

IV. Expenditure Categories and their Economic Importance

1. **What are the major current operating expenditures of the national government?**

The major current operating expenditures of the national government are:

- a. Personal services, like salaries and wages, social security contributions, overtime pay, etc.;
- b. Maintenance and other operating expenditures, such as travel expenses, supplies and materials, water, illumination and power services, rent, etc.;
- c. Interest payments;
- d. Allotments to Local Government Units;
- e. Subsidies to Government Owned and/or Controlled Corporations.

2. **What is the government's policy regarding current operating expenditures?**

The government's policy regarding current operating expenditures may be summarized as follows:

- a. Limit the growth of current operating expenditures with provisions for inflation adjustments;
- b. Encourage cost reduction measures in operations, particularly overhead expense items;
- c. Provide adequate maintenance funds for infrastructure facilities; and,
- d. Control the growth of spending for personal services within the level that can be sustained by available resources.

3. **What are the capital outlays of the national government?**
government assests

The capital outlays of the national government are appropriations spent for the purchase of goods and services, the benefits of which extend beyond the fiscal year, and which add to the assets of the government. They include investments in the capital stock of government owned and/or controlled corporations and their subsidiaries.

The capital outlays of the national government may be broadly classified as follows: infrastructure outlays, equity contributions to government corporations, capital transfers to local government units, and other capital outlays.

Capital expenditures, particularly those classified as capital goods or durable goods to be used for non-military and productive purposes, such as the construction of roads and bridges, dams, power and irrigation works, schools and hospitals, are generally desirable. They wield a high multiplier effect on the economy, i.e., they stimulate the growth and expansion of economic activities of the private sector.

Breakdown of Current Operating Expenditures		
Personal Services		

Salaries - Permanent Positions	Other Compensation for Specific Groups	Other Benefits
Lump-sum for:	Laundry Allowance	Retirement and Life Insurance Premiums
Wages of Non-Permanent Personnel	Quarters Allowance	Terminal Leave Benefits
Compensation Adjustment (SSLII)	Bicycle Allowance	Per Diem
Compensation Adjustment (SSLIII)	Overseas Allowance	Commutable Allowances/Fringe Benefits
Reclassification of Positions	Allowance of PDO Lawyers and	Pensions
Creation of New Positions	Employees assigned in Night Courts	PAG-IBIG Contributions
	Allowance of Deputized Prosecutors	Medicare-Premiums
Other Compensation Common to all	Allowance of Attorney's de Officio	Employees Compensation Insurance Premium
Personnel Economic Relief Allowance	Inquest Allowance of PDO lawyers	Social Security Insurance Premium
Additional Compensation	Inquest Allowance of Prosecutors	for Local Officials
Representation & Transportation Allow	in Night Courts	
	Hardship Pay	Non-Permanent Positions
Overtime Pay	Hazards Duty Pay	Contractual, Casual & Emergency Personnel
Year-end Bonus and Cash Gift	Night Differential Pay	Substitute Teachers
Clothing and Uniform Allowance	Flying Pay	Consultants' Specialists' Fees & Allow.
Step Increments for Length of Service	Private Messenger Fee	Student Labor
Productivity Incentive Benefits	Technical Incentive Allowance	Uniformed Personnel
Honoraria	Per Diems for Meetings	Military Pay and Allowances
Others	Career Progression Scheme	DILG Uniformed Personnel Pay & Allowance
	Training and Personnel Improvement	Special Group Term Insurance
Other Compensation for Specific Groups	Longevity Pay	Lump sum for Personal Services
Implementation of Equivalents Record Form	Lump-sum for NCC 69	Lump sum for Compensation Adjustment
Conversion to Master Teachers	Lump-sum for NBC 308	Other Personal Services
Magna Carta of Public Health Workers	Sea Duty Pay	Pensions
Subsistence Allowance	Others	Other Police Benefits
Maintenance & Other Operating Expenditures		
Traveling Expenses	Loan Repayments & Sinking Fund Contribution	Taxes, Duties and Fees
Communication Services	Water, Illumination and Power Services	Trading and Production
Repair and Maintenance of Govt. Facilities	Social Security Benefits, Rewards	Gasoline, Oil and Lubricants
Repair and Maintenance of Govt. Vehicles	& Other Claims	Fidelity Bonds and Insurance Premium
Transportation Services	Auditing Services	Loss on Foreign Exchange
Supplies and Materials	Training and Seminar Services	Commitment Fees and Other Charges
Rents	Extraordinary and Miscellaneous Exp	Library Books and Materials
Interests	Confidential and Intelligence Exp	Lump-sum for MOOE
Grants, Subsidies and Contributions	Anti-Insurgency/Contingency/	Other Services
Awards and Indemnities	Emergency Expenses	

4. What are infrastructure expenditures?

Infrastructure expenditures refer to the disbursement of funds for the construction of various basic public works of the country. Meant to benefit the general public, they cover roads, ports, airports, water supply networks, irrigation, and other capital investments. In the national budget, infrastructure expenditures generally refer to the capital outlays of the Department of Public Works and Highways (DPWH) and the Department of Transportation and Communication (DOTC). They include the School Building Program of the Department of Education, and the national irrigation projects of the Department of Agriculture.

5. **W**hat are capital transfers to local government units (LGUs)?

IRA development fund

Capital transfers to local government units or LGUs pertain to the portion of the Internal Revenue Allotment (IRA) which accrue to LGUs. They are equivalent to not less than twenty percent (20 %) of their IRA allocations. The money is earmarked for development projects, such as the construction, improvement, repair and maintenance of local roads, pavements, and/or communal irrigation projects/systems.

6. **W**hat are equity contributions to government corporations?

Equity contributions to government corporations refer to the national government investments in the authorized capital stock of government owned and/or controlled corporations.

7. **W**hat are interest payments?

Interest payments represent the cost of borrowed funds for items financed by loans. Interest payments are thus considered a real expense item in the budget.

8. **O**n what is the national government budget spent?

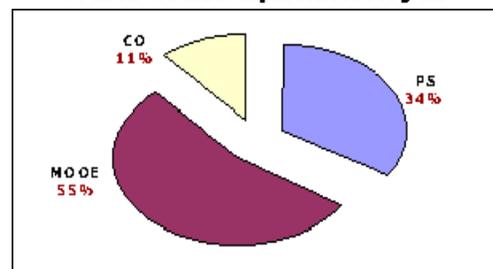
The national budget is allocated for the implementation of various government programs and projects, the operation of government offices, the payment of salaries of government employees, and the payment of public debts. These expenditures are classified by expense class, sector and implementing unit of government.

**National Expenditures Program
Amounts in billion pesos**

Particulars	2002 Proposed	2001 Adjusted	2000 Actual	1999 Actual
Current Operating Expenditures	691.1	635.7	592.9	501.4
Personal Services	264.4	246.2	235.2	215.3
Maint. & Other Operating Expd	426.7	389.5	357.7	286.1
Capital Outlays	83.5	57.2	86.9	75.7
Net Lending	6.1	7.0	2.6	3.2
Total Obligations, Nat'l Government	780.7	699.9	682.4	580.3

Source: BESF, 2000 and 2001

**Expense Class
FY 2002 National Expenditures Program**



9. **H**ow is the national government budget sectorally allocated?

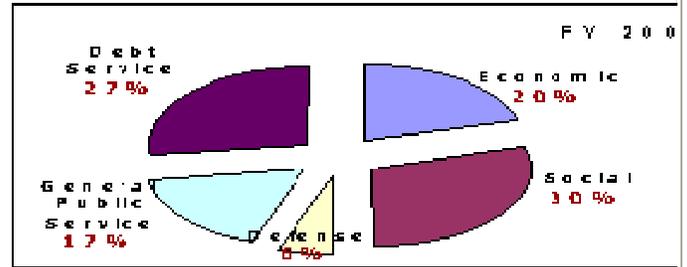
The national government budget is allocated according to the following major sectors: social services, economic services, defense, general public services, and debt service.

Allocation for social services include those for: a) education, culture and manpower development; b) health services; c) social security, welfare and employment; d) housing and community development; and, e) land distribution.

Provision for economic services include those for: a) communications, roads and transportation facilities; b) agriculture, agrarian reform and natural resources; c) water resources development and flood control; d) trade and industry; e) power and energy; and, tourism.

Sectoral Allocation

	2002	2001	2000	1999
Social Services	232,963	217,217	212,981	192,838
Education, Culture and Manpower Dev't	129,672	121,498	116,827	110,614
Health	14,518	13,644	14,658	14,962
Social Security, Welfare & Employment	30,359	27,671	26,407	24,862
Housing and Community Development	2,229	2,479	8,275	4,114
Land Distribution	4,536	4,149	3,550	2,216
Other Social Services	1,913	2,718	981	812
Local Government Units	49,736	45,058	42,283	35,258



	2002	2001	2000	1999
Economic Sector	157,666	141,237	167,217	139,205
Agriculture	27,763	19,910	23,370	22,355
Agrarian	1,740	1,713	5,352	4,492
Natural Res. and Water Environment	8,762	6,422	6,295	6,142
Trade and Industry	3,002	2,821	4,718	3,125
Tourism	1,170	998	1,625	869
Power and Energy	1,220	1,273	1,185	3,650
Water Resources Dev't & Flood Control	6,762	4,141	4,632	5,880
Comm, Roads and Other Transport	53,055	53,126	75,564	54,588
Other Economic Services	7,144	8,211	4,479	4,752
Local Government Units	47,048	42,622	39,997	33,352



Expenditures for defense include those that support the general effort to ensure national security, stability and peace, which are indispensable to economic growth and development.

General public services expenditures are those that are spent for: (a) general administration such as general government, fiscal affairs, foreign affairs and international commitments, electoral, audit, civil service and lawmaking functions; and (b) public order and safety, including various functions pertaining to law enforcement, maintenance of public order, and political administration.

Expenditures for the debt burden are those that go into the servicing of government's regular and assumed debts from domestic and foreign sources. It includes interest payments.

Defense	2002	2001	2000	1999
Defense	46,113	32,782	36,208	32,959
Domestic Security	45,309	31,765	36,208	32,959
Others	804	1,017		

	2002	2001	2000	1999
General Public Services	133,646	120,018	122,526	105,900
General Administration	39,452	35,992	40,996	36,990
Public Order and Safety	54,215	47,700	47,177	40,781
Other General Public Services	2,341	2,228	2,355	1,447
Local Government Units	37,638	34,098	31,998	26,682

Debt Service	2002	2001	2000	1999
Net Lending	6,135	7,023	2,634	3,193
Interest Payments	204,267	181,601	140,894	106,290

10. How are government expenditures categorized by cost structure?

The national government budget is broken down into the following cost categories: 1) general administration and support (GAS); 2) support to operations (STO); 3) operations (O); and 4) projects.

GAS

Expenditures for general administration represent those that are normally considered as agency overhead. They cover general management and supervision, human resources development, and productivity incentive benefits.

STO

Support to operations refers to those activities that facilitate the performance of the agency's mandated functions and services. Examples under this category are those meant for policy formulation and planning services; for program/project coordination, monitoring and evaluation; and for information management support system.

Project

Expenditures for Operations are those that go to regular activities directly addressing the agency's mandates. They include expenditures for programs involving the production of goods; delivery of public services; regulation of societal activities; conduct of basic governance; or provision of general management and supervision to the entire government bureaucracy.

Project expenditures are those that fund activities which accomplish identifiable outputs within a set period. They may be sourced from foreign assistance or local funding.

11. What is the significance of categorizing expenditures by cost structure?

Dividing the budget into functional cost components allows for a better analysis of government expenditures. The State can focus on more priority needs, thus improving the quality of government spending.