



PAGBA Quarterly Seminar and Meeting

March 30, 2016
Plaza Del Norte Convention Center
Laoag City

Outline

- Key Principles for 2017 Budget
- Two-Tier Budgeting Approach (2TBA)
- Macroeconomic Assumptions for FY 2016-2019
- NG Medium-Term Fiscal Program for FY 2016-2019 and FY 2017 Expenditure Program
- FY 2017 Priority Programs and Projects
- Important Things and Dates to Remember

Principles of the 2017 Budget



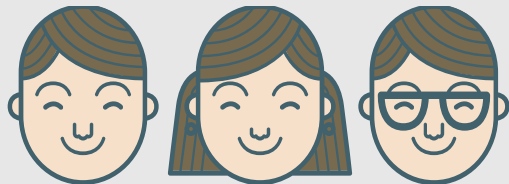
Spending **within our means**



Investing in the **right priorities**



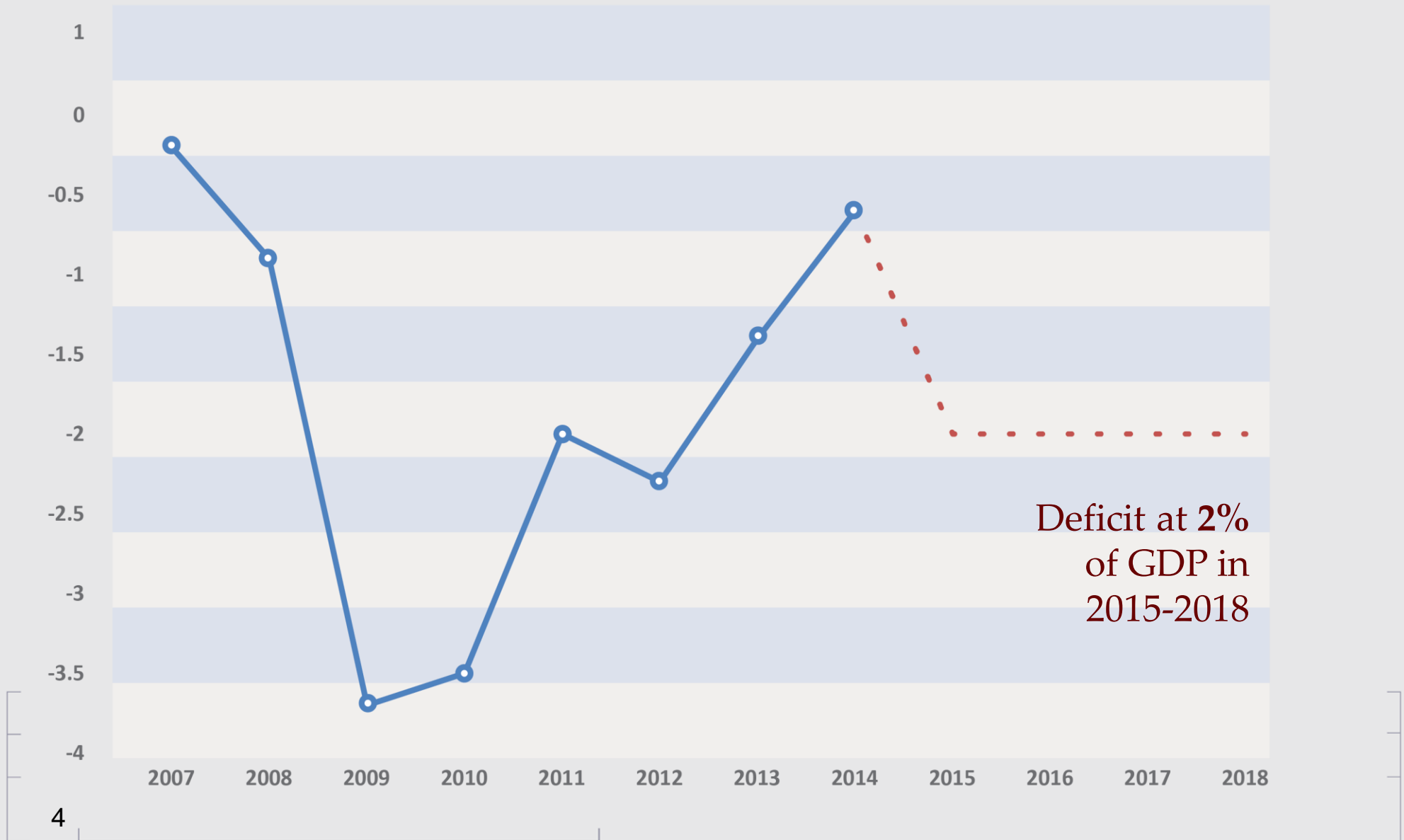
Delivering **measurable results**



Empowering citizens

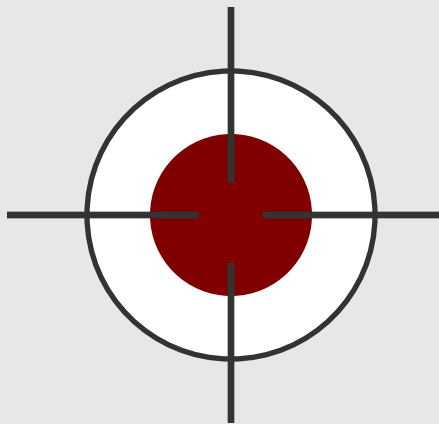
through fiscal transparency,
accountability, & participation

FISCAL DEFICIT AS % OF GDP



Deficit at 2%
of GDP in
2015-2018

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 ones.

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

Two-Tier Budgeting Approach

Tier 1 =

Ongoing

On-going and existing P/A/Ps with appropriation under the 2016 GAA but includes those that are periodic in implementation (e.g. Conduct of PSA statistics/surveys, Barangay, Local and National Elections).

Tier 2 =

Expansion

+

New

Proposed scaling up of existing activities in terms of scope/coverage, magnitude and targets/beneficiaries.

Non-existent activities but are in the pipeline or proposed programs/projects pending approval. This also includes entirely new spending measures within the mandates of line agencies directed by the strategies and areas identified in the BPF.

New infrastructure projects considered in the TRIP

Tier 1 - General Formula

Tier 1 = FE (Year 1)

=

Annual cost of on-going programs and projects based on actual obligations for FY 2015

- terminating program or projects

- non-recurring expenditure items

± change in parameter adjustments and other adjustments

Tier I Budget

	Basis
On-going programs/ projects	<ul style="list-style-type: none">• Refer to programs and project under 2016 GAA and periodic activities• Existing budget structure
Target	<ul style="list-style-type: none">• Level of targeted outputs and outcomes for 2016• Adjustments limited to those approved by the President or NEDA
Cost	<ul style="list-style-type: none">• Absorptive capacity of the agency adjusted to parameter changes

Tier I Budget by Expense Class

Personal Services

- PS requirements adjusted based on the Government Manpower Information System (GMIS) as of December 31, 2015
- Requirements intended for pensions

MOOE

- Indexed items adjustments due to:
 - Foreign Exchange
 - Inflation
- Periodic activities/programs

Capital Outlay

- Budgetary requirements of ongoing multi-year projects

Other factors to be considered:

- Implications of existing policies and consistency with latest Results Matrices (RM) of the Philippine Development Plan (PDP)
- Cost assumptions adopted during the FY2016 budget preparation
- Approved and updated project profiles
- Historical financial and physical performance
- Estimated performance level for FY2016

Tier 2

- The requirements of these new and expanded programs shall be limited to the annual percentage increase of the total obligation ceiling approved by the Development Budget Coordination Committee (DBCC)
- Proposals shall be ranked according to priority/importance/urgency.
- New spending policies that were approved and issued after the submission of the latest NEP covered by the following:
 - ✓ ICC-NEDA Board approval and Forward Obligational Authority (FOA)
 - ✓ DBCC-approved Medium-Term Expenditure Program



Tier 2 (Cont.)



- For Personal Services

Requirements for the creation and filling up of positions.

- For MOOE and CO

- Maintenance requirements of newly completed buildings/ facilities and newly acquired vehicles
- Budgetary requirements of ICT related programs and projects
- Population-driven changes
- Budgetary requirements of the PAMANA and Bottom-Up Budgeting (BUB) program
- Projects without approval of pertinent approving committees



Macroeconomic Assumptions

Parameter	2015 (actual)	2016	2017	2018	2019
Inflation (%)	1.4	2.0-4.0	2.0-4.0	2.0-4.0	n.a.
364-Day Tbill Rate (%)	2.1	2.5-4.0	2.5-4.0	2.5-4.0	2.5-4.0
FOREX (P/US\$)	45.5	45-48	45-48	45-48	45-48
LIBOR, 6 mos (%)	0.5	1.0-2.0	1.5-2.5	1.5-2.5	1.5-2.5
Dubai Oil (US\$/bbl)	50.92	45-60	50-65	50-65	50-65
Exports (%)	-4.0	5.0	8.0	10.0	10.0
Imports (%)	0.0	10.0	12.0	13.0	13.0

Gross Domestic Product

Year	Nominal GDP	Growth (%)
2016	14,931,480	6.8-7.8
2017	16,456,624	6.6-7.6
2018	18,191,827	7.0-8.0
2019	20,090,871	6.9-7.9

Medium-Term Fiscal Program

Particulars	2015	2016	2017	2018	2019
	Outlook	Program	Estimate	Estimate	Estimate
REVENUES*	2,129.7	2,696.8	3,040.0	3,391.7	3,787.0
% of GDP	16.0	18.1	18.5	18.6	18.8
Tax Revenues	1,841.5	2,543.3	2,885.0	3,239.8	3,622.7
% of GDP	13.9	17.0	17.5	17.8	18.0
BIR	1,459.0	2,025.7	2,314.6	2,559.9	2,925.9
BOC	367.5	498.7	551.4	660.9	677.8
Non-Tax Revenues	223.4	151.4	152.9	149.9	162.3
% of GDP	1.7	1.0	0.9	0.8	0.8
Privatization	64.8	2.0	2.0	2.0	2.0
DISBURSEMENTS	2,238.0	2,995.4	3,371.7	3,760.3	4,196.2
% of GDP	16.8	20.1	20.5	20.7	20.9
Current Operating Exp.	1,788.5	2,205.0	2,404.3	2,620.5	2,833.4
Capital Outlays	439.8	763.9	940.9	1,113.3	1,336.3
Net Lending	9.7	26.5	26.5	26.5	26.5
SURPLUS/(DEFICIT)	(108.3)	(298.6)	(331.8)	(368.7)	(409.2)
% of GDP	(0.8)	(2.0)	(2.0)	(2.0)	(2.0)

Note:

Nominal GDP 13,285.2 14,931.5 16,456.6 18,191.8 20,090.9

*includes existing and proposed measures

Approved MT Fiscal Program

1. Medium-Term Fiscal Program

(amounts in billions)

Year	Revenue	Disbursement	Deficit
2016	2,696.8	2,995.4	(298.6)
2017	3,040.0	3,371.7	(331.7)
2018	3,391.7	3,760.3	(368.6)
2019	3,787.0	4,196.2	(409.2)

2. FY 2017 Obligation Budget of **P3,350.0 Billion, 11.6% more than 2016 and equivalent to 20.4% of GDP vs 20.1% in 2016**

Budget Priorities Framework



Good Governance
& Anti-Corruption



Making Growth
More Inclusive



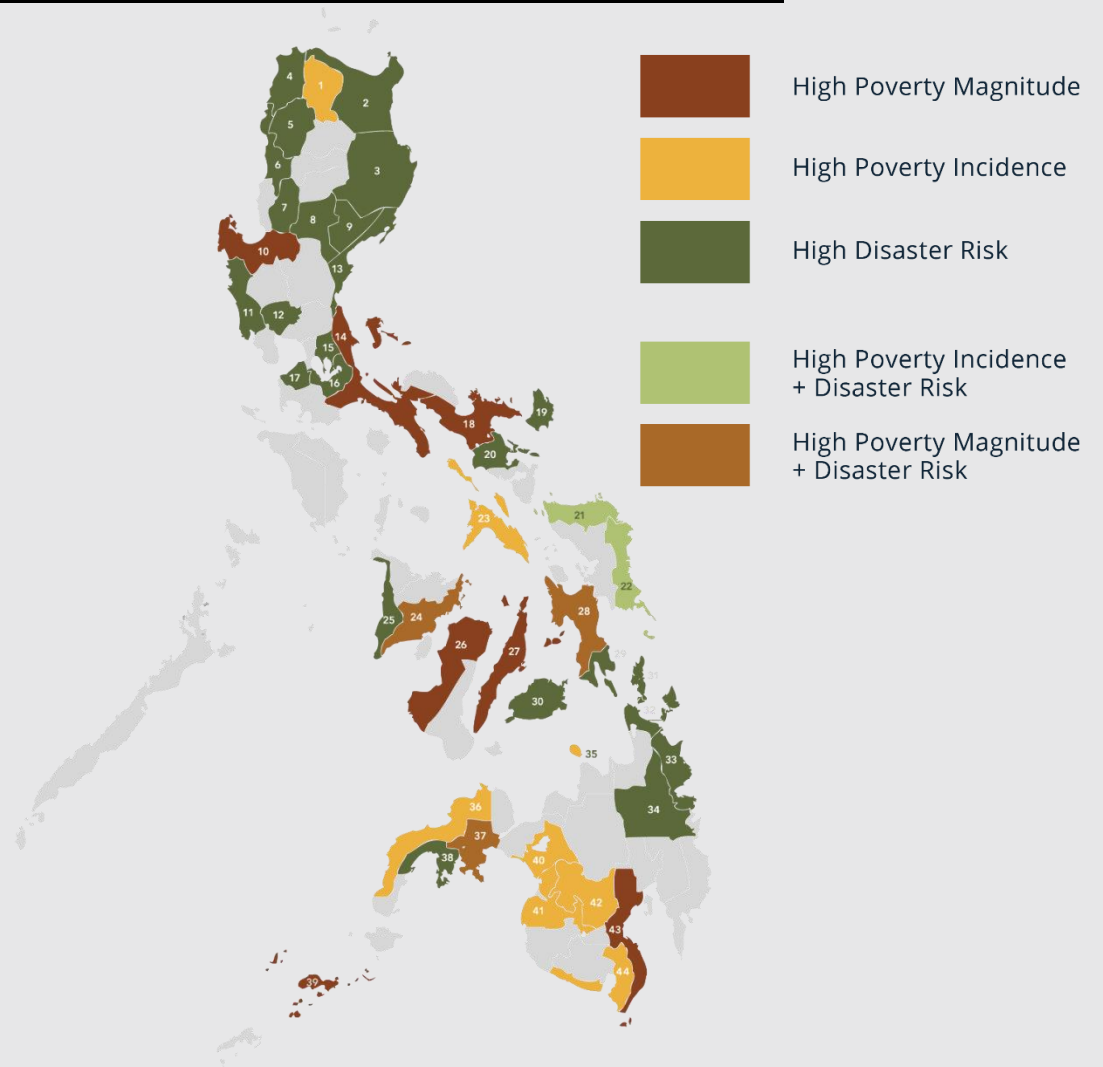
Sustaining the
Growth Momentum



Managing
Disaster Risks



Forging Just and
Lasting Peace



Priority Programs for 2017

Transparent, Accountable, and Participatory Governance

Budgetary support for the following programs/projects is necessary:

1. Capacity-building for planning and investment programming systems improvement of absorptive capacity in program/project implementation setting-up M&E systems; and enhancement of information systems;
2. Improvement of business regulation and frontline services of public agencies;
3. Initiatives relating to compliance with the Transparency Seal by NGAs and GOCCs;
4. Provision of Performance Challenge Fund for LGUs;
5. Implementation of BUB for enhanced transparency;
6. Corruption deterrence services and resolution of graft and corruption cases;
7. Run-After-Tax-Evaders program of BIR and Run-After-the Smugglers Program of BOC; and
8. Expand Citizens' Participatory Budgeting and Audit.

Priority Programs for 2017

Poverty Reduction and Empowerment of the Poor and Vulnerable

- **Education**

- Continued support for K to 12 Basic Education Program, especially on the first year of implementation of the Senior High School
- Funding of the Open Distance Learning Act, Unified Student Financial Assistance System for Tertiary Education (UniFAST) Act, and Implementing Rules and Regulations (IRR) of the Ladderized Education Act of 2014
- Facilitation of employment and provision of Scholarship/Research Grants and skills (for livelihood) for displaced Higher Education Personnel
- Address job-skills mismatch to ensure that the country is globally competitive and ready for the ASEAN integration

- **Early Childhood Care and Development**

- Intensify the implementation of the First 1000 Days Program

Priority Programs for 2017

Poverty Reduction and Empowerment of the Poor and Vulnerable

- **Social Protection**

- Budgetary support for Conditional Cash Transfer and the Modified Conditional Cash Transfer
- Provision of Agricultural Insurance and Credit to Farmers and Fisherfolk

- **Health**

- Continued support for the Universal Health Care Program or the Kalusugang Pangkalahatan

- **Housing**

- Address unmet demand for decent socialized and low-cost housing
- Resolve implementation issues in the P.50.0 billion housing program for ISFs living in danger areas in Metro Manila

Priority Programs for 2017

Rapid, Inclusive, and Sustained Economic Growth

Infrastructure Development

Strategies:

1. Improve the connectivity and efficiency among urban centers, regional growth hubs
2. Increase the level of service/operational efficiency
3. Pursue energy and water security
4. Pursue legislation recognizing energy “projects of national significance”
5. Eliminate conflicting roles of transport agencies having both regulatory and operation/operator functions

Priority Programs for 2017

Rapid, Inclusive, and Sustained Economic Growth

Infrastructure Development

Strategies:

6. Amend the IRR of the Water Code
7. Amend the Law on ROW or site acquisition for government projects
8. Improve access to and adequacy of infrastructure to address gaps in far-flung areas
9. Provide safety and security measures
10. Promote and adopt Global Navigation Satellite System (GNSS) technology

Priority Programs for 2017

Rapid, Inclusive, and Sustained Economic Growth

Infrastructure Development

Other Strategies to accelerate infrastructure development:

1. Long Term Performance Based Maintenance Contracts
2. KALSADA Program

Priority Programs for 2017

Rapid, Inclusive, and Sustained Economic Growth

Infrastructure Development

The following approaches should also be implemented to support the Acceleration of the Infrastructure Development:

1. Formulation of the Unified Financing Framework (UFF) for Water Supply and Sanitation.
2. The Three-Year Rolling Infrastructure Program (TRIP).

Priority Programs for 2017

Rapid, Inclusive, and Sustained Economic Growth

Agriculture Development

Specific Strategies:

1. Promotion of area-based development vis-à-vis commodity-based development.
2. Enhancement of the provision of support services
3. Enhancement of market and trade A&F products
4. Enhance provision of agricultural insurance and credit to farmers and fisherfolk.
5. Create a policy environment that promotes greater private sector participation.
6. Continuation of projects that incorporate strategies.

Priority Programs for 2017

Just and Lasting Peace

Provision of funding support is need for the following programs:

1. Conduct of a Nationwide Crime Victimization Survey;
2. Enhancement of the National Justice Information System;
3. Establishment of new crime/forensic laboratories
4. Enhancement of cybercrime-solving capabilities of PNP and NBI;
5. Updating of the Criminal Code for more responsiveness to new laws and changes in social conditions and crime trends;
6. Full Implementation of the revised AFP Modernization Program;
7. Additional investment on disaster preparedness and response operations;
8. Enhancement of LGUs' capacities for disaster management;
9. Bureau of Corrections Modernization Act;
10. Formulation and Implementation of Government Cyber Security Plan;
11. Dangerous drugs suppression; and
12. Technical assistance to LGUs and Regional Line Agencies (RLAs) for capacity building.

Priority Programs for 2017

Integrity of the Environment and Climate Change Adaptation and Mitigation

Strategies:

1. Improving the Regulatory Capacities of NGAs and LGUs
 - a) Strengthening of the implementation and enforcement of environmental laws
 - b) Acquisition of monitoring equipment for air and water quality
 - c) Establishment of stormwater management facilities in each LGU
2. Enhancing the Capacity of Local Communities
3. Risk Resiliency Program (RRP)

Important Things to Consider

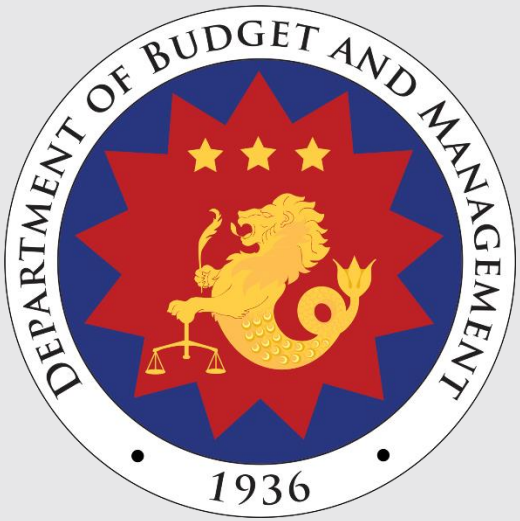
- Revised Budget Preparation (BP) Forms 202 and 203.
 - The forms shall be accomplished for every new proposal and every expanded existing activities.
 - Failure to do so shall lead to the non-consideration of the Tier 2 proposals.

Important Things to Consider

- Limiting and Ranking the Proposals Based on Priorities and Budget Growth.
 - Agencies are required to limit the list of their Tier 2 proposals for 2017 to be equivalent to a maximum 20 percent growth from the 2016 budget levels.
 - The agencies shall also force rank the Tier 2 proposals in accordance with the priorities of the government agency.
 - Inability to limit and rank the Tier 2 proposals shall also lead to the non-consideration of the said proposals.

Important Dates to Remember

- Deadline for online submission Tier 1 and Tier 2 on **April 22, 2016**
- Technical Budget Hearings on Tier 2 (New Spending Proposal) – **April 25 to May 13, 2016**

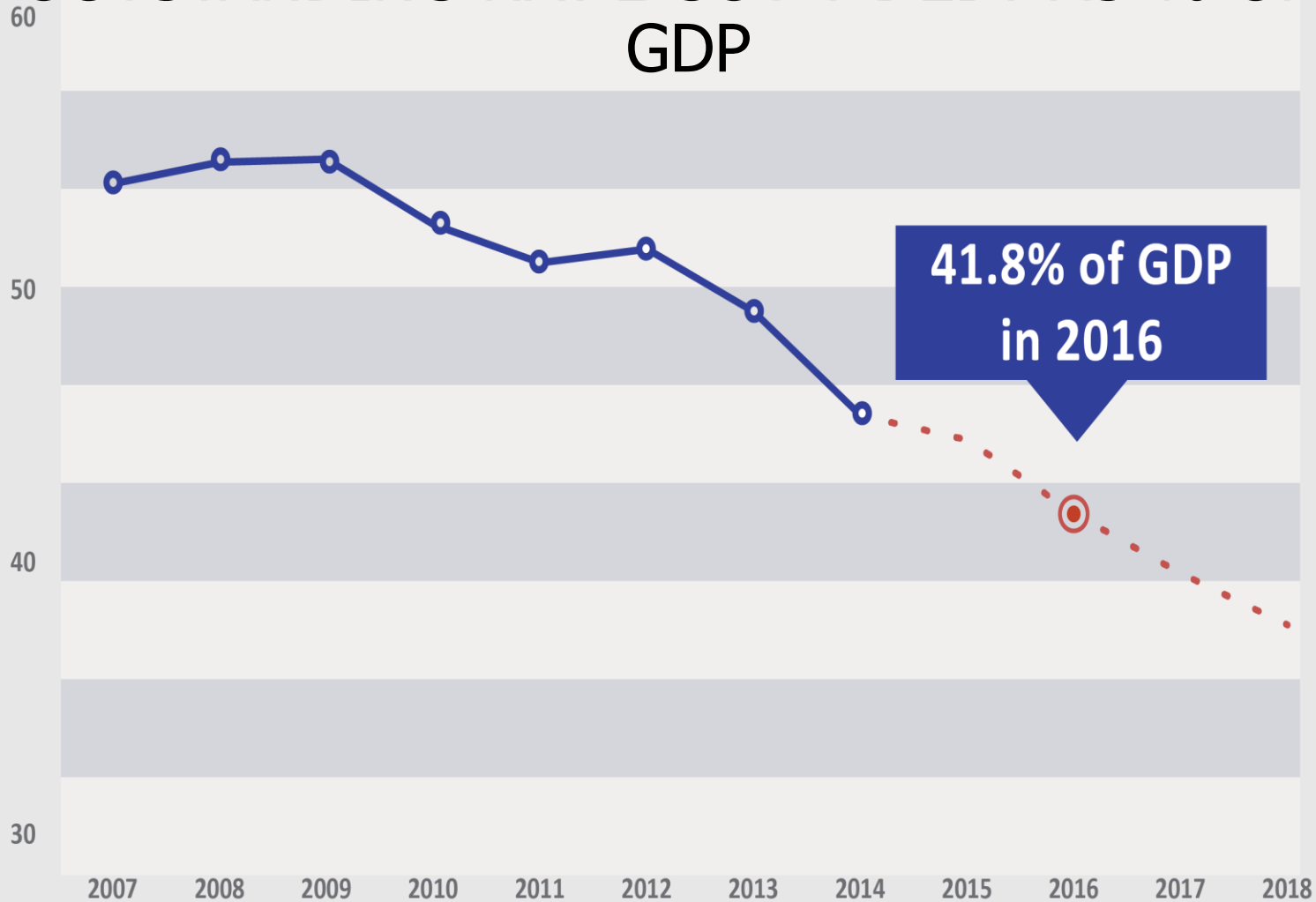


Thank you!

March 30, 2016

Spending Within Our Means

OUTSTANDING NAT'L GOV'T DEBT AS % OF GDP



Approved Gross Domestic Product

Year	Nominal GDP		Growth Rate
	166th DBCC	167th DBCC	
2016	15,216,708.00	14,931,480.00	6.8-7.8
2017	16,966,752.00	16,456,623.90	6.6-7.6
2018	18,756,555.00	18,191,827.20	7.0-8.0
2019	20,210,007.00	20,090,870.80	6.9-7.9

Approved Macroeconomic Assumptions

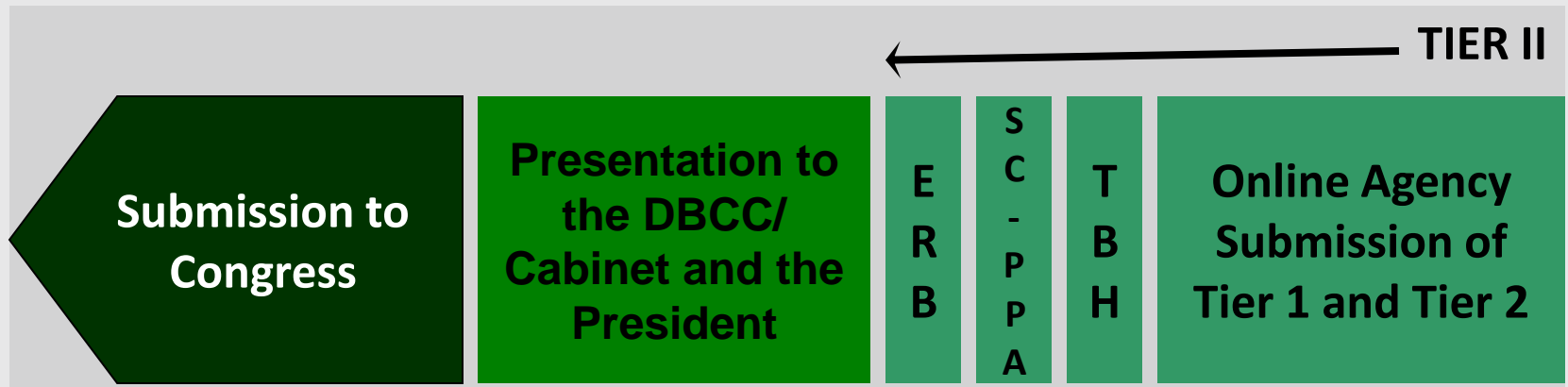
Parameter	2015	2016		2017		2018		2019			
	Actual	166th DBCC	167th DBCC	166th DBCC	167th DBCC	166th DBCC	167th DBCC	167th DBCC			
Inflation (%)	1.4	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0	n.a.			
364-Day Tbill Rate (%)	2.1	2.0-4.0	2.5-4.0	↑	2.0-4.0	2.5-4.0	↑	2.0-4.0	2.5-4.0	↑	2.5-4.0
FOREX (P/US\$)	45.5	43-46	45-48	↑	43-46	45-48	↑	43-46	45-48	↑	45-48
LIBOR, 6 mos (%)	0.5	1.0-2.0	1.0-2.0		2.0-3.0	1.5-2.5	↓	2.0-3.0	1.5-2.5	↓	1.5-2.5
Dubai Oil (US\$/bbl)	50.92	55-75	45-60	↓	65-85	50-65	↓	70-90	50-65	↓	50-65
Exports (%)	-4.0	6.0	5.0	↓	8.0	8.0		10.0	10.0		10.0
Imports (%)	0.0	12.0	10.0	↓	13.0	12.0	↓	14.0	13.0	↓	13.0

2TBA Process

TIER I



TIER II



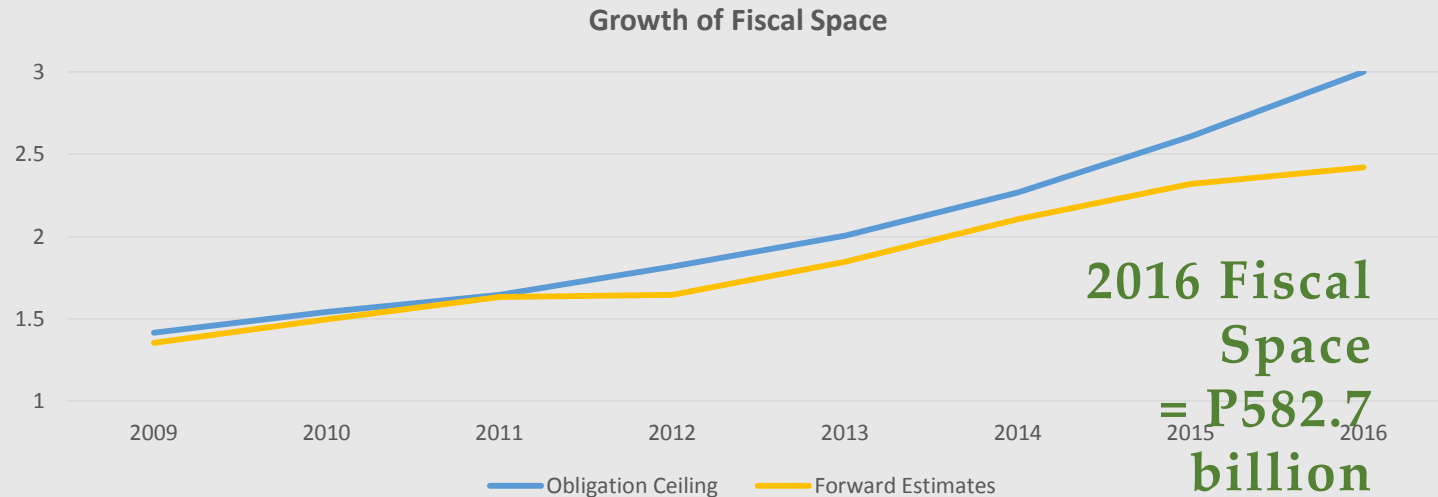
MOOE adjustments

YEAR	INFLATION	FACTOR
2016 (Base)	3.0%	-
2017	3.0%	1.03
2018	3.0%	1.06090
2019	3.0%	1.09273

FY 2017 Priority Outcomes and Programs

1. Transparent, Accountable and Participatory Governance
2. Poverty Reduction and
Empowerment of the Poor and Vulnerable
3. Rapid, Inclusive and Sustained Economic Growth
4. Just and Lasting Peace and Rule of Law
5. Integrity of the Environment and
Climate Change Adaptation and Mitigation

Two-Tier Budgeting Approach



TIER 1: OVERHEAD + ONGOING PROGRAMS

- Overhead expenditures contained through hard budget ceilings
- Agencies' absorptive capacity and other factors considered in the setting of budget ceilings

TIER 2: NEW/EXPANDED PROGRAMS

- Aligned w/ Budget Priorities Framework
- Implementation-ready proposals prioritized
- Agencies can absorb additional funds