Technical Notes
on the
2018 Proposed National Budget

A Budget that Reforms and Transforms

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I. INTRODUCTION

"We are over the transition and are now moving forward – with greater courage, confidence, and commitment. Armed with the certainty that, while there is still much to be done, we are on the right path. For we have seen and experienced the beginning of change... not a change that is passing, but a change that can survive the test of time."

- President Rodrigo Roa Duterte, State of the Nation Address 2017, President's Budget Message 2018

The stream of thought that weaves seamlessly through these statements, quoted from two separate messages delivered on the same significant day marking the first year of the Presidency of Rodrigo Roa Duterte, is reflected and strengthened in the Proposed National Budget for Fiscal Year 2018.

Unique to this financial program of the Philippine government for 2018, the second year of the Duterte Administration, is that it seeks to go beyond mere assurance of the continuity of policies, programs and activities. If the FY 2017 National Budget was a budget for real change, setting the nation on the path of renewal and recovery, and enabling Filipinos to see and grasp not just the promise of, but actual positive change in their lives, the FY 2018 National Budget aims to steady the nation's foothold on the change path. So that, with the country moving on a more stable gait, the goal then would be to accelerate the momentum forward, through what may be even more challenging routes of genuine reform and transformation. Then would this lead to the change that truly matters, because it endures.

A Budget from Inception to Execution

The 2018 Proposed National Budget was submitted by President Duterte for review and approval by the Members of the 17th Congress on July 24, 2017, the day he delivered his second State of the Nation Address (SONA).

For the Administration and the nation, the event was noteworthy on two counts. First, following the passage and implementation of the 2017 transition budget – one the President himself had referred to as a program he "inherited" – the FY 2018 National Budget is the first budget fully prepared and owned by the Duterte Administration, and for which it holds itself responsible "from inception to execution". And second, the submission of this 2018 Budget to Congress – an act of the President which the Constitution states should be accomplished within thirty (30) days from the opening of every regular session[1] – is the earliest since the Estrada Administration's submission of the FY 2001 National Budget, also on the day of his State of the Nation Address (SONA) for 2000.[2] Early transmission of the Budget was a deliberate move by the Duterte Administration, intended to provide the Members of the Legislature with more time to closely examine and scrutinize the financial program before its passage into law.

The 2018 Proposed National Budget is PhP3.767 trillion. It was presented by the Department of Budget and Management (DBM) and approved by President Duterte during the 16th Cabinet Meeting held at Malacañang on July 3, 2017. Representing 21.6 percent of the country's projected gross domestic product (GDP) for 2018, the proposed Budget is 12.4 percent higher than the 2017 budget of PhP3.350 trillion.

The following table provides the key numbers of the 2018 Budget for ready reference.

Table 1. Key Numbers in the FY 2018 Budget

PhP3.767 T	Proposed Total Budget
21.6%	Percentage of gross domestic product (GDP) for 2018
PhP417 B	Increase in the Budget from 2017 to 2018
12.4 %	Percentage increase in the Budget from 2017
PhP2,841 B	Total Revenues to be generated to support the Budget (which is 16.3% of GDP)
PhP888.2 B	Total Borrowings to support vital services and to pay loans
PhP1,097.5 B	Infrastructure Spending for 2018, equivalent to 6.3% of GDP
PhP1,424.9 B	Social Services allocation
9.8%	Share of debt burden in the total 2018 Budget, declining from 10.5% in 2017 and 11.9% in 2016

The Way to 2040

The FY 2018 National Budget may yet prove to be the most significant financial program of the Duterte Administration. Certainly for the country, it will be a crucial document that will impact greatly on the future, especially over the next 25 years.

This perspective is in light of the backdrop against which the 2018 Budget was crafted, and which became the basis for its direction and priorities.

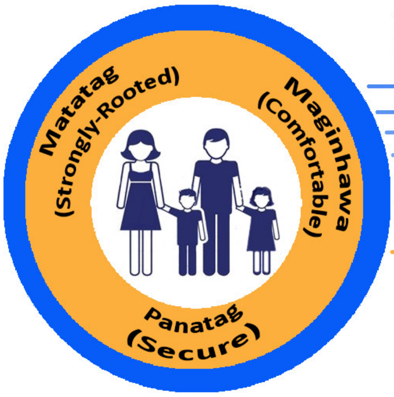
In October 2016, four months after he assumed office, President Duterte signed Executive Order No. 5, approving and adopting *AmBisyon Natin 2040* as a guide for any and all development planning to be undertaken in and for the country.

AmBisyon Natin 2040 is a breakthrough document because it is the articulation of the Filipinos' collective long-term vision and aspirations, distilled from responses to surveys and results of consultations that were part of a visioning process that began in 2015. Based on the principle that people should be at the center of development planning and that their aspirations should be reflected in the design of government interventions to achieve development outcomes, the National Economic and Development Authority (NEDA) culled the results of focus group discussions (FGDs) conducted among 300 citizens and a national survey involving more than 10,000 respondents, to craft *AmBisyon Natin 2040*.

The vision stands out for its stark simplicity and clarity. And, not altogether surprisingly, because it reflects middle class hopes and dreams focused mainly on ensuring the stability of Filipino families and improvement in their children's lives. What the Filipino seeks and looks forward to, as expressed in *AmBisyon Natin 2040*, is a life that is strongly-rooted (*matatag*), comfortable (*maginhawa*), and secure (*panatag*).

The Vision

The Filipino by 2040



- Home ownership
- Steady source of income to support family and self
- College education for children
- Motor vehicle
- Stable finances to cover daily needs and contingencies
- Savings for retirement
- Time for vacation and travel

What this means in Development Planning:
A monthly family income of at least PhP120,000 for a family of four (4) valued in 2015 prices in the National Capital Region

The Philippines by 2040

SOCIETY:

- Prosperous
- Predominantly middle-class
- No one is poor (poverty has been eradicated)
- Peaceful

PEOPLE:

- Live long and healthy lives (life expectancy: 80 years)
- Smarter and more innovative (Major player in the global knowledge economy)
- Able to withstand, as individuals and communities, natural and man-made shocks and disasters
- Provided with equal opportunities

GOVERNMENT:

- Clean, efficient and service-oriented
- People-centered, caring, effective, accountable
- Assures human security
- Enjoys high trust
- Major player in the global knowledge economy

With the national vision clearly defined, and a fixed time frame in which to achieve it, *AmBisyon Natin 2040* has been able to chart a proposed agenda to be pursued over 25 years, establishing focus and priorities, suggesting programs and strategies over the long term.

Navigating the First Five Years

President Duterte's Executive Order No. 5 aptly describes the adoption of *AmBisyon Natin 2040* as a "forward-looking approach that goes beyond a single administration." Apt because it is in his Administration that the journey to 2040 begins, and thus will set the pace and direction for the others to follow.

From this starting point, the forward-looking approach begins under the direction of the Philippine Development Plan (PDP) 2017-2022, the first medium-term program anchored on the national long-term vision. During this initial phase, the focus will be on establishing a stronger foundation for more inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy, guided by the President's 0+10-Point Socioeconomic Agenda.

Within the next five years, with the guidance of this Plan, the Administration aims to:

- Empower the poor and the marginalized, making growth more inclusive by
  - raising the annual GDP growth to 7 to 8 percent for 2018-2022
  - reducing the national poverty incidence from 21.6 percent in 2015 to 14.0 percent by 2022, and from 30.0 percent in 2015 to 20 percent in 2022 in the rural areas
  - creating more jobs to cut unemployment from 5.5 percent in 2016 to 3-5 percent by 2022 and to reduce youth unemployment from 11 percent in 2016 to 8 percent by 2022
  - making individuals and communities more resilient

- Build greater trust in government and in society by
  - pushing for improved transparency and accountability in governance
  - reducing all forms of criminality
  - eradicating the drug problem
  - enhancing peace and security

- Fuel the economy by
  - increasing infrastructure spending from 5.4 percent of GDP in 2017 to 7.3 percent of GDP by 2022
  - restoring and protecting the environment and natural resources.

The strategies to achieve the aforesaid goals are categorized under three main pillars, each descriptive and characteristic of what the government offers to the people: *Malasakit* (Empathy, that would lead to enhancement of the social fabric); *Pagbabago* (Change, that would result in reducing inequality); *Patuloy na Pag-Unlad* (Sustained Progress, by increasing growth potential).

The 2018 Budget – A Budget that Reforms and Transforms

While the PDP 2017-2022 is expected to set the pace and direction towards the fulfillment of *AmBisyon Natin 2040*, the FY 2018 Budget will set the nation on the mark and ready for motion.

Aspiration *Towards building/promoting*	**Strategic Action**
A prosperous, predominantly middle-class society where no one is poor	**Focus on the following priority sectors with greatest potential** **to contribute to realizing the aspiration:** • Housing and urban development • Manufacturing (food processing, housing-related goods and services, transport) • Connectivity (roads, ports, airports, bridges, communication) • Education services • Financial services • Health services • Tourism-related services • Agricultural development • Countryside development
A long and healthy life	**Programs:** • Quality and affordable universal health care and social protection • Reduction of infant mortality rate through quality maternal health and child care • Eradication of malnutrition • Programs and facilities to encourage development of healthy lifestyles • Efficiently-managed natural resources and environment
A smarter and more innovative people	**Strategies:** • Education system should equip citizens with knowledge and skills necessary to occupy high-productivity jobs, while remaining adaptable to changing needs of the economy • Sustain K-to-12 program • Strong intellectual property rights framework to encourage Filipino innovative products and ideas • Mature research and development (R&D) program
A high-trust society	• Public goods and services should be efficiently delivered by a professional bureaucracy, including at the local level • Promote competition and inclusiveness in the political system through major political and electoral reforms • Pursue the peace agenda that accompanies a long-term development agenda for areas threatened by armed conflict • Create social and cultural awareness and develop in every Filipino a deep appreciation of the Filipino nation

From a “transition” budget of the previous year, which supported well enough the programs that guaranteed for the people the experience of “real change”, President Duterte now speaks of “a more activist Budget”. It is one, he explained, that conveys that “we need to put in more work in order to sustain the change in governance that we have begun.”

The 2018 Budget was crafted with an eye on the destination – the vision expressed by the people in *AmBisyon Natin 2040* – and an ear to their collective call. It aims not for the kind of growth and progress measured and reported in graphs and charts, but in the actual experience of a life better than before, for all Filipinos.

This is possible, the Administration assures the people, but only with the necessary and systematic reforms and eventual transformation in the behavior and culture of the bureaucracy and of the people.

“This is the road to real change that will impact on our people’s lives and their children’s future, but one that will take us through some difficult turns, sharp bends and rough stretches of reforms,”[4] the President declared in his Budget Message.

Among these are the proposed tax measures and administrative reforms which, as the Administration envisions, “will put more money in the Filipinos’ pockets” and improve the delivery of social services especially to the poorest and most vulnerable sectors.

Priorities and Policy Directions of the 2018 Budget

The FY 2018 National Budget will enhance the capability of the government to effect the reforms that are crucial to achieve inclusive growth, a high-trust resilient society, and a globally competitive knowledge economy. The ultimate goal is transformation that will ensure real and lasting change, guided by the following policy directions and priorities:

- ***Credible and disciplined fiscal policy***. Maintain the budget deficit at a manageable 3 percent of GDP while pursuing the reforms to generate the needed revenues. These include improvements in tax laws and non-tax bases, as well as governance reforms.

- ***Fiscal space focused on equitable progress and social order***. Increase outlays in infrastructure development and social services, ensuring improvements in quality and quantity, and targeting emerging growth centers and lagging communities, particularly in disaster- and conflict-affected areas.

- ***Accelerated infrastructure development***. Vigorously pursue the “Build-Build-Build” Program which aims to increase government infrastructure spending from 5 percent to 7 percent of GDP.

- ***Commitment to transparency, participation, and accountability***. Require government agencies to be responsible and accountable for the proper implementation of their budgets and encourage them to involve the people in the selection and monitoring of the use of government funds.

- ***Support for and enhancement of partnerships with local governments***, especially in the more isolated and depressed areas, to ensure sustainable and inclusive development.

- ***Restructuring of the FY 2018 agency budget using the Program Expenditure Classification (PREXC) approach***, which shifts the classification and focus of government programs/projects/activities (PAPs) from output-based to results-based programs, thereby clearly reflecting the agencies' policies and priorities.

- ***Strengthening the implementation of the Two-Tier Budgeting Approach (2TBA)***, which separates the review of the ongoing programs and projects from the new and expanded programs. Under Tier 2, proposals are evaluated based on implementation readiness, agency absorptive capacity and consistency, with the priorities stated in the Budget Priorities Framework.

In the following pages, the Fiscal Year 2018 National Budget will be discussed in greater detail.

Endnotes

[1] Philippine Constitution: Sec. 22 Art. VII: "The President shall submit to the Congress within thirty days from the opening of every regular session, as the basis of the general appropriations bill, a budget of expenditures and sources of financing, including receipts from existing and proposed revenue measures."

[2] Based on data from the Official Gazette, after 1986, in only five instances was the National Budget submitted to Congress by the Philippine President on the same day he delivered his State of the Nation Address (SONA) – in 1994, 1995, 1996 and 1997 during the Administration of Fidel V. Ramos, and in 2000 during the Administration of Joseph E. Estrada. http://www.officialgazette.gov.ph/budget-messages/ and http://www.officialgazette.gov.ph/past-sona-speeches/

[3] National Economic and Development Authority. (2017). *Philippine Development Plan 2017-2022, p. 8.*

[4] Department of Budget and Management. (2017). *The President's Budget Message Fiscal Year 2018: A Budget that Reforms and Transforms.*

II. FINANCING THE NATIONAL EXPENDITURE PROGRAM

A. MACROECONOMIC ENVIRONMENT[1]

The performance of the Philippine economy has been very strong in recent years, earning it continuing credit upgrades since 2010. And given the structural and administrative reforms which have been made, prospects for the Philippine economy remain bullish even while the growth in advanced and emerging countries remain mixed and uncertain. In fact, its second quarter GDP performance ranks it the second fastest growing economy in Asia. With strong macroeconomic fundamentals, the country is well-placed to sustain its ambitious inclusive growth agenda and the PhP3.767 trillion proposed National Budget for 2018 has been crafted to fulfill this objective. As such, using realistic and credible macroeconomic targets to arrive at the appropriate budget and revenue estimates, it reflects the policies and programs supporting the thrusts of the Philippine Development Plan 2017-2022, particularly those pertaining to income inequality, poverty and unemployment.

Overview of the Global Economic Environment

As seen in the table below, after experiencing a slowdown in growth in the past few years up to the first half of 2016, global economic activity accelerated during the second half, particularly in advanced economies. From 3.2 percent in 2016, global output is seen to pick up to 3.5 percent in 2017 and 3.6 percent in 2018.

Growth in advanced economies is projected to be widespread as they are expected to grow from 1.7 percent in 2016 to 2.0

Table 1. Overview of the World Economic Outlook Projections
(Percent change)

Particulars	Actual	Projections	
	2016	2017	2018
World Output	**3.2**	**3.5**	**3.6**
Advanced Economies	**1.7**	**2.0**	**1.9**
United States	1.6	2.1	2.1
Euro Area	1.8	1.9	1.7
Germany	1.8	1.8	1.6
France	1.2	1.5	1.7
Italy	0.9	1.3	1.0
Spain	3.2	3.1	2.4
Japan	1.0	1.3	0.6
United Kingdom	1.8	1.7	1.5
Canada	1.5	2.5	1.9
Other Advanced Economies	2.2	2.3	2.4
Emerging Markets and Developing Economies	**4.3**	**4.6**	**4.8**
Emerging and Developing Asia	6.4	6.5	6.5
China	6.7	6.7	6.4
India	7.1	7.2	7.7
ASEAN-5	4.9	5.1	5.2
Commonwealth of Independent States	0.4	1.7	2.1
Russia	(0.2)	1.4	1.4
Excluding Russia	1.8	2.5	3.5
Emerging and Developing Europe	3.0	3.5	3.2
Latin America and the Caribbean	(1.0)	1.0	1.9
Brazil	(3.6)	0.3	1.3
Mexico	2.3	1.9	2.0
Middle East, North Africa, Afghanistan, and Pakistan	5.0	2.6	3.3
Saudi Arabia	1.7	0.1	1.1
Sub-Saharan Africa	1.3	2.7	3.5
Nigeria	(1.6)	0.8	1.9
South Africa	0.3	1.0	1.2

Source: World Economic Outlook Update, July 2017 percent in 2017, and 1.9 percent in 2018. Projected growth for emerging and developing markets, consequently, is from 4.3 percent in 2016 to 4.6 percent in 2017, and 4.8 percent in 2018. Continued policy uncertainties (e.g., post-Brexit negotiation) and financial tensions (e.g., China's credit growth and U.S. monetary policy), however, could upset this potential recovery.

Consumer and business confidence in the United States has been on an upsurge and inventories began contributing positively to the growth momentum. Consumer spending, on the other hand, remained strong in the United Kingdom even in the aftermath of the June 2016 referendum in favor of leaving the European Union (Brexit). Likewise, net exports rallied the economies of Japan and the Euro area countries such as Germany and Spain as a result also of strong domestic demand.

Across emerging markets and developing economies, economic performance has remained mixed with China's growth expected to remain slow relative to the 9 percent in previous years and Brazil only slightly recovering from its deep economic downturn in 2016. The same can be said for India, which only grew 7.1 in 2016 from 8.0 in 2015 amidst a slowdown of activity due to the effects on its cash-intensive economy of the demonetization of high-denomination bank notes in November 2016. Likewise, geopolitical tensions are also expected to dampen growth in parts of the Middle East and Turkey, and prospects for immediate recovery seem unlikely with the recent Qatar-Gulf crisis.

In Asia, growth for emerging and developing countries remains bullish, with economic activity seen to accelerate slightly in 2017 in four ASEAN-5 economies, namely: Malaysia, Philippines, Indonesia and Vietnam. Thailand though, the fifth country, still has to recover from a temporary slump in consumption and tourism in late 2016. The near-term gains in the growth momentum of these economies is driven to a significant extent by stronger domestic demand, and in the Philippines, by higher public spending in particular.

Meanwhile, headline inflation rates for advanced and emerging and developing economies are expected to rise in 2017 due to higher commodity prices. This recovery in commodity prices from their troughs in early 2016 has been brought about by expectations of a booming global demand and agreed restrictions on oil supply by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members, including the Russian Federation. Inflation for advanced economies is forecast to be 2.0 percent in 2017, from 0.8 percent in 2016, while for emerging markets and developing economies (excluding Argentina and Venezuela), it is projected to rise to 4.6 percent in 2017 from 4.3 percent in 2016.

Domestic Economic Performance and Outlook

Amidst the lackluster performance of the global economy in 2016, the Philippines' GDP grew 6.9 percent last year, representing an improvement from the 5.1 percent GDP growth posted in 2015. This growth was mostly fueled by strong domestic demand and low inflation, and characterized by accommodative fiscal policy and falling unemployment rate of 5.5 percent in 2016, from 6.3 percent in 2015.

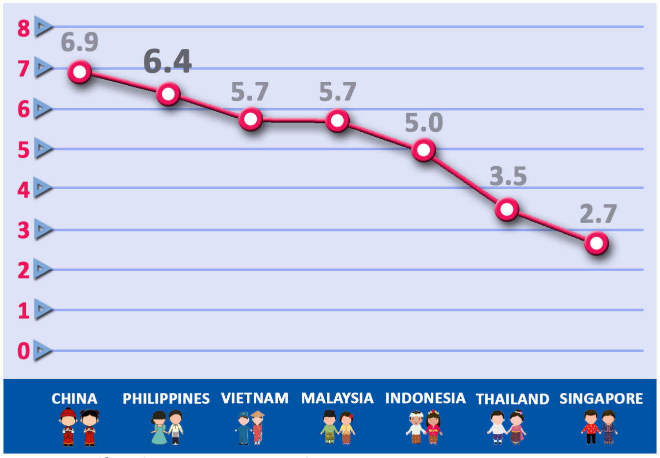
On the supply side, Services and Industry were the major contributors to the full-year output growth in 2016, accelerating by 7.4 percent and 8.4 percent, respectively. In particular, the Industry subsector grew the fastest given the continued accelerated growth in manufacturing (7.0 percent), construction (13.7 percent), and electricity, gas and water supply (9.8 percent), creating more sustainable employment opportunities. Agriculture, on the other hand, slipped down further to -1.3 percent from a growth of only 0.1 percent in 2015 due mainly to the devastating effects of typhoons "Karen" (Sarika) and "Lawin" (Haima) on production in the crops and fisheries sectors.

The rise in imports of capital goods, combined with weak growth of exports and remittances, led the country's current account surplus to fall to near zero, or 0.2 percent, in 2016 from 2.5 percent of GDP in 2015. Also, policy gaps mainly coming from abroad and structural impediments to investment, such as inadequate infrastructure, contributed to the decline.

For the full year of 2017, the economy is projected to expand between 6.5 percent and 7.5 percent as macroeconomic fundamentals remain stable, and exports and imports are expected to improve. Also, the expected strong performance of the economy is based on the expansionary fiscal stance of the government, manifested by its massive infrastructure development program and the increase in public spending for human capital and social protection. Meanwhile, inflation is expected to remain stable at 2.0-4.0 percent, while the Dubai crude oil price assumptions are seen to settle at US$40 to US$55 per barrel. The 364-day Treasury Bills remain at 2.5-4.0 percent while assumptions for foreign interest rates stay at 1.0-2.0 percent. Furthermore, the forecast for the Philippine Peso is maintained at PhP48-PhP50 per US$ amidst global economic and political developments such as the monetary policy tightening of the US Federal Reserve rates, which could pose depreciation pressure on the Peso.

The first half performance of the economy this year saw actual GDP expanding by 6.4 percent. This makes the Philippines one of the fastest growing economies in Asia, second only to China's 6.9 percent growth and ahead of its neighbors that have already released their first semester figures, such as Vietnam and Malaysia, which both grew by 5.7 percent. As mentioned earlier, China's growth for 2017 is still expected to be slower amidst financial sector risks and excessive credit growth.

Figure 1. Philippines vs Regional Peers
Second Quarter 2017 GDP Performance



Source: Official government websites

With the 6.4 percent GDP growth achieved during the first half of 2017, the Duterte Administration is still on track to meeting the full-year GDP target of 6.5-7.5 percent for 2017, sustaining the country's growth momentum. Of the three major economic sectors, Services remained the main driver of growth for the period, contributing 3.6 percentage points to the total GDP growth. Industry and Agriculture[2], on the other hand, contributed 2.3 percent and 0.5 percent, respectively.

In terms of growth rate, however, Industry posted the highest among the major economic sectors, growing at 6.8 percent, while Services slowed down to 6.4 percent from its previous growth of 7.9 percent in the same period in 2016. Meanwhile, Agriculture recovered from the -3.2 percent slump it experienced in the same period last year, with 5.6 percent.

Agriculture contributed 8.4 percent, or PhP356.0 billion, to the total aggregate GDP of PhP4.228 trillion, at constant prices, in the first semester of 2017. This represents an expansion of 10.4 percent compared with its dismal performance, or -0.3 percent, posted in the same period last year. Palay, which comprised 18.9 percent of the total gross value added (GVA) in Agriculture, led the growth of the subsectors with 12.1 percent. Other growth drivers include corn, with 30.7 percent expansion; sugarcane, with 34.7 percent; poultry, with 4.8 percent; and agriculture activities and services, with 4.8 percent growth. Meanwhile, declines in mango (-9.6 percent), coffee (-11 percent), and coconut (-2.4 percent) pulled down the sector's climb.

Forestry also recovered by 3.7 percent in the first half of 2017, from a decline of -10.2 percent in the same period last year. Fishing, on the other hand, registered a -0.9 percent drop compared to the previous year's first semester level of -5.5 due to notable contractions from tiger prawn, roundscad and yellowfin tuna. Nevertheless, it still contributed 15.2 percent to total Agriculture GVA for the reference quarter.

Manufacturing led the 6.8 percent growth in Industry in the first semester of 2017, with fabricated metal products growing by 80.3 percent from the -1.1 percent posted in the

Table 2. GDP By Industrial Origin
1st Quarter and 2nd Quarter, 2016-2017
At Constant 2000 Prices
(in million Pesos)

Industry	2016	2017	Growth Rate 2016-2017
	Sem 1	Sem 1	Sem 1
1. AGRI, HUNTING, FORESTRY AND FISHING	**337,244**	**355,970**	**5.6**
a. Agriculture and forestry	282,610	301,822	6.8
b. Fishing	54,634	54,148	(0.9)
2. INDUSTRY SECTOR	**1,351,825**	**1,443,810**	**6.8**
a. Mining and Quarrying	50,141	49,545	(1.2)
b. Manufacturing	920,176	991,414	7.7
c. Construction	251,777	270,504	7.4
d. Electricity, Gas and Water Supply	129,732	132,346	2.0
3. SERVICES SECTOR	**2,283,530**	**2,428,594**	**6.4**
a. Transport, Storage & Communication	312,799	324,747	3.8
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	625,586	668,152	6.8
c. Financial Intermediation	298,209	317,603	6.5
d. Real Estate, renting & Business Activities	451,167	485,201	7.5
e. Public Administration & Defense; Compulsory Social Security	157,743	168,249	6.7
f. Other Services	438,025	464,641	6.1
GROSS DOMESTIC PRODUCT	**3,972,598**	**4,228,374**	**6.4**

Source: Philippine Statistics Authority

same period last year. Other gainers included: petroleum and other fuel products with 27.1 percent growth; basic metal industries with 26.5 percent; transport equipment with 24.6 percent; food manufactures with 6.6 percent growth; and non-metallic mineral products with 19.4 percent growth. On the other hand, declines posted by chemical and chemical products (-0.4 percent), textile manufactures (-19.7 percent), publishing and printing (-5.4 percent), tobacco manufactures (-2.7 percent), and machinery and equipment (-1.9 percent) pulled down the growth of the sector.

Mining and Quarrying slowed down to -1.2 percent from a 2.7 percent growth in the same period the previous year, despite the strong improvements in chromium mining (41.7 percent) and other non-metallic mining (34.1 percent). The subsector suffered from contractions in nickel mining (-14.4 percent), copper mining (-18 percent), and other metallic mining (-17.7 percent). On the other hand, the construction Industry posted a 7.4 percent hike due to increased activities in Public Construction, enough to compensate for the modest growth in Private Construction.

Growth was experienced across all Services subsectors, led by real estate, renting and business activities (7.5 percent), trade (6.8 percent), and public administration and defense (6.7 percent). In particular, the growth of the public administration and defense subsector was primarily driven by the 6.7 percent growth posted by its compulsory social security schemes due, among others, to the higher salaries of government employees under the second tranche of the salary adjustments under Executive Order No. 201 issued on February 19, 2016. Moreover, the creation and filling of positions by other government agencies also contributed to the sector's improvement.

The robust economic performance led to lower unemployment rate of 5.7 percent as of April 2017, compared to 6.1 percent in April 2016. In particular, the top three highest unemployment rates were recorded in the Ilocos Region (10.4 percent), National Capital Region (NCR) (7.2 percent) and CALABARZON (7.1 percent), while the Zamboanga Peninsula (2.5 percent), Autonomous Region in Muslim Mindanao (2.6 percent) and Cagayan Valley (3.2 percent) registered the lowest unemployment rates. By sector, workers in the Services sector made up the largest group, comprising 55.4 percent of the total employed, followed by Agriculture with 26.1 percent, and Industry with 18.5 percent. In April 2016, workers in the Services sector accounted for 56.3 percent of the total employed, while workers in the Agriculture and Industry sectors were at 25.5 percent and 18.2 percent, respectively.

Average inflation rate as of August 2017 was 3.1 percent, which is still within the 2.0-4.0 percent government target for 2017. Inflation particularly accelerated in February (3.3 percent), March (3.4 percent), April (3.4 percent) and August (3.1 percent) due to higher prices of food, petroleum products, as well as utilities. The Peso, on the other hand, appreciated against the US Dollar by an average of 0.27 percentage points, from PhP49.99/US$1 in the first quarter of 2017 to PhP49.86/US$1 in the succeeding quarter, due to the expectations of upbeat first quarter GDP growth and the positive reception to the government's tax reform efforts. Amidst market adjustments expected ahead of the spillovers from the U.S. monetary policy tightening, policy uncertainty in the U.S. and the Brexit, global financial volatility and the continuing concern about the sharp growth slowdown in China, the Peso is expected to still remain generally stable. Despite averaging PhP50.875/1US$ in August on the back of strong and sustained imports, the BSP still pegs its Peso-Dollar exchange rate assumption to PhP48-PhP50/1US$ for 2017, given the expected increase in foreign exchange inflows from remittances by overseas Filipinos (4.0 percent) and business process outsourcing revenues (10 percent). The exchange rate should continue to move freely in line with market forces, with intervention limited to smoothing excessive volatility in both directions.

Meanwhile, oil prices averaged US$41.27 in 2016, and are expected to pick up in 2017 due to the following factors: a) projected increase in global oil consumption, in particular beginning the second half of 2017; b) slowdown in crude oil production (OPEC agreement); c) episodes of oil supply outages (e.g., the wild fires in Canada and the Nigerian unrest affecting oil and gas infra in the Niger Delta); and d) expectations of a looser global oil market imbalance following the special meeting of the OPEC. The emerging outlook is that global supply is expected to outstrip global demand, and this may persist, but with some tightening in the near term, particularly in the second half of 2017.

As for export and imports, the government sees a more gradual recovery because of the combined effects of a slowdown in global trade growth and a recovery in commodity prices. The current account balance has declined but is still considered moderately stronger than warranted by fundamentals and desirable policies. However, this gap should close over time with the government's massive infrastructure undertakings.

Medium Term Macroeconomic Forecasts for 2018 to 2020

The FY 2018 proposed National Budget is, thus, anchored on macroeconomic parameters that are realistic and credible. A natural starting point for the government's long-term fiscal projections, these parameters or targets form the basis of the fiscal and budget estimates. As discussed above, the projections consider the prevailing global and local economic conditions, including the risks and uncertainties such as the asynchronous monetary policies in developed countries, growing nationalist/protectionist sentiments (e.g., Brexit, US import restrictions), and the increased intensity and frequency of natural hazards (e.g., La Niña/El Niño). Estimates of key parameters are important for creating future revenue and expenditure estimates in the budget.

Gross Domestic Product. That the government growth indicators for 2018 to 2022 are appropriate and reasonable has become more evident given that these forecasts and targets are also shared by different international financial institutions (IFIs) such as the IMF World Economic Outlook, ADB Asian Development Outlook and the Oxford Economics Global Economic Model Forecast. The Duterte Administration maintains its GDP targets of 6.5-7.5 percent for 2017 and 7.0-8.0 percent for 2018-2022, on the back of strong economic fundamentals and favorable forecasts from both the demand and supply sides. Expected drivers of growth include:

a) Construction and infrastructure development as the government's Build, Build, Build Program goes full blast;
b) Increase in public spending on human capital development such as the 4Ps and the K-to-12 Programs, supported by the enactment of tax reform packages under the Tax Reform for Acceleration and Inclusion Bill and the Budget Reform Bill, with the latter institutionalizing game changing reforms streamlining the budgeting process and accelerating agency spending;

Table 3. Medium Term Philippine Macroeconomic Indicators, 2012-2022

Macroeconomic Indicators	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Real GDP Growth (%)	6.7	7.1	6.1	6.1	6.9						
Budget Assumption						6.5-7.5	7.0-8.0	7.0-8.0	7.0-8.0	7.0-8.0	7.0-8.0
Inflation (%)	3.2	3.0	4.1	1.4	1.8	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Dubai oil (US$/bbl)	109.08	105.52	96.61	50.92	41.27	40-55	45-60	50-65	50-65	50-65	50-65
Foreign exchange rate (PhP/US$)	42.25	42.45	44.4	45.5	47.5	48-50	48-51	48-51	48-51	48-51	48-51
364-Day T-bill Rate (%)	2.0	0.7	1.8	2.1	1.8	2.5-4.0	2.5-4.0	2.5-4.0	2.5-4.0	2.5-4.0	2.5-4.0
LIBOR, 6 mos (%)	0.7	0.4	0.3	0.5	1.1	1.0-2.0	1.5-2.5	1.5-2.5	1.5-2.5	1.5-2.5	1.5-2.5
Goods Exports (%)*	7.9	8.8	9.5	-5.3	-4.4	7.0	9.0	10.0	10.0	10.0	10.0
Goods Imports (%)*	2.7	0.5	4.8	8.7	14.2	11.0	11.0	11.0	12.0	12.0	12.0

Source: 170th Development Budget Coordination Committee meeting, June 9, 2017; Budget of Expenditures and Sources of Financing (BESF) Tables

**Based on PSA data*

c) Expansion of business process management operations to boost the real estate, renting, and business activities sectors;

d) Higher household consumption brought about by strong consumer confidence and low inflation;

e) Increased business investments fueled by an enabling environment, such as the reduction in the cost of doing business, the planned easing in foreign investment restrictions, and the ongoing peace talks; and

f) Growth in exports with the closer ASEAN economic integration, improving bilateral relations with China, and the good prospects for tourism.

Another reason for optimism over the sustainability of the government's growth target is that the sources of growth have become more diversified and hence more sustainable and inclusive. It is not only Services but also Industry that has been providing impetus to economic growth and attracting investments and creating more quality employment.

Inflation. Inflation averaged 1.8 percent for 2016 due to lower global oil prices and manageable food price increases. For 2017 to 2022, the government will maintain its inflation rate forecast of 2.0-4.0 percent, considering the expected rise in commodity prices brought about by the agreed cut in oil supply from OPEC and non-OPEC countries. Despite this impending scenario of oil price hikes and robust economic growth, the government is confident that inflation will still be kept within target through better food production, fiscal deficit control and monetary policies. Also, the inflation environment for the first semester of 2017 has so far remained manageable.

Domestic Interest Rates. The 364-day Treasury Bill (T-bill) rate, which is the bellwether rate for budgetary purposes on interest rate, affects both the cost of borrowing and the level of revenues from taxes withheld on interest income. It is expected to remain low and settle within the target range of 2.5-4.0 for 2017 to 2022, higher than the 1.8 average rate posted in 2016. These assumptions take into consideration the ample liquidity in the market, the favorable cash position of the national government in light of ongoing fiscal reforms, and policy actions by the Bangko Sentral ng Pilipinas (BSP) and the US Federal Reserve.

Peso-Dollar Foreign Exchange Rate. For 2018 to 2022, the upper end of the foreign exchange rate range has been raised to PhP51 – at PhP48-PhP51/US$1 – in view of the prevailing external developments that also affect local market sentiments, such as the: 1) shift towards protectionism; 2) faster than expected rise in US policy rates (US Federal Reserve's raising of interest rates for the third time either in 2017 or up to the middle of 2018); 3) aggressive rollback in financial regulations in the US; 4) faster credit growth in China; 5) weak demand, low inflation, weak balance sheets in advanced economies; and 6) non-economic factors such as geopolitical tensions in the Korean peninsula and Syria.[3]

Dubai Crude Oil Price. The Dubai crude oil price serves as a key benchmark for Philippine pump prices. For budgetary purposes, the government has maintained the lower oil price assumptions for Dubai crude oil but with modest uptrend over the medium term. Since oil prices are inherently volatile, the assumption for Dubai oil is maintained at US$40-55/barrel for 2017, US$45-60/barrel for 2018, and US$50-65/barrel for 2019-2022.

London Interbank Offer Rate (LIBOR). The LIBOR serves as the global benchmark for short-term interest rates. Since 2014, foreign interest rates have been on an upward trend from an average of 0.3 percent in 2014 to 0.5 percent in 2015. This increased two-fold to 1.1 percent in 2016, in response to the monetary tightening action of the US Federal Reserve. For the medium term, the government has set a reasonably wide range for LIBOR rates, with targets at 1.0-2.0 percent for 2017 and 1.5-2.5 percent for 2018-2022. This higher projection for the medium term has taken into account the possibility of subsequent policy rate hikes by the US Federal Reserve, especially with the Trump Administration's economic policy of higher/stimulus spending.

Exports and Imports.[4] Philippine export is expected to grow in the medium term after falling by -5.3 percent in 2015. Import of goods, however, is expected to sustain its medium term growth. The export sector was severely affected by the weaker demand from the country's top two export markets—China and Japan. For local factors, strong domestic growth prospects and the economic integration and strategies laid out under the PDP 2017-2022 are seen to produce positive numbers for both the export and import sectors. Hence, growth assumptions for export of goods are raised for 2017 to 2019 and maintained at 10.0 percent for 2020 to 2022. Imports growth, on the other hand, is generally maintained at 11.0 percent for 2017 to 2019 and 12.0 percent for 2020 to 2022.

Risks are tilted to the downside and stem mainly from external sources, which include spillovers from lower growth in China, the U.S. monetary policy tightening, Brexit, and rising concerns about globalization in some advanced economies. Domestic risks, on the other hand, include natural disasters and security-related events. However, the Philippines is well-equipped to respond to these risks if they materialize, given the strong economic fundamentals and available fiscal and monetary policy space.

Socioeconomic Indicators for 2018 to 2022

The Philippine Development Plan (PDP) 2017-2022 targets to address the lingering issue of income inequality by linking the 2018 proposed National Budget with its desired socioeconomic outcomes.

The country's impressive growths achieved from 2011 to 2015 provide an opportunity to focus more on the quality of growth, critically addressing the lingering issue of inequality, particularly in development. This is important as higher inequality in socioeconomic opportunities among families and regions of the country denies lower-income families the ability to stay healthy and build up physical and human capital. Furthermore, rising concentrations of income may slow down economic development as the rich spend only a small part of their incomes, compared to middle- and lower-income groups who tend to spend more and save less.

One of the strategies implemented to address this rising problem of unequal distribution of wealth is through the conditional cash transfers to the poor. In fact, the decline in the country's poverty incidence from 26.3 percent in 2009 to 21.6 percent in 2015 is attributed mainly to the expansion of the government's conditional cash transfer program called the Pantawid Pamilyang Pilipino Program, otherwise known as 4Ps. The means-tested 4Ps has granted cash transfer to family beneficiaries based on very strict eligibility requirements such as school attendance of child members, parents' participation in Family Development Sessions, and in the healthcare seeking behavior of families.

Table 4. Selected Socioeconomic Outcomes under PDP 2017-2022

Indicators	Baseline (2016)	Targets by 2022
GDP	6.9 percent	7.0-8.0 percent
Per Capita GNI	US$3,500	US$5,000
Poverty Incidence	21.6 percent	14 percent
Unemployment Rate	5.5 percent	3.0-5.0 percent

In the medium term, the government targets the growth of GDP to be between 7 to 8 percent. Likewise, overall poverty incidence is expected to be down to 14.0 percent by 2022, enabling six million Filipinos to be lifted out of poverty by the time the Duterte Administration's term ends, with poverty incidence in the rural areas dropping from 30 percent in 2015 to 20 percent in 2022.

Unemployment rate is also expected to improve from 5.5 percent in 2016 to between 3 to 5 percent by 2022. This means that 950,000 to 1.1 million new jobs have to be created per year. Aside from new employment, emphasis will also be given to improving the quality of employment and reducing youth unemployment rate from 11 percent (as of October 2016) to only 8 percent by 2022.

While significant GDP growths were posted from 2011 to 2016, unemployment and underemployment remain high, particularly in the Agriculture sector. For instance, while Agriculture accounted for almost 30 percent of the share of employment in 2016, 25 percent of available jobs were low-paying and seasonal.

Budget Sensitivity to Macroeconomic Parameters

Revenues and expenditures are sensitive to developments and fluctuations in the macroeconomic environment. In estimating revenues and crafting the budget for 2018, the government only considered realistic and reasonable macroeconomic targets to help it predict how movements in the economy affect certain spending and revenue categories, holding almost everything else constant.

It is important to note, however, that keeping everything else constant is not always the case since these macroeconomic parameters interact with each other in complex and subtle ways. For instance, if an increase in government spending is financed by increased borrowings, then the borrowings can increase interest rates while reducing market liquidity, leading to a reduction in private investment and lower GDP growth.

Peso-to-US Dollar Exchange Rate. Every PhP1.00 depreciation of the Philippine Peso against the US Dollar will increase disbursements by PhP2.1 billion in the form of higher foreign interest payments. However, the increase in revenues will more than offset the increase in disbursements by PhP7.5 billion, which can be used to fund other priority programs and projects of the Duterte Administration should excess revenues emerge. For 2018, a Peso depreciation vis-à-vis the US Dollar will increase revenues by PhP9.5 billion due to higher Peso proceeds from foreign grants and import taxes.

Domestic Interest Rates (T-bill). The BSP's monetary stance is to keep domestic interest rates between 2.5-4.0 percent in the medium term to keep inflation at bay. For instance, higher interest rates encourage consumers to save more and investments to become more expensive, thus dampening the country's GDP growth. A one percentage point increase in the Treasury Bill rate will generate PhP1.0 billion in fresh revenues for the government from withholding taxes on

Table 5. Budget Sensitivity to Key Macroeconomic Indicators, 2018
(in billion Pesos)

Indicator	Change	Revenues	Disbursements	Budget Balance[1/]
Peso-to-US Dollar Exchange Rate	PhP1.00 depreciation	9.5	2.1	7.5
Treasury Bill Rate (all maturities)	1 percentage point increase	1.0	2.0	(1.0)
LIBOR (180-Day)	1 percentage point increase	-	5.3	(5.3)
Inflation Rate	1 percentage point increase	20.7		20.7
Real GDP Growth Rate	1 percentage point increase	21.4		21.4
Growth Rate of Imports	1 percentage point increase	4.2		4.2

Source: Department of Finance and Bureau of the Treasury
Numbers may not add up due to rounding off.
[1/] *A negative figure in the budget balance means an increase in deficit.*

interest income. However, this also entails around PhP2.0 billion additional disbursements from interest payments.

Foreign Interest Rates (LIBOR). A one percentage point increase in the LIBOR translates to PhP5.3 billion in disbursements due to the additional foreign interest payments which will not be matched by additional revenue inflow, resulting in an upward push to the budget deficit.

Inflation Rate. A persistent rise in the general price level means additional revenues for the government as wages (e.g., from income taxes) and prices (e.g., from VAT collections) increase. A one percentage point increase in the inflation rate will enable the government to collect PhP20.7 billion in additional revenues, without any cost on the part of the government given the appropriate ceiling. This will improve the government's budget balance by the same amount.

Real GDP Growth Rate. A one percentage point increase in the country's real GDP growth rate will increase the revenue collections by PhP21.4 billion as a result of a bigger tax base. This does not correspond to any automatic increase in disbursements. Thus, it will improve the budget balance by the same amount.

Growth Rate of Imports. For every one percentage point increase in the import level, the government coffers will receive PhP4.2 billion in additional revenue intake, and a corresponding increase in the budget balance.

Endnotes

[1] Unless otherwise stated, data were sourced from the 170th Development Budget Coordination Committee (DBCC) Meeting, Philippine Statistics Authority, and the 2017 World Economic Outlook (July) Update of the International Monetary Fund.

[2] Refers to Agriculture, Hunting, Forestry and Fishing

[3] Bangko Sentral ng Pilipinas. (2017). *Report on Philippine External Debt*. Retrieved from http://www.bsp.gov.ph/downloads/Publications/FAQs/exchange.pdf

[4] Based on PSA data

B. FISCAL STRATEGY

The expansionary fiscal stance of the Duterte Administration, aimed at further stimulating the economy, saw government disbursements, especially for capital outlays, picking up by the end of 2016. In fact, the PhP96.3 billion underspending posted during the year was more than three times lower than in 2014 and 2015. This trend in fast-paced government spending will continue in the medium term as contained in the Philippine Development Plan (PDP) 2017-2022.

To support this robust growth in disbursements, the government will pursue important policy reforms that are expected to increase revenue collections and reduce the share of debt to the country's GDP. Foremost of these reforms is the Tax Reform for Acceleration and Inclusion or the TRAIN Bill, which is expected to be approved within 2017. The Bill seeks to update the country's decades-old tax system to justly index it to inflation and address income inequality by ensuring that those who earn more pay more. Other legislative measures, the Rightsizing the National Government Bill, which is also expected to be passed within 2017, and the Budget Reform Bill, targeted to be passed within the first half of 2018 will upgrade the capacity of the bureaucracy to deliver public services faster and more efficiently.

The FY 2016 Fiscal Performance

For the full year 2016, national government (NG) disbursements reached PhP2,549.3 billion, up by 14.3 percent to outpace the 12.6 percent growth recorded for the comparable period in 2015. The 2016 government spending was largely driven by strong infrastructure and other capital expenditures, which grew by 42.8 percent to reach PhP493.0 billion vis-à-vis the P345.3 billion outlays in 2015. Specifically, the government poured out funds for the implementation of the following: a) Road infrastructure network of the Department of Public Works and Highways (e.g., widening, repair and rehabilitation of national roads); b) Modernization Program of the Armed Forces of the Philippines; and c) Other capital outlay projects of the Department of Health (e.g., health facilities and medical equipment), the Department of Education and selected State Universities and Colleges (e.g., construction, rehabilitation and repair of educational facilities).

Table 1. Full Year 2016 NG Disbursement Performance
(in billion Pesos)

Particulars	2015 Actual	Jan to Dec 2016		Variance		Increase/(Decrease)	
		Revised Program	Actual	Amount	Percent	Amount	Percent
REVENUES	2,109.0	2,256.7	2,195.9	(60.8)	(2.7)	87.0	4.1
DISBURSEMENTS	2,230.6	2,645.6	2,549.3	(96.3)	(3.6)	318.7	14.3
Current Operating Expenditures	1,782.2	1,957.7	1,909.3	(48.4)	(2.5)	127.2	7.1
Personnel Services	664.4	726.2	723.2	(3.0)	(0.4)	58.8	8.8
Maintenance Expenditures	400.3	478.3	419.8	(58.5)	(12.2)	19.5	4.9
Subsidy	78.0	70.7	103.2	32.5	46.0	25.2	32.3
Allotment to LGUs	312.2	342.9	342.9	0.0	0.0	30.7	9.8
Interest Payments	309.4	327.7	304.5	(23.3)	(7.1)	(4.9)	(1.6)
Tax Expenditure Fund	17.8	11.8	15.7	3.9	32.9	(2.1)	(11.7)
Capital Outlays	438.8	671.1	624.7	(46.3)	(6.9)	185.9	42.4
Infrastructure/Other Capital Outlays	345.3	533.1	493.0	(40.1)	(7.5)	147.7	42.8
Equity	0.8	8.6	11.7	3.1	35.8	10.9	1,422.9
Capital Transfers to LGUs	92.7	129.3	120.0	(9.3)	(7.2)	27.3	29.5
Net Lending	9.7	16.8	15.3	(1.5)	(9.1)	5.6	57.8
SURPLUS/(DEFICIT)	(121.7)	(388.9)	(353.4)	35.4	(9.1)	231.7	190.4

Note: The Local Government Support Fund was reclassified under the Allotment to LGUs and Capital Transfers to LGUs. This was previously treated as part of the NG MOOE.

The robust disbursements for 2016 can also be attributed to the higher subsidies given to certain government corporations, such as the Philippine Health Insurance Corporation for the payment of the premium contributions of indigents and senior citizens enrolled under the National Health Insurance Program, and the National Irrigation Administration, for its irrigation projects. Meanwhile, Personnel Services grew steadily at a rate of 8.8 percent relative to the 2015 level, due to the higher salaries and benefits of government employees pursuant to Executive Order No. 201, s.2016 (Modifying the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of Additional Benefits for Both Civilian and Military and Uniformed Personnel). Maintenance expenditures increased by 4.9 percent due to the expansion of social services programs.

However, growth rates for Maintenance Expenditures and Personnel Services spending in 2016 were much slower compared with the 2015 growth rate levels of 29.7 percent and 10.1 percent, respectively. The higher spending in 2015 can be attributed to, among others, the increased expenses of the Commission on Elections for the preparatory works for the conduct of the 2016 National and Local Elections; requirements for hosting the APEC (Asia-Pacific Economic Cooperation) Summit in November 2015; and the grant of the one-time Performance Enhancement Incentive in June 2015.

The deviation from the actual full-year disbursements of the national government in 2016 was only minimal at PhP96.3 billion, or 3.6 percent, compared to the PhP302.7 billion underspending recorded in 2014 (13.3 percent), PhP328.3 billion in 2015 (12.8 percent), and PhP164.4 billion in the first semester of 2016.

Specifically, factors that contributed to the underspending in 2016 include: a) low obligations recorded during the first semester of 2016 as a result of procurement issues (e.g., delayed and failed biddings) and the election ban (on public works); b) payment and billing issues due to incomplete and/or non-submission of documentary requirements and liquidation reports; c) expected and temporary delays during the transition period due to the change in leadership in line agencies and evaluation of ongoing programs and projects against the priorities of the new Administration; d) unreleased allocations of local government units (LGUs) from the Special Shares in the Proceeds of National Taxes, pending requests from LGUs and release of certifications from collecting agencies; and e) savings from interest payments and low availment of government-owned and/or –controlled corporations (GOCCs) for net lending assistance amounting to nearly PhP25.0 billion, or 26 percent of the total underspending.

With faster spending at 14.3 percent recorded in 2016, particularly for capital outlays, government underspending amounting to PhP96.3 billion was more than three times lower than in 2014 and 2015. Combined with a slower 4.1 percent growth in revenues, the deficit for the same year reached PhP353.4 billion, or equivalent to 2.4 percent of GDP.

Total revenues reached PhP2.196 trillion in 2016. Of this amount, tax revenues amounted to PhP1.980 trillion, with the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) contributing PhP1.567 trillion and PhP396.4 billion, respectively. This collection level translates into total revenue effort of 15.2 percent and tax effort of 13.7 percent. Moreover, revenues from other sources, primarily from the income of the Bureau of the Treasury (BTr), reached PhP214.9 billion. These were generated from its operations and collections from GOCCs and national government agencies.

The PhP2.196 trillion actual collections for 2016 represents a 2.7 percent deviation from the revised full-year program of PhP2.257trillion, largely on account of the lower than targeted economic growth, weak external demand and lower price of crude oil. Furthermore, the 2016 levels for non-tax revenues (PhP214.9 billion) and privatization (PhP657 million) were lower compared to the 2015 actual levels of PhP230.7 billion and PhP62.8 billion, respectively. This is due to the one-off privatization proceeds amounting to PhP60.1 billion from the Coco Levy Fund and the lower income of the Bureau of the Treasury from investments in the Bond Sinking Fund and the Securities Stabilization Fund, national government deposits, and also lower guarantee fee collection and dividend remittance.

The gross financing requirement of the national government in 2016 reached PhP507.0 billion to cover the PhP353.4 billion budget deficit and PhP176.1 billion refinancing requirement (inclusive of the PhP53.9 billion used to buyback outstanding expensive debt. External-to-domestic financing mix was 29:71 in favor of domestic sources.

The FY 2017 Fiscal Position

For the first semester of 2017, actual spending reached PhP1.331 trillion, up by almost PhP110.0 billion or 9.0 percent year-on-year. This outpaces the 6.0 percent growth established for the first five months of 2017. Net of interest payments, the growth is even faster at 10.5 percent.

The expansion is mainly credited to the growth of the following expenditure items:

1. Subsidy (59.1 percent) for irrigation projects, health insurance and housing programs;
2. Combined Allotment and Capital Transfers to LGUs (12.7 percent), specifically for the developmental transfers to LGUs such as the Assistance to Disadvantaged Municipalities and the Conditional Matching Grants for local infrastructures;
3. Personnel Services expenditures (13.1 percent) primarily for the requirements of the 2nd tranche implementation of the salary increase for government personnel (E.O. No. 201, s. 2016), creation and filling of positions in key agencies such as the DepEd, DOH, DPWH, Department of the Interior and Local Government, and pension

and terminal leave benefits of employees in various agencies; and

4. Infrastructure and Other Capital Outlays (8.8 percent) largely due to the implementation of the road infrastructure projects of the DPWH, and the modernization program of the Department of National Defense.

The underspending for the period was significantly trimmed down to PhP5.9 billion (0.4 percent of the PhP1,336.8 billion first semester program), from PhP30.7 billion in the first quarter of this year, and compared to the PhP164.4 billion reported in the first semester of 2016. This reduction in underspending was due to the release of the PhP32.3 billion subsidy to GOCCs and the PhP3.2 billion equity in June; the PhP12.5 billion and PhP6.3 billion higher-than-programmed spending in infrastructure and other capital outlays, respectively; and capital transfers to LGUs.

Billings from contractors of irrigation projects of the National Irrigation Administration have been more regular this year, while the payment claims from the contractors of housing programs of the National Housing Authority were all processed in June. In previous years, billings from these contractors, as well as their submission of supporting documents, had been late. Moreover, some PhP6.8 billion unprogrammed appropriations charged against the excess GOCC dividends were disbursed in June for the payment of VAT claims in connection with the expropriation of the NAIA Terminal 3 (PhP3.6 billion)[1] and the capitalization requirement of the Land Bank of the Philippines (PhP3.2 billion).

For infrastructure and other capital expenditures, the DPWH fast-tracked the implementation of its infrastructure projects starting May this year to recover from the delays encountered in the earlier months, and also in consideration of the need to obligate its 2017 budget within the year. Furthermore, the submission of progress billings from their contractors has been more regular and frequent due to completed works as a result of accelerated project implementation.

In the case of capital transfers to LGUs, some of the allocations under the Local Government Support Fund (i.e., Assistance to Disadvantaged Municipalities and Conditional Matching Grant), although programmed for the second semester, were already requested by the qualified LGUs. The funds were released to them upon compliance with the requirements and conditions of said programs.

The overperformance, however, was offset by the underspending recorded in the following items:

1. Savings in interest payments (PhP11.9 billion; 7.3 percent of the program) due to the bond-exchange transactions and debt maturities; tax expenditures (PhP4.3 billion; 47.5 percent); and net lending (PhP13.9 billion; 110.6 percent) due to lower availments by GOCCs;
2. Personnel services (PhP18.3 billion; 4.6 percent) on account of large program balances in the Miscellaneous Personnel Benefits Fund and Pension and Gratuity Fund; and

Table 2. National Government Disbursements as of June 2017
(in billion Pesos)

Particulars	Jan to Dec 2016			Variance		Increase/(Decrease)	
	2016 Actual	2017					
		Program	Actual	Amount	Percent	Amount	Percent
CURRENT OPERATING EXPENDITURES	**910.5**	**1,013.1**	**1,001.4**	**(11.7)**	**(1.2)**	**90.9**	**10.0**
Personnel Services	339.0	401.7	383.4	(18.3)	(4.6)	44.4	13.1
Maintenance and Other Operating Exp.	204.5	215.9	208.2	(7.6)	(3.5)	3.7	1.8
Subsidy	36.6	26.7	58.2	(31.6)	118.3	21.6	59.1
Allotment to LGUs	171.3	196.4	195.2	(1.1)	(0.6)	23.9	13.9
Interest Payments	153.7	163.5	151.6	(11.9)	(7.3)	(2.1)	(1.4)
Tax Expenditures	5.3	9.0	4.7	(4.3)	(47.5)	(0.6)	(11.4)
CAPITAL OUTLAYS	**306.7**	**311.1**	**330.8**	**19.7**	**6.3**	**24.1**	**7.9**
Infrastructure/Other Capital Outlays	229.0	236.6	249.1	12.5	5.3	20.1	8.8
Equity	8.4	2.3	3.2	0.9	39.9	(5.2)	(61.7)
Capital Transfers to LGUs	69.3	72.2	78.4	6.3	8.7	9.2	13.2
NET LENDING	**4.1**	**12.5**	**(1.3)**	**(13.9)**	**(110.6)**	**(5.4)**	**(132.9)**
GRAND TOTAL	**1,221.3**	**1,336.8**	**1,330.8**	**(5.9)**	**(0.4)**	**109.6**	**9.0**
Memo items:							
Revenues	*1,101.0*	*1,192.9*	*1,176.4*	*(16.6)*	*(1.4)*	*75.4*	*6.8*
Surplus/(Deficit)	*120,3*	*143.8*	*154.5*	*10.7*	*7.4*	*34.2*	*28.4*

** The Local Government Suport Fund was reclassified under the Allotment to LGUs and Capital Transfers to LGUs. This was previously treated as part of NG MOOE.*

3. Maintenance and Other Operating Expenditures (PhP7.6 billion or 3.5 percent of the program) owing to delays encountered in the pre-implementation and pre-procurement activities of line agencies.

As for the revenues, the government expects tax revenues in 2017 to grow by 10.5 percent, compared with the 4.1 percent growth in 2016. Accordingly, the BIR sees its collections increasing by 13.8 percent in 2017, versus its 9.3 percent growth rate registered in 2016. Based on historical data, the year following an election year normally sees a higher growth in the BIR collections. Similarly, the BOC collection is expected to grow by 16.0 percent in 2017, compared to the 7.8 percent growth posted in 2016.

The Medium Term Fiscal Program

In sustaining the country's growth momentum and funding the government's expenditure priorities, the Duterte Administration commits to its fiscal policy of expanding the fiscal space, improving the revenue collections and reducing the size of debt in the context of the country's GDP.

The expansionary fiscal policy of sustaining the deficit to 3.0 percent of GDP over the medium term implies a deficit target of PhP482.1 billion in 2017, rising to PhP767.9 billion in 2022. Borrowings to finance these deficits will have an 80-20 mix, in favor of domestic borrowings, to minimize exposure to foreign exchange fluctuations and to enable better debt management.

The higher deficit target will be supported by the expected increase in revenue collections from the proposed Tax Reform for Acceleration and Inclusion (TRAIN) Bill with the following provisions *(See Section on Revenues for further details)*:

1. Adjustment of the personal income tax brackets to correct for "income bracket creeping";
2. Expanding the VAT base by limiting exemptions to raw food and other necessities;
3. Increasing the excise tax rates on diesel and other petroleum products (e.g., kerosene and bunker fuel); and
4. Restructuring and increasing the excise tax on automobiles.

Table 3. Medium Term Fiscal Program, 2017-2022
(in billion Pesos)

Particulars	2017	2018	2019	2020	2021	2022
	Program	Medium-Term Projections				
REVENUES	**2,426.9**	**2,840.5**	**3,244.0**	**3,637.6**	**4,018.8**	**4,504.0**
% of GDP	*15.3*	*16.3*	*16.9*	*17.3*	*17.4*	*17.8*
Growth Rates	*10.5*	*17.0*	*14.2*	*12.1*	*10.5*	*12.1*
o/w REVENUE MEASURES		**133.8**	**233.6**	**272.9**	**253.0**	**269.9**
DISBURSEMENTS	**2,909.0**	**3,364.1**	**3,819.6**	**4,271.3**	**4,715.7**	**5,271.9**
% of GDP	*18.3*	*19.3*	*19.9*	*20.3*	*20.4*	*20.8*
Growth Rates	*14.1*	*15.6*	*13.5*	*11.8*	*10.4*	*11.8*
SURPLUS/(DEFICIT)	**(482.1)**	**523.6**	**575.6**	**(633.7)**	**(696.9)**	**(767.9)**
% of GDP	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*

Government spending levels will be increased by an average of 12.9 percent from 2017 to 2022 to achieve the medium-term spending plan of 20.8 percent of GDP. Disbursements are targeted at PhP2.909 trillion this year, representing a 14.1 percent year-on-year increase and equivalent to 18.3 percent of GDP. With intensified resource mobilization strategies, disbursements are projected to reach PhP5.272 trillion by 2022. This rate of government spending will sustain the country's growth momentum, enabling the GDP to expand by 6.5 percent to 7.5 percent in 2017, up to 7.0 percent to 8.0 percent in the next five years.

Expanding the fiscal space also entails expanding the deficit to 3.0 percent of GDP. Based on the debt sustainability analysis of the International Monetary Fund (IMF), this deficit target remains manageable since, even at 4.0 percent of GDP, debt ratios will still decline given the investments in infrastructure and their expected contribution to economic growth.

These will also be complemented by administrative efficiency measures in both the BIR and the BOC.

With the deficit target set at 3.0 percent of GDP and the implementation of the tax reform measures, the government will gain additional resources of around 2.1 percent of GDP over the medium term. Revenues are targeted to reach 15.3 percent of GDP this 2017, translating to PhP2.427 trillion, or 10.5 percent more than the 2016 level. For the medium term forecast, the revenue levels take into account the impact of the TRAIN Bill. With the implementation of the new tax reform package in 2018, revenues are projected to increase to PhP2.841 trillion, equivalent to 17.0 percent of GDP, and gradually increase to PhP4.504 trillion or 17.8 percent of GDP by 2022.

The government also expects an upward trajectory in revenues to continue from 15.3 percent revenue effort and

14.2 percent tax effort in 2017 to 16.9 percent and 16.0 percent, respectively, by 2019, and further to 17.8 percent and 17.0 percent, respectively, by the end of 2022. The medium term revenue program translates into an annual average increase in revenue effort of around 0.49 percentage point and tax effort of around 0.57 percentage point.

To further ensure that these targets under the medium term fiscal program are achieved, the government will pursue the passage of the Rightsizing of the National Government Bill and the Budget Reform Bill (BRB). The Rightsizing Bill will help facilitate spending by enhancing the agencies' capability to deliver public services through a lean, clean, and effective bureaucracy. The BRB, on the other hand, will help minimize underspending with the shift from obligation to cah-based budgeting system and from two (2) years validity of appropriations to one (1) year.

This medium term fiscal strategy of the Duterte Administration is sound, appropriate, and sustainable as the debt-to-GDP ratio will continue to fall as we expect GDP growth to outpace the rise in debt accumulation. With a real GDP growth of 7 percent and inflation rate of 3 percent, nominal economic growth for 2018 is projected to be about 10 percent, improving faster than the cost of borrowing, which is less than 3 percent.

Revenues[2]

The proposed PhP3.767 trillion budget for 2018 will be supported by a realistic and sustainable financing scheme, made up of revenues and gross borrowings totalling PhP2.84 trillion and PhP888.2 billion, respectively. In funding the budget, the government is committed to further intensify and strengthen the effective use and mobilization of domestic resources generated by the robust and reenergized economic momentum under the Duterte Administration.

Revenues are the lifeblood of the annual budget. It is the government's task to ascertain that funds to implement programs and projects are available from revenues, to ensure that they are properly implemented at the right time and in the proper manner.

In particular, revenue administration under the tax reform program will be enhanced through modernized and progressive tax systems, improved tax policy and more efficient tax collection. Through well-crafted revenue mobilization policies, the government intends to broaden the tax base and reinforce its continuing efforts to integrate the informal sector into the formal economy.

For 2018, the government projects revenue collections to increase by 17.0 percent, from this year's PhP2.427 trillion to PhP2.841 trillion in 2018. As a share of GDP, these are also projected to hit 16.3 percent in 2018, compared to 15.3 percent expected this year. This rise in collections is driven by the improving tax effort of 15.3 percent of GDP, from 14.2 percent in 2017, amidst favorable macroeconomic conditions such as low and stable inflation, strong pickup in exports, and higher consumption. This revenue program already assumes the passage of the comprehensive tax reform package of the government, including the impact of the lowering of personal income taxes under the TRAIN Bill. Additional tax revenues placed at PhP134 billion or 0.8 percent of GDP are expected from the TRAIN Bill based on the version passed by the House of Representatives.

Of the PhP2.841 trillion total revenues projected for 2018, PhP2.67 trillion, or 94.1 percent, will be in the form of taxes. Non-tax revenues, on the other hand, will contribute PhP166.8 billion, while proceeds from privatization are expected to raise an additional PhP2.0 billion.

The bulk of tax revenues will be generated by the BIR, with PhP2.005 trillion. This level reflects a 12.4 percent increase over this year's program of PhP1.783 trillion. The BIR collections will primarily come from personal and corporate income taxes, with PhP1.118 trillion, representing 41.8 percent of the total revenue pie. But this is only 3.5 percent higher than the PhP1.080 trillion programmed collections

Table 4. Breakdown of Revenues, 2016-2020
(in million Pesos)

PARTICULARS	2016 Actual	2017 Program	2018 Projection	2019 Projection	2020 Projection
Tax Revenues[a/]	**1,980,390**	**2,258,350**	**2,671,702**	**3,072,997**	**3,468,327**
BIR	1,567,214	1,782,841	2,004,957	2,308,117	2,614,898
BOC	396,365	459,639	637,079	732,763	818,772
Others	16,811	15,870	29,666	32,117	34,657
Non-Tax Revenues	**214,867**	**166,529**	**166,802**	**169,001**	**167,256**
BTr	101,737	58,582	55,775	54,382	52,637
Fees and Charges	39,819	43,994	47,074	50,666	50,666
Others	73,311	63,953	63,953	63,953	63,953
Privatization	**657**	**2,000**	**2,000**	**2,000**	**2,000**
TOTAL REVENUES	**2,195,914**	**2,426,879**	**2,840,505**	**3,243,998**	**3,637,583**
% of GDP	15.2	15.3	16.3	16.9	17.3
% of Growth	4.1	10.5	17.0	14.2	12.1

Source: 2018 Budget of Expenditures and Sources of Financing
[a/] *Tax revenue projections for 2018-2020 include proceeds from the Comprehensive Tax Reform Program*

in 2017. Growth in taxes on individuals and corporations is expected to decelerate in 2018 and in the succeeding years as a result of the simplification of tax brackets and the indexation of these tax thresholds to inflation or average wage.

The next largest contributor to the BIR's collections are revenues coming from taxes on domestic goods and services (GST or VAT), comprising 33.9 percent of the total tax take or PhP905.9 billion. Proceeds from GST are 27.1 percent higher in 2018 compared with this year's PhP712.5 billion. Collections from these taxes, which already include the full year impact on the lifting of certain exemptions under the government's tax reform, are expected to steadily rise by 14.6 percent in 2019 and by 9.2 percent in 2020.

Meanwhile, the component of tax revenues coming from the BOC will amount to PhP637.1 billion, which is 38.6 percent higher than the PhP459.6 billion program for 2017. Of this amount, 74.1 percent or PhP471.9 billion will come from VAT on imports.

On top of the BIR and BOC collections, other tax revenue-generating agencies will also contribute around PhP29.7 billion, the bulk of which, equivalent to PhP25.8 billion or 86.9 percent, will come from the Motor Vehicle User's Charge of the Land Transportation Office.

Tax Reform for Acceleration and Inclusion (TRAIN). Despite having served the country well over the past decades, the Philippines' tax system has increasingly become outdated, riddled with issues of inequity, complexity and inefficiency. Compared with its neighbors, the country's overall tax burden is relatively high, and in fact, income and VAT rates are among the highest. With half of the economy not paying some form of taxes, the country's tax base is also very narrow.

The Duterte Administration has identified that the problem lies within the existing tax laws, to wit:

a) Tax rates are not indexed to inflation such that after twenty (20) years, the government has been losing billions because of non-indexation, while prices, income and GDP continue to grow;
b) Leakages in the tax system due to — despite well-meaning intentions — special treatments and exemptions to lobby and interest groups;
c) Difficulties in auditing taxpayers because of absolute bank secrecy.

The Philippines has not adjusted its income brackets since 1997. It has the second highest personal income tax rates at 32.0 percent, next only to the 35.0 percent rate of both Thailand and Vietnam. Although Thailand and Vietnam have the highest tax rate of 35.0 percent, this only applies to those with net incomes of over PhP7.7 million and PhP2.1 million, respectively. In the Philippines, the highest tax rate of 32.0 percent already applies to those earning over PhP500,000. The changing macroeconomic environment, costs associated with complexity, and the need to address income inequality and raise revenues to fund the priority spending of the Administration in a more efficient and fair way mean that the present tax system is under increasing strain.

For this reason, the Duterte Administration, with the help of the Legislature, expects to implement starting January 2018 its Comprehensive Tax Reform Program, dubbed as the Tax Reform for Acceleration and Inclusion (TRAIN), under House Bill No. 5636. Already approved in the Lower House, the TRAIN Bill seeks to redesign the existing tax system to be simpler, fairer and more efficient for all, while also raising the resources for the government's priority programs and

Table 5. Income Tax Rates in Southeast Asia
As of August 2017

Country (Currency)*	Lowest Rate	Tax Bracket Until (in Philippine Peso)	Highest Rate	Bracket Begins (in Philippine Peso)
Indonesia (Rupiah)	5%	50,000,000 (PhP195,000)	30%	500,000,001 (PhP1,950,000)
Malaysia (Ringgit)	0%	5,000 (PhP60,034)	28%	1,000,001 (PhP12,006,812)
Philippines (Philippine Peso)	**5%**	**PhP10,000**	**32%**	**PhP500,001**
Singapore (Singapore Dollar)	0%	20,000 (PhP754,324)	22%	320,001 (PhP12,069,222)
Thailand (Baht)	0%	150,000 (PhP231,990)	35%	5,000,001 (PhP7,733,002)
Vietnam (Vietnamese Dong)	5%	60,000,000 (PhP133,800)	35%	960,000,001 (PhP2,140,800)

Source: PricewaterhouseCoopers (PwC)
** Except for Vietnam, all values are converted to Pesos based on the exchange rates of the Bangko Sentral ng Pilipinas as of August 23, 2017:*
IDR1.00=PhP0.0039 MYR1.00=PhP12.0068 SGD1.00=PhP37.7162
THB1.00=PhP1.5466 VND1.00=PhP0.00223
Values for the Vietnamese Dong are converted using oanda.com. Peso values provided for quick reference only and do not account for the cost of living, purchasing power, and other factors prevailing in each country.

activities. Ultimately, it aims to lessen the overall tax burden of the poor and the middle class.

The Bill has four major components, namely: a) the lowering of the personal income tax; b) the expansion of the VAT; c) the increase in the oil excise tax; and d) the increase in the automobile excise tax. It is expected to yield additional revenues of PhP133.8 billion in 2018, PhP233.6 billion in 2019, and PhP272.9 billion in 2020, to fund major infrastructure and anti-poverty programs.

Table 6. List of Revenue Measures
(in million Pesos)

Particulars	2018 Projection	2019 Projection	2020 Projection
Comprehensive Tax Reform Program[a/]			
Bureau of Internal Revenue	**(8,823)**	**48,681**	**63,951**
Personal Income Tax	(141,361)	(155,453)	(172,143)
Estate and Donor's Tax	(3,122)	(3,238)	(3,367)
Value-Added Tax (VAT)	36,950	74,749	82,100
Excise Tax on Petroleum	35,595	60,333	73,282
Excise Tax on Automobiles	1,713	2,870	3,042
Sugar-Sweetened	42,265	44,378	46,597
Beverages	13,138	25,042	34,440
Tax Administration			
Tax Amnesty	6,000	-	-
Bureau of Customs	**129,780**	**170,521**	**193,064**
Excise Tax on Petroleum	38,058	64,128	77,781
Value-Added Tax (VAT)	44,017	48,308	53,082
Excise Tax on Automobiles	12,353	20,522	21,753
Sugar-Sweetened Beverages	4,696	4,931	5,177
Tax Administration	30,655	32,633	35,271
Motor Vehicle User's Charge	**12,877**	**14,353**	**15,861**
TOTAL REVENUES	**133,833**	**233,555**	**272,877**

Source: 2018 BESF
Numbers may not add up due to rounding off
[a/] Consistent with House Bill 5636 with Complementary Measures

On the first year of implementation of the TRAIN, the BIR is projected to incur losses amounting to PhP144.5 billion, resulting from the adjustment of the personal income brackets to correct income creeping, and the reduction and restructuring of the donor's tax to a single tax rate of 6.0 percent on net donations for gifts exceeding PhP100,000, from the present increasing marginal rates at different tax schedules up to a high of 15.0 percent. However, these will be offset by the increased collections in VAT and excise tax on oil and automobiles by both the BIR and BOC, amounting to PhP168.7 billion. Likewise, proceeds from the PhP10 per liter levy on sugar-sweetened beverages and the tax administration measures will contribute PhP47.0 billion and PhP43.8 billion, respectively. The tax on sugary drinks is seen more as a health measure. However, it exempts drinks that are made of 100 percent natural fruit juices, 100 percent natural vegetable juices, yogurt and fruit-flavored yogurt beverages, meal replacement beverages, weight loss products and all milk products.

Although the tax reform is widely accepted by lawmakers and various members of the public and private sectors, the government is still working on several measures to mitigate the impact of higher taxes on certain sectors. Using the FY 2018 Budget as a tool, 40 percent of the incremental oil excise tax revenues will be earmarked to help mitigate the burden on the poor and the vulnerable, through the following: 1) targeted cash transfer program; 2) Social Assistance for Commuters and Public Transport; 3) *Pantawid Kuryente* Program; 4) PUV Modernization Program; and 5) National ID/Social Welfare Card Program. Meanwhile, the 60 percent balance will fund rural and urban infrastructure and various programs for health, education, housing and social protection.

1. Lowering of the Personal Income Tax

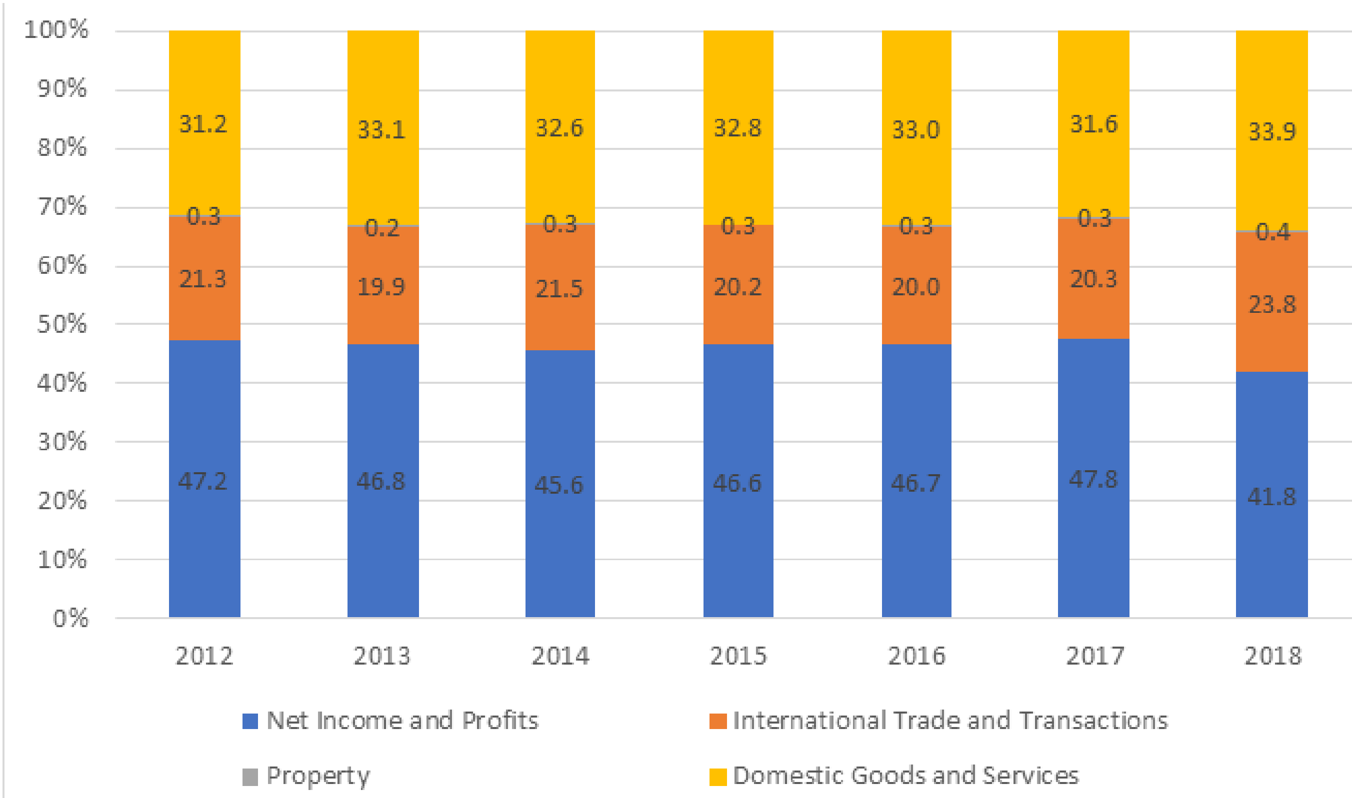
The Philippines relies heavily on income taxes from individuals and companies. Income tax levied on individuals and companies comprised, on the average, 39.1 percent of the total tax revenues from 2001-2010 and 41.4 percent from 2011-2016 (See Figure 1) . Without the tax reform, this is expected to further increase in the coming years due to increase in wages, leading to higher average tax rates being paid by taxpayers, known as the "bracket creep". In fact, the government expects to collect PhP1.080 trillion in income tax revenues this year, or 44.5 percent of the total tax intake, and 16.8 percent higher than the PhP924.6 billion collected in 2016.

For 2018, collections from income taxes are projected to decelerate to only 3.5 percent, or PhP1.118 trillion, in view of the implementation of the tax reform measure on personal income taxes. The BIR stands to lose PhP141.4 billion in 2018, PhP155.5 billion in 2019 and PhP172.1 billion in 2020 due to

Table 7. Key Spending Programs as Earmarked in the Tax Bill

Mitigating Measure	Description
Targeted Transfers	PhP200 per month for 1 year to the poorest 50% of households (10 million households) to mitigate the temporary and moderate increase in prices
Pantawid Pasada	Cash cards to public utility vehicles (PUVs) to offset the increase in excise tax on fuel, so fares need not increase
Pantawid Kuryente	Subsidy to lifeline consumers in small power utility group areas that use diesel or bunker fuel to power their communities
Social Welfare Card	Identification cards for the poor to receive social services
Public Transport Modernization	Subsidies to PUVs to convert to more efficient engines and bodies

Figure 1. Composition of Philippine Tax Revenues, 2012-2018
Percentage Distribution



Source: Table C.1 (Revenue Program by Source), Budget of Expenditures and Sources of Financing FYs 2014-2018

Figure 2. Proposed Reform in the Income Tax System

Exemption of bonuses below PhP82,000 will be retained. These include the 13th month pay and other benefits such as productivity incentives and Christmas bonus.

Those with an annual taxable income of over PhP500,000 are currently taxed with a 32% rate. With the proposed brackets 2021 onwards, their tax rate will now be reduced to 20%.

CURRENT TAX SCHEDULE

Annual Taxable Income	Tax Rate
0 -10,000	5%
Over 10,000 - 30,000	500 + 10% of the excess over 10,000
Over 30,000 - 70,000	2,500 + 15% of the excess over 30,000
Over 70,000 - 140,000	8,500 + 20% of the excess over 70,000
Over 140,000 - 250,000	22,500 + 25% of the excess over 140,000
Over 250,000 - 500,000	50,000 + 30% of the excess over 250,000
Over 500,000	125,000 + 32% of the excess over 500,000

PROPOSED TAX SCHEDULE (2018)

Annual Taxable Income	Tax Rate	Percent of Taxpayers
0 - 250,000	0%	83%
Over 250,000 - 400,000	20% of the excess over 250,000	8%
Over 400,000 - 800,000	30,000 + 25% of the excess over 400,000	6%
Over 800,000 - 2,000,000	130,000 + 30% of the excess 800,000	2%
Over 2,000,000 - 5,000,000	490,000 + 32% of the excess over 2,000,000	1%
Over 5,000,000	1,450,000 + 35% of the excess over 5,000,000	0.1%

PROPOSED TAX SCHEDULE (2021 onwards)

Annual Taxable Income	Tax Rate
0 - 250,000	0%
Over 250,000 - 400,000	15% of the excess over 250,000
Over 400,000 - 800,000	22,500 + 20% of the excess over 400,000
Over 800,000 - 2,000,000	102,500 + 25% of the excess 800,000
Over 2,000,000 - 5,000,000	402,500 + 30% of the excess over 2,000,000
Over 5,000,000	1,302,500 + 35% of the excess over 5,000,000

Source: Department of Finance (DoF)
Note: The current tax schedule is in accordance with Section 24 of Republic Act (RA) No. 8424, otherwise known as the National Internal Revenue Code (NIRC) of 1997. However, RA 9504, which was enacted in 2008, amended certain sections of the NIRC to exempt minimum wage earners from paying income tax on their compensation income without revising accordingly Section 24 of RA 8424 on the tax schedule.

the simplification of the income tax brackets. The present seven brackets will be reduced to six, and will gradually decrease the tax rates for 99 percent of taxpayers over the next few years of implementation (See Figure 2).

Under the TRAIN Bill, the government will introduce a reasonable PhP250,000 tax-free threshold, and apply increasing marginal tax rates thereafter at different income levels, up to 35 percent for those earning over PhP5 million annually. Based on these new rates, 83 percent of Filipinos will immediately be relieved of having to pay income taxes. It already incorporates the PhP50,000 personal exemption and the PhP25,000 additional exemption for each dependent not exceeding four. In addition, the exemption of bonuses not exceeding PhP82,000 will be retained, which include the 13th month pay and other benefits (e.g., productivity incentives and Christmas bonus). Only the richest one percent will have to pay a slightly higher marginal income tax rate of 35.0 percent.

The tax reform package of the Duterte Administration is built with a well-designed threshold that will not only increase revenues but also narrow the income gap as people with the lowest incomes are exempted from the tax burden.

Experts agree that direct taxes such as income taxes are better in reducing income inequality, compared to indirect taxes such as the VAT (or GST tax) which tax individuals based on consumption. Progressivity of taxation (more taxes as income increases) can be better implemented with personal income taxes. Studies have shown that a progressive income tax provides the “immediate incentive to work and save more, which in turn raises aggregate output and consumption.”[3]

2. The Expansion of the Value-Added Tax (VAT)

The value-added tax (VAT) is a consumption tax levied at a flat rate on the amount by which the value of goods and services has been increased at each stage from producer to consumer[4]. It imposes a flat tax rate and works by providing exemptions like education, health and basic food commodities, financial services and some forms of equipment and machinery[5]. It also sets the threshold by which a company is already considered not VAT-exempt. A low rate VAT with limited exemptions to raw food, health and education is considered fair.

However, the Philippines has a VAT system with numerous exemptions, leading to large leakages as people take advantage of the VAT system to pay less taxes. With a narrow economic tax base due to numerous exemptions and concessions, the tendency is to set higher VAT rates to raise the same amount of revenue compared to taxes applied across broad bases. Moreover, the current VAT rate of 12 percent represents the highest rate in Southeast Asia and one of the highest in the Asian Region, next to China’s 17.0 percent.

Table 8. VAT Comparison with Other ASEAN Countries

Country	VAT Rate	No. of Exemptions
Philippines	12%	59*
Indonesia	10%	37
Thailand	7%	35
Vietnam	10%	25
Malaysia	6%	14

Source: DOF

**Plus additional 84 exemptions in special laws*

A higher VAT rate on a narrower base generally will have higher economic costs than if applied more broadly at a lower rate. Hence, the VAT expansion under the proposed tax reform program seeks to raise more revenues without increasing the rate of VAT, by limiting exemptions and using the national budget to mitigate its economic impact on the poor. The VAT thresholds will be revised from the present PhP1.9 million to PhP3 million, and will cover previously exempted firms earning more than PhP3 million. All organizations such as cooperatives with gross sales below the VAT threshold will remain exempted, especially those in the agriculture sector selling raw agricultural produce. This will also benefit the marginal stores (*sari-sari stores*) and their customers (*suki*) who primarily belong to the vulnerable sector of the society. Furthermore, senior citizens and persons with disabilities will still enjoy their exemptions under the tax reform proposal.

The projected incremental VAT revenues are PhP81.0 billion for 2018, PhP123.1 billion for 2019, and PhP135.2 billion for 2020. For the 2018 amount, the BOC will have to collect PhP44.0 billion, or 54.4 percent, while the remaining 45.6 percent, or PhP37.0 billion will come from the BIR. The Customs Bureau will see higher VAT collections in view of the limitation of the VAT zero-rating to direct exporters who actually export goods out of the country. On the other hand, the zero-rating for indirect exporters and agents will be removed, while renewable energy will be moved from zero-rating to exempt.

3. Increase in the Oil Excise Tax

The Philippines has not adjusted its excise tax on oil or petroleum products for the last twenty (20) years, depriving the government of some PhP145 billion in potential revenues annually due to non-indexation as the economy grows, incomes improve and prices increase.

The government proposes to gradually adjust the excise tax on diesel and gas. For diesel and essentials (e.g., kerosene, liquefied petroleum gas and bunker fuel oil), the increase will be PhP6.00 staggered over three years starting at PhP3.00 effective January 1, 2018, an additional PhP2.00 in 2019, plus another PhP1.00 in 2020. For gas and non-essentials (e.g., gasoline, aviation turbo jet fuel and lubricating oils), the increase will be PhP10.00, starting at PhP7.00 effective January 1, 2018, an additional PhP2.00 in 2019, plus additional PhP1.00 in 2020. From 2021 onwards, these rates will be indexed to inflation annually under the Department of Finance (DOF) proposal.

For 2018, a total of PhP73.7 billion is expected to be generated from the increase in excise tax on petroleum. This amount will further expand by 69.0 percent to PhP124.5 billion in 2019, and 21.4 percent or PhP151.1 billion in 2020. This will hardly make a dent on the prices of basic commodities as government estimates put its additional contribution to the 3.0 percent inflation rate forecast for 2018 at only 0.9 percentage point. This 3.9 percent inflation rate is still within the Duterte Administration's medium term macroeconomic forecast of 2.0 percent to 4.0 percent for inflation rate.

A recent study by the Philippine Statistics Authority reveals that oil excise tax is a highly progressive tax since the top 10 percent of Filipino households, representing the richest 2 million population, alone consumed 51 percent of fuel products and transportation costs. Moreover, the top 1 percent, representing the richest 180,000 households, already consumed 13.0 percent of fuel products and transportation costs — the same share consumed by the bottom 50.0 percent. Under the proposal, those who consume more will pay more taxes, compared to those who consume less.

The current schedule on the excise tax on automobiles has been enforced since 2003, pursuant to Republic Act 9224 *(An Act Rationalizing the Excise Tax on Automobiles).* The existing minimum rate of two (2) percent is considered the lowest among ASEAN countries which levy a minimum of five (5), 10, 15 or 20 percent in their respective excise tax schedules. Likewise, the top rate of 60 percent is still relatively low compared to the 150 percent of Lao PDR, 125 percent of Indonesia and 105 percent of Malaysia.[6]

Under the proposal, basic cars will be taxed at lower rates while more expensive cars will be taxed at higher rates. This means that first time buyers and small families will only pay an additional PhP10,734 to PhP13,261 tax for a new Vios or a Mirage. For most of these families, these amounts are easily offset or fully compensated by the increase in their incomes coming from the reduction in the personal income tax.

For 2019 and 2020, the government expects to collect PhP23.4 billion and PhP24.8 billion, respectively, from the additional automobile excise tax proceeds. These revenues will be used to improve traffic management solutions and fund climate change-resilient infrastructure.

Table 9. Proposed Excise Tax on Automobiles

Net Manufacturing/ Importation Price in Pesos	Current Rates	Average effective tax rate	Proposed Rates	Average effective tax rate
Up to 600,000	2%	2%	4%	3%
Over 600,000 to 1.1 million	12,000 + 20% in excess of 600,000	5%	24,000 + 40% in excess of 600,000	10%
Over 1.1 million to 2.1 million	112,000 + 40% in excess of 1.1 million	15%	224,000 + 80% in excess of 1.1 million	31%
Over 2.1 million	512,000 + 60% in excess of 2.1 million	22%	1,024,000 + 120% in excess of 2.1 million	45%

Source: DOF

4. *Increase in the Automobile Excise Tax*

The proposal to progressively increase the excise tax on automobiles will yield additional revenues of PhP14.1 billion for the government in 2018. The National Tax Research Center (NTRC) defines automobiles here as any four (4) or more wheeled motor vehicle regardless of seating capacity, which is run by gasoline, diesel, electricity or any other motive power. These do not include buses, trucks, cargo vans, jeeps/ jeepneys/jeepney substitutes, single cab, chassis, and special purpose vehicles.

Tax Administration Reforms. Complexity and compliance costs are a growing problem in the Philippine tax system and act as deterrents to growth, especially when the costs outweigh the intended benefits. To address this, the Duterte Administration is introducing a complementary tax measure to enhance tax collections through the introduction of new tax administration measures.

For 2018, the government expects to raise some PhP43.8 billion in additional receipts from the revival of the fuel marking scheme, using advanced technology (molecular

Table 10. Estimated Cost of Fuel Marking
(in billions)

Particulars	2018	2019	2020	2021	2022	Total
Consumption *(in liters)*	21.98	23.24	24.57	25.98	27.47	123.23
Estimated cost of fuel marking *(in pesos)*	1.98	2.09	2.21	2.34	2.47	11.09

Source: DOF

chemical markers) to monitor oil entering the Philippines, thus avoiding fuel fraud and increasing revenues. According to the Asian Development Bank, these markers can range from simple colored dyes to unique covert markers designed for brand or grade identification, detection of fraud, and monitoring of the appropriate use of fuels. Lost revenues due to fuel smuggling and adulteration are estimated at PhP43.8 billion each year.

The annual foregone revenue from smuggling of oil is estimated to be around PhP25 to PhP40 billion. To minimize smuggling and increase revenues from fuel products, the government, through the DOF and BOC, intends to set up a fuel marking program, to mark fuels that are taxed. Based on the pilot case, the unit cost of fuel marking is very affordable, as low as nine centavos per liter. This means that the country's projected 21.98 billion liters fuel consumption for 2018 will only cost some PhP1.98 billion to implement fuel marking. For this reason, the government sees the project cost of the five-year implementation of fuel marking to be fully recoverable as early as its first year of implementation.

Foregone revenues due to fiscal incentives amounted to PhP88.2 billion and PhP86.3 billion in 2014 and 2015, respectively. For 2016, this is projected to increase to PhP93.8 billion due to incentives extended to manufacturing (from PhP51.6 billion in 2015 to PhP58.6 billion in 2016); services (from PhP30.0 billion in 2015 to PhP33.5 billion in 2016); and tourism (from PhP2.7 billion in 2015 to PhP3.0 billion in 2016), among others.

Disbursements

To support the national government's obligation program of PhP3.767 billion for 2018, cash disbursements will expand by 15.6 percent to PhP3.364 trillion. The 2018 revenue program of PhP2.841 trillion will finance 84.4 percent of these cash outlays while the rest will come from borrowings. At 19.3 percent of GDP, the 2018 cash disbursements represent an improvement from this year's 18.3 percent, or PhP2.909 trillion.

Table 11. 2015 Investment Tax Expenditures, By Type of Tax Incentive, FY 2014-2016
(in thousand Pesos)

Type of Tax Incentives	2014 Actual	2015 Actual	2016 Projection
I. Income Tax Incentive	**88,171,268**	**86,258,929**	**93,835,334**
Income Tax Holiday (ITH)		53,771,727	58,433,974
Special Income Tax Rate		32,487,202	35,401,360
II. Incentives on Custom Duties	**38,043,862**	**18,144,509**	**23,237,311**
TOTAL	**126,215,130**	**104,403,438**	**117,072,645**

Source: 2018 BESF

Other tax administration measures include the mandatory issuance of e-receipts, mandatory interconnection of large and medium firms point of sale machines and accounting system with the BIR, and the relaxation of bank secrecy for fraud cases.

Rationalization of fiscal incentives. Fiscal incentives — in the form of tax expenditures or tax incentives — are usually aimed at stimulating economic activities in certain sectors or industries, particularly in areas where these are inadequate. For instance, tax incentives for new players in the tourism sector can help lessen the cost of investing in infrastructure and other capital assets by reducing their present tax obligations while improving their liquidity at the same time.

However, fiscal incentives can be a source of non-transparency in the budget since they undergo less scrutiny than direct spending. Once passed into law, these fiscal incentives are typically classified as revenue rules and included in the annual national budget with less scrutiny compared with spending rules. This is why it is important to rationalize these incentives because they can distort or alter the distribution of a country's tax burden, often to the advantage of those in the high-income category.

Of the PhP3.364 trillion cash disbursements, 69.5 percent will be spent on current operating expenditures while the rest will be used to pay for capital outlays and net lending, with 30 percent and 0.5 percent, respectively (See Table 12). From 13.8 percent of GDP this year, the share of current operating expenditures in GDP for next year will decline to 13.4 percent of GDP in favor of cash disbursements for capital outlays, which include the massive infrastructure spending of the Duterte Administration dubbed as the *Build, Build, Build* Program.

Cash disbursements for capital outlays will amount to PhP1.008 trillion and will comprise 5.8 percent of GDP in 2018, higher than the projected 4.4 percent in 2017 and the actual 4.3 percent posted in 2016. This amount also represents a significant 44.7 percent increase over this year's program of PhP696.6 billion. Some PhP929.8 billion in cash will be used to fund various important infrastructure programs of the national government (PhP752.9 billion); local government units (PhP142.6 billion); and government-owned and -controlled corporations (GOCCs) in the form of subsidy (PhP34.2 billion) and equity (PhP27 million) contributions.

Table 12. National Government Cash Disbursements, 2016-2018
(in million Pesos)

Particulars	2016 Actual	2017 Program	2018 Projection
Current Operating Expenditures	1,909,325	2,195,552	2,339,627
Percent of GDP	13.2	13.8	13.4
Personnel Services	723,180	882,406	883,179
Maintenance and Other Operating Expenditures	419,836	474,518	572,495
Subsidy	103,190	95,473	91,240
Allotment to LGUs	342,931	392,280	419,807
Interest Payments	304,454	334,876	353,407
Tax Expenditures	15,734	16,000	19,500
Capital Outlays	624,713	696,647	1,007,701
Percent of GDP	4.3	4.4	5.8
Infrastructure and Other Capital Outlays	493,005	549,360	831,734
Equity	11,681	4,097	393
Capital Transfers to LGUs	120,027	143,190	175,574
Net Lending	15,298	16,765	16,765
Percent of GDP	0.1	0.1	0.1
Grand Total	2,549,336	2,908,964	3,364,093
Percent of GDP	17.6	18.3	19.3

Source: Table B.25 of the 2018 BESF

Meanwhile, net lending, or the extension of advances/credit by the national government to GOCCs for the settlement of maturing domestic or foreign obligations, will remain unchanged compared to this year's disbursement program at PhP16.8 billion.

Debt Management

The judicious use of the government's fiscal space in recent years through prudent fiscal management has somehow shielded the country from the rising global uncertainties, which could have an implication on its borrowing costs. In fact, the Philippines' borrowing costs continued to decline over the last six years with the improvement of its credit rating to investment grade for the first time. From 2010 to 2015, the ratio of debt to GDP declined from 52.4 to 44.7 percent, and the share of interest payments in disbursements fell from 19.3 to 13.9 percent.

Table 13. National Government Financing, 2017-2018
(in million Pesos)

Particulars	2017	2018
SURPLUS/(DEFICIT)	(482,085)	(523,588)
GROSS BORROWING	**727,739**	**888,227**
External (Gross)	182,770	176,269
Less: Amortization	139,600	61,923
External (Net)	43,170	114,346
Domestic (Gross)	544,969	711,958
Less: Net Amortization	3,359	5,030
Domestic (Net)	541,610	706,928

Source: 2018 BESF

Borrowings

With the accelerated spending for its *Build, Build, Build* Program and other priority projects proposed in the PhP3.767 trillion FY 2018 National Budget, the Duterte Administration will require higher gross financing, primarily through domestic sources.

Table 14. Gross Foreign Borrowing Components
(in million Pesos)

Particulars	2017	2018
GROSS FOREIGN BORROWINGS	**182,770**	**176,269**
Program Loans	42,470	84,214
Project Loans	30,300	41,055
Bonds and Other Inflows	110,000	51,000

Source: 2018 BESF

Gross financing next year is set at PhP888.2 billion, which is 22.1 percent higher than the programmed borrowings of PhP727.7 billion this year. This will finance the 2018 programmed budget deficit amounting to PhP523.6 billion, which is 8.6 percent higher than the programmed total net financing of PhP482.1 billion this year.

In sourcing its borrowing requirements, the government adopts the 80-20 borrowing mix in favor of domestic sources, to enable better debt management by further reducing the country's foreign currency denominated debts so that exposure to foreign exchange fluctuations will be minimized.

For 2018, some PhP712.0 billion, comprising 80 percent of the total borrowing requirements, will be sourced locally

Consistent with the policy on borrowing mix, foreign borrowings for 2018 will be reduced by 3.6 percent to PhP176.3 billion, from PhP182.8 billion this year. This borrowing level will be supported by a 72.1 percent rise in foreign loans to PhP125.3 billion, from PhP72.8 billion in 2017, and a decline in foreign bonds by 53.6 percent to PhP51.0 billion, from PhP110.0 billion in 2017.

Foreign loans are divided into program and project loans. For 2018, the government will rely more on program loans, comprising 47.8 percent of the total foreign borrowings. These PhP84.2 billion program loans to be availed of by the national government next year indicate a very significant 98.3 percent increase over its level of PhP42.5 billion this year. This change in the composition of foreign borrowings only shows that

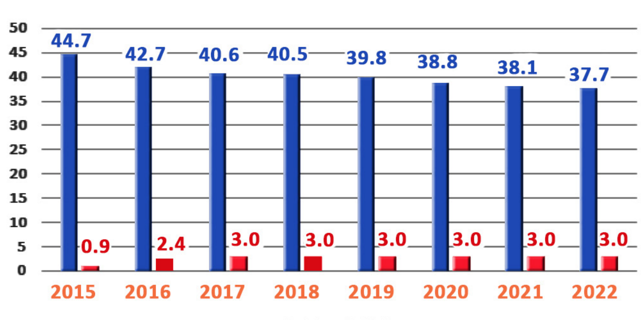
Table 15. Sources of Program Loans, 2016-2018
(in million US Dollars)

Particulars	2016 Actual	Program Availment	
		2017	2018
Asian Development Bank	668.25	350.00	1,109.65
World Bank	21.55	349.40	341.60
Japan International Cooperation Agency	-	-	200.00
Agence Francaise De Development	55.29	150.00	-
TOTAL PROGRAM LOANS (in Million US Dollars) (in Million Pesos)[1/]	**745.09** **35,597.30**	**849.40** **42,470.00**	**1,651.25** **84,213.75**

Source: 2018 BESF
1/ Exchange rate used: For 2016: based on actual; US$1=PhP50.00 (2017); US$1=PhP51.00 (2018)

from the issuance of treasury bills (PhP72.0 billion) and fixed rate treasury bonds (PhP640.0 billion). The Duterte Administration is fully aware that tapping the domestic market for financing, if not done properly, runs the risks of increasing the interest rates, reducing market liquidity, and eventually crowding out the business sector of needed capital to fund their investments. To offset this "crowding out" effect, the government will use its domestic borrowings to fund infrastructure projects and investments to taper off possible unwanted effects on interest rates, thereby producing lower costs of borrowings. Based on the medium term macroeconomic targets of the government, interest rates for 2018 are expected to remain low and still within the target range of 2.5 to 4.0 percent also set for 2017, due to the ample liquidity in the market and the favorable cash position of the national government in light of ongoing fiscal reforms.

Figure 3. Debt and Deficit as a Percentage of GDP, 2015-2022



the Duterte Administration is moving towards tapping more concessional and fast disbursing foreign loans, specifically program loans. Because of their quick disbursement features, program loans are preferred over project loans not only because they are mainly associated with structural reforms, but also because they help in shoring up foreign exchange reserves. Sources of these loans will be multilateral organizations, namely the Asian Development Bank, World Bank, and Japan International Cooperation Agency.

Project loans, on the other hand, will amount to PhP41.1 billion in 2018, representing only 23.3 percent of the total foreign borrowings. Its 35.5 percent growth for 2018 is smaller compared to the 61.3 percent growth rate for 2016 and 2017. Unlike program loans which finance general development programs which the government may specify, project loans finance specific projects such as roads, power plants, and irrigation, among others.

Outstanding National Government Debt

The country's debt-to-GDP ratio, which serves as a gauge of an economy's capacity to pay off its debts, is expected to shrink from 40.6 percent in 2017 to a stable and prudent level of 37.7 percent in 2022. This debt level is way below the 40 percent estimated threshold for developing countries set by the IMF for a nation's debt to be considered sustainable.[7]

Outstanding national government debt amounted to PhP6.095 trillion as of end-2016. Of this amount, PhP3.934 trillion, or 64.6 percent, represents domestic liabilities while the remaining PhP2.160 trillion, or 35.4 percent, are foreign obligations. Total debt stock for 2017 and 2018 are expected to reach PhP6.470 trillion and PhP6.995 trillion, respectively.

The continued efforts to ensure that the debt portfolio structure of the national government will enable it to minimize and manage risks are evident in the heavy bias on local borrowings and the continued decline in the country's foreign currency denominated debts. Hence, exposure to foreign exchange volatilities is lessened and the domestic bond market is strengthened. Of the country's total outstanding obligations, foreign currency denominated debts are expected to reach only PhP2.213 trillion, or 34.2 percent, in 2017 and PhP2.342 trillion, or 33.5 percent, in 2018.

Endnotes

[1] The P3.6 billion subsidy represents the payment of VAT or 12% of the US$603.2 million just compensation to PIATCO Inc. in connection with the expropriation of the NAIA Terminal 3. The PhP20.5 billion payment made in September last year only represents the full settlement amount and interest charges as ruled by the Supreme Court but excludes the VAT charges which shall be withheld by the Manila International Airport Authority and remitted to the BIR.

[2] Unless otherwise stated, data were sourced from the Department of Finance and the 170th Development Budget Coordination Committee (DBCC) Meeting.

[3] Heshmati, A., Kim, J., & Park, D. (2014). *Fiscal policy and inclusive growth in advanced countries: Their experience and implications in Asia. Manila: Asian Development Bank.*

[4] *Stewart, Miranda "Tax policy transfer to developing countries: politics, institutions and experts", in Nehring, Holger and Florian Schui (eds), Global Debates about Taxation (2007: Palgrave Macmillan) 182-200*

[5] *Ibid.*

[6] NTRC

[7] International Monetary Fund 2002 & 2010

III. DIMENSIONS OF THE NATIONAL EXPENDITURE PROGRAM

Budget classification is one of the fundamental building blocks of a sound budget management system, as it determines the manner by which the budget is recorded, presented and reported, and as such has a direct impact on its transparency and coherence.[1]

For greater clarity and understanding, particularly by the citizens whose taxes form the bulk of the funds that support the National Budget, government expenses are classified or categorized and presented in the following ways or dimensions: by Sector; by Expense Class; by Region; and by Recipient Entity and Special Purpose Funds.

A. The Budget by Sector

The objective of classifying the Budget according to Sector, which also means a classification by function, is to determine, and in turn appreciate, for what purposes the funds will be spent, and in what levels or magnitudes.

Under this type of classification, the Department of Budget and Management (DBM) makes use of two systems, as has been its practice since 2015. First is the traditional method which groups the expense items under five sectors. The second is through the COFOG system, which refers to the Classification of the Functions of Government.

The Budget by Sector under the Traditional Method

In the presentation of the Budget by Sector utilizing the traditional method, expenditure items by agency are classified into five broad sectors, which correspond to the functions they support. These are: 1) social services; 2) economic services; 3) defense; 4) general public services; and 5) debt burden. Each of these is further divided into subsectors. This sectoral classification method is being maintained to measure the government's progress against the past and the budget strategy under the PDP 2017-2022

Under this classification, the 2018 National Expenditure Program (NEP) continues to allocate the largest share of the Budget (37.8 percent) to social services, followed by economic services with 30.6 percent, general public services with 17.6 percent, defense with 4.1 percent, and debt burden which is at 9.8 percent. This is consistent with the plan to sustain the faster broad-based growth by accelerating infrastructure development and social spending to levels comparable to those in progressive neighboring countries.

For 2018, **Social Services** will receive PhP1,425.0 billion, which reflects a 5.4 percent increase over its 2017 level of PhP1,351.5 billion. Investments in human capital through education, culture and manpower development remain a priority, with a funding provision of PhP747.2 billion, or 52.4 percent of the total allocation for the sector. This will sustain, and even strengthen, support for programs designed to promote inclusive growth such as the K-to-12 Program, housing programs for poor Filipinos, labor protection, and health care, among others.

Economic Services gets the second largest share of the Budget with PhP1,153.4 billion. It scores the biggest percentage increase among the sectors, registering a 25.0 percent growth from its 2017 allocation. Its subsectors – Communications, Roads and Other Transport – will receive 57.1 percent or PhP658.3 billion of the total provision for economic services. Additionally, Agriculture and Agrarian Reform will also be supported through a larger allocation accounting for 12.2 percent of the sector's budget or PhP141.0 billion to increase the production of agricultural crops, through the Rice and Corn Programs, by shifting to the utilization of hybrid seeds; introduction and implementation of new farming practices; giving of additional support to the existing mechanization

Table 1. Budget by Sector 2016-2018

Sectors	Allocation (in billion Pesos)			As a Percentage of the Total Expenditure Program			Percentage Increase/ Decrease	
	2016	2017	2018	2016	2017	2018	2016-2017	2017-2018
Economic Services	820.3	922.9	1,153.4	30.6	27.5	30.6	12.5	25.0
Social Services	972.6	1,351.5	1,425.0	36.3	40.3	37.8	39.0	5.4
Defense	113.8	148.7	155.7	4.2	4.4	4.1	30.6	4.7
General Public Services	456.3	575.4	662.1	17.0	17.2	17.6	26.1	15.1
Debt Burden	319.8	351.6	370.8	11.9	10.5	9.8	10.0	5.5
Total	**2,682.8**	**3,350.1**	**3,767.0**	**100.0**	**100.0**	**100.0**	**24.9**	**12.4**

Source: 2018 BESF Tables, Table B.7
Note: Figures may not add up due to rounding off

program; and provision of capacity enhancement to poor farmers.

General Public Services will receive PhP662.1 billion for 2018, corresponding to a 17.6 percent share in the total Budget. The 15.1 percent increase over its 2017 budget, or the additional PhP86.7 billion, incorporates the 386.3 percent increase in the budget of the Commission on Elections, in preparation for the 2019 elections. Likewise, the increase is attributed to a PhP24.3 billion incremental budget for the Department of the Interior and Local Government's uniformed agencies, i.e., the Philippine National Police, Bureau of Fire Protection, and Bureau of Jail Management and Penology, as well as for the National Police Commission.

Defense will receive the lowest share (4.1 percent) of the Budget, amounting to PhP155.7 billion. The 4.7 percent increase in its allocation, amounting to PhP7.0 billion, will fund the Revised AFP Modernization Program, among others.

Debt Burden, or the servicing of the government's debts, continues on a steady decline due to decreasing borrowings and better liability management. The PhP370.8 billion allotted for this year is only 9.8 percent of the total Budget, compared to its 10.5 percent share in 2017. The downtrend in the allocation for debt servicing is due to the slowing down of the year-on-year growth of its share to the total budget and to the government's prudent debt management and strong economic growth. With the steady decline in the amount for debt servicing, more funds can be made available for productive programs and projects.

The Budget by Sector under COFOG

The system of Classification of the Functions of Government (COFOG) was developed by the Organisation for Economic Co-operation and Development (OECD) and published by the United Nations Statistical Division. It classifies budgetary outlays into functions, irrespective of their agency groupings.

In 2015, the government adopted the COFOG system in order to reflect more accurately an agency's direct contribution to multiple socio-economic objectives, excluding overhead expenses of running the agency. This was also done to align with the international standard of classifying the budget for specific programs and activities by function. The line items or program/activity/project (PAPs) in the budget are classified by function, a refinement of the agency level classification used under the traditional method.

Being an international standard, COFOG enables comparison of sectoral allocations of the National Budget with those of other countries. Aside from generating aggregates to be used as indicators or measures, COFOG also enables the tracking of specific functions/policies over time, regardless of the changes in the organization of departments/agencies that happen from time to time.

The COFOG groups expenditures under ten government functions. The first five are generally aimed at the collective benefit of the society through robust and sustained economic growth backed by an environment of stability and good governance. They are: General Public Services; Defense; Public Order and Safety; Economic Affairs; and Environmental Protection.

The remaining five sectors – Housing and Community Amenities; Health; Recreation, Culture and Religion; Education; and Social Protection – are focused on individual citizens, primarily the poor and marginalized, and essentially aimed at providing adequate and efficient services they need to improve their living standards and increase their productivity.

The COFOG sectors are further disaggregated into subsectors or programs.

Table 2 presents the allocations of the 2016-2018 General Appropriations Act (GAA) using the COFOG system.

Under the COFOG system, **General Public Services** gets the biggest share of the National Expenditure Program at 37.0 percent. The total allocation for this function amounts to PhP1,393.7 billion, which is 9.0 percent higher than the 2017 level of PhP1,278.1 billion. This represents expenditures for general administration such as lawmaking, fiscal management, foreign affairs, governance, and other regulatory services. While expenses for general administration under the traditional method consist only of the budgets of oversight/ policymaking agencies, under the COFOG, the overhead costs of all agencies under the general administrative support services are included herein.

Of the subsectors under General Public Services, the three with the highest shares of the budget are: Executive and Legislative Organs, Financial and Fiscal Affairs, and External Affairs with an allocation of PhP591.1 billion. General Services has an allocation of PhP381.1 billion, while Public Debt Transactions has PhP354.0 billion.

Compared to the amount for Debt Burden under the Traditional Method which covers debt service, interest payments, and net lending, the amount for Public Debt Transactions is smaller as it covers only debt service and interest payments.

Education maintains its priority status in 2018, receiving the second biggest allocation at PhP704.5 billion, representing 18.7 percent of the National Budget. Its total allocation grew by 8.7 percent, from the 2017 allocation of PhP648.2 billion, to continue to provide better quality education, and thus produce a topnotch workforce for the country. The Pre-Primary and Primary subsector will receive PhP236.1 billion; followed by the Secondary Education subsector with PhP171.6 billion; and Tertiary Education with a budget of PhP59.5 billion. Education is an investment that can help foster economic growth, contribute to personal social development and reduce social inequality.[2]

Economic Affairs is allocated the amount of PhP660.6 billion or 17.5 percent of the Budget. Aligned with the government's thrust to propel economic growth and provide equal

Table 2. Sectoral Allocation under the COFOG, 2016-2018
(in billion Pesos)

Sector	2016	2017	2018	% Share	Growth Rate (2017-2018)
GENERAL PUBLIC SERVICES	1,128.5	1,278.1	1,393.7	37.0	9.0
Of which:					
Executive and legislative organs, financial and fiscal affairs, external affairs	42.3	72.4	591.1		
General Services	280.9	274.3	381.1		
Public Debt Transactions	319.7	351.6	354.0		
DEFENSE	95.8	117.9	121.0	3.2	2.7
Of which:					
Military Defense	94.	116.1	120.1		
Civil Defense	0.4	0.4	0.5		
PUBLIC ORDER AND SAFETY	156.6	174.2	211.0	5.6	21.1
Of which:					
Police Services	103.0	118.7	139.7		
Law courts	25.1	23.4	25.1		
Prisons	9.2	13.2	15.8		
ECONOMIC AFFAIRS	482.0	551.2	660.6	17.5	19.9
Of which:					
General economic, commercial and labor affairs	19.6	18.9	33.5		
Agriculture, forestry, fishing and hunting	108.7	108.4	106.8		
Transport	328.4	402.8	479.3		
ENVIRONMENTAL PROTECTION	6.5	7.6	23.4	0.6	206.3
Of which:					
Waste Management	1.7	2.1	2.0		
Protection of biodiversity and landscape	1.5	2.3	14.9		
Pollution abatement	1.8	1.4	1.6		
R & D Environmental protection	0.1	0.1	0.8		
HOUSING AND COMMUNITY AMENITIES	11.8	11.7	7.5	0.2	(35.0)
Of which:					
Water Supply	9.5	9.3	5.4		
Community Development	1.4	1.5	1.6		
Housing and community amenities	negligible	0.3	0.3		
HEALTH	126.5	153.6	166.3	4.4	8.2
Of which:					
Hospital Services	42.5	54.7	68.5		
Health Insurance	42.3	53.2	57.0		
Public Health Services	37.9	42.7	38.1		
RECREATION, CULTURE AND RELIGION	5.7	5.8	3.7	0.1	(35.8)
Of which:					
Cultural Services	3.6	3.3	1.9		
EDUCATION	459.1	648.2	704.5	18.7	8.7
Of which:					
Pre-primary and Primary Education	169.0	201.9	236.1		
Secondary Education	122.6	207.9	171.6		
Tertiary Education	35.7	57.5	59.5		
SOCIAL PROTECTION	210.3	401.6	475.1	12.6	18.3
Of which:					
Old age (Senior Citizens)	24.7	158.3	163.7		
Housing	19.2	14.5	4.0		
Conditional Cash Transfer	60.6	78.2	113.9		
Conflict-affected Areas	6.1	12.3	2.6		

Source: 2018 BESF Table B.7.b
Note: Numbers may not add up due to rounding off

opportunity for all Filipinos, it will grow by 19.9 percent compared to its 2017 level of PhP551.2 billion. This sector includes the allocation for the government's activities that promote economic growth, competitiveness of industries, and job creation. The Transport subsector is allocated PhP479.3 billion; Agriculture, Forestry, Fishing and Hunting subsector with PhP106.8 billion; and General Economic, Commercial and Labor Affairs subsector with PhP33.5 billion.

Social Protection will receive PhP475.1 billion or 12.6 percent of the Budget, growing by 18.3 percent compared to the 2017 level. Social protection is the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income.[3] Programs for the elderly, specifically social pension for indigent senior citizens, is allocated PhP163.7 billion; the Pantawid Pamilyang Pilipino Program, PhP113.9 billion[4]; and socialized/low-cost housing[5] with PhP4.0 billion.

The **Public Order and Safety** budget includes the allocation for police and fire protection services, law courts, and prisons. The amount of PhP211.0 billion or 5.6 percent of the National Expenditure Program is allocated for the purpose. The 21.1 percent increase from its 2017 budget is intended to support, among others, the drive against crimes and illegal drugs.

The **Health** sector is given an allocation of PhP166.3 billion or a 4.4 percent share in the Budget. In terms of subsector allocation, Hospital Services will receive PhP68.5 billion; Health Insurance, PhP57.0 billion; and Public Health Services, PhP38.1 billion.

The **Defense** sector which covers military defense, foreign military aid, civil defense and defense against cybercrimes, among others, will receive PhP121.0 billion or a 3.2 percent share of the Budget. This represents a 2.7 percent increase from the 2017 allocation. The Military Defense subsector will receive PhP120.1 billion while Civil Defense will get PhP0.5 billion.

The **Environmental Protection** budget includes the allocation for waste management, pollution abatement, protection of biodiversity and landscape, among others. This will receive a 0.6 percent share or PhP23.4 billion of the National Budget. This represents a 206.3 percent increase from its 2017 allocation of PhP7.6 billion, in recognition of the critical role that the environment and natural resources sector plays in the country's development. Additional support to this sector will help sustain the accelerated economic growth that the Administration aims to achieve and strengthen resilience against the impact of climate change and disasters.[6]

Of the subsectors under Environmental Protection, Protection of Biodiversity and Landscape will receive the biggest share at PhP14.9 billion; followed by Waste Management with PhP2.0 billion; Pollution Abatement at PhP1.6 billion; and Research and Development on Environmental Protection at PhP0.8 billion.

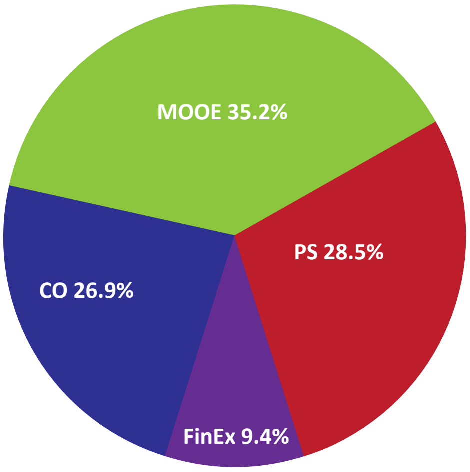
The **Housing and Community Amenities** sector[7] is allocated PhP7.5 billion or 0.2 percent of the Budget. Housing is one of the aspirations of most Filipinos as evidenced by the results of a national survey undertaken for *AmBisyon Natin 2040*. The top three subsector recipients with the highest shares of the budget are the following: Water Supply for the provision of potable water, PhP5.4 billion; Community Development, PhP1.6 billion; and Housing and Community Amenities, PhP0.3 billion.

The Recreation, Culture and Religion sector will receive PhP3.7 billion or a 0.1 percent share. The subsector of Cultural Services will get 48.7 percent or PhP1.8 billion of the total budget for this sector.

B. The Budget by Expense Class

Presented by Expense Class, the 2018 Budget is disaggregated into Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Capital Outlays (CO), and Financial Expenses (FinEx). MOOE will receive the biggest portion of the Budget with PhP1,324.3 billion, or 35.2 percent; followed by PS with PhP1,074.8 billion or 28.5 percent; CO with PhP1,012.2 billion or 26.9 percent; and, lastly, FinEx with PhP355.7 billion or 9.4 percent. Just like the previous year, MOOE received the biggest share of the budget pie, followed by PS and CO.

Figure 1. Budget by Expense Class, 2018



Source: 2018 National Expenditure Program

Maintenance and Other Operating Expenses (MOOE) supports the delivery of government services and other maintenance and operating requirements. It funds supplies and materials, trainings and seminars, transportation and travel, repairs and maintenance, including utilities such as electricity and water.

The 2018 MOOE is 7.7 percent or PhP95.1 billion higher than the 2017 level. It is equivalent to 7.6 percent of the Gross Domestic Product (GDP). Part of the funds will be utilized for the sustained implementation of the K-to-12 Program, Conditional Cash Transfer Program, National Health Insurance Program, as well as the National Greening Program, among others.

Table 3. Budget By Expense Class

Particulars	Levels (PhP Billion)		As a Percentage of the Total Expenditure Program		Increase/ (Decrease) 2017-2018		As a Percentage of GDP	
	2017	2018	2017	2018	PhP Billion	Rate %	2017	2018
Personnel Services	990.5	1,074.8	29.6	28.5	84.3	8.5	6.2	6.2
Maintenance & Other Operating Expenses	1,229.3	1,324.3	36.7	35.2	95.1	7.7	7.7	7.6
Capital Outlays	793.4	1,012.2	23.7	26.9	218.8	27.6	5.0	5.8
Financial Expenses	336.9	355.7	10.1	9.4	18.8	5.6	2.1	2.0
Total	3,350.0	3,767.0	100.0	100.0	417.0	12.4	21.0	21.6
Nominal GDP	15,876.921 16,021,728	17,456,070 17,775,498						

Sources: 2018 NEP and BESF Table A.1
Note: Figures may not add up due to rounding off

Personnel Services (PS) covers the salaries and other benefits of government officials and employees. Compared to its 2017 allocation, it increased by 8.5 percent or PhP84.3 billion in order to fund the creation and filling of positions for 81,100 teachers, 140 non- teaching personnel, and 10,000 police officers; the third tranche of salary increases for civilian personnel under the Salary Standardization Law IV; and the additional allowance for military/uniformed personnel.

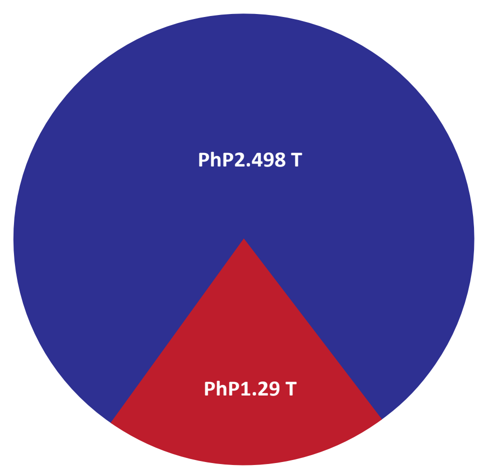
Capital Outlays (CO) are for the acquisition of fixed assets, investment expenditures such as roads, school buildings, transportation and communications, as well as the acquisition of other goods that contribute to productivity.

CO increased by 27.6 percent or PhP218.8 billion compared to its 2017 allocation. The substantial increase will fund the Build, Build, Build Program of the government to improve mobility and connectivity across the country. Likewise, it will fund the Revised AFP Modernization Program, as well as the improvement of agricultural infrastructure and facilities, among others *(See Section on Accelerating Infrastructure Development for more details)*.

Financial Expenses (FinEx) refers to the management supervision/trusteeship fees, interest expenses, guarantee fees, bank charges, commitment fees, and other financial charges incurred in owning or borrowing an asset property. FinEx includes interest payments incurred by the Treasury on domestic and foreign debts.

As a percentage of the total expenditure program for 2018, FinEx accounts for 9.4 percent, which is lower than the 2017 share of 10.1 percent. This can be attributed to prudent deficit spending and liability management.

Figure 2. Regionalized vs Non-Regionalized Budget, 2018

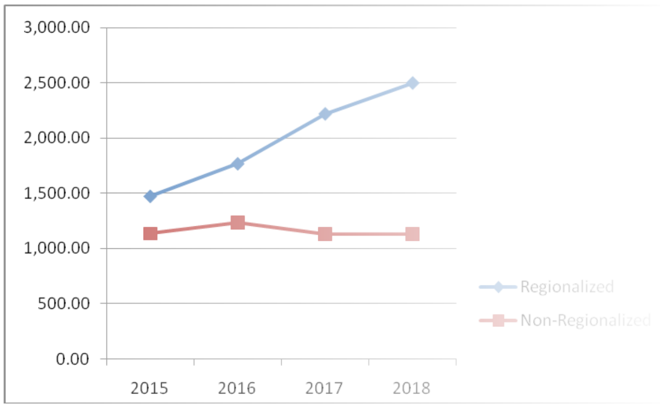


C. The Budget By Region

Of the PhP3.767 trillion proposed National Budget for 2018, 66.4 percent, or PhP2.498 trillion, will go to the regions. Said amount is higher by 25 percent compared to the 2017 allocation of PhP2.0 trillion, and the increase primarily aims to promote inclusive development. The remaining 33.6 percent or PhP1.269 trillion falls under the non-regionalized budget.

The share of the regionalized budget has been increasing vis-à-vis the non-regionalized portion since 2015 (*See Figure 2*). This can be attributed to the government's policy of addressing the unequal distribution of public resources across the regions and to further disaggregate the budget down to the regions in order to reflect the spatial strategy of the resource allocation. This is also in sync with the Administration's inclusive growth agenda to spread the benefits of a robust economy to all sectors across the country.

Figure 3. Regionalized vs. Non-Regionalized Budget, 2015-2018
(in billion Pesos)



After the National Capital Region (NCR), the Autonomous Region in Muslim Mindanao (ARMM) is given the highest budgetary increase of 20.2 percent compared to its 2017 level. Included in the allocation for the ARMM is the amount of PhP14.8 billion for infrastructure outlays.

The next two highest gainers are Region XI with 14.7 percent and Region XII with 14.0 percent. All three regions are located in Mindanao.

Table 4. Distribution of the Regionalized Budget

Region	2017 Allocation (PhP billion)	2018 Allocation (PhP billion)	% Increase	2018 Per Capita Allocation (PhP)
NCR	536.64	897.69	67.3	68,815
CAR	45.62	50.60	10.9	26,918
Region I	91.23	98.06	5.3	18,415
Region II	72.05	78.33	8.7	21,498
Region III	161.72	171.59	6.1	14,808
Region IV-A	170.62	180.04	5.5	12,065
Region IV-B	66.84	70.90	6.1	21,611
Region V	109.94	119.62	8.8	18,726
Region VI	119.33	130.48	9.3	16,252
Region VII	112.88	124.19	10.0	15,898
Region VIII	96.54	106.11	9.9	22,147
Region IX	77.61	88.00	13.4	22,206
Region X	83.19	89.56	7.7	18,157
Region XI	76.41	87.62	14.7	16,696
Region XII	82.47	94.05	14.0	19,309
CARAGA	56.77	62.80	10.6	21,761
ARMM	40.04	48.15	20.2	12,053

Note: Figures may not add up due to rounding off

The PhP48.15 billion budgetary allocation for the ARMM is intended to effectively address the poverty incidence in the Region, which is registered at 48.2 percent[8] as of 2015, the highest among the regions.

On a per capita basis, the top three regions with the highest per capita allocation, except NCR, are the: Cordillera Administrative Region (CAR) with PhP26,918; followed by Region IX with PhP22,206; and Region VIII with PhP22,147.

The non-regionalized budget consists of budgetary items which cannot be disaggregated by region at the time of budget preparation. It can be further classified into Nationwide and Central Office allocations.

Nationwide allocations are those to be distributed to the various regional offices of departments and agencies, and multi-user Special Purpose Funds (SPFs) which include Interest Payments, Contingent Fund, Pension and Gratuity Fund, Miscellaneous Personnel Benefits Fund, Allocations to Local Government Units (LGUs), and National Disaster Risk Reduction and Management Fund.

The allocations for the Central Office, on the other hand, refer to funds managed by the head office of departments and agencies. These include such centrally-managed items as the funds for the Cancer Centers of the DOH, military hospitals, LGU hospitals, and Rehabilitation Centers. It also includes the Debt Service Fund.

D. The Budget by Recipient Entity and Special Purpose Funds

For 2018, the combined budgets of national government agencies for the implementation of programs/projects/activities, including transfers from SPFs and tax expenditures, amount to PhP2,623.0 billion. This represents 69.6 percent of the proposed Budget and a 14 percent increase from last year's aggregate budgets for national government agencies and SPFs *(See Table 5).*

Subsidy for Government-Owned and/or -Controlled Corporations (GOCCs) amounts to PhP172.2 billion or 4.6 percent of the Budget, representing an increase of 24.6 percent or PhP34.0 billion from the 2017 allocation. The increase can be attributed mainly to the planned implementation of the targeted cash transfer program for poor families through the Landbank to mitigate the impact of the Tax Reform Program, amounting to PhP24.5 billion; increased coverage of senior citizens from six months to one year by the Philippine Health Insurance Corporation (PhilHealth), amounting to PhP8.4 billion; and, subsidy for the Public Utility Vehicle (PUV) Modernization Program costing PhP2.2 billion, at PhP1.1 billion each for Landbank of the Philippines as well as Development Bank of the Philippines.

The amount of PhP601.0 billion or 16.0 percent of the Budget is allocated to LGUs. Said amount is higher by 7.3

Table 5. Budget by Recipient Entity, 2017-2018

Particulars	Levels (in billion Pesos)		As a Percentage of the Total Expenditure Program		Increase/ Decrease (2017-2018)	
	2017	2018	2017	2018	PhP Billion	Rate (%)
National Government Agencies (including Transfers from SPFs and Tax Expenditures)	2,300.1	2,623.0	68.7	69.6	322.9	14.0
Government-Owned and/or -Controlled Corporations	138.2	172.2	4.1	4.6	34.0	24.6
Allocation to Local Government Units	560.1	601.0	16.7	16.0	40.9	7.3
Metropolitan Manila Development Authority	2.2	3.6	0.1	0.1	1.4	61.7
Internal Revenue Allotment	486.9	522.7	14.5	13.9	35.9	7.4
Barangay Officials Death Benefits Fund	0.1	0.1	negligible	negligible	negligible	negligible
Special Shares (Taxes and Fire Code fees)	31.2	23.4	0.9	0.6	(7.80)	(25.4)
Local Government Support Fund	39.8	51.3	1.2	1.4	11.5	29.0
Creditors	351.6	370.8	10.5	9.8	19.2	5.5
Interest Payments	334.9	354.0	10.0	9.4	19.1	5.7
Net Lending	16.8	16.8	0.5	0.4	negligible	0.2
Total	**3,350.0**	**3,767.0**	**100.0**	**100.0**	**417.0**	**12.4**

Source: 2018 NEP
Note: Figures may not add up due to rounding off

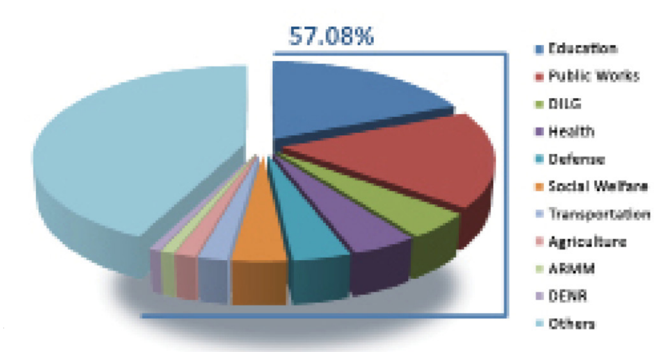
percent than the 2017 allocation. The 2018 Budget includes an allocation for the Metropolitan Manila Development Authority amounting to PhP3.6 billion; shares of LGUs from the Internal Revenue Allotment (IRA) amounting to PhP522.7 billion; PhP23.4 billion special shares from the proceeds of national taxes and fire code fees; and, PhP51.3 billion for the Local Government Support Fund (LGSF).

A total of PhP370.8 billion is allocated for loan repayments, consisting of PhP354.0 billion for interest payments and PhP16.8 billion for net lending. This represents a 9.8 percent share of the Budget, lower than its 2017 share of 10.5 percent.

Recipients with the Highest Budget Allocations

The aggregate budgets of the top ten recipients amount to PhP2,150.40 billion, or 57.1 percent of the proposed 2018 Budget. Said recipients with the highest allocations reflect the Administration's priority areas, specifically education and infrastructure development.

Figure 4. Total Budget of Top Ten Recipients



Education remains the top priority with a total allocation of PhP698.1 billion, in line with the expressed Constitutional provision[9] and to accelerate human capital development.

The allocation for education is broken down into the following: PhP613.1 billion for the **Department of Education (DepEd)**; PhP13.5 billion for the Commission on Higher Education (CHED); PhP64.6 billion for state universities and colleges (SUCs); and PhP7.0 billion for the Technical Education and Skills Development Authority (TESDA) (*See Section on Accelerating Human Capital Development for more details.*)

In keeping with the Administration's promise of ushering in the Golden Age of Philippine Infrastructure, the **Department of Public Works and Highways (DPWH)** and the **Department of Transportation (DOTr)** are given a combined allocation of PhP717.1 billion. The proposed budgets for the DPWH and the DOTr will increase by 37.5 percent and 32.6 percent, respectively, compared to their 2017 appropriations *(See Table 6).* The funds will be used to implement the government's Build, Build, Build Program, which aims to improve the mobility of people and goods across the country through the construction of arterial and secondary roads, bypasses, diversion roads, flyovers, interchanges and underpasses. In addition, infrastructure for rail and air transport, as well as ports and harbours, will also be constructed (*See Section on Accelerating Infrastructure Development for more details*).

The **Department of the Interior and Local Government (DILG)** will receive the third highest allocation with PhP172.3 billion, which is 15.4 percent higher than its 2017 budget. This allocation will be used to pursue its mandate to preserve and strengthen peace and order and provide support to local governments to ensure sustainable development. The amount of PhP1.9 billion is allocated for the creation of 10,000 Police Officer I positions, in order to achieve the ideal

Table 6. Top Ten Recipients
(in billion Pesos)

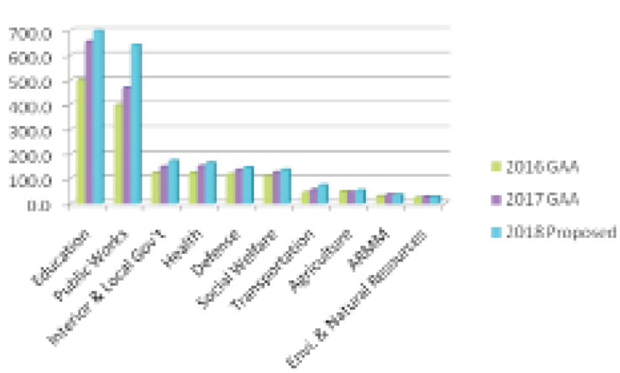
Recipient	2016 GAA Amount	2016 GAA Rank	2017 GAA Amount	2017 GAA Rank	2018 Proposed Amount	2018 Proposed Rank	Growth Rate % 2016-2017	Growth Rate % 2017-2018
Education (DepEd, SUCs, CHED, TESDA)	499.6	1	656.3	1	698.1	1	31.4	6.4
Public Works (DPWH)	397.1	2	467.7	2	643.3	2	17.8	37.5
Interior & Local Gov't (DILG)	125.4	3	149.4	4172.3	3	19.1	15.4	
Health (DOH)*	125.0	4	151.6	3164.3	4	21.3	8.4	
Defense (DND)	117.7	5	137.4	5	145.0	5	16.7	5.5
Social Welfare (DSWD)	110.8	6	128.4	6	138.0	6	15.9	7.5
Transportation (DOTr)	44.3	8	55.7	7	73.8	7	25.7	32.6
Agriculture (DA)	48.9	7	45.9	8	54.2	8	(6.1)	18.1
ARMM Regional Government	29.4	9	33.5	9	33.5	9	13.8	0.0
Environment and Natural Resources (DENR)	22.3	10	27.3	10	27.9	10	22.8	2.1
TOTAL	1,520.5		1,853.2		2,150.4		21.9	16.0

Source: NEP 2018
**includes PHIC budget*
Note: Figures may not add up due to rounding off

police to population ratio of 1:500. Likewise, PhP534 million is appropriated for the construction of 93 police stations and 3 provincial stations.

Coming in 4th place is the provision for **health** services. This is composed of the allocations for the Department of Health (DOH) and the Philippine Health Insurance Corporation (PHIC), amounting to PhP164.3 billion, higher by PhP12.7 billion or an 8.4 percent increase from its 2017 allocation. Some PhP57.1 billion will be appropriated for the National Health Insurance Program which is PhP3.9 billion higher than the 2017 allocation, as the Administration targets a wider insurance coverage of the underprivileged (*See Section on Accelerating Human Capital Development for more details*).

Figure 5. Budget of Top Ten Recipients, 2016-2018
(in billion Pesos)



Source: 2018 National Expenditure Program

To optimize its effectiveness and efficiency in guarding against internal and external threats to national peace and security and provide a safe environment conducive to social and economic development, the **Department of National Defense (DND)** is allocated a budget of PhP145.0 billion. This amount is primarily intended to support the troops of the Armed Forces of the Philippines (AFP) and strengthen its capability through the procurement of armaments, surveillance, mobility and communications equipment (*See Section on Ensuring Security, Public Order, and Safety for more details*).

Retaining its 6th rank for three consecutive years, the **Department of Social Welfare and Development (DSWD)** is allocated PhP138.0 billion to continue providing social protection to 4.4 million poor Filipino families through the *Pantawid Pamilyang Pilipino Program*. This amount also includes the social pension for three (3) million indigent senior citizens (*See Section on Reducing the Vulnerability of Individuals and Families for more details*).

The **Department of Agriculture (DA)** is allocated PhP54.2 billion, which is 18.1 percent higher than the 2017 level of PhP45.9 billion. This amount is intended for the construction of farm-to-market roads and the improvement of irrigation systems on the way to attaining rice self-sufficiency in 2019. In addition, the increase in allocation is aimed at providing support for the production of 19.79 million metric tons of rice, 8.87 million metric tons of corn, 4.63 million metric tons of fish, among others.

Coming in 9th place is the allocation for the **Regional Government in the ARMM** with a proposed budget of PhP33.5 billion. This will be used to pursue its goal to address poverty and ensure sustainable growth in the Region. Among others, it will fund the Bangsamoro Regional Inclusive Development Program for Sustainable Growth and Equity (BRIDGE), an anti-poverty program aimed at strengthening local governance and empowerment of communities. It will also fund the Health, Education, Livelihood, Peace, and Synergy (HELPS) Program, intended to provide social services to ARMM barangays (*See Section on Attaining Just and Lasting Peace for more details*).

Completing the top ten list is the **Department of Environment and Natural Resources (DENR)** with a proposed budget of

PhP27.9 billion. This amount, representing a 2.1 percent increase from last year, is intended for programs that will lead to ensuring ecological integrity and improving the socio-economic conditions of resource-based communities through sustainable integrated development.[10] It will fund the planting of 198 million seedlings under the National Greening Program and the hiring of 146 additional Forest Protection Officers to patrol 1.066 million kilometers of forest areas.

Special Purpose Funds

Special Purpose Funds (SPFs) are items in the Budget allocated for specific purposes, which contain both lump sums and disaggregated funds.

For 2018, the proposed SPFs amount to PhP1,499.92 billion, higher only by 3.1 percent from the 2017 level of PhP1,454.37 billion. Of the total, only PhP38.80 billion are lump-sum funds; PhP980.81 billion are automatic appropriations; and the remaining PhP480.31 billion are disaggregated SPFs (*See Figure 6*).

In 2016, the SPFs were reduced from 13 to six to promote budget transparency and accountability. At present, only the National Disaster Risk Reduction and Management (NDRRM) Fund, Contingent Fund, and the special shares of the LGUs remain as lump sums.[11]

Table 7. Special Purpose Funds
(in billion Pesos)

Special Purpose Funds	2017 Program	2018 Proposal
I. Disaggregated SPFs	515.01	480.31
Budgetary Support to Government Corporations	138.17	172.16
Allocation to LGUs	72.91	77.94
Share in the Proceeds of Taxes	30.97	23.11
Local Government Support Fund	39.76	51.27
Metropolitan Manila Development Authority	2.18	3.56
Miscellaneous Personnel Benefits Fund	89.10	84.45
Pension and Gratuity Fund	141.92	145.76
II. Lump-Sum Funds	21.76	38.80
National Disaster Risk Reduction and Management Fund	15.76	25.50
Contingent Fund	5.50	13.00
Allocation to LGUs	0.25	0.30
Barangay Officials Death Benefits Fund	0.05	0.05
Share in the Proceeds of Fire Code Fees	0.20	0.25
III. Automatic Appropriations	918.01	980.81
Retirement and Life Insurance Premiums	37.87	42.62
Special Accounts in the General Fund	22.11	25.13
Pension of Ex-Presidents/Spouses	0.0005	0.0005
IRA	486.89	522.75
Tax Expenditure Fund	19.50	19.50
Net Lending	16.77	16.80
Interest Payments	334.88	354.01
Total SPFs	**1,454.37**	**1,499.92**

Source: 2018 NEP
Note: Figures may not add up due to rounding off

Just as in the previous year, automatic appropriations will receive the biggest share among the SPFs. The disaggregated SPFs will get the second biggest share, while the lump-sum funds will continue to receive the lowest allocation.

Disaggregated SPFs. Of the proposed budget for SPFs for 2018, the amount of PhP480.31 billion is broken down into: 1) Budgetary Support to Government Corporations, PhP172.16 billion; 2) Allocation to LGUs, PhP77.94 billion; 3) Miscellaneous Personnel Benefits Fund with PhP84.45 billion; and 4) Pension and Gratuity Fund, PhP145.76 billion.

The Allocation to LGUs is further broken down into: 1) Share in the Proceeds of Taxes, PhP23.11 billion; 2) Local Government Support Fund, PhP51.27 billion; and 3) subsidy to the Metropolitan Manila Development Authority, PhP3.6 billion.

Lump-sum Funds. For 2018, only 1.0 percent of the Budget, or PhP38.80 billion, are in lump sum form. By their nature, lump-sum funds cannot be disaggregated at the time of budget preparation. The specific programs and projects can only be identified during the budget execution period, based on the nature of the fund. Moreover, specific conditions must be met to enable releases from these funds.

The lump sum funds consist of the following: 1) National Disaster Risk Reduction and Management (NDRRM) Fund with PhP25.5 billion, which includes PhP10.0 billion for the rehabilitation of Marawi City; 2) Contingent Fund with PhP13.0 billion; and 3) Allocation to LGUs, with PhP0.3 billion, composed of the Barangay Officials Death Benefits Fund with PhP0.05 billion, and the share in the proceeds of Fire Code Fees, with PhP0.25 billion.

Automatic Appropriations. Automatic appropriations are expenditures which do not require annual approval by Congress, by virtue of their nature and enabling laws. For 2018, 26.0 percent of the Budget or PhP980.81 billion is automatically appropriated. This amount is 6.8 percent or PhP62.8 billion higher than the 2017 appropriation. The bulk of the automatic appropriations will go to the IRA of LGUs, amounting to PhP522.8 billion; Retirement and Life Insurance Premiums (RLIP), PhP42.6 billion; Interest Payments to service national government's outstanding debts, PhP354.0 billion.

The debt burden share (interest payments and net lending) in the Budget will continue to decline, with the 2018 share pegged at 9.8 percent of the total budget, versus the 10.5 percent share in 2017. The decline can be attributed to improved revenues, lower debt stock, and governance reforms which have earned investment grade credit ratings for the country.[12]

E. The budget by appropriation sources

In a presentation and appreciation of the National Expenditure Program on the basis of sources of appropriations, the Budget is divided into New General Appropriations and Automatic Appropriations. The former requires Congressional approval, while the latter are deemed approved by virtue of existing laws.

Total New General Appropriations

For 2018, the total New General Appropriations amounts to PhP2,861.5 billion, higher by 14.5 percent than the 2017 level of PhP2,499.5 billion. The same is composed of the following:

- Programmed New General Appropriations, amounting to PhP2,786.2 billion. This will fund the budget of departments and agencies, as well as some SPFs, particularly those not covered by automatic appropriations; and

- Unprogrammed New General Appropriations amounting to PhP75.3 billion. Almost 40 percent of this amount, or PhP30.0 billion, will fund the Risk Management Program to manage the country's exposure to contingent liabilities. The Unprogrammed Appropriations will likewise support infrastructure projects and social programs (PhP18.9 billion), budgetary support for GOCCs (PhP4.0 billion), the Revised AFP Modernization Program (PhP5.0 billion), and support for foreign-assisted projects (PhP15.8 billion), among others.

Unprogrammed Appropriations serve as a standby authority to be released only when revenue collections in any one of the identified revenue sources exceed targets or when grants or foreign loans are received.

Automatic Appropriations

Expenditures under Automatic Appropriations amount to PhP980.8 billion, or 26.0 percent of the total expenditure program for 2018. Said amount represents a 6.8 percent or PhP62.8 billion increase over the 2017 level.

The bulk of the Automatic Appropriations will go to IRA (PhP522.7 billion) or the share of LGUs from the actual collection of national internal revenue taxes. Interest payments, on the other hand, will amount to PhP354.0 billion.

F. Off-Budget Accounts

Off-Budget Accounts (OBAs) are funds or receipts which are authorized to be deposited with government depository banks for expenditure items which are not part of the National Expenditure Program (NEP). These are categorized into: 1) retained income/receipts; 2) revolving funds; and 3) receipts from borrowings by the Bureau of the Treasury.[13]

For 2018, the Off-Budget revenues that will be collected by government agencies are estimated at PhP63.0 billion. Of said amount, 87.3 percent or PhP55.0 billion will be spent for various earmarked purposes.
Government agencies, including SUCs, are allowed to retain their revenues and to utilize the same for specific purposes, as authorized by existing laws and rules, on top of their budgets and allocations for certain Special Purpose Funds.

Of the estimated Off-Budget revenues for 2018, 29.7 percent or PhP18.7 billion will be collected by SUCs in the form of tuition and other miscellaneous fees, among others. Of said retained income, 95 percent or PhP17.7 billion will be used to augment their subsidies from the national government.[14]

Table 8. New General and Automatic Appropriations, 2016-2018

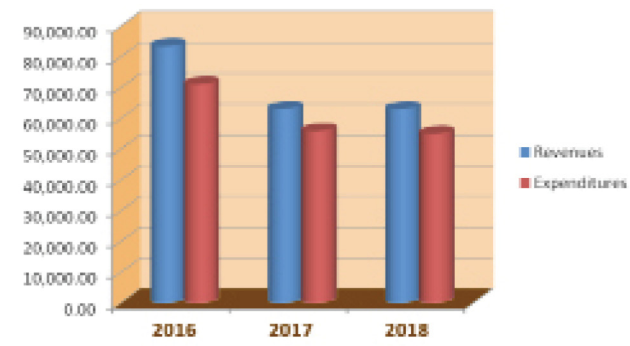
Particulars	Levels (PhP Billion)			As a Percentage of the Total Expenditure Program			Increase/(Decrease) (PhP Billion)		%	
	2016	2017	2018	2016	2017	2018	2017-2016	2018-2017	2017-2016	2018-2017
Total New General Appropriations	2,138.6	2,499.5	2,861.5	71.2	74.6	76.0	360.9	362.0	16.9	14.5
% of GDP	14.8	15.7	16.4							
Less: Unprogrammed New Appropriations	67.5	67.5	75.3	2.2	2.0	2.0	0.0	7.8	0.0	11.6
Equals: Programmed New General Appropriations	2,071.1	2,432.0	2,786.2	69.0	72.6	74.0	360.9	354.2	17.4	14.6
Plus: Programmed Automatic Appropriations	930.7	918.0	980.8	31.0	27.4	26.0	(12.70)	62.8	(1.40)	6.8
Total Expenditure Program	3,001.8	3,350.0	3,767.0	100.0	100.0	100.0	348.2	417	11.6	12.4
% of GDP	20.8	21.0	21.6							
Nominal GDP	14,480,720	15,876,921	17,456,070							
		16,021,728	17,775,498							

Source: 2018 NEP, BESF Tables
Note: Figures may not add up due to rounding off

The DOH, including its attached agencies and corporations, is expected to collect an estimated amount of PhP17.6 billion, or 27.9 percent of the estimated total Off-Budget revenues for 2018. This will be sourced from hospital fees, laboratory fees, rent income from the use of equipment and facilities, proceeds from the sale of hospital products and use of devices, donations, and other sources of income. DOH-DOF-DBM Joint Circular No.2003-1 issued in July 2003 allows DOH hospitals to retain their income and donations and utilize the same for specific purposes. The DOH will spend the amount of PhP16.9 billion, or 96.0 percent of its retained income to purchase equipment and augment their operating expenditures.

The Off-Budget Accounts have shown a generally decreasing trend from 2016 to 2018, indicating that the National Budget has become increasingly comprehensive and subject to the traditional power of the purse of Congress. Comprehensiveness of the budget is one of the key elements of a sound budget system. Full transparency of financial accounts safeguards the use of public funds.

Figure 7. Off-Budget Accounts, FY 2016-2018
(in million Pesos)



Source: 2018 BESF, Table B.18

Table 9. Off-Budget Accounts, FY 2016-2018
(in million Pesos)

Department	2016 Actual		2017		2018	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Department of Agriculture	763.4	433.6	747.3	497.9	535.2	523.5
Department of Budget and Management	5.6	3.2	3.6	3.6	3.6	3.6
Department of Education	1,323.4	1,441.8	1,247.54	1,053.8	1,289.4	1,132.2
State Universities and Colleges	17,206.6	13,572.8	16,785.19	17,635.1	18,713.7	17,691.0
Department of Energy	922.2	359.7	912.81	80.5	958.4	80.5
Department of Environment and Natural Resources	144.9	47.2	76.89	72.1	101.6	82.6
Department of Finance	9,704.6	9,604.4	2,393.34	334.3	1,775.9	234.8
Department of Foreign Affairs	377.7	329.0	434.32	501.6	499.5	601.9
Department of Health	14,064.8	13,047.7	15,609.09	13,495.1	17,565.7	16,873.1
Department of the Interior and Local Government	1,478.9	1,348.2	1,634.23	1,726.2	1,636.5	1,649.0
Department of Justice	1,668.3	1,376.1	175.30	127.9	327.6	287.1
Department of Labor and Employment	4,750.2	4,143.6	4,659.59	4,100.0	4,705.8	4,176.5
Department of National Defense	13,863.7	12,951.7	754.73	1,022.1	677.5	665.3
Department of Public Works and Highways	49.0	2.2	49.54	2.2	50.04	2.2
Department of Science and Technology	1,576.0	1,266.2	1,259.90	1,266.5	873.8	817.3
Department of Social Welfare and Development	1,778.7	1,524.9	249.76	583.3	18.8	30.9
Department of Tourism	246.1	265.4	163.76	227.5	163.8	228.5
Department of Trade and Industry	718.4	497.6	844.47	900.4	890.1	898.6
Department of Transportation	806.1	682.0	4,531.63	3,931.3	1,103.4	1,107.7
National Economic and Development Authority	1,704.3	396.1	90.12	548.8	1,150.6	356.2
Presidential Communications Operations Office	1,772.1	1,514.7	1,656.08	1,403.5	1,674.9	1,377.8
Other Executive Offices	2,119.0	1,875.7	2,221.60	2,044.4	2,298.6	2,076.1
The Judiciary	5,832.1	4,126.5	5,976.18	4,036.3	5,297.5	3,718.3
Civil Service Commission	201.6	86.7	232.13	105.9	263.4	119.3
Commission on Audit	196.4	139.5	108.00	51.7	157.1	109.5
Commission on Elections	162.8	73.1	179.05	75.8	191.4	80.2
Office of the Ombudsman	7.4	_	7.00	_	7.0	_
Metropolitan Manila Development Authority	114.0	113.2	114.50	114.5	114.0	114.00
Total	**83,558.9**	**71,223.0**	**63,117.6**	**55,942.7**	**63,044.8**	**55,037.7**

Source: 2018 BESF, Table B.18
Note: Figures may not add up due to rounding off

G. Earmarked Revenues

Earmarked revenues refer to dedicated or identified revenues required by statute to be used for designated activities, benefits, or purposes, and which must be accounted for separately from the government's general revenues.[15] For 2018, projected inflows will amount to PhP85.1 billion, of which PhP60.2 billion, or 70.4 percent, is programmed to be spent for specific programs and purposes. These program inflows are 7.7 percent lower than the PhP92.2 billion program for 2017, while the projected utilization (expenditures) represents a decline equivalent to 3.1 percent, from PhP62.1 billion in 2017.

A great chunk of earmarked revenues, amounting to PhP59.8 billion, will come from the Special Accounts in the General Fund (SAGF), representing 70.3 percent of the total earmarked revenues. Of this amount, PhP34.9 billion will be used by various government agencies and corporations. The SAGF is a fund whereby proceeds of specific revenue measures and grants earmarked by law for specific priority projects are recorded.[16]

The PhP22.6 billion expected total inflows of the Department of Energy (DOE) will primarily come from its earnings from the Malampaya gas-to-power operations (PhP16.2 billion), coal production activities (PhP5.5 billion), and geothermal operations (PhP323 million), among others. The corresponding utilization of these funds will reach PhP10.9 billion, or 36.1 percent higher than this year's program of PhP8.0 billion, to develop and exploit energy resources such as natural gas, coal, geothermal, hydro and wind power.

Reflective of the commitment of the Duterte Administration to fast track infrastructure development, earmarked revenues for the Department of Public Works and Highways from the Motor Vehicle User's Charge (MVUC) are targeted to be fully utilized in 2017, and this trend will continue in 2018. With expected earmarked revenues of PhP12.1 billion, but higher corresponding expenditures of PhP12.3 billion in 2018, the government will tap the still unused MVUC funds accumulated in 2016.

Meanwhile, Use of Income in the General Fund of agencies and corporations will reach PhP25.3 billion in 2018, which is 22.1 percent lower compared to this year's program of PhP32.5 billion. Likewise, program utilization will also decrease by the same percentage level in 2018, from PhP32.5 billion in 2017 to PhPP25.3 billion.

The PhP23.1 billion Special Shares of LGUs from collections of the DOE, Bureau of Internal Revenue, Mines and Geosciences Bureau, and the Department of Environment and Natural Resources will constitute 91.3 percent of the total inflows under Use of Income. Sources of these inflows, among others, will come from the 15.0 percent of excise tax collections on Virginia Tobacco (PhP12.9 billion); 20.0 percent of 50.0 percent of VAT collections by cities and municipalities (PhP3.3 billion); and 15.0 percent of the incremental revenue collected from excise tax on Burley and other native tobacco products (PhP2.9 billion).

Although earmarked revenues can serve as a tool to protect priority programs from changing leadership, priorities, and political bargaining, these can also become a source of inflexibility in managing fiscal affairs and non-transparency of the budget, especially when the increasing earmarked revenues are not being fully utilized, thereby exacerbating the problem of an increasing balance of unutilized funds.

For this reason, the Duterte Administration is proposing a reform aimed at addressing this increasing balance of earmarked revenues, which now stands at PhP354.9 billion as of December 31, 2016. Under the proposed Budget Reform Bill, all laws authorizing the establishment of SAGFs should be governed by sunset provisions of a maximum of three years. If no period will be specified in the law, the effectivity will depend on the fulfilment of the purpose for which said special account was authorized or for three years, whichever comes earlier. To avoid unnecessary ballooning of unutilized earmarked revenues, especially those with large inflows, these are now proposed to be treated as Trust Funds and are recorded only as revenue inflow in the General Fund when programmed to be spent for the year.

For the Use of Income in the General Fund, this will be subjected to careful monitoring and scrutiny, and failure to report on these funds or income at the end of a reporting period will render as void in subsequent reporting periods all disbursements charged against these earmarked revenues. The responsible official will also be liable under existing laws.

The Permanent Committee[17] established under Executive Order No. 292, s. 1987 (Administrative Code of 1987) will evaluate all existing SAGFs and special funds based on the foregoing requirements, and eventually recommend for approval of the President the modification and/or termination of these funds as may be necessary.

Table 10. Earmarked Revenues, 2017-2018
(in million Pesos)

Department/Agency/Fund	2017 Program		2018 Proposed	
	Revenues	Expenditures	Revenues	Expenditures
Use of Income, General Fund	32,498	32,493	25,310	25,302
Special Accounts in the General Fund	59,726	29,633	59,826	34,859
Total	**92,223**	**62,125**	**85,135**	**60,161**

Endnotes

[1] Jacobs, D., Helis, J. & Bouley D. (2009). *Budget Classification. International Monetary Fund Technical Notes and Manuals.* Retrieved from https://www.imf.org/external/pubs/ft/tnm/2009/tnm0906.pdf

[2] Crocker, Robert (2006). *Human Capital Development and Education. Canadian Policy Research Networks. School of Policy Studies.* Retrieved from http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid

[3] Asian Development Bank. (2003). *Our Framework: Policies and Strategies on Social Protection.* Retrieved from https://www.adb.org/sites/default/files/institutional-document/32100/social-protection.pdf

[4] This consists of the allocation for the 4Ps (CCT) being implemented by DSWD amounting to PhP89.4 billion and Landbank's targeted CCT for poor families amounting to PhP24.5 billion to mitigate the impact of the Tax Reform Program.

[5] United Nations Statistics Division. *Classification of the Functions of Government (COFOG) Detailed Structure and Explanatory Notes.* Retrieved from https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4

[6] National Economic and Development Authority. (2017). *Philippine Development Plan 2017-2022.*

[7] Based on the COFOG Detailed Structure and Explanatory Notes, this Sector covers the administration of housing development affairs and services; promotion, monitoring and evaluation of housing development activities whether or not the activities are under the auspices of public authorities; development and regulation of housing standards; slum clearance related to provision of housing; acquisition of land needed for construction of dwellings; construction or purchase and remodelling of dwelling units for the general public or for people with special needs; production and dissemination of public information, technical documentation and statistics on housing development affairs and services; and grants, loans or subsidies to support the expansion, improvement or maintenance of the housing stock. It does not include socialized/low-cost housing.

[8] Philippine Statistics Authority. (2015). *Full Year Poverty Statistics.* Retrieved from https://psa.gov.ph/content/ poverty-incidence-among-filipinos-registered-2016-2015-psa

[9] Article XIV, Section 5.5 of the 1987 Constitution provides that "The State shall assign the highest budgetary priority to education . . .".

[10] National Economic and Development Authority. (2017). *Philippine Development Plan 2017-2022, p. 321.*

[11] Department of Budget and Management. (2016). *Kwento sa Bawat Kwenta: A Story of Budget and Management Reforms 2010-2016. p. 208*

[12] Ibid.

[13] *Primer on the Unified Accounts Code Structure.* Retrieved from http://www.dbm.gov.ph/wp-content/uploads/UACS/UACS%20Primer.pdf

[14] Republic Act No. 8292 allows SUCs to generate their own incomes and use the same to augment their budgets.

[15] BESF FY2018

[16] Ibid.

[17] Consists of the Secretary of Finance as Chairman, and the Secretary of Budget and Management and the Chairman of the Commission on Audit, as Members.

IV. Expenditure Priorities

Realizing the National Vision

"The Philippines shall be a country where all citizens are free from hunger and poverty, have equal opportunities, enabled by fair and just society that is governed with order and unity. A nation where families live together, thriving in vibrant, culturally diverse, and resilient communities."

- Philippine Development Plan 2017-2022

A country where people feel safe and secure, where no one is poor and hungry, and families flourish in a high-trust society. This is the ideal Philippines that many Filipinos aspire for, as reported by and reflected in *AmBisyon Natin 2040*.

Approved and issued through Executive Order (E.O.) No. 5, signed on October 11, 2016, *AmBisyon Natin 2040* acknowledges the long-term vision of the Filipino people over the next 25 years – a vision based on responses to a nationwide survey conducted by the National Economic and Development Authority (NEDA), which sought a collective answer to the question *"Where do we want to be?"*[1]

Having obtained an answer, and aiming to translate this vision into reality, the Duterte Administration crafted the National Budget for Fiscal Year (FY) 2018 to be the primary tool to jumpstart *AmBisyon Natin 2040*, by advancing its 0+10-Point Socioeconomic Agenda, anchored on the Philippine Development Plan (PDP) 2017-2022. As the first budget fully crafted by the Duterte Administration, the 2018 Budget is dedicated to reform and transform, in the pursuit of real change.

Guided by the principles of fiscal discipline, allocative and operational efficiency, the 2018 Budget will be a key instrument in achieving the following targets indicated in the PDP, hinged on the United Nations' Sustainable Development Goals (SDGs): 1) Strengthen gross domestic product (GDP) growth at 7 to 8 percent in the medium term; 2) Slash the poverty rate from 21.6 percent to 14 percent by 2022; 3) Reduce the unemployment rate from 5.5 percent to 3 to 5 percent by 2022; 4) Restore trust in government and in society; 5) Increase the resilience of individuals and communities; and (6) Boost innovation.[2]

The Budget will fund the priority programs and projects of the Duterte Administration, which the PDP has grouped under the following five pillars, also corresponding to the strategies to be pursued by government: 1) Enhancing the social fabric *("Malasakit")*; 2) Inequality-reducing transformation *("Pagbabago")*; 3) Increasing growth potential *("Patuloy na pag-unlad")*; 4) Enabling and supportive economic environment; and, 5) Maintaining the foundations for sustainable development.

As a budget that reforms and transforms, the 2018 Budget will push for reforms to address gaps and failures in governance, thereby aiming to transform the Philippines into a nation that ensures inclusive growth, inspires high trust in society, and promotes a globally competitive economy.

Endnotes

[1] Executive Order No. 05, s. 2016. (2016, October 12). *Approving and Adopting the Twenty-Five Year Long Term Vision Entitled Ambisyon Natin 2040 as Guide for Development Planning.* Retrieved from http://www.officialgazette.gov.ph

[2] NEDA. (2017). *Philippine Development Plan 2017-2022*.

1. Enhancing the Social Fabric

A. Ensuring People-Centered, Clean, and Efficient Governance

"Ang malasakit ng aking pamahalaan ay di matatawaran."
- President Rodrigo Roa Duterte, 2018 President's Budget Message

According to a survey conducted by the National Economic and Development Authority (NEDA), Filipinos generally hope to lead a simple and comfortable life.[1] Aiming to address this expressed desire, the Duterte Administration formulated the Philippine Development Plan (PDP) 2017-2022 focused on achieving the Filipinos' collective aspiration for a *"matatag, maginhawa, at panatag na buhay."*

In the words of Secretary Benjamin E. Diokno of the Department of Budget and Management (DBM), the 2018 Budget "contains the narrative of our citizens," and should serve the Filipinos. Thus, the obvious and primary focus of the Budget is on investment in the country's greatest resource – its people. It will fund programs geared towards enhancing the social fabric as defined under one of the pillars in the PDP, "*malasakit.*" Under this pillar, the government aims to establish a high-trust society based on people-centered, clean, and efficient governance.

In a trusting society, people are actively engaged in serving the community and doing volunteer work. Where trust is high, crime and corruption are low, thus opening up more opportunities for inclusive development. Likewise, a high-trust society facilitates the efficient management of business transactions and the timely delivery of goods and services to the public by the government.

Erosion of Faith in the Government

The goal of *AmBisyon Natin 2040* is for the Philippines, by 2040, to be *"a prosperous, predominantly middle-class society where no one is poor... (and where) people will enjoy long and healthy lives, are smart and innovative, and will live in a high-trust society."*

The statement acknowledges that Filipinos do not currently live in a high-trust society. It reflects the findings of the 2015 Philippine Trust Index (PTI), which reveal that the government is one of the least trusted institutions in society as perceived by Filipinos.[2]

Several factors have been cited as the bases for the citizens' low confidence in government, not the least of which is corruption. To address this, a number of significant initiatives and efforts had been undertaken in the past, aimed at increasing transparency, citizen engagement, and accountability. Most prominent among these were the passage of the Anti-Red Tape Act (ARTA) of 2007 and the conduct of the Citizen Participatory Audit (CPA), an anti-corruption initiative of the Commission on Audit (COA) and partner civil society organizations (CSOs) which won the country an international award in 2013.[3]

As a result of these moves, the country improved its global standing in the Worldwide Governance Indicators (WGI) in 2015, but still lagged behind most of its neighbors in the Association of Southeast Asian Nations (ASEAN). Corruption continued to be an issue as the Philippines' global rank slipped from 95th out of 168 countries in 2015, to 101st out of 176 countries in the 2016 Corruption Perception Index (CPI).[4]

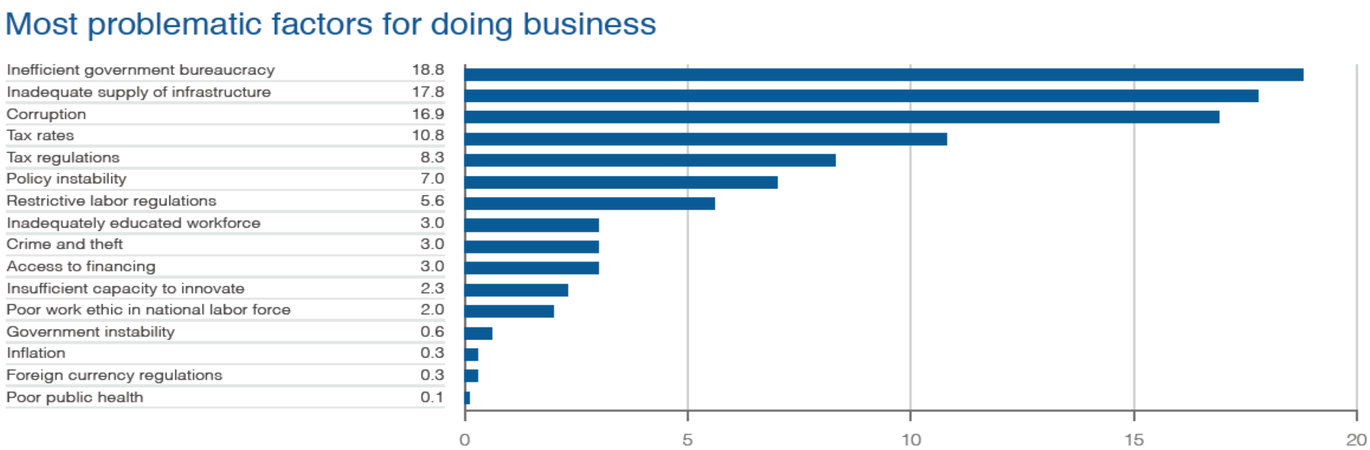
Another reason cited for the Filipinos' low trust in government is inefficiency in the bureaucracy, leading to the slow delivery of public goods and services. This is the most problematic factor for doing business in the country, according to the 2016-2017 Global Competitiveness Index (GCI) shown in Figure 1. Despite the President's directive that the process for securing a business permit should not exceed three (3) days, the Ease of Doing Business (EODB) Report of the World Bank showed that, in the Philippines, the process actually takes up to 28 days.[5]

Table 1. Philippines' Performance in the Worldwide Governance Indicators (WGI) vs. Selected ASEAN Countries, 2013-2015[6]

Country	Control of Corruption			Government Effectiveness			Voice and Accountability		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Singapore	96.7	97.1	97.1	99.5	100.0	100.0	52.6	44.8	42.9
Malaysia	68.3	68.3	65.9	79.2	83.7	76.9	38.5	37.9	36.5
Thailand	49.3	42.3	43.8	62.1	64.9	65.9	33.8	25.1	23.7
Philippines	43.1	39.9	41.8	59.2	61.5	57.7	47.9	52.7	51.7
Vietnam	36.5	37.5	39.4	46.5	52.4	55.3	11.7	9.9	10.8
Indonesia	30.8	34.1	38.5	47.4	54.8	46.2	49.3	51.2	52.2

Source: The World Bank (WB)

Figure 1. Most Problematic Factors for Doing Business in the Philippines as Identified in the 2016-2017 Global Competitiveness Index (GCI)



Source: World Economic Forum (WEF)

Regaining the People's Trust

Restoring mutual trust between the citizens and the government is a crucial step towards the achievement of one of the Filipinos' national ambitions. Recognizing this, the Duterte Administration aims to curb corruption, enhance service delivery by streamlining government operations, improve governance, strengthen the civil service, and fully engage and empower the citizens.

In line with these objectives, the 2018 Budget will fund programs and projects that promote a clean, efficient, and people-centered governance to regain the public's faith in the government and its institutions, as shown in Table 2.

Table 2. Major Programs and Projects to Enhance the Social Fabric, 2016-2018
(in billion Pesos)

Programs and Projects	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Reducing Corruption			
Office of the Ombudsman (OMB)	**2.1**	**2.3**	**2.6**
Of which:			
Anti-Corruption Investigation Program	0.3	0.4	0.5
Anti-Corruption Enforcement Program	0.2	0.3	0.3
Achieving Seamless Service Delivery			
Department of Information and Communications Technology (DICT)	**3.7**	**3.6**	**6.9**
Of which:			
Free Public Wi-Fi Internet	1.7	1.8	1.7
National Broadband Program	-	-	1.2
Local Government Support Fund	**19.1**	**39.8**	**51.3**
Of which:			
Assistance to Municipalities	11.7	19.4	21.4
Conditional Matching Grant to Provinces for Road Repair, Rehabilitation, and Improvement	6.5	18.0	18.0
Enhancing Administrative Governance			
Implementation of the Rightsizing the Government Program	-	-	10.0
Improving Citizen Engagement and Strengthening the Civil Service			
Civil Service Commission (CSC)	**1.3**	**1.4**	**1.6**
Of which:			
Implementation of the Public Assistance and Contact Center ng Bayan (CCB) Project	0.02	0.02	0.03
Civil Service Professionalization and Workplace Cooperation Program	0.4	0.5	0.5

Sources: 2016-2017 General Appropriations Act (GAA); 2018 National Expenditure Program (NEP); Select Updated Budget of Expenditures and Sources of Financing (BESF) Tables based on FY 2016-2017 GAA, Tables B.12 and B.14; 2018 BESF Tables, Table B.10

Reducing Corruption

At the core of the Administration's economic agenda is the war against crime and corruption. In line with the UN's SDG of "reducing corruption and bribery in all forms," the 2018 Budget will fund the following programs, projects, and strategies:

Implementing prevention measures. The Integrity Management Program (IMP), established by virtue of Executive Order (E.O.) No. 176, s. 2015[7], is the government's flagship anti-corruption program which seeks to build and sustain a culture of integrity in the public sector. It adopts as framework the anti-corruption measures and practices set by the United Nations Convention Against Corruption (UNCAC) treaty, signed by the Philippines in 2003.[8]

The Office of the Ombudsman (OMB), along with the Office of the President (OP), oversees the full implementation of the IMP. For 2018, a total of PhP2.6 billion, 13 percent higher than the 2017 level of PhP2.3 billion, is earmarked for the OMB as the main body tasked to crack down on graft and corruption within the bureaucracy *(refer to Table 3)*.

With this budget, the OMB targets to resolve and act on 77 percent of grievances and requests for assistance, complete 20 percent of fact-finding investigations and lifestyle checks, and prosecute 17.9 percent of criminal and administrative cases in 2018.

Table 3. Allocations for the Office of the Ombudsman, 2016-2018
(in million Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Total OMB Budget	**2,063**	**2,299**	**2,588**
Of which:			
Anti-Corruption Investigation Program	346	442	501
Anti-Corruption Enforcement Program	211	258	317
Ombudsman Public Assistance Program	56	60	59
Corruption Prevention Program	48	58	59

Sources: 2016-2017 GAA; Select Updated BESF Tables based on FY 2016-2017 GAA, Tables B.12 and B.14; 2018 BESF Tables; 2018 NEP

Under the Anti-Corruption Investigation Program of the OMB *(See Table 4)*, PhP494 million has been allotted for fact-finding investigations and lifestyle checks for case build-up against certain public officials and employees, 11.8 percent higher than the 2017 allocation of PhP442 million. PhP7 million will be allotted to carry out preliminary investigation procedures for criminal and forfeiture cases against certain government personnel.

Table 4. Proposed Allocations under the Anti-Corruption Investigation Program for 2018
(in million Pesos)

Particulars	Amount
Anti-Corruption Investigation Program	**501**
Conduct of fact-finding investigation and lifestyle check for case build-up against public officials and employees	494
Preliminary investigation of criminal and forfeiture cases against certain public officials and employees	7

Source: 2018 NEP

For its Anti-Corruption Enforcement Program *(refer to Table 5)*, the OMB has earmarked PhP93 million for adjudication of 40 percent of administrative cases filed against certain public officials. A budget of PhP207 million, 21 percent higher than the PhP171 million provided in 2017, will be used to prosecute a total of 21 percent of criminal and forfeiture cases filed against certain civil servants with the Sandiganbayan and Regional Trial Courts.

Table 5. Proposed Allocations under the Anti-Corruption Enforcement Program for 2018
(in million Pesos)

Particulars	Amount
Anti-Corruption Enforcement Program	**317**
Of which:	
Adjudication of administrative cases against erring public officials to enforce anti-corruption laws	93
Prosecution of criminal and forfeiture cases filed against erring public officials with the Sandiganbayan and Regional Trial Courts	207

Source: 2018 NEP

Promoting public awareness on anti-corruption drives. Every individual, sector, and society must stand united against corruption. Schools, organizations, the media, and all other means should be tapped to encourage citizens to report corrupt practices.

In pursuit of transparency and good governance, the OMB launched Integrity Caravans to educate the public and private sectors on its various anti-corruption programs. The Graft and Corruption Prevention Education Teaching Exemplars (GCPE) Program is being implemented to instill positive values among students.

The Integrity, Transparency, and Accountability Program (ITAP), on the other hand, involves public lectures on anti-corruption.[9] Of the total budget of the OMB, PhP21 million will be allotted for the development of strategic integrity promotion programs to raise community awareness on how to fight graft and corruption.

Achieving Seamless Service Delivery

Despite the implementation of several anti-red tape measures, public complaints on slow government processes still persist. To address the issue, the CSC released Memorandum Circular No. 14, s. 2016, directing government agencies to streamline key frontline services and business processes by reducing the requirements and processing time of applications. Strategies on streamlining involve the adoption of a whole-of-government approach in delivering key services, such as the following:

"One Digitized Government, One Nation". Aiming to further improve government processes in order to deliver better services to citizens and businesses, the Department of Information and Communications Technology (DICT) and the Advanced Science and Technology Institute of the Department of Science and Technology (DOST-ASTI) launched the Integrated Government Philippines (iGovPhil) Program, hinged on the eGovernment Master Plan (eGMP). One of the main goals of the Program is to enable government offices to operate as one by exchanging information, materials, and services through a common data platform.[10]

The DICT, tasked to improve collaboration and data exchange among government agencies, has been granted a 91.7 percent increase in its budget – from PhP3.6 billion in 2017 to PhP6.9 billion in 2018. Through its budget, the DICT targets to lift the country's ranking in the Global E-Government Development Index (EGDI)[11], from 71st out of 193 countries in 2016, to the top 60 among all countries to be surveyed by 2022.

Of the total provision for the DICT, PhP4.3 billion will be allotted for the development and management of ICT systems and infrastructure in the country, including the National Government Data Center (NGDC). The NGDC provides centralized servers and storage facilities to foster the exchange of information among government agencies. It acts as the launching point for government services, such as cloud computing, web hosting, server colocation, and other operations.

The DICT will allot PhP242 million for the NGDC infrastructure, which currently consists of two data centers. As of March 2017, 12 government agencies are served in NGDC 1, and six (6) in NGDC 2. Site inspection and assessment have already been completed for the construction of an NGDC 3.

"One Connected Government". The DICT, through the iGovPhil, is pushing for the creation of a National Government Portal (NGP) to provide the public with a one-stop shop for online government services. The NGP will eliminate the need to physically visit government offices or access multiple agencies' websites in order to transact business or request services. The centralized portal will allow individuals to make online transactions – from filling out forms to payment.

The DICT will allot PhP422 million to ensure a 100 percent production ready NGP, migrate 100 percent of public documents into the gov.ph portal, allow 10 percent integration of Government Web Hosting Service (GWHS), provide 10 percent accessibility of top 10 eServices, and make 40 percent of common and shared services available through the portal.[12]

To move closer to its goal of national connectivity, the DICT will allocate PhP1.2 billion for the implementation of the National Broadband Program (NBP). Through the accelerated deployment of fibre optic cables and wireless technologies, the NBP will be able to improve internet speed and provide broadband internet service that is accessible anytime and anywhere.

With the allocated budget, the DICT targets to connect 30 percent of municipalities, public schools, and rural health units to the broadband.

Developing digitally-abled citizens in various sectors of the community is one of the many goals of the DICT. As such, it launched the Expanded Technology for Education, Employment, Entrepreneurs, and Economic Development (Tech4ED) Program which aims to provide e-government and ICT-related services to communities with limited or no access to government services.[13]

Table 6. Allocations for the DICT, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Total DICT Budget	**PhP3.7 B**	**PhP3.6 B**	**PhP6.9 B**
Of which:			
Particulars (2018 Budget)		**Amount**	
Free Wi-Fi Internet Access in Public Places		PhP1.7 B	
National Broadband Program (NBP)		PhP1.2 B	
National Government Portal (NGP)		PhP422 M	
Technology Empowerment for Education, Employment, Entrepreneurship, and Economic Development (Tech4ED) Project		PhP206 M	
National Government Data Center (NGDC)		PhP242 M	
Development of Integrated Business Permits and Licensing System (IBPLS)		PhP56 M	

Sources: Select Updated BESF Tables based on FY 2016-2017 GAA, Tables B.12 and B.14; 2018 BESF Tables, Table B.10; 2018 NEP

From 2015 to 2016, the DICT established 864 Tech4ED centers nationwide and 35,824 users have been registered to the Tech4ED platform. More than 2,800 center managers have likewise been trained in the 114 trainings conducted.

With a budget of PhP206 million for the Tech4ED program, the DICT aims to partner with local government units (LGUs) to establish 1,000 new Tech4ED centers, 10 Technology Business Incubation Centers, and 10 internet training centers; train 3,000 center managers; and conduct Tech4ED advocacy and launching events involving 8,500 participants.

In addition to this, to enhance the accessibility of government services, the DICT will allocate PhP1.7 billion to provide free Wi-Fi internet access in 5,308 sites. As of May 3, 2017, a total of 290 live sites have been connected to the free public Wi-Fi network.

Simplifying government transactions. To improve efficiency and prevent graft and corruption in the delivery of government services, the Anti-Red Tape Act (ARTA) was signed into law on June 2, 2007. The Act requires all government offices to identify their frontline services, limit the number of signatures of officials and employees on certain transactions to a maximum of five (5), and act on requests within five (5) to ten (10) working days.

Currently, under the directive of President Duterte, LGUs are required to further streamline business permits and licensing systems using revised standards. As indicated in Joint Memorandum Circular No. 01, s. 2016 (Revised Standards in Processing Business Permits and Licenses in All Cities and Municipalities), the standard processing time for business registrations should not exceed one (1) to two (2) days for new business permit applications and one (1) day for renewals.[14]

To monitor agencies' compliance with this directive, the Civil Service Commission (CSC) expanded the scope of its ARTA Report Card Survey (RCS) from 50 frontline agencies in 2010 to 1,109 agencies in 2016. The survey rates the services of government offices according to their compliance with the ARTA provisions as well as with the overall client satisfaction. In 2016, the ARTA RCS revealed that most of the government offices surveyed obtained an average rating of Good[15], obtaining a rating of between 80 to 89.99.[16]

Since there is much room for improvement, the CSC will allot PhP38 million from its 2018 budget to strengthen the implementation of the ARTA in government agencies.

For easier and faster transactions at the local level, the DICT launched the Integrated Business Permits and Licensing System (IBPLS) Project to integrate barangay clearances, building permits, and sanitary permit processing systems into the business permitting process of LGUs. The government has allotted PhP56 million for the implementation of the IBPLS Project in 40 LGUs.

Enabling responsive and responsible local governments. To meet the rising public demand for quality delivery of services, the government provides additional financial support for LGUs to implement their priority programs and projects, under the Local Government Support Fund (LGSF). This is in line with Republic Act (R.A.) No. 7160 ("Local Government Code of 1991") which requires LGUs to provide basic services and facilities, such as barangay/municipal/provincial roads and bridges, to meet the needs of their constituents.[17]

The LGSF confers conditional cash grants to LGUs that comply with the: 1) requirements of Good Financial Housekeeping under the DILG Seal of Good Local Governance; 2) requirements of the DILG Local Development Council functionality assessment; and 3) evaluation of public financial management (PFM) systems and adoption of PFM improvement measures.[18]

Allocations under the LGSF include: 1) Financial Assistance to LGUs; 2) Assistance to Municipalities; 3) Assistance to Cities; and 4) Conditional Matching Grant to Provinces for Road Repair, Rehabilitation, and Improvement (CMGP).

Table 7. Allocations under the Local Government Support Fund (LGSF), 2016-2018
(in billion Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Total LGSF	**19.1**	**39.8**	**51.3**
Of which:			
Financial Assistance to LGUs	0.9	2.3	6.0
Assistance to Municipalities*	11.7	19.4	21.4
Assistance to Cities	-	-	5.0
Conditional Matching Grant to Provinces for Road Repair, Rehabilitation, and Improvement (CMGP)	6.5	18.0	18.0

Sources: 2016-2017 GAA; Select Updated BESF Tables based on FY 2016-2017 GAA, Tables B.11 and B.13; 2018 BESF Tables, Table B.10; 2018 NEP
Note: Figures may not add up due to rounding off.
** Formerly Assistance to Disadvantaged Municipalities*

The proposed 2018 budget of PhP21.4 billion for Assistance to Municipalities, 10 percent higher than the 2017 allocation, will cover 1,373 municipalities and finance 4,440 projects limited to the construction of local access roads, local bridges, potable water systems, evacuation centers and disaster risk reduction related equipment, small water impounding projects, rainwater catchment facilities, sanitation and health facilities, and municipal drug rehabilitation facilities.

In addition, PhP5.0 billion will be provided for Assistance to Cities, to be used in the following projects:

- Enrichment of open space creating sustainable and livable urban environment through turfing, landscaping, and green space architecture;

- Establishment of pocket forest parks, arboretum, and botanical gardens;
- Transformation of streetscape such as installation of eco-friendly street furniture, fixtures, and shading;
- Augmentation of connectivity and accessibility such as construction of eco-friendly bike lanes and walkways; and
- Green infrastructure enhancements such as treeplanting, construction of bioswales, and pervious surfaces.

To upgrade the state of provincial roads nationwide, PhP18.0 billion is provided for the Conditional Matching Grant to Provinces (CMGP) for road repair, rehabilitation, and improvement to facilitate the transport of goods from production areas to markets and of tourists to their destinations.

Implementing the National Identification System. The Philippines is one of nine (9) countries without a national ID system.[19] House Bill No. 6221, or the "Filipino Identification System Act", was filed in 2016 and approved by the House Committee on Population and Family Relations in 2017. It seeks to establish a Filipino Identification System with a view to improve public services and cut down red tape in government transactions.

The Filipino Identification System provides for the issuance of a Filipino Identification Card or a national ID for all citizens to be used in all public and private transactions requiring proof of identity. The national ID is intended to function as a social welfare card and replace all government-issued IDs, except the driver's license and passport.[20]

With a PhP2.0 billion allocation, the Philippine Statistics Authority (PSA) is set to implement the Filipino Identification System in 2018 under the supervision of the NEDA. An E.O. is currently being drafted for the implementation of the national ID system.

The government plans to issue ID cards to 105 million Filipinos within two (2) years of the enactment of the proposed ID system. Priority will be given to senior citizens and persons with disabilities (PWDs), followed by the poorest 5.2 million households not yet covered by the Pantawid Pamilyang Pilipino Program (4Ps) of the Department of Social Welfare and Development (DSWD).

Enhancing Administrative Governance

In 2016, President Duterte issued E.O. No. 1[21] to promote a holistic, convergent, and participatory approach in governance in order to reduce poverty, improve the lives of the most vulnerable sectors of society, and make citizens as partners in real change.[22]

Rightsizing the bureaucracy. E.O. No. 1 underlined the importance of eliminating duplicative or overlapping functions in the bureaucracy to improve public service delivery. Aligned with this is the Bill on the proposed "Rightsizing of the National Government", which is intended to promote simplicity, efficiency, and effectiveness in government operations.

The total number of government agencies has increased from 176 in 2000 to 186 in 2017. Likewise, the government workforce has gone up from 1.1 million positions in 2000 to 1.6 million in 2016. Allocations for Personnel Services (PS) in 2017 reached almost 30 percent (PhP990.5 billion) of the PhP3.35 trillion National Budget. As a percentage of the total budget, this is higher than the 27 percent (PhP812 billion) allocation in 2016 and the 28.6 percent (PhP746 billion) provision in 2015.[23] According to the DBM, every PhP8.1 billion saved from manpower costs can be used to construct 344 kilometers of roads, or 6,473 classrooms, or 8,553 barangay health centers.[24]

The present Administration is dedicated to maintaining a lean, clean, and effective bureaucracy. As such, a PhP10 billion allocation is provided for the payment of the retirement benefits and separation incentives of 255,000 public personnel (16 percent of 1.6 million employees) who may be affected by the rightsizing efforts.

The proposed Rightsizing the National Government Bill will, in the words of President Duterte, "trim down the fat" in the bureaucracy and enhance the Administration's capability to deliver public services. DBM Secretary Diokno expressed confidence that the Bill will soon be passed into law as it is widely supported in Congress.[25]

A committee will be tasked to oversee the implementation of the National Rightsizing Program. It will be headed by the Executive Secretary as Chairman, the Budget and Management Secretary as Co-Chairman, with the Director-General of the NEDA, Chairperson of the CSC, and Head of the Presidential Management Staff, as members *(See Section on Governance and Budget and Management Reforms for more details).*

Strengthening the public financial management (PFM) and accountability systems. A World Bank (WB) report stressed the country's need for a more transparent and accountable public financial management (PFM) framework, including the development of an integrated financial management information system (IFMIS), to ensure fiscal responsibility, efficiency, and transparency in the government's management of public funds.[26]

Addressing this, the DBM drafted a Budget Reform Bill (BRB) which is now filed in the House of Representatives as House Bill No. 5590, and Senate Bill No. 1450 in the Senate. It aims to modernize the country's PFM system to keep it at par with international standards. The BRB seeks to strengthen the government's discipline and accountability in the use of public funds by promoting fiscal sustainability, institutionalizing a more integrated PFM system, strengthening the Congress' power of the purse, and increasing civil society participation in the budget process.

The BRB also shifts the budgeting system from obligation to cash-based, and the validity of appropriations from two (2) years to one (1) year *(See the Governance and Budget and Management Reforms Section for more discussion).*

The DBM and the Bureau of the Treasury (BTr), together with the Commission on Audit (COA), are developing the Budget and Treasury Management System (BTMS) to provide a central database for the collection and organization of government financial information.

Seen as an initial step towards the establishment of an IFMIS in the country, the BTMS is an integrated, web-based information management system to replace the existing discrete budget management, execution, accounting, and reporting systems. It aims to simplify, unify, and enhance the country's financial management processes to improve fiscal transparency and accountability in the government.

The DBM and the BTr, while both providing oversight to the development of the BTMS, will also serve as pilots in its initial rollout, with the participation of the Commission on Audit (COA) as an oversight auditing agency. The project has five phases: 1) BTMS Portal; 2) Budget Execution; 3) Treasury Management; 4) Budget Management; and 5) BTMS Integrated Solution.

In March 2017, a total of 68 regional representatives from the DBM and the BTr underwent training as the project entered its second phase.[27] The BTMS is set for full-scale implementation in the DBM and the BTr in January 2018, and for piloting in four (4) major departments during the same period.

Improving Citizen Engagement and Empowerment

The people's interest is always the government's priority. To make policies, programs, and projects more responsive to the needs of the citizens, the Duterte Administration will continue:

Promoting participatory governance. The Philippines is among the eight (8) founding members of the Open Government Partnership (OGP) initiative. One of the main objectives of the OGP is to empower citizens by giving them better access to information with the use of technology. In the implementation of the Philippines' 2015-2017 OGP National Action Plan, several reforms were implemented to enhance accountability, transparency, and citizen participation in governance, such as the Bottom-Up Budgeting and the Citizen Participatory Audit.

The first meeting of the Philippine Open Government Partnership (PH-OGP) Steering Committee under the Duterte Administration was held in October 2016 and gave birth to the drafting of the 2017-2019 OGP National Action Plan. From implementing governance reforms, the focus of the PH-OGP has shifted to co-creating and implementing new action plans and open government programs that would "make a direct positive impact on the lives of regular citizens."[28]

With civic participation as its overarching theme, the 2017-2019 PH-OGP National Action Plan contains 12 commitments; seven (7) of which are new, while five (5) are continuing commitments from the third action plan. These will be implemented by national and local government agencies and civil society organizations.

The 2017-2019 PH-OGP National Action Plan was approved on June 23, 2017 and was launched during the ASEAN Roundtable Discussion on Open Government on August 15, 2017. The said plan is available online at the OGP website (https://www.opengovpartnership.org).

Ensuring public access to information. E.O. No. 2[29], signed on July 23, 2016, was a landmark directive that paved the way for the recognition of the Freedom of Information (FOI) in the Executive Branch. Upholding the people's Constitutional right to information, the FOI grants full access to government information, documents, and records, except those protected by the Constitution, laws, or jurisprudence.[30]

E.O. No. 2 requires all government offices under the Executive Branch to submit their respective People's FOI and Agency FOI Manuals within 120 days from its issuance. To date, 148 out of 196 national government agencies (NGAs), 52 out of 143 Government-Owned and/or -Controlled Corporations (GOCCs), and 4 out of 113 State Universities and Colleges (SUCs) have their own FOI manuals.[31] By 2018, the government targets to achieve 100 percent coverage of all NGAs and GOCCs with submitted FOI manuals.

Information has been made more accessible and reader-friendly through the electronic FOI (eFOI) portal. The eFOI portal, www.foi.gov.ph, was launched as the government's platform for receiving and responding to the people's requests for information. Currently, there are a total of 154 NGAs and GOCCs onboard the eFOI.[32]

Institutionalizing response and feedback mechanisms. In his first State of the Nation Address (SONA), President Duterte discussed his plan to establish a national emergency hotline dedicated to receiving public concerns. He encouraged the public to use the Citizen's Hotline (8888), serviced by the Contact Center ng Bayan (CCB) of the CSC, to request for information and assistance, as well as to report appreciation and complaints, on government frontline services.

As the government's *"sumbungan ng bayan"* or public feedback mechanism hinged on the ARTA, the CCB serves as a centralized platform through which information from citizens are received to assist the government in evaluating its performance and improving its frontline services. From 2012 to June 2016, a total of 175,481 transactions in the form of calls, text messages, and electronic mails have been facilitated through the CCB.[33] In 2017, 2,957 out of 2,975 complaints (99 percent) received through the hotline were acted upon.

With the ultimate aim of providing excellent public service, the CSC has allotted a higher budget of PhP26 million to support the implementation of its Public Assistance and CCB Project, a 72.7 percent increase from its 2017 level. With this budget, the CSC targets to act on 100 percent of client complaints received by the CCB.

Strengthening the Civil Service

Public perception of the government is heavily influenced by the people's trust in civil servants. As the central personnel agency of the Philippine government, the CSC is mandated to promote critical public service values such as integrity, courtesy, professionalism, and excellence among civil servants.

With a total budget of PhP1.6 billion for 2018 (14.3 percent higher than the previous level of PhP1.4 billion), the CSC seeks to develop a highly competent, effective, and efficient government workforce through the following strategies:

Improvement of human resource management (HRM) systems and processes. Among the initiatives of the CSC for elevating the state of HRM in the public sector is the Program to Institutionalize Meritocracy and Excellence in HRM (PRIME-HRM). The Program aims to raise the HRM system, competencies, and practices of government agencies to a level of excellence that promotes good governance.

With an allocation of PhP4 million, the CSC targets to assist 10 percent of agencies compliant with the PRIME-HRM Systems.

Development and investing in human resources. In order to lay the foundations for developing high performing and credible public servants, the CSC will be provided PhP507 million for its Civil Service Professionalization and Workplace Cooperation Program.

Table 8. Allocations for the CSC, 2016-2018
(in million Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Total CSC Budget	**1,324**	**1,428**	**1,587**
Of which:			
Particulars (2018 Budget)	**Amount**		
Civil Service Professionalization and Workplace Cooperation Program	**507**		
Of which:			
Civil Service Professionalization Sub-program	370		
Civil Service Capability Building Sub-program	122		

Sources: Select Updated BESF Tables based on FY 2016-2017 GAA, Tables B.11 and B.13; 2018 BESF Tables, Table B.10; 2018 NEP

Of this total, PhP370 million will be allotted for the grant of eligibility, rewards, and honor awards to public employees through the Civil Service Professionalization Sub-Program. Complementing this, PhP122 million will be used for providing competency-based learning and development to hone the skills and talents of government personnel under the Civil Service Capability Building Sub-Program.

A Trusting and Corruption-free Nation

By supporting efforts that reinforce good governance, the Duterte Administration has shown its dedication to address the demands of citizens for a transparent, accountable, and responsive government. As such initiatives continue to be implemented in the coming years, the Philippines will be closer towards the long-term vision of becoming a trustworthy and corrupt-free nation – where the voices of Filipinos are heard; particularly in policy-making, budgeting, and service delivery.

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B. Pursuing Swift and Fair Administration of Justice

"Providing justice is a crucial element in enhancing the social fabric.
It serves as a deterrent to those intending to violate the law, provides recompense
and closure to the victims of those who violate the law, and gives a chance to those convicted
of violating the law to face the consequence of their action and redeem themselves in society."
- Philippine Development Plan 2017-2022

"Katarungan", the Filipino term for justice, is derived from the Visayan word *"tarong"*, meaning correct, upright, or appropriate. The Filipino concept for justice, therefore, is doing the morally right act or doing what is appropriate. Likewise, the word *"karapatan"* (right) is derived from the root word *"dapat"*, which also means fitting, appropriate, or correct. For Filipinos, the notions of justice and right are closely related as evidenced in their language.[1]

Every Filipino has the right to fair and accessible justice, as provided for by the Philippine Constitution. It is the role of the government to provide swift and fair administration of justice, especially for the poor and marginalized, in order to lay down the foundations for a trusting society.[2] Effective implementation of and adherence to the rule of law reduces corruption and poverty by promoting government accountability, inclusive development, and economic growth.

Injustice in the Philippine Justice System

Slow delivery of justice. Despite reform initiatives introduced and undertaken in the past, the Philippine justice system is still hampered by several issues and challenges, as reflected in the World Justice Project (WJP) Rule of Law Index 2016 *(See Table 1)*. The report revealed that the Philippines charted the largest drop in the East Asia and Pacific Region, going down from 51st out of 102 countries in 2015 to 70th out of 113 nations in 2016. The country got low scores in the civil and criminal justice factors due to unreasonable delays in the delivery of civil justice, ineffective and prejudiced correctional system, and delayed and ineffective settlement of criminal cases.[3]

Table 1. Performance of Selected ASEAN Countries in the WJP Rule of Law Index, 2016

Country	Score	Global Ranking
Singapore	0.82	9
Malaysia	0.54	56
Indonesia	0.52	61
Thailand	0.51	64
Vietnam	0.51	67
Philippines	0.51	70
Myanmar	0.43	98
Cambodia	0.33	112

Source: WJP Rule of Law Index 2016

Fragmentation of the justice sector. Another major issue is the fragmented structure of the Philippine justice system that has resulted in its lack of responsiveness. There is poor coordination between the different agencies under the judicial system, thereby causing inconsistencies, lapses, and delays in policy-making and other justice services.[4]

In an effort to unify the fragmented justice system and promote better collaboration between and among agencies, the Justice Sector Coordinating Council (JSCC), composed of the Supreme Court (SC), the Department of Justice (DOJ), and the Department of the Interior and Local Government (DILG), was organized in 2009 as the national inter-agency body to ensure a coordinated approach in policy-making, planning, and operations of the justice sector. The JSCC aims to ascertain that reforms implemented by the different justice sector agencies are compatible with and complement each other.

Heavy case backlogs and delays in the dispensation of cases. The Philippine justice system has been plagued with heavy case backlogs and delays in case resolutions, aggravated by the insufficient number of courts and judicial personnel, because of numerous vacancies in the Judiciary and the DOJ.[5]

State figures from 2011 to 2014 revealed that the appellate and lower courts had to deal with more than 300,000 cases annually.[6] Burdened with heavy caseloads, the courts' ability to resolve cases has been experiencing a downward trend in general, as shown below.

Table 2. Court-Case Disposition Rate by Type of Court, 2011 to 2014

Type of Court	2011	2012	2013	2014
Appellate Courts	*2.9%*	*2.7%*	*2.3%*	*1.9%*
Court of Appeals	-	-	-	-
Sandiganbayan	15.1%	8.7%	5.7%	4.4%
Court of Tax Appeals	24.6%	29.7%	28.4%	23.8%
2nd Level Courts	*23.1%*	*22.8%*	*22.0%*	*18.4%*
Regional Trial Courts	23.1%	22.8%	22.0%	18.4%
Shari'a District Courts	27.4%	36.0%	14.6%	35.4%
1st Level Courts	*32.9%*	*33.0%*	*33.6%*	*30.4%*
Metropolitan Trial Courts	28.2%	27.7%	31.3%	32.5%
Municipal Trial Courts in Cities	35.9%	36.8%	35.4%	29.0%
Municipal Trial Courts	31.8%	32.9%	32.6%	28.9%
Municipal Circuit Trial Courts	39.1%	36.4%	36.2%	30.3%
Shari'a Circuit Courts	47.5%	47.0%	30.5%	27.0%

Source: 2016 Philippine Statistical Yearbook (PSY)

There are only 2,612 courts nationwide to serve over a hundred million Filipinos. The Philippine Statistics Authority (PSA) reported that a judge in the lower courts would have an average annual workload of 644 cases, based on data analyzed from 2006 to 2009.[7]

In addition to this, there is an uneven ratio between public attorneys and courts (1:2). The required standard set by Republic Act (R.A.) No. 9406[8] is one attorney per court (1:1).[9] As of 2016, there are only 1,688 public attorneys providing free legal services in the country, each having handled an average of 511 cases during the year. Table 3 shows the number of public attorneys assigned per region[10].

Table 3. Number of Public Attorneys Assigned Per Region, 2016

Region	Number of Public Attorneys
Central Office	113
National Capital Region (NCR)	276
Cordillera Administrative Region (CAR)	51
Ilocos Region (Region I)	87
Cagayan Valley (Region II)	64
Central Luzon (Region III)	141
CALABARZON (Region IV-A)	201
MIMAROPA (Region IV-B)	44
Bicol Region (Region V)	65
Eastern Visayas (Region VI)	114
Central Visayas (Region VII)	104
Western Visayas (Region VIII)	88
Zamboanga Peninsula (Region IX)	58
Northern Mindanao (Region X)	86
Davao Region (Region XI)	58
SOCCSKSARGEN (Region XII)	61
CARAGA (Region XIII)	44
ARMM	33
Total	**1,688**

Source: Public Attorney's Office (PAO) 2016 Accomplishment Report

Congestion of prison facilities. As the number of cases filed outpaces the number of cases resolved, the problem of congestion in detention facilities worsens over time. As of January 2017, there are 131,530 detainees in 466 prisons supervised by the Bureau of Jail Management and Penology (BJMP), bringing the average overcapacity rate of BJMP jails at 544 percent.[11] More detainees are expected to add to the congestion as the Duterte Administration's war on drugs continues.

Statistics from the Bureau of Corrections (BuCor) show that the total number of inmates in its custody has reached 41,244, exceeding the total capacity of the prison and penal farm facilities under its jurisdiction, which is 19,268 prisoners. This brings the average congestion rate in the BuCor prisons to 114 percent as of July 2017 *(Table 5)*.[12]

Table 4. Jail Population and Congestion Rate of Jail Facilities under the BJMP, 2017

Region	Number of Jails	Ideal Jail Capacity	Inmate Population	Jail Congestion Rate
National Capital Region (NCR)	39	4,801	31,043	547%
Cordillera Administrative Region (CAR)	26	407	1,274	214%
Ilocos Region (Region I)	20	645	5,066	686%
Cagayan Valley (Region II)	19	566	3,392	500%
Central Luzon (Region III)	36	1,235	12,918	946%
CALABARZON (Region IV-A)	53	1,963	19,773	908%
MIMAROPA (Region IV-B)	18	237	1,185	400%
Bicol Region (Region V)	36	731	3,149	331%
Eastern Visayas (Region VI)	16	987	4,853	392%
Central Visayas (Region VII)	23	1,760	13,428	658%
Western Visayas (Region VIII)	38	447	2,608	483%
Zamboanga Peninsula (Region IX)	20	691	5,627	714%
Northern Mindanao (Region X)	23	930	5,467	488%
Davao Region (Region XI)	14	1,141	6,412	462%
SOCCSKSARGEN (Region XII)	14	812	5,750	608%
CARAGA (Region XIII)	25	593	2,966	400%
ARMM	16	275	255	-7%
Negros Island Region (NIR)*	30	2,179	6,364	192%
Total	**466**	**20,399**	**131,530**	**544%**

Source: BJMP

Note: The NIR was dissolved in August 2017 per Executive Order (E.O.) No. 38, "Revoking E.O. No. 138, s. 2015, which Created a Negros Island Region and for Other Purposes".

Table 5. Statistics of the BuCor Jail Facilities, 2017

Prison Facility	Inmate Population	Jail Capacity	Jail Congestion Rate
New Bilibid Prison (NBP)	24,823	10,082	146%
Correctional Institution for Women (CIW) – Mandaluyong	2,727	2,453	11%
Iwahig Prison and Penal Farm (IPPF)	2,335	968	141%
Davao Prison and Penal Farm (DPPF)	5,705	2,261	152%
CIW – Mindanao	321	288	11%
Sablayan Prison and Penal Farm (SPPF)	2,092	1,405	49%
San Ramon Prison and Penal Farm (SRPPF)	1,438	799	80%
Leyte Regional Prison (LRP)	1,712	1,012	69%
Total	**41,244**	**19,268**	**115%**

Source: BuCor

Table 6. Trend of Guard-to-Inmate Ratio, 2015-2017

Year	Inmate Population	Authorized Custodial Position	Number of Filled Positions	Actual Guard to Inmate Ratio
2015	41,432	2,211	2,037	1:61
2016	41,426	2,211	1,976	1:63
2017	41,244	2,211	1,917	1:65

Source: BuCor

As a result, the current number of jail guards is not sufficient to manage the large inmate population. As of July 2017, there are 1,917 guards to handle 41,244 prisoners, bringing the ratio to one (1) jail guard per 65 inmates.[13]

Lack of trust and awareness in the justice system. Due to poor coordination among agencies, resulting in blame-passing and dismissal of cases, the public sees the country's justice system as slow and inefficient.[14]

The Philippines got a low ranking of 101st among 176 nations in the 2016 Corruption Perception Index (CPI), garnering a score of 35 on a scale of 0 (highly corrupt) to 100 (very clean). Transparency International (TI) explained that lower-ranked countries are "plagued by untrustworthy and badly functioning public institutions like the police and judiciary", while higher-ranked countries have "stronger standards of integrity on government officials and independent judicial systems."

In recent years, the Supreme Court (SC), as an institution, has gained a positive image in fighting corruption.[15] According to a nationwide performance and trust survey conducted by Pulse Asia Research, the SC registered a majority approval rating of 58 percent. It has a 60 percent majority trust score in Metro Manila, 61 percent in the Visayas, and 68 percent in Mindanao.[16]

It is evident that more efforts are needed to crack down on corruption and restore the public's confidence in the justice system.

Answering the Call for Justice

Various initiatives and partnerships with international organizations have been undertaken by the government to push for judicial reforms in the Philippines. For example, the Action Program for Judicial Reform (2001-2006) was implemented by the SC, with a vision to establish an independent, effective, and pro-poor Judiciary. With support from the European Union (EU), the government launched the Access to Justice for the Poor Programme (2006-2008), the EU-Philippines Justice Support Programme (EPJUST) (2009-2011), and the EPJUST-II Programme (2012-2016). These EU-funded projects aimed to strengthen the pillars of justice in the Philippines.

Some of the accomplishments of these EU-funded initiatives included providing better access to the justice system for the poor, hastening the trial of enforced disappearances and extrajudicial killings, strengthening the JSCC as the central body for implementing justice reforms, and supporting the creation of more justice zones[17] in the country.

Building on the successes of these reforms, the EU, together with the SC, DOJ, and DILG, commenced the PhP850 million Governance in Justice (GOJUST) Program, which has four components: 1) Institutionalize the JSCC as the national justice coordinating and policy making body; 2) Improve the delivery of justice by decongesting courts and streamlining and digitizing case management systems; 3) Strengthen administrative and financial management systems of the Judiciary and the DOJ; and 4) Empower national human rights groups and civil society organizations (CSOs).[18]

In support of these efforts, the government continues to allot funding for its justice reform programs. The budget for the Judiciary rose by 29.9 percent, from PhP26.8 billion in 2016 to PhP34.8 billion in 2018. Likewise, the budget for the DOJ expanded by 34.1 percent, from PhP13.8 billion in 2016 to PhP18.5 billion in 2018.

Table 7. Major Programs and Projects to Ensure Fair and Swift Justice, 2016-2018
(in billion Pesos)

Programs and Projects	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Addressing Case Backlogs			
Department of Justice (DOJ)	**13.8**	**16.6**	**18.5**
Of which:			
Investigation Services under the National Bureau of Investigation (NBI)	1.2	1.5	1.5
Free Legal Services to Indigents and Other Qualified Persons through the Public Attorney's Office (PAO)	2.1	2.7	3.2
The Judiciary	**26.8**	**32.8**	**34.8**
Of which:			
Operations of the SC and the Lower Courts	23.9	27.5	28.8
Construction of New SC Building in Fort Bonifacio	0.1	1.4	1.5
Construction of Halls of Justice (HOJ) under the Justice Infrastructure Program (JUSIP)	0.2	0.9	0.9
Decongesting Penal Facilities			
Bureau of Corrections (BuCor)	**2.0**	**2.4**	**2.4**
Of which:			
Prisoners Custody and Safekeeping Program	1.3	1.6	1.43
Bureau of Jail Management and Penology (BJMP)	8.1	11.6	14.3
Of which:			
Inmates' Safekeeping and Development Program	7.4	10.7	13.3
Cultivating Public Awareness and Trust in the Justice System			
Sandiganbayan	0.6	0.7	0.6
Ombudsman (OMB)	2.0	2.3	2.6
Witness Protection Program (DOJ)	0.2	0.2	0.2
Victims Compensation Program (DOJ)	0.02	0.02	0.02

Sources: 2016-2017 General Appropriations Act (GAA); 2018 National Expenditure Program (NEP); Select Updated Budget of Expenditures and Sources of Financing (BESF) Tables based on FY 2016-2017 GAA, Tables B.12 and B.14; 2018 BESF Tables, Table B.10

By allocating more funds to the justice sector, the government shows its commitment to deliver speedy and impartial justice for its people. Aligned with the United Nations' (UN) Sustainable Development Goals (SDGs), the 2018 Budget will fund programs and projects to make the Philippine justice system more effective and accessible, especially to the poor and marginalized.

Addressing case backlogs through a coordinated justice system manned by dedicated and competent justice personnel. Constant delays in case resolutions manifest the inefficiency of the Philippine justice system and the government as a whole. As a member of the JSCC, the DOJ will receive a budget of PhP18.5 billion to ensure the effective and efficient administration of justice for all, in coordination with the SC and the DILG.

The amount is greater than its 2017 level by 11.4 percent, and will provide PhP162 million for legal services, PhP1.5 billion for investigation services under the National Bureau of Investigation (NBI), and PhP3.2 billion for free legal services to indigents and other qualified persons under the Public Attorney's Office (PAO).

Table 8. Salient Features of the 2018 DOJ Budget
(in billion Pesos)

Particulars	Amount
Total DOJ Budget	**18.5**
Of which:	
Investigation services (NBI)	1.5
Free legal aid to indigents/ other qualified persons (PAO)	3.2

Source: 2018 NEP

Out of the PhP18.5 billion budget for the DOJ, PhP7.4 million will be used for the development of the National Justice Information System (NJIS), to unify the fragmented judicial information structure. The NJIS will serve as the official electronic information sharing platform interconnecting the different justice institutions.

With the total budget, the DOJ seeks to achieve 75 percent successful prosecutions and sustain the current target of 93 percent of requests for legal services acted on within the prescribed time period.

The Public Attorney's Office (PAO) will receive a total amount of PhP3.2 billion, 18.5 percent higher than the 2017 level, to provide the poor and other qualified persons with free and accessible legal services.

With the total amount, the PAO targets to accomplish 76.2 percent of cases with favorable judgment. The amount will also be used for the creation of public attorney positions. By the end of 2022, the current public attorney-to-court ratio of 1:2 is targeted to be raised to the ideal 1:1.

To address the problem of clogged court dockets, the Judiciary will be provided a total budget of PhP34.8 billion, 6.1 percent more than the previous year. Of this amount, PhP28.8 billion, 4.7 percent higher than the 2017 level, is for the operations of the SC, including the PhP2.5 billion allocation for the maintenance and other operating expenses (MOOE) of the Lower Courts.

Table 9. Salient Features of the 2018 Budget of the Judiciary (in billion Pesos)

Particulars	Amount
The Judiciary Budget	**34.8**
Of which:	
Operations of the Supreme Court (SC), including the MOOE Requirements of the Lower Courts	28.8
Construction of New SC Building in Fort Bonifacio	1.5
Hiring of Court Decongestion Officers	0.2
Construction of Halls of Justice (HOJ)	0.9

Source: 2018 NEP
Note: Figures may not add up due to rounding off.

From the total budget of the SC, PhP1.5 billion will be allocated for the construction of a new SC complex in Fort Bonifacio, Taguig City, and PhP239 million for the hiring of court decongestion officers.

PhP0.9 billion will be used to provide decent court buildings and halls of justice (HOJ) through the Justice Infrastructure Program (JUSIP). Of this total, PhP465 million will go to the second phase of construction of HOJ buildings in Cebu, Mandaue, and Laoag, and another PhP432 million for the construction of 20 new HOJ buildings in various provinces.

Table 10. List of New Halls of Justice (HOJs) for Construction

Particulars	Number of HOJs for Construction
Flora, Apayao	1
Tabuk, Kalinga	1
Meycauayan, Bulacan	1
Calamba, Laguna	1
Tanay, Rizal	1
Mauban, Quezon	1
Calapan, Oriental Mindoro	1
Naujan, Oriental Mindoro	1
Pinamalayan, Oriental Mindoro	1
Puerto Princesa, Palawan	1
Roxas, Palawan	1
Rapu-rapu, Albay	1
Bulan, Sorsogon	1
Masbate, Masbate	1
Dumangas, Iloilo	1
Iligan City, Lanao del Norte	1
Wao, Lanao del Sur	1
Compostela, Compostela Valley	1
Ramon Magsaysay, Zamboanga del Sur	1
Midsayap, North Cotabato	1
Total	**20**

Source: Supreme Court

To further streamline the case management systems, the rollout of the eCourt system in Region IV-A (CALABARZON) and the digitization of court records will be pursued through the Enterprise Information Systems Plan (EISP). The SC will allocate PhP372 million for the continued implementation of the EISP to interconnect over 2,225 courts in the country.

The SC targets to increase the number of cases settled from the 2017 baseline of 5,840 resolutions to 6,000 resolutions in 2018, and speed up the disposition of cases by 41 percent on the average.

Table 11. 2018 Targets of the Supreme Court and the Lower Courts

Particulars	Number of Resolutions/ Decisions	Court Disposition Rate (%)
Supreme Court (SC)	6,000	41
Regional Trial Courts (RTC)	207,791	21
Metropolitan Trial Courts (MetC)	85,376	67
Municipal Trial Courts in Cities (MTCC)	84,222	59
Municipal Circuit Trial Courts (MCTC)	21,626	41
Municipal Trial Courts (MTC)	25,957	46
Shari'a District Courts	15	10
Shari'a Circuit Courts	435	24
Child and Family Courts	41,857	38

Source: 2018 NEP

In addition, the Court of Appeals (CA) will be provided a budget of PhP2.1 billion, 10.5 percent greater than the 2017 level, to speed up the case resolution rate from 42 percent to 44 percent and achieve 14,520 case dispositions in 2018.

Decongesting penal facilities. The Administration aims to address the overcrowding of prisons to improve the living conditions of inmates. PhP1.4 billion from the total budget of the BuCor will be provided to supervise and manage a target of 47,010 inmates in the country's penitentiary facilities. The amount will be used to effectively achieve a target of 99.8 percent of the total number of inmates and maintain the 115 percent congestion rate in national prisons.

Table 12. Provisions for the Prisoners Custody and Safekeeping Program of the BuCor
(in million Pesos)

Particulars	Amount
Prisoners Custody and Safekeeping Program	**1,433**
New Bilibid Prison/Correctional Institute for Women (NCR)	874
Iwahig and Sablayan Prison and Penal Farms (MIMAROPA)	189
Leyte Regional Prison (Region VIII-Eastern Visayas)	87
San Ramon Prison and Penal Farm (Region IX-Zamboanga Peninsula)	63
Davao Prison and Penal Farm (Region XI-Davao)	219

Source: 2018 NEP
Note: Figures may not add up due to rounding off.

With a provision of PhP14.3 billion, a 23.3 percent increase from the previous year, the BJMP targets to ease the congestion rate of detention facilities under its supervision from 544 to 376 percent by constructing 70 new jail facilities in the NCR, Cordillera Administrative Region (CAR), Regions II (Cagayan Valley), IV-B (MIMAROPA), V (Bicol), VI (Western Visayas), VII (Central Visayas), VIII (Eastern Visayas), X (Northern Mindanao), XII (SOCCSKSARGEN), and XIII (CARAGA) with the allotted budget of PhP1.5 billion.

From the total budget of the BJMP, PhP13.3 billion will be allotted for the Inmates' Safekeeping and Development Program to ensure the safety and custody of detainees awaiting investigation, trial, and/or transfer to the national penitentiary. With the budget, the BJMP targets to reduce the number of escape incidents by six (6) percent and the number of jail disturbances by 10 percent.

Furthermore, PhP185 million of the overall provision for the BJMP will be used to create 1,000 new Jail Officer 1 (JO1) positions effective July 1, 2018. This will bring the Jail Officer for custodial ratio to 1:35, an improvement from 1:37 in 2017, though still far from the ideal ratio of 1:7. Another PhP344 million from the BJMP's total budget will be provided for the hiring of 755 uniformed personnel.

Cultivating public awareness and trust in the justice system. To enhance its efforts in improving the public's trust in the national judicial system, the Sandiganbayan will receive a budget of PhP557 million to effectively bring judgment to corrupt public officials and employees. With this amount, the Sandiganbayan targets to process a total of 4,199 cases and elevate the case disposition rate from 8.1 percent to 8.4 percent in 2018.

Likewise, the Office of the Ombudsman (OMB) will be provided PhP2.6 billion to reduce the incidence of corruption and red tape in the bureaucracy. Of this amount, PhP207 million will be allotted for the prosecution of criminal and forfeiture cases filed against erring public officials with the Sandiganbayan and Regional Trial Courts. Another PhP59 million will be set aside to resolve or act on 77 percent of requests for assistance and grievances through the Ombudsman Public Assistance Program.

In addition, the DOJ will strengthen its efforts towards legal protection and assistance to victims and witnesses of crimes through its Witness Protection Program and Victims Compensation Program, for which PhP236 million and PhP20 million are provided, respectively.

To ensure the judicial competence of justices, judges, court personnel, and lawyers, the SC will allocate PhP179 million for the operations of the Philippine Judicial Academy (PHILJA).

Towards a Just and Inclusive Society

The years 2017 to 2022 provide an opportunity for the government, justice sector institutions, and citizens to work together in shaping a just and trusting society. Through programs and projects funded in the 2018 Budget, the Duterte Administration seeks to fortify the Philippine justice pillars and ensure a fair, accessible, and speedy judicial system to empower the people, especially the poor and vulnerable Filipinos.

Endnotes

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[4] Department of Justice. (n.d.). *DOJ Development Plan, 2011-2016.* Retrieved from https://www.doj.gov.ph/files/devplan/DOJ%20Development%20Plan%20(2011-2016).pdf

[5] As of July 2017, there are 12,624 vacancies in the Judiciary and 5,457 unfilled positions in the DOJ.

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[17] A justice zone is an area or locality where a minimum number of inter-agency coordinative reforms are present.

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C. Promoting Philippine Culture and Values

"In order to involve people as active participants, development must be consistent with their fundamental socio-cultural traits, world view and values, and cultural principles. Only then can the enthusiasm and creative potential of the people be mobilized."
- 1990 Report, South Commission[1]

Culture and Arts as Enablers of Growth and Development

Culture, as defined in the Philippine Development Plan (PDP) 2017-2022, is the "complex whole of the people's way of life, which includes the knowledge, belief, art, law, morals, customs, values, ideas, sentiments, and any other capabilities acquired by a person as a member of society." It supports social cohesion and equity, which are essential elements in creating a high-trust society.[2]

In 2001, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) issued the "Universal Declaration on Cultural Diversity" to safeguard and promote cultural diversity worldwide, highlighting the role of culture as a powerful driver of sustainable development.[3] Particularly, revenue generated from cultural heritage and creative industries can contribute to poverty reduction and economic growth.[4]

Cognizant of the value of culture in national development, the Philippine government has passed laws that aim to preserve and enrich the Philippines' diverse culture. These include: 1) the "National Museum Act of 1998" (Republic Act No. 8492) which established the National Museum as an institution independent of the Department of Education (DepEd); 2) the "National Cultural Heritage Act of 2009" (Republic Act No. 10066), on March 26, 2010, to provide protection for the country's cultural heritage, and strengthen the National Commission for Culture and the Arts (NCCA) as the national cultural agency; and 3) the "Strengthening Peoples' Nationalism through Philippine History Act" (Republic Act No. 10086) on July 27, 2009 to conserve and popularize the country's historical and cultural heritage through the National Historical Commission of the Philippines (NHCP). The law reinforces the NHCP as the primary agency responsible for all matters regarding history, such as the conduct of historical research and implementation of activities to disseminate information about Philippine history.

Complementing these laws, the government has also engaged in several initiatives to preserve and promote Filipino culture. It has signed several agreements with other countries to uphold cultural diplomacy and cooperation at the international level.

The Philippines actively participates in various cultural events and activities of the Association of Southeast Asian Nations (ASEAN).[5] In 2010 and 2011, the country was hailed as the first ASEAN Culture Capital, and as such, held programs to showcase its rich cultural heritage among ASEAN member states.[6]

Challenges Confronting Philippine Culture and Arts

Despite the laws, programs, and efforts that are already in place, however, there remains a clamor for a cultural agenda that fully recognizes and integrates culture in the government's economic and political policy-making. Other challenges identified in the PDP 2017-2022 include the lack of cultural consciousness among Filipinos; lack of access to cultural resources, services, and education; the dearth of cultural experts and human resources; low funding for culture-related activities; and the vulnerability of historical assets to the detrimental effects of climate change and human-induced disasters.

As an aspect of culture, the arts also need to be developed and strengthened. With its large pool of artistic talents, the Philippines can tap into its creative industry to generate more jobs and promote Filipino culture at the global level. According to a 2014 study of the World Intellectual Property Organization (WIPO), the Philippine creative industries contribute 4.8 percent to total gross domestic product (GDP) and make up 11.1 percent of total employment, as shown in Table 1.[7] Obviously, there is much room for improvement here, and support for the creative industries is needed to promote a culture of innovation and creativity supportive of economic advancement.

Table 1. Percentage Share of Creative Industries to Overall GDP and Employment of Selected ASEAN Countries, 2015

Country	% Contribution to GDP	% Contribution to Employment
Indonesia	4.1	3.8
Malaysia	5.7	7.5
Philippines	4.8	11.1
Singapore	6.2	6.2
Thailand	4.5	2.9

Source: WIPO

Table 2. Major Programs and Projects to Promote Culture and the Arts, 2016-2018
(in million Pesos)

Programs and Projects	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Promoting Philippine Culture and Identity			
National Commission for Culture and the Arts (NCCA)	**2,201**	**1,661**	**1,847**
Of which:			
Funding of Grants Related to Creative and Cultural Development	452	357	335
National Endowment Fund for Culture and the Arts (NEFCA)	678	423	588
Patronizing the Filipino Arts			
Cultural Center of the Philippines (CCP)	557	845	515
Philippine High School for the Arts (PHSA)	102	133	98
Film Development Council of the Philippines (FDCP)	52	163	172
Preserving and Improving Access to Cultural Heritage, Resources, and Services			
Commission on the Filipino Language (Komisyon sa Wikang Filipino)	63	72	86
National Historical Commission of the Philippines (NHCP)	930	691	460
National Library of the Philippines (NLP)	267	197	336
National Museum	1,316	663	303
National Archives of the Philippines (NAP)	125	131	438

Sources: Select Updated Budget of Expenditures and Sources of Financing (BESF) Tables based on FY 2016-2017 GAA, Tables B12 and B14; 2018 BESF Tables, Table B.11

Capitalizing on the Value of Culture

Utilizing the potentials of culture and the arts as enablers of growth, the 2018 Budget will fund programs and projects that are envisioned to raise cultural awareness, cultivate Filipino values and creativity, enhance access to cultural resources and services, and protect precious historical heritage. Table 2 shows the priority programs and projects of the government that will contribute towards the creation of a culturally-diverse and creative community.

Promoting Filipino culture and identity. By virtue of Republic Act No. 7356 "An Act Creating the National Commission for Culture and the Arts, Establishing the National Endowment Fund for Culture and the Arts, and for Other Purposes" dated April 3, 1992, the NCCA was created to be the overall policy-making body to preserve, promote, and develop Philippine arts and culture. For 2018, PhP1.8 billion[8] has been allotted for the NCCA, PhP335 million of which is intended to finance 700 grants related to creative and cultural development, higher than the targeted 375 proposals in 2017. The allotted fund will cover the following: 1) competitive grants, 2) support for international events and agreements, 3) support for inter-agency programs, and 4) support for institutional programs.

The NCCA also manages the National Endowment Fund for Culture and the Arts (NEFCA) amounting to PhP588 million. Of this amount, PhP38 million is provided to support various festivals and celebrations to promote creative excellence, such as the National Arts Month, National Literature Month, National Dance Week, International *Dayaw* Festival, Filipino Heritage Festival, and *Tam-awan* Festival.

In addition, PhP22 million is allotted for the operations of the Escuela Taller Intramuros and Bohol. The Escuela Taller is a training centre that aims to provide economically challenged youths (17 to 25 years old) with knowledge and skills in traditional construction and conservation methods that lead to future employment. Students of the Escuela Taller participate in projects involving the restoration of tangible Philippine heritage. Since 2009, the centre has trained 217 heritage restoration workers.[9]

Another PhP30 million from the NEFCA is allotted for the hosting of Seasons 9 to 12 of the *Dayaw* TV, a six-episode 30-minute documentary show hosted by Senator Loren Legarda. Produced by the NCCA and ABS-CBN News Channel (ANC), *Dayaw* showcases the diversity of Filipino culture and promotes Filipino identity.

Moreover, PhP16 million will be used to restore the Manila Metropolitan Theater, and PhP27 million is to support projects that instil Filipino values.

In the next page, Table 3 shows the projects to be supported by the NEFCA in 2018.

Table 3. Provisions for Cultural Programs and Projects under the NEFCA, 2018
(in million Pesos)

Particulars	Amount
National Endowment Fund for Culture and the Arts (NEFCA)	**588**
Of which:	
Advancing Pagkamalikhain (Value of Creative Excellence)	*120*
Support to Various Celebrations and Festivals	38
Valuing our Diverse Culture	*108*
Escuela Taller Intramuros (Phase X)	14
Escuela Taller Bohol	8
Dayaw TV (Seasons 9-12)	30
Rehabilitation of the Manila Metropolitan Theater	16
Retained FY 2017 Congressional Adjustment	39
Inculcating Values for the Common Good	*77*
Projects to Support Filipino Values for the Common Good	27
Retained FY 2017 Congressional Adjustment	50

Source: 2018 NEP; NCCA

Patronizing the Filipino arts. Likewise, to promote artistic excellence among Filipinos, PhP806 million has been provided to the Cultural Center of the Philippines (CCP) for 2018. Of the total budget, 64 percent or PhP515 million, will cover the construction of various cultural facilities, while PhP136 million will fund cultural and artistic events, education, and cultural exchanges.

The Philippine High School for the Arts (PHSA) will receive PhP98 million for 2018, to produce a target of 200 students with creative expertise and deep appreciation for culture. With the budget, the PHSA aims to foster creative and critical thinking among its students to prepare them for a career in the field of arts and culture.

To support the country's growing film industry, the government will provide PhP172 million for the Film Development Council of the Philippines (FDCP) in 2018. With a 6 percent increase in budget, compared to the 2017 level of PhP163 million, the FDCP aims to upgrade the quality of locally-made films and preserve the nation's film heritage.

The FDCP will allocate PhP25 million from its total budget to provide financial aid to deserving Filipino filmmakers whose works will compete or will be exhibited in international festivals. In addition, PhP14 million will be for the Festival Development Assistance Program, of which PhP2.5 million will be used to support local film industries and empower talented filmmakers from the regions.

Preserving and improving access to cultural heritage, resources, and services. Conservation of historical assets awakens cultural and historical awareness among the people. The Commission on the Filipino Language *(Komisyon sa Wikang Filipino)* is given a higher budget of PhP86 million for the preservation and enrichment of Filipino as the national language and the country's other languages. With this amount, the Commission on the Filipino Language seeks to document, translate, and validate 10 percent of the 23 endangered Philippine languages; and translate 1,250 pages of historical works, cultural traditions, and ethnolinguistic and government issuances into English or Filipino.

Built heritage in the form of significant historical sites and edifices are pieces of evidence of a nation's identity, history, and development. To protect the Philippines' national shrines and artifacts, the National Historical Commission of the Philippines (NHCP) is provided an amount of PhP460 million for 2018. Of this, PhP289 million will be used for the reconstruction and conservation of historic churches, monuments, and other edifices all over the country *(See Table 4)*. These projects will increase the number of restored historic sites and structures by 10 percent from the baseline of 105.

To improve the people's access to the printed and recorded cultural heritage of the country, the National Library of the Philippines (NLP) will receive PhP336 million for 2018, representing a 71 percent increase from the 2017 level of PhP197 million. Of this, PhP134 million will fund the structural retrofitting of the NLP building, PhP16 million will be used for the conservation of the Filipiniana collection, and PhP6 million will cover the library's promotional, educational, and cultural activities.

Through the budget, the NLP targets to increase the average number of daily library users to a maximum of 400; acquire 60,000 volumes of new library materials; and preserve 98,207,200 pages of Filipiniana materials.

The National Museum, as the premier institution and repository of Filipino heritage, is given a budget of PhP303 million to preserve Philippine cultural and historical artifacts. PhP225 million will go to the Museums Program to manage and develop national collections and related knowledge resources, as well as restore and safeguard cultural properties. Another PhP21 million is allotted for the continued upgrading, improvement, and expansion of the National Museum Tabon Cave Site Development.

For 2018, the National Museum targets a 10 percent increase in the number of visitors managed over the previous year, bringing the total to 1,193,735 visitors. It also seeks an 11 percent increase in the number of cultural properties registered and declared as national cultural treasures or important cultural properties.

Table 4. Conservation Projects of the NHCP, 2018
(in million Pesos)

Particulars	Amount
Conservation of Old Iloilo City Hall (now UP Visayas Main Hall)	20.0
Conservation of Lallo Church (Sto. Domingo de Guzman Parish)	9.9
Conservation of Malinao Church (Saint Joseph the Worker Parish Church)	19.9
Conservation of Dauin Church (Saint Nicholas de Tolentino Parish)	20.0
Conservation of the Retablo of the Minor Basilica of San Sebastian	10.0
Conservation of Zamboanguita Church (San Isidro Labrador Church)	9.9
Conservation of Lucban Church (San Luis Obispo de Tolosa Church)	19.9
Conservation of Calumpit Church (San Juan Bautista Church)	9.9
Construction of Nazaria Lagos Monument	2.0
Construction of Teresa Magbanua Monument	2.0
Construction of Monuments (3 Ilocano Heroes)	6.0
Construction of Mariano Ponce Museum	20.0
Conservation of the Immaculate Concepcion Church, Guagua, Pampanga	10.0
Conservation of Lazi Church (San Isidro Labrador Parish)	39.9
Conservation of Magdalena Church (Saint Magdalene Church)	10.0
Restoration of Culion Leper Colony Complex, Culion	19.8
Restoration of Caraga Church (San Salvador Church)	19.8
Conservation of Antique Old Provincial Capitol	30.0
Conservation of Bato Church (Saint John the Baptist)	9.9
Total	**289.0**

Source: 2018 NEP
Note: Figures may not add up due to rounding off.

Tasked to ensure that historical documents are well preserved and accessible to the people, the National Archives of the Philippines (NAP) has been provided PhP438 million, more than 234 percent higher than the 2017 allotment of PhP131 million. Of this total, PhP309 million will be used for the acquisition of a lot and building to become the new NAP headquarters which will serve as a repository of records under the agency's management.

For the NAP's Government Records Management Program, PhP34 million is earmarked for the training of government agencies on the creation, maintenance, and disposal of government records. PhP42 million will be allocated to strengthen awareness, appreciation, and access to archival records through the Government Archives Administration Program.

Championing a Creative and Culturally-Diverse Community

The government recognizes the role of culture and the arts as potent catalysts of national innovation and growth. By promoting culture and investing in the creative sector, the government hopes to invigorate the cultural consciousness and artistry of the Filipinos for a more innovative, creative, and culturally-diverse community.

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2. Inequality Reducing Transformation

A. Expanding Economic Opportunities in Agriculture, Forestry and Fisheries

"It is my moral obligation to provide available and affordable food for my people."
- Feeding Millions: The Duterte Food Security Blueprint

The Duterte Administration, even as it has an eye for infrastructure development as a key to economic growth, recognizes the role of the agriculture, forestry and fisheries (AFF) sector in the production of food that should be made available for its increasing population, the availability of raw materials to support other sectors of the economy, and for the generation of jobs for a large number of Filipinos in the rural areas.

The Philippines, which has a land area of 30 million hectares, has 47 percent of it devoted for agricultural purposes.[1] The country is counted among the mega-biodiverse countries in the world, which is strategic for animal and plant endemism. More than half of the population resides in the rural areas, where the main sources of livelihood are farming, fishing, livestock-raising and mining. The country's main agricultural crops are rice, corn, coconut, sugarcane, banana, pineapple, coffee, mangoes, tobacco and abaca. It also boasts of rich harvests of peanut, mongo, cassava, sweet potato, garlic, onion, cabbage, eggplant, kalamansi, and rubber.[2]

The country owes its rich fish resources to its strategic location – in the middle of the Coral Triangle, which is well known for its marine biodiversity and rich production of seafood. The primary marine harvests of the country include milkfish, tambakol, espada, tanigue, cream dory, yellow fin tuna and varieties of prawns, oysters, squid, mussels, crabs, lobster, sea cucumber, and seaweed.[3]

Confronting the Challenges in the AFF Sector

In spite of the vast agricultural resources available in the country, the AFF sector has been lagging behind the industry and services sector for years. Its performance remains weak as reflected in the continued decline of its contribution to the country's gross domestic product (GDP). Its annual average gross value added (GVA) grew by only one (1) percent from 2013-2015, and contracted by 1.3 percent in the first three quarters of 2016.

The AFF labor productivity has also been consistently the lowest, compared with the industry and services sector. It had an average annual labor productivity growth of only 2.9 percent for the last three years, while the industry and services sectors registered an average growth of 3.8 percent and 3.3 percent, respectively.[4]

Table 2. Labor Productivity Growth Rates at Constant Prices by Sector, 2013-2015

Sector	Year			
	2013	2014	2015	Average
Agriculture, Forestry, and Fishing	3.3	0.3	5.2	2.9
Industry	5.7	2.6	3.1	3.8
Services	3.9	2.1	3.9	3.3
All Sectors	5.6	2.8	5.4	4.6

Source: Philippine Statistics Authority

Ironically, while the fruits of their labor contribute to fulfilling primary human needs, the farmers and fisherfolk who constitute the AFF sector count among the poorest in the country. From 2006, fishermen and farmers registered higher poverty incidence rates among the basic sectors, and ranked among the lowest paid workers in the Philippines.

Table 1. GVA Growth Targets under the Philippine Development Plan (PDP) vs. Accomplishments, 2013-2016
(in percent)

	PDP Targets				Accomplishments			
Subsector	2013	2014	2015	2016	2013	2014	2015	1Q-3Q 2016
Crops	4.5-5.5	4.0-5.0	4.0-5.0	4.0-5.0	0.1	2.4	(1.8)	(3.5)
Livestock	1.2-2.2	1.2-2.5	1.5-3.0	1.6-3.5	1.8	1.0	3.8	5.0
Poultry	4.2-5.2	4.2-5.2	4.2-5.2	4.2-5.2	4.2	0.4	5.7	1.4
Fisheries	1.5-3.0	1.5-2.5	2.3-3.0	2.8-3.5	0.7	(0.2)	(1.8)	(4.5)

Source: Philippine Development Plan 2017-2022

Table 3. Poverty Incidence of Farmers and Fisherfolk, 2006-2015 (in percent)

Sector	Year			
	2006	**2009**	**2012**	**2015**
Fishermen	41.2	41.3	39.2	34.0
Farmers	38.5	38.0	38.3	34.3

Source: Philippine Statistics Authority

This situation has had consequences on livelihood choices and pursuits among many agricultural households, whose members have begun searching for greener pastures overseas.[5] The career shift of the younger population further threatens the growth of the AFF sector, especially in view of the aging population of farm and fishing operators. At present, the average age of farm operators of palay, corn, bangus and tilapia ranges from 48 to 55 years.[6]

Aside from issues on low productivity, the AFF sector is also challenged by the surge of natural disasters brought about by climate change. Aside from pest and disease outbreaks, weather-related phenomena disproportionately make the livelihood of most farmers more precarious.

The aquaculture sector is particularly susceptible to disastrous events due to the country's archipelagic nature. The impact of climate change adds more burden to initiatives and efforts to revive and restore the vigor of the AFF sector.

Climate change is a looming and inevitable problem. Food production experts estimate that the AFF sector could lose around PhP71 billion annually due to the effects of climate change.[7] Its impact is manifested through more intense typhoons, floodings, earthquakes, and the El Niño and La Niña phenomena that dampen productivity. With the warming temperature, the AFF sector is threatened by low rainfall, which affects croplands dependent on rainfall for irrigation, and extreme sea-level rises that will negatively affect coastal zones. Despite increased awareness and thus more intensified coastal protection, experts note that the sea level will rise by 40 centimeters by 2080, causing annual flooding that will affect an estimated 20 million population in Southeast Asia, including the Philippines.

The consequences of natural disasters are exacerbated by problems of credit and agricultural insurance, scant investment in productivity-enhancing support services, and limited infrastructure and facilities – the same factors that have plagued farmers and fisherfolk for decades. Likewise, a long-felt need that has yet to be met is expanded research and development for the identification of good farm and fishery management practices and for the development of technologies to increase the productivity of the AFF sector.

Revitalizing Philippine Agriculture

The Duterte Administration is keen to confront the challenges faced by the AFF sector. In the first quarter of 2017, the sector undertook vital steps to improve its dire state from the past years.

The Philippine Statistics Authority noted that the country's agriculture sector recovered with 5.3 percent growth in the first quarter of 2017 after several quarters of decline in 2016. During the period, the sector grossed PhP407.6 billion at current prices or about 8.6 percent higher than the PhP375.2 billion gross earnings recorded in the first quarter of 2016. Also, the gross value of output in the crops subsector, the major growth driver during the period, amounted to PhP233.5 billion at current prices, 10.4 percent more than the 2016 level. The gross value of other crops produced also increased by 14.1 percent during the reference quarter. On the average, prices received by farmers increased by 3.3 percent from the 2016 record.[8]

Production gain was cited for the growth in gross earnings from onions and bananas because of the improved production level. Price hikes contributed to the gains in the gross values of outputs of coconut, sweet potato, coffee, abaca, and mango. The Philippine Statistics Authority reported that the positive growth of the AFF sector was due to an increase in harvest area and enough water supply following the end of the dry spell in 2016.[9]

The Administration targets to uplift the AFF sector essentially by harnessing its growth potentials. It targets a substantial increase on the GVA in the AFF from the baseline value of 0.1 percent in 2013 to within 2.5 to 3.5 percent in 2017, and to maintain this growth rate until 2022.[10] It also aims to induce greater participation of small farmers and fisherfolk in economic opportunities through interventions and investments that are linked to agribusiness.

To revitalize the country's AFF sector, the thrusts and priorities of the Administration will focus on programs covering agricultural commodities, especially rice and corn, which are beneficial for human consumption, animal feeds, and industrial uses. The Administration will also continue to expand Farm-to-Market Roads to ensure mobility of goods and construct and rehabilitate irrigation systems.

In uplifting the welfare of farmers, the government will fast-track the completion of land distribution to agrarian reform beneficiaries (ARBs) and ensure their access to affordable agricultural loans.

The government's policy direction towards food adequacy is anchored on a three-pronged major objectives: 1) Making food available; 2) Increasing the income of farmers and fisherfolk; and 3) Increasing the resilience to climate change risks.

Targeting the slow pace of development of the country's AFF sector, the Duterte Administration will focus on addressing the prevailing gaps in the production chain and finding better channels to enhance opportunities for the food producers. This is seen to trigger the production cycle that will eventually make food available and affordable for Filipinos. While attaining food sufficiency is at the forefront of its goals, the Administration will also undertake efforts to mitigate the impact caused by climate change and make food producers more resilient to its risks.

Table 4. Major Programs to Revitalize the Philippines' AFF Sector, 2016-2018
(in billion Pesos)

Department/PAPs	2016 (Actual)	2017 (GAA)	2018 (Proposed)
Department of Agriculture	44.9	45.9	54.2
Of which:			
Rice Program	7.2	9.7	11.8
Corn Program	2.2	2.8	3.0
High Value Crops	3.2	4.3	3.5
Fisheries Program	3.9	4.7	4.5
Livestock Program	2.1	2.5	2.1
Farm-to-Market Roads Program	11.9	6.0	11.8
Department of Agrarian Reform	8.2	10.1	10.3
Of which:			
Land Acquisition and Distribution Program	2.1	2.4	2.2
National Food Authority			
Food Security Program	4.25	5.10	7.0
National Irrigation Administration			
Irrigation Program	24.9	26.0	27.3
Philippine Crop Insurance Corporation			
Crop Insurance Program	1.6	2.5	3.5

Source: Department of Budget and Management

Making Food Available

As the Philippines moves towards achieving food sufficiency, the physical availability of food shall be initially considered. This goal is not limited to just increasing the contributions of agriculture, but also that of fisheries, aquaculture, and forest products. To ensure this, the Duterte Administration is leveraging certain factors such as mobility, development and management of resources, and land tenure security to ultimately produce adequate amounts of food for Filipinos.

Ensuring Food at Hand

Rice Program. For 2018, the National Rice Program receives the biggest chunk of the Department of Agriculture's budget at 21.8 percent or PhP11.8 billion. Increasing from the PhP9.7 billion allocation in 2017, the fund will be used to introduce and implement new farming practices, add support for the existing mechanization program, provide capacity enhancement for poor farmers, and maintain small scale irrigation systems.

One of the government's policy shifts in the agriculture sector is the utilization of hybrid seeds to boost *palay* production. Hybrid seeds are expected to yield double from the irrigated harvest area, which would increase the production and income of poor farmers.

For 2018, PhP2.5 billion has been allotted for the distribution of hybrid seeds to farmers and farm operators to improve *palay* production. The DA targets 19.79 million metric tons (MMT) of *palay* to be produced in 2018, higher than the 18.57 MMT target in 2017. As hybrid seeds are only suitable for irrigated areas, the DA has secured PhP2.7 billion to construct small-scale irrigation systems which would expand the existing 360,000 hectares (ha.) to 860,000 ha. of irrigated harvest area.

To capacitate farmers to use hybrid seeds, a budget of PhP112 million is earmarked for trainings on Hybrid Seed Farming Techniques, as well as in the proper use and maintenance of agricultural machineries and equipment. To promote energy-friendly farming practice, the DA has allotted PhP600 million to purchase 100 solar power irrigation systems to increase the irrigated harvest area.

Corn Program. The National Corn Program is allotted PhP3.0 billion to meet the 104 percent sufficiency level in yellow corn in 2018. In 2016, the DA reached 100 and 103 percent self-sufficiency level in white corn and yellow corn, respectively. For 2018, PhP1.1 billion will be provided for the distribution of postharvest equipment and facilities (i.e., corn dryer, corn sheller, corn mill, etc.) in order to reduce postharvest losses and maintain quality produce in adherence to approved standards in corn. Included in the same amount is the repair and rehabilitation of the targeted six units of the village-type drying facility of the DA.

A budget of PhP366 million will also be provided for the expansion of the irrigation network services through the provision of open source pump set, pump and engine set for shallow tube well, and solar-powered irrigation systems.

Table 5. Rice and Corn Programs, Budget and Physical Targets, 2016-2018

Program	2016 (Actual)		2017 (GAA)		2018 (Proposed)	
	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target
Rice Program	7.2	20.09 MMT	9.7	18.57 MMT	11.8	19.79 MMT
Corn Program	2.2	9.02 MMT	2.8	8.45 MMT	3.0	8.87 MMT
Organic Agriculture Program	0.660	349,042 ha.*	0.818	358,491 ha.*	0.803	358,962 ha.*

Source: Department of Agriculture
**areas converted (cumulative)*

From this total amount, PhP35 million will fund 21 Community-based Participatory Action Research (CPAR) projects to establish a scaled-up model to expand farmers' participation and cover more areas for corn and cassava production.

Organic Agriculture Program. In line with the provisions of Republic Act No. 10068, otherwise known as the "Organic Agriculture Act", approved on April 6, 2010, a budget of PhP803 million is allotted for the National Organic Agriculture Program for 2018. The budget aims to achieve the target of converting 358,962 ha. of production areas by providing farmers with small-scale irrigation systems using renewable sources of energy, shallow tube wells, and small-scale composting facilities.

Support to Mechanization and Postharvest Facilities. To increase production, while at the same time reducing the cost of inputs such as labor, the Administration continues to provide agricultural equipment for mechanization and postharvest purposes to farmers organizations, cooperatives and groups. For 2018, a total of PhP4.2 billion is set aside from the DA's budget for the provision of agricultural facilities, such as Combine harvesters and transplanters, tractors, hauling trucks, and multi-purpose dryers that will mechanize the most labor-intensive processes in the farming sector.

Bridging the Food Gap

True to its promise of reforming the agriculture sector, the Duterte Administration has increased to PhP54.2 billion the 2018 budget of the DA, from PhP45.9 billion in 2017. With this budget, the DA is expected to aggressively implement the directive of President Duterte to "provide available and affordable food for the Filipino people."

One of the projects allotted the biggest chunk in the 2018 budget is the expansion of the network of Farm-to-Market Roads (FMRs). This is to ensure the mobility of people, goods, and services in the agricultural sector. The FMRs increase local trade and productivity, reduce transportation costs of farm inputs and outputs, and minimize postharvest losses. For 2018, the Administration has almost doubled its allocation to PhP11.8 billion, from PhP6.0 billion last year, to cover 1,179 km. of FMRs, from only 600 km. in 2017.

To ensure enough stockpile of rice, especially during the lean season, the National Food Authority (NFA) is provided with PhP7.0 billion to be used for its Buffer Stocking Program. The NFA is directed to procure *palay* directly from Filipino farmers, except in case of shortfall in production, and ensure that local farmers benefit the most. The Buffer Stocking Program is the emergency response program of the Administration to ensure the availability of food, as well as to stabilize the prices of rice throughout the year.

Investing in Research and Development

The Duterte Administration recognizes the substantial contribution of research and development in the AFF sector, which helps identify effective farm and fishery management practices and reduce postharvest losses. For 2018, the government has allotted PhP2.2 billion for its R&D programs to meet the increasing demand for food, prevent productivity losses, compete with counterpart markets in neighboring countries, and adapt to and cushion the impact of climate change.

The Bureau of Fisheries and Aquatic Resources (BFAR) has been provided PhP354 million for the implementation of its programs on research and development in the fisheries sector. This amount increased by 7.3 percent from the PhP330 million allocation in 2017. From this allocation, the BFAR targets to expand its research on postharvest losses covering the additional species of sardines and tuna in Central Luzon, MIMAROPA, Western Visayas and CARAGA, as well as species of tilapia in Bataan, Iloilo, and Palawan.

The National Stock Assessment Program for the Reproductive Biology Assessment will also be expanded to establish baseline data for the computation of limit reference points that relate to the reproductive biology of target commodity species. This study, which was first conducted in 2016, aims to identify the spawning season of fish in Zamboanga, Visayan Sea, Davao Gulf, and Palawan, and help augment the production and income of fisherfolk.

The Sugar Regulatory Administration (SRA) will receive PhP300 million in 2018 for its Research and Development Assistance Project to study ways and practices to increase the production of sugarcane in the country.

Table 6. Land Acquisition and Distribution, Budget and Physical Targets, 2016-2018

Program	2016		2017		2018	
	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target
Department of Agrarian Reform	8.2	-	10.1	-	10.3	-
Land Acquisition and Distribution	2.2	-	2.4	-	2.2	-
No. of hectares (gross area) covered by registered EPs/ CLOAs	-	28,636 ha.	-	48,587 ha.	-	53,841 ha.
No. of Agrarian Reform Beneficiaries (ARBs)	-	23,965	-	46,253	-	46,072

Source: Department of Agrarian Reform

Ensuring and Protecting Land Tenure Security

For the past four decades, scores of landless farmers and regular farmworkers have been struggling to own the land they till or to receive a just share in revenues generated from their yield.

Aiming to end this decades-long scourge on landless tillers of the soil, the Duterte Administration is determined to fast-track land distribution to ARBs and ensure that they will have land tenure security.

To underscore this thrust, the Department of Agrarian Reform (DAR) has initiated the "Open-Door Policy" to welcome complaints of farmers and protesters. After ten years of hiatus, the Presidential Agrarian Reform Council (PARC), the government's highest policy-making body for agrarian reform, has been reconvened by the Administration.

A budget of PhP10.3 billion has been allocated for the DAR to strengthen its pro-farmer programs and to speed up the distribution of agricultural lands to landless farmers and farm workers. Of the 2018 allocation, PhP2.2 billion is allotted for its Land Acquisition and Distribution (LAD) Program. The DAR targets 53,841 ha. gross area covered by registered Emancipation Patents (EPs) and Certificates of Land Ownership Award (CLOAs), and 46,072 Agrarian Reform Beneficiaries.

The DAR has allotted PhP1.1 billion for 2018 for the continuity of the Mindanao Sustainable Agrarian and Agriculture Development (MinSAAD) Project, to increase agricultural productivity, product value, and income of ARBs and other small-scale farmers through the provision of agricultural infrastructure such as irrigation systems, postharvest facilities, and rural water supply.

Table 7. Mindanao Sustainable Agrarian and Development Project Accomplishments and Targets, 2016-2018

Mindanao Sustainable Agrarian and Development Project	2016 Actual	2017 Target	2018 Target
Farm-to-Market Roads	-	107 km.	192 km.
Bridges	-	141 lm.	523 lm.
Irrigation Systems	-	1770	-
Postharvest Facilities	27	39	-
Rural Water Supply	6	15	-
Trees, Plants and Crops	2,113 ha.	2,055 ha.	2,675 ha.
Reforestation Projects	3,626 ha.	4,566 ha.	-

Source: Department of Agrarian Reform

For 2018, the DAR also allotted PhP603 million for its Climate-Resilient Farm Productivity Support Program, more than double the PhP287 million in 2017, to provide for farm machinery and equipment for farm operators and organizations of ARBs. This is expected to increase their income and improve their crop production.

Increasing the Income of Farmers and Fisherfolk

Easing the hunger of the "ones who ease the hunger of Filipinos" is one of the priority objectives of the Duterte Administration. To revitalize the agriculture sector, it is necessary to open more opportunities for farmers and fisherfolk in order to lift them out of poverty. This can be done by sustaining and strengthening programs which directly support food producers, providing postharvest and processing facilities, and offering alternative livelihood options during non-harvesting seasons.

Reaping the 'Fruits of Their Labor'

High-Value Crops Development Program. To provide poor farmers additional income and increase enterprise stability through crop diversification, the DA has allotted Php3.5 billion in 2018 for its National High-Value Crops Development (HVCD) Program. The Program intends to expand investments in high value commercial crops – vegetables, fruits, condiments, spices, rootcrops and industrial crops – which have a higher monetary value than those of staple crops. For 2018, the Program will be anchored on area expansion, conduct of technology demonstrations, drawing children to engage in the farming sector, and improvement of postharvest/processing equipment and facilities.

Cacao production, for instance, is expected to increase by 42 percent, from 0.019 MMT in 2017 to 0.027 MMT in 2018, to respond to an increasing demand for the product. To realize this, the DA will encourage farmers to engage in agri trade fairs and assist them in other market linkage activities. The DA will also continue to provide quality planting materials and establish techno-demo projects.

A budget of PhP334 million is earmarked for the expansion of industrial and fruit crops areas, aligned with the policy shift of procuring only certified seeds from accredited suppliers.

Addressing the non-agricultural job preference of the young population, the DA and the Department of Education will work hand in hand to implement the Gulayan sa Paaralan Project, funded with PhP83 million. The Project aims to instill the value of farming and food production in schoolchildren. Under the HVCD Program, the Administration will provide assorted vegetable seeds, garden tools, and training to 8,382 schools with established gardens nationwide.

The DA has also allotted PhP127 million for the construction of postharvest/processing equipment and facilities for farmers associations. The first government-owned onion cold storage warehouse is expected to be constructed in 2018, and will support farm operators in Nueva Ecija, one of the country's major producers of onions.

Halal Industry Development Program. With the expanding markets for halal agricultural produce from the Philippines, the Administration is intensifying its efforts to forge bilateral trade agreements with halal consumer countries. In support of this, the government has allotted PhP45 million for the conduct of trainings which will capacitate a target of 1,000 agricultural extension workers in Mindanao. This new project aims to increase the number of trained workers in the Philippines to increase the export of halal-certified goods to Islamic countries.

Table 8. High Value Crops Development Program Budget and Physical Targets, 2016-2018

Program	2016 (Actual)		2017 (GAA)		2018 (Proposed)	
	Budget (in million Pesos)	Actual	Budget (in million Pesos)	Target	Budget (in million Pesos)	Target
High Value Crops Development Program	3,202	-	4,340	-	3,501	-
Office of the Secretary (DA)	2,961	-	3,968	-	3,055	-
Banana	-	8.903 MMT	-	9.637 MMT	-	9.926 MMT
Cacao	-	0.006 MMT	-	0.019 MMT	-	0.027 MMT
Coffee	-	0.034 MMT	-	0.044 MMT	-	0.052 MMT
Mango	-	0.814 MMT	-	0.958 MMT	-	0.986 MMT
Pineapple	-	2.612 MMT	-	2.740 MMT	-	2.822 MMT
Rubber	-	0.181 MMT	-	0.234 MMT	-	0.262 MMT
Philippine Fiber Industry Development Authority	241	-	372	-	446	-
Number of sites and facilities monitored and/or inspected with reports issued	-	1,230	-	1,201	-	1,201
Number of fibercrop commodities inspected (abaca and other fiber crops)	-	11	-	10	-	10

Source: Department of Agriculture

Table 9. Fisheries Program Budget and Physical Targets, 2016-2018

Particulars	2016 (Actual)		2017 (GAA)		2018 (Proposed)	
	Budget (in billion Pesos)	Production	Budget (in billion Pesos)	Production	Budget (in billion Pesos)	Production
Fisheries Program	3.9	-	4.7	-	4.5	-
Commercial	-	1.02 MMT	-	1.04 MMT	-	1.06 MMT
Municipal	-	1.14 MMT	-	1.14 MMT	-	1.15 MMT
Aquaculture	-	2.20 MMT	-	2.31 MMT	-	2.42 MMT

Source: Department of Agriculture

Fisheries Program. The BFAR has allotted PhP4.5 billion to continue its National Fisheries Program. Focused on providing postharvest facilities to reduce losses and providing livelihood interventions to poor fisherfolk, it targets to increase commercial and municipal production to 1.06 MMT and 1.15 MMT, respectively, in 2018. Likewise, the aquaculture industry production in 2018 is expected to reach 2.42 MMT.

To support the goal of increasing the income of fisherfolk, an amount of PhP150 million is provided for the nationwide distribution of 2,000 units of 30-footer fiberglass reinforced plastic (FRP) motorized banca worth PhP75,000 each, inclusive of training. PhP88 million is also allotted for the provision of fishing gear (e.g., gill net, hook and lines, *lambakad*, marine engine, *payao*, fish handline, tuna handline, crab pot, *bagnet*, spear fishing gadget, and life vest).

Livestock Program. The DA continues to encourage farmers and farmers organizations to raise livestock to augment their income, in addition to the income that they get from crops and other agricultural products. Raising livestock helps provide alternative livelihood options for farmers and fisherfolk to

Table 10. Livestock Program, Budget and Physical Targets, 2016-2018

Particulars	2016 (Actual)		2017 (GAA)		2018 (Proposed)	
	Budget (in million Pesos)	Actual	Budget (in million Pesos)	Target	Budget (in million Pesos)	Target
Livestock Program	2,126	-	2,540	-	2,078	-
Office of the Secretary	1,224	-	1,537	-	1,166	-
Hog	-	2.23 MMT	-	2.14 MMT	-	2.16 MMT
Chicken	-	1.67 MMT	-	1.89 MMT	-	1.79 MMT
Philippine Carabao Center	500	-	428	-	465	-
Number of clients directly provided with production support services	-	187,118	-	190,000	-	190,000
National Meat Inspection Service	402	-	575	-	447	-
Number of agricultural facilities monitored and/or inspected with reports	-	496	-	297	-	297
Number of agricultural products monitored and/or inspected with reports	-	782	-	88	-	88

Source: Department of Agriculture

support their immediate needs, particularly during the lean season and complement their income during the harvest season.

An aggregate of PhP2.1 billion has been allotted to different government entities to support the National Livestock Program. From this allocation, PhP1.2 billion has been provided to increase the production of hogs to 2.16 MMT, from 2.14 MMT in 2017. Meanwhile, the production of chicken is expected to reach 1.79 MMT in 2018, with said budget. The DA targets to construct more poultry dressing plants, meat processing plants, meat cold storage warehouses, dryers and millers, and rendering plants to increase productivity and prevent losses.

Increasing Resilience to Climate Change Risks

As one of the world's most disaster-prone countries, the Philippines urgently needs stronger adaptation mechanisms and machineries for its agriculture sector to mitigate its vulnerability to risks. With the frequent and inevitable occurrence of earthquakes, volcanic eruptions, and climate-related phenomena, the Administration is shaping its AFF sector to be more resilient and ready in case of catastrophic events through science and technology interventions, construction of climate-resilient irrigation systems, and giving farmers and fisherfolk access to affordable credit and insurance.

Mapping Out Agricultural Advantages

The Duterte Administration is taking advantage of science-based interventions in the farming sector towards climate-ready crop management systems. In 2017, the DA launched the National Color Coded Agricultural Guide (NCCAG) Map – an interactive online-based map that matches the agricultural parcels with crops that are most suitable to them, based on soil type, climatic conditions and bio-physical requirements. It also overlays soil properties, elevation, rainfall pattern, temperature and the projected climate-induced multi-hazards.

For 2018, PhP96 million has been allocated for the maintenance of the system. The enhancement of the interactive map will guide farmers and fisherfolk in monitoring storms or dangerous climatic conditions in their area, as it has a link to the website of the Philippine Atmospheric, Geophysical and Astronomical Services Administration. To make the system accessible to farmers, the DA ensures the availability of computers with internet connection in Farmers' Information and Technology Services (FITS) Centers nationwide, which farmers may visit. As of the first quarter of 2017, there are 849 FITS Centers nationwide.

Expanding the Network of Irrigation Systems against Climate Shocks

Irrigation systems are essential to ensure adequate water supply for the farming sector and to overcome deficiencies in rainfall as a result of climate change. However, the country is challenged by the marginal increase in irrigation systems and appurtenant drainage facilities needed during the dry spell. As of 2015, only 1.7 million ha., or 57 percent of the 3 million ha. potential areas have been irrigated. Although the government pushes to construct more irrigation systems, many of the existing irrigation systems need to be rehabilitated and restored.

It is important to consider the durability of irrigation systems – ensuring that they can withstand excessive water supply arising from intense typhoons, earthquakes, and other nature-related shocks. Thus, the National Irrigation Administration (NIA) focuses on considering the design of irrigation structures aligned with the needs of the locality and the topography of the area to be serviced, and ensuring their durability.

For 2018, the government has allotted PhP40.9 billion for the NIA for the development, restoration, repair and rehabilitation of climate-resilient irrigation systems nationwide. In addition, a budget of PhP940 million has been earmarked for its climate change adaptation works, both for national and communal irrigation systems. Of this budget, PhP179 million is allotted for the upgrading and rehabilitation of national irrigation systems damaged by Typhoon "Yolanda" ("Haiyan") which hit the country in 2013.

The NIA targets to service 613,193 ha. of agricultural lands during the wet season, from 635,764 ha. in 2017; and 582,898 ha. during the dry season, from 587,760 ha., increasing farmer beneficiaries to 580,050, from 564,000.

With the promise of President Duterte to provide free water to poor farmers, the operational subsidy to NIA has been increased to PhP5.1 billion, from PhP2.0 billion.

Providing Access to Affordable Formal Credit

The Duterte Administration plans to open more opportunities for farmers and fisherfolk as it recognizes and aims to address the paradox of starving food producers. On top of their meager income, they have limited access to avail of credit which could help finance their agricultural needs, considering its significance in managing risks arising from the production of commodities, price variability, as well as climate and weather uncertainties. For farmers and fisherfolk, it is pivotal in providing insurance protection against losses brought by natural disasters, plant diseases and pest infestations.[11]

Focused on finding solutions to this problem, the budget allocation for the Farmer and Fisherfolk Quick Credit Program of the Agricultural Credit Policy Council (ACPC) has increased by 29 percent, from PhP750 million in 2017 to PhP900 million in 2018. With a higher budget, the DA targets to increase the number of beneficiaries to 18,000, from 15,000 in 2017.

Likewise, the SRA has earmarked PhP300 million for 2018 to provide sugarcane producers and farmers with access to socialized credit for their farming activities.

In relation to this, the budget of the Crop Insurance Program of the Philippine Crop Insurance Corporation (PCIC) has increased to PhP3.5 billion in 2018, compared to PhP2.5 billion in 2017, to provide agricultural insurance for farmers and fisherfolk in case of losses incurred from calamities and other agricultural-related risks.

Greener Pastures for the AFF Sector

The primary objective of the government's efforts to revitalize the AFF sector is to directly address the root of the problem within the sector, which eventually extends to the rest of the country: food insecurity. As in any situation of insecurity, from this basic problem springs other challenges such as a limited, or actual lack, of economic and physical access to food, leading to food instability.

Highlighting the strengthening and upliftment of the AFF sector as one of the key thrusts of the Duterte Administration opens up new possibilities and opportunities for those who have always counted among the most disadvantaged members of society. With programs and projects that aim to promote the rights, improve the welfare and uphold the dignity of farmers and fisherfolk, and initiatives to address the threat of environmental degradation, the government hopes to provide adequate and nutritious food for all Filipinos, including and foremost among them, the food producers.

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B. Expanding Economic Opportunities in Industry and Services through *Trabaho at Negosyo*

"I have learned from my experience in Davao City that investor confidence [is] bolstered and fortified only if a potent force and mechanism for [the] protection of local and foreign investments are in place."
- President Rodrigo Roa Duterte, State of the Nation Address 2017

After having endured the tag "sick man of Asia" for quite a number of years in the past, the Philippines has begun its ascent to progress recognized by the world, and is holding on to its new title as "Asia's Rising Tiger".

Behind this latest epithet is the country's record of strong economic performance and sound fiscal policies over recent years. The World Bank's Global Economic Prospects has ranked the country as the world's 10th fastest growing economy, projecting its economy to advance between 6.5 to 7.5 percent in 2017.

In 2016, the country registered the highest economic growth among its Asian neighbors at 6.8 percent, ahead of China's 6.7 percent and Vietnam's 6.2 percent. This growth was fueled by the strong performance of manufacturing, trade, and services; household consumption, remittance flows; and public infrastructure spending.

Strongly leading the sectors that serve as the growth catalyst to power the "tiger" is the industry and services (I&S) sector. Over the years, the industry sector has been making a fair and sustained contribution to the country's GDP, averaging 34 percent during the period from 1980-2014. The services sector has contributed an average of 48 percent during the same period.[1]

The I&S sector is also a key player in providing jobs to a large number of Filipinos. An estimated 54 percent of the country's labor pool is in the services sector, while the industry sector puts in 16 percent.

The Challenges of Borderless Boundaries

While the I&S sector holds great potential in ensuring the steady footing of the "Rising Tiger" that is the Philippines, it is also confronted with some of the most unique and difficult challenges.

For one, with the expansion of borderless opportunities and the changing landscape of the global market, the country has to keep pace with stiffer competition with non-Asian economies. While the country is a game changer in accelerating its economy vis-à-vis the ASEAN community, it is still far from the loop of the most competitive economies worldwide.

In the latest Global Competitiveness Index (GCI) for the period 2016-2017, the country settled in the middle ranking with regard to the most competitive nations in Southeast Asia. From the global perspective, the Philippines ranked 57th out of 138 countries, dropping from 47th place out of

Table 1. Global Competitiveness Report, 2010-2016

Country	2010-2011 (out of 139)	2011-2012 (out of 142)	2012-2013 (out of 144)	2013-2014 (out of 148)	2014-2015 (out of 144)	2015-2016 (out of 140)	2016-2017 (out of 138)	Change 2015-2016	Change 2010-2016
Singapore	3	2	2	2	2	2	2	0	1
Malaysia	26	21	25	24	20	18	25	(7)	1
Thailand	38	39	38	37	31	32	34	(2)	4
Indonesia	44	46	50	38	34	37	41	(4)	3
Philippines	85	75	65	59	52	47	57	5	28
Vietnam	59	65	75	70	68	56	60	(4)	(1)
Lao PDR	N/A	N/A	N/A	81	93	83	93	10	-
Cambodia	109	97	85	88	95	90	89	1	20
Myanmar	N/A	N/A	N/A	139	134	131	-	-	-
Brunei Darussalam	28	28	28	26	N/A	N/A	58	-	(30)

Source: World Economic Forum

140 economies in 2015-2016. Despite the 10-notch decline, the country posted the largest gain at 28 notches in overall competitiveness from 2010-2016 among its neighbors in East Asia.[2]

In terms of doing business, the country's performance improved, earning for it the 99th slot among 190 economies in the 2017 Ease of Doing Business Report, from 103th in 2016. Its 2017 standing reflects a 49-notch leap from its 148th ranking in 2010. This is attributed to the improved transparency in building regulations and the use of online system in paying taxes.[3]

Despite these improvements, however, more needs to be done if the country wants to attain its target of being in the top 25 percent of globally competitive countries by 2022.

Potential business key players find it difficult to start a business in the country due to the complexity of requirements and procedures for registration and accreditation, as well as the high cost of doing business.[4]

Based on the 2017 Ease of Doing Business Report, the country has 16 procedures to start a business, compared with six (6) procedures for Laos and Thailand, and three (3) in Malaysia and Singapore. In registering a property, the country has nine (9) procedures, compared with only five (5) that Indonesia and Vietnam require; Singapore and Laos have four (4) procedures, while Thailand has three (3). For tax payments, the country has 36 payment levels, three (3) times more than that of Malaysia which has 13, and seven (7) times more than that of Singapore which has only five (5).

On the Homefront

From the local perspective, the Duterte Administration has cited the remaining issues that have to be addressed to assure the country's continuing growth. These include the high concentration of economic activities and investments in the Greater Manila Area, the mismatch between the technical and practical skills of the labor force, and the restrictive economic provisions to foreign investors.[5]

The government has recognized the Greater Manila Area (comprising the National Capital Region, Central Luzon and CALABARZON) as the country's top investment venue for commerce, finance and industry. Its major cities serve as a hub for the manufacturing industries of various products. The NCR alone hosts the largest corporations, banks, high-rise buildings, bars, hotels, fast food chains, and shopping centers, which enable it to contribute 33 percent to the country's GDP.[6]

However, the high density of economic activities and investments in urbanized areas reduces the opportunities for other potential key players in the country, which also have diverse and unique products to offer.

Table 2. ASEAN Rankings in Ease of Doing Business, 2017

Country	Starting a business	Dealing with construction permits	Getting electricity	Registering Property	Getting credit	Protecting minor investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving Insolvency	Overall ranking
Singapore	6	10	10	19	20	1	8	41	2	29	2
Malaysia	112	13	8	40	20	3	61	60	42	46	23
Thailand	78	42	37	68	82	27	109	56	51	23	46
Brunei Darussalam	84	37	21	134	62	102	89	142	93	57	72
Vietnam	121	24	96	59	32	87	167	93	69	125	82
Indonesia	151	116	49	118	62	70	104	108	166	76	91
Philippines	171	85	22	112	118	137	115	95	136	56	99
India	155	185	26	138	44	13	172	143	172	136	130
Cambodia	180	183	136	120	7	114	124	102	178	72	131
LAO PDR	160	47	155	65	75	165	146	120	88	169	139
Myanmar	146	66	149	143	175	175	119	159	188	164	170

Source: 2017 Ease of Doing Report

The government has also regarded the mismatch between the technical and practical skills of the country's labor force as an impediment to the development of the I&S sector. Although the country has a growing young population, there is still a need to shape a good quality of workforce. Many white collar workers in the local front move overseas in pursuit of higher paying technical and manual jobs.

Aside from these concerns, there is also the issue of Constitutional restrictions on foreign ownership, which limit foreign direct investments in the country.

Upgrading the I&S Sector

Local and foreign investors keenly study and evaluate the economic environment of a country before expanding or putting up their business and investment. Global rankings help indicate the capacity of an economy to attract more investments and business opportunities. As companies move their operations and production to the country, the I&S sector is further strengthened, thereby pulling more Filipinos to easily step in the global value chain, particularly in the micro, small and medium enterprises (MSMEs).

Recognizing the role of the I&S sector in laying down the foundation for inclusive growth, high-trust society, and a globally competitive and resilient knowledge economy, the Duterte Administration aims to expand the economic opportunities to MSMEs, cooperatives, and Overseas Filipinos (OFs)[7] by pursuing the relaxation of the Constitutional restrictions on foreign ownership, improving infrastructure, and lessening the processing time for business permit application, among others.

In the meantime that the Constitutional provision on foreign ownership has not been amended, however, the Department of Trade and Industry (DTI) is employing various strategies to enhance the growth of the I&S sector.

Looking back at the successive stages of the budget of the DTI, the government's primary coordinative, promotive, and facilitative arm for trade, industry and investment activities, it can be noted that major programs focus on establishing centers and facilities intended to attract more entrepreneurs and serve as a hub to create distinctive products.

For 2018, the budget of the DTI has been increased to PhP6.7 billion, higher by 40 percent than the PhP4.8 billion budget in 2017, to attract and assist more MSMEs through the establishment of centers for capacity enhancement and facilitation of business requirements, provision of efficient equipment and technologies, development of more industries, innovating the business processes, providing access to finance, and reviving the country's automotive industry.

The DTI is empowering MSMEs to cope with the trends of the global market. It also targets to create a more competitive setting by strengthening the country's workforce and putting in place more relevant and responsive policies for businesses and investments to come in.

Table 3. Major Programs for the I&S Sector, 2016-2018
(in billion Pesos)

Department/PAPs	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Trade and Industry	4.3	4.8	6.7
Office of the Secretary			
Establishment of Negosyo Centers	0.4	0.5	0.5
One Town, One Product (OTOP): Next Generation	-	0.2	0.1
Shared Service Facilities Project	0.01	0.07	0.2
Board of Investments			
Comprehensive Automotive Resurgence Strategy (CARS) Program	0.01	0.01	1.6

Source: Department of Budget and Management

Developing MSMEs

Consistent with Republic Act No. 10644, otherwise known as the "Go Negosyo Act" approved on July 15, 2014, the DTI exerts efforts for the establihsment of more MSMEs that will be at the forefront of the production and trade in the country, and create jobs in the process.

As the country draws more entrepreneurs, the Administration will ensure that it will be responsive to their concerns, particularly in solving the snail-paced processing of business registration, providing counselling on business-related concerns, and bringing small businesses to the center of regional and global trade. Also, the Administration targets to disperse business opportunities outside of Metro Manila by harnessing the potential of more entrepreneurs within the country's borders.

Anchored on this goal, the Administration continues to establish more Negosyo Centers and Shared Service Facilities (SSFs).

Negosyo Centers serve as one-stop shop facilities that help expedite the processing of the requirements of MSMEs and provide assistance on product development, trade promotion, and securing financing. They are also equipped with at least a training room and function areas for the conduct of free seminars and lectures from business counselors and experts.

As of December 2016, the DTI has operationalized 447 Negosyo Centers which have assisted 509,982 clients. In 2017, PhP530 million was allotted for the establishment of 150 more Negosyo Centers to provide assistance to 15,000 MSMEs and the maintenance of 299 existing Centers.

For 2018, the DTI has an allocation of PhP515 million for the establishment of 150 additional Negosyo Centers which will provide support to 45,000 MSMEs and the maintenance of the 597 existing ones.

Meanwhile, the SSF is a facility powered by the DTI in partnership with non-government organizations, people's organizations, cooperatives, industry/trade associations, local government units, and state universities/colleges to provide MSMEs the available machinery, equipment, tools, systems, skills, and knowledge under a shared system.

The DTI has set aside PhP200 million in 2018, a sharp increase of 186 percent from the 2017 level of PhP70 million, for the setting up of 83 SSFs and the maintenance of the existing 2,200 SSFs.

Table 4. Budget and Physical Targets of Negosyo Centers and the Shared Service Facilities Project, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Establishment of Negosyo Centers (DTI-OSEC)	PhP394 M	PhP530 M	PhP515 M
Number of Negosyo Centers established	168*	150*	150*
Number of Negosyo Centers maintained/ sustained	149	299	597**
Number of MSMEs assisted	16,800	15,000	45,000
Shared Service Facilities Project (DTI-OSEC)	PhP10 M	PhP70 M	PhP200 M
Number of SSF established	-	-	83
Number of SSF maintained	-	2,219	2,200

Source: Department of Trade and Industry
** Figures include basic, advanced, and full service Negosyo Centers*
***As of December 2016, there are 447 Negosyo Centers established*

In line with President Duterte's directive to provide affordable micro-financing for MSMEs, the Small Business Corporation is provided with PhP1.0 billion in 2018 to continue the Pondo sa Pagbabago at Pag-asenso (P3) Program. This Program targets to provide MSMEs with an alternative source of financing at a reasonable cost to boost the development of the MSME sector, particularly the microenterprises that comprise about 90 percent of registered enterprises in the country.[8]

Drawing in More Investments

The Administration fortifies investment promotion as it creates more jobs for Filipinos. By making the country one of the most competitive investment destinations, more Filipinos will benefit from the advantage of more jobs and increase in production and trade.

The value of investment projects approved by the Board of Investments (BOI) increased by 21 percent to PhP442.0 billion in 2016, from PhP366.7 billion in 2015. When these investment projects become fully operational, they can generate 67,634 jobs. The increase, according to the BOI, can be attributed to the sustained confidence of investors in the country's strong macroeconomic fundamentals, the development agenda of the Administration, and the investment missions/state visits of President Duterte which helped increase awareness of the country's strong economy.[9]

Image taken from www.dti.gov.ph

For 2018, the BOI is provided with PhP2.0 billion to support programs that will draw more investments in the country. Of this amount, PhP1.7 billion is allotted for its Investment Promotion Program to undertake projects focused on the promotion of investments, both local and foreign, registration and supervision of investment projects, and provision of investment counseling and aftercare services to its clients.

The DTI has also seen a significant growth in the number of foreign direct investments (FDI) that enter the country. In 2016, the country's FDI rose to US$7.9 billion, 41 percent higher than the Php5.6 billion in 2015. As of 2016, the DTI has assisted 3,514 exporters and 2,358 investors. To further improve this accomplishment, the DTI has allotted Php727 million for its Exports and Investments Development Program in 2018.

The country is also reviving the automotive industry to attract more investments, as well as promote the country as a regional automotive manufacturing hub. To accomplish this, the government has set aside a hefty PhP1.6 billion for the Comprehensive Automotive Resurgence Strategy (CARS) Program, significantly higher than 2017 allocation of PhP10 million, to boost the local automotive industry by expanding the auto parts making capabilities. The hefty budget increase is attributed to the implementation of the grant for Fixed Investment Support (FIS) to participating car makers and hiring of a third party surveyor in validating the availment of the fiscal support. This fiscal support covers the Capital Expenditure (CapEx) for tooling and equipment and training costs for the initial start-up operation of automotive companies.

Upon the operationalization of the Program, participating car makers need to comply with performance-based terms and conditions such as production of a minimum of 100,000 units over the six-year Program period, as well as the local production of body shell and other parts.[10]

The CARS Program is expected to generate 67,500 additional jobs, PhP7.6 billion in government revenues in terms of VAT, excise tax, withholding taxes, and import taxes; and PhP7.5 billion in investments.

Improving the Regulatory Process

In addressing the problems related to the cumbersome process of doing business in the country, the DILG, DICT, DTI, and local government units (LGUs) have signed a Joint Memorandum Circular on August 30, 2016 which imposes stricter performance standards for business permit processing and on regulatory processes nationwide.

The Circular directs LGUs to cut the processing time of new business registration to a maximum of two days and one day for renewals. In terms of procedures, a maximum of three steps for both new business registration and renewals is imposed. It also urges LGUs to automate and computerize business transactions with the assistance of the DICT to be able to improve frontline services.[11] With the new set of standards in processing business permits and licenses, the country looks forward to an improvement in the competitiveness ranking of the Philippines in global surveys and attracting more investments and business ventures.

Upgrading the Labor Pool

Highlighted in the 0+10-Point Socioeconomic Agenda of President Duterte is investment in human capital development, including in health and education, and skills-matching and training to meet the demand of businesses and the private sector.

In line with this priority, the Technical Education and Skills Development Authority (TESDA) is implementing its Technical-Vocational Education and Training (TVET) Program with a two-pronged thrust: global competitiveness and social equity. TVET is recognized to contribute to both economic growth and social equity by providing productive and employable skills needed by the industries, the communities and the individuals.[12]

The Administration has provided Php7.0 billion for the TESDA to address the mismatch of technical and practical skills with the needs of the industries. While the DOLE intensifies employment facilitation projects, including among others, the web-based Skills Registry System that allows Filipino job hunters to register and help them find a job that matches their skills, the TESDA focuses on providing students with skills-based trainings *(See Section on Accelerating Human Capital Development for more details).*

Accelerating Inter-Firm Cooperation

To come up with a fair distribution of business opportunities throughout the country, the Administration pushes for the Comprehensive National Industrial Strategy, a mechanism which adopts a cluster-based industrial approach to promote inter-firm cooperation and agglomeration, thus building a strong and competitive regional economy.

For 2018, a budget of PhP36 million is lodged under the BOI to implement the program focusing on linking manufacturing, infrastructure and logistics, tourism, agribusiness, information technology, business process management, and knowledge process outsourcing to generate more jobs and increase the country's GDP.

Under this strategy, the government integrates manufacturing, agriculture, and services in developing the industry by developing human resources, developing MSMEs, strengthening research and development activities, and investing in infrastructure development. By creating the proper environment, industries may take advantage of the current and prospective market opportunities resulting in the creation of more jobs.

Promoting Distinctive Products

From the carabao products of the Ilocos Region to the abaca fiber of Agusan Del Norte, the country is undeniably home to the most distinctive and unique products in the world. Having this advantage, the Administration targets to harness the country's native products and make them marketable for both local and foreign consumers. This can be done by MSMEs and local government units in their product development, marketing, promotion, business counselling, skills and entrepreneurial training, and capital sourcing.

Through the DTI's One Town, One Product (OTOP): Next Generation or OTOP, MSMEs will be assisted in marketing their native products through effective design, packaging, and utilization of online tools. For 2018, the Project is provided with PhP100 million to assist 6,000 MSMEs nationwide and develop at least five products per province where it has competitive advantage. These products will be merchandized and will be subject to standards of compliance, leading to increase in the sales revenue of OTOP entrepreneurs. Come 2018, the DTI aims to increase by 10 percent the PhP300 million targeted sales revenue of OTOP entrepreneurs in 2017.

To strengthen the Project, the DTI is tapping commercial establishments such as malls to hold promotional activities and bring OTOP products closer to consumers. The DTI also eyes to make OTOP as the global brand for Philippine products.

Towards a Globally-Competitive Economy

The Duterte Administration targets to make the country's I&S sector globally competitive. On top of this, it targets to uplift small-scale businesses, whose success impacts greatly not just on the economy but in terms of direct improvements in the lives of Filipinos.

It strives to realize the vision of improved productive capacity, increased incomes, and strengthened investment climate. By 2022, it targets to improve the gross value added of the industry sector to 8.1-9.1 percent from 8.0 percent in 2016. For the services sector, the target is to increase it to 7.9 percent from 7.5 percent in 2016. Also, by the end of the term, the goal is to generate at least 2.3 million jobs in the industry sector, and 3.5 million jobs in the services sector.

Anchored on its commitment to improve the state of public infrastructure, international trade relations, and business policies, the Administration envisions the Philippines to be one of the top destinations for investments in the near future.[13]

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C. Accelerating Human Capital Development

"Human development [is] not just a means to an end but also an end in itself."
- Philippine Development Plan 2017-2022

In the discussion of a country's economic progress, human capital is considered from two perspectives – how it contributes to overall national development, and how an improving economy enhances human capital development.

While the human capital concept in the field of economics is said to have its roots in the 17th century, only over the past 50 years has it been seriously studied in terms of economic value, and applied as a factor in the determination of the level of economic development of particular countries.

To better understand how human capital development impacts on economic growth, and provide governments with comparative data to support their development planning, the World Economic Forum releases an annual Human Capital Index (HCI) Report. The Report evaluates and ranks countries based on how well they are developing and deploying their human capital by assessing the "levels of education, skills, and employment available to people" and on the impacts or outcomes of their investments in human capital. [1]

In the 2016 HCI Report, the Philippines ranked 49th among 130 countries, and placed 8th in East Asia and the Pacific Region, next to Malaysia (42nd) and Thailand (48th).

Recognizing the significance of human capital development in the attainment of sustained and inclusive growth, the Duterte Administration has made it as one of its top priorities, as gleaned from the 0+10-Point Socioeconomic Agenda and in the Philippine Development Plan 2017-2022.

Now that the country has entered the demographic window – the period in the democratic evolution when majority of the population is in the working age group – it is crucial that this sector's potential is developed to improve the people's employability, and tapped to improve overall productivity and boost the country's economic growth.

Promoting Health and Nutrition

Good health is a pre-condition for good performance and better productivity. Health, as defined by the World Health Organization, is not merely the absence of disease but the condition of complete mental, physical, and social well-being.[2]

Ensuring healthy lives and promoting the well-being of people at all ages is one of the 17 goals under the United Nations' Sustainable Development Agenda 2030, which the Administration strongly supports.

Nutrition, however, remains to be a challenge in the Philippines as one in three children under the age of five is malnourished. In 2015, the country scored a higher chronic malnutrition rate of 33.4 percent, compared to lower income nations such as Cambodia (32.9 percent) and Vietnam (23 percent).[3]

If malnutrition is not properly addressed, it may adversely impact on the people's and the country's productivity. Based on a report from Save the Children, an international non-government organization, the country lost PhP328 billion in 2013, or roughly three (3) percent of its gross domestic product (GDP), due to "loss of income as a result of lower level of education by the working population who suffered from childhood stunting; lost productivity due to premature deaths among children who would have been members of our current working age population; and additional education costs to cover grade repetitions linked to undernutrition."[4]

Aside from malnutrition, persistent and continuing major challenges in the health sector are communicable diseases such as malaria, tuberculosis, and HIV/AIDS; maternal mortality; and access to safe water and health facilities.

Health for All - At All Life Stages

In response to the continuing challenges in the country's health sector, the Department of Health (DOH) crafted the Philippine Health Agenda Framework 2016-2022. The goals are:

- Protect Filipinos, particularly the poor, from the high cost of health care;
- Produce better health outcomes;
- Provide a responsive health system where patients are valued and respected; and
- Attain the health-related United Nations' Sustainable Development Goals (SDGs) such as improving nutrition and ensuring healthy lives and promoting the well-being for all at all ages.

To help achieve these goals, the Duterte Administration has increased the health sector budget from PhP158.3 billion to PhP172.9 billion in 2018. Table 1 shows the budget of the DOH, as well as the major health programs.

Table 1. Health Budget and Major Programs, FY 2017-2018
(in billion Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Health	**125.0**	**98.4**	**107.2**
Health Facilities Enhancement Program	26.9	24.2	29.0
Human Resources for Health Deployment Program	7.0	7.8	9.7
National Immunization Program	4.0	7.1	7.4
Prevention and Control of Other Infectious Diseases	1.1	2.0	1.7
Tuberculosis (TB) Control Program	1.1	1.3	0.7
Elimination of Infectious Diseases	0.7	0.8	0.9
Public Health Management	-	-	5.1
TB Control Program	-	-	0.5
Prevention and Control of Other Infectious Diseases	-	-	0.3
National Nutrition Council			
First 1,000 Days (Nutrition Intervention Package)	0.2	0.3	0.3
Philippine Health Insurance Corporation			
National Health Insurance Program	43.9	53.2	57.1

Source: 2018 BESF

Caring at All Life Stages: From Infancy to Old Age

Lifelong health and well-being start from conception. Hence, it is essential that pregnant women are given prenatal care and provided access to safe delivery to ensure child survival.

While the number of births delivered in a health facility and attended by a health professional has increased over recent years, the target to reduce maternal mortality has yet to be achieved. The maternal mortality ratio per 100,000 live births stood at 114 in 2015.[5] The target is to reduce it to 90 in 2022. To address this, the Administration is keen in pursuing the full implementation of the Responsible Parenthood and Reproductive Health Law to ensure women's access to reproductive health services, including family planning methods *(See Section on Increasing Growth Potential for more details).*

First 1,000 Days. The Early Childhood Care and Development (ECCD) Nutrition Intervention Package for the First 1,000 Days of the life of children is a program of the National Nutrition Council (NNC) of the DOH, in partnership with other stakeholders in the national government and local

Table 2. Selected Health Indicators vs. Targets

Indicators	Baseline (2015)	End of Plan Target (2022)
Maternal Mortality Ratio (per 100,000 live births)	114	90
Infant Mortality Rate per 1,000 live births	23 (2013)	15
Prevalence of stunting among children under 5 (in %)	33.4	21.4
Tuberculosis incidence per 100,000 population	322	225
Malaria prevalence per 100,000 population	7.74	<1
Number of new HIV infections (newly diagnosed cases/year)	7,831	Reverse trend

Source: National Economic and Development Authority (2017). Philippine Development Plan 2017-2022

government units (LGUs). The Program aims to address malnutrition and the prevalence of maternal and infant mortality by attending to the nutrition needs of pregnant mothers and children aged zero (0) to two (2) years. The 1,000-day window, representing the first two years of a child's life, is critical to the child's mental and physical development as it provides the foundation for his/her lifelong health. It is said that "malnutrition early in life can cause irreversible damage to the children's brain development and their physical growth, leading to a diminished capacity to learn, and poorer performance in school."[6]

Photo credit: National Nutrition Council

For 2018, the government has provided PhP269 million for this Program to implement health interventions, such as micronutrient supplementation, proper nutrition, and other services for pregnant women and children below two (2) years, as well as build the capacity of LGUs in the implementation and promotion of health and nutrition projects. Part of the amount will be used to expand the coverage of the Program to include five (5) more municipalities in Quezon Province and two (2) resettlement areas in Rizal Province.

The NNC will mobilize the LGUs, prioritizing 38 areas with greater magnitude of stunting and wasting, such as Abra, Isabela, Quezon, Masbate, Antique, Northern Samar, Sulu, Tawi-tawi, and CAMANAVA (Caloocan-Malabon-Navotas-Valenzuela), to promote nutrition programs.[7]

Elimination of infectious diseases. Some PhP956 million has been provided in 2018 for the elimination of diseases such as malaria, schistosomiasis, leprosy, and filariasis, as well as for rabies control. While the prevalence of malaria has declined sharply from 118.7 in 1990 to 7.74 in 2015, per 100,000 pouplation, the government targets to make more provinces malaria-free. By the end of 2018, the target is to expand the number of malaria-free provinces to 45 from 32 provinces in 2016.

Table 3. Some Public Health Program Targets for 2018

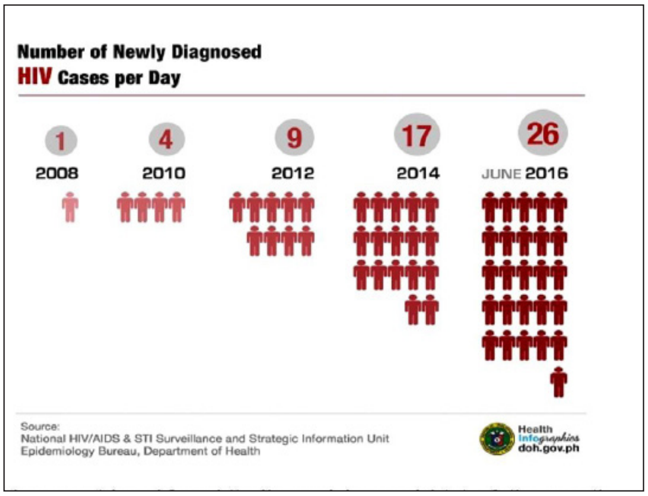
Indicator	Baseline (2016)	2018 Target
Number of malaria-free provinces	32 provinces	Additional 13 provinces (cumulative: 45 provinces)
Number of filariasis-free provinces	35 provinces	Additional 6 provinces (cumulative: 41 provinces)
Number of rabies-free areas	41 areas	Additional 6 areas (cumulative: 47 areas)

Source: NEP

Prevention and control of other infectious diseases. Priority will also be given to combating communicable diseases such as tuberculosis and HIV/AIDS. Based on DOH data, the number of HIV cases has risen, majority of which are in highly-urbanized areas such as the National Capital Region.

To combat these infectious diseases, PhP1.7 billion has been set aside under the DOH budget for the prevention and control of other infectious diseases. Part of this amount will be utilized to raise massive awareness on HIV/AIDS and to provide prevention services, testing, and treatment.

Figure 1. Diagnosed HIV Cases per Day, 2008-2016



Tuberculosis Control Program. PhP785 million is allocated for the TB Control Program to ensure a 90 percent TB case detection rate and TB treatment success rate. An additional PhP540 million, lodged under the Public Health Management Program, is provided to cover the training component of the TB Program.

National Immunization Program. The government has increased the budget for the National Immunization Program from PhP7.1 billion in 2017 to PhP7.4 billion in 2018 to cover the full immunization of 2.7 million children nationwide against diphtheria, measles, flu, and other vaccine-preventable diseases. In 2017, 2.4 million children are targeted for full immunization.

National Health Insurance Program (NHIP). Some PhP57.1 billion is also given to the NHIP to provide health insurance particularly for 15.4 million indigents, 5.4 million senior citizens, 22,514 families under the PAyapa at MAsaganang PamayanNAn (PAMANA) Program, and 22,709 beneficiaries under the Bangsamoro Program. The 2018 allocation is PhP3.9 billion higher than the 2017 level (*See Section on Reducing Vulnerability of Individuals and Families for more details*).

Better Access to Health Care Services

To ensure responsive and accessible health services and facilities, the Administration has beefed up by almost 20 percent the budget for the Health Facilities Enhancement Program (HFEP) in 2018, from PhP24.2 billion in 2017 to PhP29.0 billion. The bulk of the amount will be for the construction and equipping of Barangay Health Stations (BHSs) and Rural Health Units (RHUs), and the completion and upgrading of Metro Manila and regional hospitals. By the end of 2018, the government targets to complete/equip 3,320 RHUs and 28,188 BHSs. And by 2020, the target is to have one BHS for every barangay.

Aside from health facilities, more medical personnel will also be hired to man said facilities and to be deployed in remote areas where medical practitioners are badly needed. In 2016, there were 16 Human Resources for Health (HRH) for every 10,000 population in the country. Next year, the government targets to increase it to 17 HRH per 10,000 population.[8] To help achieve this, some PhP9.7 billion has been provided under the Human Resources for Health Deployment Program of the DOH for the hiring of 446 doctors, 20,527 nurses, 3,108 midwives, and 324 dentists, among others. Said amount is 24.4 percent more than the 2017 level of PhP7.8 billion. In deploying the HRH, the DOH shall give priority to the barangays without health workers, Geographically Isolated and Disadvantaged Areas (GIDAS), Indigenous Peoples (IP) communities, and areas where the absolute number of poor and the incidence of poverty are high.

Table 4. Deployment of Medical Personnel, 2014-2018

Program	2014 (Actual)	2015 (Actual)	2016 (Actual)	2017 (Target)	2018 (Target)
Doctors to the Barrios	320	348	504	435	446
Nurse Deployment	11,293	13,371	16,703	15,321	20,527
Rural Health Midwives Placement	2,700	3,020	4,205	3,100	3,108
Dentist Deployment	-	218	267	243	324

Sources: DOH; DBM

In line with its goal to have more doctors, the government provides cash grants for aspiring Filipino doctors enrolled in any DOH-partner medical school who are willing to be deployed to far-flung, disadvantaged and underserved areas. The grantee is entitled to receive 100 percent tuition fee subsidy, and allowances for books, uniform, transportation, and lodging, among others.

Joint Memorandum Circular No. 2017-4 was issued by the DBM and the Commission on Higher Education (CHED) on May 31, 2017 providing the implementing guidelines on the matter. For 2018, PhP187.4 million has been set aside for the Medical Scholarship under the DOH Pre-Service Scholarship Program to benefit 2,000 medical students.

Providing Quality, Accessible and Relevant Education

"Education is not a way to escape poverty – It is a way of fighting it."[9]

Education is not just an inherent right; it can also help break the chains of poverty. Studies of several economists reveal that an additional year of education can help increase a person's income and the country's GDP.

For the past years, the country's investments in the education sector have been steadily increasing. From PhP225.1 billion in 2010, it has increased to PhP705.9 billion in 2017. In 2018, the sector[10] will receive its biggest allocation of PhP747.2 billion, equivalent to 4.3 percent of GDP. About PhP613.1 billion of this budget will go to the Department of Education to secure a strong foundation for learning. PhP64.6 billion and PhP13.5 billion will go to State Universities and Colleges (SUCs) and the CHED, respectively, to boost tertiary education.

Basic Education: Fortifying the Foundation of Learning

Hefty investments in the sector have helped improve enrolment rates for kindergarten and the secondary level, though admittedly still below the PDP targets. The investments have likewise resulted in a higher completion rate for the elementary level, from 72.1 percent in 2010 to 83.43 percent in 2015 (*See Table 6*).

Despite these gains, more needs to be done to raise the quality of education in the country. Based on the Philippine Education Note of the World Bank, the subject knowledge of elementary and high school teachers is weak, thus constraining the improvement of student performance.[11] Also, with the increasing number of enrollees, more teachers, classrooms, and other educational facilities need to be provided.

Table 5. Major Programs under the Education Sector
(in billion Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Education	**433.4**	**568.4**	**613.1**
Of which:			
Basic Educational Facilities	82.3	118.8	126.0
Creation of Teaching and Non-Teaching Positions	16.9	19.4	23.0
Provision of Learning Resources	16.0	21.7	19.4
Government Assistance and Subsidies	21.2	35.8	39.3
State Universities and Colleges	**49.7**	**61.4**	**64.6**
Of which:			
Expanded Students' Grants-in-Aid Program for Poverty Alleviation	2.5	2.4	2.5
Commission on Higher Education	**9.7**	**19.6**	**13.5**
Of which:			
Student Financial Assistance Programs	2.4	6.0	7.1
K-to-12 Transition Program	5.2	3.6	4.1
Technical Education and Skills Development Authority	**6.9**	**6.8**	**7.0**
Of which:			
Training for Work Scholarship Program	2.2	2.4	2.6
Private Education Student Financial Assistance	0.2	0.2	0.2

Source: DBM

Table 6. Basic Education Indicators

Indicators	2010	2015	Target (2018)	End of Plan Target (2022)
Net Enrolment Rate				
Kindergarten	57.2	74.65%	83.37%	95.00%
Elementary	95.9	91.05%	92.74%	95.00%
Secondary/ Junior high school	64.7	68.15%	71.27%	75.44%
Completion Rate				
Elementary	72.1	83.43%	86.25%	90.00%
Secondary/ Junior high school	75.1	73.97%	77.15%	78.48%

Sources: Department of Education; PDP 2017-2022

Basic Educational Facilities. For 2018, PhP126.0 billion has been set aside for Basic Educational Facilities, Php7.2 billion more than the 2017 level of PhP118.8 billion. Said amount will be used for the construction of 47,000 classrooms and 12,037 Computer, Technical-Vocational and Science laboratories; procurement of 84,781 sets of school seats; repair and rehabilitation of 18,000 classrooms; and electrification of newly constructed schools, among others.

Manpower. Allocation for the basic education workforce has also increased from PhP19.4 billion in 2017 to PhP23.0 billion in 2018. Part of the amount will be used for the creation of 81,100 teaching positions, 78,924 of which will be for the K-10 program, while the remaining 2,176 positions will be for special education (1,944) and senior high school (232). The allocation will also cover the creation of 140 non-teaching positions.

Learning Resources. The government has also provided PhP19.4 billion for the procurement of 21 million textbooks, 3,183 sets of Science and Mathematics equipment packages, 22,883 ICT packages for the DepEd Computerization Program, and 4,600 sets of technical-vocational equipment, among others.

Scholarship Assistance. Acknowledging the private education sector as a key partner in providing quality education, the government has allotted PhP39.3 billion in 2018 for Government Assistance and Subsidies to students and teachers. The proposed allocation, which is higher by PhP3.5 billion than the 2017 level, will help support 1,077,230 deserving elementary graduates who aspire to study in private schools participating under the Education Service Contracting (ESC) Program; and 1,577,722 senior high school (SHS) students who wish to take their specialized tracks in State Universities and Colleges (SUCs), local universities and colleges (LUCs), or private universities and colleges under the Voucher Program.

The ESC Program covers junior high school (JHS) students – from Grades 7 to 10. Preference is given to graduates of public elementary schools.

The Voucher Program, on the other hand, is designed for Grade 10 or JHS completers who want to pursue SHS education in non-DepEd schools such as SUCs, LUCs, and private colleges and universities. This Program gives students the opportunity to choose the SHS program that is appropriate for their career goals.[12]

The allocation will also cover the Teachers' Salary Subsidy (TSS) which is provided to teachers in ESC-participating junior high schools. A TSS recipient is given PhP18,000 per year.

Table 7. Schemes Under the Government Assistance and Subsidies to Students and Teachers

Particulars	2017		2018	
	Physical Target	Amount (in billion Pesos)	Physical Target	Amount (in billion Pesos)
Education Service Contracting	1,040,148 grantees	9.46	1,077,230 grantees	10.67
Voucher Program for Private Senior High Schools	1,386,001 grantees	23.86	1,577,722 students	26.73
Voucher for Non-DepEd Public SHS	138,462 grantees	1.28	78,250 students	0.74
Voucher for Joint Delivery for Technical-Vocational-Livelihood (TVL) Specialization	100,000 grantees	1.17	115,996 students	1.16
Total	**2,664,611**	**35.77**	**2,849,196**	**39.30**

The amount of the ESC grant for School Year 2017-2018 is as follows:

Table 8. Amounts of the ESC Grant for SY 2017-2018 per Student
(in Philippine Pesos)

Grade Level	Schools in NCR	Schools Outside NCR
Grade 7	11,000	8,500
Grade 8	11,000	8,500
Grade 9	11,000	8,500
Grade 10	10,000	7,500

Source: DepEd Order No. 20, s. 2017

These provisions for basic education will help bring the government a step closer to its PDP targets. By 2018, it targets to increase net enrolment rate for kindergarten and elementary to 83.37 percent and 92.74 percent, respectively. Completion rate is also expected to go up to 86.25 percent for elementary, from 83.43 percent in 2015, and to 77.15 percent for JHS, from 73.97 percent in 2015.

Enabling Tertiary and Technical Education as Tools for Economic Transformation

Investing in higher and technical-vocational education can help boost productivity and inclusive growth. Based on the Philippine Institute for Development Studies (PIDS) Discussion Paper authored by Dr. Dante Canlas, "There is evidence showing that economic payoffs to higher education and skills acquisition are positive and increasing. The rates of returns to high school and college graduates are rising, accompanied by a widening of the gap between them."[13]

Studies show that college graduates and those with graduate degrees are likely to earn more than high school graduates. As can be gleaned in Figure 2, lifetime earnings increase as the educational level increases.

Not only does completion of higher education provide a higher remuneration, it can also help "produce a body of knowledge that drives technological progress."[14]

However, despite the increasing number of higher education graduates in the country, it still comes up short in producing innovators such as researchers and knowledge builders. Based on the 2016 Global Innovation Index, the country only has 81 researchers out of a million population, compared to Indonesia's 205 and Vietnam's 115. Moreover, there is also a mismatch between the skills and knowledge of the graduates and the requirements of the labor market.

To improve the quality of education and the employability of graduates, the government will continue to support higher education and technical-vocational education.

State Universities and Colleges (SUCs). Over the years, the allocation for SUCs has been increasing. From PhP49.7 billion in 2016, it rose to PhP61.4 billion in 2017 and is at PhP64.6 billion for 2018. Part of the 2018 budget, or PhP2.5 billion, will be used for the Expanded Students' Grants-in-Aid Program for Poverty Alleviation, to benefit 40,453 students – 1,734 more than the targeted 38,719 beneficiaries in 2017. Said Program aims to give students from poor households the opportunity to pursue higher education. After graduation, the Program will continue to assist them by helping them get employed in high-value added professions.

Commission on Higher Education (CHED). The CHED will receive PhP13.5 billion in 2018 to help build the country's workforce and innovation capacity. About PhP7.1 billion of its budget will be for the Student Financial Assistance Programs which will benefit a total of 550,696 students, 19 percent more than the 2017 target of 463,000, and 231 percent higher than the 2016 target of 166,204 beneficiaries.

The PhP7.1 billion allocation for these Programs also includes PhP4.1 billion for the K-to-12 Transition Program to provide 5,953 scholarships for graduate studies, 254 development grants for faculty and staff, and 81 institutional and innovation grants. These scholarships and grants are designed to promote excellence and enhance the qualifications of personnel in

Figure 2. Estimated Lifetime Earnings by Education Level

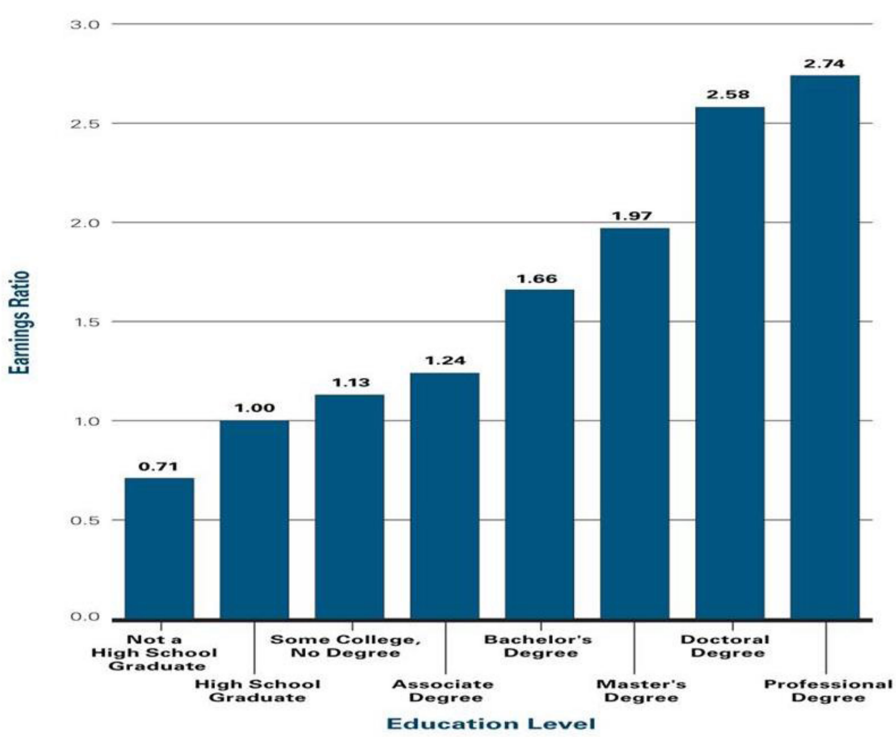


Image retrieved from https://trends.collegeboard.org/education-pays/figures-tables/lifetime-earnings-education-level.

Higher Education Institutions (HEIs). Ultimately, this will redound to the improvement of the quality of education at the tertiary level.

Table 9. Student Financial Assistance Programs of CHED, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
CHED budget	**PhP9.7 B**	**PhP19.6 B**	**PhP13.5 B**
Of which:			
Student Financial Assistance Programs	PhP2.4 B	PhP6.0 B	PhP7.1 B
No. of beneficiaries	166,204	463,000	550,696
K-to-12 Transition Program	PhP5.2 B	PhP3.6 B	PhP4.1 B
No. of scholarships for graduate studies	6,464	8,726	5,953
No. of faculty & staff development grants	10,024	1,883	254
No. of institutional and innovation grants	17	125	81

An amount of PhP17 million[15] has also been set aside under the CHED budget to implement the Unified Financial Assistance System for Tertiary Education (UniFAST) Act (Republic Act No. 10687) issued in October 2015. The UniFAST covers all student financial assistance programs of the national government for tertiary education and special purpose education in both private and public institutions such as grants-in-aid, student loans, scholarships, and other modalities of the Student Financial Program (StuFAP). Through the UniFAST, financial assistance for students will be properly allocated and utilized through effective targeting of beneficiaries.[16]

Technical Education and Skills Development Authority (TESDA). For 2018, TESDA will receive PhP7.0 billion to help lift the Filipino people out of poverty by improving their skills for permanent employment.

To fill the skills gap, particularly in in-demand sectors, the TESDA will sustain its Training for Work Scholarship Program (TWSP). Its funding of PhP2.6 billion will benefit 247,370 enrollees and is expected to produce 222,633 graduates.

Table 10. Major Programs of TESDA

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Training for Work Scholarship Program (TWSP)	PhP2.2 B	PhP2.4 B	PhP2.6 B
No. of enrollees	231,579	293,333	247,370
No. of graduates	208,421	264,000	222,633
Special Training for Employment Program (STEP)	PhP0.6 B	PhP0.9 B	PhP0.7 B
No. of beneficiaries	41,525	66,651	49,974
Private Education Student Financial Assistance (PESFA)	PhP0.2 B	PhP0.2 B	PhP0.2 B
No. of beneficiaries	13,333	11,111	11,111

The TESDA will likewise provide community-based training through the Special Training for Employment Program (STEP) to cater to the particular needs of communities. About 49,974 beneficiaries will gain from this Program.

Photo credit: TESDA (Retrieved from www.tesda.gov.ph)

It will also offer educational grants, both degree and non-degree courses, to marginalized but deserving college students through the Private Education Student Financial Assistance (PESFA), to contribute to the development of a competent workforce. To help ensure the graduates' employability, the field operating units of TESDA, in coordination with the participating technical-vocational institutions, adopt the "Seek (the jobs)+Find (the people who can be trained)+Train (the qualified students based on industry standards)+Certify (the graduates/workers)=Employability" strategy.[17] For 2018, the PESFA is provided a budget of PhP0.2 billion to benefit 11,111 students.

Building Opportunities for Labor and Employment

The country's unemployment rate rose to 6.6 percent in January 2017, from 5.7 percent in the same period last year based on the Labor Force Survey. A substantial number of the unemployed came from those who had only completed elementary education. By 2022, the government targets to reduce the unemployment rate to 3 to 5 percent and youth unemployment to 8 percent, from 11 percent in 2016.[18]

To help achieve these targets, the government is providing the Department of Labor and Employment (DOLE) PhP11.2 billion to promote employment opportunities and advance workers' welfare.[19] A substantial amount of DOLE's budget will go to the following programs and projects:

Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD). TUPAD is a community-based Emergency Employment Program for displaced workers, unemployed or underemployed, laid-off or terminated workers due to permanent company shutdown, and self-employed who have lost their livelihood due to man-made or natural calamities/disasters. Supported by a PhP1.18 billion budget for 2018, TUPAD will provide employment to 102,403 beneficiaries for 10 to a maximum of 30 days, depending on the work that will be undertaken. The Program likewise provides free skills training to groom them for wage or self-employment.[20]

Rural and Emergency Employment Program. Aside from TUPAD, the government is also implementing the Rural and Emergency Employment Program to assist displaced workers, particularly those Higher Education Institution (HEI) personnel affected by the K-to-12 Program implementation. Since the K-to-12 Program requires an additional two years of high school, there will be a gap in the enrollment for first year college students. With a financial support of PhP129 million, the Program will benefit 444 displaced teachers and non-teaching personnel in HEIs.

Kabuhayan/Livelihood Program. The Kabuhayan or Livelihood Program is a grant assistance given to workers in the informal sector identified in the National Household Targeting System for Poverty Reduction or the Listahanan*,* and to vulnerable workers profiled by the Bureau of Workers with Special Concerns. The goal is to build their capacity on entrepreneurship and administering livelihood activities/ projects by providing them with skills trainings and working capital to purchase materials, equipment, and/or tools. For 2018, the program gets PhP0.99 billion to cover 47,136 beneficiaries.

Special Program for Employment of Students (SPES). The SPES provides employment for poor but deserving students, out-of-school youths, and dependents of displaced or about to be displaced workers during summer, mid-year break or Christmas vacation or any time of the year. However, students enrolled in basic education are only allowed to be employed during vacation from 10 to 15 days. The period of employment within the year must not exceed "78 days whether one time or cumulative".[21] The Program is given a budget of PhP0.71 billion, equal to the 2016 and 2017 levels, to help provide employment to 203,000 youths.

Government Internship Program (GIP). Like the SPES, the GIP also targets poor and indigent youths, particularly high school graduates, technical-vocational graduates, and college graduates. With a budget of PhP0.69 billion for 2018, it will provide 19,848 beneficiaries the opportunity to experience public service delivery for a minimum of three (3) months to a maximum of six (6) months.

JobStart Philippines Program. Unlike SPES and GIP which provide short-term employment, JobStart helps at-risk youths and youths aged 18 to 24 to improve their chances of finding a job by informing them of job vacancies and the skills needed for these jobs, as well as providing them skills and values training required by companies.[22] The Program will receive a budget of PhP0.11 billion for 2018 to benefit 3,200 youth job seekers.

Reducing Inequalities through Accelerated Human Development

Backed by its conviction that inequalities can be reduced and lives can be transformed if special focus is provided to education and health, the Administration has fortified its investments in these areas to ensure that financially-challenged Filipinos will have equal access to health services and facilities, education, and employment opportunities. Keeping them healthy and educated/well-skilled would enable them to lead productive lives.

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D. Reducing Vulnerability of Individuals and Families

"Building up resilience involves reducing exposure to hazards, mitigating the impact of the risks, and accelerating recovery if and when the risk materializes."

- Philippine Development Plan 2017-2022

The Philippines has consistently ranked high in the list of top disaster-prone nations, and is no stranger to typhoons, floods, storm surges, earthquakes, and volcanic eruptions that result in huge losses of life, property, livelihood and financial assets. In the aftermath of these calamities, the displaced persons and families are hounded by difficulties, most of the time by poverty, thus making them susceptible to crime and violence.

Man-made disasters such as armed conflicts, economic crises and abusive living and labor conditions are no less disruptive of the peaceful and productive existence of persons and communities. The persistent armed conflicts in Mindanao, for instance, have resulted in a death toll of over 120,000[1] in four decades and continue to displace hundreds of thousands of people. Overseas Filipinos (OFs) are constantly at risk of layoff during economic crises, repatriation, and labor abuse such as low and irregular income, and discrimination.

Focusing on Persons at Risk

People from all walks of life are exposed to various risks but the burden of survival falls the heaviest on certain individuals and groups given their inherent vulnerabilities. Considered among the most vulnerable in this regard are children, women, older people, persons with disabilities (PWDs), Indigenous Peoples (IPs), and OFs. Already marginalized by their inherent weaknesses and vulnerabilities, they become the first victims of economic and political shocks. And these inevitably impact on the overall sustainability and inclusiveness of whatever progress is achieved by the country.

It is to these groups that the Duterte Administration particularly focuses its priority on and attention to, aiming to provide them with protection to withstand the shocks that may push them even deeper into whatever situation they are in, and address the root causes of these vulnerabilities to enable them to have better chances of getting out of their difficulties.

Women. In 2015, the country had an estimated 49.9 million women, compared with the 51.1 million male population.[2] While the gender gap in population numbers is small, there is a significant gap between men and women in terms of labor force participation. In 2015, the Philippine Statistics Authority (PSA) reported that the participation of women in the labor force was 50.1 percent, compared to men's 77.3 percent. In terms of work activities, the PSA reported that women workers are mostly engaged in self-producing activities such as those related to household, education, health, and social work.[3]

Women also continue to remain one of the most vulnerable groups in the country with regard to incidence of violence. In 2016, the Philippine National Police (PNP) recorded 40,793 incidences of violence against women (VAW) nationwide, with majority of women victims having experienced either physical or sexual violence.[4]

Children. Of the more than 100 million population of the country in 2015, children aged zero (0) to four (4) years and five (5) to nine (9) years comprised the largest age groups, with each making up 10.7 percent of the household population, followed by those in the age groups 10 to 14 years (10.4 percent) and 15 to 19 years (10.1 percent).[5] In most developing economies with majority of the population being young, children are regarded as one of the poorest and most vulnerable because of their dependency on adults. This is noted in the children sector in the Philippines which registered the highest poverty incidence of 31.4 percent in 2015 *(See Table 1).*

Children are also prone to abuse and criminality. In 2016, the PNP recorded 31,786 reported incidences of violence against children (VAC), with 19,194 falling under the category of violation of Republic Act No. 7610, otherwise known as the "Child Abuse Law," approved on June 7, 1992. In 2015, the PSA reported around 2.1 million child laborers, 58 percent of whom are in the 15 to 17 years old age group.

Table 1. Philippines' Poverty Incidence by Sector, 2006-2015 (in percent)

Sector	2006	2009	2012	2015	Increase/ Decrease		
Children	35.2	35.3	35.2	31.4	0.1	(0.1)	(3.8)
Self-employed and unpaid family workers	30.6	29.9	29.0	25.0	0.8	0.9	4.0
Women	25.9	25.7	25.6	22.5	0.2	0.1	3.1
Youth	21.1	21.6	22.3	19.4	0.5	0.7	(2.9)
Migrant and formal sector	16.0	16.8	16.6	13.4	0.7	(0.2)	(3.2)
Senior citizens	16.9	16.1	16.2	13.2	(0.7)	0.0	(3.0)
Individuals residing in urban areas	12.6	12.6	13.0	11.5	0.0	(0.4)	(1.5)

Source: Philippine Statistics Authority

Persons with Disabilities. The PSA noted about 1.443 million Persons with Disability (PWDs), representing 1.57 percent of the 92.1 million household population of the country in 2010.[6] Region IV-A recorded 193 thousand PWDs, the highest number of PWDs among the country's regions. The Cordillera Administrative Region (CAR) had the lowest number, with 26 thousand PWDs. Majority of the PWDs belong to the working age group (15-64 years old), but many of them still face difficulties accessing employment opportunities.[7] PWDs are often the object of neglect, abuse, and discrimination due to their physical and physiological condition.

Indigenous Peoples. The first-ever Report on the State of the World of Indigenous Peoples issued by the United Nations Permanent Forum in 2010 estimated around 14 million Filipinos or 15 percent of the country's total population belong to 110 groups of IPs. Due to their vulnerability to exploitation and discrimination, they become victims of displacement caused by extractive activities (e.g., mining and logging), "development work" (e.g., construction of dams), in-migration, territorial control mechanisms (expropriation of land, imposition of territorial boundaries, and other policies), among others, which pose great risks to their resources and way of life.[8]

Older Persons. The total population of older persons, aged 60 and above, was estimated to be around 7.6 million as of 2015. Although elderly persons are considered only a minority vis-à-vis the total population, their fragility and waning physiological condition make them vulnerable to social, economic, and environmental risks.

Overseas Filipinos. The 2016 Survey on Overseas Filipinos conducted by the PSA estimated 2.2 million OFs, 2.5 percent of whom are working without a contract. Among occupation groups, elementary occupations or jobs that require simple and routine tasks with the use of hand-held tools (34.5 percent) comprised the largest group, followed by those who worked as service and sales workers (19.0 percent), plant and machine operators and assemblers (12.8 percent), and crafts and related trades workers (11.6 percent).[9] The OFs are more prone to external shocks such as recession, economic downturns, armed conflicts, and policies imposed by host countries.

Establishing Social Protection Mechanisms for the Poor and the Vulnerable

To address the consequences of various risks, the Duterte Administration leverages its efforts to uplift the condition of the vulnerable groups through the enhancement of social protection mechanisms that will improve their resiliency to withstand shocks.

For 2018, the government has earmarked a total of PhP1.425 trillion to implement social programs in education, health, welfare, housing, community development, and employment and raise the adequacy of public social programs to magnitudes and qualities similar to those in peer developing countries.[10]

Aiming to increase the resilience of poor and vulnerable individuals and enable them to defy varieties of shocks, the government strengthens social protection mechanisms including, among others, the Pantawid Pamilyang Pilipino Program, Sustainable Livelihood Program, and Social Pension for Indigent Senior Citizens. The government also targets to achieve universal access to health insurance, prioritizing the indigents, senior citizens, MILF beneficiaries, and former rebel families and communities.

Table 2. Major Programs to Reduce the Vulnerability of Individuals and Families, 2016-2018
(in billion Pesos)

Department/PAPs	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Social Welfare and Development	**110.9**	**128.4**	**138.0**
Of which:			
Conditional Cash Transfer Program	62.7	78.2	89.4
Sustainable Livelihood Program	9.6	9.1	7.1
Social Pension for Indigent Senior Citizens	8.7	17.9	19.3
Kalahi-CIDSS National Community-Driven Development Project	10.9	10.2	5.4
Supplementary Feeding Program	4.3	4.4	3.4
Philippine Health Insurance Corporation			
Of which:			
National Health Insurance Program	43.9	53.2	57.1

Source: Department of Budget and Management

Social Protection for the Poor

As the primary agent of the government in the implementation of programs, projects, and services that will help and empower disadvantaged individuals, the DSWD is allotted PhP138 billion for 2018, higher by 7.5 percent than the PhP128.4 billion in 2017. With poverty alleviation programs, the Administration targets to decrease the overall poverty rate from 21.6 percent in 2015 to 14 percent in 2022.

Conditional Cash Transfer (CCT) Program

The National Household Targeting System for Poverty Reduction or the Listahanan has identified the poorest 10 million among the more than 15 million households it covered. The individuals who make up these households comprise the primary sector that the Administration targets to be moved out of the poverty threshold.

Table 3. Major Programs to Reduce the Vulnerability of Individuals and Families, 2016-2018
(in billion Pesos)

Particulars	2016	2017	2018
Department of Social Welfare and Development	**PhP110.9 B**	**PhP128.4 B**	**PhP138.0 B**
Conditional Cash Transfer Program	PhP62.7 B	PhP78.2 B	PhP89.4 B
Of which:			
Regular CCT			
Number of beneficiaries	4.4 M	4.4 M	4.4 M
Extended CCT	PhP5.2 B	PhP8.1 B	PhP8.1 B
Number of extended beneficiaries (15-18 years old)	1.2 M	1.8 M	1.8 M
Number of transitioning beneficiaries (Educational Grants)	-	1.3 M	1.3 M
Number of transitioning beneficiaries (Health Grants)	-	-	1.3 M
Modified CCT			
Number of beneficiaries	218,377	235,289	235,289
Itinerant	488	488	488
Homeless street families	2,115	19,027	19,027
Indigenous Peoples	163,950	163,950	163,950
Families in need of special protection (FNSP)	51,824	51,824	51,824

Source: Department of Social Welfare and Development

In 2016, a budget of PhP62.7 billion was allotted for the Pantawid Pamilyang Pilipino Program or the Conditional Cash Transfer (CCT) Program to reach 4.4 million beneficiaries. In 2017, the Duterte Administration increased the budget for CCT to PhP78.2 billion to sustain the cash assistance to 4.4 million household beneficiaries. This includes the additional PhP600 for every household as rice subsidy.

For 2018, the budget has been increased to PhP89.4 billion. From this allocation, the government will continue to provide educational grants, livelihood assistance, and health services for all the CCT Program beneficiaries, including the Transitioning Households, or "those whose level of well-being has improved but are still at high risk of subsequently falling back into survival level as they precariously live with little or no buffer against economic shocks."

Sustainable Livelihood Program

With 1.3 million "Transitioning Households" recorded by the Listahanan, the Administration targets to create a convergence of government programs to link them to opportunities that will lead them to self-sufficiency. Through the Sustainable Livelihood Program (SLP), the government will assist them to find a decent job or support them to start a business. Said Program will help them and other jobless Filipinos with technical-vocational skills trainings and financial assistance in securing pre-employment requirements.

The DSWD will likewise provide employment facilitation programs by guiding them in finding a job that matches their skills, offer short-term employment for student dependents of CCT beneficiaries, and provide capital funds for managing an enterprise.

In 2016, the SLP covered 443,159 family beneficiaries, surpassing its target of 378,822 families by 17 percent. This year, the Administration targets a total of 386,978 beneficiaries to be enrolled in the Employment Facilitation (EF) track and Micro-Enterprise Development (MD) track. Under the EF track, the DSWD collaborates with public and private institutions which serve as subject matter experts on various topics such as skills training, credit assistance, and financial literacy, among others. The MD track helps beneficiaries develop a business plan for their livelihood projects.

For 2018, the Administration has earmarked PhP7.1 billion for the SLP to serve 276,765 families under the MD track and 69,192 under the EF track. The thrust and priorities of the SLP will focus on microenterprise development. The target beneficiaries for the EF track has been decreased as it showed only a 20 percent accomplishment rate.

Table 4. Sustainable Livelihood Program Budget and Physical Targets, 2016-2018

Program	2016	2017	2018
Sustainable Livelihood Program	PhP9.6 B	PhP9.1 B	PhP7.1 B
Number of families served through Micro-Enterprise Development	170,470	175,470	276,765
Number of families facilitated for employment	208,352	211,508	69,192
Total	**378,822**	**386,978**	**345,957**

Source: Department of Social Welfare and Development

KApit-Bisig LAban sa KaHIrapan – Comprehensive Integrated Delivery of Social Services: National Community Driven Development

To engage citizens in designing projects that will address their pressing needs, the government will continue to implement the KApit-Bisig LAban sa KaHIrapan – Comprehensive Integrated Delivery of Social Services (KALAHI-CIDSS).

The Program seeks to "empower communities in targeted poor municipalities to achieve improved access to sustainable basic public services and to participate in more inclusive Local Government Unit planning and budgeting."[11] In this way, the government can better address local problems and strengthen engagement of local communities in identifying and developing sub-projects in line with their development priorities.

In 2017, a budget of PhP10.2 billion was provided to implement the Program and to complete 7,936 sub-projects. With most of the projects already completed, the government has allotted PhP5.4 billion in 2018, targeting to complete 2,705 sub-projects.

Table 5. KALAHI-CIDSS National Community-Driven Development Budget and Physical Targets, 2016-2018

Program	2016	2017	2018
KALAHI-CIDSS National Community-Driven Development	PhP10.9 B	PhP10.2 B	PhP5.4 B
Regions	14	15	15
Provinces	58	58	69
Municipalities	627	781	180
Barangays	13,357	18,506	5,551
Households	7,713	6,372	2,220
Sub-Projects Completed	-	7,936	2,705

Source: Department of Social Welfare and Development

National Health Insurance Program

The government targets to provide affordable and accessible health care services for the entire population, especially for the poorest families who fear the high cost of hospitalization and medicines.

For 2018, the Administration targets to achieve 100 percent health insurance coverage rate for the country's total population. To do this, the Administration has significantly increased the allocation for the National Health Insurance Program (NHIP) under the Philippine Health Insurance Corporation (PhilHealth) to PhP57.1 billion, from PhP53.2 billion in 2017.

The subsidy intends to sustain health insurance coverage for 15.4 million indigent families, 5.4 million senior citizens, and 45,223 families under the PAyapa at MAsaganang PamayaNAn (PAMANA) and Bangsamoro Programs, coverage full-year primary care, inpatient and outpatient benefit packages for each member and dependents.

To ensure 100 percent coverage of indigents, senior citizens, MILF beneficiaries, former rebel families and communities, PhP3.0 billion is earmarked to automatically cover Filipino patients identified as financially-incapable through the Point of Service Program of government hospitals and facilities. Under this Program, non-PhilHealth members are registered under the NHIP, thereby providing them immediate entitlement to PhilHealth benefits.

In 2016, the following programs under the NHIP registered the following inpatient utilization rates:

- Indigent Program – 83.4 percent;
- Senior Citizen Program – 370.6 percent; and
- Pamana and Bangsamoro Program – 121.35 percent

Table 6. National Health Insurance Program Budget and Physical Targets, 2016-2018

Program	2016	2017	2018
National Health Insurance Program	PhP43.9 B	PhP53.2 B	PhP57.1 B
Number of NHTS-PR indigents covered	15.4 M	15.4 M	15.4 M
Number of senior citizens enrolled	2.8 M	5.4 M	5.4 M
Number of PAMANA beneficiaries	-	48,221	22,514
Number of Bangsamoro beneficiaries	-	-	22,709

Source: Philippine Health Insurance Corporation

Social Protection for Persons in Conflict Situations

Aside from impoverished communities, the Administration also ensures that it addresses the struggle of those affected by severe sickness or are victims of conflict situations, including armed conflicts and disasters.

Protective Services for Individuals and Families Especially in Difficult Circumstances

To respond to the needs of Filipinos who may be affected by conflict situations, the government has provided a budget of PhP3.4 billion for the DSWD's Protective Services for Individuals and Families Especially in Difficult Circumstances Program. This covers Assistance to Individuals in Crisis Situation (AICS) and development of social technologies for the implementation of psychosocial support interventions for persons with HIV and AIDS.

The Administration intends to provide cash assistance to jobless clients while they seek employment or aid them in attending vocational trainings. The Program also covers the Music and Arts Program (MATP) which is funded to aid persons with Autism Spectrum Disorder (ASD).

PAMANA Program

It has also set aside PhP8.5 billion under the PAyapa at MAsaganang PamayaNAn (PAMANA) Program to provide development interventions such as health insurance premiums, study grants, and community support to conflict-affected and vulnerable communities *(See Section on Attaining Just and Lasting Peace for more details).*

Disaster Response and Management Program

With natural and man-made disasters occurring unpredictably, the government makes sure that it can immediately attend to affected families and individuals. For 2018, the Disaster Response and Rehabilitation Program of the DSWD will receive PhP2.4 billion. As disasters may limit access to basic necessities, the DSWD targets to secure affected families with immediate relief assistance including food packs and non-food commodities and aims to assist 100 percent of disaster-affected households to early recovery.

Aside from the assistance from the DSWD, the government has also provided PhP25.5 billion for the National Disaster Risk Reduction and Management (NDRRM) Program which could be tapped for reconstruction, rehabilitation, aid, relief and other works or services, including pre-disaster activities. Of this amount, PhP6.5 billion is set aside for the Quick Response Fund (QRF) to be made accessible for areas stricken by calamities, epidemics, crises, and catastrophes and is designed purposely to have the living conditions of affected individuals and families normalized.

The QRF under the NDRRM Fund is intended for various agencies including the DSWD, Department of Public Works and Highways, Department of Agriculture, Armed Forces of the Philippines, Office of Civil Defense, Department of Health, Department of Education, and National Electrification Administration.

Also included in the NDDRM Fund is an allocation of PhP1.0 billion for the insurance coverage of government facilities against natural calamities. The fund will be used to provide government units access to effective and applicable disaster risk financing and insurance in the event of a catastrophic earthquake or typhoon.

In 2017, the Government Service Insurance System (GSIS) provided a PhP1.0 billion insurance coverage for 25 typhoon- and earthquake-prone local government units (LGUs) to cover an immediate pay-out for post-disaster recovery. These provinces include Albay, Aurora, Batanes, Cagayan, Camarines Norte, Camarines Sur, Catanduanes, Cebu, Davao del Sur, Davao Oriental, Dinagat Islands, Eastern Samar, Ilocos Norte, Ilocos Sur, Isabela, Laguna, Leyte, Northern Samar, Pampanga, Quezon, Rizal, Sorsogon, Surigao del Norte, Surigao del Sur and Zambales.

Aside from these, the People's Survival Fund is provided with PhP1.0 billion to be used as an aid for adaptation projects and activities of local government units and community organizations *(See Section on Ensuring Ecological Integrity, Clean and Healthy Environment for more discussion on disaster response).*

Women's Empowerment Programs

To sustain the programs aimed at the empowerment of women in the Philippines, the government has increased the budget of the Philippine Commission on Women (PCW) for 2018 to PhP94.8 million, from PhP82 million in 2017.

As the country's primary agency for the promotion of gender equality and women's empowerment, the PCW has set aside PhP60 million to operationalize its Women's Empowerment and Gender Equality Policy Development and Planning Program, which will focus on the conduct of advocacy services on women protection and empowerment, maintenance of a data bank on Gender and Development (GAD) for women, and the promotion of a gender-responsive enabling environment for business and microenterprise opportunities for women.

Child Protection Programs

The Administration aims to be the lead support system of the children sector, considering their susceptibility to economic, social and health shocks. By advancing support programs for children, it targets to put an end to malnutrition, abuse, and violence.

Promotion of Rights and Welfare of Children

For 2018, PhP67.5 million has been set aside for the Council for the Welfare of Children, higher than the 2017 level of PhP56 million, to focus on the well-being of children, particularly through coordination and monitoring of the implementation of laws and programs pertaining to children.

The government also takes measures to promote the welfare and protect the rights of "children in conflict with the law" or those who come into contact with the justice system as a result of being suspected or accused of committing an offense. For 2018, the Juvenile Justice and Welfare Council is provided with PhP133 million, higher than the PhP86 million in 2017 to promote and restore the well-being of erring children and still prioritize their rights.

Supplementary Feeding Program

Malnutrition is a continuing challenge confronting Filipino children, especially those under five (5) years.[12] Its health risks can lead to diseases that can be fatal or life-changing.

To address this, the Duterte Administration has set aside PhP3.4 billion for the DSWD to prioritize programs that will bring down the number of malnourished children in the country, and reduce child mortality caused by extreme hunger.

The government has continually supported the DSWD's Supplementary Feeding Program that aims to improve the nutritional status of children aged five (5) years and below. In 2016, the government allotted PhP4.3 billion for the Program and targeted 2.2 million children. In 2017, it identified 1,746,199 daycare pupils to benefit from the PhP4.4 billion budget allocation. In 2018, the government has allotted a budget of PhP3.4 billion to provide nutritious meals to the targeted beneficiaries.

Table 7. Supplementary Feeding Program Budget and Physical Targets, 2016-2018
(in billion Pesos)

Program	2016	2017	2018
Supplementary Feeding Program	4.3	4.4	3.4
Number of daycare children served with nutritious meals	2,150,621	1,746,199	1,746,199

Source: Department of Social Welfare and Development

BangUN Program

In the Autonomous Region in Muslim Mindanao, one of the poorest regions of the country, the DSWD has identified 7,000 underweight and severely underweight children, aged 0-12 years, under the roof of 7,000 poor families in Basilan, Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi. Based on this data, the Administration has set aside PhP156 million to launch the "Bangsamoro Umpungan sa Nutrisyon" (BangUN) Program. The Program targets to provide children with a nutritious and culturally-appropriate meal for 180 days. To supplement this, the Program will also implement advocacy strategies, including nutrition and livelihood skills trainings, for the target poor families of the Program.

Assistance to PWDs and Older Persons

To address problems of discrimination against PWDs and to give priority to the needs of older persons, the Duterte Administration has laid out programs which will directly benefit them.

PWD Protection Programs

The Administration believes that PWDs can be protected through effective policies and regulations that will empower them and give due respect and consideration to their needs. With this, the Administration has increased the budget of the National Council on Disability Affairs (NCDA) to PhP54 million for 2018, from PhP47 million in 2017, to formulate policies and promote the protection of the rights of PWDs. To complement this, the DSWD has allotted PhP12 million for 2018 for its Assistance to Persons with Disability and Older Persons Program.

Social Pension for Indigent Senior Citizens

In compliance with Republic Act No. 9994, otherwise known as the "Expanded Senior Citizens Act" signed on June 18, 2010, the government will be providing PhP500 monthly stipend for indigent senior citizens to support their daily subsistence and augment their health-related needs.

In 2016, the DSWD was given an allocation of PhP8.7 billion for the Social Pension of almost 1.2 million indigent senior citizens. The budget was doubled to PhP17.9 billion in 2017, targeting a total of 2.8 million beneficiaries. For 2018, the government has allotted a budget of PhP19.3 billion for the expansion of the program, which is expected to benefit some three million indigent senior citizens.

Table 8. Social Pension for Indigent Senior Citizens Budget and Physical Targets, 2016-2018

Program	2016	2017	2018
Social Pension for Indigent Senior Citizens	PhP8.7 B	PhP17.9 B	PhP19.3 B
Number of indigent senior citizens provided with social pension (aged 60 and above)	1,182,941	2,809,542	3,000,000

Source: Department of Social Welfare and Development

Protective Services for Street Individuals and IPs

The government targets to reduce the spike of families, displaced persons, and indigenous peoples who often find "refuge" in streets, mostly in Metro Manila, not minding the dangers that pose a threat to their security and well-being. It also takes great attention to uplift the social standing of the IPs by enabling them to use their full potential while still preserving their culture.

Comprehensive Project for Street Children, Street Families, and IPs

The plight of street families and Indigenous Peoples, especially the "Badjaos," is one of the problems that need to be immediately addressed. As many poor Filipinos seek opportunities in the streets, they are often led to mendicancy and its attendant risks.

To address this, a budget of PhP38 million will be allocated for the Comprehensive Project for Street Children, Street Families and Indigenous Peoples to be implemented by the DSWD. The Project intends to keep children, families, and IPs off the streets and protect them from the risk of traffic accidents and negative influences from their surroundings.

Indigenous Peoples Protection Program

The Administration values the contribution of IPs in preserving the country's heritage and in invigorating the distinct culture inherited from their ancestors. To protect them from abuse and exploitation, the government intensifies programs anchored on providing land security to IPs and uplifting their dignity.

For 2018, the Administration has allotted PhP1.1 billion for the National Commission on Indigenous Peoples with priority programs on protecting the ancestral domain, developing human capital, providing legal services, and promoting gender- and rights- based services.

Safety Nets for Overseas Filipinos and Trafficked Persons

The government recognizes the significant contribution of OFs in the country's development. The steady stream of remittances from them is pivotal in sustaining the country's economic growth. However, they are also susceptible to sudden loss of financial assets due to such factors as global crises, recession, wars and conflicts, and deportations.

In response to these challenges, the Administration strengthens safety nets and protective services to bring about alternative instrumentalities in case of displacement or deportation, and protect them from abuse and maltreatment abroad.

Overseas Workers Welfare Programs

One way of protecting OFs from abuse is to ensure the legality of their migration. By ensuring their contracts, assessing their eligibility to work abroad, and keeping a record of their employment documents and requirements, the government is assured that they can safely and legally work overseas. To realize this, the Administration has allotted PhP541 million to the Philippine Overseas Employment Administration. Of this allocation, PhP293 million is earmarked to implement its Overseas Employment and Welfare Program, focusing on its Overseas Employment Facilitation Services. In addition, PhP105 million is set aside for its Overseas Employment Regulatory Program to carry out its Licensing and Regulation Services, including anti-illegal recruitment services.

Meanwhile, the Overseas Workers Welfare Administration is provided with PhP891 million for 2018 to facilitate its Social Protection and Welfare for OFWs Program targeting to produce 51,102 graduates from its Education and Training Program and provide livelihood assistance grants to 8,500 OFs and their families.

Reintegration and Repatriation Services for OFWs

To safeguard OFs against injustices, abuse and external shocks, the government prioritizes measures relative to their social security benefits and safety nets in tandem with the conduct of reintegration programs, skills upgrading, and skills matching with domestic opportunities.[13]

For 2018, the Department of Labor and Employment (DOLE) has allotted PhP73 million for its Reintegration Services for OFWs – a program which assists returning OFs and their families in setting up livelihood and income-generating businesses to support their daily needs.

Services to Distressed OFs and Displaced Persons

For OFs who have been victims of a crisis situation, maltreatment, illegal recruitment, and those who have been deported due to violations of cross border laws, the Administration will provide intervention in the form of counselling, dialogue, financial grant, trauma treatment, among others. For 2018, the DSWD has been allotted PhP90 million to carry out intervention programs for distressed OFs. A budget of PhP52 million is also provided for the agency's services to displaced persons (deportees).

Recovery and Reintegration Program for Trafficked Persons

For two consecutive years, the country has remained on the highest tier in its fight against trafficking in persons, as indicated by the Annual Trafficking in Persons Report of the United States Department of State. The country is regarded as the only Southeast Asian nation in the highest tier in 2016.

This feat is credited to the continued programs of the country for trafficked persons victimized locally or abroad. In 2016, PhP21 million was allotted to provide assistance to 1,716 human trafficking victim-survivors.

To strengthen the whole of government approach against human trafficking, the Administration has lodged PhP25 million for 2018 under the DSWD for the recovery and reintegration of trafficked Filipinos, higher than the PhP24 million budget in 2017. The Department of Justice is also allotted PhP95 million to prevent human trafficking, to rescue and rehabilitate victims, and to arrest and prosecute their traffickers in line with the provisions of R.A No. 9208, as amended by R.A No. 10364, otherwise known as the "Expanded Anti-Trafficking in Persons Act" approved on February 6, 2013.

Shaping More Resilient Communities

The Duterte Administration has vibrant thrusts to improve the lives of Filipinos, with special attention to children, women, elderly persons, indigenous peoples, and other marginalized groups.

Anchored on its goal to further improve the country's socioeconomic condition over the medium term, it targets to eradicate extreme poverty by 2022, and translate its efforts to concrete benefits that will change the lives especially of the poor and disenfranchised.[14] Through strong social protection mechanisms designed to address the various risks that vulnerable groups face, the government aims to provide universal and transformative social protection that will benefit the entire population.[15]

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E. BUILDING SAFE AND SECURE COMMUNITIES

"The government recognizes the importance of building and expanding people's access to safe and secure shelter in well-planned communities."
- Philippine Development Plan 2017-2022

The dream of the average Filipino is not too difficult to achieve. It is not for a life of affluence, but for one that is simple yet "strongly rooted, comfortable, and secure."

The dream, as explained by *AmBisyon Natin 2040*, the country's guide for development planning, reflects middle-class aspirations that include home ownership, a steady source of income to support the family and self, college education for the children, a motor vehicle, stable finances to cover daily needs and contingencies, savings for retirement, and time for vacation and travel.[1]

The Duterte Administration recognizes these collective aspirations as urgent needs that must be addressed. Specifically on the issue of home ownership, its response is focused on ensuring that people are in safe and secure communities.

This implies that Filipino families are to be kept "safe and secure" from harm, risks, and shocks that impact negatively on their lives and properties *(See Section on Ensuring Security, Public Order and Safety).*

But for the Administration, it also means that every Filipino family is to be provided with a literally safe and secure shelter or housing, in a well-planned community. This is especially challenging, as housing and urban development become increasingly important as the economy grows.[2]

Housing Needs in the Country

According to the 2016 Housing Needs Study conducted by the Housing and Urban Development Coordinating Council (HUDCC), the Philippines has a housing backlog, or a total

Table 1. Estimated Housing Needs, by Component, 2017-2022

Components of Housing Needs	Annual Incremental Needs							Total Housing Needs
	2016 (Initial Needs/ Backlog)	2017	2018	2019	2020	2021	2022	
Total Housing Needs	2,017,909	760,400	774,441	788,773	803,405	818,363	833,619	6,796,910
A. Accumulated Needs	1,293,207	22,392	22,839	23,301	23,763	24,260	24,741	1,434,503
1. Households in unacceptable housing	799,780	13,528	13,789	14, 064	14,328	14,623	14,905	885,017
a. Rent-free without consent of owner	535,418	9,103	9,278	9,463	9,654	9,842	10,045	885,017
b. Homeless	5,390	94	93	99	94	104	101	5,975
c. Dilapidated/ condemned	91,758	1,492	1,519	1,549	1,569	1,608	1,634	101,129
d. Marginal housing	167,214	2,839	2,899	2,953	3,011	3,069	3,125	185,110
2. Doubled-up household in acceptable housing unit	493,427	8,864	9,050	9,237	9,435	9,637	9,836	549,486
B. Future Recurrent Needs	724,702	738,008	751,602	765,472	779,642	794,103	808,878	5,362,407
1. Allowance for inventory losses	361,129	367,259	373,514	379,884	386,380	393,003	399,752	2,660,921
2. Increase in households (likely to own acceptable housing unit)	363,573	370,749	378,088	385,588	393,262	401,100	409,126	2,701,486

Source: Housing and Urban Development Coordinating Council housing need of 2.02 million. This is expected to increase annually over the next six years, to reach an estimated 6.8 million by 2022. Of this total, around 885,017 pertains to low-income households in unacceptable housing conditions (i.e., without consent of owner, homeless, dilapidated, and marginal) which will require government intervention.

The country's housing needs are further exacerbated by an increasing population. With the spike in population, the demand for housing also increases. By the end of 2017, the country's population is expected to hit 105 million, and is projected to reach 142 million by 2045.[3]

Prioritizing Homes for the Homeless

Recognizing the shelter problem to be one of the challenges that must be immediately addressed, the government has for years been prioritizing the provision of decent housing for poor homeless Filipinos, particularly informal settler families (ISFs). Informal settlements or "squatter areas" are especially vulnerable to disasters such as torrential rains, floods and earthquakes, and expose their residents to highly contagious diseases such as malaria, leptospirosis, typhoid fever, and dengue.

The lack of sanitary toilet facilities and improper waste disposal in informal settlements, particularly those located along waterways, have also intensified the problem of water pollution and flooding as wastes and trash block the waterways and drainage systems.

Table 2. Major Programs in Building Safe and Secure Communities, 2016-2018
(in million Pesos)

Department/PAPs	2016 (GAA)	2017 (GAA)	2018 (Proposed)
National Housing Authority	30,478	12,686	2,235
Of which:			
Resettlement Program	600	600	577
National Home Mortgage Finance Corporation	1,000	1,464	500
Of which:			
Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program	-	1,464	500
Social Housing Finance Corporation	900	279	774
Of which:			
High-Density Housing Program	900	279	774

Source: Department of Budget and Management

In 2011, a budget of PhP50 billion was allocated for Oplan Likas (*Lumikas para Iwas Kalamidad At Sakit*) to provide safe houses for ISFs in Metro Manila.[4] The housing program was spearheaded by the Department of the Interior and Local Government (DILG), targeting 104,219 ISFs along eight rivers, namely Pasig, Tullahan, San Juan, Manggahan Floodway, Maribacan Creek, Estero de Tripa de Gallina, Estero de Maypajo, and Estero de Sunog Apog.

The National Housing Authority (NHA) has been tasked to supervise the relocation of ISFs in low-rise buildings in near-city relocation sites or nearby areas or in row houses in off-city relocation sites. From 2011-2016, the NHA's National Shelter Program (NSP) delivered direct housing assistance to more than 730,000 homeless households nationwide.[5] To date, however, at least 15,000 houses in 26 resettlement sites remain unoccupied. This is partly due to the resistance of ISFs to relocate in off-city sites as this could mean loss of their sources of livelihood or problems in keeping their children in school.

Aside from the NHA, the Social Housing Finance Corporation (SHFC) has been tasked to implement the High Density Housing (HDH) Program, which provides financing to organized communities for land acquisition, land development and housing construction for ISFs.

In addition to the programs for informal settler families in Metro Manila, the government has also provided housing assistance to ISFs in regional areas and Indigenous Peoples (IPs) through the Regional Resettlement Program. The NHA has worked with the local government units on land contribution and in funding the cost of land development for an estimated 40,951 households in different regions amounting to PhP4.1 billion.

Building 'Livable' Houses

In framing the proper response to this challenge, the government has begun heeding lessons from the past in terms of providing a more lasting solution to the shelter problem.

Clearly, a major concern among the target recipients of government-provided housing is the "livability" of the relocation sites. "Livability" is defined as the "sum of the factors that add up to a community's quality of life, including the built and natural environments, economic prosperity, social stability and equity, educational opportunity, and cultural, entertainment and recreation possibilities."[6]

With this as the minimum standard in addressing the challenges on housing, the Duterte Administration is shifting its focus from "merely providing housing units" to "ensuring livable, well-planned, and resilient communities."

It is committed to make the livability of housing a paramount consideration to uplift the dignity of ISFs. It will do this by linking communities to opportunities in transport, telecommunications, employment, and livelihood.

In response to the country's housing backlog and the challenge of harboring ISFs in safe and decent shelters, the Administration is pushing its Resettlement Program and High-Density Housing Program for families in danger-prone areas and the Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program to provide quality social housing units for low-income families.

Constructing a Better Future for the Homeless

The Administration targets to solve the housing problem by extending assistance to poor families, starting with the identification of locations with access to economic opportunities, to construction of decent, safe, and affordable housing units.

To achieve this goal, PhP4.7 billion has been allotted for the country's key shelter agencies for 2018. Of this budget, PhP149 million is earmarked for the HUDCC; PhP500 million for the Home Guaranty Corporation; PhP549 million for the Housing and Land Use Regulatory Board (HLURB); PhP2.2 billion for the NHA; PhP500 million for the National Home Mortgage Finance Corporation (NHMFC); and PhP774 million for the SHFC.

Resettlement Program. For its housing programs, the Administration has allocated PhP2.2 billion in 2018 for the NHA to continue acquiring and developing large tracts of raw land to generate serviced lots and housing units for families to be resettled away from danger-prone areas, and for uniformed personnel. Of this allocation, PhP577 million will be for the Resettlement Program to construct 7,268 additional housing units, from 8,347 units targeted in 2017.

From the PhP12.7 billion appropriation in 2017, the budget of the NHA for 2018 is pegged at PhP2.2 billion due to its low absorptive capacity. Despite the decreased budget, the agency has continuing appropriations amounting to PhP15.0 billion in 2016 and regular appropriations amounting to PhP12.7 billion which can be used to fund its housing projects.

The goal of the Administration is to maximize the yearly subsidy and the unutilized funds of the agency by ensuring implementation-ready housing projects, thus reducing the country's housing backlog. The Administration also targets a well-planned budget allocation for the housing agencies to address issues in their absorptive capacity.

Aside from its flagship Resettlement Program, the NHA has set aside PhP30 million in 2018 for the relocation of residents affected by the Supreme Court's order to clean up the Manila Bay. In 2008, the Supreme Court issued an order "to clean up, rehabilitate, and preserve Manila Bay and restore and maintain its waters to make them fit for swimming, skin diving, and other forms of contact recreation." In 2017, the Administration provided PhP8.8 billion to complete the construction of 19,842 housing units for the affected families.

The NHA has also allotted a budget targeting to provide housing units to homeless families in Mindanao. For 2018, the Regional Resettlement Program is funded with PhP20 million to construct 100 units of socialized housing in Maslabeng, Buluan, Maguindanao.

SHeLTeR Program. To complement the government-subsidized construction of housing units for ISFs, the Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program under the NHMFC is given PhP500 million. The Program aims to provide

Table 3. Housing Programs Budget and Physical Targets, 2016-2018

Agency/Program	2016		2017		2018	
	Budget	Target Units	Budget	Target Units	Budget	Target Units
National Housing Authority						
Resettlement Program	PhP600 M	7,215	PhP600 M	8,347	PhP577 M	7,268
Resettlement Program for ISFs affected by the Supreme Court's mandamus to clear the Manila Bay Area	-		PhP8,800 M	19,842	PhP30 M	
Regional Resettlement Program – Socialized housing in Maslabeng, Buluan, Maguindanao	-		-		PhP20 M	100
National Home Mortgage Finance Corporation	Php1,000 M		PhP1,464 M		PhP500 M	
SHeLTeR Program	-		PhP1,464 M	2,736	PhP500 M	1,112
Social Housing Finance Corporation	PhP900 M		PhP279 M		PhP774 M	
Housing Program for ISFs Residing in Danger Areas in Metro Manila	PhP900 M	1,882	PhP279 M	200	PhP774 M	5,287

Source: Department of Budget and Management quality social housing units for low-income families by making the NHMFC the liquidity facility of socialized housing originators. In 2017, said Program was provided with PhP1.5 billion, targeting 2,736 housing units. For 2018, the NHMFC targets 1,112 socialized housing units to be constructed by housing originators, to be made available to low-income families.

Housing Program for ISFs Residing in Danger Areas. Consistent with Republic Act No. 9397, as amended by R.A. No. 7279, otherwise known as the Urban Development and Housing Act approved on March 18, 2007, the government continues to implement flexible, affordable, innovative, and responsive housing solutions for the ISFs.

For this purpose, the Administration has increased the budget for the High-Density Housing Program of the SHFC to PhP774 million in 2018, from PhP279 million in 2017, to ensure safe and flood-resilient permanent housing solutions for the ISFs living in danger areas of the National Capital Region. With the increased budget, the Administration targets to relocate 5,287 identified ISFs.

Table 4. SHFC Housing Projects, 2018
(in million Pesos)

Housing Projects	Phase I	Phase II	Total
1. Promiseland Homeowners' Association Incorporated (HOAI)	62	248	310
2. Bagwis Greenland Ville HOAI	129	-	129
3. Kaybiga HOAI	20	-	20
4. Kamaynila HOAI	89	-	89
5. Samahang Magkakapitbahay sa Tabing Ilog ng Maynila HOAI	146	-	146
6. Perlas HOAI	80	-	80
Total	**526**	**248**	**774**

Source: Social Housing Finance Corporation

Livelihood and Employment Programs. As "livability" is a housing qualification underscored by the Duterte Administration, the government has also tapped the Department of Labor and Employment (DOLE) to manage livelihood and employment programs for the homeless, particularly the ISFs.

In 2017, the government allotted PhP2 million for the conduct of Jobs Fair Programs for 18 Resettlement Sites under the NHA Convergence Program where 2,300 unemployed housing beneficiaries are targetted to be provided with decent jobs.

Table 5. NHA Resettlement Sites under the NHA Convergence Program

Resettlement Sites	City/Province
1. Camarin Residences	Caloocan City
2. Disiplina Village	Valenzuela City
3. Paradise Heights	Tondo, Manila City
4. Southville 8B	Rodriguez, Rizal
5. Southville 9	Baras, Rizal
6. Southville 10	Tanay Rizal
7. Golden Horizon	Novaliches City
8. Southville 2	Trese Martires, Cavite
9. Sunshine Ville	Trese Martires, Cavite
10. Pandi Village	Pandi, Bulacan
11. Pandi Residences 1	Pandi, Bulacan
12. Pandi Resiences 2	Pandi, Bulacan
13. Logia de Cacarong	Pandi, Bulacan
14. Balagtas Heights	Pandi, Bulacan
15. St. Martha Estate Homes	Bocaue, Bulacan
16. Towerville Phase 6	San Jose Del Monte, Bulacan
17. San Jose Del Monte Heights	San Jose Del Monte, Bulacan
18. Norzagaray Heights	Norzagaray, Bulacan

Source: National Housing Authority

The DOLE has also been tapped to implement the Livelihood Program, which has been allotted PhP193 million to provide beneficiaries with grant assistance for entrepreneurship and skills trainings and working capital for raw materials, equipment, tools for their enterprise undertaking.

Ensuring Strong and Suitable Housing Sites. In ensuring the livability of housing units and communities, the NHA strictly implements Memorandum Circular No. 2015-0015 that sets the guidelines for site selection, site suitability, and site planning for its housing development projects. The Circular contains guidelines that focus on topography, slope, soil characteristics, water and power supply, and drainage outfall. It also requires site and land development plans to be done in partnership with licensed professionals such as architects and geodetic, civil, sanitary, mechanical, and electrical engineers.

Provision of Community Facilities. Circular No. 2015-0015 also provides that relocation sites must have standard community facilities like evacuation center, livelihood productivity center, market, transportation terminal, health center, primary and secondary schools, and multi-purpose covered court. It also requires the presence of a barangay outpost, closed circuit television (CCTV), and streetlights to deter crimes.

Universal Electricity and Water for Filipinos

The country's shelter problems are worsened by bottlenecks with respect to access to electricity and water supply. Aside from their impact on education, health, and security

Table 6. Household Electrification, 2016

Island	Total Households	Served Households	Unserved Households	Electrification Level (in Percent)
Luzon	13,803,814	13,088,991	714,823	94.82
Visayas	4,076,310	3,767,391	308,919	92.42
Mindanao	4,841,306	3,503,952	1,337,354	72.38
Philippines	22,721,430[7]	20,360,334	2,361,096	89.61

Source: Philippine Development Plan

conditions, availability of electricity and clean water improves access to livelihood and business opportunities.

Despite efforts of the government to provide electricity to every household, more than two (2) million housing units are still without electricity. As of July 2016, the country's household electrification level has reached 89.61[8] percent (20.36 million out of 22.72 million households). Among the main islands, the Mindanao area lags behind Luzon and Visayas in terms of access to electricity, with only 72.38 percent or 1.3 million households.

Thus, much more needs to be done to attain the target of universal energy access by 2030, in line with the Sustainable Development Goal (SDG) on Affordable and Clean Energy, especially focused on providing technical and financial support to electric cooperatives and the implementation of missionary electrification programs, including the New Power Provider and Qualified Third Party Programs.

Meanwhile, an estimated 14.5 percent of the country's 22.7[9] million households still have no access to safe water supply. A total of 337 municipalities are considered waterless, falling short of the target of 274 in 2015. Aside from water supply, an estimated 5.9 percent of households are deprived of basic sanitary toilet facilities.

Targeting the prompt completion of household electrification, particularly those located in *sitios* and remote areas, the Administration has allotted a total of PhP4.6 billion for key agencies responsible for energy and electrification programs. Likewise, a budget of PhP260 million is allotted for agencies in charge of water resource development, providing clean water for remaining households which are deprived of water access.

Energy and Electrification Program. The Administration has allotted a budget of PhP2.7 billion for the Department of Energy (DOE) in 2018, targeting to expedite and complete its electrification efforts nationwide, anchored on three major programs: 1) Household Electrification Program in

Table 7. Energy and Electrification Programs Budget and Physical Targets, 2016-2018

Particulars	2016 (Actual)		2017 (GAA)		2018 (Proposed)	
	Budget	Target	Budget	Target	Budget	Target
Department of Energy	Php1.8 B	-	PhP2.7 B	-	PhP2.7 B	-
Of which:						
Nationwide Intensification of Household Electrification	PhP800 M	-	PhP800 M	-	PhP600 M	-
No. of households energized	-	185,000	-	185,000	-	120,000
Household Electrification Program in Off-Grid Areas	PhP200 M	-	PhP190 M	-	PhP270 M	-
No. of households energized	-	7,700	-	5,600	-	-
Solar PV Streetlighting (HEP expansion program)	-	-	-	-	-	144 LGUs
Access to Sustainability Energy Program	-	-	PhP130 M	-	PhP106 M	-
No. of households electrified or energized from NG Cash Distribution only	-	-	-	7,123	-	5,698

Source: Department of Energy

Table 8. Sitio Electrification Program, 2016-2018

Particulars	2016 GAA		2017 GAA		2018	
	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target	Budget (in billion Pesos)	Target
National Electrification Administration	2.5	-	1.8	-	1.9	-
Sitio Electrification Project	1.8	-	1.8	-	1.8	-
No. of sitios energized	-	3,150	-	2,410	-	1,817

Source: National Electrification Administration

Off-Grid Areas; 2) Nationwide Intensification of Household Electrification; and 3) Access to Sustainability Energy Program.

The Nationwide Intensification of Household Electrification Program acquires the biggest budget with PhP600 million, targeting 120,000 households, particularly in the Mindanao area. As the Program approaches completion, achieving 91 percent electrification rate by the end of 2016, the budget for 2018 has been decreased by 23.4 percent, from PhP800 million in 2017.

For 2018, the DOE has increased the allocation of the Household Electrification Program (HEP) in Off-Grid Areas to PhP270 million from PhP190 million in 2017. The 2018 budget is allotted for the expansion program for Solar PV Streetlighting for 144 local government units (LGUs). PV streetlights, powered by photovoltaic panels, are generally eco-friendly as they depend solely on the sun. They also entail less operating costs as they are independent of the utility grid and are not connected to an electricity provider.

Meanwhile, the government will continue the Access to Sustainability Energy Program with PhP106 million, targeting to complete the electrification or energization of the remaining 5,698 households.

To complement the efforts of the DOE, the National Electrification Administration (NEA) is allotted PhP1.9 billion to continue its National Rural Electrification Program. Among its electrification projects, the Sitio Electrification Project

Table 9. Regional Budget Allocation and Physical Targets for *Sagana at Ligtas na Tubig Para sa Lahat* Project, 2018

Region	Allocation	No. of Municipalities	No. of sub-projects	Projected households to be served
National Capital Region (Central Office)	PhP42 M[10]	-	-	-
Cordillera Administrative Region (CAR)	PhP69 M	7	7	4,623
Region I – Ilocos Region	PhP83 M	8	15	5,563
Region II – Cagayan Valley	PhP67 M	5	5	4,489
Region III – Central Luzon	PhP69 M	7	13	9,357
Region IV-A – CALABARZON	PhP77 M	7	9	7,450
Region IV-B – MIMAROPA	PhP84 M	11	17	5,628
Region V – Bicol	PhP92 M	16	21	6,164
Region VI – Western Visayas	PhP108 M	9	9	7,236
Region VII – Central Visayas	PhP135 M	18	22	9,045
Region VIII – Eastern Visayas	PhP98 M	17	21	6,566
Region IX – Zamboanga Peninsula	PhP93 M	13	19	6,231
Region X – Northern Mindanao	PhP86 M	13	21	5,762
Region XI – Davao	PhP94 M	14	21	6,298
Region XII – SOCCSKSARGEN	PhP99 M	10	25	6,633
Region XIII – CARAGA	PhP132 M	18	35	8,844
Total	PhP1,428 M	173	260	99,889

Source: Department of the Interior and Local Government receives the biggest budget with PhP1.8 billion. With a relatively higher cost pegged at PhP1 million per *sitio*, the government has decreased its target *sitios* to 1,817, prioritizing those in the far-flung rural areas.

Water Resources Development. Aiming for universal access to safe and clean water, the Duterte Administration has allotted PhP84.1 billion for Water Resources Development and Flood Control priorities. Of this allocation, PhP150 million is provided to the National Water Resources Board (NWRB) to manage the country's water resources.

A budget of PhP105 million is allotted for the Local Water Utilities Administration (LWUA) to ensure adequate potable water supply and adequate sanitation in cities and municipalities outside of Metropolitan Manila.

Aside from the programs of the NWRB and the LWUA, the DILG is strengthening efforts to provide potable water supply to waterless areas through the Sagana at Ligtas na Tubig Para sa Lahat (Salintubig) Project. The DILG recorded a dramatic increase in the number of projects under the Salintubig Project completed under the Duterte Administration. The number of projects completed from 2012 to 2015 approximates the number completed from January 2016 to June 2017.

Table 10. *Sagana at Ligtas na Tubig Para sa Lahat* Project

Salintubig Project	2012-2015	2016 (January to June)	July 2016-June 2017
Projects Completed	332	78	252
Number of Beneficiaries			
Household	187,704	67,966	127,181
Individuals	1,126,224	407,796	763,086

Source: Department of the Interior and Local Government

For 2018, the Stalintubig Project will receive PhP1.4 billion, to increase the number of households to be provided with safe water supply and sanitation services. The Project targets to serve 99,889 households nationwide with 260 identified sub-projects. Of this budget, the biggest allocation will be given to Central Visayas, Western Visayas, and Caraga Administrative Region *(See Table 9).*

Commitment to a Safe and Comfortable Life for the Filipinos

A year since President Duterte won the trust of the Filipino people to lead the country to the change they aspire for, his Administration remains committed to this mandate.

This time, the goal is not merely to make change happen, but to ensure that the people feel its concrete and lasting effects in their lives, that the impact is felt across all levels of society, including and most especially by the poorest and the most marginalized.

In seeking to fulfill the collective aspirations of the average Filipino for a strongly rooted, comfortable, and secure life, the Administration aims for an integrated approach, including the provision of shelter that will literally shield them from some of the risks in life.

For now, building safe and secure communities is challenged by rapid population growth and the unpredictable occurrence of natural and man-made shocks. But given the Administration's resolve to build and/or strengthen communities where no family lives along or under waterways, shanties, danger zones, or unacceptable housing, the policies and programs have been put in place for implementation with the allocation in the FY 2018 Budget.

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3. Increasing Growth Potential

A. Reaching for the Demographic Dividend

"I am not for abortion, I am not for birth control.
But certainly, I am for the giving of the freedom to a Filipino family the family size they want."
- President Rodrigo Roa Duterte, State of the Nation Address 2017

In understanding the impact of population and population growth on the economic development of a country, a more significant dimension to consider beyond a simple tally of persons and incomes is the age structure of the population.

The explanation is quite simple. A population with a very large percentage of young children is heavily dependent on the adult working age group. A similar dependence and economic pressure is experienced by this same workforce from the other end of the demographic spectrum when the elderly population increases.[1] To ensure sustainable economic growth, the situation that developing economies aspire for is to make the working age group – the dynamic and productive sector – wide and strong enough to support both ends of the population scale.

When this happens, the country is said to have made the "demographic transition", enabling it to eventually reap and enjoy accelerated economic growth, also known as the "demographic dividend" – the benefits that come from greater productivity within the working class population and lower costs to support both a young and an aging population.

For a developing country like the Philippines, this demographic transition has to be clearly understood and efficiently planned for. And, following this, population trends need to be integrated into the formulation of national plans if meaningful economic growth is to be achieved. Creating connections between population factors and development initiatives through various programs will thus help ensure integrated and sustainable development.[2]

Aiming for the Demographic Transition

The most basic definition of "demographic transition" is when a country has made the shift from a situation of high fertility (birth) and high mortality (death) rates to one of low fertility and low mortality rates.[3]

The early or initial stage of the transition is when fertility rates begin to decline, meaning fewer mouths to feed, or less number of people dependent on resources. It is during this period that the adult population, who comprise the labor force or the working population, is able to grow faster than the population that is dependent on it, thus freeing up resources for investment in economic development and family welfare.[4]

In other words, a falling birth rate changes the age distribution, resulting in more people in the adult age group who comprise the productive labor force, and improving the ratio of productive workers to child dependents in the population. This situation will create greater opportunities to accelerate economic growth.

The Demographic Transition goes through three phases: first, where the fertility rate is high and the mortality rate is low; second, where both fertility and mortality rates are equal; and third, where fertility rate is low and mortality rate is high.[5]

The Philippines is considered to still be in the first phase of the demographic transition since its efforts to address the high population growth rate, which began with the introduction of family planning (FP) programs in 1969, were discontinued in the late 1970s.[6] As a result of this, the country continues to experience the economic challenges of providing huge resources for basic education, primary health care, and other population-related services for the very young.

In 1971, the government aimed to integrate family planning into the strategy for national development through Republic Act No. 6365, also known as the "Philippine Population Program or the Population Act of 1971".[7] This legislation is significant because it has since provided the legal basis for the various population management programs initiated and implemented by the government and private sector groups.

Under the Duterte Administration, population management is given high priority through its inclusion in the President's 0+10-Point Socioeconomic Agenda, specifically in terms of strengthening the implementation of Republic Act No. 10354 or the "Responsible Parenthood and Reproductive Health (RPRH) Act of 2012".

As the first step towards this effort, President Duterte signed Executive Order No. 12 on January 9, 2017, ordering the strict implementation of the RPRH Law to attain and sustain "zero unmet needs for modern family planning." The Administration will ensure that reproductive health and population and development policies, plans, and programs will meet the needs of women, the poor, and the marginalized.

The Philippines' Population Profile

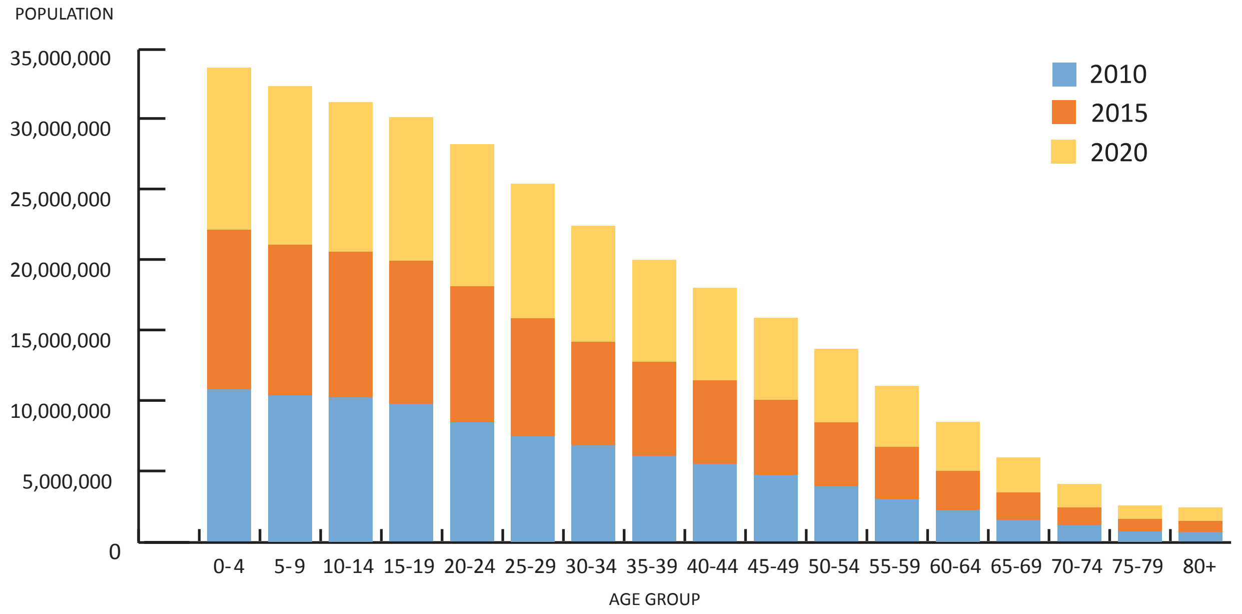
According to the latest population census conducted in 2015, there are 101 million Filipinos. The Philippine Statistics Authority (PSA) reports that from 2000 to 2010, the population increased by 1.9 percent annually, but slowed down slightly to 1.7 percent yearly from 2010 to 2015 *(See Table 1 on next page)*.

Table 1. Philippine Population, 2000, 2010, 2015

Philippine Population	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
Total population	76,506,928	100.00	92,337,852	100.00	100,981,437	100.00
Household population	76,332,470	99.77	92,097,978	99.74	100,573,715	99.60
Institutional population[8]	171,607	0.22	237,135	0.26	405,588	0.40
Filipinos in Philippine embassies, consulates, and missions abroad	2,851	*	2,739	*	2,134	*

Source: 2000, 2010 Census of Population and Housing; 2015 Census of Population, Philippine Statistics Authority
** Less than 0.01 percent*

Figure 1. Trends of Population by Age Group, 2010, 2015, 2020



Source: Philippine Statistics Authority

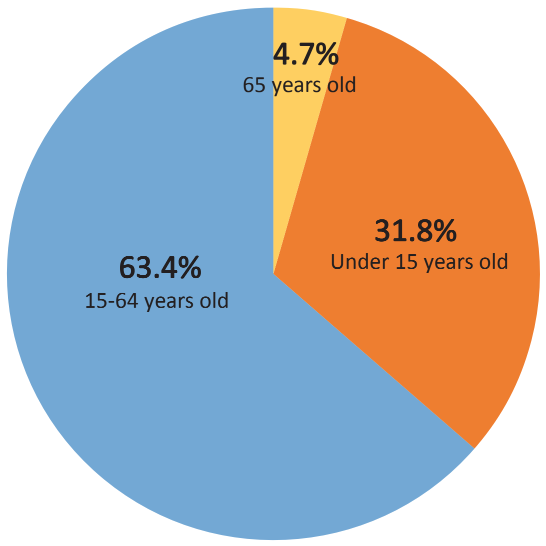
In 2015, CALABARZON (Region IV-A) had the biggest population with 14.41 million, followed by the National Capital Region (NCR) with 12.88 million, and Central Luzon (Region III) with 11.22 million.[9]

Looking beyond simple population statistics, the PSA has also tracked and projected the population by age group over a 20-year period (2000 to 2020), presenting the results in Figure 1 above.

Based on the 2015 household population census of the PSA, as shown above, 31.8 percent of the population is under 15 years old. The working age group (15 to 64 years old) makes up 63.4 percent, while 4.7 percent of the 101 million Filipinos are 65 years old and over.

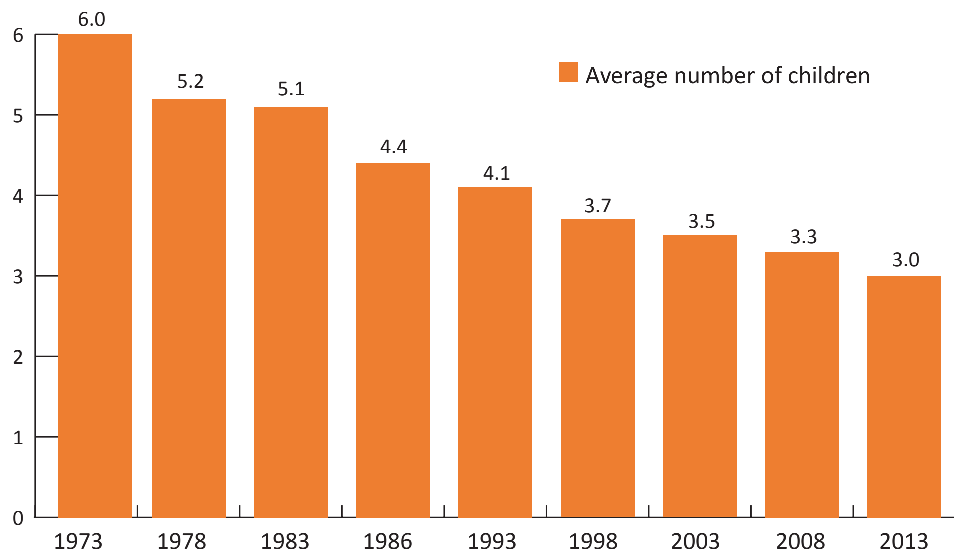
Readily gleaned from the data is that youths continue to form the base of the country's population structure. This implies a continuing increase in population as the young girls eventually enter the childbearing age, further expanding fertility rates and contributing to population growth in the country.

Figure 2. Population by Age Group, 2015



Source: Philippine Statistics Authority

Figure 3. Trends in the Total Fertility Rate[11] of the Philippines



Source: Philippine Development Plan 2017-2022, Philippine Statistics Authority

Another challenge that must be addressed arises from the reality that not all in the recorded working ages (15 to 64 years old) are engaged in productive labor – some are still in school while others may be unemployed or underemployed. Thus, the real (economic) dependency ratio could be much higher than the age dependency ratio.[10]

Addressing the Fertility Rate Issue

One of the strategies to manage population growth is to reduce the fertility rate to the level that would help accelerate economic programs.

In the course of implementing its family planning programs and making the transition from high to low fertility rates, a country enters what is referred to as the "Goldilocks period", where fertility rate is neither high nor low. The replacement rate of fertility, which is considered equal to a stable population, is 2.1 children. Reducing the country's fertility rate to this number is a precious opportunity for higher economic growth.[12]

Simulations were done to determine when this "Goldilocks period" would happen in the Philippines. If the 2008 total fertility rate (TFR) of 3.3 is used as a base value, the Goldilocks period will be reached by 2030, 12 years after 2018. However, this period may be reached in 10 years through the intensive implementation of the RPRH law. Without government intervention, 20 percent of the poorest households will still have a TFR of 3.5 by 2040.

The National Demographic and Health Survey (NDHS) of 2013 reported that a Filipino woman in her reproductive age (15-44) bore an average number of three children. While this marked a significant 50 percent decline in TFR compared to four decades ago when 6.0 was the average number of children per woman of childbearing age, the Philippines still had the highest fertility rate among ASEAN nations in 2013. The country's TFR decreased by only 1.6 annually, a situation largely attributed to lack of concrete and proactive policies on population management.

Table 2. Fertility Rate among ASEAN Countries

COUNTRY	YEAR						
	1960	1970	1980	1990	2000	2006	2013
Singapore	5.5	3.1	1.7	1.9	1.4	1.3	1.2
Thailand	6.4	5.3	3.2	2.1	1.9	1.9	1.4
Indonesia	5.5	5.4	4.4	3.1	2.4	2.2	2.3
Malaysia	6.8	5.5	4.2	3.7	3.0	2.7	2.0
Philippines	7.0	6.2	5.2	4.3	3.6	3.3	3.0
Vietnam	6.1	5.9	5.0	3.6	1.9	2.1	1.7
Myanmar	6.1	6.0	4.5	3.4	2.4	2.1	1.9
Brunei	6.8	5.6	4.0	3.2	2.6	2.3	2.0
Cambodia	6.3	5.8	5.8	5.7	4.0	3.3	2.9

Source: Philippine Development Plan 2017-2022

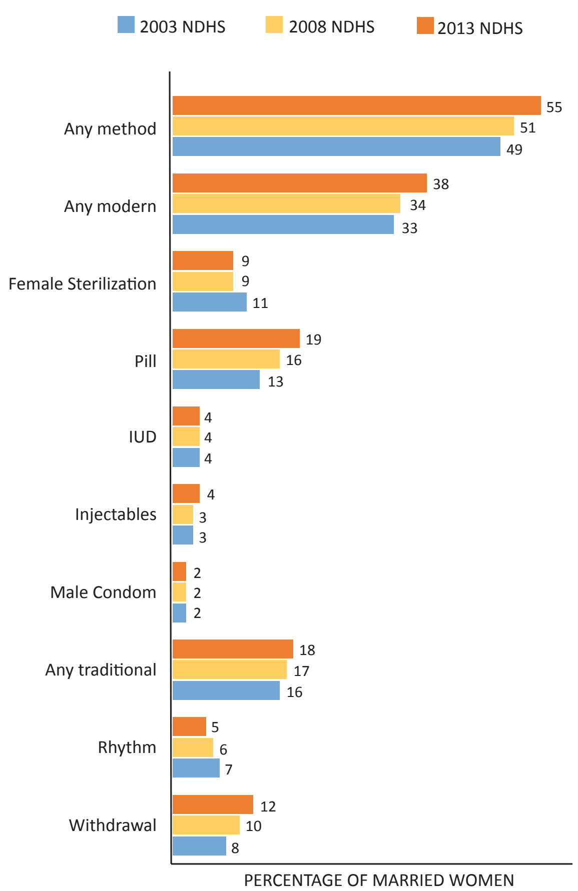
Trends in Contraceptive Use

The success of a reproductive health program is measured by the accessibility of family planning methods and the level of the current contraceptives use.[13]

Not only does the Philippines have a low level of access to different family planning methods such as contraceptives, there is also a weak family planning service delivery network and lack of a nationally-led advocacy campaign.[14]

Figure 4 shows the prevalence and preference of contraceptive use among Filipino married women.

Figure 4. Trends in Contraceptive Use among Currently Married Women



Source: 2013 National Demographic and Health Survey (NDHS)

The Contraceptive Prevalence Rate (CPR) is the percentage of women who are in their reproductive age and using, or whose partners are using, at least one method of contraception. Based on the data from the 2013 NDHS, more than half of the currently married women are using a method of contraception: 38 percent for modern methods and 18 percent for traditional methods.

Although there has been an improvement in the country's CPR over the years, the use of modern contraceptive methods dropped to 35.7 percent in 2015.[15] The highest level of CPR in 2013 was in Eastern Visayas (Region VIII), with 61.7, while the lowest was in the ARMM, with only 23.9 percent.

The number of teenage pregnancies, or age at first birth, is also a measure of the country's high fertility rate. According to the Young Adult Fertility and Sexuality Survey (YAFSS) conducted in 2013, the percentage of youths (before 18) who engaged in sexual interaction rose from 13 percent in 1994 to 23 percent in 2013. There has also been an increase in the number of adolescents aged 15-19 who entered their childbearing years – from 6.0 percent in 2002 to 12.6 percent in 2013.

The RPRH Act aims to address this situation, as it guarantees access to methods of contraception, fertility control, sex education, and maternal care.[16] However, the full implementation of the RPRH Law is hindered by a court-issued temporary restraining order (TRO) against two contraceptives: Implanon and Impanon NXT, which release hormones that prevent pregnancy for up to three years. This issue has to be addressed so that it will not impede the program that primarily seeks to tackle the problem of unplanned pregnancies, teenage pregnancies, maternal deaths, and even poverty.

This is another challenge that the Duterte Administration is determined to confront and resolve.

Achieving the Demographic Dividend

The programs, activities, and projects (PAPs) of the Department of Health (DOH) and the Commission on Population (Popcom) are perceived to be the keys to accelerate efforts to reach the Demographic Transition and thus reap the benefits of the Demographic Dividend.

Table 3. Major Programs and Projects to Reap the Demographic Dividend
(in billion Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Health	124.95	98.40	107.20
Family Health, Nutrition, and Responsible Parenting	2.28	4.27	4.32*
Commission on Population	0.35	0.44	0.51
Philippine Population Management Program	0.23	0.26	0.34

Source: 2018 BESF, NEP
** This amount is the sum of the regular appropriation of PhP3.6 billion and Public Health Management Program of PhP0.7 billion.*

On this basis, the Popcom's budget has been increased by 16 percent, from PhP435 million in 2017 to PhP506 million in 2018.

The Administration aims to reduce the country's fertility rate and the number of youths who enter their childbearing years at a very young age, and increase the CPR for modern FP methods. With these goals, the government aims to address the unmet needs of Filipino families, especially those in the lower wealth quintile, in terms of population management.

The country targets to have a CPR of 65 percent by 2022, through the following strategies:

Family Health, Nutrition, and Responsible Parenting. Families in the lowest wealth quintile tend to suffer from a higher prevalence of underweight children and higher infant and under-five mortalities.[17] The Administration aims to reduce the prevalence rate of stunting among children under five from 33.4 percent in 2015 to 20 percent by 2022. To achieve this goal, PhP4.3 billion[18] has been allotted to the DOH to provide lipid-based nutrient supplements to children ages 6 to 23 months. Pregnant and lactating women will also receive micronutrient supplements like iron tablets and iodine capsules, among others.

Philippine Population Management Program (PMPP). A budget of PhP340 million has been allocated for the improvement of access to population management information and services. The PMPP assists couples and parents to gain information and skills on responsible parenting to help improve maternal, neonatal and child health, and the overall nutrition situation in the country.

Lessons on how to avoid premarital sex, teenage pregnancies, early marriages, sexually transmitted infections, and other psycho-social concerns will be conducted for adolescents and youths. This activity is seen to help the government in the formulation and implementation of policies, plans, and programs about population growth and its connection with achieving sustainable development.

The Popcom has developed plans, programs, and projects in the area of population management over the last four decades. Based on the data from the 2013 NDHS, there are about 6.0 million women who have unmet needs for modern FP methods or who have the desire to limit the number of their children, but are not using any modern FP method. The Duterte Administration increased the budget by 38 percent, from PhP141 million in 2017 to PhP195 million in 2018, to address this issue and to support the implementation of national, sectoral, regional, and local population plans and programs.

Of this total, PhP117 million is allotted for the Responsible Parenthood and Family Program, whose objective is to encourage and support couples and parents to exercise responsible parenting by offering courses and producing IEC materials. Some two (2) million couples will be assisted during the conduct of RPRH classes.

The Adolescent Health and Development Program will receive PhP59 million. Its goal is to promote the total well-being of young Filipinos ages 10-14; 15-19 and 20-24 through improvements in their sexual and reproductive health.[19]

National Demographic and Health Survey (NDHS). To aid in the Administration's policy decisions, planning, and monitoring and evaluation of programs on reproductive health, PhP19 million has been earmarked for the conduct of the NDHS. The NDHS was first conducted in 1968, and is updated every five years. It provides indicators on fertility, fertility preferences, FP practice, childhood mortality, maternal and child health, as well as knowledge on HIV/AIDS, tuberculosis, and violence against women.

Managing the Population for the Future

Human resources are considered one of the country's key assets in the pursuit of sustained economic growth. The Duterte Administration has expressed its support for the full implementation of the RPRH Law, which is seen to be a vital tool in lowering the Philippines' fertility rate and addressing population and development issues such as maternal, neonatal, child health, and nutrition; family planning; and adolescent sexual reproductive health.

In the thrust to effectively navigate the demographic transition and thus reap the benefits of the demographic dividend, three factors are to be considered: 1) the size and distribution of the population; 2) the current and projected age structure, and 3) the pace of the population growth.[20]

Population-related policies, programs, activities, and projects should be matched with the needs of the country to increase the country's growth potential.

The country's Asian neighbours like Japan, South Korea, Singapore, Taiwan, and Thailand have already reaped the benefits of the demographic dividend. To similarly make the most out of this opportunity, the Philippines needs to invest in human capital, implement long-term national policies, and sustain political commitment towards this goal.[21]

This process will be challenging, but it will be possible with the right policies and perfect timing for the implementation of these policies.

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[11] Based on the 2013 National Demographic and Health Survey, the TFR is defined as the total number of births a woman would have during her reproductive age (15 to 44 years old).

[12] Mapa, D. (2017). *High Fertility Rate and High Youth Unemployment: Twin Challenges to the Demographic Dividend for the Philippines*. Retrieved from http://www.stat.upd.edu.ph/docs/research/working%20papers/2017/working%20paper%202017-02.pdf

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B. Vigorously Advancing Science, Technology, and Innovation

"Science, Technology, and Innovation can lead to the creation of new public goods and services that will help address the needs of society, especially of the disadvantaged, including in the areas of health, education, energy, disaster resiliency, and climate change adaptation, among others."

- Philippine Development Plan 2017-2022

Science, Technology, and Innovation (STI) are universally recognized as crucial drivers for the economic development and social progress of nations.

For emerging economies in particular, investments in STI should include programs and initiatives to establish a culture that nurtures science and technology (S&T) and appreciates the impact of innovation. For S&T, this requires a serious promotion of public awareness of developments in the field, as well as clear priorities in the education sector that would support and enhance the youths' inclination towards S&T. For innovation, the focus should essentially be on applications that would lead to improvements in people's lives and livelihood.

Innovation is believed to be a fundamental source of significant wealth generation within an economy. A country's innovation economy requires two systems: the knowledge economy and the commercial economy.[1]

The future of the global economy lies not solely in manufacturing or agriculture, but in the knowledge economy as well[2], which is characterized by an increase in the importance of human capital in the growth of the economy.

Blessed with a strong, reliable, and youthful human capital resource, the Philippines has set its sights on becoming a knowledge-based economy and is taking the right steps toward that vision through clear goals and targets set by the Duterte Administration.

Growing the Knowledge Economy

Statistics from research studies and global ranking institutions reveal that more developed countries tend to invest heavily in the knowledge economy.[3] Countries that are members of the Organisation for Economic Co-operation and Development (OECD) currently dominate in the ranking of the Global Innovation Index (GII). The GII is an annual publication that aims to capture the different factors of innovation in various countries, using 81 indicators that are related to education, research and development (R&D), productivity growth, high-tech exports, etc.

Over the past few years, the Philippines has been developing a culture of innovation, earning for itself the title of "emerging new Asian Tiger".[4] In the GII report of 2017, the Philippines advanced to 73rd rank among 127 countries, a notch up its 74th slot the previous year, but already far ahead of its 2015 rank of 83.

Table 1. Ranking of Selected OECD Countries in the GII 2017 Report

Country	Rank	Score
Switzerland	1	67.69
Sweden	2	63.82
Netherlands	3	63.36
United States of America	4	61.40
United Kingdom	5	60.89
Denmark	6	58.70
Finland	8	58.49
Germany	9	58.39
Ireland	10	58.13

Source: Global Innovation Index 2017

Table 2. Philippines' GII rankings in 2013-2017

Year	Rank	Score
2017	73 out of 127	32.48
2016	74 out of 128	31.8
2015	83 out of 141	31.1
2014	100 out of 143	29.87
2013	90 out of 142	31.18

Source: Global Innovation Index 2013-2017

Although the country's rank has been improving over the past years, it is still far behind other ASEAN countries like Singapore, Malaysia, Vietnam, and Thailand, particularly on the following indicators: 1) gross expenditure on R&D (GERD); 2) number of researchers per million population; 3) knowledge and technology outputs; and 4) university or industry research collaborations *(See Table 3).*

Challenges Hindering the Growth of the STI culture

Lack of Public Awareness and Investment on STI

One of the biggest challenges for the Philippines in fostering an STI mindset is the lack of basic awareness of and interest in STI. And the reason may be traced to the government's low investment in R&D, which is determined through a global measurement of GERD.

GERD is understood as the total expenditures (current and capital) on R&D undertaken by all local companies, research

Table 3. Ranking of Selected ASEAN Countries in the GII 2017 Report

Country	Overall Ranking	GERD	Researchers	Knowledge and Technology Outputs	University/ Industry Research Collaboration
Singapore	7	15	6	11	7
Malaysia	37	29	37	36	11
Vietnam	47	73	58	28	76
Thailand	51	52	51	40	40
Philippines	73	96	75	42	59

Source: Global Innovation Index 2017

institutes, universities, and government laboratories in a country. The United Nations Educational, Scientific, and Cultural Organization (UNESCO) recommends, as an ideal, a GERD of one (1) percent of gross domestic product (GDP). The Philippines, however, registered a GERD of only 0.14 percent of GDP in 2013, and this led to underinvesting in R&D.[5]

According to the Philippine Development Plan 2017-2022, the country does not have enough STI infrastructures like laboratory facilities, testing facilities, and R&D centers. On the other hand, those that the country has need to be upgraded to be able to carryout more R&D-related activities.

Weakness in STI Manpower

As of 2013, the Philippines has a total of 36,517 R&D personnel, 26,495 of whom are researchers (science, technological, and engineering personnel). This translates to 270 researchers for every one million Filipinos. This is still much lower than the UNESCO benchmark of 380 researchers per one million population.[6]

Highly-trained and skilled engineers, researchers, and scientists, who are the important drivers of innovation, are lured to other countries which offer the proverbial "greener pastures". It is estimated that 10 percent of the population of the country is working abroad.[7] The Philippines is still facing the issue of brain drain, depriving the country of the development that it should be experiencing from this contribution. A knowledge-based economy relies mainly on human resources, so having highly qualified staff is the key in flourishing the country's innovation ecosystem.

Shortage of R&D Outputs

Publications. Research journals are also a measure of a knowledge economy. The Philippines, however, still lags behind some ASEAN nations in terms of scientific publications. Among the research publications in the country, there are only 55 peer-reviewed publications per million Filipinos. Peer-reviewed publications or journals are also a significant measure of a country's R&D because they showcase articles written by experts and reviewed by their counterparts and contemporaries in the field to ensure their quality and credibility.[8] Among the continuing challenges in this area are the need to reach a wider readership and to achieve a higher impact.[9]

Intellectual Property Rights. A strong and effective Intellectual Property (IP) rights management helps promote advancement in technology. Having IP rights basically gives companies and investors, who invest heavily on R&D, the assurance that once their inventions succeed, they will be rewarded.

R&D outputs also measure the vibrancy of a country's IP culture. R&D outputs are often determined through the number of patents applied and granted to Filipino residents, and used as one of the main indicators for determining innovation intensity.[10] Reports show, however, that numerous universities in the country do not have the capability of marketing their patent portfolios for commercial uses.[11] The R&D and resident patenting levels in the country remain low. In 2016, Filipino residents were granted a total of 31 patents[12] out of 254 applications by the Intellectual Property Office of the Philippines (IPO Phil). A total of 1,089 applications for

Table 4. Number of Patents, Utility Models, and Industrial Designs Applied and Granted/Registered, 2012-2016

	2012	2013	2014	2015	2016
PATENTS					
Applications	180	208	263	300	254
Granted	18	29	23	24	31
UTILITY MODELS					
Applications	704	654	754	756	1089
Registered	404	472	570	492	555
INDUSTRIAL DESIGNS					
Applications	756	878	815	530	969
Registered	595	792	739	446	516

Source: Intellectual Property Office of the Philippines utility models[13] were filed, and 555 were registered. The IPO Phil received 969 industrial design[14] applications, and 516 were registered.[15]

According to the Global Competitiveness Report of the World Economic Forum for 2016-2017, the Philippines is currently ranked 86th out of 138 countries in terms of patent applications. It is a rank lower than its 2016 rank of 85.

Weak Linkages in the STI Ecosystem

Another challenge the Philippines has to contend with is the difficulty of establishing collaborations between industry and universities, resulting in a weak STI ecosystem.

An assessment by the United States Agency for International Development-Science, Technology, Research, and Innovation for Development (USAID-STRIDE) revealed that most universities find that collaborating with industry does not yield publications, prestige, or patents. The income received from these collaborations is still not enough motivation for universities to pursue the same. On the other hand, industries find collaborating with universities difficult because of their competing priorities, unrealistic expectations with regard to IP ownership and future patenting revenue, and burdensome administrative procedures.[16]

Maximizing the Country's STI Potential

The government will implement STI-related programs, projects, and strategies that will nurture and enhance the STI culture in the country. Table 5 shows the priority programs and projects of the government and the comparison of its budget allocations for 2016, 2017, and 2018.

The Administration aims to make the Philippines a globally competitive economy. To bring this about, the DOST is given a budget of PhP21.1 billion for FY 2018. Programs and projects will be developed to also help the country achieve the 9th Sustainable Development Goal of the United Nations Development Programme which is focused on investments in infrastructure and innovation *(See Table 6 on next page).*

Of this total, PhP6.2 billion of the budget will be allotted for the DOST's Grants-in-Aid Program, which aims to harness the country's scientific and technological capabilities by providing financial grants to S&T programs and projects.

Likewise, the Department of Information and Communications Technology (DICT) will be given a budget of PhP6.9 billion to improve the new and existing STI infrastructure, as well as the internet connectivity of the country.

Increasing Public Awareness

The Philippine Development Plan 2017-2022 reports that a number of sectors in the country still do not recognize the importance of using technology and science-based information. This is attributed to the inadequate promotion on the value of STI and STI-related policies and programs.

Table 5. Major Programs and Projects to Advance STI, 2016-2018
(in million Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Increase Public Awareness			
DOSTv	—	20.6	18.9
STARBOOKS	2.2	2.2	9.9
Develop Human Resources			
S&T Scholarship	2,434.6	3,192.2	3,980.4
Balik Scientist Program	21.3	35.9	76.0
Increase Investments in MSMEs			
SETUP	780.3	814.6	847.8
Shared Service Facilities	10.0	70.0	200.0
Enhance STI Infrastructure			
Free Wi-Fi Internet Access in Public Places	1,651.8	1,758.2	1,739.7
National Broadband Program	—	—	1,176.6
National Government Data Center	449.9	469.4	242.0
Establishment/ Completion of STI Centers	—	12.0	15.0

Source: 2018 NEP

To further support STI promotion, the DOST has created the "Science for the People" Plan, anchored on the Philippine Development Plan 2017-2022. This Plan aims to maximize the country's potential for sustainable economic development. The country's STI will be improved through 1) increase in R&D investments; 2) utilization of the results of STI research and activities; 3) development and enhancement of STI competence and excellence; and 4) expansion of the collaboration between and among industries, the academe, government, and communities.

Among the government's programs and projects to develop and promote S&T in the country is an intensive public awareness raising campaign. To launch this, PhP9.9 million has been earmarked to install more Science and Technology Academic and Research-Based Openly Operated Kiosk Stations (STARBOOKS) nationwide. STARBOOKS is a stand-alone library in remote areas where digitized S&T information and knowledge resources can be found. Currently, there are 1,243 sites all over the country where STARBOOKS are installed.

In addition, to address information and education gaps in the STI field, the DOST's Filipino Weather Channel, "DOSTv", will be given a budget of PhP19 million for FY 2018. This program features the latest weather updates and forecasts, as well as local science and technology stories.

Table 6. 2018 Allocation for DOST and Its Agencies
(in billion Pesos)

Particulars	Amount	As a % of the 2018 DOST budget
DOST	**21.12**	**100%**
Of which:		
Office of the Secretary	4.86	23.02%
Advance Science and Technology Institute (ASTI)	0.55	2.60%
National Academy of Science and Technology (NAST)	0.08	0.39%
National Research Council of the Philippines (NRCP)	0.07	0.35%
Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD)	1.30	6.15%
Philippine Council for Health Research and Development (PCHRD)	0.61	2.89%
Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD)	0.86	4.09%
Philippine Science High School (PSHS)	3.82	18.08%
Science Education Institute (SEI)	3.71	17.59%
Science and Technology Information Institute (STII)	0.10	0.48%
Technology Application and Promotion Institute (TAPI)	0.13	0.61%

Source: 2018 NEP
Note: Figures may not add up due to rounding off.

Developing Human Resources in STI

Based on the 2010 Population Census of the Philippine Statistics Authority, and assuming 1.6 percent population growth, an additional 16,652 R&D personnel are needed in order to meet or even surpass the UNESCO norm of 380 R&D personnel per million population. To meet this need, PhP3.98 billion is allotted in the 2018 DOST budget for the current and new S&T scholarships for students in the secondary, undergraduate, and graduate levels. This budget is 25 percent higher than the 2017 budget and will benefit 36,977 scholars.

Table 7. Budget and Physical Targets for DOST's Scholarship Programs, 2016-2018

Particulars	2016	2017	2018
Total budget	PhP2.4 B	PhP3.2B	PhP4.0 B
No. of scholars	27,007	30,806	36,997

Source: DOST

Furthermore, the Science, Technology, Engineering, and Mathematics (STEM) Program is significant as it introduces and encourages students to explore and pursue STEM-related occupations. STEM education must be a priority of the nation as it gives solutions to timely issues like ethnic and gender gaps in the mathematics and science fields. With the investments in the STEM program, the DOST estimates that 3,663 STEM graduates will be added to the R&D field every year, assuming a 10 percent attrition.

An assessment conducted by the USAID-STRIDE revealed that there are also insufficient trainings available for the country's STI personnel, particularly for critical innovation-driven fields like in high-demand IT occupations. This places the country at a disadvantage since skills are needed for the country's innovation to prosper.

To address this issue, PhP43 million has been allotted for the research, promotion, and development of S&T education and training, while another PhP28 million will be used specifically for the promotional programs of STEM.

PhP76 million will be allotted for the Balik Scientist Program, which will be strengthened to encourage highly-trained Overseas Filipino scientists and technologists, experts, and professionals to return to the Philippines and share their expertise and promote development in the fields of science, agro-industry, and economics. Incentives and opportunities will be provided for them so they can help develop the STI capability of the country.

Increasing Investment in MSMEs

The DOST will expand its STI assistance to the production sector. Developments in the innovation of regions will be undertaken through support for micro, small, and medium enterprises (MSMEs). A budget of PhP848 million will be allotted for the Small Enterprise Technology Upgrading Program (SETUP), which encourages and assists MSMEs to adopt technologies to be able to address the needs of the fast-changing economy. For 2018, the SETUP will assist 792 firms, from 754 in 2017 and 722 in 2016.

Enhancing the STI Infrastructure

The Duterte Administration has dubbed the years from 2017 to 2022 as the country's "Golden Age of Infrastructure."

Infrastructure projects will include new laboratory facilities, testing facilities, and R&D centers, and the upgrading of those that currently exist. The modernization of these facilities will enable R&D personnel to conduct higher level R&D services.

A total of PhP15 million will be provided for the establishment and completion of S&T centers in the provinces of Quezon, Rizal, and Capiz. Regional chapters of the National Research Council of the Philippines will also be established to handle the assignment of researchers and scientists nationwide. It will also monitor the equal distribution of the budget for R&D, as well as address local-specific STI-related issues.

PhP1.7 billion has been allotted for the Free Wi-Fi Connectivity in Public Places, which aims to enhance internet accessibility for Filipinos. To boost productivity in research and other STI activities, the allocated budget of PhP1.2 billion for the implementation of the National Broadband Program will be used to provide broadband internet service that is accessible anytime and anywhere.

In addition, the National Government Data Center (NGDC) has been allotted a budget of PhP242 million. The NGDC is a physical infrastructure that can interconnect government agencies and is the launching point for many government services such as cloud computing, web hosting, server colocation, and other operations.[17]

For innovation hubs, the Department of Trade and Industry is given PhP200 million for the establishment of 83 additional Shared Service Facilities and the maintenance of 2,200 existing SSFs, which will further improve the quality of products and productivity of MSMEs.

Sustaining R&D Innovation in the Industry, Agriculture, Aquatic, and Natural Resources Sectors

R&D supports the development of both knowledge and technology, which are essential in the growth of a country. To further stimulate national growth, STI technologies will be developed in the industry, agriculture, aquatic, natural resources, and services sectors.

For 2018, the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development will be provided a budget of PhP1.3 billion to sustain a rapid, inclusive growth in the sectors of agriculture, aquatic and natural resources. Mechanization technologies and strategies will be developed to increase the country's agricultural productivity. A decision support system will be established to create climate-resilient farming communities in the CALABARZON Region. Additionally, a budget of PhP2.0 billion will be given to the DOST for the development of S&T programs in the different regions.

The Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD) which is tasked to formulate policies, plans, programs, and strategies for research and development in the industry, energy, and emerging technologies, will have a budget of PhP864 million to strengthen the utilization of technologies to improve productivity in sectors like industry and services.

A budget of PhP115 million is proposed for the R&D programs of the Forest Products Research and Development Institute, of which, PhP7.9 million will be used for the processing and utilization of senile and unproductive Rubberwood (Heveabrasiliensis) for school furniture, mouldings, and joinery products.

With an allocated budget of PhP40 million, the DOST will start conducting research on Artificial Intelligence (AI) in 2018. This program aims to utilize AI in the manufacturing industries to optimize mass production of goods in the country.

Establishing an STI-based Economy

With the government's support for initiatives that will foster the STI culture of the country, there will be a massive promotion and acceleration of technology adoption in the coming years. A way of improving the well-being of the people is through the cultivation and maximization of STI in the agriculture, industry, and services sectors that will help improve the well-being of the people.

In the coming years, innovation will be further stimulated and a globally competitive, STI- and knowledge-based economy is expected to be within the country's reach.

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[13] A Utility Model is a protection option, which is designed to protect innovations that are not sufficiently inventive to meet the inventive threshold required for standard patents application.

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4. Enabling and Supportive Economic Environment

A. Ensuring Sound Macroeconomic Policy

"A sound, stable, and supportive macroeconomic environment is essential for expanding economic opportunities and fostering s ustained growth."

- Philippine Development Plan 2017-2022

Over the past few years, the Philippines has managed to maintain a strong economic performance relative to its Asian neighbors. From 2010 to 2016, immediately prior to the Duterte Administration, the country's gross domestic product (GDP) grew at an average of 6.1 percent – below target, but then the fastest 6-year growth since 1978. In 2016, the country recorded the highest economic growth in Asia – at 6.8 percent, posting higher than China's 6.7 percent and Vietnam's 6.2 percent.

These economic gains are largely attributed to the country's sound macroeconomic fundamentals, along with fiscal expansion policies, prudent government spending, and strong domestic consumption and investment activities.

The Duterte Administration aims to accelerate this momentum of growth, which it managed to maintain in 2016, envisioning the expansion of the economy to 7 to 8 percent of GDP by 2022, from 6.4 percent of GDP in the first quarter of this year, and the decline of the poverty rate to 14 percent by 2022, from the 21.6 percent in 2015.

A key strategy in ensuring the achievement of these goals is to foster an enabling and supportive economic environment through a sound macroeconomic policy and leveling the playing field through a National Competition Policy.

The foundation for sustainable and inclusive growth and a globally competitive knowledge economy is a sound and stable macroeconomic environment. Such an environment is enabled by the following: a) a responsible, strategic, and supportive fiscal sector which provides the stability that encourages investments; b) a resilient monetary and financial sector to support growth and improve access to economic opportunities; and c) a strategic external trade policy regime.

The Administration has set the following three enabling factors, as identified in the Philippine Development Plan 2017-2022, as strategic outcomes or goals to be aspired for, and defined the policies and measures necessary to achieve them.

1. Responsible, Strategic, and Supportive Fiscal Sector

- Implement revenue (tax) policy and administrative measures
- Implement and formulate expenditure management reforms
- Formulate medium term debt management strategy

2. Resilient Monetary and Financial Sector

- Maintain a flexible inflation targeting framework
- Maintain a market-determined exchange rate and sufficient international reserves
- Pursue regional international cooperation
- Promote financial stability through micro-macro prudential measures
- Foster capital market development
- Strengthen the effectiveness of financial inclusion
- Encourage efficiency and innovation in micro-insurance
- Develop a legal infrastructure for Islamic finance

3. Strategic External Trade Policy Regime

- Expand market access and diversify export products and markets
- Increase the competitiveness of Philippine exports
- Enhance trade facilitation and strengthen linkages and connectivity

Responsible, Strategic, and Supportive Fiscal Sector

The government will continue to pursue and implement tax policy and expenditure management reforms to achieve the macroeconomic environment conducive to sustained growth. It has likewise begun the implementation of a medium term debt management strategy that reflects its priorities.

A landmark tax reform strategy of the Administration is the proposed Tax Reform for Acceleration and Inclusion (TRAIN) Bill, which the President has marked as urgent. The Tax Reform Program will primarily put more money in people's pockets by simplifying the Personal Income Tax (PIT) system and reducing the maximum rate to 25 percent over time; restructuring the tax for micro businesses to a flat rate of 8 percent for businesses with gross sales below PhP3 million; and reducing and restructuring the estate tax rate to a single tax rate of 6 percent based on the net value of the estate, among others.[1]

The Program will also fund more investments in infrastructure and social services such as social protection, education, and health. The funds will come from the following measures: 1) broadening of the VAT system; 2) increasing the excise tax on all petroleum products and indexing to inflation; and 3) updating the excise tax on automobiles (*See Section on Financing the 2018 Budget for more details*).

To mitigate the effects of these measures on the poor and affected groups such as the jeepney drivers, the government will provide targeted cash transfers for the poor and the vulnerable amounting to PhP25.7 billion and implement the Pantawid Pasada Program to cushion the impact of high fuel prices. The latter is provided PhP177 million under the Unprogrammed Fund.

Aside from tax measures, administrative reforms have also been introduced and are currently being undertaken in revenue generating agencies. In the Bureau of Internal Revenue (BIR), reforms intended to reduce tax leakages and improve taxpayer compliance include the simplification of tax forms and processes, Run After Tax Evaders (RATE) Program, Oplan Kandado, and electronic data sharing, among others.[2] In 2016, Oplan Kandado was able to collect PhP134 million in revenues and close 81 business establishments for non-compliance with the essential requirements of value-added tax.

The BIR is provided PhP8.8 billion for 2018. Of this amount, 73 percent or PhP6.4 billion will be tapped for the improvement of internal revenue collections, including the implementation of the Revenue Administration Program, which targets a BIR collection of PhP2,005.0 billion for next year. Said Program also targets to increase by five (5) percent the number of registered taxpayers in 2018.

The Bureau of Customs (BOC), for its part, is estimated to contribute PhP637.1 billion to the government's coffers next year. To do this, it is given a PhP3.6 billion budget for the surveillance and prevention of smuggling and improvement of revenue collection. About PhP1.2 billion is set aside for the Customs Revenue Enhancement Program which targets to increase the amount of duties and taxes collected by 59.9 percent, from PhP398.4 billion in 2016 to PhP637.1 billion in 2018. To achieve this, the BOC will continue to pursue an aggressive campaign to combat smuggling, targeting to apprehend 60 smuggling activities and file 24 cases[3] under the Bureau's Action Team Against Smugglers (BATAS).

Complementing these revenue measures are the expenditure reforms aimed at addressing underspending and enhancing public service delivery. These include the early preparation and submission of the national budget; conduct of pre-procurement activities as soon as the National Expenditure Program (NEP) is submitted to Congress; creation of additional Bids and Awards Committees particularly in big departments; adoption of the General Appropriations Act as an Allotment Order (GAAAO) wherein the GAA already serves as the allotment for most budget items; adoption of the Unified Accounts Code Structure (UACS) to provide a single classification system for all financial transactions; creation of Full-time Delivery Units in departments to closely monitor implementation; and development of an integrated financial management system.

Currently, the government, through the Department of Budget and Management (DBM) and the Bureau of the Treasury (BTr), is developing the Budget and Treasury Management System (BTMS). The BTMS is a web-based information management system that will integrate the existing budget management, execution, accounting and reporting systems. The intent is to improve convenience, accuracy and timeliness in fiscal management and reporting.

The budget execution phase of the BTMS is already being piloted in the DBM and the BTr. Through the system, all manually-prepared forms such as Purchase Request (PR), Purchase Order (PO), Goods Received/Return Note (GRN), Obligation Request (ObR), Disbursement Voucher (DV), Revenue Voucher (RV), Revenue Receipt Voucher (RRV), and Journal Entry Voucher (JEV), will be encoded into the System. By 2018, the BTMS will be fully operational in said agencies, piloted in four big departments, and in the medium term, rolled out to other government agencies (*See Section on Enhancing the Social Fabric for more details*).

To ensure the irreversibility of the reforms, the government is also pushing for the passage of the Budget Reform Bill (BRB). Said Budget Reform is seen to promote fiscal discipline, foster greater accountability in public financial management, strengthen Congress' power of the purse, and improve budget transparency and citizen participation.

The Reform will provide for, among others, shifts in the budgeting process such as the one year validity of appropriations and the use of cash appropriations. This is intended to facilitate faster budget execution and promote greater fiscal discipline among agencies (*See Section on Governance and Budget Reforms for more details on the BRB*).

The government will likewise restructure the agency budgets starting fiscal year 2018 using the Program Expenditure Classification (PREXC) approach to enable the measurement of their performance at the output and outcome levels and provide flexibility in the implementation of programs.

Through the PREXC, activities and projects are grouped under a Program where they contribute to. Hence, the cost of agency Programs will be fully accounted for, allowing for greater transparency and accountability in the use of public funds.

Resilient and Inclusive Monetary and Financial Sectors

To build a resilient and inclusive monetary sector, the government will maintain a flexible inflation targeting framework through the interest rate corridor (IRC) system.

In 2016, the government shifted its monetary operations to an IRC to "boost the potency of monetary policies in keeping consumer prices and economic conditions stable."[4] The IRC is a system that helps link the short-term market rates with the BSP policy interest rate.

It will likewise maintain sufficient international reserves and a market-determined exchange rate to shield the country's economy from external shocks.[5]

In the area of financial policy, the government will intensify efforts to sustain financial stability through the recently-established Financial Stability Committee composed of BSP senior officials, and a Financial Stability Coordination Council, composed of the Department of Finance, Bureau of the Treasury, BSP, Securities and Exchange Commission, Insurance Commission, and Philippine Deposit Insurance Corporation,.

It will also promote capital market development by harnessing the domestic capital market as an alternative funding source, particularly for infrastructure financing requirements and broaden microfinance services to enable access of MSMEs to credit services.

Strategic External Trade Policy Regime

By 2022, the government targets to almost double its merchandise exports to US$62.2 billion, from US$32.8 billion in September 2016 and to nearly triple its services exports to US$68.6 billion, from US$24.0 billion in September 2016.[6]

To achieve these, market access expansion and diversification of export products and markets will be pursued through strategic trade partnerships and bilateral, regional and global integration. The marketing and promotion of Philippine-made products will likewise be intensified through partnerships, brand awareness and social media campaigns.

A report released by the Philippine Statistics Authority notes that Philippine exports increased by 12 percent, from US$4.285 billion in April 2016 to US$4.805 billion in April 2017. The increase, according to the DTI, is attributed to having a wide range of export products.[7]

New export markets for Philippine products will also be explored by maximizing opportunities in the region and linking them with emerging markets. Currently, the export sector relies only on a few markets, among them China, Japan, Hong Kong, United States, and Singapore as top destinations.

To enhance trade facilitation, the government will streamline trade procedures, as well as implement laws and regulations that will reduce the cost to exporters and importers.

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B. LEVELING THE PLAYING FIELD THROUGH A NATIONAL COMPETITION POLICY

"Competition raises productivity, expands economic opportunities, increases people's real incomes, and improves overall welfare."

- Philippine Development Plan 2017-2022

Competition as a national policy – and as a strategy to improve the quality of life of Filipinos – is enshrined in the 1987 Constitution.

In the context of national development, competition is seen to improve market performance and promote inclusive economic growth.[1] Likewise, competition allows the availability of goods and services at prices dictated by market forces; provides a level playing field even for small entrepreneurs; and expands economic opportunities with the aim of improving the welfare of the people.

Prior to the passage of the Philippine Competition Act (PCA), the Philippines' competition policy was chaotically spread out in about 30 different laws.[2] Aside from the Constitution, other major laws such as the Revised Penal Code, the Consumer and Price Act, and some sector-specific regulations contained outdated provisions and hardly-implemented penalties on anti-competitive business practices.

Moreover, the Philippine economy was characterized by a highly restrictive trade policy, pervasive industry regulations, and other government interventions that affected the state of competition in the different sectors.[3] In addition, the type of business ownership in some industries such as electricity, oil, and telecommunications, among others, was either monopolistic or oligopolistic.

In the 1980s, the Philippines shifted towards a more open economy through trade liberalization, deregulation, and privatization. This was the result of the country's signing the General Agreement on Tariffs and Trade (GATT)[4] in 1979. The trade reforms implemented by the government were those that improved export growth and foreign trade through the abolition of export taxes, gradual liberalization of imports, and the imposition of anti-export bias ideal.[5] Tariff rates were likewise reduced to further promote foreign trade.

In the development of an economy, competition is a critical factor. A competitive market economy is important because it can allocate scarce resources more efficiently compared to other alternatives.[6]

For more than two decades, numerous attempts had been made to pass a competition law or an anti-trust law in the Philippines, but without any success. The enactment of Republic Act No. 10667 or the "Philippine Competition Act" in 2015 was thus a much-awaited, as well as a much-needed reform towards the creation of a competitive environment for more vigorous economic activities.

R.A. 10667 aims to ensure efficient and fair market competition among businesses that are engaged in trade, industry, and all commercial economic activities. It prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. Table 1 contains the other salient features of the Act.

Table 1. Salient Features of the Philippine Competition Act

• Levels the business playing field for all companies operating in the country, from the large foreign multinationals down to the local micro-, small- and medium-sized enterprises
• Creates the Philippine Competition Commission that will look into anti-competitive behavior, abuses in dominant positions, and anti-competitive mergers and acquisitions
• Addresses prohibited acts, such as the abuse of dominant positions and anti-competitive agreements
• Imposes administrative penalties of a maximum fine of PhP100 million on the first offense and PhP250 million for the second offense for anti-competitive agreements and abuses of dominant positions

Source: Republic Act No. 10667 also known as the "Philippine Competition Act"

The enactment of the Philippine Competition Act, while critical, was just one aspect in the formulation of a National Competition Policy (NCP). A corresponding mechanism of cooperation and coordination between the competition policy and sectoral regulation has to be put in place to enforce the Act. The other equally essential components, such as policies relating to competitive neutrality, consumer protection, and government regulations that do not impede competition and removal of structural barriers were established.[7] Likewise, an effective institutional mechanism that will coordinate and oversee the implementation of the abovementioned inter-related components has to be put in place.

The NCP aims to improve market efficiency and consumer welfare by creating a competitive business environment. It will steer regulations and administrative procedures of government agencies towards promoting competition.[8] It intends to foster competitive neutrality as well as ensure the full enforcement of antitrust laws.

The PDP 2017-2022 targets the Philippine ranking in the Global Competitiveness Index for 2019 to be in the top third (33%) of 138 economies. By the end of the Plan period, the target is to be within the top 25 percent.

For 2018, the Philippine Competition Commission (PCC) is allotted PhP440 million to be able to fulfill its mandate of promoting economic efficiency, help foster business innovation, increase global competitiveness, and expand consumer choices to improve public welfare.

Challenges in Mainstreaming Competitiveness in the Country's Development

Competitiveness is the set of institutions, policies, and factors that determine a country's productivity.[9] The level of competitiveness of a country directly affects its capacity to draw in trade and investments.

The Global Competitiveness Report (GCR) 2016-2017, published by the World Economic Forum, assesses the economic competitiveness of 138 countries, providing insight into the drivers of their productivity and prosperity. In said Report, the overall competitiveness ranking of the Philippines went down to 57th compared to 47th in the 2015-2016 GCR.

Figure 1. Philippine Competitiveness Ranking 2010-2017

Source: World Economic Forum

Compared to its neighboring ASEAN member-countries, the Philippines' ranking in the 2016-2017 GCR is higher than Cambodia but lower than Singapore, Malaysia, Indonesia, Thailand and Vietnam.

The overall Global Competitiveness Index that determines individual country rankings is based on three sub-indices, namely: 1) Basic Requirements; 2) Efficiency Enhancers; and 3) Innovation and Sophistication Factors. Under said sub-indices are the twelve pillars of competitiveness: a) Institutions; b) Infrastructure; c) Macroeconomic Environment; d) Health and Primary Education; e) Higher Education and Training; f) Goods Market Efficiency; g) Labor Market Efficiency; h) Financial Market Development; i) Technological Readiness; j) Market Size; k) Business Sophistication; and l) Innovation.

The 2016-2017 GCR noted that the Philippines registered a decline in the ranking in 8 out of 12 pillars which include Institutions (by 14 notches), Infrastructure (by 5 notches), Goods Market Efficiency (by 19 notches), Labor Market Efficiency (by 4 notches), Technological Readiness (by 15 notches), Market Size (by 1 notch), Business Sophistication (by 10 notches) and, Innovation (by 14 notches).

Table 2. Philippine Index in the 12 Pillars of Competitiveness, 2015-2017

Pillar	2015-2016	2016-2017
Sub-Index 1: Basic Requirements		
1. Institutions	77	91
2. Infrastructure	90	95
3. Macroeconomic Environment	24	20
Sub-Index 2: Efficiency Enhancers		
4. Health and Primary Education	86	81
5. Higher Education and Training	63	58
6. Goods Market Efficiency	80	99
7. Labor Market Efficiency	82	86
8. Financial Market Development	48	48
9. Technological Readiness	68	83
Sub-Index 3: Innovation and Sophistication Factors		
10. Market Size	30	31
11. Business Sophistication	42	52
12. Innovation	48	62

Source: World Economic Forum

The ease of doing business plays a crucial role in a country's economic growth. Processes, rules and regulations set up by the government can either help promote a business-friendly environment or discourage foreign investments and hold back the growth of local enterprises.

The World Bank's (WB) Doing Business Report measures the regulatory quality and efficiency of an economy in enhancing business activity and those that constrain it. The Report presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies over time.

According to the WB's Doing Business Report 2016-2017[10], the ease of doing business improved this year, with the Philippines climbing four (4) notches to 99th place out of 190 economies from 103rd in 2016 out of 189 economies.

The Philippines improved in four (4) out of 10 indicators used in the survey. Worth noting are the gains in the areas of protecting investors, which was up by 18 points, while the indicator on dealing with construction permits was up by 14 points. Significant gains were also seen in paying taxes, increasing by 11 points, and enforcing contracts, up by 4 points. Since 2011, the country has climbed 49 slots in the Doing Business Report.

The improvement in the country's ranking can also be attributed to the reforms introduced this year, among which are the extent of corporate transparency index, increasing transparency of building regulations, and the introduction of an online system for filing and paying health contributions.

The World Bank, however, noted that getting credit in the Philippines is down by nine (9) notches; starting a business dropped by six (6) points; getting electricity, down by three (3) points, and resolving insolvency decreased by three (3) points.

The survey also noted that the Philippines did not improve in two indicators: registering property, at 112th, and trading across borders at 95th.

Table 3. Philippine Doing Business Indicators, 2016-2017

Indicators	2016 Report*	2017 Report**	Change 2016-2017
OVERALL RANKING	**103**	**99**	▲ 4
1. Starting a Business	165	171	▼ 6
2. Dealing with Construction Permits	99	85	▲14
3. Getting Electricity	19	22	▼ 3
4. Registering Property	112	112	-
5. Getting Credit	109	118	▼ 9
6. Protecting Investors	155	137	▲18
7. Paying Taxes	126	115	▲11
8. Trading Across Borders	95	95	-
9. Enforcing Contracts	140	136	▲ 4
10. Resoving Insolvency	53	56	▼ 3

Source: World Bank's Doing Business Report 2016-2017
** 189 economies*
*** 190 economies*

The study noted that the most problematic factors in doing business in the Philippines were its inefficient government bureaucracy, inadequate infrastructure, corruption, tax rates, and tax regulations. It likewise revealed that the country is the second lowest ranking country in the world when it comes to the number of procedures to start a business.

Prospects and Opportunities

Moving forward, the Philippines can build partnerships with other countries to gain insights from their experiences and be informed of the latest developments in competition law and best practices. The country has been among the last to pass a comprehensive competition law.

At the local front, the PCC intends to strengthen its relationship with key government sector regulators and market players to ensure cooperation and coordination. Clear delineation of jurisdiction among the government regulators must be established, as well as cooperation in data/information sharing.

To mainstream the competition policy in the national government's development agenda, a chapter on competition has been devoted in the Philippine Development Plan 2017-2022. Said chapter elaborates on the benefits of increased market competition to promote and protect consumer welfare and enhance market efficiencies.

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5. Foundations for Sustainable Development

A. Attaining Just and Lasting Peace

"Economic growth cannot be sufficiently buoyant, sustained, nor inclusive without durable and enduring peace. Communities that experience armed conflict are frequently among the poorest in the country. The government has been relentless in its pursuit of peace, through intensified development and other peace-building activities in conflict-affected and -vulnerable communities."

- Philippine Development Plan 2017-2022

When Filipinos speak of a just and lasting peace, the vision is often referenced on the entire country and focused on the resolution and/or settlement of conflicts between the government and sectors or parties in various regions, polarized on the basis of ideology or politics.

Due to starkly significant events over the past few months, however, thoughts on peace and stability in the country have invariably turned to Southern Philippines, a vast island rich in history and culture, and home to 24 million people – almost a quarter of the country's entire population.

The island, Mindanao, is also blessed with abundant resources. Highly agricultural, it produces 40 percent of the country's food requirements.[1] And yet, despite the island's natural bounty and inherent potential, its economic development has always been stunted and its provinces and people remain among the poorest in the country.

The poverty and socioeconomic sluggishness of Mindanao are traceable to long-standing and deeply-rooted conflicts that have continually disrupted the peace, stability and development of the island. Historians and political analysts date the Mindanao conflict back to five centuries ago, ranking it the second oldest conflict in the world next to North and South Sudan.[2]

The consequences of these conflicts are expectedly painful and far-reaching, affecting not just the parties in conflict but even civilians or non-combatants, who pay a steep price in terms of lives lost, families divided, properties destroyed, and futures disrupted. In addition to these are the socioeconomic costs, which are not limited to the regions in which the conflicts take place.

Over the last few decades of the continuing Mindanao crisis, tens of thousands of residents in conflict-affected and vulnerable areas have fled their homes and settlements and been forced to deal with the uncertain life of internally displaced persons (IDPs). From January 2012 to June 2017, the number of persons displaced in Mindanao due to armed conflicts, clan feuds, and crime and violence has reached 1,611,220.[3]

The situation has caused severe strain on the socio-economic well-being not only of the Mindanao IDPs, but on the entire country, which must confront these challenges to peace and stability.

An Agenda for Peace and Development in Mindanao

While the peace and development agenda of the Duterte Administration seems to place a higher priority on Mindanao, the 2018 budget makes room for all the initiatives of the government to negotiate and implement peace agreements with all internal armed conflict groups while protecting and developing affected communities.[4]

Some strategies for peace and development that will be pursued include the following:[5]

- Meaningful implementation of the peace agreement with the Moro Islamic Liberation Front (MILF) toward healing in the Bangsamoro
- Completion of the implementation of the remaining commitments under the Government of the Philippines - Moro National Liberation Front Peace Agreement (MNLF)
- Implementation of peace-promoting and catch-up socioeconomic development in conflict-affected areas
- Empowering communities by increasing their capacity to address conflict and reduce their vulnerability
- Ensuring government rationalization, coordination, and monitoring of the delivery of socioeconomic programs, and other interventions by donor institutions and government agencies in conflict-affected areas, especially in Mindanao.

PhP15 Billion for Marawi

The violent May 2017 attack on Marawi City by the terrorist Maute Group has left the Muslim-dominated city in Lanao del Norte in ruins and hundreds of thousands of its residents homeless and presently counted among the conflict-related IDPs in evacuation centers. It has also led to the declaration of Martial Law in the entire island of Mindanao.

Acting on the tragedy that has devastated Marawi City, and even before the end of the war waged by government troops to crush the terrorist elements, President Duterte has already announced the release of funds for its rehabilitation.

On June 28, 2017, the President signed Administrative Order No. 3 which created the inter-agency Task Force Bangon Marawi, for the recovery, reconstruction, and rehabilitation of the City of Marawi and other affected localities. Said Task

Force, chaired by the Secretary of National Defense, with the Secretary of the DPWH as Vice Chairperson, is "designated to facilitate and oversee the construction of temporary and/ or permanent shelters for displaced persons, coordinate the immediate restoration of public utilities, attend to the health, sanitation, food, and other basic needs of affected residents, and provide an environment conducive to the revival of business and livelihood activities,"[6] among others.

To undertake these functions, the Task Force members are organized into five (5) sub-committees: 1) Reconstruction, headed by the DPWH; 2) Housing, headed by the Office of the Cabinet Secretary; 3) Health and Social Welfare, headed by the DSWD and the DOH; 4) Business and Livelihood, headed by the DTI; and 5) Peace and Order, headed by the DILG.

For 2017, PhP5.0 billion is to be made available from the 2017 Contingent Fund and the 2016 and 2017 National Disaster Risk Reduction and Management Fund (NDRRMF). This amount will be supplemented by the PhP10.0 billion allocated in the 2018 Budget for the quick recovery, reconstruction, and rehabilitation of Marawi City, to be sourced from the PhP25.5 billion NDRRMF. This will ensure that damaged houses and infrastructure in Marawi City are reconstructed, and that the primary needs of about 465,674 internally displaced persons[7] are met.

Uplifting the ARMM

In the Mindanao 2020 Peace and Development Framework Plan, citing a 2005 Joint Needs Assessment of the World Bank, historical injustice was tagged as the underlying "root" of the conflict in Mindanao. This has impacted the social, political, economic, cultural and environmental landscape of the region, which resulted in extreme poverty, social exclusion and marginalization, land and natural resources dispossession, and ineffective/imposed institutions of governance, law enforcement, and service delivery, among others.[8]

Current problems in the country "provided a framework conducive to extremism," with violence and terrorism said to be reflections of poverty incidence and governance.[9] Issues in governance, exacerbated by corruption and a weak state, were identified as among the major causes of poverty.[10]

Zooming in on the country's poverty statistics, the population's poverty incidence has been reduced significantly in just a decade, from 26.6 percent in 2006 to 21.6 percent in 2015.[11] However, this remains a problem in Mindanao, particularly in the Autonomous Region in Muslim Mindanao (ARMM).

The ARMM was declared the poorest region in 2012 and 2015, based on said years' Full Year Poverty Statistics.[12] Other

Table 1. Highlights of the Proposed ARMM Budget to Attain Just and Lasting Peace, 2016-2018
(in milllion Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Autonomous Region in Muslim Mindanao	**29,413**	**33,470**	**33,470**
Of which:			
Road Network and Other Public Infrastructure Facilities Program	615	597	10,767
Education, Science and Technology Program	8,368	11,868	10,570
Health and Nutrition Program*	1,154	1,292	1,333
Administration of Regional Autonomy and Financial Resources Management Program	908	1,032	1,263
Agriculture, Fishery, and Land Reform Program**	-	-	591
Environmental Conservation and Management and Human Settlement Regulatory Program	265	307	316
Regional Legislative Program	179	202	219
Social Welfare and Protection Program*	800	982	152
Trade, Industry and Investment Development, Promotion and Regulatory Program	121	164	142
Transportation and Communication Program	54	65	66
Employment Promotion and Development of Industrial Peace Maintenance Program	44	53	53
Peace, Law and Order, and Human Rights Protection and Promotion Program**	-	-	37

Sources: 2016 GAA, 2017 GAA, and 2018 NEP
*Note: * With the use of PREXC, two programs were renamed:*
1) Health Services to Health and Nutrition Program; and
2) Livelihood Assistance, Capability Building, Social Welfare and Protection Services to Social Welfare and Protection Program
*** New Programs for FY 2018*

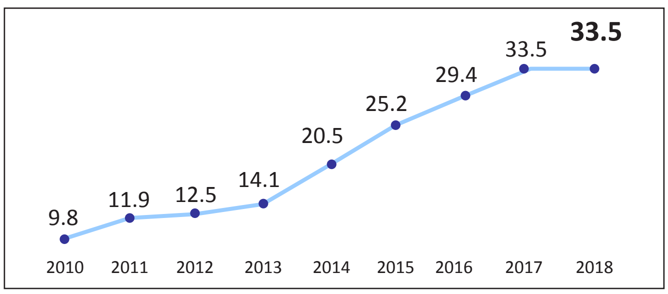
provinces in the Mindanao regions have also experienced economic depression and social deprivation. These include Saranggani, Zamboanga del Norte, and Bukidnon which had high poverty incidence rate among population in the 2015 Report. From 2006 to 2015, one of its provinces was always on top of the list with the highest poverty incidence rate.[13]

To effectively address the Mindanao problem, interventions need to go beyond counterterrorism activities such as military offensives. The government also has to pursue and support the peace process, which can lead to a "leveled playing field" for its people.[14]

In fact, the government attributed the decrease in the country's poverty incidence to, among others, the increased budget in social development programs.[15]

Over the years, the government has sought to address these problems through increased budget allocations for Mindanao, particularly the ARMM, to ensure that the development needs of the people are met.

Figure 1. ARMM Budget, 2010-2018
(in billion Pesos)



Source: DBM

Among the notable projects in the Region in the past few years were the Expanded ARMM Road Mapping and Management System launched in 2015, which includes an online inventory of all roads and infrastructure projects in the Region;[16] electrification projects worth PhP337 million under the Sitio Electrification Program of the National Electrification Administration, which benefited more than 1,775 households in 2015-2016;[17] and the PhP80-million infrastructure package in Simunul, Tawi-Tawi which covered the construction of an access road leading to the Sheikh Karimul Makdum Mosque, the oldest Mosque in the country.[18]

The Duterte Administration aims to sustain these development efforts and peace-building initiatives in the Region, and for this has allocated PhP33.5 billion for 2018. This will fund programs in education, health, environment, and agriculture, among others.

Bulk of the Budget will go to Road Network and Other Infrastructure Facilities and Education, Science and Technology Programs to improve logistics and literacy in the Region *(See Table 1).*

Table 2. ARMM Infrastructure Program, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
ARMM Infrastructure Program	**PhP 10.1 B**	**PhP 10.3 B**	**PhP 10.1 B**
Maintenance and Repair of Infrastructure Facilities			
No. of roads maintained (km.)	993	993	993
No. of bridges maintained (linear meter)	6,724	6,724	6,724
No. of ports and shore protection structures maintained	31	28	28
No. of flood control and drainage structures maintained	44	44	44
No. of government office buildings maintained	33	35	35
No. of school buildings maintained	63	55	55
No. of water supply systems maintained	14	14	14
Construction, Rehabilitation, and Improvement of Infrastructure Facilities			
No. of roads constructed/ rehabilitated/ improved (km.)	606	606	362
No. of bridges constructed	72	72	39
No. of flood control and drainage structures constructed/ rehabilitated/ improved	26	26	37
No. of water supply projects undertaken	57	57	87
No. of ports and shore protection structures constructed/ rehabilitated	80	80	80

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

Of the PhP33.5 billion budget allocated to the Region, nearly half, or PhP15.7 billion of this will go to capital outlays, of which PhP10.1 billion will fund the ARMM Infrastructure Program. The decrease in the infrastructure budget for 2018 is attributed to, among others, the smaller number of bridges to be constructed/rehabilitated next year.

Peace Efforts with the Bangsamoro

An ideology that rejects control from the central government and growing resentment over the increasing resettlement of Christians in Mindanao are among the factors that gave birth to the Moro National Liberation Front (MNLF) in the late 1960s. While the government has been constantly reaching out to the MNLF to negotiate for a just peace, various breakaway groups have been formed in the course of the years, as a result of fallouts with the MNLF itself. A major breakway group is the Moro Islamic Liberation Front (MILF).[19]

Continuing encounters between government troops and the MNLF and MILF rebels have inflicted sufferings on civilians, with far-reaching economic and social costs across Mindanao. Following previous administrations' efforts and strategies to pacify and bring these groups back into the fold of the law, the Duterte Administration will focus more on peaceful negotiations.

Under the Office of the Presidential Adviser on the Peace Process (OPAPP), a budget of PhP369 million is proposed for the management and supervision of the peace process and another PhP114 million for the implementation of the socio-economic component of the Normalization Process, which aims to facilitate the return of conflict-affected communities to a peaceful life, among others.

In 2014, the government and the Moro Islamic Liberation Front (MILF) signed the Comprehensive Agreement on the Bangsamoro (CAB). This paved the way for the creation of a 15-member Bangsamoro Transition Committee (BTC), with eight representatives from the MILF and seven from the government, tasked to draft the Bangsamoro Basic Law (BBL). However, it was not enacted into law.

In reaction to this and in pursuit of the Administration's legislative agenda to create an enabling law for the establishment of a new Bangsamoro political identity, President Duterte signed Executive Order No. 8 last November 7, 2016, increasing to 21 the membership of the BTC – 10 for the government, and 11 for the MILF, including three seats for the MNLF.[20]

The inclusion of the MNLF is in line with President Duterte's directive to include as well the unimplemented provisions in the Philippine Government (GPH) - MNLF 1996 Peace Agreement in the enabling law being crafted.[21]

On March 21, 2017 in Kuala Lumpur, Malaysia, the GPH and the MILF Peace Implementing Panels signed a new Terms of Reference that laid down, among others, guidelines on the conduct of meetings of the Implementing Panels, their mandates, and guiding principles towards the efficient and effective implementation of the CAB and other signed agreements.[22]

The latest development in the peace negotiations was the submission of a new draft of the BBL by the BTC to the President last July 17, 2017.[23]

Table 3. Budget under PAMANA projects, 2017-2018
(in million Pesos)

Project	Agency	2017	2018
Various Projects	OPAPP	7,000	7,000
Study Grants	Commission on Higher Education	22	19
Community Support	Department of Social Welfare and Development	809	1,454
Support to Indigenous Peoples	National Commission on Indigenous Peoples	8	8
Health Insurance Premiums	Philippine Health Insurance Corporation	61	54

2018 Various Projects under OPAPP Budget	
Particulars	**Cost**
Agricultural Productivity Support	65
Agri-Fishery	146
Bridges	417
Capacity Building	40
Community Infrastructure	253
Electrification	294
Livelihood	22
Roads	4,558
Roads with Bridges	792
Water Supply System	413
Total	**7,000**

Sources: 2017: DBCC Presentation to the Senate Committee on Finance, 16 August 2017; 2018: 2018 NEP
Note: Figures may not add up due to rounding off

Support for Conflict-Affected Communities

Resources and efforts to uplift the conditions of people in conflict-affected communities are not all focused on Mindanao. The government has also been implementing peace and development projects that will boost growth in other communities and will also provide opportunities for local residents to be more productive.

The OPAPP will oversee the implementation of projects worth PhP7.0 billion from the PhP8.5 billion total program budget under the PAyapa at MAsaganang PamayaNAn (PAMANA) Program – a convergence program providing development interventions to isolated and hard-to-reach conflict-affected and -vulnerable communities throughout the country. Adding to these are some PAMANA projects being implemented by other agencies.

Past projects have included the government's social protection program for former combatants and next-of kin, where 1,260 scholarships have been funded as of March 2016 out of the PAMANA-CHED Study Grant Program. Likewise, 11,637 beneficiaries were granted renewed membership for the PAMANA-PhilHealth Health Insurance Program.[24]

For 2018, under the DSWD's Disaster Response and Management Program, more than half of its PAMANA budget amounting to PhP798 million is allotted for the implementation and monitoring of the Peace and Development Fund.

The project aims to deliver basic services to Indigenous Peoples' (IP) communities in conflict-affected areas in Mindanao by: supporting the implementation of the Certificate of Ancestral Domain Title (CADT) and Ancestral Domain Sustainable Development and Protection Plan (ADSDPP); strengthening partnership of local governance institutions and the Indigenous Knowledge Systems and Practices (IKSP); and strengthening IP communities' resilience to conflict. The fund targets to cover 575 geographically isolated barangays from 54 municipalities in five (5) regions.

In addition, two major programs are ongoing in the ARMM through the Office of the Regional Governor, implementing coordinated and focused interventions at the local level – the ARMM-Health, Education, Livelihood, Peace and Synergy (HELPS) and the ARMM-Bangsamoro Regional Inclusive Development Program for Sustainable Growth and Development (BRIDGE).

ARMM HELPS is a program designed to establish a peaceful and secure environment in the Region by providing basic social services to its 2,490 barangays. Aside from reducing maternal and infant deaths and improving access to quality education, another thrust of the program is the enhancement of the peace and security conditions therein by strengthening peace and security institutions, espousing respect for and promotion of human rights, and significantly reducing loose firearms in the Region.[25]

A budget of PhP2.0 billion is allocated for the Program, 11.1 percent higher than 2017 budget of PhP1.8 billion. It targets to cover 150 barangays in 2018, on top of the 2017 target of 150, and some 253 covered in 2016, totaling to 553 barangays or 22.2 percent of all barangays in the Region by the end of 2018. By 2022, the Program aims to provide services to at least 46 percent of the barangays in the Region.

Since its launching in 2014, HELPS accomplished, among others, the construction of birthing clinics, barangay health stations, peace centers, community learning and day care centers, flea markets, and housing projects.

Meanwhile, ARMM BRIDGE is a poverty alleviation program that empowers communities and strengthens local governance. Under the BRIDGE Program is the Apat na Dapat program model that targets to address basic human needs – water and sanitation, food, shelter, and light – and provide these to the poorest of the poor to help them cross the poverty line.

For 2018, the Program has a budget of PhP3.6 billion, 71.4 percent bigger than the 2017 level of PhP2.1 billion to cover 40,000 poor households. By 2022, the Program targets to cover all 297,600 poor households in the Region per 2015 Poverty Statistics.

Securing a Just and Lasting Peace

"Enduring peace can only be attained if the fundamental needs of every man, woman, and child will be met."[26]
- President Rodrigo Roa Duterte, 1st State of the Nation Address

The peace and development agenda is translated into strategic plans and tangible programs and projects. Through the proposed 2018 National Budget, government agencies will ensure that the basic needs of the disadvantaged and vulnerable people are provided and protected, especially those in war-torn areas.

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B. ENSURING SECURITY, PUBLIC ORDER, AND SAFETY

"National security and public order are necessary in every person's pursuit of personal, business, economic, and social endeavors. Thus, it is incumbent upon the government to take all the necessary measures to ensure that everyone always feels safe."
- 2018 Budget Priorities Framework

The 2016 national election campaign of President Rodrigo Roa Duterte hinged primarily on fighting intrusions and ridding society of crimes and drugs. The 0+10-Point Socioeconomic Agenda of his Administration sustains this, viewing security, public order, and safety as essential pillars in achieving inclusive growth, a high trust and resilient society, and a globally competitive knowledge economy.[1]

Expectedly, these are accorded high priority as reflected in the Administration's Philippine Development Plan (PDP) 2017-2022.

Fortifying the Country's Defenses

The Philippines is the second largest archipelagic country in the world and has the fifth longest coastline, stretching 36,289 km., longer than that of China, or the United States of America, or Japan.[2] This makes the country vulnerable to external threats, especially those emanating from the seas. As such, external security, particularly protecting sovereignty and territorial integrity, has become a core national interest for the country.

As highlighted in the PDP 2017-2022, the Duterte Administration will continue the enhancement of the diplomatic and defense capabilities of the country. This will be achieved through the promotion of a rules-based regime in the Region, at the same time maintaining a credible defense through the modernization of the Armed Forces of the Philippines (AFP) and the Philippine Coast Guard.

The current military strength of the country, however, pales in comparison to most countries in the Region. The Global Firepower 2017 Power Index's ranking of military strength across land, sea, and air placed the country in the 50th spot out of 133 countries.[3] Among the nine (9) ASEAN countries included in the ranking, the Philippines ranked 6th.[4]

To improve the defense capabilities of the country, a budget of PhP155.7 billion has been allocated for the defense sector. Of this total, PhP145.0 billion is for the Department of National Defense, with PhP140.4 billion earmarked for the AFP. The Philippine Army will get the biggest share among the three major services.

For 2018, the AFP has set various targets for the three major services.

Philippine Army. Aside from supporting 191 tactical battalions with 82 percent operation readiness, the PhP54.4 billion allocation, bigger by 4.8 percent than the 2017 budget of PhP51.9 billion, will enable the Army to maintain 82 ready reserved battalions at 65 percent operation readiness.

Philippine Air Force. Part of its PhP18.1 billion budget will equip the Air Force to accomplish at least 90 percent of one hour response to flight directed missions and accomplish 100 percent of its flying hours to help deploy troops and provide reinforcements, particularly for military operations and disaster relief missions.

Philippine Navy. The Navy's budget of PhP17.4 billion will help sustain 55 force-level support services units and achieve 38 Navy units prepared for deployment. Most of the proposed programs of the Navy involve operational and maintenance requirements of its assets.

Table 1. Allocations for National Defense, 2016-2018

Particulars	2016 (GAA)	Targets	2017 (GAA)	Targets	2018 (Proposed)	Targets
Department of National Defense	**PhP117.7 B**		**PhP137.4 B**		**PhP145.0 B**	
Armed Forces of the Philippines	PhP113.3 B		PhP133.0 B		PhP140.4 B	
Philippine Army	PhP42.5 B		PhP51.9 B		PhP54.4 B	
No. of tactical battalions maintained		189		190		191
Philippine Air Force	PhP15.0 B		PhP17.5 B		PhP18.1 B	
No. of supportable aircraft		140		154		154
Philippine Navy	PhP13.4 B		PhP17.2 B		PhP17.4 B	
No. of mission-ready fleet marine units		124		179		184

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

Aside from military assets, the Administration will also provide adequate and affordable housing to low-salaried military and police personnel in the country. A budget of PhP1.6 billion is provided for this purpose under the AFP/PNP Housing Program. The National Housing Authority, pursuant to Administrative Order No. 9, series of 2011, has a target of 3,579 housing units for uniformed personnel in 2018.

Modernizing the Armed Forces

2018 marks the beginning of the Second Horizon of the Modernization Program, which will run until 2022, the end of the President's term.[5] The "Revised AFP Modernization Act" or Republic Act No. 10349, signed on December 11, 2012, mandates the government to allot at least PhP75.0 billion for the first five (5) years extension of the Modernization Program.[6] About PhP25 billion is proposed for 2018. This will bring the total appropriated budget for the Modernization Program, per the General Appropriations Act, to PhP79.9 billion since 2014, the first year it was included in the National Budget.

Under this Program, among the major additions to the military assets in the past years were eight (8) Bell 412EP combat utility helicopters worth PhP4.8 billion and 12 FA-50PH fighter jets for PhP18.9 billion.[7]

Coast Guard Modernization Program

Meanwhile, complementing the AFP Modernization Program is the Department of Transportation's Coast Guard Modernization Program where PhP3.1 billion has been set aside to upgrade its defense capabilities for the archipelago, its territorial waters and coastlines.

For 2018, the Philippine Coast Guard targets to maintain a 99 percent successful search and rescue operations and apprehend at least 70 percent of violations such as smuggling, illegal fishing, and human trafficking.

Reducing All Forms of Criminality

The Global Peace Index 2017[8] tagged the Philippines as among the least peaceful countries in the world, after its ranking 138th among 163 countries. This study covered societal safety and security, domestic and international conflict, and degree of militarization. The country was also ranked second lowest in the Asia-Pacific Region, next to North Korea.

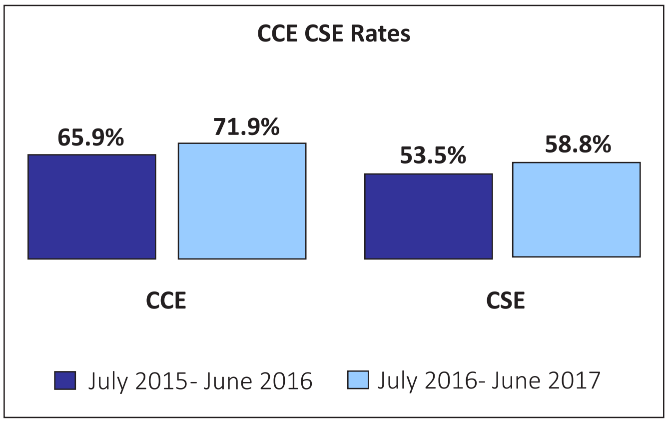
Crime and violence have an adverse impact on social service development as they discourage investments and affect tourism and businesses, among others. Recognizing these impacts, the Administration is committed to pursue sustainable growth by further strengthening its efforts to reduce all forms of criminality through the leadership of the Philippine National Police (PNP).

The PNP Patrol Plan 2030 Roadmap sets improving crime prevention and solution, and promoting community safety awareness through community-oriented and human rights-based policing, as the key strategic objectives of the organization.[9] The PNP partners with the communities in achieving a place conducive for Filipinos to live, work, and put up business.[10]

In 2016, the PNP achieved positive results in key campaigns against illegal activities.[11] The carnapping incidents recorded in said year decreased by 38.4 percent, from 12,900 incidents in 2015 to 9,323, with 1,526 vehicles recovered. Some 170 criminal gangs were disbanded, with 1,473 members arrested and 80 killed in operations. A total of 41,630 other wanted persons were arrested, and some PhP64 million worth of smuggled and pirated goods were confiscated.

The Administration has reduced the total crime volume in the country by a little over 10 percent, from 626,567 a year before the President's term, to 565,158 in his first year in office.[12] These statistics reflected improvement in both the Crime Clearance Efficiency (CCE) and Crime Solution Efficiency (CSE) rates. The CCE and CSE represent the total number of cleared and solved cases out of the total crime incidents.

Figure 1. CCE and CSE Rates, July 2015 to June 2016, and July 2016 to June 2017



Source: Department of the Interior and Local Government

All these have laid strong foundations for achieving the Administration's thrust of peace and order in the communities. To ensure security, public order, and safety by reducing all forms of criminality, the Administration prioritizes various programs that support these thrusts *(See Table 2).*

Over the years, the budget of the PNP has been increasing, and for 2018, the agency is allotted PhP131.5 billion, 17.6 percent higher than last year's budget of PhP111.8 billion. This will support the intensified PhP109.2 billion crime prevention and suppression program of the Administration, to further reduce the crime rate by 5 percent *(See Table 3).*

Part of the Administration's plan is to increase police visibility in the streets. A budget of PhP1.9 billion is proposed for the hiring of 10,000 new PO1 recruits. This will enable the PNP to reach the ideal police to population ratio of 1:500 in 2018, from 1:551 in 2017. A massive filling of uniformed positions will also be pursued and will be funded by a budget of PhP8.3 billion, covering 15,938 items.

Furthermore, PhP93.9 billion is given for the conduct of police patrol operations and other confidential operations against lawless elements, to further lessen the prevalence of crimes in communities.

Of the seven focused index crimes, all but one – homicide – have decreased substantially. Theft, physical injury, and robbery were found to be the top three prevalent index crimes in the country for the period July 2015 to June 2016

Table 2. Major Programs and Projects to Ensure Public Order and Safety, 2017-2018
(in million Pesos)

Particulars	2017 (GAA)	2018 (Proposed)
Department of the Interior and Local Government	**149,355**	**172,327**
Of which:		
Mamamayang Ayaw Sa Anomalya, Mamamayang Ayaw Sa Iligal na Droga	500	500
Philippine National Police	**111,800**	**131,500**
Of which:		
Double Barrel: Reloaded	900	900
Bureau of Jail and Management Penology	**11,632**	**14,295**
Of which:		
Inmate's Safekeeping and Development Program	10,684	13,258
Department of Health	**98,401**	**107,227**
Of which:		
Operation of Dangerous Drug Abuse Treatment and Rehabilitation Centers	3,081	760

Source: DBM

and July 2016 to June 2017, comprising 84.4 percent and 82.9 percent, respectively.[13]

To further strengthen police presence and visibility, 93 additional police stations and three provincial offices will be constructed in 2018 from a proposed budget of PhP534 million. When completed, these will increase the total number of police stations owned by the PNP to 1,304 units, from the present's 1,211.

Table 4. Focused Index Crimes

Index Crimes	July 2015 - June 2016	July 2016 - June 2017
Homicide	2,357	2,466
Physical injury	41,375	34,159
Rape	9,871	9,157
Robbery	27,291	18,029
Theft	66,563	40,999
Carnapping	12,100	7,187
Cattle Rustling	721	354

Source: Department of the Interior and Local Government Note: Index crimes are crimes which are serious in nature and which occur with sufficient frequency and regularity.

Fighting the Drug Menace

In the 2010 United Nations World Drug Report, the magnitude of the drug use problem was highlighted when the Philippines scored the highest abuse rate for methamphetamine hydrochloride, otherwise known as "*shabu,*" among East and Southeast Asian countries."[14] Five years after, in 2015, *shabu*

Table 3. Philippine National Police's Budget and Physical Targets, 2016-2018

Particulars	2016 (GAA)		2017 (GAA)		2018 (Proposed)	
	Budget	Target	Budget	Target	Budget	Target
Philippine National Police	**PhP88,600 M**		**PhP111,800 M**		**PhP131,500 M**	
Crime Prevention and Suppression Services	PhP73,600 M		PhP90,000 M		PhP109,200 M	
PNP Modernization Program	PhP2,000 M		PhP3,200 M		PhP4,000 M	
No. of patrols conducted by: foot mobile % change in crime rate		 6,370,253 5,094,462 11%		 5% increase 5% increase 5% decrease		 5% increase 5% increase 5% decrease
Crime Investigation Services	PhP610 M		PhP630 M		PhP670 M	
No. of crime investigations undertaken Percentage of most wanted person/ high value targets arrested		583,774 15%		842,311 5% increase		522,301 5% increase

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

remained the primary drug of concern in the country as 95.5 percent of drug-related arrests in said year were shabu-related.[15]

President Duterte launched a campaign to rid the streets of criminality and dangers caused by the proliferation of illegal drugs and substances. The campaign is the Administration's show of commitment to address problems spawned by the PhP120 billion[16] illegal drugs trade industry and the 1.8 million illegal drug users.[17]

Under the Duterte Administration, the policy against drugs focuses on the suppression of the supply and demand for illegal drugs and substances through sustained law enforcement operations, complemented by education and awareness programs. For the period July 1, 2016 to June 28, 2017, a total of 64,397 operations have been conducted by the anti-drug operatives.[18]

To continue the PNP's anti-illegal drugs campaign, PhP900 million is allocated for the "Double Barrel: Reloaded." This is the same amount given in 2017. Double Barrel: Reloaded is being implemented through two programs: "Project Tokhang: Revisited" which revisits drug personalities who have already surrendered for further profiling and those who have yet to surrender for processing and possible recommendation for rehabilitation; and "Project HVT: Revalidated" which conducts operations against high value targets like drug manufacturers, distributors, and financiers.[19] Some 8,367,492 houses have been visited under Oplan Tokhang, while 1,099 high value targets were arrested and 3,568 more are under monitoring for Oplan HVT.[20]

Another PhP20 million is proposed for the PNP Drug Enforcement Group (PDEG), the lead unit in police anti-drug operations. The PDEG has replaced the now defunct Anti-Illegal Drugs Group (AIDG) when the drug war campaign was relaunched in March 2017.[21]

With the war on drugs at the center of the Administration's agenda, the numbers achieved in its first year through interagency operation far exceeded the previous year's record. Around 1,308,078 individuals have already surrendered.[22]

Then Director General Isidro Lapeña of the Philippine Drug Enforcement Agency (PDEA), the lead agency in the fight against illegal drugs, said that what the government wants to accomplish is to ensure that these "figure[s] will be translated into something that our people will feel, especially in the grassroots."[23] For this, the Philippine National Police, mandated to ensure public safety, targets that by 2018, at least 69.3 percent of the population will be able to say that they feel safe in their communities.

Table 5. Anti-illegal drug operations, 2015-2016 to 2016-2017

Particulars	2015-2016	2016-2017
Anti-drug operations conducted	36,466	64,397
Drug personalities arrested	18,766	86,984
Government workers arrested	97	302
Drug dens dismantled	82	152
Shabu seized (in kg.)	820	2,446
Shabu seized (in billion Pesos)	0.9	12.6

Source: Mindanao Hour Press Briefing, June 30, 2017

However, the Administration recognizes that there are many factors that lead people to use and trade illegal drugs. For many, the proliferation of illegal drugs is largely influenced by economic issues and the attraction to easy money. These have become a source of income for many poor households,[24] whose members have engaged in street-level pushing, the most widespread distribution activity for illegal drugs.[25]

Taking the Anti-Drug Campaign to the Barangays

To unify, integrate, and synchronize the anti-drug efforts and strategies of the government, the President signed Executive Order No. 15 on March 6, 2017, creating the Inter-Agency Committee on Anti-Illegal Drugs (ICAD), headed by the PDEA.[26] The ICAD is allotted PhP523 million in 2018 to ensure the implementation of the Barangay Drug Clearing Program, through the Barangay Anti-Drug Abuse Councils (BADACs),[27] which will assist law enforcement agencies in their operations.[28]

On June 30, 2017, the PDEA announced a change of approach in addressing the drug problem, shifting to barangay level drug clearing programs to focus efforts on where the drug problem thrives – in the barangays.[29]

Of the country's 42,036 barangays, 20,104 or 47.8 percent are drug-affected.[30] The ICAD, with 39 member-agencies, targets to clear 5,272 barangays by the end of 2017. In the first year of the Administration, 3,677 barangays nationwide had been declared free from illegal drugs. On June 2, 2017, Batanes was declared the first hard-drugs free province in the country.[31]

Another program to address drug issues at the barangay level is the Department of the Interior and Local Government's Mamamayang Ayaw Sa Anomalya, Mamamayang Ayaw Sa Iligal na Droga (MASA MASID), for which PhP500 million has been proposed this year.

MASA MASID is a multi-sectoral partnership of LGUs, NGOs, and religious groups, among others, whose objective is to engage volunteers in the fight against illegal drugs, criminality, and corruption. There are currently 102,208 enrolled volunteers in the Program.[32]

With the intensified operations of the police, the Bureau of Jail Management and Penology (BJMP) projects an increase in the number of inmates. For 2018, the BJMP expects 182,556 inmates, an increase of 41.6 percent from 128,960 as of January 2017.[33] For this, a budget of PhP13.3 billion is proposed for the Inmates' Safekeeping and Development Program (ISDP), an increase of 24.3 percent from last year's PhP10.7 billion.

Of this amount, PhP11.5 billion covers custody, safekeeping, and rehabilitation of inmates awaiting investigation, trial, or transfer to the national penitentiary. To accommodate the influx of new inmates, the Bureau of Jail Management and Penology will construct 69 additional jail buildings and cells, and procure additional firearms, among others.

Table 6. Some Items under the Inmate's Safekeeping and Development Program, 2017-2018
(in million Pesos)

Particulars	2017 (GAA)	2018 (Proposed)
Additional Food Supplies (PhP60/day) and Medicines (PhP10/day)	2,694	4,664
Construction of Jail Buildings and Cells	1,707	1,589
Procurement of various ICT Equipment for the Integrated Jail Management Information System (i-JMIS)	51	195
Procurement of 500 Short Firearms for new recruits	16	10
Procurement of 400 Long Firearms	7	20
Procurement of 5,000 handcuffs	0.5	5

Source: DBM

About 1,000 new Jail Officers 1 will be hired beginning July 2018, from a budget of PhP184 million, to man the jails and supervise the inmates. The Administration targets to reduce the number of escape incidents from 29 to 27 and jail disturbances from 45 to 41 in 2018.

To reduce the demand for illegal drugs and substances, the Administration will strengthen drug rehabilitation as a reformation program. A budget of PhP760 million is provided to the Department of Health (DOH) for the operation of dangerous drugs abuse treatment and rehabilitation centers (TRCs). The budget, however, is smaller by 79 percent compared to the 2017 level of PhP3.1 billion since the bulk of the construction of TRCs were funded in 2017.

A part of this amount will cover the operation of the newly-built 10,000-bed mega drug rehabilitation and treatment center in Fort Magsaysay, Nueva Ecija, the largest TRC in the country. According to the Health Facilities and Services Regulatory Bureau of the DOH, there are 48 accredited TRCs nationwide – 45 are residential while three (3) are non-residential or out-patient centers. Seventeen (17) of the 48 TRCs are government-owned.[34]

Attaining Safe and Protected Communities

Hunting down lawless elements was a promise made by the President during his run for the Presidency. The Administration's relentless campaigns against security

Table 7. List of Government-Owned Residential and Out-Patient Centers

Region	Particulars	Capacity
	Government-Owned Residential Center	
I	Department of Health (DOH) Treatment and Rehabilitation Center – Dagupan City, Pangasinan	300 M
III	DOH-Treatment and Rehabilitation Center Bataan – Pilar, Bataan	50 (M & F)
NCR	DOH-Bicutan Treatment and Rehabilitation – Bicutan, Taguig City	550 (M & F)
	Marikina Rehabilitation Center – Marikina Heights, Marikina City	50 (M & F)
	Quezon City Drug Treatment and Rehabilitation Center "Tahanan" – Payatas, Quezon City	150 (M & F)
IV-A	DOH-Tagaytay City Treatment and Rehabilitation Center	120 M
	Tahanan ng Kabataan ng Laguna – Magdalena, Laguna	50 M
V	DOH – Camarines Sur Treatment and Rehabilitation Center – San Fernando, Camarines Sur	50 (M & F)
	DOH-Malinao Treatment and Rehabilitation Center – Malinao, Albay	50 M
VI	DOH Treatment and Rehabilitation Center – Pototan, Iloilo	50 M
VII	DOH Treatment and Rehabilitation Center – Argao, Cebu	50 M
X	DOH Treatment and Rehabilitation Center – Cagayan de Oro City, Misamis Oriental	50 M
XI	Davao City Treatment and Rehabilitation Center for Drug Dependent – Tugbok District, Davao City	100 (M & F)
	Luntiang Paraiso Regional Rehabilitation Center for Drug and Alcoholic Dependency – New Corella, Davao del Norte	50 M
CARAGA	Drug Treatment and Rehabilitation Center – Surigao City, Surigao del Norte	50 M
	Government-Owned Out-Patient Center	
CAR	Out-Patient Drug Treatment and Rehabilitation Center – Baguio City, Benguet	
XI	RO XI Outpatient and Aftercare Center for Drug Dependents – Bajada, Davao City	

Source: DOH-Health Facilities and Services Regulatory Bureau, July 24, 2017
Note: M – Male, F – Female

threats, crimes, and illegal drugs are part of the government's blueprint for a cohesive, secure, and progressive nation.

With this, enhancing the capability of law enforcers to combat terrorism and criminality; ensuring law enforcement and military operations' adherence to the laws of the land; and making public safety organizations more responsive, professional, and competent are tasks the Administration must achieve and sustain. Only then can the Government guarantee for people the security, public order, and safety they aspire for.

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C. ACCELERATING INFRASTRUCTURE DEVELOPMENT

"Infrastructure, by definition, undergirds a country's socioeconomic development. The more strategically distributed it is – both sectorally and spatially – the better it is for inclusive growth and sustainable development."
- Philippine Development Plan 2017-2022

The 0+10-Point Socioeconomic Agenda of the Duterte Administration forwards infrastructure development as among the key drivers for economic and social development in the Philippines today. This perspective supports the principle that the robust economy that the country presently enjoys can and should be sustained – and the way to ensure this is to put in place the right infrastructure that would encourage and/or further boost economic activity.

Taking the lead in this area, the Duterte Administration is especially focused on the improvement and expansion of infrastructure that actually connects people to opportunities and links producers to markets, thereby enhancing productivity and improving income generation. This is a particularly urgent concern in light of established data that inadequate infrastructure over the past years has been the second most problematic factor for doing business in the country[1]. Expectedly, this has not only dampened the country's overall economic growth but has hampered the delivery of vital services to the citizenry.

Having identified the root of the problem, whose effects have burdened Filipinos for years, the Duterte Administration is set to embark on a strategy that involves the construction of well-designed and strategically positioned infrastructure throughout the country.

Through a program aptly called "Build, Build, Build," the Administration promises to steer the country into the "Golden Age of Infrastructure," enabling it to level up to the constantly evolving challenges of globalization and urbanization.

For this undertaking, the Administration is allotting a budget of PhP8.1 trillion for infrastructure development from 2017 to 2022 – the largest allocation for infrastructure in any six-year period in the country. For 2018, the budget amounts to PhP1.097 trillion, which is equivalent to 6.3 percent of the gross domestic product (GDP). This budget maintains the priority trend established in 2017, which allocated a budget for infrastructure development equivalent to 5.4 percent of the GDP or PhP858.1 billion. That was the first time in 30 years that the appropriated budget for this item crossed the five (5) percent threshold.[2]

By the end of President Duterte's term in 2022, the Administration targets to ramp up infrastructure spending to around PhP1.8 trillion, accounting for 7.3 percent of the GDP. These projected shares of infrastructure spending to the GDP are particularly significant to the country's economy as, according to the International Monetary Fund, "a sustained increase in public infrastructure spending to 5 percent of GDP would add a total of 5 percent to 6 percent to GDP after 15 years."[3]

Filling in the Gaps

The underspending of previous administrations left huge gaps not only in the development and improvement of national infrastructure but also, and more significantly, on economic growth. As a percentage of GDP, infrastructure spending by the previous six administrations, which spanned 50 years, accounted for only an average of 2.6 percent.[4] With little investment in the infrastructure sector, particularly in the transportation sector, the country's Global Competitiveness Index (GCI) – already at the bottom half – continued to further drop over the past few years.

Table 2. Global Competitiveness Index – Infrastructure, 2014-2017

Indicators	2014-2015 (91 out of 144)[5]	2015-2016 (90 out of 140)[6]	2016-2017 (95 out of 138)[7]
Quality of overall infrastructure	95	106	112
Quality of roads	87	97	106
Quality of railroad infrastructure	80	84	89
Quality of port infrastructure	101	103	113
Quality of air transport infrastructure	108	98	116

Build, Build, Build. To lay the groundwork for its Build, Build, Build Program, the Administration has introduced a number of key reforms that would ensure the smooth flow of resources to support the work. These reforms include streamlining the release of funds to line agencies, reforming the Implementing Rules and Regulations of the Procurement Law, 24/7 construction of key projects, creation of additional Bids and Awards Committees in agencies, and geo-tagging infrastructure projects to curtail ghost projects.

Table 1. Infrastructure Spending Targets, 2017-2022
(in billion Pesos)

Particulars	2017	2018	2019	2020	2021	2022
Infrastructure Spending	858.1	1,097.5	1,295.5	1,456.6	1,584.0	1,840.2
As percentage of GDP	5.4%	6.3%	6.8%	6.9%	6.9%	7.3%

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

Hybrid PPP. The Administration will likewise pursue what it calls a "hybrid approach" to the Public-Private Partnership. Distinct from the regular PPP projects which allow private corporations to implement government infrastructure projects, under the "hybrid PPP", the Philippine government will finance the construction of infrastructure projects with funds sourced from overseas development assistance or local borrowings, and upon completion, bid out the operation and maintenance to the private sector.[8] The preference for hybrid PPPs stems from the Administration's objective to cut down red tape, fast-track the completion of projects, and exploit the comparative advantage of the private sector.

TRIP 2018-2020. Also expected to accelerate infrastructure development in the coming years is the approval by the National Economic and Development Authority (NEDA) of the Three-Year Rolling Infrastructure Program (TRIP). The TRIP is a multi-year infrastructure program that tightens the link between programming and budgeting by consolidating immediate priority infrastructure projects to be undertaken in the three-year period, and ensuring that these are funded. Through this Program, the government aims to achieve "optimal use of public resources for infrastructure development by assuring fund allocation for well-developed and readily-implementable projects for three years."[9]

TRIP 2018-2020 identifies 4,895 infrastructure projects worth Php3.6 trillion. About 1,313 of the region-specific projects, with a total value of PhP157.4 billion, are located in the five regions with the highest poverty rates. The Autonomous Region in Muslim Mindanao (ARMM), the country's poorest region in 2015, will get a substantial share of the projects in the TRIP, involving 955 projects worth PhP50.7 billion.[10]

Priorities in the TRIP projects are pursuant to the Administration's goal of spreading growth in poverty-ridden regions and addressing spatial and socioeconomic inequalities. In fact, the commitment to spread out infrastructure development is reflected in the regional allocation of infrastructure expenditures for 2018, where among the island groups, Luzon will get the largest share with PhP135.0 billion, followed by Mindanao, Visayas, and the National Capital Region (NCR), with PhP84.1 billion, PhP60.3 billion, and PhP58.8 billion, respectively. As Budget Secretary Benjamin Diokno underscored, "The government will exploit all possible modalities to forward the Golden Age of Infrastructure."

To accelerate infrastructure development in the country, the Administration has increased substantially the allocated budget for infrastructure projects to facilitate development pursuits of communities and of the people such as flood control systems, airport systems, and road networks.

Table 3. Infrastructure Program, 2017-2018
(in billion Pesos)

Particulars	2017 (Adjusted)	2018 (Proposed)
Total	**858.1**	**1,097.5**
Of which:		
Road Networks	327.6	424.9
School Buildings	78.6	92.7
Flood Control Systems	82.0	133.4
Irrigation Systems	27.5	28.7
Hospitals and Health Centers	11.3	22.3
Water Supply Systems	10.0	6.4
Power Supply Systems	4.8	4.2
Seaport Systems	2.6	2.8
Airport Systems	6.8	10.1
Buildings	35.8	35.3
Development Fund of LGUs	97.4	104.5
Reforestation Projects	6.6	7.4
Railways	22.1	26.0

Source: DBCC Presentation to the House Committee on Appropriations, 1 August 2017

Table 4. Infrastructure Outlays, Regional Breakdown, 2017-2018
(in billion Pesos)

Particulars	2017 (Adjusted)	2018 (Proposed)
Nationwide	108.2	125.4
Central Office	382.1	634.0
National Capital Region	59.3	58.8
Cordillera Administrative Region	11.0	11.1
Region I – Ilocos Region	22.1	20.4
Region II – Cagayan Valley	15.6	14.5
Region III – Central Luzon	34.6	28.4
Region IV-A – CALABARZON	34.3	25.1
Region IV-B – MIMAROPA	15.6	13.9
Region V – Bicol Region	27.0	21.5
Region VI – Western Visayas	20.7	19.9
Region VII – Central Visayas	23.4	19.3
Region VIII – Eastern Visayas	21.5	21.1
Region IX – Zamboanga Peninsula	11.5	12.7
Region X – Northern Mindanao	17.5	15.6
Region XI – Davao Region	16.2	15.6
Region XII – SOCCSKSARGEN	11.2	12.6
Region XIII - CARAGA	11.9	12.8
Autonomous Region in Muslim Mindanao	14.5	14.8
Total	**858.1**	**1,097.5**

Source: 2018 BESF
Note: Figures may not add up due to rounding off

Road Transport

Accounting for 98 percent of passenger traffic and 58 percent of cargo traffic,[11] road transportation remains the most viable means to move people and goods around the country. And yet, despite being heavily dependent on roads and bridges for their primary travel option, Filipinos have had to endure what is considered one of the poorest road infrastructure in the world, and suffer the most horrendous traffic situations. As reflected in Table 2, the country ranked 106th among 138 countries in the 2016-2017 GCI in terms of quality of road infrastructure.

A commuter in Metro Manila spends an average of 1,000 hours in traffic a year, more than thrice the average commuter's 300 hours in other countries. This is because Metro Manila has only 5,220 km. of roads, and lacks 3,000 km. more to achieve its ideal road network. The necessary road network is roughly the flight distance between Manila and Tokyo.[12]

To get a clearer idea of how extreme traffic congestion impacts on economic progress is to translate hours into Pesos and Centavos. An estimated PhP2.4 billion a day or PhP876 billion a year is lost due to traffic.[13]

To address the problems spawned by deficiencies in land transportation infrastructure, a budget of PhP424.9 billion has been allocated for road networks in 2018, an increase of 29.7 percent from the 2017 level of PhP327.6 billion.

The expenditure program of the Department of Public Works and Highways (DPWH) in 2018 has increased by 37.5 percent to PhP643.3 billion, from PhP467.7 billion in 2017. Note that while a bigger budget is allocated for the Central Office, a big chunk of this is for projects located in the different regions.

For 2018, PhP294.4 billion or 45.8 percent of the DPWH's PhP643.3 billion budget will be for the Asset Preservation Program (PhP65.2 billion), Network Development Program (PhP190.4 billion), and Bridge Program (PhP38.8 billion) to ensure safe and reliable national road systems. The budget increased by 50.1 percent from the 2017 level of PhP196.2 billion.

Under the Asset Preservation Program, PhP20.7 billion is allotted for the rehabilitation, reconstruction, and upgrading of damaged paved national roads, while PhP18.5 billion is for the rehabilitation and reconstruction of critical sections along national roads with slips, slope collapse, and landslide.

For the Network Development Program, PhP67.9 billion will be used for the widening of national roads, PhP60.5 billion for by-passes and diversion roads, and another PhP31.1 billion for construction of missing gaps. Also, gravel roads will be paved in 2018, from a budget of PhP11.4 billion.

The Bridge Program will cover some PhP21.6 billion for the widening of permanent bridges and PhP4.6 billion for the replacement of permanent weak bridges. Another PhP3.3 billion will finance the construction of new bridges.

Some of the road projects of the Administration in 2018 are: the Davao City Coastal Bypass Road worth PhP3.0 billion, the EDSA-Taft Flyover worth PhP1 billion; and the UP-Miriam-Ateneo Viaduct Project along C5/Katipunan worth PhP1 billion.

To ensure a safe and reliable national road system in Mindanao, PhP22.3 billion goes to the Mindanao Logistics Infrastructure Network (MLIN). Of this amuont, PhP21.3 billion is allotted for the national road network services and the remaining PhP1.0 billion is for various infrastructures including local projects (VILP). The former will cover 517 km. of road networks and another 37 km. for the latter. The

Table 5. DPWH's Expenditure Program, 2017-2018
(in billion Pesos)

Particulars	2017 (GAA)	% Distribution	2018 (Proposed)	% Distribution
Nationwide	-	-	399.2	62.1
Central Office	287.5	61.5	0.8	0.1
NCR	18.2	3.9	50.6	7.9
CAR	6.1	1.3	7.4	1.2
Region I – Ilocos	12.8	2.7	15.0	2.3
Region II – Cagayan Valley	8.5	1.8	9.4	1.5
Region III – Central Luzon	21.2	4.5	20.3	3.2
Region IV-A – CALABARZON	17.9	3.8	21.4	3.3
Region IV-B – MIMAROPA	8.8	1.9	9.9	1.5
Region V – Bicol	14.7	3.1	16.8	2.6
Region VI – Western Visayas	11.8	2.5	14.3	2.2
Region VII – Central Visayas	11.9	2.5	14.9	2.3
Region VIII – Eastern Visayas	11.4	2.4	14.5	2.3
Region IX – Zamboanga Peninsula	6.9	1.5	8.4	1.3
Region X – Northern Mindanao	9.2	2.0	11.4	1.8
Region XI – Davao	8.8	1.9	11.9	1.8
Region XII – SOCCSKSARGEN	5.7	1.2	8.5	1.3
Region XIII – CARAGA	6.4	1.4	8.6	1.3
Total	**467.7**	**100**	**643.3**	**100**

Sources: Regional Distribution of the FY 2017 GAA, Table B.11; 2018 BESF, Table B.8
Note: Figures may not add up due to rounding off

budget will be used to further reduce high transport costs and address the inadequate infrastructure logistics network in the regions of CARAGA and Northern, Southern, and Central Mindanao that can boost the agri-fishery competitiveness of said regions, among others.

Table 6. Allocations for the Mindanao Logistics Infrastructure Network, 2018
(in billion Pesos)

Particulars	2018 (Proposed)
National Road Network Services	
Improvement/Widening of National Roads	6.3
Construction of By-passes/Diversion Roads	1.2
Construction of Missing Gaps	10.8
Road Upgrading (gravel to concrete)	1.8
Widening of Bridges	1.1
Various Infrastructure	1.0
Total	**22.3**

Source: DBM
Note: Figures may not add up due to rounding off

Bus Systems and Terminals

Pioneered in Curitiba, Brazil in 1974, the Bus Rapid Transit (BRT) system is becoming more popular worldwide for its efficiency and affordability. Under the BRT system, buses run on dedicated lanes and stop at stations where passengers may board and alight, similar to train operations. However, without the need for rails, BRT systems are easier and cheaper to construct, operate, and maintain.[14] Today, BRT systems service more than 32 million passengers per day in 164 cities worldwide, over networks that span a total of 4,811 km. in length.[15]

In the Philippines, three foreign-assisted BRT projects, with a budget of PhP10.3 billion in 2018, are expected to ease traffic congestion in key urban areas of Metro Manila (MM) and Metro Cebu once construction is finished in two to three years.

For 2018, the 12.3-km. MM BRT Line 1 (Quezon City) has been allotted PhP1.8 billion. Line 1 will traverse España Boulevard and Quezon Avenue and accommodate 300,000 passengers[16] daily from 16 stations through over 280 buses.[17] PhP3.1 billion is provided for MM BRT Line 2 (EDSA) in 2018. The 48.6 km. system will cover “monumento up to Diosdado Macapagal Avenue/Roxas Boulevard, with integrated routes between the Ortigas Business District, Bonifacio Global City, and the Makati Business District.”[18] The project can serve around 1.6 to 2 million passengers daily.

Meanwhile, the Cebu BRT Project is allotted PhP5.4 billion, a part of which will be used for right-of-way acquisition. The PhP10.6 billion project, which spans 23 km., will segregate BRT busways for 176 buses from Bulalacao in the south to Talamban in the north, with 33 bus stations in between. More than 330,000 passengers daily are expected to benefit from the project.[19]

Air Transport

Air transportation in the Philippines is critical, given the archipelagic nature of the country. Not only does it enable people to travel to distant places in less time, it also contributes to the tourism industry and the economy of communities.

As of August 2016, there are 215 airports in the country, 85 of which are government-owned and -controlled. Eleven of these are international airports while 41 are community airports.[20]

With the growing popularity of low-cost airlines and the liberalization of air services (under the ASEAN Open Skies Policy, member-countries can fly freely across the Region[21]), the Duterte Administration expects an increase in air transport activity, conveying people and products to and from the country. However, for the Philippines’ aviation industry to fully take off and capitalize on the strong demand, the government needs to ensure that the air transport infrastructure can support the influx of passengers and freight.

Under the latest PDP, the Administration will address two key problems plaguing the sector: 1) air traffic congestion, particularly at the Ninoy Aquino International Airport (NAIA); and 2) lack of nighttime flying capabilities of some airports.

For 2018, the Aviation Infrastructure Program is provided PhP10.1 billion, 48.5 percent more than the 2017 budget of PhP6.8 billion, to address these challenges, among others. The Administration likewise targets to decrease passenger travel time and flight delay by 20 percent, and support a 16 percent increase in passenger traffic, or 72 million individuals from 62 million, and about a five percent increase in cargo traffic, or 981,026 tons from 937,994 tons.

Decongesting the country’s busiest airport. In 2015, the NAIA catered to some 36 million passengers, beyond its ideal capacity of just 31.5 million.[22] To decongest NAIA, the Administration is eyeing Clark International Airport in Pampanga as an alternative. Currently, Clark Airport serves only a quarter of its four million passenger capacity. In pursuit of this, PhP2.7 billion is allotted for the development of the Clark International Airport. The Bases Conversion and Development Authority targets to open a new passenger terminal in said airport in 2019, which would double its passenger capacity to eight million.[23]

Boosting the airports’ nighttime landing capabilities. The lack of nighttime flying capabilities of some airports also contributes to the daytime congestion of other local airports. Currently, there are 20 airports in the country with night landing facilities, four of which are in Region VI – Western Visayas: Kalibo International Airport and Bacolod-Silay, Iloilo, and Caticlan Airports. For 2018, the DOTr has a budget provision of PhP1.1 billion for night ratings of three airports to improve and upgrade its operations. Night-rated airports have night landing facilities such as airfield lighting systems, communications equipment, and air disaster management systems.[24]

Table 7. List of Airports for Night Rating, 2018
(in million Pesos)

Airport	Region	2018 Budget for Night Rating (Proposed)
Clark International Airport, Pampanga	III (Central Luzon)	247
Bicol (New Legaspi) International Airport, Albay	V (Bicol Region)	675
Butuan Airport, Agusan del Norte	XIII (CARAGA)	184
Total		**1,106**

Source: DBM

Other key aviation projects. To ensure mobility and economic growth, the following will be constructed/rehabilitated:

- Bukidnon Airport, Bukidnon, PhP425 million for the continuation of the construction of a new airport;
- New Bohol (Panglao) International Airport, Bohol, PhP386 million for the completion of remaining airport facilities;
- Basco Airport, Batanes, PhP145 million for the improvement of capacity and efficiency of operations;
- Ormoc Airport, Leyte, PhP128 million for the upgrade of the airport runway capacity and strip area; and
- Sanga-Sanga Airport, Sulu, PhP100 million for the completion of airport facilities for capacity expansion.

Sea Transport

The United Nations Economic and Social Commission for Asia and the Pacific views maritime transportation as the "backbone of international trade and key engine in driving globalization and competitiveness."[25] For one, the International Maritime Organization says maritime transportation carries over 90 percent of the world's trade, and "is, by far, the most cost-effective way to move en masse goods and raw materials around the world."[26]

As an archipelagic country with 7,641 islands,[27] sea travel is important as it provides a vital link between islands and to the neighboring countries. It is also a favored transportation because of its economy and can boost economic and tourism activities for regional and international socio-economic development.

Last April 30, 2017, the Administration opened a new sea route connecting parts of Mindanao to Bitung City, Indonesia to boost trade among exporters and importers of the two countries. It will reduce travel time of transporting goods to three days from the average of three to five weeks using the old route, thereby cutting freight expenses.[28]

A Philippine Institute for Development Studies (PIDS) paper reported that the Roll-On/Roll-Off transport system has helped increase by seven (7) percent the earnings of households in port areas.[29]

The Administration ensures a strong maritime industry in the country and targets to sustain/improve old and establish new ports in key areas to support efficient mobility of goods and people. This will enable the industry to keep up with the increasing demand for port services in the country. The number of passengers who rode sea vessels/ships increased from 53 million in 2010 to 63 million in 2015. Likewise, the volume of cargoes transported increased from 166 million metric tons in 2010 to 223 million metric tons in 2015.[30]

To fully reap the benefits of a seamless maritime navigation, operational efficiency and a developed port infrastructure must be put in place. However, such is not the case in the Philippines, which only ranked 113th in the Global Competitiveness Index's quality of port infrastructure. Thus, the Administration commits to further improve port facilities and develop inter-island shipping to make sea travel still a viable option especially for the Filipinos.

PhP5.3 billion is allotted for the maritime infrastructure program in 2018, up by 26.2 percent from 2017's PhP4.2 billion. The Administration sees a two percent and five percent increase in vessel and passenger traffic, respectively, and a 15 percent decrease in passenger waiting time for a more comfortable sea-based travel experience in 2018.

Also, the Administration will construct, rehabilitate, and improve the transportation and communications infrastructure of ports and harbors. For 2018, the bulk of the projects will focus on Region VIII (Eastern Visayas) with 19 projects worth PhP499 million, and ARMM with 13, for PhP346 million. These comprised 49.7 percent of the PhP1.7 billion locally funded projects for this purpose.

For Region VIII, PhP60 million will be used for the rehabilitation and improvement of the Catbalogan City, Samar Wharf Pier 1, which is the gateway to the Province's main commercial, educational, and financial centers. In the ARMM, PhP71 million, the biggest of all port projects, will cover the continuation of the construction of the Taganak Port, Turtle Island in Tawi-Tawi. The Port is the only access to the Municipality of Turtle Island.

Meanwhile, PhP41 million will be spent in Region VII (Central Visayas) for the rehabilitation of three ports damaged during the 2013 Bohol earthquake, namely Maribojoc Port, Baclayon Port, and Guindulman Port. The regional allocation for locally funded port projects are in Table 8.

Table 8. Regional Allocation for Maritime Infrastructure Program, 2018
(in million Pesos)

Region	2018 (Proposed)
Region I – Ilocos	10
Region IV-A – CALABARZON	98
Region IV-B – MIMAROPA	147
Region V – Bicol	127
Region VI – Western Visayas	179
Region VII – Central Visayas	41
Region VIII – Eastern Visayas	499
Region IX – Zamboanga Peninsula	45
Region XI – Davao	60
Region XII – SOCCSKSARGEN	17
Region XIII – CARAGA	142
ARMM	346
Total	**1,711**

Source: DBM

Other projects include the construction of Limasawa Port, Southern Leyte, PhP50 million; Diki Port, Basilan, PhP50 million; and Labason Port, Zamboanga del Norte, PhP35 million. Additional improvements will also be done in the Quinapondan Port, Eastern Samar, PhP45 million; Libjo Port, Dinagat Islands, PhP50 million; Lupon Port, Davao Oriental, PhP50 million; and Libertad Port, Antique, PhP50 million.

Rail Transport

Among the four major modes of transportation in the country, the rail system has the highest ranking – at 89th among 138 countries – in the latest Global Competitiveness Report. However, this pales in comparison with other ASEAN-5 countries' ranking, especially considering that the Philippines was among the first in Asia to establish a rail system.[31]

The continuing deterioration of the rail infrastructure in the country directly affects commuters in Luzon, where the country's mass transport systems are located - the Metro Rail Transit 3, Light Rail Transits 1 and 2, and the Philippine National Railways.

The effects of the poor condition of these trains go beyond the impacts to the personal and professional life of commuters alone as it also impedes the economic activities and growth of Luzon, where major business districts, commercial areas, and industrial zones are located. Supporting and ensuring a better mass transportation system is critical in this section of the country as the National Capital and CALABARZON Regions, both having connection to rail tracks, accounted for more than half, or 53.4 percent, of the country's gross domestic product in 2016.[32]

The Administration identified problems of inter-operability, congestion, and poor asset preservation/maintenance as contributing factors to the worsening condition of local trains. To address these problems, a budget of PhP26.0 billion has been allotted for rail transport programs for 2018, an increase of 17.6 percent from the 2017 allocation of PhP22.1 billion. This responds to the target of the Administration in 2018 to increase the number of weekday passengers by five percent, from a baseline of 1.1 million passengers.

Likewise, cognizant of the need for more infrastructure outside Metro Manila, the Administration is set to expand the rail networks in major island regions in the coming years, one of which will already commence in Mindanao in 2018.

Table 9. Major Rail Transport Projects, 2017-2018
(in billion Pesos)

Particulars	2017 (GAA)	2018 (Proposed)
Mindanao Railway Project – Phase 1	-	6.6
North-South Railway Project – Phase 2	7.1	7.1
MRT Line 3 Rehabilitation and Capacity Expansion	1.0	1.0
LRT Line 2 West Extension Project	0.1	0.6
LRT Line 2 East Extension Project	0.4	0.9
LRT Line 1 South (Cavite) Extension Projects	3.4	1.3
North-South Commuter Railway (NSCR) Project	2.5	2.5

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

True to the President's promise that the Administration's first major project will be a railway, citing one in Mindanao,[33] the construction of the 830-km. Mindanao Railway Network Project will see the light in 2018, more than two decades after it was first conceptualized in 1992.[34] The 102-km. Phase 1 of the Project, traversing Tagum-Davao-Digos, will serve 120,000 passengers per day on opening year and will reduce travel time between Tagum City, Davao del Norte and Digos City, Davao del Sur to just 1.3 hours from the usual 3.5 hours.[35]

Also, PhP4.8 billion is provided as fare subsidy for passengers of MRT 3. The subsidy will sustain the PhP20 average fare paid by the riding public, instead of paying the average real cost of PhP56.[36] Another PhP1.0 billion is given for the rehabilitation and improvement works of the train to increase its reliability and safety. These include, among others, the structural retrofitting, rehabilitation of depot facilities, and acquisition of spare parts for new trains.

For projects in the pipeline and all rail projects, the Administration will adopt, as a policy, the use of common rail standards, e.g., standard gauge (1,435 mm.) to avoid future problems of interoperability of railway systems, among others. Also, procurement guidelines and policies will be customized to be able to get highly-specialized parts and supplies for the railway sector.

PPP Projects in Infrastructure

Critical to the realization of the Administration's "Golden Age of Infrastructure" is the Public-Private Partnership (PPP), which was launched in 2010 to involve the private sector in the government's pursuit of more quality infrastructure assets in the country.

PPP is defined as "a contractual agreement between the government and a private firm targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector."[37] For one, this set-up augments the government's limited capacity to fund infrastructure programs and will allow the allocation of funds instead to other priorities and programs.

According to the National Economic and Development Authority (NEDA), proposed projects to be implemented through the PPP scheme of the Administration make up 16.5 percent of the total projects under the 2017-2022 Public Investment Program.[38]

In 2016, the Administration released PhP10.6 billion for various PPP projects: DPWH/DOTr's right-of-way acquisition, PhP8.9 billion; Department of Education's amortization or lease payments for school building projects, PhP1.6 billion; and Public-Private Partnership Center (PPP Center) of the Philippines' Project Development and Monitoring Facility Fund, PhP0.03 billion.

Table 10. National Government Hybrid PPP and PPP Projects in the Pipeline

Hybrid PPP Projects	Agency	Indicative Project Cost
Metro Manila Bus Rapid Transit Project – System Manager and Operator Contracts	*DOTr*	TBD*
North-South Railway Project – South Line – Operation and Maintenance Component	*DOTr*	TBD
Clark International Airport Operation and Maintenance Project	DOTr and BCDA	TBD
Cebu Bus Rapid Transit Project – System Manager and Operator Contracts	*DOTr*	TBD
Operation & Maintenance of LRT Line 2	DOTr and LRTA	No Capital Expenditure
PPP Projects		
Road Transport IT Infrastructure Project (Phase II)	DOTr and LTFRB	PhP0.3 B
Regional Prison Facilities through PPP	DOJ and BuCor	PhP50.2 B
LRT Line 6 Project	DoTr	PhP65.1 B
Manila Bay Integrated Flood Control, Coastal Defense and Expressway Project	DPWH	TBD
East-West Rail Project	Philippine National Railway	TBD
New Nayong Pilipino at Entertainment City Project	*DOT*	TBD
Integrated Transport System – North Terminal Project	*DOTr*	TBD
San Ramon Newport Project	*Zamboanga City Special Economic Zone Authority*	TBD
Duty Free Retail Development Project	*DOF*	TBD
One DTI Building Complex Project	*Department of Trade and Industry and National Development Company*	TBD
Motor Vehicle Inspection System Project	*DOTr*	TBD
Naval Base Mactan Project	*Department of National Defense*	TBD
Judiciary Infrastructure Development through PPP Project	*Supreme ourt*	TBD
Rural Dairy Industry Development Project	*Department of Agriculture and National Dairy Authority*	TBD

Source: PPP Center
Note: Italicized are projects under development; as of August 10, 2017
** To be determined*

In the same year, the PPP projects' contribution to the country's GDP equaled 0.18 percent, according to the PPP Center. From the First Semester of 2016 to the same period in 2017, the percentage share to GDP posted an increase from 0.18 percent to 0.22 percent.

Of the 15 awarded PPP projects, four (4) projects worth PhP31.8 billion are already operational, seven (7) more, worth PhP150.0 billion, are under construction, and another four (4) worth PhP128.7 billion are undergoing pre-construction activities. Presently, there are 19 PPP projects in the pipeline, 13 of which are under development, undergoing studies. [39]

To further strengthen the PPP Program, the Duterte Administration has introduced a hybrid approach to PPP – or what it dubs "Hybrid PPP", where construction of infrastructure will be shouldered by the government using public funds, local borrowings, or Official Development Assistance, while the maintenance and operation will be shouldered by private firms as stipulated in a PPP agreement. There are five (5) projects in the pipeline under this scheme *(See Table 10).* [40]

Securing the Golden Age of Infrastructure

The Duterte Administration adheres to the principle that development must be spread and shared throughout the country. To ensure inclusive growth and sustainable development, infrastructure must be prudently selected and constructed, giving priority to key urban and underdeveloped areas so as to jumpstart and sustain growth in these communities.

This principle underpins the government's goal of developing the countryside, as sufficient and quality infrastructure can boost and catalyze individual and societal development pursuits. Hence, for 2018, and until the end of the President's term, the Administration commits to improve transportation infrastructure in the country. The 2018 Budget marks the beginning of the Administration's journey towards establishing President Duterte's term as the Philippines' Golden Age of Infrastructure.

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D. Ensuring Ecological Integrity, Clean and Healthy Environment

"Let us not lose sight of the fact that we protect the environment and conserve our natural resources, not for their own sake, but for our people to live better lives in harmony with nature. We cannot protect the environment and not protect life."

- Environment Secretary Roy A. Cimatu, 28th Meeting of the ASEAN Senior Officials of the Environment

The Philippines is in the list of only 17 "megadiverse" countries, defined by Conservation International as countries that harbor 70 to 80 percent of the earth's biodiversity, exhibit great ecological diversity, and are home to thousands of endemic plants and marine ecosystems at their borders.[1]

As a tropical country, the Philippines supports a high level of organic productivity, nurtured in a variety of topographies, such as mountains, forests, and seas, distributed over thousands of islands with varying conditions.[2] While such diverse topography enables a myriad flora and fauna to flourish, it has also made the country vulnerable to a number of natural disasters.

Situated within the Pacific Ring of Fire, the country is prone to earthquakes and volcanic eruptions, experiencing at least five (5) earthquakes a day.[3] It is also along the typhoon belt of the Pacific, thus receiving the brunt of an average of 20 typhoons or tropical storms a year.[4] Not surprisingly, the Philippines ranked 5th in the 2017 Global Climate Risk Index's list of countries most affected by extreme weather events from 1996 to 2015. According to the report, the Philippines experienced 283 events resulting in losses of US$2,761.53 million.[5]

This unique ecological situation that the Philippines finds itself in has raised twin concerns on preserving the wealth of its natural environment on the one hand, and improving the country's resiliency to the threats and consequences of climate change and natural disasters, on the other. These realities and the need to address them have long been recognized as one of the key factors to control or manage socioeconomic losses in the event of calamities, and to foster sustainable growth particularly in vulnerable areas.

Intensifying Environmental Protection

Over the years, the government has crafted and implemented a number of environmental laws and policies, such as Executive Order No. 23 imposing a "Moratorium on Logging in Natural Forest"[6] and Executive Order No. 26 on the "Implementation of the National Greening Program"[7] to particularly address recurring environmental issues. Complementing these are programs of the government that will safeguard the ecosystem from further deterioration.

The Duterte Administration aims to sustain and supplement these laws and policies by prioritizing programs focused on environmental awareness and protection.

Table 1. Major Programs and Projects to Ensure Ecological Integrity, Clean and Healthy Environment, 2017–2018
(in million Pesos)

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Department of Environment and Natural Resources	**22,270**	**27,345**	**27,932**
Of which:			
National Greening Program	8,162	7,061	7,152
Forest Protection Program	505	733	963
Geological Risk Reduction and Resiliency Program		82	483
Solid Waste Management Program	367	907	860
Clean Air Program	399	134	152
Clean Water Program	153	178	239
National Geospatial Data Infrastructure	80	76	104
Department of Science and Technology	**18,217**	**20,959**	**21,118**
Of which:			
PAGASA Modernization Program	-	1,324	1,494
Department of Public Works and Highways	**397,108**	**467,664**	**643,253**
Of which:			
Flood Management Program	58,960	72,926	128,233
Metropolitan Manila Development Authority	**1,959**	**2,180**	**3,558**
Of which:			
Flood Control Program	282	290	1,510

Source: DBM

As the lead agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources, the Department of Environment and Natural Resources (DENR) has been provided a total budget of PhP27.9 billion for 2018, 2.2 percent higher than its 2017 allocation of PhP27.3 billion, to fund its various programs.

Rejuvenating the Philippine Forests

The start of the degradation of Philippine forests can be traced back to the 1500s. The Philippines used to have abundant forests, where 90 percent of the presumed 30 million hectares of the total land area were blanketed by trees. Over the years, due to illegal logging, agricultural expansion, fuel wood and timber poaching, strip mining, and other activities, the forest cover was reduced by 20 percent to 21 million ha. by the 1900s.[8] It further went down to just 6.8 million ha. by 2010.[9]

The country's forests are slowly recovering from this degradation. According to the Food and Agriculture Organization (FAO), the Philippines ranked 5th among 234 countries worldwide with the greatest gain in forest area annually, recording 240,000 ha. of increase per year from 2010 to 2015.[10]

The increase is attributed to the National Greening Program (NGP), a massive reforestation program undertaken jointly by the government and the private sector, and mandated by virtue of Executive Order No. 26, as amended by Executive Order No. 193, series of 2015.[11] More than 1.4 billion seedlings have been planted in over 1.7 million ha. of land since the Program was launched in 2011. Of the Regions, Region XII has planted the most number of seedlings.

Table 2. National Greening Program's Accomplishment

Particulars	Areas Planted (ha.)	No. of Seedlings
National Capital Region	2,539	729,882
Cordillera Administrative Region	102,254	76,136,393
Region I – Ilocos Region	67,948	56,803,420
Region II – Cagayan Valley	75,015	58,510,676
Region III – Central Luzon	96,405	66,646,884
Region IV-A – CALABARZON	101,446	82,495,851
Region IV-B – MIMAROPA	85,289	69,664,871
Region V – Bicol Region	89,704	52,711,048
Region VI – Western Visayas	67,233	51,493,827
Region VII – Central Visayas	79,665	59,151,141
Region VIII – Eastern Visayas	83,588	68,315,195
Region IX – Zamboanga Peninsula	112,222	81,639,412
Region X – Northern Mindanao	80,496	71,398,318
Region XI – Davao Region	82,450	59,867,681
Region XII – SOCCSKSARGEN	103,321	89,240,463
Region XIII - CARAGA	85,178	76,400,216
Negros Island Region	16,982	26,276,877
Autonomous Region in Muslim Mindanao	1,145	1,677,000
Ecosystems Research and Development Bureau	54,220	142,204,258
Other Accomplishments	371,291	253,749,215
Total	**1,758,391**	**1,445,112,628**

Source: Department of Environment and Natural Resources
Note: Figures may not add up due to rounding off; as of September 1, 2017

Not only has the Program reduced the number of hectares of denuded and degraded areas of forests that need rehabilitation and reforestation– pegged at eight (8) million back in 2011[12] – it has also generated 4,149,641 jobs and employed 593,021 individuals,[13] providing income for indigent people in the countryside.

The NGP remains a priority program of the Administration for 2018 and is provided PhP7.2 billion to plant 26 million more seedlings than in 2017.

Table 3. National Greening Program's Physical Targets and Budget, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
National Greening Program	PhP8.2 B	PhP7.1 B	PhP7.2 B
Areas planted (ha.)	243,845 ha.	191,843 ha.	210,852 ha.
No. of seedlings produced	420 M	172 M	198 M
Areas maintained (ha.)	908,090 ha.	779,425 ha.	708,967 ha.

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

Meanwhile, the Administration has alloted PhP49 million for the delineation of production and protection forests in the country, which will cover survey expenses for some 98,000 km. of forest at PhP500 per km. The program aims to avoid overlapping and conflicting forestland uses, which lead to unsustainable use of forest resources, by determining forest areas that can be developed and those that need protection and conservation. The government is targeting to complete the delineation of Mindanao's timber corridor by next year. Said Program likewise supports the NGP as it can determine potential development sites in the future.

Supporting the reforestation program are initiatives to strengthen forest protection. Conservation efforts have started to gain traction and sustaining them will require more people to man the forests against illegal and destructive practices. For this, the budget for forest protection has been increased by some PhP231 million in 2018 to cover, among others, the hiring of additional forest protection officers. The Administration is targeting to decrease illegal logging hotspots by 50 percent by 2022.

Table 4. Forest Protection Program's Physical Targets and Budget, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Forest Protection	PhP505 M	PhP733 M	PhP963 M
No. of forest protection officers hired	756	421	146
Forest areas patrolled (km.)	-	1,081,612	1,066,555
No. of trainings on pest and other forest protection laws conducted	4	495	63
No. of forest ranger stations/ towers constructed	-	71	4

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

To strengthen the involvement of communities in protecting the forests and the biodiversity within, the government adopted in 2016 the Landscape and Wildlife Indicators System (LAWIN) as a national strategy for the enhanced protection of forests.

Under this System, forest patrollers, including community members, can record on a mobile application geo-referenced observations of threats, wildlife, and forest condition while on patrol.[14] LAWIN's data from more than 3,000 km. of patrol distance covered and 2,000 forest threats observed have revealed that the top three threats to forests in the country are: illegal tree cutting, annual perennial farming, and establishment of huts or houses in forest areas.[15] The information contributed by the program will enable the government to focus efforts on where they are needed most.

Achieving a Livable and Healthy Environment

In 2016, the Philippines ranked 66th out of 180 countries in the 2016 Environmental Performance Index (EPI). The EPI measures a country's performance in high-priority environmental issues based on two policy concerns: protection of human health and protection of ecosystems. This 66th rank is a notable improvement on its 2014 rank of 114th.[16]

The importance of protecting both human health and ecosystems lies in the relationship between the two, as one can impact on the other. According to records, annual deaths of 1.7 million children under five (5) years of age are linked to the environment, a clear manifestation of the dangers wrought by an unclean environment upon humans and the ecosystem.[17]

Reducing environmental risks such as air pollution, unsafe water, lack of sanitation, secondhand smoke, and inadequate hygiene can prevent 26 percent of these deaths.[18] Thus, the Administration invests in various programs on environmental regulation and pollution control, with a budget of PhP1.6 billion, a 14.3 percent increase from the 2017 level of PhP1.4 billion, to attain a livable and healthy environment.

Clean Air Program

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act of 1999," safeguards the right of Filipinos to breathe clean air – a luxury for some, when 6.5 million people worldwide die yearly from air pollution, nearly 90 percent of them in low- and middle-income countries.[19]

In Metro Manila, motored vehicles account for 80 percent of air pollution. The remaining 20 percent are attributed to area-specific and stationary sources such as factories and construction activities.[20]

Both are being addressed through the Bantay Tambutso and Bantay Tsimineya Programs, which curb smoke belching and test stack emissions, respectively. Also, the Administration recently launched the PUV Modernization Program and allotted PhP3.1 billion for 2018 to ensure safe, energy efficient, and emission standards compliant public transport. Said Program will lessen air pollution according to housing and urban development expert Marife M. Ballesteros of the Philippine Institute for Development Studies.[21]

Metro Manila's air pollution level has been consistently decreasing in the past 12 years, attributed to the country's pollution control measures.[22] To sustain this, a budget of PhP152 million is allotted for the operation and maintenance of 95 Air Quality Monitoring Stations and the calibration of 49 stations to improve the monitoring of air quality levels and sharing of data among agencies concerned.

Table 5. Clean Air Regulation Program's Physical Targets and Budget, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Clean Air Program	PhP399 M	PhP134 M	PhP152 M
No. of Air Quality Monitoring Stations operated and maintained	95	95	95
No. of Air Quality Monitoring Stations calibrated	49	49	49
No. of firms monitored with reports submitted	15,198 firms	13,791 firms	13,791 firms

Source: DBM

Clean Water Program

The Philippine archipelago has 18 major river basins and 421 principal river basins as water sources.[23] Republic Act No. 9275, or the "Philippine Clean Water Act," was enacted in 2004 to protect these water bodies from pollution from land-based sources.

In Metro Manila, the sources of pollution include untreated domestic water discharges (33 percent), agricultural and livestock (29 percent), industrial (27 percent), and nonpoint sources (11 percent)[24] such as oil and toxic chemicals from urban runoff and energy production.

The demand for clean water will continue to increase with urbanization and the growing population. In fact, around 14.5 percent of the country's 22.7 million families do not have access to safe water supply. Aside from this, only 4.4 percent of households are served by sewerage systems nationwide.[25]

To ensure access to clean water, the Administration will strengthen water quality monitoring to determine trends, pollutants, and stages of water quality deterioration, with the operationalization of 30 designated and 10 additional water quality monitoring areas for PhP40 million, from the Clean Water Program's budget of PhP239 million. From 2011 to 2015, 3,992 out of 8,791 establishments monitored, or 45.4 percent, were given discharge permits for complying with the effluent standards.[26]

Table 6. Clean Water Program's Physical Targets and Budget, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Clean Water Program	PhP153 M	PhP178 M	PhP239 M
No. of esteros/ waterbodies monitored	317	337	456
No. of firms monitored with reports submitted	6,704 firms	6,080	6,080

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

Likewise, PhP18 million is allotted for pollution reduction activities in Manila Bay, in compliance with the continuing mandamus of the Supreme Court to clean up Manila Bay. However, data from the Environmental Management Bureau showed that of the 19 bathing beaches monitored for fecal and total coliform, only one passed the allowable fecal level and two passed the allowable coliform level.[27] This therefore calls for more intensive efforts to clean the waters.

Solid Waste Management Program

According to the World Bank, the world's cities generate 1.3 billion tons of solid waste per year, and this is expected to rise further to 2.2 billion tons by 2025. Impacts of waste mismanagement are more felt in local communities of developing countries, particularly among the urban poor. Waste is often disposed of in unregulated dump sites or openly burned, creating threats to people's health, as well as to the environment.[28]

The Philippines' unsustainable and improper waste management is evident in the streets and rivers, especially during the monsoon season. The country produced an average projected waste of 40,087 tons per day in 2016,[29] and as a low-middle income country, had a collection rate of less than 70 percent.[30] Data from Metro Manila, however, showed a 90 percent door-to-door collection at the barangay level.[31]

In response to the worsening garbage problem of the country, Republic Act No. 9003 or the "Ecological Solid Waste Management Act" was enacted in 2000. It provides guidelines and targets for solid waste avoidance and volume reduction. Nearly two (2) decades after, much has yet to be done as the compliance rate of LGUs to the provisions of the law is only at 37 percent. Often cited as reason for this is the lack of funds for infrastructure facilities to deal with this problem.[32]

For this, the Administration has allotted PhP860 million to support the Local Government Units (LGUs) in establishing Materials Recovery Facilities (MRFs) and to implement the closing of dumpsites, among others. Some 9,883 existing MRFs service 13,155 barangays nationwide for waste segregation.[33] For 2018, 500 more will be put up, 390 units more than the 2017 level.

Table 7. Solid Waste Management Program's Physical Targets and Budget, 2016-2018

Particulars	2016 (GAA)	2017 (GAA)	2018 (Proposed)
Solid Waste Management Program	PhP367 M	PhP907 M	PhP860 M
No. of LGUs supported in the closure and rehabilitation of dumpsites	20	75	50
No. of MRFs supported for establishment	-	110	500

Source: DBCC Presentation to the Senate Committee on Finance, 16 August 2017

To achieve a clean and healthy environment, the Administration will rely on existing laws as the backbone of all campaigns. Stricter implementation of the laws' provisions will be pursued, particularly with the government's environmental standards for quality management.

Crafting a Climate and Disaster Responsive Budget

Global temperature continues to rise, and most notably over the past 35 years. Since 2001, the world has felt the onset of extreme global warming; 16 of the 17 warmest years on record occurred within the period, and the hottest was in 2016.[34]

Climate change refers to "any change in climate over time, whether due to natural variability or as a result of human activity."[35] With the increasing industrial activities, 97 percent of actively publishing climate scientists have agreed that humans are causing global warming and climate change.[36]

Shared concerns on the impacts of climate change have brought countries together, particularly in the landmark Paris Agreement which aims to limit global temperature rise to below two degrees Celsius by the end of the century.[37] The Philippine government is a signatory to this Agreement.

Prior to the accord, the country had been implementing measures to address and mitigate the effects of climate change, most notably with the passage of the "Climate Change Act of 2009" and the "Philippine Disaster Risk Reduction and Management Act of 2010."

The Climate Change Act mandates that measures and policies on climate change be integrated into the government's planning and decision-making activities. The Law has likewise created the Climate Change Commission (CCC), which serves as the lead policy-making body on climate change concerns.

According to the CCC, the country's climate data for the past 60 years manifested "trends of rising temperatures, changes in rainfall pattern 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."[38]

Thus, to lessen such impacts, the CCC formulated the National Climate Change Action Plan (NCCAP) in 2011, outlining the policy roadmap for climate change adaptation and mitigation measures until 2028. The Plan has 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.[39]

To craft a climate-responsive budget among government agencies, the Department of Budget and Management and the CCC issued Joint Memorandum Circular (JMC) No. 2013-1, setting the guidelines for the Climate Change Expenditures Tagging (CCET). The CCET is a scheme introduced and implemented in the 2014 budgeting process where programs, activities, and projects (PAPs) of agencies responding to climate change are classified under the above-mentioned strategic priorities of the NCCAP. This allows the government to have informed policy decisions using the statistics on the allocations, and a baseline to evaluate alignment, prioritization,

Table 8. Climate Change Expenditures by Department and Special Purpose Fund, 2017-2018
(in million Pesos)

Department/Special Purpose Fund	2017 (GAA)			2018 (Proposed)		
	Adaptation	Mitigation	Total	Adaptation	Mitigation	Total
Departments	**194,451.7**	**8,631.0**	**203,082.7**	**262,565.6**	**6,268.4**	**268,834.0**
Department of Agrarian Reform	-	-	-	602.5	-	602.5
Department of Agriculture	14,526.7	185.8	14,712.5	21,966.6	179.1	22,145.7
Department of Energy	-	408.9	408.9	-	307.3	307.3
Department of Environment and Natural Resources	5,931.2	7,932.0	13,863.1	6,111.6	5,376.1	11,487.7
Department of Finance	18.8	-	18.8	3.5	-	3.5
Department of Foreign Affairs	0.4	-	0.4	1.7	-	1.7
Department of Information and Communications Technology	0.4	-	0.4	301.0	-	301.0
Department of the Interior and Local Government	76.0	-	76.0	76.0	20.0	96.0
Department of Labor and Employment	1,093.6	-	1,093.6	1,131.2	-	1,131.2
Department of National Defense	339.2	7.2	346.4	293.6	58.8	352.4
Department of Public Works and Highways	168,860.5	-	168,860.5	226,978.3	-	226,978.3
Department of Science and Technology	3,418.5	92.6	3,511.1	2,610.3	282.3	2,892.6
Department of Social Welfare and Development	-	-	-	2,146.5	-	2,146.5
Department of Tourism	-	0.7	0.7	2.0	-	2.0
Department of Transportation	5.4	-	5.4	9.9	-	9.9
National Economic and Development Authority	6.0	-	6.0	6.0	-	6.0
Other Executive Offices	175.0	3.8	178.8	324.9	44.8	369.7
Special Purpose Funds	**449.0**	**1,062.0**	**1,511.0**	**6,260.7**	**993.5**	**7,254.2**
Allocations to Local Government Units	449.0	1,062.0	1,511.0	1,176.0	993.5	2,169.5
Budgetary Support to Government Corporations	-	-	-	5,084.7	-	5,084.7
Total	**194,900.7**	**9,693.0**	**204,593.7**	**268,826.4**	**7,261.9**	**276,088.3**

Source: 2018 Budget Expenditure and Sources of Financing and impacts of climate change related expenditures. And for the first time, climate change expenditures were published in the 2017 Budget of Expenditures and Sources of Financing.

For 2018, climate change expenditures have grown to PhP276.1 billion, 34.9 percent bigger than the 2017 level of PhP204.6 billion. For the past two budget years in consideration, the biggest chunk of the climate change expenditures involved projects of the Department of Public Works and Highways (DPWH). For 2018, it comprises around 82 percent of the total climate change budget, at PhP227.0 billion.

Given the vulnerability of the country to climate hazards, the bulk of the projects are for adaptation, comprising 97.4 percent in 2018 *(See Table 8).* Adaptation activities are those that "reduce the vulnerability of human or natural systems to the impacts of climate change and climate related risks, by maintaining or increasing adaptive capacity and resilience."[40]

Table 9. Climate Change Expenditures by National Climate Change Action Plan (NCCAP) Strategic Priorities, 2017-2018
(in million Pesos)

NCCAP Strategic Priorities	2017 (GAA)			2018 (Proposed)		
	Adaptation	Mitigation	Total	Adaptation	Mitigation	Total
Food Security	14,527	186	14,713	28,276	380	28,656
Of which:						
Philippine Rural Development Program (DA)	-	-	-	7,912	-	7,912
Agricultural Insurance for Farmers and Fisherfolk under the RSBSA (PCIC)	-	-	-	3,500	-	3,500
Water Sufficiency	126,960	-	126,960	173,677	-	173,677
Of which:						
Construction/Maintenance of Flood Mitigation Structures and Drainage Systems (DPWH)	-	-	-	95,236	-	95,236
Construction/Rehabilitation of Water Supply System (DPWH)	-	-	-	2,030	-	2,030
Ecosystem and Environmental Stability	4,917	7,099	12,016	5,480	4,613	10,093
Of which:						
Integrated Natural Resources and Environmental Management Project (DENR)	-	-	-	1,338	-	1,338
Forestland Management Project (DENR)	-	-	-	1,261	-	1,261
Human Security	2,167	-	2,167	5,973	-	5,973
Of which:						
Empowering Sectors on DRRM for Resiliency (OCD)	-	-	-	291	-	291
Technical Advisory Services for LGUs in Shelter Planning (HUDCC)	-	-	-	5	-	5
Climate Smart Industries and Services	1,340	1,834	3,234	1,175	1,764	2,938
Of which:						
Livelihood and Emergency Employment (DOLE)	-	-	-	992	-	992
Implementation of clean air regulations (DENR)	-	-	-	42	-	42
Sustainable Energy	41,613	560	42,173	52,610	307	52,917
Of which:						
Access to Sustainable Energy Programme (DOE)	-	-	-	-	106	106
National Energy Efficiency and Conservation Program (DOE)	-	-	-	-	32	32
Knowledge and Capacity Development	3,249	10	3,259	1,620	137	1,757
Of which:						
Research on Atmospheric, Geophysical and Allied Sciences (PAGASA)	-	-	-	470	-	470
Climate data management, agrometeorological and climate change research and development (PAGASA)	-	-	-	113	-	113
Cross-Cutting	68	4	72	16	61	77
Of which:						
Enhancement, Capacity Development and Mobilization for Civil Defense (OCD)	-	-	-	-	52	52
Policy development (CCC)	-	-	-	-	8	8
Total	**194,901**	**9,693**	**204,594**	**268,827**	**7,262**	**276,088**

Source: DBM

As reflected in Table 9, more than half of the budget 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.

Complementing the "Climate Change Act" to address these vulnerability issues is the "Philippine Disaster Risk Reduction and Management Act" which was enacted in 2010. This shifted the focus from merely disaster preparedness and response to disaster risk reduction and management.

The Act led to the framing of the comprehensive National Disaster Risk Reduction and Management Plan (NDRRMP) 2011-2028, which aims to strengthen the capacity of the government to institute disaster resilience measures in communities and enhance response capabilities. Aside from this, the Plan also emphasized the need for continuing budget appropriation on disaster risk reduction.[41]

The National Disaster Risk Reduction and Management Fund (NDRRMF). For 2018, a budget of PhP25.5 billion is lodged under the NDRRMF, an increase of 61.4 percent from the 2017 budget of PhP15.8 billion. This will fund reconstruction, rehabilitation, repair, aid, relief, and other works or services brought about by natural calamities, terrorism, and armed conflicts, among others, which have occurred during the budget year or the preceding two years. The biggest share of the fund, worth PhP10.0 billion, has been earmarked for the recovery, rehabilitation and reconstruction program of Marawi City. Another PhP1.0 billion of this is earmarked for the insurance of government facilities against natural calamities such as typhoons and earthquakes by the Government Service Insurance System. Said fund, as a risk transfer instrument,[42] is provided for in adherence to Outcome 5 of the NDRRMP which mandates that the government ensure community access to disaster risk financing and insurance.

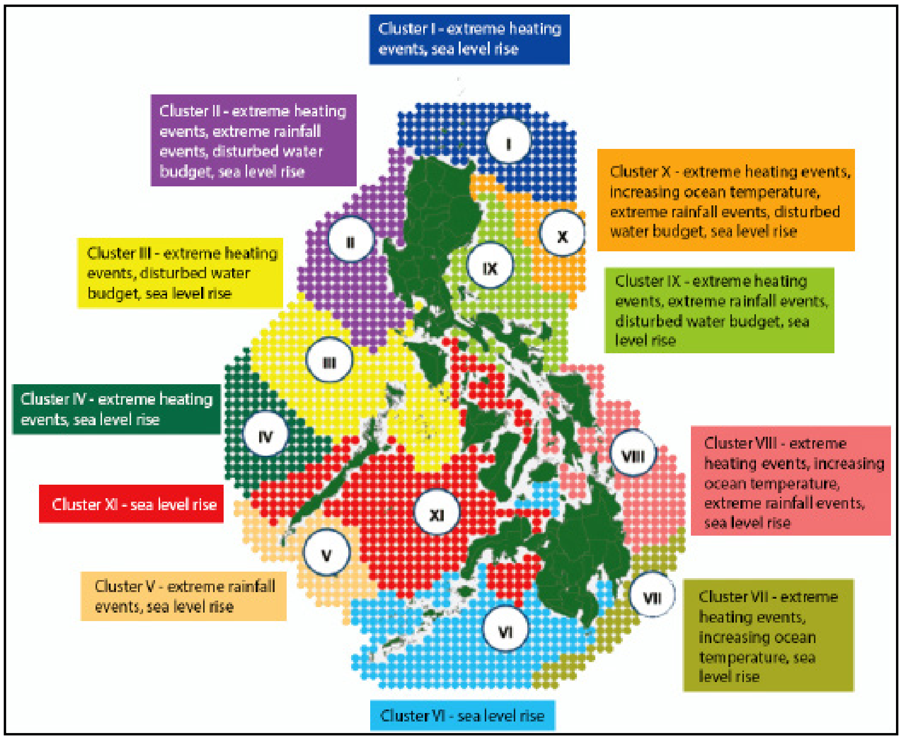
Quick Response Fund. To normalize the situation and living conditions of people and communities affected by the above-mentioned occurrences from the last quarter of 2017 and up to 2018, a budget of PhP6.5 billion is allocated for the Quick Response Fund under the NDRRMF. This will be distributed to the following core agencies such as: DSWD, PhpP1.3 billion; DPWH and DA, PhP1.0 billion each; DND-AFP, PhP750 million; DND-Office of Civil Defense, DOH, and DepEd, PhP500 million each; and NEA, PhP100 million.

People's Survival Fund. A budget of PhP1.0 billion is given to support adaptation projects and activities of LGUs and community organizations, and to cover any deficiency in the implementation of the NDRRM Program, subject to the approval of the President.

Strengthening the Communities' Adaptive Capacities

The Philippine topography is exposed to a multitude of natural hazards. For one, the sea level rise common to all clusters as mapped in a report of the Department of Environment and Natural Resources, [43] is particularly alarming. The country's waters are rising at a rate of about twice the global average.[44] Around 42 percent of the country's coastal population is at risk of storm surges.[45] The Philippines, together with Indonesia, Thailand, and Vietnam could lose up to about 6.7 percent of their combined gross domestic product each year by 2100, which is also more than twice the global average loss.[46]

Figure 1. Philippine Exposure Map on Climate Change



Source: Department of Environment and Natural Resources

To protect the people from these vulnerabilities, the government has been proactively ensuring compliance by local government units of the directives under the DRRM Act and the Calamity Response Protocols (DILG MC 2010-079), as shown in Table 10.

Aside from these, the Administration has already conducted 40 drills in 256 barangays located along the eastern seaboard of the country.[47] Also, 55,360 copies of the *Gabay at Mapa Para sa Listong Pamilyang Pilipino* have been distributed in said part of the country,[48] a guide that contains the map of the community, national and local numbers, and information for effective planning and response to various disasters and calamities, among others.

Table 10. Compliance of LGUs with the DRMM Act and Calamity Response Protocols

LGUs compliance with DRMM Act	Provinces/ 81	Cities/ 144	Municipa-lities/ 1,490
1,373 LGUs with functional DRRM Councils	74	138	1161
1,248 LGUs with Annual DRRM Plan	68	135	1045
1,390 LGUs with DRRM Office	70	127	1193
1,523 LGUs with designated DRRM Officer	74	137	1312
LGUs compliance with Calamity Response Protocol			
1,510 LGUs with Disaster Command and Auxiliary Center	74	138	1298
1,528 LGUs with Emergency Response Rescue and Medical Teams	76	142	1310
1,522 LGUs with evacuation centers	74	138	1310
1,506 LGUs with warning and alarm systems	75	137	1294

Source: Department of the Interior and Local Government, June 2017
Note: Count of the total number of provinces, cities, and municipalities are 2015 data per Comelec tally[49]

Mapping and Monitoring of Environmental Hazards

For 2018, several programs are funded to help improve the communities' resilience by providing adequate information on the country's topographic vulnerabilities.

Some PhP483 million is provided for the DENR-Mines and Geosciences Bureau's Geological Risk Reduction and Resiliency Program to identify areas susceptible to various geological hazards, such as landslides and flooding.

Part of this is the Coastal Geohazard Assessment to determine the susceptibility of coastal areas to erosion, accretion, and coastline shift relative to sea level changes from a budget of PhP44 million. Shoreline mapping and beach profiling will be done in several coastal cities and municipalities in the country, including those in Lanao del Sur, Basilan, and Sulu.

Another program is the Groundwater Resources and Vulnerability Assessment, with a budget of PhP47 million, to complete the assessment of several provinces which include Antique, Camarines Sur, Samar, and Compostela Valley. The assessment focuses on areas that are periodically affected by water shortages, determining the availability of water resources, and the corresponding threats such as contamination and depletion.

The Administration has also allotted PhP104 million for the National Geospatial Data Infrastructure of the DENR-National Mapping and Resource Information Authority, an increase of 36.8 percent from the 2017 appropriation of PhP76 million. This will further enhance the delivery of map services through the development of the Geographic Information Systems-based applications for better utilization and analysis of geospatial data. Topographic maps will also be produced from a budget of PhP343 million while some PhP27 million is also given for coastal resource mapping.

PAGASA Modernization Program

With a mandate to "provide protection against calamities and utilize scientific knowledge" to ensure the safety of the people and the communities,[50] the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) of the Department of Science and Technology is provided PhP1.5 billion for its Modernization Program to enhance weather data collection and research capabilities. For 2018, PAGASA is targeting to achieve 92 percent accuracy in typhoon track forecast and to issue 2,320 timely and accurate flood warnings.

Flood Control Infrastructure

With parts of the country vulnerable to extreme rainfall events and frequent occurrence of typhoons, flooding is anticipated especially in low-lying areas. Not only do these pose danger to people, infrastructure, and livelihood, they paralyze social and economic activities.

One of the benefits of reducing flood incidence is the improvement in the quality of life, health, and sanitation of people living in flood-prone areas.[51] To achieve this, a budget of PhP128.2 billion is proposed under the DPWH for the flood management program.

Of this amount, PhP119.5 billion will go to locally-funded projects. Around PhP95.0 billion will cover the construction and maintenance of 2,510 flood mitigation structures and drainage systems. Meanwhile, the remaining PhP24.5 billion will fund the construction and rehabilitation of 541 flood mitigation facilities within major river basins and principal rivers.

Table 11. Regional Allocation for Flood Management Program, 2018
(in billion Pesos)

Regions	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	43.7	10.0
Region I – Ilocos	4.4	2.5
Cordillera Administrative Region	1.1	0.8
Region II – Cagayan Valley	1.4	0.7
Region III – Central Luzon	7.8	2.5
Region IV-A – CALABARZON	6.9	1.3
Region IV-B – MIMAROPA	1.8	0.6
Region V – Bicol	6.4	0.6
Region VI – Western Visayas	1.3	1.5
Region VII – Central Visayas	3.9	0.3
Region VIII – Eastern Visayas	3.4	0.2
Region IX – Zamboanga Peninsula	2.1	0.6
Region X – Northern Mindanao	2.7	0.7
Region XI – Davao	3.5	1.4
Region XII – SOCCSKSARGEN	2.2	0.4
Region XIII – CARAGA	2.4	0.4
Total	**95.0**	**24.5**

Source: 2018 National Expenditure Program
Note: Figures may not add up due to rounding off

For Metro Manila, a budget of PhP1.5 billion is allotted for the flood control program of the Metropolitan Manila Development Authority (MMDA). This will cover the operation and maintenance of various flood control structures, facilities, equipment, and waterways. For this, the MMDA is targeting to reduce flood water subsidence within 20 minutes in 2018, from the time set in 2017 of within 40 minutes to one (1) hour.

In addition, the DPWH has allotted PhP200 million to cover the maintenance, repair, and rehabilitation of the KAMANAVA (Kaloocan, Malabon, Navotas, and Valenzuela)/ Valenzuela-Obando-Meycauayan Flood Control Structures to reduce the flooding incidence in the area and improve the water subsidence rate. Another PhP60 million will cover the maintenance of *esteros* and creeks in Metro Manila.

Towards Sustainable Use of the Environment

Humans rely on the environment to survive. The food, the water, the raw materials people use for their houses and clothing all come from the environment. And as the country's population continues to balloon, which was at 101 million in 2015, sustainable use and management of natural resources must be seriously pursued to ensure that the basic needs of the people will be provided for. This goes along the concept of sustainability, where humans and nature coexist productively to survive, where a sector provides for the needs of the other and vice versa.[52]

With the above-cited programs, the Duterte Administration has become more aggressive in ensuring that the degraded natural resources are rehabilitated and the tenuous ecosystems protected; and at the same time, the resilience against the impacts of climate change and disasters to communities and the ecosystems are strengthened to ensure ecological integrity and a clean and healthy environment.

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V. Governance and Budget and Management Reforms

"The thought that dominated my being was to make good on my promise to the people to bring change in government, not a change that is passing, but a change that can survive the test of time."
- President Rodrigo Roa Duterte, State of the Nation Address 2017

If *AmBisyon Natin 2040* is the Filipino people's long-term vision and collective aspiration for the future, to be achieved through the effort and work of all stakeholders over 25 years, and the Philippine Development Plan (PDP) 2017-2022 is the roadmap to the "better Philippines" that they hope to arrive at within the first six (6) years, the FY 2018 National Budget is the energized vehicle that will move the nation through the initial track.

At this early stage of the journey, it is critical to stay focused on the long-term vision and steadfast in the resolve to put in place whatever is needed – in this case, the necessary reforms – that will more effectively get the people to where they want to be. And this is why a major thrust of the 2018 National Budget is to support the initiatives for reform, and to ensure that these initiatives will be sustained through efficient implementation, yielding the greatest impact and the most benefit for the Filipino people.

For a developing country, there are always numerous areas and opportunities for reform, as there is always room for improvement. And definitely the most crucial of these are reforms in governance, as well as in budget and management, which will lay the foundation for the lasting change that will make a real difference in the people's future.

While reforms have always been a continuing advocacy and activity of government, the certainty and consistency of their implementation have always been dependent on several factors, among them the determination and decisiveness of the administration and the availability of resources to pursue the reforms.

With the proposed PhP3.767 trillion 2018 National Budget, the Duterte Administration envisions not only to launch the reforms, but to institutionalize them in order that the benefits from their implementation will be enjoyed even beyond this term.

Reforming the Budget Process

One of the earliest and most urgent challenges that the Duterte Administration has had to address was the issue of government underspending.

This problem has actually been a persistent challenge to the Philippine government, with the experience of previous administrations proving that the situation does not have positive consequences for the nation, and in fact stunts economic growth. While various factors have been cited as reasons for government underspending, poor planning has been found to be the most basic, and often to blame for failures and inefficiencies in the implementation of programs and projects and in the overall delivery of services.[1]

Table 1. Underspending for 2014-2016
(in billion Pesos)

FY	Program	Underspending	
		Amount	% of budget
2014	2,284.3	302.7	13.3%
2015	2,558.9	328.3	12.8%
2016	2,645.6	96.3	3.6%

Source: Department of Budget and Management. BRB Presentation to the Senate Finance Committee, August 7, 2017

Properly appreciating the issue of government underspending as partly a problem of process, steps have been put in place to improve the budget process. Aimed at facilitating faster budget execution and service delivery, among the reforms introduced in the past were the adoption of the General Appropriations Act-as-an-Allotment Order; conduct of early procurement activities as soon as the National Expenditure Program (NEP) is submitted to Congress; creation of a Full-time Delivery Unit in each department/agency to closely monitor program and project implementation; and the creation of additional Bids and Awards Committees, if necessary.

While these have somehow managed to improve the levels of government spending, more reforms still need to be done to ensure the sustained implementation of government programs and the reliable delivery of government services for the intended beneficiaries.

Pushing for the Budget Reform Act

With the planned PhP8.4 trillion infrastructure spending and PhP10.33 trillion social services spending in six (6) years, the Administration has set as a priority the enhancement of the budgeting system, as well as the strengthening of the absorptive capacity of government agencies, in order to effectively implement the increasing national budget.

Towards these objectives, it is pushing for the passage in Congress of the Budget Reform Bill (BRB). Drafted by an inter-agency working group composed of the DBM, Department of Finance (DOF), Bureau of the Treasury (BTr), Governance Commission for GOCCs, and Commission on Audit (COA), the proposed BRB aims to facilitate the effective delivery of public goods and services through a more efficient budget system. It also intends to strengthen government accountability in the use of public funds through greater transparency.

With its passage into law, the BRB will institutionalize the current reforms being undertaken by the present Administration, and guarantee their continued implementation even beyond it.

Basically, the BRB has seven (7) key features. These are:

1. Fiscal Responsibility
2. Financial Management
3. Planning, Budgeting, and Performance
4. Budget Execution and Congress' Power of the Purse
5. Automation of Public Financial Management (PFM) Processes
6. Accountability and Reporting
7. Enforcement and Implementation

Fiscal Responsibility

As provided in the Bill, fiscal responsibility will be a commitment of every administration, which must create fiscal policies and strategies that will contribute to the achievement of macroeconomic stability and inclusive development; manage the resources in a fiscally and environmentally sustainable way and fiscal risks in a prudent manner; and maintain public debt in a prudent level and the appropriate balance between revenues and expenditures.[2] These principles will be reflected in the fiscal planning and budgeting exercises of the government.

The *AmBisyon Natin 2040*, the core development planning document of the government, will serve as the anchor of the six-year development plan and investment program of every administration within the 25-year scope of the document. The statement of fiscal policy, which will be submitted three months after the start of every new administration, should be supportive of the objectives stated in the plan, and should be translated into appropriate and responsive medium term fiscal strategies.

Financial Management

The budget reform's main goal is to improve budget execution and service delivery. To achieve this, the BRB espouses the shift from obligation to cash-based budgeting, as well as the shift from two-year validity of appropriations to one-year validity. These shifts are expected to speed up budget execution, thereby allowing more prompt payment of goods and services within the year. It will also impose greater discipline on the agencies in managing their funds by ensuring that goods and services funded within the year are delivered in the same year.

To support these shifts, early procurement will be institutionalized, and the concept of Extended Payment Period (EPP) will be introduced. The EPP will give agencies a three-month period after the budget year to pay off the goods and services delivered, inspected, and accepted within the budget year.

To provide the agencies with clarity and greater flexibility in the use of their budgets, program budgeting will be adopted. Also known as the Program Expenditure Classification (PREXC), the approach restructures an agency's budget by grouping all activities and projects under the different programs or key strategies of an agency to meet its objectives and mandates. With the introduction of PREXC, programs, activities and projects (PAP) will be grouped under a common outcome for better expenditure prioritization and management of results.

Aside from ensuring faster budget execution and service delivery, the BRB will also improve the budget process, its content, and form. Currently, the Constitution requires the President to submit only the Budget of Expenditures and Sources of Financing (BESF) to Congress not later than 30 days after the opening of every session. Executive Order No. 292, also known as the Administrative Code of 1987 and signed on July 25, 1987, requires the submission of the National Expenditure Program and the Budget Message.

Under the BRB, additional documents are required to be submitted within 30 days after the State of the Nation Address as part of the proposed National Budget. These include the President's Budget Message, Fiscal Risks Statement, and Annual Fiscal Report. The Mid-Year Fiscal Report for the current year will also be submitted by September 30. These additional submissions will allow Congress to better scrutinize the performance of agencies and the priorities of the government in approving the budget.

Planning, Budgeting, and Performance

The government's fiscal policy should be supportive of the development objectives of the PDP and translated into responsive and appropriate fiscal strategy.

Envisioning the thrusts of the PDP, the Budget Priorities Framework (BPF), which will be presented to the President and the Cabinet by the Development Budget Coordination Committee (DBCC) composed of the DBM, DOF, National Economic and Development Authority (NEDA), and the Office of the President (OP), with the Bangko Sentral ng Pilipinas as a resource institution, is formulated to serve as a guide in crafting the budget of the following fiscal year. It contains the expenditure priorities of the government and provides information on the available fiscal space. It contains both aggregate and agency budget ceilings, and the projection or budgetary estimations for the next two years.

Budget Execution and Congress' Power of the Purse

The BRB strengthens Congress' power of the purse. It reiterates Section 29 of the Constitution which states that, "No money shall be paid out of the Treasury except in pursuance of an appropriation made by law".

Rationalization of Funds. To improve budget execution and strengthen Congress' power of the purse, the BRB provides for the rationalization of public funds through the following:

- Reducing the number of special purpose funds (SPF) in the budget to increase transparency and accountability of agency budgets. SPFs will be limited only to the National Disaster Risk Reduction and Management Fund, Contingent Fund, Statutory Shares of LGUs, and other SPFs, only as a last resort.

- Putting a limit on the Unprogrammed Fund, which must not exceed two (2) percent of the Appropriations Law. This Fund cannot be used if the deficit has been breached or will violate fiscal responsibility targets.

- Introducing the Special Appropriations Bill , which provides authorization for expenditures for a specific purpose not included or not covered under the annual Appropriations Law. It refers to the additional appropriations for existing or new PAPs of an NGA or GOCC with fast in-year disbursement rate. A Special Appropriations Bill may only be proposed after the passage of the General Appropriations Law, except for the following reasons: 1) disaster-related purposes; 2) urgent projects and/or activities; and 3) unforeseen requirements of the government.

- Providing a sunset clause for new Special Accounts in the General Fund (SAGF) to earmark revenues by requiring their review every three (3) years, and the review of existing SAGFs to validate their compliance with the requirements.

One Fund Concept. Cash management in the Treasury will be simplified by applying the One Fund Concept, where all monies will accrue to the General Fund and be remitted to the Treasury. This concept discourages the allocation of revenue collections to Special Funds, which will be limited to Trust Funds, Revolving Funds, and Retained Funds.

Savings. The BRB clarifies the definition of "savings" to refer to portions or balances of any released appropriations which have not been obligated due to completion, final discontinuance, or abandonment of a PAP for which the appropriations have been authorized; or the implementation of measures resulting in improved systems and efficiencies, thus enabling an agency to meet and deliver the required or planned targets, programs, and services approved at a lesser cost. If a PAP was finally discontinued or abandoned, the agency cannot ask for its funding in the next two fiscal years. Also, allotments that were not obligated due to the fault or negligence of an agency shall not be considered as savings.

Savings can be requested as funding for the Special Appropriations Bill for PAPs not in the current budget. In addition, Constitutional Officers who are authorized to declare and use savings must submit semestral and annual reports on their respective use of savings to the President of the Senate and Speaker of the House of Representatives.

Congress' Shared Responsibility. The proposed Bill requires the submission of a Financial and Budgetary Information Sheet as an inclusion in the proposed revenue-eroding or expenditure bills. The information sheet must include the estimation of the financial impact of such bills over the medium term.

For re-enacted budgets, stricter parameters will be enforced. The budget level of the reenacted budget should be equivalent to the preceding year's GAA or the proposed BESF, whichever is lower. It will not include the completed PAPs, budgetary support for GOCCs' PAPs, and equity contribution of the national government to GOCCs.

In the case of impoundment of appropriations, the President may propose the rescission of appropriations from Congress if the same are no longer required to fulfill the objectives originally sought to be achieved by a PAP, or if there is an unmanageable NG budget deficit.

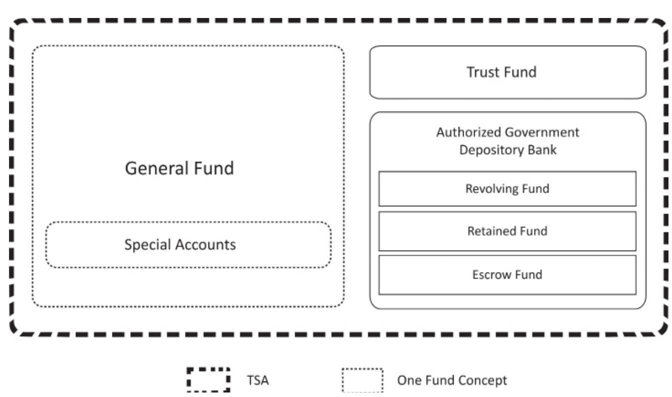
Automation of PFM Processes

Good budgeting requires an effective and efficient cash management.

Currently, the government is implementing two (2) key systems to improve cash management, the Treasury Single Account (TSA) and the Budget and Treasury Management System (BTMS).

Treasury Single Account. In accordance with Executive Order No. 55 signed on September 6, 2011, the BTr shall operate the TSA. Under this process, the government will transact all monies collected, received, or paid by NGAs using one or a limited set of bank accounts. This will allow better control of the cash resources of government, unification of the structure of government bank accounts, and reduction of funding pressure to cash fungibility, while getting a consolidated view of the government's cash position in real time. The BRB will institutionalize the TSA, which is currently in the second phase of its development.

Figure 1. The One Fund Concept and TSA



Source: DBM's BRB PowerPoint presentation to the Congress

As shown in the figure above, the TSA will cover all funds, including the General Fund, Trust Fund, and those presently in the possession of authorized government depository banks.

Budget and Treasury Management System. The BTMS is a modern, integrated, accurate, reliable, and secure information system for the public financial management (PFM) operations of the government.[3] It aims to improve convenience, efficiency, accuracy, and timeliness in fiscal management and reporting through the establishment of a common, integrated system covering budget execution and reporting in the oversight agencies, including the COA, the DBM, and the BTr.[4]

Once fully operational, the BTMS will enable oversight and implementing agencies to have real time information of the account balances as well as integrate all financial transactions and reports to aid in management decisions *(See Section on Ensuring Sound Macroeconomic Policy for more details).*

Accountability and Reporting

Office of the Comptroller General. The Bill provides for the creation of the Office of the Comptroller General (OCG) under the OP, to improve public financial accountability. The OCG will 1) formulate measures on effective internal controls to ensure the integrity, accuracy, completeness, and reliability of the government financial management system; 2) impose accounting and auditing rules that have been promulgated by the COA; and 3) submit a quarterly consolidated financial report of the NGAs to the President, Congress, and the COA.[5]

The creation of the OCG will lead to stronger compliance with auditing and accounting rules and regulations and internal controls, and stricter reporting of the status of appropriations, obligations, and disbursements. Each agency will have its own Comptroller, who will produce reports – in-year reports and annual reports – that will be submitted to the Comptroller General (CG). The CG, who will serve as the Accounting Standards Enforcer and Accounts Consolidator, will consolidate these reports for submission to the President, Congress, and the COA. The COA will make sure of the timely accounting and reporting of public finances.[6] The monitoring and evaluation of public funds will expectedly be stricter.

The quarterly reports to be submitted by the OCG to the President, not later than 60 days after each quarter, will contain the consolidated financial performance of the government, including the status of appropriations. It will also consolidate government annual financial statements and submit these to the President, Congress, and the COA not later than six months after year-end. The OCG's reports will be useful for management decision-making during the year.

The bases, standards, and guidelines of appropriations reporting will be set by the OCG. On the other hand, the COA will set the same for financial accounting that will be used by NGAs, GOCCs, and LGUs.

Transparency. In line with the people's right to information, the DBM will create the Calendar of Disclosures to be published on government websites every start of the fiscal year. Included in this calendar are schedules of the release of budget documents and other information required by the BRB and its implementing rules and regulations.

For every fiscal year, the DBM shall also publish citizen-friendly publications, such as the People's Budget series, that include the statement of fiscal policy, proposed National Budget, General Appropriations Law, and annual fiscal report to ensure greater transparency in the government.

Participation. The BRB will likewise institutionalize participatory mechanisms to ensure that citizens will be involved in all phases of the budget process. Policies concerning the participation of the people in budget preparation, execution, and accountability will be handled by the DBM and other agencies concerned. The House of Representatives and the Senate will be responsible for the legislative part, while the COA will be in charge in the audit part.

Enforcement and Implementation

To ensure the smooth implementation of the BRB, the DBM, in consultation with the DOF, BTr, NEDA, and COA, and in coordination with other government agencies, will formulate its implementing rules and regulations. A Transition Plan will also be prepared by the PFM agencies.

As regards the status of the BRB, after having received recommendations from Public Financial Management institutions, the Bill was submitted to Congress on May 9, 2017. It was filed by the Chairman of the Senate Committee on Finance on May 11, 2017, and a hearing was conducted by said Committee on August 7, 2017. In the House of Representatives, a public hearing was conducted by the Committee on Appropriations on May 23, 2017.

Rightsizing the Bureaucracy

It has been more than a decade since the Government Rationalization Program under Executive Order No. 366 dated October 4, 2004 was implemented. And given the changes in the economic and socio-political environment in the country, as well as technological advances, it is high time to revisit and restudy the organization and operations of the different agencies of the government.

This is vital for the government to keep up with the people's demand for faster, more effective and efficient, and better quality of public services.

Hence, in line with the President's directive to streamline the operations of departments and agencies of the Executive Branch, which he expressed in his inaugural address, the DBM drafted a bill entitled, "An Act Rightsizing the National Government to Improve Public Service Delivery."

The National Government Rightsizing Program is a reform mechanism that primarily aims to enhance the government's institutional capacity for a more effective and efficient delivery of public services. The passage of the Bill will give the Executive Branch the power to strategically reorganize the bureaucracy in order to achieve the goals and targets of the government.

Under the provisions of the Bill, the President will be granted the authority to streamline the operations and rightsize the staffing pattern of the different agencies of the Executive Branch by undertaking functional changes that will: 1) strengthen the functions of agencies, which directly contribute to targeted societal outcomes; 2) scale down, phase out, eliminate, or discontinue functions, programs, projects, or activities that could be better undertaken by the private sector or have already been devolved to local government units; and 3) transfer or integrate functions from one agency to another which could better perform the same.

The President will likewise have the authority to undertake organizational actions that will: 1) regularize ad hoc offices whose functions must be continually undertaken by the government; 2) merge or consolidate agencies with unnecessarily overlapping or duplicating functions; 3) split agencies with multifarious functions; 4) transfer offices to other agencies where their functions are more aligned; and 5) abolish agencies whose functions are already redundant or no longer relevant or necessary, no longer achieving their objectives, no longer cost-effective, and have already become non-operational or dormant and/or outlived their purpose.

In the FY 2017 Budget Message of the President, he noted that from 176 agencies in 2000, there are now 186 agencies in the National Government, while its workforce currently stands at 1.6 million, compared to 1.1 million positions in 2000. Such growth has contributed to the increase in the budget for Personnel Services by PhP576.6 billion, from PhP235.2 billion in 2000[7] to PhP811.8 billion in 2016.[8]

The Rightsizing Program is expected to help the government in the prudent use of its resources by providing agencies with the appropriate structure and staffing that will enable them to deliver public goods and services in the right manner, at the right time and at reasonable cost.

About 255,000 general civil servant positions, representing about 16 percent of the 1.6 million employees, will be covered by the rightsizing efforts of the Executive Branch. Public elementary and secondary schools and government hospitals will be excluded from the implementation of the Rightsizing Program in view of the existence of separate standards governing their organizational structure and manpower complement. Similarly, military and uniformed personnel will be excluded from the implementation of the Program.

Personnel occupying regular positions, which would be declared redundant, overlapping, or duplicating, may be affected by the Program and will have the option to avail of the Program's retirement benefits and separation incentives, or be transferred to other agencies needing additional personnel. A budget of PhP10 billion has been allocated under the FY 2018 proposed budget for the payment of the separation incentives and terminal leave benefits of personnel who may be affected by the implementation of this reform initiative.

The initial draft of the Bill was submitted by the DBM to the Office of the President on July 25, 2016. It was approved by the President during the Cabinet meeting on August 22, 2016 and endorsed to the Senate and House of Representatives on September 8, 2016.

The four (4) House Bills (H.B.) on government rightsizing, i.e., H.B. Nos. 3781, 3838, 3871 and 3913, were consolidated into H.B. No. 5707 which was approved on third and final reading on July 26, 2017.

On the other hand, the four (4) Senate Bills (S.B.) on government rightsizing, i.e., S.B. Nos. 1162, 1167, 1337, and 1339, were consolidated into S.B. No. 1395 which is currently under second reading in the Senate.

Salary Standardization Law IV

The Administration has pledged to raise the compensation of civilian, military, and uniformed personnel.

President Duterte said this is to "make the workers feel satisfied about their jobs and inspire them to become productive workers."

Pursuant to Congress of the Philippines' Joint Resolution No. 4 dated June 17, 2009, which allows a periodic review of the Compensation and Position Classification System every three years, the DBM commissioned a compensation and benefits study in 2015. Among others, said study revealed that government pay at sub-professional levels (Salary Grades 1 to 10) matches or even exceeds those of their private sector counterparts. However, the gap between the public and private sector widens as one moves up the ladder.

In view of this, to address the compensation gaps and other dysfunctions, a new reform in the country's compensation system was proposed in 2015.

Dubbed as the Salary Standardization Law IV (SSL IV), this compensation adjustment strategy is anchored on the following principles: 1) equal pay for work of equal value; 2) competitive pay at par with private sector counterparts; 3. performance-based incentive; and 4) fiscal sustainability.

Moreover, SSL IV is expected to attract and encourage young and dynamic professionals, as well as new graduates, to pursue a career in the government service, and retain a competent and committed corps of civil servants. This compensation strategy will bring government pay closer to market rates, making government salaries competitive with the private sector.

In addition to this, the adjustments in the salaries of government personnel are expected to improve efficiency and productivity.

However, after the two Houses of Congress failed to settle differences over the proposed SSL 2015, the proposed law was not enacted by the Congress before it went on an election recess in 2016. As an interim measure, Executive Order (E.O.) No. 201 was signed on February 19, 2016 to raise the total compensation package of government workers to make it competitive with the market, promote a performance-based culture, and allow a higher net take home pay through the introduction of additional benefits.

Under the E.O. 201, the salary of civilian personnel shall be adjusted in four tranches to approximate at least 70% of the market.

On top of the Year-End Bonus, said E.O. also provided for a mid-year bonus, which is equivalent to one month basic salary. It is granted to government employees who have rendered at least four months of satisfactory service not later than May 15 of every year.

Another incentive is the enhanced Performance Based Bonus (PBB), which will now be based on a progressive rate system, where the amount of PBB increases as the position and responsibility in improving the performance of an agency gets higher.

Likewise, in lieu of an increase in base pay, the military and uniformed personnel shall be entitled to the following additional allowances: 1) monthly provisional allowance, and 2) officers' allowance.

In addition, the hazard pay of all military and uniformed personnel shall progressively increase over a four year period.

The compensation adjustment has a four-year implementation period, with the first tranche implemented starting on January 1, 2016. The third tranche of the compensation adjustment is being funded in the FY 2018 Budget.

Building the Foundations for Change

The road to development has never been easy. There will be times of uncertainty and second-guessing. But, if the goals are focused and clear, the only way is to keep moving forward and to remove the obstacles as they are encountered along the way.

Endnotes

[1] Diokno, B. (2016, June 6). *Budget Priorities of the Duterte Administration*. Retrieved from http://www.dbm.gov.ph/?page_id=17802

[2] Senate Bill 1450 (2016) provided for the reform of the budget process

[3] Budget and Treasury Management System. (n.d.). *What is BTMS?*. Retrieved from https://www.btms.gov.ph/what-is-btms

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[5] Senate Bill 1450 (2016) provided for the reform of the budget process

[6] Ibid.

[7] Department of Budget and Management. (n.d.). *Fiscal Statistics Handbook 1994-2003*. Retrieved from http://www.dbm.gov.ph/wp-content/uploads/DBCC/FSH/dbcc%202004-2013.html

[8] Department of Budget and Management. (2017). *Budget of Expenditure and Sources of Financing 2017*.

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