# TECHNICAL NOTES
## ON THE
# 2021
# PROPOSED NATIONAL BUDGET

RESET, REBOUND, AND RECOVER:
Investing for Resiliency and Sustainability

# TABLE OF CONTENTS


MESSAGE FROM THE SECRETARY 1

I. INTRODUCTION 3

II. FINANCING THE NATIONAL EXPENDITURE PROGRAM 9

A. Macroeconomic Environment 9

B. Fiscal Strategy 16

III. DIMENSIONS OF THE NATIONAL EXPENDITURE PROGRAM 21

A. By Sector (Old/Traditional Method and COFOG) 21

B. By Expense Class 24

C. By Recipient Entity 25

D. By Department and Special Purpose Fund 26

E. By Appropriation Source 29

F. By Region 29

G. Intergovernmental Transfers to LGUs 30

H. Transfers to GOCCs 32

I. Earmarked Revenues 33

J. Off-Budget Accounts 34

IV. EXPENDITURE PRIORITIES 37

A. Reset: Recovering From the Pandemic 38

Health 38

Nutrition 42

B. Rebound: Reviving Infrastructure Development 45

Infrastructure 45

C. Recover: Adapting to the Post-Pandemic Life 53

Food Security 53

Livelihood Opportunities 59

Social Protection 66

Education 69

Governance 73

Law, Public Order, and Safety 78

Housing 86

Environment in the New Normal 89

Risk Resiliency and Preparedness 92

V. PUBLIC EXPENDITURE MANAGEMENT REFORMS 99

Better Management of Funds through Transparency and Public Participation 99

Ensuring Responsive Procurement in the Philippines 103

VI. CONCLUSION 107

# MESSAGE FROM THE SECRETARY

As a staunch advocate of transparency and participation in governance, the Department of Budget and Management (DBM) has been making budget information accessible to the public through its various publications.

For years, the DBM has been publishing the Technical Notes on the Proposed National Budget as a supplement to the budget documents submitted to Congress. The Technical Notes provides a narrative to the figures contained in the National Expenditure Program and the Budget of Expenditures and Sources of Financing. It also comprehensively discusses the macroeconomic environment, fiscal strategies, key priorities, programs and projects, and even the current public expenditure reforms of the government.

With the comprehensive information that it provides to the readers, the Technical Notes is a useful tool for legislators, civil society organizations, and other stakeholders to better understand, appreciate, and even scrutinize the proposed budget.

We hope that through this publication and other citizen-friendly information materials that we produce, we can bring the government budget closer to the Filipino people, not only to spark interest, but more importantly, to enable them to participate in the budgeting process.

God bless us all.

**WENDEL E. AVISADO**
Secretary

# I. INTRODUCTION

*My task and yours at this moment of our history, is to get us back on the road. We have been able to withstand thus far the virulent onslaught of the Coronavirus, but these efforts must be sustained as we move forward to fully address the impact of the pandemic and accelerate economic recovery…*

*Shifting priorities and realigning spending policies are a must. The entire budget is focused on containing the spread and mitigating the effects of the COVID-19 pandemic; funding a vaccine; restarting the economy to be able to create jobs and attract investments; and transitioning to the post-crisis recovery environment.*

*We will ensure that all these will be in place – indeed will be the priority focus of government action – without losing sight of our fundamental priorities – in alleviating poverty, sustaining a stable economy, assuring an educated and healthy workforce, defending our shores, maintaining peace and order – for all times and in all contexts, in the aftermath of a pandemic or without it. Life continues, and government continues to serve.*

*- President Rodrigo Roa Duterte*
*President's Budget Message, 25 August 2020*

When the World Health Organization (WHO) officially declared the Coronavirus Disease 2019 (COVID-19) global outbreak a "pandemic" on the 11th of March 2020, there were already 118,000 confirmed cases of COVID-19 in 114 countries. A total of 4,291 individuals had died from the infection, and thousands more were battling the disease in hospitals. This was just over two months since the WHO China acknowledged the first cases of "pneumonia of unknown origin" in Wuhan City on December 31, 2019. While the international agency was, until then, thorough and diligent in its monitoring yet cautious with words, this time, the warning to the world was clear: "And we have called every day for countries to take urgent and aggressive action. We have rung the alarm bell loud and clear."[1] The Philippines by then had 52 confirmed COVID-19 cases, tallied since January 30 when the first case was reported in the country – a 38-year-old Chinese woman who arrived in the country as a tourist.[2] By then too, the country had chalked up the first death from the virus outside of mainland China – the 44-year-old Chinese male companion of the woman recorded as the first COVID case had died on February 2. The first case of local transmission, a 62-year-old man who had not traveled abroad, was reported on March 7.

Though the national statistics were nowhere near the world count then, the government was quick to move into action. Indeed, even days before the WHO official declaration of the pandemic, President Rodrigo Roa Duterte had already issued a series of directives and orders with the objective of controlling the spread of the virus and protecting the citizens. Following the report of the first local transmission, the government declared a state of public health emergency in the country, imposed lockdowns and travel restrictions, limited mass gatherings, and suspended classes in public and private schools, among others.

The COVID-19 pandemic is unprecedented in this century and has taken a significant toll on the global economy as well as on the people's lives.

On August 25, 2020, the Johns Hopkins University and Coronavirus Resource Center recorded 23,683,592 confirmed COVID-19 cases and 814,000 confirmed deaths from the virus globally.[3] On this same date, the Department of Health (DOH) reported 197,164 confirmed cases and 3,038 confirmed deaths in the Philippines.[4]

This was the day President Duterte submitted to Congress the proposed National Budget for the Philippines for Fiscal Year (FY) 2021 – a financial program crafted to address the pandemic and stimulate the economy.

## Confronting the Pandemic on Two Fronts

The number of COVID-19 cases has continued to rise albeit at a decreasing rate. Through most of 2020, the world has had to confront the grim reality of a 21st century pandemic and its impact on two major fronts – health and economy. Populations have been decimated and the specter of illness continues to stalk communities; health care facilities and workers are strained and overwhelmed; and public health and the general welfare have been severely impacted. But more than these, the economies have also reeled from the effects of measures to slow down the spread of the virus – e.g., regional lockdowns, community quarantines, and alternative work arrangements. These factors, among others, have therefore resulted in the slowdown of global economic growth.

In the Philippines, as in the rest of the world, the pandemic has disrupted people's lives and posed serious threats to their physical health and financial well-being. It adversely affected the country's economy as companies and businesses had been forced to slow down or totally cease operations. Unemployment rate, meanwhile, peaked at 17.7 percent[5] in April 2020 due to strict quarantine measures imposed nationwide. All these developments, primarily the shutting down of 75 percent of the economy, have resulted in the contraction of the Philippine economy by 0.7 percent in the first quarter, and by 16.5 percent for the second quarter of 2020.[6]

International agencies have consistently pointed out that as COVID-19 has freely crossed geographical and social boundaries, so too is the virus expected to cut through a path of socioeconomic devastation in the months and years to come. The United Nations' Framework for the Immediate Socio-Economic Response to the COVID-19 Crisis, for one, has warned that the pandemic is more than just a health crisis because it strikes societies and economies at their core. The United Nations Development Programme continues to quote from this Framework Response, to wit:

> "While the impact of the pandemic will vary from country to country, it will most likely increase poverty and inequalities at a global scale, making achievement of SDGs (sustainable development goals) even more urgent.
>
> Assessing the impacts of the COVID-19 crisis on societies, economies, and vulnerable groups is fundamental to inform and tailor the responses of governments and partners to recover from the crisis and ensure that no one is left behind in this effort.
>
> Without urgent socio-economic responses, global suffering will escalate, jeopardizing lives and livelihoods for years to come. Immediate development responses in this crisis must be undertaken with an eye to the future. Development trajectories in the long-term will be affected by the choices countries make now and the support they receive."[7]

These observations run parallel to those of the socioeconomic planners of the Duterte Administration, and are thus reflected and addressed in the financial program drafted for the coming year. Consequently, although the Philippine economy is projected to contract by 4.5 to 6.6 percent in 2020, the country's strong macroeconomic fundamentals and the timely implementation of an economic recovery program are expected to stimulate economic recovery for the next two years with a projected growth of 6.5 to 7.5 percent.

## The Duterte Administration's Pandemic Response

To immediately address the public health crisis, the President was given special budget powers to realign and reallocate appropriations in the FY 2019 and 2020 General Appropriations Act (GAA), by virtue of the historic Republic Act (R.A.) No. 11469 or the *Bayanihan* to Heal as One Act. This enabled the Executive Department to shore up resources to fund critical government interventions that target to address the pandemic and provide assistance to affected individuals and businesses.

As of September 14, 2020, total releases amounting to PhP389.22 billion have been allocated pursuant to R.A. No. 11469. The bulk of this, in the amount of PhP211.60 billion, was provided to the Department of Social Welfare and Development (DSWD) for the implementation of the Social Amelioration Program wherein around 18 million low-income households received cash assistance. The remaining releases were also allocated across several other sectors, including health, livelihood, employment, agriculture, and local government.

Following the expiration of R.A. No. 11469 last June 2020, the President signed R.A. No. 11494 or the *Bayanihan* to Recover As One Act. This second *Bayanihan* law authorizes the allocation of at least PhP140.0 billion funds for the continuous implementation of various government COVID-19 response programs.

Whatever else the focus, objectives, or priorities the country might have had until 2020, all of these have been shifted by the COVID-19 pandemic to the overarching goal to preserve lives, protect communities, and save the economy. In the President's exact words: "The national budget of PhP4.506 trillion that we are proposing for Fiscal Year 2021 is focused on our greatest priority of the moment – to sustain and strengthen government efforts in effectively responding to the COVID-19 pandemic."

**The Financial Plan**

The proposed 2021 National Budget is the third full cash budget of the Duterte Administration and serves as the government's financial blueprint to recovery. It prioritizes the banner programs and strategies identified and highlighted in the "We Recover as One" report of the National Economic and Development Authority (NEDA).

The Philippines in 2021 is committed to implement a financial program that will ensure and sustain a healthy population, a more agile workforce, and a resilient business environment. These will be achieved by focusing attention, resources, and efforts on the following priorities:

- Containing the spread and mitigating the effects of the COVID-19 virus.
- Undertaking a Program of Recovery and Rehabilitation focused on:
    - Prioritizing health care and health systems improvement to strengthen the country's capacity to address the COVID-19 pandemic;
    - Providing social safety nets for affected individuals from the livelihood, business, agriculture, tourism, and education sectors, among others;
    - Ensuring food security to guarantee that every Filipino has food on the table for survival, health, and nourishment; and
    - Advancing and promoting infrastructure development to create more jobs and attract investments to establish a more solid foundation for the country's economic recovery.
- Facilitating the transition to the post-pandemic life by enabling a digital government and economy.

Department of Budget and Management Secretary Wendel E. Avisado described the proposed 2021 National Budget as the government's primary asset and tool to "help the nation reset by urgently addressing the pandemic, rebound by boosting infrastructure development and generating job opportunities, and rebuild by assisting communities to adapt to the post-pandemic life."[8]

As the country transitions to the recovery stage, the National Government considers the proposed 2021 National Budget, the *Bayanihan 2,* and other priority legislative measures (i.e., GUIDE,[9] FIST,[10] and CREATE[11] Bills) as the primary fiscal strategies to facilitate economic recovery after the health crisis.[12]

Among the key short-term responses, all captured in the *Bayanihan 2* Law and the proposed 2021 National Budget, are the following :[13]

1. Intensify the implementation of the Prevent, Detect, Isolate, Treat, and Reintegration (PDITR) strategy;

2. Intensify information, education, and communication campaigns for the PDITR strategy and how individuals and communities can contribute to the effort;
3. Develop the PPE ecosystem;
4. Implement a strategic stockpiling system of PPE and other essential goods with strong linkage to domestic manufacturers;
5. Support the agriculture sector, including urban agriculture;
6. Minimize disruptions in value chain and the logistics sector;
7. Extend financial assistance, retooling and upskilling programs, alternative livelihood programs, and job matching services;
8. Provide support for flexible learning opportunities;
9. Provide financial and technical support to micro, small, and medium enterprises especially for digital transformation;
10. Improve the digital infrastructure;
11. Continue implementation of projects on ecological integrity, in particular, solid waste management, hazardous waste, among others;
12. Reopen safely and sufficiently the public transport system; and
13. Resume the *Build, Build, Build* Program.

**Philosophy of the 2021 Budget**

The proposed financial program of the Philippine government for FY 2021 will respond to the most urgent priority of the nation – to *reset* our momentum and action, *rebound* from the debilitating effects of the pandemic on the health and economy of the nation, and fully *recover* from current and continuing impacts of the crisis. This will be pursued without setting aside the other priorities of responsive and dynamic governance.

The National Budget, as drafted and proposed, will steer the nation and the people to recoup the gains of the past years and gear the country for resilience and sustainability in and out of a crisis. This will be guided by the following principles:

- **Support for a Strong Economy.** The proposed Budget will aim not only to manage the crisis and hasten economic recovery, but revive the collective hope and inspire a renewed pursuit of the aspirations of the Filipinos.

  It will remain consistent with basic economic principles of sound fiscal policies of spending within means, on the right priorities, and with measurable results under a regime of transparency, accountability, and participatory governance.

  It will continue to be inclusive – at the service of all sectors and all strata of society, across all the islands – for each and every Filipino.

- **Institutionalizing Recovery and Rehabilitation.** In these critical times, much more is needed than simply strengthening the policies and measures for recovery and rehabilitation. There is an urgent need to institutionalize the principles or philosophies of recovery and rehabilitation – to integrate these as enduring values in government response and action, and hopefully inspire these as well in the private sector.

  Towards this objective, the proposed Budget will continue and enhance the social amelioration programs and ensure the provision of safety nets for all affected sectors, in a fiscally responsible manner.

- **Continued Adoption of the Cash Budgeting System (CBS).** On the third year of the country's transition to the CBS, the proposed 2021 National Budget has put in place better-planned and implementation-ready projects, which are crucial in the overall efforts to stimulate the economy and serve the public more efficiently.

- **Enabling a Stronger Partnership with LGUs.** Recognizing the unique and critical role of local government units (LGUs) in the success of a coordinated nationwide response to a global health crisis, the proposed Budget will facilitate and encourage further and more improved partnership with the LGUs. These partnerships will endeavor to prepare the LGUs to assume their responsibilities over devolved functions under the Local Government Code and contribute more in transitioning to the "new normal."

More will be expected of LGUs, as already experienced during the imposed community quarantine levels. And this Budget will promote more areas of partnership between the National Government and LGUs in financing development programs and facilitating synergy in the implementation of national and local measures.

- **Promoting Greater Coordination with Stakeholders.** The Budget will seek to foster opportunities to partner with and enlist the cooperation of the private sector, civil society organizations, the academe, and other stakeholders as key to implement and/or deliver national and local measures and programs that would respond to the pandemic faster and enable the economy to recover more efficiently.

  It will actively seek to establish sustainable public-private partnerships (PPPs) and enable stronger support for the private sector as the engine of growth through the passage of bills like the CREATE, FIST, and GUIDE Bills.

  The continued pursuit of structural reforms will be all the more necessary for the country to be stronger and more agile under the new normal.

Through this Technical Notes for the proposed 2021 National Budget, a more thorough look into the dimensions and expenditure priorities of the government's financial program will be provided. A discussion on the latest public financial management reforms will also be presented.

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# II. FINANCING THE NATIONAL EXPENDITURE PROGRAM

## A. MACROECONOMIC ENVIRONMENT

### Overview of the World Economic Situation

Before the onslaught of the COVID-19 pandemic, the World Economic Outlook (WEO) Report, released in January 2020, projected global growth to expand from 2.9 percent in 2019, to 3.3 percent this year, and further to 3.4 percent next year. The upward trend that seemed set at the start of 2020 took a downturn, however, as the virus was first discovered in China and quickly spread undeterred from nation to nation, eventually flaring into a global health crisis before the close of the first quarter.

The pandemic threatened people's lives and health, and forced many countries to shut their borders and lockdown communities in an attempt to control the spread of the virus. These border control and lockdown measures, strictly implemented in some countries, stalled or halted global economic activities, leading many businesses to reduce operations, or worse, to shut down.

The adverse impact of the COVID-19 pandemic on the world economy is projected to drive global growth to a negative level in 2020. Based on the WEO June 2020 forecast, it will fall to -4.9 percent, 1.9 percentage points lower than its April 2020 forecast.

While global growth may improve in 2021 due to projected higher consumption and investments, this will largely depend on the health and economic/fiscal response measures, the easing of lockdowns, and improvements in the business environment, among others.

With the negative consequences of the COVID-19 health crisis affecting most countries across the globe, projected growth in all regions is negative.

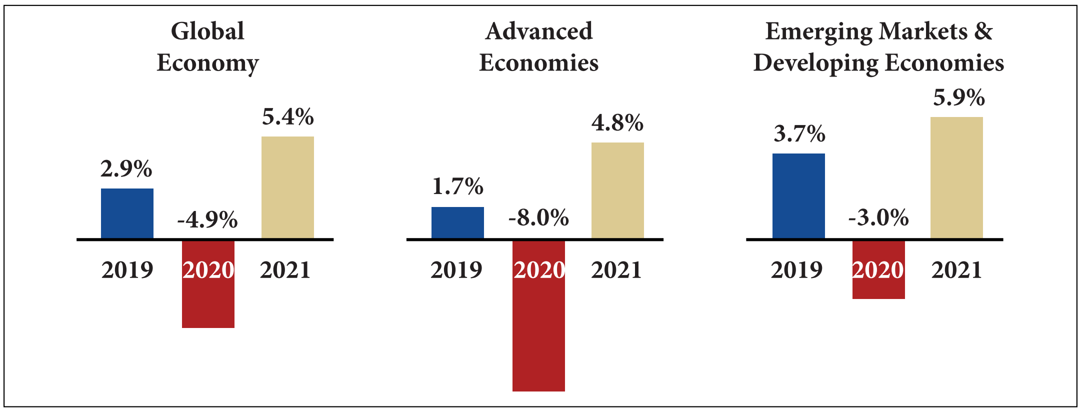
***Growth Outlook in Advanced Economies.*** From 2.2 percent in 2018 and 1.7 percent in 2019, growth in the advanced economy group is estimated to fall within the negative territory at -8.0 percent this year. In particular, United States' growth is likely to fall at -8.0 percent; the Euro area, -10.2 percent (Germany, -7.8 percent; France, -12.5 percent; Spain, -12.8 percent; Italy, -12.8 percent); United Kingdom, -10.2 percent; Japan, -5.8 percent; and Canada, -8.4 percent.

***Growth Outlook in Emerging Market and Developing Economies.*** For emerging market and developing economies, growth is forecasted to fall from 3.7 percent in 2019 to -3.0 percent in 2020. This is lower than the initial WEO forecast of -2.0 in April 2020. Based on IMF projections, only China is expected to post positive growth at 1.0 percent within this group which can be attributed to the Chinese government's efforts in quickly managing the outbreak. Despite sharp contractions in the first quarter of 2020, China is now on the path to recovery with an 8.2 percent estimated growth in 2021, the highest among all other economies. Collectively, the economy of the ASEAN-5, composed of Indonesia, Malaysia, Philippines, Thailand, and Vietnam, is also projected to contract this year to -2.0 percent.

Among the economies in this group, Latin America and the Caribbean are forecasted to experience the biggest contraction this year reaching –9.4 percent. This is mainly due to the struggle of Brazil and Mexico to contain the disease and to promote economic recovery.

**Domestic Economic Performance and Outlook, 2019-2020**
The Philippines is among the worst-hit countries in Southeast Asia, with more than 300,000 COVID cases as of September 26, 2020.

**Figure 1. WEO Growth Projections**




*Source: World Economic Outlook Update June 2020 Growth Projections. International Monetary Fund*

***GDP Growth.*** Putting the lives and safety of its people first, the government implemented the longest and most stringent lockdown in the world to contain the spread of the disease. This has taken a heavy toll on the country's vibrant economy, which contracted by 0.7 percent in the first quarter of 2020, compared to its recorded 5.7 percent growth in the same period last year. The decline has been attributed to the contraction in manufacturing, transportation, and food service industries; and to the steep dive in gross capital formation, exports, and imports. According to the Philippine Statistics Authority (PSA), this is the first contraction since 1998 when the country's growth reached -0.3 percent.

By the second quarter, the country's gross domestic product (GDP) further dropped by 16.5 percent. This has been the lowest quarterly growth since 1981, and is way below the 5.4 percent growth posted in the same quarter of 2019. The decline has been attributed to the negative growth of Transportation and Storage (-59.2 percent), Construction (-33.5 percent), and Manufacturing (-21.3 percent) sectors. Among the factors which contributed to the decline in the Manufacturing Industry were: beverages (-38.4 percent); computer, electronic, and optical products (-28.8 percent); chemical products (-22.9 percent); and food products (-9.1 percent).

Household Final Consumption Expenditure also contracted by 15.5 percent; Gross Capital Formation, 53.5 percent; Exports, 37.0 percent; and Imports, 40.0 percent.

On the other hand, among the major items that registered growth in this quarter were Government Final Consumption Expenditure (22.1 percent) and Agriculture, Forestry, and Fishing (1.6 percent).

With economic contractions reaching 0.7 percent in the first quarter and 16.5 percent in the second quarter of the year, the average economic growth for the first semester of 2020 is recorded at -9.0 percent.

***Unemployment Rate.*** Due to the imposed community lockdowns, unemployment soared to 17.7 percent in April 2020. It settled at 10.0 percent in July 2020 when the government started to gradually lift the restrictions. However, this is still almost double the 5.4 percent unemployment rate in the same period last year with about 31.6 percent of the unemployed between the ages of 25 and 34. Underemployment also increased to 18.9 percent in April and 17.3 percent in July this year as some businesses reduced operating hours due to lower demand.

On the average, the unemployment rate for the year is about 11 percent, still within the government's target of 11 to 13 percent. Gradual recovery is expected next year as quarantine restrictions are eventually eased and with business activities boosted through key government programs aimed at creating jobs and jumpstarting the economy.

***Inflation.*** All is not bleak, however, as inflation has eased this year. Headline inflation registered at 2.3 percent in the second quarter of 2020, lower than the 2020 first quarter rate of 2.7 percent and the 2019 second quarter rate of 3.0 percent. The decline in non-food inflation due to lower global oil prices contributed to the inflation slowdown. In particular, the prices of liquid petroleum gas and kerosene, as well as electricity, have eased in the said quarter. Food inflation, on the other hand, inched up to 3.0 percent, from 2.3 percent in the first quarter, due to the higher demand from national and local government entities and private institutions providing relief goods to individuals and families affected by the lockdowns.

Core inflation, which excludes certain consumer price index items such as energy and volatile food items, settled at 2.9 percent in the second quarter of this year, easing from the first quarter rate of 3.2 percent.

***Peso-Dollar Exchange Rate.*** Amidst the risks in the global market and the volatility of currencies, the Philippine Peso remains strong and stable against the US dollar. Fitch Solutions, which labeled the Peso as a "star performer among emerging market currencies," has forecasted the Peso to average at PhP49.75 against the greenback in 2020.

***Credit Rating.*** The country's credit rating also remains stable. In June this year, the Japan Credit Rating Agency even upgraded the county's credit rating from BBB+ to A-, while Fitch Ratings and S&P affirmed the country's BBB and BBB+ ratings, respectively, in May 2020. This credit worthiness enables the country to access much-needed funds for its COVID-19 response.

With the quarantine restrictions still in place, the government's projected GDP growth for the rest of the year is still in the negative territory at -4.5 percent to -6.6 percent. However, the country's strong macroeconomic fundamentals, coupled with policy measures and firm and strategic government COVID-19 response, will help put the country back on the path of recovery.

To support this recovery, it is crucial that the proposed 2021 National Budget is enacted before the start of the fiscal year. This will ensure the timely implementation of programs and projects directed at addressing the COVID-19 pandemic, as well as boosting the economy through the creation of jobs and support to businesses to help them recover.

Accelerating the country's economic recovery will also require the swift passage of the following priority bills: (1) CREATE (Corporate Recovery and Tax Incentives for Enterprises), which will help rev up business operations by lowering corporate income tax rates; (2) FIST (Financial Institutions Strategic Transfer), which will allow disposal of non-performing loans; and (3) GUIDE (Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery), which will strengthen the capacity of government financial institutions to help businesses facing insolvency.

**Table 1. Macroeconomic Assumptions, 2020-2022**

| Parameter | 2020 | Projections [1/] 2021 | 2022 |
|---|---|---|---|
| Real GDP Growth (%)[2/3/] | (4.5)-(6.6) | 6.5-7.5 | 6.5-7.5 |
| Inflation (%) | 1.75-2.75 | 2.0-4.0 | 2.0-4.0 |
| Dubai Crude Oil (USD/bbl) | 35-45 | 35-50 | 35-50 |
| FOREX (PhP/USD) | 50-52 | 50-54 | 50-54 |
| 364-day T-bill rate (%) | 2.5-3.5 | 3.0-4.5 | 3.0-4.5 |
| LIBOR, 6 mos (%) | 0.8-1.5 | 1.0-2.0 | 1.0-2.0 |
| Good experts (BPM6) (%) | -16.0 | 5.0 | 5.0 |
| Goods imports (BPM6) (%) | -18.0 | 8.0 | 8.0 |

*Sources: NEDA and Bangko Sentral ng Pilipinas (BSP)*
*[1/] Projections were adopted by the DBCC on July 16, 2020*
*[2/] At Constant 2018 Prices*
*[3/] Revised GDP growth assumptions adopted by the DBCC on July 28, 2020 via Ad Referendum*

## Medium-Term Macroeconomic Forecasts, 2020-2022

The Development Budget Coordination Committee (DBCC), composed mainly of the country's economic managers, approved in July 2020 the country's Macroeconomic Indicators for 2020 to 2022. The revised assumptions were based on the latest available data, as well as consultations with key industry players. Despite the sluggish economic activity this year due to the pandemic, the DBCC's stance on the country's macroeconomic parameters remains positive over the medium term.

***Gross Domestic Product.*** The COVID-19 pandemic, which has severely affected global growth, has not spared the Philippine economy. For the rest of 2020, real GDP growth is forecasted at -4.5 percent to -6.6 percent. While this is still in the negative range, this is a marked improvement from the -9.0 percent rate in the first semester, as quarantine restrictions are gradually eased and lifted and economic activities reopen and resume.

By 2021 and 2022, GDP growth is expected to move into the positive territory at 6.5 percent to 7.5 percent. To realize this, the government will sustain and strengthen its COVID-19 response; fortify its infrastructure program to stimulate job creation and investments particularly in the countryside; intensify support for livelihood programs and micro, small, and medium enterprises (MSMEs); and accelerate digitalization efforts to enable the country to adapt to the post-pandemic life. With most interactions currently done virtually, there is a need to ensure that proper digital infrastructure is in place to strengthen the digital economy and governance.

***Inflation.*** Headline inflation in August 2020 declined to 2.4 percent, from 2.7 percent in the previous month. While this is below the 2.5 percent to 3.3 percent expected range for the month, it is higher than the 1.7 percent inflation registered in July 2019. Among the items that contributed to the August inflation are alcoholic beverages (17.7 percent); non-alcoholic beverages (2.2 percent); food items (1.7 percent); transport (6.3 percent); furnishing, household equipment, maintenance of the house (3.9 percent); health (2.8 percent); and restaurant and miscellaneous goods and services (2.3 percent), among others.

The DBCC expects inflation for 2020 to be within the 1.75 percent to 2.75 percent range due to weak domestic demand. It is estimated to go up to 2.0 percent to 4.0 percent in the medium term as the country gradually recovers from the pandemic and demand normalizes. To keep inflation stable and low, the NEDA recommends the following interventions: assure enough buffer stock of agricultural commodities, improve the supply chain, provide crop insurance, and be on guard against animal-borne diseases and effects of calamities (e.g., weather phenomena).

***Dubai Crude Oil Price.*** The COVID-19 crisis has severely impacted the demand for crude oil as travels were restricted and businesses were closed or operated partially. Compounded by the uncertainties in the external environment, particularly the trade dispute between the US and China, this has contributed to the decline of crude oil price per barrel. Specifically, from January to July 2020, the price declined to USD41.02 per barrel.

This year and in the medium term, crude oil price is estimated to settle at USD35 to USD45 per barrel and at USD35 to USD50 per barrel, respectively.

***Peso-Dollar Exchange Rate.*** While other Asian currencies are depreciating, the Philippine peso remains strong and stable due to the easing of inflationary pressures and the policy measures implemented to address the impact of the pandemic. In January to July of this year, it averaged at PhP50.48 against the US dollar, slightly lower than the PhP50 to PhP52 assumption for the year. The exchange rate is projected to be slightly higher in the medium term at PhP50 to PhP54.

***London Interbank Offer Rate (LIBOR).*** LIBOR is the yardstick for interest rates for foreign borrowings. The 180-day LIBOR averaged 2.3 percent last year and for the first seven months of 2020 went down to an average of 1.0 percent. The decline is attributed to the policy action of the US Federal Reserve, which implemented two emergency rate cuts in March this year, as well as other measures to foster economic activity. The DBCC projects that LIBOR will settle at 0.8-1.5 percent this year, and will slightly increase to 1.0-2.0 percent in 2021 and 2022.

***Exports and Imports.*** The country's exports of goods in the first quarter of 2020 went down by 4.3 percent due to lower demand from its trading partners such as the United States and China.

In terms of commodities, an 8.6 percent decline was recorded in shipments of manufactures such as electronic products and chemicals. Imports, too, fell by 10.3 percent, from USD24.4 billion in the first quarter of 2019 to USD21.9 billion in the same period this year. In particular, imports of capital goods dropped by 17.7 percent while imports of raw materials and intermediate goods fell by 8 percent due to lower domestic demand brought about by the lockdown. In the medium term, with the easing of restrictions and the projected global economic recovery, external trade is expected to improve, with a growth forecast of 5.0 percent for exports and 8.0 percent for imports.

## Budget Sensitivity to Macroeconomic Parameters

Changes, whether increase or decrease, in the macroeconomic parameters have an impact on the government's revenues and disbursements. The table below shows how each of these indicators will affect the government's fiscal health.

***Peso-Dollar Exchange Rate.*** Based on the government's estimates, every PhP1.00 depreciation against the US dollar will increase government revenues by PhP9.5 billion, mainly due to higher collections from import taxes. The depreciation, however, will negatively affect spending by PhP2.6 billion as the government will have to pay more for foreign interest payments.

***Treasury Bill and Bond Rates.*** Holding other factors constant, a percentage point increase in the T-bill rate will result in a deficit of PhP2.7 billion as it will increase government disbursements by PhP3.4 billion, with only an increase of PhP0.7 billion in revenues. The same is true for the Treasury Bond rate, where a percentage point increase will amplify disbursements by PhP4.7 billion and revenues by PhP0.9 billion, resulting in a PhP3.8 billion deficit.

**Table 2. Budget Sensitivity to Key Macroeconomic Indicators**
(in billion Pesos)

| Indicator | Change | 2021 | | |
|---|---|---|---|---|
| | | Revenues | Disbursements | Budget Balance[1/] |
| Peso-to-US Dollar Exchange Rate | PhP1.00 depreciation | 9.5 | 2.6 | 6.9 |
| Treasury Bill Rate (all maturities) | 1 percentage point increase | 0.7 | 3.4 | -2.7 |
| Treasury Bond Rate (all maturities) | 1 percentage point increase | 0.9 | 4.7 | -3.8 |
| LIBOR (180-day) | 1 percentage point increase | - | 10.4 | -10.4 |
| Inflation Rate | 1 percentage point increase | 11.2 | - | 11.2 |
| Real GDP Growth Rate | 1 percentage point increase | 14.7 | - | 14.7 |
| Growth Rate Imports | 1 percentage point increase | 6.7 | - | 6.7 |

[1/] *A negative figure in the budget balance means an increase in the deficit.*
*Sources: DOF and BTr*

***LIBOR.*** A percentage point increase in the 180-day LIBOR will cost the government PhP10.4 billion more in debt payment. Since it does not have a corresponding impact on revenues, a positive change in the 180-day LIBOR will result in an increase in the budget deficit.

***Inflation Rate.*** A percentage point increase in inflation rate will beef up government revenues by PhP11.2 billion as prices of taxable goods and services increase. While this has a positive impact on the budget balance, rising inflation must be alleviated to protect the public's purchasing power.

***Real GDP Growth Rate.*** Among the macroeconomic indicators, an increase in the GDP growth rate creates the most positive impact on the country's budget balance. For 2021, the government's economic managers estimate that a percentage point increase in the GDP growth rate will contribute an additional PhP14.7 billion in revenues due to a larger tax base.

***Growth Rate of Imports.*** Similar to inflation and GDP growth rates, the rise in import levels provides the government with additional revenues and does not affect disbursements. In 2021, a percentage point increase in this macroeconomic parameter is expected to bring in PhP6.7 billion additional revenues. It will likewise enhance the budget balance by the same amount.

## Socioeconomic Indicators, 2020 - 2022

By the end of 2019 and in the first months of 2020, the government was on track in attaining its targets of reducing poverty and unemployment. The country's premier planning agency – the NEDA – expected poverty rate to be cut by half by 2022 as poverty incidence declined to 16.7 percent in 2018 from 23.5 percent in 2015, or an average reduction of 2.23 percentage points per year.[1] The reduction is attributed to the sustained growth in the economy which helped create jobs, as well as on the inclusive growth strategy of the government where programs are directed to help raise the income of the poor. Unemployment rate, too, was on a downtrend. It averaged 5.7 percent in 2017, 5.3 percent in 2018, and 5.1 percent in 2019.

The improving socioeconomic indicators, however, took a downturn when the COVID-19 pandemic hit, thereby derailing the country's progress and eroding its gains.

Due to quarantine measures that restricted transportation services and business operations, unemployment rate hit 17.7 percent in April 2020 and 10.0 percent in July 2020. Meanwhile, underemployment eased to 17.3 percent in July 2020, from 18.9 percent in April 2020, and higher than the 13.6 percent recorded in July 2019.

With the contraction of the economy this year and the rise in unemployment and underemployment rates, poverty incidence is seen to increase. However, the country's premier socioeconomic planning body is hopeful that the goal of reducing poverty to 14 percent by 2022 can still be achieved despite the current pandemic.

Based on the study of the Philippine Institute of Development Studies (PIDS) on the impact of COVID-19 on poverty, a 10.0 percent decline in income (across all income distribution) may increase the number of poor Filipinos by 5.5 million. But with the financial subsidies and social protection programs of the government, the estimated increase in the number of poor Filipinos will be reduced to 1.5 million.[2]

With the support of Congress, through the passage of the *Bayanihan* 1 or the *Bayanihan* to Heal as One Act, the government was able to respond quickly to the pandemic, providing much-needed assistance to the poor, particularly to those who had lost their jobs, through strategies such as the Social Amelioration Program, Small Business Wage Subsidies Program, COVID-19 Adjustment Measures Program (CAMP), and other livelihood programs, to name a few.

In September 2020, Congress enacted the *Bayanihan* 2 or the *Bayanihan* to Recover as One Act which aims to accelerate the country's recovery from the impact and effects of the pandemic.

Other economic recovery bills are also pending in Congress which, according to the country's economic managers, will provide structural support measures to boost business and consumer confidence. These include the CREATE, FIST, and GUIDE.

Beyond 2020, the country's financial blueprint for responding to the COVID-19 pandemic is the proposed 2021 National Budget. It is geared towards helping the country reset by addressing the pandemic through interventions in the health sector, rebound by revamping the infrastructure program and generating jobs, and recover by assisting affected communities to adapt to the post-pandemic life.

With these in place, the government is hopeful that the country can recoup its socioeconomic gains and get back on track. Next year, unemployment rate is seen to go down between 6.0 and 8.0 percent and the poverty incidence rate to register between 15.5 percent and 17.5 percent in 2021.[3]

## Fiscal Risks and Other Sources of Risks to Growth

There are certain risks that may impede economic growth and thus need to be managed to maintain and sustain the economy's upward trajectory. In September 2020, the DBCC issued the 2021 Fiscal Risks Statement (FRS)[4] which discusses these risks and mitigating measures in detail. Below are some of the identified risks:

***Exposure to Natural Disasters.*** The Philippines, based on the 2019 World Risk Report and the Inform Global Risk Index (2020 edition), is among the countries with a high vulnerability to natural hazards due to its geographic location. Thus, calamities remain to be a major source of fiscal risks for the country. This year alone, when the Taal Volcano erupted in January, the NEDA reported that the projected initial damage from within the 14-kilometer radius hit PhP4.3 billion as agricultural and tourism activities were halted.[5]

Given the high exposure of the country to natural hazards, the government annually sets aside funds to mitigate the impact of disasters through the National Disaster Risk Reduction and Management Fund (NDRRMF) and the Quick Response Fund (QRF) of agencies. (*See portion on Risk Resiliency and Preparedness for more discussion.*) This is on top of the budgets provided to other government agencies and entities, such as the Department of Environment and Natural Resources (DENR) and the Climate Change Commission (CCC), which are in charge of building a climate-resilient Philippines.

***Public Health Emergencies/Pandemics.*** The COVID-19 pandemic that struck nations worldwide has proven how powerful disasters can be in disrupting economic growth. It has, in fact, pushed global growth into negative territory this year. In the Philippines alone, the imposition of community lockdowns to contain the spread of the virus has adversely affected the country's economic growth, which registered at -9.0 percent for the first semester of 2020. It has also decreased government revenue collections and increased government spending, thus resulting in higher deficit.

To cushion the pandemic's impact on businesses and on the poor, particularly those who have lost their jobs and livelihood, the government has provided social assistance and subsidies to affected individuals and small businesses. It has likewise crafted an economic recovery plan to help the country bounce back, as well as implemented accommodative monetary policies to support investments. However, unless a vaccine becomes available, internal and external risks from the COVID-19 pandemic remain.

***Impact of COVID-19 Pandemic on the Country's Debt.*** As the government spends more to respond to the pandemic, and with lesser revenues to finance its spending, the country's debt-to-GDP ratio is forecasted to increase to 53 percent this year. Despite the spike, the national government debt is seen to be manageable as it will be maintained "within the internationally recognized sustainability threshold of 60 to 70 percent."[6]

***Impact of COVID-19 on LGUs.*** The local government units (LGUs) have been at the frontline in addressing the COVID-19 crisis in their respective localities. With the slowdown in the economic activities, a number of LGUs are expected to generate lower revenues, which may adversely affect their spending capacity, particularly for health services and social protection, and thus become more reliant on national government subsidies such as the Internal Revenue Allotment (IRA). Around 60 percent of the total operating income of the LGUs is attributed to IRA. While the IRA of LGUs is expected to increase in FY 2022 as a result of the Supreme Court ruling on the Mandanas and Garcia cases on IRA – which expanded the share of the LGUs from the national taxes to include collections by the Bureau of Customs – the increase over the medium term may be short-lived if national government collections will not recover.

As a risk mitigating measure, the LGUs can implement austerity measures, realign their budgets, and/or tap other possible sources of financing. They can likewise review their existing budgets and their next year's priorities to ensure that the limited resources are focused on key priorities such as health and economic services.

***Supreme Court Ruling on the Mandanas Case.*** The Supreme Court ruling on the Mandanas Case will increase IRA requirements by PhP234.4 billion in 2022, or about 1.03 percent of GDP.[7] Accordingly, this will decrease the share of the national government in the national taxes and thus reduce its fiscal space to fund new or existing key priority programs and projects.

To mitigate the impact of the Supreme Court ruling, the Executive Branch is considering several measures, one of which is the full devolution of several functions as indicated under Section 17 of the Local Government Code. Currently, many of the basic services and facilities are implemented by the national government. Devolving these functions will help foster fiscal sustainability and at the same time empower the LGUs. The Department of Budget and Management (DBM), NEDA, Department of the Interior and Local Government (DILG), Department of Finance, Civil Service Commission, and the Presidential Communications Operations Office are working together to craft an Executive Order that will direct the full devolution of certain functions of the Executive Branch to LGUs. Said order will likewise serve as the basis for the crafting of the Devolution Transition Plans which will contain the narrative of the programs, activities, and projects to be devolved; capacity development strategies; and operational standards, among others.

## Strategies to Improve Growth

The COVID-19 pandemic has severely affected the country's economic growth, and bouncing back would require considering the needs for the new normal and building resilience against future uncertainties.

***Improving agriculture and fisheries supply chain.*** To maintain a stable and low inflation, especially in times of crisis and disasters, there is a need to ensure sufficient supply of agricultural commodities. This could be done by maintaining adequate buffer stock, investing in cold storage facilities and improving food packaging to prevent wastage and spoilage, and providing crop insurance, capacity building, and other support services to farmers.[8] Given the need to observe physical distancing protocols due to the pandemic, it will be necessary to provide farmers with machineries and other equipment to lessen the need for manual labor.

To aid in food security and promote consumption of healthy food to boost the body's immune system, the government is promoting backyard/community gardening, through its Plant, Plant, Plant Program.

***Industry.*** Industry is one of the main engines of economic growth in the country, contributing 27.7 percent to the country's GDP in the second quarter of this year and 30.0 percent in the same period last year. However, it was also one of the sectors which suffered the heaviest blow from the pandemic, declining by 22.9 percent in the second quarter of 2020.[9]

To ensure the sector's recovery, assistance to MSMEs should be sustained. Among the support initiatives that can be provided are employment subsidies, tax breaks, access to credit and loans, and other programs (e.g., Small Enterprise Technology Upgrading Program 2.0, Shared Services Facilities, etc.) that will make businesses innovative and resilient.

The passage of CREATE and the amendments to the Retail Trade Liberalization Act and Foreign Investments Act can likewise contribute to the growth of the manufacturing industry as these will help attract investments.

***Services Sector.*** The services sector has the biggest contribution to GDP, at 62.3 percent in the second quarter of this year. But due to the lockdown imposed in the past months, its growth plunged by 15.8 percent in the second quarter. To support the growth of the sector in the near and medium term, it is vital to facilitate e-commerce including the use of online transactions, as well as the use of cashless payment system. The entry of new players and the integration of delivery services with the operations of retail and restaurant owners, will also help the sector rebound from the crisis.

***Innovative Governance.*** To efficiently adapt to the new normal and foster growth, the government must undertake innovative solutions, especially through the use of new technologies, to effectively and efficiently deliver public services. Given the current demand for digital connectivity and better digital infrastructure, the government has provided PhP21.4 billion under the proposed 2021 National Budget to fund several programs and projects that will improve the country's digital infrastructures and online systems. (*See portion on Governance for more details*)

***Empowerment of LGUs.*** The COVID-19 crisis has shown the critical role of LGUs in responding to the pandemic. Thus, it is vital that their capacity as frontline delivery units is strengthened, starting at the *barangay* level. Given the current slowdown in economic activities, existing plans and policies should be revisited to enable LGUs adapt to the changing times. These include the updating of the Local Investments and Incentives Codes and the amendment of Local Disaster and Risk Reduction and Management Plans to incorporate public health emergencies.[10]

**Endnotes:**

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# B. FISCAL STRATEGY

The economic performance of the Duterte Administration remained strong as it entered 2020 with a stable macroeconomic and low inflation environment despite the delay in the passage of the 2019 National Budget. Achieving an upper middle-income country (UMIC) status was, therefore, even being expected within the term of the Duterte Administration.

However, the emergence of the COVID-19 pandemic dampened the country's prospects of higher growth trajectory. With the expected and inevitable uncertainties in the domestic and external market as a consequence of the ongoing public health crisis, the government, through the Development Budget Coordination Committee (DBCC), has reviewed and revised its macroeconomic assumptions, growth targets, and fiscal program vis-à-vis pre-COVID-19 levels.

The revised assumptions will enable the government to operate with a more realistic and prudent fiscal stance, while prioritizing its goal of saving and protecting lives, addressing the pandemic, and balancing the need to stimulate the economy, among others.

## The FY 2019 Fiscal Performance

Driven by the substantial expenditures for personnel services, infrastructure and other outlays, maintenance and other operating expenses (MOOE), and subsidy to government corporations, National Government (NG) spending performance for full-year 2019 ended on a high note, up at PhP3,797.7 billion. This represents an increase of PhP389.3 billion or 11.4 percent year-on-year and surpasses the PhP3,769.7 billion program for the year by PhP28.1 billion or 0.7 percent.

Disbursements for Personnel Services (PS) amounted to PhP1,115.0 billion, representing an increase of PhP127.8 billion or 12.9 percent due to the impact of the following:

- Implementation of the fourth tranche salary increase of civilian personnel as authorized under Executive Order No. 201, s. 2016;

**Table 1. National Government Disbursement Performance for the Period January to December 2019**
(in billion Pesos)

| Particulars | 2018 Actual | Jan to Dec 2019 | | Variance | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|
| | | Revised Program | Actual | Amount | Percent | Amount | Percent |
| **CURRENT OPERATING EXPENDITURES** | **2,440.5** | **2,710.5** | **2,740.9** | **30.4** | **1.1** | **300.4** | **12.3** |
| Personnel Services | 987.2 | 1,095.9 | 1,115.0 | 19.1 | 1.7 | 127.8 | 12.9 |
| Maintenance Expenditures | 525.6 | 572.4 | 572.9 | 0.5 | 0.1 | 47.3 | 9.0 |
| Subsidy | 136.7 | 158.7 | 201.5 | 42.9 | 27.0 | 64.9 | 47.5 |
| Allotment to LGUs | 420.2 | 469.5 | 463.2 | (6.2) | (1.3) | 43.1 | 10.3 |
| Interest Payments | 349.2 | 399.6 | 360.9 | (38.7) | (9.7) | 11.7 | 3.3 |
| Tax Expenditure Fund | 21.6 | 14.5 | 27.3 | 12.8 | 88.4 | 5.7 | 26.5 |
| **CAPITAL OUTLAYS** | **963.1** | **1,032.1** | **1,039.8** | **7.6** | **0.7** | **76.7** | **8.0** |
| Infrastructure/Other Capital Outlays | 803.6 | 859.4 | 881.7 | 22.3 | 2.6 | 78.0 | 9.7 |
| Equity | 4.0 | 2.4 | 3.3 | 1.0 | 40.4 | (0.7) | (16.7) |
| Capital Transfers to LGUs | 155.5 | 170.4 | 154.7 | (15.6) | (9.2) | (0.7) | (0.5) |
| **NET LENDING** | **4.9** | **27.0** | **17.1** | **(9.9)** | **(36.8)** | **12.2** | **250.0** |
| **GRAND TOTAL** | **3,408.4** | **3,769.7** | **3,797.7** | **28.1** | **0.7** | **389.3** | **11.4** |
| Revenues | 2,850.2 | 3,149.7 | 3,137.5 | (12.2) | (0.4) | 287.3 | 10.1 |
| Surplus/(Deficit) | (558.3) | (620.0) | (660.2) | (40.2) | (6.5) | (102.0) | 18.3 |

- Higher base pay and pension requirements of military and uniformed personnel (MUPs) pursuant to Joint Resolution No. 1, s. 2018; and
- Payment of claims for retirement gratuity and terminal leave benefits, and creation and filling up of positions in various agencies.

Meanwhile, disbursements for infrastructure and other capital outlays (CO) climbed significantly to PhP881.7 billion, outperforming the previous year's level by PhP78.0 billion or 9.7 percent. The increase is mainly owed to the full or partial completion of some big-ticket projects of the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr). These include the Central Luzon Link Expressway Phase 1, Cavite-Laguna Expressway, Tarlac-Pangasinan-La Union Expressway, Flood Risk Management Project for the Cagayan River, Metro Manila Subway Project, North-South Commuter Railway Project, and the rehabilitation of the MRT 3. The AFP Modernization Program of the Department of National Defense (DND) likewise contributed to the hefty increase of this expenditure item.

Notwithstanding the slowdown in economic growth recorded in the first two quarters of 2019 due to the delayed budget approval and the election ban, infrastructure spending ended with a positive growth rate as a result of the implementation of catch-up measures such as the 24/7 work schedule for construction of major infrastructure projects, as well as the streamlining of processes to expedite right-of-way acquisitions and facilitate payments. These initiatives, likewise, helped the government exceed the PhP859.4 billion program for infrastructure and other CO by PhP22.3 billion or 2.6 percent.

Meanwhile, subsidy to government corporations expanded by PhP64.9 billion, or 47.5 percent, to reach PhP201.5 billion. The following factors contributed to this solid performance:

- Faster fund absorption of the Philippine Health Insurance Corporation (PHIC) for the National Health Insurance Program, the National Irrigation Administration for payment of prior years' accounts payable for completed irrigation projects, and the National Housing Authority for its resettlement programs for informal settler families and rehabilitation of the Most Affected Area in Marawi;
- Higher requirements for the implementation of the Unconditional Cash Transfer Program through the Land Bank of the Philippines as a conduit of the Department of Social Welfare and Development (DSWD); and
- Substantial releases to the Philippine Crop Insurance Corporation for the payment of crop insurance premium of subsistence farmers and fisherfolk listed under the Registry System for Basic Sectors in Agriculture; the National Food Authority (NFA) for the implementation of its Rice Buffer Stocking Program; and the Bases Conversion and Development Authority (BCDA) for its construction projects in the New Clark City.

Disbursements for maintenance expenditures recorded an upsurge equivalent to PhP47.3 billion, from its 2018 level, to reach PhP572.9 billion on account of the payment of the prior year's accounts payables of the Department of Education (DepEd) for the Government Assistance to Students and Teachers in Private Education (GASTPE) and the Commission on Elections (COMELEC) for goods and services related to the preparatory activities for the May 2019 local and national elections; implementation of the Universal Access to Quality Tertiary Education of the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA); and higher cash grants for the beneficiaries of the Conditional Cash Transfer Program of the DSWD.

Higher shares of LGUs from the internal revenue collections of the NG and releases from the Local Government Support Fund (LGSF), on the other hand, resulted in higher combined allotment and transfers to LGUs, amounting to PhP618.0 billion, or an increase of PhP42.3 billion or 7.4 percent year-on-year. The LGSF, in particular, includes the Assistance to Cities for the construction, repair and improvement of public open spaces; and Other Financial Assistance to LGUs intended for indigent individuals and families, purchase of multipurpose vehicles, and construction and rehabilitation of local roads.

Other highlights of the government disbursement performance for 2019 are the following:

- Interest payments reached PhP360.9 billion, up by 3.3 percent or PhP11.7 billion over the previous year, albeit still 9.7 percent below program, generating some PhP38.7 billion in savings. This is largely an effect of the combined impact of bond maturities, discounts, reissuances of fixed-rate treasury bonds at a premium, and exchange rate fluctuations.
- Net lending significantly increased to PhP17.1 billion from PhP4.9 billion last year, largely on account of the NG advances to the NFA for the payment of its outstanding obligations. This is part of the Authority's debt reduction plan with the expected winding down of its operations under Republic Act (R.A.) No. 11203 or the Rice Liberalization Act. However, net lending was below the program by PhP9.9 billion or 36.8 percent, mainly due to repayments made by the Light Rail Transit Authority (LRTA), the National Electrification Administration (NEA) and the National Development Company (NDC), and the Home Guarantee Corporation (HGC).
- Tax expenditures amounted to PhP27.3 billion, PhP5.7 billion more than the level last year and also PhP12.8 billion higher when compared to the PhP14.5 billion program for the period. Among the significant tax subsidies for the period include payment of custom duties of the NFA on rice importation, payment of DOTr for income tax on the profits from the MRT Line 3 operations, and availment of tax subsidy by the Philippine Deposit Insurance Corporation (PDIC) to cover additional value-added tax on assessment fees paid by banks.

## The FY 2020 Fiscal Position and Measures to Mitigate the COVID-19 Pandemic

Total NG disbursements as of end-August 2020 grew substantially by PhP459.9 billion, or 20.8 percent, to reach PhP2,671.7 billion due to higher maintenance spending and subsidy support to government corporations mainly for the COVID-19 measures; and allotment and capital transfers to LGUs as a result of the one-time COVID-19 *Bayanihan* Grant to the Provinces, Cities, and Municipalities, higher shares of LGUs, and the releases for the annual block grant to the Bangsamoro Autonomous Region in Muslim Mindanao.

On the other hand, lower spending on infrastructure and other capital outlays was registered year-on-year due to the payment of the previous year's accounts payables in the same period in 2019, and the moderated implementation of construction activities as a result of the lockdowns and restrictions imposed during the pandemic. Likewise, net lending was down from the same period in 2019 mainly because of the conversion of NG advances into subsidy.

**Outlook for FY 2020**

At the start of the year, the DBM issued the National Budget Circular (NBC) No. 578 to outline the guidelines on the release of funds for FY 2020. The GAA-as-the-Allotment-Order (GAAAO) policy was enforced, comprehensively releasing the allotments of detailed expenditure items in the budget of agencies. With the policy, some PhP1.826 trillion, equivalent to 76.7 percent of the PhP2.382 trillion agency specific budget had been released as of January 6, 2020. However, this excludes those expenditure items which require additional documentary requirements and/or compliance to certain conditions and approvals such as lump-sum appropriations and special purpose funds (SPFs), Congress-introduced increases and new budgetary items, and Special Budgets (e.g., SAGF). These shall be released through the issuance of General or Special Allotment Release Order (GARO/SARO).

As of September 2020, PhP4.072 trillion, or 99.3 percent, has already been released out of the PhP4.100 trillion program for the year. This leaves PhP28.5 billion or 0.7 percent of the FY 2020 GAA for later release.

In the absence of a COVID-19 vaccine, the threat of the pandemic persists to be one of the main macro-fiscal risks. Potential impacts from the occurrence of natural disasters and international trade relations for the remainder of the year are also expected. Thus, the DBCC continuously monitors and assesses the current macroeconomic environment, and regularly updates its assumptions for the medium term as needed. *(See Macroeconomic Environment section for more details)*

To ensure a more efficient budget execution and enable the government to manage cash requirements better, the following measures are continuously being undertaken:

- Closer monitoring of revenue performance and release of cash allocations;

**Table 2. National Government Disbursement Performance for the Period January to August 2020**
(in billion Pesos)

| Particulars | January to August | | Increase/(Decrease) | |
|---|---|---|---|---|
| | 2019 | 2020 | Amount | Percent |
| **CURRENT OPERATING EXPENDITURES** | **1,652.7** | **2,183.5** | **530.8** | **32.1** |
| Personnel Services | 653.3 | 713.2 | 59.9 | 9.2 |
| Maintenance Expenditures | 328.7 | 569.7 | 241.0 | 73.3 |
| Subsidy | 96.8 | 192.5 | 95.7 | 98.8 |
| Allotment to LGUs | 307.0 | 422.4 | 115.4 | 37.6 |
| Interest Payments | 250.6 | 269.6 | 19.0 | 7.6 |
| Tax Expenditure Fund | 16.3 | 16.1 | (0.2) | (1.4) |
| **CAPITAL OUTLAYS** | **538.4** | **513.4** | **(24.9)** | **(4.6)** |
| Infrastructure/Other Capital Outlays | 445.9 | 394.5 | (51.4) | (11.5) |
| Equity | 0.8 | 0.8 | (0.0) | (2.6) |
| Capital Transfers to LGUs | 91.6 | 118.1 | 26.5 | (28.9) |
| **NET LENDING** | **20.7** | **(25.2)** | **(45.9)** | **(221.9)** |
| **GRAND TOTAL** | **2,211.8** | **2,671.7** | **459.9** | **20.8** |
| *Memo items:* | | | | |
| *Revenues* | *2,091.4* | *1,931.0* | *(160.4)* | *(7.7)* |
| *Surplus/(Deficit)* | *(120.4)* | *(740.7)* | *(620.3)* | *515.0* |

- Tighter review of monthly disbursement program (MDP) to ensure that only actual payables for delivered goods/ services are included; and
- Maximization of available cash allocations under the one fund concept, wherein all revenues and other receipts of the government must enter the General Fund and their utilization and disbursement subject to the budgeting process.

## Medium-Term Fiscal Program for FYs 2020 to 2022

Notwithstanding the contraction in GDP growth expected in 2020 due to the impacts of the COVID-19 pandemic, the government sees a positive outturn starting 2021 as the economy is projected to gradually recover and rebound. This growth will be supported by sustained government spending through the implementation of R.A. No. 11494, or the *Bayanihan* to Recover as One Act, and the proposed 2021 National Budget.

Government revenue collections for this year have been significantly impacted by the quarantine measures and reduced economic activities due to the COVID-19 pandemic. Total projected revenues to be collected for 2020 have been revised to PhP2,519.8 billion, lower by PhP617.6 billion or 19.7 percent than the PhP3,137.5 billion actual collections in 2019. Meanwhile, revenues are expected to pick up by 2021 and 2022 to reach PhP2,717.4 billion and PhP3,034.8 billion, respectively, in view of the eventual resumption of more robust economic activities.

Although a slowdown in government revenue collections for 2020 is expected, estimated disbursements, however, will remain expansionary at PhP4,335.2 billion in view of the implementation of COVID-19 response programs and stimulus plan under the *Bayanihan* Laws I and II. Spending will, therefore, post a 14.2 percent year-on-year growth from the PhP3,797.7 billion actual outturn in 2019. Disbursements for the following years are pegged by the DBCC to reach PhP4,467.0 billion for 2021 and PhP4,676.8 billion for 2022, increasing by an average of 3.8 percent from 2020 to 2022 to achieve the end-of-plan spending program of 20.5 percent of GDP.

With reduced revenues and sustained government spending over the medium term, the resulting budget deficit has increased from the pre-pandemic projections to PhP1,815.4 billion in 2020, PhP1,749.6 billion in 2021, and PhP1,642.1 billion in 2022. Despite these adjustments in deficit spending, the DBCC is confident that the national government's debt will be kept at a sustainable level, well within the 60 percent internationally-recommended debt threshold.

## Revenue Projections for FY 2021

Despite the lockdowns affecting the tax bases and performance of the government's two largest revenue-generating agencies, namely the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC), the Duterte Administration still expects total revenue collections of the government for 2021 to register a year-on-year growth of 7.8 percent to reach PhP2,717.4 billion from this year's estimated PhP2,519.8 billion. At this level, the country's revenue collection is expected to be relatively stable at 13.2 percent of GDP next year amid the anticipated lingering impacts of COVID-19.

Of the total PhP2,717.4 billion receipts, tax revenues will amount to PhP2,541.6 billion, 15.3 percent higher than the 2020 projected level of PhP2,205.2 billion. The bulk of this amount, or PhP1,904.2 billion, will come from the BIR, while PhP619.5 billion will be provided by the BOC and the remaining PhP17.8 billion will come from other offices.

On the other hand, non-tax revenues will reach PhP175.4 billion, the bulk of which will come from the collections of the Bureau of the Treasury, representing its income from interest earned from placements of Bond Sinking Funds and Securities

**Table 3. National Government Fiscal Program, 2019-2022**
(in billion Pesos)

| Particulars | 2019 Actual | 2020 Program | 2021 Projection | 2022 Projection |
|---|---|---|---|---|
| Revenues | **3,137.5** | **2,519.8** | **2,717.4** | **3,034.8** |
| % of GDP | 16.1 | 13.4 | 13.2 | 13.3 |
| Growth Rate | 10.1 | (19.7) | 7.8 | 11.7 |
| Disbursements | **3,797.7** | **4,335.2** | **4,467.0** | **4,676.8** |
| % of GDP | 19.5 | 23.0 | 21.6 | 20.5 |
| Growth Rate | 11.4 | 14.2 | 3.0 | 4.7 |
| Surplus/(Deficit) | **(660.2)** | **(1,815.4)** | **(1,749.6)** | **(1,642.1)** |
| % of GDP | (3.4) | (9.6) | (8.5) | (7.2) |

Stabilization Funds, among others, and the dividends from government corporations, and shares from the stocks of the National Government. Other sources of non-tax revenues include fees and charges, such as passport and registration fees from the Department of Foreign Affairs (DFA) and Land Transportation Office (LTO).

To prevent the further erosion of revenue base due to the COVID-19 pandemic, the government will sustain the implementation of the Comprehensive Tax Reform Program (CTRP), and enhance the country's existing corporate income tax system. Package 1A or the Tax Reform for Acceleration and Inclusion (TRAIN) Law is estimated to generate PhP133.9 billion in additional revenues in 2021, while Package 2 Plus will contribute another PhP26.1 billion. Meanwhile, the projected reduction of government revenues from the Package 2, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) bill is PhP97.2 billion. The CREATE bill seeks to provide an outright five percent reduction in the corporate income tax rate, from the present 30 percent to a more competitive flat rate of 25 percent until 2022; to be followed by a one percentage point yearly reduction until 2027; finally reducing it to 20 percent by then. Other key features of the bill are the extended applicability of net operating loss carry-over (NOLCO) for losses incurred during the current year; more flexible tax incentives; and a longer sunset period for companies currently receiving tax incentives. In sum, these CTRP receipts are estimated to contribute to the government coffers some PhP62.7 billion net additional revenues for 2021.

The digitization of the entire financial management operations will also be prioritized in 2021 to offset the impact of COVID-19 on the regular operations of revenue-collecting agencies. This entails the development of digital taxation and ICT infrastructure, such as the EGov Pay Facility, to digitize government collections and disbursements. With this at hand, the government expects to limit the need for physical tax payment transactions at the BIR, thereby, reducing unnecessary exposure to COVID-19 infections.[1]

## Disbursement Program for FY 2021

With a well-targeted budget designed to respond to the pandemic and stimulate economic recovery next year, the disbursement program for 2021 is pegged at PhP4,467.0 or 21.6 percent of the country's GDP. This is higher than this year's program by PhP131.8 billion or 3.0 percent.

Encapsulated in this program are critical government programs and projects that will specifically address the effects of the ongoing public health crisis. In fact, at least PhP838.4 billion worth of government interventions are tagged to be directly and indirectly responsive to the COVID-19 pandemic. These programs and projects shall be implemented by various government agencies across many sectors, thus signifying the Duterte Administration's whole-of-government approach towards confronting the pandemic. *(For more details, please see the Expenditure Priorities section)*

## Financing Program for FY 2021

The pre-COVID-19 deficit level recorded in 2019 has been projected to increase to more than twice its actual amount of PhP660.2 billion to PhP1,749.6 billion or 8.5 percent of GDP in 2021. This stems from the need to continuously finance the government's response program that aims to adequately address the pandemic, revamp infrastructure development, and help communities cope with and adapt to the post-pandemic life.

The deficit in 2021 will be financed by gross borrowings amounting to PhP3,025.2 billion, wherein PhP2,582.8 billion will come from domestic sources while the remaining PhP442.4 billion will be raised from external lenders. This represents a conservative gross financing mix of 85:15, in favor of domestic sources, and is consistent with the government strategy to lessen risks from foreign exchange rate exposure while simultaneously supporting the development of the local debt market, without competing or taking away financial resources from the private sector, especially small and medium-sized enterprises.

The Philippines' favorable debt profile means that its economy is capable enough to raise and tolerate the higher deficit financing for 2021. In fact, the country's debt has been consistently on a downward trajectory, with debt-to-GDP ratio declining from 59.7 percent in 2005 to 39.6 percent in 2019.

**Endnote:**

[1/] NEDA. *We Recover As One Report*. Retrieved from http://www.neda.gov.ph/wp-content/uploads/2020/05/We-Recover-As-One.pdf

# III. DIMENSIONS OF THE NATIONAL EXPENDITURE PROGRAM

*The proposed 2021 National Budget of PhP4.506 trillion reflects the government's commitment to address the impact of the COVID-19 pandemic on the country and help the economy bounce back to its pre-crisis level.*

*To enable the public to have a better appreciation and understanding of the proposed 2021 National Budget, this Section tackles the budget dimensions based on the following classifications: by Sector (Old/Traditional Method and Classification of the Functions of the Government); by Expense Class; by Recipient Entity; by Department and Special Purpose Fund; by Appropriation Source; by Region; by Intergovernmental Transfers to Local Government Units; by Transfers to Government-Owned and/or -Controlled Corporations; by Earmarked Revenues; and by Off-Budget Accounts.*

*Classifying expenditures through varying perspectives not only shows how and where public funds are allotted, but also aids in the public policy-making process to sustain inclusive growth. It likewise enables the government to monitor the country's expenditure patterns vis-à-vis international standards.*

## A. By Sector (Old/Traditional Method and COFOG)

The proposed 2021 National Budget can be presented by sector, using either the Old/Traditional Method or the Classification of the Functions of the Government (COFOG) System. In 2015, the Department of Budget and Management (DBM) adopted the COFOG System in order to track more accurately where public finances go and whether national government agencies (NGAs) are able to meet their goals. Despite having adopted the COFOG System, however, the DBM still continues to use the Old/Traditional Method to facilitate historical comparison and analysis of budgets.

**Old/Traditional Method**
This method classifies the expenditure items under five major categories: Social Services, Economic Services, General Public Services, Defense, and Debt Burden. Each of these is further divided into subsectors.

The Social Services Sector continues to receive the biggest chunk with PhP1,663.8 billion or 36.9 percent of the proposed 2021 National Budget. It is followed by Economic Services (29.9 percent), General Public Services (16.1 percent), Debt Burden (12.4 percent), and Defense (4.7 percent). *(See Table 1)*

***1. Social Services.*** This sector has the largest share with PhP1,663.8 billion, up by 11.3 percent from the 2020 allocation of PhP1,495.0 billion. The PhP168.8 billion increase is mainly to support government efforts in addressing the impacts and effects of COVID-19.

Following the constitutional mandate that the highest budgetary priority should be given to the education sector, 46.9 percent of the Social Services allocation will be allotted for this purpose. The amount will cover the funding for, among others, the Universal Access to Quality Tertiary Education Program (PhP47.1 billion); the Education Service Contracting for Junior High School and the Senior High School Voucher Programs of the Department of Education (PhP26.3 billion); and the Basic Education-Learning Continuity Plan (PhP16.1 billion).

Also included under this sector are health programs that will strengthen universal health care, such as the National Health Insurance Program (PhP71.4 billion); Medical Assistance to Indigent Patients (PhP17.3 billion); and the Human Resources for Health Deployment Program (PhP16.6 billion), among others.

***2. Economic Services.*** This funds programs and projects that boost the country's economy through investments in livelihood-generating industries, such as construction, tourism,

**Table 1. Budget by Sector (Old/Traditional Method), 2020-2021**
(in billion Pesos)

| Sectors | 2020 | 2021 | Increase/(Decrease) | | % Share | |
|---|---|---|---|---|---|---|
| | | | PhP | % Growth | 2020 | 2021 |
| Social Services | 1,495.0 | 1,663.8 | 168.8 | 11.3 | 36.5 | 36.9 |
| Economic Services | 1,200.0 | 1,347.2 | 147.2 | 12.3 | 29.3 | 29.9 |
| General Public Services | 746.7 | 724.2 | (22.5) | (3.0) | 18.2 | 16.1 |
| Debt Burden (includes Net Lending) | 461.0 | 560.2 | 99.3 | 21.5 | 11.2 | 12.4 |
| Defense | 197.4 | 210.6 | 13.2 | 6.7 | 4.8 | 4.7 |
| **Total** | **4,100.0** | **4,506.0** | **406.0** | **9.9** | **100.0** | **100.0** |

*Note: Figures may not add up due to rounding off.*

and manufacturing. For 2021, PhP1,347.2 billion, 12.3 percent higher than the PhP1,200.00 billion level in 2020, will be earmarked for these services. With the Communications, Roads, and Other Transport expenditures taking up 55.6 percent of this allocation, the *Build, Build, Build* Program of the government will continue to be funded to ensure that there will be adequate infrastructure to support activities in the industrial and agricultural sectors, among others.

In addition, PhP667.3 billion (14.9 percent) and PhP143.6 billion (3.2 percent) of this allocation will go to the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr), respectively. Some of the major programs under these agencies are the DOTr's Rail Transport Program (PhP106.3 billion) and the DPWH's Convergence and Special Support Program (PhP61.2 billion) which will focus on the access roads to airports, seaports, tourist sites, and economic zones, among others.

***3. General Public Services.*** Receiving the third biggest allocation of PhP724.2 billion will be General Public Services. This amount will mainly fund programs and projects that maintain security, peace, and public order in the country. Included here is the PhP19.1 billion budget for the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC), wherein PhP16.4 billion will be used for the Support to the *Barangay* Development Program to implement infrastructure projects and provide assistance to indigent individuals or families in the "cleared" *barangay*s.

***4. Defense.*** PhP210.6 billion will go to Defense, taking up 4.7 percent of the proposed 2021 National Budget. This allocation is 6.7 percent bigger than the PhP197.4 billion budget in 2020. A chunk of this is for domestic security, with the Department of National Defense receiving PhP209.1 billion for the improvement of the country's defense capabilities.

***5. Debt Burden.*** The proposed PhP560.2 billion allocation for Debt Burden, which includes the PhP28.7 billion for Net Lending, is 21.5 percent higher than the 2020 level of PhP461.0 billion. This amount, though higher than the 2020 level, is still consistent with the budget deficit target of 8.5 percent of GDP, or PhP1,749.6 billion. The increase is attributed to the anticipated higher interest and foreign exchange rates for the borrowings of the National Government. Meanwhile, the PhP28.7 billion Net Lending budget includes the PhP25.0 billion for the National Food Authority, to settle its obligations as it winds down its operations pursuant to the Rice Liberalization Law.

**COFOG System**

The COFOG System, a system developed by the Organization for Economic Co-operation and Development, categorizes items in the National Budget on the basis of purpose, function, and contribution to society, regardless of the implementing agency. This standard system enables inter-country comparison and a more accurate monitoring of fiscal management and tracing of government expenditures.

Unlike the old or traditional sectoral classification, COFOG classifies items in the budget under 10 major sectors: General Public Services; Defense; Public Order and Safety; Economic Affairs; Environmental Protection; Housing and Community Amenities; Health; Recreation, Culture, and Religion; Education; and Social Protection. The first five sectors benefit the society as whole, funding the foundations of a nation that is globally competitive, whereas the remaining five are geared towards the improvement of every individual's welfare, especially those in the vulnerable groups. *(See Table 2 on page 23)*

***1. General Public Services.*** Under the COFOG System, General Public Services gets the largest allocation in 2021 with PhP1,871.0 billion or 41.5 percent of the proposed 2021 National Budget. This amount will be used for lawmaking, fiscal management, foreign affairs, public debt transactions, and other governance or regulatory services.

The three subsectors that will receive the bulk of this allocation are: executive and legislative organs, financial and fiscal affairs, and external affairs, PhP762.5 billion; public debt transactions, PhP546.0 billion; and general services, PhP475.2 billion. It is to be noted that the budget for the Debt Burden under the Old/Traditional Method is larger than the public debt transactions under COFOG. This is because the latter only covers debt service and interest payments.

***2. Education.*** The second highest allocation is for Education, with PhP753.3 billion or 16.7 percent of the proposed 2021 National Budget. This will cover: (1) pre-primary and primary education, PhP276.3 billion; (2) secondary education, PhP228.6 billion; and (3) tertiary education, PhP99.3 billion. The budgets for these three subsectors will fund pre-school programs, literacy programs, scholarships, grants, and trainings, among others. The Education Sector budget will also cover the construction and maintenance of school buildings (PhP28.1 billion) and funding for research and development (R&D) for education (PhP6.5 billion), as well as education not definable by level (PhP37.5 billion); post-secondary, non-tertiary education (PhP13.3 billion); and some subsidiary services (PhP8.6 billion).

***3. Economic Affairs.*** A budget of PhP736.0 billion, or 16.3 percent of the proposed 2021 National Budget, is allotted for Economic Affairs, primarily to fund government activities that promote, among others, economic growth, competitiveness, and job creation. Of this amount, PhP587.0 billion is earmarked for transportation, which mainly supports the *Build, Build, Build* Program, to help pump-prime the economy and promote recovery. Meanwhile, PhP107.5 billion will go to agriculture, forestry, fishing, and hunting to cover programs and projects that will develop these sectors and uplift the lives of farmers and fisherfolk. This allocation includes the funds for the national programs of the Department of Agriculture (DA), the distribution of 45,455 hectares (ha) of agricultural land to 40,083 landless farmers, and the irrigation of 2,308,964 ha of farmland in all cropping seasons, among others.

***4. Social Protection.*** Social Protection will receive PhP454.2 billion or 10.1 percent of the proposed 2021 National Budget. This covers the allocations for the following: *Pantawid Pamilyang Pilipino* Program, PhP113.8 billion; assistance

**Table 2. Budget by Sector (COFOG), 2020-2021**
(in billion Pesos)

| Particulars | 2020 | 2021 | Increase/(Decrease) | | % Share |
|---|---|---|---|---|---|
| | | | PhP | Growth Rate (%) | |
| **General Public Services, of which:** | **1,578.3** | **1,871.0** | **292.7** | **18.5** | **41.5** |
| Executive and legislative organs, financial and fiscal affairs | 718.5 | 762.5 | 44.0 | 6.1 | 16.9 |
| Public debt transactions | 465.5 | 546.0 | 80.5 | 17.3 | 12.1 |
| General Services | 335.6 | 475.2 | 139.6 | 41.6 | 10.5 |
| **Education, of which:** | **695.9** | **753.3** | **57.4** | **8.3** | **16.7** |
| Pre-primary and primary education | 246.9 | 276.3 | 29.4 | 11.9 | 6.1 |
| Secondary education | 215.9 | 228.6 | 12.7 | 5.9 | 5.1 |
| Tertiary education | 95.0 | 99.3 | 4.3 | 4.5 | 2.2 |
| **Economic Affairs, of which:** | **643.0** | **736.0** | **93.0** | **14.5** | **16.3** |
| Transport | 493.7 | 587.0 | 93.3 | 18.9 | 13.0 |
| Agriculture, forestry, fishing, and hunting | 106.8 | 107.5 | 0.7 | 0.6 | 2.4 |
| General economic, commercial, and labor affairs | 16.4 | 14.8 | (1.6) | (9.4) | 0.3 |
| **Social Protection, of which:** | **534.3** | **454.2** | **(80.1)** | **(15.0)** | **10.1** |
| *Pantawid Pamilya* Program | 145.9 | 113.8 | (32.1) | (22.0) | 2.5 |
| Survivors (Gender and Development, Internally Displaced Persons, and Disaster Relief Assistance) | 71.9 | 81.6 | 9.7 | 13.4 | 1.8 |
| Old age (Senior citizens) | 138.0 | 23.3 | (114.7) | (83.1) | 0.5 |
| **Public Order and Safety, of which:** | **245.7** | **254.8** | **9.1** | **3.7** | **5.7** |
| Police services | 164.4 | 169.5 | 5.1 | 3.1 | 3.8 |
| Law courts | 29.8 | 32.2 | 2.4 | 7.9 | 0.7 |
| Prisons | 20.4 | 20.7 | 0.3 | 1.7 | 0.5 |
| Fire-protection services | 19.5 | 20.7 | 1.2 | 6.0 | 0.5 |
| **Health, of which:** | **189.7** | **212.0** | **22.3** | **11.8** | **4.7** |
| Health insurance | 71.4 | 71.4 | - | - | 1.6 |
| Hospital services | 11.4 | 69.7 | 58.3 | 514.0 | 1.5 |
| Public health services | 105.5 | 67.2 | (38.3) | (36.3) | 1.5 |
| **Defense, of which:** | **170.5** | **187.8** | **17.3** | **10.1** | **4.2** |
| Military defense | 168.5 | 186.1 | 17.6 | 10.4 | 4.1 |
| Civil defense | 1.3 | 1.5 | 0.2 | 12.1 | 0.0 |
| **Environmental Protection, of which:** | **26.6** | **25.4** | **(1.2)** | **(4.6)** | **0.6** |
| Protection of biodiversity and landscape | 10.4 | 11.5 | 1.1 | 9.8 | 0.3 |
| Waste management | 3.8 | 3.3 | (0.5) | 11.0 | 0.1 |
| Pollution abatement | 2.5 | 2.8 | 0.3 | (13.7) | 0.1 |
| **Housing and Community Amenities, of which:** | **9.2** | **8.1** | **(1.1)** | **(11.8)** | **0.2** |
| Water supply | 4.7 | 4.8 | 0.1 | 1.8 | 0.1 |
| Community development | 1.9 | 1.8 | (0.1) | (4.2) | 0.0 |
| Housing development | 2.6 | 1.5 | (1.1) | (42.0) | 0.0 |
| **Recreation, Culture, and Religion, of which:** | **6.7** | **3.3** | **(3.4)** | **(51.2)** | **0.1** |
| Cultural services | 3.2 | 1.7 | (1.5) | (47.6) | 0.0 |
| Broadcasting and publishing services | 0.7 | 0.6 | (0.1) | (11.0) | 0.0 |
| Recreational and sporting services | 2.2 | 0.4 | (1.8) | (83.1) | 0.0 |

*Note: Figures may not add up due to rounding off.*

to survivors (gender and development, internally displaced persons, and disaster relief assistance), PhP81.6 billion; and old age (senior citizens), PhP23.3 billion, among others. Senior citizens will receive pensions, cash benefits, and other benefits that will mitigate the effects of risks linked to old age, such as loss of income, lack of independence in carrying out daily tasks, and reduced participation in social and community life. Street families and persons with disabilities are also grouped under this classification.

***5. Public Order and Safety.*** PhP254.8 billion, or 5.7 percent of the proposed 2021 National Budget, will be used to strengthen the country's judicial system and law enforcement in order to ensure the safety and security of every Filipino community. A bulk of this allocation will be for police services (PhP169.5 billion), which includes the Philippine National Police, the Bureau of Immigration, the National Bureau of Investigation, and the Philippine Drug Enforcement Agency, among others. PhP32.2 billion will fund the operation of civil and criminal law courts all over the country and the legal representation and advice on behalf of the government. Prisons, including reformatories, and fire protection services will get PhP20.7 billion each.

***6. Health.*** To properly address the COVID-19 pandemic and other health-related issues, PhP212.0 billion is allotted for health expenditures, taking up 4.7 percent of the proposed 2021 National Budget. The biggest allocation, in the amount of PhP71.4 billion, will go to the National Health Insurance Program that aims to provide health insurance for all Filipinos. Hospital services and public health services will receive PhP69.7 billion and PhP67.2 billion, respectively. These subsectors include funding for general and specialty hospitals, maternity centers, nursing homes, military base hospitals, and rehabilitation centers, among others.

Research and development, a continuing priority in the improvement of the Philippine health system, will receive PhP1.4 billion, while PhP280 million will be earmarked for the purchase of medical products, appliances, and equipment for public health facilities nationwide.

***7. Defense.*** For 2021, the Defense Sector will receive PhP187.8 billion or equivalent to 4.2 percent of the proposed 2021 National Budget. The bulk of this will go to military defense (PhP186.1 billion) for the protection of the country's territories against external threats, specifically for military operations in land, sea, and air; engineering, transport, communication, intelligence, personnel, and other non-combat defense forces; and reserve and auxiliary forces of the defense establishment. This amount also includes allocations for civil defense (PhP1.5 billion), foreign military aid (PhP207 million), R&D on defense (PhP46 million), and defense against cybercrimes (PhP25 million).

***8. Environmental Protection.*** To preserve and protect the country's natural resources and to promote climate change adaptation and mitigation, PhP25.4 billion is set aside for Environmental Protection in 2021. PhP11.5 billion of this amount will be used primarily for programs to protect biodiversity and landscape, including national parks and wildlife services, as well as programs that mitigate flood in urban areas. Waste management will get PhP3.3 billion for the proper collection, treatment, and disposal of waste in order to lessen its hazardous impact on the environment. PhP2.8 billion is for pollution abatement to fund the implementation of measures to clean water bodies and prevent the emissions of greenhouse gases, among others.

***9. Housing and Community Amenities.*** The PhP8.1 billion allocation for Housing and Community Amenities, or 0.2 percent of the proposed 2021 National Budget, aims to make proper homes with basic necessities more available, especially to low-income families. Of this amount, PhP4.8 billion will fund the construction of potable water supply systems in local communities to ensure access to clean and safe water. The other subsectors, community development and housing development, will receive PhP1.8 billion and PhP1.5 billion, respectively.

***10. Recreation, Culture, and Religion.*** The remaining PhP3.3 billion, or 0.1 percent of the proposed 2021 National Budget, will fund efforts and activities focused on the preservation of Filipino cultural heritage and respect for religious diversity. Of this amount, PhP1.7 billion will fund, among others, the operations of cultural facilities such as museums, libraries, and monuments. The PhP3.3 billion budget also includes the subsectors of broadcasting and publishing services, PhP621 million; religious and other community services, PhP509 million; and recreational and sporting services, PhP369 million.

## B. By Expense Class

The proposed 2021 National Budget can also be classified based on major expenditure clusters: Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Financial Expenses (FinEx), and Capital Outlays (CO). Table 3 on page 25 shows detailed information and a comparison of the 2020 and 2021 National Budgets by expense class.

***Maintenance and Other Operating Expenses.*** MOOE will get PhP1,704.7 billion in 2021, higher by 4.4 percent than the 2020 allocation of PhP1,633.5 billion. This covers the PhP837.8 billion for the Allocation to Local Government Units (ALGU), with the PhP695.5 billion coming from internal revenues; and PhP80.3 billion for the block grant and funding requirements of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), among others. Also covered by this allocation are the Rice programs of the DA, banner programs of the Department of Health (DOH), and Adjustment Measures Program of the Overseas Workers Welfare Administration. Expenditures in preparation for the 2022 national and local elections will be funded with PhP9.4 billion.

***Personnel Services.*** The proposed allocation for the PS takes up 29.2 percent of the 2021 Budget or a total of PhP1,316.3 billion. This allocation is 11.1 percent higher than the 2020 level of PhP1,184.8 billion, and will fund, among others, the hiring of health workers under the DOH's Human Resources for Health Deployment Program; implementation of the second tranche of the Salary Standardization Law of 2019; and increased pension

**Table 3. Budget by Expense Class, 2020-2021**
(in billion Pesos)

| Particulars | 2020 | 2021 | Increase/(Decrease) | | % Share | |
|---|---|---|---|---|---|---|
| | | | PhP | % Growth | 2020 | 2021 |
| PS | 1,184.8 | 1,316.3 | 131.5 | 11.1 | 28.9 | 29.2 |
| MOOE | 1,633.5 | 1,704.7 | 71.2 | 4.4 | 39.8 | 37.8 |
| FinEx | 452.4 | 532.7 | 80.4 | 11.8 | 11.0 | 11.8 |
| CO and Net Lending | 829.4 | 952.3 | 123.0 | 14.8 | 20.2 | 21.1 |
| **Total** | **4,100.0** | **4,506.0** | **406.0** | **9.9** | **100.0** | **100.0** |

*Note: Figures may not add up due to rounding off.*

requirements of military and uniformed personnel in view of the PhP19.4 billion pension arrearages due to the suspension of pension indexation in 2018.

***Capital Outlays.*** CO includes the expenses for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the National Government. The CO allocation of PhP952.3 billion for 2021 marks a 14.8 percent increase from the 2020 budget of PhP829.4 billion. To continue the country's journey to inclusive growth and to institutionalize programs that will uplift the welfare of Filipinos, some of the major expenditures of the government are grouped here, such as the *Build, Build, Build* Program (PhP1,107.8 billion) and the Health Facilities Enhancement Program (PhP4.7 billion). The hefty increase for Net Lending, from PhP10.0 billion in 2020 to PhP28.7 billion for 2021, is mainly due to the PhP25.0 billion budget for the operations of the National Food Authority.

***Financial Expenses.*** A total of PhP532.7 billion is earmarked for FinEx in 2021, up by 11.8 percent from the PhP452.4 billion budget in 2020. This amount will cover, among others, interest expenses, guarantee fees, and bank charges incurred by NGAs when owning or renting an asset or property or availing of financial services.

## C. By Recipient Entity

Another way of presenting the National Budget is through a classification of its recipients, which are composed of the National Government Agencies (NGAs), Local Government Units (LGUs), Government-Owned and/or -Controlled Corporations (GOCCs), and Creditors (includes Net Lending). *(See Table 4 for more details)*

In 2021, NGAs will receive PhP2,950.4 billion or 11.0 percent higher than the 2020 level of PhP2,658.7 billion. This is to ensure that the government's key programs, activities, and projects are adequately funded, especially in view of the COVID-19 pandemic. This allocation also includes the transfers from special purpose funds and tax expenditures.

Meanwhile, LGUs will get PhP837.8 billion, 7.0 percent higher than the PhP782.7 billion allocation in 2020. The increase is mainly due to the PhP55.1 billion additional budget in the Internal Revenue Allotment (IRA) and the funding requirements for the BARMM.

PhP186.2 billion will serve as the budgetary support for GOCCs, slightly lower than the 2020 budget of PhP207.7 billion. The PhP21.4 billion decrease is attributed to the conclusion of the Unconditional Cash Transfer Program in 2020 and some irrigation projects of the National Irrigation Administration.

PhP531.5 billion is also set aside for payment to creditors, up by 17.9 percent from the 2020 level of PhP451.0 billion. Due to the deficit caused by higher borrowing costs, the interest rates of government loans increased to 3.0-4.0 percent from 2.5-3.5 percent, and foreign exchange assumptions to USD 50-54 from USD 50-52.

**Table 4. Budget by Recipient Entity, 2020-2021**
(in billion Pesos)

| Particulars | 2020 | 2021 | Increase/(Decrease) | | % Share | |
|---|---|---|---|---|---|---|
| | | | PhP | % Growth | 2020 | 2021 |
| NGAs | 2,658.7 | 2,950.4 | 291.8 | 11.0 | 64.8 | 65.5 |
| LGUs | 782.7 | 837.8 | 55.1 | 7.0 | 19.1 | 18.6 |
| GOCCs | 207.7 | 186.2 | (21.4) | (10.3) | 5.1 | 4.1 |
| Creditors (includes Net Lending) | 451.0 | 531.5 | 80.6 | 17.9 | 11.0 | 11.8 |
| **Total** | **4,100.0** | **4,506.0** | **406.0** | **9.9** | **100.0** | **100.0** |

*Note: Figures may not add up due to rounding off.*

## D. By Department and Special Purpose Fund

Of the total proposed National Budget of PhP4.506 trillion for FY 2021, PhP2,700.8 billion will go to NGAs. The combined allocation of the top ten departments with the highest budgets is PhP2,487.4 billion, up by 11.7 percent from the PhP2,227.4 billion in 2020. The departments that will receive the largest increases from their 2020 budgets are the Department of Labor and Employment (53.7 percent), Department of Transportation (42.6 percent), and Department of Health (15.5 percent).

***1. Education.*** The Education Sector continues to hold the biggest share of the proposed 2021 National Budget at PhP754.4 billion, an 8.9 percent increase from the 2020 level of PhP692.6 billion. This amount includes the allocations for the Department of Education (DepEd), State Universities and Colleges (SUCs), Commission on Higher Education (CHED), and Technical Education and Skills Development Authority (TESDA).

For 2021, the DepEd will receive PhP606.5 billion, an increase of 9.4 percent from the PhP554.3 billion budget in 2020. This includes the budget for government assistance and subsidies, PhP26.3 billion; Basic Education Facilities, PhP24.1 billion; and Basic Education-Learning Continuity Plan, PhP16.1 billion. Some targets of the DepEd for 2021 are the provision of financial aid to 2.7 million junior and senior high school students; construction of 5,174 classrooms; procurement of 38,917 sets of school furniture and 37,221 multimedia packages for public schools; and development, reproduction, and delivery of 948.8 million learning modules, including transistor radios, for learners who have limited or no access to internet.

SUCs and the CHED will receive PhP83.3 billion and PhP50.9 billion, respectively. PhP44.2 billion of the CHED's budget will fund the Universal Access to Quality Tertiary Education Program in 2021. TESDA will get PhP13.7 billion in 2021, to fund key programs such as Training for Work Scholarship Program (PhP3.6 billion) and Special Training for Employment Program (PhP1.5 billion). *(See page 69 for more details)*

***2. Department of Public Works and Highways (DPWH).*** Reflecting the government's focus on infrastructure as a key to economic recovery from the impacts of the pandemic, the DPWH will receive an allocation of PhP667.3 billion for 2021, 14.7 percent higher than the 2020 level of PhP581.7 billion. Of this amount, PhP300.6 billion will fund the agency's major programs, such as the Road Network Development Program (PhP124.6 billion), Flood Management Program (PhP101.6 billion), Asset Preservation Program (PhP47.8 billion), and Bridge Program (PhP26.6 billion). DPWH targets include the construction of 926.645 kilometers of roads; 30,739 lineal meters and 290,321 $m^2$ of constructed bridges; and 1,543 flood mitigation structures and drainage systems. *(See page 45 for more details)*

***3. Department of the Interior and Local Government (DILG).*** The DILG gets the third highest allocation, with a budget of PhP246.1 billion, slightly higher than the 2020 level of PhP241.6 billion. PhP190.8 billion of this total amount is for the operations of the Philippine National Police, PhP24.6 billion for the Bureau of Fire Protection, and PhP19.8 billion for the Bureau of Jail Management and Penology. *(See page 78 for more details)*

***4. Department of National Defense (DND).*** Tasked to protect the country's security, territorial integrity, and sovereignty,

**Table 5. Budget by Department, 2020-2021**
(in billion Pesos)

| Department | 2020 (GAA) | | 2021 (NEP) | | 2020-2021 | |
|---|---|---|---|---|---|---|
| | PhP | Rank | PhP | Rank | PhP | % Change |
| **Total National Budget** | **4,100.0** | - | **4,506.0** | - | **406.0** | **9.9** |
| **Top Ten Departments** | **2,227.4** | - | **2,487.4** | - | **260.1** | **11.7** |
| *% of National Budget* | *54.3* | - | *55.2* | - | - | - |
| *% of All Departments* | *91.2* | - | *92.1* | - | - | - |
| Education (DepEd, SUCs, CHED, and TESDA) | 692.6 | 1 | 754.4 | 1 | 61.8 | 8.9 |
| DPWH | 581.7 | 2 | 667.3 | 2 | 85.6 | 14.7 |
| DILG | 241.6 | 3 | 246.1 | 3 | 4.5 | 1.9 |
| DND | 192.1 | 4 | 209.1 | 4 | 17.0 | 8.8 |
| Health (DOH, PhilHealth) | 175.8 | 6 | 203.1 | 5 | 27.2 | 15.5 |
| DSWD | 164.0 | 5 | 171.2 | 6 | 7.2 | 4.4 |
| DOTr | 100.6 | 7 | 143.6 | 7 | 42.9 | 42.6 |
| DA | 64.7 | 8 | 66.4 | 8 | 1.7 | 2.6 |
| The Judiciary | 41.2 | 9 | 43.5 | 9 | 2.3 | 5.6 |
| DOLE | 17.9 | - | 27.5 | 10 | 9.6 | 53.7 |
| **Other Departments** | **215.0** | - | **213.3** | - | **(1.7)** | **(0.8)** |
| **Rest of National Budget** | **1,657.6** | - | **1,805.2** | - | **147.6** | **8.9** |

*Note: Figures may not add up due to rounding off.*

the DND will receive a budget of PhP209.1 billion in 2021, an increase of 8.8 percent from its 2020 budget of PhP192.1 billion. This includes the allocations for the Philippine Army (PhP96.9 billion), Philippine Air Force (PhP29.8 billion), and Philippine Navy (PhP31.2 billion). *(See page 78 for more details)*

***5. Health.*** To strengthen support for the country's universal health care agenda, especially in light of the COVID-19 pandemic, the Health Sector takes the fifth spot with a budget of PhP203.1 billion, 15.5 percent higher than its PhP175.8 billion allocation in 2020. Of this total, PhP131.7 billion is provided for the DOH and PhP71.4 billion for the Philippine Health Insurance Corporation. PhP47.7 billion will fund the Health Facilities Operations Program, while PhP28.6 billion will be provided for the purchase of drugs, medicines, and vaccines. PhP17.3 billion will be provided to assist indigent patients in government health facilities. Further, PhP16.6 billion will be used for the hiring of 26,035 health care workers under the Human Resources for Health Deployment Program. *(See page 37 for more details)*

***6. Department of Social Welfare and Development (DSWD).*** A total of PhP171.2 billion will be earmarked for the DSWD in 2021. This budget, which is 4.4 percent higher than its 2020 budget of PhP164.0 billion, includes the funding for *Pantawid Pamilyang Pilipino* Program or Conditional Cash Transfer Program (PhP113.8 billion), Social Pension for Indigent Senior Citizens (PhP23.2 billion), Sustainable Livelihood Program (PhP4.3 billion), and *Balik Probinsya, Bagong Pag-asa* Program (PhP2.2 billion), among others. *(See page 66 for more details)*

***7. Department of Transportation (DOTr).*** To ensure a fast, safe, efficient, and reliable transportation system, the government has increased the DOTr's budget by 42.6 percent, from the PhP100.6 billion in 2020 to PhP143.6 billion in 2021. The bulk of the transportation agency's budget, in the amount of PhP106.3 billion, will go to the Rail Transport Program, which include key infrastructure projects such as the North-South Commuter Railway System (PhP58.6 billion) and Metro Manila Subway Project Phase 1 (PhP34.6 billion), among others. *(See page 45 for more details)*

***8. Department of Agriculture (DA).*** The eighth spot goes to the DA with a proposed 2021 budget of PhP66.4 billion, a slight increase of 2.6 percent from last year's PhP64.7 billion. To strengthen food security and assure adequate food supply, the DA will allot PhP25.1 billion for its national programs for rice, high value crops, corn, livestock, and fisheries. PhP10.0 billion will be earmarked for the implementation of the Rice Competitiveness Enhancement Program, while another PhP10.0 billion will be reserved for the construction of 830 kilometers of farm-to-market roads nationwide to guarantee the unhampered transportation of agricultural products. *(See page 53 for more details)*

***9. The Judiciary.*** To improve access to swift and fair justice, the government will provide PhP43.5 billion for the Judiciary, a 5.6 percent increase from its PhP41.2 billion budget in 2020. Of this amount, PhP22.3 billion will go to the operations of the Supreme Court and 2,670 lower courts nationwide. A total of 60 Halls of Justice will also be constructed, completed, repaired, and/or rehabilitated in 2021. *(See page 73 for more details)*

***10. Department of Labor and Employment (DOLE).*** Entering the top ten agencies with the highest budgets for 2021 is the DOLE, with PhP27.5 billion – a hefty 53.7 increase from its 2020 budget of PhP17.9 billion. This amount will be mainly used to address the impacts of the pandemic on the services sector through the PhP11.1 billion fund for the Livelihood and Emergency Employment Program. Another PhP6.1 billion will also be set aside for the Emergency Repatriation Program for the provision of airport assistance, temporary shelter, psychosocial counseling, stress debriefing, and transport services/allowance to respective provinces of repatriated Overseas Filipino Workers (OFWs). This will also cover the estimated 88,000 OFWs to be repatriated in 2021 due to the COVID-19 pandemic. In addition, the PhP2.5 billion budget for the DOLE-*Abot Kamay ang Pagtulong (AKAP)* Program will provide financial assistance to 150,000 affected onsite OFWs and 100,000 repatriated OFWs (*Balik Manggagawa*). *(See page 59 for more details)*

**Special Purpose Funds**

Special Purpose Funds or SPFs are items in the National Budget that are allocated for specific purposes. Aside from being lump-sum in nature and having socioeconomic purposes, the specific recipients of these allocations are still unknown until the enactment of the General Appropriations Act.

There are currently two kinds of SPFs: (1) Disaggregated and (2) Lump-sum. Disaggregated SPFs are funds with specific details or purposes, including the intended programs/projects or recipient agencies. Lump-sum SPFs, on the other hand, are funds yet to be disaggregated and will only be used once certain conditions are met.

To increase budget accountability and transparency, the government is implementing measures to limit the number of SPFs, such as incorporating them into the budgets of NGAs. For 2021, the proposed total budget for SPFs is PhP1.805 trillion, representing 40.1 percent of the proposed National Budget. While this is 8.9 percent higher than the 2020 level of PhP1.658 trillion, the percentage increase from 2020 to 2021 is still lower than the 15.0 percent increase from 2019 to 2020.

**Disaggregated SPFs**

PhP429.8 billion, or 23.8 percent of the proposed budget for SPFs, will go to Disaggregated SPFs. This is composed of the following: Budgetary Support to Government Corporations (BSGC), Allocations to LGUs, Pension and Gratuity Fund (PGF), and Miscellaneous and Personnel Benefits Fund (MPBF).

Receiving the bulk of the Disaggregated SPFs is the PGF, with a proposed allocation of PhP172.9 billion in 2021. This is 48.8 percent higher than the 2020 budget of PhP116.2 billion. The PGF funds the pension, retirement and separation benefits, and monetization of leave credits of current and retired personnel of the government.

BSGC will get PhP157.5 billion to provide financial assistance to 49 government corporations. This can be in the form of equities, subsidies, loan proceeds, or net lending.

**Table 6. Budget by SPFs, 2020-2021**
(in billion Pesos)

| Special Purpose Funds | 2020 (GAA) | 2021 (NEP) |
|---|---|---|
| **Disaggregated SPFs** | **452.0** | **429.8** |
| Budgetary Support to Government Corporations | 197.7 | 157.5 |
| Allocation to LGUs | 69.7 | 70.1 |
| Share in the Proceeds of Taxes | 29.1 | 28.3 |
| Local Government Support Fund | 28.9 | 28.8 |
| Metropolitan Manila Development Authority | 4.8 | 4.4 |
| BARMM-Special Development Fund and Share in Taxes | 7.0 | 8.6 |
| Miscellaneous Personnel Benefits Fund | 56.6 | 29.3 |
| Pension and Gratuity Fund | 116.2 | 172.9 |
| **Lump-sum Funds** | **29.4** | **33.5** |
| National Disaster Risk Reduction and Management Fund | 16.0 | 20.0 |
| Contingent Fund | 13.0 | 13.0 |
| Allocation to LGUs | 0.4 | 0.5 |
| *Barangay* Officials Death Benefits Fund | 0.05 | 0.05 |
| Share in the Proceeds of Fire Code Fees | 0.4 | 0.5 |
| **Automatic Appropriations** | **1,188.0** | **1,341.9** |
| IRA (Disaggregated) | 648.9 | 695.5 |
| Tax Expenditure Fund (Lump-sum) | 14.5 | 14.5 |
| BARMM-Block Grant (Disaggregated) | 63.6 | 71.7 |
| Net Lending (Disaggregated) | 10.0 | 28.7 |
| Interest Payments (Lump-sum) | 451.0 | 531.5 |
| **Total SPFs** | **1,657.6** | **1,805.2** |

*Note: Figures may not add up due to rounding off.*

Allocation to LGUs is set at PhP70.1 billion. These are subsidies given to local governments and represent their legal shares in the national revenue collections. Of this amount, PhP28.3 billion represents Share in the Proceeds of Taxes; PhP28.8 billion is for the Local Government Support Fund; and PhP8.6 billion will fund the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) - Special Development Fund and Share in Taxes.

To fund the National Government's personnel-related expenditures, such as funds for the creation of new positions and filling of authorized positions, PhP29.3 billion is allotted for the MPBF. The decrease from the PhP56.6 billion budget in 2020 can be attributed to the transfer of the budget for Human Resources for Health Deployment Program back to the DOH.

**Lump-sum SPFs**

The other type of SPFs is the Lump-sum SPF, which for 2021, totals PhP33.5 billion. As these funds can only be used once specific conditions are met, the specific programs and projects under it can only be identified during the execution of the budget.

Lump-sum SPFs include the following: National Disaster Risk Reduction and Management Fund (PhP20.0 billion), Contingent Fund (PhP13.0 billion), *Barangay* Officials Death Benefits Fund (PhP50 million), and LGU Special Shares in the Proceeds of Fire Code Fees (PhP459 million).

**Automatic Appropriations**

The bulk of the proposed SPF budget goes to automatic appropriations, with PhP1,341.9 billion, 13.0 percent higher than the PhP1,188.0 billion budget in 2020. Automatic appropriations do not require the periodic action or legislation by the Congress as these are covered or authorized by enabling laws. SPFs under this are not included in the New General Appropriations, but included in the National Expenditures/ Budget for programming purposes; and can be classified as either disaggregated and lump-sum, too.

PhP695.5 billion goes to Internal Revenue Allotment, which covers 40 percent of the revenues earned by the government through taxes. Debt-Service Interest Payment will get PhP531.5 billion to cover the payment for the interest incurred by the National Government from its domestic and foreign borrowings. Other lump-sum funds under automatic appropriations consist of the following: block grant for the BARMM, PhP71.7 billion; Net Lending, PhP28.7 billion; and Tax Expenditure Fund, PhP14.5 billion.

## E. By Appropriation Source

The National Budget can also be presented by Appropriation Source. In this case, the items are classified under (1) New General Appropriations, which is enacted by the Congress annually; and (2) Automatic Appropriations, which fund programs already authorized under existing laws and therefore do not require legislation by the Congress.

**New General Appropriations**
The budget for Programmed New General Appropriations is PhP3,086.8 billion, or 68.5 percent of the total proposed 2021 National Budget, with its biggest share of PhP2,633.6 billion earmarked for the funding of programs, activities, and projects (PAPs) of various departments and agencies, and the remaining PhP453.2 billion allotted to Special Purpose Funds.

To ensure efficiency in spending, the New General Appropriations cover only PAPs that are ready for implementation within the fiscal year. Exempted from these are projects and programs that are multi-year in nature.

**Table 7. Sources of Appropriations for the National Budget, 2020-2021**
(in billion Pesos)

| Particulars | 2020 GAA | 2021 NEP | Increase/ (Decrease) | |
|---|---|---|---|---|
| | | | Amount | Growth (%) |
| Programmed New General Appropriations | 2,850.2 | 3,086.8 | 236.6 | 8.3 |
| Automatic Appropriations | 1,249.8 | 1,419.2 | 169.4 | 13.6 |
| **Total Expenditure Program** | **4,100.0** | **4,506.0** | **406.6** | **9.9** |

Meanwhile, PhP179.8 billion is allotted for the Unprogrammed Appropriations. These are standby appropriations released once the collections in any of the revenue sources exceed targets as identified in the Budget of Expenditures and Sources of Financing, or when foreign loans are received.

Among the expenditures listed under the Unprogrammed Appropriations are the Support to Foreign-Assisted Projects (FAPs), PhP43.6 billion; Budgetary Support to GOCCs-conversion of advances into subsidy, PhP28.0 billion; and Risk Management Program, PhP15.0 billion. A total of PhP136.2 billion of the total expenditure program will go to Unprogrammed Appropriations, an amount net of the PhP43.6 billion for FAPs. The substantial amount of standby appropriations under FAPs takes into account foreseen approval of foreign loans in FY 2021 related to the financing of priority infrastructure programs. These programs are deliberately excluded from the proposed programmed national expenditures as the loan agreements had been signed past the cut-off date in June 2020.

**Automatic Appropriations**
For 2021, Automatic Appropriations will amount to PhP1,419.2 billion or 31.5 percent of the proposed National Budget. This is 13.6 percent or PhP169.4 billion higher than the 2020 GAA, accounted for by the PhP80.6 billion increase in Debt Service-Interest Payment, which grew by 17.9 percent.

The biggest shares of the Automatic Appropriations are allotted to Internal Revenue Allotment, with PhP695.5 billion; Debt Service-Interest Payment, PhP531.5 billion; and the Bangsamoro Block Grant, PhP71.7 billion.

## F. By Region

Of the PhP4.506 trillion proposed 2021 National Budget, 71.0 percent, or PhP3,199.3 billion, constitutes the Regionalized Budget representing direct allocations to the 17 regions of the country.

**Table 8. Automatic Appropriations, 2020-2021**
(in billion Pesos)

| Particulars | 2020 GAA | 2021 NEP | Increase/(Decrease) | |
|---|---|---|---|---|
| | | | Amount (in billion Pesos) | Growth (%) |
| Internal Revenue Allotment | 648.9 | 695.5 | 46.6 | 7.2 |
| Debt Service-Interest Payment | 451.0 | 531.5 | 80.6 | 17.9 |
| Bangsamoro Block Grant | 63.6 | 71.7 | 8.0 | 12.6 |
| Retirement and Life Insurance Premiums | 49.3 | 56.2 | 6.9 | 14.0 |
| Net Lending | 10.0 | 28.7 | 18.7 | 187.0 |
| Tax Expenditure Fund | 14.5 | 14.5 | - | - |
| Special Accounts in the General Fund | 12.5 | 21.1 | 8.6 | 69.2 |
| Pension of Ex-Presidents/Spouses | <0.1 | <0.1 | - | - |
| **Total** | **1,249.8** | **1,419.2** | **169.4** | **13.6** |

Meanwhile, the remaining 29.0 percent, or PhP1,306.7 billion, comprises the Non-Regionalized Budget, which consists of Nationwide and Central Office allocations.

Under the Regionalized Budget, the National Capital Region (NCR) gets the lion's share with 28.5 percent, or PhP1,284.0 billion. This reflects the allocations covering the expenditures of various government agencies whose offices are located within the NCR (i.e., the Office of the President, and the Legislature) and also of offices that have regional representation and nationwide influence, but are without regional units (e.g., the Office of the Ombudsman).

**Table 9. 2021 National Budget, By Major Island Group**

| Particulars | 2021 Proposed (in billion Pesos) | Percent Share (%) | Per Capita Allocation (in Pesos) |
|---|---|---|---|
| Regionalized Budget | 3,199.3 | 71.0 | |
| NCR | 1,284.0 | 28.5 | 91,935 |
| Luzon | 902.3 | 20.0 | 18,373 |
| Visayas | 418.8 | 9.3 | 20,107 |
| Mindanao | 594.2 | 13.2 | 22,598 |
| Non-Regionalized Budget | 1,306.7 | 29.0 | - |
| Nationwide | 966.2 | 21.4 | - |
| Central Office | 340.5 | 7.6 | - |
| **Total** | **4,506.0** | **100.0** | - |

Luzon gets the second largest share, with 20.0 percent or PhP902.3 billion, followed by Mindanao with 13.2 percent or PhP594.2 billion, and Visayas with 9.3 percent or PhP418.8 billion.

In terms of per capita allocation, Mindanao has the highest share among the island groups, with PhP22,598 – larger by 12.4 percent than that of Visayas (PhP20,107) and by 23.0 percent than that of Luzon (PhP18,373). Excluding the NCR, the Cordillera Autonomous Region (CAR) gets the highest per capita share with PhP33,264, followed by the Autonomous Region of Muslim Mindanao (ARMM) with PhP30,062, and the CARAGA Administrative Region with PhP26,739.

The Non-Regionalized Budget, meanwhile, will allocate PhP966.2 billion under Nationwide Allocations. Nationwide Allocations consist of centrally-managed items and multi-user special purpose funds distributed to regional offices of departments and agencies during the budget execution period. These include, among others, the Allocation to Local Government Units (ALGU), Pension Gratuity Funds, and interest payments.

The remaining PhP340.5 billion from the Non-Regionalized Budget will go to Central Office Allocations. These refer to provisions overseen and utilized by the Head or Central Office of departments and agencies, an example of which is the Department of Health (DOH) and its Cancer and Drug Rehabilitation Centers.

**Table 10. 2021 National Budget, By Region**

| Region | 2021 Proposed (in billion Pesos) | Percent Share (%) | Per Capita Allocation (in Pesos) |
|---|---|---|---|
| CAR | 60.6 | 1.3 | 33,264 |
| Region I | 108.7 | 2.4 | 20,454 |
| Region II | 95.3 | 2.1 | 25,813 |
| Region III | 198.9 | 4.4 | 15,891 |
| NCR | 1,284.0 | 28.5 | 91,935 |
| Region IV-A | 220.2 | 4.9 | 11,827 |
| MIMAROPA | 81.3 | 1.8 | 21,885 |
| Region V | 137.3 | 3.0 | 22,169 |
| Region VI | 153.6 | 3.4 | 19,272 |
| Region VII | 144.7 | 3.2 | 17,967 |
| Region VIII | 120.5 | 2.7 | 25,081 |
| Region IX | 88.5 | 2.0 | 23,236 |
| Region X | 110.4 | 2.5 | 21,755 |
| Region XI | 106.9 | 2.4 | 19,896 |
| Region XII | 85.6 | 1.9 | 17,177 |
| CARAGA | 74.4 | 1.7 | 26,739 |
| ARMM | 128.4 | 2.8 | 30,062 |

## G. Intergovernmental Transfers to LGUs

Republic Act (R.A.) No. 7160 or the Local Government Code of 1991 instituted a decentralized system where the LGUs are given more power and authority to, as stated in Section 2a of the Code, "enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals." Under this system, the LGUs are expected to deliver basic social and economic services such as social welfare and community-based projects that would benefit their constituents.

Intergovernmental transfers to LGUs refer to the transfer of funds from the National Government to LGUs, to ensure that the latter deliver the products and services needed by their respective constituencies, in order to reduce resource and fund mobilization disparities. This commonly takes the form of Allocation to Local Government Units (ALGU), which is the total amount allocated to LGUs by the national government, corresponding to their legally mandated allocations. The proposed total ALGU for 2021 is PhP837.8 billion, or 18.6 percent of the proposed National Budget.

**Internal Revenue Allotment**

The automatically appropriated internal revenue allotment (IRA) is the provision of a 40 percent share of the national internal revenue taxes to help LGUs fulfill their functions and responsibilities, which includes the implementation of local development projects. As directed by the Local Government Code, every LGU is required to "appropriate no less than 20 percent of its annual IRA for development projects" (Section 287).

**Table 11. Allocation to Local Government Units, 2020-2021**
(in billion Pesos)

| Region | 2020 GAA | 2021 Proposed |
|---|---|---|
| Internal Revenue Allotment | 648.9 | 695.5 |
| Local Government Support Fund | 28.9 | 28.8 |
| Special Shares of LGUs in the Proceeds of National Taxes | 29.1 | 28.3 |
| Metropolitan Manila Development Authority | 4.8 | 4.4 |
| Bangsamoro Autonomous Region in Muslim Mindanao | 70.6 | 80.3 |
| Special Shares of LGUs in the Proceeds of Fire Code Feest | 0.4 | 0.5 |
| *Barangay* Officials Death Benefits | 0.05 | 0.05 |
| **Total** | **782.8** | **837.8** |

**Table 12. 2021 Share of LGUs in Internal Revenue Allotment**

| LGUs | No. of LGUs | % Allocation (as provided in R.A. No. 7160) | Total IRA Shares in 2021 (in billion Pesos) |
|---|---|---|---|
| Provinces | 82 | 23% | 160.0 |
| Cities | 146 | 23% | 160.0 |
| Municipalities | 1,488 | 34% | 236.5 |
| *Barangays* | 41,931 | 20% | 139.1 |
| **Total** | **43,647** | **100%** | **695.5** |

*Note: Figures may not add up due to rounding-off.*

The same law requires the IRA to be distributed in the following manner: 23 percent to provinces, 23 percent to cities, 34 percent to municipalities, and 20 percent to *barangays*, with the share of each province, city, and municipality determined by the following formula: 50 percent on the basis of population, 25 percent on the basis of land area, and 25 percent on the basis of equal sharing. Given these factors, the appropriation is determined on the basis of the 2015 Philippine Statistics Authority Census of Population, pursuant to Proclamation No. 1269 dated May 19, 2016; and the 2001 Master List of Land Area certified by the Land Management Bureau pursuant to Oversight Committee on Devolution Resolution No. 1, s. 2005 dated September 12, 2005.

With this, the IRA constitutes the largest share amounting to PhP695.5 billion or 83.0 percent of the proposed FY 2021 ALGU. This reflects a PhP46.6 billion increase from the 2020 allocation.

**Local Government Support Fund**
The LGUs are also provided additional subsidies referred to as the Local Government Support Fund (LGSF) to conduct programs and projects that would stimulate economic growth as well as improve the living conditions of their constituents through poverty alleviation. For 2021, the proposed budget for LSGF is PhP28.8 billion, of which PhP12.4 billion will be set aside for Financial Assistance to LGUs except for LGUs under the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM). This subsidy covers the construction, rehabilitation, repair, or improvement of community-based infrastructure such as but not limited to roads and bridges, public markets, public parks, sea and river walls, and fish ports; purchase of ambulance, trucks, or multicabs for community use; and street lighting or *barangay* electrification.

PhP16.4 billion, or 57.0 percent, of the LGSF is earmarked for the *Barangay* Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC). Every cleared *barangay* as certified by the NTF-ELCAC will be allocated an amount not exceeding PhP20 million, to be used for community-based socioeconomic projects such as farm-to-market roads, school buildings, health stations, and livelihood trainings; and assistance to indigent individuals or families in the forms of cash for work, food, educational, and medical assistance.

**Special Shares of LGUs in the Proceeds of National Taxes**
For 2021, the special shares of LGUs in the proceeds of National Taxes amount to PhP28.3 billion. These national taxes are as follows:

- Utilization and development of National Wealth within their territorial jurisdiction pursuant to Sections 289 to 294 of R.A. No. 7160;
- Excise tax on Virginia Tobacco cigarettes per R.A. No. 7171 (An Act to Promote the Development of Farmers in the Virginia Tobacco-Producing Provinces);
- Excise tax on burley and native tobacco products per R.A. No. 8240 (An Act Amending Sections 138, 139, 140, and 142 of the National Internal Revenue Code, as amended, and for Other Purposes), as amended by R.A. No. 10351 (Sin Tax Reform Law);
- Incremental Collections from Value Added Tax pursuant to R.A. No. 7643 (An Act to Empower the Commissioner of Internal Revenue to Require the Payment of the Value-Added Tax Every Month and to Allow LGUs to Share in the VAT Revenue, Amending for this Purpose Certain Sections of the National Internal Revenue Code) and R.A. No. 8424 (An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes);
- Value-Added Tax in lieu of Franchise Tax; and
- Gross Income Tax Paid by all Businesses and Enterprises within the Economic Zones.

Of the PhP28.3 billion share from the proceeds of national taxes, PhP17.3 billion, or 61.3 percent, will come from excise tax on Virginia Tobacco cigarettes; PhP6.3 billion, or 22.1 percent, comes from utilization and development of national wealth such as mining taxes and royalties from mineral reservations; and PhP3.9 billion, or 14.0 percent, from excise tax on burley and native tobacco products.

**Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)**
For 2021, the BARMM will receive PhP80.3 billion, a 13.7 percent increase from the 2020 allocation of PhP70.6 billion. PhP71.7 billion of this comes from the Annual Block Grant automatically appropriated in accordance with Sections 15 to 18, Article XII of R.A. No. 11054 or the Organic Law for Bangsamoro Autonomous Region in Muslim Mindanao as the BARMM's share in the internal revenue tax collections of the Bureau of Internal Revenue (BIR) and collections of the Bureau of Customs (BOC).

PhP5.0 billion of this fund is set aside as the BARMM's Special Development Fund, to support the rehabilitation and development of conflict-affected areas in the BARMM, still in compliance with Section 2, Article XIV of R.A. No. 11054. The remaining PhP3.6 billion, meanwhile, will be the Share in Taxes, Fees, and Charges Collected in the BARMM. As identified by Section 10 (a) and (b), Article XII of R.A. No. 11054, 25.0 percent of the share of taxes, fees, and charges collected in the BARMM shall pertain to the National Government, while 75.0 percent shall pertain to the Bangsamoro Government, inclusive of the shares of the constituent LGUs, provided that for the first ten (10) years from the effectivity of the aforementioned law, the 25.0 percent share of the National Government shall accrue to the Bangsamoro Government.

**Table 13. Allocation to Local Government Units (BARMM), 2020-2021**
(in billion Pesos)

| Particulars | 2020 GAA | 2021 Proposed |
|---|---|---|
| Annual Block Grant | 63.6 | 71.7 |
| Special Development Fund | 5.0 | 5.0 |
| Share in Taxes, Fees, and Charges Collected in the BARMM | 2.0 | 3.6 |
| **Total** | **70.6** | **80.3** |

**Metropolitan Manila Development Authority (MMDA)**
The MMDA, as the agency tasked with planning, monitoring, and coordinating metro-wide services and projects within Metro Manila, will be given an additional support amounting to PhP4.4 billion to fund its projects. This is on top of the PhP554.08 million the agency will receive under the IRA and the mandatory remittances of component LGUs, which will be appropriated to cover their operating requirements.

PhP2.5 billion from this allocation is for the Metropolitan Manila Solid Waste Management Program, to ensure ecologically safe and efficient waste disposal and management; to conduct information campaigns on solid waste management; and to divert solid waste as a result of LGU-based recycling activities.

Meanwhile, PhP440.44 million will be allocated to the Metropolitan Manila Traffic Management Program to ensure the safe and smooth flow of traffic in Metro Manila through the deployment of traffic constables at major intersections, efficient resolution of traffic obstructions, and ensuring the reliability of traffic management equipment such as CCTVs and traffic signal lights.

PhP1.6 billion will be allocated for the Metropolitan Manila Flood Control Program to ensure reliable flood mitigation through the declogging and desilting of waterways and drainage systems and ensuring the reliability of the Effective Flood Control Operation System and all of its components, as well as all pumping stations across the metro.

**Special Shares of LGUs in the Proceeds of Fire Code Fees**
To ensure that every LGU is equipped in times of emergency, the LGUs are also to receive special shares in the proceeds of fire code fees, as provided for in R.A. No. 9514 or the Revised Fire Code of the Philippines. With the release of this fund, guided by the DOF-DBM-DILG Joint Circular No. 2015-1 dated February 12, 2015, this allocation is for the LGU's continued operation and efficient maintenance of local fire stations. For 2021, the special shares of LGUs in the proceeds of fire code fees amount to PhP458.58 million.

***Barangay* Officials Death Benefits**
This allocation is to ensure the delivery of death benefits given to the *punong barangay*, regular and ex-officio members of the *Sangguniang Barangay*, indigenous people's representatives, *barangay* secretary and treasurer, who pass away during their term of office. For 2021, the allocation for this remains at PhP50 million, and will be released through the Department of the Interior and Local Government (DILG).

## H. Transfers to GOCCs

The National Government also provides support to government-owned and/or -controlled corporations (GOCCs) in the form of either subsidy or equity to support the implementation of specific government programs and projects.

For 2021, the proposed budgetary support for GOCCs (BSGC) amounts to PhP186.2 billion. This is 10.4 percent lower than the 2020 allocation of PhP207.7 billion due to the completion of the Unconditional Cash Transfer Program in FY 2020 and the completion of some projects, particularly that of the National Irrigation Administration.

The GOCCs with the highest BSGC in this year's proposed budget are the following:

- **Philippine Health Insurance Corporation (PHIC) - PhP71.4 billion**
  To fund the National Health Insurance Program, to which all Filipinos are automatically enrolled as stated in R.A. No. 11223 or the Universal Health Care Law
- **National Irrigation Administration (NIA) - PhP31.5 billion**
  For the implementation of the National Irrigation Systems and Communal Irrigation Systems prioritizing key production areas in major rice-producing provinces, among other projects
- **Power Sector Assets and Liabilities Management Corporation (PSALM) - PhP8.0 billion**
  To cover the payment of stranded contract costs and stranded debts transferred to and assumed by PSALM
- **National Food Authority (NFA) - PhP7.0 billion**
  For the implementation of the NFA's Buffer Stocking Program sourced solely from local rice farmers. This ensures sufficient rice buffer stock in times of calamities or shortfall in production.
- **Bases Conversion and Development Authority (BCDA) - PhP5.8 billion**
  For the implementation of the Infrastructure Development Program of BCDA
- **Philippine Fisheries Development Authority (PFDA) – PhP5.1 billion**
  For the construction, rehabilitation, and improvement of fish ports
- **Philippine Crop Insurance Corporation (PCIC) - PhP4.5 billion**
  For the full insurance premiums of subsistence farmers and fisherfolk to cover crops, livestock, fisheries, and non-crop agricultural assets
- **National Housing Authority (NHA) - PhP 2.0 billion**
  In support of the implementation of projects under the Lot Development and Provision of Housing and Community Facilities Sub-program in accordance with R.A. No. 7279 or the Urban Development and Housing Act of 1992 and R.A. No. 7835 or the Comprehensive and Integrated Shelter Financing Act of 1994
- **National Electrification Administration (NEA) - PhP1.8 billion**
  For the implementation of the National Rural Electrification Program
- **Philippine Heart Center (PHC) - PhP1.8 billion**
  To cover the PHC's Hospital Services Program

## I. Earmarked Revenues

Earmarking revenues involves setting aside all or a portion of the total revenues from a tax or group of taxes for a designated purpose or activity. This practice ensures that specific priority programs are adequately funded and protected from changes in government priorities and political bargaining.[1] On the downside, however, such practice may cause budget inflexibility.

For FY 2021, the projected earmarked revenues amount to PhP182.7 billion, slightly higher than the PhP172.3 billion earmarked revenues for 2020. Of this amount, 86 percent, or PhP157.4 billion, is projected to be utilized by various government entities, as indicated in Table 14.

The bulk of the earmarked revenues, amounting to PhP108.6 billion, will come from Use of Income in the General Fund, while the remaining PhP74.1 billion will be sourced from the Special Accounts in the General Fund (SAGF). The SAGF is the account in which incomes or collections from certain revenue measures and grants earmarked by a statute for a particular project or program are logged.

A big chunk of the earmarked funds will be used for regional development. For FY 2021, about PhP80.3 billion of the earmarked funds will go to the BARMM. This is 13.7 percent higher than the 2020 level of PhP70.6 billion. It includes the block grant for BARMM which is "equivalent to five (5) percent of the net national internal revenue tax collections of the Bureau of Internal Revenue and the net collection of the Bureau of Customs."[2] The said grant will be used by the Bangsamoro government in the performance of its functions and duties as stipulated in R.A. No. 11054.

Meanwhile, LGUs will get PhP28.3 billion in FY 2021, which represents their special shares from the collections of the Department of Energy, the Department of Environment and Natural Resources, and the Department of Finance-Bureau of Internal Revenue, as mandated by various laws such as R.A. No. 7160, or the Local Government Code of 1991. Said amount shall be used to fund local development and livelihood projects, among others.

To complement the government's infrastructure initiatives, collections from the Motor Vehicle User's Charge (MVUC) have been earmarked for "construction, upgrading, repair, and rehabilitation of roads, bridges, and road drainage to be included in the General Appropriations Act" as stipulated in Section 1 of R.A. No. 11239, or the Act Abolishing the Road Board and Providing for the Disposition of the Motor Vehicle User's Charge (MVUC) Collections, Amending for the Purpose Republic Act No. 8794, Entitled "An Act Imposing a Motor Vehicle User's Charge on Owners of all Types of Motor Vehicles and for Other Purposes."

All collections from the MVUC are remitted to the National Treasury under a special account in the general fund, constituted as the Special Road Fund. For 2021, about PhP15.6 billion is projected to be collected from MVUC, of which PhP15.2 billion is expected to be utilized by the Department of Public Works and Highways (DPWH). To monitor the use of the fund, R.A. No. 11239 provided for the creation of a Congressional Oversight Committee composed of five members from the House of Representatives and five senators.

In pursuit of the government's public financial management (PFM) reform measures to ensure efficient and effective utilization of funds, the government is advocating a sunset provision for the SAGFs.

## J. Off-Budget Accounts

Off-Budget Accounts (OBAs) refer to revenues generated by government agencies for expenditure items which are not part of the National Expenditure Program.

By law, some agencies are allowed to generate income from their operations and use them for specific expenditures. The receipts may be deposited in government financial institutions or authorized government depository banks, and are not part of the General Fund managed by the Bureau of the Treasury (BTr). However, the collection and use of these funds are still subject to the scrutiny of the Commission on Audit. They are categorized into: (1) retained income/receipts; (2) revolving funds; and (3) receipts from borrowings by the BTr.

Unlike the expenditure items in the General Fund where agencies target a 100 percent utilization, the OBA funds are not expected to be fully utilized by the agencies every year as some items or obligations in the OBA are programmed in the next fiscal year.

**Table 14. Earmarked Revenues, 2020-2021**
(in thousand Pesos)

| Department/Agency/Fund | 2020 Program | | 2021 Proposed | |
|---|---|---|---|---|
| | Receipt | Expenditure | Receipt | Expenditure |
| Use of Income, General Fund | 99,775,065 | 99,775,065 | 108,597,941 | 108,595,483 |
| Department of Science and Technology | 22,900 | 22,900 | 24,110 | 7,800 |
| Department of Social Welfare and Development | 24,760 | 24,760 | 20,651 | 34,503 |
| Bangsamoro Autonomous Region in Muslim Mindanao | 70,634,076 | 70,634,076 | 80,283,347 | 80,283,347 |
| Local Government Units | 29,093,329 | 29,093,329 | 28,269,833 | 28,269,833 |
| Special Accounts in the General Fund | 72,476,499 | 72,476,499 | 74,087,666 | 48,757,469 |
| Department of Agrarian Reform | 2,357 | 2,357 | 3,536 | 2,357 |
| Department of Agriculture | 2,679,015 | 2,679,015 | 2,688,375 | 1,964,120 |
| Department of Education | - | - | - | 64,177 |
| Department of Energy | 29,158,713 | 29,158,713 | 28,578,711 | 2,809,263 |
| Department of Environment and Natural Resources | 329,750 | 329,750 | 353,637 | 178,977 |
| Department of Finance | 1,769,467 | 1,769,467 | 1,847,788 | 664,220 |
| Department of Health | 643,782 | 643,782 | 749,171 | 638,195 |
| Department of Information and Communications Technology | 2,693,134 | 2,693,134 | 2,827,791 | 2,725,461 |
| Department of the Interior and Local Government | 1,807,585 | 1,807,585 | 1,907,038 | 1,000,000 |
| Department of Justice | 1,068,540 | 1,068,540 | 1,120,724 | 584,009 |
| Department of Labor and Employment | 352,892 | 352,892 | 370,517 | 163,495 |
| Department of National Defense | 2,445,816 | 2,445,816 | 2,307,294 | 18,371,324 |
| Department of Public Works and Highways | 15,102,512 | 15,102,512 | 15,555,587 | 15,192,000 |
| Department of Tourism | 14,875 | 14,875 | 15,322 | 4,578 |
| Department of Trade and Industry | 7,483 | 7,483 | 7,633 | 23,421 |
| Department of Transportation | 1,271,018 | 1,271,018 | 1,307,699 | 213,180 |
| National Economic and Development Authority | 8,500 | 8,500 | 10,100 | 8,200 |
| Other Executive Offices | 3,111,961 | 3,111,961 | 3,792,336 | 1,974,887 |
| Budgetary Support to Government Corporations | 10,009,099 | 10,009,099 | 10,644,407 | 2,175,605 |
| Total | 172,251,564 | 172,251,564 | 182,685,607 | 157,352,952 |

*Source: 2021 BESF, Table B.15*
*Note: Figures may not add up due to rounding off.*

The government expects to collect PhP106.4 billion in total revenues from OBAs in 2021, 5.9 percent higher than the programmed receipts of PhP100.5 billion in 2020. Of the expected off-budget revenues in 2021, PhP104.5 billion or 98.2 percent is to be used for various expenditures. More than half of these revenues are expected to come mainly from the SUCs (PhP27.67 billion), the DOH (PhP27.22 billion), the DPWH (PhP9.96 billion), and the Judiciary (PhP9.95 billion).

**Table 15. Off-Budget Accounts, 2020-2021**
(in thousand Pesos)

| Particulars | Cash Balance as of 31 Dec 2019* | 2020 Program | | 2021 Proposed | |
|---|---|---|---|---|---|
| | | Receipt | Expenditure | Receipt | Expenditure |
| Department of Agriculture | 2,163,394 | 556,961 | 1,298,940 | 577,656 | 677,375 |
| Department of Education | 3,891,416 | 944,706 | 746,417 | 992,555 | 799,708 |
| State Universities and Colleges | 33,697,165 | 26,636,308 | 27,949,410 | 27,668,684 | 27,405,345 |
| Department of Energy | 7,012,830 | 7,413 | 977 | 8,414 | 896 |
| Department of Environment and Natural Resources | 481,162 | 218,657 | 166,063 | 243,035 | 217,461 |
| Department of Finance | 4,566,781 | 1,925,259 | 2,928,192 | 3,517,773 | 3,699,749 |
| Department of Foreign Affairs | 606,921 | 576,886 | 694,835 | 588,424 | 578,180 |
| Department of Health | 10,542,425 | 24,845,105 | 24,578,539 | 27,221,734 | 26,850,034 |
| Department of the Interior and Local Government | 1,438,940 | 1,953,736 | 1,880,051 | 1,994,131 | 1,914,487 |
| Department of Justice | 5,257,723 | 3,260,406 | 2,555,208 | 3,436,466 | 2,683,576 |
| Department of Labor and Employment | 6,986,170 | 4,866,559 | 3,935,147 | 4,858,480 | 4,241,485 |
| Department of National Defense | 3,330,249 | 1,453,296 | 1,861,274 | 2,149,994 | 1,966,719 |
| Department of Public Works and Highways | 33,669,496 | 10,233,003 | 5,765,577 | 9,955,974 | 3,484,937 |
| Department of Science and Technology | 1,126,506 | 1,316,476 | 1,547,581 | 1,318,115 | 1,185,845 |
| Department of Social Welfare and Development | 492,709 | 28,535 | 257,186 | 8,000 | 8,000 |
| Department of Tourism | 552,163 | 279,332 | 283,657 | 290,940 | 295,265 |
| Department of Trade and Industry | 2,775,896 | 1,875,325 | 2,083,142 | 1,919,391 | 1,916,084 |
| Department of Transportation | 1,364,433 | 5,543,346 | 5,512,674 | 4,038,695 | 4,061,962 |
| National Economic and Development Authority | 2,280,944 | 1,451,147 | 213,833 | 2,004,672 | 287,563 |
| Presidential Communications Operations Office | 732,668 | 961,732 | 857,971 | 1,152,084 | 1,020,985 |
| Other Executive Offices | 2,759,769 | 1,827,045 | 1,840,439 | 1,827,555 | 1,816,375 |
| The Judiciary | 20,618,701 | 9,431,009 | 9,912,639 | 9,946,200 | 18,768,284 |
| Civil Service Commission | 27,983 | 20,105 | 14,064 | 11,370 | 9,135 |
| Commission on Audit | 1,146,762 | 161,624 | 104,667 | 298,645 | 220,749 |
| Commission on Election | -- | 72,571 | 44,484 | 79,827 | 48,932 |
| Office of the Ombudsman | 6,518 | 6,500 | 0 | 6,500 | 0 |
| Metropolitan Manila Development Authority | 572,355 | 16,055 | 16,055 | 293,590 | 293,590 |
| **Total** | **148,103,658**** | **100,469,096** | **97,049,022** | **106,408,903** | **104,452,721** |

**Cash Balance as of Dec 31, 2019 shall be equivalent to the Cash Balance as of Dec 31, 2018 plus 2019 Actual Receipt minus 2019 Actual Expenditure*
*** Total includes DBM's cash balance of PhP1,579,000*

Pursuant to Section 4 of R.A. No. 8292, or the Higher Education Modernization Act of 1997, SUCs are allowed to retain their income "from tuition fees and other charges, as well as from the operation of auxiliary services and land grants." These "may be disbursed by the Board of Regents/Trustees for instruction, research, extension or other programs/projects of the university or college." SUCS are allowed to fully utilize their income subject to the CHED Memorandum Order No. 20 series of 2011 which provides the policies and guidelines for the use of income, special trust fund and programs of receipts and expenditures of the SUCs. For 2021, SUCs are seen to utilize most of their off-budget revenue generated from tuition fees, collection from students, and other sources for the payment of salaries, MOOE, and CO.

Likewise, the DOH, which has an estimated off-budget revenue of PhP27.2 billion in 2021, expects to utilize 98.6 percent of its off-budget funds for the purchase of drugs and medicine supplies, and augmentation of its MOOE and CO. The bulk of its expenditures, amounting to PhP21.5 billion, will be used to augment the MOOE and CO of hospitals and other health facilities to ensure the delivery of people-centered quality health care services, as well as the safety of patients and health workers in line with the Universal Health Care goals.

The DPWH projects a revenue of PhP9.9 billion for 2021, which will be sourced from its income on the Employees' Quarters Seminar fee, bid documents, and receipts of fund for implementation of projects. It will spend PhP3.5 billion of its revenues for the repair, maintenance, supplies, and utilities of its quarters, as well as for the payment of Bids and Awards Committee (BAC) honoraria, among others.

The Judiciary, on the other hand, has an estimated off-budget revenue of PhP9.9 billion. It expects to spend more than its income for 2021 due mainly to the refund of bail bonds estimated at PhP15.7 billion, up from just PhP6.9 billion programmed in 2020.

**Endnotes:**

[1/] Diokno, B. (2012, October 4). *Earmarking of State Revenue is Overrated*. BusinessWorld. Retrieved from https://www.bworldonline.com/content.php?section=Opinion&title=earmarking-of-state-revenue-is-overrated&id=59473.

[2/] An Act Providing for the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao, Repealing for the Purpose Republic Act No. 6734, Entitled "An Act Providing for An Organic Act for the Autonomous Region in Muslim Mindanao," As Amended by Republic Act No. 9054, Entitled "An Act to Strengthen and Expand the Organic Act for the Autonomous Region in Muslim Mindanao," Republic Act No. 11054. S. 16.

# IV. EXPENDITURE PRIORITIES

## A. RESET: RECOVERING FROM THE PANDEMIC

The year 2020 marked the world being hard-hit by the COVID-19 pandemic, which has resulted in the loss of many lives. Towards the end of the first quarter of the year, many countries resorted to implementing lockdowns to mitigate the spread of the virus. The world faced multiple crises - a health crisis due to the outbreak, and a financial crisis due to businesses being forced to close by lockdown rules, and the collapse of commodity prices. What is worse is that these problems interact in many different ways.

As of September 2020, data from the Department of Health (DOH) showed that the number of confirmed COVID-19 cases in the country had breached the 300,000 mark, with more cases reported day to day albeit at a decreasing rate. Most of the cases remain concentrated in highly dense and urbanized regions, such as the National Capital Region, CALABARZON, and Central Visayas, since the virus is yet to be fully contained in these areas.[1]

This global health crisis has prevented many fundamental socioeconomic and cultural activities from returning back to normal or to pre-pandemic levels. This also threatens to hold back, if not reverse, any progress achieved during the first three years of the Duterte Administration.

Since the country identified its first COVID-19 case on January 30, 2020, the national government has been carefully monitoring and evaluating the situation to ensure an effective and efficient COVID-19 response. Its main goal is to effectively slow down the spread of the virus without compromising the country's vulnerable health care system. Hence, various containment and mitigation measures, such as wide-scale community quarantines in major regions, were implemented soon after confirming local transmission on March 7, 2020.[2] The government also suspended international and local flights, restricted mass gatherings, and suspended physical classes.

Moving forward, the national government will continue to sustain and improve its pandemic response policies, which will be guided by lessons from initial experiences and by advice from international partners, particularly on the medical and economic aspects of responding to the pandemic.[3] It remains relentless in its mission to control the spread of the virus, recover from its impact, and reverse the damage by ensuring the upward momentum of economic growth and development while building a safe and high-trust society for every Filipino. In line with this, the Duterte Administration has committed itself to a multi-sectoral approach in responding to the health crisis by convening the Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID). The main objective of the IATF-EID is to tighten agency coordination and improve flexibility to respond, while employing COVID-19 response measures pursuant to Republic Act (R.A.) No. 11494, or the *Bayanihan* to Recover as One Act, and R.A. No. 11469, or the *Bayanihan* to Heal as One Act.

President Duterte, meanwhile, in his fifth State of the Nation Address in July 2020, has taken command, declaring COVID-19 as the number one problem confronting the country and asking for further cooperation and patience from Filipinos as the Administration vows to resolve the crisis as soon as possible.[4]

Accordingly, efforts led by the DOH and the IATF-EID to enforce health protocols while continuing to improve expanded targeted testing capacities are now paying off. In fact, there are currently about 108 COVID-19 testing laboratories in operation, nearly 4 million samples tested, and a declining trend in the positivity rate, providing probable basis for a flattening of the curve.[5] Moreover, an estimated 1.3-3.5 million COVID-19 infections have reportedly been avoided as a result of urgent and competent government action to ramp up testing capabilities.[6]

The national government is now geared to achieve testing coverage for 2-3 percent of the population by September 2020. However, this does not eliminate the fact that the unprecedented global health crisis exacted a heavy toll on the Philippine economy, as it did with the rest of the world. In the second quarter of 2020, GDP growth took a nosedive, dropping by 16.5 percent, its steepest fall since 1985.[7] But the second quarter 2020 recession was anticipated and is in fact the backdrop of the proposed 2021 National Budget. Related to this, the DBCC projected that the Philippine economy will contract by 4.5 to 6.6 percent in 2020. Correspondingly, unemployment rate has soared to 10.0 percent, compared to 5.4 percent in the same period in 2019. However, this is a substantial improvement from the unemployment rate in the previous quarter, which was recorded at 17.7 percent in April 2020.[8]

Given the proper perspective and focus in resetting policies that are centered on health programs and on the maintenance of strong economic fundamentals for recovery, the government is confident in getting the country back on track, boosting economic recovery, and achieving the previously set optimistic targets.

Nevertheless, uncertainties remain in overcoming this global health crisis, which will result in problems and complications in other sectors. Even as the country successfully curbs the spread of the virus with comprehensive test, trace, isolate, and treat mechanisms in place, it needs to acknowledge that the severe impacts of the pandemic will persist beyond the next months or years. In fact, at the beginning of the pandemic, the World Health Organization (WHO) warned that COVID-19 may not be totally eradicated even when a vaccine has been developed, and could continue to alter our way of life.[9]

The proposed 2021 National Budget is cognizant of this, and therefore allocates some PhP212.4 billion to the Health sector to craft and implement a relevant, efficient, and effective COVID-19 response that will not compromise the vulnerability of the health care system. Thus, some PhP31.4 billion under the Health sector is explicitly intended for funding new health programs on COVID-19 response. This is reflected in the government's clear policy shift towards prioritizing government programs that address the issues of health care and support measures to help the country reset, rebound, and recover from the COVID-19 pandemic.

## HEALTH: *Upgrading the Curative Aspect of Health and Ramping Up the Promotion of Health Care*

Since its enactment in February 2019, the landmark legislation R.A. No. 11223 or the Universal Health Care (UHC) Act remains to be the most optimal guiding framework in providing all Filipinos, especially the most vulnerable, with adequate health care services that would enable them to be both healthy and productive citizens of the country. The government will continue to uphold the basic tenets of this law, specifically the adoption of a whole-of-system approach in the entire policy process, people-oriented and flexible delivery of services, and a health care model that provides various quality health services without the financial burden on the public. Moreover, there will be greater emphasis on the curative aspect of health to better deal with the aftermath of the national health crisis.

The programs funded in the proposed National Budget also heed the lessons from past crisis planning and spending practices, undertaken at the outbreak of COVID-19 and acknowledged in the *Bayanihan* to Heal as One Act and its subsequent reformulated emergency policy, the *Bayanihan* to Recover as One Act. Notably, the decisive and timely budget realignment during this crucial period alleviated or cushioned the impact of the health crisis. Dr. Rabindra Abeyasinghe, the WHO representative to the Philippines, in particular lauded the country's progress in testing and in improving clinical capacity to achieve the lowest case mortality rate in the region.[10]

**Increasing Medical Infrastructure**

The COVID-19 pandemic shed light on the actual state of the country's health care system, particularly on its ability to meet the increasing demand for medical and health services brought by the onslaught of the COVID-19 pandemic.

Access to comprehensive, quality health care services is important for promoting and maintaining health, preventing and managing disease, and achieving health equity for all Filipinos. However, it remains to be a global concern since about 400 million people worldwide have no access to essential health care services based

**Table 1. Budget and Major Programs in the Health Sector, 2020 - 2021**
(in billion Pesos)

| Agencies | 2020 GAA | 2021 NEP |
|---|---|---|
| **Health Sector** | 185.5 | 212.4 |
| **Department of Health** | 100.6 | 131.7 |
| Health Facilities Operations Program | 42.0 | 47.7 |
| Public Health Program | 19.3 | 27.7 |
| Health Systems Strengthening Program | 17.5 | 22.0 |
| Social and Health Protection Program | 10.5 | 17.3 |
| Health Regulatory Program | 0.9 | 0.9 |
| Health Emergency Management Program | 0.8 | 0.8 |
| Health Policy and Standards Development Program | 0.3 | 0.3 |
| Epidemiology and Surveillance Program | 0.1 | 0.1 |
| **Philippine Health Insurance Corporation,** *of which:* | | |
| National Health Insurance Program | 71.4 | 71.4 |
| **National Nutrition Council,** *of which:* | | |
| National Nutrition Management Program | 0.4 | 0.5 |
| **Department of Science and Technology,** *of which:* | 1.2 | 1.3 |
| Food and Nutrition Research Institute | 0.4 | 0.5 |
| Philippine Council for Health Research and Development | 0.6 | 0.7 |

*Note: Figures may not add up due to rounding off.*

**Table 3. Health Programs on Combating COVID-19**
(in billion Pesos)

| Particulars | 2020 | | 2021 NEP |
|---|---|---|---|
| | GAA | Adjusted | |
| **Programs:** | | | |
| National Health Insurance Program (NHIP)(PHIC) | 71.4 | 71.4 | 71.4 |
| Assistance to Indigent Patients (DOH) | 10.5 | 10.5 | 17.3 |
| Human Resources for Health (HRH) Program (DOH) | 10.0 | 11.7 | 16.6 |
| Family Health, Immunization, Nutrition, and Responsible Parenting (DOH) | 9.6 | 9.6 | 12.2 |
| Health Facilities Enhancement Program (HFEP) (DOH) | 8.4 | 12.9 | 11.6* |
| COVID-19 Surveillance (DOH) | | 0.01 | 0.5 |
| **Provision for:** | | | |
| Personal Protective Equipment (PPE) (DOH) | - | - | 2.7 |
| COVID-19 Vaccine (DOH) | - | - | 2.5 |
| RT-PCR Cartridges | - | - | 1.0 |
| **Foreign-assisted Projects:** | | | |
| ADB Health Systems Enhancement to Address and Limit (HEAL) COVID-19 | - | - | 4.2 |
| WB COVID-19 Emergency Response Project | - | - | 1.1 |

**The amount of PhP11.6 billion for FY 2021 is inclusive of PhP5.5 billion unprogrammed appropriation for the construction of primary care facilities.*

on the report of the WHO and the World Bank (WHO, 2015). They also reported that six (6) percent of the total population in low- and middle-income countries are pushed into or further into poverty because of catastrophic health spending.[11]

Seeking to directly address this disparity, the proposed 2021 National Budget will allocate a total of PhP11.6 billion for the Health Facilities Enhancement Program (HFEP). The HFEP is one of the banner programs of the Administration which aim to improve the delivery of essential and quality health care services to the people through the upgrading of health facilities and the training of health professionals.

Of the PhP11.6 billion program, PhP4.7 billion will be placed under the DOH's regular agency budget for the construction of laboratory and hospital spaces and the purchase of medical equipment and motor vehicles, among other necessities in the medical field. On top of this, another PhP5.5 billion is lodged under Unprogrammed Appropriations for the construction of primary health facilities, once excess revenues or approved loans for foreign-assisted projects are available.

In addition to this, there are foreign-assisted projects funded by the ADB (PhP 910 million) and the World Bank (PhP480 Million) for the construction of isolation and quarantine facilities in the country. This is part of the Official Development Assistance (ODA) of the ADB and World Bank.[12]

To ensure the safety of the country's health workers, PhP2.7 billion will be set aside to procure two (2) million sets of personal protective equipment (PPE) for hospitals, laboratories, and regional swab centers. An additional PhP1.0 billion will be appropriated for the procurement of RT-PCR cartridges to be used for the fast and accurate testing of COVID-19 cases. Moreover, a total of PhP5.3 billion from the ODA of the Asian Development Bank (PhP4.21 billion) and the World Bank (PhP1.05 billion) will supplement the budget allocations for the purchase of PPE sets, medical equipment, medicines, and isolation tents as well as for the construction of COVID-19 isolation and quarantine facilities, among others.[13]

As the President pledged, the government will fast-track the procurement of the COVID-19 vaccine, once available, to guarantee mass immunization and in turn effectively curb the spread of the virus. Accordingly, an initial PhP2.5 billion is allotted for the vaccination of 3.9 million individuals. In addition, PhP66 million will be given to the Department of Science and Technology (DOST) to support the country's participation in the international solidarity clinical trials of the COVID-19 vaccine, sponsored by the WHO in 2021.

Funding support will also be provided for the expansion of the country's medical supplies inventory and the stockpile of consumable and disposable goods such as drugs and medicines, including routine medical and dental supplies for distribution. A budget of PhP28.6 billion is thus earmarked for the purchase and allocation of drugs, medicines, and vaccines. Of this amount, 80 percent will be allocated to provinces with the highest incidence of diseases.

**Funding and Maintaining Operations**

In addition to expanding and improving the capacity of the health care system, adequate support will be provided to sustain both existing and future operations of government hospitals and health facilities. Hence, some PhP3.8 billion will be allotted for Public Health Management while PhP353 million will be set

**Table 3. Regional Allocation for the Health Facilities Operations Program**
(in thousand Pesos)

| Region | DOH Hospitals and Other Health Facilities | Dangerous Drug Abuse Treatment and Rehabilitation Centers | Blood Centers and National Voluntary Blood Services | National Research Laboratories |
|---|---|---|---|---|
| CAR | 2,014,875 | 4,428 | - | - |
| I | 2,567,905 | 112,094 | 3,183 | - |
| II | 2,540,953 | 65,236 | 3,183 | - |
| III | 3,366,953 | 146,603 | 3,183 | - |
| NCR* | 15,114,095 | 278,700 | 252,276 | 289,330 |
| IV-A | 1,361,924 | 108,605 | - | - |
| MIMAROPA | 569,816 | - | - | - |
| V | 2,196,302 | 140,265 | 5,090 | - |
| VI | 2,261,906 | 60,356 | - | - |
| VII | 4,957,524 | 142,027 | 6,702 | - |
| VIII | 1,249,737 | 68,584 | 1,833 | - |
| IX | 2,320,033 | 8,409 | 1,832 | - |
| X | 2,691,070 | 93,487 | 1,832 | - |
| XI | 3,993,714 | 13,041 | 6,702 | - |
| XII | 972,979 | 13,042 | 1,833 | - |
| CARAGA | 652,779 | 82,673 | - | - |
| **TOTAL** | **48,832,565** | **1,337,550** | **287,649** | **289,330** |

**Includes Central Office allocations*
*Note: Figures are inclusive of automatic appropriations.*

aside for Local Health Systems Development and Assistance, all of which will be distributed to centers for health and development across the country.

The Philippine General Hospital (PGH) under the University of the Philippines System (UP) and the various government hospitals under the DOH are the first responders during the national health crisis. In view of their crucial role in the pandemic response and anticipating the continuing challenges they will have to deal with in the coming months, full support will be provided for these institutions.

The UP-PGH, as the country's premier COVID-19 referral hospital, targets a 1:31 doctor-to-bed ratio and a bed occupancy rate of 81 percent by 2021. To help achieve this goal, the hospital will receive PhP6.0 billion to sustain its day-to-day operations. In addition, some PhP500 million is provided for medical assistance for indigent patients of the UP-PGH, along with PhP30 million to advance research development and training.

Meanwhile, a total of PhP48.8 billion will be allotted for the DOH hospitals and other health facilities. Of this amount, 30.9 percent or PhP15.1 billion will be allocated for Metro Manila-based hospitals, while the remaining 69.1 percent or PhP33.7 billion is for regional hospitals and other health facilities. In addition to this, PhP287 million will be provided for the National Voluntary Blood Services Program, which aims to create public consciousness on the importance of blood donation in saving the lives of millions of Filipinos.

Aside from the funding oriented primarily for facilities identified for treatment of COVID-19, the government ensures improved access to creative and rehabilitative health care services under the post-pandemic life by earmarking adequate funds for other public health facilities. PhP1.3 billion is set aside for drug abuse treatment and rehabilitation centers, which are integral to the Administration's campaign against illegal drug use.

As regards preventive health services, some PhP6.0 billion is earmarked for the Prevention and Control of Communicable Diseases. In addition, PhP12.2 billion is allotted for the Family Health, Immunization, Nutrition, and Responsible Parenting Program to protect Filipinos from potential future outbreaks and capacitate them to handle different health situations.

To supplement the resources to ensure a more efficient pandemic response, some foreign-assisted programs have been launched. These include the Health System Enhancement to Address and Limit (HEAL) COVID-19, which will be supported with PhP4.2 billion, and another PhP1.0 billion for the Philippines COVID-19 Emergency Response Project (ERP) (Loan No. 9105-PH).

Funding support will also be provided to ensure emergency preparedness, in times when there is a need to absorb sudden demand and supply shocks in the health care system during crises. Hence, PhP283 million will be allocated to government health centers. In addition, PhP500 million will be set aside as a Quick Response Fund under the DOH central office, which can be utilized for the following: (1) rehabilitation and repair of health facilities; (2) replacement of medical equipment; and (3) emergency medical assistance in the event of disasters or calamities to prevent paralyzation of the health care system.

Through these programs, the government aims to avoid stockouts in 70 percent of public health facilities, while targeting to provide technical assistance to all LGUs and health partners in their respective public health programs. The government also targets to institutionalize the adoption of a Disaster Risk Reduction Management - Health Plan in 40 percent of LGUs and to fully immunize 95 percent of children against common diseases by 2021.

**Improving Human Resources for Health**

To further improve and strengthen the country's health care capacity in responding to the pandemic, it is also important that the system is equipped with adequate health care professionals and personnel especially during the current global health crisis. Proper compensation will provide an incentive for these workers to seek employment domestically, particularly in government hospitals, thus ensuring adequate supply of human resources for health and raising the quality of service and access for more Filipinos under the health care system.

To ensure that health care professionals and personnel are properly compensated amid the pandemic, about PhP27.5 billion will be set aside to fund the compensation of regular and contractual medical frontliners, and PhP15.8 billion will be earmarked for non-permanent positions in the DOH.

Consistent with the major policy direction of providing quality health care services to all, the Human Resources for Health (HRH) Program is designed to deploy, among others, physicians, nurses, and midwives to unserved and underserved areas in the country. This program will also help in efficiently deploying health personnel to different health facilities during emergencies. The health care workers will be deployed primarily to 4$^{th}$ to 6$^{th}$ class municipalities or the identified Conditional Cash Transfer (CCT) areas. Other target sectors and areas include *barangays* without health workers, Indigenous People (IP) communities, Geographically Isolated and Disadvantaged Areas (GIDAs), and areas with high poverty incidence as identified by latest official poverty statistics of the Philippine Statistics Authority (PSA).

The HRH Program is allotted PhP16.6 billion, reflecting a 42 percent increase from the 2020 adjusted appropriations. Of this amount, a total of PhP15.7 billion is allotted for salaries and allowances of health care workers, and PhP842 million for medical scholarship programs. The HRH Program is in line with the commitment of the Duterte Administration to honor and fight for Filipino health care workers who are recognized as heroes in the battle against the COVID-19 pandemic. The government aims to hire around 26,035 more health care workers and have 17 HRH personnel for every 10,000 of the population to effectively combat the effects of the pandemic.

**Supporting the National Health Insurance Program**

The centerpiece policy of ensuring a comprehensive and robust health care system is the UHC Act, which guarantees support for full and universal access to health care in order to maintain the health and productivity of all citizens. Accordingly, PhP71.4 billion will be allotted under the Philippine Health Insurance Corporation (PhilHealth) to subsidize the health insurance premiums of 13.22 million indigent families identified through the national household targeting system of the DSWD and 7.30 million senior citizens pursuant to R.A. No. 10645.

Those primarily targeted by the PhilHealth include indigents, senior citizens, unemployed persons with disability, and financially incapable point-of-service patients identified by the DOH. On top of health insurance coverage, PhP17.3 billion is also allotted for the DOH under its Medical Assistance to Indigent Patients Program to enable poor Filipinos to avail medical services in government health facilities. This amount reflects a 64.8 percent increase from the previous year.

Also, an appropriation of PhP61.2 million is set aside for the health insurance premiums of beneficiaries under the *PAyapa at MAsaganang PamayaNAn* (*PAMANA*) Program, with the DOH, the PhilHealth, and the Office of the Presidential Adviser on the Peace Process (OPAPP) ensuring that there will be no duplication of beneficiaries and contributors on the enrollment list to ensure the efficiency and adequacy of the health benefit.

From a baseline of 91 percent, the goal is to have all Filipinos registered, and therefore covered by the National Health Insurance Program. Specifically, the target of the PhilHealth is to provide insurance to a total of 13.22 million indigents and 7.3 million senior citizens. On the part of the DOH, it aims to shoulder 1.5 million patients under its Medical Assistance to Indigent Patients Program, covering 100 percent of excess net bill incurred by poor in-patients admitted in basic accommodation or service ward.

**Investing in Medical Research and Development**

Since the COVID-19 pandemic, it has been well recognized that research and development should be supported to encourage new technology breakthroughs and to elevate the caliber of health services as a whole. In this regard, the DOH will be provided PhP173.1 million for health sector research and development, while PhP289.3 million will be allotted to fund national reference laboratories conducting medical data analysis for scientific policy decisions and assessments. At the same time, the DOST has been allocated PhP283.4 million to establish the Virology Science and Technology Institute of the Philippines (VIP). The VIP will be the lead institution for research and development activities regarding viruses, diseases, and their corresponding appropriate cure and prevention.

With a renewed drive for medical research, the DOH aims to publish at least 16 policy briefs based on locally-based research in which 85 percent will be assessed and adopted, and thus contribute to the development of stronger health policy and standards across the country. On top of all these initiatives and efforts to improve the national health care system, the DOH will further receive PhP70 million for its Solidarity Trial for COVID-19 Treatment in cooperation with other partner countries in the WHO. These clinical trials aim at finding an effective and reproducible treatment and prevention vaccine against COVID-19. Along with more than 100 countries participating in the Solidarity Trial, the DOH will conduct trials in at least twenty (20) hospitals. To ensure the capability of facilities and services during the trial, all activities under the Solidarity Trial must be conducted in Level 3 hospitals as categorized by the DOH's Health Facilities and Services Review Board.[14]

## NUTRITION: *Providing Proper Nutrition for All*

Adequate health care and proper nutrition are vital components for the country's growth and development. However, over the past decades, the country has faced several constraints in providing access to nutritious food. In order to address these long-standing challenges, the Duterte Administration passed R.A. No. 11148 or the *Kalusugan at Nutrisyon ng Mag-Nanay* Act (Health and Nutrition of Mothers and Their Children Act). This law aims to improve the national and local health and nutrition situation in the country by providing health interventions focused on pregnant women and infants. With the consequences of the COVID-19 pandemic still expected in the coming year, it is all the more urgent and essential than ever to ensure that all citizens have access to and can afford a healthy and balanced diet. By providing proper nutrition for all, this will build a healthy society and in turn reduce the health risks and effects of the health crisis.

Thus, the national government is committed to expand nutrition programs as a proactive response in mitigating the effects of the community infections.

To ensure proper nutrition during emergencies, the National Nutrition Council (NNC) will receive PhP488.02 million for 2021, which is higher by 5.9 percent than its PhP461.03 million budget in 2020. Of this amount, P159.34 million will go to the Early Childhood Care and Development (ECCD) in the First 1000 Days Program which aims to hasten the reduction of malnutrition in the country.

Apart from the NNC, there are also programs under different agencies dedicated to improving the nutrition of Filipinos. This includes the Department of Education's (DepEd) School-based Feeding Program, and the Department of Social Welfare and Development's (DSWD) Supplemental Feeding Program. (*For more information on Supplemental Feeding Program, please refer to page 67*)

**Funding the School-Based Feeding Program**

There is an undeniable connection between a learner's health and his or her ability to learn. Since 1997, the DepEd has been allocating funds to support feeding programs that are

**Table 4. Major Nutrition Programs**
(in billion Pesos)

| Program | 2020 GAA | 2020 Adjusted | 2021 NEP |
|---|---|---|---|
| School-based Feeding Program (DepEd) | 6.5 | 6.0 | 6.0 |
| Supplementary Feeding Program (DSWD) | 3.7 | 3.6 | 3.7 |
| ECCD in the First 1000 Days (NNC) | 0.2 | 0.1 | 0.2 |
| National Nutrition and Management Program (NNC) | 0.4 | 0.4 | 0.5 |

implemented during the academic year. For 2021, a budget of PhP6.0 billion will be allocated for the School-Based Feeding Program. It aims to provide food for severely wasted, moderately wasted, and wasted learners from kindergarten up to Grade 6 for the duration of 120 days, with wasting defined as having low weight for height due to reduced muscle mass.[15] This program targets to benefit 1,810,460 learners, while aiming to have 90 percent of LGUs implementing their own working nutrition program.

**Early Childhood Care and Development**

Currently, there are 4.2 million stunted Filipino children, with stunting defined as having low height for age caused by poor nutrition and results in delayed and reduced mental development.[16] Meanwhile, three (3) million children under five (5) years of age are classified as severely wasted.[17]

According to the 2018 Expanded National Nutrition Survey, the prevalence of stunting and wasting in Filipino children below two (2) years of age is on the rise. In 2003, the prevalence of stunting for this age group was only 20.9 percent. Fifteen years later, in 2018, this increased to 25.5 percent. Meanwhile, the prevalence of wasting and being underweight has only slightly decreased throughout the years. From 2003 to 2018, the prevalence of wasting only decreased by 1.4 percent. In the same period, the prevalence of being underweight only decreased by 0.5 percent.[18]

Children who attend ECCD programs perform better in school and later on become productive members of the community. Moreover, it is estimated that the returns of investment of ECCD programs is almost 18 percent.[19]

**Ensuring Continued Implementation of the First 1000 Days**

Severely wasted children are 9 to 12 times more likely to die. Meanwhile, stunted children are more vulnerable to life-long harm in their cognitive and intellectual functions. With this, in 2021, the NNC's National Nutrition Management Program aims to reduce the prevalence of stunting among children less than five years old to below 28 percent. Aside from this, it also targets to lower the prevalence of wasting among children less than five years old to below 5 percent. To ensure that these targets will be achieved, PhP452.8 million will be earmarked for the National Nutritional Management Program for 2021. Of this amount, the NNC will be given PhP159 million to implement the ECCD Nutritional Intervention Package in the First 1000 Days Program. The program aims to deliver nutritious meals to children in 196 cities and municipalities, and 3,974 *barangays*.

**Managing the Health Crisis on All Fronts**

Despite numerous challenges, the Duterte Administration is determined to move forward and resolve the COVID-19 health crisis by bolstering medical infrastructure, investing in medical research, and supporting human resources for health. Furthermore, the government is also steadfast in upholding health promotion and improved nutrition, recognizing that socioeconomic perils of ill health caused by other pre-existing determinants would still be present even after the pandemic.

Similarly, this supports the major principle behind the proposed 2021 National Budget – that there should not be a choice, and neither a trade-off, between socioeconomic gains and public health. As the Health sector continuously addresses and manages the health crisis, equally important sectors should be reinforced to address food security, labor, education, and key infrastructure developments in order to ensure the continuous provision of vital goods and the efficient delivery of government services.

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## B. REBOUND: REVIVING INFRASTRUCTURE DEVELOPMENT

Before the COVID-19 pandemic struck in the first quarter of 2020, the Philippine economy was recognized as one of the fastest growing economies in Southeast Asia, with a gross domestic product (GDP) growth projected at 6.5 to 7.5 percent. When the health crisis hit, however, and stringent lockdown measures were imposed in Luzon to control the spread of the virus, major economic activities ground to a sudden halt. Consequently, GDP growth for the second quarter recorded the steepest quarterly decline since 1985,[1] signaling an economic slowdown in the first half of 2020.

Notwithstanding this economic contraction, the Philippines remains in a strong position to weather the pandemic because of its robust macroeconomic fundamentals, owing to the Duterte Administration's prudent fiscal management and expansionary fiscal policy through accelerated infrastructure spending.[2] Investments under the Administration's flagship *Build, Build, Build* Program have reached 5.4 percent of GDP this year, which compares favorably with the average infrastructure spending of 2.9 percent from 2010 to 2016.[3]

Public infrastructure investments translate to greater gains in GDP as they enhance the mobility and accessibility of people, goods, and services; facilitate trade; generate employment; reduce disaster vulnerability and the cost of doing business; and unlock more productive economic opportunities. Because of this powerful multiplier effect, boosting spending for inclusive and resilient public infrastructure will be crucial for developing countries like the Philippines to bounce back from the economic fallout caused by the COVID-19 pandemic.

Thus, to stimulate the economy and help regain its momentum, the Administration is keen on resuming and expediting infrastructure development in 2021.

### INFRASTRUCTURE: *Promoting Better Health Services, Ease of Transportation, and Mobility*

As of August 19, 2020, the National Economic and Development Authority (NEDA) has identified a total of 104 infrastructure flagship projects (IFPs) under the *Build, Build, Build* Program. These IFPs have an indicative total investment requirement of PhP4.130 trillion for development, approval, implementation, and review. PhP3.778 trillion of the aggregate cost will be spent on 70 IFPs that seek to enhance transport and mobility, while PhP111.8 billion will finance 10 IFPs aimed at expanding the country's information and communications technology (ICT) infrastructure, which will play a crucial role in adapting to the post-pandemic situation. In addition, PhP123.1 billion will be allotted for infrastructure projects focused on urban development and redevelopment, PhP96.3 billion for water resource infrastructure, and PhP20.5 billion for other infrastructure projects in the power, energy, and health sectors.

**Table 1. Distribution of IFPs by Sector, as of August 19, 2020**

| Sector | Project Count | Indicative Cost (in million Pesos) |
|---|---|---|
| Transport and Mobility | 70 | 3,778,305 |
| Water Resources | 12 | 96,318 |
| Information and Communications Technology (ICT) | 10 | 111,752 |
| Urban Development and Redevelopment | 9 | 123,095 |
| Others (Power and Energy, and Health) | 3 | 20,546 |
| **Total** | **104** | **4,130,016** |

*Source: NEDA*

While there had been temporary delays in the implementation of some of these IFPs due to realignments made to redirect funds for COVID-19 response, the Administration remains committed to the completion of these projects and further investing on shovel-ready infrastructure projects in 2021. Priority will be given to the construction and upgrading of quarantine and health facilities to address the urgent health challenges posed by the pandemic.[4]

Hence, a hefty allocation of PhP1.108 trillion, or equivalent to 5.4 percent of GDP, will fund labor-intensive and readily implementable infrastructure programs and projects under the *Build, Build, Build* Program in 2021. This amount is higher by 13.5 percent than the PhP989.3 billion, or 4.7 percent of GDP, infrastructure budget programmed in 2020. Still to remain in full swing in 2021, the *Build, Build, Build* Program is expected to further enhance the delivery of critical health services, improve connectivity and mobility across the nation, generate some 1.1 million direct and indirect jobs, and attract more private investments in manufacturing and construction.

Of the total PhP1.108 trillion infrastructure budget for 2021, PhP639.8 billion or 57.8 percent will be used for budgetary programs. This will finance the recurring groups of daily operations of government agencies, such as subscription expenses, machinery and equipment outlays, payments for rent or lease, land improvement outlays, and buildings and other structures.

Meanwhile, the remaining 42.2 percent, or PhP468.0 billion, will be allotted for project expenditures to fund activities that result in the accomplishment of identifiable outputs within a designated time frame. These are either locally-funded (financed by internally-generated funds of the government) or with foreign assistance (financed wholly or partly by foreign loans and/or grants). For 2021, PhP325.2 billion will be allotted

**Table 2. Infrastructure Outlays, 2019-2021**
(in billion Pesos)

| Particulars | Cash Budget | | | | | |
|---|---|---|---|---|---|---|
| | 2019 (Actual) | Percent Share | 2020 (Program) | Percent Share | 2021 (Proposed) | Percent Share |
| Programs | 526.1 | 67.0 | 601.5 | 60.8 | 639.8 | 57.8 |
| Locally-funded Projects | 225.0 | 28.6 | 306.9 | 31.0 | 325.2 | 29.4 |
| Foreign-Assisted Projects | 34.5 | 4.4 | 80.8 | 8.2 | 142.8 | 12.9 |
| **Total** | **785.6** | **100.0** | **989.3** | **100.0** | **1,107.8** | **100.0** |

*Source: Budget Expenditures and Sources of Financing (BESF) Table B.3*
*Note: Figures may not add up due to rounding off.*

**Table 3. Public Sector Infrastructure Budget, 2019-2021**
(in billion Pesos)

| Particulars | Cash Budget | | | | | |
|---|---|---|---|---|---|---|
| | 2019 (Actual) | Percent | 2020 (Program) | Percent | 2021 (Proposed) | Percent |
| NGAs | 579.2 | 73.7 | 759.8 | 76.8 | 882.9 | 79.7 |
| GOCCs | 60.0 | 7.6 | 51.7 | 5.2 | 41.0 | 3.7 |
| LGUs | 146.4 | 18.6 | 177.8 | 18.0 | 183.9 | 16.6 |
| **Total** | **785.6** | **100.0** | **989.3** | **100.0** | **1,107.8** | **100.0** |

*Source: BESF Table A.4*
*Note: Figures may not add up due to rounding off.*

for locally-funded projects, while PhP142.8 billion will be used to ensure funding for foreign-assisted projects. *(See Table 2)*

National Government Agencies (NGAs) will receive the biggest component of the 2021 infrastructure program, amounting to PhP882.9 billion or 79.7 percent. This represents increases of 52.4 percent and 16.2 percent over the allocations of PhP579.2 billion in 2019 and PhP759.8 billion in 2020, respectively. On the other hand, 16.6 percent of the total infrastructure budget, or PhP183.9 billion, will go to local government units (LGUs), while Government-Owned and/or –Controlled Corporations (GOCCs) will receive a total infrastructure outlay of PhP41.0 billion next year. *(See Table 3)*

The biggest recipients of the 2021 infrastructure outlay for NGAs are the government's two chief infrastructure agencies: the Department of Public Works and Highways (DPWH) with PhP638.4 billion, and the Department of Transportation (DOTr) with PhP123.7 billion. *(See Table 4)* The DPWH infrastructure outlay budget for 2021, which is 15.5 percent higher than its 2020 programmed level of PhP552.7 billion, will be wholly dedicated to the construction, repair, and enhancement of road networks, bridges, and flood control systems, as well as the payment of right-of-way. Meanwhile, the DOTr infrastructure outlay budget will significantly increase by 59.6 percent, from PhP77.5 billion in 2020 to PhP123.7 billion in 2021, mainly to cover funding requirements for big-ticket railway projects (PhP106.3 billion).

Other NGAs with major undertakings under the infrastructure budget are the following:

- Department of National Defense (DND) - PhP34.4 billion for the Revised AFP Modernization Program, among others
- Department of Education (DepEd) - PhP28.1 billion mostly for the construction of school buildings and expenses for books, furniture, and fixtures
- Department of Agriculture (DA) - PhP12.8 billion for farm-to-market roads and water supply systems, among others
- Department of Environment and Natural Resources (DENR) - PhP5.5 billion mainly for reforestation projects
- Department of Information and Communications Technology (DICT) - PhP4.7 billion for ICT subscription, software, and equipment, among others
- Department of the Interior and Local Government (DILG) - PhP2.3 billion for police buildings and jail facilities, among others
- Department of Health (DOH) - PhP2.3 billion for hospitals and health centers
- The Judiciary - PhP1.2 billion for the construction of Halls of Justice, among others

**Table 4. Top 10 Recipient NGAs of the FY 2021 Infrastructure Budget**
(in billion Pesos)

| Rank | Particulars | 2021 (Proposed) |
|---|---|---|
| 1 | DPWH | 638.4 |
| 2 | DOTr | 123.7 |
| 3 | DND | 34.4 |
| 4 | DepEd | 28.1 |
| 5 | DA | 12.8 |
| 6 | DENR | 5.5 |
| 7 | DICT | 4.7 |
| 8 | DILG | 2.3 |
| 9 | DOH | 2.3 |
| 10 | The Judiciary | 1.2 |

*Source: BESF Table A.4*

A chunk of the PhP183.9 billion infrastructure allocation for LGUs will come from their Internal Revenue Allotment for FY 2021, amounting to PhP139.1 billion.

In addition, for FY 2021, PhP28.8 billion will be allotted for the LGSF. Of this amount, PhP12.4 billion will be used as Financial Assistance to Local Government Units, to fund the construction, concreting, rehabilitation, repair, or improvement of local roads and/or bridges, public markets, multi-purpose buildings/halls and pavements, drainage canals, sea wall or river wall, water system projects, evacuation centers, public parks, fish ports, post-harvest facilities, and *barangay* electrification, among others.

The remaining PhP16.4 billion of the LGSF budget will be used for the *Barangay* Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) to support, among others, various infrastructure projects in cleared *barangays*, such as farm-to-market roads, school buildings, water and sanitation systems, health stations, and electrification. Another major infrastructure item under the LGUs' budget is the PhP19.3 billion program for the rebuilding, rehabilitation, and development of conflict-affected communities in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).

Of the PhP28.8 billion LGSF budget, PhP23.9 billion is estimated to be released for infrastructure outlay.

The PhP41.0 billion allocation for GOCCs, on the other hand, will corner 3.7 percent of the total infrastructure budget, with almost half of it, or PhP20.2 billion, set aside for irrigation projects of the National Irrigation Administration. Also, PhP5.8 billion will go to the Bases Conversion and Development Authority for its road networks and railway systems; PhP5.2 billion to the Philippine Fisheries Development Authority for the construction, rehabilitation, and improvement of fish ports across the country; PhP2.0 billion to the National Housing Authority for housing and community facilities; and PhP1.8 billion to the National Electrification Administration for power supply systems.

**Regional Allocation of the Infrastructure Budget**

To promote balanced and equitable growth across the different regions of the archipelago and help them recover from the pandemic, the regionalized infrastructure budget will reach PhP357.8 billion in 2021. *(See Table 5)* In terms of island groups, Luzon will receive the largest share, with PhP219.3 billion or 61.3 percent of the total regionalized budget, followed by Mindanao with PhP82.5 billion or 23.1 percent, and Visayas with PhP56.0 billion or 15.7 percent.

The bulk of the Luzon infrastructure budget, amounting to PhP84.6 billion, will go to the National Capital Region (NCR). This includes the funding requirements of departments/ agencies within NCR that have nationwide coverage but do not have regional operating units. Second to the NCR is Region IV-A with PhP28.7 billion, followed by Region III with PhP27.6 billion.

In Visayas, Region VIII holds the largest funding for its infrastructure projects with PhP18.8 billion, followed by Regions VI and VII with PhP18.7 billion and PhP18.5 billion, respectively. The BARMM will receive the highest allocation among all the regions in Mindanao with PhP19.5 billion.

Meanwhile, the non-regionalized budget, amounting to PhP750.1 billion, consists of the Central Office allocations (PhP569.3 billion) and Nationwide allocations (PhP180.8 billion). Central Office allocations are those infrastructure funds being managed by the head offices of departments/agencies for their respective units. On the other hand, Nationwide allocations pertain to allocations that are yet to be distributed to various regional offices of departments/agencies and to multi-user special purpose funds, such as the allocation to LGUs and Calamity Funds.

**Expanding Medical Infrastructure**

***Health Facilities Enhancement Program.*** The COVID-19 pandemic exposed issues and challenges in the Philippines' health sector, such as the lack of appropriate health facilities and equipment to effectively respond to a global health crisis. To address this, the Administration will prioritize the construction and expansion of hospitals, health facilities, and other medical infrastructure for the treatment of COVID-19 and other infectious diseases.

For 2021, a total of PhP11.6 billion will be set aside for the Health Facilities Enhancement Program (HFEP). Of this amount, the DOH will be allotted PhP4.7 billion to construct, upgrade, and expand government health care facilities and purchase necessary medical equipment, prioritizing universal health care sites and geographically isolated and disadvantaged areas (GIDAS). This total covers 1,076 *barangay* health stations, 250 rural health units, 237 LGU hospitals, 70 DOH hospitals, and provision of motor vehicles.

**Table 5. Regional Distribution of the Infrastructure Budget, 2019-2021**
(in billion Pesos)

| Particulars | Cash Budget | | |
|---|---|---|---|
| | 2019 (Actual) | 2020 (Program) | 2021 (Proposed) |
| **Non-Regionalized Budget** | **644.9** | **608.1** | **750.1** |
| Nationwide[5] | 115.5 | 146.4 | 180.8 |
| Central Office[6] | 529.4 | 461.7 | 569.3 |
| **Regionalized Budget** | **140.6** | **381.3** | **357.8** |
| NCR[7] | 65.3 | 94.1 | 84.6 |
| CAR | 3.8 | 12.6 | 11.4 |
| Region I | 4.7 | 15.8 | 16.1 |
| Region II | 4.5 | 15.4 | 15.8 |
| Region III | 7.9 | 28.8 | 27.6 |
| Region IV-A | 4.4 | 28.9 | 28.7 |
| MIMAROPA | 2.9 | 14.2 | 12.2 |
| Region V | 5.7 | 23.5 | 22.9 |
| Region VI | 5.9 | 19.9 | 18.7 |
| Region VII | 3.7 | 20.0 | 18.5 |
| Region VIII | 4.1 | 19.1 | 18.8 |
| Region IX | 2.7 | 12.3 | 10.4 |
| Region X | 4.0 | 16.7 | 15.9 |
| Region XI | 4.6 | 19.6 | 17.2 |
| Region XII | 2.2 | 11.5 | 10.7 |
| Region XIII | 3.6 | 10.9 | 8.8 |
| BARMM[8] | 10.6 | 18.0 | 19.5 |
| **Total** | **785.6** | **989.3** | **1,107.8** |

*Source: BESF Table B.4.c*
*Note: Figures may not add up due to rounding off.*

Also, some PhP5.5 billion is allocated under the Unprogrammed Appropriations for the construction of primary health care facilities under the HFEP. On top of this, PhP910 million will be allotted for isolation facilities funded by the Asian Development Bank (ADB), and PhP480 million for isolation and quarantine facilities funded by the World Bank.

***Foreign-assisted Projects.*** To supplement the DOH's 2021 budget for medical infrastructure, a total of PhP4.2 billion will be set aside for the Health System Enhancement to Address and Limit COVID-19 (HEAL) in 2021. The project, with financial support from the ADB, seeks to assist the DOH in scaling up the capacity of the Philippine health system to respond to and manage the pandemic, as well as in building up its resilience for future global outbreaks. HEAL will facilitate the provision of medical equipment and supplies and the upgrading of laboratories and isolation facilities for COVID-19 testing and treatment in 17 DOH hospitals across the country.[9]

Likewise, PhP1.1 billion is intended for the Philippines COVID-19 Emergency Response Project (ERP) through Official Development Assistance (ODA) from the World Bank. The project aims to fortify the country's COVID-19 health care response through the following: (1) equipping selected hospitals and health facilities that deliver critical services with sufficient medical and laboratory supplies/equipment and enhancing isolation and quarantine facilities; (2) strengthening laboratory capacity by establishing national reference laboratories and upgrading other existing reference laboratories to support the prevention, management, and response to emerging infectious diseases; and (3) supporting the DOH as the implementing agency responsible for the project, among others.[10]

**Ensuring Connectivity, Mobility, and Ease of Transport**

As the economy gradually reopens, public transportation services need to be recalibrated to ensure the safe and reliable movement of goods and people, while protecting public health. Hence, the Administration will continue to pump up spending for transport infrastructure, particularly railway and road projects, to enhance mobility and connectivity in the archipelago, and further boost the country's economic competitiveness.

***Land Transport.*** Given that roads, bridges, and highways are a key factor in facilitating commerce and mobility of people, the government will spend PhP371.2 billion, or 33.5 percent of the total 2021 infrastructure budget, on the expansion of the

Philippines' road network. Of this amount, PhP124.6 billion will be allotted for the Network Development Program of the DPWH. The program targets to construct a total of 926.65 kilometers (km) of new roads and widen 636.529 km of roads. This provision includes PhP54.5 billion for the construction of by-passes and diversion roads; PhP29.4 billion for missing road links, flyovers, interchanges, underpasses, and long span bridges; PhP4.6 billion for off-carriageway improvements in primary, secondary, and tertiary roads; and PhP2.6 billion for the paving of unpaved roads with concrete. *(See Table 6 for the budgets of selected major programs of the DPWH)*

Among the big-ticket projects to be funded under the Program are the Davao City Bypass Construction Project (South and Center Sections), PhP4.6 billion; and the Improving Growth Corridors in Mindanao Road Sector Project, PhP4.1 billion. These projects gained hefty increases over their 2020 budgets of PhP1.4 billion and PhP1.2 billion, respectively.

To ensure the safety and reliability of road infrastructure, PhP47.8 billion of the proposed PhP667.3 billion DPWH budget will be set aside for the Asset Preservation Program. The program aims to sustain the following targets: 691.685 km of roads maintained and 257.348 km of roads rehabilitated/reconstructed/upgraded. Major items under the Program include: PhP12.6 billion for preventive road maintenance; PhP21.4 billion for rehabilitation/reconstruction of roads with slips, slope collapse, and landslide; PhP9.3 billion for rehabilitation/reconstruction/upgrading of damaged paved roads; and PhP4.4 billion for construction, upgrading, and rehabilitation of drainage along national roads.

Meanwhile, the Bridge Program will be allotted PhP26.6 billion in 2021 for the following: widening of permanent bridges, PhP13.3 billion; construction of new bridges, PhP4.6 billion; retrofitting/strengthening of permanent bridges, PhP2.3 billion; rehabilitation/major repair of permanent bridges, PhP2.9 billion; replacement of permanent weak bridges, PhP3.1 billion; and replacement of temporary to permanent bridges, PhP260 million.

Targets include the construction of 30,739 lineal meters (lm) and 290,321 square meters ($m^2$) of new and replacement bridges, and the maintenance and rehabilitation of 342 bridges. Some major projects under the Program are the Metro Manila Priority Bridges for Seismic Design Improvement Project (PhP0.6 billion) and Priority Bridges crossing Pasig-Marikina River and Manggahan Floodway Bridges Construction Project (PhP1.5 billion).

Of the PhP61.2 billion provided for the Convergence and Special Support Program, PhP15.5 billion will be dedicated for the construction of strategic access roads leading to declared tourism sites, while PhP13.2 billion will be used for the construction of access roads leading to trade, industries, and economic zones. PhP2.1 billion and PhP1.6 billion will be allotted to build and improve access roads leading to seaports and airports, respectively. Also, PhP375 million is intended for the construction/improvement of access roads leading to railway stations.

Under the DOTr, PhP509 million is allotted to the Land Public Transportation Program. The bulk of this amount, or PhP408 million, will be for the issuance of Certificates of Public Convenience, granting of permits, and establishment of public transportation routes. Another PhP100 million is set aside for the Integrated Transport System Project, which seeks to establish integrated transport terminals at the outskirts of

**Table 6. Budget and Selected Programs of DPWH, 2019-2021**
(in billion Pesos)

| Particulars | Cash Budget | | | |
|---|---|---|---|---|
| | 2019 (Actual) | 2020 (Program) | 2020 (Adjusted) | 2021 (Proposed) |
| **DPWH** | **480.5** | **581.7** | **436.5** | **667.3** |
| *Of which:* | | | | |
| Network Development Program* | 98.6 | 113.4 | 93.7 | 124.6 |
| Asset Preservation Program* | 44.8 | 52.9 | 43.1 | 47.8 |
| Bridge Program* | 22.3 | 30.2 | 27.9 | 26.6 |
| Convergence and Special Support Program | 29.8 | 45.7 | 42.6 | 61.2 |
| *Of which:* | | | | |
| Access roads leading to declared tourism sites | 16.8 | 21.9 | 20.2 | 15.5 |
| Access roads leading to trade, industries, and economic zones | 5.8 | 10.6 | 9.9 | 13.2 |
| Access roads leading to seaports | 2.2 | 2.3 | 2.2 | 2.1 |
| Access roads leading to airports | 1.7 | 1.9 | 1.4 | 1.6 |
| Access roads leading to railway stations | - | - | - | 0.4 |

**Inclusive of foreign-assisted projects*
*Source: DBCC Presentation on the Proposed FY 2021 National Budget and 2021 National Expenditure Program*

Metro Manila to help decongest traffic along Epifanio de los Santos Avenue (EDSA) and ensure a seamless travel experience for the commuting public.

***Rail Transport.*** With an allocation of PhP106.3 billion, the Rail Transport Program continues to corner the largest share of the proposed PhP143.6 billion DOTr budget for 2021. The program aims to provide Filipinos with a more reliable, safe, and efficient railway transport. Higher by 99.1 percent than its FY 2020 adjusted level of PhP53.4 billion, the Program will invest in several high-impact railway projects in the metro and other areas, particularly: North-South Commuter Railway System, PhP58.6 billion; Metro Manila Subway Project Phase 1, PhP34.6 billion; Subsidy for Mass Transport – Metro Rail Transit (MRT) Line 3, PhP7.0 billion; MRT 3 Rehabilitation Project, PhP3.1 billion; and Philippine National Railways (PNR) South Long Haul Project, PhP3.0 billion. *(See Table 7)*

***Maritime Transport.*** Being an archipelagic country, the Philippines' maritime waters continue to serve as a vital mode of transport for both domestic and international trade. In this regard, the government seeks to expand the country's sea transport infrastructure to provide cheaper alternative routes for carrying people and essential goods, and to improve the maritime sector's contribution to the economy.

Under the proposed budget of the DOTr, PhP166 million will be dedicated for the Maritime Infrastructure Program, which targets to increase passenger and vessel traffic by five percent. Of this amount, PhP155 million will fund Phase 2 of the Maritime Safety Capability Improvement Project to equip the Philippine Coast Guard with multi-role response vessels for safeguarding the country's oceans. Also, some PhP10 million will support the New Cebu International Container Port Project to facilitate the unhampered transport of goods and services in the Visayas region.

Of the MMDA's proposed budget in 2021, PhP155 million will be appropriated for the Pasig River Ferry Service, to provide an alternative mode of transportation and help decongest traffic in Metro Manila, particularly in view of the post-pandemic situation.

***Air Transport.*** One of the sectors most severely affected by the COVID-19 pandemic is the aviation sector. Restrictions on travel to help suppress the outbreak resulted in the temporary stoppage of airline operations and airport closures, thereby resulting in financial losses and layoffs in the industry.

To support the recovery of the aviation sector, PhP1 million will be allotted to the Aviation Infrastructure Program of the DOTr. This amount will be used to construct, rehabilitate, and improve the country's air transportation infrastructure. The program aims to achieve a 5 percent increase in airport facilities capacity and a 15 percent average decrease in passenger travel time and flight delay.

**Establishing a Digital Government and Economy**

As the Philippines prepares to enter the post-pandemic life, there is a rising demand for high-speed, affordable, and widely available internet connection. Digital infrastructure is now more important than ever and should be urgently and substantially improved to make government services more accessible. Fostering a digital government and economy through information and communications technology (ICT) development is therefore crucial to support recovery and promote long-term growth and competitiveness after the pandemic.[11]

In pursuit of this, the proposed 2021 National Budget will earmark PhP21.4 billion to cover expenditures for the Medium-Term Information and Communications Technology Harmonization Initiative (MITHI), which seeks to harmonize and ensure interoperability of ICT resources, programs, and projects across the government.

**Table 7. Budget and Selected Major Rail Projects of DOTr, 2019-2021**
(in billion Pesos)

| Particulars | Cash Budget | | | |
|---|---|---|---|---|
| | 2019 (Actual) | 2020 (Program) | 2020 (Adjusted) | 2021 (Proposed) |
| **DOTr** | 91.6 | 100.6 | 84.2 | 143.6 |
| *Of which:* | | | | |
| Rail Transport Program* | 48.3 | 60.5 | 53.4 | 106.3 |
| *Of which:* | | | | |
| Nourth-South Commuter Railway System | - | 38.6 | 33.8 | 58.6 |
| Metro Manila Subway Project Phase 1 | 13.2 | 9.8 | 9.8 | 34.6 |
| Subsidy for Mass Transport (MRT 3) | 6.8 | 6.1 | 6.1 | 7.0 |
| MRT 3 Rehabilitation Project | 8.9 | 5.1 | 3.3 | 3.1 |
| PNR South Long Haul Project | - | 0.9 | 0.3 | 3.0 |

**Inclusive of foreign-assisted projects*
*Source: DBCC Presentation on the Proposed FY 2021 National Budget*

***ICT Sustainability Expenses.*** PhP9.4 billion or 43.9 percent of the MITHI budget will be spent to sustain the regular ICT-related operational expenses of government agencies, such as maintenance of computers and data centers, payments for license subscriptions, replacement of outdated computers, and internet subscriptions, among others.

***ICT Support to Financial Inclusion.*** In addition, PhP1.9 billion, or 8.9 percent of the total MITHI expenditures, will be for the provision of ICT components of the Philippine Identification System (PhP1.7 billion) and the Registry System for the Basic Sectors in Agriculture of the DA (PhP91 million).

***Other ICT Expenses under Governance.*** Likewise, 11.7 percent of the MITHI budget for 2021, amounting to PhP2.5 billion, will support the ICT expenses of other governance initiatives, which include the following: (1) establishment of Machine Intelligence Knowledge-Based Audit and Experience Learning of the Commission on Audit; (2) enhancement of the Career Executive Service Board's Integrated Information System via mobile application; (3) improvement of the ICT infrastructure of the Presidential Communications Operations Office; and (4) development of strategic information systems of other government agencies.

***ICT Expenditures for Adapting to the Post-Pandemic Life.*** Accounting for 35.5 percent of the overall MITHI budget, or equivalent to PhP7.6 billion, are the funding requirements for ICT undertakings to support adaptation to the post-pandemic situation. Telecommunications infrastructure corners 61.8 percent of this amount, or PhP4.7 billion, for the implementation of major ICT programs of the Department of Information and Communications Technology (DICT). This includes the Free Wi-Fi Internet Access in Public Places Project, PhP2.4 billion; National Government Data Center Infrastructure, PhP2.1 billion; and National Broadband Plan, PhP902 million. *(For more details on e-governance initiatives of the DICT and other departments/agencies for adapting to the post-pandemic situation, please see the Governance section.)*

**Building Back Better to Support Post-Pandemic Recovery**

The COVID-19 pandemic shed light on the importance and benefits of investing in digitally-driven, resilient, and sustainable infrastructure that can endure the ever-evolving challenges of the times. This is why the government is devoted to funding infrastructure development for its immediate and long-term gains: it will boost recovery after the health crisis by generating jobs and stimulating the economy, and, more importantly, it will help the Philippines emerge stronger and more resilient from future global shocks.

**Endnotes:**


[1/] Philippine Statistics Authority (PSA). (2020, August 6). *GDP growth rate drops by 16.5 percent in the second quarter of 2020; the lowest starting 1981 series.* Retrieved from https://psa.gov.ph/national-accounts

[2/] The World Bank. (2019). *Philippines Economic Update: October 2019 Edition.* Retrieved from http://documents1.worldbank.org/curated/en/224501570715185892/pdf/Philippines-Economic-Update-Resuming-Public-Investment-Fast-Tracking-Implementation.pdf

[3/] Diokno, B. (2017, May 24). *The Philippines: Catching Up With Other ASEAN-5 Countries.* Retrieved from https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/201-the-philippines-catching-up-with-other-asean-5-countries-the-philippines-catching-up-with-other-asean-5-countries

[4/] National Economic and Development Authority (NEDA). (2020, May). *We Recover as One Report.* Retrieved from https://www.neda.gov.ph/wp-content/uploads/2020/05/We-Recover-As-One.pdf


[5/] Nationwide allocations refer to allocations that are yet to be distributed to various regional offices of departments/agencies and to multi-user special purpose funds (e.g., Calamity Funds).

[6/] Central Office allocations consist of infrastructure allocations being managed by the head offices of departments/agencies for their respective units.

[7/] Regional allocations for NCR include financing requirements of departments/agencies located in NCR with nationwide coverage but without regional operating units.

[8/] Allocations for BARMM include funds for infrastructure projects located in BARMM provinces.


[9/] Asian Development Bank (ADB). (2020, August). *Health System Enhancement to Address and Limit COVID-19: Report and Recommendation of the President.* Retrieved from https://www.adb.org/projects/documents/phi-54171-002-rrp

[10/] Department of Health (DOH). (2020, April 2). *Philippines COVID-19 Emergency Response Project Stakeholder Engagement Plan.* Retrieved from https://www.doh.gov.ph/sites/default/files/basic-page/Stakeholder%20Engagement%20Plan%20(SEP).pdf

[11/] The World Bank. (2020, June). *Philippines Economic Update: Braving the New Normal.* Retrieved from https://openknowledge.worldbank.org/handle/10986/33879

# C. RECOVER: ADAPTING TO THE POST-PANDEMIC LIFE

## FOOD SECURITY: *Sufficient Food for All*

An increasing population creates a rising demand for food, and in turn imposes a growing burden on food production and supply. The role of government is to acknowledge this reality, so that alongside monitoring and managing population levels, it can also effectively address the consequent challenges of food security – ensuring the sustainability of food sources and reliability of food chains in order to guarantee sufficient food for all.

Food security has always been among the top priorities of the Duterte Administration. In fact, the Administration has been supportive of the United Nations goal to end global hunger by 2030. It has introduced strategies and measures that will help the country achieve its own anti-hunger targets, and only last October 2019, President Rodrigo Duterte approved the expansion of the country's anti-hunger program. The Enhanced Partnership Against Hunger and Poverty, a program that integrates the efforts and activities of various government agencies, is geared towards addressing malnutrition and hunger mitigation, food security, and poverty reduction.

The need to focus on food and food sources cannot be overemphasized. As of December 2019, the Philippines ranked 64th worldwide and 6th in the Southeast Asian region in terms of food security. The country was assessed using these indicators: Affordability (food costs, financing for farmers, and food safety-net programs, among others), Availability (food supply, public expenditure on agricultural research and development, and food loss, among others), and Quality & Safety (dietary diversity, nutritional standards, and food safety, among others). *(See Table 1)*

While even then there was much to be aspired for in terms of food security, the Philippines faced even greater challenges with the emergence of the COVID-19 pandemic. The advances and improvements achieved until then were easily undermined or threatened by the global health crisis.

The severe quarantine restrictions imposed by the national government, and eventually by local government units, wreaked havoc on food security, as a result of disrupted agricultural production and productivity. During this period, the highest income loss of PhP37 million was recorded in high value crops farming, according to the We Recover as One Report of the National Economic and Development Authority. It was followed by livestock and poultry raising, which registered PhP24 million income loss. Other challenges further emerged with regard to the local food supply chain, as consumer preferences were found to have shifted to safer and more nutritious food.

These factors, on top of the expected health and socioeconomic impacts of the pandemic, point to the need to ensure that food security remains among the government's priorities in crafting an effective COVID-19 response.

**Maintaining a Steady Supply of Food**

Food security is vital to ensure a stable economy. Even more so when the economy has been battered by the far-reaching effects of a national health crisis.

In preparation for the national recovery efforts in its aftermath, the Administration aims to continue programs that will enhance food production, build a stronger and more resilient food supply chain, while ensuring healthier food options for Filipinos. In pursuit of this, a budget of PhP142.5 billion has been allocated for the Agriculture, Forestry, and Fishing (AFF) sector for FY 2021.

Table 2 on page 54 shows the allocations for the major implementing departments and agencies that will help achieve the government's goal of a food-secure Philippines.

**Table 1. Food Security Ranking among Southeast Asian Countries, 2019**

| Rank | Country | Overall Score | Affordability[1] | Availability[2] | Quality and Safety[3] |
|---|---|---|---|---|---|
| 1 | Singapore | 87.4 | 95.4 | 83.0 | 79.4 |
| 2 | Malaysia | 73.8 | 81.7 | 67.7 | 70.6 |
| 3 | Thailand | 65.1 | 77.1 | 58.7 | 52.6 |
| 4 | Vietnam | 64.6 | 75.1 | 59.7 | 51.7 |
| 5 | Indonesia | 62.6 | 70.4 | 61.3 | 47.1 |
| **6** | **Philippines** | **61.0** | **68.9** | **57.7** | **50.3** |
| 7 | Myanmar | 57.0 | 59.1 | 57.2 | 51.3 |
| 8 | Cambodia | 49.4 | 56.7 | 48.1 | 34.6 |
| 9 | Laos | 49.1 | 55.5 | 47.6 | 37.4 |

*Source: Global Food Security Index 2019*

**Table 2. Allocations for the Major Departments and Agencies in the AFF Sector, 2020-2021**
(in billion Pesos)

| Particulars | 2020 GAA | 2021 NEP |
|---|---|---|
| **Department of Agriculture** | **64.7** | **66.4** |
| Office of the Secretary | 53.2 | 56.8 |
| Agricultural Credit Policy Council | 2.8 | 2.6 |
| Bureau of Fisheries and Aquatic Resources | 6.2 | 4.6 |
| Fertilizer and Pesticide Authority | 0.2 | 0.2 |
| National Fisheries Research and Development Institute | 0.3 | 0.3 |
| National Meat Inspection Service | 0.4 | 0.4 |
| Philippine Carabao Center | 0.6 | 0.5 |
| Philippine Center for Postharvest Development and Mechanization | 0.3 | 0.4 |
| Philippine Council for Agriculture and Fisheries | 0.2 | 0.2 |
| Philippine Fiber Industry Development Authority | 0.4 | 0.4 |
| **Department of Science and Technology** | **20.5** | **23.9** |
| Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development | 1.2 | 1.4 |
| Forest Products Research and Development Institute | 0.2 | 0.2 |
| **Department of Agrarian Reform** | **9.5** | **8.9** |
| **Government-Owned and/or -Controlled Corporations** | | |
| National Irrigation Administration | 36.3 | 31.5 |
| National Food Authority | 7.0 | 7.0 |
| Philippine Crop Insurance Corporation | 3.5 | 4.5 |
| Philippine Fisheries Development Authority | 1.6 | 5.2 |
| Philippine Coconut Authority | 1.1 | 1.3 |
| Philippine Rice Research Institute | 0.7 | 0.6 |
| Sugar Regulatory Administration | 0.5 | 0.7 |
| National Dairy Authority | 0.3 | 0.2 |

*Note: Figures may not add up due to rounding off.*

Of its PhP66.4 billion proposed budget for 2021, the Department of Agriculture (DA) will allot PhP25.1 billion to support its major food programs. In particular, the DA's budget gives priority to areas with the highest number of small and poor farmers and fisherfolk registered under the Registry System for Basic Sectors in Agriculture (RSBSA). The programs for 2021 will be focused on the following:

***Rice.*** Rice is a major expenditure item and source of income for many Filipino households. To further develop rice farming practices while uplifting the lives of local farmers, the Rice Program will receive PhP15.7 billion for 2021, the biggest allocation among the DA's national programs. With this, the Department aims to raise the country's rice sufficiency level to a production target of 4.4 million metric tons (MMT) of *palay*, slightly lower than the 2020 target of 4.3 MMT.

In addition to this, PhP7.0 billion will be earmarked for the National Food Authority, primarily for its Buffer Stock Program, to procure 368,421 metric tons (MT) of *palay* from local farmers to improve the country's food security. This rice buffer stock, equivalent to 15 to 30 days of the national rice consumption volume, will guarantee a stable rice supply during emergencies and calamities.

***High Value Crops.*** The production of high value crops, which consist of fruit, root, vegetable, and non-traditional crops, is seen as a crucial instrument to reduce poverty, boost economic growth, and strengthen food security. For this purpose, the DA will allot PhP2.7 billion for the High Value Crops Development Program, in order to produce 9.53 MMT of bananas, 2.86 MMT of pineapples, 0.76 MMT of mangoes, 0.12 MMT of rubber, 0.02 MMT of coffee, 0.009 MMT of cacao, and 0.077 MMT of abaca.

***Corn.*** Another staple food in the Philippines is corn as it is used not only for human consumption, but also as feeds for animals. To fund the National Corn Program of the DA, PhP1.5 billion will be set aside to yield a total harvest of 2.71 MMT of white corn and 5.99 MMT of yellow corn in 2021.

***Coconut.*** Considered as one of the major pillars of the Agriculture sector, coconut ranked third in the highest volume of crop production in 2019. In 2021, PhP1.3 billion will be allotted for the Philippine Coconut Authority to plant 4,433,000 coconut seedlings in at least 31,000 hectares of land.

***Sugarcane.*** Despite a decrease in production, sugarcane was still the most produced crop in 2019 with 20,719.3 MMT. The Philippines is considered as one of the top sugarcane producing countries, with 76,612 farmers working on 401,968 hectares of farmland for this crop. The Sugar Regulatory Administration (SRA) will be provided with PhP712 million in 2021 to implement the Sugarcane Industry Development Program. This includes the construction and rehabilitation of 39.5 kilometers (km) of additional farm-to-mill roads in the major sugarcane-producing provinces, to augment the 2020 target of 51 km of roads for 2020.

***Organic Agriculture.*** The National Program on Organic Agriculture will receive PhP520 million to provide for ecologically sustainable, environment-friendly, and safer production systems; availability of safer and more nutritious staples and food; and increased farm productivity and income opportunities for Filipino farmers. It aims to convert 528,796 hectares of agricultural land to organic farming, up by 5.6 percent from 2020's target of 500,929 hectares.

***Fisheries.*** In 2019, the production in the fisheries sector grew by 1.5 percent. A total of 4,415.0 MMT was produced in the same year, with the output increase attributed to round scad, skipjack, yellowfin tuna, milkfish, *tilapia,* and tiger prawn. Additionally, 175.1 million fingerlings have been distributed to 9,985 fish farmers as of September 2020.

To manage and further develop and improve the country's fisheries and aquatic resources, the Bureau of Fisheries and Aquatic Resources (BFAR) will receive a budget of PhP4.6 billion. Of this total, PhP3.5 billion will go directly to the National Fisheries Program. This will be used for the production and distribution of fish seeds, fishing gear/paraphernalia, and post-harvest equipment, among others. Table 3 below shows some major targets of the BFAR in 2021.

***Livestock.*** Despite the 1.0 percent decrease in the overall livestock production in 2019 due to the African Swine Fever outbreak, output growth was still registered in the production of poultry (5.9 percent) and chicken (4.9 percent). To increase production, expand accessibility, and ensure the availability of livestock products, the DA has allotted a budget of PhP1.2 billion for its Livestock Program, which targets to raise 1.9 MMT of hogs and 1.9 MMT of chickens in 2021.

The Philippine Carabao Center (PCC) will receive PhP496 million for the funding of the National Carabao Development Program. This program aims to improve the local carabao industry through research endeavors, such as improving the Philippine carabao's meat and milk production. Also, the PCC aims to increase the number of its crossbred-owner clients by five (5) percent and develop and improve at least 10 technologies for this industry.

A three (3) percent increase has been recorded in the country's dairy production, from the 23.7 MT in 2018 to 24.4 MT in 2019. To further develop the local dairy industry and ensure the availability of safe, high-quality dairy products, the National Dairy Authority (NDA) will receive a budget of PhP234 million in FY 2021. The NDA targets to train 1,000 dairy farmers and cooperatives, and produce 24.74 million liters of milk during this fiscal year.

**Improving Farm Productivity**

***Irrigation Services.*** Reliable and sustainable irrigation systems improve harvests and increase agricultural productivity, thereby improving food security. There are three types of irrigation systems in the Philippines: (1) national irrigation systems (NIS), operated by the National Irrigation Administration (NIA) and which charges its client-beneficiaries an irrigation service fee; (2) communal irrigation systems (CIS), whose operation and maintenance are handed over to irrigation associations, and farmers pay in the form of amortization; and (3) private irrigation systems, which are constructed, operated, and maintained by private individuals or groups.

To continue funding and implementing irrigation projects all over the country, PhP31.5 billion is allocated for the NIA in 2021, with priority given to irrigation projects in key production areas of major rice-producing provinces. This budget is intended for projects that will target to irrigate 2,303,581 hectares of farmland in all cropping seasons. These will include 1,399,707 hectares under the NIS and 903,874 hectares under CIS. In addition to the NIA projects, there are currently 30 ongoing national irrigation systems that are classified as locally-funded projects (PhP3.6 billion) and two (2) foreign-assisted projects (PhP3.2 billion).

Besides the allocation for the NIA, PhP1.0 billion of the DA's proposed budget will be used for the construction, restoration, improvement, and/or installation of 5,383 small-scale irrigation projects.

**Table 3. Some Targets of the BFAR, 2021**

| Particulars | Target |
|---|---|
| Provided with aquaculture support/supply | |
| Individuals | 24,405 |
| Fisherfolk groups | 926 |
| Provided with postharvest support/supply | |
| Individuals | 427 |
| Fisherfolk groups | 196 |
| Provided with environment-friendly fishing gears/paraphernalia | |
| Individuals | 14,644 |
| Fisherfolk groups | 492 |

***Farm-to-Market Roads (FMRs).*** FMRs play a huge role in promoting food security. Food prices tend to be higher in regions where the transport of agricultural goods from food production areas to markets is difficult due to the lack of roads. As of July 2020, the construction of 1,540 kilometer of FMRs had been completed nationwide.

For 2021, the DA will earmark PhP10.0 billion for the construction of 830 km of FMRs all over the country. Better roads, specifically these FMRs, will ease the transportation problem of A&F goods, more so during the pandemic, as quarantine restrictions are implemented by the government.

**Table 4. Regional Allocation for FMRs**
(in million Pesos)

| Particulars | 2021 NEP |
|---|---|
| Cordillera Administrative Region | 363.5 |
| Region I | 828.5 |
| Region II | 820.0 |
| Region III | 831.0 |
| Region IV-A | 1,175.0 |
| Region IV-B | 416.0 |
| Region V | 855.5 |
| Region VI | 721.0 |
| Region VII | 681.0 |
| Region VIII | 648.0 |
| Region IX | 479.0 |
| Region X | 619.5 |
| Region XI | 567.5 |
| Region XII | 524.5 |
| Region XIII | 428.5 |
| **TOTAL** | **9,958.5** |

*Note: Figures only include locally-funded projects and may not add up due to rounding off.*

As seen in Table 4, Region IV-A will get the biggest allocation of PhP1,175.0 million for 2021, followed by Regions V (PhP855.5 million); III (PhP831.0 million); I (PhP828.5 million); and II (PhP820.0 million).

***Rice Competitiveness Enhancement Program (RCEP).*** Republic Act No. 11203, or the Rice Tariffication Law, provides for an annual appropriation of PhP10.0 billion for agriculture-related agencies, such as the DA, for six (6) years since its enactment in 2019.

The PhP10.0 billion earmarked for the RCEP in the FY 2021 proposed National Budget will be used to provide rice farm machineries and equipment to eligible farmers associations; fund the development, propagation, and promotion of inbred rice seeds; expand credit assistance to rice farmers and cooperatives; and operate farm schools nationwide in order to teach skills and techniques in rice crop production and farming.

An additional allocation of PhP2.1 billion is provided for the DA-Office of the Secretary's Crop Diversification Program (PhP1.1 billion) and the Philippine Crop Insurance Corporation's (PCIC) Expanded Rice Insurance Program (PhP1.0 billion). This represents the excess tariff collection on rice importation or the amount on top of the P10.0 billion fund in 2019.

***Research and Development (R&D).*** Agricultural R&D is deeply connected to economic growth, food security, and poverty reduction. Technological advancements open up opportunities for diversification, allowing more varieties of healthy and affordable foods to be produced at lower costs. It also increases crop yields, improves farm productivity, reduces losses, and develops farm machinery and equipment.

For 2021, the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) will be given PhP1.4 billion to conduct research projects that envision to increase productivity in the agriculture, aquatic, and natural resources sectors. PCAARRD aims to fund 566 projects and monitor 750 projects that will empower farmers and fisherfolk.

To continue R&D initiatives that will yield high-quality seeds and better rice-production technologies, PhP622 million will be allotted for the Philippine Rice Research Institute. Of this total, PhP326 million will fund the Rice Research and Development Program. In 2021, the program aims to reduce the cost in *palay* production by 10 pesos per kilogram. A total of 1,918 farmers will also be trained on rice production, and 77 rice research projects will be implemented in the same year.

For the fisheries sector, a budget of PhP291 million will be allocated to the National Fisheries Research and Development Institute for the Fisheries Research and Development Program. In 2021, it targets to develop at least 11 policy recommendations and technologies in order to increase economic opportunities for small farmers and fisherfolk, and, in turn, build a responsive, sustainable, and globally competitive fisheries industry.

The Philippines is covered by 15,805,325 hectares of forestland. To fund the R&D projects on forest products, the Forest Products Research and Development Institute (FPRDI) will receive a 2021 budget of PhP212 million. Aside from funding research initiatives, this amount will be used to rehabilitate pulp and paper laboratories and promote the utilization of timber resources, as well as non-wood forest products. The FPRDI also targets to provide 2,000 technical services with at least 720 client beneficiaries.

***Postharvest Facilities and Equipment.*** A budget of PhP5.1 billion will be allotted to the Philippine Fisheries Development Authority for the construction, rehabilitation, and improvement of post-harvest facilities in the fisheries sector. These include the fish ports in Navotas (PhP3.1 billion); Zamboanga City, Zamboanga del Sur (PhP456 million); Davao City, Davao del Sur (PhP243 million); Lucena, Quezon (PhP139 million); Iloilo City (PhP287 million); Camaligan, Camarines Sur (PhP72 million); and Sual, Pangasinan (PhP141 million), among others.

**Table 5. Some Targets of the DAR for FY 2021**

| Particulars | 2020 GAA | 2021 NEP |
|---|---|---|
| Land Tenure Security Program | | |
| Hectares of land actually distributed to ARBs | 33,310 hectares | 40,574 hectares |
| Hectares of land with Emancipation Patents/Certificate of Land Ownership Award (EP/CLOA) registered | 42,792 hectares | 45,455 hectares |
| Agrarian Justice Delivery Program | | |
| Resolution rate of agrarian-related cases | 85% | 83% |
| AR Beneficiaries Development and Sustainability Program | | |
| Trained ARBs | 359,840 beneficiaries | 368,313 beneficiaries |
| ARBs with access to credit and microfinance services | 138,750 beneficiaries | 136,392 beneficiaries |

Aside from these facilities, the PFDA will also use this amount to address the postharvest problems in the fishing industry, such as slow rate of fish dispatch and fish quality deterioration.

Another agency tasked to develop postharvest facilities and equipment is the Philippine Center for Postharvest Development and Mechanization (PhilMech). For 2021, the PhilMech will receive PhP353 million to develop and improve eight (8) technologies, and train 320 individuals on technology utilization and adoption. The Center will develop postharvest mechanization technologies for rice, corn, high-value crops, cashew, coffee, and cassava, among others.

***Rural Development.*** The Expanded Philippine Rural Development Project (PRDP) is a project under the DA that "aims to establish a modern, value chain-oriented and climate-resilient agriculture and fisheries sector." In 2021, the PhP544 million budget for this project will be used for the construction of infrastructure facilities and to raise productivity and competitiveness in rural areas. PhP602 million, on the other hand, will fund market development services.

**Empowering Farmers and Fisherfolk**

The 2018 Poverty Statistics from the PSA reveal that farmers and fisherfolk once again recorded the highest poverty incidences of 31.6 percent and 26.2 percent, respectively. These sectors also registered the highest number of poor Filipinos in 2015.

Responding to this reality, the government continues to pursue policies and programs that will help uplift the lives of those working in the agriculture sector. As of July 2020, cash subsidies amounting to PhP5,000 have been given to 1,014,239 farmers and fisherfolk through the DA's Financial Subsidy to Rice Farmers (FSRF) and Rice Farmers Financial Assistance (RFFA) programs.

In 2019, a total of 467,890 agrarian reform beneficiaries (ARBs) were trained; 206,483 ARBs were given access to credit and microfinance services under the AR Beneficiaries Development and Sustainability Program; and 161 percent farmer-beneficiaries have been installed in the awarded/distributed lands under the Land Tenure Security Program of the Department of Agrarian Reform (DAR).

***Land Distribution.*** One contributing factor to high poverty rates in the agriculture sector is the lack of access to and security of land tenure of local farmers and fisherfolk. The Comprehensive Agrarian Reform Program (CARP) is the flagship program of the government that aims to improve the country's land tenure security by providing landless farmers and fisherfolk with their own lands to till or work on. *(See Table 5)*

In 2021, the DAR will be given a budget of PhP8.9 billion to implement programs and projects in pursuit of rural development and industrialization. Of this amount, PhP3.4 billion will fund the Land Tenure Security Program to distribute 40,574 hectares of land and register 45,455 hectares with EP/CLOA. The Agrarian Justice Delivery Program will likewise get PhP897 million to fund the supervision and management of agrarian reform (AR) cases. With a budget of PhP1.5 billion, the DAR also seeks to train 368,313 ARBs and assist 136,392 ARBs with access to credit and microfinance through the AR Beneficiaries Development and Sustainability Program.

***Financial Assistance.*** The PCIC will receive an allocation of PhP4.5 billion to provide full insurance premiums to 2,126,192 subsistence farmers and fisherfolk for their crops, livestock, fisheries, and non-crop agricultural assets. In 2019, the PCIC was able to finance 1,891,407 RSBSA-listed farmers and fisherfolk.

**Table 6. Targets of the ACPC, 2021**

| Particulars | 2020 GAA | 2021 NEP |
|---|---|---|
| Amount of loans granted to: | | |
| Credit retailers/lenders | 2,500 | 2,515 |
| End-borrower | 2,500 | 2,515 |
| Number of credit program orientations and credit matching seminars and workshops conducted | 32 | 32 |
| Number of farmers and fisherfolk organizations provided with institutional capacity building assistance | 510 | 140 |

Meanwhile, the Agricultural Credit Policy Council (ACPC) will get PhP2.6 billion in 2021. This amount will be used to establish a flexible credit facility for 26,243 RSBSA-listed small farmers and fisherfolk and 97 micro, small, and medium enterprises. Table 6 on page 57 shows the other targets of the ACPC for 2021.

**Pursuing a Modernized Agriculture Industry**

The World Bank has reported that the agriculture sector will be a key element in helping the Philippine economy recover from the impacts and consequences of the COVID-19 pandemic. Revisiting and recalibrating the policies and practices in this sector will not only help achieve a sustainable food supply, but also reduce the country's poverty and uplift the lives of those dubbed as the "poorest of the poor"— the local farmers and fisherfolk.

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## LIVELIHOOD OPPORTUNITIES:
### *Improving Income Support Systems and Welfare Beyond Borders*

The government-imposed community quarantine measures through most of 2020, while critical in controlling the surge of the COVID-19 infections, have resulted in a multitude of impacts on the country's economy. As rapidly as the virus spread, local economic activities for many industries, firms, and small or big businesses were instantly forced to a standstill with the imposition of lockdowns. As a result, many establishments had to be temporarily or permanently closed affecting the employment of a huge number of the country's workers.

Thus, in addition to saving lives and protecting communities, the government also needs to safeguard and restore the livelihoods of the Filipino people.

For the remainder of 2020, the passage of *Bayanihan* 2 is set to mobilize the much needed resources to provide relief and assistance to the country's workers, enterprises, and firms. Funding will be provided to support the implementation of temporary employment programs, provision of cash subsidies, extended grace periods, and financing for micro, small, and medium enterprises (MSMEs). It is crucial to sustain government efforts in implementing various recovery measures and programs to save jobs and livelihoods while keeping the economy running.

**Fostering Recovery through Employment and Livelihood**

As steps are taken to gradually reopen the economy, the trajectory that the labor market's recovery follows will depend on the policy choices and strategies of the government to contain the spread of COVID-19 and to support the affected businesses and workers in their struggle to keep afloat and survive.

The proposed 2021 National Budget is thus crucial, as it will provide funding support for government programs and initiatives that will help steer the economy on the path to recovery. Specifically, the budget will fund programs aimed at revitalizing the employment and livelihood sector. It will also support social protection programs that strengthen income support systems, as well as fund programs that provide unemployment insurance, emergency employment, wage subsidies and assistance to informal sector workers.

Cognizant of the immense impact of the COVID-19 pandemic on employment and livelihood opportunities in the country, the government aims to achieve the following through the proposed 2021 National Budget: create employment opportunities and safeguard livelihoods, extend support to displaced workers affected by the COVID-19 pandemic, extend assistance and address the needs and issues faced by MSMEs, safeguard and provide assistance to repatriated overseas Filipino workers (OFWs), bolster tourism development, and promote balanced regional development.

**Creating Employment Opportunities and Reviving the Labor Market**

Before the COVID-19 outbreak, about 42.5 million individuals or 94.7 percent of the labor force were employed, while only 2.4 million people or 5.3 percent of the labor force were considered unemployed in January. However, in April 2020, the Philippine Statistics Authority (PSA) recorded an additional 4.9 million unemployed individuals, increasing the unemployment rate to 17.7 percent. This is equivalent to 7.3 million unemployed individuals as of April 2020, which is clearly a consequence of the COVID-19 economic slowdown.[1]

Meanwhile, the employment rate fell to 82.3 percent, which is equivalent to 33.8 million employed individuals in April 2020. This is significantly lower than the 94.7 percent employment rate or 42.5 million employed individuals in January 2020.[2]

Not surprisingly, the easing of quarantine measures reflected favorably on employment. In the July round of the Labor Force Survey, the Philippine labor market recorded a 7.7 percent or 7.5 million increase in employment compared to April, with most subsectors experiencing employment gains.[3]

Drawing on these lessons and realities, and in support of its functions on policy-making and programming for the labor sector, the Department of Labor and Employment (DOLE) will receive PhP27.5 billion for 2021, which is 53.6 percent higher than its 2020 budget of PhP17.9 billion. The increase in the budget of DOLE reflects the government's continuing commitment to improve income support systems and provide emergency employment amid the COVID-19 crisis.

**Table 1. Programs and Budgets on Job Generation and Emergency Employment**
(in billion Pesos)

| Particulars | 2019 (GAA) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| **Department of Labor and Employment** | **17.8** | **17.9** | **27.5** |
| *Of which:* | | | |
| Special Program for Employment of Students (SPES) | 0.5 | 0.5 | 0.6 |
| JobStart Philippines | 0.02 | 0.04 | 0.04 |
| *Tulong Panghanapbuhay sa Ating* Disadvantaged/ Displaced Workers and Government Internship Program | 6.6 | 6.8 | 9.9 |

***Implementing Job Generation.*** To further pursue the job generation program, PhP763 million is lodged under the DOLE's Employment Facilitation Program. Of this amount, PhP606 million will be allocated to the Special Program for Employment of Students (SPES) and the Jobstart Philippines to boost youth employability.

The SPES, which serves as a bridging strategy for students to gain significant skills and relevant workplace experience, targets to reach 74,142 youth beneficiaries in 2021. The program will prioritize qualified low-income students, out-of-school youths, and dependents of displaced workers who aim to finish their education. In 2019, the program was able to benefit 123,351 poor students and out-of-school youth.

Meanwhile, the DOLE's Jobstart Philippines Program aims to increase the employability of young Filipinos through formal education and technical training. Specifically, the program targets to reduce the job-search period of 1,000 young Filipinos next year by providing them proper trainings, paid internships, and access to full-cycle employment facilitation services.

**Supporting Displaced Workers**

Based on data from the Bureau of Local Employment of DOLE, the COVID-19 pandemic has displaced about 2.7 million workers as of May 23, 2020.[4]

The National Capital Region (NCR) recorded the highest number of affected workers at 896,020. This was followed by Region III (Central Luzon) at 295,458; Region IV-A (Calabarzon) with 286,630; Region VII (Central Visayas) with 209,033; Region XI (Davao Region) with 205,380; Region X (Northern Mindanao) with 181,523; Region IX (Zamboanga Peninsula) with 121,786; and Region 2 (Cagayan Valley) with 90,983.[5]

Meanwhile, a total of 88,474 workers were affected by the COVID-19 pandemic in Region IV-B (MIMAROPA); Region V (Bicol) with 79,564; Region VI (Western Visayas) with 73,525; Cordillera Administrative Region with 68,210; Region VIII (Eastern Visayas) with 54,592; CARAGA Region with 46,779; Region I (Ilocos) with 32,020 and Region XII (SOCCSKSARGEN) with 27,663.[6]

In the private sector, nearly 200,000 workers have been displaced since January 2020, based on the Job Displacement Monitoring Report of the DOLE. Data from said report also revealed that a total of 112,143 establishments either implemented flexible work arrangements or underwent temporary closure from March to September 2020 affecting 3,166,351 workers.[7]

To ensure that appropriate assistance and support is continuously given to displaced workers affected by the COVID-19 pandemic, the DOLE will be provided with PhP11.1 billion for its Livelihood and Emergency Employment Program. PhP9.9 billion of this will fund and sustain the *Tulong Panghanapbuhay sa Ating* Disadvantaged/Displaced Workers (TUPAD) and Government Internship Program (GIP). The TUPAD and the GIP programs aim to assist 2,082,603 beneficiaries for 2021. This is 53 percent higher than the programs' target beneficiaries of 1,357,962 in 2020 and 253 percent more than the actual beneficiaries in 2019.

The TUPAD program is a short-term emergency employment program of the DOLE which aims to provide a safety net or wage subsidy to informal workers during calamities, disasters, and epidemics. The DOLE will give priority to the following: (a) indigent families under the National Household Targeting System for Poverty Reduction; (b) informal sector families; and (c) those under the next lower poverty level, as determined by the Department of Social Welfare and Development. For 2021, the TUPAD program will also be utilized as a post-COVID intervention measure to help informal sector workers recover from economic displacement and loss of income.

The GIP, on the other hand, offers internship opportunities for high school, technical vocational, or college graduates who are 18 years old and above. Beneficiaries will be receiving a stipend equivalent to the prevailing minimum wage in the region where the recipient resides.

In addition, PhP810 million is also set aside under the DOLE Integrated Livelihood Program (DILP) to assist 23,007 beneficiaries in 2021. The DILP aims to reduce the vulnerability of the marginalized workers and the poor.

To mitigate the adverse effects of unanticipated economic crises, natural or man-made calamities, and pandemics such as the COVID-19 crisis to 26,107 displaced formal workers, the amount of PhP392 million is allotted for the Adjustment Measures Program (AMP) of the DOLE. The program aims to enhance the employability of workers and assist companies in restructuring policies and workforce adjustment measures to ensure a socially-responsible workforce.

**Revitalizing the MSME Sector**

The COVID-19 pandemic and the consequent restrictions to curb the spread of the virus have taken a significant toll on the country's business sector. MSMEs, which comprise the majority of businesses in the country, are among the most affected. Some of the major issues experienced by MSMEs are cash flow constraints resulting in increased debt, difficulty in covering overhead costs, and supply chain interruptions. Although the government temporarily suspended rental and loan payments, expenses and payables have piled up, putting pressure on the working capital of MSMEs.

Based on the National Economic and Development Authority's (NEDA) Business Sector Survey, more than 60 percent of the 44,000 MSME respondents stopped operations due to changes in work arrangements. The remaining 40 percent either adopted reduced work hours or work-from-home schemes. Meanwhile, majority of or 74.4 percent of the MSMEs surveyed did not reduce their manpower, which implies that these companies have been absorbing the losses.[8]

In terms of sales, almost two-thirds of MSMEs, especially non-essential businesses, reported zero sales due to temporary closure. To sustain the business, most of the MSMEs surveyed delayed payments on taxes and debts, while others availed of loans from government institutions, borrowed money from friends, and requested early payments from customers.[9]

With regard to availing assistance, 77 percent of the MSME respondents did not avail of existing government assistance programs. Among those who availed, about 42 percent were satisfied.[10]

Moreover, based on data from the Department of Trade and Industry (DTI), more than half, or 52.66 percent, of MSMEs in the country fully stopped their operations due to the COVID-19 pandemic, while some 12.55 percent have limited operations, and only 34.79 percent managed to continue their operations.[11]

Recognizing the importance of MSMEs as the backbone of the economy, the Administration is committed to help local businesses and MSMEs recover by allowing the domestic market to gradually reopen. With MSMEs accounting for the most number of registered establishments and the highest employment percentage in the country's workforce, it is therefore crucial that they receive sufficient support and assistance.

For 2021, the DTI will be allotted a budget of PhP20.6 billion. As the government's primary arm for fostering a competitive and innovative industry and services sector, the DTI envisions to extend its full support to MSMEs battered by the slowdown of economic activities due to the COVID-19 crisis.

***Extending MSME Assistance and Support.*** To ensure that technical assistance and credit are always available to MSMEs, the DTI's MSME Development Program will receive PhP2.3 billion.

The MSME Development Program, which is in line with the MSME Development Plan 2017-2020, is anchored on the formulation of strategic plans, programs, and policies on MSME development and support. In 2019, the DTI was able to assist 347, 324 MSMEs or 39 percent of the total businesses under the program, higher than its initial target of 25 percent or 200,000 MSMEs. For 2021, the DTI increased its target to 31 percent, which is equivalent to 304,887 MSMEs served.

Among several projects under the MSME Development Program, the limelight is focused on the Livelihood Seeding Program - *Negosyo Serbisyo sa Barangay* as one of the government's priority programs in response to the COVID-19 crisis. Through this program, qualified affected individuals will be provided with livelihood or *negosyo* kits and business advisory assistance and services, amounting to at least PhP5,000 up to PhP8,000, to aid in their recovery and spur economic activities immediately. For 2021, the program is allotted a budget of PhP203 million to disseminate information on various livelihood opportunities to 359,200 individuals in 3,592 *barangays*.

***Improving Facilitating Services.*** In accordance with Republic Act No. 10644, otherwise known as the "Go *Negosyo* Act," *Negosyo* Centers have been created in all provinces, cities, and municipalities in the country. *Negosyo* Centers are one-stop centers that aim to bring government services to localities in order to promote ease of doing business by facilitating access to services for MSMEs within its jurisdiction. Furthermore, *Negosyo* Centers also facilitate access to financial assistance and grants, design, and undertake programs that will promote entrepreneurship.

In 2019, the DTI's *Negosyo* Centers were able to assist 688,980 clients nationwide, exceeding its 2019 target of 575,000 assisted clients. For 2021, the DTI targets to reach and assist 803,000 clients through the *Negosyo* Centers. The amount of PhP627 million is set aside for the establishment of 157 *Negosyo* Centers and the management of 1,094 existing *Negosyo* Centers in all provinces, cities, and municipalities in the country.

***Capacitating and Bolstering the Competitiveness of MSMEs.*** The DTI, through the OTOP: Next Generation Project, aims to alleviate poverty through the promotion of profitable goods and services, thereby developing MSMEs, creating jobs, and stimulating both local and international markets. The project will assist MSMES through capacity building, product development, technology updating, brand equity and development, intellectual property assistance, access to finance,

**Table 2. Programs and Budgets on MSME Development**
(in billion Pesos)

| Particulars | 2019 (GAA) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| **Department of Trade and Industry** | **19.1** | **21.4** | **20.6** |
| *Of which:* | | | |
| MSME Development Program | 1.9 | 2.7 | 2.3 |
| *Of which:* | | | |
| Livelihood Seeding Program - *Negosyo Serbisyo sa Barangay* | - | 0.2 | 0.2 |
| Establishment of *Negosyo* Centers | 0.6 | 0.8 | 0.6 |
| OTOP: Next Generation | 0.09 | 0.3 | 0.09 |
| Shared Service Facilities | 0.3 | 0.6 | 0.6 |
| Rural Agro-Industrial Partnership for Inclusive Development and Growth | 0.06 | 0.07 | 0.1 |

and marketing platforms and promotion. OTOP covers tangible products including processed foods, agri-based products, arts and crafts, home and fashion arsenal, and skills-based services.

In 2019, the program surpassed its targets by successfully providing 10,819 counts of MSME assistance, 6,771 counts of product development services, and enabling entrepreneurs under the program to generate PhP1.4 billion in sales. For 2021, the amount of PhP91 million has been allocated for the project to assist 7,986 MSMEs.

***Improving MSME Productivity through Efficient Equipment.*** To further boost the competitiveness of MSMEs, the DTI will provide machinery, equipment, tools, systems, skills, and knowledge under a shared system through its Shared Service Facilities (SSF) Project. The facilities will help target beneficiaries increase their production capacities and improve product quality, resulting in increased markets, sales, and job generation.

As of March 2020, the government has funded the establishment of 2,615 facilities with over 300,000 MSMEs assisted and 200,000 jobs created nationwide. For 2021, some PhP578 million will be allocated to the DTI to fund the SSF Project to maintain and establish 2,289 and 340 SSFs, respectively. Its implementation will be based primarily on priority industry clusters identified by the DTI, in consultation with key stakeholders.

***Addressing Cash Flow Constraints.*** Demonstrating the Administration's commitment to ensure the recovery of MSMEs from the COVID-19 pandemic, a total of PhP1.5 billion will be provided for the *Pondo sa Pagbabago At Pag-Asenso* (P3) Program for 2021. The P3 Program is a financing initiative of the government that aims to provide MSMEs with affordable and cost-efficient micro loans with 2.5 percent monthly interest.[12]

In 2020, the P3 Program served as an economic rehabilitation fund to address the cash flow constraints of MSMEs which resulted from increased debt, difficulty in covering overhead costs, and supply chain interruptions. As part of the government's PhP27.1 billion package of priority measures to help provide relief to sectors affected by the economic impact of COVID-19, the DTI made available a PhP1.0 billion loan package which could be accessed by MSMEs affected by the COVID-19 crisis.

Under the P3 Program, which is administered by the DTI's financing arm, Small Business Corporation, qualified micro enterprises with asset size of not more than PhP3 million are eligible to borrow from PhP5,000 to PhP200,000, while small enterprises with asset size of not more than PhP15 million can loan as much as PhP500,000.

As of 2020, the implementation of the P3 Program has been successful, with a 98 percent repayment rate.[13] For 2021, the DTI is targeting to reach 60,000 MSME borrowers with its funding of PhP1.5 billion.

***Transforming Agri-based Enterprises for Global Markets.*** Another banner program of the DTI is the Rural Agro-Industrial Partnership for Inclusive Development and Growth (RAPID Growth), which aims to propel agriculture-based processing enterprises to become innovative, productive, and competitive in order to meet the challenges of the global market.

The project specifically aims to provide focused, firm-level, and value chain-based assistance and financing to MSMEs. Through this project, the DTI is eyeing to address rural poverty and unemployment by linking MSMEs and farming communities to produce products that are competitive in the global market. For 2021, the program is allotted PhP111 million and targets to reach 28,000 farming households who will participate in the program's Detailed Investment Plans.

***Improving Enterprise Capabilities.*** A total of PhP125 million is allotted to the DOLE-National Wages and Productivity Commission's Productivity Improvement Program. This program aims to conduct various productivity training programs as well as provide technical assistance to enterprises to help them improve their capability and motivation in adopting productivity technologies for enterprise growth.

For 2021, strategies are focused on establishing a safer workplace and ensuring productivity of workers during the COVID-19 pandemic, work-from-home employee engagements, learner management in the new normal, and other measures that ensure adapting to the post-pandemic life will be less demanding.

**Pursuing Industry Competitiveness**

Understanding the role of strategic trade policies in the pursuit of industry competitiveness, the DTI institutionalized the Industry Development Program to formulate strategic plans, programs, and policies to develop competitive industries, and to involve the government and the private sector in crafting industry roadmaps aiming to set plans for the development of the manufacturing, agriculture, and services sectors.

The Industry Development Program will be allotted PhP511 million under the budget of the DTI for 2021. Through this program, the DTI targets to achieve the following: increase employment generation by the industry and services sectors to 333,000 and 528,000, respectively; formulate 238 industry roadmaps, policies, plans, researches, and studies; conduct 674 localization activities, conferences, workshops, consultative sessions, and capacity building sessions; and improve the country's overall ranking in the World Bank International Finance Corporation's Doing Business Report by reaching the top 40 percent of all countries surveyed. The budget allotted for the program will also support various projects including the Go *Lokal*! Project and the Reboot Package for Online Enterprises (Digital Philippines), among others.

Of the total amount earmarked for the Industry Development Program, PhP9 million is allocated for the Go *Lokal*! Project of the DTI. Go *Lokal*! is a market access platform for market incubation and brand testing, ultimately helping MSMEs to gain access to the local consumer market and global export market. To date, the project has assisted 478 MSMEs through its 114 Go *Lokal*! stores throughout the country.

The Digital Philippines, on the other hand, is allotted some PhP40 million for the promotion of eCommerce in the country. The project aims to drive the expansion of eCommerce as part of the new normal, thereby helping MSME embrace digitalization. This will also increase the opportunities for the MSMEs to perform better in the digital economy through better regulation, capacity building for MSMEs, information/awareness campaigns, and the eCommerce Government Technology Accelerator Project.

**Safeguarding Repatriated OFWs**

The COVID-19 pandemic has proven to be not just a health crisis, but also an economic, social, political, and even a humanitarian crisis. With the large distribution of OFWs in the world, the country is faced with the daunting task of attending to the needs of Filipino workers outside the country and OFWs who have sought repatriation.

As of August 2020, the number of displaced OFWs has surged past 600,000. Meanwhile, more than 200,000 overseas Filipinos have so far been repatriated amid the COVID-19 pandemic as of September 2020.[14]

As the designated and lead agency for repatriation efforts, the Overseas Workers Welfare Administration (OWWA) coordinates and responds to the needs of OFW arrivals and facilitates the transfer of OFWs to their province of origin. During the surge of repatriations due to the COVID-19 crisis, the OWWA provided free COVID-19 testing, accommodation, food packs, and monitoring to returning OFWs.

To safeguard our repatriated modern-day heroes from various host countries affected by displacement, lockdowns, and other economic downturns due to the COVID-19 pandemic, a total of PhP6.1 billion is allocated for the OWWA's Welfare Services.

PhP3.5 billion of the amount is lodged under the OWWA's Emergency Repatriation Program to fund the following programs/activities: (a) *Hatid-Sundo* Program, provision of transportation services for OFWs; (b) OFW *Kalinga* Program, provision of temporary shelter and accommodation for OFWs undergoing mandatory seven-day quarantine; (c) *Tulong Marino* Program, daily provision of food packs to seafarers; and (d) provision of personal protective equipment and medical supplies for frontliners. The amount will also cover assistance to an estimated 88,000 OFWs to be repatriated in 2021 due to the COVID-19 crisis.

Meanwhile, PhP2.5 billion is earmarked for the implementation of the DOLE *Abot-Kamay ang Pagtulong* (AKAP) Program to provide financial assistance to 150,000 affected onsite OFWs and 100,000 repatriated OFWs (*Balik Manggagawa*), and PhP100 million will be provided for the service cost of locally-hired paralegals.

In addition to this, some PhP53 million will be allocated for the Reintegration Services for OFW Returnees to make livelihood opportunities more accessible to OFWs who had been forced to repatriate.

**Bolstering Tourism Development**

Over the past few years, tourism has been considered a driving force of job generation, economic growth, and development in the country. In 2019, the tourism sector contributed 12.7 percent of the Philippines' Gross Domestic Product (GDP). In addition, the Tourism Direct Gross Value Added amounted to PhP2.48 trillion in 2019, 10.8 percent higher compared to PhP2.24 trillion in 2018.[15]

In 2020, the tourism sector was among the sectors that were greatly affected by the COVID-19 pandemic – from quarantine measures, shutting down of borders, airports, hotels, as well as the restrictions on mass gatherings, land travel, and other related services. Hence, the government may need to prioritize the recovery of the tourism sector to revitalize its employment generation potential.

For 2021, PhP35.7 billion is allotted as a bounce-back fund for the promotion of the convergence program for Tourism Development, through the Re-Start Up Program. The program aims to benefit MSMEs and community-based organizations accredited by the Department of Tourism (DOT). *(See Table 3 on page 64)*

**Promoting Regional Development**

Regional development, a priority factor in building a prosperous and predominantly middle class society in the *Ambisyon Natin* 2040, is one of the key targets of the government to provide sustainable livelihood for all.

In 2020, the congestion in the epicenters of the COVID-19 pandemic brought to light long-standing issues on the lack of sustainable employment opportunities in the countryside and unbalanced regional development. In addition, the slowdown of economic activity due to community quarantine measures highlighted the disadvantage of lopsided development. In recognition of and response to this, the government is intensifying efforts to reverse migration from the congested metropolises, as well as attain rural prosperity through equitable distribution of resources and opportunities.

Regional development hinges on the policies and programs that aim to boost inclusive growth, provide adequate social services, promote full employment, and improve quality of life in the rural areas. One of the notable efforts of the government is the institutionalization of the *Balik Probinsya, Bagong Pag-asa* program as a pillar of regional development.

The *Balik Probinsya, Bagong Pag-asa* program aims to encourage people to return to their provinces by providing them support and incentives on transportation, family, livelihood, housing, subsistence, and education, among others. The objectives of the program include the introduction of a sustainable and rationalized system of fiscal incentives for export-oriented and domestic-oriented enterprises, as well as support for micro, small, and medium enterprises.

For 2021, the government will infuse a total of PhP3.2 billion for the *Balik Probinsya, Bagong Pag-asa Program*. Of this amount, PhP2.2 billion is given to the Department of Social Welfare and Development, to support 10,000 families and receiving

**Table 3. Tourism Development Program, 2019 - 2021**
(in billion Pesos)

| Particulars | 2019 (GAA) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| Department of Tourism | 3.7 | 3.9 | 3.8 |
| Department of Environment and Natural Resources | 0.08 | 0.04 | 0.15 |
| Department of Foreign Affairs | 0.04 | 0.05 | 0.05 |
| Department of Finance | 0.41 | 0.46 | 0.51 |
| Department of Health | 0.16 | 0.04 | 0.2 |
| Department of Public Works and Highways | 16.5 | 21.8 | 23.9 |
| Department of Information and Communications Technology | 1.1 | 1.1 | 2.4 |
| Department of Trade and Industry | 0.9 | 1.3 | 1.0 |
| National Historical Commission of the Philippines | 0.19 | 0.11 | 0.07 |
| Department of Transportation | 2.1 | 3.0 | 0.16 |
| Commission on Higher Education | 0.03 | 0.22 | 0.28 |
| National Electrification Administration | 0.86 | 1.4 | 1.6 |
| Tourism Promotions Board | 1.4 | 0.9 | 1.5 |
| **Total** | 27.3 | 34.4 | 35.7 |

*Note: Figures may not add up due to rounding off.*

community members who will relocate and establish their livelihoods in the provinces. The beneficiaries will be provided transportation or relocation allowance amounting to PhP5,000 per family of five; six-month transitory family support package worth PhP11,000 per family for six months; and livelihood settlement grants amounting to PhP24,131 per family.

The National Housing Authority, on the other hand, will receive PhP500 million to sustain its *Balik Paninirahan sa Probinsya* Program. Some PhP500 million is also allotted to the Department of Agriculture to aid an estimated 7,000 households nationwide by sustaining their livelihoods in pursuing collective enterprise development and supporting household food sufficiency and livelihood development.

**Table 4. *Balik Probinsya, Bagong Pag-asa* Program**
(in billion Pesos)

| Particulars | 2021 (Proposed) |
|---|---|
| Department of Social Welfare and Development | 2.2 |
| National Housing Authority | 0.5 |
| Department of Agriculture | 0.05 |

**Saving Lives and Livelihoods**
The COVID-19 pandemic began as a health crisis, but in time unfolded and triggered a grave economic emergency. The immediate quarantine measures were intended to contain the spread of COVID-19 and protect public health, but in turn had an unprecedented direct and devastating impact on the industry and employment sector, putting Filipinos' lives and livelihoods at risk.

As the COVID-19 crisis unfolds, the government will need the proposed 2021 National Budget as a crucial tool to ease the adverse effects of the pandemic. The proposed National Budget will support public programs and policies that will keep markets open and functioning, which in turn will create jobs, preserve livelihoods, and address the needs of Filipino workers.

For 2021, the government is prepared to scale up its programs and projects not only to safeguard lives and livelihoods, but also to lay the foundation for a more resilient employment and livelihood sector. As we regain our footing on the journey momentarily derailed by the fight against COVID-19, the new normal presents an opportunity for the country to boost livelihoods, industries, and firms, helping them emerge stronger, more resilient, and better protected.

**Endnotes:**

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## SOCIAL PROTECTION: *Protecting Filipinos from the Economic Risks and Shocks of Life*

At the start of the year 2020, the world was stunned by the outbreak of the COVID-19 pandemic. The consequences, as well as the continuing threats of the global crisis, led all affected countries to re-evaluate and re-prioritize their priority projects and programs to mitigate and recover from the adverse effects of the pandemic. In this regard, relevant social protection programs and social safety nets are now more important than ever as primary assets to help the most affected sectors—the poor, marginalized, and vulnerable citizens—respond and recover from the pandemic. The social protection programs and social safety nets provide a measure of protection against the impacts of economic shocks, natural disasters, and other crises.

However, a single program can only be expected to solve problems that it has been designed to solve. It takes a comprehensive system of multiple social protection programs and social safety nets, comprised of social assistance programs, social insurance programs, and labor market programs to build the foundation that can strengthen the resilience of households against these kinds of shocks.[1]

The Administration understands the importance of having a comprehensive social protection system and this is reflected in the PhP171.2 billion budget allocation under the Department of Social Welfare and Development (DSWD), to continue to support, improve, and create programs that will uplift the lives of the Filipinos and help the poor and vulnerable escape the intergenerational cycle of poverty.

**Table 1. Select Social Protection Programs, 2021**
(in billion Pesos)

| Particulars | 2021 NEP |
|---|---|
| **Department of Social Welfare and Development** | **171.2** |
| *Pantawid Pamilyang Pilipino* Program | 113.8 |
| Social Pension for Indigent Senior Citizens | 23.2 |
| Sustainable Livelihood Program | 4.3 |
| Supplementary Feeding Program | 3.7 |

### *Pantawid Pamilyang Pilipino* Program

The *Pantawid Pamilyang Pilipino* Program (4Ps) or Conditional Cash Transfer (CCT) Program is the Administration's national poverty reduction strategy and a human capital investment program that aims to improve the health, nutrition, and education of the poorest of the poor, particularly of children aged 0-18 years old.[2]

The beneficiaries of 4Ps are mostly composed of farmers, fisherfolk, indigenous peoples, informal settlers, and families in geographically isolated and disadvantaged areas (GIDAS) as identified by the National Household Targeting System for Poverty Reduction, also known as *Listahanan*. To qualify for the program, the following criteria must be met: (1) a resident of the poorest municipalities based on the Small Area Estimate of the National Statistical Coordination Board; (2) households whose economic condition is equal to or below the provincial poverty threshold; (3) households that have children aged 0 to 18 years old, and/or a pregnant family member at the time of registration; and (4) must be willing to comply with the conditions set by the program.[3]

For 2021, PhP113.8 billion will be allocated to cover the education and health grants, as well as rice subsidy of the 4,400,000 household beneficiaries of the 4Ps. Of the total number of registered households, 4,165,137 fall under the Regular Conditional Cash Transfer (RCCT), and the remaining 234,863 are under the modified Conditional Cash Transfer (MCCT), which include itinerant indigenous peoples (IPs), families in need of social protection (FNSP), and homeless street families (HSF) as beneficiaries.

The MCCT uses a modified approach to reach the poor families who are not registered in the RCCT due to their current situation, such as lack of physical structures and immobility, which excluded them during the conduct of enumeration in the CCT. Salient features of the MCCT include modifications,

**Table 2. Allocations and Physical Targets of the *Pantawid Pamilyang Pilipino* Program, 2020-2021**

| Particulars | 2020 | | 2021 Proposed |
|---|---|---|---|
| | GAA | Adjusted | |
| ***Pantawid Pamilyang Pilipino* Program** | **PhP108.8 B** | **PhP100.9 B** | **PhP113.8 B** |
| *Of which:* | | | |
| Health Grant | PhP37.6 B | PhP29.1 B | PhP37.6 B |
| Education Grant | PhP32.2 B | PhP16.8 B | PhP38.1 B |
| Rice Subsidy | PhP31.0 B | PhP23.2 B | PhP30.1 B |
| Other Assistance Programs for MCCT | PhP0.3 B | PhP0.7 B | PhP0.3 B |
| No. of beneficiaries: | 4,400,000 | 4,287,676 | 4,400,000 |
| Regular CCT | 4,164,960 | - | 4,165,137 |
| Modified CCT | 235,040 | - | 234,863 |

conditionalities, program interventions, and mode of implementation that are fit to the needs of IPs, FNSP, and HSF beneficiaries.[4]

**Sustainable Livelihood Program**

The Sustainable Livelihood Program (SLP) is a capacity-building program that aims to reduce poverty and inequality by generating employment among poor households and by moving highly vulnerable households into sustainable livelihoods and toward economic stability. As of 2019, 49,581 households have been assisted through the offered tracks of the SLP namely, the Micro-Enterprise Development (MD) track, and the Employment Facilitation (EF) track. The MD track offers participants training, capital, and other funding support to set up their own microenterprise. The EF track, on the other hand, offers pre-employment training and access to locally available jobs through public-private partnerships.

The disruption to citizens' day-to-day lives due to quarantine restrictions has forced a number of businesses to lay off employees, or worse, to shut down their businesses entirely. This resulted in financial burdens and financial instability for countless households, whose needs the government must also address. That is why, for 2021, PhP4.3 billion will be allocated for the SLP to expand the employment and livelihood opportunities of 122,489 poor, vulnerable, and marginalized households. Specifically, the program will benefit 107,264 regular household beneficiaries, 11,800 former rebels, 2,000 households registered under the program on the post-disaster response in Marawi City, and 1,425 households registered under the Zero Hunger Convergence Program.

**Table 3. Target Household Beneficiaries under the Sustainable Livelihood Program, 2021**

| Particulars | 2021 Targets |
|---|---|
| **Household Beneficiaries** | **122,489** |
| *Of which:* | |
| Regular Beneficiaries | 107,264 |
| Rebel Returnees | 11,800 |
| School-based Feeding Program | 2,000 |
| Teaching Positions | 1,425 |

**Other Select Programs**

***Supplementary Feeding Program.*** Children all over the world are being affected by the global health crisis as their lives are being changed in profound ways. In particular, children are affected by socioeconomic impacts, and in some cases, the mitigation measures concerning the pandemic. As part of the DSWD's contribution to the Early Childhood Care and Development, the Supplementary Feeding Program (SFP) provides supplementary hot meals for the following target beneficiaries: (1) undernourished children aged three (3) to four (4) years enrolled in Child Development Centers (CDCs); (2) undernourished children aged five (5) years old not enrolled in the Department of Education preschool but enrolled in CDCs; and (3) undernourished children aged two (2) to four (4) years in Supervised Neighborhood Plays. The hot meals will be served to children during snack or meal time for a minimum of five (5) and maximum of seven (7) days a week for 120 days.

A PhP3.7 billion budget is set aside for the SFP to mitigate malnutrition and improve the nutritional status of undernourished children. For 2021, the program aims to benefit 1,936,868 children who will receive healthy meals for 120 days.

***Bangsamoro Umpungan sa Nutrisyon.*** The *Bangsamoro Umpungan sa Nutrisyon* (BangUN) is a program that aims to address the high incidence of hunger and malnutrition among children in the Autonomous Region in Muslim Mindanao (ARMM). The program also provides assistance to pregnant and lactating women in the form of supplementary meals to ensure that they receive proper nutrition.

The government further allocates PhP161 million for the BangUN program to grant communities in the ARMM access to the various nutrition-support programs of the national government agencies. The program will distribute culturally-appropriate meals to 15,000 children and 7,000 pregnant and lactating women. While the program focuses mainly on increasing the weight and improving the health of children in these areas, who are subject to extreme poverty and conflict situations, it also aims to encourage the parents or heads of the households to achieve food security and good health for their families.

***Services to Distressed Overseas Filipinos, Displaced Persons (Deportees), and Trafficked Persons.*** Remittances from Overseas Filipino workers (OFWs) continue to keep the Philippine economy afloat and, until the COVID-19 pandemic, fairly robust. Preliminary data from the *Bangko Sentral ng Pilipinas* show that cash remittances from OFWs reached USD16.8 billion from January to July of 2020 alone.[5] While the cash inflows from OFWs have been an important source of external financing for the development of the economy, the OFWs, however, continue to face risks like substandard employment conditions, unjust labor practices, economic crises of host countries, and deportations.

For 2021, the government will allocate PhP169 million under the DSWD to uphold the welfare of OFWs and safeguard them from abuse and exploitation. Of this amount, PhP91 million will

**Table 4. Supplementary Feeding Program: Allocation and Physical Targets, 2019-2021**

| Particulars | 2019 Actual | 2020 | | 2021 Proposed |
|---|---|---|---|---|
| | | GAA | Adjusted | |
| Supplementary Feeding Program | PhP2.9 B | PhP3.7 B | PhP3.6 B | PhP3.7 B |
| Number of children provided with supplementary feeding | 1,172,224 | 1,881,979 | 1,881,979 | 1,936,868 |

be earmarked for psycho-social support such as counseling and trauma management under the Services to Distressed Overseas Filipinos. For the Recovery and Reintegration Program for Trafficked Persons, a PhP25 million budget will be set aside to help reintegrate recovering victims into their families and communities. The remaining PhP53 million is allotted for the Services to Displaced Persons (Deportees), which provides displaced persons with temporary shelter, medical services, and nourishment.

***Assistance to Individuals in Crisis Situation.*** The global health crisis has left countless Filipinos jobless and in need of financial support. That is why, for 2021, PhP12.0 billion will be provided for the Protective Services for Individuals and Families in Difficult Circumstances (including Assistance to Individuals in Crisis Situation) to provide services such as but not limited to financial assistance, psychosocial support, and material assistance.

***Assistance to Indigent Senior Citizens.*** One of the priority objectives of the government is to have an integrated and comprehensive approach in making essential goods and other social services available for all. Along with the poor and marginalized members of society, senior citizens benefit the most from this. However, with the outbreak of the pandemic, the senior members of the population are now in a more vulnerable state given that they have a higher risk of acquiring severe COVID-19 infections.[6]

As such, 3,789,874 indigent senior citizens, will be given a monthly stipend of PhP500 to augment their daily sustenance and medical needs. This will be taken from the FY 2021 proposed PhP23.2 billion budget for the Social Pension for Indigent Senior Citizens that aims to support the well-being of the elderly in compliance with Republic Act (R.A.) No. 9994 or the "Expanded Senior Citizens Act".

***Implementation of the Philippine Identification System.*** The passage of the R.A. No. 11055, or the Philippine Identification System (PhilSys) Act, paves the way for the creation of a foundational digital identification (ID) system for all citizens and foreign residents of the country.[7] The PhP4.1 billion budget allocated for the PhilSys aims to fast-track the implementation of a single national ID system which will help transform the delivery and access to government services and accelerate the transition to a digital economy.

With the need to fast-track the shift to a digital economy due to the pandemic, the use of digital solutions, tools, and services for both businesses, and governments is now more important than ever.[8] Thus, the implementation of the PhilSys will provide a platform in which the government and the private sectors can identify and verify their customers in a digital and automated manner. Furthermore, the system can also help in the systematic distribution of government assistance to those affected by the pandemic, particularly poor and low-income individuals and families.

**An Adaptive and Transformative Social Protection in a Changing World**

The call for a comprehensive, adaptive, and transformative social protection system has never been more pronounced as the country tries to recover from the shocks caused by the COVID-19 pandemic. The Administration continues to take the necessary steps to address the concerns on health, education, equality, economic empowerment, cultural rights, as well as age and gender empowerment in the hopes of sustaining the needs of every Filipino, especially the poor and the marginalized.

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## EDUCATION: *Adopting Flexible and Blended Learning*

Education is a potent force for the empowerment of individuals and nations. It can pave the way to poverty reduction, promote peace and equality, provide a strong foundation for human capital development, and support a country's social and economic growth and development.[1]

Ironically, however, despite its power to change the course of history and the fortunes of countries and peoples, education can also be quite vulnerable to any change, shift, or deviation from the norm. Such that the resulting disruption can be injurious or fatal to the entire process and its intended good.

This reality was brought to the fore on a global level, with the outbreak of the COVID-19 pandemic at the start of 2020. Even before the community quarantine was imposed, classes in almost all school levels were suspended in order to lessen the risk of contact transmission. Eventually, the government decided to cancel all academic programs and activities, and culminate the School Year (SY) ahead of schedule.

As COVID-19 showed no signs of slowing down, the Department of Education (DepEd) and Commission on Higher Education (CHED) have resolved to hold SY 2020-2021 via remote and blended learning. This seems to be the norm until the disease is completely eradicated.

It is thus crucial for the government to re-examine its priorities, re-define its objectives and strategies, and re-design its programs to facilitate a smooth transition towards the post-pandemic life.

Accordingly, for 2021, the Education sector remains to be the largest recipient of the proposed National Budget with a total allocation of PhP754.4 billion. This includes the budgets of the DepEd, PhP606.5 billion; State Universities and Colleges (SUCs), PhP83.3 billion; CHED, PhP50.9 billion; and the Technical Education and Skills Development Authority (TESDA), PhP13.7 billion.

**Laying the Groundwork for Learning and Skills Development through Basic Education**

Basic education is a key factor in helping children develop and reach their full potential. It is through the learning opportunities that children experience in school that they are able to build the foundation that they use to grow as a person and set the path to their future profession and contribution to society.[2]

***Expanding flexible and multi-modal learning and teaching options.*** Resuming classes in the midst of the pandemic, when face-to-face classes are discouraged, requires the introduction and adoption of more innovative approaches in teaching.

This results in multiple challenges as not all students have the same access to materials and resources that can help them adapt during the pandemic. Some learners have had to or might forego schooling due to financial constraints or burdens on the family due to the pandemic.

To provide learners with more options to continue their education even during the health crisis, the government's response was to introduce a blended education system. This system combines multiple modalities, including in-person teaching and learning, online learning, and other education technology applications.

To help mitigate the effects of the disruption caused by the pandemic, the government will allocate PhP16.1 billion from the DepEd budget for the development, reproduction, and delivery of 948.8 million learning modules, including transistor radios, for learners who have limited or no access to technology under the Basic Education-Learning Continuity Plan.

Public schools will need to be provided with appropriate ICT in order for them to effectively adapt to the new methods and to improve the teaching and learning process of teachers and learners. For this, PhP9.0 billion is allocated for the DepEd Computerization Program to procure 37,221 multimedia packages, each consisting of a laptop and a television set to be distributed to public schools nationwide.

To deliver quality and relevant second chance basic education programs for out-of-school youth and adults while ensuring the health and safety of both learners and teachers amidst the COVID-19 pandemic, PhP105 million has been set aside for DepEd's Alternative Learning System (ALS). This amount will enable the Education department to reach out to 690,208 out-of-school youths above 15 years old, and aid them through programs on education, employment, and entrepreneurship.

**Table 1. Major Programs of the DepEd**
(in billion Pesos)

| Particulars | 2021 NEP |
|---|---|
| **Department of Education** | **606.5** |
| Provision of Learning Materials | 27.8 |
| Government Financial Assistance and Subsidies to Students and Teachers | 26.3 |
| Basic Educational Facilities | 24.1 |
| School-based Feeding Program | 6.0 |
| Creation of Teaching and Non-Teaching Positions | 2.4 |
| Alternative Learning System | 0.1 |

***Improving Basic Education Facilities.*** Some PhP24.1 billion is earmarked under the Basic Education Facilities Program. Of this amount, PhP13.0 billion is allotted for the construction of 5,174 new classrooms and technical-vocational laboratories and the construction of water and sanitation facilities. An allocation of PhP4.7 billion will fund the repair and rehabilitation of classrooms all over the country, while PhP4.8 billion is to ensure that both existing and newly-constructed classrooms will be furnished with the necessary number of school desks, furniture, and fixtures to create a conducive learning environment for students.

To address the gaps in resources and facilities of schools located in geographically-isolated and disadvantaged and conflict-affected areas (GIDAS), some PhP1.5 billion is appropriated for the Last Mile Schools Program of the DepEd. This program covers schools which have fewer than four classrooms, multigrade classes with less than five (5) teachers, and less than 100 students.

**Table 2. Procurement Targets for Learning Resources**

| Particulars | 2019 Actual | 2020 Adjusted | 2021 Proposed |
|---|---|---|---|
| Textbooks/ instructional materials | 11.7 M textbooks | 10.3 M textbooks | 948.8 M modules |
| Science and mathematics equipment | 2,882 packages | - | 7,730,038 pieces |
| TVL equipment | 2,073 packages | - | 215,490 pieces |
| Multimedia packages | 3,765 packages | 39,512 packages | 37,221 packages |

***Supporting Human Resources in the Education Sector.*** In recognition of the unique role and efforts of educators in addressing the challenges of education in the midst of a pandemic, a budget of PhP5.2 billion is allotted for the cash allowance and special hardship allowance of public school teachers for 2021. A PhP3,500 cash allowance is given per classroom teacher every school year for the purchase of teaching supplies and materials. The special hardship allowance, meanwhile, is granted to teachers who are: (1) deployed in hardship posts; (2) handles multi-grade classes; (3) mobile teachers; or (4) ALS coordinators. Further, to augment the present number of teachers in the country, PhP2.4 billion is earmarked for the creation of 10,000 teaching positions and 5,000 non-teaching positions.

***Providing Scholarships and Subsidies to Students.*** The government will allot PhP26.3 billion to provide financial assistance for a targeted 2,656,888 students in private and non-DepEd schools through programs under Government Assistance and Subsidies namely, Senior High School (SHS) Voucher Program, Education Service Contracting (ESC), and Joint Delivery Voucher Program. The bulk of this amount will support the SHS Voucher Program, whose allocation of PhP13.7 billion will enable qualified students to enroll in private secondary schools, private higher education institutes, and private technical-vocational institutes. Similarly, PhP742 million will enable qualified students to enroll in non-DepEd public schools, such as state and local universities and colleges, and public technical-vocational institutes.

Meanwhile, the ESC Program gets PhP10.7 billion to provide a fixed tuition subsidy to graduates of public elementary schools who will enroll in participating private schools. PhP1.2 billion will be allocated for the implementation of the Joint Delivery Voucher Program that will enable select public SHS students taking the Technical Vocational and Livelihood (TVL) track to take their TVL subjects in private or non-DepEd schools and institutions.

***Promoting the Importance of Health and Nutrition of Students.*** Access to nutritional meals is a key factor in the development of learning abilities of a student. Studies show that healthy food, along with physical activities, can enhance the academic achievement of students.[3] For 2021, PhP6.0 billion is earmarked for the School-based Feeding Program that aims to provide food for 1,810,460 severely wasted, moderately wasted, and wasted learners.

***Building an Inclusive Education System.*** Every child has the right to quality education regardless of their economic, social, political, and cultural standing. It is through inclusive education that every child can be given the chance to learn and develop the skills that they need to improve themselves.[4]

To ensure that every Filipino learner has access to quality education, the Administration allotted a PhP15.6 billion budget for its Inclusive Education Program. This includes the budgets for the Flexible Learning Options Program (Alternative Delivery Modes/Alternative Learning Systems/Education in Emergencies), PhP15.2 billion; Madrasah Education Program, PhP347 million; Indigenous Peoples Education (IPEd) Program, PhP51 million; and Multigrade Education, PhP22 million.

**Table 3. Schemes under the Government Assistance and Subsidies of the DepEd**

| Particulars | 2021 Proposed (in billion Pesos) | No. of Grantees |
|---|---|---|
| **Voucher Program for Senior High School Students** | **14.4** | **1,417,613** |
| Private School | 13.7 | |
| Non-DepEd Public - Local Universities and Colleges (LUCs)/SUCs | 0.7 | |
| **Educational Service Contracting** | **10.7** | **1,149,975** |
| **Joint Delivery Voucher Program** | **1.2** | **89,300** |
| **Total** | **26.3** | **2,656,888** |

**Table 4. Allocations for the Higher Education Sector**
(in billion Pesos)

| Particulars | 2021 NEP |
|---|---|
| **State Universities and Colleges** | **83.3** |
| **Commission on Higher Education** | **50.9** |
| Universal Access to Quality Tertiary Education (UAQTE) Program | 44.2 |
| Student Financial Assistance Programs (StuFAPs) | 1.5 |
| Financial Assistance for Post-Graduate Students | 1.5 |
| K-to-12 Transition Program | 1.0 |

**Expanding the Accessibility of Tertiary Education for All**
Tertiary education is pivotal in providing opportunities for individuals to develop competencies that will better equip them in the job market and become active members of their communities. It can also lead to innovations that can help support the development of a nation's economy.[5] Accordingly, the Administration continues to support the smoother school-to-work transition and improve the educational curricula through the SUCs, which are vital in providing quality and accessible tertiary education for Filipinos, especially the poor and the marginalized. For 2021, PhP83.3 billion has been earmarked for the 115 SUCs nationwide.

The CHED receives a separate budget of PhP50.9 billion to support its projects and programs, specifically the Universal Access to Quality Tertiary Education (UAQTE), PhP44.2 billion; Student Financial Assistance Programs (StuFAPs), PhP1.5 billion; Financial Assistance for Post-Graduate Students, PhP1.5 billion; and the K-to-12 Transition Program, PhP1.0 billion.

The implementation of the UAQTE takes the lion's share of the CHED budget. Its PhP44.2 billion will cover the following: Tertiary Education Subsidy (PhP24.5 billion), Free Higher Education Program (PhP18.7 billion), and the Student Loan Program (PhP1.0 billion).

Additionally, PhP1.5 billion is allocated for the StuFAPs to support an intended 44,115 beneficiaries. Included in this budget is the PhP65 million to fund the scholarship grants for dependents of sugar industry workers and small farmers.

Financial assistance for post-graduate students will be funded by a PhP1.5 billion budget which will cover fees for training and conferences for 100 post-graduate students, scholarships for 3,000 post-graduate students, and financial assistance for 100 thesis and dissertation grantees.

**Table 5. Regional Allocation for the SUCs**

| Region | | | Number of SUCs | Allocation (in billion Pesos) |
|---|---|---|---|---|
| CAR | - | Cordillera Administrative Region | 6 | 2.5 |
| I | - | Ilocos | 6 | 4.2 |
| II | - | Cagayan Valley | 5 | 2.9 |
| III | - | Central Luzon | 12 | 6.3 |
| NCR | - | National Capital Region | 8 | 25.7 |
| IV - A | - | CALABARZON | 5 | 3.3 |
| IV - B | - | MIMAROPA | 6 | 2.2 |
| V | - | Bicol | 9 | 4.3 |
| VI | - | Western Visayas | 11 | 6.0 |
| VII | - | Central Visayas | 5 | 3.8 |
| VII | - | Eastern Visayas | 10 | 5.4 |
| IX | - | Zamboanga Peninsula | 5 | 2.0 |
| X | - | Northern Mindanao | 7 | 3.9 |
| XI | - | Davao | 6 | 2.1 |
| XII | - | SOCCSKSARGEN | 4 | 1.8 |
| XIII | - | CARAGA | 4 | 2.0 |
| ARMM | - | Autonomous Region in Muslim Mindanao | 6 | 4.8 |
| **Total** | | | **115** | **83.3** |

*Note: Figures may not add up due to rounding off.*

**Table 6. Allocations for the Major Programs and Projects of the TESDA**
(in billion Pesos)

| Particulars | 2021 NEP |
|---|---|
| **Technical Education and Skills Development Authority** | **13.7** |
| Training for Work Scholarship Program | 3.6 |
| Free Technical Education and Training* | 2.9 |
| Special Training for Employment Program | 1.5 |
| *Tulong Trabaho* Scholarship Program | 1.0 |
| Private Education Student Financial Assistance | 0.2 |

**Part of the UAQTE Program*

The K-to-12 Transition Program will receive a PhP1.0 billion budget to fund scholarships for graduate studies, as well as grants for faculty and staff development, research, and institutional development and innovation. This is to enhance the qualifications of teachers/instructors and help prevent the displacement of Higher Education Institutions (HEIs)/SUCs faculty as a result of the program implementation.

**Promoting Skills-Based Learning through Technical-Vocational Education**

Workers with the necessary skills, knowledge, and technology are a huge boon for countries like the Philippines, which continue to aim for sustainable economic growth. In pursuit of this, the Administration will set aside PhP13.7 billion to capacitate Filipinos with the knowledge and skills needed to adapt to the post-pandemic life and to build long-term resilience against future crises.

The Training for Work Scholarship Program will receive an increased budget of PhP3.6 billion for 2021, compared to its PhP2.3 billion budget in 2020. The budget will be used to create, sustain, and develop courses in priority industries and sectors with high employment demand, particularly agri-fishery, agri-business, agro-industrial, tourism, information technology-business process management, semiconductor and electronics, automotive, other priority manufacturing industries, logistics, and general infrastructure.

Also, some PhP2.9 billion will be used to fund the Free Technical-Vocational Education and Training (TVET), Tertiary Education Subsidy (TES), and Student Loan Program (SLP). The free technical education and training under the UAQTE Program aim to help Filipino students pursue their technical-vocational education in state-run technical-vocational institutions.

The PhP1.5 billion budget earmarked for the Special Training for Employment Program will be used to conduct community-based specialty training programs to enhance the employability of the target beneficiaries in *barangay* communities. The program aims to alleviate poverty among families in the informal sector and increase the number of skilled Filipino workers.

With the PhP1.0 billion allocation for its *Tulong Trabaho* Scholarship Program, the TESDA aims to improve the qualification of the Filipino workforce to meet the challenges of the rapidly evolving workplaces and work structures. Furthermore, the program also intends to support Filipino workers affected by the economic slowdown and closure of establishments caused by the pandemic through selected training programs.

For 2021, PhP200 million is allocated for the Private Education Student Financial Assistance (PESFA) Program, to provide financial assistance to deserving underprivileged students enrolled in technical-vocational courses, and assistance to private institutions in order to assure a steady supply of enrollees in their course offerings.

**Forming an Adaptable and Blended Education System for All**

The Education sector has made great strides in recent years, especially with the special focus and priority given to the assurance of quality, affordable, and accessible education that would benefit all Filipinos and their families. However, the COVID-19 pandemic has shown that there are areas which still need to be improved, particularly with regard to surviving the various shocks that impact on the educational system. The disruption caused by the global and national health crisis has highlighted the importance of having an adaptable and blended education system so that it can overcome whatever challenges that it would face. The 2021 budget for the Education sector will ensure that the government can and will continue to prioritize and invest in the programs and projects for adaptive, accessible, and inclusive education for all.

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## GOVERNANCE:
## *Fostering an ICT-enabled Bureaucracy*

The Philippines, one of the countries more severely affected by the global health crisis, has recognized the vital role of technology and innovation in building a more connected and resilient nation as it transitions and adapts to the post-pandemic period. Indeed, among the priorities in the proposed 2021 National Budget are programs and projects that will help the country transition to the new normal, including interventions that mainstream digital governance and economy.

At the helm of this groundbreaking initiative is the government aiming to advance, if not lead, the way into a digital future.

**Philippine Government Going Digital**
The government values information and communications technology (ICT) as an enabler for nations to achieve digital transformation in the delivery of basic services.[1] The e-Government Masterplan (e-GMP) 2022, prepared by the Department of Information and Communications Technology (DICT), aims to achieve a harmonized government system through an effectively networked and collaborative environment for improved public service delivery.

The goal of developing the country's e-government systems hinges on the digital transformation of basic services, such as public health, basic education, and other programs that cut across the whole of government.

The DICT banks on the potential benefits[2] of e-government for a wide range of stakeholders. Among these benefits are:

- Allowing national government agencies (NGAs) and institutions to deliver more cost-effective and efficient public services, and access a platform for internal collaboration and sharing of resources;
- Increased accessibility of public services to citizens, specifically in terms of availability, speed, cost, and convenience; and
- More support for easier investment, establishment, operation, and scaling-up of businesses.

**The Philippine E-Governance**
The Philippines has chalked up considerable advances in e-government as evidenced by its improved performance in the e-Government Development Index (EGDI) and the e-Participation Index (EPI).[3]

The EGDI measures the capacity of governments to maximize ICTs in the delivery of public services. In 2016, the Philippines recorded significant improvements as it transitioned from medium-EGDI to high-EGDI.

Meanwhile, the EPI considers the level of engagement between the government and its constituents, specifically by means of ICTs. It also examines the availability of online information (e-information), online public consultations (e-consultation), and citizen involvement in the decision-making process (e-decision making). Based on the e-Government Survey conducted in 2018, out of 193 countries, the Philippines advanced 48 notches in its EPI rank from 67th in 2016 to 19th in 2018 with a score of 0.9382. Remarkably, this score is above the 2018 EPI World Average of 0.5491.

In spite of this achievement, the DICT acknowledges that more needs to be done, particularly in terms of assessing the impact of such improvements. Accordingly, the challenge is centered on developing report metrics and monitoring key progress with respect to the e-GMP 2022.

**The Need for an Improved e-Government**
The impact of the pandemic has also served as an eye-opener on the need for further improvements in ICT infrastructure in the Philippines. One of the major concerns is the demand for digital connectivity and access supported by secure and reliable ICT infrastructure.

As the government established quarantine restrictions to control the spread of COVID-19, public and private companies implemented online work setup schemes so as not to disrupt the delivery of goods and services. Accordingly, the Civil Service Commission (CSC)[4] and the Department of Labor and Employment (DOLE)[5] proposed alternative/flexible work arrangements that private companies and government agencies could adopt.

In times of calamity or crisis, when working from home is the best option to keep workers safe and healthy, coordination among government agencies to ensure the delivery of essential services is possible with the use of technology. However, these online work arrangements may not be feasible when internet connectivity is not reliable.

To address this, a number of government agencies have put together their initiatives and efforts in pursuit of an improved ICT infrastructure landscape. One of the steps undertaken to make this goal possible is to reduce tower permitting requirements.

In July 2020, the DICT, Anti-Red Tape Authority (ARTA), and other relevant agencies released a Joint Memorandum Circular aimed at streamlining the process of application for requirements, permits, licenses, clearances, certificates, and other necessary documents for Independent Tower Companies (ITCs) and telecommunication companies to construct Shared Passive Telecommunications Tower Infrastructures (PTTI) in accordance with the DICT's Common Tower Policy.[6]

Relatedly, the DICT directed the National Telecommunications Commission (NTC) to monitor the compliance of all operating Mobile Network Operators (MNOs) and Internet Service Providers (ISPs) in providing ample bandwidth allocation and availability of service and signal, based on their respective service level agreements.[7]

Meanwhile, in August 2020, the Department of Human Settlements and Urban Development (DHSUD) released Department Order No. 2020-009[8] containing the updated guidelines for permit and documentary requirement applications for ICT infrastructure projects, including permits to build towers.

**Improving the Country's Digital Infrastructure to Support the Transition to a Digital Government**
Looking to build a more coordinated government, the proposed 2021 National Budget highlights programs and projects that focus on improving interoperability, or the ability of computer systems or software to exchange and make use of information in government operations.

At the top of these programs is the Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) with an allocation of PhP21.4 billion. MITHI aims to harmonize the planning, budgeting, implementation and evaluation of all ICT-related resources, projects, and programs across the whole-of-government. As a policy, the implementing agencies are required to submit their respective three-year Information Strategic Systems Plans (ISSP) to the DICT for endorsement to the MITHI Steering Committee composed of the DICT, DBM, and NEDA.

***ICT Sustainability Expenses.*** Of the PhP21.4 billion budget for MITHI, PhP9.4 billion (43.9 percent) is allotted for ICT Sustainability Expenses. This will sustain the daily operational expenses of government agencies, which include, among others, the maintenance of computers, data centers, payment for licenses subscriptions, replacement of outdated computers, and internet subscriptions.

***Support for Financial Inclusion.*** MITHI expenditures will also be provided for the ICT components in the establishment of the Philippine Identification System of the Philippine Statistics Authority (PSA) amounting to PhP1.72 billion and of the Registry System for the Basic Sectors in Agriculture of the Department of Agriculture (DA) amounting to PhP90.82 million.

***ICT Expenses to Adapt to the Post-Pandemic Life.*** PhP7.6 billion (35.5 percent) has been allocated for ICT expenditures to adapt to the new normal. This portion is earmarked for the following sectors:

- ***Telecommunications Infrastructure.*** A total of PhP4.7 billion is allocated for the implementation of the DICT's Free Wi-Fi Internet Access in Public Places Project (PhP 2.4 billion), National Broadband Plan (PhP903 million), and National Government Portal (PhP197 million). This initiative will benefit agencies to gain access to telecommunication services, especially those located in remote areas;

- ***Education.*** Some PhP2.0 billion shall be provided for the development of e-learning system, e-classroom facilities, and learning management systems that would allow for the conduct of online lectures and classroom activities;

- ***Health.*** To establish online emergencies information management reporting system and to enhance the nutrition system, PhP22.0 million is allocated under the MITHI;

- ***Social Protection.*** ICT expenditures amounting to PhP39.0 million are provided next year for the development of Online Indigenous Peoples Information System, Children's Organization Electronic Record Management System, and the Rehabilitation of Children and Women with Disability Protection System;

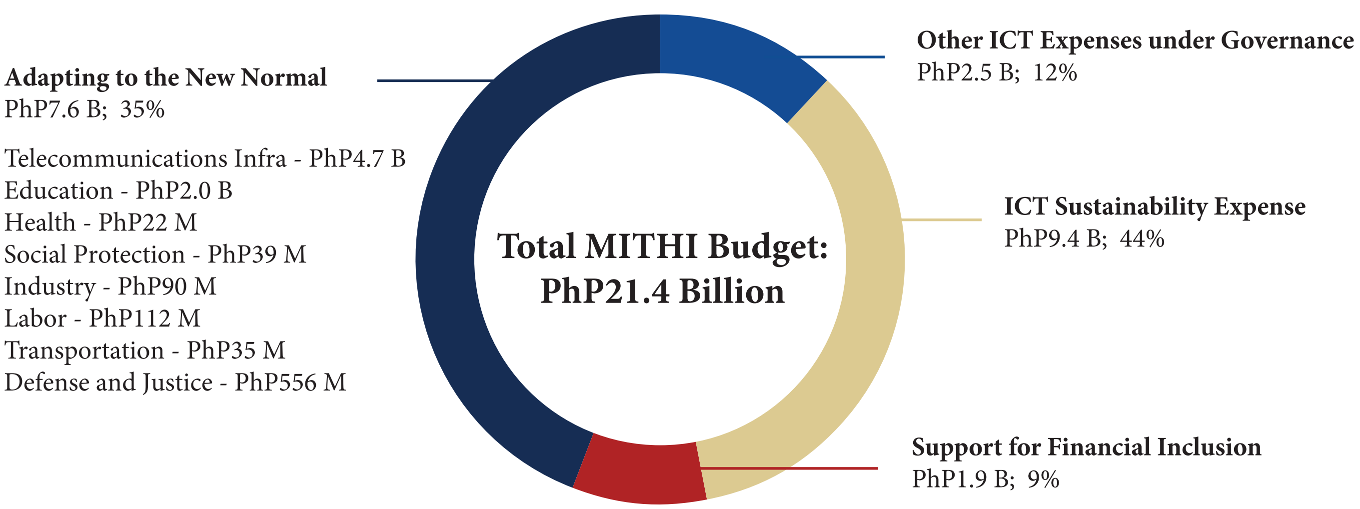
- ***Industry.*** PhP90.0 million is set aside to facilitate the implementation of the Ease of Doing Business, especially for the MSMEs, through the establishment of Online Cooperative Business Matching System, enhancement of Online Accreditation Facilities System, and upgrading of Information Security and Cyber Security Posture Project -Single Sign-On Solution;

- ***Labor.*** Some mission critical systems for the maritime training and resources will be upgraded with a budget allocation of PhP112 million. This will benefit professionals in the maritime industry including electrical engineers, electronic engineers, mechanical engineers, master electricians, and healthcare workers such as medical doctors and registered nurses;

- ***Transportation.*** With a budget of PhP35.0 million, the Land Transportation Franchising and Regulatory Board (LTFRB) targets to develop an Electronic System for planning and identification of public road transportation services and to facilitate ease of franchise issuances.

- ***Defense and Justice***. PhP556 million shall be provided for the (1) development of the e-Police Community Relations Management Information System; (2) establishment of

**Figure 1. FY 2021 Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) Expenditures**



Crime Laboratory Information Management Portal of the DILG, National Prosecution Service - Case Management System of the DOJ and Intelligence Information System of the DND; and (3) enhancement of Philippine Air Force Communications System and the Naval Operation Reporting System Project of the Philippine Navy.

***Other ICT Expenses under Governance.*** The remaining PhP2.5 billion (12 percent) shall be allocated for other ICT initiatives including the establishment of Machine Intelligence Knowledge-Based Audit and Experience Learning (MIKAEL) of the Commission on Audit (COA), the enhancement of the Integrated Information System via Mobile Application of the Career Executive Service Board (CESB), the improvement of ICT infrastructure of the Presidential Communications Operations Office (PCOO), and the enhancement of other strategic information systems of other government agencies.

**Enhancing Coordination and Cooperation**

The NEDA expects the new normal to be a period of increased attention and demand for health care and sanitation.[9] In order to strengthen measures on these issues, especially in light of the challenges in the forthcoming days, there is a need for better connection and coordination between and among the national government, regional interagency bodies, local government units, private sector, and civil society.

In response to this, the government has allotted PhP22 million[10] to establish and maintain online information systems for health emergencies and nutrition enhancement. The funding is intended primarily to harness the benefits of ICT for better coordination and exchange of vital COVID-related information among stakeholders. This will address coordination gaps between and among agencies which rely on varying platforms to communicate with other agencies.

**Towards a Digital Tax System**

As a result of quarantine measures that limited business operations and reduced consumer activities, the government also acknowledges the fiscal impacts of COVID-19 on its tax collections. It is thus imperative for the government to sustain and improve its tax collection system to generate more funds that will finance its expenditure program.

For this purpose, out of the PhP9.9 billion proposed FY 2021 budget of the Bureau of Internal Revenue (BIR), the government has set aside PhP1.4 billion to digitize the tax system. This will be used to establish new ICT systems in the BIR, to assure tax collections even in times of emergencies. The BIR also targets to increase the number of registered business taxpayers by 5.0 percent next year.

**Protecting Government Privacy**

Privacy is a bedrock of human dignity. It is one of the fundamental human rights recognized in the United Nations Declaration of Human Rights. It can be understood in the context of data protection, and thus interpreted in terms of the management of personal information.[11]

In this digital age, and on the heels of the digital transformation fully envisioned by the Philippine government, protecting privacy is of paramount importance. While the government moves to utilize technology to bolster coordination among its branches and instrumentalities, there is a need to protect the privacy and communication of the government, especially from unscrupulous individuals with malicious intentions.

In 2012, the government passed R.A. No. 10173 or the Data Privacy Act. It aims to: (1) protect the privacy of individuals while ensuring free flow of information to promote innovation and growth; (2) regulate the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure, or destruction of personal data; and (3) ensure that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).[12]

While there are various mechanisms currently in place to protect privacy, they do not guarantee full protection from cybercrimes and the like. Ultimately, there will be a need to build institutional capacities to protect data privacy and to minimize risks for data breaches.[13] *(See Table 1)*

In view of this, the government assures funding for 2021 to strengthen the programs that protect people's digital privacy. The DICT, as one of the vanguards of "cyber protection," is allotted PhP10.9 billion for 2021.[14] The major programs of DICT include the ICT Governance Program (PhP1.1 billion); the ICT Systems and Infrastructure Development, Management, and Advisory Program (PhP4.4 billion); and the ICT Capacity Development and Management Program (PhP1.4 billion).

Meanwhile, some PhP215 million is set aside for the National Privacy Commission (NPC) for the implementation of projects in accordance with the Data Privacy Act of 2012. The NPC is tasked to strengthen efforts to implement said law as it "further recognizes the huge contributions of ICT for nation-building while maintaining the obligation of the government to ensure that the privacy of personal information of citizens are well-guarded and protected."[15]

To bolster its functions, the NPC targets a significant increase in the number of private sector and government agencies being checked for compliance with the Data Privacy Act. For 2021, it aims to check 350 offices from both the public and private sectors, higher than its target in 2020 of only 100 agencies. In 2019, a total of 207 agencies were checked by the NPC, surpassing its target of only 80 agencies.[16]

The Cybercrime Investigation and Coordination Center, an attached agency of the DICT, is allotted PhP11.7 million for 2021 to implement its functions, including the monitoring of cybercrime cases handled by participating law enforcement and prosecution agencies.[17]

For law enforcement, the government has tapped the Department of Justice (DOJ) to implement its Anti-Cybercrime Enforcement Program. The program is allotted PhP23 million in 2021 for the crafting and implementation of law enforcement investigation and prosecution strategies aimed at curbing cybercrime and cyber-related offenses nationwide.

The Anti-Cybercrime Enforcement Program is lodged under the Special Enforcement and Protection Sub-Program of the DOJ. For 2021, the DOJ aims for a prosecution success rate of 86 percent for violation of certain special laws, including R.A. No. 10175 or the Cybercrime Prevention Act of 2012. It also targets to train around 7,000 law enforcers and service providers who will be responsible for the prevention of crimes, including cyber-related offenses. Likewise, it targets to complete 89.0 percent of the investigation of cases within their jurisdiction.[18]

**Table 1. Programs and Budgets on Protecting Privacy**
(in billion Pesos)

| Particulars | 2019 (GAA) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| **Department of Information and Communications Technology,** *of which*: | **8.6** | **11.8** | **10.9** |
| National Privacy Commission | 0.2 | 0.2 | 0.2 |
| Cybercrime Prevention, Investigation and Coordination Program | 0.03 | 0.01 | 0.01 |

**Continuing Support for the Justice Sector Convergence Program**

Among the objectives of the Philippine Development Plan (PDP) 2017-2022 is the pursuit of fair and swift administration of justice by enhancing the country's civil, criminal, commercial, and administrative systems and improving efficiency and accountability of the justice sector.

As the government sees the need for improved coordination and cooperation among members of the justice sector, the Justice Sector Coordinating Council (JSCC) was created. It is a sector-wide coordinating and policy-making body composed of justice sector agencies such as the Supreme Court (SC), DOJ and Department of the Interior and Local Government (DILG).

For 2021, the Justice Sector Convergence Program will receive PhP77 million to implement projects aimed at improving the capacity, operations, and effectiveness of the country's justice sector.

To forge better coordination among the member agencies of the JSCC, PhP5 million will be allotted to the National Justice Information System to develop a central data center within the criminal justice information exchange portal of the DOJ.

**Table 2. Justice Sector Convergence Program, 2020-2021**
(in thousand Pesos)

| Particulars | 2020 (Program) | 2021 (Proposed) |
|---|---|---|
| **Justice Sector Convergence Program,** *of which:* | **77,636** | **76,688** |
| Supreme Court | 11,000 | 15,000 |
| Department of Justice | 25,080 | 19,858 |
| Department of the Interior and Local Government | 41,556 | 41,830 |

**'We Connect as One'**

The government acts as the agent through which the will of the State is formulated, expressed, and realized. Although the government is classified and divided into different agencies and instrumentalities, it does not follow that each can stand alone. The impact of COVID-19 has served as an experience for government agencies to strengthen coordination to continue the operation of the government amid the uncertainty.

For 2021, the government targets "connection" to be an integral ingredient to national development. It can be achieved through better coordination and digital connectivity. The year 2021 will be a year to leverage ICT to help the country improve coordination, make sound and data-based policy directions, and deliver critical services even amid an emergency.[19]

A positive development in the country's pandemic experience and response was the realization that government agencies execute their functions separately and uniquely. But they target only one goal – the upliftment of the lives of Filipinos and the betterment of the Philippines.

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# LAW, PUBLIC ORDER, AND SAFETY: *Rebuilding Public Trust and Confidence*

The government, as the agent of the state, envisions and constantly aims to foster a peaceful and mutually rewarding relationship or co-existence between and among its citizens. It recognizes that a person who respects the existence and humanity of another also values the rule of law, balance of power, security, and peace and order. Ultimately, that person aspires and is willing to work for a just and lasting peace.

While the government may not be the sole and infallible instrument to achieve these goals, it seeks, through its programs and projects, to lay suitable ground and environment for the people to attain their collective aspirations and ambitions. And just as importantly, the government also constantly aims to gain and hold public trust, so that the people become genuine partners in pursuit of shared objectives for the nation.

Among these objectives, of course, is ensuring a safe, secure, and peaceful life for the people.

For 2021, the Duterte Administration provides a hefty allocation of PhP311.9 billion to protect and maintain public order and security, and PhP210.6 billion for domestic security.

**Upholding and Enforcing the Law**

Upholding and enforcement of the law – backed by a sound public order and safety system – underpins the task of ensuring the people's protection from threats to the safety and security of their life and property. Crime and violence, of whatever form, not only take a toll on human lives, people's confidence, and well-being, but also have adverse impacts on national development and inclusive growth. As a cornerstone of good governance, the government remains steadfast in pursuing its mission of upholding the law to promote peace and order in the country.

In 2019, the Philippine National Police (PNP) reported a significant reduction in the total crime volume by 5.84 percent, from 511,903 incidents in 2018 to 482,016 incidents. Meanwhile, crime clearance efficiency and crime solution efficiency also improved by 1.76 percent and 4.60 percent, respectively.

**Table 1. Comparative Statistics of Index Crimes, 2018 – 2019**

| Type of Crime | Number of Incidents | | Percent Change |
|---|---|---|---|
| | 2018 | 2019 | |
| **Crimes Against Persons** | | | |
| Murder | 7,088 | 6,242 | 11.94% |
| Homicide | 2,093 | 1,793 | 14.33% |
| Physical Injury | 15,318 | 12,264 | 19.94% |
| Rape | 9,681 | 8,173 | 15.58% |
| **Crimes Against Property** | | | |
| Robbery | 11,492 | 9,840 | 14.38% |
| Theft | 27,011 | 22,458 | 16.86% |
| Carnapping of motor vehicles | 431 | 353 | 18.10% |
| Carnapping of motorcycles | 4,608 | 3,835 | 16.78% |

*Source: Department of the Interior and Local Government*

Both index and non-index crimes also registered a significant downward trend in the number of incidents recorded this year compared with 2018.[1]

In 2020, the PNP reported a decline in the country's crime rate which can be attributed to the imposition of varying levels of community quarantine to curb the spread of COVID-19. Based on data from the PNP, only 12,847 crimes were reported nationwide from March 17 to August 13, 2020, compared with 15,200 crimes reported from October 19, 2019 to March 16, 2020.[2]

The data translate to a decrease in the daily record of crimes from 168 to 86. This covers the eight (8) focus crimes of murder, homicide, physical injury, rape, robbery, theft, car theft, and motorcycle theft.[3]

Over the same period, the crime rate in Luzon declined by 49 percent, from 13,410 from October 19, 2019 to March 16, 2020 to 6,778 from March 17 to August 13, 2020; while Visayas registered a 52 percent decrease from 6,447 to 3,315. Mindanao also experienced a 44 percent crime reduction, from 5,313 to 2,954 over the same period.[4]

**Table 2. Public Order and Safety Sector Budgets, 2019-2021**

| Particulars | 2019 (Actual) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| **Department of the Interior and Local Government** | **287.6** | **241.6** | **246.1** |
| *Of which:* | | | |
| Philippine National Police | 229.0 | 187.6 | 190.8 |
| Bureau of Fire Protection | 26.0 | 23.9 | 24.6 |
| Bureau of Jail Management and Penology | 20.2 | 18.6 | 19.8 |

***Strengthening Law Enforcement Efforts.*** While the community quarantine measures have helped curb not only the spread of the virus but also the incidence of crimes, the government is determined to sustain its commitment of upholding the law and reducing all forms of criminality in the country even beyond the time of COVID-19.

For 2021, PhP190.8 billion is provided for the PNP, the country's primary law enforcement arm, to support its programs and projects against crime and lawlessness.

A large portion of its budget is earmarked for Crime Prevention and Suppression Program, the PNP's banner program for the conduct of police patrol operations and other related confidential activities against dissidents, subversives, lawless elements, and organized crime syndicates; and for the campaign against kidnapping, trafficking of women and minors, smuggling, carnapping, gunrunning, illegal fishing, and trafficking of illegal drugs. With the program's PhP165.3 billion budget, the PNP targets to increase the number of foot and mobile patrol operations by five (5) percent from the baseline of 15,215,826, reduce the National Index Crime rate by six (6) percent, and achieve a 69.3 percent feeling safety rating for the National Safety Index.

The program includes a PhP12.0 billion budget for procurement, transport, storage, and distribution of supplies and materials, including the maintenance of equipment and facilities.

Also, about PhP1.2 billion of the program's budget will be used for the conduct of intelligence and counterintelligence activities. Some PhP348 million is also allotted for programs and activities on community awareness, public relations and community work and development, including disaster preparedness, community organization and mobilization, community development, relief operations, and other related activities which are confidential in nature.

In order to increase police visibility in the streets, especially in places under quarantine, PhP100 million is provided for the construction of police stations in the regions to keep lawless elements at bay.

***Pursuing the Philippine Anti-Illegal Drugs Strategy.*** In 2018, President Rodrigo Duterte issued Executive Order (E.O.) No. 66 to institutionalize the Philippine Anti-Illegal Drugs Strategy (PADS), which solidifies the foundation of the government's drug abuse prevention and control agenda. The PADS serves as a blueprint for national collaboration to harmonize the efforts of the government and all of its sectors in cutting the supply of and demand for illegal drugs.

Even amid the COVID-19 pandemic, the government is determined to continue the fight against drugs with the same fervor seen in its anti-illegal drugs campaign efforts in the past years. For 2021, PhP2.1 billion will be used to target a reduction in drug-dependency and rehabilitate drug users in the country.

Of the amount, PhP1.3 billion is provided to the Department of Health (DOH) to fund the operations of Dangerous Drugs Abuse Treatment and Rehabilitation Centers throughout the country, which will resume admission and activities following the adjusted protocols to prevent the spread of COVID-19 in their facilities. This rehabilitation program will enable drug personalities to safely reintegrate into the mainstream society.

**Table 3. Allocations for the Operation of Dangerous Drug Abuse Treatment and Rehabilitation Centers**
(in million Pesos)

| Particulars | 2021 (Proposed) |
|---|---|
| Central Office | 77.0 |
| Bicutan Rehabilitation Center | 186.8 |
| Las Pinas Drug Abuse Treatment and Rehabilitation Centers | 6.0 |
| Dagupan Rehabilitation Center | 93.6 |
| San Fernando, La Union Treatment and Rehabilitation Center | 13.0 |
| Bauko, Mountain Province Treatment and Rehabilitation Center | 4.4 |
| Isabela Rehabilitation Center | 61.8 |
| Central Luzon Centers for Health Development | 73.7 |
| Bataan Rehabilitation Center | 69.0 |
| Tagaytay Rehabilitation Center | 102.4 |
| Camarines Sur Rehabilitation Center | 68.8 |
| Malinao, Albay Rehabilitation Center | 64.5 |
| Pototan, Iloilo Rehabilitation Center | 57.5 |
| Argao, Cebu Rehabilitation Center | 83.0 |
| Cebu City Rehabilitation Center | 52.4 |
| Dulag, Leyte Rehabilitation Center | 64.8 |
| Zamboanga City Treatment and Rehabilitation Center | 8.4 |
| Cagayan de Oro Rehabilitation Center | 71.7 |
| Malaybalay, Bukidnon Treatment and Rehabilitation Center | 17.5 |
| Malagos, Davao Treatment and Rehabilitation Center | 13.0 |
| Alabel, Sarangani Treatment and Rehabilitation Center | 13.0 |
| CARAGA Rehabilitation Center | 62.0 |
| San Francisco, Agusan Del Sur Treatment and Rehabilitation Center | 17.0 |
| **Total** | **1,282** |

*Note: Figures may not add up due to rounding off.*

***Addressing the Medical Needs of the Police Force.*** Recognizing the police force's particular and unique medical needs, especially in the time of COVID-19, some PhP426 million will be made available for the provision of hospitalization and health care services to the members of the PNP and their dependents.

In addition, PhP1.1 billion is allotted for the construction of the PNP Medical Plaza, a tertiary hospital that will provide appropriate clinical and nursing services under a highly-specialized critical management. Once completed, the PNP Medical Plaza will be used to provide medical care to PNP uniformed and non-uniformed personnel and their dependents.

***Bolstering Crime Investigation.*** The PNP's Crime Investigation Program, its core program for the conduct of criminal investigation and other related confidential activities, is allocated PhP721 million for 2021. With this amount, the PNP targets to increase the Crime Solution Efficiency by seven (7) percent, from six (6) percent in 2020. It also targets to increase the number of crime investigations undertaken to 522,301, from the baseline of 520,389. Likewise, a five (5) percent increase in the number of most wanted personalities arrested is also targeted for 2021, from the baseline of 49.11 percent.

**Maintaining Public Safety**

Public order and safety are essential core elements in developing the foundation for a high-trust and resilient society. Recognizing this, the government remains true to its vision of ensuring safe communities and saving lives during disasters and other hazards.

***Ensuring Protection from Destructive Fires.*** The government's aspirations for ensuring public safety in communities also rely on the prevention and suppression of all kinds of disasters, especially destructive fires. Fires impact people, properties, and the environment of the country. In some cases, the resulting losses are extraordinary, causing hundreds of deaths, widespread damage to property and contents, and significant impacts on the environment.

In 2019, the Bureau of Fire Protection (BFP) continued to provide effective fire prevention and suppression services during disasters. Table 4 below shows the comparative statistics of the BFP's various fire prevention and suppression activities in 2018 and 2019.

As the primary agency at the forefront against destructive fires, the BFP is committed to prevent, suppress, and investigate destructive fires, and is also tasked to strengthen systems and measures to prevent fire-related losses. For 2021, the BFP will be given PhP24.6 billion to support its fire prevention and suppression programs and projects, such as the Prevention Management Program and Fire and Emergency Management Program.

To enforce laws, rules, and regulations on fire safety, the Fire Prevention Program of the BFP is allotted PhP325 million for 2021. The program also includes the distribution of Information, Education, and Communication (IEC) materials on fire safety. For 2021, the BFP targets to reduce the number of fire incidents to 10,900, reduce the number of fire-related deaths to 545, and reduce the number of fire-related injuries to 1,090.

The bulk of the BFP's budget will sustain its Fire and Emergency Management Program. For 2021, the amount of PhP19.4 billion will be used to strengthen the BFP's fire operation and investigation activities through the program. Through this budget, the BFP targets to increase the percentage of resolved cases with cause and origin determined within the prescribed time to 85 percent, increase the percentage of households in disaster/calamity-affected *barangays* rendered with assistance to 15 percent, and achieve an 85 percentage for the fire incidents responded with estimated property damage not exceeding PhP300,000 out of the total number of fire incidents responded

**Table 4. Comparative Statistic of Various Fire Prevention and Suppression Activities, 2018 – 2019**

| Particulars | CY 2018 | CY 2019 | Percentage Change |
|---|---|---|---|
| **Fire Prevention Services** | | | |
| No. of establishments inspected | 2,096,232 | 2,244,728 | 7.08% |
| No. of establishments compliant with the Fire Code issued with FSIC | 1,788,349 | 2,201,098 | 23.08% |
| No. of establishments issued with Fire Safety Evaluation Clearance (FSEC) | 252,022 | 181,254 | -28.08% |
| Total Amount of Fire Code Fees (Pesos) | PhP1.896 B | PhP2.131 B | 14.02% |
| **Fire Suppression Services** | | | |
| Total Fire Incidents | 16,675 | 18,612 | 11.62% |
| - Structural | 8,987 | 9,342 | 3.95% |
| - Non-structural | 6,378 | 8,199 | 28.55% |
| - Transport/Vehicular Fires | 1,015 | 1,071 | 5.52% |
| Total Property Damages (in billion Pesos) | PhP4.5 B | PhP8.147 B | 81% |

*Source: Department of the Interior and Local Government* nationwide. In addition, 2,000 additional Fire Officer I positions will be created for the BFP to beef up its manpower as it tries to meet the ideal Fire-Officer-to-Population Ratio of 1:2,000.

***Providing Safety and Protection to Persons Deprived of Liberty (PDLs).*** Committed to the pursuit of ensuring de-radicalized and drug-free jail facilities, the Bureau of Jail Management and Penology (BJMP) intensified its regular operations to clear the jails of contrabands, illegal drugs, and other prohibited paraphernalia in 2019.[5]

The Jail Bureau is also committed in maintaining security in all jail facilities. In 2019, the BJMP ensured an equitable distribution of personnel to perform the three core functions of custodial, escorting, and administrative roles in integral jail management. The personnel strength of the BJMP is 19,399. Thus, the actual ratio of personnel to PDL is set at 1:24 ratio compared to the 1:7 ideal ratio.[6]

The country's prison facilities have been an area of utmost concern for the government due to congestion in the country's jails. According to the BJMP, the prison congestion rate is at 438 percent as of December 31, 2019.[7] Meanwhile, statistics from the Bureau of Corrections (BuCor) show that BuCor facilities have also exceeded their capacities by 310 percent as of August 2020.[8] Thus, the calls to depopulate jails have only grown louder with COVID-19 now part of the equation.

Acknowledging this call, the BJMP has released 21,858 PDLS in a move to decongest overcrowded jails as part of the COVID-19 response. Among the 21,858 PDLs released, 15,102 were paralegal releases through bail, plea-bargaining, parole, or probation and 6,756 were non-paralegal releases through acquittal or served sentence.[9]

To further address these concerns and continue to provide protection for PDLs, the BJMP will receive PhP19.8 billion for 2021, 6.4 percent more than its 2020 budget. Its primary program, the Inmates' Safekeeping and Development Program, is allotted PhP16.8 billion to finance the operations of all district, city, and municipal jails to support the custody, safekeeping, and rehabilitation of inmates awaiting investigation, trial, and/or transfer to the national penitentiary, the roll-out of the Single Carpeta Project System, and the Jail Integrated Communications and Control Center.

For 2021, the BJMP targets a six (6) percent reduction in the number of escape incidents and a 10 percent reduction in the number of jail disturbances. Likewise, the BJMP also aims to improve its safekeeping efficiency to 99.98 percent and increase the percentage of inmates provided with welfare and development services to 80 percent of the actual number of inmates.

The BuCor, on the other hand, released an initial batch of 79 inmates who were granted parole after they completed their quarantine and tested negative of COVID-19. Eligible for parole and executive clemency are inmates who are 65 years old and above, who have served at least five years of their sentence, or whose continued imprisonment may endanger their health.[10]

For 2021, the BuCor will receive PhP3.7 billion to ensure the management and reformation of PDLs. A big chunk of this, or PhP2.9 billion, is allotted for the supervision, control, and management of national prisoners through its Prisoners Custody and Safekeeping Program. Some PhP136 million is also set aside for its Prisoners Rehabilitation Program, the BuCor's core program for the implementation, supervision, and evaluation of rehabilitation programs for national prisoners. The BuCor targets to effectively secure 99.9 percent of inmates in custody and achieve a 135 percent congestion rate in national prisons in 2021.

**Upholding Inclusive and Sustainable Peace**

No less than President Rodrigo Duterte recognizes how lawless elements have thwarted development initiatives in the country. In his Penultimate Report to the People for 2016 to 2020,[11] the President narrated how the past decades have left the Philippine countryside bereft of equitable and sustainable economic development. This is due to issues on insurgency and terrorism which turned rural areas into ripe recruitment grounds for terrorist groups.[12]

On a positive note, some great strides have been made in the past few years towards forging a just and lasting peace for the entire country. The government has made historical breakthroughs in strengthening peace settlements with former rebels, resorting to sustainable solutions to reach out Filipino citizens in the peripheries, and reinforcing the capacity of the country's military, among others.

**Table 5. Allocations for the BuCor's Major Programs**
(in million Pesos)

| Particulars | Prisoners Custody and Safekeeping Program | Prisoners Rehabilitation Program |
|---|---|---|
| New Bilibid Prison/Correctional Institute of Women (NCR) | 2,239 | 61 |
| Iwahig and Sablayan Prison and Penal Farm (MIMAROPA) | 224 | 24 |
| Leyte Regional Prison (Region VII) | 94 | 9 |
| San Ramon Prison and Penal Farm (Region IX) | 75 | 11 |
| Davao Prison and Penal Farm (Region XI) | 264 | 18 |
| **Total** | **2,896** | **136** |

*Note: Figures may not add up due to rounding off.*

The government has also been resolute in seizing any opportunity to win the battle against insurgency and terrorism, not through military solutions alone, but also through a whole-of-nation approach.

**Making Peace the Instrument toward Development**

The government continues to foster localized peace settlements and conflict resolution through genuine coordination and cooperation with former rebels. It provides the most vulnerable with basic needs and training to help them improve and cope with unpredictable challenges.

In 2018, President Duterte signed E.O. No. 70, s. 2018 that created the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC). According to Task Force *Balik-Loob*,[13] concrete improvements have become evident since the institutionalization of said E.O.

This initiative led to a whole-of-nation approach in attaining inclusive and sustainable peace through resolving conflicts from their very causes or roots.

Among the most notable accomplishments of the Task Force is the Enhanced Comprehensive Local Integration Program (E-CLIP). The program provides various socioeconomic assistance to former members of the Communist Party of the Philippines, its armed wing New People's Army, and its political wing National Democratic Front to help them transform their lives to become productive citizens and live a peaceful life with their family and community.

As of September 30, 2020, the government was able to facilitate the enrollment of 4,824 former rebels to the E-CLIP. All these former rebels have been provided by the Department of the Interior and Local Government with financial benefits collectively amounting to PhP549.039 million.[14]

The government also reported 10,079 beneficiaries covered by the Department of Social Welfare and Development's programs such as Modified Conditional Cash Transfer, Sustainable Livelihood, Supplementary Feeding, and Social Pension, among others.[15]

Some 2,105 former rebels were also covered by the TUPAD Workers Program Enlistment and Integrated Livelihood Program under the Department of Labor and Employment (DOLE). Corollary to this, the Department of Trade and Industry was able to provide livelihood trainings and seminars to 460 former rebels.[16]

On capacity-building, the government was able to provide technical assistance and training for cooperative development, management, and operations to 1,592 beneficiaries as administered by the Cooperative Development Authority. Likewise, the Technical Education and Skills Development Authority (TESDA) reported 3,742 graduates of various skills training program under the E-CLIP.[17]

**Supporting Programs under the NTF-ELCAC**

To continue delivering the needed interventions in the conflict affected areas, the government has allotted PhP19.1 billion for NTF-ELCAC for 2021. The convergence program, composed of projects administered by several participating agencies, will focus on development, good governance, and peace and security interventions.

In an effort to attain a just and lasting peace, the government resorts to inclusive, participatory, and sustainable socioeconomic interventions, especially to conflict-vulnerable communities. It envisions that these development initiatives will have a ripple effect in diminishing armed conflicts in the country.

One of the big-ticket programs under the NTF-ELCAC is the *Barangay* Development Program. The said program is allotted PhP16.4 billion for 2021 to provide targeted *barangays* with funds to undertake developmental projects and activities.

The Duterte Administration believes that at the core of the whole-of-nation approach is empowering local government units to lead the implementation of conflict resolution and peacebuilding programs at the *barangay* level nationwide. The *Barangay* Development Program will serve as an economic stimulus to transform conflict-affected *barangays* into peaceful and progressive communities.[18]

Each targeted *barangay* will be allotted not more than PhP20 million for the construction of farm-to-market roads, school buildings, water and sanitation system, health stations, as well as for projects on electrification, agricultural, livelihood, and technical-vocational trainings. The fund is also devoted to assist indigent individuals and/or families on their medical, transportation, food, and education needs, among others.

Some 822 *barangays*, as identified and assessed through the Retooled Community Support Program (RCSP), are targeted to benefit from the program. These *barangays* are considered by the NTF-ELCAC free from the influence of the communist terrorist groups and are ready to embrace development interventions by the government.

The DILG, one of the participating agencies of the NTF-ELCAC, has its own projects aimed at forging peace and development. For 2021, the DILG is given PhP246.1 billion, higher than its PhP241.6 billion in 2019. Among its projects anchored on peace and development are the Enhanced Comprehensive Local Integration Program (E-CLIP), Communicating for Perpetual end to Extreme violence and forming Alliance towards positive Change and Enriched communities (C4PEACE), and Preventing and Countering Violent Extremism and Insurgency (PCVEI). *(See Table 6 on page 83)*

For 2021, some PhP99 million is earmarked for the E-CLIP. The fund will be used for reintegration efforts pursuant to Administrative Order (A.O.) No. 25, s. 2020. The said

**Table 6. DILG's Peace and Development Programs and Budgets, 2019-2021**
(in million Pesos)

| Particulars | 2019 (Actual) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| **Department of the Interior and Local Government** | **287,586** | **241,572** | **246,110** |
| *Of which:* | | | |
| Enhanced Comprehensive Local Integration Program (E-CLIP) | 96 | 106 | 99 |
| Communicating for Perpetual end to Extreme violence and forming Alliance towards positive Change and Enriched communities (C4PEACE) Program | - | 85 | 85 |
| Preventing and Countering Violent Extremism and Insurgency Program | - | 64 | 25 |

A.O. mandates the national government to pursue genuine reintegration of former rebels and former violent extremists by providing a complete package of assistance specifically tailored to their needs and those of their respective communities.[19]

Noteworthy, the said A.O. has expanded the coverage of the E-CLIP to include former violent extremists as its beneficiaries, aside from former members of the Communist Party of the Philippines, its armed wing New People's Army, and its political wing National Democratic Front.

Under the E-CLIP grant, qualified beneficiaries are entitled to guaranteed safety and security, cash assistance, livelihood assistance and mobilization expenses, and firearms remuneration amounting to the value of turned-in firearms.

Aside from the E-CLIP, the DILG will be allotted PhP85 million for its C4PEACE Program. Meanwhile, the government has funded PhP25 million for 2021 to support the DILG's Preventing and Countering Violent Extremism and Insurgency Program.

**Continuing Support for the Bangsamoro**

The historic milestone of enacting Republic Act No. 11054 or the "Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao (OLBARMM)" has led to several reforms geared towards the development of the newly established region.

More than ever, this milestone is accompanied by a solid vision to attain a region that is "united, enlightened, self-governing, peaceful, just, morally upright, and progressive." In the future, the Bangsamoro ensures the necessary conditions for enduring peace and sustained socioeconomic development suitable to the systems of life, needs, and aspirations of its people by providing services to communities, ensuring multi-stakeholder participation, and facilitating appropriate partnerships.[20]

The government secures its commitment to continue supporting the BARMM in its development endeavors. For 2021, the BARMM is allotted PhP80.3 billion, significantly higher than the PhP70.6 billion programmed budget for 2020. Pursuant to the OLBARMM, the Region is also secured with an annual block grant amounting to PhP71.7 billion, which is higher than its previous budget of PhP63.6 billion. The fund is in line with the provision of the law to dedicate a fund for the exercise of the powers and functions of the Bangsamoro Government.[21]

The Region will also receive PhP5.0 billion for 2021 to support its Special Development Fund. This is dedicated for the rebuilding, rehabilitation, and development of the conflict-affected communities in the Region.

Also, the BARMM is provided PhP3.6 billion for 2021 from the taxes, fees, and charges collected by the National Government from BARMM, other than tariff and customs duties.

**Table 7. BARMM Budget and Programs, 2020-2021**
(in billion Pesos)

| Particulars | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|
| **BARMM** | **70.6** | **80.3** |
| *Of which:* | | |
| Annual Block Grant | 63.6 | 71.7 |
| Special Development Fund | 5.0 | 5.0 |
| Share in taxes, fees, and charges collected in BARMM | 2.0 | 3.6 |

**Capacitating the Protector of the State**

At the outset of the COVID-19 pandemic, the country saw how the military emerged as among the tireless heroes who are willing to extend their service beyond the call of duty. Aptly called "frontliners," the name depicts their noble role in safeguarding the people from all potential harms notwithstanding the dangers and risks to their own lives.

Recognizing their invaluable contribution to the safety and security of the country, the Duterte Administration places great importance on protecting these frontliners by strengthening their defense capacity through the modernization of internal defense mechanism and weaponry, as well as providing for other major needs of the military workforce.

**Table 8. DND Agencies and their Budgets, 2019-2020**
(in million Pesos)

| Particulars | 2019 (GAA) | 2020 (GAA) | 2021 (Proposed) |
|---|---|---|---|
| Department of National Defense | 266.5 | 192.1 | 209.1 |
| Philippine Army (Land Forces) | 94.0 | 92.5 | 96.9 |
| Philippine Air Force (Air Forces) | 26.0 | 26.5 | 29.8 |
| Philippine Navy (Naval Forces) | 28.7 | 29.1 | 31.2 |

To give priority to the protection of our territorial integrity and sovereignty, the Department of National Defense (DND) is the fourth largest recipient of the total budget for 2021, with PhP209.1 billion. This is higher by 8.8 percent than the 2020 level of PhP192.1 billion.

Of its total budget, the DND dedicates PhP33.0 billion for the Revised Armed Forces of the Philippines Modernization Program. Among the targets of the second horizon of the said modernization program is the acquisition of multi-role fighters and other advanced weaponry.[22]

The National Defense budget provides a bulk share to its three key military operational forces, namely: Philippine Army (PhP96.9 billion); Philippine Air Force (PhP29.8 billion), and Philippine Navy (PhP31.2 billion).

A huge chunk of these agencies' budgets will cover programs that target to attain the level of mission capability in ground, air, and naval defense operations.

The Philippine Army's Land Defense Program is allotted PhP89.3 billion for 2021 to maintain 240 tactical battalions from 219 in 2020.[23]

The Philippine Air Force's Defense Program, meanwhile, is given PhP28.4 billion for 2021 to ensure that 100 percent of its tactical air operations group supports the unified commands. The Air Force eyes on an increased number of 173 supportable aircrafts for 2021, higher than its target of 154 aircrafts for 2019 and 2020.[24]

Lastly, the Philippine Navy's Defense Program is allotted PhP28.0 billion for 2021. The Philippine Navy targets to provide 100 percent of naval units to unified commands. It also targets to deploy and sustain 109 Philippine Navy units for utilization and employment in 2021, higher than its 134 units in 2020.[25]

**Towards a More Trustworthy Bureaucracy**

During times of crisis, it is vital that citizens trust their government and its agents to make the right decisions to ensure public order and their safety. The COVID-19 pandemic has made it clear that the safety and security of the people depend heavily on the government, and on the people's willingness to trust in the government. Thus, the government is continually pursuing ways to aptly and adequately respond to the emerging crisis.

For 2021, the government is prepared to make the people's safety and security its utmost priority. Through the proposed 2021 National Budget and the programs and projects anchored on ensuring public order, safer communities, and a just and lasting peace – the government aims to regain public trust and confidence to guarantee that its people can enjoy a safer, better controlled, and more peaceful community.

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## HOUSING: *Integrating Health in the Urban Development Agenda*

Housing conditions bear direct impact on people's health and well-being. Healthy housing "supports a state of complete physical, mental, and social well-being" by providing a sense of security and privacy, protection from external threats, and comfort with sufficient living spaces and access to sanitation, water, and electricity. On the other hand, poor and crowded housing, particularly those seen in slum areas, can increase the risk of exposure to infectious diseases, injuries, and other health-related conditions.[1]

As the country grapples with the impacts of the COVID-19 pandemic, access to decent housing has become even more urgent and essential as homes are known to be the first line of defense against the virus. Unfortunately, meeting the enormous housing need in the Philippines continues to be a challenge. Many Filipinos still do not have permanent homes or are living in shabby and cramped dwellings, making them more vulnerable to COVID-19 and other health threats. In 2019, the number of informal settler families (ISFs) reached 1.9 million,[2] representing 28.9 percent of the national housing backlog, estimated at 6.57 million units between 2017 and 2022. If not properly addressed, the housing shortage is projected to further grow to 22.6 million units by 2040.[3]

Also, more than 80 percent of the 42,046 *barangays* in the country are at risk of infection from COVID-19 and other deadly viruses due to congested housing conditions. In the National Capital Region (NCR) alone, there are 812,584 houses in 1,285 *barangays* that are considered crowded.[4] This may even worsen when more people flock to the capital in search of employment as the economy gradually reopens.

Recognizing the role of decent housing in protecting public health and achieving inclusive socioeconomic development for the country, the Duterte Administration remains committed in expanding the delivery of housing services among the urban poor. This is done through the Building Adequate, Livable, Affordable, and Inclusive Filipino Communities (BALAI) Program of government key shelter agencies (KSAs) supervised by the Department of Human Settlements and Urban Development (DHSUD).

Through the BALAI Program, a total of 742,480 low-income households were provided with socialized and low-cost housing units from July 2016 to June 2020, while some 82,203 ISFs were assisted through the community-driven programs of the Social Housing Finance Corporation (SHFC) from July 2016 to May 2020.[5] Furthermore, 97,611 socialized housing units were financed through the PAG-IBIG Fund's Affordable Housing Loan Program, which offers a low annual interest rate of 3.0 percent for the first five years of the loan term.[6]

Measures have also been implemented to help alleviate the adverse effects of the COVID-19 pandemic on over 5 million housing beneficiaries. Under the directive of the DHSUD, the KSAs released guidelines for implementing a three-month suspension on housing loan payments from March 16 to June 15, 2020.[7] Likewise, to assist in the economic recovery, some real estate activities were allowed to resume in areas under Modified Enhanced Community Quarantine, subject to strict compliance with the prescribed health and safety guidelines.[8]

**Providing Safe, Affordable, and Healthy Homes**

Guided by its vision of providing direct housing assistance to 1.5 million households by 2022,[9] the Administration continues to sustain the efforts to provide Filipinos, especially the informal and disadvantaged sectors, with secure, affordable, and healthy homes equipped with basic utilities.

In 2021, PhP4.0 billion will fund the government's housing and community development efforts. Of this total, some PhP633 million will finance the operations and programs, activities, and projects (PAPs) of the DHSUD, particularly the Human Settlements and Urban Development Coordination Program (PhP137.9 million); Land Use, Housing, and Real Estate Regulatory Program (PhP63.9 million); and Homeowners Association and Community Development Program (PhP74.7 million), among others. *(See Table 1)*

**Table 1. Budgets and Major Programs of Housing Agencies**
(in million Pesos)

| Agency | Programs | 2021 (Proposed) |
|---|---|---|
| Department of Human Settlements and Urban Development | Human Settlements and Urban Development Coordination Program | 137.9 |
| | Land Use, Housing, and Real Estate Regulatory Program | 63.9 |
| | Homeowners Association and Community Development Program | 74.7 |
| National Housing Authority | Resettlement Program for ISFs Affected by the Supreme Court's Mandamus to Clean-up the Manila Bay Area | 1,000.0 |
| | Housing Assistance Program for Calamity Victims | 1,000.0 |
| National Home Mortgage and Finance Corporation | Socialized Housing Loan Take-out of Receivables (SHeLTeR) Program | 1,000.0 |
| Social Housing Finance Corporation | High Density Housing Program | 369.2 |

Through these programs, the DHSUD targets to achieve the following in 2021:

- 12.4 percent of families provided with secure tenure through different modalities;
- 20 percent increase in socialized housing assistance/ financing;
- 1,500 families provided with secure tenure through the distribution of Certificates of Entitlement to Lot Allocation;
- 141 local government units (LGUs) provided with technical assistance in shelter planning;
- 25 LGUs provided with technical assistance in establishing systems and mechanisms against professional squatters and squatting syndicates;
- 18 reviewed Comprehensive Land Use Plans and Provincial Physical Framework Plans compliant to land use planning standards and guidelines; and
- 94 percent of homeowners association applications for registration approved and registered within the prescribed period, among others.

To address the housing needs of homeless and low-income families residing in danger areas, the National Housing Authority (NHA) will receive PhP2.0 billion for the implementation of its Comprehensive and Integrated Housing Program. This amount includes the PhP1.0 billion allocation for the resettlement program for 6,070 ISFs affected by the clean-up of the Manila Bay area, and another PhP1.0 billion for the Housing Assistance Program for Calamity Victims to relocate marginal-income families and/or ISFs affected by calamities. Through these programs, the NHA targets to further decrease the percentage of homeless and poor households from the 8.6 percent baseline in 2018 to 5.9 percent in 2021.

Furthermore, the government's socialized housing initiatives will continue to be funded. PhP1.0 billion is earmarked for the Socialized Housing Loan Take-out of Receivables (SHeLTeR) Program of the National Home Mortgage and Finance Corporation to assist 2,222 low-income families in 2021, similar to the FY 2020 target for the same amount. Also, a total of PhP1.0 billion worth of socialized housing loan receivables is targeted to be purchased from socialized housing originators via the program.

On the other hand, the SHFC will be allocated PhP369.2 million for its High Density Housing Program, which targets to ensure safe and flood-resilient housing solutions for 1,958 ISFs living in danger areas and along the waterways in Metro Manila. The program adopts a slum redevelopment strategy involving the near-site or in-city relocation of ISFs in multi-storey buildings or facilities.[10]

**Ensuring Household Access to Power and Energy**

A prerequisite for a healthy household is adequate access to power and energy. People use devices that consume energy to perform their daily tasks and activities, as well as to for relief from the extreme heat or cold weather. For households with vulnerable members, access to power and energy is important to ensure their health and well-being.

In the Philippines, the most common source of energy is electricity. As of December 2019, 92.96 percent of the total number of households in the country, or equivalent to 23.23 million Filipino households, have been provided with electricity, as compared to 19.99 million households in 2015.[11] This is in line with the Administration's agenda for total household electrification by 2022, with particular focus on the countryside and unserved areas. In 2019, around 60 million Filipinos benefitted from the National Electrification Administration's (NEA) National Rural Electrification Program, which catered to the power needs of 78 provinces, 90 cities, 1,385 municipalities, 36,047 *barangays*, 123,670 *sitios*, and 13.630 million connections.[12]

As the pandemic creates a greater energy demand, the power and energy sector will be provided PhP14.1 billion in 2021, almost double its budget of PhP7.2 billion in 2020. Of this total, PhP2.1 billion will go to the Department of Energy (DOE) for the implementation of its various energy programs and projects. This amount includes the allocation of PhP500 million for the Total Electrification Program, which aims to energize 10,000 targeted households nationwide.

Complementing the DOE's electrification efforts is the NEA's *Sitio* Electrification Project, which will be allotted PhP1.6 billion to light up 1,085 *sitios*. This amount is 14.3 percent higher than its 2020 budget of PhP1.4 billion, which was intended to provide electricity to 932 targeted *sitios*. In the implementation of this project, priority will be given to areas with high absolute numbers of indigents and high poverty incidence as identified in the latest official poverty statistics of the Philippine Statistics Authority, and those sites with a high probability of being energized.

PhP200 million is appropriated under the PhP1.8 billion budget of the NEA to be used exclusively for the Electric Cooperatives Emergency and Resiliency Fund (ECERF), pursuant to Republic Act No. 11039.[13] The ECERF aims to (1) extend full support and assistance to electric cooperatives (ECs) adversely affected by fortuitous events or *force majeure* in order to immediately restore electric service; and (2) provide an orderly and continuing financial assistance to ECs to help them carry out their responsibilities of providing reliable electric service to alleviate the damages caused by fortuitous events or *force majeure*.

Also, the National Power Corporation (NaPoCor) will be given a subsidy of PhP1.2 billion in 2021 to be used for the capital requirements of the Missionary Electrification Program. This program seeks to provide electricity services in areas that are not connected to the main grid or transmission system via the Small Power Utilities Group (SPUG). Targets include, among others, the additional generating capacity of 31.38 megawatts for SPUGs in 16 different areas.

In pursuit of energy security and sustainability in the country, the government invests in the development of green energy resources, such as solar power, biomass, natural gas, water, and wind energy. Renewable energy (RE) sources accounted for 32.8 percent of the Philippines' total energy supply mix in 2019.

**Table 2. Budgets and Major Programs of Agencies in the Power and Energy Sector**
(in million Pesos)

| Agency | Programs | 2021 (Proposed) |
|---|---|---|
| Department of Energy | Total Electrification Project | 500.0 |
| | Renewable Energy Development Program | 117.9 |
| | Access to Sustainable Energy Programme (ASEP) under European Union (EU) – Government of the Philippines (GOP) Counterpart | 1.8 |
| National Electrification Administration | *Sitio* Electrification Project | 1,627.5 |
| National Power Corporation | Missionary Electrification Program | 1,186.2 |

To further expand RE generation and consumption in 2021, PhP117.9 million will be spent on the Renewable Energy Development Program of the DOE for the exploration, development, utilization, and promotion of RE resources and technologies through various projects and sub-programs, such as the Renewable Energy Market and Green Energy Option Program, among others. In addition, PhP1.8 million will be provided for capacity building and technical assistance under the Access to Sustainable Energy Programme, which seeks to promote the use of renewable energy in rural electrification. *(See Table 2 for the budgets of major programs of agencies in the power and energy sector)*

**Healthy Housing for Every Filipino Family**
Given the impact of adequate housing on health, it is vital for the government to develop policies and actions to meet the people's housing needs, especially the socioeconomically disadvantaged who tend to be more exposed to illnesses and other health risks. In view of the pandemic and other future global disease outbreaks, housing standards and urban development agenda need to be revisited and recalibrated to integrate public health goals in order to promote healthy, resilient, and thriving communities.

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## ENVIRONMENT IN THE NEW NORMAL

Environment, health, and economic growth are all interrelated. The natural environment not only provides the resources necessary to sustain human life, but also produces the goods that support livelihoods and fuel economic activities. Ironically, however, human and economic activities are also often behind the exploitation of natural resources, resulting in their irreversible depletion or in the production of harmful by-products which can cause water, air, and/or land pollution. These in turn directly affect people's lives, health, and livelihood.

The environmental challenges faced by many nations for the past years have been further compounded by the emergence of the COVID-19 disease in 2020. Many studies have argued that the origin of this disease could also be traced back to human and economic activities that exploit wildlife resources and habitats.[1]

In the absence of a vaccine against COVID-19, the world's response to this unprecedented health crisis has focused primarily on controlling the spread of the virus and slowing down community transmission. Observance of proper hygiene and sanitation through frequent hand washing, wearing of face masks and face shields, use of personal protective equipment (PPE), and social distancing has been the default strategy imposed by governments to minimize exposure and lessen contamination.

However, the increased use of disposable masks, gloves, face shields, and body suits has resulted in a greater volume of hazardous waste materials that exacerbates the problem of waste management in the country. Also, due to quarantine restrictions, many individuals have shifted to online shopping to purchase food and other household needs, thus generating more waste from disposable packaging.

Even as it crafts and implements a proactive response to the health crisis, the government has not lost sight of its responsibility to protect the environment. Ensuring the sustainability of the country's natural resources therefore remains a priority. In the context of the prevailing impact and continuing threats of COVID-19, this would entail adapting to the "new normal" with greater resilience backed by a green growth agenda.

**Promoting Environmental Health**

Healthy lives depend largely on a healthy environment. This underscores the need to safeguard and protect the environment and its resources from exploitative activities and hazardous substances.

For FY 2021, the government has allotted PhP25.4 billion[2] to support environmental protection. While it is slightly lower than the FY 2020 Program of PhP26.6 billion, it is 10.5 percent higher than the FY 2019 actual level of PhP23.0 billion. The bulk of the PhP25.4 billion is set aside for the protection of biodiversity and landscape (PhP11.5 billion), followed by waste management (PhP3.3 billion), and environmental protection (PhP6.5 billion).

The Department of Environment and Natural Resources (DENR), the lead agency in charge of the country's environmental health, is allotted PhP26.5 billion for next year. The major programs to be implemented by the DENR include the Natural Resources Conservation and Development Program (PhP13.1 billion), the Natural Resources Enforcement and Regulatory Program (PhP1.6 billion), and the Environment and Natural Resources Resiliency Program (PhP74.8 million).

***Forest Development and Protection.*** Under the DENR's Natural Resources Conservation and Development Program, PhP6.7 billion is set aside for Forest Development, Rehabilitation, Maintenance and Protection activities. The bulk of this is earmarked for the National Greening Program (PhP5.2 billion) which aims to plant 72.9 million seedlings over 82,349 hectares and maintain 500,448 hectares of existing forests. This will be complemented by the Integrated Natural Resources and Environmental Project (INREMP) with an allocation of PhP60.0 million and the Forestland Management Project with a budget of PhP649.9 million. These two (2) projects will strengthen community-based management of ecosystems.

**Table 1. Allocation for Environmental Protection, 2019-2021**
(in thousand Pesos)

| Particulars | 2019 Actual | 2020 Program | 2021 Proposed |
|---|---|---|---|
| **Environmental Protection, *of which*:** | **23,008,386** | **26,642,624** | **25,429,970** |
| Waste management | 2,571,197 | 3,822,238 | 3,300,039 |
| Waste water management | 459,781 | 2,173,874 | 80,000 |
| Pollution abatement | 3,016,259 | 2,514,956 | 2,792,645 |
| Protection of biodiversity and landscape | 9,502,918 | 10,461,949 | 11,474,363 |
| R&D Environmental protection | 767,550 | 798,358 | 1,242,922 |
| Environmental protection | 6,690,681 | 6,871,249 | 6,540,001 |

*Source: 2021 BESF, Table B.5.b*

***Clean Air.*** For FY 2021, the DENR-Environmental Management Bureau (EMB) will receive PhP178 million for the operation and maintenance of 101 Air Quality Monitoring Stations, the calibration of 47 stations, and the monitoring of 16,809 firms. On top of this, some PhP34 million has also been lodged under the Air Quality Management Fund to support air quality rehabilitation, research, enforcement, monitoring, and technical assistance activities.

***Clean Water.*** With the increased demand for water due to the pandemic, there is a need to ensure sufficient supply of potable water. About PhP177 million is allocated to DENR-EMB for the Clean Water Program which will be used to improve the quality of 80 priority rivers and other critical bodies of water through monitoring and designation of water quality management areas.

The National Water Resources Board (NWRB), meanwhile, is given PhP128.3 million in 2021 for the implementation of its Water Resources Management Program (PhP17.6 million), Water Resources Enforcement and Regulatory Program (PhP54.7 million), and Water Resources Vulnerability and Sustainability Assessment Program (PhP14.6 million). From 2019 to 2021, NWRB aims to increase the number of water use/ water utilities regulated by six (6) percent.

**Table 2. Key Environmental Programs and Projects**

| Particulars | 2019 Actual | 2020 | | 2021 Proposed |
|---|---|---|---|---|
| | | GAA | Adjusted | |
| **Department of Environment and Natural Resources,** *of which:* | **PhP26.0 B** | **PhP26.4 B** | **PhP24.2 B** | **PhP26.5 B** |
| **National Greening Program (DENR-OSEC)** | **PhP2.7 B** | **PhP3.2 B** | **PhP3.0 B** | **PhP5.2 B** |
| Forest Development and Rehabilitation | | | | |
| Area planted (ha.) | 21,769 | 50,000 | 43,850 | 82,349 |
| No. of seedlings planted | 14,431,814 | 43,029,153 | 39,783,185 | 72,900,557 |
| Area Maintained (has.) | 348,644 | 216,058 | 216,058 | 500,448 |
| **Manila Bay Rehabilitation Program** | **PhP2.2 B** | **PhP1.5 B** | **PhP1.4 B** | **PhP1.8 B** |
| DENR-OSEC | PhP2.0 B | PhP 1.3 B | PhP 1.3 B | PhP 1.6 B |
| DENR-EMB | PhP0.2 B | PhP 0.1 B | PhP 0.1 B | PhP 0.2 B |
| **Integrated Natural Resources and Environmental Management Project (INREMP)** | **PhP0.5 B** | **PhP0.4 B** | **PhP0.3 B** | **PhP0.1 B** |
| **Forestland Management Project** | **PhP0.8 B** | **PhP0.8 B** | **PhP0.7 B** | **PhP0.6 B** |
| **Clean Air Program (DENR-EMB)** | **PhP0.1 B** | **PhP0.2 B** | **PhP0.2 B** | **PhP0.2 B** |
| No. of Air Quality Monitoring Stations operated and maintained | 101 | 101 | 101 | 101 |
| No. of Air Quality Monitoring Stations calibrated | 67 | 47 | 47 | 47 |
| No. of firms monitored with reports submitted | 18,089 | 15,859 | 15,859 | 16,809 |
| **Clear Water Program (DENR-EMB)** | **PhP0.2 B** | **PhP0.2 B** | **PhP0.1 B** | **PhP0.2 B** |
| No. of esteros/waterbodies monitored | 490 | 435 | 435 | 435 |
| No. of firms monitored with reports submitted | 9,060 | 7,794 | 7,794 | 8,261 |
| **Solid Waste Management Program (DENR-EMB)** | **PhP1.2 B** | **PhP1.4 B** | **PhP1.4 B** | **PhP0.6 B** |
| No. of closure and rehabilitation plan implementation monitored | 670 | | | |
| No. of closure and rehabilitation of dumpsites monitored and assessed | | 257 | 257 | 231 |
| Assessment of open and controlled dumpsites | 389 | 426 | 426 | 321 |
| No. of LGUs supported in the establishment of MRFs | 598 | 180 | 180 | |
| No. of pilot Waste to Energy Facility established per region | | | | 16 |

Also, to ensure the access of Filipinos to adequate water supply and to improve sanitation systems, the Local Water Utilities Administration (LWUA) is provided a subsidy of PhP526.6 million for 2021, higher than its 2019 and 2020 subsidies of PhP459.8 million and PhP345.3 million, respectively. With this budget, LWUA targets to, among others, increase the percentage of households in operational water districts with direct access to level III potable water supply and sanitation from 36.77 percent (baseline) in 2018 to 40.45 percent in 2021.

***Coastal and Marine Ecosystems Rehabilitation and Development.*** As part of the government's efforts to improve the water quality of key water bodies, PhP2.0 billion is earmarked for the Coastal and Marine Ecosystems Rehabilitation Subprogram of the DENR. This includes: (1) PhP248 million for the sustainable management of coral reefs, sea grass beds, mangrove stands, and water quality of coastal and marine resources; and (2) PhP103 million for the continuous rehabilitation of the Pasig River. Meanwhile, PhP1.8 billion is allotted to the Manila Bay Rehabilitation Program which aims to clean up, rehabilitate, and preserve Manila Bay, and restore and maintain its water that is fit for contact recreation through solid waste management and rehabilitation of sewerage treatment.

***Waste Management.*** For FY 2021, PhP3.3 billion is earmarked for waste management. The bulk of this is lodged under the Metropolitan Manila Development Authority (MMDA) for its Solid Waste Management Program (PhP2.6 billion) to cover the establishment and operation of sanitary landfill and pertinent facilities, as well as the implementation of policies and projects on waste disposal.[3] Said allocation for FY 2021 is higher than the 2020 and 2019 levels of PhP2.3 billion and PhP1.1 billion, respectively.

Some PhP576 million is provided to the DENR-EMB for its solid waste management activities such as the monitoring and inspection of 321 of dumpsites and the piloting of waste-to-energy facilities per region.

**Towards a Green Normal**

As the country steers the economy to recovery and guides the people in adapting to the new normal, the environment should not be left behind. Thus, the government has provided funds to foster a healthy environment today and in the future. However, the enormous task of caring for the environment is not the government's alone. Every Filipino has the responsibility to use the natural resources sustainably, and to protect and respect the environment. A sustainable recovery requires being one with the environment and not against it. And, it starts at home, with ourselves.

**Endnotes:**

[1/] NEDA. *We Recover as One*. Retrieved from https://www.neda.gov.ph/wp-content/uploads/2020/05/We-Recover-As-One.pdf.
[2/] COFOG level
[3/] MMDA. *Solid Waste Disposal and Management*. Retrieved from https://www.mmda.gov.ph/2-uncategorised/3369-solid-waste-disposal-and-management-2.html.

## RISK RESILIENCY AND PREPAREDNESS: *Future-Proofing Climate Change and Disaster Budget*

The 2020 Global Climate Risk Index puts the Philippines in the 4th spot among countries most affected by extreme weather events from 1999 to 2018, recording a total of 317 events with losses amounting to USD3,118.68 million.[1] Indeed, the country's high exposure to a multitude of natural hazards, including earthquakes, typhoons, volcanic activities, and flash floods, has often resulted in huge post-disaster financing needs and loss of lives and properties.

This should not come as a surprise given the country's geographical location. Not only is the Philippines situated within the Pacific Ring of Fire, but it is also in close proximity to the Typhoon Belt of the Pacific. As such, the country is vulnerable to earthquakes and volcanic eruptions, experiencing at least five earthquakes a day,[2] and prone to storms and other weather disturbances, with an average of 20 typhoons or tropical storms a year.[3]

A closer look at the country's exposure map on climate change illustrates the risk situation for the Philippines.[4] The map shows the different hazards that pose threats to the archipelago.

This reality underscores the urgency of recognizing and integrating disaster risk reduction and management policies in all levels of governance.

Concretely, it means adopting a whole-of-government approach towards mainstreaming necessary measures to minimize socioeconomic losses in the event of calamities, as well as to foster sustainable growth and rapid recovery of communities after the disaster.

Over the past few years, the most notable of these initiatives have been the Climate Change Act of 2009 and the Philippine Disaster Risk Reduction and Management Act of 2010.

**Climate Change Expenditures**

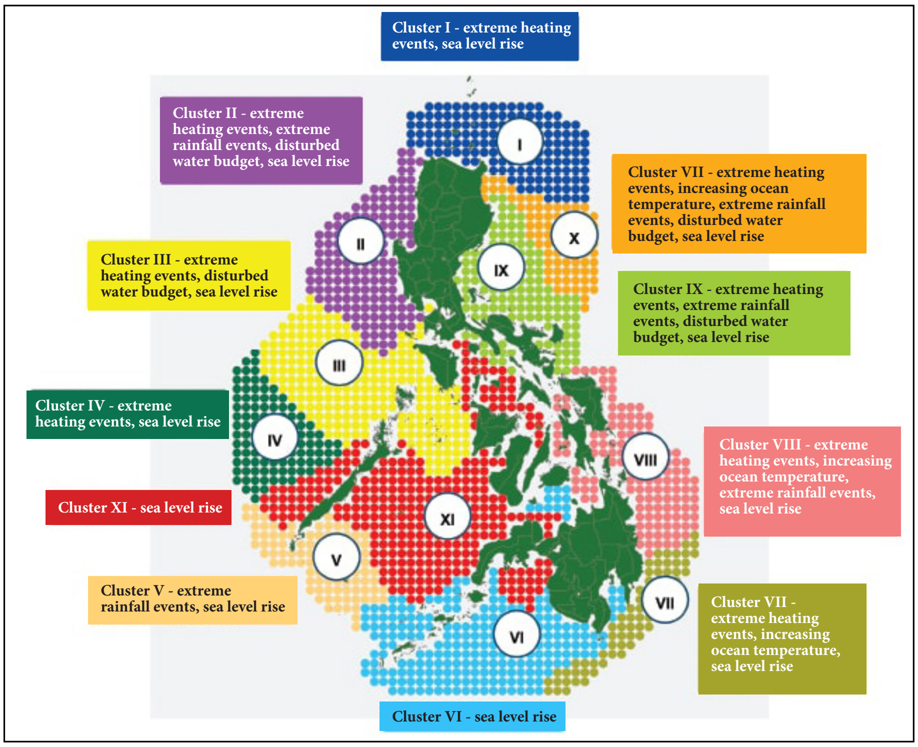
The Climate Change Act ensures the integration of climate change measures and policies in the government's planning and decision-making activities. It created the Climate Change Commission (CCC) to serve as the lead policy-making body on climate change concerns.

A review of the country's 60-year climate data prepared by the CCC shows "trends of rising temperatures, changes in rainfall patterns, and increasing incidence of extreme events like drought, intense rainfall, tropical cyclones and flooding that cause considerable damage to livelihood, properties – and in many cases, loss of lives."[5]

This is a concern for the government as changes in temperature have been noted to result in catastrophic effects on the flora and fauna as well that the country takes pride in. The Philippines is one of only 17 "megadiverse" countries in the world described by Conservation International as home to thousands of endemic plants and marine ecosystems and harbor 70 to 80 percent of the earth's biodiversity.[6]

Unfortunately, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) projects an increase in the country's temperature by 0.9°C to 1.9°C by

**Figure 1. Philippine Exposure Map on Climate Change**




*Source: The Climate Reality Project*

the year 2050, and by 1.3°C to 2.5°C in 2099. This may result in stronger typhoons reaching Philippine territories, and thus more devastating floods.[7]

The impact also extends to the country's GDP. The Asian Development Bank foresees that the Philippines may lose 6 percent of its GDP annually by 2100 if climate change risks are disregarded. However, if at least 0.5 percent of the GDP is invested in climate change adaptation, the country may avert losses of up to 4 percent of its GDP by the same period.[8]

In anticipation of the impact and adverse effects of climate change, therefore, the CCC formulated the National Climate Change Action Plan (NCCAP) in 2011. The NCCAP functions as a policy roadmap for climate change adaptation and mitigation measures for the country until 2028. It covers seven priority areas, namely: food security, water sufficiency, ecological and environmental stability, human security, climate-friendly industries and services, sustainable energy, and knowledge and capacity development.

To formally integrate climate change consideration in the budget process, the DBM and the CCC have issued Joint Memorandum Circular No. 2013-1 and adopted the Climate Change Expenditure Tagging (CCET) in the 2014 budgeting process. Programs, activities, and projects (PAPs) of agencies that respond to climate change are classified under the above-mentioned NCCAP priority areas. Nearly a third of the budget at 72.7 percent will address water sufficiency, including the flood mitigating structures and drainage systems of the Department of Public Works and Highways (DPWH).

For 2021, the proposed climate change expenditures have decreased by 21.9 percent from PhP232.8 billion in 2020 to PhP181.9 billion. This is mainly due to the following reasons: (1) completion of the rehabilitation of nearly all projects under the *Balik Sigla sa Ilog at Lawa* of DA-BFAR this year; (2) some projects tagged as CCE are for completion next year; and (3) non-submission of Quality Assurance Review (QAR) form by some agencies.

More than half of the budget at PhP132.3 billion will go to programs addressing water sufficiency. This includes projects that determine water quality and those that assess resilience of major water resources and infrastructure such as flood control projects in Metro Manila and major river basins, among others.

Water Sufficiency is followed by Food Security with PhP22.4 billion, Sustainable Energy with PhP12.4 billion, Ecosystem and Environmental Stability with PhP10.4 billion, and Climate Smart Industries and Services with PhP2.7 billion.

Meanwhile, in terms of CCE allocation by Department and SPF, the DPWH remains to have the biggest share of the budget at 77.0 percent with PhP140.1 billion. Part of this will be used to finance the Flood Management Program discussed later on.

Given the country's inherent vulnerability to many natural hazards, the bulk of the CCE will support adaptation initiatives, totaling PhP173.6 billion, or 95.4 percent of the total proposed climate change budget. Adaptation activities are those that "reduce the vulnerability of human and natural systems to the impacts of climate change and climate related risks, by maintaining or increasing adaptive capacity and resilience."[9]

The remaining PhP8.3 billion, equivalent to 4.6 percent of the climate change budget, shall support mitigation activities that primarily aim to reduce emission of greenhouse gases.

**Disaster Risk Reduction and Management Fund**

The Philippines is considered a leading regional actor in disaster risk management.[10] The passage of Republic Act (R.A.) No. 10121 or the Philippine Disaster Risk Reduction and Management Act in 2010 has guided the government to better prepare and respond to disasters, as well as to strengthen its efforts towards disaster risk reduction and management.

It has also paved the way for the crafting of the comprehensive National Disaster Risk Reduction and Management Plan (NDRRMP) 2011-2028, strengthening the national and local

**Table 1. Climate Change Expenditures (CCE) by National Climate Change Action Plan (NCCAP) Strategic Priorities, 2020-2021**[1/]
(in thousand Pesos)

| NCCAP Strategic Priorities | 2020 (Program) | 2021 (Proposed) | Increase/ (Decrease) |
|---|---|---|---|
| Food Security | 22,721,994 | 22,436,689 | (1.3) |
| Water Sufficiency | 144,279,729 | 132,331,173 | (8.3) |
| Ecosystem and Environmental Stability | 9,085,908 | 10,359,661 | 14.0 |
| Human Security | 5,535,089 | 693,788 | (87.5) |
| Climate Smart Industries and Services | 4,737,385 | 2,715,248 | (42.7) |
| Sustainable Energy | 42,250,776 | 12,449,608 | (72.5) |
| Knowledge and Capacity Development | 1,106,411 | 881,942 | (20.3) |
| Cross-Cutting | 78,468 | 27,964 | (64.4) |
| **Total** | **232,795,760** | **181,896,073** | **(21.9)** |

[1/] *Net of the CC expenditures of State Universities and Colleges (SUCs)*
*Source: BESF Table B. 22*

**Table 2. Climate Change Expenditures[1/] by Department and Special Purpose Fund, 2020-2021**
(in thousand Pesos)

| Particulars | 2020 (GAA) | | | 2021 (Proposed) | | |
|---|---|---|---|---|---|---|
| | Adaptation | Mitigation | Total | Adaptation | Mitigation | Total |
| Departments, *of which:* | 217,787,379 | 5,083,727 | 222,871,106 | 166,074,295 | 6,062,123 | 172,136,418 |
| Department of Agrarian Reform | 298,423 | - | 298,423 | 301,012 | - | 301,012 |
| Department of Agriculture | 17,522,485 | 138,896 | 17,661,381 | 17,158,630 | 106,384 | 17,265,014 |
| Department of Energy | - | 322,201 | 322,201 | - | 228,818 | 228,818 |
| Department of Environment and Natural Resources | 6,407,640 | 4,350,024 | 10,757,664 | 5,675,063 | 5,481,332 | 11,156,395 |
| Department of Foreign Affairs | 6,632 | 1,320 | 7,952 | 1,176 | - | 1,176 |
| Department of Health | - | 6,465 | 6,465 | - | - | - |
| Department of Information and Communications Technology | 416,243 | - | 416,243 | 334,456 | - | 334,456 |
| Department of the Interior and Local Government | 77,000 | - | 77,000 | 76,000 | - | 76,000 |
| Department of Labor and Employment | 789,444 | - | 789,444 | - | - | - |
| Department of National Defense | 16,972 | - | 16,972 | 17,481 | 7,615 | 25,096 |
| Department of Public Works and Highways | 190,721,644 | - | 190,721,644 | 140,064,119 | - | 140,064,119 |
| Department of Science and Technology | 962,009 | 204,863 | 1,166,872 | 803,408 | 228,500 | 1,031,908 |
| Department of Social Welfare and Development | - | - | - | 1,617,741 | - | 1,617,741 |
| Department of Tourism | - | 26,993 | 26,993 | - | - | - |
| Department of Trade and Industry | 502,459 | - | 502,459 | - | - | - |
| National Economic and Development Authority | 1,726 | - | 1,726 | - | - | - |
| Presidential Communications Operations Office | 1,041 | - | 1,041 | - | - | - |
| Other Executive Offices[2/] | 63,661 | 32,965 | 96,626 | 25,209 | 9,474 | 34,683 |
| Special Purpose Funds, *of which:* | 7,290,015 | 2,634,639 | 9,924,654 | 7,509,819 | 2,249,836 | 9,759,655 |
| Allocations to Local Government Units[3/] | 1,881,683 | 2,634,639 | 4,516,322 | 2,090,783 | 2,249,836 | 4,340,619 |
| Budgetary Support to Government Corporations[4/] | 5,408,332 | - | 5,408,332 | 5,419,036 | - | 5,419,036 |
| **Total** | **225,077,394** | **7,718,366** | **232,795,760** | **173,584,114** | **8,311,959** | **181,896,073** |

*[1/] Net of the CC expenditures of State Universities and Colleges (SUCs)*
*[2/] Pertaining to the CC expenditures of the Climate Change Commission, the National Historical Commission of the Philippines, and the Pasig River Rehabilitation Commission which is still lodged as an Other Executive Office in FY 2019 before its disestablishment pursuant to EO No. 93 dated November 8, 2019.*
*[3/] Representing the CC expenditures of the Metro Manila Development Authority*
*[4/] Referring to the CC expenditures of the Authority of the Freeport Area of Bataan, the National Dairy Authority, the Philippine Crop Insurance Corporation, the Philippine Fisheries Development Authority, the Philippine Rice Research Institute, and the National Irrigation Administration*
*Source: BESF Table B.21*

governments' capacity to push for disaster resilience measures in communities and enhance their response capabilities.

To provide readily-available funds to support post-disaster needs, the government has regularly allotted budget for the National Disaster Risk Reduction and Management Fund (NDRRMF) and the Quick Response Fund (QRF).

***NDRRMF.*** For 2021, a budget of PhP20.0 billion is being proposed for the NDRRMF which is bigger by PhP4.0 billion than the 2020 allocation of PhP16.0 billion. The NDRRMF, a lump-sum fund, will be used to support programs, activities, and projects for disaster prevention, mitigation, and preparedness, as well as for rehabilitation and recovery of affected communities. About PhP5.0 billion of this is proposed for the Marawi Recovery, Rehabilitation, and Reconstruction Program.

***QRF.*** Meanwhile, the QRF is given a total budget of PhP6.3 billion to serve as standby fund in agencies' built-in appropriations. This fund aims to normalize as quickly as possible the situation and living conditions of people in communities or areas stricken by disasters, calamities, epidemics, or complex emergencies from the last quarter of 2020 and for 2021. This will be distributed among the following core agencies: Department of Education, PhP2.0 billion; Department of Social Welfare and Development, PhP1.3 billion; Department of Agriculture and DPWH, PhP1.0 billion each; and Department of Health and Office of the Civil Defense, PhP0.5 billion each.

**Monitoring of Environmental Hazards**

"Disaster reduction is both possible and feasible if the sciences and technologies related to natural hazards are properly applied."[11]

The further development and integration of science and technology, particularly ICT in this regard, makes disaster information reporting and prediction more accurate and timelier. Information is crucial in effective disaster management as it enables the government to better prepare for any imminent danger, especially during times of disasters and calamities. Furthermore, while typhoons, volcanic eruptions, and earthquakes, among others, cannot be prevented or accurately predicted, the use of technology and information reporting allows agencies concerned to issue early warnings that may help lessen casualties and damages. In view of this, the government has invested in environmental mapping and a number of interventions related to disaster mitigation, introduced and powered by the ICT.

**Modernizing the Country's Weather Bureau**

PAGASA, an attached agency of the Department of Science and Technology, is mandated to "provide adequate, up-to-date data, and timely information on atmospheric, astronomical and other weather-related phenomena using the advances achieved in the realm of science to help government and the people prepare for calamities caused by typhoons, floods, landslides, storm surges, extreme climatic events, and climate change, among others."[12] Given the country's inherent vulnerability to natural hazards, PAGASA must remain capable of performing its mandate, particularly in terms of its resources and equipment.

For 2021, PAGASA has a proposed budget of PhP1.7 billion, an increase of 21.4 percent from the previous year's budget of PhP1.4 billion. More than half of the agency's budget will finance its Weather and Climate Forecasting and Warning Program, PhP899 million; Flood Forecasting and Warning Program, PhP116 million; and Research and Development Program, PhP129 million.

With the ongoing digitization, part of the Weather and Climate Forecasting and Warning Program is improving data analytics on weather forecasting (PhP44 million), as well as projects for Integrated Digital Weather Forecasting (PhP224 million) and Digital Tape Library for Long-Term Data Storage (PhP140 million). Meanwhile, PhP105 million is provided for the operation and maintenance of weather surveillance radar network, and another PhP67 million for the construction, repair, and rehabilitation of damaged weather stations and ICT equipment facilities.

Two of PAGASA's targets for 2021 are to have at least 94 percent of the 81 provinces, including Metro Manila, receive and include robust science-based weather-related information and services in their disaster risk reduction plans, and an 80 percent increase in the number of LGUs that use hazard maps.

**Geohazard Assessment and Mapping**

Providing new and up-to-date information to areas which are at high risk of various geological hazards such as floods, coastal hazards, and rain-induced landslides, is also being pursued by the government to mitigate the effects and impacts of disasters.

Next year, of the PhP1.5 billion[13] budget of the DENR-Mines and Geosciences Bureau, PhP384 million will go to the Geological Risk Reduction and Resiliency Program to assess 80 cities/municipalities for vulnerabilities and risks, and to provide 90 cities/municipalities with information, education, and communication campaigns on geohazards.

Meanwhile, the National Mapping and Resource Information Authority (NAMRIA), the country's central mapping agency, is allocated PhP1.4 billion. Of this, PhP1.3 billion will be used to finance its Mapping and Resource Information program that includes Topographic Base Mapping and Geodetic Surveys (PhP603 million), Hydrographic and Oceanographic Surveys and Nautical Charting (PhP422 million), Geospatial Information Management (PhP149 million), and Resource Assessment and Mapping (PhP88 million). Next year, NAMRIA is targeting to produce or update 2,047 maps and nautical charts and to have 87 percent of the country with topographic base maps.

**Flood Control Infrastructure**

Given the long wet season, extreme rainfall events and frequent occurrence of typhoons often result in flooding in many parts of the country. To some extent, this drastically affects economic activities, damages infrastructure and properties, and causes loss of lives.

The Flood Management Program of the DPWH is provided a budget of PhP101.6 billion to address this problem. Priority will be given to additional construction/installation of adequate flood control facilities such as dikes, river walls, levees, channel improvement, diversion floodways, revetments and installation of pumping stations, dredging and related works in all flood prone areas that need protection. This is also intended to equip those involved in flood risk management along principal rivers to ensure the speedy transport of people to evacuation centers during floods.

Some of the major programs with notable budget increases are the Pasig-Marikina River Channel Improvement Project (PMRCIP) - Phase IV, from PhP1.1 billion to PhP5.1 billion, and the Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects, from PhP1.8 billion to PhP4.9 billion.

For 2021, the DPWH is targeting to construct 1,543 flood mitigation structures and drainage systems, and construct/rehabilitate 451 existing flood mitigation facilities in major river basins and principal rivers, as well as decrease areas prone to flooding in selected river basins with flood control master plan by 2 percent.

The country's primary economic hub also experiences frequent flooding even without typhoons. The Metropolitan Manila Development Authority (MMDA) has an allocation of PhP1.4 billion for its Flood Control Program to cover flood control projects (PhP1.1 billion); and operation and maintenance of various flood control structures, facilities, equipment, and waterways (PhP278.9 million), among others. The aforementioned flood control projects include drainage improvements, dredgings, riprapping of *esteros*, creeks, and rivers, as well as the rehabilitation of pumping stations to minimize and mitigate flooding in Metropolitan Manila.

**Preparing LGUs for 'Public Health' Disasters**
While the Philippines has long established policies and protocols in mitigating and responding to natural calamities, the country was somehow ill-prepared for a different kind of disaster – a public health management crisis arising from the COVID-19 pandemic.

Hence, the government, through the Department of Health (DOH), will be providing technical assistance to LGUs in developing or updating their Disaster Risk Reduction Management for Health (DRRM-H) plans and produce a more integrated, systems-based, and multisectoral approach to disaster prevention and preparedness particularly on health concerns at the local level.

The DRRM-H has the following goals: (1) provide uninterrupted health services; (2) avert preventable morbidities and mortalities; and (3) ensure that no outbreaks occur secondary to disasters, in line with the Universal Health Care (R.A. No. 11223) and the National Objectives for Health.[14]

To achieve these, the DOH forwards the institutionalization of DRMM-H by having: an approved, updated, regularly tested and disseminated DRRM-H plan; organized and trained health emergency response teams; available and accessible essential health commodities; and a functional operations center.[15] The DOH is targeting 40 percent of LGUs to institutionalize the said plan by 2021 under its Health Emergency Management Program.

The DRRM-H also follows the 5K approach or the *Kaligtasang pangKalusugan sa Kalamidad sa Kamay ng Komunidad* in

**Table 3. Regional Allocation for Flood Management Program, 2021***
(in thousand Pesos)

| Region | Budget for the Construction and Maintenance of Flood Mitigation Structures and Drainage Systems | Budget for the Construction and Rehabilitation of Flood Mitigation Facilities within Major River Basins and Principal Rivers |
|---|---|---|
| National Capital Region | 38,793,303 | 14,899,102 |
| Region I – Ilocos | 1,509,241 | 850,968 |
| Cordillera Administrative Region | 412,625 | 415,577 |
| Region II – Cagayan Valley | 1,388,380 | 88,476 |
| Region III – Central Luzon | 3,131,302 | 969,507 |
| Region IV-A – CALABARZON | 2,602,594 | 811,800 |
| Region IV-B – MIMAROPA | 890,720 | 713,361 |
| Region V – Bicol | 2,860,268 | 1,841,273 |
| Region VI – Western Visayas | 785,597 | 373,221 |
| Region VII – Central Visayas | 1,170,664 | 287,924 |
| Region VIII – Eastern Visayas | 2,386,811 | 479,095 |
| Region IX – Zamboanga Peninsula | 838,157 | 44,195 |
| Region X – Northern Mindanao | 941,718 | 666,500 |
| Region XI – Davao | 1,956,630 | 162,300 |
| Region XII – SOCCSKSARGEN | 417,077 | 765,157 |
| Region XIII – CARAGA | 802,228 | 124,000 |
| **Foreign-assisted Projects** | **500,000** | **16,740,065** |
| **Total** | **61,387,315** | **40,232,521** |

**Excludes Local Infrastructure Program* advocating disaster preparedness at the household level.[16] This is aligned with the National Disaster Risk Reduction and Management Framework's (NDRRMF) vision of "a safer, adaptive, and resilient Filipino communities toward sustainable development."[17] The NDRRMF is the principal guide to the DRRM efforts in the country.

**Building a More Resilient Philippines**

The Philippines is exposed to various kinds of natural hazards in a year. Some turn out to be major disasters, disrupting the lives of the people and even reversing economic gains earned over years of hard work. Behind the ideals of Filipino resilience and *"Bayanihan"* spirit is a country that knows how to bounce back after every storm or any disaster, creating smarter policies and building back better communities that are, in a number of new ways, disaster-proof.

Admittedly, the Philippines has learned many painful lessons from past disasters. And it is a shared responsibility between the government and the people to remember these lessons and avoid the mistakes and lapses that have caused great suffering to many.

Now, the current pandemic will surely change the way the government and the people view disasters, and more importantly, prepare for them. The Duterte Administration continues to battle the pandemic and rally the nation to "recover as one." And hopefully, just like before, the Philippines will come out of this ordeal as a better, safer, and more informed nation.

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# V. PUBLIC EXPENDITURE MANAGEMENT REFORMS

President Rodrigo Roa Duterte assumed the presidency in 2016 with a strong political resolve to deliver on the promise of real change, confronting head on and providing action to problems that have long hindered, and to some extent, characterized the country's bureaucracy – corruption, fragmentation, and red tape.

Through the Department of Budget and Management (DBM), plans to modernize the country's Public Financial Management (PFM) system have materialized in recent years, effectively easing bureaucratic bottlenecks, increasing budget transparency and public participation, and improving the implementation of programs and projects.

## Better Management of Funds through Transparency and Public Participation

Transparency is integral to good governance and is globally recognized as a key factor in opening up the government. The serious pursuit of transparency, therefore, is a clear indicator of how sincere a government is, not just in its advocacy for good governance, but also in its determination to involve the public in its affairs.

This should be seen as the genuine willingness of the government to provide timely and reliable information to the public in order to help them understand and better engage in government activities and processes.

Through the years, the DBM has been championing reforms that have opened up the government and improved the country's budgeting systems and processes. Among the notable endeavors that the Department has pursued are the: (1) Publication of key budget documents for the Open Budget Survey (OBS); (2) Adoption of the Cash Budgeting System; (3) Establishment of the Open Government Partnership and Participatory Governance Cluster; and (4) Implementation of Project DIME.

**Assuring the Publication of Key Budget Documents**

Opening up timely and comprehensive financial management information to the public is central to sustaining and improving governance reforms on fiscal transparency and citizen participation. Hence, the DBM is at the forefront in making key budget documents readily available and accessible to ensure that citizens are able to collaborate and engage with the government in enhancing public policies.

Seven (7) of the eight (8) key budget documents are regularly produced by the DBM. These documents are the pre-budget statement, the executive's budget proposal, the enacted budget, the citizen's budget, in-year reports, mid-year review, and year-end report. The eighth document is the layman's version of the audit report of the Commission on Audit (COA).

The public availability of the eight (8) key budget documents is assessed every two years by the International Budget Partnership (IBP) through the Open Budget Survey (OBS). For the 2019 round, the Philippines was able to produce all eight budget documents in a timely and comprehensive manner based on the standards set by the IBP, a feat achieved twice since the onset of the OBS. This accomplishment translated to an Open Budget Index (OBI) score of 76 (out of 100) in 2019 which is nine notches higher than the previous score of 67 (out of 100) in 2017. This score also exceeded the 2019 and 2021 OBI target scores of 67 and 71, respectively, under the Philippine Development Plan 2017-2022.

With this 2019 OBI score, the government was able to secure the top spot in Southeast Asia, making the Philippines the most fiscally transparent country in the region while ranking 10th place worldwide. This further established the Philippines' position as a global leader in open government.

**Moving Forward with the Cash Budgeting System**

Two fiscal years (FY) since the cash budgeting system (CBS) was formally adopted in 2019, following the issuance of Executive Order No. 91 by President Duterte, the DBM continues to implement cash budgeting in the proposed 2021 National Budget.

The National Government shifted the budgeting system from obligation-based to CBS to speed up the implementation of programs and projects and avoid underspending. In preparation for the implementation of the CBS, the government limited the validity of appropriations to one year from two years in 2017 to inculcate discipline, focus, and better operational planning practices to agencies.

The CBS mandates that all contracts for programs and projects budgeted for the current fiscal year are obligated and implemented within the same fiscal year. This implies that payments have to be settled by the end of the year and only up to the next three months of the succeeding year, referred to as the Extended Payment Period. This is in contrast with the previous practice under an obligation-based system, where programs and projects can be delivered even after the end of the awarding year.

Meanwhile, appropriations for financial subsidies to local government units (LGUs) will be available for obligation and disbursement until the end of the succeeding fiscal year, while appropriations for statutory shares of LGUs, such as the Internal Revenue Allotment, will be available until fully expended.

To prepare the agencies for the full implementation of the CBS, a transition period was designated, covering FYs 2019 to 2021. For the 2019-2020 transition phase, allocations for Maintenance and Other Operating Expenses (MOOE) and non-infrastructure Capital Outlays (CO) appropriated for both years may be implemented and paid for until June 30 of 2021,

**Table 1. Period of Implementation and Payment[1]**

| FY | Expense Class | Obligation | Implementation | Extended Payment Period |
|---|---|---|---|---|
| 2019 | Personal Services (PS) | Until December 31, 2020 | Until December 31, 2020 | |
| | MOOE & Non-Infra CO | | Until June 30, 2021 | |
| | Infra CO | | Until December 31, 2021 | |
| 2020 | Personal Services (PS) | Until December 31, 2020 | Until December 31, 2021 | January 1 to March 31, 2021 |
| | MOOE & Non-Infra CO | | Until June 30, 2021 | |
| | Infra CO | | Until December 31, 2021 | |
| 2021 | Personal Services (PS) | Until December 31, 2021 | Until December 31, 2021 | |
| | MOOE & Non-Infra CO | | Until March 31, 2022 | |
| | Infra CO | | Until June 30, 2022 | |

while funds for infrastructure CO may be implemented and paid for until December 31 of 2021.

While the FY 2019 General Appropriations Act (GAA) provided for a transition period in the shift from the obligation-based budgeting to CBS (12 months for the infrastructure capital outlays and six months for maintenance and non-infrastructure capital outlays), this transition period was extended by the Congress by two (2) years in view of the late passage of FY 2019 GAA in April 2019. The validity of FY 2020 Budget was likewise extended although by a shorter period.

Meanwhile, the DBM in its Budget Call for FY 2021 emphasized the importance of prioritizing implementation readiness of programs and projects through better procurement planning and coordination. For 2021, a shortened transition is proposed to better prepare for the one-year implementation of the CBS in FY 2022.

The CBS, together with other transparency and participatory mechanisms, is central to the proposed Budget Modernization Bill (formerly Budget Reform Bill) which was previously filed in the 17th Congress. The DBM is currently in the final stages of streamlining the draft Bill for re-filing in the Second Regular Session of the 18th Congress. The new draft specifically focuses on: (1) CBS; (2) strengthened oversight of the Bureau of the Treasury on government bank accounts; (3) establishment of integrated financial management information system; (4) oversight of internal audit standards; and (5) institutionalization of public participation in the budget process to further modernize the country's PFM system.

**Improving Governance through Open Government Partnership and Participatory Governance Cluster**

The Philippines is among the eight founding countries of the Open Government Partnership (OGP), a multilateral initiative that aims to secure concrete commitments from government and non-government sectors to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. The DBM currently serves as Chair and Secretariat of the Philippine OGP (PH-OGP).

Last year, the Philippines developed a responsive and inclusive PH-OGP 5th National Action Plan (NAP) 2019-2021, which is the first PH-OGP action plan with the widest geographical and sectoral reach. The action plan went through a rigorous consultation process across 16 regions, engaging more than 1,335 participants from CSOs, public sector unions, business groups, indigenous groups and academic institutions. The fifth PH-OGP cycle is considered to be the Philippines' most demand-driven and inclusive, strategic, and genuinely co-created action plan development process, to date.

The PH-OGP 5th NAP includes 10 proposed commitments which respond to four OGP values, namely: Access to Information, Civic Participation, Public Accountability, and Technology and Innovation. Of these 10 commitments, six (6) are new commitments while four (4) are continuing or enhanced commitments from the previous PH-OGP 4th NAP. Twelve government agencies and five (5) non-government organizations shall lead efforts and work together towards achieving the targets and milestones set under these commitments in the next two years.

The new commitments are: (1) Enhancing transparency, accountability and participation in educational service delivery; (2) Increasing government data utilization through the publication of high-quality datasets on the Open Data Philippines (ODPH) Portal; (3) Fostering industrial peace through the proactive and inclusive engagement of workers and employers in the formulation and/or review of labor and employment policies; (4) Working together to create a holistic and integrated approach to improving the lives of children and their families; (5) Ensuring indigenous people (IP) mandatory representation in local legislative councils and policy-making bodies; and (6) Engaging stakeholders in harnessing the value of Philippine Government Electronic Procurement System (PhilGEPS) data.

On the other hand, the continuing commitments are: (1) Strengthening citizen participation in government processes; (2) Establishing an efficient and effective technology enabled participatory validations and reporting mechanism for selected government infrastructure projects; (3) Institutionalizing transparency and accountability in the extractive industries; and (4) Passing of the FOI Law and Localizing the FOI Program. The first two of these four commitments are committed to by the DBM, with other agencies and a non-governmental organization (NGO).

However, with the emergence of the COVID-19 pandemic, the government imposed various containment and mitigation measures which may delay agency implementation of government programs, activities and projects. In this regard, the OGP Criteria and Standard Subcommittee provided a one-year extension in the implementation of the PH-OGP 5$^{th}$ NAP commitments. This implies that commitments can now be implemented until August 2022.

To provide the guidelines on the said extension, the PH-OGP Steering Committee issued Ad Referendum Resolution No. 01 s., 2020 last 15 May 2020. The resolution allowed commitment holders to revise the timeline of implementation or add new milestone activities to be committed to with the OGP.

To ensure that commitment holders are guided in enhancing and adapting their PH-OGP commitments with the new timeline, the PH-OGP secretariat conducted two (2) PH-OGP orientations and eleven (11) PH-OGP bilateral meetings with agency commitment holders. With high regard to the importance of the co-creation process, all revised agency commitments shall undergo consultations with stakeholders and public commenting. The revised 5$^{th}$ NAP is expected to be submitted to the OGP Support Unit by the fourth quarter of 2020.

Aside from this open governance initiative, the DBM is also involved in another major undertaking of the Duterte Administration. In 2017, the Office of the President issued Executive Order No. 24, which created the Participatory Governance Cluster (PGC). The DBM serves as Co-Chair and Secretariat of the PGC, with the PH-OGP as its main consultation platform.

The PGC is tasked to enhance transparency and citizen engagement in governance by establishing mechanisms and consultation platforms that will enable the public to understand and participate in the implementation of national and local government programs and projects.

To further strengthen public participation, the PGC issued Resolution 01 - series of 2019, and adopted the Participatory Governance Major Milestones for 2019-2021 as the primary and basic guide of the cluster and its member agencies in advancing participatory initiatives, programs, and plans.

Since then, various activities have been conducted in relation to these milestones. These include a discussion in the House Committee on institutionalizing citizen participation in the budget process through House Bill No. 230, also known as People's Participation in the National Budget Process Bill and the development of a mobile app – DevLive mobile by the United Nations Development Programme (UNDP) and the Department of the Interior and Local Government (DILG) – to gather feedback from the public on more than 1,000 projects.

**Figure 1. Participatory Governance Milestones**

**Going Digital with Project DIME**

Monitoring and evaluation (M&E) of government infrastructure projects has gained ascendancy in promoting transparency, accountability, and to this day even influences public administration policies. Its growing prominence lies in the fact that year after year, government spending for infrastructure programs and projects has continued to rise as it aims to boost economic development and generate employment opportunities. For 2021 alone, the infrastructure program is pegged at PhP1.108 trillion or 5.4 percent of GDP. There is thus an increasing pressure to step up the implementation and monitoring of big ticket projects through the establishment of a framework and methodology for monitoring and evaluating public spending. A strategic measure in this pursuit is leveraging on technology to help speed up information gathering for evaluation and analysis.

Thus, in 2018, the DBM with the Department of Science and Technology (DOST) launched Project DIME (Digital Imaging for Monitoring and Evaluation, later renamed to Digital Information for Monitoring and Evaluation) to advance performance-informed budgeting designed to promote inclusive growth and ensure efficient spending in the government sector.

Project DIME is a game-changing initiative that utilizes existing technologies for M&E of government projects and allows for direct engagement with citizens, civic officials, and even with entire government agencies. At the outset, Project DIME is anchored on three (3) key thrusts: (1) Results-based monitoring, evaluation and reporting; (2) Use of Digital Data Imaging Technologies or DDITs; and (3) Collaboration and Partnership.

Specifically, Project DIME provides evidence-based information to assist the DBM in its mandate, as an oversight agency, to monitor the status, financing, and implementation of 12 big ticket programs of the government. These programs were selected based on a set of criteria that includes program prioritization, the magnitude of funds, and reach and impact among others.

The selected programs are the following:

- Access Roads leading to Seaports and Airports (DPWH)
- North-South Commuter Railway - PNR North (DOTR)
- Farm-to-Market Roads (DA)
- Basic Education Facilities School Building (DEPED)
- New and Existing Irrigation Systems (NIA)
- Community Fish Landing Centers (BFAR)
- Health Facilities Enhancement Program (DOH)
- National Greening Program (DENR)
- *SALINTUBIG* (DILG)
- Free WiFi Internet Access (DICT)
- *Pantawid Pamilyang Pilipino* Program (DSWD)
- Universal Access to Quality Tertiary Education (CHED)

These programs are composed of some 23,000 infrastructure projects, together with almost 136,000 hectares reach for DENR's National Greening Program (NGP), and more than 4,800,000 beneficiaries of soft projects, with a total allotment of around PhP303 billion, roughly equivalent to seven (7) percent of the 2018 General Appropriations Act (GAA) budget.

To achieve this, DIME makes use of readily available Digital Data and Imaging Technologies (DDITs) such as drones, Light Detection and Ranging (LiDAR) technology, and satellite imageries through the DOST, its partner and technology and data provider. The DDITs enable the monitoring and overseeing of projects in far-flung areas where physical inspection would be difficult. This also augments the existing M&E processes as the project employs desk review, consultation meetings, and on-site inspection.

Aside from using existing technologies for this purpose, Project DIME also promotes participatory monitoring by tapping citizens through crowdsourcing platforms. One of these platforms is the Transparency DIME website which aims to solicit and provide feedback from and to citizens, CSOs, and NGOs, thereby broadening the scope of Project DIME's monitoring capability.

The development of the said website, expected to be completed by the second quarter of 2021, is in line with Project DIME's commitment under the PH-OGP 5th NAP - "Establishment of an efficient and effective technology enabled participatory validation and reporting mechanism for selected government infrastructure projects." The website is also targeted to be the central repository or a one-stop-shop of everything related to Project DIME, including monitoring outputs for each program/project.

To further improve DIME, the government will acquire new equipment and software to cover areas not fit for satellite imageries. A software will also be upgraded with Geographic Information System for more efficient and in-depth processing and analysis of data, as well as better visualization for its various stakeholders.

Given the current efforts in place, Project DIME has noted the following initial gains which helped enhance project reporting and implementation:

- Improved and timelier reporting of program/project performance at the project/site level; and with data availability, allows rendering of programs for remote/on-site validation of physical accomplishments;
- More systematic monitoring with the use of prescribed standard reporting/monitoring templates for infrastructure projects, capturing complete and vital information of physical and financial performance parameters;
- Deepened conversation on harmonizing planning, implementation, and monitoring processes among implementing agencies with convergence programs, lessening, if not preventing, implementation issues/bottlenecks;
- Intensified awareness on the importance of monitoring and evaluation, and program monitoring using appropriate DDIT; and
- Provided valuable insights on the progress of DENR's NGP and NIA's irrigation projects with the development of two monitoring system prototypes.

Meanwhile, recognizing its contribution to exacting transparency and accountability in the government, the project was recognized during the 1st Anniversary of the Presidential Anti-Corruption Commission at the Malacañang Palace in 2019. This year, Project DIME was also recognized by the DOST for its adoption of technologies to promote good governance through the *Kabalikat* Governance Partner Award for Government Agency.

## Ensuring Responsive Procurement in the Philippines

**Modernizing the Government Procurement System**

The COVID-19 pandemic highlighted the importance of procurement activities of the government, as well as the work it entails to ensure that the bureaucracy has the goods and services it needs to respond to the global health crisis.

The passage of the country's landmark procurement law, the R.A. No. 9184 or the Government Procurement Reform Act of 2003, mandated the use of the Government Electronic Procurement System as the sole portal and primary source of information on all government procurement activities and since then, has introduced game-changing features to further improve the system.

One of these is the modernized Philippine Government Electronic Procurement System (mPhilGEPS). The DBM and the Procurement Service-Philippine Government Electronic Procurement System Group pursued the project to expand the functionalities of PhilGEPS and establish an efficient, transparent, and competitive marketplace for government procurement.

The goals and objectives of the mPhilGEPS project are the following:

- To provide and implement a holistic e-Government procurement solution and achieve transparency in all stages of government procurement, (i.e., from procurement planning to bidding and bid evaluation to project management/contract implementation and management);
- To utilize new technologies and applications to create a suitable and comprehensive e-procurement solution that meets the present and future requirements of the Philippine Government;
- To provide a procurement system that can be linked with other Government Registration Database and in turn allow the electronic validation of supplier records;
- To be integrated with the Budget and Treasury Management System (BTMS) for the generation of Purchase Request, Purchase Order and Invoices and Contract Management;
- To generate data for the Agency Procurement Compliance & Performance Indicator (APCPI) for the compliance and performance monitoring of agencies; and
- To provide access to structured open data on all stages of procurement using the Open Contracting Data Standard.

As of September 30, 2020, mPhilGEPS is 93 percent complete, with Phases 1A and B successfully deployed in the system last February 3, 2020, Phase 2 (E-bid submission for Civil Works and Goods/General Support Services and Contract Management) completed last September 24, 2020 after the conduct of the user acceptance testing, and the remaining phases expected to be completed by the end of year.

One of its functionalities is the Virtual Store (VS), piloted in 2018 ahead of the other modules. VS is an online service platform of the PhilGEPS which allows government agencies to conveniently view, search, select, and procure common-use supplies and equipment 24/7. From January 2 to October 2, 2020, it logged a total of 3,526 orders from 620 agencies amounting to PhP449 million.

Aside from the VS, the other deployed major functionalities of the mPhilGEPS are:

- Subscriber Registry – Central registration for Procuring Entities, auditors and observers
- Automatic Notification - Automatic notification of bid opportunities matching the business category of registered merchants
- Electronic Bulletin Board – where the procuring entities create and post bid notices, supplements and award notices, upload bidding documents and approve contract and Notice to Proceed and Merchants search and browse procurement opportunities
- Annual Procurement Plan (APP) – allows procuring entities to upload filled-out APP template or to modify the APP
- Purchase Request – allows procuring entities to create and approve purchase request and check items against the APP
- Merchant Registration – central registration facility for merchants including the Government of the Philippines-Official Merchant's Registry which allows merchants to upload digital copies of eligibility documents for Platinum Membership Certificate

**Figure 2. Project Flow for MPhilGEPS**

| Virtual Store | Phases 1 A & 1 B | Phase 2 | Phase 3 |
|---|---|---|---|
| 100% | 100% | 85% | 73% |

On the other hand, these remaining modules are expected to be completed within 2020:

- Pre-bid conference – online meeting system for the conduct of the pre-bid conference
- e-Bid submission – online facility for merchants to submit their bid proposal and for Procuring Entities to open electronic bids, record bid evaluation, and carry out post-qualification of Lowest Calculated Bidder and Highest Rated Bidder
- Contract Management/Implementation – allows for the management and monitoring of contract performance, contract payments, contract variations, contract extension, contract cancellation, contract completion, support preparation and processing of invoices and management of liquidated damages
- e-Payment – connectivity with bank/e-payment gateway
- Linkage with the Budget and Treasury Management System (BTMS) – interface between the government's financial and reporting system and procurement system (mPhilGEPS)
- Framework Agreement – for the implementation of framework agreement contracts per Government Procurement Policy Board (GPPB) guidelines
- e-Reverse auction – merchants offer their items and try to outbid one another. The contract is awarded to the merchant with the lowest bid offer. This is a new procurement procedure adopted from other countries for which separate Guidelines need to be developed and submitted for approval of the GPPB
- Management Information System and Data Analytics – statistical procurement reports, as well as graphical data analysis of procurement data
- Mobile Application – push notification for users of mobile devices on new events and activities that are related to their access rights
- System Linkages – integration with other agencies such as SEC, DTI, and BIR (subject to readiness of the other agency)

**Adjusting Policies for a Proactive, Innovative and Responsive Procurement**

The Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO), the offices in charge of spearheading public procurement policy reforms, have implemented new policies to make the government's procurement system more responsive and attuned to emergencies amidst the COVID-19 pandemic.

***Simplified Guidelines on Negotiated Procurement under Emergency Cases.*** To simplify the government procurement processes given the public health emergency, the GPPB issued a revised guide for all Procurement Entities (PEs) in the conduct of their procurement projects, which was approved and made official following the issuance of the GPPB Resolution No. 03-2020. Under the simplified guidelines, PEs have been allowed to apply the rules on Negotiated Procurement (Emergency Case) during a state of calamity, which also include the following changes:

- The Procurement projects covered under Negotiated Procurement (Emergency Cases) are goods, civil work projects, as well as lease of real property or venues such as those used as quarantine centers, evacuation sites, medical relief, and aid distribution locations, among others.
- The Bids and Awards Committee (BAC) need not be the one to recommend the revision of the APP. End-user units or any other appropriate procuring units can also directly recommend revisions to the Head of the Procuring Entity (HoPE) subject to the availability of funds.
- The requirement for a written confirmation on the existence and veracity of the grounds used for Negotiated Procurement (Emergency Cases) prior to the approval of the contract is dispensed with as the approval of the APP containing the Procurement Project subject to Emergency Procurement serves as a confirmation of the same and also verifies that there are funds in the budget for the purpose, following validation from the appropriate office.
- The HoPE may also authorize the end-user unit or any other appropriate procuring units to directly negotiate with a legally, technically, and financially capable supplier, contractor, or consultant. Hence, the BAC need not be the one to negotiate or procure.
- The HoPE is allowed to delegate the awarding of contracts to any official of the Procurement Entity, except for those with conflict of interest.

To further expedite the procurement process, the issuance of the GPPB Resolution No. 03-2020 was followed by the GPPB Resolution No. 05-2020 which allows the submission of the recently expired Mayor's or Business Permit and the Official Receipt as proof of application and payment for the renewal of the permit and an unnotarized Omnibus Sworn Statement (OSS) subject to submission of the Mayor's Permit and notarized OSS after award of contract.

***Circular on Emergency Procurement under the Bayanihan Act.*** To streamline the procurement of highly needed supplies, materials, equipment, and other critical services the GPPB, pursuant to the GPPB Resolution No. 06-2020, issued Circular 01-2020, providing guidelines for emergency procurement authorized under R.A. No. 11469 or the *Bayanihan* to Heal as One Act (*Bayanihan* Act).

The procedure for *Bayanihan* Procurement is almost identical with the one adopted under Emergency Procurement, with few improvements afforded by its exemption from the provisions of R.A. No. 9184, to address issues being encountered by Procurement Entities (PEs) given the Enhanced Community Quarantine (ECQ) and the urgent demand for medical supplies and equipment in government hospitals and health facilities.

Significant provisions under the *Bayanihan* Procurement include the streamlining of the process by allowing the PE to commence with the *Bayanihan* Procurement without an approved APP as long as it is able to show proof that there is a budget for the purpose, allowing the PE to accept alternate documentary requirements to expedite the procurement process, the establishment of the GPPB Online Portal to promote accountability and transparency in the conduct of the *Bayanihan* Procurement, and the provision on Special Repeat Order to enable PEs to re-order from previously awarded suppliers and expedite the delivery of goods.

***Streamlining Procedures and Adapting to the New Standards of Government Operations.*** The GPPB likewise issued Resolution No. 09-2020 adopting measures for the efficient conduct of procurement activities during a nationally or locally declared state of calamity arising from natural or human-induced health, safety and environmental hazard, or implementation of community quarantine or similar restrictions where movement of people and mass public and private transportation are limited.

Under said Resolution, PEs are authorized to accept certain alternate documentary requirements subject to compliance with the conditions and procedure provided therein, accept procurement related documents submitted through electronic mail or facsimile, and allow the submission and receipt of the bids through any electronic means available to the PEs. The use of digital or electronic signature in procurement documents and electronic mail submission of documents such as the APP and the Procurement Monitoring Reports have been allowed as well in view of the ECQ.

***Procurement under the Bayanihan 2.*** With the enactment of R.A. No. 11494 or the "*Bayanihan* to Recover as One Act" (*Bayanihan* 2), the GPPB issued two resolutions to provide for the conduct of different procurement activities under the said Act.

One of the key features of the GPPB Resolution No. 18-2020 on the conduct of procurement activities under the *Bayanihan* 2 includes the adoption of relevant procedure and requirements under Emergency Procurement under the *Bayanihan* Act which PEs are already familiar with. Said relevant procedures and requirements are adopted for procurement of general support services, which includes non-personal or contractual services and related or analogous services, Infrastructure Projects, and Consulting Services, and direct purchase of agricultural and fishery products from farmers and fisherfolk, and farmers' associations or cooperatives as provided under the *Bayanihan* 2.

GPPB Resolution No. 19-2020 on the other hand, adopts the rules and procedure of Competitive Bidding under R.A. No. 9184 and its 2016 revised IRR, with modifications, for the procurement of COVID-19 related goods specified under the *Bayanihan* 2. Its salient features include the adoption of the measures for the efficient conduct of procurement activities during a state of calamity under the GPPB Resolution No. 09-2020 and dispensing with the mandatory periods for each stage of the procurement for COVID-19 related items covered under the *Bayanihan* 2 to expedite the procurement process. Worthy of note is the requirement of the application of domestic preference for products, materials and supplies produced, made or manufactured in the Philippines in the procurement of COVID-19 related Goods to reduce the adverse impact of COVID-19 on the Philippine economy, particularly in the business activities and livelihood of Filipinos, most especially the local manufacturers and the micro, small and medium enterprises, in various sectors.

***Simplified Bidding Documents for Goods and Infrastructure Projects.*** The 6th edition of the Philippine Bidding Documents (PBDs) has been approved for adoption and use following the issuance of Resolution No. 15-2020 by the GPPB. The PBDs for the Procurement of Goods have been reduced to 40 pages from 112, and for Infrastructure Projects, down to 35 pages from 113.

The PBDs were simplified to address the confusion and varied interpretation of the Procuring Entities and Bidders on the clauses of the existing 5th Edition PBDs in relation to the 2016 revised Implementing Rules and Regulations of R.A. No. 9184, the associated issuances, and the Generic Procurement Manuals.

Moreover, expanding on the capabilities of the GPPB Online Portal, the PBDs will also be used for the GPPB Online Portal which is currently being developed for online bid submissions to facilitate the effective conduct of public procurement until the completion of the mPhilGEPS.

***Online Blacklisting Portal.*** In August 2020, the GPPB and its TSO launched the Online Blacklisting Portal (OBP) which allows the PEs to post its issued Blacklisting Orders (BOs) and update the status of its Blacklisted Entities. This system addresses various concerns encountered during the manual posting of BOs, which include the timeliness and completeness of information, among others. The postings made through the OBP is real-time reflected in the Consolidated Blacklisting Report available in the GPPB website which can be accessed by the public, especially by other PEs.

In order to inform the PEs of this innovation, the GPPB-TSO conducted four (4) batches of orientation for the representatives of government agencies. To date, there are a total of 97 PEs registered in the OBP.

**Towards a Stronger, Responsive PFM**

These reforms provide the assurance that the Duterte Administration is aware of, and actively seeks to respond and adapt to the fast-changing dynamics of governance, particularly in this time of pandemic.

The Administration is thus committed to provide public services that deliver more concrete, felt, and transformative impact through these PFM reforms. Indeed, public service has changed, and is continually being transformed, to ensure the prudent use of resources, prevent wastage and corruption, and ultimately improve the quality and efficiency of public service so that the Filipinos experience a better quality of life.

**Endnotes:**

[1/] Implementation and payment timelines are pursuant to: (1) RA11464- An Act Extending the Validity of the 2019 Appropriations to December 31, 2020, Amending for the Purpose Section 65 of the General Provisions of Republic Act No. 11260, the General Appropriations Act of Fiscal Year 2019; (2) RA11465- FY 2020 General Appropriations Act; (3) NBC 578- Guidelines on the Release of Funds for FY 2020; and (4) FY 2021 NEP- General Provision- Section 60

# VI. CONCLUSION

Three quarters of the year 2020 have gone by since the world came face to face with a crisis it has never before experienced over the past century. Commonly referred to as the "invisible enemy", the COVID-19 pandemic has massively affected people's socioeconomic well-being and most countries' prospects for economic growth.

Today, as we prepare for the year 2021, attention is focused on the need to nurse the country back to pre-COVID levels. The government thus recognizes the importance of balancing health and economic interventions to adequately address the pandemic, consistent with its goal of pursuing a whole-of-government approach in gradually opening up the economy.

This is envisioned through the PhP4.506 Trillion National Expenditure Program which will enable the country to reset by urgently addressing the pandemic, rebound by pump-priming the economy through infrastructure development and job creation, and recover by helping communities transition to the post-pandemic life.

"We will manage and utilize this Budget – our financial program for the forthcoming year – (and it) will be the first milestone in a new chapter of our journey," the President has vowed.

The Duterte Administration began its journey with the Filipino people with the mantra of change. This has been the force behind the momentum of reform and growth thus far.

The commitment continues into the year 2021.

Moving forward, as the world continues to struggle from the effects of the COVID-19 pandemic, we assure you that all efforts are being exhausted to generate enough resources to adequately address the crisis. The proposed 2021 National Budget is therefore geared towards finding the right balance of allocations to equitably address the needs of the Filipino people and help the economy recover.

The government is committed to pursuing a sound fiscal policy of spending within means, on the right priorities, and with measurable results under a regime of transparent, accountable, and participatory governance. Since at the end of the day, our way towards a new and better normal must be all about using an evidence-based and phased approach in our responses and to deliver more concrete, felt, and transformative results.

We will build – and look forward to – the new, investing for resiliency and sustainability so we can give back to our people their dream.

The proposed 2021 National Budget will help the country and people reset the focus and keep goals in sight. We will rebound from the fall. And we will recover – and be better.

**DEPARTMENT OF BUDGET AND MANAGEMENT**
***TECHNICAL NOTES ON THE 2021 PROPOSED NATIONAL BUDGET***
**SURVEY FEEDBACK FORM**

Date: ___________________

You may also answer this survey at: **bit.ly/2021technotes**

**Name** *(Optional)*: ____________________
**Organization** *(Indicate position)*: ____________________
**Contact Details:** ____________________
**Sector** *(Please encircle)*: a. NGA b. CSO c. LGU d. Academe e. SUC f. Media
g. International Organization h. Others *(Please specify)*: ____________

**Kindly rate (encircle) based on the following criteria:**

5 - Strongly Agree | 4 - Agree | 3 - Neither Agree nor Disagree | 2 - Disagree | 1 - Strongly Disagree

**Is the publication informative?**

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|---|---|---|---|---|---|
| **Introduction** | 5 | 4 | 3 | 2 | 1 |
| **Financing the National Expenditure Program** | | | | | |
| Macroeconomic Environment | 5 | 4 | 3 | 2 | 1 |
| Fiscal Strategy | 5 | 4 | 3 | 2 | 1 |
| **Dimensions of the National Expenditure Program** | | | | | |
| By Sector [Old/Traditional Method and COFOG], By Expense Class, By Recipient Entity, By Department and Special Purpose Fund, By Appropriation Source, By Region, Intergovernmental Transfers to LGUs, Transfers to GOCCs, Earmarked Revenues, and Off-Budget Accounts | 5 | 4 | 3 | 2 | 1 |
| **Expenditure Priorities** | | | | | |
| Reset: Recovering From the Pandemic *(Health and Nutrition)* | 5 | 4 | 3 | 2 | 1 |
| Rebound: Reviving Infrastructure Development *(Infrastructure)* | 5 | 4 | 3 | 2 | 1 |
| Recover: Adapting to the Post-Pandemic Life *(Food Security; Livelihood Opportunities; Social Protection; Education; Governance; Law, Public Order, and Safety; Housing; Environment in the New Normal; and Risk Resiliency and Preparedness)* | 5 | 4 | 3 | 2 | 1 |
| **Public Expenditure Management Reforms** | | | | | |
| Better Management of Funds through Transparency and Public Participation | 5 | 4 | 3 | 2 | 1 |
| Ensuring Responsive Procurement in the Philippines | 5 | 4 | 3 | 2 | 1 |
| **Conclusion** | 5 | 4 | 3 | 2 | 1 |

**Is the publication understandable?**

| | | | | | |
|---|---|---|---|---|---|
| The content is logical and well-organized. | 5 | 4 | 3 | 2 | 1 |
| The connections between ideas are clear. | 5 | 4 | 3 | 2 | 1 |
| The language is simple enough for me to understand. | 5 | 4 | 3 | 2 | 1 |
| Technical topics are tackled in a citizen-friendly way. | 5 | 4 | 3 | 2 | 1 |
| The examples given are significant and helpful. | 5 | 4 | 3 | 2 | 1 |
| The graphs, tables, and illustrations aid in understanding the text better. | 5 | 4 | 3 | 2 | 1 |

## Is the publication readable?

| | | | | | |
|---|---|---|---|---|---|
| The font used (e.g., typeface, size) is easy to read. | 5 | 4 | 3 | 2 | 1 |
| The graphs and charts used are clear. | 5 | 4 | 3 | 2 | 1 |
| The color scheme is appealing. | 5 | 4 | 3 | 2 | 1 |
| The layout of the publication is pleasing to the eye. | 5 | 4 | 3 | 2 | 1 |

## How do you intend to use the publication?

**A.** For advocacy, education, and communication work

**B.** Information input for research work and analysis

**C.** Reference for engaging in the budget process (e.g., for hearings in Congress, etc.)

**D.** Guide for monitoring the implementation of programs or projects

**E.** Others *(Please specify)*:

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### Which portion/s within the publication do you find most useful? Less useful?

**Most useful:**
*(Please explain)*

______________________________

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**Less useful:**
*(Please explain)*

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### What other information do you think should be included in the publication?

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### Other comments and suggestions:

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**Thank you very much!**

# TECHNICAL NOTES ON THE 2021 PROPOSED NATIONAL BUDGET

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