

EXPENDITURE ACCOUNTS AND BUDGET REFORMS



Department of Budget and Management

12 October 2023

Marrakesh, Morocco

Outline

- I. FY 2023 National Government Disbursement Performance
- II. Proposed FY 2024 National Budget and Spending Priorities
- III. Fiscal Performance and Outlook
- IV. Priority Budget Reforms



Preliminary NG Disbursement Performance (January-July 2023)

In billion pesos, unless stated otherwise

PARTICULARS	January to July		Increase/(Decrease)	
	2022 ^{1/}	2023	Amount	Percent
CURRENT OPERATING EXPENDITURES	2,094.7	2,112.5	17.8	0.9
Personnel Services	754.8	771.8	17.1	2.3
Maintenance and Other Operating Exp.	444.5	468.9	24.5	5.5
Subsidy	83.1	96.9	13.9	16.7
Allotment to LGUs	483.0	414.2	(68.8)	(14.2)
Interest Payments	309.3	346.0	36.7	11.9
Tax Expenditure	20.1	14.6	(5.4)	(27.1)
CAPITAL OUTLAYS	683.0	742.4	59.4	8.7
Infrastructure/Other Capital Outlays	547.5	618.2	70.7	12.9
Equity	0.7	0.2	(0.5)	(74.0)
Capital Transfers to LGUs	134.8	124.0	(10.7)	(8.0)
NET LENDING	19.4	16.4	(3.0)	(15.3)
GRAND TOTAL	2,797.1	2,871.4	74.3	2.7
<i>Memo items:</i>				
Infrastructure Disbursements ^{2/}	690.6	740.6	50.0	7.2
Revenues	2,036.1	2,271.9	235.7	11.6
Surplus/(Deficit)	(761.0)	(599.5)	161.5	(21.2)

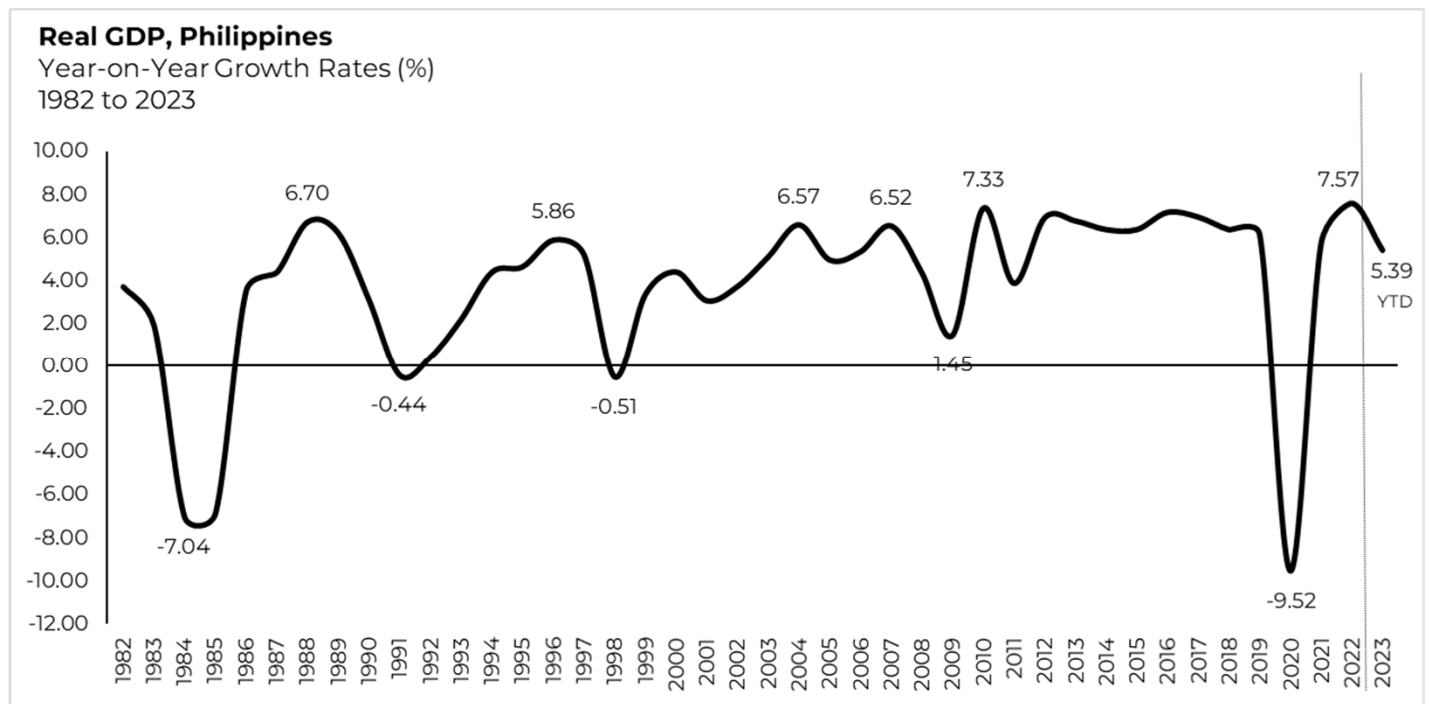
^{1/} Adjusted based on the full-year 2022 BTr Cash Operations Report (COR).

^{2/} Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.



Macroeconomic and Fiscal Targets under the MTFF

<p>Target</p> <p>6.5 to 8.0% real GDP annually between 2023 to 2028</p>
<p>Actual</p> <p>5.39% YTD</p>



Data Source: PSA

Proposed FY 2024 National Budget

P5.768 Trillion

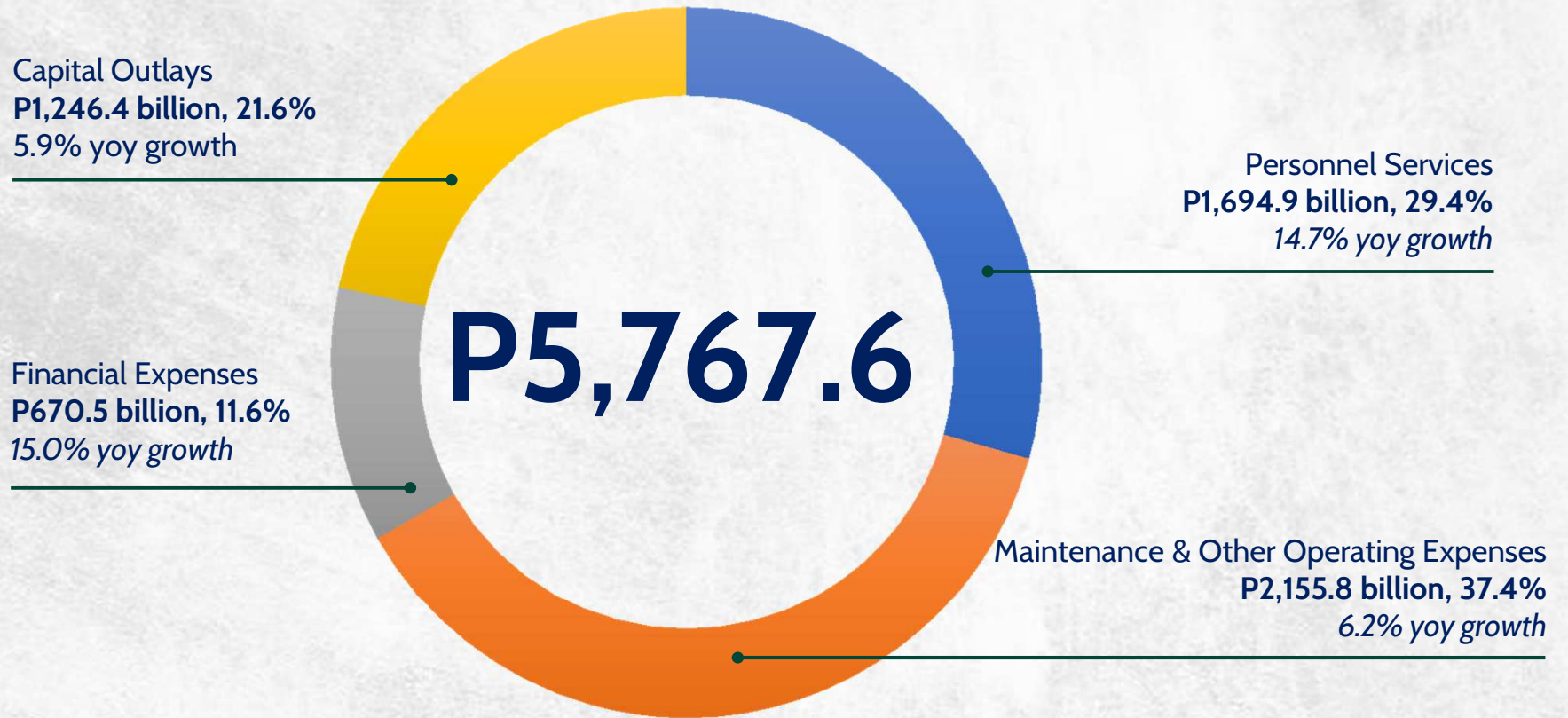
↑ 9.5%
yoy growth

21.7%
of GDP



FY 2024 Proposed Budget, By Expense Class

(in billion pesos*)

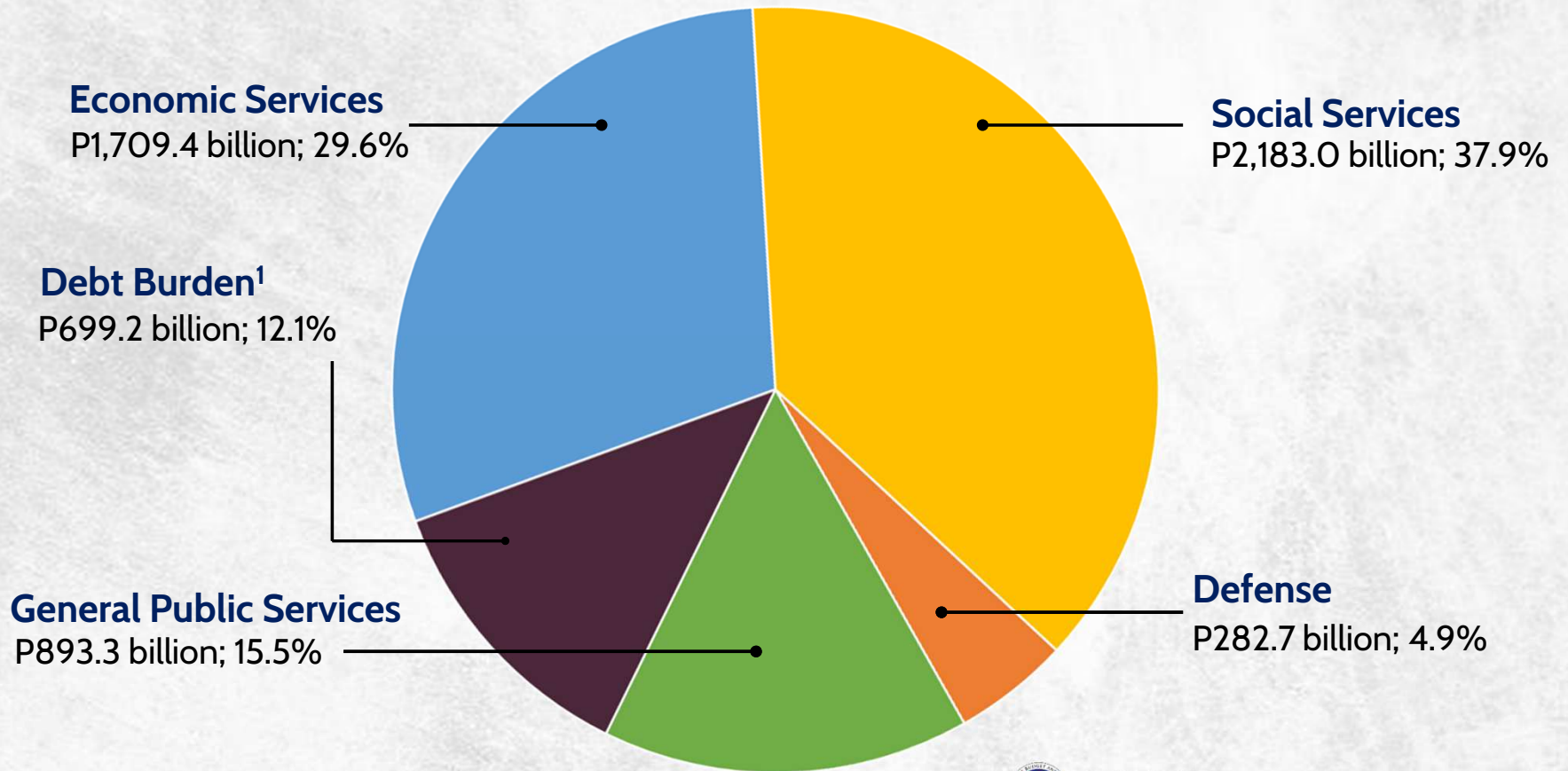


*Numbers may not add up due to rounding off



FY 2024 Proposed Budget, By Sector

(in billion pesos*)



*Numbers may not add up due to rounding off
¹Composed of interest payments and net lending



The FY 2024 Proposed National Budget remains responsive to the 8-Point Socioeconomic Agenda in the near term.

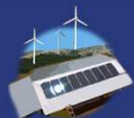
1. STRENGTHEN THE PURCHASING POWER OF FILIPINOS



Ensure Food Security



Reduce Transport and Logistics Cost



Reduce Energy Cost

2. REDUCE VULNERABILITY AND MITIGATE SCARRING FROM THE COVID-19 PANDEMIC



Improve Health



Address Learning Losses



Strengthen Social Protection

3. ENSURE SOUND MACROECONOMIC FUNDAMENTALS



Ensure Sound Fiscal Management



Enhance Bureaucratic Efficiency

The FY 2024 Proposed National Budget will also support programs that advances the 8-Point Socioeconomic Agenda in the medium-term.

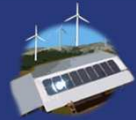
4. CREATE MORE JOBS



Promote Investments



Improve Infrastructure



Ensure Energy Security

5. CREATE QUALITY JOBS



Increase Employability



Encourage R&D and Innovation



Enhance the Digital Economy

6. CREATE GREEN JOBS



Establish Livable and Sustainable Communities



Pursue a Green and Blue Economy

7. ENSURE A LEVEL PLAYING FIELD



Strengthen Market Competition



Reduce Barriers to Entry and Limits to Entrepreneurship

8. UPHOLD PUBLIC ORDER AND SAFETY, PEACE AND SECURITY

Macroeconomic and Fiscal Targets under the MTFF (Medium-term Fiscal Framework) *

6.5 – 7.5%

Real GDP growth in 2022

6.5 – 8.0%

Real GDP growth annually between 2023 to 2028

9%

Poverty rate by 2028

3%

NG deficit-to-GDP ratio by 2028

< 60%

NG debt-to-GDP ratio by 2025

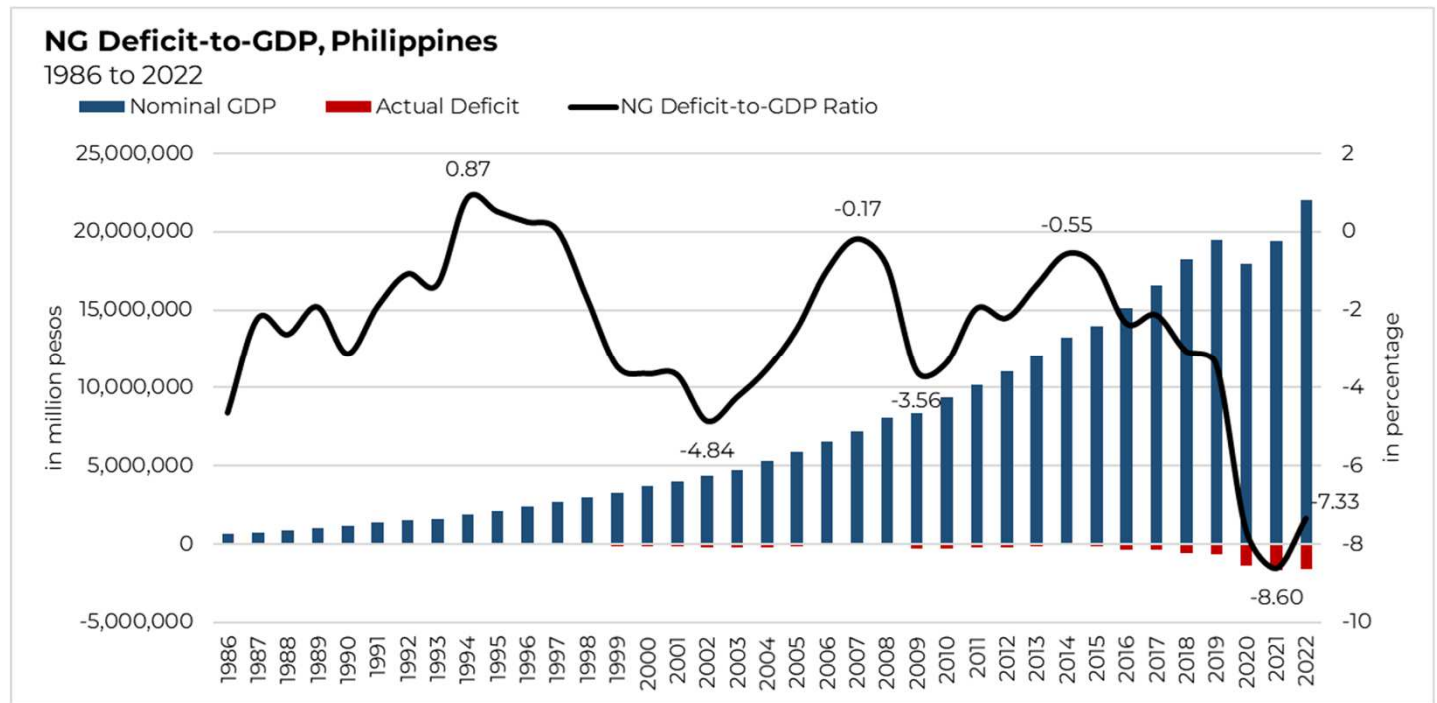
≥ \$4,256

Income (GNI) per capita
(attainment of upper middle-income status)

*The MTFF was adopted by both Houses of Congress under Concurrent Resolution No. 4 dated September 14, 2022.

Macroeconomic and Fiscal Targets under the MTFF

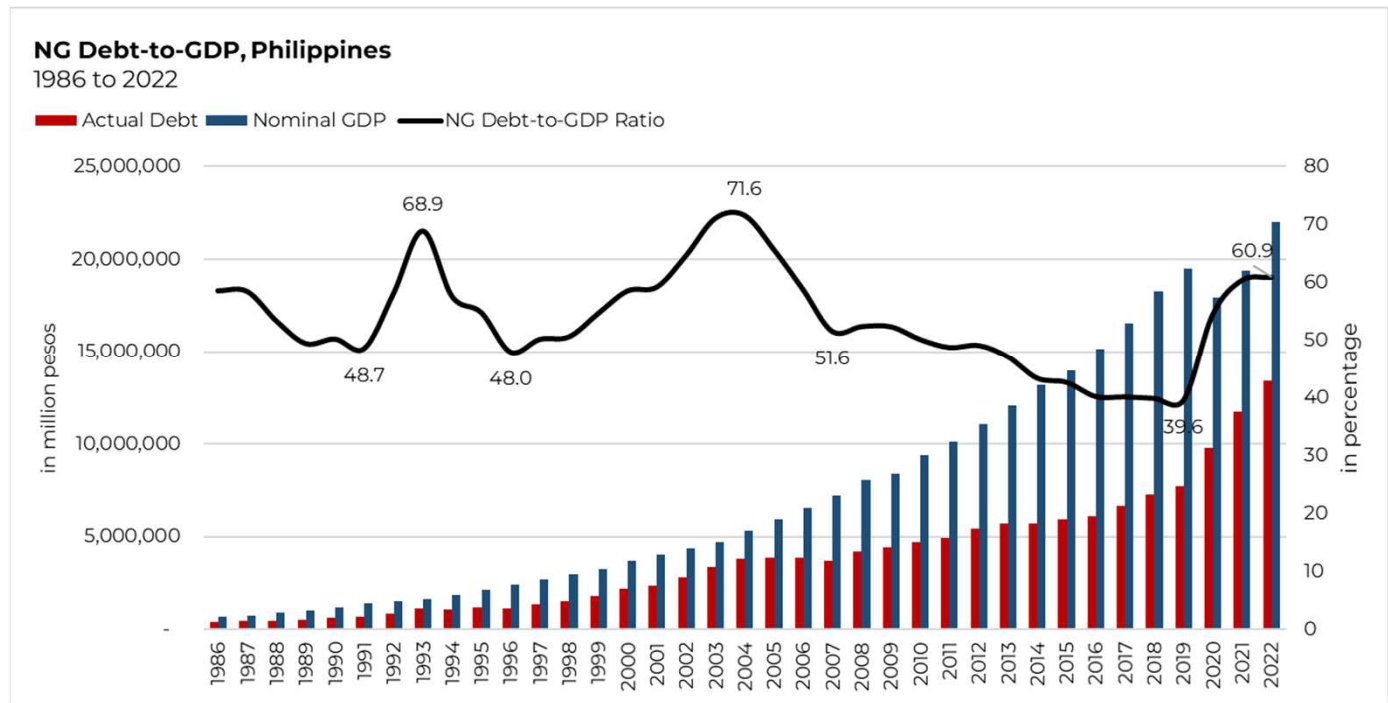
<p>Target</p> <p>3.0% by 2028</p>
<p>Actual</p> <p>7.33% as of 2022</p>



Data Source: BTR

Macroeconomic and Fiscal Targets under the MTFF

<p>Target</p> <p><60% by 2025</p>
<p>Actual</p> <p>60.9% as of 2022</p>



Data Source: BTR

Medium-Term Infrastructure Program

In billion pesos, unless stated otherwise

Particulars	2022	2023	2024	2025	2026	2027	2028
	Actual	Program ^{1/}	Projections ^{2/}				
Infrastructure Program (Disbursements)^{3/}	1,278.5	1,292.7	1,365.2	1,470.0	1,617.7	1,916.0	2,303.3
<i>% of GDP</i>	<i>5.8%</i>	<i>5.3%</i>	<i>5.1%</i>	<i>5.1%</i>	<i>5.1%</i>	<i>5.5%</i>	<i>6.0%</i>
Nominal GDP	22,024.5	24,522.1	26,604.7	29,102.1	31,841.9	34,908.6	38,297.9

^{1/} Consistent with the medium-term macroeconomic and growth assumptions, and fiscal program approved during the 184th DBCC meeting on April 24, 2023.

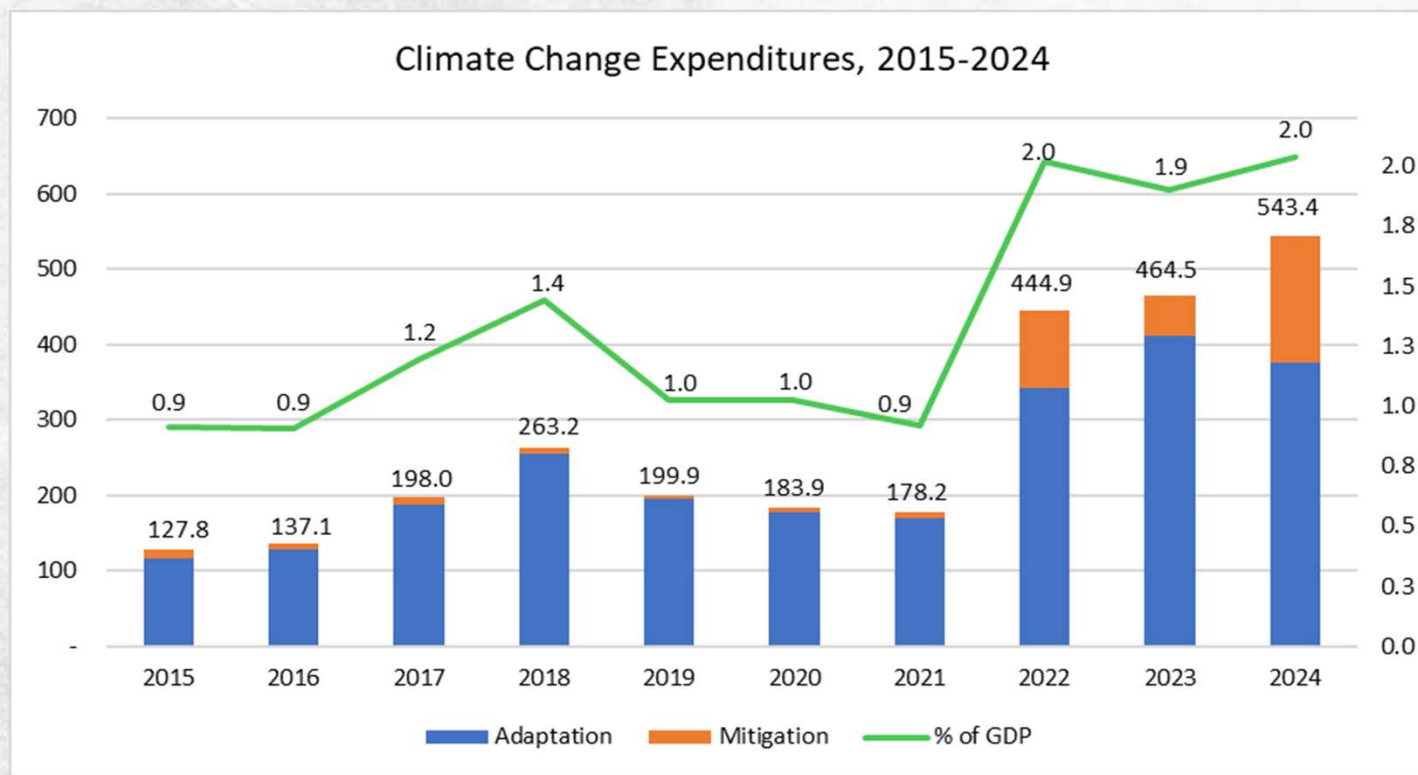
^{2/} Consistent with the medium-term macroeconomic and growth assumptions, and fiscal program approved by the DBCC via Ad Referendum on July 12, 2023.

^{3/} Indicative and subject to updating. Projections pertain to disbursements from NG infrastructure, infrastructure subsidy/equity to GOCCs, and transfers to LGUs intended for infrastructure activities. Includes payables from current year's budget and prior years' obligation.



Climate Change Expenditure Tagging (CCET)

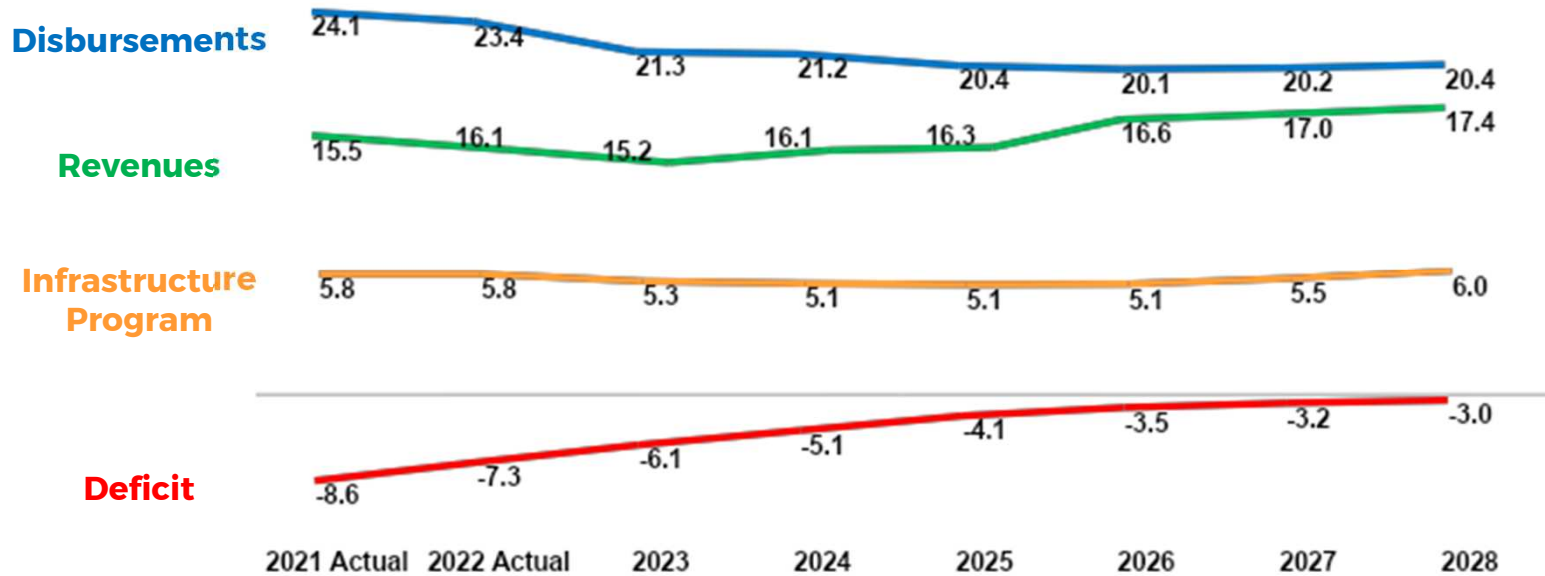
In billion pesos, unless stated otherwise



Climate change budget has progressively increased in recent years, growing by an average of 24.5 percent from 2015 to 2024 – much faster than the 10.4 percent average annual growth rate of total National Government expenditures



Medium-Term Fiscal Consolidation Strategy*



*Consistent with the medium-term macroeconomic and growth assumptions, and fiscal program approved by the DBCC via Ad Referendum on July 12, 2023.

Revenue collections will increase over medium-term, from 15.2% of GDP this year to 17.4% of GDP by 2028. Disbursements will remain above 20.0% of GDP on average for entire plan period, even as deficit will gradually decline from 6.1% of GDP this year to 3.0% of GDP by 2028. Infrastructure spending will continue to be substantial, projected at between 5.1% of GDP to 6.0% of GDP for next six years.

National Government Rightsizing Program (NGRP)

The **NGRP** aims to enhance the government's institutional capacity to:



Implement transformational reform initiatives



Focus on the performance of the vital/core functions of agencies



Improve public service delivery



Simplify systems and processes of agencies



Status:

House Bill No. 7240 approved on 3rd and final reading by House of Representatives on March 14, 2023. Transmitted to Senate March 15, 2023.

Four (4) bills filed in Senate. Ongoing deliberations under Committees on Finance and Civil Service Government Reorganization, and Professional Regulation. Currently, the DBM is in coordination with the Senate for possible sponsorship of the proposed administration version of the NGRP bill.

Military and Uniformed Personnel (MUP) Pension Reform



The **MUP Pension Reform** aims to:

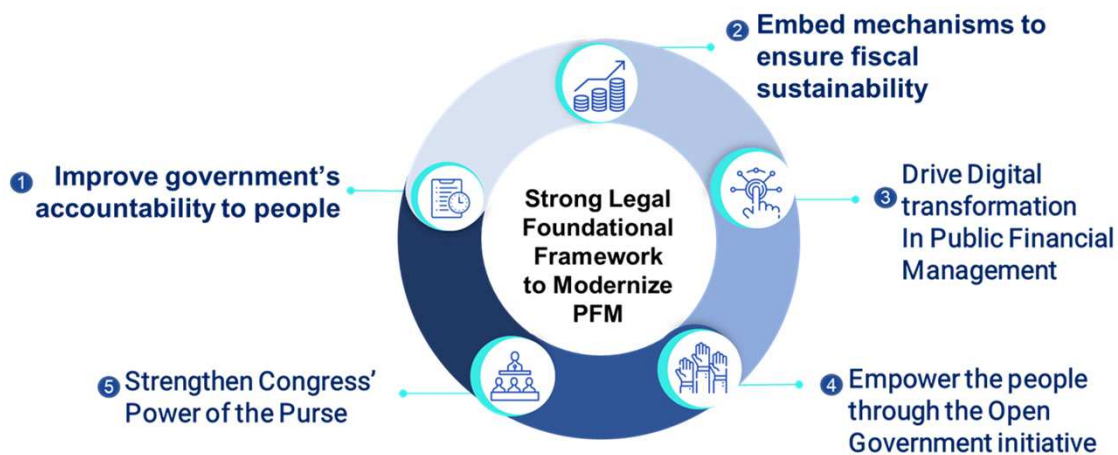
- Reform the pension scheme of MUP to mitigate the impact of ballooning pension requirements;
- Guarantee provision of suitable benefits and remuneration;
- Channel savings from lower MUP pension provision to other priority programs.

Status:

With 272 out of 277 votes, the House of Representatives **approved on third and final reading** House Bill No. 8969, a consolidation of twelve (12) House Bills on MUP pension reform, which provides for a guaranteed three percent annual salary increase for MUP for the first 10 years from the time the proposed law takes effect.

Meanwhile, a Joint Committee Hearing for Senate Bill No. 284 was convened on May 15, 2023 wherein the Senate Committees on National Defense and Security, Peace, Unification and Reconciliation joint with Government Corporations and Public Enterprises; Ways and Means; and Finance directed the Economic Team to consult with the stakeholders to come up with a unified Pension Reform Bill that will be beneficial to all concerned parties.

Progressive Budgeting for Better and Modernized (PBBM) Governance Bill



Status:

Eleven (11) House Bills on Budget Modernization are pending in the House Committee on Appropriations, one (1) Senate Bill on Cash Budgeting System pending in the Senate Committee on Finance, and one (1) Senate Bill by Sen. Imee Marcos adopting the Administration version of the PBBM Governance Bill.

The PFM Committee endorsed the Administration version of the PBBM Governance Bill to the House of Representatives and the Senate in February 2023. A comprehensive review process ensued between and among the PFM Committee member-agencies and their counterparts in Congress through a series of briefings and consultation meetings from February to May 2023. As a result, a revised version of the PBBM Governance Bill was endorsed to both chambers of Congress on May 26, 2023.

Reforms to Improve Budget Utilization



Early Release
of Allotments



Conduct of Early
Procurement
Activities



Simplified IRR and
Amendments to
the Government
Procurement
Reform Law



Launch of the
Government
Purchase Card
(GPC) Program



Digitalization of
Government
Disbursements
and Collection



Adoption of
IFMIS across
agencies



Issuance of
Circular-Letter on
Agency Catch-Up
Plans

Status of Other Priority Measures

Enacted into Law

- *Maharlika* Investment Fund (Republic Act No. 11954)^{1/}

Ongoing Legislation^{2/}

- Amendments to the Build-Operate-Transfer (BOT) Law / Public-Private Partnership (PPP) Bill
- E-Government / E-Governance Act
- Ease of Paying Taxes
- Tax Reform Package 4: Passive Income and Financial Intermediary Taxation Act (PIFITA)
- Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)

1/ Enacted on July 18, 2023

2/ Approved on the third and final reading in the House of Representatives and transmitted to the Senate



Thank you.



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