8	698.0	265.2	963.2



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FY 2006 Budget



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For 2006, Government will continue to deliver on Plan commitments.

- **Progressive reduction of deficit**
- **Enhancement of revenue effort**
- **More productive expenditures**



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Moving the 10-Point Agenda for socio-economic renewal and fiscal health...

Particulars	2004	2005	2006
<u>Obligation Budget (in PB)</u>	867.0	918.6	1,053.3
Percent of GDP	18.3	17.3	17.6
Growth Rate	5.1	6.0	14.7
<u>Underlying Fiscal Position (as % of GDP)</u>			
Revenues	14.8	14.7	16.1
Disbursements	18.7	18.1	18.2
ow. Interest Payments	5.5	5.9	5.7
Surplus/(Deficit)	(3.9)	(3.4)	(2.1)
Outstanding NG Debt	79.0	79.8	74.1
CPSD	(4.9)	(3.4)	(2.2)



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Larger allocations for social and economic services

Sectoral Allocation of the 2006 Budget

Particulars	Levels in PB		Percent Distribution		Increase (in PB)
	2005	2006	2005	2006	
Economic Services	158.0	197.2	17.2	18.7	39.2
Social Services	255.1	296.8	27.8	28.2	41.7
Defense	44.2	52.4	4.8	5.0	8.3
General Public Services	141.2	158.6	15.4	15.1	17.4
Net Lending	6.9	8.3	0.8	0.8	1.3
Debt Service	313.4	340.0	34.1	32.3	26.6
Total	918.8	1,053.3	100.0	100.0	134.5



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Larger allocations for social and economic services

Sectoral Allocation of the 2006 Budget

Particulars	Levels in PB		Percent Distribution		Increase (in PB)
	2005	2006	2005	2006	
Economic Services	104.9	138.9	23.5	25.8	34.0
Social Services	198.9	235.2	44.5	43.7	36.3
Defense	44.2	52.4	9.9	9.7	8.3
General Public Services	98.6	112.0	22.1	20.8	13.4
<u>Total</u>	<u>446.6</u>	<u>538.5</u>	<u>100.0</u>	<u>100.0</u>	<u>91.9</u>

Net of Debt Service and IRA



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Economic Services, by Subsector

Particulars	Levels in PB		Percent Distribution		Increase (in PB)
	2005	2006	2005	2006	
Agriculture and Agrarian Reform	25.9	27.5	24.7	19.8	1.6
Natural Resources and Environment	6.8	7.6	6.5	5.4	0.8
Trade and Industry	3.0	3.1	2.9	2.2	0.1
Tourism	1.4	1.7	1.3	1.3	0.3
Power and Energy	1.5	2.2	1.4	1.6	0.7
Water Resources Development and Flood Control	6.5	8.2	6.2	5.9	1.8
Communications, Roads and Other Transport	53.8	71.8	51.3	51.7	18.0
Other Economic Services	5.9	16.7	5.7	12.0	10.8
Total	104.9	138.9	100.0	100.0	34.0



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Social Services, by Subsector

Particulars	2005	2006	2005	2006	(in PB)
Education Culture and Manpower					
Development	135.4	146.4	68.1	62.3	11.0
Health	13.6	16.6	6.8	7.1	3.0
Social Security, Welfare and					
Employment	40.1	58.6	20.2	24.9	18.5
Housing and Community Development	1.7	2.8	0.9	1.2	1.0
Land Distribution	4.4	4.4	2.2	1.9	-
Other Social Services	3.6	6.5	1.8	2.8	2.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>198.9</u>	<u>235.2</u>	<u>100.0</u>	<u>100.0</u>	<u>36.4</u>



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Larger capital expenditures...

Budget Level by Expense Class (In Billion Pesos)

Particulars	2005	2006		Inc/Dec
	Adjusted	Proposed	% Share	2005-2006
Current Operating Expenses	<u>814.9</u>	<u>911.9</u>	<u>86.6</u>	<u>96.9</u>
Personal Services	289.2	330.5	31.4	41.3
MOOE	91.0	108.2	10.3	17.2
Allotment to LGUs	121.3	133.2	12.6	11.9
Interest Payments	313.4	340.0	32.3	26.6
Capital Outlays	<u>96.7</u>	<u>133.1</u>	<u>12.6</u>	<u>36.4</u>
Infra/Other Capital Outlays	64.3	96.5	9.2	32.2
Equity	0.2	1.2	0.1	1.0
Capital Transfers to LGUs	32.2	35.4	3.4	3.2
Net Lending	<u>6.9</u>	<u>8.2</u>	<u>0.8</u>	<u>1.3</u>
TOTAL	<u>918.5</u>	<u>1,053.2</u>	<u>100</u>	<u>134.6</u>



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Higher infrastructure spending

Particulars	Levels in PB		Percent		Growth (%)
	2005	2006	2005	2006	
DPWH	38.7	51.4	68.5	71.0	32.7
DOTC	2.5	5.9	4.4	8.1	135.7
DepEd	3.2	3.0	5.7	4.1	(7.5)
ARMM	0.9	1.0	1.6	1.4	9.3
AFMA	10.6	10.5	18.7	14.5	(0.4)
ALGU	0.7	0.7	1.2	0.9	(2.2)
Total	56.6	72.4	100.0	100.0	28.0
<i>Percent of GDP</i>	<i>1.1</i>	<i>1.2</i>			



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Increased funding for FAPs ...

Donors/ Creditors	Levels in PB		Percent Distribution		Increase (in PB)
	2005	2006	2005	2006	
Japan	19.1	33.3	51.6	59.8	14.2
IBRD	6.7	7.2	18.0	13.0	0.6
ADB	4.5	9.1	12.2	16.3	4.6
UK	1.5	1.6	4.1	2.8	0.1
Others	5.3	4.5	14.3	8.1	(0.8)
Total	37.0	55.7	100.0	100.0	18.7



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New Programs/Provisions

Particulars	Amount (in PB)
Compensation Increase	13.1
Kilos Asenso Support Fund	5.0
Kalayaan Barangay Program Fund	3.0
Payment of Arrears	<u>5.8</u>
Employers' Share in Premium Contributions (GSIS, Pag-Ibig, ECC, PHIC)	4.9
MRT 3	<u>0.9</u>
Total	<u><u>26.9</u></u>



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- Government will continue to pursue fiscal reform strategies for 2006.



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Pursue Rationalization Program

- ❑ Function based: With reasonable separation incentives for affected employees
- ❑ Address governance and structural dysfunctions
- ❑ Improving viability of GOCCs
- ❑ MO 109, dated September 23, 2005, delegating to DBM approval of RPs
- ❑ CSC and TLRC RPs approved
 - ❑ 13% and 29% of employees separated, respectively
 - ❑ P8.4M and P39.5M savings in PS, respectively



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Enactment of the Fiscal Responsibility Bill: Features

A. Features

- Imposition of debt cap (as percent of GDP) for 2009;
- Formulation of a three-year Executive-Legislative Medium Term Fiscal Accord between Executive and Legislature;
- Measures to prevent erosion of tax collections and passage of unfunded laws
- Setting of personal services caps in NG, LGUs and GOCCs
- Repeal of the automatic guarantee provisions for GOCC debts
- Development of performance management system for GOCCs
- Enhancing transparent mechanisms in government

B. Status as of July 27, 2005 - filed at both houses of Congress, committee hearings have been conducted in the Senate



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Expenditure Management Reforms in 2006 Budget

- ❑ Improve Plan/Budget linkage
- ❑ Provide incentives for recovering cost of delivering public goods and services
- ❑ Shift the focus on outputs/outcomes of service delivery rather than on inputs
- ❑ Ensure greater complementation with LGU programs



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Public Sector Reforms in the Offing

- ❑ Rationalization of government compensation system
 - ✓ Simplify position classification
 - ✓ Implement more market and performance-based compensation system
 - ✓ Common Manpower Database between DBM, CSC and GSIS
- ❑ Rationalization of government retirement and pension schemes
 - ✓ Suspend RA 1616: All retirement paid by GSIS
 - ✓ Select veterans' benefits that can be reasonably funded
 - ✓ Make pension benefits commensurate to premium contributions



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