
**THE PROPOSED FY 2023 NATIONAL
EXPENDITURE PROGRAM: ITS
COMPOSITION, DISTRIBUTION, AND
FINANCING**

A Technical Report on the FY 2023 National Budget

LEGISLATIVE BUDGET RESEARCH AND MONITORING OFFICE
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A. DBCC Macroeconomic Assumptions

The 2023 budget of the national government was based on the macroeconomic assumptions generated by the Development Budget Coordination Committee (DBCC). These assumptions allow policymakers to craft a budget that considers prospective changes in domestic and international conditions that affect the well-being of the economy.

The underlying key assumptions used in the formulation of the 2023 national budget are summarized in Table 1 below:

Table 1. Macroeconomic Assumptions

Particulars	2020 Projections (2020 BESF)	2020 Actual (2022 BESF)	2021 Projections (2021 BESF)	2021 Actual (2023 BESF)	2022 Adjusted (2023 BESF)	2023 Projections (2023 BESF)
Nominal Gross National Income (GNI) (in PhP Million)						
low	25,117,626	19,319,848	22,388,826	20,104,437	22,823,924	25,176,094
high	25,578,068		23,042,585		23,025,531	25,730,345
Real GNI Growth (%)	6.2-7.2	-11.4	6.3-7.2	1.7	9.2-10.2	7.4-8.8
Nominal Gross Domestic Product (GDP) (in PhP Million)						
low	21,117,030	17,938,582	20,376,031	19,410,568	21,471,196	23,478,820
high	21,465,444		21,029,791		21,672,804	24,033,071
Real GDP Growth (%)	6.5-7.5	-9.6	6.5- 7.5	5.7	6.5-7.5	6.5-8.0
Inflation Rate (%), CPI (2012=100)						
target	2.0-4.0	2.6	2.0- 4.0			
forecast	2.0-4.0		2.0- 4.0			
CPI (2018=100)						
target				3.9	2.0-4.0	2.0-4.0
forecast					4.5-5.5	2.5-4.5
Population (in Millions)	109.9	108.8	110.2	110.2	111.6	112.9
Unemployment Rate (%)	3.8-5.2	10.3	7.0- 8.0	7.8	5.1-6.5	5.7-6.8
364-Day Treasury Bill Rate (%)	5.0-6.0	2.4	3.0- 4.5	1.7	2.5-4.0	3.0-4.5
Foreign Exchange Rate (PhP/US\$)	51-55	49.62	50-54	49.25	51-53	51-55
London Interbank Offered Rate (LIBOR), 6-months (%)	1.5-2.5	0.7	1.0-2.0	0.2	1.5-2.5	3.0-4.0
Dubai Crude Oil Price (US\$/barrel)	60-75	42.21	35-50	68.77	90-110	80-100
Exports of Goods						
Level (in US\$ Billion)	55.8	47.4	47.1	54.2	58.0	61.4
Growth Rate (%)	6.0	-11.3	5.0	12.4	7.0	6.0
Imports of Goods						
Level (in US\$ Billion)	116.3	79.3	88.5	107.9	127.4	135.0
Growth Rate (%)	8.0	-22.9	8.0	31.7	18.0	6.0
Current Account Balance						
Level (in US\$ Billion)	-11.6	13.0	-4.4	-6.9	-19.1	-20.5
Percent of GDP	-2.9	3.6	-1.1	-1.8	-4.6	-4.4
Gross International Reserves (Year-End)						
Level (in US\$ Billion)	84.0	110.1	91.0	108.8	105.0	106.0
Equivalent Months of Imports of Goods, Services and Income	6.5	12.6	8.0	9.6	8.0	7.6

Sources: FYs 2020, 2021, 2022 and 2023 Budget of Expenditures and Sources of Financing

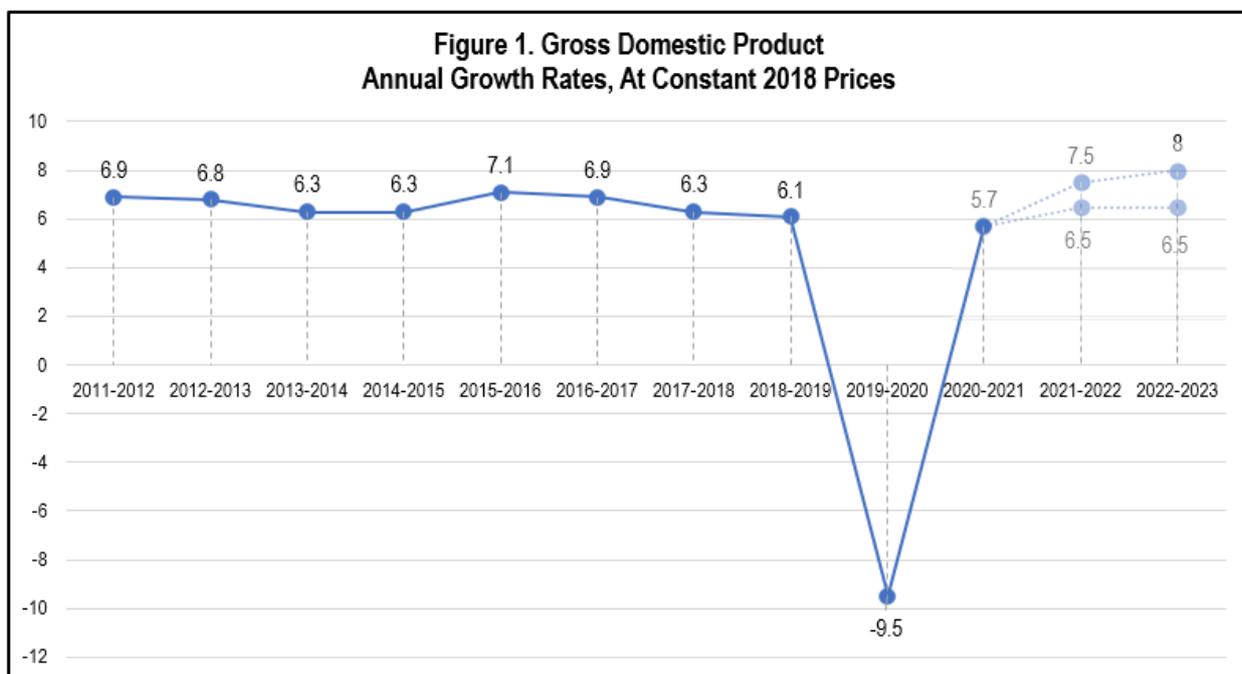
1. Economic Growth Rates

Gross Domestic Product (GDP) is an internationally comparable measure of the value of goods and services produced in an economy. The higher the value of goods and services produced, the higher the GDP.

Using the production approach, GDP is estimated by adding the Gross Value Added (GVA) of all sectors of the economy: (i) Agriculture, Fisheries and Forestry (AFF); (ii) Industry; and (iii) Services. GVA is a measure of the productivity of these sectors. GDP can also be measured by looking at total expenditures in an economy, specifically, an economy's (i) consumption, (ii) investment, (iii) government spending, and (iv) net exports (exports less imports). These two approaches— the production approach and the expenditure approach, should yield the same GDP estimates.

The DBCC estimates that the country's nominal GDP will grow between 10.6% and 11.7% in 2022, and between 9.4% and 10.9% in 2023. Meanwhile, using real GDP as measure, the economy is estimated to grow between 6.5% and 7.5% in 2022, and between 6.5% to 8.0% in 2023. Unlike nominal GDP which uses current prices to estimate GDP, real GDP uses prices prevailing in a base year (in this case 2018) to control for the effects of inflation.

Nominal Gross National Income (GNI), which is equal to nominal GDP plus all income earned abroad by its residents, is projected to grow between 10.3% and 11.7% in 2023. This figure is lower than the adjusted 2022 projection of 13.5% to 14.5%.

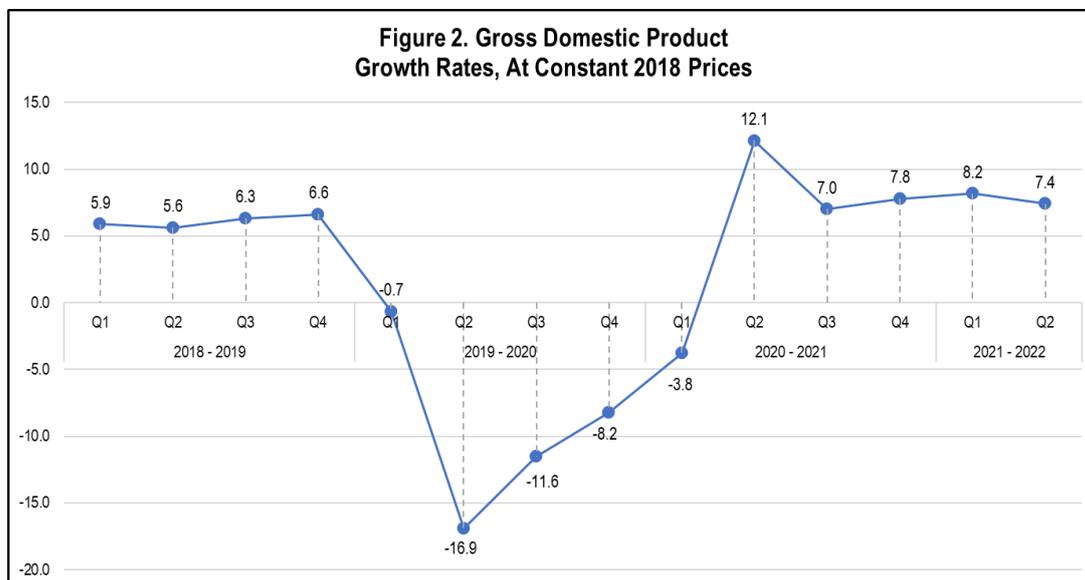


Source: Philippine Statistics Authority

By dividing GDP with population, we can estimate a country's GDP per capita, which is a rough measure of the well-being of a country's citizens. If DBCC assumptions hold, real GDP per capita is expected to grow between 5.2% to 6.2% in 2022, and by 5.8% to 6.8% in 2023.

Per World Bank data, the country’s nominal GDP per capita in 2021 was estimated at \$3,548.8.

a. Q2 2022 Economic Performance



Source: Philippine Statistics Authority

a.1. Production side

The country’s GDP grew by 7.4% in Q2 2022. From the production side, the key sectors of the economy, AFF, Industry, and Services, posted growth rates of 0.2%, 6.3% and 9.1%, respectively. In terms of their share to the country’s GDP, AFF accounted for 8.4%, Industry for 30.5%, and Services for 61.1% during the period.

i. Agriculture, Fisheries and Forestry

The top five contributors to AFF in Q2 2022 were palay, support activities, fishing and aquaculture, livestock, and poultry and egg production. These items accounted for some 64.1% of the sector’s GVA.

In terms of growth rates, the best performing items were corn (10.2%), poultry and egg production (7.8%), other animal production (4.8%), support activities (4.7%), and livestock (2.3%). Notably, poultry and egg production, and support activities, have enjoyed consistent growth rates in recent quarters, while livestock reversed the negative growth rates experienced in the previous quarters. Meanwhile, the worst performing items were sugarcane (-50.1%), forestry and logging (-15.5%), and coffee (-7.2%). In particular, coffee, livestock, and abaca have had mostly negative growth rates on a quarterly basis in the 2020-2022 period.

Table 2. Q2 2022 Gross Value Added in Agriculture, Forestry, and Fishing
At Constant 2018 Prices

Particulars	Gross Value Added (In Million Pesos)	Percent Share	Q2 Year-On-Year Growth Rates
Palay	81,437	19.50	0.70
Com	19,977	4.80	10.20
Coconut including copra	13,529	3.20	2.00
Sugarcane including muscovado sugar-making in the farm	5,752	1.40	(50.10)
Banana	34,130	8.20	0.80
Mango	18,115	4.30	(3.80)
Pineapple	6,419	1.50	(2.00)
Coffee	529	0.10	(7.20)
Cassava	5,447	1.30	0.90
Rubber	3,282	0.80	(0.60)
Cacao	496	0.10	1.40
Abaca	455	0.10	(1.30)
Tobacco	362	0.10	(1.00)
Other agricultural crops, n.e.c.	23,777	5.70	(4.80)
Livestock	44,724	10.70	2.30
Poultry and egg production	40,594	9.70	7.80
Other animal production	16,867	4.00	4.80
Forestry and logging	676	0.20	(15.50)
Fishing and aquaculture	48,804	11.70	(2.30)
Support activities to agriculture, forestry and fishing	51,510	12.40	4.70
GVA in Agriculture, Forestry, and Fishing	416,885	100.00	0.20

Source: Philippine Statistics Authority

ii. Industry

Manufacturing and construction had the biggest share of this sector with 59.2% and 27.2%, respectively. Manufacturing grew by 2.1% during the quarter, while construction expanded by 19.0%.

iii. Services

The top components of the sector during the quarter were (i) wholesale and retail trade; repair of motor vehicles and motorcycles with a 28.2% share; (ii) financial and insurance activities with a 16.7% share; and (iii) professional and business services with a 10.7% share. These items grew by 9.7%, 4.2%, and 7.7%, respectively. In terms of growth rates, the top performers were other services (which is mostly arts, entertainment, and recreation) with 39.5%, accommodation and food services with 29.9%, and transportation and storage with 27.1%

a.2. Expenditure side

From the expenditure side, household final consumption expenditure (68.2% share) and investment or gross capital formation (27.7% share) accounted for 95.9% of the economy in Q2 2022. These items grew by 8.6% and 20.5%, respectively.

2. Poverty

Poverty incidence among families, defined as the proportion of families whose incomes cannot meet the basic food and non-food needs, was estimated at 13.2% in 2021 based on the preliminary report of the Philippine Statistics Authority (PSA). This is a 1.1 percentage point (pp) increase from the previous survey held in 2018. The annual per capita threshold in 2021 increased by ₱3,058 to ₱28,871. Families with annual incomes below this cut-off are considered poor and are thus counted in the poverty incidence.

The provinces with the highest increase in poverty incidence among families between 2018 and 2021 were Tawi Tawi (13.1 pp), Cebu (11.5 pp), and Romblon (11.3 pp), while those with the highest decrease were Lanao del Sur (-56.8 pp), Isabela City (-28.9 pp), and Sulu (-24.3 pp). Among regions, Region VII or Central Visayas saw the highest increase (8.7 pp) while the Autonomous Region in Muslim Mindanao/Bangsamoro Autonomous Region in Muslim Mindanao saw the steepest decline (-24.4 pp).

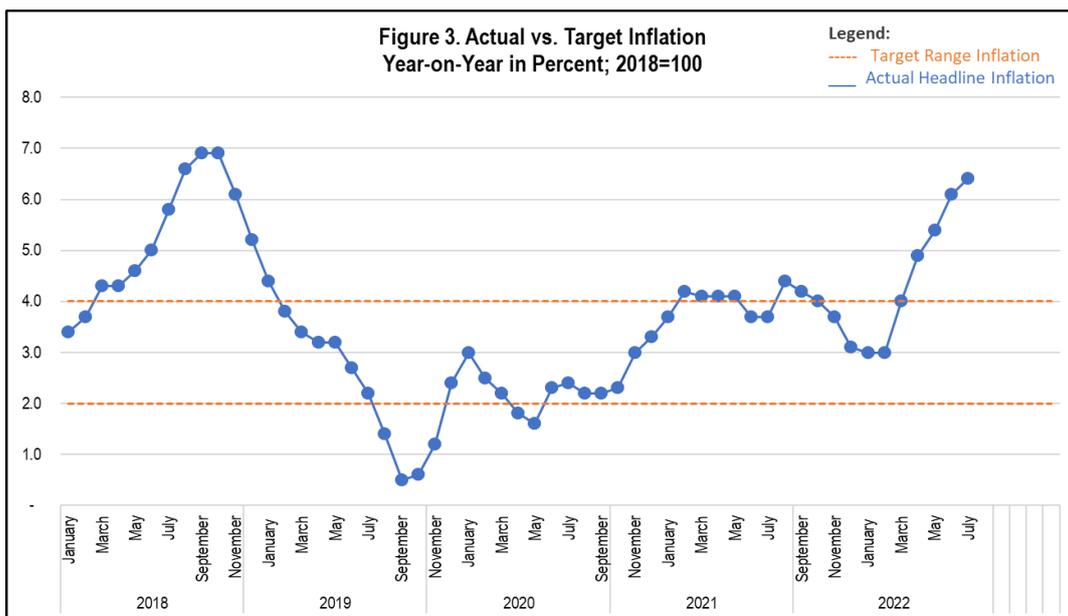
Subsistence incidence among families, defined as the proportion of families whose incomes are not enough to meet even basic food needs, was estimated at 3.9% in 2021, a 0.5 pp increase from 2018 estimates. The annual per capita food threshold was at ₱20,111 in 2021, a ₱1,985 increase from 2018. Families with annual incomes below this cut-off are considered food poor and are thus counted in the subsistence incidence.

The provinces with the highest increase in subsistence incidence among families were Cebu (6.1 pp), Lanao del Norte (5.8 pp), and Camarines Sur (5.2 pp), while those with the highest decrease were Lanao del Sur (-30.7 pp), Basilan (-17.8 pp), and Sulu (-14.4 pp). Among regions, Region VII or Central Visayas saw the highest increase (4.6 pp), while Autonomous Region in Muslim Mindanao/Bangsamoro Autonomous Region in Muslim Mindanao saw the steepest decline (-14.6 pp).

3. Inflation Rate

Inflation rate is forecasted to be in the range of 4.5% to 5.5% in 2022, and 2.5% to 4.5% in 2023. The 2022 forecast is above the 2022 and 2023 target range of the Bangko Sentral ng Pilipinas (BSP) of 2.0% to 4.0%.

Year-on-year inflation rate rose to 6.4% in July 2022, which the PSA largely attributed to the increase in food and non-alcoholic beverages at 6.9%, followed by transportation with an 18.1% growth rate. The uptrend in the inflation rate, which began in March 2022, coincided with the onset of the Russia-Ukraine crisis and the increase in the prices of key commodities (such as crude oil and wheat, among others) in the international market.

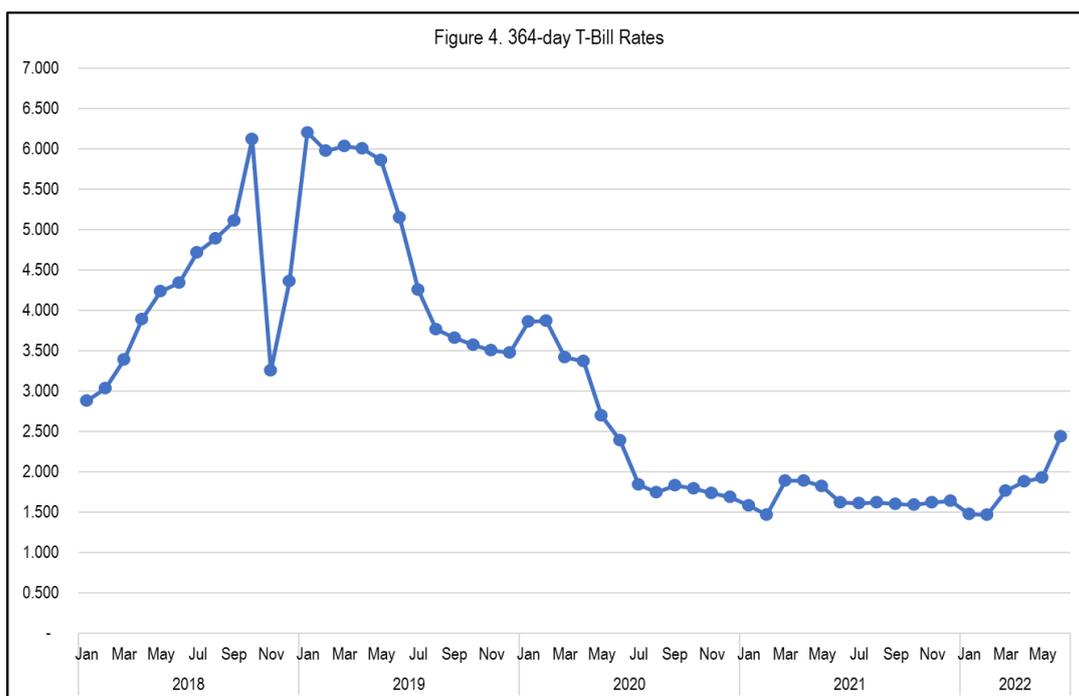


Source: Philippine Statistics Authority and FYs 2018-2023 BESF

4. 364-day T-Bill Rate and 6-Month LIBOR rate

One of the ways in which the national government raises funds to finance its expenditures is by issuing Treasury bills or T-bills, which are basically IOUs of the government to those who purchase them. Their interest rates largely depend on supply and demand, inflation rates, perceived capacity of the government to meet its obligations, and the overall economic conditions at the time of their auction.

DBCC estimates that rates of 364-day T-bills will range between 2.5% to 4.0% in 2022, and 3.0% to 4.5% in 2023. The auction dated 22 August 2022 yielded an average rate of 3.782%, which is nearly at the upper end of the DBCC assumption.



Source: Bureau of Treasury

Meanwhile, the London Interbank Offered Rate (LIBOR), which is used as a base rate for global commercial debt contracts (Thompson, Taurae, Randall, & Brown, 2018),¹ is expected to range between 1.5% to 2.5% in 2022, and 3.0% to 4.0% in 2023 (for the six-month LIBOR). As of 22 August 2022, the six-month LIBOR rates were 3.6%, which is significantly above the DBCC assumption.

5. Exchange Rate, Dubai Crude Oil Price, and Gross International Reserves

The DBCC assumes the Philippine peso-US dollar exchange rate to range between ₱51.00 to ₱53.00 in 2022, and between ₱51.00 to ₱55.00 in 2023. As of 7:00 am (UTC) of 24 August 2022, the exchange rate was at ₱56.11. The weakness of the Philippine peso may be largely attributed to the successive rate hikes by the US Federal Reserve, which led to a stronger US dollar.

Dubai crude oil price is assumed to range between \$90 to \$110 per barrel in 2022, and \$80 to \$100 per barrel in 2023. As of 23 August 2022, Dubai crude oil (Platts) was valued at \$96.41 a barrel.

Year-end Gross International Reserves (GIR) are assumed to reach \$105.0 billion in 2022 and \$106.0 billion in 2023, or equivalent to 8.0 and 7.6 months worth of imports. As of end-July 2022, GIR was valued at \$99.8 billion. On an annual basis, the July GIR figure declined by 6.8%.

6. Imports and Exports of Goods, and Current Account Balance

Based on DBCC assumptions, imports will continue to outpace exports, with the trade deficit estimated to reach \$69.4 billion in 2022 and \$73.6 billion in 2023. Conversely, the country's current account balance, which measures the country's transactions with the rest of the world (including net exports, cross-border payments, and remittances) is estimated to reach -\$19.1 billion in 2022 and -\$20.5 billion in 2023.

In past decades, imports have almost always exceeded exports. In Q2 2022, imports of goods were more than twice that of exports at current prices, with imports valued at ₱2.114 trillion versus exports at ₱673.702 billion. Electronic products, bulk of which are components/devices (semiconductors), comprise 61.9% of the country's exports of goods. These products also comprise 20.7% of imports, closely followed by mineral fuels, lubricants and related materials with a 19.9% share. Note that some of these imports are used as inputs in the production of goods that are exported.

Table 3. 2021 Export of Goods
At Current Prices, In Million Pesos

Particulars	Value	Percent Share
Electronic Products	1,749,260	59.99
Components/devices (semiconductors)	1,202,338	41.23
Electronic data processing	216,619	7.43
Office equipment	78,780	2.70
Consumer electronics	61,653	2.11
Telecommunication	31,295	1.07

¹ LIBOR report published under PwC website.

Particulars	Value	Percent Share
Communication/radar	26,026	0.89
Control instrumentation	122,259	4.19
Medical/industrial instrumentation	5,808	0.20
Automotive electronics	4,482	0.15
Agricultural products	232,948	7.99
Bananas (fresh)	51,924	1.78
Coconut oil	65,380	2.24
Copra oil cake or meal	3,087	0.11
Desiccated coconut	17,971	0.62
Mangoes	4,064	0.14
Pineapple and pineapple products	35,578	1.22
Sugar	2,747	0.09
Other agricultural products	52,200	1.79
Fishery products	30,520	1.05
Shrimps and prawns	13,643	0.47
Tuna	16,877	0.58
Articles of apparel and clothing accessories	34,977	1.20
Cathodes and sections of cathodes, of refined copper	93,003	3.19
Ignition wiring sets	105,479	3.62
Metal components	79,028	2.71
Petroleum products	250	0.01
Machinery and transport equipment	107,395	3.68
Chemicals	76,397	2.62
Woodcrafts and furniture	14,866	0.51
Processed food and beverages	40,943	1.40
Other exports of goods	<u>351,065</u>	<u>12.04</u>
Exports of Goods	<u>2,916,134</u>	<u>100.00</u>

Source: Philippine Statistics Authority

Table 4. 2021 Import of Goods
At Current Prices, In Million Pesos

Particulars	Value	Percent Share
Electronic products	1,202,139	19.06
Components/devices (semiconductors)	609,159	9.66
Electronic data processing	281,523	4.46
Office equipment	10,170	0.16
Consumer electronics	67,796	1.07
Telecommunication	94,588	1.50
Communication/radar	76,560	1.21
Control instrumentation	47,688	0.76
Medical/industrial instrumentation	12,270	0.19
Automotive electronics	2,387	0.04
Mineral fuels, lubricants, and related materials	857,957	13.60
Industrial machinery and equipment	322,394	5.11
Power generating and specialized machinery	54,554	0.86
Base metals	380,412	6.03

Particulars	Value	Percent Share
Transport equipment	472,721	7.50
Textile yarn, fabrics, made-up articles and related products	69,581	1.10
Electrical machinery	169,692	2.69
Chemical and chemical products	312,822	4.96
Cereals and cereal preparation	172,811	2.74
Dairy products	64,881	1.03
Medicinal and pharmaceutical products	227,592	3.61
Paper and paper products	64,962	1.03
Feeding stuff	89,048	1.41
Metalliferous ores and metal scrap	22,084	0.35
Metal products	121,497	1.93
Plastics in primary and non-primary forms	156,159	2.48
Fruits and vegetables	72,465	1.15
Professional scientific apparatus	68,623	1.09
Articles of apparel	27,336	0.43
Other imports of goods	1,377,268	21.84
Imports of Goods	6,306,995	100.00

Source: Philippine Statistics Authority

7. Unemployment Rate

DBCC estimates an unemployment rate ranging from 5.1% to 6.5% in 2022, and 5.7% to 6.8% in 2023.

PSA reported that the unemployment rate stood at 6.0% in June 2022 or some 2.99 million unemployed, while the underemployment rate stood at 12.6% or 5.89 million underemployed. 56.5% of jobs were in the Services sector, followed by AFF with a 24.5% share, and Industry with a 19.0% share. There were 46.59 million employed Filipinos during this period.

8. Comparative Macroeconomic Performance

Table 5. ASEAN 6 Macroeconomic Performance

Country	GDP (2021, current US\$ billion)	GDP per capita (2021, current US\$)	Real GDP Growth Rate (Q2 2022, %)	Inflation Rate (July 2022)	Exports of Goods and Services (2021, US\$ billion)	Imports of Goods and Services (2021, US\$ billion)	Personal Transfers (2021, US\$ billion)
Indonesia	1,186.1	4,291.8	5.4	4.9	255.7	233.7	9.2
Thailand	506.0	7,233.4	2.5	7.6	294.6	295.8	7.9
Singapore	397.0	72,794.0	4.4	7.0	733.8	609.3	0
Philippines	394.1	3,548.8	7.4	6.4	101.4	148.8	27.9
Malaysia	372.7	11,371.1	8.9	3.4	256.8	230.4	0
Vietnam	362.6	3,694.0	7.7	3.1	336.3	332.2	13.6

Sources: World Bank, Reuters, Bloomberg, Malay Mail, sbv.gov.vn

In Q2 2022, the fastest growing economies in the so-called ASEAN 6 group were Malaysia (8.9%), Vietnam (7.7%) and the Philippines (7.4%), while countries with the

highest inflation rates in July 2022 were Thailand (7.6%), Singapore (7.0%) and the Philippines (6.4%).

As of 2021, Indonesia was the region's largest economy with a GDP of \$1.186 trillion, followed by Thailand with a GDP of \$505.982 billion, and Singapore with a GDP of \$396.987 billion. Singapore had the highest GDP per capita at \$72,794.0 followed by Malaysia at \$11,371.1, and Thailand with \$7,233.4. The Philippines had the lowest GDP per capita in the group at \$3,548.8 after it was recently overtaken by Vietnam.

The Philippines had the worst trade deficit in the group, as well as the lowest exposure to international trade, with both exports and imports significantly lagging behind its peers. Unlike others in the group, it is also highly dependent on personal transfers (remittances) as a source of foreign exchange. For other ASEAN 6 countries, exports are a more significant source.

B. The 2023 National Expenditure Program

For its maiden budget, President Ferdinand Marcos Jr. submitted to Congress a total expenditure program of ₱5.268 trillion which reflects a ₱244.4 billion or 4.9% increase over this year's ₱5.024 trillion spending program (see Table 6). The 2023 budget is described by the Department of Budget and Management (DBM) as "a proactive budget felt by the people with education, infrastructure, health, agriculture and social safety nets as priorities."

Anchored on the theme *Agenda for Prosperity: Economic Transformation Towards Inclusivity and Sustainability*, the following targets were considered in crafting the 2023 budget:

- 1 6.5% to 8.0% real GDP growth annually between 2023 to 2028;
- 2 9.0% or single-digit poverty rate by 2028;
- 3 3.0% National Government (NG) deficit to GDP ratio by 2028;
- 4 Less than 60.0% NG debt-to-GDP ratio by 2025;
- 5 At least USD 4,256 GNI per capita or the attainment of upper middle-income status.

The enumerated targets are the measurable medium-term macroeconomic and fiscal objectives contained in the Medium-Term Fiscal Framework (MTFF). In line with these objectives, the 2023 budget fleshes out the priorities in the current administration:

- 1 Ensure food security;
- 2 Reduce transport and logistics cost;
- 3 Reduce energy cost to families;
- 4 Sound fiscal management;
- 5 Tackle health;
- 6 Safely reopen face-to-face education;
- 7 Strengthen social protection;
- 8 Enhance bureaucratic efficiency.

The Eight-Point Socioeconomic Agenda can be summed-up into three main pillars which are as follows:

1. Strengthen the purchasing power of Filipinos;
2. Reduce vulnerability and mitigate scarring from COVID-19 pandemic; and
3. Enhance bureaucratic efficiency.

C. Dimensions of the 2023 Budget

1. By Source of Appropriations

The budget of ₱5.268 trillion, which is equivalent to 22.2% of the country's total economic output for 2023, which is ₱244.400 billion or 4.9% higher than the 2022 adjusted level of ₱5.024 trillion. By source of appropriations, ₱3.671 trillion (69.7%) accounts for programmed new appropriations while the remaining ₱1.597 trillion (30.3%) represents automatic appropriations. Table 6 shows an upward trend of the country's expenditure program from 2012 to 2023.

Table 6. FYs 2012-2023 Sources of Appropriations
(In Billion Pesos)

Particulars	Actual										2022	2023	2023 vs 2022	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Adjusted	Proposed	Amount	%
Appropriations														
New General Appropriations	1,168.533	1,261.678	1,480.483	1,763.336	2,096.446	2,446.318	2,816.464	2,661.323	3,043.181	3,208.857	3,602.360	4,259.254	656.89	18.24
Automatic Appropriations	712.979	737.395	797.998	848.499	910.310	902.167	977.981	1,060.789	1,223.213	1,349.107	1,672.879	1,596.908	(75.97)	(4.54)
Continuing Appropriations	163.653	188.160	110.195	289.616	272.711	355.238	20.868	209.897	246.127	315.330	207.133	-	(207.13)	(100.00)
Supplemental Appropriations	-	14.600	22.468	-	-	-	-	-	58.752	-	-	-	-	-
Total Available Appropriations	2,045.165	2,201.833	2,411.144	2,901.451	3,279.467	3,703.723	3,815.313	3,932.009	4,571.273	4,873.294	5,482.372	5,856.162	373.79	6.82
Less: Unreleased Appropriations	38.121	56.122	116.360	133.699	185.856	220.157	87.779	96.401	62.182	88.814	318.359	588.162	269.80	84.75
Unobligated Allotment	178.062	147.336	275.721	353.112	410.796	168.242	195.769	225.105	200.059	183.694	140.413	-	(140.41)	(100.00)
Total Obligations	1,828.982	1,998.375	2,019.063	2,414.640	2,682.815	3,315.324	3,531.765	3,610.503	4,309.032	4,600.787	5,023.600	5,268.000	244.40	4.87
% of GDP (Nominal-Low)	16.54	16.58	15.29	17.32	17.73	20.02	19.34	18.50	24.00	23.70	23.18	22.18	(1.00)	(4.33)

Sources: BESF and INEP, 2014 - 2023 and time series

- The ₱4.259 trillion in new general appropriations requires legislative authorization. Of this amount, ₱3.671 trillion (86.2%) represents programmed new appropriations while ₱588.162 billion (13.8%) are unprogrammed appropriations (UA).
 - The UA can only be released when non-tax revenue targets are exceeded, when revenues are collected from new sources, or when proceeds from approved foreign loans are received.
- The ₱1.597 trillion automatic appropriations are covered by one-time legislative authorization to provide funds for a specified purpose for which the amount may or may not be fixed by law and is made automatically available and set aside as needed. It does not require periodic action by the Congress since it is authorized by a specific enabling law.²

Table 7 gives a detailed breakdown of the automatic appropriations for 2022 and 2023.

² Lifted verbatim from the FY 2023 BESF Glossary of Terms
Prepared by: LBRMO
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Table 7. FYs 2022-2023 Breakdown of Automatic Appropriations
(In Thousand Pesos)

Particulars	2022	2023	Variance	
	Adjusted	Proposed	Amount	Percent
Retirement and Life Insurance Premiums	60,022,176	64,195,815	4,173,639.00	6.95
Pension Under RA 2087 as amended by PD 1625 & RA 5059	480	480	-	-
Customs duties and taxes, including tax expenditures	14,500,000	14,500,000	-	-
National Tax Allotment	959,041,250	820,268,928	(138,772,322.00)	(14.47)
Interest Payment on NG Debts	512,585,000	582,320,000	69,735,000.00	13.60
BARMM Block Grant	66,963,635	64,755,501	(2,208,134.00)	(3.30)
Net Lending	28,700,000	28,700,000	-	-
Special Account	31,066,690	22,167,833	(8,898,857.00)	(28.64)
TOTAL AUTOMATIC APPROPRIATIONS	1,672,879,231	1,596,908,557	(75,970,674.00)	(4.54)

Source: FY 2023 NEP

- The National Tax Allotment (NTA), formerly Internal Revenue Allotment, is expected to drop by ₱138.772 billion next year given the lower NG revenue collections in 2020 as an aftermath of the COVID-19 pandemic.
- The adjustment in foreign exchange rate between the Philippine Peso and the US Dollar, and the increase in interest rate (364-day treasury bill and LIBOR), all together contributed to the projected increase in interest payment on NG Debts.
- The ₱64.756 billion BARMM Block Grant is the share of the Bangsamoro Government in the national internal revenue tax collections of the Bureau of Internal Revenue and the Bureau of Customs for 2023.

The next Table shows the distribution of the ₱4.259 trillion in new appropriations by programming status.

Table 8. FYs 2022-2023 Breakdown of New General Appropriations, By Programming Status
(In Billion Pesos)

Particulars	2022 Adjusted	2023		Variance	
		Proposed	% Share	Amount	Percent
Programmed New Appropriations	3,350.721	3,671.091	86.19	320.371	9.56
Departments and Agencies	2,893.396	3,001.864	70.48	108.467	3.75
Special Purpose Funds (SPFs)	457.324	669.228	15.71	211.904	46.34
Unprogrammed Appropriations	251.639	588.162	13.81	336.523	133.73
TOTAL NEW GENERAL APPROPRIATIONS	3,602.360	4,259.254	100.00	656.894	18.24

Source: FY 2023 NEP

- Funding for the operations of the line departments and agencies of the NG gets the biggest chunk of the Programmed New Appropriations, with ₱3.002 trillion or 70.5%. This amount is barely 4% more than this year's allocation of ₱2.893 trillion.
- Allocation for Special Purpose Funds (SPF) reflects an increase of ₱211.904 billion or almost 50.0% to fund personnel-related items under the Miscellaneous and Personnel Benefits Fund (MPBF) and the Pension Gratuity Fund (PGF). The ₱669.228 billion SPFs shall be available for allocation to departments/agencies, in addition to their built-in appropriations, during budget execution subject to special conditions.

The ₱588.162 billion UA for 2023 is accounted for as follows:

Table 9. FYs 2022-2023 Unprogrammed Appropriations

(In Million Pesos)

Particulars	2022 GAA	2023 Proposed	Variance	
			Amount	Percent
Support for Infrastructure Projects and Social Programs	13,191	149,691	136,500	1,035
AFP Modernization Program	10,000	5,000	(5,000)	(50)
Budgetary Support to Government-Owned and/or-Controlled Corporations	2,500	20,688	18,188	728
Support to Foreign-Assisted Projects	17,724	380,597	362,873	2,047
Risk Management Program	1,000	1,000		
Payment of Arrears of LTO-IT Service	2,000	2,000		
Refund of the Service Development Fee for the Right to Develop the Nampeidai Property in Tokyo, Japan	211	211		
Prior Years' LGU Shares	15	15		
Bangko Sentral ng Pilipinas (BSP) Equity Infusion pursuant to RA 11211		10,000	10,000	
Public Health Emergency Benefits and Allowances for Health Care and Non-Health Care Workers		18,962	18,962	
Rest of Unprogrammed Appropriations	204,999		(204,999)	(100)
TOTAL UNPROGRAMMED APPROPRIATIONS	251,639	588,162	336,523	133.73

Source: FY 2023 NEP

Note: Totals may not add up due to rounding

- Based on a Special Provision under the UA, the UA may be used when any of the following conditions exists:
 1. Excess revenue collection in any of the identified non-tax revenue sources from its corresponding revenue collection target, as reflected in the Budget of Expenditure and Sources of Financing (BESF);
 2. New revenue collections or those arising from new tax or non-tax revenue sources which are not part of, nor included in, the original revenue sources reflected in the BESF; or
 3. Approved loans for foreign-assisted projects.

2. By Expense Class

By Expense Category, the 2023 budget of ₱5.268 trillion is programmed as follows: Personnel Services (PS)— ₱1.631 trillion (31.0%); Maintenance and Other Operating Expenses (MOOE)— ₱2.042 trillion (38.8%); Financial Expenses (FinEx)— ₱583.162 billion (11.1%); and Capital Outlays and Net Lending— ₱1.011 trillion (19.2%).

Table 10 presents the national budget from 2021 to 2023 by general expense class.

Table 10. FYs 2021-2023 Summary of Obligation by Expense Category
(In Million Pesos)

Expense Class	Cash-Based			% Share 2023	2023 vs 2022	
	2021 Actual	2022 Adjusted	2023 Proposed		Amount	%
Personnel Services (PS)	1,309,842	1,405,292	1,631,440	31.0	226,148	16.09
Maintenance and Other Operating Expenses (MOOE)	1,954,388	2,085,293	2,041,960	38.8	(43,333)	(2.08)
Capital Outlays (CO) and Net Lending	906,373	1,019,180	1,011,438	19.2	(7,742)	(0.76)
Financial Expenses (FinEx)	430,183	513,835	583,162	11.1	69,327	13.49
Total Obligation	4,600,786	5,023,600	5,268,000	100.0	244,400	4.87

Source: FY 2023 BESF

- **Current Operating Expenses (COE)** is equivalent to the total budget net of Capital Outlays and Net Lending. Using this formula, the total COE for 2023 is computed at ₱4.257 trillion. This amount corresponds to the fund which the NG can utilize to purchase goods and services for the conduct of its normal operations within a budget year.
- **PS** of ₱1.631 trillion will be utilized to pay for the salaries and benefits of the 1,772,470 filled positions (both civilian and military/uniformed personnel) in the national government. For 2023, the total number of permanent positions within the NG is at 1,943,138 and out of this number, 170,668 are unfilled. The 2023 PS budget is ₱226.148 billion or 16.1% higher than the ₱1.405 trillion PS budget in 2022. The increase will fund the creation of new positions, the filling up of vacant positions, implementation of the last tranche of the salary standardization law, additional allowances for military/uniformed personnel and the National Government Rightsizing Program.
- **MOOE** still takes up the largest share of the 2023 budget at 38.8%, but lower than this year's 41.5% share by 2.7 percentage points. In nominal terms, it will decrease by ₱43.333 billion or 2.1% decrease over the 2022 level of ₱2.085 trillion mainly due to the lower allocation for the NTA and BARMM Annual Block Grant (refer to Table 7). Some of the departments/agencies which were provided with additional funds under MOOE are as follows:
 - 1) Department of Education (₱24.8 billion) for the Government Assistance to Students and Teachers in Private Education (GASTPE);
 - 2) Department of Agriculture (₱23.4 billion)- for the National Rice Program;
 - 3) Philippine Health Insurance Corporation (₱20.2 billion)- for the Universal Health Care (UHC) program; and
 - 4) Department of Public Works and Highways (₱20.2 billion)- for the routine maintenance of roads and bridges.

Almost 75% or a total of ₱1.531 trillion of the ₱2.042 trillion MOOE for 2023 is devoted to Financial Assistance/Subsidy. Meanwhile, ₱4.958 billion has been earmarked for Intelligence Expenses and ₱4.333 billion for Confidential Expenses.

- **FinEx** amounting to ₱583.162 billion will pay for the management supervision/trusteeship fees, interest expenses, guarantee fees, bank charges,

commitment fees and other financial charges incurred in owning or borrowing an asset property. Given the substantial borrowings of the NG from 2019 to 2022 in response to the pandemic, the FinEx is augmented by ₱69.327 billion or 13.5% to cover the anticipated increase in debt servicing for 2023.

- **CO** amounting to ₱1.011 trillion will fund the purchase of goods and services, the benefits of which extend beyond the fiscal year, and add to the assets of the NG. Table 11 presents the breakdown of the ₱1.011 trillion CO by object of expenditure.

Table 11. FYs 2021-2023 Breakdown of Capital Outlays
(In Million Pesos)

Particulars	Cash-Based			2023 vs. 2022	
	2021 Actual	2022 Adjusted	2023 Proposed	Amount	Percent
Investment Outlay	46,157	13,036	2,988	(10,048)	(77.1)
Loans Outlay	23,162	33,785	33,744	(41)	(0.1)
Investment Property Outlay			9	9	
Property, Plant and Equipment Outlay					
Land Outlay	667	503	569	66	13.1
Land Improvements Outlay	2,835	1,738	1,644	(94)	(5.4)
Infrastructure Outlay	611,517	774,894	817,873	42,979	5.5
Buildings and Other Structures	125,455	98,265	79,388	(18,877)	(19.2)
Machinery and Equipment	85,096	83,317	69,901	(13,416)	(16.1)
Transportation Equipment Outlay	9,145	11,635	4,091	(7,544)	(64.8)
Furniture, Fixtures and Books Outlay	557	726	434	(292)	(40.2)
Leased Assets Improvements	274				
Heritage Assets	283	57	8	(50)	(86.4)
Other Property Plant and Equipment Outlay	125	125	133	9	6.9
Biological Assets Outlay	712	894	513	(381)	(42.6)
Intangible Assets Outlay	388	205	144	(61)	(30.0)
TOTAL CAPITAL OUTLAYS	906,373	1,019,180	1,011,439	(7,742)	(0.8)

Source: FY 2023 BESF

- Being the infrastructure arm of the NG, the Department of Public Works and Highways (DPWH) captures the biggest share of the 2023 Capital Outlay allocation amounting to ₱680.075 billion or 67.2%.
- By object class, the largest chunk of the ₱1.011 trillion CO is allocated for infrastructure outlays with ₱817.873 billion or 80.9% share. This item pertains to the cost incurred in the purchase or construction or fair value of roads, bridges, ports, flood control structures and systems, public buildings, communication networks, water supply system, sewer system, power supply system, parks, plazas, monuments, railway systems and other public infrastructures.³

³ Read more from the Government Accounting Manual published by COA.

a. Public Sector Infrastructure Budget

A total of ₱1.196 trillion has been set aside for the country's public sector infrastructure budget in 2023. This amount translates to 5.0% of GDP which is lower than the estimated 5.4% this year but still within the target range of 5.0% to 6.0%. The top three recipients for the coming fiscal year are as follows: 1) DPWH— ₱697.697 billion (58.3% share); 2) NTA— ₱164.054 billion (13.7% share); and 3) Department of Transportation (DOTr)— ₱129.810 billion (10.9% share).

Table 12. FYs 2021-2023 Infrastructure Outlays

(In Million Pesos)

Particulars	2021 (Actual)	2022 (Program)	2023 (Proposed)	2023 % Share	2023 vs. 2022	
					Amount	%
Total, Infrastructure Outlays	1,007,424	1,177,920	1,196,003	100.00	18,083	1.54
Programs	401,716	817,331	706,464	59.07	(110,867)	(13.56)
Locally-Funded Projects	536,493	331,581	306,061	25.59	(25,520)	(7.70)
Foreign-Assisted Projects	69,215	29,008	183,478	15.34	154,470	532.51

Source: FY 2023 BESF

- The ₱1.196 trillion public infrastructure budget for 2023 will fund the current administration's Build, Better, More (BBM) program, which is an expansion of the Duterte's Administration's Build, Build, Build Program, and is included in the list of spending priorities under the 2023 National Expenditure Program (NEP).

Table 13. FY 2023 Breakdown of Infrastructure Outlays, By Department

(In Billion Pesos)

Particulars	2023 Proposed	% Share
DPWH	697.697	58.34
National Tax Allotment	164.054	13.72
DOTr	129.810	10.85
BSGC (GOCCs)	44.961	3.76
DND	42.007	3.51
DOH	23.342	1.95
DA	21.564	1.80
BARMM	17.951	1.50
DepEd	11.853	0.99
DICT	5.246	0.44
The Judiciary	4.988	0.42
Other Departments	32.530	2.72
TOTAL, INFRASTRUCTURE OUTLAYS	1,196.003	100.00

Source: FY 2023 BESF

- The infrastructure projects under the DPWH are categorized as follows: Asset Preservation Projects— ₱88.538 billion, Network Development Program— ₱140.438 billion, Bridge Program— ₱37.990 billion, Flood Management Program— ₱131.795 billion, Convergence and Special Support Program— ₱213.954 billion and Local Program— ₱27.788 billion.

- For the DOTr, the projects that will be implemented are geared towards improving public mass transport, particularly, the country's rail transport systems which for 2023 will be given ₱105.193 billion for capital expenditures. e.g. North-South Commuter Railway System— ₱75.107 billion, Metro Manila Subway Project— ₱26.261 billion, LRT Line 1 Cavite Extension Project— ₱2.746 billion, and PNR South Long Haul Project— ₱1.079 billion. In addition, ₱548.640 million is being allocated for the MRT 3 rehabilitation.
- The 20% from the NTA amounting to ₱164.054 billion will serve as financial assistance to Local Government Units (LGUs) to fund their development and infrastructure projects.
- The BARMM portion is composed of the Annual Block Grant and the Special Development Fund, which shall be used for the rebuilding, rehabilitation, and development of its conflict-affected communities pursuant to Section 2, Article XIV of RA No. 11054.

Presented in the next table is the distribution of the ₱1.196 trillion public infrastructure budget, by major category.

Table 14. FY 2023 Public Sector Infrastructure Budget, By Category
(In Billion Pesos)

Particulars	2023 Proposed	% Share
Road Networks	381.31	31.89
Flood Control Systems	209.15	17.49
Development Fund of LGUSs	164.05	13.72
Railways	105.27	8.80
Buildings	74.23	6.21
Irrigation Systems	29.49	2.47
Right-of Way Acquisition	50.25	4.20
Hospitals and Health Centers	23.24	1.94
School Buildings	13.91	1.16
Water Supply Systems	5.28	0.44
Power Supply Systems	3.60	0.30
Housing and Community Facilities	2.50	0.21
Reforestation Projects	1.37	0.11
Other Infrastructures	132.35	11.07
Total, Public Sector Infrastructure Budget	1,196.00	100.00

Source: DBM Presentation

- Road network which is given the highest priority among other infrastructure projects, involves the construction, maintenance, upgrading, rehabilitation, preservation, widening and reconstruction works among others.

3. By Cost Structure

The distribution by cost structure of the 2023 NG budget is as follows: ₱2.862 trillion for Programs, ₱1.795 trillion for Projects (both local and foreign assisted), ₱582.320 billion for interest payment of NG debts and ₱28.7 billion for Net Lending.

Net of debt burden, the productive portion of the ₱5.268 trillion NG budget will account for 88.4% or ₱4.657 trillion. This will be apportioned among the various programs and projects of the NG.

Table 15. FYs 2021-2023 NG Expenditure, by Program Category
(In Million Pesos)

Particulars	Actual 2021	2022 Program	2023 Proposed	2023 vs 2022		Percent Share		
				Amount	%	2021	2022	2023
Programs	2,661,349	2,856,308	2,861,908	5,599	0.20	57.85	56.86	54.33
General Overhead	477,601	262,568	333,930	71,362	27.18	10.38	5.23	6.34
Gen. Admin. and Support	415,144	213,806	222,653	8,847	4.14	9.02	4.26	4.23
Support to Operations	62,457	48,762	111,277	62,515	128.20	1.36	0.97	2.11
Operations	2,183,748	2,593,740	2,527,978	(65,763)	(2.54)	47.46	51.63	47.99
Projects	1,492,129	1,626,007	1,795,072	169,066	10.40	32.43	32.37	34.08
Locally-Funded Projects	1,350,328	1,585,962	1,585,053	(909)	(0.06)	29.35	31.57	30.09
Foreign-Assisted Projects	141,801	40,044	210,019	169,975	424.47	3.08	0.80	3.99
Total Programs and Projects	4,153,478	4,482,315	4,656,980	174,665	3.90	90.28	89.23	88.40
Net Lending	17,877	28,700	28,700	-	-	0.39	0.57	0.54
Interest Payments	429,432	512,585	582,320	69,735	13.60	9.33	10.20	11.05
Total Obligations	4,600,787	5,023,600	5,268,000	244,400	4.87	100.00	100.00	100.00

Source: 2021-2023 BESF

Figures may not add up due to rounding off

Programs, which consists of General Overhead and Operations, will account for more than half or 54.3% of the 2023 NG budget. This is lower than the current year's share of 56.9% due to a ₱65.763 billion reduction in the allocation for Operations, mostly in the DPWH, which will partly be offset by an increase in Support to Operations amounting to ₱62.515 billion (128.2%), also in the DPWH and the DOTr.

The remaining 45.7% of the NG budget will be shared by Projects and Debt Burden with both items getting bigger allocation, thus, also increasing their share by 1.7 and 0.8 percentage points, respectively. The share for locally-funded projects will decline from 31.6% to 30.1%, while the share of foreign-assisted projects will increase fivefold as it surged to 4% of total after a sharp decline last year from 3.1% in 2021 to 0.8% this year. More than half or 54.3% of the ₱169.975 billion increase for foreign-assisted projects will be channeled to the DOTr; 37.2% will go to the DPWH; and the remaining 8.5% will be allocated to the other departments/agencies.

4. By Sector

When broken down by sector, the ₱5.268 trillion proposed NG budget for 2023 reflects the current administration's commitment of boosting economic recovery and sustaining the government's fight against COVID-19.

Table 16. FYs 2021-2023 NG Expenditure, By Sector
(In Billion Pesos)

Particulars	2021 Actual	2022 Program	2023 Proposed	2023 vs. 2022	
				Amount	%
Economic Services	1,274.603	1,494.068	1,528.458	34.390	2.30
Social Services	1,816.584	1,932.425	2,070.710	138.285	7.16
Defense	212.437	221.147	250.654	29.507	13.34
Gen. Public Services	849.854	834.674	807.158	(27.516)	(3.30)
Debt Burden	447.309	541.285	611.020	69.735	12.88
Net Lending	17.877	28.700	28.700	-	-
Interest Payments	429.432	512.585	582.320	69.735	13.60
Total	4,600.787	5,023.600	5,268.000	244.400	4.87

Source of basic data: 2021-2023 BESF

Numbers may not add up due to rounding off

In terms of budget share, the Social Services Sector accounts for 39.3% while Economic Services receives 29.0% or a combined share of 68.3%. The remaining 31.7% will be shared by the other sectors: Defense, General Public Services, and Debt Burden, with shares at 4.8%, 15.3%, and 11.6%, respectively.

All sectors will get a higher budget except for General Public Services which will decline by ₱27.516 billion due to a reduced subsidy for LGUs, specifically for the NTA, as consequence of having a lower tax collection on account of the COVID-19 pandemic. (The NTA and the Block Grant are computed based on the actual tax collection of the third year preceding the budget year).⁴

Table 17. FYs 2012-2023 NG Expenditure, By Percentage Share

Particulars	Percent Share											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Economic Services	26.80	25.86	24.39	29.32	30.58	32.50	32.46	28.03	26.19	27.70	29.74	29.01
Social Services	32.38	35.63	37.87	36.72	36.25	36.54	34.91	37.36	40.71	39.48	38.47	39.31
Defense	4.07	4.40	4.32	4.03	4.24	4.72	4.78	5.18	4.16	4.62	4.40	4.76
Gen. Public Services	18.15	17.10	16.85	16.72	17.01	16.88	17.82	18.96	19.60	18.47	16.62	15.32
Debt Burden	18.60	17.02	16.57	13.21	11.92	9.37	10.03	10.47	9.34	9.72	10.77	11.60
Net Lending	1.50	0.83	0.66	0.40	0.57	-	0.14	0.47	0.51	0.39	0.57	0.54
Interest Payments	17.10	16.18	15.91	12.81	11.35	9.37	9.89	10.00	8.83	9.33	10.20	11.05
Total	100.00											

Source of basic data: 2014-2023 BESF

Numbers may not add up due to rounding off

As shown in Table 17, the year 2020 posted the highest share for the Social Services and the General Public Services Sector with 40.7%, and 19.6%, respectively, as this was the year the COVID-19 broke out in the country. Spending for the other sectors dropped due to realignment of funds for pandemic response measures, particularly for health and social amelioration programs of the government including the Bayanihan grant to provinces, cities and municipalities to fund their respective COVID-19 initiatives.

⁴ For the 2023 budget, the share of the LGUs in the NTA and Block Grant is based on the 2020 collections.

a. Social Services

The Social Services Sector, which accounts for the lion's share of the NG budget at 39.3%, will be allocated ₱2.071 trillion in 2023. In keeping with the constitutional mandate of giving the highest budgetary priority to education, the Education, Culture and Manpower Development subsector will receive the largest allocation of 43.7% to fund, among others, the Basic Education Facilities (BEF), GASTPE, Universal Access to Quality Tertiary Education (UAQTE), and various programs of Technical Education and Skills Development Authority (TESDA).

For 2023, the allocation for the Health subsector will increase from ₱279.540 billion to ₱308.265 billion. The increase of ₱28.725 billion will cover health upgrade to support the pandemic recovery including the accessibility of health care services in the regions. Some of the programs under these subsectors include the following: Health Facilities Enhancement Program (HFEP) with ₱22.920 billion; National Health Workforce Support System ₱16.947 billion; Medical Assistance to Indigent and Financially-Incapacitated Patients ₱22.395 billion; and the subsidy to Philippine Health Insurance Corporation (PhilHealth), which will increase to ₱100.233 billion from ₱79.991 billion. The Public Health Emergency Benefits and Allowances for Health Care and Non-Health Care Workers will be provided ₱38.924 billion in 2023, which is lower than this year's ₱51.000 billion. This amount is inclusive of the allocations under the Unprogrammed Fund— ₱18.962 billion⁵ in 2023 and ₱42.000 billion in 2022.

Table 18. Social Services Sector
(In Million Pesos)

Particulars	Actual 2021	2022 Program	2023 Proposed	2023 vs 2022		Percent share		
				Amount	%	2021	2022	2023
Social Services	1,816,584	1,932,425	2,070,710	138,285	7.16	100.00	100.00	100.00
1. Education, Culture, and Manpower Devt.	777,497	814,483	904,934	90,451	11.11	42.80	42.15	43.70
2. Health	316,565	279,540	308,265	28,725	10.28	17.43	14.47	14.89
3. Social Security, Welfare & Employment	425,943	446,533	520,717	74,184	16.61	23.45	23.11	25.15
4. Housing and Community Development	9,777	7,704	4,118	(3,586)	(46.55)	0.54	0.40	0.20
5. Land Distribution	-	100	100	-	-	-	0.01	0.00
6. Other Social Services	2,952	3,412	3,417	5	0.15	0.16	0.18	0.17
7. Subsidy to Local Government Units	283,850	380,653	329,159	(51,494)	(13.53)	15.63	19.70	15.90

Source of basic data: 2021-2023 BESF

Numbers may not add up due to rounding off

The Social Security, Welfare and Employment, which accounts for the second biggest share of the Social Services Sector budget, is comprised of the Department of Labor and Employment (DOLE), the Department of Social Welfare and Development (DSWD), Special Purpose Funds (SPF) including Pension and Gratuity Fund, and other agencies. This subsector will now include the Department of Migrant Workers (DMW), a newly created department tasked to oversee the welfare of Overseas Filipino Workers (OFWs). More than half of the budget for Social Security, Welfare and Employment will be allotted for Pension and Gratuity at ₱272.944 billion, which is even higher than the budget for DSWD. Among the big-ticket items under this subsector are as follows: Pantawid Pamilyang Pilipino Program (4Ps) with a budget of ₱115.610 billion from ₱107.670 billion; Social Pension for Indigent Senior Citizens— ₱25.296 billion; Tulong Panghanapbuhay sa Ating

⁵ For the 2023 second semester requirements.

Disadvantaged/Displaced Workers (TUPAD) Program— ₱14.88 billion; and Emergency Repatriation Program (ERP) for OFWs— ₱10.04 billion.

Allocation for Housing and Community Development will get a sizeable decrease of 46.6% or ₱3.586 billion, mainly due to a lower subsidy for the National Housing Authority, from ₱5.176 billion to ₱2 billion.

b. Economic Services

Economic Services Sector will continue to receive the second largest allocation with ₱1.528 trillion or 29.0% of the NG budget. More than half of the budget (53.6%) or ₱819.819 billion will be spent on Communications, Roads and Other Transport to fund, among others, the following programs/projects: Network Development Program—₱140.438 billion; Rail Transport Program—₱113.987 billion inclusive of the allocation for the North-South Commuter Railway System, ₱75.107 billion and the Metro Manila Subway Project, ₱26.261 billion; Bridge Program—₱37.990 billion, Land Public Transportation Program—₱4.718 billion, and Aviation Infrastructure Program including airports in Laoag, Tacloban, Antique, Bukidnon, and the Ninoy Aquino International Airport (NAIA)—₱2.489 billion.

Table 19. Economic Services Sector
(In Million Pesos)

Particulars	Actual 2021	2022 Program	2023 Proposed	2023 vs. 2022		2021	2022	2023
				Amount	%			
Economic Services	1,274,603	1,494,068	1,528,458	34,390	2.30	100.00	100.00	100.00
1. Agriculture and Agrarian Reform	138,882	144,802	200,400	55,598	38.40	10.90	9.69	13.11
2. Natural Resources and Environment	27,042	27,109	25,800	(1,309)	(4.83)	2.12	1.81	1.69
3. Trade and Industry	10,565	12,433	10,606	(1,827)	(14.69)	0.83	0.83	0.69
4. Tourism	5,108	5,804	5,880	76	1.31	0.40	0.39	0.38
5. Power and Energy	14,851	14,465	14,501	36	0.25	1.17	0.97	0.95
6. Water Resources Devt. & Flood Control	87,154	103,367	93,677	(9,690)	(9.37)	6.84	6.92	6.13
7. Communications, Roads, & Other Transport	682,577	786,022	819,819	33,797	4.30	53.55	52.61	53.64
8. Other Economic Services	39,917	39,988	46,409	6,421	16.06	3.13	2.68	3.04
9. Subsidy to Local Government Units	268,507	360,078	311,367	(48,711)	(13.53)	21.07	24.10	20.37

Source of basic data: 2021-2023 BESF

Numbers may not add up due to rounding off

Agriculture and Agrarian Reform will get a huge boost with a budget of ₱200.400 billion, which is ₱55.598 billion or 38.4% increase over this year's budget. This will support the key programs of the Department of Agriculture (DA) to secure a steady supply of affordable food, and the Department of Agrarian Reform (DAR) to strengthen the Comprehensive Agrarian Reform Program.

To stimulate other engines of economic growth, about ₱5.880 billion will be allocated for the Tourism subsector including the ₱1.166 billion for the Tourism Promotions Board. This will fund the promotion of the Philippines as a tourist destination post pandemic and to create a "Filipino Brand". On the other hand, ₱10.606 billion is allocated for the Trade and Industry subsector to finance, among others, the Micro, Small and Medium Enterprises Development Program.

The budget for Water Resources Development and Flood Control subsector, which will decline from ₱103.367 billion to ₱93.677 billion, will mainly fund the DPWH Flood Management Program.

Power and Energy subsector will receive ₱14.501 billion for the Renewable Energy Development Program, Energy Efficiency and Conservation Program, and Alternative Fuels and Technology Programs.

The allocation for Natural Resources and Environment subsector decreased to ₱25.800 billion from ₱27.109 billion and will fund the National Greening Program, Protective Areas Development and Management Program, Manila Bay Rehabilitation Program.

c. General Public Services

General Public Services, which share of the NG budget has been dwindling for the last four years, will be allocated ₱807.158 billion. This reflects a decline of ₱27.516 billion due to lower provisions for the General Administration budget of the bureaucracy and the NTA.

Table 20. General Public Services Sector
(In Million Pesos)

Particulars	2021 Actual	2022 Program	2023 Proposed	2023 vs. 2022		Percent Share		
				Amount	%	2021	2022	2023
General Public Services	849,854	834,675	807,158	(27,517)	(3.30)	100.00	100.00	100.00
1. General Administration	238,575	192,355	172,807	(19,548)	(10.16)	28.07	23.05	21.41
2. Public Order and Safety	307,734	323,013	344,323	21,310	6.60	36.21	38.70	42.66
3. Other General Public Services	88,739	31,245	40,933	9,688	31.01	10.44	3.74	5.07
4. Subsidy to LGUs	214,806	288,062	249,093	(38,969)	(13.53)	25.28	34.51	30.86

Source of basic data: 2021-2023 BESF

Numbers may not add up due to rounding off

Nearly 43% of this sector's budget will be provided for Public Order and Safety, which comprises the budgets of the Department of Justice (DOJ), the uniformed services under the Department of the Interior and Local Government (DILG), the Judiciary, among others. The key programs under this sector include the Capability Enhancement Program, Barangay Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC), and the Civil Service Commission's Civil Service Professionalization and Workplace Cooperation Program.

d. Defense

The budget share of the Defense sector to total expenditure is the least among the five sectors. Its share of 4.8% for 2023 is an improvement over this year's 4.4%; and over its 10-year average of 4.5%.

For 2023, the Defense sector's allocation of ₱250.654 billion aims to improve and modernize the defense capability of the country. More than 93% of this sector's budget pertains to the expenditures of the Armed Forces of the Philippines (AFP). The increase of ₱29.507 billion (13.3%) will cover, among others, the higher programmed appropriations

for the revised AFP Modernization Program, which is being proposed at ₱40 billion⁶ from ₱29.050 billion in 2022.

e. Debt Burden

The government has allotted ₱611.020 billion or 11.6% of the proposed NG budget for debt burden or the servicing of the country's debt in 2023. This will consist of ₱582.320 billion in interest payments for the country's domestic and foreign debts and ₱28.7 billion for net lending, which are NG advances to government corporations for debts guaranteed by the government. The increase of ₱69.735 billion will fund the higher requirements for interest payments.

5. By Recipient Unit

Among the recipient units, the combined allocations for the National Government Agencies (NGA) will continue to get the largest share of the 2023 NG budget at 66.4% or ₱3.499 trillion. This will fund the implementation of various programs and projects of the departments and agencies, including the creation of new positions, filling up of vacancies, salary increase for civilian and military/uniformed personnel, and additional infrastructure requirements.

Table 21. FYs 2021-2023 NG Expenditure, By Recipient Unit
(In Million Pesos)

Particulars	2021 Actual	2022 Program	2023 Proposed	2023 vs 2022		Percent Share		
				Amount	%	2021	2022	2023
NGAs	3,041,774	3,217,401	3,498,979	281,579	8.75	66.11	64.05	66.42
LGUs	885,873	1,084,372	962,234	(122,138)	(11.26)	19.25	21.59	18.27
GOCCs	243,709	209,243	224,467	15,224	7.28	5.30	4.17	4.26
Creditors	429,432	512,585	582,320	69,735	13.60	9.33	10.20	11.05
TOTAL	4,600,787	5,023,600	5,268,000	244,400	4.87	100.00	100.00	100.00

Source: 2022-2023 BESF

Figures may not add up due to rounding off

Subsidy to LGUs will account for 18.3% of the proposed NG budget, which is lower than this year's share of 21.6%. On average, LGUs got a 19.6% share of the NG budget for the last four years. For 2023, the ₱962.234 billion will cover the funding of the following items: ₱820.269 billion as NTA for the LGUs and ₱64.756 billion for the BARMM Annual Block Grant, which are both automatically appropriated; and the ₱77.203 billion allocations to LGUs.

The budget for Government Owned or Controlled Corporations (GOCCs), which accounts for 4.3%, will be increased to ₱224.467 billion from ₱209.243 billion. This amount pertains to NG's assistance to GOCCs and consists of the following: subsidies amounting to ₱150.017 billion, infrastructure outlays of ₱44.961 billion, equity infusion of ₱789.879 million, and net lending of ₱28.7 billion. The ₱15.224 billion increase for GOCCs is attributed

⁶ P5 billion under the Unprogrammed Fund

to the ₱20.242 billion additional subsidy for the PhilHealth to cover the benefit package improvement of the Universal Health Care Law.

Creditors will get a bigger share of the NG budget with ₱582.320 billion or 11.1% compared to this year's ₱512.585 billion or 10.2%. This will provide for the interest payments on borrowings both from domestic and foreign sources, which is anticipated to be higher given the rise in the peso dollar exchange rate and interest rates.

6. By Regional Allocation

Of the ₱5.268 trillion budget for 2023, ₱1.869 trillion or 35.5% is lumped under **Nationwide**; ₱388.745 billion or 7.4% will be managed by the **Central Office** of each department/agency; and ₱3.011 trillion or 57.1% is distributed to the **17 regions** of the country.

Table 22. FYs 2021-2023 Regional Allocation of the Expenditure Program
(In Thousand Pesos)

Particulars	2021	2022		2023		2022 vs 2023	
	(Actual Obligations)	Amount	% Share	Amount	% Share	Amount	%
Nationwide	487,953,335	1,035,730,014	20.62	1,868,691,799	35.47	832,961,785	80.42
Central Office	918,260,220	362,373,059	7.21	388,745,434	7.38	26,372,375	7.28
Regional	3,194,573,454	3,625,496,927	72.17	3,010,562,767	57.15	(614,934,160)	(16.96)
NCR	1,132,931,748	922,188,845	18.36	989,803,558	18.79	67,614,713	7.33
Region I	131,882,701	132,531,083	2.64	115,998,001	2.20	(16,533,082)	(12.47)
CAR	74,334,040	135,452,049	2.70	60,499,262	1.15	(74,952,787)	(55.34)
Region II	110,101,014	131,933,734	2.63	102,609,591	1.95	(29,324,143)	(22.23)
Region III	219,438,732	287,666,375	5.73	224,271,982	4.26	(63,394,393)	(22.04)
Region IV	313,442,027	438,892,140	8.74	317,300,193	6.02	(121,591,947)	(27.70)
Region IV-A	230,037,039	308,547,283	6.14	231,817,879	4.40	(76,729,404)	(24.87)
Region IV - B	83,404,988	130,344,857	2.59	85,482,314	1.62	(44,862,543)	(34.42)
Region V	142,695,160	206,842,869	4.12	133,822,340	2.54	(73,020,529)	(35.30)
Sub -total, Luzon	2,124,825,422	2,255,507,095	44.90	1,944,304,927	36.91	(311,202,168)	(13.80)
Region VI	164,173,941	198,783,567	3.96	158,441,074	3.01	(40,342,493)	(20.29)
Region VII	154,020,192	192,739,181	3.84	155,296,579	2.95	(37,442,602)	(19.43)
Region VIII	126,981,706	167,165,909	3.33	123,828,034	2.35	(43,337,875)	(25.93)
Sub -total, Visayas	445,175,839	558,688,657	11.12	437,565,687	8.31	(121,122,970)	(21.68)
Region IX	89,755,401	114,842,472	2.29	96,607,409	1.83	(18,235,063)	(15.88)
Region X	119,140,477	163,250,618	3.25	119,209,773	2.26	(44,040,845)	(26.98)
Region XI	114,424,695	167,997,454	3.34	117,818,209	2.24	(50,179,245)	(29.87)
Region XII	91,026,866	108,446,053	2.16	88,802,813	1.69	(19,643,240)	(18.11)
CARAGA	80,236,397	113,226,655	2.25	76,642,273	1.45	(36,584,382)	(32.31)
BARMM	129,988,357	143,537,923	2.86	129,611,676	2.46	(13,926,247)	(9.70)
Sub -total, Mindanao	624,572,193	811,301,175	16.15	628,692,153	11.93	(182,609,022)	(22.51)
TOTAL	4,600,787,009	5,023,600,000	100.00	5,268,000,000	100.00	244,400,000	4.87

Source: FYs 2022-2023 BESF

Among the 17 regions, the National Capital Region (NCR) gets the largest allocation of ₱989.804 billion representing 18.8% of the budget; and is also the only region that is

getting an additional budget amounting to ₱67.615 billion in 2023. This increase can be attributed to a considerably large budget given to the DOTr, specifically the Office of the Secretary, which budget is increasing from ₱54.695 billion to ₱144.225 billion. Meanwhile, the Cordillera Administrative Region (CAR) will get the smallest budget of ₱60.499 billion or 1.2% of the total budget.

a. Regional Per Capita Allocation

Table 23. Regional Per Capita Allocation
(In Thousand Pesos)

REGION	2021	2022	2023
TOTAL, Regional	28.989	32.495	26.667
National Capital Region (NCR)	81.119	65.317	69.401
Cordillera Administrative Region (CAR)	40.782	73.741	32.700
Region I (Ilocos Region)	24.822	24.758	21.519
Region II (Cagayan Valley)	29.808	35.394	27.294
Region III (Central Luzon)	17.536	22.639	17.397
Region IV-A (CALABARZON)	14.060	18.526	13.686
Region IV-B (MIMAROPA)	25.965	40.135	26.052
Region V (Bicol Region)	23.042	33.101	21.236
Region VI (Western Visayas)	20.598	24.746	19.579
Region VII (Central Visayas)	19.122	23.657	18.860
Region VII (Eastern Visayas)	26.434	34.360	25.135
Region IX (Zamboanga Peninsula)	23.561	29.947	25.037
Region X (Northern Mindanao)	23.478	31.829	23.012
Region XI (Davao Region)	21.303	30.817	21.300
Region XII (SOCCSKSARGEN)	18.257	21.482	17.387
Region XIII (CARAGA)	28.839	40.288	27.008
Bangsamoro Autonomous Region In Muslim Mindanao (BARMM)	30.441	32.930	29.131

Sources:

PSA Updated Projected Mid-Year Population for the Philippines Based on the 2015 POPCEN Results: 2020 - 2025

FY 2023 BESF

In terms of per capita per region, the NCR still ranks first with a budget of ₱81,119, ₱65,317 and ₱69,401 in 2021, 2022 and 2023, respectively. Region IV-A (CALABARZON) is at the bottom with ₱14,060, ₱18,526 and ₱13,686 for 2021, 2022 and 2023, respectively.

b. Nationwide Allocation

Table 24. FYs 2021-2023 Nationwide Allocation
(In Thousand Pesos)

Particulars	2021	2022	2023	2023 vs 2022	
	Actual	Program	Proposed	Amount	%
Department of Agriculture	1,792,072	1,194,947	1,984,597	789,650	66.08
Department of Education	182,690	39,640,298	24,214,747	(15,425,551)	(38.91)
Department of Health		78,068,335	42,729,532	(35,338,803)	(45.27)
Department of the Interior and Local Government		50,000		(50,000)	(100.00)
Department of Labor and Employment		25,972,025	10,707,779	(15,264,246)	(58.77)
Department of Public Works and Highways		3,691,712	628,209,125	624,517,413	16,916.74
Department of Social Welfare and Development		48,113,012	36,793,399	(11,319,613)	(23.53)
Other Executive Offices	99,871	121,627	29,292,500	29,170,873	23,983.88
Special Purpose Funds	485,878,702	838,878,058	1,094,760,120	255,882,062	30.50
Budgetary Support to Government Corp.		28,606	28,606	-	
Allocations to Local Government Units	38,569,702	44,401,444	63,225,966	18,824,522	42.40
National Disaster Risk Reduction and Management Fund		20,000,000	31,000,000	11,000,000	55.00
Contingent Fund		7,000,000	13,000,000	6,000,000	85.71
Miscellaneous Personnel Benefits Fund		27,718,939	89,041,479	61,322,540	221.23
Pension and Gratuity Fund		183,944,069	272,944,069	89,000,000	48.38
Tax Expenditure Fund		14,500,000	14,500,000	-	
Debt-Service Fund-Interest Payment	429,432,000	512,585,000	582,320,000	69,735,000	13.60
Net Lending	17,877,000	28,700,000	28,700,000	-	
TOTAL	487,953,335	1,035,730,014	1,868,691,799	832,961,785	80.42

Source: FY 2022 and FY 2023 BESF

The Nationwide allocation for 2023 is increasing by ₱832.962 billion on account of the substantial increase in the allocation for the DPWH amounting to ₱624.517 billion; and in the allocation for the SPFs, which is increasing by ₱255.882 billion or 30.5%,

A substantial portion of the Nationwide allocation will still be distributed to the regional offices of the various departments/agencies and multi-users of the Special Purpose Funds during budget execution. This will explain why in 2023, as can be gleaned from Table 22, the allocation for each region, with the exception of the NCR, will show sizeable reductions.

More than 53% of the 2023 allocation for the Special Purpose Funds of ₱1.095 trillion is for interest payments, which is the amount that will be paid to creditors, both domestic and foreign.

c. By Island Group

By island grouping, net of Nationwide and Central Office allocation, the Luzon island will get the major share of the ₱3.011 trillion allocation for the 17 regions amounting to ₱1.944 trillion (64.6%); while the Mindanao and Visayas island, will get ₱628.692 billion (20.9%) and ₱437.566 billion (14.5%), respectively.

D. Top Ten Departments

Consistent with the trend in the two previous fiscal years, the top ten departments with the highest budgetary allocation for 2023 comprises more than half (57.0%) of the national government's total expenditure program (56.3% for 2022; 63.1% for 2021). The budget of the top ten departments for next year represents an increase of P176.749 billion or 6.3% from the current year's program of ₱2.827 trillion. In contrast, the 2022 allocation registered a decrease of ₱75.913 billion or 2.6% from the 2021 allocation of ₱2.903 trillion. Pursuant to the 1987 Constitution, the education sector is at the top with ₱852.846 billion. The sector is composed of the Department of Education (DepEd), the State Universities and Colleges (SUCs), the TESDA and the Commission on Higher Education (CHED).

Table 25. FYs 2021-2023 Top Ten Departments
(In Billion Pesos)

DEPARTMENTS	2021	%	2021	2022	%	2022	2023	%	2023	2022 vs. 2021		2023 vs. 2022	
	Actual	Share	Rank	Program	Share	Rank	Proposed	Share	Rank	Amount	%	Amount	%
Total National Budget	4,600.787	100.00		5,023.600	100.00		5,268.000	100.00		422.813	9.19	244.400	4.87
Top Ten Departments	2,902.860	63.09		2,826.947	56.27		3,003.696	57.02		(75.913)	(2.62)	176.749	6.25
Education Sector*	767.986	16.69	1	788.524	15.70	1	852.846	16.19	1	20.538	2.67	64.321	8.16
DPWH	662.190	14.39	2	786.600	15.66	2	718.355	13.64	2	124.410	18.79	(68.245)	(8.68)
DOH (including PhilHealth)	308.012	6.69	5	268.353	5.34	3	296.311	5.62	3	(39.660)	(12.88)	27.958	10.42
DILG	313.025	6.80	4	251.275	5.00	4	253.049	4.80	4	(61.750)	(19.73)	1.774	0.71
DND	314.402	6.83	3	220.862	4.40	5	240.701	4.57	5	(93.540)	(29.75)	19.839	8.98
DSWD	195.389	4.25	6	205.001	4.08	6	197.030	3.74	6	9.612	4.92	(7.971)	(3.89)
Agriculture Sector**	135.297	2.94	7	132.225	2.63	7	184.105	3.49	7	(3.072)	(2.27)	51.880	39.24
DOTr	99.045	2.15	8	75.828	1.51	8	167.121	3.17	8	(23.218)	(23.44)	91.293	120.40
Judiciary	45.691	0.99		46.983	0.94	10	52.736	1.00	9	1.292	2.83	5.753	12.25
Labor and Employment***	51.597	1.12	10	51.297	1.02	9	41.442	0.79	10	(0.300)	(0.58)	(9.855)	(19.21)
DOF	55.917	1.22	9	21.931	0.44		25.762	0.49		(33.986)	(60.78)	3.831	17.47
Rest of National Budget	1,697.927	36.91		2,196.653	43.73		2,264.304	42.98		498.726	29.37	67.651	3.08

Source: FY 2023 BESF

Figures may not add up due to rounding off

*Includes the budgets of DepEd, SUCs, TESDA and CHED

**Includes the budgets of DA (including attached agencies and corporations), DAR and PCIC

***Includes the budgets of DOLE and DMW

1. Education Sector

The President reiterated his commitment in investing for the youth during his first state of the nation address. This commitment meant more funding for the education sector to develop and enhance the skills of the students. The shortcomings of the current education system became more pronounced with the onslaught of the on-going pandemic. Aside from the setbacks in learning, there has been an exodus of students from the private schools to public schools (Palis, 2022) as many were rendered jobless because of the economic downturn brought on by the COVID-19 pandemic. Thus, the importance of providing more funds to the education sector cannot be overemphasized.

Table 26. Education Sector Budget

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
DepEd	613.483	633.324	710.658	83.33	77.334	12.21
SUCs	81.419	108.427	97.746	11.46	(10.681)	(9.85)
CHED	56.966	32.752	30.735	3.60	(2.017)	(6.16)
TESDA	16.118	14.022	13.707	1.61	(0.315)	(2.24)
Total	767.986	788.524	852.846	100.00	64.322	8.16

Source: FY 2023 BESF

Figures may not add up due to rounding off

Under the education sector, the DepEd got the largest share at ₱710.658 billion equivalent to 83.3%. The education department is also the only agency under the sector that registered growth for 2023 with an additional budget of ₱77.334 billion or 12.2%. The significant programs of the DepEd that are funded under the 2023 expenditure program are as follows:

- Basic Education Facilities— ₱9.802 billion to cover the following:
 - Construction of 2,379 new classrooms and Technical Vocational (TechVoc) laboratories
 - Procurement of 16,027 sets of school tables and chairs
 - Repair and rehabilitation of 2,358 schools
 - Electrification of 163 schools
- Development, reproduction and delivery of learning materials or blended learning resources to 24,495,703 learners— ₱19.433 billion to provide flexible learning options that will allow students to have access to various educational tools as part of the new normal in teaching and learning.
- Last Mile Schools Program— ₱1.500 billion to provide equitable access to learning by addressing gaps in resources and facilities of schools located in geographically-isolated and disadvantaged and conflict-affected areas.
- Purchase of 82,090 packages of ICT-related equipment— ₱8.902 billion to ensure students' participation in the digital community.
- School-Based Feeding Program— ₱5.689 billion to provide nutritious meals to 1.68 million severely wasted and wasted learners.
- Quick Response Fund— ₱2.000 billion to serve as a stand-by fund for the replacement, reconstruction, rehabilitation or repair of school buildings and facilities devastated by natural or human-induced calamities, epidemics, crises and catastrophes.
- DepEd government assistance and subsidies— ₱53.205 billion to cover the Senior High School (SHS) Voucher Program, Educational Service Contracting, and Joint Delivery Voucher for SHS Technical Vocational and Livelihood (TVL) Track.
- Universal Access to Quality Tertiary Education Program— ₱47.227 billion to subsidize higher and technical-vocational education and make them accessible to poor but academically able students. The said amount was distributed to the following agencies:
 - CHED – ₱25.758 billion
 - SUCs – Approximately ₱18.559 billion

- TESDA – P2.910 billion

2. Department of Public Works and Highways

The DPWH ranked second with ₱718.355 billion which is ₱68.245 billion or 8.7% lower than the 2022 program of ₱786.600 billion. The decrease is due to non-recurring infrastructure projects and the devolution of some programs and projects to local government units as a consequence of the Supreme Court ruling on the Mandanas-Garcia case. The table shows the comparative budgets of DPWH major programs for 2021-2023.

Table 27. DPWH Major Programs

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
Asset Preservation Program	66.017	117.482	88.538	13.82	(28.944)	(24.64)
Network Development Program	124.464	126.950	140.438	21.93	13.488	10.62
Bridge Program	25.355	25.383	37.990	5.93	12.607	49.67
Flood Management Program	101.814	128.967	131.795	20.58	2.828	2.19
Local Program	280.624	15.433	27.788	4.34	12.355	80.06
Convergence and Special Support Program	62.148	352.797	213.954	33.40	(138.843)	(39.35)
Total	660.422	767.012	640.503	100.00	(126.509)	(16.49)

Source: FYs 2021- 2022 GAA, FY 2023BESF

Figures may not add up due to rounding off

3. Department of Health

To boost the government's pandemic response and push for the expansion of the health care system in the regions, the Department of Health (DOH) and the PhilHealth are allocated ₱296.311 billion. The DOH registered a growth of ₱7.716 billion or 4.1% while PhilHealth is getting an additional ₱20.242 billion or 25.3% to subsidize affordable and inclusive healthcare for every Filipino.

Table 28. DOH and PhilHealth Budget

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
DOH	236.274	188.362	196.078	66.17	7.716	4.10
PhilHealth	71.738	79.991	100.233	33.83	20.242	25.31
Total	308.012	268.353	296.311	100.00	27.958	10.42

Source: FY 2023 BESF

Figures may not add up due to rounding off

a. Major Programs of the DOH

- Health Facilities Enhancement Program— ₱22.920 billion to ensure access to health care facilities.
- R.A. No. 11712 otherwise known as the Public Health Emergency Benefits and Allowances for Healthcare Workers Act— ₱19.962 billion to comply with mandated benefits and allowances of healthcare workers.

- National Health Workforce Support System— ₱16.947 billion to cover the salaries of 26,035 health personnel.
- Purchase and Allocation of Drugs, Medicines and Vaccines—₱29.123 billion for the purchase of drugs, medicines and vaccines as well as medical and dental supplies for distribution to government health care facilities.
- Medical Assistance to Indigent and Financially-Incapacitated Patients— ₱22.395 billion for financial support to 1.6 million indigent and financially incapacitated patients, who do not have access to quality health care.
- Prevention and Control of Communicable Diseases— ₱5.842 billion for prevention and control of communicable diseases such as tuberculosis, rabies, dengue and other infectious diseases.
- Prevention and Control of Non-Communicable Diseases— ₱2.096 billion for prevention and control of non-communicable diseases such as hypertension, diabetes, cancer, and mental illnesses.

4. Department of the Interior and Local Government

Ranked fourth is the DILG with a total budget of ₱253.049 billion, which is slightly higher than the current year's program of ₱251.275 billion. The attached agencies with significant funding are the following:

Table 29. DILG agencies with the highest budgetary allocation

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
PNP	249.266	191.029	191.850	79.29	0.821	0.43
BFP	30.115	27.203	27.787	11.48	0.584	2.15
BJMP	20.553	21.352	22.336	9.23	0.984	4.61
Total	299.934	239.584	241.972	100.00	2.388	1.00

Source: FY 2023 BESF

Figures may not add up due to rounding off

5. Department of National Defense

The Department of National Defense (DND) ranked fifth with ₱240.701 billion, which is ₱19.839 billion or 9.0% higher than this year's budget. The increase will fund among others, the fourth and last tranche implementation of the Salary Standardization Law V for the DND's civilian employees, as well as the revised AFP modernization program, which increased from ₱29.050 billion to ₱40.000 billion in 2023.

Table 30. DND agencies with the highest budgetary allocation

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
PA	102.877	103.143	109.875	46.92	6.732	6.53
GHQ	122.219	41.971	54.139	23.12	12.168	28.99
PAF	31.616	35.881	35.414	15.12	(0.467)	(1.30)
PN	32.773	33.015	34.754	14.84	1.739	5.27
Total	289.484	214.010	234.181	100.00	20.171	9.43

Source: FY 2023 BESF

Figures may not add up due to rounding off

6. Department of Social Welfare and Development

To provide social protection for the poor and marginalized sectors of the society, the DSWD is given ₱197.030 billion, which is ₱7.971 billion or 3.9% lower than the 2022 program of ₱205.001 billion. The major program of the DSWD are as follows:

- The 4Ps is a poverty reduction strategy to improve the living conditions of extremely poor households and is allocated ₱115.610 billion in 2023. The program will provide education and health grants as well as rice subsidies to 4.4 million targeted households.
- Social Pension for Indigent Senior Citizens— ₱25.296 billion for the social pension of 4.1 million indigent senior citizens who are not members of any pension system. It is worth noting that R.A. No. 11916 or the Social Pension for Indigent Seniors Act, which doubled the monthly pension from the existing ₱500.00 to ₱1,000.00 per indigent senior citizen, lapsed into law on 30 July 2022. According to the DBM, the ₱500 increase is not included in the 2023 National Expenditure Program.
- Protective Services for Individuals and Families in Difficult Circumstances— ₱19.892 billion to provide financial assistance to 1.7 million individuals and families in difficult circumstances.
- Sustainable Livelihood Program— ₱4.430 billion to enable poor households to have a decent livelihood which will be given through micro-enterprise development or employment facilitation.
- Supplementary Feeding Program, which is the DSWD's contribution to the Early Childhood Care and Development— ₱3.700 billion. For 2023, the program aims to feed 1.8 million children. In 2021, a total of 1.7 million children benefitted from the program.
- Disaster Response and Management Program— ₱3.316 billion.

7. Agriculture Sector

The agriculture sector, which is composed of the Department of Agriculture (DA), Department of Agrarian Reform (DAR), and the Philippine Crop Insurance Corporation (PCIC), ranks 7th. This sector is getting ₱184.105 billion registering an increase of ₱51.880 billion equivalent to a 39.2% growth rate. The amount will ensure stability of food supply and fund the government's commitment to assist farmers and fisherfolk.

Table 31. Agriculture Sector Budget
(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
DA	122.523	117.287	163.755	88.95	46.468	39.62
DAR	9.273	10.438	15.850	8.61	5.412	51.85
PCIC	3.500	4.500	4.500	2.44		
Total	135.296	132.225	184.105	100.00	51.880	39.24

Source: FY 2023 BESF

Figures may not add up due to rounding off

b. Major Programs of the DA Sector

- Farm-to-Market Road Projects— ₱13.149 billion for the construction, rehabilitation and repair of farm-to-market roads to lower the costs of transporting agricultural products from farms to markets.
- National Food Authority— ₱12.000 billion to fund the purchase of 631.579 million metric tons of palay from local farmers, which will increase the government’s buffer stocking capacity from 9 days to 15 days.
- National Rice Program— ₱30.547 billion to increase rice production for rice sufficiency and price stability.
- Rice Competitiveness Enhancement Fund— ₱10.000 billion to improve the country’s rice yields pursuant to R.A. No. 11203 otherwise known as the Rice Liberalization Act.
- Aside from rice, production of other vital agricultural products will also be strengthened:
 - Corn— ₱5.222 billion
 - Livestock— ₱5.203 billion
 - High Value Crops— ₱2.004 billion
- Support to Parcelization of Lands for Individual Titling Project of the DAR— ₱6.141 billion to provide individual land titles to 288,158 beneficiaries.
- Philippine Crop Insurance Corporation (PCIC)— ₱4.500 billion for the full insurance premiums of subsistence farmers and fisherfolk to cover crops, livestock, fisheries and non-crop agricultural assets.

8. Department of Transportation

The DOTr ranks 8th with a total budget of ₱167.121 billion. In terms of growth rate, it ranks 1st with an increase of ₱91.293 billion or 120.4% from the 2022 program of ₱75.828 billion. The increased funding will cover the implementation of transportation infrastructure to support the Build, Better, More Program of the current administration. The major projects of the DOTr for 2023 are the following:

- North-South Commuter Railway System— ₱75.107 billion
- Metro Manila Subway Project— ₱26.261 billion
- LRT Line 1 Cavite Extension Project— ₱2.746 billion
- PNR South Long Haul Project— ₱1.079 billion

- Under the Aviation Infrastructure Program— ₱2.489 was earmarked for the construction, rehabilitation and improvement of various airports.
- To alleviate the burden of increasing fuel prices— ₱2.500 billion was allotted for provision of fuel subsidy for affected operators and drivers of the public transport sector.

9. The Judiciary

The Judiciary ranks ninth with a total budget of ₱52.736 billion indicating an increase of ₱5.753 billion or 12.2% from the 2022 level of ₱46.983 billion. The Supreme Court of the Philippines including the Lower Courts has the biggest share with ₱43.063 billion equivalent to 81.7% of the total budget of the Judiciary.

10. Labor and Employment Sector

Rounding up the top ten is the labor and employment sector consisting of the DOLE and the DMW. The sector's 2023 budget is ₱41.442 billion, which is lower by ₱9.855 billion or 19.2% from the current year's level of ₱51.297 billion.

Table 32. Labor and Employment Sector Budget

(In Billion Pesos)

Agency	2021	2022	2023	% Share	2023 vs 2022	
					Amount	%
DOLE	51.597	51.297	26.231	63.30	(25.066)	(48.86)
DMW			15.210	36.70	15.210	
Total	51.597	51.297	41.442	100.00	(9.855)	(19.21)

Source: FY 2023 BESF

Figures may not add up due to rounding off

To continue its mandate of supporting the Filipino workforce, the DOLE will implement the following programs in 2023:

- Livelihood and Emergency Employment Program— ₱18.410 billion for the following sub-programs:
 - Government Internship Program (GIP) and TUPAD which aims to help 1,810,739 beneficiaries— P15.593 billion
 - DOLE Integrated Livelihood Program will assist 79,836 beneficiaries— ₱2.500 billion
 - Adjustment Measures Program— ₱316.954 million

The DMW started its operations this year with a budget that will be pooled from the budgets of the agencies that were merged into the Department namely, the Philippine Overseas Employment Administration, Office of the Undersecretary for Migrant Workers' Affairs of the Department of Foreign Affairs, All Philippine Overseas Labor Offices, International Labor Affairs Bureau, National Reintegration Center for OFWs, National Maritime Polytechnic and the Office of the Social Welfare Attaché formerly of the DSWD. For 2023, the DMW's budget is ₱15.210 billion composed of the Office of the Secretary— ₱3.510 billion and the Overseas Workers Welfare Administration— ₱11.700 billion.

E. Off-Budget Accounts

For 2023, the various agencies of the government are estimated to earn ₱106.817 billion with total expenditures estimated at ₱104.675 billion. With a cash balance ₱160.994 billion as of 31 December 2021 and receipts and expenditures for 2022 of ₱107.725 billion and ₱117.065 billion, respectively, the estimated cash balance by the end of 2023 is ₱153.796 billion.

Off-budget accounts have two components namely: (1) receipts which should be deposited with government financial institutions for expenditure items which are not part of the NEP; and (2) expenditure items which are not part of the NEP (e.g. principal repayments).

Off-budgetary funds are categorized as follows:

1. Retained income/receipts
2. Revolving funds
3. Receipts from borrowings by the Bureau of the Treasury (BTr)

Table 33. FYs 2022-2023 Off-Budget Accounts

(In Billion Pesos)

Particulars	Receipts	Expenditures	Balance
Cash balance as of 31 December 2021			160.994
2022	107.725	117.065	151.654
2023	106.817	104.675	153.796

Source: FY 2023 BESF

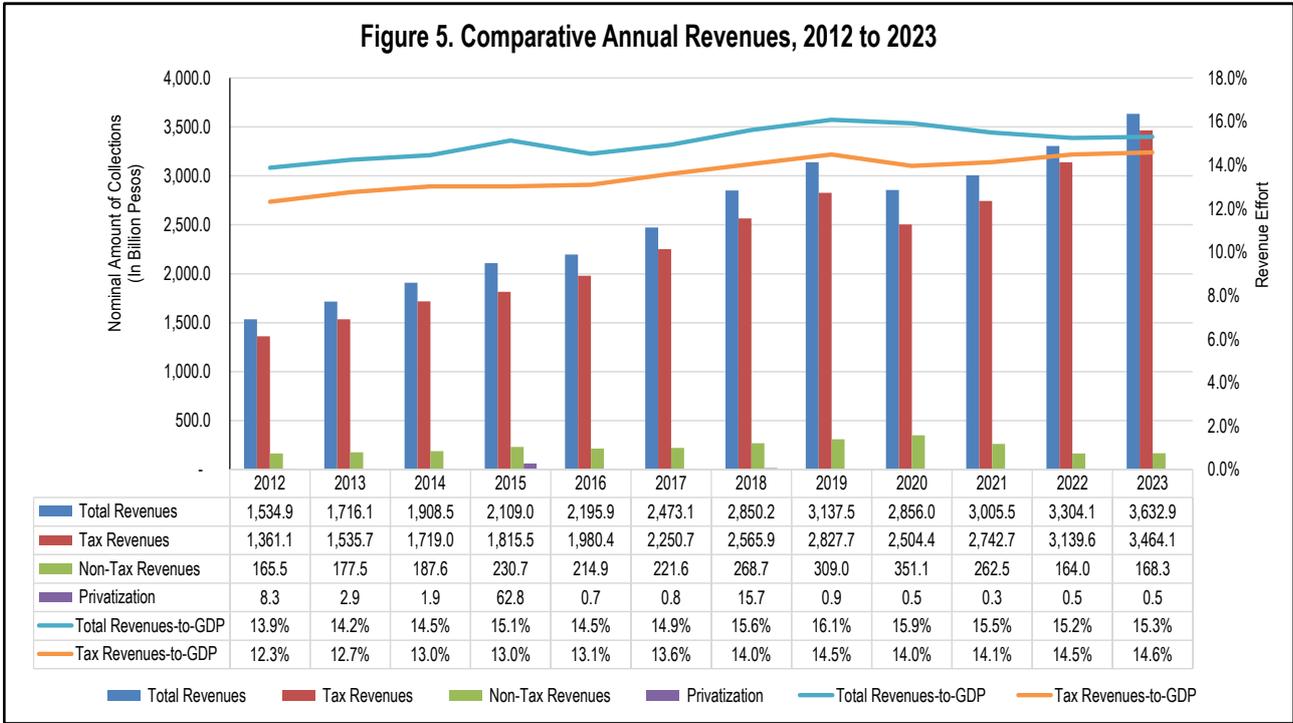
While said funds are not included in the General Fund of the government and are being managed by the BTr, the collection and use of off-budget accounts are still subject to the scrutiny of the Commission on Audit.

F. National Government Revenues

1. Comparative Annual Revenues, 2012 to 2023

Actual revenue collections by the NG in 2012 to 2019 were in an upward trend, from ₱1.535 trillion to ₱3.138 trillion. For 2020 and 2021, the NG experienced lower revenue collections due to the COVID-19 lockdowns that resulted in the halt of economic activity, thereby adversely affecting revenue collections.

As can be gleaned from Figure 6 below, despite the projected higher revenue collections for 2022 of ₱3.304 trillion and 2023 amounting to ₱3.633 trillion, the total revenue effort (or the percentage of total revenues over GDP) for both years will still be lower than the 2019 pre COVID-19 pandemic level. It is estimated that it will only be in 2026 when total revenue effort will surpass the 2019 level. On the other hand, tax revenue effort (or the percentage of tax revenues over GDP) is projected to revert to its pre-pandemic level this year.



2. Revenues for the 2023 National Budget

The NG projects to collect ₱3.633 trillion of revenues for 2023, a 10.0% or ₱328.827 billion higher than the ₱3.304 trillion programmed revenues for 2022. In terms of total revenue effort, the 2023 projected total revenues represent 15.3% of GDP, while the programmed total revenues for 2022 account for 15.2% of GDP.

Table 34.

National Government Revenues (2022-2023)				
(In billion pesos)				
Particulars	2022 Programmed	2023 Projected	Variance	
			Amount	%
Total Revenues	3,304.086	3,632.913	328.827	9.95
% to GDP	15.2%	15.3%		
Tax Revenues	3,139.597	3,464.134	324.537	10.34
% to GDP	14.5%	14.6%		
BIR	2,392.587	2,670.365	277.778	11.61
BOC	721.520	765.586	44.066	6.11
Other Offices	25.490	28.183	2.693	10.56
Non-Tax Revenues	163.989	168.279	4.290	2.62
Privatization	0.500	0.500	-	-

Source: BESF (2023)

As shown above, the bulk of the projected revenues for 2023 will be sourced from taxes with an aggregate amount of ₱3.464 trillion (95.4%), and the balance will be collected from non-tax revenues and proceeds from privatization amounting to ₱168.279 billion (4.6%) and ₱500 million (.01%), respectively.

The ₱3.464 trillion projected tax revenues for 2023 is 10.34% or ₱324.537 billion higher than the 2022 programmed tax revenues of ₱3.140 trillion. In terms of tax revenue effort, the 2023 tax revenues represent 14.6% of GDP, while that of 2022 account for 14.5%.

The ₱168.279 billion non-tax revenues projected to be collected in 2023 will come from dividends on shares of stocks, NG's share from Philippine Amusement and Gaming Corporation (PAGCOR) income, fees and charges, and other income of the same nature. This is 2.6% or ₱4.290 billion higher than the 2022 programmed non-tax revenues amounting to ₱163.989 billion.

In addition to taxes and non-tax revenues, proceeds from privatization amounting to ₱500 million are targeted to be collected each year in 2022 and 2023.

Table 35.

Tax Revenues	3,464.134
BIR	2,670.364
Taxes on Net Income and Profits	1,295.890
Taxes on Property	15.218
Taxes on Domestic Goods and Services	1,073.327
Documentary Stamp Tax	251.382
Other Taxes	34.547
<i>Of which: Tax Refund (other than VAT Refund)</i>	1.645
BOC	765.586
Taxes on International Trade and Transactions	765.586
Other Offices	28.184

Table 36.

Non-Tax Revenues	168.279
Fees and Charges	48.856
Income from Treasury Operations	26.342
Interest Income on NG Deposits	2.000
Interest on Advances to GOCCs	0.058
Income from Investments	19.500
Guarantee Fee	1.700
Foreign Exchange Risk Cover Fee	1.300
Government Service Income	1.784
Fidelity Bond Premia	1.601
Subscription Fee - RoSS Participants	0.010
Escheat of Unclaimed Balances	0.080
Service Fee on Relent Loans	0.093
NG Income Collected by the BTr	31.952
Dividends on Shares of Stocks	16.000
NG Share from Airport Terminal Fee	0.377
NG Share from PAGCOR Income	15.033
NG Share from MIAA Profit	0.542
Others	61.129
Malampaya Royalties	20.234
Other Non-Tax Revenues	40.895

3. Revenue Performance

a. For the seven-month period ending July 31, 2022

Actual revenue collections reported as of July 31, 2022 reached ₱2.036 trillion, ₱289.695 billion or 16.6% higher than the actual revenue collections of ₱1.746 trillion during the same period in 2021. The collections as of July 31, 2022 consist of ₱1.823 trillion in tax revenues, ₱212.985 billion in non-tax revenues, and ₱81.000 million in proceeds from privatization. The tax revenues account for 89.5% of the total collections, of which ₱1.330 trillion and ₱480.311 billion were collected by the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC), respectively.

Table 37. FY 2022 National Government Revenues (as of July 31)

(In Billion Pesos)

Particulars	2022		2021	Percentage of Collection*	Variance	
	Programmed Jan-Dec	Actual Jan-Jul	Actual Jan-Jul		2022 vs. 2021	
					Amount	%
Total Revenues	3,304.086	2,036.124	1,746.429	61.6	289.695	16.6
Tax Revenues	3,139.597	1,823.058	1,574.065	58.1	248.993	15.8
BIR	2,392.587	1,329.918	1,202.611	55.6	127.307	10.6
BOC	721.520	480.311	358.915	66.6	121.396	33.8
Other Offices	25.490	12.829	12.539	50.3	0.290	2.3
Non-Tax Revenues	163.989	212.985	172.133	129.9	40.852	23.7
Privatization	0.500	0.081	0.231	16.2	(0.150)	(64.9)

Source: BTr Statistical Data

In terms of percentage of collection, as shown above, collections as of July 31, 2022 represent 61.6% of the full year targeted collections of ₱3.304 trillion. Percentage of collection for tax revenues is reported at 58.1%, while collections from non-tax revenues already breached its targeted collections reporting a collection rate of 129.9% as of July 31, 2022.

b. Actual Collections vs. Targets, 2019-2021

Table 38. National Government Revenues

Actual vs. Original Targets*, 2019-2021

(In Billion Pesos)

Particulars	2019			2020					2021		
	Target	Actual	Variance	O.Target*	R.Target*	Actual	O.Variance	R.Variance	Target	Actual	Variance
Total Revenues	3,208.210	3,137.498	(70.712)	3,536.216	2,519.809	2,855.959	(680.257)	336.150	2,717.418	3,005.539	288.121
Tax Revenues	3,017.926	2,827.651	(190.275)	3,332.361	2,205.197	2,504.421	(827.940)	299.224	2,541.562	2,742.721	201.159
BIR	2,330.693	2,175.506	(155.187)	2,576.003	1,685.734	1,951.023	(624.980)	265.289	1,904.235	2,078.145	173.910
BOC	662.165	630.310	(31.855)	731.235	506.150	537.687	(193.548)	31.537	619.513	643.563	24.050
Other Offices	25.068	21.835	(3.233)	25.123	13.313	15.711	(9.412)	2.398	17.814	21.013	3.199
Non-Tax Revenues	188.284	308.965	120.681	201.855	314.112	351.063	149.208	36.951	175.356	262.496	87.140
Privatization	2.000	0.882	(1.118)	2.000	0.500	0.475	(1.525)	(0.025)	0.500	0.322	(0.178)

*All are based on original targets, except data for 2020 where both original and revised targets are presented.

In 2021, based on the original targets, the NG exceeded its target total revenue collections by ₱288.121 billion. Both the BIR and the BOC exceeded their collections by ₱173.910 billion and ₱24.050 billion, respectively. It is worth-mentioning that since 2019 (and even in the past ten years), the BIR and the BOC fell short of their collections. Moreover, excess collections from non-tax revenues amounting to ₱87.140 billion contributed to the NG's overall surplus revenue collections in 2021.

In 2020, the NG collected total revenues of ₱2.856 trillion. This is ₱336.150 billion or 13.3% higher than the projected total revenues (based on *revised targets*) of P2.520 trillion for the same year. However, comparing this with the *original targets* of ₱3.536 trillion made by the DBCC before the COVID-19 pandemic, the actual total revenue collections of ₱2.856 trillion in 2020 is actually lower by 19.2% or ₱680.257 billion. Using the revised targets as bases, the BIR and the BOC exceeded their target collections by ₱265.289 billion and ₱31.537 billion, respectively.

In 2019, the NG fell short of its target total revenue collections by ₱70.712 billion, even though non-tax revenues significantly surpassed its target collections by ₱120.681 billion. This is because the BIR and the BOC fell short of their target tax collections by ₱155.187 billion and ₱31.855 billion, respectively.

c. Incremental Revenue Collections from the Comprehensive Tax Reform Program (CTRP)

The CTRP program under the Duterte Administration allows the national government to collect incremental revenues from the following tax measures enacted by the Congress. These incremental revenues form part of the annual collections of the NG since 2018.

Table 39. Incremental Revenue Collections from CTRP
(In billion Pesos)

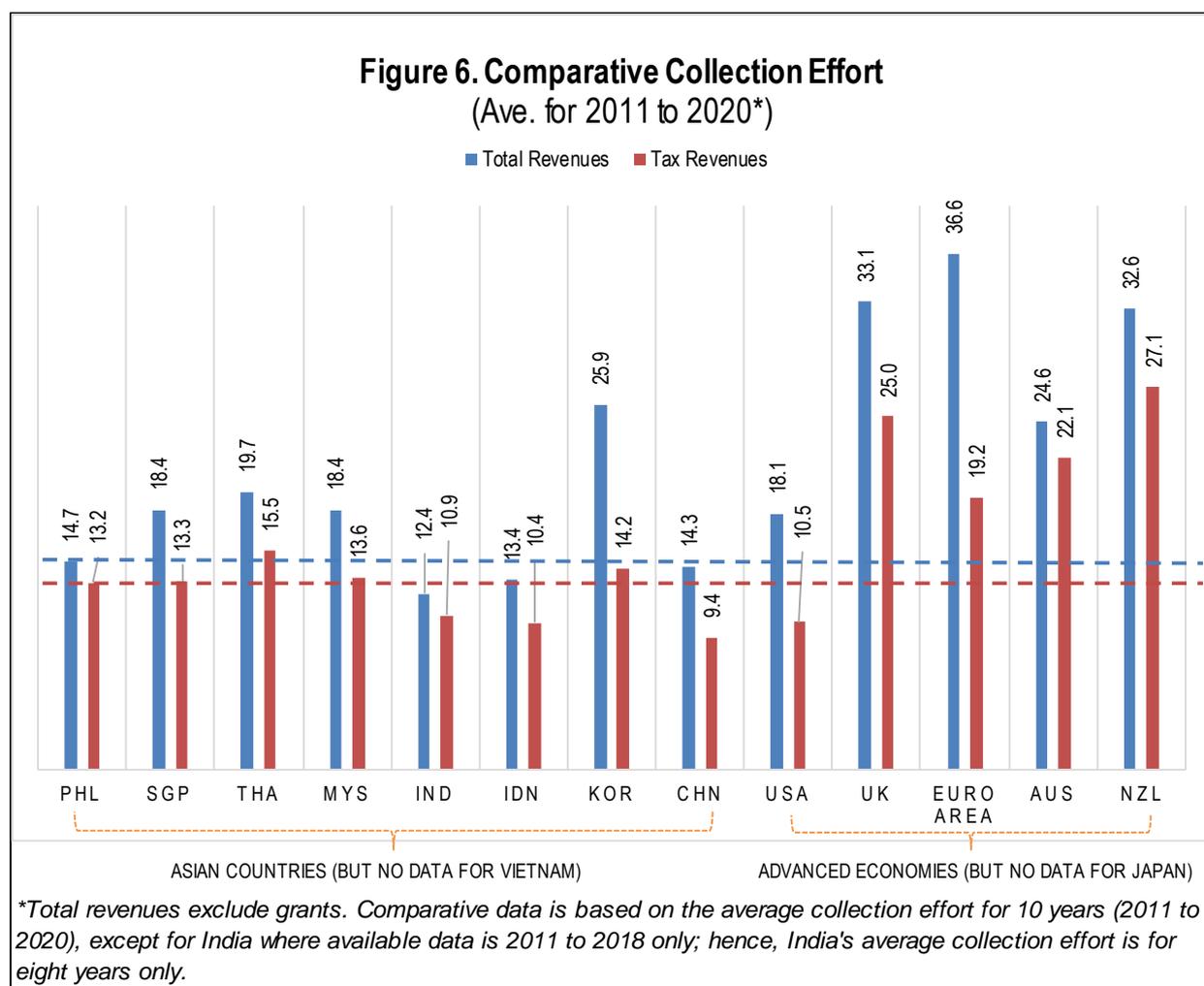
Particulars	2018	2019	2020	2021	Total (2018-2021)
TRAIN Law	68.4	130.7	105.9	171.7	476.7
Tax Amnesty Law	-	4.0	6.0	4.6	14.6
Sin Tax Reform Laws	-	-	32.1	52.9	85.0
Total	68.4	134.7	144.0	229.2	576.3
Note: Per source file, the total collections and 2021 collections amount to P575.7 billion and P228.6 billion, respectively.					

- TRAIN Law (Tax Reform for Acceleration and Inclusion Law) or Republic Act (RA) 10963 which was passed into law on December 19, 2017;
- Tax Amnesty Law or RA 11213 which was enacted into law on February 14, 2019; and
- Sin Tax Reform Laws authorized under RA 11346 and RA 11467 which were enacted into law on 25 July 2019 and 22 January 2020, respectively.

d. Comparative Revenue Collection Effort among Asian Countries and Advanced Economies

Comparing the Philippines' average collection effort in previous years (2011 to 2020) with other Asian countries (which includes the Emerging and Developing Asia⁷) and advanced economies, Figure 6 below reveals that:

- (a) Among Asian countries, the Philippines' collection effort are behind South Korea, Thailand, Singapore and Malaysia, albeit little higher than China, Indonesia and India.
- (b) As compared with advanced economies, the Philippines' collection effort is way behind United Kingdom, Euro area, Australia and New Zealand but not significantly lower than the United States, and in fact the Philippines' tax effort is even higher than the United States.

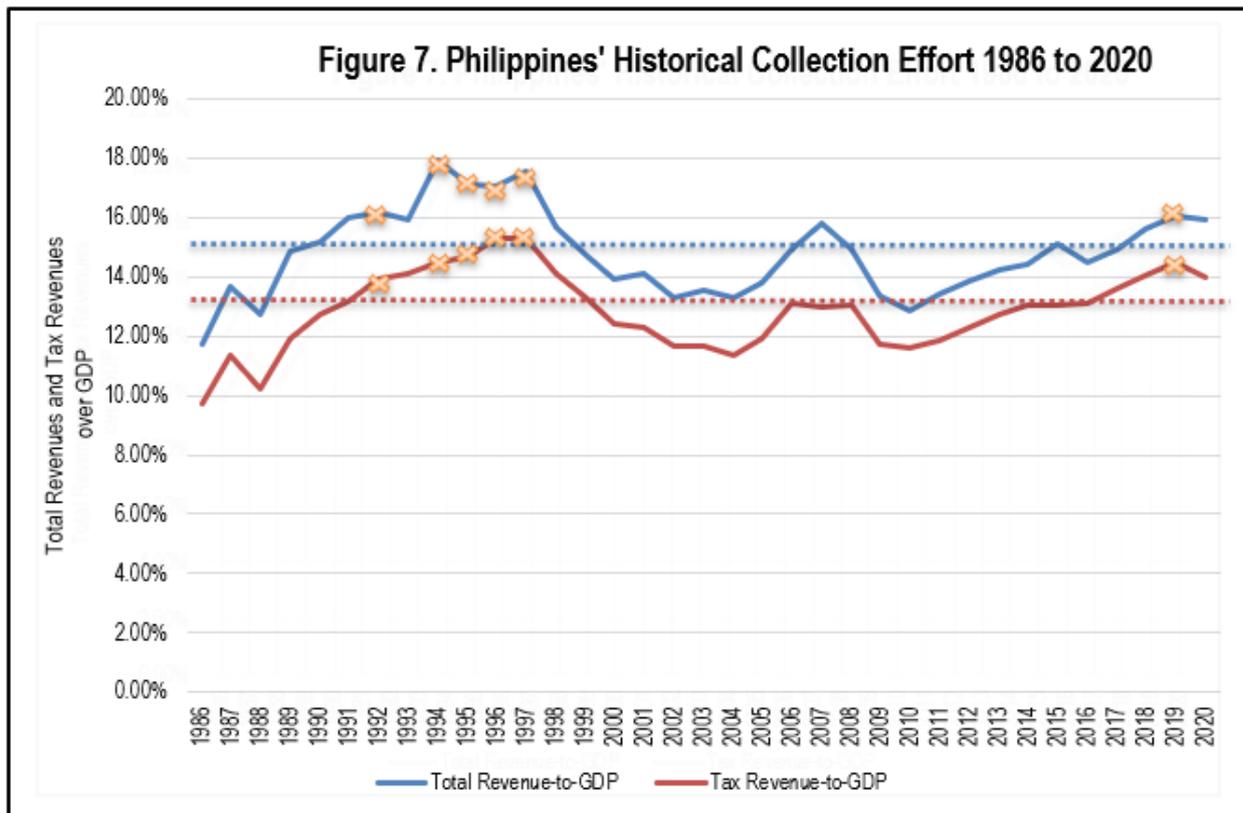


Source (raw data): The World Bank (Data Bank World Development Indicators, 2022)

The above data shows that the Philippines' average total revenue effort and tax revenue effort in previous years (2011 to 2020) are reported at 14.7% and 13.2%,

⁷ Emerging and Developing Asia consists of China, India, and the ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand, and Vietnam)

respectively. However, it is worth-mentioning that the Philippines achieved its highest total revenue effort and tax revenue effort in 2019 reported at 16.1% and 14.5%, respectively. This is the highest reported collection effort after more than two decades or since 1997, but still lower than the years 1994 to 1997.



G. Cash Disbursement Program

The cash disbursement program refers to the actual disbursement of cash as payments for goods and services that will be delivered or rendered, inspected and accepted by the concerned implementing agency. For 2023, the total disbursement program amounts to ₱5.086 trillion. This represents an increase of 2.6% over the adjusted 2022 level of ₱4.955 trillion. Of the ₱5.086 trillion disbursement program, the ₱533.0 billion pertains to the payment of prior year’s obligations, while ₱4.553 trillion represents the portion (86.4%) of next year’s budget that will also be paid next year. The balance of 13.6% or ₱715.1 billion of the ₱5.268 trillion expenditure program will be paid in 2024.⁸

The net increase in the disbursement program can mostly be attributed to (i) higher requirements for personnel services to fund the last tranche or fourth year implementation of the Salary Standardization Law V; (ii) high impact priority programs, activities, and projects (PAPs), particularly on education, health and social protection systems improvement, disaster-risk management, and digital transformation; and (iii) sustaining the Build, Build, Build Program through the current administration’s Build, Better, More Program, which aims to implement crucial and

⁸ Figures lifted the National Budget Memorandum No. 144 published June 8, 2022.

shovel ready infrastructure projects to generate employment.

Table 40. FYs 2020-2023 NG Cash Disbursement Program/Deficit

(In Billion Pesos)

Particulars	2020	2021	2022	2023	2023 vs. 2022	
	Actual	Actual	Program	Projection	Amount	%
Total Revenues	2,855.959	3,005.539	3,304.086	3,632.913	328.827	9.95
Disbursements						
Current Operating Expenditures	3,326.403	3,493.891	3,678.984	3,873.062	194.078	5.28
Personnel Services	1,178.504	1,288.613	1,335.404	1,533.602	198.198	14.84
Maintenance and Other Operating Expenses	885.413	882.962	818.268	833.257	14.989	1.83
Subsidy	229.018	184.767	172.291	174.553	2.262	1.31
Allotments to Local Government Units	619.986	671.406	825.935	734.830	(91.105)	(11.03)
Interest Payments	380.412	429.432	512.585	582.320	69.735	13.60
Tax Expenditures	33.070	36.710	14.500	14.500	-	-
Capital Outlays	878.889	1,163.871	1,246.912	1,184.074	(62.838)	(5.04)
Infrastructure and Other CO	681.520	895.061	979.268	969.846	(9.422)	(0.96)
Equity	12.810	47.520	12.228	0.790	(11.438)	(93.54)
Capital Transfers to LGUs	184.560	221.291	255.415	213.437	(41.978)	(16.44)
Net Lending	22.114	17.877	28.700	28.700	-	-
Total Disbursements	4,227.406	4,675.639	4,954.595	5,085.835	131.240	2.65
<i>Disbursement to GDP Ratio</i>	23.55	24.09	22.86	21.41	(1.45)	(6.34)
NG Surplus/(Deficit)	(1,371.447)	(1,670.100)	(1,650.509)	(1,452.922)	197.587	11.97
<i>Deficit to GDP Ratio</i>	(7.64)	(8.60)	(7.62)	(6.12)	1.50	19.69
Nominal GDP	17,951.574	19,410.568	21,672.804	23,755.170	2,082.366	9.61

Source: BESF FY 2022-2023

Note: Numbers may not add up due to rounding.

As a percentage of GDP, next year's cash disbursement program is 21.4% of GDP, which is lower than the current year's program of 22.9% by 1.5 percentage points.

For the first semester of 2022, total disbursements amounted to ₱2.402 trillion. This is 8.9% or ₱195.288 billion higher than the ₱2.206 trillion disbursement for the same period last year. The higher spending for the period is attributed mainly to the following: (i) increased allotment and capital transfers to LGUs by ₱82.825 billion or 18.5% due to the higher NTA of LGUs and the annual block grant to the BARMM; (ii) higher PS expenditures mostly due to the third tranche implementation of the Salary Standardization Law V; (iii) higher infrastructure and other capital outlay disbursements for the infrastructure projects of the DPWH and DepEd, and projects under the Revised AFP Modernization Program; (iv) interest payments were up by ₱48.682 billion or 23.3% from last year's ₱208.533 billion due to discounts from the reissuance of fixed rate treasury bonds and foreign exchange market fluctuations; and (v) higher MOOE spending on account of the conduct of the 2022 National and Local Elections and preparatory activities for the Barangay and Sangguniang Kabataan Elections; the Service Contracting Program and the Fuel Subsidy Program of the DOTr; DepEd's GASTPE Program; and the CHED's UAQTE.

The growth in the abovementioned items is tempered by the reduction in subsidy and equity to GOCCs/GFIs. Subsidy contracted by almost half from ₱88.282 billion to ₱44.687 billion due to the timing of releases to the PHIC, which is expected to be credited during the second half of the year. Likewise, equity was lower at ₱695 million, which is equivalent to only 1.5% of last year's ₱45.958 billion attributable to the completion of the

one-time release of capital infusion to GFIs last year for their credit assistance and lending programs under the Bayanihan II.

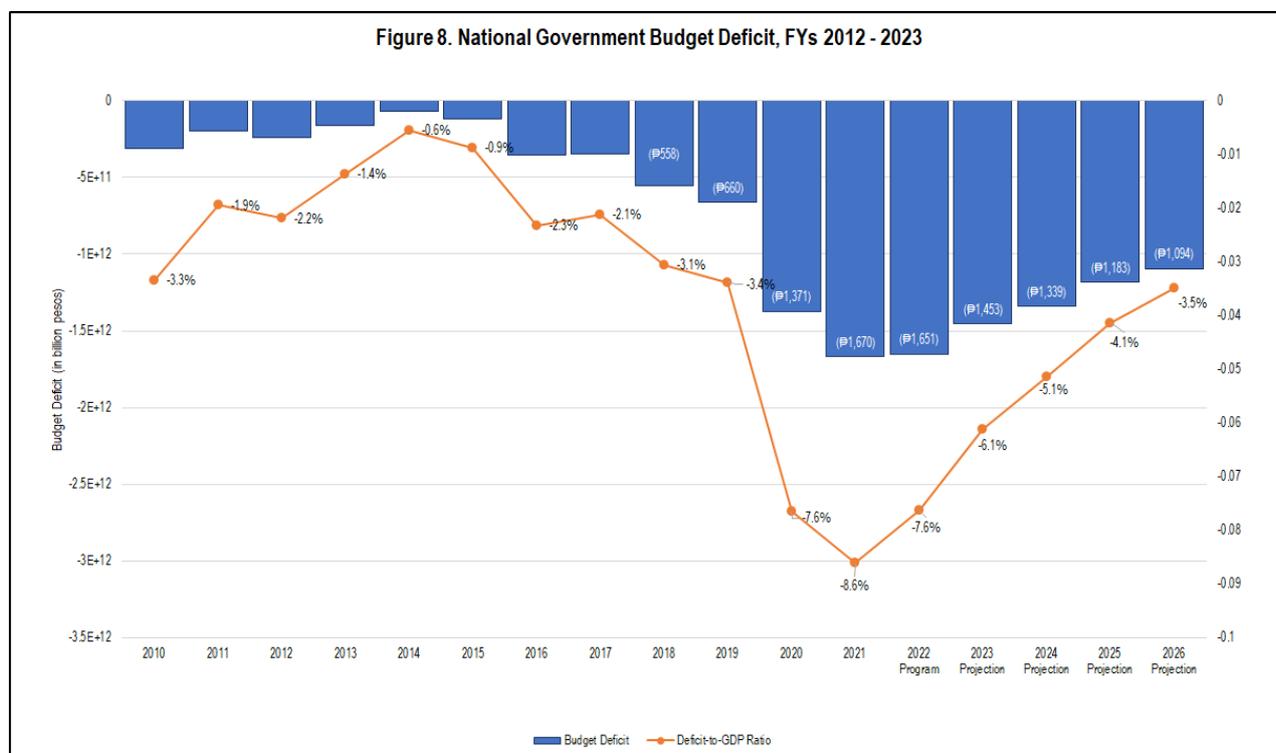
The ₱2.402 trillion total disbursements for the first semester of this year is equivalent to 48.5% of the full year adjusted disbursement program for 2022 of ₱4.955 trillion.

- Per the latest NG Cash Operation Report as of July, the NG disbursements already reached ₱2.797 trillion or 56.5% of the full year target.

As the government transitions to a new administration, the DBM aims to accelerate the NG spending for the rest of the year. Agency disbursements are being monitored particularly for the big departments which experienced implementation delays due to the election ban, and which could drive spending for the rest of the year with their catch-up plans.

For 2021, actual disbursements amounted to ₱4.676 trillion which is higher than the original target contained in the 2021 BESF of ₱4.467 trillion, representing an overspending of ₱208.606 billion. Compared with the 2020 actual disbursements of ₱4.227 trillion, 2021 is up by ₱448.233 billion or 10.6%.

H. National Government Deficit



The figure above shows the actual budget balances of the Philippines between 2012 and 2021, with projections from 2022 onwards.

For 2023, the national government expenditures of ₱5.086 trillion is expected to exceed the total revenue projections of ₱3.633 trillion, resulting in a fiscal shortfall of ₱1.453 trillion, which is ₱197.587 billion or 12.0% lower than this year's deficit. As a percentage of GDP, the budget deficit is expected to ease further to 6.1% next year, from 8.6% in 2021 to 7.6% this year.

The total fiscal deficit for the first seven months of 2022 narrowed to ₱760.983 billion, which is ₱76.269 billion or 9.1% lower than the ₱837.252-billion budget gap for the same period last year, and ₱275.1 billion or 26.6% below the program. The government expects the year-end budget deficit to hit ₱1.651 trillion, slightly lower than the actual deficit of ₱1.670 trillion in 2021.

Table 41. National Government Cash Budget Performance
For the Period 1 January to 31 July 2021 and 2022
(In Billion Pesos)

Particulars	Program (Jan-July 2022)	Actual (Jan-July)		Variance			
		2021	2022	2022 vs 2021		2022 Actual vs Program	
				Amount	%	Amount	%
Total Revenues	1,923.3	1,746.429	2,036.124	289.695	16.59%	112.8	5.87%
Tax Revenues	1,803.2	1,574.065	1,823.058	248.993	15.82%	19.9	1.10%
Non-Tax Revenues	120.1	172.364	213.066	40.702	23.61%	93.0	77.41%
Expenditures	2,959.5	2,583.681	2,797.107	213.426	8.26%	(162.4)	-5.49%
Surplus/(Deficit)	(1,036.2)	(837.252)	(760.983)	76.269	9.11%	275.2	26.56%

Sources: Department of Finance and Bureau of the Treasury

The full-year 2021 deficit was recorded at a historical high of ₱1.670 trillion or 8.6% of GDP. This is lower than the ₱1.856 trillion (9.3%) programmed for the year, but ₱298.653 billion or 21.8% higher compared to the 2020 deficit of ₱1.371 trillion as expenditures grew by ₱448.233 billion (10.6%) vis-à-vis the ₱149.580 billion (5.2%) increase in government receipts.

In the medium term, the national government will gradually consolidate fiscal policy to lessen the pressure on borrowings and debt as the government seeks to rebuild fiscal space to be more resilient against the emerging and futures shocks and risks. The deficit outlook is set to decline by at least 1.0% every year to return to the pre-pandemic level of 3.5% of GDP beginning in 2026, before closing at 3.0% of GDP by 2028. This will be achieved through improved spending efficiency and alignment of budget priorities that are anchored on the administration's socio-economic priorities.

I. Consolidated Public Sector Financial Position

The consolidated public sector financial position (CPSFP) sums up the over-all financial position of the national government, the 14 monitored government corporations, government financial institutions, LGUs and the social security institutions (SSIs), and the Bangko Sentral ng Pilipinas.

The national government estimates that the consolidated public sector deficit (CPSD) will decline from ₱1.048 trillion this year to ₱963.979 billion in 2023 due to a much lower NG deficit of ₱1.453 trillion. For this year, NG deficit is estimated at ₱1.651 trillion or 7.6% of GDP. In addition, the consistent positive performance of the LGUs, the GFIs and the SSIs also contributed to lowering the CPSD.

The government aims to gradually reduce the CPSD to GDP ratio from 5.5% in 2021 to 4.8% in 2022, and to 4.1% in 2023.

Table 42. Consolidated Public Sector Financial Position
(In Billion Pesos)

Particulars	2020 Actual	2021 Actual	2022 Program	2023 Projection	2023 vs. 2022	
					Amount	%
Public Sector Borrowing Requirement	(1,350.800)	(1,604.288)	(1,631.558)	(1,404.858)	226.700	(13.89)
National Government (NG)	(1,371.447)	(1,670.100)	(1,650.509)	(1,452.922)	197.587	(11.97)
Monitored Non-Financial Government Corporations (MNFGCs)	(1.467)	43.730	(9.749)	19.364	29.113	(298.63)
Adjustment in Net Lending and Equity to GOCCs	22.114	22.082	28.700	28.700	-	-
Other Public Sector	374.385	531.287	583.471	440.879	(142.592)	(24.44)
SSS/GSIS/PHIC	84.092	191.218	115.246	165.270	50.024	43.41
Bangko Sentral ng Pilipinas (BSP)	(7.873)	27.160	1.000	1.000	-	-
Government Financial Institutions (GFIs)	25.901	28.303	36.088	31.419	(4.669)	(12.94)
Local Government Units (LGUs)	272.265	284.606	431.137	243.190	(187.947)	(43.59)
Consolidated Public Sector Surplus/(Deficit)	(976.415)	(1,073.001)	(1,048.087)	(963.979)	84.108	(8.02)
Nominal GDP	17,951.574	19,410.568	21,672.804	23,755.170	2,082.366	9.61
CPSD TO GDP ratio (%)	(5.44)	(5.53)	(4.84)	(4.06)	0.78	(16.09)

Source: BESF FY 2023

Note: Numbers may not add up due to rounding.

J. National Government Borrowing Program

Table 43. FYs 2019-2023 National Government Financing
(In Million Pesos)

Particulars	2021	2022	2023
Gross External Borrowings	568,668	561,477	553,500
Less: Amortization	237,187	133,214	122,464
Net Foreign Borrowings	331,481	428,263	431,037 ^{a/}
Gross Domestic Borrowings	2,010,554	1,650,300	1,653,500
Less: Amortization b/	89,855	3,392	2,017
Net Domestic Borrowings	1,920,699	1,646,908	1,651,483
Total Gross Borrowings	2,579,222	2,211,777	2,207,000
Less: Amortization	327,042	136,606	124,481
Net Financing	2,252,180	2,075,171	2,082,520 ^{a/}
Total Net Financing Requirement/Deficit	1,670,100	1,650,509	1,452,922
Budgetary Change in Cash c/	582,080	424,662	629,598

Source: FY 2023 BESF

Notes:

a/ Details may not add up to total due to rounding

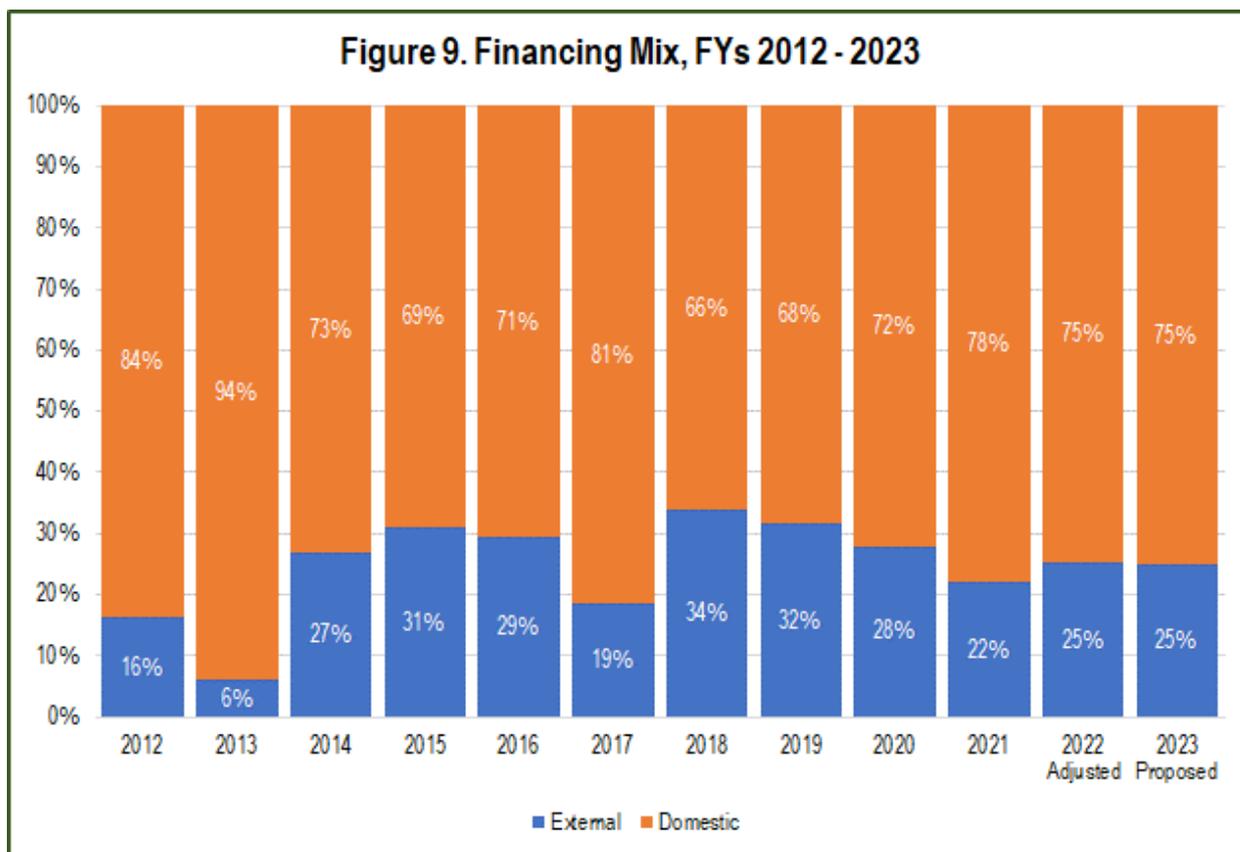
b/ Net of amortization serviced by the Bond Sinking Fund

c/ Includes provision of contributions to the Bond Sinking Fund

- For 2023, the government has programmed its total gross borrowings at ₱2.207 trillion, which is slightly lower by ₱4.777 billion or 0.2% than the ₱2.212 trillion borrowings expected this year. This amount will cover the projected deficit of ₱1.453 trillion, net

principal amortizations amounting to ₱124.481 billion, and additional cash of ₱629.598 billion to shore up the Treasury's cash balance and contribution to the bond sinking fund.

- A total of ₱1.654 trillion will be borrowed domestically, of which ₱1.599 trillion will be sourced from fixed-rate treasury bonds and ₱54.050 billion (₱621.050 billion gross flotation net of ₱567.000 billion maturities) will come from the issuance of treasury bills.
- The ₱265.000 billion foreign-denominated bonds, the ₱219.203 billion program loans, and the ₱69.297 billion project loans comprise the foreign borrowings planned for next year.
- In the first seven months of 2022, the Bureau of the Treasury reported total gross borrowings of ₱1.246 trillion, which is already 56.3% of the programmed borrowing of ₱2.212 trillion for the year. Domestic borrowings accounted for ₱909.073 billion, while the remaining ₱336.477 billion came from external sources.
 - The domestic borrowings include ₱457.799 billion worth of retail treasury bonds issued in March, and ₱300 billion provisional advances availed by the national government from the Bangko Sentral ng Pilipinas in January and subsequently repaid in May.
 - The foreign borrowings include ₱117.326 billion (equivalent to \$2.250 billion) multi-tranche Global Bonds issued in March, and ₱28.552 billion (equivalent to ¥70.1 billion or \$546 million) multi-tranche Samurai Bonds issued in April.
- Last year, the government raised ₱2.579 trillion in gross financing consisting of foreign borrowings amounting to ₱568.668 billion and domestic borrowings amounting to ₱2.011 trillion.



Sources: DBM Time Series (FYs 2012-2020 figures) and FY 2023 BESF (FYs 2021-2023 figures)

- The figure above shows that the national government has drawn majority of its financing from domestic sources rather than from external sources. This allows the government to remain protected from foreign exchange risks. For the past 10 years, domestic borrowings averaged about 75.6% as against 24.4% foreign. Similar to this year, the gross financing mix for 2023 is programmed at 75:25 in favor of domestic sources.

K. Debt Service

The proposed national government debt service expenditure for 2023 will amount to ₱1.602 trillion, composed of ₱582.320 billion in interest expense and ₱1.020 trillion in principal loan amortization. This is ₱338.288 billion or 26.8% more than this year's revised projection of ₱1.264 trillion, as shown in the table below. Compared with the previous year, this year's debt service expenditure will be ₱59.597 billion or 4.9% higher.

Table 44. FYs 2021-2023 NG Debt Service

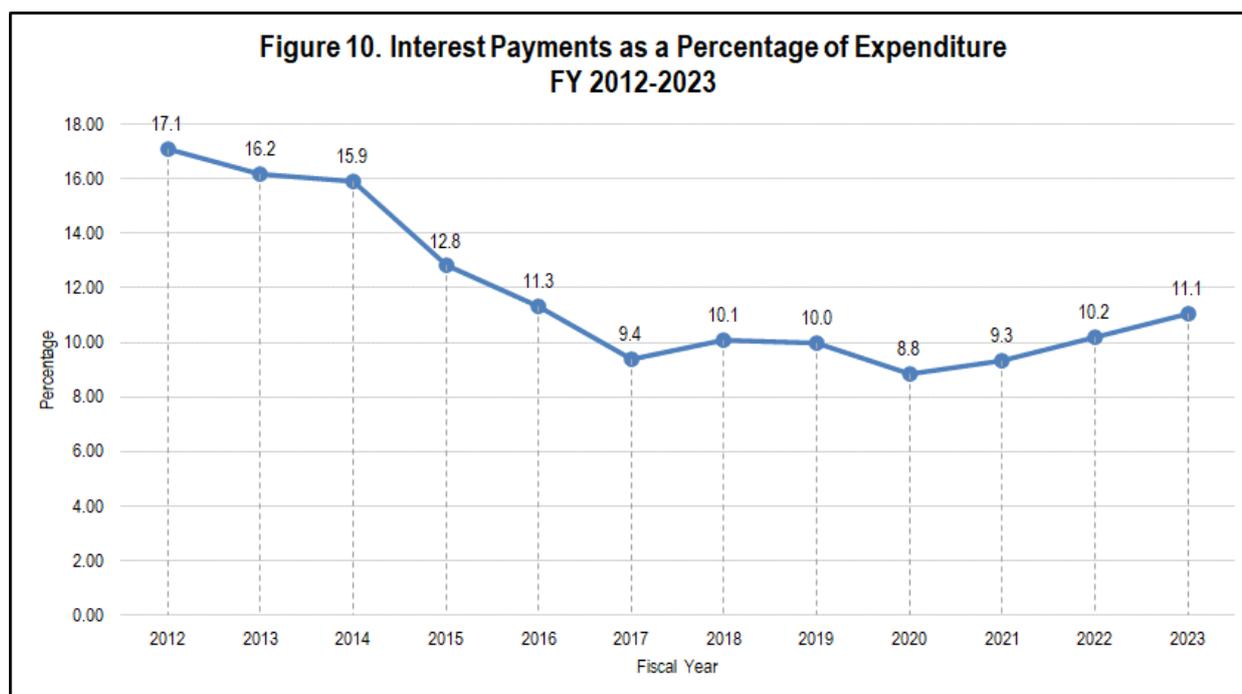
(In Million Pesos)

Particulars	2021 Actual	2022 Program	2023 Projection	2023 vs. 2022	
				Amount	%
Interest Payments	429,432	512,585	582,320	69,735	13.60
Domestic	333,335	405,678	451,008	45,330	11.17
Foreign	96,097	106,907	131,312	24,405	22.83
Principal Amortization	774,638	751,081	1,019,634	268,553	35.76
Domestic	537,451	617,867	897,170	279,303	45.20
Foreign	237,187	133,214	122,464	(10,750)	(8.07)
Total	1,204,069	1,263,666	1,601,954	338,288	26.77
Domestic	870,785	1,023,545	1,348,178	324,633	31.72
Foreign	333,284	240,121	253,775	13,654	5.69

Source: FY 2023 BESF

*Figures may not add up due to rounding off.

- Spending for interest expense, which forms part of the total national expenditure program, will amount to ₱582.320 billion in 2023. This reflects an increase of ₱69.735 billion or 13.6% growth over the 2022 level of ₱512.585 billion. For 2021, interest payments amounted to ₱429.432 billion, which is ₱83.153 billion or 19.4% lower than this year's level.
- The chart below shows that spending for interest payments as a percentage of total expenditure had been on a downward trend from 17.1% in 2012 to only 9.4% in 2017. It went up to 10.1% in 2018 but slightly went down in 2019 and fell to its lowest at 8.8% in 2020. Interest payments in 2020 actually grew by ₱19.538 billion or 5.4% but since the total NG expenditure rose by more than 19%, the interest expense share in the total expenditure shrunk to 8.8%. The year 2020 was the start of the COVID-19 pandemic, which prompted the NG to raise its expenditure level to address the public health crisis. The ratio of interest payments to total expenditure started to rise again in 2021 at 9.3% and is projected to increase further to 10.2% in 2022 and 11.1% in 2023.



Source: DBM Time-Series and FY 2023 BESF

- As of the end of July 2022, interest payments amounted to ₱309.306 billion (Bureau of the Treasury, 2022) or 60.3% of the full year projection.
- Principal loan amortization is an off-budget item, which means that it is not part of the national government's total expenditure program. For 2023, the government expects that it will grow by ₱268.553 billion or 35.8% from ₱751.081 billion in 2022 to ₱1.020 trillion in 2023. Out of the ₱1.020 trillion principal amortization for the coming year, ₱895.153 billion will be serviced out of the Bond Sinking Fund while ₱124.481 billion will be paid through borrowings, ₱122.464 billion of which pertains to foreign debts.
- This year's principal amortization of ₱751.081 billion is lower than the 2021 level of ₱774.638 billion by ₱23.557 billion or 3.0%. As of the end of July 2022, principal loan amortization amounted to ₱305.247 billion (Bureau of the Treasury, 2022) or 40.6% of the full year target.
- Out of the total debt service expenditure for 2023, ₱1.348 trillion or 84.2% will be paid to domestic creditors and ₱253.775 billion or 15.8% to foreign creditors.

L. Debt Stock

The national government outstanding debt is projected to reach ₱14.632 trillion at the end of 2023, which will be ₱1.204 trillion or 8.96% greater than the ₱13.428 trillion estimate at the end of 2022. The 2023 total debt projection will be composed of domestic debt amounting to ₱9.960 trillion or 68.1% and foreign debt amounting to ₱4.672 trillion or 31.9%, as shown in the following table.

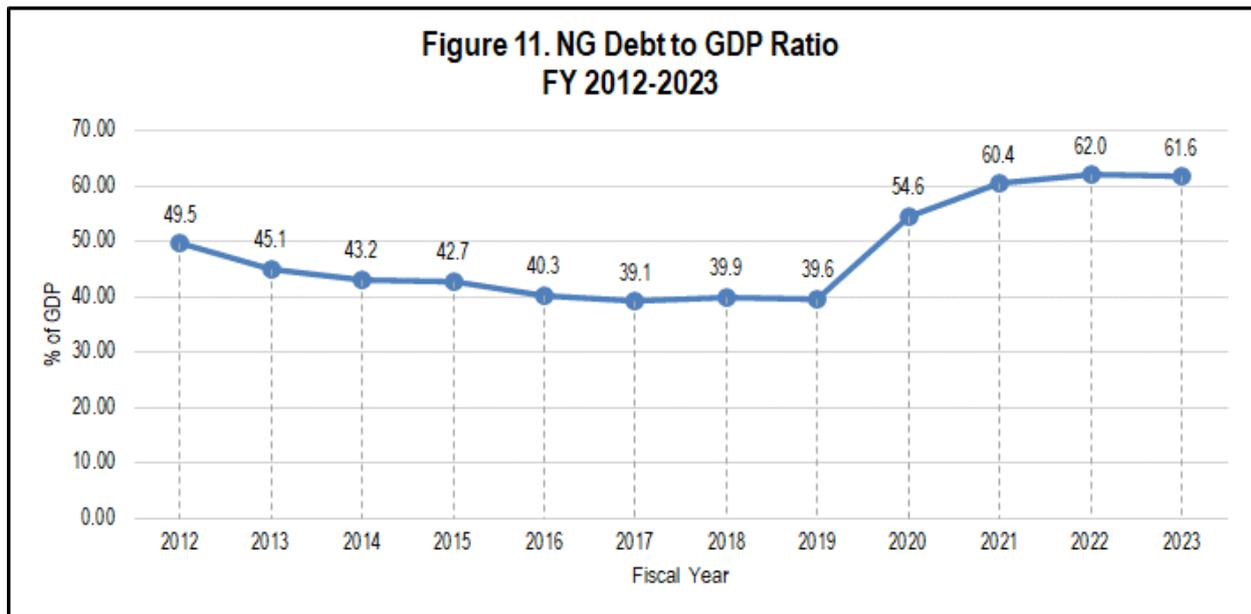
Table 45. FYs 2021-2023 NG Outstanding Debt
(In Million Pesos)

Particulars	2021 Actual	2022 Program	2023 Projection	2023 vs. 2022	
				Amount	%
Domestic	8,170,414	9,203,860	9,960,190	756,330	8.22
Regular Accounts	8,170,414	9,203,860	9,960,190	756,330	8.22
Foreign	3,558,135	4,224,186	4,671,597	447,411	10.59
Regular Accounts	3,558,135	4,224,186	4,671,597	447,411	10.59
Total	11,728,549	13,428,046	14,631,788	1,203,742	8.96
Regular Accounts	11,728,549	13,428,046	14,631,788	1,203,742	8.96

Source: FY 2023 BESF

*Figures may not add up due to rounding off.

- The total domestic debt will expand by ₱756.330 billion or 8.2%, from ₱9.204 trillion in 2022 to ₱9.960 trillion in 2023. Likewise, the total foreign debt will grow by ₱447.411 billion or 10.6%, from ₱4.224 trillion this year to ₱4.672 trillion next year.
- Except for 2018, the country's debt-to-GDP ratio has been declining from 49.5% in 2012 to only 39.6% at the end of 2019, as shown in Figure 11. This trend was disrupted in the succeeding two years, from 2020 to 2021, when it rose to 54.6% and 60.4%, respectively. By the end of this year, debt-to-GDP ratio is estimated to further increase to 62.0% despite the improvement in the economy as the national government continues to increase its expenditure for recovery efforts.
- At the onset of the COVID-19 pandemic in 2020, the national government had to borrow more to fund increased spending on social services and infrastructure to support its pandemic response. This, coupled with the revenue losses the national government experienced as the economy contracted because of the imposition of lockdowns, brought the debt-to-GDP to increase by 14.95 percentage points or 37.7%.
- For next year, the government projects that the debt-to-GDP ratio will start to decline at 61.6% and will settle at less than 60.0% at the end of 2025, as envisioned under the proposed Medium-Term Fiscal Framework of the current administration. The target ratio at year-end of 2025 looks achievable but still way off from the less than 40% mark just prior to the pandemic.
 - A World Bank study found that the threshold of the average long-run public debt-to-GDP ratio is 77% for the combined developed and developing countries, and a lower ratio of 64% for the developing countries. If the debt ratio surpasses the threshold temporarily for a year or two due to a recession, just like the recent pandemic, long-term growth need not suffer; however, if the debt ratio surpasses the threshold for decades, economic growth is likely to suffer. (Caner, Grennes, & Koehler-Geib, 2010)



Source: PSA, FY 2022 DBM Time Series, and FY 2023 BESF

1. Composition of Total Outstanding Debts

To lessen the risk of exposure to foreign exchange fluctuations, the government relies more on sourcing its debts from domestic creditors. This practice of borrowing from domestic sources will continue in 2023 so that debt to GDP ratio of 68:32 will still be in favor of domestic debts.

- Of the total domestic debt of ₱9.960 trillion next year, Fixed Rate Treasury Bonds of ₱5.032 trillion will account for 50.5%. The Retail Treasury Bonds and the Benchmark Bonds will follow with ₱2.841 trillion or 28.5% and ₱1.045 trillion or 10.5%, respectively.

Table 46. FYs 2021-2023 Details of Domestic Debt
(In Million Pesos)

Particulars	2021	2022	2023	2023 vs. 2022	
	Actual	Program	Projectio	Amount	%
Outstanding Domestic Debt	8,170,414	9,203,860	9,960,190	756,330	8.22
Regular Liabilities	8,170,414	9,203,860	9,960,190	756,330	8.22
Treasury Bills	796,143	848,142	902,193	54,051	6.37
Fixed Rate Treasury Bonds	3,317,094	4,149,313	5,032,360	883,047	21.28
Benchmark Bonds	1,102,134	1,044,748	1,044,748		
Retail Treasury Bonds	2,790,959	2,993,398	2,841,148	(152,250)	(5.09)
Retail Dollar Bonds	81,224	81,224	81,224		
Onshore Dollar Bonds	25,487	26,500		(26,500)	(100.00)
Agrarian Reform Bonds	7,218	10,379	8,362	(2,017)	(19.43)
CB-BoL (T/Bonds)	50,000	50,000	50,000		
Backpay Obligations, RA 304	79	79	79		
Backpay Obligations, RA 897	48	48	48		
Guerilla Currency Notes, RA 369	29	29	29		

Source: FY 2023 BESF

* Figures may not add up due to rounding off.

- By the end of 2023, the total foreign debt is estimated to reach ₱4.672 trillion. The succeeding schedule shows the components of the outstanding foreign debt for the years 2021 to 2023.

Table 47. FYs 2021-2023 Outstanding Foreign Debt
(In Thousand US Dollars)

Particulars	2021	2022	2023	2023 vs. 2022	
	Actual	Program	Projection	Amount	%
Outstanding Foreign Debt	69,486,803	78,908,313	87,052,258	8,143,945	10.32
Asian Development Bank (ADB)	11,880,778	14,161,823	16,565,639	2,403,816	16.97
International Bank for Reconstruction and Development (IBRD)	9,458,022	10,332,346	11,421,156	1,088,810	10.54
International Development Association (IDA)	18,310	13,686	11,213	(2,473)	(18.07)
International Fund for Agricultural Development (IFAD)	125,227	129,519	135,486	5,967	4.61
OPEC Fund for International Development (OFID)	24,977	22,333	19,690	(2,643)	(11.83)
Japan International Cooperation Agency (JICA)	6,030,093	6,499,891	6,574,656	74,765	1.15
KFW	24,763	23,767	22,771	(996)	(4.19)
Public Law 480	79,969	72,186	68,245	(3,941)	(5.46)
US Agency for International Development (USAID)	1,608	652	112	(540)	(82.82)
French Protocol	9,395	5,664	3,494	(2,170)	(38.31)
Other External Creditors	2,914,035	3,180,121	3,692,698	512,577	16.12
Debt Securities	38,919,626	44,466,324	48,537,098	4,070,774	9.15

Source: FY 2023 BESF

* Figures may not add up due to rounding off.

- The increase in outstanding foreign debts for the following creditors—Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), Japan International Cooperation Agency (JICA), International Fund for Agricultural Development (IFAD), and other external creditors—is due to additional borrowings for on-going programs/projects, such as the Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHYAN-CIDSS) Program, Davao City By-Pass Construction Project, Second Rural Development Project, Support for Parcelization of Lands for Individual Titling (SPLIT) Project, Pasig-Marikina

River Channel Improvement Project, and Improving Growth Corridors in Mindanao Project. It will also include new borrowings for proposed programs/projects such as the Countercyclical Support Facility Program, Inclusive Finance Development Program 3, Build Universal Health Care Subprogram 2, Tax Reform Policy-Based Loan Program, Post-COVID Business and Employment Recovery Program, Philippines First Financial Sector Reform Development Policy Loan 2 Program, and Climate Development Policy Loan Program, among others. Borrowings for budgetary support under debt securities is also projected to increase by \$4.071 billion. Meanwhile, the decrease in outstanding debts for the rest of the creditors is due to the settlement of maturing obligations.

- As of the end of July 2022, the national government's outstanding debt is reported at ₱12.888 trillion, comprised of domestic debt of ₱8.832 trillion or 68.5% and foreign debt of ₱4.056 trillion or 31.5%.⁹ The debt-to-GDP ratio stood at 62.1%¹⁰.

⁹ Figures lifted from the National Government Outstanding Debt published on September 3, 2022 by the BTr.

¹⁰ GDP ₱20.590 trillion, BTr's NG Debt Indicators

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