I. Basic Concepts in Budgeting

1. What is a national budget?

estimated schedule of expenditures and sources of financing

financial plan for a given fiscal year

income, expenditures and sources of borrowings

A national budget is also referred to as the government□s budget. It is a plan for how the government spends taxpayers□ money, and how it pays for its activities, its borrowings and the repayment of its borrowings. More technically, it is the estimated schedule of expenditures and sources of financing.

In general, a government budget is the financial plan of a government for a given period, usually for a fiscal year. It shows what its resources are, and how they will be generated and used over the fiscal period. The budget is the government's key instrument for promoting its socio-economic objectives.

The government budget also refers to the income, expenditures and sources of borrowings of the National Government (NG). These resources are used to achieve its national objectives, strategies and programs.

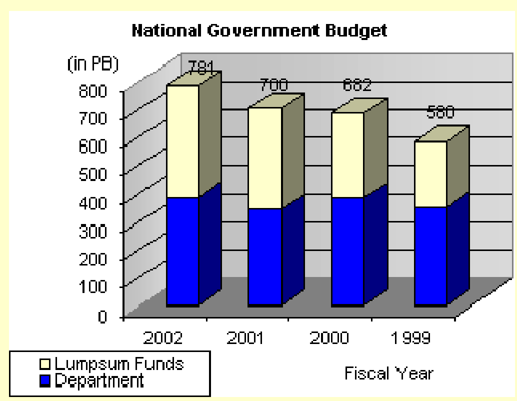
2. What exactly is referred to by the term *national government budget*?

budgets of NGAs, LGUs and GOCCs

The National Government budget, known simply as the budget, refers to the totality of the budgets of various departments of the national government. It includes the NG support to Local Government Units (LGUs) and Government Owned and/or Controlled Corporations (GOCCs). It is what the national government plans to spend for its programs and projects. It also states the envisioned sources of its funds, either from revenues or from borrowings.

Table I.1 National Government Budget (in million pesos)

Particulars	2002	2001	2000	1999
Department	382,108	339,524	379,372	348,192
Lumpsum Funds	398,682	360,354	303,088	232,193
of which:				
Budgetary Support to GOCCs	12,295	13,779	23,957	19,698
Allocation to the LGUs	141,343	128,289	121,423	102,229
Total Budget	780,790	699,878	682,460	580,385



Source : BESF 2002 and 2001

3. What is a budget program?

authorize appropriations to be spent

A budget program is a budget authorized under existing appropriation measures programmed to be spent during a particular period.

4. **W**hat is the expenditure program?

COE and CO expenditures

5. **W**hat is the financing program?

projected revenues and borrowings

6. **W**hat is the purpose of a budget?

allocation function of the budget

reflective of national government priority programs

The expenditure program is that portion of the national budget that refers to the current operating expenditures (COE), and capital outlays (CO), necessary for the operation of the various government departments and agencies.

The financing program includes the projected revenues from both existing and new measures. It also covers the planned borrowings to finance budgetary transactions and the payment of debt principal falling due.

The common notion of a budget relates to its expenditure side. As such, a budget is prepared to prescribe the funding of government's programs and projects, following national priorities, objectives and strategies. This is the budget's allocation function.

The national budget mirrors the national government□s priority programs. For example, the Constitution gives the highest priority to education. Hence, the budget of the education sector increased substantially over the past 14 years. Likewise, when the Comprehensive Agrarian Reform Law was enacted, budgetary provisions were made for the land reform program. Currently, the government thrust on agriculture, among others, is readily seen in the budgets of the past two years.

Table 1.2 Expenditures by Major Expenses (in million pesos)

Particulars	2002	2001	2000	1999
Current Operating Expenditures	691,110	635,685	592,969	501,467
Capital Outlays	89,680	64,193	89,491	78,918
Grand Total	**780,790**	**699,878**	**682,460**	**580,385**
% Distribution				
Current Operating Expenditures	88.51%	90.83%	86.89%	86.40%
Capital Outlays	11.49%	9.17%	13.11%	13.60%
Grand Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: BESF 2002 and 2001

serves a stabilization role

a tool for the redistribution of the country□s financial resources

The national budget also serves a stabilization role. When the economy is in recession and private sector activity is weak, the government, through the budget, speeds up and increases its spending. This stimulates demand for goods and services and creates more job opportunities. Conversely, when there is an economic boom, government may slow down on its spending, taxing and borrowing, so as not to compete with the private sector for credit.

Lastly, the budget is used as a tool for redistributing the country's financial resources. This function pertains more to the resources side of the budget. This is usually done through progressive taxation: higher taxes are imposed on individuals or corporations with higher income, and those of lower income pay less. Taxes are also imposed on luxury goods such as expensive vehicles.

7. **W**hat are the components of the budget?

The national budget has two basic components which ideally should balance each other, namely, the resources side and the expenditures side.

8. **W**hat is meant by budgetary resources?

Budgetary resources pertain to the sources of funds that will finance budgetary expenditures. These are derived from either: 1) Revenues or 2) Borrowings.

9. **W**hat is meant by revenues?

Revenues are the primary source of financing the budget because these are the most stable sources of funds. Revenues consist of tax and non-tax collections.

10. **W**hat are taxes?

Taxes are compulsory charges imposed by the government on goods, services, transactions, individuals, firms and other entities. They arise from the sovereign power of state. Taxes comprise 87% of the government's major sources of revenues. The main taxes are those on net income and profits, taxes on property and taxes on domestic goods and services. The last includes the value-added tax.

BIR and BOC as the major tax collection agencies

The major tax collection agencies are the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). The BIR collects taxes that are internally generated, which represents 80% of all tax revenues. The BOC, on the other hand, collects all taxes that relate to international trade and transactions. These usually amount to 18.5% of tax revenues.

Other sources of taxation are the motor vehicle tax collected by the Land Transportation Office, and the immigration tax of the Department of Justice.

Table 1.3 Computation of Tax Effort

Particulars	2002	2001	2000	1999
Tax Collections (in PB)	571.3	498.9	460.0	431.7
BIR	447.6	388.1	360.8	341.3
BOC	115.1	105.1	95.0	86.5
Others	8.6	5.7	4.2	3.9
GDP(in PB)	3,960.1	3,616.5	3,302.6	2,996.4
Tax Effort (tax/GDP)	14.43%	13.80%	13.93%	14.41%
Source: BESF 2002 and 2001				

11. **W**hat are non-tax revenues?

Non-tax revenues are revenues collected from sources other than compulsory tax levies. These include those collected in exchange for direct services rendered by government agencies to the public. They can also arise from the government's regulatory and investment activities.

classification of non-tax

Non-tax revenues are classified into:

1. **Fees and Charges.** These are amounts collected by government agencies for administrative and regulatory purposes (such as passport fees, drivers' licenses, court fees, building permit fees, etc.).
2. **Interests and Investments income.** This is income from charges imposed as a

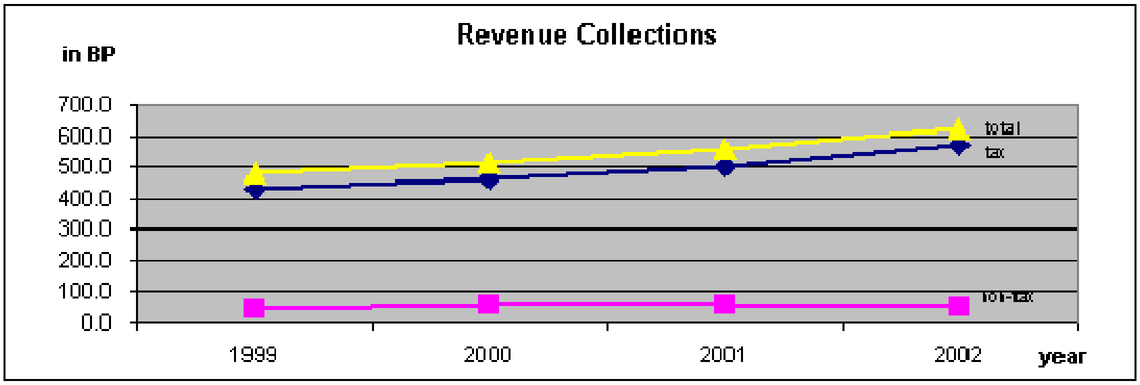
revenues

consequence of the use of money or from investments or rental of real property.

3. **Sale of Assets.** These are proceeds from the sale of transferred, surrendered and privatized assets by the Asset Privatization Trust.

4. **Grants.** These are non-repayable transfers received from other levels of government or from private individuals or institutions. They cover reparations and gifts given for particular projects or programs, or for general budget support.

Non-tax sources make up 13% of the government's revenues.



12. **W**hat are borrowings?

loans from internal and external sources

Borrowings are obtained from repayable sources, including loans secured by the government from financial institutions and other sources internal and external, to finance development projects and/or budget support. There are two sub-categories of borrowings: a) domestic borrowings and b) foreign borrowings.

13. **W**hy do governments resort to borrowing?

augment revenues

stabilize market

availability of domestic borrowings

limitations of foreign borrowings

careful selection of capital projects

The government borrows for several reasons. One is to augment revenues of government to cover all of the country's development requirements. Aside from operating expenses, it has to provide for such capital projects as roads, bridges, airports, power plants, etc. to generate economic activity. Another reason is to cushion future needs while taking advantage of favorable market conditions.

A third reason, which is monetary in nature, is to stabilize the market by mopping up excess liquidity.

There are inherent advantages and disadvantages in borrowing from either domestic or foreign sources. In general, the government borrows from domestic sources because they are readily available, and there are no foreign exchange risks involved. However, if it takes up too large a share of domestic resources, it will compete with local private demand for credit. This will drive up interest rates, and consequently lessen jobs.

On the other hand, borrowing from foreign sources enables the government to take advantage of long-term loans, which are readily available abroad with lower interest rates. The disadvantage of borrowing from these sources is the risk of foreign exchange rate fluctuations. Every time the peso depreciates in value against the dollar, the debt service burden gets heavier.

In all these, it must be emphasized that the government carefully selects the capital projects to be financed from these sources. It must make certain that they would improve economic productivity and help pay back the loans.

14. **W**hat comprise domestic borrowings?

treasury bills, bonds and notes

The government obtains domestic borrowings from the auction of Treasury bills, notes and bonds.

Treasury bills are short-term debt instruments issued by the National Government. Treasury bonds and notes are longer-term certificates of indebtedness: their maturity extends beyond one year. They are issued depending on the needs of the market.

Domestic borrowings are always used for a general purpose.

15. **W**hat are foreign borrowings?

multilateral and bilateral sources

Foreign borrowings, on the other hand, may be derived from 1) multilateral sources, where the owners of the institution are many, or from 2) bilateral sources, which refer to the government of another country.

Foreign borrowings can be obtained through loans secured from foreign financial institutions or by floating government securities in the international market.

Some examples of multilateral sources are the Japan Bank for International Cooperation, the Asian Development Bank and the World Bank.

Foreign borrowings may be in the form of 1) project loans or 2) program loans.

16. **W**hat are project loans?

Project loans are incurred to finance a specific project like an irrigation project or a health project.

17. **W**hat are program loans?

multipurpose foreign borrowings

Program loans are multipurpose foreign loans to enhance a specific sector, usually conditioned on basic reforms in certain policy areas. The Structural Adjustment Loan and the Private Sector Financing Restructuring Loan are examples of program loans.

18. **W**hat are expenditures?

obligations of the national government

Expenditures are obligations that the government incurs that must be paid during or after the year when they were incurred. The term ☐expenditure☐ is more generic than "expense" in that the latter refers to items of expenditure that are current.

Expenditures are classified in various ways:

1. By expense class and object of expenditures;
2. By sector;
3. By recipient entities;
4. By region

19. **W**hat is meant by expense class?

Expense class refers to the classification of expenditures by the nature or type of obligation.

There are four expense classes: (a) Current Operating Expenditures (COE); (b) Capital Outlays (CO); (c) Net Lending; and (d) Debt Amortization.

20. **W**hat are current operating expenditures?

expenditures for the normal government operations

Current Operating Expenditures (COE) are amounts budgeted for the purchase of goods and services for normal government operations within the budget year. These cover Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE). PS refer to the provisions for the payment of salaries, wages and other compensation/benefits. They cover permanent, temporary, contractual and casual employees of the government. MOOE refers to recurring expenses to cover day-to-day requirements of agencies to carry out their regular operations.

21. **W**hat are capital outlays?

assets of the government

Capital Outlays (CO) are appropriations for goods and services, the benefits of which extend beyond the budget year and which add to the assets of the government. They cover investments in the capital stock of government-owned and controlled corporations and their subsidiaries, as well as loan outlays and investments in public utilities.

22. **W**hat is net lending?

NG advances

Net Lending refers to net advances by the National Government for the servicing of government-guaranteed corporate debt. It covers NG loan outlays to government corporations.

23. **W**hat is meant by debt amortization?

Debt Amortization refers to the sum of principal repayments for loans payable by regular installments. It also refers to the annual contribution to the debt sinking fund for debts payable only upon maturity.

24. **W**hat are objects of expenditures?

Under COE and CO are various objects of expenditures, which specify the types of expense that are incurred by an agency. The usual expense classes for the MOOE are: the intelligence fund (object code 200-19), travel (200-02), utilities such as communication services (200-03), repair and maintenance of government facilities (200-04), supplies and materials (200-07), supplies rents (200-08), water, illumination and power (200-14), gasoline, oil and lubricants (200-23).

For CO, the more commonly-used objects of expenditures are land and land improvements (300-04), buildings and structures outlay (300-05), information technology equipment (300-38), and furniture fixtures, equipment and books outlays (300-36).

25. **W**hat is a sector?

A sector is an agency or cluster of agencies whose expenditures are directed towards a common purpose. Government expenditures are classified according to the following sectors:

a) Economic services
b) Social services
c) Defense services
d) General Public services

26. **W**hat comprise the economic services?

Economic Services pertain to the enhancement of the country's industrial and agricultural production capacities. They encompass the development of natural resources, the promotion of trade and industry, and the setting up of infrastructure and utilities. Hence, most of the activities of the Department of Trade and Industry (DTI), Department of Environment and Natural Resources (DENR), Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Public Works and Highways (DPWH) and Department of Transportation and Communication (DOTC) fall under this sector.

27. **W**hat comprise the social services?

Social Services pertain to education and manpower development, health, housing, and social security and welfare services. The budget of the Department of Education (DepEd), the Department of Health (DOH), the Department of Social Welfare and Development (DSWD), the Department of Labor and Employment (DOLE) and the National Housing Authority (NHA), as well as the pension for veterans, will fall under this category.

28. **W**hat comprise the defense services?

Defense Services refer to the strengthening of domestic security and the maintenance of peace and order. The Department of National Defense□s Armed Forces of the Philippines (AFP) is under this sector.

29. **W**hat comprises the general public services?

General Public Services refer to general administration, basic research and the dispensation of justice. Under this sector are the National Economic and Development Authority (NEDA) and the Department of Justice (DOJ).

30. **W**hat is debt service?

Debt Service consists of the repayment of interest and related costs. The payment of principal amortization is no longer included in the budget, but it is included in the cash outflow. The reason for this is that principal payment is a financing transaction rather than an expenditure.

31. **W**ho are the major recipients of the budget?

The major recipients of the budget are:

a. **National Government Agencies (NGAs).** These are the entities which perform functions not normally undertaken by the private sector. They are wholly dependent on the government for financing its budgetary requirements. Some examples are the Department of Finance (DOF), Presidential Commission for the Urban Poor (PCUP) and the AFP.

b. **Local Government Units (LGUs).** They refer to provinces, cities, municipalities and barangays. The Province of Laguna, the City of Dagupan, the Municipality of Panabo and Barangay Cruz na Ligas are examples of LGUs.

c. **Government Owned and/or Controlled Corporations (GOCCs).** These are stock or non-stock corporations, whether performing government or proprietary functions, which are directly chartered by special law or owned or controlled by the government directly or indirectly, through the parent corporation, to the extent of at least a majority of its outstanding capital stock or its outstanding non-capital stock.

32. **W**hat are the budgetary releases made to GOCCs?

There are four types of releases to GOCCs:

1) **Equity** refers to the capital inputs of the national government;

2) **Subsidy** pertains to operating contributions to support specific activities undertaken by the institution as part of its regular functions;

3) **Net lending** refers to net advances by the national government for the servicing of government-guaranteed corporate debt and loan outlays by the national government to government corporations;

4) **Creditors** are individuals or firms/institutions to whom the government has an obligation for the delivery of goods and services.

33. **W**hat are the different regions in the country?	There are 16 regions in the country: I ☐ Ilocos Region (Ilocos Norte, Ilocos Sur, La Union, Pangasinan) II ☐ Cagayan Valley (Batanes, Cagayan, Isabela, Nueva Viscaya, Quirino) CAR ☐ Cordillera Administrative Region (Abra, Apayao, Benguet Ifugao, Kalinga, Mt. Province) III ☐ Central Luzon (Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, Zambales) NCR ☐ National Capital Region (Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Muntinlupa, Marikina, Navotas, Parañaque, Pasay, Pasig, Pateros, Quezon, San Juan, Taguig, Valenzuela) IV ☐ Southern Tagalog (Aurora, Batangas, Cavite, Laguna, Marinduque, Occidental Mindoro, Oriental Mindoro, Palawan, Quezon, Rizal, Romblon) V ☐ Bicol (Albay, Camarines Norte, Camarines Sur, Catanduanes, Masbate, Sorsogon) VI ☐ Western Visayas (Aklan, Antique, Capiz, Guimaras, Iloilo, Negros Occidental) VII ☐ Central Visayas (Bohol, Cebu, Negros Oriental, Siquijor) VIII ☐ Eastern Visayas (Biliran, Eastern Leyte, Eastern Samar, Northern Leyte, Northern Samar, Southern Leyte, Western Samar,) IX ☐ Western Mindanao (Basilan, Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay) X ☐ Northern Mindanao (Bukidnon, Camiguin, Misamis Occidental, Misamis Oriental) XI ☐ Southeastern Mindanao (Compostela Valley, Davao del Norte, Davao del Sur, Davao Oriental, Saranggani, South Cotabato) CARAGA ☐ CARAGA Administrative Region (Agusan del Norte, Agusan del Sur, Surigao del Norte,

Surigao del Sur)

XII ☐ Central Mindanao (Lanao del Norte, North Cotabato, Sultan Kudarat)

ARMM ☐ Autonomous Region for Muslim Mindanao (Cotabato City, Lanao del Sur, Maguindanao,

Marawi City, Sulu, Tawi-tawi)

All departments that are fully ☐decentralized☐ must supply the requirements of their regional offices in the provision of goods and services.

34. What is a fund?

budgetary appropriation

The word "fund" in government has taken several meanings. It sometimes refers to an appropriation which is a legislative authorization to spend. It can be an allotment which is an authorization by the Department of Budget and Management (DBM) to obligate. It can also be thought of as actual cash available.

By its legal definition, the word "fund" refers to a budgetary appropriation or a sum of money or other resources set aside for the purpose of carrying out activities or attaining certain objectives, in accordance with regulations, restrictions or limitations.

35. What basic law governs the use of government funds?

Philippine Constitution

The following provision of the Philippine Constitution sets the basic rule for the use of government funds:

"Sec. 29, Art. VI, No money shall be paid out of the Treasury except in pursuance of an appropriation made by law."

The said provision also establishes the need for all government entities to undergo the budgeting process to secure funds for their mandated functions, programs and activities.

36. What are budget appropriations?

authorized by Congress

A budget appropriation, or simply an "appropriation" is defined as an authorization made by law, directing payment out of government funds, under specified conditions or for specified purposes. Sometimes, the word "budget☐ is used synonymously with "appropriation." This practice is acceptable, in the sense that, under the Constitution, no funds or budget can be expended without an appropriation made by Congress.

The budget is authorized under various appropriation laws. These laws cover:

1. Annual Appropriations
2. Continuing Appropriations
3. Automatic Appropriations

37. What are annual appropriations?

yearly authorization by Congress

program/activity/project

Annual appropriations pertain to the General Appropriations passed into the law by Congress on a yearly basis. This is an authorization for incurring obligations during a specified budget year. However, certain provisions have been introduced in recent years ☐ they allow agencies to make use of unutilized annual appropriations beyond the budget year.

The General Appropriation Act (GAA) covers the annual operating requirements of agencies of government. The GAA is the most comprehensive source of appropriation cover for the budget of the government.

It contains provisions for the agencies as well as for Special Purpose Funds (SPFs) that are used for specific purposes.

Agency appropriations are itemized by program, activity, and project. They are classified into PS, MOOE and CO. SPFs include Assistance to Local Government Units (ALGU), the Calamity Fund, Budgetary Support to Government Corporations, the Organizational Adjustment Fund (OAF), the Miscellaneous Personnel Benefits Fund (MPBF), etc.

38. **W**hat are existing or continuing appropriations?

with prior authorization by Congress

Existing or continuing appropriations are those which have been previously enacted by Congress and which continue to remain valid and available to support obligations for a specified purpose or project. There are two types of existing appropriations: 1) continuing and 2) automatic.

Continuing appropriations support obligations for a specified purpose. An example is a multi-year construction project which requires obligations even beyond the budget year. Examples of continuing appropriations are those from existing laws such as: RA 8150, otherwise known as the Public Works Act of 1995; and Republic Act No. 6657 and Republic Act 8532 which set funds specifically for the Agrarian Reform Program (ARP). Currently, appropriations for capital outlays and maintenance and other operating expenses are considered as continuing appropriations but only for a period of 2 years.

39. **W**hat are the types of continuing appropriations?

Sec. 28, Ch 4, Bk VI, E.O. No. 292

There are two types of continuing appropriations:

1. Those that are covered by special laws and appropriated as one lump sum which does not lapse until its purpose is fulfilled;

2. Those that pertain to balances of released or unreleased appropriations of agencies and SPFs for MOOE and CO which are carried over to the next budget year. This procedure is in accordance with Section 28, Chapter 4, Book VI of Executive Order No. 292 otherwise known as the Administrative Code of 1987.

40. **W**hat are automatic appropriations?

one time authorization

legal basis

An automatic appropriation is a one-time authorization to provide funds for a specified purpose, for which the amount is not fixed by law, and is made automatically available and set aside as needed. Since it is already covered by a separate law, it need not be included in the annual appropriations.

There are many items in the Expenditure Program which are automatically appropriated. That is, they are not included in the GAA, and they include:

a. **Debt service** or releases for interest payments for foreign loans and domestic debt;

b. **Net lending** or net advances by the national government for the servicing of government-guaranteed corporate debt and loan outlays by the National Government to government corporations;

c. **Retirement and Life Insurance Premiums** under Commonwealth Act 186 and Republic Act 660. These cover the government□s share of premiums for retirement and life insurance plans of public sector employees paid to the Government Service Insurance System (GSIS);

d. **Grants and Donations** include reparations and gifts that certain agencies, like the Department of Social Welfare and Development (DSWD), receive from private individuals and institutions. The donations are deposited with the Bureau of Treasury. The DBM then issues the corresponding allotment as automatic appropriations; and

e. **Military Camps Sales Proceeds Funds.** The release from this fund is contingent on the realization of income from the sale of military camps.

The pertinent laws on automatic appropriations are:

Presidential Decree (PD) No. 1967, RA No. 4860 and RA No. 245, as amended, for the servicing of domestic and foreign debts, Commonwealth Act No. 186 and RA No. 660, for the retirement and insurance premiums of government employees, PD No. 1177 and Executive Order No. 292, for net lending to government corporations, and PD No. 1234, for various special accounts and funds.

41. **W**hat are sources of appropriations that make up the annual budget?

The sources of appropriations of the annual budget are: 1) new general appropriations legislated by Congress for every budget year under the General Appropriations Act (GAA); and 2) existing appropriations previously authorized by Congress. To repeat, the Constitution says that no money can be withdrawn from the Treasury except in pursuance of an appropriation made by law (Sec. 29, Article VI, 1987 Constitution).

42. **A**re all appropriations supported by resources and allocable during the budget year?

standby appropriation

No, only programmed appropriations are supported by corresponding resources; that is, they already have definite funding sources and are readily implementable. Unprogrammed appropriations are not yet supported by corresponding resources but are nevertheless included by Congress in the General Appropriations Act. These are called standby appropriations which authorize additional agency expenditures for priority programs in excess of the original budget. The funding is available only when revenue collections exceed the resource targets assumed in the budget, or when additional foreign project loan proceeds are realized.

43. What are programming, allotments, and obligations?

ABM

SARO

Once the budget has been appropriated, a budget program is prepared, and this represents the actual planned program for the year.

At the beginning of the year, agencies are required to submit their Agency Budget Matrix (ABM). The ABM shows the detailed breakdown of agency expenditures. They include those that may already be released subject only to approval by the DBM Secretary, and those that require further DBM evaluation or clearance from authorized bodies. The ABM used to be so detailed as to be broken down by object of expenditure. However, the DBM administration did away with the detailed presentations, and only the general categories are required.

The approved Agency Budget Matrix (ABM), is an authorization issued by the DBM to agencies to incur obligations for specified amounts contained in a legislative appropriation.

The DBM issues the Special Allotment Release Order (SARO) upon request by agencies to cover items of appropriation which require clearance. Releases from SPFs are covered by SARO, except the Internal Revenue Allotment (IRA).

On the basis of an allotment, an agency may incur obligations in executing its authorized functions.

An □obligation□ refers to an amount committed to be paid by the government for any lawful act, made by an authorized officer, for and in behalf of the government. No agency may enter into an obligation without an authorization in the form of an allotment.

44. What are disbursements?

cash releases program

notice of cash allocation

Common Fund System

monthly accounts payable

Disbursements are cash withdrawals from the Bureau of the Treasury for the payment of budgetary transactions. Each month, the DBM and the Bureau of Treasury meet to draw up a disbursement plan known as the cash release program. This is based on reports of cash balances of agencies, as well as the projected inflow of revenues.

Control of disbursements is effectively made through the Notices of Cash Allocation (NCAs) which are issued to agencies by the DBM. No agency can draw from its funds without an NCA. The NCA specifies the maximum amount of withdrawal per month that an agency can make from a government-servicing bank. Cash releases are governed by the Common Fund System, where agencies are given freedom over the obligations that will be given priority for payment. Of course, PS should be given priority over MOOE and CO.

However, there are items which are not covered under the Common Fund System. Hence, separate NCAs are issued specifically for them. These include Accounts Payable, retirement benefits, and those not covered under Fund 101 and 102 (e.g. Special Accounts in the General Fund, Agrarian Reform Fund, Military Camps Sales Proceeds Fund, etc.)

The DBM draws up a separate program for Accounts Payable (AP) monthly, based on the agencies' report of accounts payable for the year. Accounts payable are obligations that remain unpaid at the end of the year when the contractual obligations were fulfilled. The DBM introduced this system in 1999 in order to reduce the total APs of the national government, which as of end-1998 amounted to more than P100 Billion.

45. What is the □one-fund□ concept?

General Fund

The "one-fund" concept is the policy enunciated through PD No. 1177 which requires that all income and revenues of the government must accrue to the General Fund and thus can be freely allocated to fund programs and projects of government as prioritized.

46. Why is the □one-fund□ concept important?

avoid deficit

The one-fund concept allows fiscal authorities to properly allocate scarce resources in accordance with national development priorities.

It likewise provides a mechanism to control drawdowns on pooled resources. The level of funds disbursed is regularly monitored against the level of revenues generated. This way, the government is able to stick to the targeted level of disbursements for a given period and avoids incurring a deficit. It also alerts the authorities about possible revenue shortfalls.

47. What is a balanced budget?

In the context of government budgeting, a budget is said to be balanced when revenues match expenditures or disbursements.

48. What happens when the budget is not balanced?

budget surplus/deficit

When revenues do not equal to the level of expenditures, then government will either have a surplus or incur a deficit. If the projected revenue is more than the projected expenditure then the government is said to have a surplus. However when expenditures exceed revenues, the government incurs a deficit. This may result in the following:

1. The government borrows money either from foreign sources or from the domestic capital market which increases the debt stock of the NG and its debt servicing requirements;
2. The government borrows money from the Bangko Sentral ng Pilipinas; or,
3. The government withdraws funds from its cash balances in the Treasury.