Legislative Budget Research and Monitoring Office (LBRMO)

Budget Facts & Figures

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FY 2013 NATIONAL BUDGET

Particulars	2012 GAA	2013 GAA
Levels (In billion	**1,816.0**	**2,006.0**
Memo Items:		
% of GDP	16.9	16.8
Growth Rate, Nominal (gross)		10.5
excluding debt		12.8
excluding debt service & IRA		13.2
Growth Rate,		6.5
excluding debt		8.8
excluding debt service & IRA		9.2
Nominal GDP	10,734.2	11,951.9

Source: DBM

FISCAL PROGRAM

Particulars	2012	2013
Revenues	**1,560.6**	**1,780.1**
% of GDP	14.5	14.9
Disbursements	**1,839.7**	**2,021.1**
% of GDP	17.1	16.9
Surplus/(Deficit)	**(279.1)**	**(241.0)**
% of GDP	2.6	2.0

Source: DBM

The 2013 EMPOWERMENT BUDGET

After being threshed out for several months in the legislative mill and right in the thick of the Christmas season, President Benigno Aquino signed the P2.006 trillion national budget for fiscal year 2013 into law last December 19, 2012.

Dubbed as an Empowerment Budget that would "give the common man the power to control and improve his life", it reflects an increase of 10.5% or P190 billion more than last year's P1.816 trillion national budget. Representing 16.8% of our Gross Domestic Product, it is an expansionary budget that is higher in both nominal and real terms over the 2012 budget, even if the non-productive allocation for interest payments is excluded.

In his Sponsorship Speech entitled “Bridge of Hope”, Finance Committee Chairman Sen. Franklin M. Drilon tells us that "Empowerment is what this budget is all about." Empowering individual Filipinos, especially the poorest of the poor, by providing them with the resources to combat poverty will ultimately “shape the destiny of our nation”.

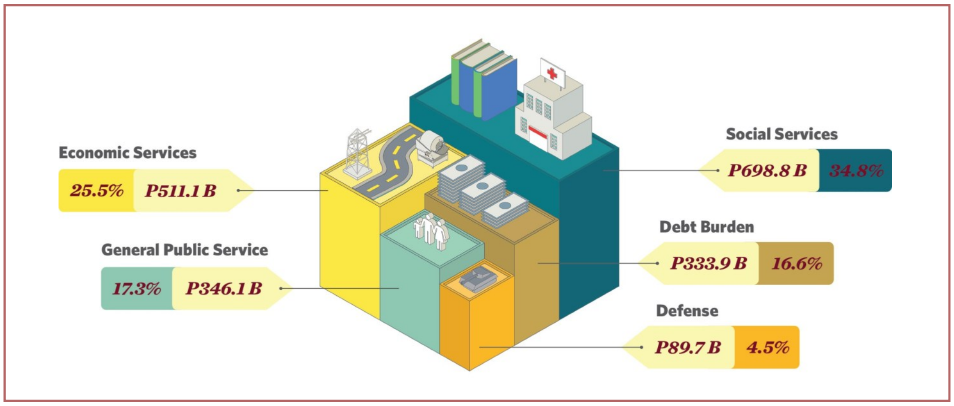
The national budget is truly a potent tool for the economy to journey towards inclusive growth that would empower Filipinos through deliverance from backbreaking poverty.

The 2013 National Budget Profile

The P2.006 trillion national budget for fiscal year 2013 is anchored, inter-alia, on a real GDP growth of 6.0-7.0%, inflation rate of 3.0-5.0%, 364-day Treasury Bill rate similarly at 3.0-5.0%, and a foreign exchange rate of P42.0-P45 to a US dollar. It is supported by a Revenue Program of P1.78 trillion representing 14.89% of GDP, a slight improvement from the 14.54% revenue effort in 2012. It consists of Total

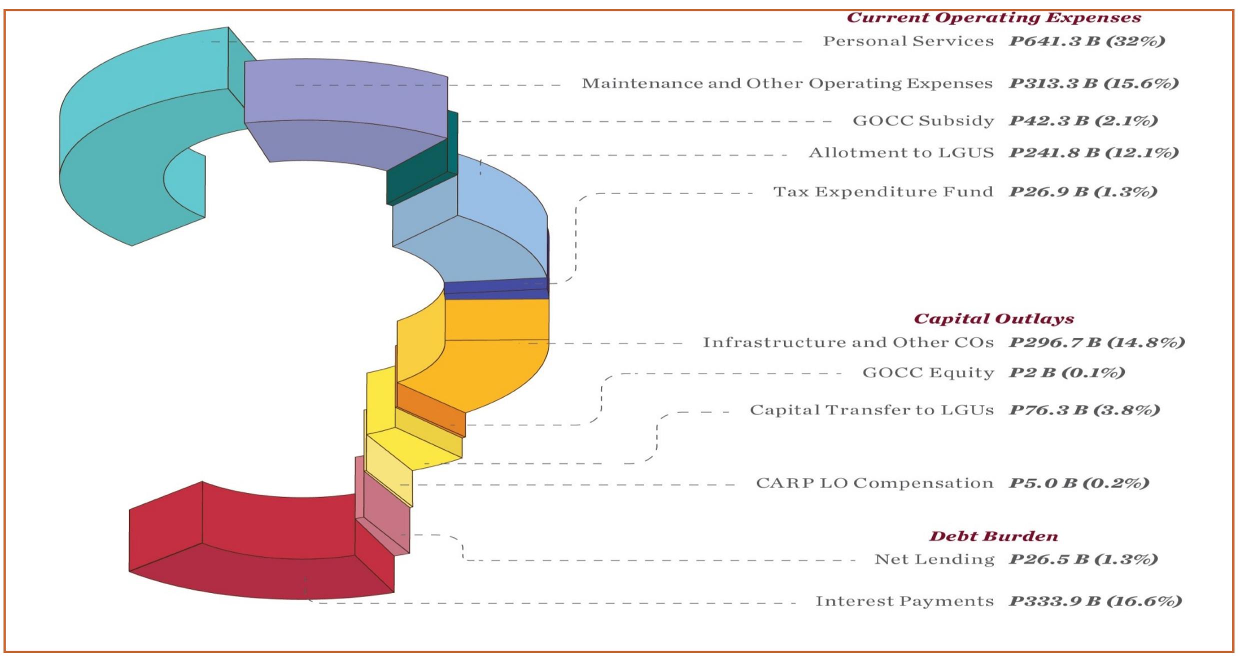
Programmed New Appropriations of P1.251 trillion, Unprogrammed Appropriations of P117.548 billion, and Automatic Appropriations of P755.219 billion.

Based on the classification by sector as submitted by the President to Congress, Social Services will garner the highest share of the budget at 34.8%, while not too far behind is Economic Services with a 25.5% share. General Public Services will account for 17.3% while the debt burden, specifically the allocation for Interest Payments, will capture a smaller 16.6% share of the budget. Defense will constitute the smallest share of the budget pie at 4.5%.



Source: www.budgetngbayan.com

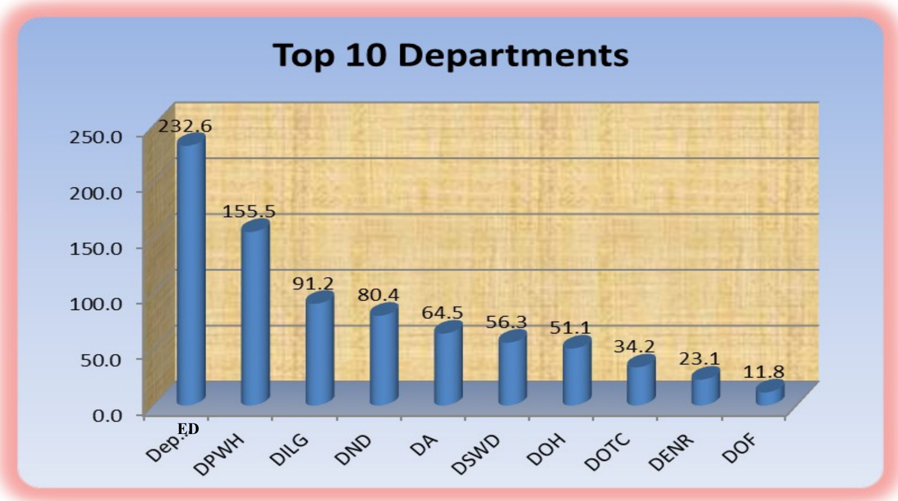
By Expense Class, Current Operating Expenditures which includes Personal Services as well as Maintenance and Other Operating Expenditures (MOOE), will capture the bulk or 79.7% of the budget. Although Capital Outlays will account for a much smaller share at 18.9%, it will grow at a faster rate, with a 15.7% year-on-year growth.



Source: www.budgetngbayan.com

Top 10 Departments

The Top Ten Departments in terms of budgetary allocation in the 2013 General Appropriations Act is shown in the chart below:



As mandated by our Constitution, the highest budget allocation is earmarked for the Department of Education (DepEd) at P232.595 billion, and will fully address the shortages in classrooms, teachers and textbooks to support the K+12 program. In particular, the education budget aims to reduce the classroom gap to zero in 2013 by allocating P25.2 billion for the Basic Educational Facilities Fund and P1 billion for the Regular School building Program. In addition, the creation of 61,510 Teaching Positions amounting to P14.538 billion is expected to fully cover the shortfall in teachers this year. Another P1.5 billion is provided for the procurement of 31.1 million textbooks and teachers' manual to maintain a 1:1 ratio of textbooks to students.

The next highest budget is allocated for the Department of Public Works and Highways (DPWH) at P155.518 billion. As one of the cornerstones of the Transport Infrastructure Development Program, the department has allotted P106.468 billion for Roads and Bridges in order to attain its targeted full pavement of arterial roads by 2014 and secondary roads by 2016. From the automatically-appropriated Motor Vehicle Users' Charge (MVUC) will be tapped a total of P13.3 billion to be utilized in the lengthening of the lifespan of roads through Preventive Maintenance and Routine Maintenance. The allocation for Flood Control programs and projects is also given a boost this year with a 42% increment or P17.5 billion, while the P3 billion Private-Public Partnership (PPP) Strategic Support Fund will fund the continuing implementation of the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX), Daang Hari-SLEX Link Road Project and the NAIA Expressway.

The third highest budgetary allocation is allotted for the Department of the Interior and Local Government (DILG) at P91.164 billion for the maintenance of public order and safety. This includes the P67.404 billion budget of the Philippine National Police to strengthen its capability to enforce laws and to prevent, suppress, and investigate crimes. A total of P2 billion is also earmarked for the PNP Modernization Program aimed at bringing the firearm-to-police ratio at 1:1, the creation of 3,000 new police positions, and the construction of 24 police stations.

The fourth highest budget is allotted for the Department of National Defense (DND) at P80.420 billion. Of this amount, P5 billion will support the AFP Modernization Program, the same as its 2012 allocation, and which will maintain the 68% combat readiness level of the military to enable it to deal with both internal and external challenges in 2013. Another P10 billion is included under the Unprogrammed Fund as standby fund once the AFP Modernization Law is passed by Congress. A total of P47.2 billion is similarly allotted for internal security while P2.1 billion will be used for territorial defense efforts of the major services of the Armed Forces of the Philippines.

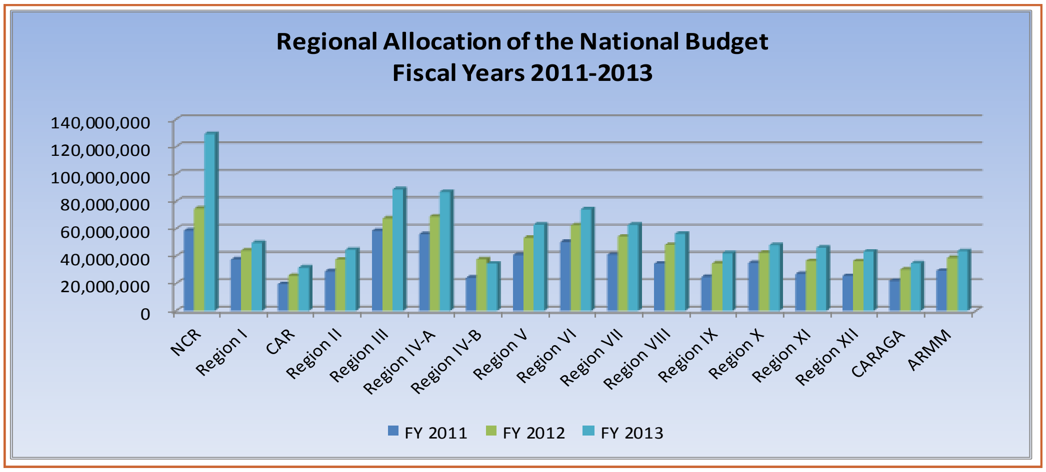
The Department of Agriculture (DA) captures the fifth highest budgetary allocation at P64.474 billion and is expected to support the government's agricultural development program. This budget will focus on the Food Staples Sufficiency Plan for the attainment of food self-sufficiency in rice this year. It also aims to ensure that the targets for corn, fisheries, and coconut will be attained in pursuit of food security for domestic consumption. The budget for irrigation amounting to P27.3 billion, 12% more than its 2012 allocation, will likewise support the food sufficiency plan, particularly for the restoration and rehabilitation of irrigable areas.

The next Top 5 departments in terms of budgetary allocation consist of the following: Department of Social Welfare and Development (DSWD) with P56.334 billion; Department of Health (DOH) with P51.075 billion; Department of Transportation and Communication (DOTC) with P34.185 billion; Department of Environment and Natural Resources (DENR) with P23.136 billion; and the Department of Finance (DOF) with P11.754 billion.

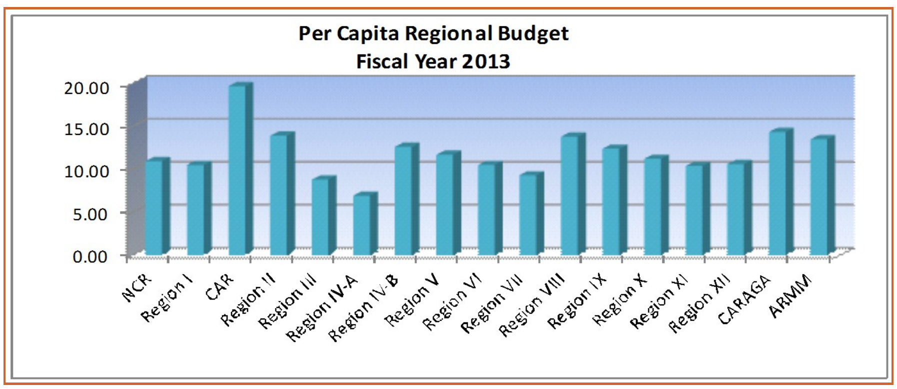
Regional Allocation of the National Budget

Taking into consideration a balanced regional distribution of resources across the country augurs well for an equitable and humane national budget. An equitable national budget aims to give due attention to the peculiar needs of the individual regions so that more resources are diverted to economically-challenged regions which lack adequate infrastructure to stimulate growth or are besieged with rampant poverty. It cannot be overemphasized that giving due consideration to regional development is necessary for the country to attain inclusive growth that would encompass the greater majority of Filipinos, not just the favored few, as envisioned in our Philippine Development Plan.

A scrutiny of the average regional allocation of our national budget for the past three years would show that the Top 5 Regions that have been receiving the highest allocation are NCR, Region III, Region IV-A, Region VI, and Region VII. On the other hand, the lowest allocation has been given to CAR, CARAGA, Region IV-B, Region IX, and Region XII. This trend can be more readily observed in the figure below.

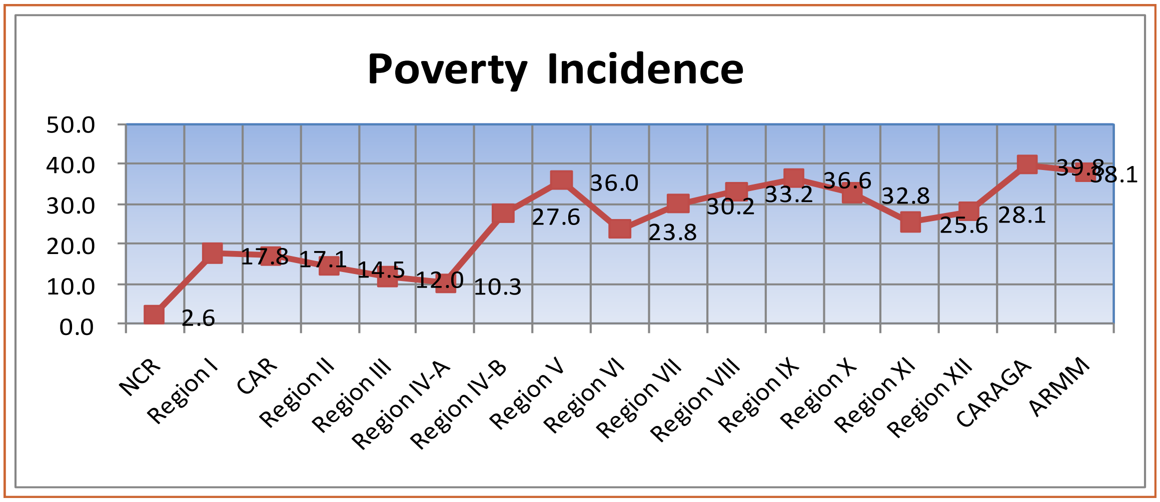


Taking the population of the region into account, however, reveals that for the current year, regions with low population like CAR, CARAGA, and ARMM rate the highest in terms of Per Capita Regional budget, with their population seemingly better off, as shown in the figure below:



A national budget is truly a powerful tool for redistribution of resources in the economy in pursuit of growth and development. Aiming for inclusive growth entails that equity shall be considered in the distribution of the national budget among the regions so as to empower the greater number of poor Filipinos by providing them with more of the country's economic resources. Hence an equitable regional distribution of the national budget that addresses substantial inter-regional, socio-economic disparities could be pursued if regions with higher poverty incidence are allocated relatively bigger slices of the budget pie. Looking at the regional poverty incidence levels of the different regions and correlating them with regional budget allocations would, to a great extent, reveal how poverty-sensitive our national budget is.

Latest official statistics from the NSCB's Philippine Statistical Yearbook for 2012 depicts the regional poverty incidence as follows:



Source: 2012 Philippine Statistical Yearbook

The figure above shows that the Top 3 regions with the highest allocation in 2013, i.e., NCR, Region III, and Region IV-A, have among the lowest poverty incidence in the country. Meanwhile, regions with the highest poverty incidence like CARAGA, ARMM, and Region X have substantially lower allocations. Although other valid criteria like absorptive capacity or certain regional peculiarities are also inputted into the regional budget determination process, this does not discount the glaring fact that the government needs to assist the under-resourced regions in catching up with the more economically-productive ones through the provision of hard infrastructure and financial resources for the entire country to move towards inclusive growth.

Inasmuch as the national government has time and again bannered inclusive growth as its centerpiece economic goal, fighting massive poverty should entail the formulation and continued application of a poverty-sensitive regional allocation formula for major departments. The use of such a formula had already been implemented way back in 1990 and was anchored on the use of various socio-economic indicators like poverty incidence or average family income. Agency-specific indicators, such as, for instance, infant mortality and maternal mortality for the Department of Health, were also inputted into the formula, with the result that the 1990 regional budget allocation of specific departments were found to have a markedly higher correlation with poverty incidence. For various reasons, however, the use of such formula was discontinued by agencies over the years, much to the detriment of the poorer regions which urgently need the resources to catch up with the faster-growing regions. Hence one interesting area of study now could focus on the allocation criteria presently being used by the different departments in determining their regional budgets and whether these are consistent with the government's goal of fighting rampant poverty across the country in pursuit of inclusive growth.

Budget Reforms

In the quest for fiscal transparency and greater stakeholder participation, several notable reforms are currently being implemented by the DBM in the formulation and execution phases of the national budget.

The "No Lump-Sum Fund" Policy entails the detailed disaggregation of budget items except for certain lump sum funds like the Calamity Fund, Miscellaneous Personnel Benefits

Fund, Pension Gratuity Fund and the like. Breaking down lump sum funds into their component items will discourage anomalies in the use of public funds and will make budget execution faster, thus promoting fiscal transparency. The "No Lump-sum Fund" policy also paves the way to the shift to the "GAA-as-Release Document Regime" by 2014 which, according to DBM, will cut short the lengthy process of requesting, processing, and releasing of budget allocations, with certain exemptions. In addition, the One-Year Validity of Appropriations from the previous two-year validity of the maintenance expenditures and capital outlays will be implemented this year. The disallowance of carry-over budgets for MOOE and CO is expected to improve the budget execution phase in preparation for the Budget as Release Document by 2014.

Bottom-Up Budgeting is one other budget innovation being implemented by DBM that targets greater stakeholder participation in budgeting, particularly as a way of actively involving the grassroots in the allocation of public funds. As a pilot process, 609 poor municipalities were identified, from which the different departments were able to determine the services to be funded in their budgets based on their consultation with the said poor municipalities in partnership with civil society and community organizations. As a result, 595 municipalities were able to propose services for inclusion in the budgets of 11 national government agencies. Although this innovation ensures, to a greater extent, more relevant and timely programs and projects for the poor, it does not encourage the use of a more exact poverty-sensitive equitable allocation formula for regions that would more accurately channel resources towards regions where there is widespread poverty.

To complement Bottom-Up Budgeting, Expanded Agency-Civil Society Partnerships in budget preparation similarly enhances stakeholder participation. A Budget Partnership Agreement process is now being implemented for 12 departments and 6 Government Owned and Controlled Corporations (GOCCs), from an initial 6 departments and 3 GOCCs. This arrangement allows civil society organizations to give their feedback on the programs and projects being implemented by the national agencies.

Light at the end of the Tunnel

Empowerment of the poor is what the 2013 national budget aims to achieve. Putting resources in the hands of the greater majority of economically-disadvantaged Filipinos by equipping them with education, health services, housing, and livelihood opportunities through an equitable national budget will go a long way in helping the long-suffering Filipino poor escape from the claws of poverty. Although our economy has recently exhibited highly-encouraging growth figures with a higher than targeted 6.8% Gross Domestic Product rate last year, still the bigger challenge lies in the urgency to have this growth trickle down to the greater number of our people who are enslaved by poverty. Hopefully, the administration's clarion call for inclusive growth will finally and irreversibly lead the long-suffering Filipino people to that proverbial yet elusive light at the end of the tunnel.

This article was written by Mercedita F. Urbano, Director III, with the assistance of Ernie Medrano, under the over-all guidance of Director-General Yolanda D. Doblon of the Legislative Budget Research and Monitoring Office. The views and opinions expressed in this article are those of the author and do not necessarily reflect the views or any policy initiatives of the Senate, its leadership, or its individual members .

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Budget Facts & Figures

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