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BUDGET BRIEFINGS		
COMMITTEE	SUBJECT MATTER	DISCUSSIONS
Appropriations	<p>Briefing by the members of the Development Budget Coordination Committee (DBCC) on the proposed FY 2017 national budget</p> <ul style="list-style-type: none"> Department of Budget and Management (DBM) – on the proposed FY 2017 national budget <ul style="list-style-type: none"> National Economic and Development Authority (NEDA) – on the Philippines' economic performance and outlook 	<p>The Committee, chaired by Rep. Karlo Alexei Nograles (1st District, Davao City), opened its deliberations on the proposed FY 2017 National Expenditure Program (NEP) with a briefing on the features of the national budget for next year, as well as on the monetary, financial and external developments and outlook for 2016 and 2017; overview of the Philippine's economic performance; fiscal and revenue collection performance; and how the budget will be financed in 2017.</p> <p>DBCC Chair and DBM Secretary Benjamin Diokno presented the proposed FY 2017 national budget of P3.35 trillion, which is 11.6% higher than the 2016 budget of P3.001 trillion.</p> <p>Diokno said that the 2017 national budget is designed to realize “change” as promised by President Rodrigo Duterte and is aligned with the President's 10-point socioeconomic agenda.</p> <p>By expense class, the 2017 national budget will be distributed as follows: personnel services, P997 billion; infrastructure and other capital outlays, P780.6 billion; allocation to local government units (LGUs), P554.9 billion; maintenance expenditures, P534.5 billion; debt burden, P351.6 billion; and support to government-owned and controlled corporations (GOCCs); P131.5 billion.</p> <p>Diokno added that 40% of the 2017 national budget is proposed to be spent on social services like education, health and social protection programs. On the other hand, economic services, general public services, debt burden and defense will respectively receive 28%, 17%, 11% and 4% of the budget next year.</p> <p>The top 10 departments to receive the highest budget allocations are as follows:</p> <ul style="list-style-type: none"> Department of Education (DepEd) – P567.6 billion Department of Public Works and Highways (DPWH) – P458.6 billion Department of the Interior and Local Government (DILG) – P150.1 billion Department of Health (DOH) – P144.3 billion Department of National Defense (DND) – P134.5 billion Department of Social Welfare and Development (DSWD) – P129.9 billion Department of Transportation (DOTr) – P55.5 billion Department of Agriculture (DA) – P45.3 billion Department of Environment and Natural Resources (DENR) – P29.4 billion Department of Finance (DOF) – P23 billion <p>NEDA Director General Ernesto Pernia said that the Philippines is expected to remain one of the fastest growing economies in Asia. He boasted that the growth of gross domestic product (GDP) accelerated to 7% in the second quarter of 2016 from 6.8% in the first quarter of the same year. This means that the economy only needs to grow by only 5.1% in the second semester to achieve the lower end growth rate target of 6.7% for the whole year.</p> <p>Pernia further disclosed that while macroeconomic targets were slightly missed, the economy nevertheless improved and unemployment rate has fallen faster than expected. However, he lamented that despite the fast GDP growth rate, underemployment remains high and poverty reduction is exceedingly slow.</p> <p>Pernia attributed the imbalance growth to the dismal performance of the</p>

	<ul style="list-style-type: none"> • Department of Finance (DOF) - on the National Government's fiscal and revenue collection performance and FY 2017 fiscal program • Bangko Sentral ng Pilipinas (BSP) - on the country's monetary, financial and external developments and outlook for 2016 and 2017 	<p>agriculture, fishery and forestry sector which grew by only 1.4% annually in 2010-2015; the significant increase in food prices during the period 2009-2015 which increased the poverty line by almost 30%; and the rapid pace of population growth.</p> <p>To make economic growth more inclusive, Perna said that the government plans to promote regional and rural development, raise agricultural productivity, and fully implement the Reproductive Health Law, among others.</p> <p>Looking forward, Perna is projecting a GDP growth rate of 6.5-7.5% in 2017 and 7-8% by year 2022. The country should take advantage of the opportunities offered by the economic integration in the ASEAN region which will open up new sources of capital and markets; the Philippine hosting of ASEAN meetings in 2017; the commitment of the government to continue current macroeconomic policies and programs; and the potential resumption of peace talks with rebel groups.</p> <p>Finance Secretary Carlos Dominguez III reported that in 2015, the national government's total revenues amounted to P2.109 trillion or a revenue effort of 15.8% of the GDP, which was higher than the revenue effort of 15.1% of the GDP in 2014. Out of the total revenues, tax revenues account for P1.82 trillion while revenues from the Bureau of Customs (BOC) account for P367.5 billion.</p> <p>Dominguez added that the tax revenues for the first half of 2016 grew by 1.4% compared to the same period last year. With the current trend, the total revenues could reach P2.2 trillion by the end of 2016.</p> <p>Dominguez also underscored that revenues from the Sin Tax Reform Law has enabled the government to finance public health programs that benefitted the poor. In 2015, the total excise taxes from sin products like alcohol and tobacco reached P143.1 billion.</p> <p>Debt to GDP ratio has continued to improve. At the end of 2015, the outstanding national government debt is 44.7% of GDP, but is expected to decrease to 42.8% and 41.6% in 2016 and 2017, respectively. Dominguez also emphasized that the government prefers to borrow locally to lower the risks of debt servicing.</p> <p>Dominguez said that the proposed budget targets a deficit of 3% which is marginally higher than the previous year but is expected to translate to substantial infrastructure and human capital expenditures next year.</p> <p>Dominguez also disclosed that the DOF will submit to Congress a "transformative tax reform package" designed not just to raise revenues but to support inclusive growth. The proposed tax reform package will lower personal and corporate income taxes, expand the value-added tax (VAT) base, adjust oil excise taxes to inflation, reform property taxes, and tax sugary and fatty foods the same as the sin tax system.</p> <p>BSP Deputy Governor Diwa Guinigundo is optimistic that the Philippine economy will remain strong and resilient as it has maintained its robust growth, sustaining high economic growth for 69 consecutive quarters since 1999. The resiliency of the domestic economy is evinced in the 6.9% GDP growth rate in the first semester of 2016. On the production side, industry supported by manufacturing and construction added more growth impulses. On the expenditure side, high public spending and private investments were additional growth drivers.</p> <p>Guinigundo said that inflation remains benign this year averaging at 1.4% for the first seven months of 2016. It is projected to be at the low end between 2%-4% target range in 2016 and 2.9% in 2017.</p> <p>The country's monetary condition, ample liquidity and healthy growth of bank lending continue to support economic growth. Guinigundo disclosed that the Philippine banking system has remained strong and stable supporting growth across various sectors of the economy. Banks have good loan quality and are more than adequately capitalized, illustrating their preparedness to the entry of regional and international banks under the ASEAN economic and financial</p>
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		<p>integration.</p> <p>The country continues to build up its foreign exchange reserves. As of end of July 2016, gross international reserves (GIR) level is more than sufficient to provide the country 10.5 months of imports of goods and services. The country's favorable external payment positions have mitigated the adverse effects of external shocks. However, Guinigundo opined that the Philippine peso will still weaken against the US dollar at P45-P48 in 2017. Likewise, Dubai crude oil price is expected to intensify to US\$40-55 per barrel.</p> <p>According to Guinigundo, foreign interest rates will remain low for the next two years as countries are going into a period of low interest rates across the globe. External debt profile and debt burden will continue to be manageable.</p> <p>Guinigundo enumerated the external and domestic risks to the country's economic prospects, which are: subdued global economic growth outlook; possible US interest rate hikes; uncertainty in future trend of global oil prices; infrastructure gaps; and weather disturbance.</p> <p>After the budget briefing by the DBCC, some of the House Members inquired on the effects of the proposed tax reforms on the public coffers and the economy considering that the administration plans to aggressively invest in infrastructure and human capital development programs and projects.</p> <p>Dominguez explained that while the government estimates foregone revenues of P139 billion and P34.8 billion from individual and corporate income taxes, respectively, it expects to recoup these losses through some tax reform measures such as eliminating certain tax exemptions, broadening the coverage of "sin" taxes to include food and drinks that are sugary and fatty (like carbonated drinks and junk foods), and increasing excise tax on oil, among others.</p> <p>The DBCC responded to the other issues and concerns raised by the House Members during the meeting which lasted for almost 12 hours.</p>
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