



# Forward Estimates and Two-Tier Budgeting Approach

March 25, 2015

# Outline

- Budgeting in the Past
- Two-Tier Budgeting Approach (2TBA)
- Benefits of Two-Tier Budgeting
- Processes in Support of the 2TBA

# Forward Estimates

The future costs of **on-going or existing policies (translated into programs and projects)** of the government over a three-year period

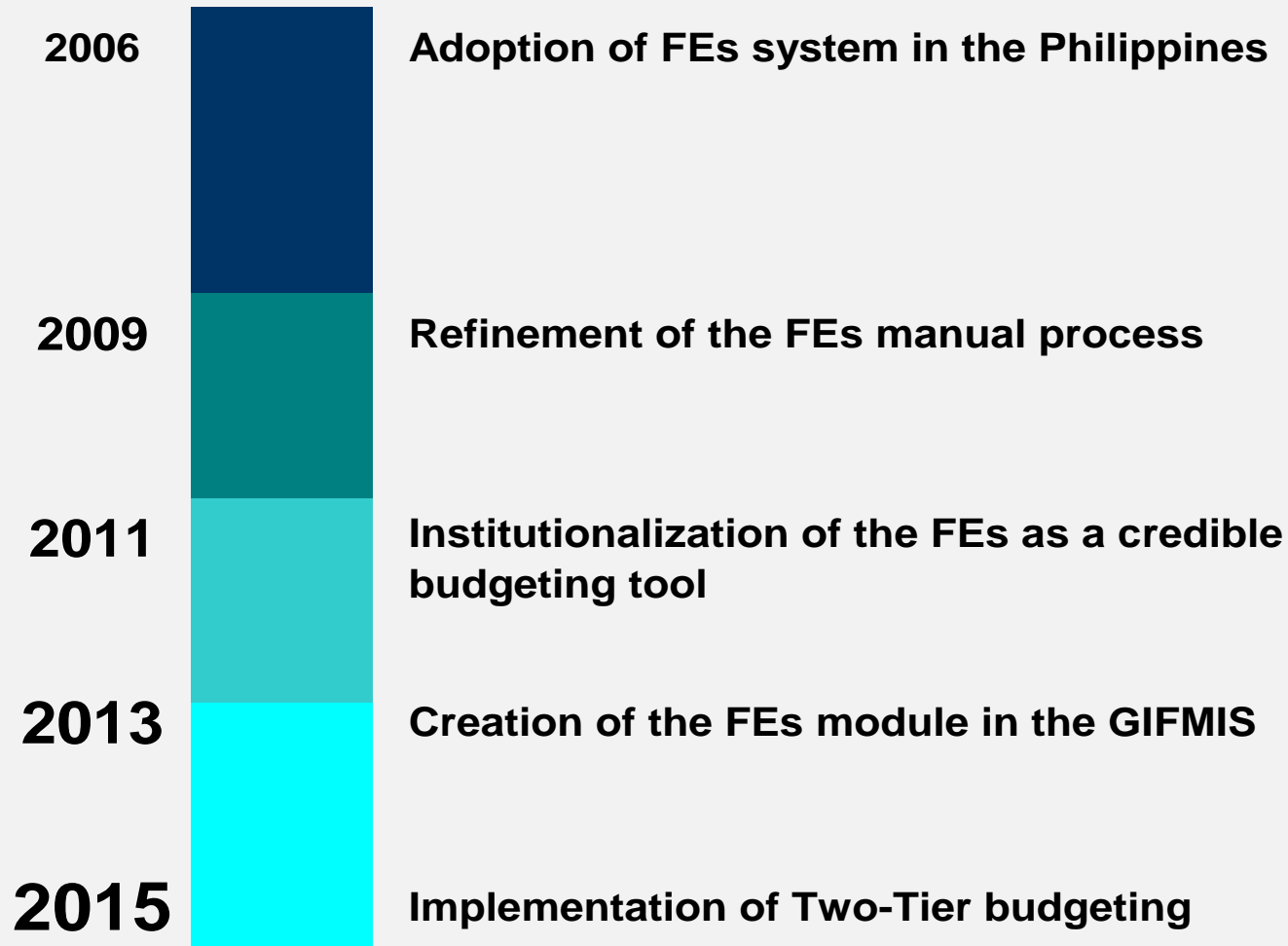
- Serves as the basis of the budget ceilings and
- Enables the determination of the allocable fiscal space to fund new policies

# FEs Illustration

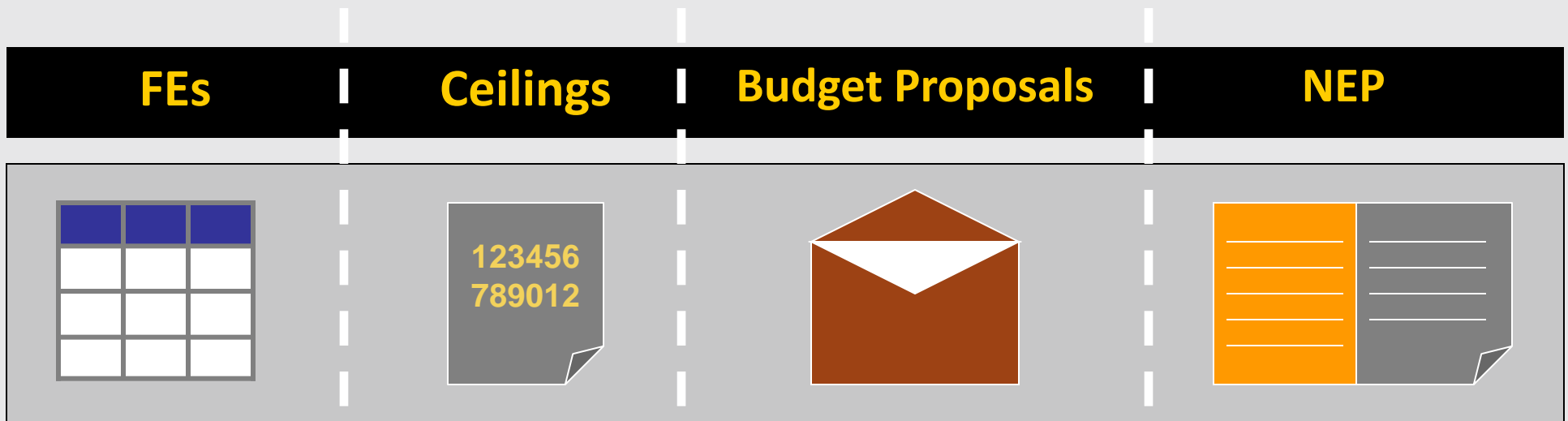
	BASE YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4
<b>Baseline</b>	GAA				
UPDATES (+/-) - Non-recurring/Completing/Terminating Activities + Newly approved expenditure policies -/+ Parameter/Population-driven Adjustments - Identified savings					
<b>FEs for the first three-year period</b>		FEs/ Ceilings Y1	FEs Y2	FEs Y3	
UPDATES (+/-) - Non-recurring/Completing/Terminating Activities + Newly approved expenditure policies -/+ Parameter/Population-driven Adjustments - Identified savings					
<b>FEs for the second three-year period</b>			Updated FEs/ Ceilings Y2	Updated FEs Y3	Formulated FEs Y4
UPDATES (+/-) - Non-recurring/Completing/Terminating Activities + Newly approved expenditure policies -/+ Parameter/Population-driven Adjustments - Identified savings					
<b>FEs for the third three-year period</b>				Updated FEs/ Ceilings Y3	Updated FEs Y4

SOURCE: Derived from the IMF, modified to illustrate the system adopted in the Philippines

# FEs in the Philippines

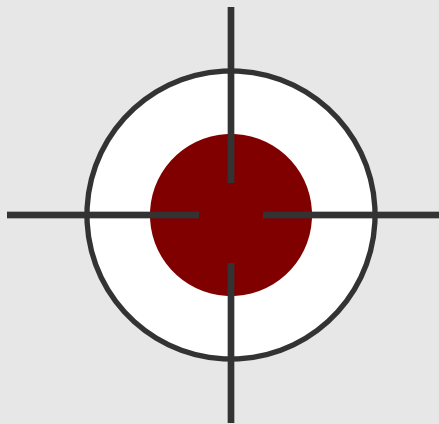


# Budgeting in the Past



- FEs is formulated/updated by DBM with little participation of departments/agencies
- Ceilings are just indicative where agencies bid above their respective ceilings
- Budget proposals are a mixture of ongoing/existing and proposed new spending measures

# Two-Tier Approach: More Focused Budgeting



Separates the **discussions and deliberations** for ongoing/existing programs/projects and entirely new spending measures/proposals, including the expansion of the ongoing/existing.

## 3 Main Objectives:

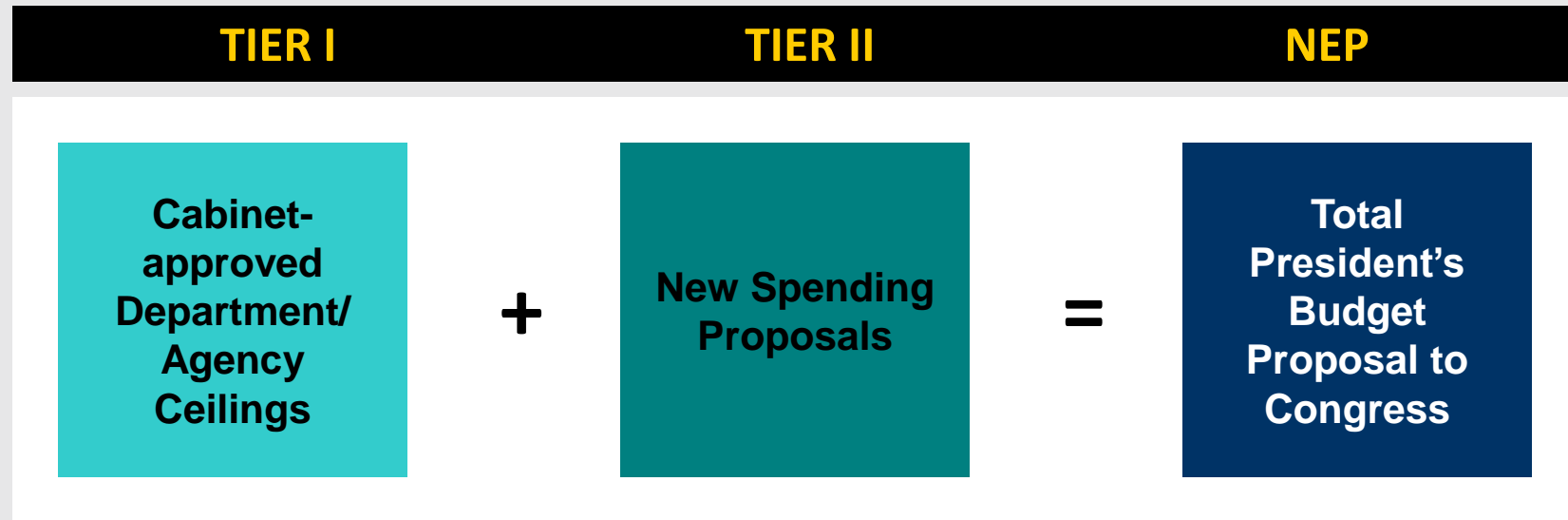
- ❖ Streamlines the budget preparation process
- ❖ Enhances the accountability of departments/agencies
- ❖ Engages the President and the Cabinet in setting the strategic direction and distribution of the unallocated fiscal space

# WHY SHIFT to 2TBA?

- ✓ Strengthens our role in the **evaluation and review** of new spending proposals
- ✓ Empowers us to **effectively and efficiently manage** public resources
- ✓ **Minimizes the possibility of realignment requests** from agencies
- ✓ Involves the Cabinet and agencies in the **strategic allocation of fiscal space**
- ✓ **Strengthens agency planning**



# Two-Tier Budgeting



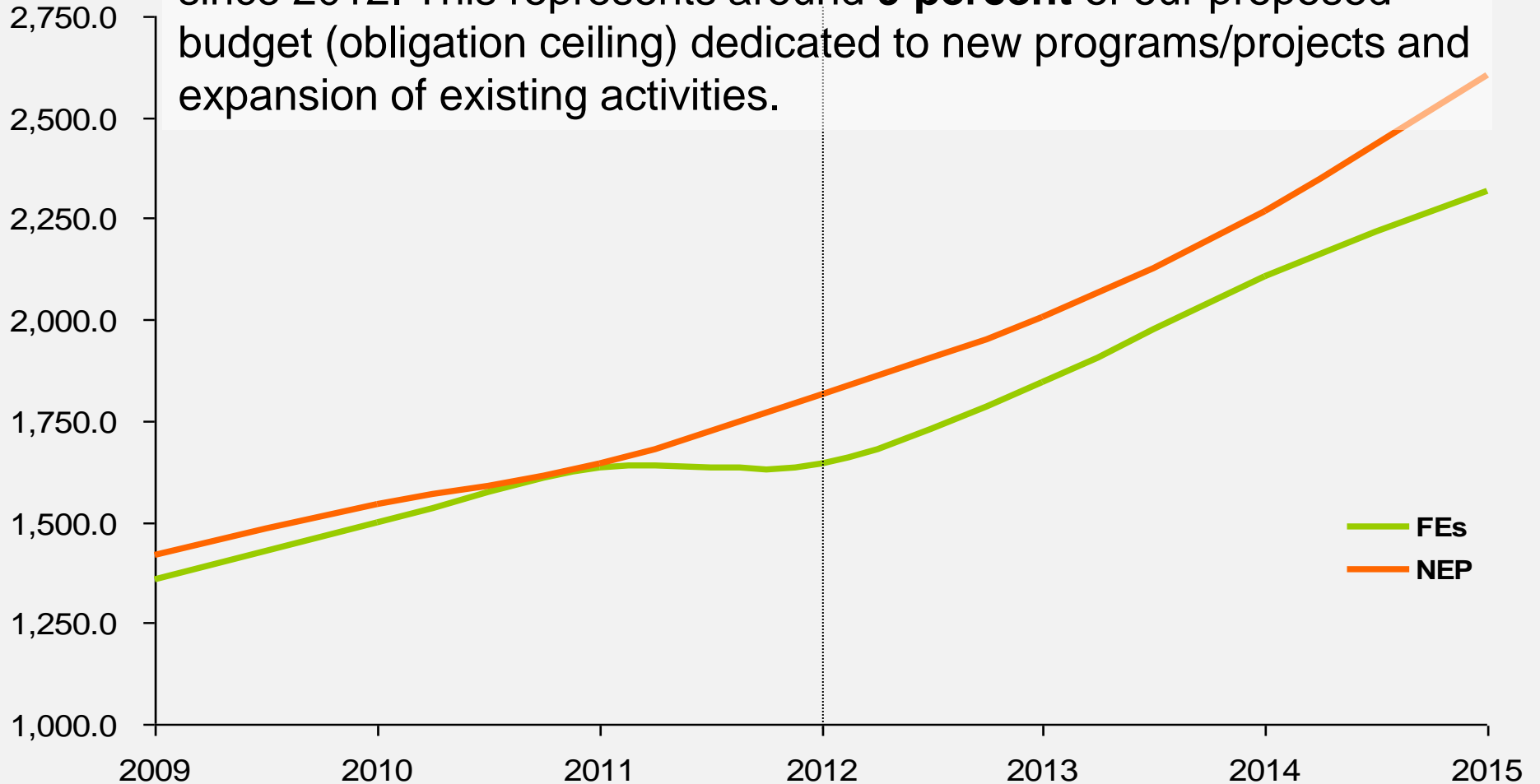
- Formulated/updated FEs will be the basis of agency ceilings. **The Cabinet-adopted ceilings will be the budget of agencies for their ongoing/existing P/A/Ps.** Agencies are required to provide the details of their ceilings.
- **Agencies can no longer bid above their ceilings.** Any bid above the ceilings will be treated as expansion or new spending proposals.
- **Priority departments/agencies will submit new spending proposals** anchored on the areas and strategies identified in the Budget Priorities Framework.
- The budgetary requirements determined in Tiers I and II will represent the total budget proposal of the President to the Congress.

# What exactly is ongoing, expansion or new?

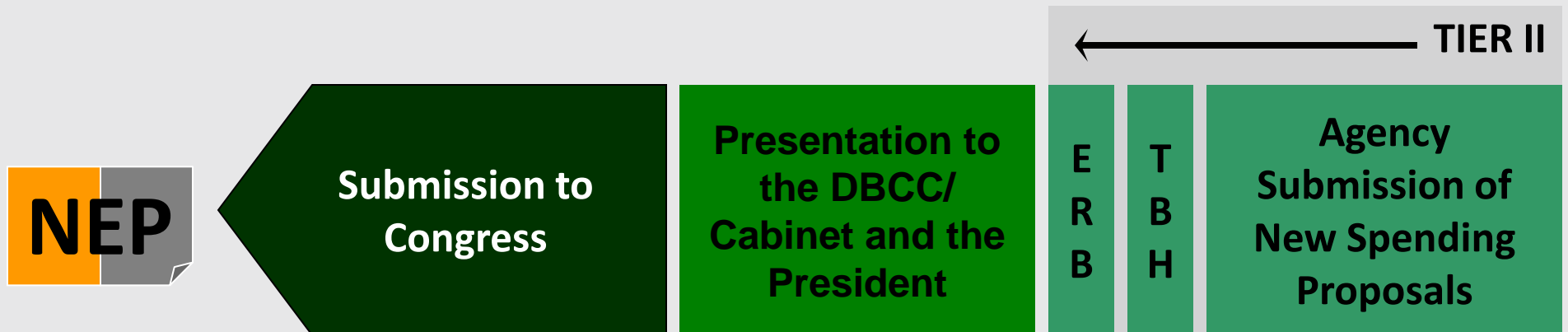
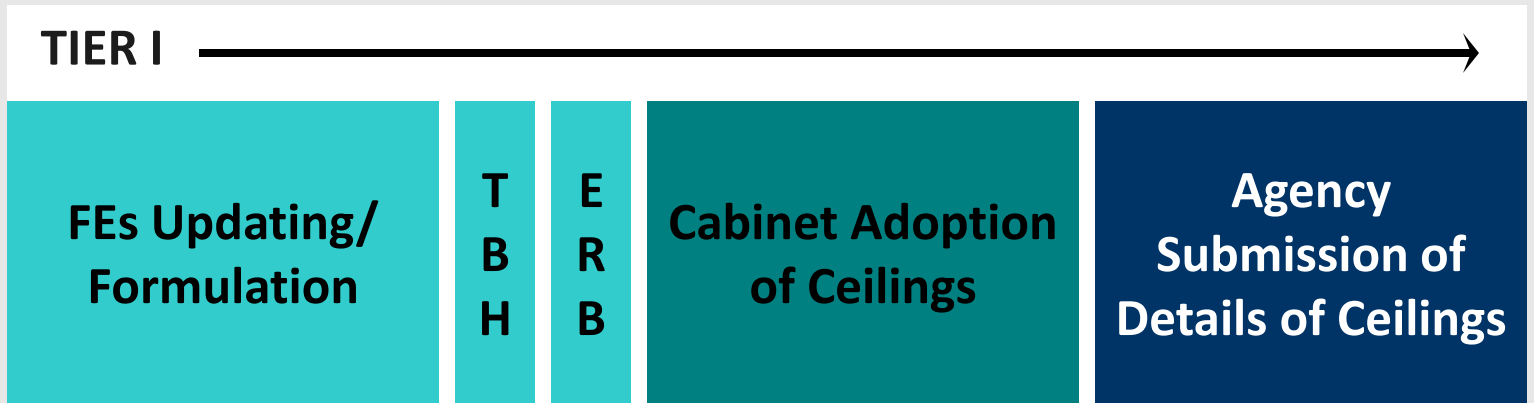
<b>Ongoing</b>	Existing P/A/Ps with appropriation under the 2015 GAA or activities that are ongoing but periodic in implementation (e.g. Conduct of PSA statistics/surveys, Barangay, Local and National Elections). This also includes all programs/projects <b>already approved by the President or the NEDA Board</b> , which are not yet included in the 2015 GAA.
<b>Expansion</b>	Proposed scaling up of <u>existing activities</u> in terms of scope/coverage, magnitude and targets/beneficiaries. <ul style="list-style-type: none"><li>• CCT Expansion due to the updating of NHTS</li><li>• Enhanced implementation of the Early Years Law of 2013 through the EECD</li><li>• Rehabilitation of existing public infrastructure (roads, bridges, navigational facilities)</li></ul>
<b>New</b>	Non-existent activities <u>but are in the pipeline</u> or proposed programs/projects <u>pending approval</u> . This also includes entirely new spending measures within the mandates of line agencies directed by the strategies and areas identified in the BPF. <ul style="list-style-type: none"><li>• Infrastructure projects considered in the PIP/TRIP</li></ul>

# FEs and Fiscal Space

Fiscal Space amounted to **P195.3 billion** on a four-year average since 2012. This represents around **9 percent** of our proposed budget (obligation ceiling) dedicated to new programs/projects and expansion of existing activities.



# Processes Supporting 2TBA





# Two-Tier Budgeting Approach

February 3, 2015

# Standby Slides



# General Guidelines

## INCLUSIONS

- Ongoing/Existing P/A/Ps in the 2015 GAA that are continuing until at least one of the forward years. List and budgetary requirements of ongoing/existing P/A/Ps shall be initially based on the 2015 GAA, adjusted following the guidelines under BPG 2016-1 dated December 15, 2014.
- Programs/projects already approved by the President or the NEDA Board for implementation in any of the forward years. New spending proposals or policies that were approved after the 2015 budget preparation.
- Periodic activities/programs like PSA surveys and COMELEC preparatory work for the conduct of elections
- Budgetary requirements of programs based on program plans/profiles, or department/agency MTEP approved by the DBCC, if available. Budgetary requirements of projects shall be based on approved and updated project profiles

# General Guidelines

## **INCLUSIONS (Cont.)**

- Other Considerations:
  - Maintenance requirements of newly completed buildings/facilities and newly acquired vehicles
  - Budgetary requirements of ICT related expenditures
  - Climate change adaptation and mitigation expenditures
- Adjustments due to :
  - Inflation
  - Foreign Exchange
  - Demographics or population driven expenditures
- Budgetary requirements (maximum of six-months) to cover the winding-up activities of completing projects
- BUB programs/projects and ICT systems approved by MITHI , (determined using their governing guidelines) shall be provided separately by RIU and MITHI Secretariat



# General Guidelines

## EXCLUSIONS

- Programs/projects which are already terminating in 2014 or 2015 and those that no longer require funding in any of the forward years
- Non-recurring activities
- Increase in project cost/ cost overruns without ICC-CabCom approval
- Scaling up of activities in terms of policy change and expansion of ongoing/existing programs/projects without explicit approval from competent authority (i.e. ICC, DBCC, OP,etc)
- Succeeding phases of on-going multi-phase projects still to be approved by competent authority

# Budget Preparation Calendar

Activities	One-Tier Budgeting	Two-Tier Budgeting (Indicative)
FEs Updating/Formulation	Oct 26 – Dec 16, 2013	Jan – Feb, 2015
Consultations with Agencies	-	Jan 26 – Feb 6, 2015
FEs ERB	Dec 19-20, 2013	Feb 9 – 20, 2015
FEs Agency Confirmation	-	Feb 23 – 24, 2015
Cabinet Discussion on the Ceilings	-	March 5 – 12, 2015
Release of Budget Call/BPF/Ceilings	Dec 27, 2013	3 <sup>rd</sup> wk March 2015
Conduct of Budget Forum	Jan 2014	March 23 -27, 2015
Submission of Budget Proposals	Mar 28, 2014	Not Required
Submission of New Spending Proposals and Details of Ceilings	-	Apr 27, 2015
TBH	Apr 7 – May 9, 2014	May 4 – 22, 2015
ERB	May 12, - June 6, 2014	June 1 – June 12, 2015
Agency Confirmation	June 23-27, 2014	June 15-16, 2015
DBCC/Cabinet/President Approval	June 13, 2014	June 22, 2015