REPUBLIKA NG PILIPINAS

Technical Notes on the 2020 PROPOSED NATIONAL BUDGET

Continuing the Journey to a More Peaceful and Progressive Philippines

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I. INTRODUCTION

The Philippines and the Filipino people have set out on a journey –
indeed as every nation, every community, every family does –
in the desire to move to a better place, a better situation…

Our destination? Our reachable dream?
A strongly-rooted, comfortable, and secure life.
Matatag, maginhawa, at panatag.
Not only in the here and now, not only for themselves,
but also for their children and the generations after.

We cannot and should not delay or slacken our pace on this.
For our people are looking to this to give meaning
to the change they have desired, and won.

- President Rodrigo Roa Duterte
President's Budget Message, 20 August 2019

The Philippines moves into the year 2020, crossing the threshold into the third decade of the Third Millennium, as the Duterte Administration settles into the second semester of its term.

President Rodrigo Roa Duterte aptly described the year 2020 in the context of the government's *change agenda* for sustainable and inclusive growth as the "point at which we should be able to say, with a degree of confidence and certainty, that our work, our journey is taking us surely and swiftly to where we had set out to be."

This he underscored last August 20, 2019, as he submitted for review and appealed for early approval by the 18th Congress the proposed National Budget of the Philippine Government for Fiscal Year 2020. While the submission of the government's total Budget for next year was not as early as those of the first three years of the Administration, which were presented to Congress on the same day that the President delivered his State of the Nation Address (SONA), it was still well within the Constitutional deadline of August 21, 2019.

The Executive Department has sought the approval of the members of the Legislative Department for a financial program in the total amount of PhP4.100 trillion. This Budget, for implementation by the national government for the coming fiscal year, is 12 percent higher than the PhP3.662 trillion National Cash Budget that was approved for 2019, and represents 19.4 percent of the country's gross domestic product (GDP), slightly higher than the 2019 level of 19.2 percent of GDP.

Revisiting the Vision

The first half of the Duterte Administration was focused on laying down the foundation for the success of its 0+10 point socioeconomic agenda. This agenda aspired broadly for inclusive growth, the rise of a high-trust and resilient society, and a globally-competitive knowledge economy. It was crafted around the actual and expressed aspirations of Filipinos for themselves and their families, articulated in the language of their soul: *Buhay na matatag, maginhawa, at panatag.*

In pursuit of this goal or destination, to achieve what had been a long-running and persistent dream of every Filipino, the Administration set its sights on the following clearly defined targets for the Philippines:

- To be an upper middle income country by 2022
- To lower poverty incidence in the rural areas from 30 percent in 2015 to 20 percent in 2022
- To bring down the unemployment rate from the current 5.5 percent to 3-5 percent in 2022
- To have a high level of human development by 2022
- For Filipinos to have greater trust in government and in society, more resilient individuals and communities, and a greater drive for innovation.

Building on Past Gains

With the goal in sight, the journey to reach it began, supported by a financial program – the 2017 National Budget for the first year of the Duterte Administration – that echoed its battle cry of *change*. It was the mandate and commitment of the Administration from Day 1.

By the second year, the *change agenda* was more firmly set in place with the 2018 National Budget that acknowledged the need for game-changing reforms that would ensure positive transformation of the nation and the people. The most crucial reform, of course, was Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which provided the resources to support programs crucial for the country's progress, primarily in infrastructure and human capital development.

The 2019 National Budget, though delayed in approval, was in place to "ensure the preservation and inclusivity of the gains and fruits of the reforms by building a more enabling expenditure management environment" that would deliver the benefits directly and immediately to the people. A significant breakthrough last year was the government's shift to the Cash Budgeting System which aimed, and has indeed proven, to instill fiscal discipline while speeding up service delivery performance of government agencies.

The 2020 proposed National Budget aims to build on the fruits and gains of the past, to draw upon the successful implementation of the expenditure programs of the first three years, by consolidating the gains and amplifying the positive impacts for the country and the Filipino people.

As the President has underscored, this financial program "will ensure that our nation stays the course and moves forward towards its aspired-for destination."

The Principles of the 2020 National Budget

The 2020 proposed National Budget was crafted to guarantee a safe, steady, and sure journey to a more peaceful and progressive Philippines. It aims to maintain the government's focus on strengthening the processes and programs for peace and progress, directed by the following principles:

Support for Growth Targets

Despite an initial rough stretch in the first half of the year, mainly as a result of the delay in the approval and implementation of the 2019 Budget, the Administration remains confident that the path remains clear in the direction of progress. A clear indication of this is the Philippines' continuing claim as one of the fastest growing economies in Asia, next to India, Vietnam, and China, with a higher growth trajectory averaging 6.5 percent in the first 10 quarters of the Administration.

The GDP growth and inflation targets remain, as they are essentially sound, realistic and achievable, and the 2020 Budget maintains the thrust and focus on infrastructure, primarily through the Administration's *Build, Build, Build* Program, and on the availability of social services to assure sustainable and inclusive growth across the regions.

Adherence to Fiscal Responsibility

The government will continue to seek ways to dynamically address the challenges of financing the country's development programs while remaining committed to sustainable fiscal management. There will be even more intensified and proactive information/education, not only among public servants but among the general public, on the importance and advantages of the Comprehensive Tax Reform Program and of staying within manageable deficit levels, of tapping the right mix of domestic and overseas sources of funds, and of active liability management and capital market development.

Effective Allocation for Infrastructure and Social Services

Infrastructure and human capital continue to be considered in highest priority, as the twin pillars of development, which will sustain the progress achieved thus far.

In the 2020 proposed National Budget, in fact, social services gets the largest chunk, with PhP1.525 trillion (or a 37.2 percent share). This is followed by economic services, which will receive PhP1.184 trillion (or a 28.9 percent share).

Building up the people is an even more important focus and pursuit of the Administration. Thus, to further strengthen human resources development programs and enhance the delivery of social services, the 2020 Budget aims to fully fund the implementation of the social legislations passed this year — Universal Health Care, creation of the Department of Human Settlements and Urban Development, institutionalization of 4Ps, as well as the replication of these programs in conflict-affected and geographically isolated communities.

Continued Adoption of the Cash Budgeting System

The 2020 proposed National Budget continues the milestone shift to a Cash Budgeting System (CBS) that started with this year's budget planning and implementation. The CBS continues to yield positive results in terms of better planned, coordinated, and implemented programs by government agencies, which lead to improved delivery of goods and services to the people.

President Duterte himself has been quick to admit that the introduction of the CBS was fraught with challenges. But, he continued, "we are on the right track here, and we have witnessed the faster pace of government spending. We have finally ended years of large underspending with the phenomenal rise in infrastructure and other capital outlay spending in 2018."

Challenge and Promise

The first three years of the Duterte Administration have moved the country from the *change* that the nation and the people need to move forward for progress, to *lasting change* that leads to a peaceful and progressive life.

In the next three years, beginning with fiscal year 2020, the journey of change continues, this time leading us even more surely to peace and progress. As President Duterte has challenged and promised: "We have made significant strides and accomplished significant milestones as a nation in the past three years. This momentum must continue with greater fervor in the next three years and beyond."

II. MACROECONOMIC ENVIRONMENT

In light of heightening trade and geopolitical tensions around the world, global economic activity has become subdued and is expected to remain so in the near-term. Even among advanced economies, many countries are expected to experience slower rates of growth until 2020.

The Philippines, as well, faced recent challenges in its first semester 2019 growth in the form of government underspending during the first quarter and substantial declines in capital investment during the second. The country posted a real gross domestic product (GDP) growth rate of 5.5 percent in the first semester of the year, the slowest since the beginning of the Duterte Administration.

Nevertheless, the Philippines aims to be among the exceptions to the bleak outlook for many economies in the world. The country's economic managers expect a vibrant second semester as the national government initiates its catch-up plan to accelerate government spending for the remainder of the fiscal year in order to attain a full-year real GDP growth rate within the 6.0 to 7.0 percent target range.

Overview of the Global Economic Environment

Growth prospects for the global economy are skewed to the downside owing to tightening financial conditions in both advanced and developing economies, intensifying trade tensions between the United States (US) and China, prolonged uncertainties in the Euro area related to Brexit, and rising geopolitical tensions in the Middle East.

Table 1. World Economic Outlook Growth Projections, 2019-2020
(in percent)

Particulars	2017	2018	Projections	
			2019	2020
World output	**3.8**	**3.6**	**3.2**	**3.5**
Advanced economies	**2.4**	**2.2**	**1.9**	**1.7**
United States	2.2	2.9	2.6	1.9
Euro area	2.4	1.9	1.3	1.6
Japan	1.9	0.8	0.9	0.4
United Kingdom	2.8	1.4	1.3	1.4
Canada	3.0	1.9	1.5	1.9
Other advanced economies	2.9	2.6	2.1	2.4
Emerging markets and developing economies	**4.8**	**4.5**	**4.1**	**4.7**
Emerging and developing Asia	6.6	6.4	6.2	6.2
China	6.8	6.6	6.2	6.0
India	7.2	6.8	7.0	7.2
ASEAN-5	5.3	5.2	5.0	5.1
Commonwealth of Independent States	2.2	2.7	1.9	2.4
Russia	1.6	2.3	1.2	1.9
Excluding Russia	1.9	3.5	3.9	3.7
Emerging and developing Europe	6.1	3.6	1.0	2.3
Latin America and the Caribbean	1.2	1.0	0.6	2.3
Middle East, North Africa, and Pakistan	2.1	1.6	1.0	3.0
Sub-Saharan Africa	2.9	3.1	3.4	3.6

Source: World Economic Outlook, July 2019 update

The International Monetary Fund (IMF) adjusted its growth forecasts for the global economy to 3.2 percent in 2019 and 3.5 percent in 2020 in its July 2019 update to the World Economic Outlook (WEO) report. These projections are revised downward by 0.1 percentage point from the April 2019 WEO estimates for both years.

Growth Outlook in Advanced Economies. As of July 2019 update to the WEO, advanced economies are expected to experience sluggish growth of 1.9 percent in 2019, below the 2.4 percent and 2.2 percent growth rates registered in 2017 and 2018, respectively. Moreover, growth is projected to decline further to 1.7 percent next year.

Aside from the trade war between the US and China, uncertainties regarding the United Kingdom's decision to leave the European Union and Italy's current financial crisis are among the key factors that contribute to the slowdown of economic growth among advanced economies.

Growth Outlook in Emerging Markets and Developing Economies. Countries in the developing world are expected to grow at 4.1 percent in 2019, then by 4.7 percent in 2020 as economic stressors in these countries dissipate. As such, global growth in the near term is almost entirely predicated on the recovery of such economies.

The emerging and developing Asia region is expected to grow by 6.2 percent in both 2019 and 2020. Owing to the ongoing trade war, China's growth is expected to decline to 6.2 percent in 2019 and further to 6.0 percent in 2020, from a robust 6.8 percent in 2017 and 6.6 percent in 2018. Meanwhile, the five fastest-growing economies in the Association of Southeast Asian Nations (ASEAN-5) are projected to experience a sluggish 5.0 percent growth in 2019 from its 2018 level of 5.2 percent, though their growth is estimated to improve by 0.1 percentage point in 2020.

Table 2. Top 10 Fastest-Growing Economies, Emerging and Developing Asia, 2018

Particulars	Real Growth Rate 2018
Bangladesh	7.7
Cambodia	7.3
Vietnam	7.1
Maldives	7.0
Mongolia	6.9
Myanmar	6.7
China	6.6
Lao P.D.R	6.5
Nepal	6.3
Philippines	**6.2**

Source: World Economic Outlook, April 2019

Domestic Economic Performance for 2018 and Outlook for 2019

The Philippine economy grew by a modest rate of 6.2 percent in 2018, solidifying its status as one of the fastest growing economies in the developing world.

However, the country's real GDP growth slowed down to 5.6 percent in the first quarter of Fiscal Year (FY) 2019, just below the lower bound of the government's target range of 6.0 to 7.0 percent. The slowdown is largely attributable to government underspending in the first quarter due to the delay in the passage of the FY 2019 National Budget and the election ban on infrastructure spending, both of which reduced government expenditure's contribution to real GDP growth.

The economy's growth slowed further to 5.5 percent in the second quarter, mainly due to an 8.5 percent decline in capital investment during the period, as well as the lingering effects of the impediments to government spending observed in the first quarter.

Prolonged drought, which affected agricultural output, and increased protectionism in the United States, which weakened the growth of the business process outsourcing sector, also contributed to the slowdown of the growth of the Philippine economy.

On a positive note, the Philippine economy still remains to be one of the fastest-growing economies in the developing world, the lower-than-expected growth in the first half of the fiscal year notwithstanding.

Table 3. First Semester 2019 Growth Rates, Select Asian Economies

Particulars	Real Growth Rate First Semester 2019
China[1/]	6.3
Philippines[2/]	**5.5**
Indonesia[3/]	5.1
Malaysia[4/]	4.7
Thailand[5/]	2.6

Calculated from government statistics from the following sources:
[1/] National Bureau of Statistics of China
[2/] Philippine Statistics Authority
[3/] Bank Indonesia
[4/] Department of Statistics Malaysia
[5/] Office of the National Economic and Social Development Council

The country's first semester GDP growth rate of 5.5 percent is higher than the projected 3.2 percent growth of the global economy, the 4.1 percent average growth forecast for emerging markets and developing economies, and the 5.0 percent average growth estimate for the ASEAN-5 in 2019.

Domestic inflation has also eased to more manageable levels this year and is expected to settle between the adjusted target range of 2.7 to 3.5 percent set by the Bangko Sentral ng Pilipinas (BSP) for the remainder of 2019. The slowdown is largely attributable to slower price increases in domestic energy and global oil prices, as well as the effect of the Rice Tariffication Law in deflating rice prices. The slower rate of inflation is expected to increase the disposable incomes of individuals, households, and businesses and encourage them to save and/or invest their excess money.

In the midst of easing inflation, and in response to the stifled economic growth, the BSP has implemented a series of policy rate cuts to encourage greater levels of investment in the country and is expected to continue doing so in the near-term. The BSP has also reduced reserve requirements for banks to stimulate lending for productive economic activities.

The national government, for its part, has also committed to accelerate its spending in the second half of 2019 to achieve its spending targets and, more importantly, the full-year economic growth target of 6.0 to 7.0 percent.

In light of recent policy actions and commitments, the national government is optimistic that the Philippine economy will rebound in the second semester of 2019 and in 2020. To avoid another slowdown next fiscal year, it is critical that the FY 2020 National Budget is passed on time to ensure the timely implementation of infrastructure projects and social development programs.

Medium-Term Macroeconomic Forecasts for 2020 to 2022

The 2020 proposed National Budget was crafted to ensure the continuity and sustainability of the national government's programs for economic development and social investment and protection. Accordingly, the proposed budget is grounded on realistic macroeconomic assumptions that account for economic and political developments in the domestic and international fronts.

Gross Domestic Product. One of the most commonly used indicators of economic performance is the GDP. Simply put, the GDP measures the country's total final economic output during a year. As such, higher levels of GDP imply more goods and services are produced by an economy, resulting in larger tax bases and more revenue collections for the national government. Also, this means that national output is growing at a faster pace, providing greater levels of income for citizens of the country to share and enjoy.

Relatedly, the GDP growth rate measures an economy's well-being from one time period to another. After growing at a respectable rate of 6.2 percent last year, the country saw dampened levels of GDP growth in the first half of 2019, though the country's economic managers are confident that the economy will rebound in the second semester as government spending picks up to attain the FY 2019 full-year growth target of 6.0 to 7.0 percent.

Despite an economic slowdown in the first half of 2019, growth projections for the medium-term are optimistic at 6.5 to 7.5 percent in 2020 and 7.0 to 8.0 percent in 2021 and 2022.

Inflation Rate. Domestic inflation, or the persistent upward movement of the general price level of goods and services in the Philippine economy, eased to 1.7 percent in August this year, in

Table 4. Macroeconomic Parameters, 2018-2022

Parameter	Actual 2018	Adjusted 2019	Projections		
			2020	2021	2022
Real GDP growth (%)	6.2	6.0-7.0	6.5-7.5	7.0-8.0	7.0-8.0
Inflation rate (%)	5.2	2.7-3.5	2.0-4.0	2.0-4.0	2.0-4.0
Treasury bill rate (%)	5.1	5.5-6.5	5.0-6.0	5.0-6.0	5.0-6.0
Exchange rate (PhP/USD)	52.66	51.00-53.00	51.00-55.00	51.00-55.00	51.00-55.00
Dubai crude oil (USD/bbl)	69.42	60.00-75.00	60.00-75.00	60.00-75.00	60.00-75.00
LIBOR (%)	2.5	2.5-3.5	1.5-2.5	1.5-2.5	1.5-2.5
Exports growth rate (%)	-0.3	2.0	6.0	6.0	6.0
Imports growth rate (%)	9.4	7.0	8.0	8.0	8.0

Source: Budget of Expenditures and Sources of Financing FY 2020 (2020 BESF) stark contrast to the 6.4 percent rate recorded in the same month last year as commodity prices stabilized from upward pressures due to global oil price hikes and quantitative restrictions on rice imports, among other factors.

This brings the average inflation rate from January to August 2019 to 3.1 percent. In contrast, the average inflation rate for the same period last year was recorded at 4.7 percent.

The BSP expects full-year inflation for 2019 to settle between 2.7 to 3.5 percent as it maintains its target of 2.0 to 4.0 percent throughout the medium-term. This expectation emanates from continued government interventions aimed at increasing domestic food supplies and ensuring lower global commodity prices due to weakened global demand.

Domestic Interest Rates. For budgetary purposes, the interest rate charged on government securities, particularly the 364-day Treasury bills, serves as the baseline for the domestic interest rate. Higher interest rates encourage consumers to increase their savings and hold more government securities in anticipation of higher interest income, resulting in higher withholding tax collections on interest income for the national government; consequently, they also make the government's payment of interest to the holders of government securities more expensive.

The 364-day Treasury bill rate averaged 5.1 percent in 2018, higher than the 2.9 percent average rate recorded in 2017, which was in line with the general uptrend in interest rates of countries around the world given the policy rate hikes by major central banks. Following this development, the economic managers revised their projections upward at 5.5 to 6.5 percent in 2020 and at 5.0 to 6.0 percent thereafter until 2022. These assumptions account for financial conditions both in the domestic and international fronts, including the liquidity in the domestic market, the cash position of the national government in light of its accelerated infrastructure program, and the confluent policy actions of the BSP and the US Federal Reserve.

Peso-Dollar Exchange Rate. In simple terms, the exchange rate measures how much it costs in terms of Philippine pesos to purchase one US dollar.

In 2018, the Philippine peso reached its lowest currency rate after 12 years since July 19, 2006, when it averaged at PhP52.66 against the US dollar. The weakening of the peso can be attributed to several domestic and international factors, such as the increase in importation to support the administration's infrastructure spending program, the rise in fears over the trade war between the US and China, and continued monetary policy normalization by the US Federal Reserve, among many others.

This year, the peso appreciated slightly on account of easing inflationary pressures, dovish policy outlook in the US, and the sovereign credit rating upgrade by Standard and Poor's Global from BBB to BBB+. In light of this development, the economic managers projected the peso-dollar exchange rate to settle between PhP51.00 to PhP53.00 for 2019 and to be within the range of PhP51.00 to PhP55.00 from 2020 to 2022. The peso is expected to be supported by positive market sentiment due to the recent sovereign credit rating upgrade, firm macroeconomic fundamentals, and sustained foreign exchange inflows.

Dubai Crude Oil Price. The international price of Dubai crude oil, measured in US dollars per barrel, is used as a key benchmark price for Philippine fuel prices.

Dubai crude oil prices averaged at a price of USD69.42 per barrel in 2018, higher than the previous year's average, largely due to the decision of the Organization of Petroleum Exporting Countries (OPEC) and other oil producers to extend their production cuts to 2018. The reimposition of US sanctions on Iran and the ongoing political and economic turmoil in Venezuela also exerted upward pressure on oil prices that year.

Over the medium-term, Dubai crude oil prices are expected to remain broadly steady as different international developments exert opposing forces on the global oil price level. Upward pressures on global oil prices include the extension of OPEC production cuts up to March 2020, US sanctions on Iran and Venezuela, continued crisis in Venezuela, and rising political risks in the Middle East. At the same time, the ongoing trade tensions between the US and China and the overall slowdown in global economic activity, which are expected to dampen global demand for oil in the medium-term, as well as an increase in US oil production, could pose downward pressures on global oil prices.

Consequently, Dubai crude oil prices are expected to settle between USD60.00 to USD70.00 per barrel throughout the medium-term.

London Interbank Offered Rate. The London Interbank Offered Rate (LIBOR) is an international benchmark for average interest rates or borrowing costs used by major global lending banks when lending to each other for short-term loans.

Foreign interest rates increased in 2018 following policy rate hikes by major central banks around the world, particularly the upward adjustments in the target Federal funds rate by the US Federal Reserve. That year, the average six-month LIBOR was reported to be at 2.5 percent.

For 2019, this rate is projected to settle within the range of 2.5 to 3.5 percent, while for the medium-term, it is assumed to range from 1.5 to 2.5 percent. The downward adjustment over the medium-term is anticipated in light of the bearish outlook in global economic growth.

Exports and Imports. The Philippines' economic participation in the international market is measured in terms of the value of its exports, or local goods sold abroad, and of imports, or international goods bought by local consumers.

Prospects for the Philippines' contribution to international trade are positive. After constricting by 0.3 percent last year, it is expected that the country's exports of goods will expand by 2.0 percent by the end of the year and grow at a faster pace of

6.0 percent in the succeeding years on account of an anticipated pick up in global economic activity by 2020. Imports are also projected to grow in the medium-term, though at marginally slower rates than in 2018, at 7.0 percent by end-2019 and by 8.0 percent thereafter, supported by the sustained domestic economic growth outlook and increased demand for raw and manufactured materials in light of the government's infrastructure program.

Fiscal Risks and Other Sources of Risks to Growth

In order to sustain the growth momentum of the Philippine economy, the national government is keen on identifying risk factors from both the domestic and international fronts that could potentially threaten the government's fiscal position and impede economic growth and development.

Sluggish Global Expansion. The bearish conditions of the global economy may pose as a challenge to Philippine economic growth in the medium-term as international trade constricts due to escalating trade tensions between the US and China, the slowdown of growth in China, the tightening of financial conditions in emerging markets, uncertainties related to Brexit, and geopolitical tensions in the Middle East.

Rising protectionism in the US and China, both major political and economic allies of the Philippines, also threatens to reduce both demand for Philippine exports and supply of international goods for import.

On the fiscal side, this slowdown of international trade could also potentially affect the national government's coffers through reduced import tariff collections.

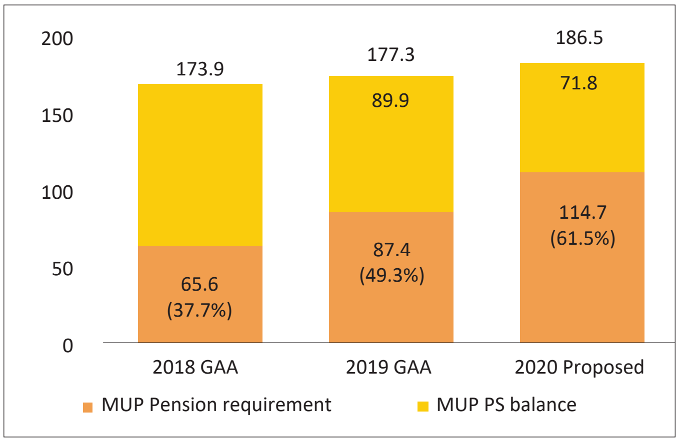
To guard against such external risks, domestic demand must compensate for the potential contraction in external demand. Moreover, local supplies of goods and services, especially of basic commodities, should be sustained in order to accommodate local demand should the international market lack in supply.

Upside Risks to Inflation. Though inflation is expected to remain moderate throughout the medium-term, the national government remains on the lookout for risk factors that could put upward pressure on the general price level. Such risks include adverse weather shocks to local food supply, the potential impact of the persisting African Swine Flu epidemic on the domestic supply of meat products, volatility in global oil prices, and upsurges in government spending on infrastructure amidst the Duterte Administration's *Build, Build, Build* Program goes into full swing.

Investment Policy Uncertainties. Members of the business community, particularly investors from the international environment, have expressed reservations about bringing investments into the country because of uncertainties about policies affecting investments, such as the second package of the Comprehensive Tax Reform Program, the implementation of the Ease of Doing Business Act and the Anti-Red Tape Act, and the relaxation of restrictions on foreign investments. These reservations manifested themselves in the form of an 8.5 percent decline in capital investments during the second quarter of the fiscal year, which weighed down on economic growth for the period.

Rising Pension Costs for Military and Uniformed Personnel. The rapidly rising cost of pension payments and retirement benefits for military and uniformed personnel (MUP) poses a threat to the national government's fiscal position in the medium- to long-term. Figure 1 below shows that pension requirements are taking up an increasingly larger share of total personnel services (PS) requirements for MUP.

Figure 1. Pension vs. Total PS Requirements for MUP
(in billion Pesos)



1. The 2019 pension requirement includes releases from the Unprogrammed Fund amounting to PhP14.2 billion as additional requirement for the June to December 2019 pension differential payments arising from the implementation of Congress Joint Resolution No. 1, series of 2018. The remaining PhP13.7 billion requirement for the January to May 2019 pension arrears will also be released this year, subject to the availability of funds.

2. Total MUP PS requirement includes the base pay and long pay of MUP only to make it comparable to the regular pension requirement.

The rising cost is attributable to three main features present in all existing retirement laws of the uniformed services: automatic indexation to current compensation rates of MUP; the non-contributory nature of the pension system (unlike the civilian pension systems); and the pensionable age of 20 years of service for MUP, which allows them to avail of their benefits very early. Moreover, because of the non-contributory nature of the system, the national government shoulders the full cost of pension payments and retirement benefits for the MUP annually.

In order to address this risk, the national government is currently formulating a program to introduce long-overdue reforms to preserve the sustainability of both the MUP pension system and the government's fiscal health.

The Supreme Court Ruling on the Mandanas Case. Following the Supreme Court ruling in April 2019 on the case filed by Batangas Governor Hermilando Mandanas, local government units (LGUs) will receive an estimated 30 percent higher shares of the Internal Revenue Allotment (IRA) starting FY 2022. The ruling effectively expands the base computation of the IRA to include all national taxes instead of just internal revenue collections of the Bureau of Internal Revenue (BIR).

The decision is estimated to cost the national government a significant budgetary requirement in 2022, placed at 1 percent of GDP. The increase in the IRA will effectively constrain the national government's fiscal space, limiting its flexibility to fund strategic priorities in support of the country's development goals. However, the national government is committed to maintaining its deficit target of 3.2 percent of GDP despite the additional budgetary pressure brought about by the Supreme Court decision.

To mitigate this fiscal risk, the national government intends to fully devolve the services and functions as mandated under Section 17 (b) of the Local Government Code of 1991 (Republic Act No. 7160) and capacitate the LGUs in the delivery of such services and functions in order to improve their management of fiscal resources, as well as to reduce the budgetary pressure on the national government.

If LGUs prove to be incapable of improving their absorptive capacities, or their ability to maximize the use of their financial resources to achieve efficient and effective outcomes, then the huge inflow of additional IRA funds may only serve to increase economic costs for the country through inefficient spending or underutilization of fiscal funds, which could have otherwise been used in more productive ways.

Strategies to Improve Growth

The Philippine economy has proven its resilience in recent years as it has consistently hurdled adverse shocks against economic productivity and growth. Even as it continues to tackle economic challenges, the Philippines possesses a lot of potential and faces plenty of opportunities that the national government can exploit in order to boost economic productivity and sustain domestic demand to bolster growth.

Demand-side strategies. The government pursues policy actions to induce domestic demand and encourage greater levels of investment into the country.

- The proper implementation of the Rice Tariffication Law will lower rice prices, effectively increasing consumers' level of disposable income for other commodities while boosting the productivity of farmers.
- Social mitigating measures such as the unconditional cash transfer programs for indigents to counter the adverse effects of the tax reform.
- On the investment side, the government accelerates its infrastructure program to address infrastructure gap and encourage greater levels of investments of capital inflow to the country.
- Reducing the corporate income tax rate as proposed in the second package of the Comprehensive Tax Reform Program will also induce the effect as it attracts foreign firms and investors to set up their shops in the country.
- The government also pursues other policy interventions to make the local business environment more attractive for investors, such as reducing foreign investment restrictions and the cost of doing business in the country. The full implementation of the Ease of Doing Business Act and the Anti-Red Tape Act are imperative in this regard.
- The full implementation of the Export Development Plan, as well as the formation of additional trade and economic agreements with international trading partners, will also increase foreign demand for local goods and accelerate export growth.

Supply-side strategies. The government also introduced policy interventions that would enhance economic productivity, increasing the output of goods and services.

- Agricultural development will increase domestic agricultural supply through investments in high-value crops, increased access to innovative agricultural technologies, and intensified credit programs for farmers. The proper utilization of the Rice Competitiveness Enhancement Fund is necessary to improve the productivity of the Rice sector. Moreover, it is crucial to intensify animal quarantine and surveillance practices to prevent the entry of livestock diseases into the country.
- Accelerating the efforts to prepare and respond to the emerging landscape brought about by the Fourth Industrial Revolution through quality education and health services, including the implementation of the Philippine Innovation Act, will help promote the competitiveness of Filipino firms and workers, ensuring that their productivity will not be left behind due to rapid technological advancements.
- Investments in the capacity and technology of the Manufacturing sector will also boost industrial output. In addition, amending the Public Service Act to open up public utilities to foreign ownership will enhance competition in the sector and improve the delivery of public services needed for manufacturing, particularly electricity and water services.
- The timely implementation of and innovations in construction and other infrastructure projects will facilitate a better flow of goods and services in the country, augmenting the productivity of economic activities.
- The entry of new telecommunications firms and the consequent improvement of national broadband systems and information technology infrastructure will enhance connectivity across the Philippine archipelago.

- Ensuring energy security by developing the proper facilities for energy generation and distribution will provide ample supplies of energy at reduced costs, enabling firms to produce greater levels of output.
- The implementation of the Philippine Identification System Act will enhance the efficiency of conducting transactions with public and private institutions by reducing the need for cumbersome quantities of documents to prove one's identity.

Budget Sensitivity to Macroeconomic Parameters

The government's medium-term fiscal program estimates are based on the macroeconomic parameters approved by the country's economic managers. As such, the budget balance is heavily sensitive to fluctuations in these macroeconomic indicators. The fiscal impacts of variations in each of the macroeconomic parameters, holding everything else constant, are summarized in Table 5.

An increase of 1.0 percentage point in the 364-day Treasury bill rate is estimated to increase government collections by PhP0.4 billion and increase disbursements by PhP1.8 billion, increasing the budget deficit by PhP1.4 billion. Similarly, a 1.0 percentage point increase in the Treasury bond rate is projected to increase government revenues by PhP0.6 billion and increase disbursements by PhP2.8 billion, worsening the budget deficit by PhP2.2 billion.

Foreign interest rates (LIBOR). Interest rates on foreign securities affect the national government's interest payments on foreign borrowings but do not influence government revenues. A 1.0 percentage point increase in the LIBOR is expected to increase government disbursements due to additional interest payments by PhP6.5 billion, pushing the budget balance towards deficit by that amount.

Inflation rate. Government revenues are expected to rise by PhP22.3 billion for every 1.0 percentage point increase in the inflation rate owing to increased value-added tax collections (due to higher commodity prices) and increased income tax collections (due to higher wages) without any additional cost to the government if the appropriate budget ceiling is set.

Table 5. Budget Sensitivity to Macroeconomic Parameters, 2020
(in billion Pesos)

Parameter	Change	Impact		
		Revenues	Disbursements	Budget Balance
Peso-dollar exchange rate	PhP1.00 depreciation	10.7	2.4	8.3
Treasury bill rate	1.0 percentage point increase	0.4	1.8	(1.4)
Treasury bond rate	1.0 percentage point increase	0.6	2.8	(2.2)
LIBOR	1.0 percentage point increase	0.0	6.5	(6.5)
Inflation rate	1.0 percentage point increase	22.3	0.0	22.3
Real GDP growth rate	1.0 percentage point increase	26.9	0.0	26.9
Growth rate of imports	1.0 percentage point increase	5.5	0.0	5.5

Source: 2020 BESF

Peso-dollar exchange rate. Every one peso depreciation against the US dollar, or a one peso increase in the cost of buying one US dollar, is estimated to increase government revenues by PhP10.7 billion due to higher earnings from foreign grants and import taxes. The same is also expected to increase disbursements on interest payments for foreign-denominated debts by PhP2.4 billion, resulting in a net improvement of PhP8.3 billion in the budget balance, which can be used to fund other priority programs and projects.

Domestic interest rates. The interest rates on government securities affect the government's fiscal position through revenue earnings from withholding taxes on interest income of government security holders and disbursements for payments of interest charged on government debt.

Real GDP growth rate. Faster domestic economic growth creates more jobs and results in higher levels of income for the citizens of the country, providing a larger tax base from which the government may collect revenues. It is estimated that a 1.0 percentage point increase in the country's real GDP growth rate will increase government revenues by PhP26.9 billion.

Growth rate of imports. A faster import growth rate improves government revenue collections of import tariffs and value-added taxes. It is estimated that every 1.0 percentage point increase in the growth rate of imports increases government revenues by PhP5.5 billion, improving the government's budget balance by the same amount.

Socioeconomic Indicators for 2020 to 2022

The national government's medium-term fiscal program builds on the progress made during the first half of the term of the Duterte Administration to sustain the country's growth momentum and transform it into an upper-middle income country (UMIC) by 2022. In line with this objective is the more important goal of attaining growth that is truly felt by the people — an inclusive growth — that will reduce poverty and unemployment in the country. The Philippine Development Plan 2017-2022 outlines these developmental objectives by linking the national government's fiscal program to the Administration's desired socioeconomic outcomes.

Latest poverty estimates (as of the first half of 2018), derived from the 2018 Family Income and Expenditure Survey (FIES) conducted by the Philippine Statistics Authority, showed that 21.0 percent of the Philippine population remains poor, just 0.6 percentage points lower than the 2015 FIES estimate. On this front, the national government needs to make policy adjustments in order to accelerate the reduction of poverty in the country and reach the target poverty rate of 14.0 percent by 2020. As such, it is imperative that the efficient and proper implementation of the national government's protective and promotive social investment programs, including the recently institutionalized *Pantawid Pamilyang Pilipino* Program, the Unconditional Cash Transfer Program, the Universal Access to Quality Tertiary Education Program, and the Universal Health Care Program, among others, is ensured.

Table 6. Headline Indicators, Targets and Accomplishments

Indicator	2016 Baseline	Annual Plan Target		Accomplishments	
		2019	2020	2018	2019
Real GDP growth (%)	6.9	6.0-7.0	6.5-7.5	6.2	5.5[1/]
Real per capita GNI growth (%)	5.0	5.0	5.0	4.3	5.2[2/]
Poverty incidence (% of population)	21.6[3/]	-	14.0	21.0[4/]	-
Unemployment rate (%)	5.5	4.3-5.3	3.0-5.0	5.3	5.4[5/]

Source: NEDA, PSA
[1/] *First half of 2019*
[2/] *First half of 2018*
[3/] *Full-year estimate per 2015 FIES*
[4/] *Half-year estimate per 2018 FIES*
[5/] *July 2019*

Last year, the Philippine economy posted a real GDP growth rate of 6.2 percent. Though marginally slower than the baseline rate when the present Administration took office in 2016, it nevertheless secured the country's position as one of the fastest growing emerging economies in the world. This year, however, due to institutional roadblocks that barred government spending, economic growth for the first half of the fiscal year slowed to 5.5 percent, just 0.5 percentage points shy of the lower bound of the target for the year. Growth is expected to pick up in the second semester in light of the national government's commitments to accelerate spending, as well as recent policy actions intended to spur growth, including a series of policy rate cuts by the BSP.

Growth in terms of real per capita gross national income (GNI), however, shows a more positive story about the economy. For the first half of 2019, real per capita GNI grew by 5.2 percent, higher than the baseline rate of 5.0 percent in 2016 and the 2018 rate of 4.3 percent, as well as the annual target of 5.0 percent.

The unemployment rate as of July 2019 increased to 5.4 percent, down by 0.1 percentage points from the baseline rate recorded during the start of the Administration's term but also up by the same amount from last year's rate of 5.3 percent. In order to achieve the target rate between 4.3 to 5.3 percent in 2019 and 3.0 to 5.0 percent in 2020, investments in human capital development must be sustained to improve the employability and productivity of Filipino workers. Programs that generate employment opportunities may also be pursued; the full implementation of the Duterte Administration's *Build, Build, Build* program over the medium-term will help in this regard. Likewise, the pace of other economic structural adjustment needs to be increased to attract more investments and sustain the generation of more quality and productive employment.

With sustained economic performance, accompanied by complementary policy interventions by the national government, the Philippines should be well on its way to achieving UMIC status driven by inclusive growth by the end of the Duterte Administration's term in 2022.

III. FINANCING THE NATIONAL EXPENDITURE PROGRAM

The FY 2018 Fiscal Performance

National government revenues for 2018 was recorded at PhP2.9 trillion, 15.2 percent or PhP377.1 billion higher year-on-year, and 0.1 percent or PhP3.9 billion higher than the programmed amount. Of the PhP2.9 trillion revenues for 2018, PhP2.6 trillion were in the form of tax revenues, the bulk of which was collected by the Bureau of Internal Revenue (BIR) at PhP2.0 trillion (76.1 percent) and by the Bureau of Customs (BOC) at PhP593.1 billion (23.1 percent).

On the other hand, PhP268.7 billion of the 2018 revenues came from non-tax sources. These were driven mainly by collections in the form of fees and charges (PhP52.7 billion), income of the national government collected by the Bureau of the Treasury (BTr) (PhP75.3 billion), and income from Treasury Operations of the BTr (PhP38.9 billion). Other non-tax revenues amount to PhP101.8 billion.

National government disbursements posted a robust performance in 2018. Actual disbursements amounted to PhP3.4 trillion, reflecting a significant increase of 20.7 percent or PhP584.7 billion from the 2017 level of PhP2.8 trillion. Likewise, actual disbursements surpassed the programmed PhP3.37 trillion for the year, breaking the government's 12-year record of underspending. Since 2005, Fiscal Year (FY) 2018 was the first year where the national government met and marginally exceeded its disbursement program for the year. This is indicative of improved budget execution, quality of government spending, and delivery of public goods and services.

Due to the shift to one-year validity of appropriations and the cleaning of prior years's accounts payables in transition to the cash budget for 2019, the spending for infrastructure and other capital outlays amounted to PhP803.6 billion in 2018, reflecting a significant 41.3 percent rise or PhP234.9 billion increase year-on-year. It exceeded the PhP775.4 billion program for the year by 3.6 percent or PhP28.3 billion.

Including the program support to Government-Owned and/or Controlled Corporations and transfers to Local Government Units (LGUs) intended for infrastructure expenditures, the infrastructure program of the government reached PhP886.2 billion or 5.1 percent of GDP. This is comparatively higher than the targeted infrastructure spending of PhP868.8 billion or 5.0 percent of GDP for the year and the 4.4 percent achieved in 2017.

The government's large Personnel Services (PS) expenditure was another contributor for the robust disbursement performance. Following the increase in base pay benefits of government employees, including the military and uniformed personnel, through Executive Order No. 201, series of 2016 and Joint Resolution No. 1, series of 2018, PS spending climbed to PhP987.2 billion (22.1 percent or PhP178.8 billion higher than the 2017 level). PS expenditures exceeded the PhP961.9 billion target for the year by 2.6 percent or PhP25.3 billion, due to the faster fill up rates for creation and filling of positions in the Department of Education and other agencies, as well as the payment of pension differentials in the Department of National Defense.

National government spending on Maintenance and Other Operating Expenses (MOOE), particularly for social protection programs, such as basic and tertiary education, health promotion, and *Pantawid Pamilyang Pilipino Program* (4Ps) also remained firm. MOOE was registered at PhP525.6 billion, 12.9 percent or PhP60.2 billion higher than the PhP465.4 billion in 2017. Similarly, it exceeded the PhP517.5 billion target for the year by 1.6 percent or PhP8.2 billion.

Altogether, allotment and capital transfers to LGUs amounted to PhP575.7 billion, 8.6 percent or PhP45.5 billion higher than the 2017 levels as a result of the higher shares of LGUs from the internal revenue collections of the national government, special shares from the proceeds of national taxes, as well as infrastructure transfers from the Local Government Support Fund (LGSF). However, this is lower than the PhP582.7 billion target for the year mainly due to minimal releases from the regular financial subsidy to LGUs and Assistance to Cities.

Interest Payments (IP) for 2018 amounted to PhP349.2 billion, 12.5 percent or PhP38.7 higher year-on-year due to the bigger financing requirements for the year, coupon payments for newly issued bonds, and other debt instruments, and combined impact of heightened interest and foreign currency environment. Despite the said increase, actual IP for 2018 is still lower than the PhP354.0 billion program for the year, resulting in some PhP4.8 billion savings. Likewise, its share to total disbursements declined to 10.2 percent from 11.0 percent in 2017. This is credited to the debt liability management strategies implemented by the government, retiring more expensive loans and favoring local currency denominated debt to minimize exposure to foreign exchange rate volatility.

Despite favorable numbers posted by the national government's disbursements and revenue collections, a higher fiscal deficit was recorded at PhP558.3 billion. This deficit is equivalent to 3.2 percent of GDP, slightly above the 3.0 percent of GDP target for the year. The fiscal gap widened by 59.2 percent or PhP207.6 billion and exceeded the target by 6.6 percent or PhP34.6 billion. Besides the heavier public spending, the lower-than-expected economic growth (6.2 percent vs. 6.5 percent target) resulted in a higher deficit-to-GDP ratio during the period. *(See Table 1)*

The FY 2019 Fiscal Position

For FY 2019, the programmed aggregate revenue amounts to PhP3.15 trillion. Of this amount, PhP2.96 trillion will come

Table 1. Full-Year Fiscal Performance
(in billion Pesos)

Particulars	January to December			Variance		Increase/(Decrease)	
	2017 (Actual)	2018 (Program)	2018 (Actual)	Amount	Percent	Amount	Percent
REVENUES	**2,473.1**	**2,846.3**	**2,850.2**	**3.9**	**0.1**	**377.1**	**15.4**
DISBURSEMENTS	**2,823.8**	**3,370.0**	**3,408.4**	**38.5**	**1.1**	**584.6**	**20.7**
Current Operating Expenditures	2,113.9	2,415.8	2,440.5	24.7	1	326.6	15.4
Personnel Services	808.4	961.9	987.2	25.3	2.6	178.8	22.1
MOOE	465.4	517.5	525.6	8.2	1.6	60.2	12.9
Subsidy	131.1	137.7	136.7	(1.0)	(0.7)	5.6	4.2
Allotment to LGUs	390.2	425.2	420.2	(5.1)	(1.2)	30.0	7.7
Interest Payments	310.5	354.0	349.2	(4.8)	(1.4)	38.7	12.5
Tax Expenditure Fund	8.3	19.5	21.6	2.1	10.7	13.3	159.2
Capital Outlays	**714.1**	**940.4**	**963.1**	**22.7**	**2.4**	**249.0**	**34.9**
Infrastructure and Other CO	568.8	775.4	803.6	28.3	3.6	234.9	41.3
Equity	5.4	7.6	4.0	(3.6)	(47.4)	(1.4)	(25.6)
Capital Transfers to LGUs	140.0	157.5	155.5	(2.0)	(1.3)	15.5	11.1
Net Lending	**(4.2)**	**(13.8)**	**(4.9)**	**(8.9)**	**(64.6)**	**(9.1)**	**215.1**
SURPLUS/(DEFICIT)	**(350.6)**	**(523.7)**	**(558.3)**	**(34.6)**	**6.6**	**(207.6)**	**(59.2)**

Source: Department of Budget and Management (DBM), National Government (NG) Disbursement Performance, June 2019

from tax sources and PhP192.2 billion from non-tax sources. Meanwhile, the programmed disbursements for 2019 amounts to PhP3.8 trillion which will be spent on Current Operating Expenditures (PhP2.7 trillion), Capital Outlays (PhP1.0 trillion), and Net Lending (PhP27.0 billion). Furthermore, the programmed gross financing for 2019 is set at PhP1.2 trillion. This will finance the 2019 programmed budget deficit amounting to PhP620.0 billion.

On the revenue side, collections for the first semester of 2019 amounted to PhP1.5 trillion, 9.7 percent or PhP137.0 billion higher than 2018 level, and 0.3 percent or PhP4.2 billion higher than the programmed level. Of this PhP1.5 trillion revenues, PhP1.4 trillion came from tax sources while PhP166.5 billion came from non-tax and privatization proceeds. Tax sources were driven by the improved collections of the BIR and the BOC, which reached PhP1.1 trillion and PhP303.0 billion, respectively.

On the other hand, non-tax revenues were driven mainly by collections in the form of fees and charges (PhP24.4 billion), income of the national government collected by the BTr (PhP63.8 billion), and income from Treasury Operations of the BTr (PhP23.3 billion). Other non-tax revenues amounted to PhP54.2 billion for the first semester of 2019.

For the first semester of 2019, total disbursements amounted to PhP1.6 trillion, slightly down by 0.8 percent or PhP13.4 billion year-on-year. Further, total disbursements were lower than the PhP1.7 trillion program for the first semester by 7.3 percent or PhP125.8 billion. This is mainly due to the delayed implementation of new programs and projects following the delayed enactment of the FY 2019 General Appropriations Act (GAA), and the election ban.

Total PS spending registered at PhP503.3 billion, 9.3 percent or PhP42.8 billion higher year-on-year, as a result of the higher salary and benefits of government employees, including MUP. Still, actual PS disbursements is 1.6 percent or PhP8.4 billion lower than the programmed level due to minimal releases from the Miscellaneous Personnel Benefits Fund for creation and filling of positions given the election ban.

Meanwhile, MOOE for the first semester reached PhP242.1 billion, slightly lower by PhP100 million year-on-year, and lower by 3.5 percent or PhP8.8 billion than the programmed level for the period.

As a result of the late enactment of the FY 2019 GAA and the election ban on the implementation of public works, infrastructure and other capital outlays reached PhP311.4 billion, 11.7 percent or PhP41.3 billion lower year-on-year, and 20.8 percent or PhP81.5 billion lower than the programmed level. Given the enactment of the GAA in mid-April, implementation timelines and work programs of agencies have already been affected which then resulted in delays and slippages. Since line agencies are still obligating and starting to implement new infrastructure projects towards the end of the second quarter, partial completion and deliveries, and corresponding progress billings are expected this second semester.

Allotment and Capital Transfers to LGUs amounted to PhP295.7 billion, 2.3 percent or PhP7.1 billion lower year-on-year. This amount was 7.3 percent or PhP23.4 billion lower than the programmed level as a result of lower releases from the LGSF since the implementation of infrastructure projects was temporarily halted during the election ban.

Interest payments for the first semester of 2019 amounted to PhP180.1 billion, 8.8 percent or PhP14.6 billion higher year-on-year. Yet, it is 0.1 percent or PhP0.3 billion lower than the programmed level.

Together, the slow disbursement performance despite improved revenue collection resulted in a first semester deficit amounting to PhP42.6 billion, 77.9 percent and 75.3 percent lower than the 2018 actual level and programmed level, respectively.

For the full-year 2019, the aggregate disbursement program is set at PhP3.8 trillion, equivalent to 19.7 percent of the GDP. To reach the said target, projections indicate that monthly disbursements for the rest of the year should at least grow by 24.6 percent.

Previous years' disbursement performance shows that spending usually picks up in the third and fourth quarters of a given fiscal year. On the average for the last fifteen years (from 2004 to 2018), disbursements for the third and fourth quarters accounted for 25.3 percent and 27.0 percent of the total spending for the year, respectively.

The DBM continues to monitor the status of agency disbursements, particularly the Department of Public Works and Highways and Department of Transportation. Based on their recent spending performance, the government remains upbeat as to the attainment of the full year program.

The Medium-Term Fiscal Program

The government will sustain its expansionary fiscal policy to finance the country's strategic infrastructure investments, development priorities, and ultimately achieve the Duterte Administration's objective of rapid poverty reduction and inclusive growth.

Medium-Term Revenues from the Comprehensive Tax Reform Program. Revenue collections are targeted to reach PhP3.1 trillion for full-year 2019, equivalent to 16.5 percent of GDP, and representing a 10.5 percent growth over the 2018 level of PhP2.9 trillion. This level takes into account the additional PhP140.6 billion from the implementation of the Comprehensive Tax Reform Program (CTRP), specifically PhP113.1 billion from Package 1A and PhP27.5 billion from Package 1B (amnesty on estate tax and on delinquencies).

Table 2. National Government Disbursement Performance for the First Semester, 2018-2019
(in billion Pesos)

Particulars	January to June			Variance		Increase/(Decrease)	
	2018 (Actual)	2019 (Program)	2019 (Actual)	Amount	Percent	Amount	Percent
REVENUES	**1,410.5**	**1,543.4**	**1,547.5**	**4.2**	**0.3**	**137.0**	**9.7**
DISBURSEMENTS	**1,603.6**	**1,716.0**	**1,590.2**	**(125.8)**	**(7.3)**	**(13.4)**	**(0.8)**
Current Operating Expenditures	1,154.7	1,233.8	1,193.9	(39.8)	(3.2)	39.3	3.4
Personnel Services	460.5	511.7	503.3	(8.4)	(1.6)	42.8	9.3
MOOE	242.1	250.8	242.1	(8.8)	(3.5)	(0.1)	(0.0)
Subsidy	67.7	49.4	26.7	(22.7)	(45.9)	(41.0)	(60.6)
Allotment to LGUs	210.6	233.8	230.2	(3.6)	(1.6)	19.6	9.3
Interest Payments	165.5	180.3	180.1	(0.3)	(0.1)	14.6	8.8
Tax Expenditure Fund	8.2	7.7	11.6	3.9	51.3	3.4	41.0
Capital Outlays	**447.5**	**478.7**	**377.5**	**(101.2)**	**(21.1)**	**(70.1)**	**(15.7)**
Infrastructure and Other CO	352.7	392.9	311.4	(81.5)	(20.8)	(41.3)	(11.7)
Equity	2.6	0.5	0.6	0.1	22.8	(2.0)	(77/7)
Capital Transfers to LGUs	92.3	85.3	65.5	(19.8)	(23.2)	(26.8)	(29.0)
Net Lending	**1.4**	**3.5**	**18.8**	**15.3**	**432.9**	**17.4**	**1,273.1**
SURPLUS/(DEFICIT)	**(193.0)**	**(172.6)**	**(42.6)**	**129.9**	**(75.3)**	**150.4**	**(77.9)**

Source: DBM, NG Disbursement Performance June 2019

Table 3. List of Revenue Measures[1/]
(in million Pesos)

Particulars	2018 Actual	2019 Program	2020 Projection	2021 Projection	2022 Projection
Package 1A	**68,436**	**113,067**	**153,800**	**159,726**	**162,354**
Bureau of Internal Revenue	**9,887**	**23,686**	**48,982**	**43,145**	**38,147**
Personal Income Tax	(111,677)	(128,902)	(135,441)	(154,151)	(189,024)
Corporate Income Tax (PCSO)	1,244	549	602	661	727
Estate Tax	(2,772)	(2,100)	(2,100)	(2,100)	(2,100)
Donor's Tax	(2,623)	(1,810)	(1,990)	(2,180)	(2,400)
Value-Added Tax	13,644	16,678	19,367	19,969	21,320
Excise Tax on Petroleum	23,860	42,030	54,628	55,379	56,179
Excise Tax on Automobiles	2,281	3,349	3,550	3,763	3,988
Sugar-Sweetened Beverages	35,510	37,286	39,150	41,108	43,163
Excise Tax on Tobacco	8,863	9,274	11,893	8,612	10,877
Excise Tax on Coal	-	1,495	2,411	2,607	2,795
Excise Tax on Mining	2,449	2,488	2,528	2,569	2,610
Cosmetic Procedures	4	4	4	4	4
Percentage Tax Exemptions	6	-	-	-	-
Foreign Currency Deposit Unit	365	862	896	933	970
Capital Gains on Non-Traded Stocks	4,529	4,600	4,600	4,600	4,600
Stock Transaction Tax for Traded Stocks	376	376	376	376	377
Adjustment of Creditable Withholding Tax Rate	-	(2,200)	(2,420)	(2,662)	(2,928)
Documentary Stamp Tax	33,825	37,208	40,928	45,021	49,523
Tax Administration	-	2,500	10,000	18,637	37,465
Bureau of Customs	**58,549**	**89,381**	**104,818**	**116,581**	**124,208**
Excise Tax on Petroleum	30,293	54,963	59,091	60,123	61,205
Value-Added Tax (VAT)	8,543	11,807	12,907	13,517	14,173
Excise Tax on Automobiles	16,086	15,064	15,968	16,926	17,942
Excise Tax on Coal	1,103	2,406	4,079	4,467	4,869
Sugar-Sweetened Beverages	2,515	2,641	2,773	2,911	3,057
Excise Tax on Minerals	10	-	-	-	-
Tax Administration	-	2,500	10,000	18,637	22,962
Package 1B	-	**27,535**	-	-	-
Bureau of Internal Revenue	-	**27,535**	-	-	-
Estate Tax Amnesty	-	6,279	-	-	-
Tax Amnesty on Delinquencies	-	21,256	-	-	-
Package 2+	-	-	**41,653**	**58,942**	**72,329**
Bureau of Internal Revenue	-	-	**40,983**	**58,012**	**71,150**
Tobacco	-	-	15,682	22,799	26,766
Alcohol	-	-	20,910	28,997	36,761
Value-Added Tax (VAT)	-	-	4,391	6,216	7,623
Bureau of Customs	-	-	**671**	**930**	**1,179**
Alcohol	-	-	599	830	1,053
Value-Added Tax (VAT)	-	-	72	100	126
TOTAL REVENUES	**68,436**	**140,601**	**195,453**	**218,668**	**234,683**

Source: Department of Finance
Note: Figures may not add up due to rounding off.
[1/] Revenue measures under the Comprehensive Tax Reform Program

Proceeds from Package 1A are expected to increase from the programmed PhP113.1 billion in 2019 to PhP162.4 billion in 2022.

For 2020, revenues are projected to reach PhP3,536.2 billion, equivalent to 16.7 percent of GDP, considering the PhP41.7 billion proceeds from the CTRP Package 2+ (excise tax on alcohol and tobacco products). Total revenues attributable to the CTRP are projected to contribute an additional amount of PhP195.5 billion in 2020. From 2019 to 2022, the CTRP (Packages 1A, 1B, and 2+) is expected to generate a year-on-year average of PhP197.4 billion in additional revenues.[1] This will help revenues to increase from PhP3.1 trillion in 2019 to PhP4.4 trillion in 2022.

Starting 2020, Package 2+ of the CTRP will contribute PhP41.7 billion, with the BIR collecting 98.4 percent or PhP41.0 billion. This portion on BIR collections will increase to PhP58.0 billion in 2021 and PhP71.2 billion in 2022.

Package 2 aims to lower the corporate income tax rate from the current 30 percent to a more competitive rate of 20 percent by 2029. It will also rationalize the present proliferation of fiscal incentives, which in 2017 alone resulted in an estimated PhP441.0 billion in foregone revenues.

Over the medium-term, disbursements are expected to expand to PhP4.2 trillion in 2020, PhP4.7 trillion in 2021, and PhP5.2 trillion in 2022. From 2019 to 2022, PS expenditures will post an average growth of 7.5 percent, and MOOE will post an average growth of 5.2 percent.

Meanwhile, the deficit target over the medium-term (i.e., from 2020 to 2022) was slightly adjusted from 3.0 to 3.2 percent of GDP. The increase in the deficit target will help to accelerate investments in social services, particularly education and social protection, as well as fast-track countrywide infrastructure development through the *Build, Build, Build* Program. Moreover, this will allow the Philippines to capitalize on its demographic dividend and help the country attain its growth target of 7.0 percent to 8.0 percent to drive the country towards upper middle-income economy by 2022.

Despite the said increase, the FY 2020 fiscal deficit target of 3.2 percent of GDP is still significantly lower when compared to the projected average deficit-to-GDP-ratio of 5.2 percent for emerging markets and middle-income Asian economies[2].

The PhP4.100 trillion budget for FY 2020 includes notable budgetary pressures, such as the increased PS expenditures amounting to PhP1.2 trillion, or 30.5 percent of the proposed budget, and various governmental subsidies and transfers amounting to at least PhP386.4 billion or 9.4 percent of the 2020 proposed National Budget.

Table 4. Medium-Term Fiscal Program
(in billion Pesos)

Particulars	2019 (Program)	Medium-Term Projections		
		2020	2021	2022
REVENUES	**3,149.7**	**3,536.2**	**3,953.8**	**4,416.1**
% of GDP	16.5	16.7	17.0	17.2
Growth Rates	10.5	12.3	11.8	11.7
DISBURSEMENTS	**3,769.7**	**4,213.8**	**4,701.4**	**5,239.6**
% of GDP	19.6	19.9	20.2	20.4
Growth Rate	10.7	11.8	11.6	11.4
Current Operating Expenditures	2,710.5	3,058.0	3,242.6	3,574.6
Personnel Services	1,095.9	1,224.2	1,269.0	1,317.1
MOOE	572.4	583.5	662.8	639.1
Subsidy	158.7	208.4	165.1	157.9
Allotment to LGUs	469.5	576.5	627.7	884.6
Interest Payments	14.5	14.5	14.5	14.5
Tax Expenditure Fund	399.6	451.0	503.6	561.4
Capital Outlays	**1,032.1**	**1.145.7**	**1,448.9**	**1,655.0**
Infrastructure and Other CO	859.4	942.9	1,235.0	1,240.9
Equity	2.4	2.3	.4	.4
Capital Transfers to LGUs	170.4	200.6	213.4	413.8
Net Lending	**27.0**	**10.0**	**10.0**	**10.0**
SURPLUS/(DEFICIT)	**(620.0)**	**(677.6)**	**(747.7)**	**(823.5)**
% of GDP	(3.2)	(3.2)	(3.2)	(3.2)

Source: 2020 BESF

It is important for the government to keep an eye on these pressures; managing these expenditures will be crucial in safeguarding the health of the nation's finances in the long-run.

Programs under the subsidies and transfers cover education (e.g., Universal Access to Quality Tertiary Education), social protection (e.g., 4Ps), agriculture (e.g., Free Irrigation for Farmers), and even the Free Wi-Fi Connectivity under the Department of Information and Communications Technology.

Financing the FY 2020 Budget

The annual budget is mainly sourced from revenues. The government is responsible in ensuring that funds are available for the timely and proper implementation of programs and projects. This is strengthened by the continued implementation of the Cash Budgeting System, which enforces all appropriations to be available for release and disbursement until December 31, 2020, while those for financial assistance to LGUs will be disbursed until December 31, 2021.

Revenues

Revenues are expected to grow by 12.3 percent in 2020 amounting to PhP3.5 trillion, from the 2019 level of PhP3.1 trillion. *(See Table 5)* This is 16.7 percent of GDP, higher than the 2019 level of 16.5 percent. The larger revenues for FY 2020 will fund higher government disbursements for both new and continuing programs and projects.

Of the PhP3.5 trillion revenues for 2020, PhP3.3 trillion, or 94.2 percent, will be in the form of taxes. *(See Table 6)* The BIR will generate the bulk of this amount, with PhP2.6 trillion, while the rest will be contributed by the BOC with PhP731.2

Table 5. Breakdown of Revenues
(in billion Pesos)

Particulars	2018 (Actual)	2019 (Program)	2020 (Projection)	2021 (Projection)	2022 (Projection)
Tax Revenues	**2,566**	**2,955**	**3,332**	**3,755**	**4,218**
BIR	1,952	2,271	2,576	2,914	3,288
BOC	593	661	731	813	900
Others	21	23	25	27	30
Non-Tax Revenues	**269**	**192**	**202**	**197**	**196**
BTr	114	74	82	77	74
Fees and Charges	53	53	54	54	55
Others	102	65	66	66	67
Privatization	**16**	**2**	**2**	**2**	**2**
TOTAL REVENUES	**2,850**	**3,150**	**3,536**	**3,954**	**4,416**
% of GDP	16.4	16.5	16.7	17.0	17.2
% of Growth	15.2	10.5	12.3	11.8	11.7

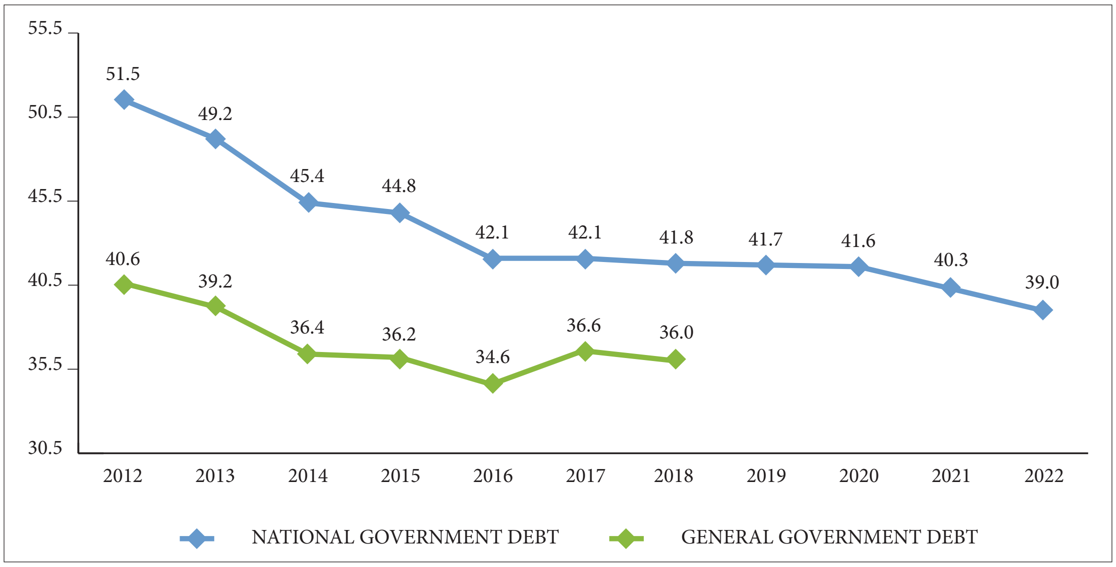
Source: 2020 BESF

Table 6. Breakdown of Revenues (BIR and BOC)
(in billion Pesos)

Particulars	2019 (Program)	2020 (Projection)
BIR	**2,271**	**2,576**
Taxes on Net Income and Profits	1,167	1,342
Taxes on Property	39	15
Taxes on Domestic Goods and Services	881	1,008
Documentary Stamp Tax	170	188
Miscellaneous	20	23
Tax Refund other than VAT Refund	-9	-10
Tax Administration	3	10
BOC	**661**	**731**
Taxes on International Trade and Transactions	659	721
Tax Administration	3	10

Source: 2020 BESF

Figure 1. Debt to GDP Ratio
National and Government Debt (% to GDP)



Source: DBM

billion, and other offices (e.g., Motor Vehicle Tax of the Land Transportation Office, Fire Code Tax, and Immigration Tax) with PhP25.1 billion. Non-tax revenues, on the other hand, will amount to PhP201.9 billion, while privatization or the sale of government assets is expected to generate some PhP2.0 billion.

At PhP1.3 trillion, taxes on net income and profits will comprise 52.1 percent of the total BIR collections for 2020. This represents a 15.0 percent increase from the 2019 program of PhP1.2 trillion. The second biggest revenue source of the BIR will be taxes collected from goods and services, comprising PhP1.0 trillion or 39.1 percent of the total agency collections. Other sources of tax revenues include, among others, documentary stamp tax collections (PhP187.9 billion), taxes on property (PhP15.1 billion) and tax administration improvements (PhP1.0 billion).

For the BOC, tax revenues will mainly come from taxes on international trade and transactions amounting to PhP721.2 billion, which is 9.5 percent higher over the 2019 program level of PhP658.5 billion. These include value-added tax from imports (PhP520.3 billion), import duties and taxes (PhP68.8 billion), excise taxes (PhP130.7 billion), and other fees (PhP1.5 billion). The rest of the tax revenue collections of the BOC amounting to PhP10.0 billion will be generated by the agency's tax administration efforts.

Non-tax revenues for 2020 will be driven mainly by collections in the form of fees and charges, PhP53.8 billion; income of the national government collected by the BTr, PhP53.1 billion (including miscellaneous income); and income from Treasury operations of the BTr, PhP29.2 billion. Other non-tax revenues amount to PhP65.8 billion. Total non-tax revenues amount to PhP201.9 billion, which is a 5.0 percent increase over the 2019 program level of PhP192.2 billion. *(See Table 5)*

The redistribution of income by modifying the income tax rates and brackets through Package 1A of the TRAIN Law will continue. Although the government will stand to lose about PhP135.4 billion in 2020 from the reduction in personal income taxes, it still expects Package 1A to bring in a total of PhP153.8 billion in incremental revenues, which is significantly higher by 36.0 percent than the expected collections in 2019.

For 2020, the CTRP is expected to generate an additional PhP195.5 billion with the implementation of its Package 2+, which will generate a total of PhP41.7 billion in 2020. This is composed of the BIR's collection of sin taxes on tobacco (PhP15.7 billion), alcohol (PhP20.9 billion), and value-added taxes (PhP4.4 billion); as well as from the BOC's collection of PhP 599 million from alcohol taxes and some PhP72 million from value-added taxes.

Debt Management and Borrowings

For 2020, the Duterte Administration will continue to peg its deficit target to 3.2 percent. This is to address the need for additional financing, especially now that its priority programs are gaining substantial momentum towards the latter half of the Administration's term. Nevertheless, this is still consistent with the government's prudent and sustainable financing policy — lower borrowing costs and maintain low levels of government indebtedness as a share of GDP.

The country's debt continues on a downward trajectory, declining from 41.8 percent of GDP in 2018 to 39.0 percent of GDP by 2022. *(See Figure 1)* This compares favorably with the previous higher levels of 74.4 percent in 2004 and 52.4 percent in 2010. This affirms the improving capacity of the Philippine government to pay off its debt. In fact, the BTr is employing game-changing strategies, such as diversifying its funding sources, developing the local bond market, and working closely with the DBM for the passage of the Budget Modernization Bill (BMB) to enable better cash management through the Treasury Single Accounts and the management of liabilities.

Table 7. National Government Financing
(in billion Pesos)

Particulars	2019	2020
SURPLUS/ (DEFICIT)	(620)	(678)
GROSS BORROWINGS	**1,189**	**1,400**
External (Gross)	**318**	**353**
Less: Amortization	139	155
External (Net)	**178**	**198**
Domestic (Gross)	**871**	**1,047**
Less: Net Amortization	3	3
Domestic (Net)	**868**	**1,044**

Source: 2020 BESF

Table 8. Gross Foreign Borrowing Components
(in million Pesos)

Particulars	2019	2020
Gross Foreign Borrowings	**317,540**	**353,155**
Program Loans	88,474	114,444
Project Loans	32,807	46,211
Bonds and Other Inflow	196,259	192,500

Source: 2020 BESF

The government will favor domestic sources with a borrowing mix of 75:25. This financing strategy will be maintained over the medium-term to ensure better debt management by balancing the need to explore new markets for the country's financing requirements and the need to minimize exposure to foreign exchange fluctuations.

Gross financing for 2020 is set at PhP1.4 trillion, which is 17.8 percent higher than the programmed borrowings of PhP1.2 trillion for 2019. This will finance the 2020 programmed budget deficit amounting to PhP677.6 billion, which is 9.3 percent higher than the programmed total net financing of PhP620.0 billion for 2019. *(See Table 7)*

For 2020, some PhP1.0 trillion, comprising about 75 percent of the total borrowing requirements, will be sourced locally from the issuance of treasury bills (PhP48.0 billion) and fixed rate treasury bonds (PhP999.0 billion). Based on the medium-term macroeconomic targets of the government, domestic interest rates for 2020 are expected to ease and within the target range of 5.0 to 6.0.

To complement the funding for priority programs and projects of this Administration, foreign borrowings for 2020 will rise by 11.2 percent to PhP353.2 billion, from PhP317.5 billion in 2019. This borrowing level will be supported by a 32.5 percent rise in foreign loans to PhP160.7 billion, from PhP121.3 billion in 2019, and a slight decline in foreign bonds by 2.0 percent to PhP192.5 billion, from PhP196.3 billion in 2019. *(See Table 8)*

Foreign loans can be categorized into program and project loans. Program loans finance general development programs specified by the government, while project loans finance specific projects such as roads, power plants, and irrigation, among others.

For 2020, the government will rely on bonds and other inflows (comprising 54.5 percent of the total foreign borrowings), program loans (32.4 percent), and project loans (13.1 percent). The PhP114.4 billion program loans to be availed by the national government in 2020 indicate a substantial 29.4 percent increase over its level of PhP88.5 billion for 2019. Program loans are preferred over project loans because they are primarily associated with structural reforms, can help in shoring up foreign exchange reserves, and have quick disbursement features. These loans will be sourced from multilateral organization, namely the Asian Development Bank, World Bank, and Agence Francaise De Development. *(See Table 9)*

On the other hand, project loans for 2020 will amount to PhP46.2 billion. This represents an increase of 40.9 percent from the 2019 level of PhP32.8 billion.

FY 2020 Disbursement Program

For 2020, cash disbursements are estimated at PhP4.2 trillion. The 2020 revenue program of PhP3.5 trillion will finance 83.9 percent of these cash outlays while the rest will come from borrowings. At 19.9 percent of GDP, the 2020 cash disbursements represent an improvement of 11.8 percent from the 2019 level of PhP3.8 trillion. *(See Table 10)*

Of the PhP4.2 trillion cash disbursements, 72.6 percent will be spent on current operating expenditures while the rest will be used to pay for capital outlays and net lending, with 27.2 percent and 0.2 percent, respectively. From 14.2 percent of GDP for 2019, the share of current operating expenditures in GDP for 2020 will increase to 14.5 percent of GDP.

Cash disbursements for capital outlays will amount to PhP1.1 trillion and will comprise 5.4 percent of GDP in 2020, the same as that with the 2019 level and slightly lower than the 2018's level of 5.5 percent. This amount also represents an increase of 11.0 percent over the 2019 level of PhP1.0 trillion. Cash disbursements for capital outlays remain high for the funding of projects under the *Build, Build, Build* Program of this Administration.

Meanwhile, infrastructure disbursement will total to PhP1.1 trillion to fund various important infrastructure programs of the national government (PhP897.5 billion); local government units (PhP171.5 billion)[3]; GOCCs in the form of subsidy (PhP52.6 billion) and equity (PhP1.1 billion) contributions.[4]

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 decrease to PhP10.0 billion in 2020 from the 2019 program level of PhP27.0 billion.

Table 9. Sources of Program Loans, 2018-2020
(in million US Dollars)

Particulars	2018 (Actual)	Program Availment	
		2019	2020
Asian Development Bank	678.26	907.5	1,244.50
World Bank	719.5	593.68	500.00
Agence Francaise De Development	122.56	168.15	336.3
TOTAL PROGRAM LOANS			
(in million US Dollars)	1,520.32	1,669.33	2,080.80
(in million Pesos)	80,422.00	88,474.49	114,444.00

Source: 2020 BESF

Table 10. National Government Cash Disbursements, 2018-2020
(in billion Pesos)

Particulars	2018 (Actual)	2019 (Program)	2020 (Projection)
Current Operating Expenditures	**2,440,478**	**2,710,526**	**3,058,040**
Percent of GDP	14	14.2	14.5
Personnel Services	987,235	1,095,896	1,224,247
Maintenance and Other Operating Expenditures	525,606	572,419	583,463
Subsidy	136,652	158,670	208,407
Allotment to LGUs	420,178	469,469	576,460
Interest Payments	349,215	399,571	450,964
Tax Expenditures	21,592	14,500	14,500
Capital Outlays	**963,090**	**1,032,149**	**1,145,742**
Percent of GDP	5.5	5.4	5.4
Infrastructure and Other Capital Outlays	803,631	859,418	942,875
Equity	3,985	2,366	2,286
Capital Transfers to LGUs	155,473	170,365	200,582
Net Lending	**4,875**	**27,000**	**10,000**
Percent of GDP	0.0	0.1	0.0
Grand Total	**3,408,443**	**3,769,675**	**4,213,783**
Percent of GDP	19.6	19.7	19.9

Source: 2020 BESF

Management of Government Debt

Outstanding national government debt amounted to PhP7.1 trillion as of end-2018. Of this amount, PhP4.6 trillion, or 64.7 percent, represents domestic liabilities while the remaining PhP2.5 trillion, or 35.3 percent, are foreign obligations. Total debt stock for 2019 and 2020 are expected to reach PhP7.9 trillion and PhP8.8 trillion, respectively. *(See Table 11)*

The heavy bias on local borrowings and continued decline in the country's foreign currency denominated debts ensure that the debt portfolio structure of the national government can minimize and manage risks. This is done by strengthening the domestic bond market and lessening exposure to foreign exchange volatility. Of the country's total outstanding obligations, foreign currency denominated debts are expected to reach only PhP2.7 trillion, or 34.6 percent, in 2019 and PhP3.0 trillion, or 34.1 percent, in 2020.

Table 11. Outstanding Debt of the National Government, as of Year-End, 2018-2020
(in billion Pesos)

Particulars	2018	2019			2020		
	Outstanding at the End	Added Borrowings	Principal Payments	Outstanding at the End	Added Borrowings	Principal Payments	Outstanding at the End
DOMESTIC	**4602.29**	**1533.07**	**995.54**	**5139.83**	**1491.52**	**858.80**	**5772.55**
Regular Accounts	4601.50	1533.07	995.54	5139.04	1491.52	858.80	5771.76
Assumed Liabilities	0.79	0.00	0.00	0.79	0.00	0.00	0.79
EXTERNAL	**2515.64**	**317.54**	**139.19**	**2713.89**	**353.16**	**155.29**	**2995.31**
Regular Accounts	2515.64	317.54	139.19	2713.89	353.16	155.29	2995.31
GRAND TOTAL	**7117.93**	**1850.61**	**1134.72**	**7853.72**	**1844.67**	**1014.09**	**8767.86**

Source: 2020 BESF

Endnotes

[1] Department of Finance's presentation during the budget hearing in Congress on August 29, 2019
[2] IMF Fiscal Monitor (April 2019)
[3] Refers to 20 percent of the Internal Revenue Allotment, and other assistance to LGUs intended for local infrastructure projects.
[4] Pertains to capitalized subsidy and equity intended for infrastructure programs and projects.

IV. DIMENSIONS OF THE NATIONAL EXPENDITURE PROGRAM

Discussions on the national budget can be challenging, especially for non-technical persons among the general public, whose interests in fact should be the basis and goal of any budget planning and implementation, and thus should be able to understand the processes involved. Presenting the budget in various perspectives or dimensions serves not only to facilitate better understanding and appreciation of government budgeting, but to highlight the Administration's priorities and strategies.

This practice of presenting the budget in different dimensions follows the concept of budget classification. Jacobs, Hélis, and Bouley (2009, p.1) identifies budget classification as "one of the fundamental building blocks of a sound budget management system, as it determines the manner in which the budget is recorded, presented and reported, and as such has a direct impact on the transparency and coherence of the budget."[1]

This section will present the 2020 proposed National Budget in various perspectives or dimensions, with expenses classified or categorized on the basis of the following: by Sector; by Expense Class; by Recipient Entity; by Department and Special Purpose Fund; by Appropriation Source; by Region; Off-Budget Accounts; Earmarked Revenues; Transfers to LGUs; and Transfers to Government Corporations.

A. By Sector (Old/Traditional System and COFOG)

The DBM has been using two systems in classifying the National Budget according to sector or function – the Old or Traditional Method, and the Classification of Functions of Government (COFOG) method. The latter was first adopted in 2015, in preparing the 2016 National Budget, even as the DBM continues to use the old method in order to measure and compare current allocations to previous years presented under the old method and to assess the distribution of funds to the agencies.

The Budget by Sector under the Old/Traditional Method

Under the Old/Traditional Method, expenditure items are divided among five broad categories or sectors, namely: Economic Services, Social Services, General Public Services, Defense, and Debt Burden. Each sector is further divided into sub-sectors.

The proposed Budget remains on track in the Duterte Administration's agenda of boosting and sustaining economic growth through infrastructure and human capital development during its incumbency. Around 66.1 percent of the proposed budget will go to Social Services (PhP1,525.2 billion, 37.2 percent) and Economic Services (PhP1,183.7 billion, 28.9 percent).

The allocation for Social Services includes PhP711.3 billion (46.6 percent) for Education, Culture, and Manpower, and PhP370.7 billion (24.3 percent) for Social Security, Welfare and Employment. Meanwhile, the budget for Economic Services includes PhP630.3 billion (53.2 percent) for Communications, Roads and Other Transport, and PhP142.7 billion (12.1 percent) for Agriculture and Agrarian Reform.

Their combined sectoral allocation (PhP2,708.9 billion) is higher by PhP360.9 billion or 15.4 percent than the previous year's comparable level of PhP2,348.0 billion. This is due to the substantial 22 percent increase of funds allotted to Economic

Table 1. Budget by Sector (Old/Traditional Method), 2019-2020
(in billion Pesos)

Sectors	2019	2020	Increase/Decrease		% Share	
			PhP	%	2019	2020
Economic Services	970.3	1,183.7	213.4	22.0	26.5	28.9
Social Services	1,377.8	1,525.2	147.4	10.7	37.6	37.2
Defense	188.6	195.6	7.0	3.7	5.2	4.8
General Public Services	710.9	734.5	23.6	3.3	19.4	17.9
Debt Burden	414.1	461.0	46.9	11.3	11.3	11.2
Total	**3,661.6**	**4,100.0**	**438.4**	**12.0**	**100.0**	**100.0**

Source: 2020 BESF, Table B.5
Note: Figures may not add up due to rounding off.

Services, attributed mostly to the proposed increase in the budget allocations for the Department of Public Works and Highways (DPWH) with PhP60.5 billion and the Department of Transportation (DoTr) with PhP77.6 billion, bigger by 15.0 percent and 111.9 percent, respectively, under the Communications, Roads and Other Transport sub-sector. Likewise, the 10.7 percent increase for budgets under Social Services is due to the 31.2 percent increase or PhP88.2 billion for Social Security, Welfare, and Employment, specifically the PhP73.2 billion increase in Pension and Gratuity Fund for 2020.

The rest of the proposed budget is divided into the following Sectors: General Public Services, PhP734.5 billion (17.9 percent); Debt Burden, PhP461.0 billion (11.2 percent); and Defense, PhP195.6 billion (4.8 percent). *(See Table 1)*

General Public Services. A budget of PhP734.5 billion is proposed for General Public Services, equivalent to 17.9 percent of the proposed budget. This marks an increase of PhP23.6 billion or 3.3 percent from the 2019 budget of PhP710.9 billion, and will help boost Public Order and Safety (PhP304.0 billion) and General Administration (PhP192.3) for the general administration of departments and for management and administrative support for agencies.

Defense. A total of PhP195.6 billion is proposed for the Defense Sector, which represents about 4.8 percent of the Budget. This PhP7.0 billion or 3.7 percent increase from its 2019 budget of PhP188.6 billion aims to improve and modernize the defense capabilities of the country. The bulk of this will go to the Department of National Defense with PhP185.3 billion, mostly for the Armed Forces of the Philippines (AFP) (PhP183.5 billion).

Debt Burden. The government has allotted PhP461.0 billion or 11.2 percent of the total proposed budget for the Debt Burden or the servicing of the country's debt. This includes interest payments on domestic and foreign debts, and net lending or advances to government corporations for debts guaranteed by the national government. The proposed allocation increased by PhP46.9 billion or 11.3 percent from the previous year's level of PhP414.1 billion.

The Budget by Sector under COFOG

The other classification system being used by the DBM is the COFOG system introduced by the Organization for Economic Co-operation and Development (OECD). The adoption of an international standard such as the COFOG allows the Philippines to readily compare its national budget's sectoral allocations with those of other countries.

The COFOG also captures sectoral allocations more accurately as it classifies expenditures according to function, purpose, and contribution to the society, irrespective of agency groupings. This is in contrast to the traditional method which essentially considers or lodges the budget of an entire agency under only one of the five sectors or functions listed above.

Government expenditures are divided into ten (10) functional sectors based on the functions served, which are in turn further divided into sub-groups, similar to the Traditional Method. However, as shown in Table 2, some sectoral allocations received smaller budgets for 2020. Further discussions on the decreases are covered in Part IV. Expenditure Priorities.

The first five sectors are generally those that yield benefits to the entire society. These are 1) General Public Services; 2) Defense; 3) Public Order and Safety; 4) Economic Affairs; and 5) Environmental Protection.

The remaining five concern the welfare and development of persons, especially the underprivileged and vulnerable sectors. These are: 6) Housing and Community Amenities; 7) Health; 8) Recreation, Culture, and Religion; 9) Education; and 10) Social Protection. *(See Table 2)*

1. General Public Services. Around PhP1,541.4 billion, equivalent to 37.6 percent of the total budget, is proposed for general administration, such as lawmaking, fiscal management, foreign affairs, and other regulatory services. This is 10.2 percent higher than the 2019 level of PhP1,399.2 billion.

Under this category, most of the allocations are lodged in three sub-sectors, comprising 96.9 percent of the total: 1) Executive and legislative organs, financial and fiscal affairs, and external affairs, PhP715.5 billion; 2) Public debt transactions, PhP451.0 billion; and 3) General Services, which are mostly general services and support (GAS) of all agencies, PhP327.2 billion.

It must be noted that the budget for public debt transactions reflected under the COFOG system is smaller than the Traditional Method since it covers only interest payments and excludes net lending.

2. Economic Affairs. The second largest share of 16.6 percent of the proposed budget will go to this sector with PhP680.3 billion to support various functions that boost the country's economy and improve its competitiveness to create more jobs. Most of the budget (78 percent) will be spent for Transportation, which will get PhP530.4 billion in view of the *Build, Build, Build* Program of the Administration. Notably also, this functional allocation will be growing by 42.9 percent. Agriculture, forestry, fishing, and hunting are to receive PhP98.0 billion, 9.4 percent more than the previous years to support the growth of these industries and provide economic opportunities in the provinces and rural areas.

3. Education. The third largest budget of PhP675.9 billion, or 16.5 percent under the 2020 National Budget is proposed to provide quality and accessible education at all levels and to invest in educational facilities and a better-equipped teaching force for a more well-rounded education experience. For this, Pre-Primary and Primary Education will receive the largest funding of PhP246.3 billion (36.4 percent), followed

Table 2. Budget by Sector (COFOG), 2019-2020
(in billion Pesos)

Particulars	2019	2020	Increase/ (Decrease)	% Share
General Public Services, of which:	**1,399.2**	**1,541.4**	**142.2**	**37.6**
Executive and legislative organs, financial and fiscal affairs, external affairs	642.9	715.5	72.6	
General Services	294.0	327.2	33.2	
Public Debt Transactions	399.6	451.0	51.4	
Economic Affairs, of which:	**514.4**	**680.3**	**165.9**	**16.6**
General economic, commercial and labor affairs	24.1	26.3	2.2	
Agriculture, forestry, fishing and hunting	89.5	98.0	8.5	
Transport	371.1	530.4	159.3	
Education, of which:	673.4	675.9	2.5	16.5
Pre-primary and Primary Education	241.8	246.3	4.5	
Secondary Education	193.1	210.2	17.1	
Tertiary Education	98.1	86.5	(11.6)	
School buildings	32.8	38.6	5.8	
Social Protection, of which:	**433.7**	**586.0**	**152.3**	**14.3**
Old age (Senior Citizens)	138.1	212.0	73.9	
Conditional Cash Transfer	127.3	145.9	18.6	
Conflict-affected Areas	0.9	1.4	0.5	
Family and children (street families)	9.9	10.4	0.5	
Public Order and Safety, of which:	**259.0**	**242.8**	**(16.2)**	**5.9**
Police Services	173.7	161.8	(11.9)	
Law courts	29.2	29.3	0.1	
Prisons	22.9	20.4	(2.5)	
Defense, of which:	**166.1**	**167.7**	**1.6**	**4.1**
Military Defense	163.8	165.7	1.9	
Civil Defense	1.3	1.1	(0.2)	
Health, of which:	**173.8**	**164.7**	**(9.1)**	**4.0**
Hospital Services	62.3	59.6	(2.7)	
Health Insurance	67.4	67.4	0.0	
Public Health Services	40.1	34.2	(5.9)	
Environmental Protection, of which:	**20.0**	**28.2**	**8.2**	**0.7**
Waste Management	1.1	3.1	2.0	
Protection of biodiversity and landscape	9.5	12.0	2.5	
Pollution abatement	0.9	2.4	1.5	
Housing and Community Amenities, of which:	**6.3**	**8.1**	**1.8**	**0.2**
Water Supply	3.2	3.4	0.2	
Community Development	1.6	1.7	0.1	
Recreation, Culture, and Religion, of which:	**15.7**	**4.8**	**(10.9)**	**0.1**
Recreational and sporting services	10.1	1.3	(8.8)	
Cultural Services	4.1	2.2	(1.9)	

Source: 2020 BESF
Note: Figures may not add up due to rounding off.

by Secondary Education with PhP210.2 billion (31.1 percent), and Tertiary Education with PhP86.5 billion (12.8 percent). Furthermore, PhP38.6 billion is earmarked for the construction of school buildings.

4. Social Protection. Welfare spending, such as for housing support, child care, services for people with disabilities, aged care, social security, and other cash transfers, will receive PhP586.0 billion or 14.3 percent, the fourth largest allocation. The biggest budget share goes to Old Age (Senior Citizens) with Php212.0 billion or 36.2 percent, of which PhP188.2 billion is reserved for the Pension and Gratuity Fund of government retirees. Some PhP145.9 is allotted for the *Pantawid Pamilyang Pilipino* and the Unconditional Cash Transfer Programs. Another PhP71.9 billion will go to Survivors (Internally Displaced Persons and Disaster Relief Assistance) and PhP10.4 billion for assistance to Families and Children (Street Families).

5. Public Order and Safety. Police and fire protection services, law courts, and maintenance of prisons, among others, are in this category, with a budget PhP242.8 billion, or a 5.9 percent budget share for 2020. Around PhP161.8 billion, or 66.6 percent of this, is allotted for police services to reduce all forms and incidents of criminality through the PhP153.0-billion Crime Prevention and Suppression Program. Law courts will receive PhP29.3 billion, or 12.1 percent, to assure fair and speedy delivery of justice in line with the strengthened law enforcement in the country. Another PhP19.4 billion, or 8.0 percent, will go to fire-protection services, to improve equipment and response time of the Bureau of Fire Protection Units.

6. Defense. Expenditures for military and civil defense, foreign military aid, and defense against cybercrimes, among others, are allotted a budget of PhP167.7 billion for 2020, higher by 1.0 percent than the 2019 level of PhP166.1 billion. This represents 4.1 percent of the total proposed budget. The bulk of this, or PhP165.7 billion, will go to Military Defense, which includes the PhP25.0 billion for the Revised AFP Modernization Program to upgrade the defense and combat capabilities of the AFP.

7. Health. In line with the Universal Health Care Act to provide affordable, accessible, and quality health care services to the public, a budget share of 4.0 percent of the total budget, or PhP164.7 billion, is proposed for the Health sector. Around PhP67.4 billion, or 40.9 percent, is allotted for the continued expansion of the National Health Insurance Program, now with 15.4 million indigent families as beneficiaries. Hospital services, such as operations and facilities and equipment, will be improved and upgraded with a budget of PhP59.6 billion (36.2 percent), and another PhP34.2 billion (20.8 percent) is earmarked for Public Health Services, including the funding of *barangay* health station and rural health unit operations.

8. Environmental Protection. In line with the commitment to manage the risks and impact on the environment from natural and human activities, PhP28.2 billion, or 0.7 percent of the total budget is allotted for environmental protection programs. These include programs on the protection of biodiversity and landscape, PhP12.0 billion; waste water management, PhP5.2 billion; waste management, PhP3.1 billion; and pollution abatement, PhP2.4 billion.

9. Housing and Community Amenities. Housing benefits and the provision of potable water for low-income families, as well as displaced, and informal settlers living in danger zones, are targeted to be addressed with a budget of PhP8.1 billion, or 0.2 percent of the proposed budget. Specifically, PhP2.5 billion has been allotted for housing development, PhP3.4 billion for water supply, and PhP1.7 billion for community development.

10. Recreation, Culture, and Religion. Expenditures for the preservation of Filipino cultural heritage and respect for religious diversity, as well as the promotion of sports, among others, will be addressed by an allocation of PhP4.8 billion or 0.1 percent of the budget. Some PhP2.2 billion of this is reserved for Cultural Services. The 69.4 percent drop from the previous year's level is attributed to the decrease in Recreational and Sporting Services, from PhP10.1 billion in 2019 to PhP1.3 billion, after removing the funding for the 2019 Southeast Asian Games.

B. By Expense Class

There are four general types of expenditure items when presented by expense class, namely Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Financial Expenses (FinEx), and Capital Outlays (CO).

For 2020, MOOE remains to have the biggest share of the budget at 38.7 percent, followed by PS at 30.6 percent, Capital Outlays and Net Lending at 19.6 percent, and Financial Expenses at 11.0 percent. *(See Table 3)*

Personnel Services. PhP1,255.7 billion is allotted for PS, higher by 10.3 percent than the 2019 level of PhP1,138.1 billion, inclusive of Special Purpose Funds and automatically appropriated accounts. This will cover the payment of salaries, wages, and other compensation (e.g., merit, salary increase, cost-of-living-allowances, honoraria and commutable allowances, etc.) of permanent, temporary, contractual, and casual employees of the government. It also covers the proposed salary increase of government employees under the Salary Standardization Law 5 (PhP31.1 billion) and the higher pensions of the Military and Uniformed Personnel (PhP125.5 billion, inclusive of veterans pension and COA validated pension differential). Meanwhile, some PhP7.1 billion is allotted for the funding requirements for the filling of unfilled positions in the government. Among the agencies, the Department of Education has the biggest allocation for the PS, with PhP417.8 billion, to cover the salaries and wages of teaching and non-teaching personnel, among others.

Maintenance and Other Operating Expenses. MOOE will receive PhP1,587.8 billion, 11.9 percent higher than the previous year's PhP1,418.9 billion. This covers expenditures for everyday operations of the government, such as supplies and materials, transportation, repairs and maintenance, and utilities such as water and power. The Department of Social Welfare and Development gets the largest allocation for MOOE, with PhP150.0 billion for the implementation of its Conditional and Unconditional Cash Transfer Programs, as well as other social welfare programs. Other citizen-centric government programs and services, including the PhP108.6 billion MOOE for the Department of Health and the Philippine Health Insurance

Table 3. Expenditure Program, By General Expense Class, 2019-2020
(in billion Pesos)

Particulars	2019 (Program)	% Share	2020 (Proposed)	% Share	% Increase/ (Decrease)
Personnel Services	1,138.1	31.1	1,255.7	30.6	10.3
Maintenance and Other Operating Expenses (MOOE)	1,418.9	38.8	1,587.8	38.7	11.9
Financial Expenses (FinEx)	401.0	11.0	452.4	11.0	12.8
Capital Outlays (CO) and Net Lending	703.7	19.2	804.2	19.6	14.3
Total	**3,661.6**	**100.0**	**4,100.0**	**100.0**	**12.0**

Source: 2020 BESF, Table B.9
Note: Figures may not add up due to rounding off.

Corporation's (PhilHealth) health care programs, and PhP39.3 billion for the Commission on Higher Education and the Technical Education and Skills Development Authority's scholarships and financial assistance, are budgeted under MOOE. However, MOOE also covers the Allocations to Local Government Units (LGUs) with PhP779.7 billion and subsidies to Government-Owned and/or –Controlled Corporations (GOCCs) with PhP189.5 billion.

Financial Expenses. These are expenditures incurred in the process of owning or borrowing an asset or property, as well as net lending to GOCCs. Some are interest expenses, bank charges, commitment fees, guarantee fees, and trusteeship fees. Around PhP452.4 billion is allotted under this category, representing a 12.8 percent increase from the 2019 allotment of PhP401.0 billion. Of this, the Department of Finance claims the biggest expenditure for FinEx with PhP839 million, with the Bureau of the Treasury accounting for PhP712 million.

Capital Outlays. The Capital Outlays of the national government are appropriations spent for the purchase of goods and services, the benefits of which extend beyond the fiscal year and add to the assets of government, including investments in the capital stock of GOCCs and their subsidiaries. For 2020, some PhP804.2 billion is allotted for CO, posting the biggest increase, at 14.3 percent, from the 2019 budget of PhP703.7 billion.

Capital expenditures, particularly those classified as capital goods or durable goods, such as construction of roads and bridges, dams, power and irrigation works, schools and hospitals, are generally desirable because of their high multiplier effect on the economy, i.e., they catalyze and stimulate economic activities of the private sector and facilitate the expansion of industries. For the DPWH and DOTr, the proposed budgets for CO are PhP502.6 billion and PhP116.7 billion, respectively, up by 13.9 percent and 163.4 percent from the 2019 levels.

C. By Recipient Entity

The largest share of the 2020 proposed National Budget, equivalent to PhP2,665.9 billion or 65.0 percent, goes to the National Government Agencies (NGAs) for their respective programs/projects/activities, inclusive of transfers from special purpose funds and tax expenditures. The 2020 allocation is higher by 10.1 percent, or PhP245.1 billion more than the 2019 allocation. Nearly half of this, or PhP1,255.4 billion, is allotted for PS expenditures, while some PhP790.5 billion is for CO which include infrastructure expenditure of NGAs. *(See Table 4)*

The second largest share goes to LGUs, amounting to PhP781.1 billion or 19.1 percent of the budget. More than half of this, 66.5 percent, goes to automatically appropriated Internal Allotment Revenue (IRA) shares of LGUs at PhP519.1 billion.

Table 4. Expenditure Program, By Recipient Entity, 2019-2020
(in billion Pesos)

Particulars	2019 (Adjusted Program)	% Share	2020 (Proposed)	% Share	% Increase/ Decrease
National Government Agencies	2,420.8	66.1	2,665.9	65.0	10.1
Local Government Units	639.2	17.5	781.1	19.1	22.2
Government-owned and/or – Controlled Corporations*	202.0	5.5	202.0	4.9	0
Creditors (includes Net Lending)	399.6	10.9	450.1	11.0	12.6
Total	**3,661.6**	**100.0**	**4,100.0**	**100.0**	**12.0**

** includes Net Lending*

Source: 2020 BESF, Table B.7
Note: Figures may not add up due to rounding off.

Another expenditure under Allocation to Local Government Units (ALGU) is the PhP70.6 billion funding requirement for the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and the PhP29.1 billion special shares of LGUs in the proceeds of the national taxes.

GOCCs will receive PhP202.0 billion for 2020. The bulk of this goes to budgetary support in terms of subsidies and equities, at PhP138.2 billion. Among the GOCCs, those under the Department of Health, such as the Philippine Health Insurance Corporation and the Philippine Heart Center, have the biggest budget totaling to PhP71.4 billion or 35.3 percent. This also covers the PhP10.0 billion net lending assistance to GOCCs.

Meanwhile, PhP450.1 billion is allotted for loan repayments to creditors, which includes interest payments.

D. By Department and Special Purpose Fund

The combined budgets of the top ten recipient-departments for FY 2020 total PhP2,154.0 billion, and comprise 52.5 percent of the total proposed National Budget, and 91.1 percent of the budget for all departments, inclusive of automatic appropriations. Consistent with the Administration's agenda of boosting social services and infrastructure development in the country, Education and Public Works and Highways will continue to receive the biggest allocations, accounting for 51.1 percent share of the total for all departments. The ranking of recipient-departments remains mostly the same as the previous year. *(See Table 5)*

Education. For 2020, the Education sector remains at the top spot, with a total budget of PhP673.0 billion, up by PhP7.9 billion or 1.2 percent from the 2019 level. This is distributed among the following: Department of Education (DepEd), PhP551.7 billion; State Universities and Colleges, PhP68.5; Commission on Higher Education (CHED), PhP40.8 billion; and Technical Education and Skills Development Authority, PhP12.0 billion.

Around PhP36.0 billion of the DepEd Budget will cover the provision and maintenance of basic education facilities, and another PhP31.2 billion is for the Government Assistance and Subsidies (GAS), which aims to benefit a total of 2,087,779 grantees. The PhP35.4 billion for the implementation of the Universal Access to Quality Tertiary Education (UAQTE) Act lodged under the CHED will consist of PhP16.0 billion for Free Higher Education, PhP18.4 billion for the Tertiary Education Subsidy, and PhP1.0 billion for the Student Loan Program. Said programs will provide scholarships and financial assistance for poor but deserving students. Another PhP3.9 billion for UAQTE Program is lodged under the TESDA to cover the cost of education and training of students enrolled in technical-vocational schools.

Table 5. Top Ten Departments/Recipients, 2019-2020
(in billion Pesos)

Department	2019 (Program)		2020 (Proposed)		% Increase/(Decrease)	
	Amount	Rank	Amount	Rank	Amount	% Change
Total National Budget	**3,661.6**		**4,100.0**		**438.4**	**12.0**
All Departments (incl. automatic appropriations)	2,220.8		2,364.8		144.0	6.5
Top Ten Departments/Recipients	**2,004.4**		**2,154.0**		**149.6**	**7.5**
% of National Budget	54.7		52.5			
% of all Departments	90.3		91.1			
Education (DepEd, SUCs, CHED, and TESDA)	665.1	1	673.0	1	7.9	1.2
DPWH	465.2	2	534.3	2	69.1	14.9
DILG	230.4	3	238.0	3	7.6	3.3
DND	186.5	4	189.0	4	2.5	1.3
DSWD	141.4	5	158.6	5	17.2	12.2
DOTr	69.4	7	147.0	6	77.6	111.8
DOH	102.0	6	92.2	7	(9.8)	(9.6)
DA	49.7	8	56.8	8	7.1	14.3
The Judiciary	39.5	9	38.7	9	(0.8)	(2.0)
ARMM	32.3	10			(32.3)	(100.0)
DENR	22.9		26.4	10	3.5	15.3
Other Departments	216.4		210.8		(5.6)	(2.6)
Rest of National Budget	1,440.8		1,735.2		294.4	20.4

Source: 2020 National Expenditure Program (NEP)
Note: Figures may not add up due to rounding off.

Department of Public Works and Highways (DPWH). To undertake the planning, construction, and maintenance of public infrastructure, such as national roads and bridges, flood control, water resources projects and other public works, a budget of PhP534.3 billion is proposed for the DPWH, an increase of 14.9 percent from 2019 budget of PhP465.2 billion. Some PhP203.8 billion is allocated to ensure safe and reliable national road systems in the country, and includes: Asset Preservation Program, PhP51.8 billion; Network Development Program, PhP119.1 billion; and Bridge Program, PhP32.9 billion. Another PhP95.5 billion will go to flood mitigating structures and drainage systems as well as flood mitigating facilities within major river basins and principal rivers.

Department of the Interior and Local Government (DILG). Supporting the DILG in its intensified campaign for peace and order and public safety is a budget of PhP238.0 billion, up by 3.3 percent from the previous year's level of 230.4 billion. The bulk of this, or PhP184.9 billion, will go to the Philippine National Police's various programs, including the Crime Prevention and Suppression Program and the Crime Investigation Program. Meanwhile, the Bureau of Fire Protection is to receive a budget of PhP23.7 billion.

Department of National Defense (DND). To defend the country against external and internal threats to territorial integrity and sovereignty, and to promote the welfare of the people, the DND has an allocation of PhP189.0 billion, 1.3 percent higher than the 2019 allocation of PhP186.5 billion. Around PhP183.5 billion, or 97.1 percent, is allocated to the Armed Forces of the Philippines for territorial defense, security, and stability services to be provided by the Philippine Army (PhP91.6 billion), Philippine Air Force (PhP26.0 billion), and Philippine Navy (PhP29.1 billion).

Department of Social Welfare and Development (DSWD). A budget of PhP158.6 billion is allotted for the DSWD, higher by 17.2 percent than the previous year's budget of PhP141.4 billion, to lead in the formulation, implementation, and coordination of social welfare and development policies and programs for the poor, vulnerable, and disadvantaged. PhP108.8 billion is proposed for the *Pantawid Pamilyang Pilipino* Program, which includes PhP37.6 billion health grants and PhP32.2 billion education grants following the passage of RA No. 11310 or *Pantawid Pamilyang Pilipino* Program (4Ps) Act. Another PhP23.2 billion will fund the Social Pension for Indigent Senior Citizens. This budget excludes those lodged under the Land Bank of the Philippines worth PhP36.5 billion.

Department of Transportation (DOTr). The DOTr rose to 6th place, from its 7th place rank in 2019, with a budget of PhP147.0 billion, from PhP69.4 billion, or an increase of 111.8 percent. The budget will help the DOTr to promote, develop, and regulate dependable and coordinated network of transportation systems in the country. The big jump in the proposed budget of the DOTr is mainly due to the higher allocation for the Railway Sector for 2020 at PhP106.7 billion, from PhP24.6 billion, an increase of 333.7 percent. This includes the PhP84.7 billion North-South Commuter Railway System and the PhP9.8 billion Metro Manila Subway Project Phase 1.

Department of Health (DOH). The DOH is the principal agency responsible for ensuring access of Filipinos to basic public health services through the provision of quality health care and regulation of providers of health goods and services. The DOH dropped to 7th, from 6th place in 2019, with a budget of PhP92.2 billion (excluding allocation to PhilHealth) from PhP102.0 billion, or a decrease of 9.6 percent. The Medical Assistance for Indigent Patients has PhP9.4 billion, and another PhP5.9 billion is provided for the Health Facilities Enhancement Program, the latter having been reduced from PhP15.9 billion in 2019 based on implementation capacity. However, some PhP7.0 billion is allocated under the Miscellaneous Personnel Benefits Fund to augment the PhP2.5 billion under the DOH budget for the deployment of Human Resources for Health.

Department of Agriculture (DA). The proposed budget for the DA is PhP56.8 billion, which is 14.3 percent higher than the 2019 level of PhP49.7 billion. This will support its mandate of promoting agricultural development and food security. Notably included is the PhP10.0 billion Rice Competitive Enhancement Fund mandated under RA No. 11203 or the Rice Tariffication Law, which was passed in February 2019. In addition, the crop banner programs will have the Rice Program with a budget of PhP6.9 billion, Corn Program with PhP1.5 billion, and Fisheries Program with PhP4.5 billion. Some PhP12.4 billion is earmarked for the development of the Farm-to-Market Roads (FMR) Program (inclusive of locally-funded and foreign-assisted projects), which targets to construct 904 km of FMRs, and PhP2.5 billion for the implementation of the Easy Access Loan Strategy for FY 2020.

The Judiciary. To promote fair and swift administration of justice through harmonized efforts and seamless coordination among agencies and institutions involved in the process, PhP38.7 billion is proposed for the Judiciary, some PhP0.8 billion lower than its previous year's allotment of PhP39.5 billion because of non-recurring expenses in the 2019 budget. Of this amount, PhP2.6 billion will fund the operating requirements of 2,630 lower courts and another PhP1.2 billion is for the construction of various Halls of Justice under the Justice Infrastructure Program.

Department of Environment and Natural Resources (DENR). To conserve, manage, develop, and ensure the proper use of the country's environment and natural resources, a budget of PhP26.4 billion is proposed for the DENR. This brings the DENR to the 10th spot for 2020, after missing the cut last fiscal year, with a 15.3 percent increase in budget allocation. The National Greening Program remains to be one of the major programs of the DENR, with PhP5.2 billion for the reforestation effort of the government. Meanwhile, to maintain cleanliness of the environment, PhP312 million is proposed for the Clean Air Program, PhP384 million for the Clean Water Program, and PhP618 million for solid waste management.

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 2020, some PhP1,735.3 billion, or 42.3 percent of the budget, are SPFs. Said total amount, higher by 20.4 percent than the 2019 level of PhP1,440.9 billion, shall be available for allocation to departments/agencies, in addition to their built-in appropriations, during budget execution, pursuant to special conditions per SPF. *(See Table 6)*

As classified, 1) Disaggregated SPFs are those which have specific details, such as the GOCCs to be subsidized and the specific purposes of the fund; while 2) Lump-sum SPFs are those whose specific details cannot be determined during budget preparation, but whose use is governed by certain conditions stated in their respective Special Provisions.

Given the nature of SPFs, the government has decreased the number of SPFs over the years for greater transparency and better planning, such that the funds previously charged, for example against the International Commitments Fund, are now lodged under the budgets of agencies concerned like the Department of Foreign Affairs.

Disaggregated SPFs

Around PhP1,236.3 billion, or 71.2 percent, are SPFs disaggregated into specific recipient agencies and/or specific programs and projects. This represents an increase of 24.5 percent from the 2019 total of PhP993.4 billion.

The bulk of this goes to Budgetary Support to Government Corporations in the form of subsidy support and/or equity contribution, amounting to PhP192.0 billion, of which PhP67.4 billion goes to the PhilHealth for the National Health Insurance Program. The list of GOCCs and the purpose of such budgetary support are available in both the proposed and enacted budget documents, as well as the performance targets to be accomplished by each GOCC following the introduction of performance-informed budgeting in the FY 2014 Budget.

The increase in the total SPFs for next year is attributed mainly to higher Miscellaneous Personnel and Benefits Fund (MPBF) and Pension and Gratuity Fund (PGF), with proposed budgets of PhP63.4 billion and PhP190.2 billion, some PhP27.9 billion and PhP73.2 billion larger than the 2019 level, respectively. Aside from that presented earlier, the MPBF also includes the PhP10.0 billion Performance-Based Bonus, the PhP200 million Legal

Table 6. Special Purpose Funds, 2019-2020
(in billion Pesos)

Special Purpose Funds	2019 (Program)	2020 (Proposed)
Disaggregated SPFs	**403.4**	**513.8**
Budgetary Support to Government Corporations	187.5	192.0
Allocation to LGUs	63.4	68.2
Share in the Proceeds of Taxes	27.3	29.1
Local Government Support Fund	32.7	28.0
Metropolitan Manila Development Authority	3.4	4.1
BARMM-Special Development Fund and Share in Taxes	-	7.0
Miscellaneous Personnel Benefits Fund	35.5	63.4
Pension and Gratuity Fund	117.0	190.2
Lump-Sum Funds (LSF)	**33.4**	**33.5**
National Disaster Risk Reduction and Management Fund	20.0	20.0
Contingent Fund	13.0	13.0
Allocation to LGUs	0.4	0.5
Barangay Officials Death Benefits Fund	0.1	0.1
Share in the Proceeds of Fire Code Fees	0.3	0.4
Automatic Appropriations	**1,004.1**	**1,188.0**
IRA (Disaggregated)	575.5	648.9
Tax Expenditure Fund (LSF)	14.5	14.5
BARMM-Block Grant (Disaggregated)	-	63.6
Net Lending (Disaggregated)	14.5	10.0
Interest Payments (LSF)	399.6	451.0
Total SPFs	**1,440.9**	**1,735.3**

Source: 2020 NEP
Note: Figures inclusive of Automatic Appropriations (net of Retirement and Life Insurance Premium and Special Account in the General Fund); may not add up due to rounding off.

Defense Fund, and the PhP407 million funding requirements for the payment of other personnel benefits.

Lump-Sum Funds

Lump-sum funds, by their nature, cannot be disaggregated into specific programs and projects since their specific uses are only identified during the budget execution phase, of which releases are made only after specific conditions are met.

By strict definition, only 0.8 percent of the budget, or PhP33.5 billion, is considered as lump-sum funds. Counted under these are the National Disaster Risk Reduction and Management Fund (PhP20.0 billion), Contingent Fund (PhP13.0), and Allocation to LGUs (PhP0.5 billion). When inclusive of automatic appropriations, LSFs amount to PhP499.0 billion for 2020, higher by 11.5 percent than the 2019 level of PhP447.5 billion.

For instance, the National Disaster Risk Reduction and Management Fund (NDRRMF) is allotted for aid, relief, and rehabilitation services to communities/areas affected by human-induced and natural calamities. Specific programs and projects for these cannot be programmed specifically in the proposed budget mainly because disasters and the extent of damage cannot be predicted when the budget is being prepared.

Automatic Appropriations

By virtue of their nature and enabling laws, these SPFs are not included in the GAA because they do not require periodic action and approval of the Congress. The Internal Revenue Allotment (PhP648.9 billion) and the Bangsamoro Autonomous Region in Muslim Mindanao Block Grant (PhP63.6 billion) can be considered disaggregated while the Tax Expenditure Fund (PhP14.5 billion) and Interest Payments (PhP451.0) are lump-sum funds.

In the proposed budget, Automatic Appropriations will reach PhP1,188.0 billion or 18.3 percent higher than the 2019 level of PhP1,004.1 billion, the bulk of which is due to the block grant to the BARMM mandated under RA No. 11054 otherwise known as the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao.

E. By Appropriation Source

In presenting the Budget by Appropriation Source, two classifications are considered: 1) New General Appropriations; and 2) Automatic Appropriations. As earlier mentioned, the former need Congress' authorization every year while the latter need not seek Congress' approval as they are deemed authorized by virtue of existing laws. *(See Table 7)*

New General Appropriations

For 2020, PhP3,066.5 billion, or 74.8 percent of the budget, is considered under New General Appropriations. This is higher by 10.4 percent than the 2019 value of PhP2,777.2 billion. Of the PhP3,066.5 billion, PhP2,304.7 billion, or 75.2 percent, is allocated among the various departments for their operations and program and project implementation. The remaining PhP761.8 billion, or 24.8 percent, covers Special Purpose Funds. As a policy of the Administration, New Appropriations cover only programs and projects that are ready for implementation within the budget year, unless said project/program are multi-year in nature.

Meanwhile, some PhP216.3 billion of Unprogrammed Appropriations, or 5.3 percent of the New General Appropriations, represent standby authority, which can only be tapped and released when revenues collected in any of the identified revenue sources exceed targets as identified in the Budget Expenditures and Sources of Financing, or when foreign loans or grants are received. Among the allocations listed

Table 7. Summary of Appropriations of the National Government, 2019-2020
(in billion Pesos)

Particulars	2019 (Program)	2020 (Proposed)	% Increase/ Decrease
Appropriations			
New General Appropriations	2,777.2	3,066.5	10.4
Automatic Appropriations	1,071.5	1,249.8	16.6
Continuing Appropriations	209.8		
Total Available Appropriations	4,058.5	4,316.3	6.4
Less: Unreleased Appropriations	(229.7)	(216.3)	
Unobligated Allotments	(167.2)		
Total	**3,661.6**	**4,100.0**	**12.0**

Source: 2020 NEP
Note: Figures may not add up due to rounding off.

under the Unprogrammed Appropriations are the Support to Foreign-Assisted Projects (PhP90.4 billion), Budgetary Support to GOCCs-conversion of advances into subsidy (PhP61.9 billion), and Risk Management Program (PhP30.0 billion). The sizeable standby-appropriations for FAPs is in view of the possible approval within FY 2020 of foreign loans to finance infrastructure and other programs, which have not been included in the proposed programmed national expenditures in the absence of signed agreements during the budget preparation stage.

Automatic Appropriations

Around 30.5 percent, or PhP1,249.8 billion, of the PhP4,100.0 billion 2020 proposed National Budget are automatic appropriations or expenditures that do not require regular annual legislative approval by virtue of their nature and enabling laws. This increased by 16.6 percent from the 2019 figure of PhP1,071.5 billion. A large part of the increase is attributed to the inclusion of the Bangsamoro Annual Block Grant of PhP63.6 billion, pursuant to RA No. 11054. Other items include the LGU-IRA shares of PhP648.9 billion per RA No. 7160, debt service-interest payments of PhP451.0 billion for the government's outstanding debts, and Retirement and Life Insurance Premiums of PhP49.3 billion for the share of the national government in premium payments for life insurance and retirement benefits of its employees.

F. By Region

Of the PhP4,100.0 billion 2020 proposed National Budget, 68.5 percent, or PhP2,809.4 billion, constitutes the Regionalized Budgets representing direct allocations to the 17 regions of the country. The remaining 31.5 percent, or PhP1,290.7 billion, is referred to as Non-Regionalized Budget, which consists of Nationwide and Central Office allocations. *(See Tables 8 and 9)*

Under the Regionalized Budget, which includes the National Capital Region (NCR) and the three major island groupings, the NCR gets the biggest share with PhP1,018.0 billion or 24.8 percent. It will be noted that the allocation for NCR includes allocations for departments/agencies whose offices are located in the NCR with nationwide coverage i.e., with regional presence but without regional operating units such as the Commission on Human Rights and the Office of the Ombudsman.

Luzon follows closely at PhP877.1 billion for a share of 21.4 percent. Mindanao gets PhP533.4 billion for 13.0 percent share, and then Visayas with PhP380.8 billion or 9.3 percent share. The share of the Regionalized Budget has been increasing vis-à-vis the Non-Regionalized Budget to further disaggregate and distribute the budget down to the regions and thus spread benefits of the strong economy throughout the country to fulfill the inclusive growth agenda.

However, in terms of per capita, the highest budget allocation is for the Mindanao region with PhP19,849. Luzon (excluding NCR with PhP76,654) and Visayas regions will have PhP18,077 and PhP17,901, respectively.

Meanwhile, for the Non-Regionalized Budget, lodged under Nationwide is a budget of PhP1,017.7 billion, 78.8 percent of the total Non-Regionalized Budget. This covers allocations still to be distributed to various regions of the departments/agencies during budget execution, similar to the multi-user special purpose funds.

Some PhP273.0 billion, or 21.2 percent of the total Non-Regionalized Budget, goes to Central Office allocations, which are those managed and used by the Head or Central Office of the Department/Agency (e.g., DOH and its Cancer and Drug Rehabilitation Centers).

G. Intergovernmental Transfers to LGUs

Intergovernmental transfer refers to the transfer of funds from one government entity to another. As an instrument of public finance, it is often used to effect a fiscal balance between the subnational governments' expenditure responsibilities and their revenue sources.

Table 8. FY 2019-2020 National Budget, By Major Island Group
(in billion Pesos)

Particulars	2019 GAA	% Share	2020 (Proposed)	% Share
Regionalized Budget	**2,361.5**	**64.5**	**2,809.4**	**68.5**
NCR	763.3	20.8	1,018.0	24.8
Luzon	782.0	21.4	877.1	21.4
Visayas	356.8	9.7	380.8	9.3
Mindanao	459.4	12.5	533.4	13.0
Non-Regionalized Budget	**1,300.1**	**35.5**	**1,290.7**	**31.5**
Nationwide	780.3	21.3	1,017.7	24.8
Central Office	519.8	14.2	273.0	6.7
Total	**3,661.6**	**100.0**	**4,100.0**	**100.0**

Sources: 2020 BESF, Tables B.6.b and B.6.c
Note: Figures may not add up due to rounding off.

Table 9. Budget by Region, 2019-2020
(in billion Pesos)

Particulars	2019 GAA	% Share	2020 (Proposed)	% Share
Regionalized Budget	**2,361.6**	**64.5**	**2,809.4**	**68.5**
NCR	763.3	20.8	1,018.0	24.8
Luzon	782.0	21.4	877.1	21.4
Region I	98.3	2.7	84.9	2.1
CAR	53.0	1.4	72.1	1.8
Region II	79.9	2.2	85.6	2.1
Region III	176.4	4.8	244.0	6.0
Region IV-A	187.7	5.1	195.0	4.7
Region IV-B (MIMAROPA)	68.6	1.9	74.2	1.8
Region V	118.1	3.2	121.3	3.0
Visayas	356.8	9.7	380.8	9.3
Region VI	131.8	3.6	140.6	3.4
Region VII	123.5	3.4	131.6	3.2
Region VIII	101.5	2.8	108.6	2.6
Mindanao	459.4	12.5	533.4	13.0
Region IX	73.8	2.0	82.2	2.0
Region X	89.2	2.4	97.4	2.4
Region XI	90.1	2.5	92.1	2.2
Region XII	75.6	2.1	82.8	2.0
CARAGA	61.7	1.7	68.1	1.7
ARMM	69.0	1.9	110.8	2.7
Non-Regionalized Budget	**1,300.1**	**35.5**	**1,290.7**	**31.5**
Nationwide	780.3	21.3	1,017.7	24.8
Central Office	519.8	14.2	273.0	6.7
Total	**3,661.6**	**100.0**	**4,100.0**	**100.0**

Sources: 2020 BESF, Tables B.6.b and B.6.c
Note: Figures may not add up due to rounding off.

Subnational governments are expected to deliver basic and priority services to their constituents. However, since not all of them have equal capacity to mobilize resources to fund these critical services, fiscal transfers are provided to help reduce resource disparities and support equitable local development.

In the Philippines, the main form of intergovernmental transfer — from the national government to local governments — is the Allocation to Local Government Units (ALGU).

ALGU pertains to the total subsidy given to local government units (LGUs) by the national government, corresponding to their legally mandated allocations, such as the Internal Revenue Allotment (IRA), special shares of selected LGUs from proceeds from national wealth (e.g., share of tobacco-producing provinces, etc.), National Government transfers to LGUs [e.g., Barangay Officials Death Benefits Fund, Local Government Support Fund, and the budget allocation for Metropolitan Manila Development Authority (MMDA)], and the allocation for the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).

Table 10. Allocation to LGUs, 2019-2020
(in million Pesos)

Particulars	2019 GAA	2020 Proposed
IRA	575,520	648,921
Local Government Support Fund	32,730	27,977
Special Shares of LGUs in the Proceeds of National Taxes	27,324	29,093
Special Shares of LGUs in the Proceeds of Fire Code Fees	250	365
MMDA	3,371	4,106
Bangsamoro Autonomous Region in Muslim Mindanao	-	70,634
Barangay Officials Death Benefits	50	50
Total	**639,246**	**781,148**

Source: 2020 BESF, Table B.9
Note: Figures may not add up due to rounding off.

For 2020, ALGU gets PhP781.1 billion or 19.1 percent of the total proposed Budget. It is higher by 22.2 percent than the FY 2019 allocation of PhP639.2 billion due to the increases in the IRA, Special Shares of LGUs, and budget of MMDA, as well as the provision for the BARMM. *(See Table 10)*

Internal Revenue Allotment

The bulk of the ALGU budget will go to the IRA, which is the automatically appropriated formula-based share of LGUs from national internal revenue collections, pursuant to RA No. 7160 or the Local Government Code of 1991.

The said Law provides for a system of decentralization, where LGUs are given “more powers, authority, responsibilities, and resources.”[2] To help LGUs fulfill their functions and responsibilities, they are provided a 40 percent share in the national internal revenue taxes “based on the collection of the third fiscal year preceding the current fiscal year” as indicated in the Local Government Code – at least 20 percent of which should be used for development projects.

Table 11. Share of LGUs in IRA, 2020

LGUs	No. of LGUs	% Allocation (as provided in RA No. 7160)	Total IRA Shares in 2020
Provinces	82	23%	PhP149.3 B
Cities	145	23%	PhP149.3 B
Municipalities	1,478	34%	PhP220.6 B
Barangays	41,913	20%	PhP129.8 B
Total	**43,618**	**100%**	**PhP648.9 B**

The IRA is the largest source of funds for most LGUs. Based on the 2020 Fiscal Risks Statement, IRA forms 69 percent of the LGUs’ income. Provinces have 84 percent dependence on IRA, while municipalities and cities have 82 percent and 47 percent IRA dependence, respectively. *(See Table 11)*

Pursuant to the Law, the IRA is distributed by level of LGUs: 23 percent to provinces, 23 percent to cities, 34 percent to municipalities, and 20 percent to barangays.

The total IRA shares of LGUs in FY 2020 is higher by PhP73.4 billion or 12.8 percent. The following factors were considered in computing the IRA allocation of LGUs for FY 2020:

- The 2015 Philippine Statistics Authority Census of Population pursuant to Proclamation No. 1269 dated May 19, 2016; and
- The 2001 Master List of Land Area certified by the Land Management Bureau pursuant to Oversight Committee on Devolution Resolution No. 1, s. 2005 dated September 12, 2005.

Local Government Support Fund

Aside from IRA, LGUs also benefit from the Local Government Support Fund (LGSF), a financial subsidy to LGUs for the implementation of priority programs and projects which are mostly directed at alleviating poverty and stimulating economic growth.

Table 12. Local Government Support Fund, 2019-2020
(in billion Pesos)

Particulars	2019 (GAA)	2020 (Proposed)
Assistance to Municipalities	11.7	11.7
Assistance to Cities	2.5	2.5
Conditional Matching Grant to Provinces for Road and Bridge Rehabilitation, Upgrading, and Improvement	8.2	8.2
Provision of Potable Water Supply (SALINTUBIG)	1.6	1.6
Other Financial Assistance to LGUs	8.8	4.0
Total	**32.7**	**28.0**

Source: 2020 NEP
Note: Figures may not add up due to rounding off.

For FY 2020, the LGSF is provided almost PhP28.0 billion. A big chunk of this, or PhP11.7 billion, is set aside for Assistance to Municipalities to fund projects identified in the Local Development Investment Fund (LDIP). Release of this fund to municipalities, however, is subject to compliance with certain governance reform criteria. *(See Table 12)*

Cities are likewise given financial subsidies via Assistance to Cities. For FY 2020, this amounts to PhP2.5 billion which shall be used to finance the construction, rehabilitation, repair, or improvement of public open spaces.

Provinces, meanwhile, are provided PhP8.2 billion through the Conditional Matching Grant to Provinces for Road and Bridge Rehabilitation, Upgrading, and Improvement.

Municipalities also enjoy a Provision for Potable Water Supply (SALINTUBIG) amounting to PhP1.6 billion, which shall be used exclusively for SALINTUBIG projects and implemented exclusively in the municipalities identified in the General Appropriations Act. Municipalities which will benefit from this fund are identified based on the following criteria: poverty incidence, resource per capita, and access to safe water. Release of funds is also subject to compliance with the governance reform requirements and technical requirements. *(See section on Building Safe and Secure Communities for more details.)*

Under the LGSF, Other Financial Assistance to LGUs, amounting to PhP4.0 billion in 2020, is also provided, and which can be used for the following projects:

Construction, trehabilitation, repair, or improvement of local roads and/or bridges, public markets, slaughterhouses, multi-purpose buildings or halls, multi-purpose pavements, drainage canals, sea wall of river wall, water system projects; evacuation centers, public parks, fish ports, and post harvest facilities; and

Purchase of ambulances, mini dump trucks, or multicabs.

Special Shares of LGUs in the Proceeds of National Taxes

Some LGUs are also entitled to the Special Shares in the Proceeds of National Taxes such as the following:

- Utilization and development of national wealth within their territorial jurisdiction pursuant to Sections 289 to 291 of the Local Government Code of 1991;
- Excise tax on Virginia Tobacco cigarettes per RA No. 7171 (An Act to Promote the Development of Farmers in the Virginia Tobacco-Producing Provinces);
- Excise tax on burley and native tobacco products per RA No. 8240 (An Act Amending Sections 138, 139, 140, and 142 of the National Internal Revenue Code, as amended, for Other Purposes), as amended by RA No. 10351 (Sin Tax Reform Law);
- Gross income taxes paid by all businesses and enterprises within the ecozones pursuant to RA No. 7922 (Cagayan Economic Zone Act of 1995);
- Incremental Collections from Value Added Tax pursuant to RA No. 7643 (An Act to Empower the Commissioner of Internal Revenue to Require the Payment of the Value-Added Tax Every Month and to Allow LGUs to Share in the VAT Revenue, Amending for this Purpose Certain Sections of the National Internal Revenue Code) and RA 8424 (An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes); and
- Value-Added Tax in lieu of Franchise Tax.

For 2020, special shares of LGUs in the proceeds of these national taxes amount to PhP29.1 billion, higher by PhP1.8 billion from the 2019 level of PhP27.3 billion. About PhP17.3 billion of the shares, or 59.4 percent, comes from the tobacco excise tax.

Special Shares of LGUs in the Proceeds of Fire Code Fees

Aside from shares in the proceeds of national taxes, LGUs also have a special share in the proceeds of Fire Code Fees, as provided for in RA 9514 or the Revised Fire Code of the Philippines in 2008. For 2020, this amounts to PhP365 million, which can be used by the LGUs for the operation and maintenance of local fire stations. The release of this fund is guided by the DOF-DBM-DILG Joint Circular No. 2015-1 dated February 12, 2015.

***Barangay* Officials Death Benefits**

This benefit covers the punong *barangay*, regular and ex-officio members of the *Sangguniang Barangay*, including indigenous people representatives, *barangay* secretary and treasurer, who pass away during their term of office. Similar to this year's allocation, this expenditure item is provided PhP50 million which is released through the DILG.

H. Transfers to GOCCs

Aside from LGUs, the national government (NG) also provides assistance to government-owned and/or –controlled corporations (GOCCs) in the form of equity or the NG investment in the authorized capital stock of GOCCs; subsidy or the amount used to cover operational expenses not supported by corporate revenues or to cover programs of the NG; and the relent loan proceeds or net lending advances for the servicing of debts guaranteed by the national government.

Over the years, budgetary support for GOCCs (BSGC) has been increasing. From the PhP25.8 billion[3] allocation 10 years ago, it grew to PhP187.5 billion in 2019. Next year, GOCCs will be supported by PhP192.0 billion, higher by 2.4 percent from this year's level. In terms of percentage share to the total National Budget, however, the BSGC for 2020 is lower with only 4.7 percent as compared to 2019's 5.1 percent.

The bulk of the support to GOCCs is in the form of subsidies to support the implementation of specific government programs and projects such as the following:

National Health Insurance Program of the Philippine Health Insurance Corporation (PHIC), PhP67.4 billion;

TRAIN Law's Unconditional Cash Transfer Project through the Land Bank of the Philippines (LBP), PhP36.5 billion;

Irrigation programs (e.g., Irrigation Systems Restoration Program, Irrigation Systems Development Program, etc.) of the National Irrigation Administration (NIA), PhP36.3 billion;

Buffer Stocking Program (e.g., local palay procurement) of the National Food Authority (NFA), 7.0 billion;

Housing programs (e.g., Comprehensive and Integrated Housing Program) of the National Housing Authority (NHA), PhP3.3 billion;

Housing programs (e.g., High Density Housing Program, Community Mortgage Program) of the Social Housing and Finance Corporation (SHFC), PhP1.4 billion;

Electrification programs (e.g., National Rural Electrification Program) of the National Electrification Administration (NEA), PhP1.5 billion; and

Missionary Electrification Program of the National Power Corporation (NPC), PhP1.2 billion.

Table 13. Budgetary Support to GOCCs, 2019-2020
(in billion Pesos)

Particulars	2019	2020 (Proposed)
BSGC	**187.5**	**192.0**
Of which:		
PHIC	67.4	67.4
LBP	36.5	36.5
NIA	36.1	36.3
NFA	7.0	7.0
NHA	0.8	3.3
NEA	1.1	1.5
SHFC	0.8	1.4
NPC	1.0	1.2

Note: Amounts include automatic appropriations, but exclude net lending

Among the BSGCs, the PHIC gets the biggest chunk of budgetary support with PhP67.4 billion to fund the government's National Health Insurance Program. It is followed by the Land Bank of the Philippines with PhP36.5 billion to fund the Tax Reform Cash Transfer Project, the largest social mitigation program under the Tax Reform for Acceleration and Inclusion (TRAIN) Law. Said cash grant is intended to mitigate the impacts of the moderate and temporary price increases due to the enforcement of the comprehensive tax reform program and is given to the poorest households identified by the Department of Social Welfare and Development (DSWD) based on the list of beneficiaries registered in the National Household Targeting System for Poverty Reduction or Listahanan. *(See sections on Accelerating Human Development and Reducing the Vulnerability of Individuals and Families for more details.) (See Table 13)*

The NIA, meanwhile, gets the third largest budgetary support, with PhP36.3 billion, About PhP12.2 billion of this will be used

Table 14. Earmarked Revenues, 2019-2020
(in billion Pesos)

Department/Agency/Fund	2019 (Program)		2020 (Proposed)	
	Revenues	Expenditures	Revenues	Expenditures
Use of Income, General Fund	**29,845.9**	**29,835.9**	**94,775.1**	**94,768.8**
Department of Science and Technology	17.8	7.8	22.9	7.8
Department of Social Welfare and Development	35.1	35.1	24.8	33.6
Autonomous Region in Muslim Mindanao	2,483.6	2,483.6	-	-
Bangsamoro Autonomous Region in Muslim Mindanao			65,634.1	65,634.1
Local Government Units	27,309.4	27,309.4	29,093.3	29,093.3
Special Accounts in the General Fund	**54,282.4**	**13,352.5**	**70,946.8**	**14,599.9**
Department of Agrarian Reform	2.4	2.4	2.4	2.4
Department of Agriculture	183.0	1,964.1	192.6	1,964.1
Department of Education	500.0	473.9	-	135.0
Department of Energy	29,179.5	2,760.2	29,158.7	2,785.8
Department of Environment and Natural Resources	608.8	167.4	622.7	193.1
Department of Finance	998.0	756.9	2,217.1	1,841.9
Department of Health	702.3	921.2	1,670.2	688.2
Department of the Interior and Local Government	1,807.6	1,000.0	1,907.0	1,000.0
Department of Justice	2,005.0	519.9	2,102.6	559.2
Department of Labor and Employment	609.7	231.9	705.4	161.5
Department of National Defense	884.6	-	471.9	471.9
Department of Public Works and Highways	-	-	15,565.4	-
Department of Tourism	18.1	4.6	18.6	4.6
Department of Trade and Industry	6.8	24.7	7.5	23.4
Department of Transportation	1,628.0	1,386.5	1,271.0	1,042.1
National Economic and Development Authority	9.5	8.2	8.5	8.2
Other Executive Offices	4,998.1	1,827.3	4,796.4	2,040.0
Budgetary Support to Government Corporations	10,141.1	1,303.3	10,228.8	1,678.6
Total	**84,128.3**	**43,188.4**	**165,721.9**	**109,368.7**

Source: 2020 BESF, Table B.15
Note: Figures may not add up due to rounding off.

as subsidy to the National Irrigation Systems and Communal Irrigation Systems, giving priority to key production areas in major rice producing provinces.

I. Earmarked Revenues

Earmarking, as a practice, dedicates tax proceeds and other forms of revenue to a specific expenditure item. Such funds, referred to as earmarked revenues, are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from government's general revenues.

As a general rule, such policy is discouraged given the one fund concept and the need to maximize the use of taxes and other revenues for budgetary priorities. However, earmarking ensures funding for certain programs or projects mandated by law, which in some way eliminates funding uncertainties caused by, for example, a change in leadership. Thus, critical programs and projects become less subject to politicization of funding decisions.

For 2020, expected earmarked revenue collections of the government are almost twice the 2019 level, from PhP84.1 billion to PhP165.7 billion. Of this, 66.5 percent, or PhP109.4 billion, is programmed for various programs and projects. The projected earmarked revenues and corresponding programmed expenditures for 2020 increased by 97.0 and 153.2 percent, respectively. *(See Table 14)*

Earmarked revenues are classified into two: 1) Use of Income in the General Fund; and 2) Special Accounts in the General Fund (SAGF). The former covers 57.2 percent or PhP94.8 billion of the total earmarked revenues while the remaining 42.8 percent or PhP70.9 billion goes to SAGFs.

Table 15. Off-Budget Accounts, 2019-2020
(in million Pesos)

Particulars	2019 (Program)		2020 (Proposed)	
	Receipt	Expenditures	Receipt	Expenditures
Department of Agriculture	1,213.9	2,672.4	1,421.3	2,782.9
Department of Education	4,055.1	4,386.1	4,348.3	4,780.6
State Universities and Colleges	25,235.0	28,507.8	26,562.8	28,802.9
Department of Energy	7.3	0.9	7.4	1.0
Department of Environment and Natural Resources	132.8	108.3	152.2	114.6
Department of Finance	3,413.0	2,044.1	3,267.2	4,122.7
Department of Foreign Affairs	549.4	631.7	576.9	694.8
Department of Health	22,578.0	20,974.2	24,318.9	22,781.9
Department of the Interior and Local Government	1,555.6	1,474.5	1,661.3	1,512.2
Department of Justice	2,540.7	2,366.8	2,709.0	2,521.0
Department of Labor and Employment	4,736.5	4,327.0	4,804.9	4,242.9
Department of National Defense	2,032.3	2,333.7	1,658.8	1,939.0
Department of Public Works and Highways	10,131.7	5,663.2	10,233.0	5,765.6
Department of Science and Technology	1,913.8	1,878.4	2,084.7	1,902.9
Department of Social Welfare and Development	227.9	476.2	7.0	95.4
Department of Tourism	223.7	222.2	230.1	230.1
Department of Trade and Industry	1,767.6	1,989.2	1,875.3	1,874.0
Department of Transportation	5,998.2	7,144.4	2,143.8	3,691.5
National Economic and Development Authority	352.0	846.3	1,374.9	154.6
Presidential Communications Operations Office	2,002.0	1,930.4	2,194.2	2,112.1
Other Executive Offices	2,777.5	2,644.9	3,054.4	2,989.6
The Judiciary	8,544.6	6,039.5	8,415.8	8,270.2
Civil Service Commission	20.1	14.1	20.1	14.1
Commission on Audit	151.1	110.6	161.6	104.7
Commission on Election	149.1	58.5	155.6	64.4
Metropolitan Manila Development Authority	143.1	143.1	183.4	183.4
Total	**102,457.8**	**98,988.6**	**103,628.9**	**101,749.2**

Source: 2020 BESF, Table B.16
Note: Figures may not add up due to rounding off.

The Use of Income in the General Fund by agencies and corporations is based on expected revenue collections of PhP94.8 billion, an increase of 218.1 percent or PhP65.0 billion from the 2019 level of PhP29.8 billion. The increase is due mainly to the Bangsamoro Autonomous Region in Muslim Mindanao and its five percent share in the net collections of the Bureau of Internal Revenue and Bureau of Customs, among others, per RA No. 11054. Meanwhile, of the PhP29.1 billion Special Shares of LGUs, 91.4 percent, or PhP26.6 billion will come from the tax collections of the BIR, the biggest of which is the PhP17.3 billion from the excise tax collections on Virginia tobacco.

The PhP70.9 billion under the SAGF represents a 30.6 percent increase from the previous year's PhP54.3 billion. The biggest contributor to the SAGF comes from the government's share from national wealth with PhP29.2 billion, of which PhP24.1 billion are from gas (Malampaya). Of this, some PhP14.6 billion, or 20.6 percent, are programmed to be spent by government units, primarily by the Department of Energy (PhP2.8 billion) and the Department of Agriculture (PhP2.0 billion).

J. Off-Budget Accounts

By law, some agencies are allowed to generate income from their operations and use these incomes for specific expenditures. These are Off-Budget Accounts. By definition, these refer to receipts which are authorized to be deposited with government financial institutions for expenditure items which are not part of the National Expenditure Program.

These are categorized into: 1) retained income/receipts; 2) revolving funds; and 3) receipts from borrowings by the BTr. However, the collection and use of off-budget accounts are still subjected to the scrutiny of the Commission of Audit even if such funds are not included in the General Fund managed by the BTr.

Around PhP103.6 billion in off-budget revenues are expected to be collected by the government in 2020, of which PhP101.7 billion, or 98.2 percent, are to be used by government agencies for various expenditures. When compared with the 2019 levels, the 2020 figures are higher by PhP1.2 billion and PhP2.8 billion for revenues and expenditures, respectively. Three sectors/departments comprise more than half (57.2 percent) of the total off-budget fund/revenues: SUCs, DOH, and the Judiciary. *(See Table 15)*

SUCs are expected to have the largest off-budget fund/revenues at PhP26.6 billion, an increase of PhP1.3 billion from 2019, which will be sourced from tuition fees, grants, and donations, among others, pursuant to Republic Act No. 8292 or the Higher Education Modernization Act of 1997, without prejudice to the provisions of RA No. 10931 or the Universal Access to Quality Tertiary Education Act.

The DOH also has substantial off-budget fund/revenues with PhP24.3 billion, of which PhP19.6 billion will come from hospital retained income applicable to all DOH-retained hospitals, such as hospital fees, rent, lease income, and clearance and certification fees, among others, per DOH-DOF-DBM Joint Circular No. 2003-1. More than PhP18.4 billion, or 93.9 percent, of this will be used for the augmentation of the DOH hospitals' MOOE and equipment requirements.

Meanwhile, the Judiciary is expected to generate PhP8.4 billion of off-budget fund/revenues, PhP0.1 billion less than its previous year's level. Around 97.7 percent, or PhP8.2 billion, will come from the Supreme Court of the Philippines and the Lower

Courts, such as fiduciary and sheriff funds worth PhP6.0 billion, and bail bonds to be refunded subject to pertinent laws, rules, and regulations.

Endnotes

[1] Jacobs, D., Helis, J., & Bouley, D. (2009, December). *Budget Classification.* International Monetary Fund. Retrieved from https://www.imf.org/ external/pubs/ft/tnm/2009/tnm0906.pdf
[2] Section 2, Chapter 1 of the Local Government Code of 1991
[3] Amount is the BSGC's FY 2011 adjusted program as indicated in the FY 2012 Budget of Expenditures and Sources of Financing

IV. EXPENDITURE PRIORITIES

In a bid to continue the journey to a more peaceful and progressive Philippines, the Duterte Administration continues to implement the Philippine Development Plan (PDP) 2017-2022. With this, the Administration prioritizes the acceleration of infrastructure, anti-poverty, and pro-employment spending through strategic infrastructure projects and by supporting the implementation of recent game-changing laws such as rice liberalization, universal health care, and Bangsamoro autonomy. The shift to the Cash Budgeting System starting 2019, from the previous Obligation-Based Budgeting, along with cash management reforms, will ensure better planning, swift program delivery, and strengthen fiscal discipline, as well as accountability mechanisms between appropriated budgets and program outputs.

Accelerating Infrastructure Investments

Infrastructure connects suppliers, producers, and markets, improves logistical efficiencies, attracts investments, and paves the way for the opening of firms and industries. For the Philippines, this is very important as it addresses the country's infrastructure gaps which have effectively constrained growth and development. This infrastructure development strategy will therefore be crucial to the country's high and sustained growth aspiration, expected to advance the government's target of above 6 percent economic growth at the end of 2019.

According to the Economic Outlook for Southeast Asia, China and India 2018[1], Emerging Asia, with its real GDP growth averaging 6.3 percent annually over 2018 to 2022, is expected to continue its strong performance in the future. This means that the demand for more infrastructure investments remains urgent, and if it wants to ensure a steady – and even stronger – growth momentum, new approaches and aspects must be considered. These include the quality of the projects, economic efficiency and resilience, consideration of social and environmental impacts, alignment with economic and development strategies, and resource mobilization, among others.[2]

The same report has also placed the country in significant standings in various economic surveys worldwide, making it one of the fastest-growing infrastructure markets in the Southeast Asian Region. In fact, the 2018 World Economic Forum's (WEF) Global Competitiveness Report, which measured the national competitiveness of 140 countries in terms of six (6) pillars – (1) Institutions; (2) Infrastructure; (3) ICT Adoption; (4) Macroeconomic Stability; (5) Health; and (6) Skills – has ranked the Philippines 92nd in terms of infrastructure. This marks a significant improvement compared to its 95th ranking in 2017.

Table 1. Global Competitiveness Index - Infrastructure, 2017-2018

Selected Indicators	2017 Rank	2018 Rank
Road connectivity index	-	129
Quality of roads	104	88
Efficiency of train services	-	100
Airport connectivity	-	26
Efficiency of air transport services	116	92
Liner Shipping Connectivity Index	-	61
Efficiency of seaport services	113	84

Source: Organisation for Economic Co-operation and Development, 2018

Based on the 2018 WEF Report, the country's low road connectivity index rank justifies the national government's thrust to invest heavily in the construction of access roads in "roadless" areas with vast economic potentials. This is more of a measure of connectivity without regard for distance – how easy and fast it is to reach one's destination.

However, the improvement in ranking of the other indicators of the infrastructure component has been attributed to the Duterte Administration's flagship and massive *Build, Build, Build* Program. In fact, the latest results show that the country's quality of roads – extensiveness and condition – has markedly improved from 106th in 2017 to 88th in 2018. Significant improvements in ranking were also posted for efficiency of airport services (from 116th in 2017 to 92nd in 2018) and efficiency of seaport services (from 113th in 2017 to 84th in 2018).

Build, Build, Build **Program**

The *Build, Build, Build* Program of the Duterte Administration, through the National Economic and Development Authority (NEDA), has identified a total of 75 infrastructure flagship projects[3] for development, approval, implementation, and review. As of July 31, 2019[4], these flagship projects have an indicative total financing requirement of PhP2.40 trillion. Of this amount, some PhP2.01 trillion will fund fifty-two (52), or 69 percent, of the projects through Official Development Assistance while fourteen (14), or 19 percent, of the projects worth PhP238 billion will be implemented as locally-funded projects (LFPs). The remaining projects are to be implemented through Public-Private Partnerships (PPP), with eight (8) projects and one (1) purely private initiative project.

Of the 75 flagship projects, thirty-seven (37), worth PhP1.63 trillion, have already been approved by the Investment Coordination Committee (ICC) and confirmed by the NEDA Board.

The PhP4.100 trillion 2020 proposed National Budget contains the PhP972.5 billion (4.6 percent of GDP) allocation for the infrastructure budget of the Duterte Administration, higher than the 2019 budget of PhP816.2 billion or 4.3 percent of GDP. It remains the engine for connectivity, mobility, and employment, and serves as an economic multiplier to address constraints on productivity and competitiveness. It likewise generates immediate economic activity by employing local labor and will spur more opportunities for private actors to invest in manufacturing and construction activities and job creation.

The Budgetary programs will corner 66.8 percent, or PhP650.1 billion, of the total Infrastructure budget, representing a 21.7 percent increase from its 2019 cash budget of PhP534.2 billion. The programs are homogeneous and recurring groups of day-to-day activities of an agency/ies necessary for the performance of its/their mandate/s, e.g., Land Improvement Outlays and Building and Other Structures.

The remaining component of the 2020 Infrastructure Program, amounting to PhP322.5 billion, will be spent on projects. These refer to agency undertakings which are to be carried out within a specific time frame.

Budgetary projects are either locally-funded (funded from internally-generated funds of the national government), or foreign-assisted (financed wholly or partly by foreign loans and/or foreign grants). Foreign-assisted projects (FAPs) are wholly or partly funded by foreign sources. Funds may be in the form of soft loans or grants (financial or in-kind), or a combination of the two. This will ensure that annual budget ceilings of concerned agencies are optimized and utilized in financing priority infrastructure programs/activities/projects (PAPs) that are in line with the Philippine Development Plan (PDP) and are readily implementable so as to minimize underspending, expenditure realignments, or cost overruns.[5]

Of the total PhP972.5 billion infrastructure budget, national government agencies (NGAs) will account for more than three-fourths (76.7 percent), or PhP745.9 billion. The amount is PhP121.4 billion, or 19.4 percent, higher than its 2019 budget level of PhP624.4 billion. Local government units (LGUs), on the other hand, will be given PhP172.9 billion, representing a share of 17.8 percent and a 23.1 percent increase from the 2019 budget of PhP140.5 billion. The remaining PhP53.7 billion of the total infrastructure outlay will be set aside for Government-Owned and/or –Controlled Corporations (GOCCs).

Table 2. Infrastructure Outlays, 2019-2020
(in million Pesos)

Particulars	Cash-Based	
	2019 (Program)	2020 (Proposed)
Programs	534,165	650,074
Locally-Funded Projects	238,510	188,999
Foreign-Assisted Projects	43,567	133,475
TOTAL	**816,242**	**972,548**

Source: BESF

Table 3. Public Sector Infrastructure Budget
(in million Pesos)

Particulars	Cash-Based			
	2019 (Program)	Percent	2020 (Proposed)	Percent
NGAs	624,458	76.5	745,886	76.7
GOCCs	51,261	6.3	53,746	5.5
LGUs	140,522	17.2	172,916	17.8
TOTAL	**816,242**	**100.0**	**972,548**	**100.0**

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

For 2020, the two major infrastructure agencies – the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr) – are the top two biggest recipients of the public infrastructure funds. With a PhP499.6 billion budget purely for infrastructure development, the DPWH will ensure, among others, the effective repair and maintenance of road networks and flood control. The DOTr, on the other hand, will more than double its infrastructure outlay, from PhP47.3 billion in 2019 to about PhP123.0 billion, mainly to invest in big-ticket railway systems.

The bulk of the PhP40.0 billion infrastructure allocation of the Department of Education (DepEd), or PhP33.1 billion, will be set aside for school buildings. To ensure food security and food self-sufficiency, a big chunk of the PhP12.4 billion of the Department of Agriculture (DA) will be used to construct farm-to-market roads. Other major undertakings under the infrastructure outlays of the other recipient departments include, among others, the Revised AFP Modernization budget of the Department of National Defense (DND); reforestation projects (DENR); and hospitals and health centers (DOH).

Of the PhP172.9 billion infrastructure transfers to LGUs, three-fourths, or PhP129.8 billion, consists of the development funds under internal revenue allotment. Other infrastructure items under LGUs include, among others, the PhP17.7 billion for the rebuilding, rehabilitation, and development of the conflict-affected communities of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM); and the PhP1.1 billion for the flood control projects of the Metropolitan Manila Development Authority (MMDA).

Meanwhile, key allocations under the PhP53.7 billion infrastructure budget for GOCCs will fund, among others, irrigation systems of the National Irrigation Administration, PhP25.7 billion; road networks and railway systems of the Bases Conversion and Development Authority, PhP15.3 billion; and housing projects of the different shelter agencies[6] under the Department of Human Settlements and Urban Development, PhP5.7 billion.

Table 4. Public Sector Infrastructure Budget, 2019-2020
Top 10 Recipient-Departments
(in billion Pesos)

Departments	2019	2020	Growth Rate
1. Department of Public Works and Highways (DPWH)	436.9	499.6	14.3
2. Department of Transportation (DOTr)	47.3	123.0	160.1
3. Department of Education (DepEd)	37.2	40.0	7.5
4. Department of National Defense (DND)	26.2	26.6	1.7
5. Department of Agriculture (DA)	15.6	14.3	(8.3)
6. State Universities and Colleges (SUCs)	7.5	8.5	13.8
7. Department of Environment and Natural Resources (DENR)	3.1	5.4	73.6
8. Department of Health (DOH)	7.0	1.7	(75.8)
9. Department of Foreign Affairs (DFA)	0.5	1.5	231.7
10. The Judiciary	2.8	1.4	(49.8)

Land Transport. The Duterte Administration's road transport program prioritizes the safety and reliability of its national road systems through its Network Development Program worth PhP119.1 billion. The amount will be used to construct 1,081.660 km of new roads, with by-passes and diversion roads worth PhP40.5 billion leading the pack. This will significantly reduce traffic congestion, and thus improve road safety. This also includes provisions for missing roadlinks; flyovers; interchanges and underpasses; and access roads leading to trade, industries, and economic zones. To expand traffic capacity, some PhP33.5 billion will be allotted for road widening to add extra lanes to some of the existing road networks.

Major appropriations under the DPWH budget are also intended to preserve infrastructure investments. Some PhP51.8 billion is set aside for the Asset Preservation Program, to implement the preventive maintenance of an estimated 955.021 km of roads. Other projects include, among others, the locally-funded PhP10.7 billion for the rehabilitation, reconstruction, and upgrading of 321.660 km of damaged paved national roads; PhP17.8 billion for the rehabilitation and reconstruction of roads with slips, slope collapse, and landslide; and PhP5.7 billion for the construction, upgrading, and rehabilitation of drainage along national roads.

To ensure the linkage and continuity of road networks, some PhP1.5 billion will be used to construct 1,790.040 lm of new locally-funded permanent bridges; PhP15.2 billion for the widening of 17,929.198 lm of permanent bridges; PhP4.5 billion to retrofit and strengthen 304 permanent bridges; PhP3.8 billion to replace 4,455.780 lm of permanent weak bridges; and PhP2.1 billion to rehabilitate and repair 183 locally-funded permanent bridges.

Air Transport. Several reforms have been introduced and implemented since the start of the Duterte Administration. For one, the on-time performance (OTP) of airlines at the Ninoy Aquino International Airport has improved to almost 100 percent from 47 percent prior to the implementation of the five-minute rule of the government in 2016. OTP measures the operational efficiencies of airlines in meeting their flight schedules, specifically departures and arrivals. Under the five-minute rule, pilots who declare they are ready to take off must depart within the prescribed time or they would have to return to the back of the queue. Also, 18 out of the 36 regional airports in the country are now night-time capable, with eight more in the process of getting equipment for night-rating capabilities.

For 2020, some PhP1.8 billion will be spent to construct and improve 51.790 km of access roads leading to airports. A total of PhP346 million will also fund the Aviation Infrastructure Program of the DOTr. Its major flagship component is the Catbalogan Airport Development Project worth PhP325 million, to provide an alternative gateway to the region. The other component is the PhP21 million for the Tuguegarao Airport, to equip it with night-rating capabilities.

Meanwhile, a portion of the PhP19.0 billion budget of the DOTr is intended for Right-of-Way acquisitions, to benefit several DOTr airport projects such as the Kalibo International Airport, Roxas Airport, and Ipil Airport.

Rail Transport. For the rail transportation program, a total budget of PhP106.7 billion includes the PhP84.7 billion for the North-South Commuter Railway System; PhP9.8 billion for the Metro Manila Subway Project Phase I; PhP6.1 billion for the Subsidy for Mass Transport (MRT 3); PhP5.1 billion for the MRT Line 3 Rehabilitation Project; PhP877 million for the PNR South Long Haul Project; PhP96.1 million for the Mindanao Railway Project; and PhP74 million for the LRT Line 1 Cavite Extension Project.

Sea Transport. With the various nautical highways already in place, trading among provinces of the archipelago is now cheaper. Agricultural and manufacturing produce are being transported unhampered throughout the country, with the alternate routes and reduced costs.

Some PhP2.3 billion funding under the DPWH will be set aside to construct and improve access roads leading to ports. This will offer shorter travel times for travelers and lessen spoilage of farm produce – translating to higher income for farmers.

An amount of PhP74 million will be set aside under the proposed budget of the Metropolitan Manila Development Authority (MMDA) for the operation of the Pasig River Ferry Service to provide a comfortable, predictable, and reliable ferry system. Also, some PhP508 million will fund the Maritime Infrastructure Program, to recognize and maximize the important economic contribution of our marine and coastal resources. Major projects under this program are the PhP301 million Maritime Safety Capability Improvement Project, Phase 2, and the PhP205 million New Cebu International Container Port Project.

Roads Leading to Tourist Destinations. Tourism is a unique industry as it can effectively generate its own demand through the creation of attractions and provision of supporting infrastructure. Through efficient transportation networks, the Duterte Administration increased the advantages from a buoyant tourism industry. In fact, tourist arrivals from January to April 2019 increased by 8.6 percent to 2.87 million, from 2.64 million in the same period last year.

The Administration will take advantage of the growing tourist arrivals by providing the needed infrastructure support for the industry. It also requires the development of new attractions and tourist facility areas, and this can only be done by connecting transportation linkages. Under the PhP4.100 trillion total budget proposal, PhP21.7 billion will be used to construct and improve 696.075 km of access roads leading to declared tourism destinations.

IT Infrastructure

As the world embraces the digital age, various countries have changed their policies to adapt to this transition in connection with Information and Communications Technology (ICT).

A more advanced information technology (IT) infrastructure is beneficial for the economic and social progress of the nation. However, the Philippines still faces many challenges, such as: (1) Usage of analog policies; (2) Lack of key players to spur competition; (3) Lack of investors; (3) Policy adoption and implementation; and (4) Maintenance of sustainable infrastructure.

Recognizing the need to adapt to changes in ICT, the Administration continues to be dynamic by championing reforms to improve global ICT competitiveness, and strengthen the capacity of the country to use ICT.[7]

The government continues to consider the future generation as it furthers the improvement of IT within the country. A total of PhP5.2 billion is allocated for IT infrastructure, which will be managed by the Department of Information and Technology (DICT).

Providing Safe and Free Internet Connection. To provide safe and free Wi-Fi access in public spaces and State Universities and Colleges (SUCs), the government allots a budget of PhP1.4 billion. This free internet program aims to provide accessible points for the public, which need a reliable connection for their use of government social services that are available online.

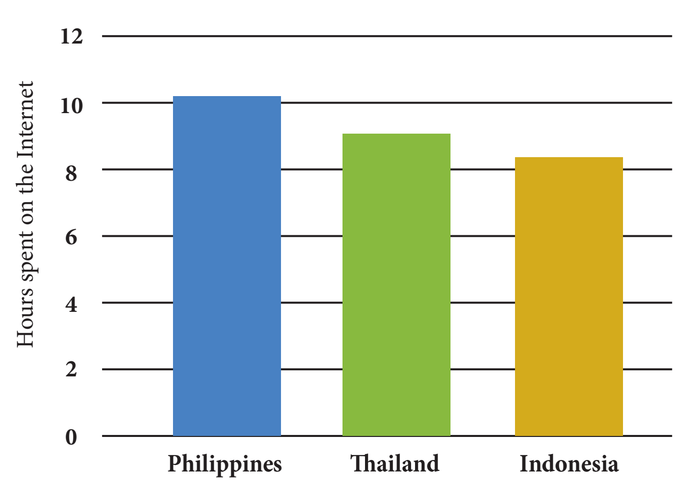
Advancing the National Government Portal. Alongside the free internet project is the National Government Portal (NGP) project, which will receive PhP381 million for 2020. This project will serve as a one-stop gateway for all web-based government information and services. Through this project, the government aims to cater to the population which actively uses the internet, allowing the Philippines to top the World Internet Usage Index by having an average of 10 hours a day.[8] *(See Figure 1)*

The NGP's design will enable Government to Citizen (G2C), Government to Business (G2B), and Government to Government (G2G) services to happen in one venue. The G2C and the G2B design will allow faster, more reliable, and more efficient government service for the public, while the G2G will improve government interoperability.

Improving the National Government Data Center. The Administration will also spend PhP295 million for the improvement and development of the National Government Data Center (NGDC) which will aid in securing government interoperability. The allocation will address the need for government internet connectivity to ensure a higher quality of government service. The DICT's NGDC will likewise maintain and secure the Government Network, Government Cloud, and the National Data Center.

Establishing the National Broadband Plan. In addition to that, the National Broadband Plan (NBP) implementation will also get a total budget of PhP196 million to improve internet speed nationwide. The NBP will effect this upgrade by establishing the National Fiber Optic Cable Backbone and the implementation of the Luzon Bypass Project. The project aims to hasten the deployment of the fiber optic cables and wireless technologies,

Figure 1. Top Three Southeast Asian Countries with the Highest Internet Consumption in 2018



Source: Digital 2019

which in turn will serve as the backbone for the aforementioned projects and services.

Regional Allocation

Balanced and equitable distribution of allocation among regions is a potent method of promoting inclusive growth. To effectively and efficiently deliver programs and projects to the Filipino people, careful study and analysis of the needs of the regions are needed by the government. For 2020, the regionalized portion of the infrastructure budget amounts to PhP308.2 billion. Among the island groups, Luzon will get the largest share with PhP174.5 billion, followed by Mindanao with PhP82.6 billion, and Visayas with PhP51.2 billion. *(See Table 5)*

In Luzon, the National Capital Region (NCR) holds the largest allocation for infrastructure projects, amounting to PhP55.4 billion. It is noteworthy that the allocation for NCR includes funding requirements of departments/agencies located in the NCR with nationwide coverage but without regional operating units. Among the regions in the Visayas, Region VI gets the biggest allocation with PhP18.0 billion. The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), with a budget of PhP17.9 billion, has the largest allocation in the Mindanao area.

Of the non-regionalized infrastructure budget, Central Office will receive PhP493.7 billion, while Nationwide will get PhP170.6 billion. The Central Office budget allocation consists of infrastructure funds being managed by the Head Office of departments/agencies for their respective units. Nationwide allocations, on the other hand, pertain to allocations that are yet to be distributed to various regions of the departments/agencies and multi-user special purpose funds such as the allocation to LGUs, and the National Disaster Risk Reduction and Management Fund.

Infrastructure Projects for Local Government Units

Local government units (LGUs) play a vital role in nation-building as they work as the front-runners in delivering services, representing common folk, and identifying public needs. The Administration recognizes the importance of these smaller units of government and supports them through projects that include:

Table 5. Regional Breakdown of the FY 2020 Infrastructure Budget
(in billion Pesos)

Particulars	Amount	Percentage Share
Nationwide[1/]	170.6	17.5
Central Office[2/]	493.7	50.8
CAR	12.4	1.3
Region I	15.6	1.6
Region II	14.9	1.5
Region III	25.5	2.6
NCR[3/]	55.4	5.7
Region IV-A	19.9	2.0
MIMAROPA	12.0	1.2
Region V	18.8	1.9
Region VI	18.0	1.9
Region VII	17.4	1.8
Region VIII	15.8	1.6
Region IX	11.3	1.2
Region X	15.3	1.6
Region XI	14.4	1.5
Region XII	12.6	1.3
Region XIII	11.1	1.1
Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)[4/]	17.9	1.8
Total	**972.5**	**100**

Note: Figures may not add up due to rounding off.
[1/] Nationwide allocations pertain to allocations that are yet to be distributed to various regions of the departments/agencies and multi-user Special Purpose Funds (e.g., Calamity Funds)
[2/] Central Office allocations refer to allocations being managed by the Head Office of the departments/agencies for their respective units.
[3/] Regional allocations for NCR include funding requirements of departments/agencies located in the NCR with nationwide coverage but without regional operating units
[4/] BARMM - Inclusive of infrastructure projects located in BARMM provinces

1. Road construction/rehabilitation/maintenance;
2. Irrigation projects;
3. Health, social, and community development services; and
4. Construction and repair of water systems.

Improving Municipalities. The LGU infrastructure program includes grants for the construction of local roads in the provinces, cities, and municipalities which will be beneficial for the transport of goods and services to the citizens. Some PhP11.7 billion is allotted for assistance to the municipalities, which will be used for the construction of local access roads, sanitation and health facilities, and potable water system projects.

Conditional Matching Grant to Provinces (CMGP). In addition, a total of PhP8.2 billion is alloted for the CMGP. This will be used for the paving, repair, and improvement of around 500 kilometers of provincial roads. The CMGP is a collaborative effort of the Department of the Interior and Local Government and the Department of Budget and Management to provide the necessary support to provinces around the country.

Assistance to Cities. Aside from that, urban cities will receive PhP2.4 billion to fund activities which will repair, rehabilitate, and improve open spaces, such as esplanades, parks, botanical gardens, bike lanes, walkways, and green infrastructures.

Metropolitan Manila Development Authority (MMDA). The MMDA continues to lead and implement programs for environmental, harmless, and effective solid waste disposal and management; safe and smooth flow of traffic; and flood mitigation practices which will eventually provide better living conditions for the communities in Metro Manila. Some PhP73.9 million represents the MMDA's share of the Pasig River Ferry Convergence Project, which also serves as an alternative mode of transportation for commuters from Pasig, Makati, and Manila areas to complement the efforts to ease the traffic problem in Metro Manila.

As LGU activities continue to impact on the lives of majority of Filipinos, the Administration remains focused on its goal of filling in the blanks in the Infrastructure sector. Through these efforts, a continuously brighter era can be expected.

The Way Forward

They say that for emerging economies like the Philippines, spending for infrastructure development necessarily entails deficit financing. However, deficit financing should be taken in the context of how it will affect public infrastructures badly needed to create a conducive environment for local and foreign investors. Hence, as long as the deficit is used for labor-intensive and productive spending such as infrastructure development, it will complement the expansion of the country's real GDP growth, create employment, and, in the process, expand the tax base.

Endnotes

[1] Organisation for Economic Co-operation and Development (OECD). (2018). *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth through Digitalisation,* Retrieved from https://www.oecd.org/dev/SAEO2018_Preliminary_version.pdf.
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[4] Ibid.
[5] As set forth in DBM-NEDA Joint Circular No. 2016-01, Policy Guidelines & Procedures for the Formulation of the Three-Year Rolling Infrastructure Program (TRIP), dated January 29, 2016.
[6] National Home Mortgage Finance Corporation for the Socialized Housing Loan Take-Out of Receivables (SHELTER) Program, PhP1.0 billion; National Housing Authority for the construction of 3,517 housing units, PhP3.3 billion; and Social Housing Finance Corporation, PhP1.4 billion.
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Ensuring Security, Public Order, and Safety

Of paramount concern to the government, as an essential asset in nation-building, is the security and protection of the public from threats to their lives and property, as well as the responsibility to immediately respond to their needs in times of calamities and other natural hazards.

Still undeterred in its objective to guarantee the safety and security of the citizenry, the Duterte Administration has increased the budget of the Public Order and Safety sector for 2020. Said sector is allotted PhP304.0 billion, higher by 4.4 percent than the PhP291.1 billion in 2019.

Among the big-ticket programs focused on ensuring security, public order, and safety are the continued support for the Modernization Program of the Armed Forces of the Philippines (AFP) and the reinforcement of the operational programs under the Philippine National Police (PNP), Bureau of Jail Management and Penology (BJMP), and Bureau of Fire Protection (BFP).

Reducing All Forms of Criminality and Illegal Drugs

During his 2019 State of the Nation Address (SONA), President Rodrigo Duterte reiterated his continued and unrelenting campaign against the rampant and persisting trade and use of illegal drugs in the country.

He vowed that the campaign will not be sidelined, even as he assured the people that he "will end his term fighting."

Thus, the government continues to strengthen its commitment to the anti-illegal drugs campaign. In 2018, President Duterte issued Executive Order (EO) No. 66 to institutionalize the Philippine Anti-Illegal Drugs Strategy (PADS). The PADS serves as a roadmap for national collaboration to harmonize the government's efforts against illegal drugs and help pave the way for a drug-free Philippines. It features a balanced and holistic strategy aligned with international frameworks on drug prevention and control. The EO tasks the Dangerous Drugs Board (DDB) to spearhead the implementation of the PADS.[1]

Table 2. Comparative Statistics of Index Crimes, 2017-2018

Crime	No. of Incidents		% Decrease
	2017	2018	
Crimes Against Persons			
Murder	8,826	6,895	21.9
Homicide	2,592	2,140	17.4
Physical Injury	30,691	22,427	26.9
Rape	8,158	7,579	7.1
Crimes Against Property			
Robbery	16,076	11,349	29.4
Theft	34,435	25,949	24.6
Carnapping of Motor Vehicles	509	462	9.2

Source: DILG

While the problem of illegal drugs persists, the government has sustained its success in reducing all forms of criminality with the PNP reporting lowered crime rates in the country for both index[2] and non-index[3] crimes. In 2018, the PNP reported 490,393 total crime volume compared with 520,641 in 2017.[4]

Meanwhile, crime solution efficiency (CSE) and crime clearance efficiency (CCE) have improved significantly. In 2018, the PNP registered 74.4 percent solved cases, compared to 61.1 percent CSE in 2017. CCE registered at 85.1 percent in 2018, higher than the 74.5 percent cleared cases in 2017.[5] The CCE and CSE represent the total number of cleared and solved cases out of the total crime incidents.

As the goal of eradicating criminality and illegal drugs will be relentlessly pursued, the PNP, the country's primary law enforcement agency, is allotted PhP184.9 billion for 2020, 6.6 percent higher than the PhP173.5 billion budget for 2019.

The PNP's Crime Investigation Program is allotted PhP693 million. It targets to increase CSE by 6 percent from a baseline of 61.1 percent. Likewise, it plans to increase the number of crime investigations to 554,297 nationwide, from a baseline of 520,389 investigation activities. A five percent increase in the number of most wanted personalities arrested is also targeted for 2020, from the baseline of 49.1 percent.

Table 1. Public Order and Safety Sector's Programs and Budgets
(in billion Pesos)

Particulars	2018 GAA (Obligation-Based)	2019 GAA (Cash-Based)	2020 NEP (Cash-Based)
Department of the Interior and Local Government	**172.4**	**230.4**	**238.0**
Of which:			
Philippine National Police	**132.3**	**173.5**	**184.9**
Crime Prevention and Suppression Program	110.4	152.3	156.6
Crime Investigation Program	0.7	0.7	0.7
Bureau of Fire Protection	**15.8**	**23.2**	**23.7**
Fire Prevention Management Program	0.3	0.3	0.3
Fire and Emergency Management Program	11.8	18.7	18.0

The bulk of the budget of the PNP is earmarked for its Crime Prevention and Suppression Program, amounting to PhP156.6 billion, or PhP4.3 billion more than the 2019 level. With this budget, the PNP targets to increase mobile and patrol operations by five percent, from the baseline of 15,215,826 operations, and reduce the National Index Crime Rate by six percent, among others.

A portion of the PNP's budget will also be used to conduct research and development on the upgrading of its logistics capabilities, including weapons, transportation, and other equipment for case management and intelligence system. In addition, the PNP also targets to intensify its police patrol operations and other related confidential activities against dissidents, subversives, lawless elements, and organized crime syndicates and campaign against kidnapping, trafficking of women and children, and smuggling, among others. To deter the prevalence of illegal drugs in the country, the PNP is provided PhP546 million for its Anti-Illegal Drugs Strategy.

To increase police visibility in the communities, especially in far-flung areas, the PNP is given PhP100 million to construct 16 police stations in the regions. In addition to this, the government has allotted PhP3.0 billion for the PNP to augment its recruits, to fill some 10,000 Policeman/Patrolwoman (formerly known as Police Officer I)[6] positions by 2020.

Promoting Public Safety

Consistent with the goal of the Duterte Administration to ensure the safety and security of all Filipinos in the country, the government will focus on tightening security measures and managing disaster risks. These will be primarily achieved, among others, by improving the capability of the fire protection services as well as the security sector in charge of humanitarian assistance and disaster response.[7]

Protection from Destructive Fires. One of the hazards that are being highly monitored by the government is fire, which not only poses risks to human life, but can also lead to catastrophic damage to properties and natural resources. A research conducted by the Philippine Institute for Development Studies noted that the annual cost of damages caused by fire is one percent of the global gross domestic product (GDP), which is equivalent to billions of dollars in direct losses.[8]

In 2018, the government saw improvements in preventing and suppressing fire incidents. The BFP, the government's vanguard against destructive fires, inspected a total of 1,990,085 buildings, 14.6 percent higher than the 1,737,184 inspected establishments in 2017. Of the total number of inspected establishments, 89 percent were found to be compliant and issued Fire Safety Inspection Certificate. The BFP also noted a 40 percent reduction in the amount of damage due to fire incidents, and the number of casualties related to fire incidents decreased to 260 from 305 in 2017.[9]

The BFP has also signed an agreement with the Philippine Economic Zone Authority which authorizes the BFP to enforce the Fire Code to economic zones to ensure the promotion of public safety in these areas.

In an effort to sustain this accomplishment, the BFP will receive a higher budget of PhP23.7 billion for 2020, from PhP22.2 billion in 2019. This will support the BFP's Fire and Emergency Management Program (PhP18.0 billion) to ensure that 100 percent of fire calls/emergency calls are responded to immediately. It will fund the Fire Prevention Management Program (PhP313 million) to reduce fire incidents, fire-related deaths, and injuries. These programs involve the enforcement of fire safety laws, rules, and other regulations, as well as fire prevention and management campaigns mostly to vulnerable communities.

In addition, the government will provide PhP1.0 billion for the modernization of the BFP, to cover the acquisition and improvement of facilities, purchase of fire engines and emergency and rescue equipment, among others.

The government will also beef up the manpower component of the BFP in 2020. Some PhP535 million is allotted for the creation of an additional 2,000 Fire Officer 1 positions. This aims to improve to 1:4,071 fireman-to-population ratio in 2020, from the targeted 1:4,349 ratio in 2019.

Resilience to Earthquakes. The Philippine archipelago, located between two opposite subduction zones,[10] is susceptible to high seismic activity, especially in Luzon. This is because the Eurasian Plate (South China Plate) is forced under Luzon along the Manila Trench and that of the Philippine Sea Plate is forced under the west along the East Luzon Trench.[11]

While it may not be possible, so far, to predict when the next major earthquake will occur, scientists can pin down the average time span between earthquake occurrences, or the so-called, "recurrence interval."[12]

For the West Valley Fault, which traverses various parts of Metro Manila and surrounding provinces, four (4) major earthquakes have been determined to have taken place in the last 1,400 years, or a recurrence interval of 400 to 500 years. The last major earthquake originating from the fault was recorded in 1658 or 357 years ago, thus it is deemed that another major movement in the fault may take place anytime soon.

The Metropolitan Manila Earthquake Impact Reduction Study (MMEIRS) predicts that the "Big One", a major earthquake which has a magnitude and intensity that can kill thousands and which the country is bracing for, will result in the collapse of 170,000 residential houses and the death of 34,000 people. Another 114,000 individuals will be injured while 340,000 houses will be partly damaged.[13]

To improve the capability of state seismologists to monitor hazards, the government has increased the budget of the Philippine Institute of Volcanology and Seismology (PHIVOLCS) to PhP596 million for 2020, 18.7 percent more than its PhP502 million allocation in 2019. A portion of this will be used to rehabilitate volcano observatories and construct seismic vaults for monitoring risks. Some PhP343 million, meanwhile, will be used for its Volcano, Earthquake, and Tsunami Monitoring and Warning Program which targets to improve the issuance of warnings and bulletins in the set standard time to 85 percent from its 2019 target of 80 percent.

For 2020, the Mines and Geo-Sciences Bureau (MGB) is provided PhP427 million for its Geological Risk Reduction and Resiliency Program. Part of the funds will be used to conduct vulnerabilities and risk assessment to 151 cities and municipalities. The MGB will focus on encouraging local government units (LGUs) to include geohazard information in their Disaster Risk Reduction and Mitigation Plan and other Development Plans. It will also be used to assess 70 LGUs for groundwater resources and vulnerabilities to inform them on their susceptibility to geological hazards, including earthquakes.

Aware of the impact of infrastructure loss and damage as a result of earthquakes, the government is heavily investing in disaster-resilient infrastructure. In pursuit of this, one of the projects lined up for 2020 is the retrofitting of public buildings to ensure their capacity to withstand the intensity of earthquakes.

Some PhP9.0 billion is allotted for earthquake resiliency infrastructure projects under the DPWH, which cover the strengthening of public buildings and the construction of evacuation centers nationwide. Under this budget, the National Capital Region (NCR), where the West Valley Fault lies, is given PhP5.0 billion for the retrofitting of public structures.

The DPWH is also provided PhP250 million to fund consulting services for the structural assessment and detailed engineering design for the retrofitting of public buildings.

The government has also augmented the number of evacuation centers for affected families and communities in times of disaster, including earthquakes. Some PhP3.7 billion is lodged under the DPWH for the structural improvement of public buildings and the construction of evacuation centers in the NCR and throughout the regions. Of this amount, the NCR will have a hefty share of PhP500 million, while the rest of the regions will receive PhP216 million each.

A Stronger State Against Harm and Threats

Every Filipino wishes for a safe and comfortable life with family and loved ones. But these life goals are at risk or may be hampered by uncontrolled or unmanaged threats and hazards. Thus, the government is continually seeking ways to immediately and adequately respond to emerging risks and to brace for the impacts of hazards. By 2020, the government aims to significantly reduce criminality, and to ensure the safety and security in the country and overseas from all forms of hazards.[14]

Endnotes

[1] National Economic and Development Authority (NEDA). (2019). *Socioeconomic Report 2018.*
[2] Crimes which are serious in nature and occur with sufficient frequency and regularity. They involve crimes against persons such as murder, homicide, physical injury, and rape, and crimes against property such as robbery, theft, carnapping/carjacking, and cattle rustling.
[3] Non-index crimes, on the other hand, are violations of special laws such as illegal logging or local ordinances.
[4] Department of the Interior and Local Government. (2019). *Annual Report 2018.* Retrieved from http://online.fliphtml5.com/kody/gipy/#p=46
[5] Ibid.
[6] New rank classification of the PNP is based on Republic Act No. 11200, titled "An Act Providing for the Rank Classification in the Philippine National Police, Amending for the Purpose Section 28 of Republic Act No. 6975, as Amended, Otherwise Known as the "Department of the Interior and Local Government Act of 1990"
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[10] The subduction zone is the place where two lithospheric plates come together, one riding over the other. Most volcanoes on land occur parallel to and inland from the boundary between the two plates.
[11] Sabillo, K.A. (2015, July). *Government Technology. The Big One Could Kill 34,000 in the Philippines.* Retrieved from https://www.govtech.com/em/disaster/The-Big-One-Could-Kill-34000-in-the-Philippines.html
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[13] Ibid.
[14] NEDA. (n.d.). *Ambisyon Natin 2040: A Long-Term Vision for the Philippines.* Retrieved from http://2040.neda.gov.ph/wp-content/uploads/2016/04/A-Long-Term-Vision-for-the-Philippines.pdf

Attaining a Just and Lasting Peace

Peace and progress are twin aspirations of every nation, and in no way can one be sacrificed for the other in the scale of priorities of a government that considers, above all, the interest and welfare of the people. For the Philippines, this principle is enshrined in the Constitution, which clearly "renounces war as an instrument of national policy" (Art. II Sec. 2) and unequivocally declares that the "maintenance of peace and order, the protection of life, liberty, and property, and the promotion of the general welfare are essential for the enjoyment by all the people of the blessings of democracy."

Faithful to this, the Duterte Administration recognizes that a key element for success in the pursuit of its socioeconomic agenda is the attainment of a just and lasting peace with the country's neighbors and within its borders.

Upholding and Protecting Territorial Integrity and Sovereignty

Among the key strategies of the Duterte Administration to protect the State and the people is the promotion of territorial integrity and sovereignty. In line with this strategy, as the National Economic and Development Authority (NEDA) reported in its Socioeconomic Report for 2018, the Philippines has expanded its diplomatic engagements to uphold and protect the country's territorial integrity and sovereignty.

One of the achievements presented in the Report was the signing of the Single Draft Negotiating Text (SDNT) for a Code of Conduct for the South China Sea between China and the Association of Southeast Asian Nations (ASEAN), of which the Philippines is a member country. The agreement focuses on the prevention, management, and settlement of disputes in the South China Sea among parties.

The Philippines has also signed defense cooperation agreements with Turkey, Jordan, and Israel, as well as strengthened its existing defense agreements with the United States of America.

Another significant effort of the government to uphold and protect the country's integrity and sovereignty is the increase in the allocation for the Defense sector. In 2019, the Defense sector received PhP188.6 billion, or 16.8 percent higher than the previous year's PhP161.5 billion. For 2020, the government will further boost the Defense sector by increasing its budget by 3.6 percent to PhP195.6 billion. The budget will be used to continue strengthening the country's defense posture within and outside its jurisdiction.

Of this budget, the Department of National Defense (DND) will receive PhP189.0 billion for the year, higher than the 2019 level of PhP186.5 billion.

The bulk of this will be earmarked for the country's three key military operational forces, namely the Philippine Army (PhP91.6 billion); Philippine Navy (PhP29.0 billion); and Philippine Air Force (PhP26.0 billion), comprising almost 80 percent of the total Armed Forces of the Philippines' (AFP) budget of PhP183.5 billion.

A huge chunk of these agencies' budgets will cover programs that target to attain the level of mission capability in ground, air, and naval defense operations.

The Philippine Army's Land Defense Program is allotted PhP84.6 billion for 2020 to maintain 219 tactical battalions from 210 this year, and 84 Ready Reserve Units.

Meanwhile, the Philippine Air Force's Defense Program is given PhP24.1 billion for 2020 to ensure that 100 percent of its tactical air operations group supports the unified commands. It will also maintain its target to have 154 supportable aircrafts.

Lastly, the Philippine Navy's Defense Program is allotted PhP25.4 billion for 2020. The Philippine Navy targets to provide 100 percent of naval units to unified commands.

The AFP's Modernization Program will continue to be funded aligned with the provision stipulated under Republic Act No. 10349, s. 2012. The said Law extends the modernization program for another 15 years in order to continue enhancing the capabilities of all the branches of the AFP. For 2020, some PhP25.0 billion is allotted to the program, bringing the total appropriated budget since 2014 to PhP154.7 billion.

Forging Peace through Harmonizing Beliefs

Searching for the silver bullet that would remove all obstacles to peace in the Philippines has been a seemingly futile task for many long years since the 1960s. Various attempts to harmonize the beliefs and principles of the government and rebel groups, which include Muslim separatists, communists, clan militias, and criminal groups, have thus far failed to come up with a sturdy peace and development plan for the Philippines.

In the meantime, the impacts of continued strife, or even just unrest, have been exacting a heavy toll in human, social, and economic losses. Data from the Office of the Presidential Adviser on the Peace Process (OPAPP) report an estimated 120,000 human casualties from 1970 to 1996 due to war. From the economic perspective, from 1970 to 2001, the Philippines lost some PhP20.0 billion a year due to war, mostly in terms of damage to businesses and properties.[1]

War also disrupts development efforts. The then Autonomous Region in Muslim Mindanao (ARMM), described as the "arena for one of the world's longest-running insurgencies," has always been lagging behind other regions in the country in terms of economic growth and socioeconomic indicators in the past years.[2]

A New Vision for the Philippines. Recognizing that a just and lasting peace is one of the crucial foundations for sustainable development and progress, President Duterte signed in July 2016 a comprehensive peace roadmap that aims to resolve peace and development issues in the country, especially in Mindanao.

In 2018, the Duterte Administration scored a historical milestone with the passage of Republic Act No. 11054, otherwise known as the "Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao (OLBARMM)." Considered one of the most significant instruments in forging a genuine agreement between the government and rebel groups, it aims "to establish a political entity and provide for its basic structure of government in recognition of the justness and legitimacy of the cause of the Bangsamoro people and the aspirations of Muslim Filipinos and all indigenous cultural communities in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)."[3]

The said law, the fruit of a series of peace talks, institutionalizes provisions of the Comprehensive Agreement on the Bangsamoro, the 2014 peace agreement signed by the government and the Moro Islamic Liberation Front (MILF).[4]

The BARMM provides for a democratic political system and a parliamentary form of government, a first in the country. The powers of government are vested in the Parliament which shall exercise the powers and functions expressly granted to it under the Organic Act. In sum, it shall set policies and legislate matters within its authority on its behalf.

In 2019, the Commission on Elections held a two-part referendum to determine the areas to be covered by the BARMM to allow for the participation of voters in areas which petitioned for voluntary inclusion in the Region. The referendum resulted in the creation of a self-administered area for the Muslim-dominated parts of Mindanao, which was supported by 85.13 percent of voters. With the victory of the plebiscite, the BARMM is now composed of five provinces (Basilan, Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi), three cities (Marawi, Lamitan, and Cotabato), 116 municipalities, and 2,553 barangays.

The Bangsamoro Transition Plan is now in place and in effect after the Bangsamoro Transition Authority issued the green light for its implementation.[5]

Peace for All

President Duterte has repeatedly expressed the hope for peace in the entire country, to end the struggles of victims of armed conflict, where women, children, and marginalized groups are the most vulnerable to abuse, neglect, and exploitation.

To augment the efforts to end armed conflict, the President signed in 2018 Executive Order No. 70, which institutionalizes the whole-of-nation approach in attaining inclusive and sustainable peace by creating a national task force to end local communist armed conflict.[6]

The Task Force uses a civilian-led approach to confronting the communist movement. It prioritizes and harmonizes the delivery of basic services and social development packages in conflict-affected areas and vulnerable communities, facilitates societal inclusivity, and ensures active participation of all sectors in the pursuit of the country's peace agenda.

Social and development programs for conflict-affected communities and former rebels are also in place. President Duterte signed Administrative Order No. 10 in April 2018, creating the Task Force *Balik-Loob* to centralize all government efforts for the reintegration of former rebels from the Communist Party of the Philippines/New People's Army/ National Democratic Front of the Philippines. These former rebels and their immediate family members are provided with a complete package of assistance through the Enhanced Comprehensive Local Integration Program (E-CLIP).[7]

The National Action Plan on Women, Peace, and Security is continuously being implemented and localized in pursuit of protecting women and children in conflict situations. Various activities were conducted, including consultations on indigenous women's rights, the Second Bangsamoro Women's Summit, and the drafting of Agency Strategic Action Plans of member-agencies of the National Steering Committee on Women, Peace, and Security.

President Duterte has also formalized the Cabinet Officers for Regional Development and Security (CORDS) initiative, which designates Cabinet officials nationwide to help end regional and local communists.[8]

Continuing the Journey to Peace and Progress

The proposed National Budget for 2020 marks the start of the envisioned major developments in the BARMM. It covers a hefty allocation for the transition years of the autonomous region, focused on building sustainable infrastructure, the normalization process on security issues, and the rebuilding, rehabilitation, and development of its conflict-affected communities, among others.

For 2020, the BARMM is provided PhP70.6 billion. Most of the grants and allocation provided for the BARMM are anchored on the provisions in the Organic Law. This is more than twice the allocation available for 2019 of PhP33.1 billion.[9]

Under the law, the BARMM will receive an annual block grant from the national internal revenue tax collections of the Bureau of Internal Revenue (BIR) and collections of the Bureau of Customs (BoC). This will fund the exercise of the powers and functions of the Bangsamoro Government and in no case shall it be less than the last budget received by the ARMM immediately before the establishment of the Bangsamoro Autonomous Region.[10]

Table 1. BARMM Budget, 2020
(in billion Pesos)

Particulars	Amount
BARMM	**70.6**
Annual Block Grant	63.6
Special Development Fund	5.0
Share in National Taxes	2.0

Table 2. BARMM Block Grant, 2020
(in billion Pesos)

Annual Block Grant (under Automatic Appropriations)	
Bureau of Internal Revenue Certification	43.9
Bureau of Customs Certification	19.7
Total	**63.6**

Anchored on this provision, the government has set aside PhP63.6 billion for 2020, equivalent to the share in net national internal revenue tax collection of the BIR, amounting to PhP43.9 billion and of the net collection of BoC, amounting to PhP19.7 billion.

Twenty percent of the block grant for 2020, or PhP12.7 billion, is intended for infrastructure development in the BARMM.

Aside from the annual block grant, the law stipulates that the national government shall provide a special development fund (SDF) for the Bangsamoro Government for the rebuilding, rehabilitation, and development of its conflict-affected communities. For 2020, an amount of PhP5.0 billion is allocated for the SDF.

This brings the budget for capital outlays of BARMM to PhP17.7 billion. This will be the first year that the government will provide such allocation, in accordance with the Organic Law which states that an amount equivalent to PhP50.0 billion will accumulate as SDF for the period of 10 years from the ratification of the law. The utilization of the fund shall be in accordance with the Bangsamoro Development Plan to be adopted by the Bangsamoro Government.

Separate and distinct from the annual block grant, the BARMM is also allotted PhP2.0 billion for 2020 from the taxes, fees, and charges collected by the National Government from BARMM, other than tariff and customs duties.

To continue the journey to a more peaceful Philippines, the government has also provided the Office of the Presidential Adviser on the Peace Process (OPAPP) with an additional PhP15 million for 2020 to oversee, coordinate, and integrate the implementation of the comprehensive peace process. The bulk of its budget will be used for the implementation of the 1996 Final Peace Agreement with the Moro National Liberation Front (MNLF). Said agreement, signed on September 2, 1996, ended the MNLF's rebellion against the Philippine government.

Another big-ticket program aiming for the attainment of a just and lasting peace is the PAMANA (PAyapa at MAsaganang PamayaNAn) Program. It is the national government's principal convergence program which focuses on providing assistance to communities in insurgency fronts. The Program targets, among others, to improve the socioeconomic conditions in areas affected by and vulnerable to armed conflict.

For 2020, the allocation for the PAMANA Program increased to PhP1.0 billion, from PhP386 million in 2019. The budget is distributed among the implementing agencies, namely, the Department of Social Welfare and Development (DSWD), which receives an increased allocation for its community support activities; the National Commission on Indigenous Peoples (NCIP), for assistance to IPs; and the Philippine Health Insurance Corporation (PHIC), for the provision of health insurance premiums to beneficiaries identified by the OPAPP.

Table 3. PAMANA Program, 2020
(in million Pesos)

Particulars	2019 (GAA)	2020 (NEP)
PAMANA Program	**386**	**1,046**
Of which:		
Community Support (DSWD)	302	961
Support to Indigenous Peoples (NCIP)	23	24
Health Insurance Premiums (PHIC)	61	61

From Ammunition to Ambition

The Administration hopes that the concept of war will be replaced by beliefs and development and governance principles. A better lens of this perspective projects that every Filipino enjoys the fullest quality of life without any threat of harm, violence, and abuse. Optimistically, attaining a just and lasting peace can also be an armed battle, but the best ammunition to win the battle is a strong shared desire and ambition for sustainable development. This will entail a strong cooperative effort from the entire government and other stakeholders.

Endnotes

[1] Official Gazette. (n.d.). *What are the costs of war?* Retrieved from https://www.officialgazette.gov.ph/bangsamoro/cost-of-war/
[2] Hutchcroft, Paul D. (2016). *Mindanao: The Long Journey to Peace and Prosperity.*
[3] Republic Act No. 11054, titled "An Act Providing for the Organic Law for the Bangsamoro Automous Region in Muslim Mindanao, Repealing for the Purpose Republic Act No. 6734, Entitled "An Act Providing for An Organic Act for the Autonomous Region in Muslim Mindanao," As Amended by Republic Act No. 9054, Entitled "An Act to Strengthen and Expand the Organic Act for the Autonomous Region in Muslim Mindanao"
[4] Parrocha, A. (2019) *2019 SONA: Duterte's Mindanao promise nears fulfillment*. Retrieved from https://www.pna.gov.ph/articles/1075575
[5] Philippine News Agency. (2019). *Transition plan from ARMM to BARMM now in effect.* Retrieved from https://www.pna.gov.ph/articles/1072720
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[7] National Economic and Development Authority. (2018). *Socioeconomic Report 2018*. Retrieved from http://www.neda.gov.ph/wp-content/uploads/2018/03/SER-Chap-17_as-of-March-26.pdf
[8] Philippine News Agency. (2019). *2019 SONA: Duterte's Mindanao promise nears fulfillment*. Retrieved from https://www.pna.gov.ph/articles/1075575
[9] Including RLIP and Unprogrammed Fund
[10] Philippine News Agency. (2019). *Transition plan from ARMM to BARMM now in effect.* Retrieved from https://www.pna.gov.ph/articles/1072720

Ensuring Ecological Integrity, Clean and Healthy Environment

With the country's development and progress on stream and underway, and still in line with its goals for a peaceful and progressive Philippines, the Duterte Administration keeps within sight the state of the environment, and remains steadfast in its responsibility and resolve to preserve and protect it.

To support its commitment to this task, the government is giving PhP26.4 billion to the Department of Environment and Natural Resources (DENR), the agency primarily vested with the mandate to pursue the objectives for the protection of the environment. *(See Table 1)*

To create better-adapted ecosystems in vulnerable areas of the country, such as forests, watersheds, peri-urban areas, and coastal areas, PhP5.2 billion will be allocated for the National Greening Program (NGP).

The said program targets to plant around 167 million seedlings to recover 150,000 hectares of denuded forests. As of the end of 2018, more than 121 million seedlings had been planted on 133,431 hectares of denuded forests.[1] This project will be complemented by the Solid Waste Management Program, which is given PhP0.6 billion to support local government units in the rehabilitation and/or closure of dumpsites, and the establishment of materials recovery facilities.

For the implementation of the Clean Air Program, PhP152 million has been included in the DENR budget for the operation and maintenance of 101 Air Quality Monitoring Stations and the calibration of 47 stations.

Some PhP282 million will be given to the Environment Management Bureau (EMB) for the implementation of the Clean Water Program. The said amount will cover, among others, the monitoring of 451 esteros/waterbodies.

Table 1. Targets and Allocations to Secure and Restore the Environment

Particulars	2019 GAA	2020 NEP
Department of Environment and Natural Resources	**PhP22.9 B**	**PhP26.4 B**
Of which:		
National Greening Program (DENR-OSEC)	PhP2.6 B	PhP5.2 B
Forest Development and Rehabilitation		
Area planted (ha)	900	150,000
No. of seedlings planted	985,000	166,853,433
Area Maintained (ha)	353,886	318,871
Coastal and Marine Ecosystem Management (DENR-OSEC)	PhP0.4 B	PhP0.2 B
Area of habitat and resources mapped and assessed with report submitted to BMB (ha)	1,300	900
No. of biodiversity friendly enterprises established	79	56
No. of LGUs provided with technical assistance	56	50
Clean Air Program (DENR-EMB)	Ph0.1 B	PhP0.2 B
No. of Air Quality Monitoring Stations operated and maintained	101	101
No. of Air Quality Monitoring Stations calibrated	46	47
No. of firms monitored with reports submitted	15,989	15,989
Clean Water Program (DENR-EMB)	PhP0.2 B	PhP0.3 B
No. of esteros/waterbodies monitored	451	451
No. of firms monitored with reports submitted	7,530	7,530
Solid Waste Management Program (DENR-EMB)	PhP0.7 B	PhP0.6 B
Assessment of Open and Controlled Dumpsites	310	310

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

Table 2. Climate Change Adaptation and Mitigation Strategic Priorities
(in billion Pesos)

National Climate Change Mitigation Action Plan Strategic Priorities	2019	2020	Increase/(Decrease)
Food Security	29.3	25.4	(3.9)
Water Sufficiency	127.0	125.8	(1.2)
Ecosystem and Environmental Stability	6.9	10.6	3.7
Human Security	7.7	8.3	0.6
Climate Smart Industries and Services	2.6	3.7	1.1
Sustainable Energy	35.8	45.4	9.6
Knowledge and Capacity Development	1.1	1.4	0.3
Cross-Cutting	.06	.05	(.01)
Total	**210.6**	**220.8**	**10.2**

Improving Risk Resiliency

To address the impacts of hazards wrought by climate change, the Administration will provide PhP220.8 billion for Climate Change Adaptation and Mitigation (CCAM). In addition, some PhP121.6 billion under the Risk Resiliency Program, is intended to strengthen and scale-up coordinated province-based planning and budgeting of climate resilience investments across all national government agencies. *(See Table 2)*

The government will also provide PhP174.7 billion to construct and rehabilitate flood mitigation facilities, fortify measures on flood control, and prevent risks to both human lives and economic productivity under the flood control program through the Department of Public Works and Highways.

Under the Risk Resiliency Program, the National Disaster Risk Reduction and Management Fund (NDRRMF) will be allotted PhP20.0 billion to cover disaster response to human-induced and/or natural calamities. The NDRRMF will also support the continuing rehabilitation and reconstruction of Marawi through a PhP3.5 billion allotment. In addition to the NDRRMF, a combined total of PhP6.4 billion will be allotted for the Quick Response Funds of critical agencies under their respective agency-specific budgets.[2]

Effective Management of Coastal Resources

Another PhP1.7 billion is provided to protect and restore Philippine marine biodiversity and coastal habitats, consisting of coral reefs, seagrass beds, and mangrove forests. This includes the PhP1.5 billion allocation for the rehabilitation of the Manila Bay, which will be done in three phases: cleanup and water quality improvement; relocation and rehabilitation; and education, protection, and sustainment.

Restoring the Pearl of the Orient

The government aims to unlock a future where Filipinos will responsibly enjoy and sustain the country's natural resources and be assured of a clean and healthy environment. This will be achieved by making the protection and conservation of the environment a national concern and commitment and involving the people themselves in all programs, activities, and projects to preserve not only their homes but their ecological habitats.

Endnotes

[1] *National Greening Program Accomplishment Report*. Retrieved from http://ngp.denr.gov.ph/index.php/accomplishment
[2] DBCC Presentation 2020 Proposed Budget, House Committee on Appropriations

Accelerating Human Capital Development

Education and health are the two main pillars of human capital development, a crucial strategy for sustainable growth that the Duterte Administration has adopted side-by-side with its infrastructure development program. While investments in infrastructure focus on physical structures that ensure mobility and connectivity, investments in education and health strengthen the skills and manpower foundations for a sustainable society, and provide the citizens with opportunities to live healthy and productive lives. In the remaining two years, as the country moves closer to the achievement of its goals and aspirations under the Philippine Development Plan 2017-2022, the Administration continues the programs of the Education and Health sectors that will ensure access to quality education and better learning opportunities and improved health for all Filipinos.

Education

Education is an effective pathway out of poverty, and a tool for building the knowledge-based and competitive manpower necessary for the future.

According to the World Economic Forum, "65 percent of children entering primary school today will ultimately end up working in completely new job types that don't yet exist."[1] This rapidly changing environment thus requires the government to support and prioritize the programs and projects that will build the right skills and competencies to address unemployment, underemployment, and job-skills mismatch, among others. Aside from education being vital for development, it opens up opportunities to solve worldwide problems such as the reduction of inequalities, promotion of peaceful and inclusive societies, and achievement of gender equality.[2]

It comes as no surprise then that Education retains the highest priority status in the Administration. For 2020, the Education sector gets an allocation of PhP673.0 billion. This amount includes the budgets of the Department of Education (DepEd), PhP551.7 billion; State Universities and Colleges (SUCs), PhP68.5 billion; Commission on Higher Education (CHED), PhP40.8 billion; and the Technical Education and Skills Development Authority (TESDA), PhP12.0 billion.

Building a Strong Foundation for Lifelong Learning through Basic Education

Basic education is one of the most essential instruments for poverty reduction[3], and investments in quality basic education have always proven to have the greatest impact in addressing inequality by improving children's long-term success — ensuring increased high school graduation, reduced crime, and higher earnings in the future.[4]

Improving Basic Education Facilities. For 2020, a budget of PhP36.0 billion is allotted to construct 8,000 classrooms, a 94.6 percent increase from the 2019 target of 4,110 classrooms, as well as to repair and rehabilitate 685,021 classrooms all over the country. Of this amount, PhP19.9 billion will fund the construction, replacement, and completion of kindergarten, elementary and secondary school buildings, and technical-vocational (tech-voc) laboratories. Likewise, some PhP4.8 billion is for the acquisition of school desks, furniture, and fixtures for all the new and existing school buildings.

Procurement of Additional Learning Resources. As of December 2018, a total of 40,852,666 textbooks and instructional materials were printed and delivered to various schools nationwide.[5]

To reach the target of 1:1 learner-textbook ratio, PhP12.6 billion has been allotted for the procurement of 10.3 million textbooks and instructional materials; 3,392 packages of science and mathematics equipment; 46,310 computer packages; and 1,200 tech-voc equipment. *(See Table 2)*

Reducing the Gaps Between Urban and Rural Institutions. Collectively, 188 million children worldwide attend primary schools that are not connected to any type of electricity.[6] The lack of electricity in schools affects not only their learning progress, but also their overall view towards studying. The goal of providing electricity to these learning institutions is to maximize the benefits of learning for everyone. To support this, PhP2.0 billion is allotted for the School Electrification Program

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

Particulars	2019 GAA	2020 NEP
Department of Education	**528.5**	**551.7**
Basic Educational Facilities	30.9	36.0
Government Financial Assistance and Subsidy to Students and Teachers	32.1	31.2
Provision of Learning Materials	10.2	12.6
School-based Feeding Program	5.0	6.0
Dental Health Care Program	2.8	1.4
Creation of Teaching and Non-Teaching Positions	2.3	1.3
Inclusive Education Program	1.2	1.1

Table 2. Procurement Targets for Learning Materials

Particulars	Baseline	2019	2020
Textbooks/ instructional materials	84.9 M	8.9 M	10.3 M
Science and mathematics equipment	2,310	2,371	3,392
Computer packages	34,647	3,827	46,310
Tech-voc equipment	3,129	3,547	1,200

to provide electricity to 1,047 unenergized school sites and modernize the electrical systems of on-grid schools through the installation of solar panels.

Some PhP1.5 billion is also allotted for the Last Mile Schools Program of the DepEd. These are schools that have fewer than four classrooms, multi-grade classes with less than five teachers, with less than 100 students.

Preserving Heritage School Buildings. The government aims to build a society that appreciates its own culture and heritage. Republic Act No. 11194 or the "Gabaldon School Buildings Conservation Act", signed on January 18, 2019, institutionalizes the program that seeks to preserve these structures. Gabaldon school buildings were built from 1907 to 1946 and serve as a symbol of the first foundation of the Philippine public school system. Culturally, they are a reflection of the high value that Filipinos place on education.

Equipped with a budget of PhP384 million for 2020, the DepEd, in coordination with the National Commission for Culture and the Arts, the National Historical Commission of the Philippines, and the National Museum, will implement activities that will protect and conserve the remaining 1,446 Gabaldon heritage school buildings all over the country.

Increasing Manpower in the Education Sector. With a total budget of PhP1.3 billion, the DepEd will create 10,000 teaching positions and 5,000 non-teaching positions for 2020. An amount of PhP5.4 billion is also allotted for the cash allowance and special hardship allowance of public school teachers. A PhP3,500 cash allowance is given per classroom teacher every school year for the purchase of chalks, erasers, forms, portfolio preparation, and other classroom. Special hardship allowance, meanwhile, is granted to teachers who are exposed to hardship or extreme difficulty when performing their jobs. This includes those who are: (1) being deployed in hardship posts, (2) performing multi-grade teaching; (3) carrying out mobile teaching functions; or (4) teaching in Alternative Learning System (ALS) classes.

Providing Scholarships and Subsidies to Students and Teachers. The financial assistance given by the government to students and teachers in private and non-DepEd schools is funded with PhP31.2 billion in 2020. The DepEd is implementing several programs under the Government Assistance and Subsidies (GAS), such as the Senior High School (SHS) Voucher Program, Education Service Contracting (ESC), Teacher Salary Subsidy (TSS). These programs aim to ensure that accessible and quality basic education are delivered with the help of private educational institutions. *(See Table 3)*

Of this amount, PhP20.5 billion will support the voucher programs for SHS students in 2020. This program enables qualified students to enroll in private secondary schools, private higher education institutes, and private technical-vocational institutes. An amount of PhP1.2 billion is also given for the Joint Delivery Voucher Program to enable selected public SHS students taking the Technical Vocational and Livelihood (TVL) track to take their TVL subjects in private or non-DepEd schools and institutions.

In addition, some PhP10.7 billion is also allotted for the implementation of the Education Service Contracting (ESC) Program, which provides a fixed tuition subsidy to graduates of public elementary schools who will enroll in participating private schools.

Based on the DepEd's existing guidelines on the voucher amount for the SHS Voucher Program, Junior High School graduates from public schools will get the full amount of the voucher, while those from ESC and Non-ESC private schools will get 80 percent of it. Those who have graduated from SUCs or LUCs will get half of the full voucher amount. It should also be noted that these are based on the location of the beneficiary's chosen SHS. *(See Table 4)*

Table 3. Schemes under the Financial Assistance and Subsidies to Students and Teachers

Programs	2020 NEP (in billion Pesos)	No. of Grantees
Educational Service Contracting (ESC)	**10.7**	**1,118,766**
Voucher Program for Senior High School Students	**19.3**	**825,753**
Non-DepEd/Private School	18.8	-
Local Universities and Colleges (LUCs)/SUCs	0.6	-
Joint Delivery Voucher Program for Technical-Vocational-Livelihood Specializations (JDVP-TVL)	**1.2**	**90,000**
Teacher Salary Subsidy Program	**1.0**	**53,260**
Total	**51.6**	**2,087,779**

Table 4. Amount of SHS Vouchers

Particulars	National Capital Region (NCR)		Non-NCR Highly Urbanized Cities (HUCs)*		Target	
Public JHS	100%	PhP22,500	100%	PhP20,000	100%	PhP17,500
ESC and Non-ESC[1/]	80%	PhP18,000	80%	PhP16,000	80%	PhP14,000
LUCs[2/] and SUCs[2/]	50%	PhP11,250	50%	PhP10,000	50%	PhP8,750

Source: Department of Education

[1/] JHS graduates from private non-ESC grantee schools will still have to apply for the Voucher Program.

[2/] All JHS graduates who will enter an SUC or LUC will automatically receive 50 percent of the full voucher amount.

** Non-NCR HUCs include: Angeles, Bacolod, Baguio, Butuan, Cagayan de Oro, Cebu City, Davao City, General Santos, Iligan, Iloilo City, Lapu-Lapu, Lucena, Mandaue, Olongapo, Puerto Princesa, Tacloban, and Zamboanga*

Similarly, PhP959 million is allocated for the Teacher Subsidy Program, which provides an PhP18,000 subsidy to teachers in ESC-participating JHS.

Building an Inclusive Education System. Supporting inclusive education means building conducive learning and teaching environments for all children in regular schools, regardless of differences in socio-economic background, (dis)ability, race, color, sexual orientation, religion, and ethnicity, among others.[7]

Demonstrating the Administration's commitment to ensure that every Filipino learner receives the education he needs to improve himself, a total of PhP1.1 billion is allocated for the Inclusive Education Program. This amount includes: PhP601 million for the Flexible Learning Options Program (Alternative Delivery Modes/Alternative Learning Systems/Education in Emergencies); PhP341 million for Madrasah Education Program; PhP113 million for Indigenous Peoples Education (IPEd) Program; and PhP22 million for Multigrade Education. *(See Table 5)*

Table 5. Inclusive Education Program Targets for 2020

Program	Baseline (community learning centers)	2020 Targets
ALS/EiE	34,752	11,000
Madrasah Education	1,660	4,887
IPEd	2,983	3,050
Multigrade Education	8,379	1,317

Promoting Good Health among Students. There is an undeniable connection between a learner's health and his or her ability to learn. Since 1997, the DepEd has been allotting funds to support feeding programs.

For 2020, a budget of PhP6.0 billion is allocated for the School-based Feeding Program. It aims to provide food for severely wasted, moderately wasted, and wasted learners from kindergarten up to Grade 6 for the duration of 120 days. This program targets to benefit 1,810,460 learners.

Meanwhile, the Dental Health Care Program gets a budget of PhP1.4 billion to fund the operation of dental facilities of 2,101 central public schools.

Building Human Capital through Tertiary Education

According to the World Bank, beyond the basic education programs, attaining higher education provides further advancement for learners not only by providing them with adequate and relevant job skills, but by preparing them to be active members of their communities and societies.[8]

The CHED recorded an increase in the number of students who were given scholarships, grants, and other financial assistance. From the 1,469,017 beneficiaries for AY 2018-2019, a total of 1,656,970 beneficiaries across the country are able to pursue their education for AY 2019-2020 due to the implementation of Free Higher Education, Tertiary Education Subsidy Program, and Student Loan Program, under the Universal Access to Quality Tertiary Education (UAQTE) Act of 2017.

The Duterte Administration consistently strives to improve the school-to-work transition and the development of the educational curricula that will put the competencies of Filipino graduates at par with the global community standards. Of the total PhP673.0 billion allocation for the Education sector, PhP68.5 billion will go to the SUCs, while PhP40.8 billion will be provided to the CHED. Shown in Table 6 are the budgets

Table 6. Allocations for the Higher Education Sector
(in billion Pesos)

Particulars	2019 GAA	2020 NEP
State Universities and Colleges	**68.3**	**68.5**
Commission on Higher Education	**52.4**	**40.8**
Of which:		
Universal Access to Quality Tertiary Education (UAQTE) Program	42.5	35.4
K to 12 Transition Program	3.2	2.5
Student Financial Assistance Programs (StuFAPs)	4.2	0.5

Table 7. Regional Allocation for the SUCs

Region			Number of SUCs	Allocation (in billion Pesos)
CAR	-	Cordillera Administrative Region	6	2.0
I	-	Ilocos	6	3.7
II	-	Cagayan Valley	5	2.6
III	-	Central Luzon	12	5.8
NCR	-	National Capital Region	8	20.8
IV-A	-	CALABARZON	5	2.3
IV-B	-	MIMAROPA	6	1.8
V	-	Bicol	9	3.8
VI	-	Western Visayas	11	4.7
VII	-	Central Visayas	5	2.4
VIII	-	Eastern Visayas	10	4.7
IX	-	Zamboanga Peninsula	5	1.6
X	-	Northern Mindanao	7	2.9
XI	-	Davao	5	1.6
XII	-	SOCCSKSARGEN	4	1.6
XIII	-	CARAGA	4	1.7
ARMM	-	Autonomous Region in Muslim Mindanao	6	4.3
TOTAL			**114**	**68.5**

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

of the different programs involved in ensuring the quality and sustainability of tertiary education in the country.

SUCs play a vital role in providing accessible tertiary education for Filipinos. The allocation of PhP68.5 billion for 2020 ensures that everyone, especially the poor and the marginalized, will have continuous access to quality tertiary education. *(See Table 7)* This amount includes the maintenance, rehabilitation, and modernization of their services and facilities.

Taking up the largest chunk of the CHED's budget, the PhP35.4 billion allocation for the implementation of the UAQTE Act will be distributed among the following: Free Higher Education Program (PhP16.0 billion), Tertiary Education Subsidy (PhP18.4 billion), and Student Loan Program (PhP1.0 billion). These programs aim to aid a total of 1,446,389 students.

Additionally, PhP2.5 billion is allocated for the K-to-12 Transition Program to upgrade the qualifications of teachers/instructors, as well as to prevent the displacement of HEIs/SUCs faculty as a result of its implementation. The program will cover 7,700 scholarships for graduate studies, 25 faculty development grants, and 52 institutional and innovation grants.

The Student Financial Assistance Programs (StuFAPs) will also be given PhP0.5 billion from the CHED budget to support a targeted 19,405 beneficiaries. Of this amount, PhP65 million will fund the scholarship grants for dependents of sugar industry workers and small farmers.

Developing Skills through Technical-Vocational Education

Responding to the continued demand for skilled workers, the Administration will set aside PhP12.0 billion for the TESDA for 2020. This budget will be used to provide opportunities for Filipinos to develop the skills needed to enter and excel in the labor market.

For 2020, the TESDA increases its target number of graduates under its scholarship programs and various institutions, as well as the target number of training institutions and assessment centers provided with technical assistance. *(See Table 8)*

Of the total budget allotted for the TESDA, some PhP3.9 billion will be used for the free technical education and training under the UAQTE Program to provide financial assistance to 42,825 Filipino students to help them pursue their technical-vocational education in state-run technical vocational institutions. This amount will cover the requirements for Free Technical-Vocational Education and Training (TVET), Tertiary Education Subsidy (TES), and Student Loan Program (SLP). *(See Table 9)*

Table 8. TESDA Targets, 2019-2020

Particulars	2019	2020
Graduates of:	**345,855**	**466,529**
TESDA Scholarships	274,614	283,662
TESDA Institutions	110,241	182,867
Training institutions, establishments, and assessment centers provided with technical assistance	**5,495**	**5,842**

Table 9. Allocations for the Major Programs and Projects of the TESDA
(in billion Pesos)

Particulars	2019 GAA	2020 NEP
TESDA	**12.7**	**12.0**
Of which:		
Free Technical Education and Training*	3.9	3.9
Training for Work Scholarship Program (TWSP)	2.7	2.3
Special Training for Employment Program (STEP)	2.1	1.2
Private Education Student Financial Assistance (PESFA)	0.2	0.2

** Part of the UAQTE Program*

In addition, the Training for Work Scholarship Program (TWSP) will receive a budget of PhP2.3 billion to create, sustain, and develop courses in priority industries and key employment generators, such as agri-fishery, agri-business, and agro-industrial and general infrastructure. The program aims to reach 102,393 beneficiaries, with priority given to those without prior formal or vocational training and those from regions or provinces with high poverty rates.

To increase the number of skilled Filipino workers, PhP1.2 billion is earmarked for the Special Training for Employment Program (STEP). The budget will be used for the development, promotion, and implementation of community-based specialty training programs that aim to address the specific skills needs of target beneficiaries in barangay communities and enhance their employability.

PhP200 million from the TESDA budget will be provided for the Private Education Student Financial Assistance (PESFA) Program, to financially assist underprivileged students attending technical-vocational courses, and private institutions in need of a steady supply of enrollees to their course offerings.

A Bright Future for All

The overall goal of the Philippine education sector is to provide accessible education to all Filipinos in order to prepare them for a productive career path in the future. From raising the basic education system to provide access for all, to providing free higher education for everyone, a lot has been accomplished in less than a decade. Still continuously focused on education as a poverty-reduction strategy, though, the government will continue to invest in programs and projects that will enhance accessibility to quality educational opportunities to take advantage of the country's demographic dividend.

Health

For decades, the Philippines has been struggling with the lack of an adequate and efficient health care system. The Health sector is perceived to be fragmented, not only because it is dominated by private companies, but also because of the negative effects and impacts of the devolution of government health services.

Since the enactment of the Local Government Code of 1991, the delivery of public health services has been devolved or transferred from the Department of Health (DOH) at the national level, to local government units (LGUs), leading to the establishment of municipal, provincial, and regional offices responsible for providing these services at their respective levels. This type of complex system has given rise to challenging issues resulting in negative impacts on the overall health profile and condition of the people.

The remedy for what has ailed the Philippine health care system for years may finally have been provided by this Administration, with the passage of Republic Act No. 11223, or the "Universal Health Care (UHC) Act", signed by President Duterte on February 20, 2019. The landmark law aims to reform and improve the current health care system by ensuring that all Filipinos, especially low income individuals, stay healthy and productive in their work, resulting in higher incomes and improved lives.

The UHC Act envisions to provide:

- An integrated and comprehensive approach to ensure that all Filipinos are health literate, provided with healthy living conditions, and protected from hazards and risks that could affect their health;
- A health care model that provides all Filipinos with access to a comprehensive set of quality and cost-effective, promotive, preventive, curative, rehabilitative, and palliative health services without causing financial hardship, and prioritizes the needs of the population who cannot afford such services;
- A framework that fosters a whole-of-system, whole-of-government, and whole-of-society approach in the development, implementation, monitoring, and evaluation of health policies, programs, and plans; and
- A people-oriented approach to the delivery of health services that is centered on people's needs and well-being, and cognizant of the differences in culture, values, and beliefs.

The World Health Organization (WHO) has recognized the Philippines' UHC Act as the first in the Western Pacific region.[9] Aside from taking a people-oriented approach in delivering health services, it will be funded not only from existing revenue sources, but from the proceeds of the total incremental "sin tax" collection. Other fund sources include the 50 percent of the national government share from the income of the Philippine Amusement Gaming Corporation; 40 percent of the charity fund, net of documentary stamp tax payments, and mandatory contributions of the Philippine Charity Sweepstakes Office; premium contributions of members; annual appropriations of the DOH; and the budget of the Philippine Health Insurance Corporation (PhilHealth).

For 2020, the government has allocated PhP166.5 billion for the Health sector. Of this amount, PhP92.2 billion is allotted for the DOH, PhP67.4 billion for the PhilHealth, and PhP7.0 billion lodged under the Miscellaneous Personnel Benefits Fund (MPBF) for the Human Resources for Health Deployment Program. Although the 2020 budget for the said sector is 1.42 percent lower than its 2019 budget of PhP168.9 billion, key programs and projects continue to be funded in the 2020 annual expenditure program. *(See Table 10)*

Focusing on Improved Health Services

Intensifying Pursuit of the Health-For-All Agenda. With a funding of PhP67.4 billion in 2020, the PhilHealth aims to fund the first year of its mandate of achieving a 100 percent population coverage for the NHIP. This is a two (2) percent increase from the recorded 98 percent population coverage in 2018. An amount of PhP115 million will also be used to conduct various trainings in relation to the implementation of the UHC Act.

As provided for by the UHC Act, all Filipino citizens are automatically enrolled in the NHIP. As such, they are immediately granted "access to preventive, promotive, curative, rehabilitative, and palliative care for medical, dental, mental, and emergency health services."[10]

There are two types of membership: direct contributors and indirect contributors. Direct contributors are those who, among others, are employed, bound by an employer-employee relationship, self-earning, professional practitioners, and migrant workers. Membership also extends to their qualified dependents. Indirect contributors, on the other hand, include, among others, indigent individuals and senior citizens, whose premiums will be subsidized by the government.

In 2017, the average Filipino spent an estimated PhP6,791 for health. To reduce the out-of-pocket expenses of Filipinos, the UHC Act, through the PhilHealth, guarantees to shoulder basic services and accommodation in hospitals and medical facilities. In addition, hospitals are to allot certain percentages of their available beds for this, broken down as follows: at least 90 percent for government hospitals, at least 70 percent for specialty hospitals, and at least 10 percent for private hospitals.

For more efficient and effective delivery of their respective services, the DOH and LGUs will focus on population-based health services, which are the interventions that address problems affecting a community. PhilHealth, on the other hand, will focus on providing individual-based health services.

Lastly, a special task force, the Health Technology and Assessment Council (HTAC), will be created to evaluate the latest health technologies and recommend them to the DOH and PhilHealth. The HTAC is a group of health experts that will not only assess health technologies, but also develop measures to solve health-related problems.

Table 10. Budget and Major Programs in the Health Sector, 2019-2020
(in billion Pesos)

Agencies	2019 GAA	2020 NEP
Health Sector	**168.9**	**166.5**
Department of Health	**101.1**	**92.2**
Health Facilities Operations Program	30.4	41.1
Human Resources for Health Deployment Program	12.4	9.5
National Immunization Program	7.5	7.5
Medical Assistance Program	9.4	9.4
Health Facilities Enhancement Program	15.9	5.9
Family Health, Nutrition, and Responsible Parenting	2.5	2.2
Prevention and Control of Other Infectious Diseases	0.7	1.0
Philippine Health Insurance Corporation		
National Health Insurance Program	67.4	67.4
Commission on Population and Development		
Philippine Population Management Program	0.3	0.3
National Nutrition Council		
First 1,000 Days	0.1	0.1

Table 11. Regional Allocation for the Health Facilities Operations Program
(in thousand Pesos)

Regions	DOH Hospitals	Dangerous Drug Abuse Treatment and Rehabilitation Centers	Blood Centers and National Voluntary Blood Services	National Research Laboratories
CAR	1,564,053	-	-	-
I	2,171,438	98,014	5,774	-
II	2,038,386	58,285	5,774	-
III	2,788,821	178,052	5,774	-
NCR	11,958,071	238,146	550,082	184,330
IV-A	1,035,729	90,397	-	-
MIMAROPA	376,295	-	-	-
V	1,668,975	110,169	5,774	-
VI	1,686,571	51,353	-	-
VII	4,352,812	111,436	9,694	-
VIII	834,365	59,130	2,459	-
IX	1,992,437	12,000	2,459	-
X	2,043,027	74,853	2,459	-
XI	3,234,377	12,000	9,964	-
XII	792,858	12,000	2,459	-
CARAGA	595,877	69,210	-	-
Total	**39,134,092**	**1,175,045**	**602,672**	**184,330**

Funding the Operations of Public Health Facilities. The DOH manages several types of facilities, namely: public hospitals, national reference laboratories, and blood centers. Some PhP41.1 billion has been allotted to fund the operations of these facilities, including the budgets for the increase in bed capacity and conversion or renationalization of government hospitals. (*See Table 11)*

Of this amount, PhP39.1 billion will be provided for the regional and Metro Manila-based hospitals. The Southern Philippines Medical Center in Region XI gets the highest allocation with PhP2.4 billion. It is followed by the Governor Celestino Gallares Memorial Hospital in Region VII with PhP2.3 billion; and the East Avenue Medical Center and the National Center for Mental Health in Metro Manila, with PhP1.2 billion budget each.

A total of PhP184 million will also fund the country's three (3) National Reference Laboratories under the East Avenue Medical Center, Research Institute for Tropical Medicines, and San Lazaro Hospital. These facilities provide laboratory referral services and promote the continuous improvement of clinical chemistry laboratories in the country.

The operations of the Blood Centers and National Voluntary Blood Services Program will get PhP603 million. This fund will be used to provide adequate and safe blood for those who need it, as well as improve the access of people to blood and/or blood products. For 2020, blood service facilities aim to collect 124,290 units of blood.

Access to quality medicines is also considered an important part of the human right to health. For 2020, PhP19.1 billion is allocated for the purchase of drugs, medicines, and vaccines, including medical and dental supplies, for government health care facilities. Eighty (80) percent of this amount will go to provinces where the incidence of diseases is high.

Supporting Centers that Treat Drug Addiction. An amount of PhP1.2 billion has been earmarked under the DOH's Health Facilities Operations Program for the operations of the Drug Abuse Treatment and Rehabilitation Centers (TRCs). Currently, there are 17 existing TRCs all over the country, including one (1) mega TRC in Nueva Ecija. This fund will be used for additional food, drugs and medicines, and medical, dental, and laboratory supplies. It targets to manage 38,706 cases of in-patient and out-patient drug abuse cases.

Improving Government Health Facilities. A hospital must not only be adequately equipped, but also capable of performing procedures that would save people's lives. Some PhP5.9 billion is allotted for the Health Facilities Enhancement Program, to construct, upgrade, expand, rehabilitate, and/or repair health facilities under the DOH. This amount covers 1,230 barangay health stations, 427 rural health units, four (4) polyclinics, 195 LGU hospitals, 68 DOH hospitals, two (2) other DOH health facilities, and four (4) treatment and rehabilitation centers, among others.

Reaching the Vulnerable

Deploying Medical Professionals in Remote and Isolated Areas. A total of PhP9.5 billion is allotted for the Human Resources for Health (HRH) Deployment Program of the DOH. This will be used to deploy medical professionals in far-flung areas of the country where access to health care services is difficult. These medical professionals are expected to provide promotive and curative services in these areas. The DOH will also offer scholarships to medical and midwifery students through a budget of PhP644 million for the DOH Medical Scholarship Program. With this, the target HRH to population ratio is 19 HRH for every 10,000 population.

In addition, the UHC Act requires those who have received government-funded health and health-related scholarships to work in the public health sector for three (3) years after completing their studies. Incentives will also be given to those who will work for an additional two (2) years.

To support this, a national health human resource master plan will be formulated and implemented as prescribed by RA No. 11223. This is to ensure that all professionals and workers in the health sector will have permanent employment with competitive salaries.

Table 12. Deployment of Medical Personnel, 2018-2020

Particulars	2018	2019	2020
Doctors	330	313	744
Nurses	15,893	19,777	19,700
Midwives	4,000	4,538	4,538
Dentists	324	222	222
Pharmacists	417	303	303
Nutritionist Dieticians	-	200	2,002
Medical Technologists	441	601	601
Physical Therapists	-	-	81

Extending Services to Indigents. Some PhP9.4 billion is allotted for the Medical Assistance Program. This program provides medical assistance to indigent patients needing consultation, rehabilitation, and examination in government hospitals.

Expanding the National Immunization Program. Some PhP7.5 billion is allotted for the National Immunization Program to fully immunize 2.9 million infants, children, pregnant women, and senior citizens. This program targets to reduce morbidity and mortality against vaccine-preventable diseases like tuberculosis (TB), poliomyelitis, diphtheria, tetanus, pertussis, and measles, among others.

Eliminating Infectious Diseases. The government has also allotted PhP825 million to eliminate diseases, such as malaria, schistosomiasis, leprosy, and filariasis. Of this amount, PhP500 million is allotted for the Rabies Control Program to achieve the goal of a rabies-free Philippines by 2020. *(See Table 13)*

Preventing and Controlling the Spread of Other Infectious Diseases. A budget of PhP1.0 billion is allotted for the prevention and control of other infectious diseases, such as HIV/AIDS and food and waterborne diseases.

Additionally, a total of 5,366 HIV cases were reported in January to May 2019, bringing the total number of HIV cases in the Philippines to 67,395 (1984-2019). It was further reported that 19,176 of these cases belong to the 15-to-24-years age group.[11]

To increase the access of vulnerable groups, including at-risk youth, to HIV/AIDS testing and counselling, this amount will fund the HIV/Sexually Transmitted Infections Prevention Program of the DOH. This is also in support of RA No. 11166, or the Philippine HIV and AIDS Policy Act, signed on December 20, 2018, which lowers the minimum age allowed for HIV testing from 18 to 15 years old.

Aiming for a TB-free Philippines. To achieve the target of decreasing TB-related deaths and lowering TB incidence rates, PhP913.9 million will be used to fund the TB Control Program of the DOH. One hundred (100) units of Gene Xpert Machines, which are used for TB diagnosis, will be procured and given to health facilities under the LGUs. Second-line drugs for TB will also be procured to treat patients who are immune to the initial treatment or first-line therapy. The DOH maintains the target treatment success rate for TB at 90 percent.

Reducing the Vulnerability to Non-communicable Diseases. For 2020, PhP509 million will be allotted for the prevention and control of the non-communicable diseases program of the DOH. This allocation is for the procurement of drugs and medicines for hypertension, diabetes, mental health, childhood cancer, and peak flow meter for Chronic Obstructive Pulmonary Disease Diagnosis.

This amount will also support RA No. 11036, or the Mental Health Act signed on June 20, 2018, which provides that mental health services, such as psychiatric, psychosocial, and neurologic services and mental health education, shall be provided even down to the local level.

Strengthening Family Planning Efforts. To improve and maximize the gains of the demographic dividend through the Responsible Parenthood and Reproductive Health Law, PhP2.2 billion is allotted for the family health, nutrition, and responsible parenting program of the DOH.

Table 13. Some Targets of Public Health Programs in 2020

Particulars	Baseline	Target
No. of malaria-free provinces	42	68
No. of filariasis-free provinces	38	46

In addition to this, PhP346 million is allotted for the Philippine Population Management Program under the Commission on Population and Development (formerly the Commission on Population). It aims to provide two (2) million couples with access to classes on reproductive health and family planning, and 150,000 adolescents and youth with information on Adolescent Sexual and Reproductive Health.

Emphasizing the Importance of the First 1,000 Days. There are currently 4.2 million stunted children and 300,000 severely-wasted children under five (5) years of age in the Philippines. Stunted children are more prone to suffer from life-long damage to their cognitive and intellectual capacities, while severely wasted children have at least 9 to 12 times increased risk of death.

To help address this issue, President Duterte signed into law RA No. 11148 or the Kalusugan at Nutrisyon ng Mag-Nanay Act (Health and Nutrition of Mothers and Their Children Act) on November 29, 2018. The law aims to scale up the national and local health and nutrition profiles by ensuring that mothers and children are in good health during the first 270 days of conception and pregnancy; 180 days (0 to 6 months) of a child; and the last 550 days (6 months to 2 years) of the first two years of a child's life. Complementing the UHC Act, this law boosts the interventions mandated to deal with health-related issues concerning pregnant women and infants.

For 2020, PhP159 million for the First 1,000 Days Program under the National Nutrition Council will be used to provide intensified prenatal care services, antenatal care services, maternal immunization, micronutrient supplementation, lactation management services, psychosocial support for mothers, oral health, heal and nutrition counselling and consultations, among others. This amount covers 264 new cities and municipalities with 1,285 expanded barangays in Camarines Sur, Negros Occidental, Cebu, Leyte, and Sulu.

One Step towards a Healthier Philippines

Good nutrition and health care are key foundations of a progressive country. Despite the setbacks that the country has faced during the past decades, it is not impossible to eradicate the problems that have challenged the health and well-being of our people for years, and finally achieve the goal of a nation of healthy and strong people.

The passage of the Universal Health Care Act marks a milestone in the country's journey to provide and guarantee "health for all Filipinos". This is a victory, not only for the government, but for all Filipinos. It is a step in the right direction – for a healthy and progressive Philippines.

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Reducing Vulnerability of Individuals and Families

A crucial component of the poverty reduction agenda of the government is the provision of social protection measures to cushion the impact of development initiatives and to enable the poor and marginalized to cope with economic shocks. Statistics from 2018 reflect a decrease in poverty incidence among Filipino families, dropping to 16.1 percent from 22.2 percent in 2015.[1]

The government recognizes, however, that poverty studies and statistics in the context of socioeconomic development should go beyond a simple measure of incomes and include perspectives on the state of health and education of the population. In the context of global development, this holistic state of well-being is reflected in the Human Development Index (HDI) of the United Nations. The HDI is an aggregate measure of various indicators from three key components: health, education, and standard of living. The health dimension is assessed through life expectancy at birth, while education includes the expected years of schooling for children as well as the average years of schooling for adults. Lastly, the standard of living is derived from the country's gross national income per capita.[2] And in the Philippine Development Plan 2017-2022, the HDI is one of the indicators used to guide the Administration in pursuit of its goals in *Ambisyon Natin* 2040.[3]

Over the past years, the Philippines has improved its HDI level, from 0.657 in 2007 to 0.699 in 2017. This means that overall, the country had advanced in terms of the population's knowledge level, health, and standard of living. Against other Southeast Asian countries however, the country still lags behind Singapore, Brunei, Malaysia, and Thailand in this regard. This is why the government continues to strive to address the remaining gaps, and most importantly to reduce the number of poor individuals and to respond to their needs, not only through social protection but through the creation of opportunities for their personal growth and development.

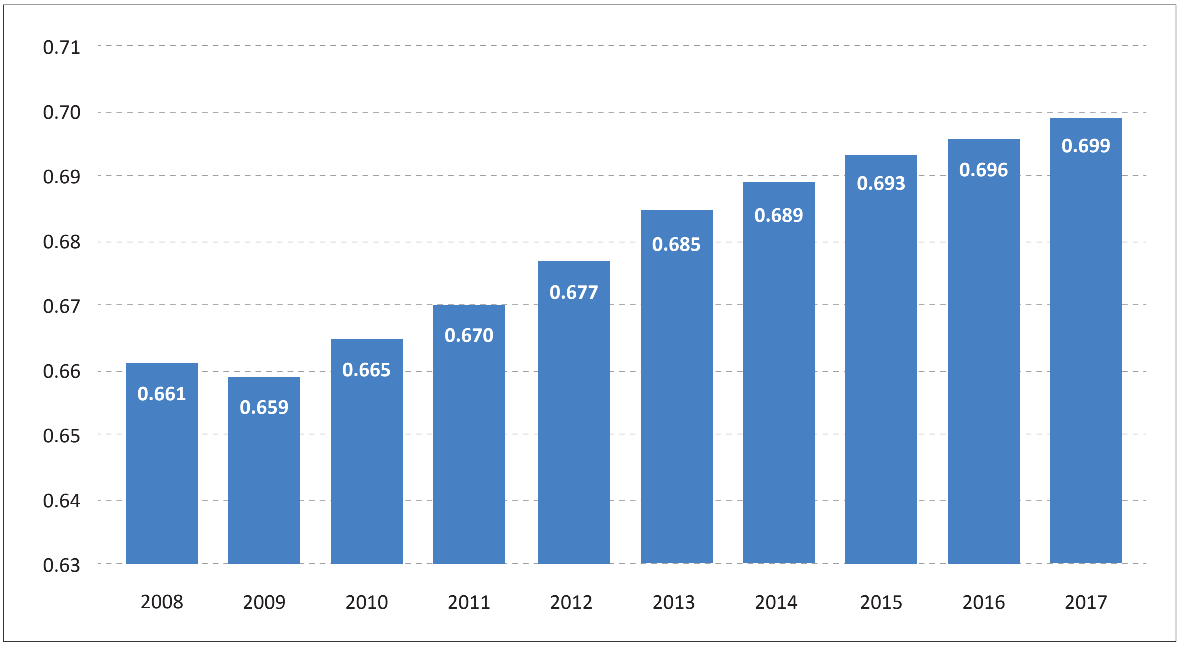
From the experience gleaned from social protection programs implemented over the years, one important lesson has emerged: that for any poverty eradicating program to succeed, the root cause of poverty must first be addressed, i.e., lack of education and poor health. By seeking long-term solutions, through investments in children to capacitate them to become productive members of society in the future, opportunities for them to join the workforce will significantly increase. This, in turn, will help them to ultimately escape the intergenerational cycle of poverty.

Table 2. The 2017 Human Development Index of Southeast Asian Countries

Rank	Country	Score
1	Singapore	0.932
2	Brunei	0.853
3	Malaysia	0.802
4	Thailand	0.755
5	**Philippines**	**0.699**
6	Indonesia	0.694
7	Vietnam	0.694
8	Timor Leste	0.625
9	Laos	0.601
10	Cambodia	0.582
11	Myanmar	0.578

Source: United Nations Development Programme (UNDP)

Table 1. Human Development Index: Philippines 2008-2017



Source: UNDP

Table 3. 2012 and 2014 *Pantawid Pamilya* Impact Evaluation Summaries

2012 Impact Evaluation	2014 Impact Evaluation
Education	
• Increased enrollment among younger children (3 to 11-year olds) by 10 percentage points* • Increased attendance among 6 to 17-year olds by 4.5 percentage points* • 4Ps enables poor households to increase their investments in meeting the health and education needs of their children	• Gross enrollment rate for high school children (12 to15-year olds) is higher for *Pantawid* children* • *Pantawid* children (10 to 14 years old) work seven days less in a month* • 4Ps increases households' investments in education
Health	
• Improved the long-term nutritional status of younger children (6 to 36 months old) by 10 percentage points* • *Pantawid* children received Vitamin A and deworming pills • Helped increase healthcare-seeking behaviors among beneficiaries when their children become ill	• Almost 9 in 10 *Pantawid* children received Vitamin A supplementation and nearly 8 in 10 received deworming pills at least once a year • About 1 in 5 children under 2 years and nearly 1 in 2 children aged 2 to 5 years had regular weight monitoring in health centers
Others	
• 4Ps has contributed to increased coverage of the Philhealth • 4Ps has not affected decisions to work or fertility rates	• 9 in 10 households are covered by PhilHealth • 4Ps does not encourage dependency as adults in beneficiary households work as much as their non-beneficiary • counterparts 4Ps promotes facility-based deliveries and access • toprofessional postnatal care 4Ps allows parents to aspire for a better future of their children

**Compared to poor children that are not part of the 4Ps*
Source: Department of Social Welfare and Development

Institutionalizing the *Pantawid Pamilyang Pilipino* Program

Investing in long-term programs to provide quality education and healthcare are the rationale or bases for launching the *Pantawid Pamilyang Pilipino* Program or 4Ps. Since its implementation in 2008, the 4Ps has been the premier program of the government to provide immediate relief for poor and marginalized families, yet its ultimate goal is to protect children and promote their rights and welfare.

The impacts of the 4Ps program over the years of its implementation include meeting its objectives of ensuring that children are in school and keeping them healthy. This is reflected in the records of the 2012 *Pantawid Pamilya* Impact Evaluation, which show increased enrollment among younger children, and continued attendance of older children in school when they are most likely to drop out in order to work.[4] Furthermore, long-term nutritional status of *Pantawid* children have also shown marked improvement. *(See Table 3)*

Both reports indicate positive observations that are beyond the program's original targeted objectives. Poor women are encouraged to avail of maternal health services such as professional antenatal and postnatal care – which in turn is helping to decrease stunting cases in children, increase the

Table 4. *Pantawid Pamilyang Pilipino* Program: Budgets and Physical Targets, 2019-2020

Particulars	2019 GAA	2020 NEP
Department of Social Welfare and Development	**PhP138.5 B**	**PhP156.6 B**
Of which:		
***Pantawid Pamilyang Pilipino* Program**	**PhP89.8 B**	**PhP108.8 B**
Of which:		
Health Grant	PhP89.8 B	PhP37.6 B
Education Grant	PhP29.5 B	PhP32.2 B
Rice Subsidy	PhP28.5 B	PhP31.0 B
Other assistance programs for MCCT	PhP0.3 B	PhP0.3 B
No. of beneficiaries:		
Regular CCT	4,164,788	4,164.960
Modified CCT	235,212	235,040

Source: Department of Social Welfare and Development number of women giving birth in health facilities, and improve attitudes toward reproductive health. The latter is one of the goals of *Pantawid*'s Family Development Sessions – a key intervention fulfilling the family development thrust of the 4Ps, in which households are involved in parent effectiveness discussions, health and nutrition classes, and community development activities.

Pantawid household beneficiaries have been found to spend more on education and health over the years, while decreasing dependency on vices such as tobacco, alcohol, and gambling. The number of beneficiaries applying for Philhealth also increased, with about 9 out of 10 households covered in 2014 – way before the Universal Health Care Law was signed.[5]

Recognizing these positive gains from the 4Ps, the Duterte Administration has institutionalized the program through Republic Act No. 11310 and has recognized it as a key national poverty reduction strategy. The 4Ps provides conditional cash transfer to qualified household beneficiaries, mostly consisting of farmers, fisherfolk, indigenous peoples, informal settlers, and families in geographically isolated and disadvantaged areas (GIDAS) as identified by the National Household Targeting System for Poverty Reduction or the *Listahanan*. Eligible households must have children aged 0 to14 years old or have a pregnant member of the household, and they must be willing to meet the conditionalities specified by the program.

Among the conditionalities are that the beneficiaries' children aged 3 to 18 must attend school, register a monthly attendance of 85 percent, and must avail of health services including preventive check-ups and deworming; pregnant women must avail of facility-based healthcare in accordance with standard DOH protocol; and that the household heads must attend the Family Development Sessions.

This year, the Department of Social Welfare and Development (DSWD) has been allotted PhP108.8 billion for the 4Ps, to cover 4.4 million of household beneficiaries' education and health grants, and rice subsidy. *(See Table 4)*

Table 5. *Pantawid Pamilya* Cash Grants and Rice Subsidy

Grant	Grant Amount
Educational grant to child enrolled in day care and elementary	PhP 300*
Educational grant to child enrolled in junior high school	PhP 500*
Educational grant to child enrolled in senior high school	PhP 700*
Health grant to household	PhP 750**
Rice subsidy	PhP 600**

**Per child per month for a maximum of 10 months a year*
***Fixed rate per month for a maximum of 12 months a year*

As of March 2019, the *Pantawid Pamilyang Pilipino* Program has been implemented in 145 cities and 1,483 municipalities.[6] Of the total number of registered households, 4,183,403 are active households or 95.08 percent of the 2019 target of 4,400,000. Out of these, 3,955,413 or 94.55 percent are covered by the Regular Conditional Cash Transfer (RCCT) program, or households identified to be the most in need of social protection. Meanwhile, 227,990 or 5.45 percent are covered by the Modified Conditional Cash Transfer (MCCT), which targets indigenous peoples in GIDAS and victims of natural and man-made disasters, as well as homeless street families.

Table 6. Household Coverage Regular and Modified Conditional Cash Transfer (as of March 31, 2019)

Particulars	Target Households	Number of Active Households	Percentage (Target vs. Actual)
Regular Conditional Cash Transfer	4,164,788	3,955,413	94.97
MCCT - Indigenous People in Geographical Isolated and Disadvantaged Areas	180,019	174,321	96.83
MCCT – Victims of Natural and Man-made Disaster	50,164	48,807	97.29
MCCT - Homeless Street Families	5,106	4,862	95.22
Total	**4,400,000**	**4,183,403**	**95.08**

Source: Pantawid Pamilyang Pilipino Program 2019 1st Quarter Report

Table 7. Geographic Coverage (as of March 31, 2019)

Level	Nationwide count	Target Areas	Actual Areas	Percentage of Coverage
Region	17	17	17	100%
Province	81	80	80	100%
City	145	145	145	100%
Municipality	1,489	1,483	1,483	100%
Barangay	42,044	41,999	41,522	98.84%

Source: Pantawid Pamilyang Pilipino Program 2019 1st Quarter Report

Since its implementation in conjunction with other programs, 4Ps has been one of the major factors that have led to a significant decline in the poverty rate.[7] Through RA No. 11310, the Administration aims to leverage on these positive impacts. By ensuring that the next administrations will perpetuate the provision of this social protection measure, the most vulnerable sectors would be spared from the harsh impacts brought about by economic shocks in the future.

Table 8. Poverty Incidence for Basic Sectors: 2006, 2009, 2012, and 2015

Sector	2006	2009	2012	2015
Philippines	**26.6**	**26.3**	**25.2**	**21.6**
Farmers	38.5	38.0	38.3	34.3
Fishermen	41.2	41.3	39.1	34.0
Children	35.2	35.3	35.2	31.4
Women	25.9	25.9	25.6	25.4
Youth	21.1	21.6	22.3	19.4
Senior Citizens	16.9	16.1	16.2	13.2
Individuals Residing in Urban Areas	12.6	12.6	13.0	11.5

Source: Philippine Statistics Authority

Salient features of the law include automatic enrollment of qualified beneficiaries in the National Health Insurance Program, as well as priority in the availment of modalities and interventions under the DSWD's Sustainable Livelihood Program or similar programs offered by other government agencies or accredited private institutions. Also, to ensure the efficiency of the program, the Philippine Institute for Development Studies is mandated to conduct an impact evaluation of the 4Ps' effectivity, accuracy of the beneficiary database, and implementation of the program.

Unconditional Cash Transfer

In addition to 4Ps, the Duterte Administration is also protecting the vulnerable through the Tax Reform Cash Transfer (TRCT), reaching out to a target of 10 million beneficiaries to augment their daily subsistence allowance as a safety net against the unintended effects of the TRAIN Law. While the law aims for an efficient and simpler tax system in order to promote job creation and other investments, it also increases the prices of commodities due to the increase in excise taxes on oil products.

The TRCT seeks to provide cash grants to 4.4 million 4Ps beneficiaries, 3 million indigent senior citizens, and 2.6 million indigent non-4Ps households.

For 2020, some PhP36.5 billion has been allocated to the Land Bank of the Philippines (LBP) for the cash transfer and bank fees, while the DSWD has been provided PhP688 million for the administration of this program. This will be used to give the beneficiaries PhP300 a month, the same amount that they received in 2019.

As of December 2018, PhP24.5 billion has been distributed by the Land Bank to the TRCT beneficiaries through cash cards of LBP and other authorized banks, LBP over-the-counter, LBP conduits such as cooperatives, remittance companies, and LBP ATMs managed by other Rural Banks.[8]

Sustainable Livelihood Program

The Sustainable Livelihood Program (SLP) is anchored on the concept of the ability of social protection measures to make life-changing improvements in the beneficiaries' sources of income. Serving a total of 639,050 households as of 2018, the SLP has two tracks: the Micro-Enterprise Development (MD) track, offering skills training and capital funding support to start a business; and the Employment Facilitation (EF) track, which offers pre-employment training and access to locally available jobs.

Qualified beneficiaries of this program are the poor and disadvantaged households identified by the *Listahanan*, which includes 4Ps beneficiaries. A maximum of two members per household are allowed to avail of the program, but they must pursue different tracks.

For 2020, PhP3.0 billion will be allocated to the DSWD to fund the SLP, to serve 108,145 participants under the MD and EF tracks. The SLP will partly generate jobs from the Manila Bay Rehabilitation and *Build, Build, Build* projects, and also provide assistance for the reintegration of former insurgents as part of the operationalization of Executive Order No. 70, or the "Institutionalizing the Whole-of-Nation Approach in Attaining Inclusive and Sustainable Peace, Creating a National Task Force to End Local Communist Armed Conflict, and Directing the Adoption of a National Peace Framework".

Table 9. Sustainable Livelihood Program Budget and Physical Targets, 2019-2020

Program	2019 GAA	2020 NEP
Sustainable Livelihood Program	**PhP2.3 B**	**PhP3.0 B**
Number of households served through MD track	32,909	108,145
Number of households served through EF track*	12,250	

**Includes beneficiaries from the operationalization of EO no. 70*
Source: DSWD

Other Select Programs

Women and Children's Welfare

Supplementary Feeding Program (SFP). The SFP provides supplementary hot meals for children aged two (2) to five (5) years enrolled in Child Development Centers (CDCs) and Supervised Neighborhood Plays (SNPs) as part of the DSWD's contribution to the Early Childhood Care and Development (ECCD). Under the SFP, meals are provided at least five (5) times a week to the beneficiaries, or at most seven (7) times as necessary. The program lasts for 120 days to ensure the nutrition of children during their formative years.

For 2020, the DSWD will receive PhP3.6 billion to continue the SFP in order to mitigate malnutrition. This will be used to cover 1,881,979 children for feeding and 48,784 children for milk feeding. Also, this year saw the launching of partnerships between the SFP and the Sustainable Livelihood Program Associations and Agrarian Reform Beneficiaries Organizations to provide raw produce and food requirements of the SFP.

Bangsamoro Umpungan sa Nutrisyon. "Reducing Vulnerabilities of Children from Hunger and Malnutrition in the Autonomous Region of Muslim Mindanao (ARMM)", otherwise known as the *Bangsamoro Umpungan sa Nutrisyon* (BangUN), is a program that aims to mitigate the prevalence of stunting and wasting in children under twelve (12) years old. It also provides support to mothers in the ARMM where poverty is aggravated by armed conflict and natural disasters.

Table 10. Poverty Incidence for Children, by Region: 2006, 2009, 2012, and 2015

Region	2006	2009	2012	2015
Philippines	**35.2**	**35.3**	**35.2**	**31.4**
NCR	7.1	6.1	7.1	7.0
CAR	35.2	33.4	31.0	28.1
Region I	34.4	29.5	26.6	19.3
Region II	34.4	32.9	29.3	22.5
Region III	17.5	19.6	19.8	17.7
Region IV-A	15.4	17.6	18.1	14.9
MIMAROPA	50.6	44.4	39.9	34.5
Region V	53.5	53.4	51.1	46.7
Region VI	39.4	41.0	39.9	33.5
Region VII	45.6	40.2	40.4	37.5
Region VIII	51.0	52.6	56.5	49.3
Region IX	55.0	54.6	48.6	42.8
Region X	47.5	49.3	50.6	47.6
Region XI	39.9	40.8	36.9	31.7
Region XII	45.4	46.7	50.0	48.4
CARAGA	58.3	63.4	45.6	49.1
ARMM	52.6	56.1	59.6	63.1

Source: PSA

Currently, the ARMM is the poorest of all the regions, with 573,446 *Listahanan*-identified poor households out of 925,957 assessed,[9] or 1 out of 2 families in ARMM with income lower than the minimum required to meet basic food and non-food necessities. BangUN aims to provide the target beneficiaries with two culturally-appropriate meals per day for 180 days, based on the health condition and dietary requirement. Aside from improving the nutritional status of children and the health of pregnant and lactating women, it also empowers communities by granting them access to various nutrition-support programs of government agencies, which in turn encourages parents or household heads in the region to achieve food security and good health for their families in general.

In its first year of implementation in 2018, 7,000 children benefited from the program. Looking forward to continue the fight against malnutrition in children, the Duterte Administration is allocating PhP158 million for the BangUN program on its third year, targeting 15,000 children and 7,000 pregnant and lactating women, including those from other BARMM municipalities who were not included in the 2018 and 2019 implementation.

Women Empowerment Programs. While the Philippines ranked 8th among countries with the least gender gap in the world, as presented by the 2018 Global Gender Gap Report,[10] sustaining the programs on women empowerment remains an integral part of the government's human development efforts. For this, the government has allotted a budget of PhP107 million for the Philippine Commission on Women (PCW), the country's lead agency for the promotion of gender equality and women empowerment. Of this amount, PhP74 million will fund the PCW's Women's Empowerment and Gender Equality Policy Development and Planning Program.

This program will focus on various services like the maintenance of a data bank on Gender and Development (GAD) for Women, which will get PhP20 million; GAD Policy and Plan Development and Advocacy Services, with a budget of PhP26 million; and Planning, Management, and Monitoring of Gender Mainstreaming under the Magna Carta of Women, with an allocation of PhP12 million. The technical assistance, advisory, and capacity-building services on GAD, meanwhile, will have an allocation of PhP10 million.

<u>Protection for Overseas Filipinos and Trafficked Persons</u>

Services to Distressed Overseas Filipinos, Displaced Persons (Deportees), and Trafficked Persons. The January to June 2019 preliminary data from the Bangko Sentral ng Pilipinas shows that the Overseas Filipinos (OFs) have sent home US$14.6 billion in cash remittances, compared to US$14.2 billion in cash remittances during the same period in 2018 and US$13.8 billion in 2019[11] – a clear indication that OFs remain as important drivers of our economy. To ensure that OFs will be safeguarded from risks that include economic crises in host countries, and substandard employment conditions, the Duterte Administration allocates PhP167 million under the DSWD. Out of this budget, PhP90 million is allotted to fund psycho-social support such as counseling and trauma management under the Services to Distressed Overseas Filipinos.

The Recovery and Reintegration Program for Trafficked Persons is given a budget of PhP24 million to continue its work in recovering victims and reintegrating them safely into their families and communities.

The remaining PhP52 million will go to Services to Displaced Persons (Deportees), in which displaced persons are assisted in the form of temporary shelter, medical services, and nourishment. In February 2019, the DSWD reported 506 deportees from Malaysia arriving in Zamboanga in addition to 1,184 deportees that arrived since January. They were provided check-ups, sanitary kits, clothing, food packages, and fare money for the trip back home.[12]

<u>Assistance to Older Persons</u>

Social Pension for Indigent Senior Citizens. It is the government's priority to ensure senior citizens' well-being and full participation in the society, and that indigent senior citizens are included in the social inclusivity efforts of the Administration. Thus, a budget of PhP23.2 billion is proposed to fund the Social Pension for Indigent Senior Citizens Program, in which a PhP500 monthly stipend will be given to 3,796,791 indigent senior citizens to augment their daily sustenance and medical needs. This is in compliance with Republic Act No. 9994, or the "Expanded Senior Citizens Act".

A Transformative Social Protection

Many equate social protection with dole-outs, immediate aid, and government interventions with the aim of cushioning the vulnerable from economic shocks. While those indeed are some of the basic features of social protection, they do little to truly reduce the risks that the poor and the marginalized are facing. A universal and transformative approach to social protection includes programs that go beyond the provision of income to satisfy temporal consumption. This includes initiatives addressing health, education, equality, economic empowerment, cultural rights, as well as age and gender empowerment. The Duterte Administration intends to uplift the lives of the Filipinos by continuously providing opportunities for the vulnerable individuals and families in these areas.

Endnotes

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Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries

Ensuring Food Security

Access to adequate food, one of the key indicators of food security[1], is foremost among the basic needs of the people.[2] However, many Filipinos and their families continue to struggle to meet this basic necessity due to poverty. In the first half of 2018, 8.5 percent of Filipino individuals and 6.2 percent of families were recorded as food poor.[3] This means that nine (9) out of 100 people and six (6) out of 100 households do not have sufficient means or income to secure their basic food needs.[4]

Ironically, households with agriculture as the main source of income are, and continue to be, among the poorest and the most vulnerable to fall into poverty, as their livelihoods are largely affected by natural disasters and other external shocks. Most of the providers of these households work in the Agriculture, Forestry, and Fishing (AFF) sector as corn farmers, farm laborers, rice tillers, coconut farmers, and fisherfolk.[5]

Employing 22.2 percent of the total Filipino workforce[6], the AFF sector has the potential to be a key driver of economic growth and poverty reduction. However, its lackluster performance over the past years, reflected in its declining share in the national Gross Domestic Product (GDP) as shown in Table 1, indicates an underlying need to revitalize the sector and boost its productivity and economic output, in order to improve the welfare of millions of farmers and fisherfolk who depend on it for a living.

Table 1. Economic Output of the AFF Sector, 2016-2018

Industry	2016		2017		2018	
	Value (in billion Pesos)	Share in GDP (%)	Value (in billion Pesos)	Share in GDP (%)	Value (in billion Pesos)	Share in GDP (%)
Agriculture, Forestry, and Fishing	710.93	8.75	739.03	8.53	744.81	8.09
Of which:						
Agriculture and Forestry	587.58	7.23	616.78	7.12	622.99	6.77
Fishing	123.35	1.52	122.25	1.41	121.82	1.32

Source: Bureau of Trade and Industrial Policy Research
Note: Data as of January 25, 2019

To address this, the government is allotting PhP142.7 billion in Fiscal Year (FY) 2020 for agriculture and agrarian reform, 6.7 percent higher than the allocation of PhP133.7 billion in 2019. This will be invested in strategies geared at enhancing agricultural productivity, competitiveness, profitability, and resiliency in the AFF sector, to support the goal of food security for all Filipinos, and more importantly, for the nation's food producers.

Table 2 presents the budgets given to various government agencies for the implementation of programs and projects designed to improve the AFF Sector and ensure food security.

Table 2. Budgets of Some Agencies Involved in Improving Agricultural Development to Ensure Food Security, 2019-2020
(in billion Pesos)

Department/Agency	2019 GAA	2020 NEP	% Increase/ (Decrease)
Department of Agriculture (DA)	49.7	56.8	14.3
Of which:			
Office of the Secretary (OSEC)	38.9	45.9	18.0
Bureau of Fisheries and Aquatic Resources (BFAR)	5.7	6.0	5.3
Agricultural Credit Policy Council (ACPC)	2.5	2.6	4.0
Philippine Center for Postharvest Development and Mechanization (PhilMech)	0.3	0.3	-
Philippine Carabao Center (PCC)	0.5	0.5	-
National Fisheries Research and Development Institute (NFRDI)*	-	0.3	-
Department of Agrarian Reform (DAR)	8.2	8.4	2.4
Other Agencies/Offices:			
National Irrigation Administration (NIA)	36.0	36.3	0.8
National Food Authority (NFA)	7.0	7.0	-
Philippine Crop Insurance Corporation (PCIC)	3.5	3.5	-
Philippine Fisheries Development Authority (PFDA)	0.8	1.4	75.0
Department of Science and Technology (DOST) – Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAARRD)	1.2	1.2	-
Philippine Coconut Authority (PCA)	1.2	1.1	(8.3)
Philippine Rice Research Institute (PhilRice)	0.8	0.7	(12.5)
Sugar Regulatory Administration (SRA)	0.5	0.5	-
National Dairy Authority (NDA)	0.3	0.3	-
Forest Products Research and Development Institute	0.3	0.2	(33.3)
TOTAL	**109.5**	**117.4**	**7.2**

** In FY 2019, the NFRDI is under the BFAR. Starting FY 2020, the NFRDI is classified as an attached agency of the DA.*

Table 3. Allocations for the Major Commodity Programs of the DA, 2020

Program	Amount	Targets
National Rice Program	PhP7.0 B	20.9 MMT
National Corn Program	PhP1.5 B	8.6 MMT
National High-Value Crops Development Program	PhP1.4 B	9.7 MMT
National Livestock Program	PhP0.9 B	2.3 MMT (hogs) 1.9 MMT (chicken)
National Organic Agriculture Program	PhP0.5 B	390,329 hectares
TOTAL	**PhP11.3 B**	-

Agricultural Production

To promote agricultural development for a more productive AFF sector, the DA will be provided a budget of PhP56.8 billion in 2020, 14.3 percent higher than the PhP49.7 billion allotted in 2019. Among the departments, the DA will receive the eighth biggest allocation to fund its major commodity programs on crop and livestock production, among others. *(See Table 3)* These programs will focus on major food producing provinces and areas or regions where the majority of poor farmers and fisherfolk are situated.

Food and Industrial Crops. Of the PhP11.3 billion budget for the major commodity programs of the DA, PhP7.0 billion is set aside for the National Rice Program to achieve the target yield of 20.9 million metric tons (MMT) of *palay* in 2020, an increase of four (4) percent from the 2019 target of 20.1 MMT. The Rice Program aims to raise farm productivity and profitability by providing rice farmers with high-quality seeds; extension, education, and training services; support for research and development; irrigation; and agricultural machinery and equipment.

Another banner program of the DA is the National Corn Program, which will receive a budget of PhP1.5 billion, to expand corn and cassava production for human consumption, feeds for livestock, and other industrial purposes, and also to help corn and cassava farmers increase their earnings. Through the program, the DA aims to maintain the target 8.6 MMT of corn to be harvested in 2020.

To further increase the productivity, income, and livelihood opportunities for local tillers, the government allocates PhP1.4 billion for the National Program on High-Value Crops Development to promote the farming, processing, selling, and distribution of commodity crops with high value in the local and international markets. The program targets to produce 9.7 MMT of bananas, 2.8 MMT of pineapples, 0.7 MMT of mangoes, 0.2 MMT of rubber, 0.04 MMT of coffee, and 0.01 MMT of cacao.

Sustainable farming practices will be pursued through the National Organic Agriculture Program of the DA, which seeks to further promote, propagate, and develop the practice of organic agriculture in the Philippines. With a provision of PhP0.5 billion, the program aims to convert 390,329 hectares of agricultural land to organic farming, 8.9 percent more than the 2019 target of 358,490 hectares.

Since coconut is a major crop and export commodity of the country, PhP1.1 billion is allotted for the Philippine Coconut Authority (PCA) to boost the growth and competitiveness of the coconut industry and augment the earnings of coconut farmers and workers. Through its Coconut Industry Development Program, the PCA intends to raise the average annual gross income of coconut farmers to PhP70,000 in 2020, as well as to improve the yield of coconut palm products to 60 nuts per tree per year. This will be done through the implementation of programs and projects aimed at enhancing coconut productivity and developing the coconut farm enterprise, such as the establishment of *Kasaganaan sa Niyugan ay Kaunlaran ng Bayan* (KAANIB)-Coconut Processing Agro-Industrial Hubs, Accelerated Coconut Planting and Replanting Project, and Coconut Fertilization Project, among others.

Sugarcane is another important agricultural export product. In the first quarter of 2019, the country's sugarcane production went up by 14.6 percent to 11.72 MMT, from 10.23 MMT produced in the same period in 2018.[7] To sustain this upward growth in the sugarcane industry, PhP0.5 billion is provided for the Sugar Regulatory Administration (SRA) to construct or rehabilitate farm-to-mill roads and bridges in key sugar farms and plantations. As of July 15, 2019, 7.9 kilometers of farm-to-mill road projects started in 2018 have been completed, while 38.37 kilometers of roads are still undergoing construction.

Rice Competitiveness Enhancement Fund. In a bid to address the problem of rice insufficiency in the country and raise the global competitiveness of the rice industry, Republic Act No. 11203 or the Rice Liberalization Act was signed by President Rodrigo Duterte on February 14, 2019 and took effect on March 5, 2019. The Act provides the legal basis for the shift from the quota and non-tariff system to rice tariffication, and at the same time creates the Rice Competitiveness Enhancement Fund (RCEF) to support local farmers to raise their productivity and incomes and eventually be able to compete with foreign rice farmers. This will be done by helping develop farming innovations and technologies to boost rice yields, and overall strengthen the rice industry.

Pursuant to the law, an annual appropriation of PhP10.0 billion will be allotted to the RCEF under the DA-Office of the Secretary (DA-OSEC) for the next six years starting 2019. It will be released directly to the implementing agencies as follows:

- 50 percent will be released to the Philippine Center for Postharvest Development and Mechanization (PhilMech) to purchase and distribute rice farm machinery and equipment, such as tractors, threshers, tillers, seeders, rice planters, harvesters, irrigation pumps, small solar irrigation, reapers, driers, and millers;

- 30 percent will be released to the Philippine Rice Research Institute (PhilRice) to develop, propagate, and promote inbred rice seeds to farmers;

- 10 percent will be used to expand rice credit assistance with minimal interest rates and collaterals for individual farmers and cooperatives through the Land Bank of the Philippines and the Development Bank of the Philippines; and

- 10 percent will be for the provision of extension services provided by the Technical Education and Skills Development Authority, Agricultural Training Institute, PhilMech, and PhilRice to provide farmers with skills on rice crop production, modern rice farming techniques, seed production, farm mechanization, and knowledge and technology transfer through farm schools.[8]

The Law also provides that tariff collections in excess of PhP10.0 billion will be used for 1) rice farmer financial assistance; 2) titling of agricultural rice lands; 3) expanded crop insurance programs on rice; and 4) crop diversification programs. Another PhP159 million will be for the transfer of the regulatory functions on food safety for domestic and imported rice, corn, and other grains from the National Food Authority (NFA) to the Bureau of Plant Industry. Some PhP94 million is also earmarked for the conduct of testing, research, training, and other scientific support on food safety through the Food Development Center, which will be turned over from the NFA to the DA, as provided for in the Act.

Livestock. Aside from improving crop production, the DA also sets aside funds for the development of the livestock industry to boost local production and lessen the country's dependence on meat and dairy imports. A budget of PhP0.9 billion for the National Livestock Program will target to raise 2.3 MMT of hogs and 1.8 MMT of chickens in 2020. The target hog production for this year is 4.2 percent lower than the 2.4 MMT in 2019, while chicken production is maintained at the same level with the 2019 target.

On the other hand, PhP0.5 billion for the Philippine Carabao Center (PCC) will support the conservation, propagation, and promotion of the Philippine carabao industry. From its total budget, the PCC will earmark PhP0.4 billion for the National Carabao Development Program, which involves the genetic crossbreeding of carabaos to conserve their population and improve meat and milk yield, as well as the establishment of carabao-based enterprises. The budget will be used to increase the number of owners of genetically improved carabaos by a target 10 percent, and the household income from dairy carabao-based enterprises by 20 percent.

An allocation of PhP0.3 billion for the National Dairy Authority (NDA) will be used to accelerate the growth of the dairy sector, ensure the safety and quality of dairy products, and support local milk producers. Of the budget, PhP177 million is earmarked for the Dairy Industry Development Program to train a target 2,975 dairy farmers and cooperatives and produce 19.68 million liters of milk. A provision of PhP5 million from the NDA budget will be for the Milk Feeding Program to provide milk for 2,083 nutritionally vulnerable children aged 2 to 6 years old to improve their health and nutrition.[9]

Fisheries. With approximately 2.2 million square kilometres of territorial water area[10], the Philippines is recognized as a top fish producing country in the world.[11] In 2018, the total volume of fish production was recorded at 4.36 MMT, corresponding to 1.2 percent of the country's total GDP for the year.[12]

To enhance the economic output of the fishing sector and make it more globally competitive, thus improving the income of fisherfolk, the government will allot a budget of PhP6.0 billion to the Bureau of Fisheries and Aquatic Resources (BFAR), as the agency responsible for overseeing the development and management of national fisheries and aquatic resources. Of this amount, PhP4.5 billion will be set aside for the implementation of the National Fisheries Program, with priority given to areas, provinces, and regions with high poverty incidence among fisherfolk.

Through the program, the BFAR aims to increase the target aquaculture production from 2.4 MMT in 2019 to 2.5 MMT in 2020, and maintain the targets in municipal and commercial fisheries production at 1.1 MMT and 0.9 MMT, respectively. *(See Table 4)*

Table 4. Targets of the National Fisheries Program, 2019-2020

Particulars	2019	2020
Aquaculture	2.4 MMT	2.5 MMT
Municipal	1.1 MMT	1.1 MMT
Commercial	0.9 MMT	0.9 MMT

To ensure the proper utilization, conservation, management, and sustainable development of marine and aquatic resources pursuant to RA No. 10654[13], PhP1.1 billion will be allotted for Phase II of the Integrated Marine Environment Monitoring System Project in 2020. The project aims to improve the existing vessel monitoring system of the BFAR and establish a centralized, integrated operational fisheries monitoring center to track fishing vessels and combat illegal, unreported, and unregulated fishing (IUUF) in the Philippines. It involves the integration of various marine information (e.g., fishing vessel registry, ocean and weather data, stock assessment data, IUUF records, and other regulatory information) in a single database and generating ocean data reports to conserve fish stocks and implement sustainable fisheries management.

Research and Development (R&D). With an overarching goal of improving productivity in the agricultural value chain, the government invests in R&D to develop innovative technologies aimed at increasing yields and making crops, livestock, fish, and other natural resources more resilient to climate change and other risks.

A proposed budget of PhP1.2 billion for the Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAARRD) will be used to develop new products and provide science-based solutions to issues in the Agriculture, Aquatic, and Natural Resources (AANR) sector. From this amount, PhP957 million will be allotted to the National AANR Sector R&D Program for the development, integration, and coordination of the National Research System for the sector. Under the program, the PCAARRD aims to fund 507 R&D projects and address 90 percent of priorities in the Harmonized National R&D Agenda. As of July 30, 2019, the agency has completed 295 R&D projects on rice, coconut, bamboo, mango, vegetables, legumes, livestock, forestry, and marine resources, among others.[14]

To address gaps in rice production, a proposed amount of PhP651 million will be allotted to the PhilRice for the development of cost-reducing and high-yielding technologies in rice farming. Of this total, PhP358 million will fund the agency's Rice Research and Development Program to train 582 farmers on rice production, increase palay output to 1.5 tons per hectare (t/ha) in irrigated areas and 0.5 t/ha in rainfed areas, and reduce the cost of palay production by PhP10.00 per kilogram. This is on top of the PhP3.0 billion allocated to the PhilRice for the development and distribution of certified seeds under the RCEF.

To ensure a competitive and sustainable fishing industry, an allocation of PhP289 million will be provided for the National Fisheries Research and Development Institute (NFRDI) to finance its Fisheries Research and Development Program. Through the program, the NFRDI aims to achieve the target 85 percent of policy recommendations and technology adopters or users and promptly respond to 90 percent of requests for technical assistance.

In addition, the FPRDI will receive PhP0.2 billion to provide scientific R&D services on forest-based products. The budget will also fund the processing and utilization of senile and unproductive rubberwood trees for school furniture and other high value furniture, mouldings, and joinery products.

Agricultural Infrastructure

Investing in agricultural infrastructure has been linked to increased agricultural growth and productivity.[15] Thus, the government sets aside funds for the construction of critical infrastructure, such as farm-to-market roads, irrigation systems, farming and fishing machinery, equipment, and facilities, to spur agricultural development in poor provinces and communities.

Farm-to-Market Roads (FMRs). To improve the mobility of goods and services between farms and markets, an aggregate amount of PhP12.4 billion[16] will be earmarked for the construction, repair, and rehabilitation of 904 kilometers[17] of FMRs in FY 2020. These FMRs are designed to lead to arterial or secondary roads and key production areas, and are required to be geo-tagged to enable easier monitoring and evaluation of their implementation.

Of the total FMR budget, PhP10.0 billion will be directly released to the Department of Public Works and Highways (DPWH) to complete 829.88 kilometers of FMR projects nationwide. *(See Table 5 for the regional breakdown)* Among the regions, Region IV-A (CALABARZON) will receive the biggest FMR allocation, amounting to PhP1.3 billion; followed by Region III, PhP837 million; Region VII, PhP797 million; Region V, PhP772 million; and Region VI, PhP738 million.

Table 5. Regional Allocation for the Construction, Repair, and Rehabilitation of FMRs, 2020
(in million Pesos)

Region	Amount
NCR	344
CAR	332
I	516
II	522
III	837
IV-A	1,250
MIMAROPA	638
V	772
VI	738
VII	797
VIII	465
IX	502
X	622
XI	539
XII	584
XIII	501
TOTAL	**9,959**

Irrigation Development. The National Irrigation Administration (NIA) will be given a proposed budget of PhP36.3 billion to finance the development of the country's irrigation networks. PhP12.8 billion of this total allocation will fund the repair, maintenance, and restoration of national, communal, and other irrigation systems; while a separate amount of PhP12.6 billion will be provided for the Irrigation Systems Development Program to construct new national irrigation systems, establish pump irrigation systems, and implement other irrigation projects. *(Refer to Table 6 for the major projects under this program)*

With the budget, the NIA targets to service 1,361,646 land hectares through national irrigation systems and 890,914

Table 6. Major Projects under the Irrigation Systems Development Program, 2020

Particulars	Amount
Small Irrigation Projects Nationwide	PhP2.2 B
Chico River Pump Irrigation System, Kalinga	PhP1.4 B
Jalaur River Multipurpose Project Stage II, Iloilo	PhP919 M
Balog-Balog Multipurpose Project, Isabela	PhP890 M
Lower Agno River Irrigation System Extension Project, Pangasinan	PhP800 M
Establishment of Groundwater Pump Irrigation Project	PhP600 M
Malitubog-Maridagao Irrigation Project Phase II, North Cotabato	PhP500 M

hectares through communal irrigation systems, totalling 2,252,560 hectares of land irrigated in all cropping seasons. This is four (4) percent higher than the 2019 target of 2,165,274 hectares serviced by national and communal irrigation systems.

Additionally, the subsidy for free irrigation will be sourced from the PhP4.7 billion budget for the operating expenses of the NIA, to exempt farmers owning 8 hectares of land and below from paying irrigation service fees, pursuant to RA No. 10964 (Free Irrigation Service Act).

Farming Machinery and Postharvest Facilities. To modernize the AFF sector and fast-track the adoption of mechanization in farming, the PhilMech will receive a budget of PhP346 million to continue the development of modern agricultural tools, machinery, facilities, and technologies that are suitable to local farmers. It will target to develop or improve 10 technologies on mechanization and postharvest, and train 1,360 individuals on technology utilization and adoption.

Fish Ports. An allocation of PhP1.4 billion will finance the Fisheries Infrastructure Development Program of the Philippine Fisheries Development Authority to construct, improve, and rehabilitate fish ports in Navotas (PhP491 million), Zamboanga (PhP396 million), Iloilo (PhP241 million), Lucena (PhP206 million), and Davao (PhP92 million).

Access to Economic Resources and Opportunities

Providing small food producers with sufficient land resources and opportunities for financing will help them shift from subsistence farming and enhance their income. Hence, efforts will be made to empower local farmers and fisherfolk by increasing their access to such economic opportunities.

Land Acquisition and Distribution. Determined to address the problem of land insufficiency and insecurity among farmers, the government continues to pursue the Comprehensive Agrarian Reform Program (CARP) to grant land ownership to landless farmers and farm laborers. For this purpose, a budget of PhP8.4 billion will be allotted to the Department of Agrarian Reform (DAR), the lead implementing agency of the CARP, to carry out programs and projects on agrarian development, primarily to improve and resolve land titles and agrarian reform (AR) cases and help AR beneficiaries (ARBs) through productivity and value chain projects.

From the total DAR budget, PhP2.8 billion will be earmarked for the Land Tenure Security Program, which includes the acquisition and distribution of private agricultural lands (PALs) and government-owned lands (GOLs) suitable for agriculture, pursuant to EO No. 75, series of 2019, as well as the parcelization of collective Certificate of Land Ownership Awards (CLOAs).

For 2020, the DAR seeks to achieve the target 34,359 hectares of PALs and GOLs with land survey plans transmitted to the Department of Environment and Natural Resources for approval and cover 42,792 hectares and 33,310 hectares with Emancipation Patents or CLOAs registered and distributed, respectively. Table 7 shows the increase in the targets under the Land Tenure Security Program for FYs 2019 and 2020.

Table 7. Targets of the Land Tenure Security Program, 2019-2020

Particulars	2019 GAA	2020 NEP	% Increase/ (Decrease)
Land Survey	14,477 hectares	34,359 hectares	137
Emancipation Patent/Certificate of Land Ownership Award (EP/CLOA)			
Registered	41,077 hectares	42,792 hectares	4
Distributed	16,506 hectares	33,310 hectares	102

Some PhP1.9 billion will be allotted for the DAR's ARBs Development and Sustainability Program which targets to build the capacity of 359,840 ARBs in agrarian and non-agrarian reform communities on organizational management, credit management, microfinancing, enterprise development and management, and farm productivity related trainings. This is 4.1 percent higher than the target 345,816 ARBs trained in 2019. Also, the program targets to provide 138,750 ARBs with access to credit and microfinance services, 11.1 percent lower than the target 156,129 ARBs in 2019.

Lending Assistance. Farmers and fisherfolk will be provided with access to affordable formal credit through the Agro-Industry Modernization Credit and Financing Program of the Agricultural Credit Policy Council (ACPC). Of the PhP2.6 billion allocation for the ACPC in 2020, PhP2.5 billion will be used to grant a target of 5,000 loans to credit retailers or lenders and end-borrowers. The agency also aims to conduct 32 credit program orientations, seminars, and workshops and provide

510 farmers and fisherfolk organizations with institutional capacity building assistance. *(See Table 8 for a comparison of the 2019 and 2020 targets of the ACPC)*

Table 8. Targets of the ACPC, 2019-2020

Particulars	2019 GAA	2020 NEP	% Increase/ (Decrease)
Amount of loans granted to credit retailers or lenders and end-borrowers	5,963.78	5,000	(16.2)
Number of credit program orientations and credit matching seminars and workshops conducted	16	32	100
Number of farmers and fisherfolk organizations provided with institutional capacity building assistance	519	510	(1.7)

Disaster Resilience

To build agricultural resilience, the government implements programs aimed at capacitating farmers and fisherfolk to recover faster and better from stresses and risks brought about by climate change and other external shocks.

Rice Buffer. To ensure the availability of rice in times of calamities, emergencies, and rice shortage crises, the government will provide the National Food Authority (NFA) a budget of PhP7.0 billion to fund its Buffer Stocking Program. Following the enactment of RA No. 11203 (Rice Liberalization Act), the NFA will focus on procuring a target 388,889 MT of palay solely from local farmers.

Crop Insurance. The Philippine Crop Insurance Corporation (PCIC) will receive an allocation of PhP3.5 billion to finance the full agricultural insurance premiums of 1,800,144 subsistence farmers and fisherfolk identified in the Registry System for Basic Sectors in Agriculture. This will cover the insurance of crops, livestock, fisheries, and non-agricultural assets to protect beneficiaries against losses resulting from natural calamities and pest infestations.

Shaping a Food-Secure Future for Filipinos

Achieving food security for the nation will remain an elusive dream if the primary needs of food producers are not addressed. The government should focus on raising the incomes of small farmers and fisherfolk by boosting their productivity, making food more accessible and affordable, and strengthening agricultural support to rural communities in order to shape a future where every Filipino family is food sufficient, and food security is treated no longer as a privilege but as a right of all.

Endnotes

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Expanding Economic Opportunities in Industry and Services through *Trabaho* and *Negosyo*

Despite lingering economic woes brought about by external and domestic headwinds in 2018, the Philippine economy is projected to grow faster in 2019 as inflation is expected to decline. The World Bank expects the country's economy to grow at 6.4 percent in 2019 and slightly edge up to 6.5 percent in 2020 and 2021.[1] Leading such growth are the Philippine's engines of economic growth, the Industry and Services (I&S) sectors.

I&S Sectors as Engines of Growth

Among the major sectors, I&S continued to drive economic growth the most in 2018. In terms of share in the country's GDP, the Services sector contributed the most, accounting for 57.7 percent of the total GDP, while the Industry sector accounted for 34.1 percent of the GDP.[2]

Both sectors reported robust but slightly slower growth in 2018, compared to the previous year. The Services sector grew at a slower pace of 6.6 percent against 6.8 percent in 2017. The Industry sector, meanwhile, recorded the most robust growth at 6.8 percent, albeit slower compared to its 7.2 percent growth in 2017.[3] However, these fall short of the targets set for the year – partly due to slow export demand, restrained business sentiment, and fiscal incentives regime uncertainty besides labor market regulations.[4]

In 2018, the I&S sectors contributed positively to the country's employment situation. The Industry sector generated 475,000 net additional employment in 2018, surpassing the annual target of 434,000, primarily due to the government's enhanced infrastructure spending, particularly with the implementation of the *Build, Build, Build* Program and the increasing private construction activities.[5]

Registering the highest contributed net employment gain among the sectors, the Services sector accounted for employment increases in public administration and defense, transportation and storage, and wholesale and retail trade.[6] However, its registered net employment gain of 610,000 still fell short of the 748,000 additional employment target for 2018.

According to the January 2019 round of the Labor Force Survey, the Services sector employment increased by 3.1 percent, or an additional 716,000 net employment gain, since the January 2018 round. The Industry sector, on the other hand, gained an 8.0 percent increase in employment growth, which corresponds to 607,000 additional workers.[7]

In the July 2019 round, the number of employed persons was estimated at 43 million. Workers in the I&S sectors comprised 18.7 percent and 57.8 percent of the total employed population, respectively. The combined percentage of the employed persons from the I&S sectors is 76.5 percent of the estimated 43 million employed persons.[8]

The Global Market Competitiveness Challenge

To ensure continued economic growth and prosperity, it is crucial to bolster the country's competitiveness. Competitiveness indicators have been used to measure the country's business landscape over the years.[9] While the country has been considered a force to be reckoned with among ASEAN countries in recent years, it still lags behind most global economies in terms of competitiveness.

In the 2018-2019 edition of the Global Competitiveness Report, the Philippines ranked 56th out of 140 countries with a Global Competitiveness Index (GCI) score of 62.1 out of 100. Meanwhile, the country ranked 5th among its ASEAN neighbors.[10]

Differences in methodology from the previous report makes it directly incomparable to the 2018-2019 edition. However, applying the latest methodology to the 2017 edition yields a 12-place rise in the ranking. The report also indicates that the Philippine GCI increased by 2.3 points.[11]

Table 1. ASEAN Rankings, The Global Competitiveness Index 2018

Economy	World Rank	ASEAN Rank	Score	Difference (2017 GCI)
Singapore	2	1	83.5	-
Malaysia	25	2	74.4	(+)1
Thailand	38	3	67.5	(+)2
Indonesia	45	4	64.9	(+)2
Philippines	**56**	**5**	**62.1**	**(+)12**
Brunei	62	6	61.4	(+)2
Vietnam	72	7	58.1	(-)3
Cambodia	110	8	50.2	(-)6
Laos	112	9	49.3	(-2)

Source: World Economic Forum

Table 2. ASEAN Rankings, Ease of Doing Business 2019

Economy	Global Rank	ASEAN Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	2	1	1	4	6	2	4	2	2	2	1	3
Malaysia	15	2	14	3	2	4	4	1	9	3	5	5
Thailand	27	3	6	10	3	11	9	4	6	5	6	2
Brunei Darussalam	55	4	3	9	9	19	1	7	11	22	9	9
Vietnam	69	5	13	6	7	9	4	11	22	12	7	14
Indonesia	73	6	17	18	10	14	9	8	19	16	17	4
Philippines	**124**	**7**	**22**	**14**	**8**	**15**	**25**	**19**	**12**	**13**	**18**	**8**
Cambodia	138	8	25	25	20	17	2	15	23	15	22	10
Lao PDR	154	9	24	16	24	13	14	21	25	9	20	23
Myanmar	171	10	20	12	21	18	24	24	21	25	24	20

Source: World Economic Forum

In the matter of doing business, however, the country continues to suffer from its deplorable ranking since 2017, and is also lagging behind its ASEAN neighbors.

In this year's Ease of Doing Business ranking, the Philippines fell 11 slots from 113 in 2018, earning a score of 57.68 and ranking 124th among 190 economies.[12] The year before, the country experienced an even more significant drop of 14 slots. This means a 25-notch drop since 2017.

The Ease of Doing Business Report measures the competitiveness of economies across several indicators, namely: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency and labor market regulation.[13]

While the Philippines had to settle for a low rank in the Ease of Doing Business chart, the country still made notable strides in the areas of starting a business, dealing with construction permits, and protecting minority investors.

Based on the 2018 Report, the Philippines made starting a business easier by simplifying tax registration and business licensing processes. At the same time, the Philippines also increased tax registration costs.[14]

In dealing with construction permits, the country improved risk-management practices in the construction sector, with latent defect liability industry now commonly obtained by industry players. Meanwhile, the Philippines also strengthened minority investor protections by increasing shareholders' rights and role in major corporate decisions and clarifying ownership and control structures. However, trading across borders was made more difficult due to the increase in number of inspections for importing, thereby increasing the average time for border compliance.[15]

The Philippines' competitiveness and doing business performance in the global arena continues to be challenged by fundamental bottlenecks and weaknesses in major economic developments.

Pursuing Competitiveness through Streamlining Business Procedures

For years, the issue of constitutional restrictions on foreign participation has limited competition, investments, and trade in the country. This has continued to be a handicap in the continuing growth of the country. To address this and the global market competitiveness challenge of the Philippines, efforts to facilitate a more conducive business environment are being pursued. Most prominent among these is the signing into law of RA No. 11032, otherwise known as the Ease of Doing Business (EODB) and Efficient Government Service Delivery Act, thus enabling a more conducive business environment and boosting the country's competitiveness.

The law, which amends RA No. 9485 (Anti-Red Tape Act of 2007), makes doing business with government easier by streamlining business processes, including the issuance of business permits, clearances, licenses, certifications, or authorizations. It also prescribes specific time periods for processing government transactions, as follows: three (3) working days for simple transactions; seven (7) working days for complex transactions; and twenty (20) working days for highly technical applications.

In 2019, the Anti Red-Tape Authority was established to ensure the implementation of the EODB Act. The Anti-Red Tape Authority is responsible for the following: (1) administration of a national policy on anti-red tape and ease of doing business and the implementation of reforms to improve competitiveness ranking; (2) monitoring of agency compliance with the EODB Act; (3) initiating investigations on complaints received and filing of cases for violations; (4) reviewing proposed major regulations of government agencies, using submitted regulatory impact assessments.

For 2020, PhP72 million is allotted for the Anti-Red Tape Authority (ARTA) to institutionalize effective and efficient policies and practices to reduce red tape and promote ease of doing business. The ARTA aims to achieve a target of 300 agencies compliant to the new Citizens' Charter and resolve or refer 50 percent of complaints within the turnaround time.

To further improve the ease of doing business in the country and make the Philippines more attractive to investors, the Investment Promotion Unit (IPU) memorandum of agreement (MOA) was signed by 36 government agencies, including the Department of Trade and Industry (DTI), Board of Investments (BOI), and the Department of Finance. The reinforced cooperation between and among these agencies will facilitate the resolution of issues raised by local and foreign investors and improve the delivery of frontline services, especially the processing of business transactions.

Bolstering the I&S Sectors

Cognizant of the I&S sectors' impact on the foundations for inclusive growth, high-trust society, and a globally competitive economy, the Administration targets to reduce inequality and poverty by expanding economic opportunities in the I&S sectors and increasing the access of micro, small, and medium enterprises (MSMEs), cooperatives, and overseas Filipinos (OFs) to such economic opportunities.

For 2020, the DTI has been allotted a budget of PhP18.1 billion, inclusive of the budget for the Technical Education and Skills Development Authority (TESDA). As the government's primary arm for trade, industry, and investment activities and as the main economic catalyst of the country, the DTI envisions to achieve the following: increase competitiveness, innovativeness, and resilience of the I&S sectors; increase local and foreign direct investments; improve access to finance, production networks, and markets; and ensure consumer access to safe and quality goods and services.

In recent years, various persisting challenges on the domestic side have revealed weaknesses in development areas of the I&S sectors. Such bottlenecks include the concentration of economic investments and activities in the National Capital Region (NCR), restrictive economic provisions of the Constitution, persisting human capital needs of the sectors, and the mismatch between the technical and practical skills of the labor force.[16]

Consistent with the Administration's thrust of bolstering the I&S sectors, and to address prevailing challenges they face, the DTI is putting into action various major programs and projects to realize its goal of achieving globally competitive and innovative I&S sectors that contribute to inclusive growth and employment generation.

Expanding MSME Opportunities

Recognizing MSMEs as the backbone of the economy and as a critical driver for the country's economic growth, the Administration has consistently focused the limelight on the establishment of more MSMEs. As the sectors that account for the most registered establishments and the highest employment percentage in the country's workforce, it is imperative that sufficient support and assistance are given to them.

With the Administration's expressed support for MSMEs, the DTI has launched and implemented various programs geared to further spur the growth of MSMEs and to ensure its responsiveness to their concerns and needs.

For 2020, the DTI has set aside PhP1.3 billion for the MSME Development Program, its major program anchored on the formulation of strategic plans, programs, and policies on MSME development and support. Said program targets to increase the number of MSMEs assisted to 280,000, from 200,000 in 2019.

Table 3. Major DTI Programs, 2018-2020
(in billion Pesos)

Department/PAPs	2018 (GAA)	2019 (GAA)	2020 (NEP)
Department of Trade and Industry *	**13.9**	**19.1**	**18.1**
MSME Development Program	2.2	1.8	1.3
Establishment of Negosyo Centers	0.5	0.58	0.51
Shared Service Facilities Project	0.73	0.31	0.06
One Town, One Product: Next Generation	0.1	0.09	0.09
Exports and Investment Development Program	0.75	0.73	1.1
Industry Development Program	0.49	0.44	0.42
Consumer Protection Program	0.48	0.45	0.43
Consumer Education and Advocacy Program	0.09	0.09	0.08

** Inclusive of the Cooperative Development Authority (CDA) and Technical Education and Skills Development Authority*

Consistent with the program's strategic plans and targets, the DTI will continue the implementation of locally-funded projects, such as the establishment of Negosyo Centers, and the implementation of the Shared Service Facilities (SSF) Project and the One Town, One Product: Next Generation.

Enhancing MSME Capacity and Facilitating Services. Through the mandate of Republic Act No. 10644, otherwise known as the "Go Negosyo Act," Negosyo Centers have been created in all provinces, cities, and municipalities in the country. Negosyo Centers are one-stop centers that aim to bring government services to the localities in order to facilitate the processing of business documents of MSMEs. Furthermore, the centers also provide advisory services tailored to their needs, including access to financing, market promotion, training and mentorship, investment facilitation, and other business development services.

As of 2018, the DTI has established and maintained 1,049 Negosyo Centers across the country, which have assisted 821,771 clients. For 2020, the DTI targets to assist 785,000 clients, 210,000 more than the 2019 target, through the Negosyo Centers. PhP512 million is also earmarked for the maintenance of 1,099 Negosyo Centers.

Providing MSMEs with Required and Efficient Equipment. To improve the competitiveness of MSMEs, the Shared Service Facilities Project is being implemented nationwide with project partners such as non-government organizations, people's organizations, cooperatives, industry/trade/business associations, local government units (LGUs), state universities/colleges, and other similar institutions. Through the Project, MSMEs are provided with machinery, equipment, tools, systems, skills, and knowledge under a shared system.

As of July 31, 2019, 2,480 SSFs have already been launched in various locations. These have benefited 325,013 beneficiaries and other users, and generated 255,333 jobs. The amount of PhP63 million has been set aside to continue the implementation of the SSF Project in 2020. Its implementation shall be primarily based on priority industry clusters, as identified by the DTI and its project partners.

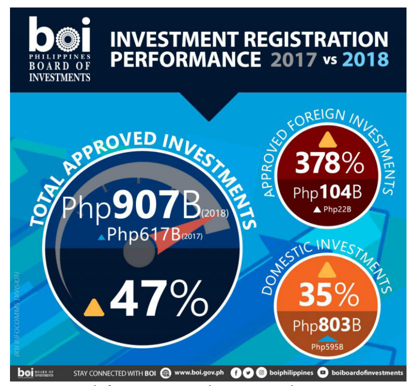
Driving Inclusive Economic Growth through Local Products. In an effort to capacitate and engage MSMEs in producing locally made market-ready products that are rooted in their local culture, the DTI brought the One Town, One Product (OTOP) international program to the Philippines.

Built on the gains of OTOP, the OTOP: Next Generation was developed to enhance and improve such products. OTOP: Next Generation offers assistance to MSMEs through product development activities, training, referral, and other activities aimed at enhancing their products in terms of design, packaging, marketability, brand development, and quality, among others.

For 2020, PhP90 million is lodged under the DTI to assist 7,260 MSMEs and develop at least five (5) products per originating province. Through the Project, the DTI targets to achieve a sales increase of 10 percent in the sales revenue of OTOP entrepreneurs in 2020.

Attracting Direct Investments

As a developing country, the Philippines relies heavily on investments to generate employment and promote economic development. Trade and direct investments consequently lead to economic integration, which also determines the economy's situation in its entirety. As such, the Administration facilitates attracting direct investments through the development of the country's investment environment.



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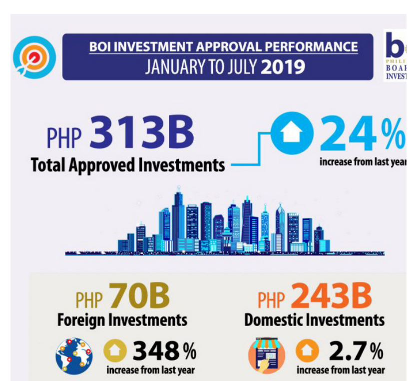
Investments approved by the Board of Investments (BOI) reached an all-time high in 2018, capping the year with PhP907 billion, a 47 percent increase from the PhP617 billion recorded approved investments in 2017. This milestone will result in industrial empowerment, particularly with the fast-paced implementation of heavy industrial projects that will expand the country's capability to manufacture goods. Moreover, the DTI claims that the approved projects boosted the dispersal of investments to the regions, with total regional investments accounting for 86 percent.[17]



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In 2019, the total approved investments stand at a sound and steady performance with PhP313 billion from January to July 2019, a 24 percent increase from the same period in 2018. Majority of the approved investments likewise comes from the regions, accounting for 96.25 percent of the total.[18]

Promoting Investments. The BOI, which serves as the lead government agency tasked with the promotion of investments in the Philippines, is allotted PhP386 million for FY 2020. Of this amount, PhP120 million is earmarked for its Investment Promotion Program, which focuses on the promotion of local and foreign investments, registration and supervision of investment projects, dispensation of incentives, and provision of investment counseling and aftercare services, among others. The following are the program targets for 2020: 10.9 percent increase in the amount of Investment Priority Agencies (IPA)-approved investments; 314,600 number of employment generated from IPA-approved projects; and 152 leads generated from organized and conducted investment promotion activities in priority sectors.

In terms of foreign direct investments (FDI), net flows of FDI dipped slightly by 4 percent, from US$10.3 billion in 2017 to US$9.8 billion in 2018. This was primarily due to lower net equity inflows in 2018, which amounted to US$2.3 billion from US$3.4 billion in 2017. On the other hand, the DTI was able to assist 3,576 exporters and 3,037 investors, well within the targets for the year.

For 2020, the DTI has earmarked PhP1.1 billion for its Exports and Investments Development Program, 57 percent more than the 2019 budget. Said program is geared towards the formulation of plans, programs, and policies regarding exports and investments. Through this program, the following are targeted for 2020: implementation of 70 investment promotion activities; and development of 16 strategy papers for priority product, service, and/or market. It also aims to increase the number of exporters and investors assisted to 5,580 and 2,885, from the 2019 target of 4,233 and 2,170, respectively.

Revitalizing the Country's Automotive Industry. The Administration also recognizes the impact of the automotive industry in attracting new investments. Thus, the Comprehensive Automotive Resurgence Strategy (CARS) Program is being implemented to stimulate demand and implement industry regulations that will revive the automotive industry and develop the country as a regional automotive manufacturing hub. For 2020, the CARS Program will receive an allocation of PhP8 million to continue enhancing policy directions of existing motor vehicle development programs.

Pursuing Industry Development and Competitiveness

Recognizing the impact of strategic trade policies in the pursuit of industry competitiveness, the DTI has institutionalized the Industry Development Program, its major program for the formulation of strategic plans, programs, and policies to develop competitive industries. The Program involves the government and the private sector in crafting industry roadmaps aiming to set plans for the development of the Philippine industrial sector.

The program will be provided PhP418 million under the budget of the DTI, 5 percent less than its 2019 budget. Through the program, the following are targeted in 2020: increase the employment generated in the I&S sectors to 440,000 and 498,000, from the 2019 targets of 437,000 and 471,000, respectively; increase the number of industry roadmaps, policies, plans, researches, studies, and position papers formulated to 189 from the 2019 target of 39; expand localization activities, conferences, workshops, and capacity building sessions conducted to 575 from 440 in 2019; and improve the country's overall ranking in the World Bank's Doing Business Report by reaching the top 40 percent of all countries surveyed.

Meanwhile, the BOI will also be allotting PhP69 million for the program. The BOI targets to increase by 10 percent the amount of new foreign and domestic investments over the last year generated from BOI firms, amounting to PhP823.0 billion from the target of PhP748.0 billion in 2019. It also aims to achieve the following: increase the manufacturing employment as percentage of total employment from 10.4 percent in 2019 to 10.9 percent in 2020; increase the number of programs, activities, and projects implemented for the identified priority sectors to 18 from the target of 12 in 2019; and increase the number of policies developed and approved in support of the Industry Development Program from 15 in 2019 to 18 in 2020.

Of the PhP69 million allocation for the program, PhP25 million is earmarked for policy analysis and advocacy formulation, while PhP36 million will be provided for the implementation of the Comprehensive National Industrial Strategy (CNIS) Project.

The CNIS integrates manufacturing, agriculture, and services sectors through strategic actions including human resource development, MSME development, aggressive promotion and marketing programs, infrastructure investments, and streamlining government procedures and regulations related to business.[19] Through this, workers throughout the country will be able to move from the informal to the formal sector. As industries improve and take advantage of market opportunities, they become engines of growth resulting to job creation and poverty reduction.

Addressing Jobs Mismatch and Sector Demands

Other persistent obstacles to the development of the I&S sectors are the mismatch between the technical and practical skills of the labor force and the remaining human capital needs of the sectors. These have led to the slow absorption of available labor in the country and the increasing out-migration of educated and technically-skilled workers.[20]

In order to meet the demands of industries, businesses, and the private sector for a more specialized labor pool and a higher level of skills of workers, the Administration continually invests in developing vocational and technical education programs. For this, PhP12.0 billion is earmarked for the TESDA, lodged under the budget of the DTI.

The implementation of the free Technical Vocational Education and Training (TVET), under the Universal Access to Quality Tertiary Education (UAQTE) Program, will also continue to cover tuition, miscellaneous fees, and training support provisions for Filipino students enrolled in the program. All learners enrolled are also entitled to various benefits, including starter tool kits, living allowance, and instruction materials, among others.

As the country's TVET authority, TESDA addresses the mismatch of technical and practical skills with the demands of the sectors through its TVET programs. Most prominent among these are the Training for Work Scholarship Program (TWSP), a training program aimed at filling up the skills gaps and requirements of key employment generating industries and sectors; and the Special Training for Employment Program (STEP), a community-based specialty training program seeking to promote employment and address specific needs of communities. (*See section on Developing Skills through Technical-Vocational Education for more details*)

Aside from providing educational opportunities for students and clients in preparation for employment, TVET programs also offer members of the labor pool an opportunity to develop or improve their competencies, thus contributing to the Administration's goal of developing a globally competitive workforce.

Securing the Future of Philippine I&S Sectors

Over the years, the I&S sectors have led the Philippine economy by generating jobs for more participants in the labor force, which is crucial for driving inclusive, high, and sustained growth for the country. The Administration targets to bring this development and prosperity to everyone, all the way to the bottom of the socioeconomic pyramid, by generating 2.3 million jobs in the Industry sector, and 3.5 million jobs in the Services sector by 2022.

By focusing on the strengthening of strategies to provide decent and equitable employment, attracting investments that would generate more jobs, developing industries, and assisting small-scale businesses, the Administration hopes to achieve its growth projections for the economy, a more inclusive and prosperous Philippines with employment and income opportunities for all, and realize its goal of having globally competitive I&S sectors by 2022.

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Building Safe and Secure Communities

The quality of housing, as the World Health Organization (WHO) has noted, has major implications for people's health. Dr. Tedros Adhanom Ghebreyesus, WHO Director General, has expressed particular concern for housing in cities, especially since the world's urban population is predicted to double by 2050 – and with it, the demand for housing.[1]

Raising the standards for housing and living conditions, and targeting to achieve these standards, have therefore become key strategies in the Duterte Administration's socioeconomic agenda that aim to improve the quality of life of the people by ensuring their health, well-being, and productivity.

Envisioning a more integrated and intensified approach to the current and developing challenges in housing, the government has allotted a budget of PhP5.7 billion for 2020 to support a newly-established agency focused on these concerns and to sustain the housing and human settlements programs and projects that are already in place. The Building, Adequate, Livable, Affordable, and Inclusive Filipino Communities (BALAI Filipino) program is the collective goal of all the Key Shelter Agencies (KSAs) under the lead of the Housing and Urban Development and Coordinating Council (HUDCC).

Since July 2016, and up to mid-2019, the housing agencies under the BALAI Filipino program have provided security of tenure to 584,353 low-income Filipino households. This is 26.0 percent higher than the 464,156 households provided with security of tenure for the period July 2014 to June 2016, as shown below:[2]

Agency	BALAI Filipino Accomplishments		
	July 2014 to June 2016	July 2016 to May 2019	Percentage
NHA	241,214	187,609	(78)
SHFC	44,984	33,666	(75)
HDMF	122,356	250,368	205
HGC	55,602	112,710	203
Total	464,156	584,353	26

Source: Housing Sector Accomplishment Report (July 2014- May 2019), HUDCC

Operationalization of the Department of Human Settlements and Urban Development

In order to integrate and institutionalize the government's thrust and efforts in responding to the people's need for adequate and livable shelter, the Administration has established the Department of Human Settlements and Urban Development (DHSUD). Created by virtue of Republic Act No. 11201, which was signed into law on February 14, 2019, the new department has been given a budget of PhP0.6 billion for its first year of operation.

The DHSUD envisions to pursue more intensely the Constitutional directive that underprivileged and homeless citizens of the State be provided with access to adequate, safe, secure, habitable, sustainable, resilient, and affordable homes. It aims to coordinate all existing housing-related government agencies and consolidate their respective mandates and functions so that the government can better and more efficiently address housing concerns. *(See Table 1)*

The newly-established agency will conduct operations through its designated bureaus, namely the Environmental, Land Use and Urban Planning and Development Bureau; Housing and Real Estate Development Regulation Bureau; and Homeowners Associations and Community Development Bureau.

The law also directs the creation of the National Human Settlements Board. It will be composed of the department secretary, as well as the heads of the National Economic and Development Authority and the Departments of Finance, Budget and Management, Public Works and Highways, and Interior and Local Government.

Meanwhile, to continue to pursue ongoing housing projects while the new department is being institutionalized, the National Housing Authority (NHA) is given PhP3.3 billion for its Comprehensive and Integrated Housing Program. Of this total NHA budget, PhP2.3 billion or 69 percent is earmarked for the resettlement program for informal settler families affected by the clearing of the Manila Bay Area. It will be noted that as of June 30, 2019, the NHA has a balance of unobligated allotment totaling PhP2.5 billion which can be used for additional housing projects.

In addition to this, the Socialized Housing Loan Take-Out of Receivables Program of the National Home Mortgage Finance Corporation (NHMFC) gets PhP1.0 billion to support a target of 2,222 low-income families to acquire their own homes. This is 100 percent higher than the 2019 objective which targets 1,111 low-income families.

Also, the Social Housing and Finance Corporation (SHFC) will receive PhP897 million for its High Density Housing Program, which aims to address the resettlement concerns of 1,296 informal settler families residing in danger areas in Metro Manila.

Ensuring Access to Clean Water

Livable housing or shelter includes access to clean and potable water. The United Nations has identified access to clean water as a basic human right, essential to improving living standards worldwide.

Fully in accord with and in support of this global standard, the Duterte Administration has prioritized the completion of facilities to ensure the availability of clean water to even the most far-flung areas of the country.

Table 1. Budget of Programs in the Housing, Water Distribution, and Electrification Sector, 2020
(in billion Pesos)

Agency	Programs	Budget
Housing		
Department of Human Settlements and Urban Development	Human Settlements and Urban Development Coordination Program	0.15
	Land Use, Housing, and Real Estate Regulatory Program	0.05
	Homeowners Association and Community Development Program	0.09
	Human Settlements Adjudication Program	0.06
National Home Mortgage Finance Corporation	Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program	1.0
Social Housing Finance Corporation	High Density Housing Program	0.9
	Community Mortgage Program	0.5
National Housing Authority	Resettlement Program for ISFs affected by the Supreme Court's Mandamus to Clear the Manila Bay Area	2.3
	AFP/PNP Housing Project	1.0
Water Distribution		
Local Water and Utilities Administration	Water Supply and Sanitation Program	0.325
Allocation to Local Government Units	*Sagana at Ligtas na Tubig para sa Lahat* (SALINTUBIG) Project	1.5
Electrification		
Department of Energy	Access to Sustainability Energy Program	0.004
	Total Electrification Project	0.5
National Electrification Administration	Sitio Electrification Program	1.2

In line with this, PhP1.6 billion has been allocated for projects which will provide potable water to 157 municipalities nationwide. Also, some PhP325 million will be given to the Local Water Utilities Administration (LWUA) to improve the water supply systems in the rural areas, which is in addition to the PhP1.8 billion of unobligated allotments as of December 31, 2018 which the LWUA can use for building more water systems. The National Water Resources Board, which handles the management of water resources, will receive PhP168 million to improve coordination and regulation of all water-related activities in the country that impact on the physical environment and the economy.

The government will continue to provide clean and safe water supply systems for waterless barangays and municipalities through the implementation of sub-projects under the *Sagana at Ligtas na Tubig para sa Lahat* (SALINTUBIG) Project, which is allotted PhP1.5 billion for 2020. The SALINTUBIG Project is administered and monitored by the DILG, and has addressed the needs of more than 500,000 households from 297 municipalities since 2012.[3] For 2020, the focus will be on assisting around 232,446 households in 134 waterless areas. *(See Table 1)*

Lighting Up the Country

Electrification, particularly in the rural and remote areas, remains a major challenge in the country, adversely affecting the overall development of local government units or regions. Studies reveal that rural electrification has positive social and economic impacts as it can improve home business productivity and the flow of information, decrease time spent on household chores, and provide a better sense of security among rural households.

To fully light up the countryside and complete household electrification by 2022, the government has allocated PhP6.1 billion for the power and energy sector for 2020. Some PhP2.3 billion of this will go to the Department of Energy (DOE) for its various programs. This includes the PhP0.5 billion that will support the DOE's Total Electrification Project, which aims to provide electricity access to targeted unserved areas. These targeted unserved areas will be determined by the Task Force E-Power Mo–Technical Working Group (TFEM-TWG), in coordination with the National Electrification Administration (NEA), National Power Corporation (NPC), and the electric cooperative (EC)/distribution utility (DU) firm concerned.

The DOE's electrification efforts will be complemented by the National Electrification Administration (NEA). For 2020, the NEA will be given PhP1.2 billion for its Sitio Electrification Program, which aims to energize 775 sites. As of the end of 2018, the NEA has electrified 17.53 percent of the sitios for the Phase 2 of its project.

The government has also allocated PhP1.2 billion in subsidy to the National Power Corporation (NaPoCor) to support the capital requirements of the Missionary Electrification Program. Through this program, the NaPoCor aims to provide electricity services, through the Small Power Utilities Group (SPUG), in areas that are not connected to the main grid or transmission system, and for the construction of transmission lines and substation facilities.

The DOE will also strengthen the development, utilization, and commercialization of renewable energy resources (e.g., solar power, natural gas, wind, and water energy) through the a number of strategic programs, such as the Renewable Energy Market, Green Energy Option Program, and by encouraging the adoption of waste-to-energy facilities. These will be funded by an allocation of PhP154 million under the Renewable Energy Development Program of the department. As of the end of 2018, the country relies on 33.2 percent on renewable energy.

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Ensuring People-Centered, Clean, and Efficient Governance

In developing countries like the Philippines, the quality of governance plays a vital role in fostering an enabling environment for peace, progress, and poverty alleviation. The exercise of good governance leads to efficient service delivery, enhances public sector transparency and accountability, lessens opportunities for corruption, and stimulates private sector development; thus promoting economic growth and trust in the government.[1]

The latest Worldwide Governance Indicators (WGI)[2] report revealed that the Philippines placed in the bottom half in relation to other member-countries of the Association of Southeast Asian Nations (ASEAN) in two indicators of governance, namely, control of corruption and government effectiveness.[3] On the other hand, although the country entered the upper half of the ranking in terms of voice and accountability and regulatory quality[4], its overall performance is still considered sub-par to developed nations like Singapore and Brunei. *(See Table 1)*

Table 1. Performance of the Philippines vs. ASEAN Member-Countries in Selected Worldwide Governance Indicators, 2017

Country	Percentile Rank**			
	Control of Corruption	Regulatory Quality	Voice and Accountability	Government Effectiveness
Singapore	97.60	99.52	41.38	100.00
Brunei	75.00	75.48	22.66	84.13
Malaysia	58.17	74.52	34.48	76.44
Thailand	42.79	59.62	21.18	66.83
Indonesia	48.08	51.92	50.74	54.81
Philippines	**39.90**	**55.77**	**48.77**	**51.92**
Vietnam	31.73	36.54	10.84	52.88
Myanmar	32.21	19.23	23.65	13.46
Laos	15.87	25.48	4.43	38.46
Cambodia	8.65	32.21	15.76	25.48

Source: World Bank
***A percentile rank of 100 indicates a high score.*

Several reforms have been carried out to improve on these aspects of governance, namely the passage of Republic Act (RA) No. 11032 or the Ease of Doing Business (EODB) Act of 2018, and RA No. 11055 or the National Identification (ID) System. In Fiscal Year (FY) 2020, the government will sustain these initiatives and enforce other good governance strategies in order to enhance public service delivery and ease of doing business, reduce corruption in the bureaucracy, and empower the citizens. *(See Table 2)*

Achieving Seamless Delivery of Government Services

The Administration will adopt a whole-of-government approach to facilitate the fast and efficient delivery of key services to its most valued clients, the Filipino people.

Table 2. Allocations to Ensure a People-Centered, Clean, and Efficient Governance, 2019-2020
(in million Pesos)

Particulars	2019 GAA	2020 NEP	% Increase/ (Decrease)
Achieving Seamless Delivery of Government Services			
National ID System	2,096	2,436	16.2
Civil Service Commission (CSC)	1,897	1,602	(15.6)
Free Internet Wi-Fi Connectivity in Public Places and State Universities and Colleges (SUCs)	1,446	1,414	(2.2)
National Government Portal (NGP)	318	381	19.8
National Government Data Center (NGDC) Infrastructure	177	295	66.7
Making Doing Business Easier			
Establishment and Management of Negosyo Centers	582	512	(12.0)
Operations of the Anti-Red Tape Authority (ARTA)	-	72	-
Implementation of Republic Act No. 9485 or the Anti-Red Tape Act	33	34	3.0
Improvement of competitiveness and ease of doing business in local government units (LGUs)	40	33	(17.5)
Taking Action Against Corruption			
Office of the Ombudsman (OMB)	4,696	3,147	(33.0)
Budget and Treasury Management System (BTMS)	388	278	(28.4)
Empowering the Citizens			
Hotline 8888	-	34	-
911 Emergency Services	24	23	(4.2)
Public Assistance and Contact Center ng Bayan (CCB) Services	17	19	11.8

National ID System. In FY 2020, PhP2.4 billion, lodged under the Unprogrammed Appropriations, will be provided to establish a single identification platform for all Filipino citizens and resident aliens through the Philippine Identification System (PhilSys). From 2018 to 2019, the Philippine Statistics Authority (PSA) has some PhP4.1 billion funds available for obligation for the PhilSys development. Under the PhilSys, an individual will be issued a PhilSys Number and a PhilID card containing essential information on his or her identity, such as full name, sex, date and place of birth, blood type, address, and biometrics data.

The PhilID can be used as a valid proof of identity in transactions with both the public and the private sector, such as applications for passports and driver's licenses, accessing social welfare services and benefits, admission in schools and public hospitals, opening of bank accounts, registration and voting, employment transactions, and for other purposes.

As the lead implementing agency of the PhilSys, the PSA will prioritize the registration of indigents, senior citizens, persons with disabilities, and indigenous persons.[5] The pilot test registration of the PhilSys kicked off on September 2, 2019 in the National Capital Region, and mass registration is expected to begin by mid-2020.[6]

Operations of the Civil Service Commission (CSC). To fulfill its mandate of ensuring a competent, efficient, and effective workforce in the public service, a budget of PhP1.6 billion will be provided to the CSC. From this amount, PhP574 million will fund the agency's Civil Service Professionalization and Workplace Cooperation Program to grant eligibility, appointments, rewards, and recognition to qualified individuals and provide competency-based learning and development opportunities to public servants.

Through the program, the CSC targets to conduct 12 civil service examinations and employ 12,000 individuals with Certificates of Eligibility in the government.

Free Internet Wi-Fi Connectivity. An allocation of PhP1.4 billion will be used to ensure the consistent implementation of the Free Internet Wi-Fi Connectivity Program under the Department of Information and Communications Technology (DICT). Of this total, PhP1.1 billion is earmarked to provide free internet access in public places, while PhP280 million is for free internet services in State Universities and Colleges. The Free Wi-Fi Program, one of the flagship programs of the DICT, aims to enhance internet accessibility for Filipinos and bridge the growing digital divide in the country.

National Government Portal (NGP). In 2017, the NGP was launched as the central portal for transacting with the government and accessing government-related data, information, and services. It also serves as a platform for connectivity and collaboration between government agencies, enabling them to provide faster and more efficient services to the people. As of 2018, the portal links users to 158 online government services, such as applications for IDs, certificates, licenses, and permits.[7]

An allocation of PhP381 million will be set aside to sustain the implementation and operations of the NGP.

National Government Data Center (NGDC) Infrastructure. To support the agenda for a "digitized government", some PhP295 million will fund the establishment of a physical ICT infrastructure to interconnect government agencies using centralized government-controlled data centers, servers, and storage facilities. The NGDC aims to enhance the overall ICT capability of the government, increase efficiency in service delivery, and reduce costs in hardware and software procurement and maintenance.

Making Doing Business Easier

To spur private sector development and growth and establish a conducive environment for businesses, the government will streamline procedures and minimize costs in doing business through the continued implementation of the EODB Act of 2018, cutting of red tape, and rationalizing other governance measures.

Operations of the Anti-Red Tape Authority (ARTA). By virtue of the EODB Act of 2018, the ARTA was established to develop, implement, and oversee policies on anti-red tape and ease of doing business. With the ultimate goal of improving government service delivery, the ARTA will be allocated PhP72 million in FY 2020 to support its operations, programs, activities, and projects.

From this total budget, PhP19 million is earmarked for the implementation of the Ease of Doing Business and Efficient Delivery of Government Services Program, which covers monitoring and evaluation of the compliance of government institutions, including local government units and government-owned and/or –controlled corporations, with the EODB Act.

Implementation of Republic Act No. 9485 or the Anti-Red Tape Act of 2007. The government continues to take the necessary measures to promote efficient and transparent transactions with the public. A total of PhP34 million from the CSC budget will be set aside for the enforcement of the Anti-Red Tape Act of 2007, which aims to reduce red tape and eradicate corruption in transactions between the bureaucracy and the citizens.

Establishment of Negosyo Centers. To strengthen the ease of doing business measures and facilitate access to services of micro, small, and medium enterprises (MSMEs), the DTI will allocate PhP512 million for the establishment of Negosyo Centers (NCs) nationwide. The centers will aim to assist 785,000 clients in applications for business registration and renewal; accessing grants, financial assistance, and equipment; and accomplishing regulatory requirements to start and sustain the business.[8] This is 36.5 percent higher than the target of 575,000 clients assisted in 2019. As of end 2018, some 260 NCs have been established, 73.3 percent more than the 150 NCs targeted to be set up for that year.

Improvement of Competitiveness and Ease of Doing Business in LGUs. Measures will be undertaken to make doing business easier in localities. Under the Department of the Interior and Local Government (DILG), PhP33 million will support initiatives on enhancing LGU competitiveness and ease of doing business, such as the strengthening of the Local Public-Private Partnership for the People Initiative (LGU P4), streamlining of regulatory processes, and re-engineering of LGU systems and procedures, among others.

Taking Action Against Corruption

In his 2019 State of the Nation Address, President Duterte reiterated the urgent need to combat corruption in the government. In line with this directive, the 2020 proposed Budget supports anti-corruption strategies to uphold integrity and public trust in the bureaucracy.

Office of the Ombudsman (OMB). As the main agency tasked to crack down on corruption among public servants, the OMB will receive an allocation of PhP3.1 billion to implement its anti-corruption programs. Part of the budget, amounting to PhP621 million, will be earmarked for the Anti-Corruption Investigation Program to achieve the target of 20.5 percent completion of fact-finding investigations and lifestyle checks completed against erring public officials and maintain the target 40 percent of criminal and forfeiture cases investigated and resolved. These compare with the 2019 targets of 40 percent completed fact-finding investigations and lifestyle checks and 20 percent of criminal and forfeiture cases resolved.

Also, PhP480 million will fund the Anti-Corruption Enforcement Program to ensure that anti-corruption laws and regulations are effectively and efficiently enforced, and attain the target 40 percent of administrative cases resolved.

The OMB also aims to capacitate and mobilize 10,000 integrity and anti-corruption advocates through its Corruption Prevention Program, which will be allotted PhP123 million in 2020.

Budget and Treasury Management System (BTMS). To strengthen anti-corruption efforts particularly in the management of public expenditures, the Department of Budget and Management will allocate PhP278 million for the sustained operation and adoption of the BTMS among agencies. Launched in 2015, the BTMS consolidates the financial information of the government in a centralized database to automate and support public financial management processes, particularly in budget execution and reporting. It will enable real-time monitoring of the status of financial transactions of agencies, thereby promoting greater efficiency, accountability, and transparency in the management of public finances.

Empowering the Citizens

Recognizing the fundamental role of citizens in governance, the government provides mechanisms for the people to give feedback on matters of public concern.

Hotline 8888. To enable citizens to report inefficiencies and incidences of corruption in the government, Hotline 8888 was launched and the 8888 Citizens' Complaint Center was established in 2016 by virtue of Executive Order No. 6. These have enhanced the ability of the government to more efficiently and promptly address complaints or concerns from the public, and link them with other frontline agencies.

The institutionalization of the Hotline 8888 will be further pursued in 2020. An amount of PhP34 million will be used for the procurement of equipment and facilities for the 8888 Citizens' Complaint Center, to be lodged under the budget of the Office of the President.

911 Emergency Services. Consistent with the objectives of improving public order and safety mechanisms, PhP23 million will support the 911 emergency services of the DILG. Through the 911 Emergency Hotline, citizens in dire need of assistance will be directly connected to emergency, rescue, fire, or police services.

Public Assistance and Contact Center ng Bayan (CCB) Services. Under the supervision of the CSC, PhP19 million will be earmarked for the Public Assistance and CCB Services to receive information, feedback, comments, or suggestions from the public regarding government frontline services. The CSC aims to sustain the target 90 percent resolution rate of complaints coursed through the CCB.

Good Governance: The Way Forward

Looking at the current state of governance in the Philippines, there is still much room for improvement. Supporting and institutionalizing good practices in governance will help the country advance forward in its journey towards peace and prosperity.

Endnotes

[1] Muhammad, Azam, & Chandra, Emirullah. (2014). *The role of governance in economic development. International Journal of Social Economics.* Retrieved from https://www.researchgate.net/publication/273699350_The_Role_of_Governance_in_Economic_Development_Evidence_from_Some_Selected_Countries_in_Asia_and_the_Pacific
[2] The WGI is a research dataset that summarizes the perceptions of citizens, businesses, think tanks, and other survey respondents on the quality of governance in industrial and developing nations. It is based on six dimensions: voice and accountability, control of corruption, regulatory quality, government effectiveness, rule of law, and political stability and absence of violence or terrorism.
[3] This indicator pertains to perceptions on the quality of public services, civil servants, policy formulation and implementation, and commitment of the government to those policies.
[4] Voice and accountability captures perceptions on the people's participation in matters of public concern, as well as their access to information and freedom of expression; while regulatory quality pertains to perceptions on the government's capability to formulate and enforce sound policies and regulations to encourage private sector development.
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Pursuing Swift and Fair Administration of Justice

Rule of law and the administration of fair justice are crucial goals of every nation that wants to achieve peace and prosperity. These twin concepts are the foundation for establishing justice, underpinning development, promoting accountability, and respect for people's rights.

The justice system executes a core function of government: protecting the people from all injustices, large and small. For this, the Justice sector relies heavily on people's trust and support.

The Philippine's global ranking in the World Justice Project (WJP) Rule of Law Index, which measures how rule of law is experienced and perceived by the people in their respective countries, remains among the lowest, placing 90th out of 126 countries in 2019. The WJP gauges rule of law performance of countries based on eight factors, namely: constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice, and criminal justice.

Comparing this year's ranking from its 88th slot among 113 countries in the 2017 to 2018 Index yields a 3-place rise in the ranking. However, the country still lags behind its ASEAN neighbors and has placed 14th out of 30 among lower middle income countries.[1]

Cognizant of this, and thus seeking to address the declining trust in the justice system, the Duterte Administration has pursued various reforms and initiatives which aim to strengthen the civil, criminal, commercial, and administrative justice system and to improve the efficiency and accountability of the Justice sector. These include addressing fragmentation in the justice system by improving inter-pillar coordination and cooperation, expediting disposition of cases, and prioritizing construction of halls of justice and jail facilities.

Table 1. ASEAN Rankings, World Justice Project Rule of Law Index 2019

Country	Score	Global Ranking	Change in Global Rank
Singapore	0.80	8	0
Malaysia	0.55	51	+5
Indonesia	0.52	62	+4
Thailand	0.50	76	-1
Vietnam	0.49	81	-2
Philippines	**0.47**	**90**	**+3**
Myanmar	0.42	110	0
Cambodia	0.32	124	0

Source: WJP Rule of Law Index 2019

The Philippine justice system is supported by five pillars, namely: law enforcement, prosecution, judiciary, corrections, and community. Each of these pillars plays a crucial role in the administration of justice. Thus, interdependence and cooperation among the five pillars are necessary.

Addressing the Fragmented Justice Sector

To improve inter-pillar coordination and cooperation, the Justice Sector Coordinating Council (JSCC), aims to determine the compatibility of reforms implemented by different justice sector agencies. It also continues to serve as a collaborative mechanism to implement the Justice sector reform agenda. JSCC established Justice Zones in Quezon City and Cebu City in 2014 and 2018, respectively. Justice Zones are areas where local justice sector agencies identify problems and create solutions.[2]

In addition, the sustained implementation of the National Justice Information System (NJIS) has also moved forward. The NJIS is the integrated and accessible criminal justice information platform interconnecting the Department of Justice (DOJ) and other justice institutions.

Bolstering Law Enforcement Capacities

Recognized as the first point of contact with the community, law enforcement is at the forefront of the Philippine justice system. It involves interrelated processes aimed at implementing the law, such as the prevention and control of crimes, enforcement of laws and the arrest of offenders, investigation of suspects and crimes, and the conduct of lawful searches and arrests.[3]

To strengthen the effective and efficient administration of justice, PhP6.0 billion is lodged under the budget of the DOJ for the implementation of its Law Enforcement Program. The program, accounting for 24 percent of the DOJ's budget, aims to improve the investigation capabilities of the DOJ and other concerned agencies, establish a unified and harmonized evidence management, and strengthen law enforcement against various crimes.

As part of the Law Enforcement pillar, the National Bureau of Investigation (NBI), tasked to investigate and detect the commission of crimes, will receive PhP1.7 billion of the DOJ's total PhP21.8 billion budget to effectively implement its Crime Detection and Investigation Program. For 2020, the NBI aims to conduct 57,000 investigations from 56,000 in 2019 and process 7,550,000 NBI clearances.

Ensuring Swift and Efficient Prosecution

In line with the Administration's goal of addressing heavy case backlogs and delays, the second pillar of the Philippine justice system, the Prosecution, has shifted its focus to expediting the effective disposition of cases. The Prosecution is composed of the National Prosecution Service of the DOJ, the Office of the Ombudsman, and the Public Attorney's Office.

Table 2. Allocations for the Major Programs and Projects in the Justice Sector, 2018 - 2020
(in billion Pesos)

Programs and Projects	2018 GAA	2019 GAA	2020 NEP
Department of Justice	**18.5**	**21.6**	**21.8**
Of which:			
Law Enforcement Program	**5.6**	5.8	6.0
Investigation Services (under the NBI)	**1.6**	1.8	1.7
Public Legal Assistance Program	**2.8**	3.8	4.0
Parole and Probation Program	0.8	0.8	0.8
The Judiciary	**34.3**	**39.5**	**37.7**
Of which:			
Operations of the Supreme Court and the Lower Courts	30.7	33.5	33.5
Appellate Adjudication Program (under the Court of Appeals)	0.8	1.4	1.3
Construction of Halls of Justice (Justice Infrastructure Program)	1.1	1.8	1.2
Sandiganbayan Adjudication Program	0.4	0.4	0.8
Bureau of Jail Management and Penology (under the DILG)	**14.5**	**19.9**	**18.6**
Of which:			
Inmates' Safekeeping and Development Program	13.5	17.9	15.7
Bureau of Corrections (BuCor)	**2.7**	**4.2**	**4.3**
Of which:			
Prisoners Custody and Safekeeping Program	1.7	3.8	3.5
Prisoners Rehabilitation Program	0.3	0.1	0.1
Office of the Ombudsman	**2.7**	**4.7**	**3.1**
Of which:			
Anti-Corruption Investigation Program	0.5	0.6	0.6
Anti-Corruption Enforcement Program	0.3	0.9	0.5
Corruption Prevention Program	0.05	0.2	0.1

The investigation and prosecution of all cases involving violation of penal laws are lodged under the DOJ's National Prosecution Service.

As of 2018, disposed cases by the Prosecution have reached 82.4 percent of the total inventory of cases, with backlogs in preliminary investigation also dropping to 39.0 percent, from 44.3 percent in 2017. However, more can be done to expedite this.

For 2020, PhP5.7 billion is lodged under the budget of the DOJ to fast-track the preliminary investigation and prosecution of criminal cases. With this amount, the DOJ desires to attain 80 percent of successful prosecution, 88 percent resolved criminal complaints, and 85 percent of completed investigations.

The Office of the Ombudsman, on the other hand, is provided PhP3.1 billion for the investigation and prosecution of corrupt government officials through its anti-corruption programs. Of the amount, PhP621 million is earmarked for the Anti-Corruption Investigation Program. Said program aims to complete 20.5 percent of fact-finding investigations and lifestyle checks and 17 percent of criminal and forfeiture cases investigated and resolved within 2020. Meanwhile, the Anti-Corruption Enforcement Program of the Office of the Ombudsman will receive an allocation of PhP480 million for the prosecution of criminal cases with the Sandiganbayan and Regional Trial Courts.

Improving Equal Access to Justice

To pave the way for improved and equal access to justice, the Administration has launched initiatives that it aims to sustain in the following years. It is prioritizing the expansion of access to legal services for all, especially to the marginalized sectors and indigent clients.

In 2018, the Public Attorney's Office (PAO) reported a 15 percent increase in total number of clients assisted, from 11,619,916 the previous year to 13,344,003.[4] To keep pace with the growing number of clients, an increase in the number of public attorneys is still needed to achieve the ideal ratio pursuant to Republic Act No. 9406, the Act on Reorganizing and Strengthening of the Public Attorney's Office.[5] Table 3 shows the number of public attorneys assigned per region.

Table 3. Number of Public Attorneys per Region, 2019

Regions	Number of Political Attorneys
Central Office	114
National Capital Region (NCR)	332
Cordillera Administrative Region	63
Region I (Ilocos Region)	126
Region II (Cagayan Valley)	90
Region III (Central Luzon)	189
Region IV-A (CALABARZON)	231
Region IV-B (MIMAROPA)	57
Region V (Bicol Region)	108
Region VI (Eastern Visayas)	139
Region VII (Central Visayas)	132
Region VIII (Western Visayas)	109
Region IX-A (ARMM)	40
Region IX-B (Zamboanga Peninsula)	81
Region X (Northern Mindanao)	97
Region XI (Davao Region)	63
Region XII (SOCCSKSARGEN)	78
Region XIII (CARAGA)	47
Total	**2,096**

Source: Public Attorney's Office

To ensure continued and improved access to free legal service assistance, the PAO is given PhP4.4 billion in 2020. About 91 percent or 4.0 billion is for its Public Legal Assistance Program to provide free legal services to indigents and other qualified persons in criminal, civil, labor, administrative, and other quasi-judicial cases.

Through the program, the PAO intends to achieve the following: dispose of 81.34 percent of cases with a favorable judgment; maintain a 1:1 public attorney to court ratio; reach a 92.75 percent Alternative Dispute Resolution (ADR) success rate; and act on 100 percent of requests for non-judicial assistance within two hours.

Another PhP152 million is earmarked for the rendition of various legal services through the Legal Services Program of the DOJ. The amount will be used to achieve a 98 percentage of requests acted upon within the prescribed period and train 600 ADR practitioners.

Expediting Case Adjudication

Following the primary investigation and prosecution is the third pillar of the justice system, the Judiciary. The judicial process involves the adjudication of cases and the promulgation of judgment.

For 2020, the Administration has allotted a budget of PhP37.7 billion for the Judiciary, which retains its position as one of the top ten departments with the largest budgetary allocations. This reflects the Administration's strengthened thrust of promoting fair and swift administration of justice.

Of the total budget of the Judiciary, PhP33.5 billion is provided for the operations of the Supreme Court of the Philippines and the Lower Courts. This will be used to achieve the targeted court disposition rate and the number of resolutions and decisions issued by the Supreme Courts and the Lower Courts for 2020. *(See Table 4)*

Another PhP1.2 billion is earmarked for the construction, completion, repair, and rehabilitation of the Halls of Justice in the country through the Justice Infrastructure Program (JUSIP). Table 5 lists the allocations for the Halls of Justice to be constructed or maintained.

In addition, the Court of Appeals (CA) will be provided a budget of PhP2.8 billion for 2020. Of this total, PhP1.3 billion is earmarked for its Appellate Adjudication Program to expedite the adjudication of appealed and other court cases. The program aims to maintain the case resolution rate of 46 percent and achieve 14,520 case dispositions in 2020.

Table 4. 2020 Targets of the Supreme Court and the Lower Courts

Particulars	Number of Resolutions/Decisions	Court Disposition Rate
Supreme Court	6,000	39%
Regional Trial Court	241,957	34%
Metropolitan Trial Courts	85,376	73%
Municipal Trial Courts in Cities	84,222	58%
Municipal Circuit Trial Courts	26,070	53%
Municipal Trial Courts	26,636	54%
Shari'a District Courts	39	21%
Shari'a Circuit Courts	618	30%
Child and Family Courts	41,857	45%

Source: 2020 NEP

Table 5. Allocations for the Justice Infrastructure Program, 2020
(in million Pesos)

Location of HOJ	Amount
Tagbilaran, Bohol	240.1
San Pablo City, Laguna	211.1
Lapu-Lapu City	204.1
Ipil, Zamboanga Sibugay	162.0
Surallah, South Cotabato	111.1
Calamba, Laguna	109.4
Cebu City, Cebu	75.4
Coron, Palawan	34.1
Irosin, Sorsogon	34.1
Anahawan, Southern Leyte	7.5
Cuyo, Palawan	7.5
Dumalinao, Zamboanga Del Sur	7.5
Sta. Monica, Surigao Del Norte	7.5
San Jacinto, Masbate	7.5
Total	**1,218.8**

Source: Department of Budget and Management

To effectively bring corrupt government officials and employees to judgment, an amount of PhP788 million is allotted for the Sandiganbayan in 2020. With this amount, the Sandiganbayan targets to process 5,640 cases from 5,020 in 2019 and achieve a case disposition rate of 6.26 percent.

Enhancing Corrections and Rehabilitation Framework

Corrections, the fourth pillar of the justice system, involves the custody of criminal offenders serving prison sentences and their rehabilitation towards eventual restoration and reintegration to society.

The year 2018 saw some improvement in the projects implemented by the Bureau of Corrections (BuCor), including the construction and rehabilitation of prison dormitories and training facilities. Seventy new jail buildings were also constructed in the same year by the Bureau of Jail Management and Penology (BJMP) to ease the congestion rate of detention facilities under its supervision.[6]

Statistics released in 2019, however, show that BJMP jails and BuCor facilities have exceeded their capacities by an overwhelming 442[7] percent and 277[8] percent, respectively. Aside from bolstering legal assistance and expediting case resolution, it is necessary to address the overcrowding and congestion in these penal facilities. Thus, priority should also be given to the construction of new facilities and improvement of existing ones.

Addressing Congestion of Prison Facilities. Recognizing the continuing problems in jail and prison facilities, the Administration remains steadfast in its pursuit of programs to decongest the country's penal facilities. These include the improvement of the management of inmate records, strengthened implementation of the provisions of Uniform Manual on Time Allowance and Service of Sentence, and expediting the release of qualified persons deprived of liberty (PDL). The Uniform Manual on Time Allowance and Service of Sentence is a standardized guideline on the specification of time allowances and service of sentence for PDLs.

To keep up with the increasing number of PDLs, additional jail facilities will be constructed in 2020. This is a responsibility of the BJMP, which has operational control over jail facilities. In the recent past, the high congestion rates in local jail facilities has created public uproar, citing the overcrowding of inmates and the spread of infectious diseases in jails. The BJMP began efforts to ease problems in the jail system in 2018 by expanding and repairing almost 150 jails in the country, and began construction of additional jail buildings and 13 additional perimeter fences.

Resolute in its pursuit of the vision to address these persistent concerns, the BJMP is given PhP18.6 billion in 2020. Its core program, the Inmates' Safekeeping and Development Program, is allotted PhP15.7 billion for the custody, safekeeping, and rehabilitation of district, city, and municipal PDLs awaiting investigation, trial and/or transfer to the national penitentiary. Some PhP4.7 billion of this total budget will cover the provision of daily subsistence and PhP1.0 billion for medical allowance of the PDLs. For 2020, the BJMP targets a 6 percent reduction in the number of escape incidents as well as 10 percent reduction in the number of jail disturbances.

The government also intends to add more jail guards in 2020. Some PhP576 million is provided for the BJMP for the creation of 2,000 Jail Officer 1 positions. This will beef up the number of jail personnel in the BJMP who will render custodial and security functions, especially in view of the increasing number of inmates.

The ideal ratio of Jail Officer (JO) to inmates is 1:7 per shift. In 2019, the BJMP aimed to reach the target of 1:33 with the approved creation of 2,000 additional JO1 positions. For 2020, the government expects a 1:26 jail personnel-to-inmates ratio, with the proposed creation of an additional 2,000 JO1 positions.

For 2020, the BuCor will receive PhP4.2 billion for the management and supervision of inmates nationwide. About 81.4 percent of this, or PhP3.5 billion, will support the Prisoners Custody and Safekeeping Program to effectively secure 99.9 percent of inmates in custody and decrease the congestion rate of national prisons to 115 percent from 120 percent in 2019.

Table 6. Allocations for the BuCor's Prisoners Custody and Safekeeping Program and Prisoners Rehabilitation Program (in million Pesos)

Particulars	Prisoners Custody and Safekeeping Program	Prisoners Rehabilitation Program
New Bilibid Prison/ Correctional Institute of Women (NCR)	2,837	59
Iwahig and Sablayan Prison and Penal Farm (MIMAROPA)	214	24
Leyte Regional Prison (Region VII)	91	9
San Ramon Prison and Penal Farm (Region IX)	71	10
Davao Prison and Penal Farm (Region XI)	253	17
Total	**3,466**	**119**

Note: Figures may not add up due to rounding off
Source: 2020 NEP

Strengthening the Rehabilitation Process. The Administration is committed to strengthen and enhance programs for the rehabilitation of offenders into productive, law-abiding, and socially responsible members of the country, and to ensure their effective reintegration to the community.

An amount of PhP119 million is lodged under the budget of the BuCor for its Prisoners Rehabilitation Program. The amount will be used for the implementation, supervision, and evaluation of rehabilitation programs for PDLs across the country. With this budget, the BuCor aims to reach a 92 percentage rate of PDLs participating in rehabilitation programs and 4,000 qualified inmate carpetas forwarded to Board of Pardons and Parole. *(See Table 6)*

The Parole and Probation Administration, on the other hand, is allotted PhP836 million to effectively administer the parole and probation system and promote the correction and rehabilitation of offenders. The amount will fund its Parole and Probation Program, which aims to render 1,785,316 rehabilitation and intervention services to clients and sustain the 95 percent client participation rate in the rehabilitation programs.

Mobilizing the Community for Justice Administration

The Community at large has become a powerful and constructive force for public safety and is now regarded as one of the pillars of the justice system. Thus, the Administration is putting into action various programs to enable, assist, and reinforce the Community pillar in doing its part in the administration of justice.

To provide legal protection for witnesses and victims, a key factor in the prosecution and conviction of criminals, the DOJ has allotted PhP193 million for its Witness Protection Sub-Program, 7 percent lower than its 2019 budget of PhP208 million. The DOJ targets to prevent untoward accidents from happening to the witnesses and retain since 2019 the 88 percent of successful prosecution in cases with witnesses covered by the program.

With regard to providing assistance to victims of crimes, an amount of PhP9 million has also been allotted for the Victims Compensation Services of the DOJ.

For 2020, efforts to enable citizens to participate in the fight against corruption will also be strengthened. To capacitate and mobilize 10,000 anti-corruption advocates, an amount of PhP123 million will be provided for the Corruption Prevention Program of the Office of the Ombudsman, a 105 percent increase from its 2019 budget of PhP60 million. The Office of the Ombudsman targets to increase the percentage of satisfied integrity promotion program beneficiaries from 75 percent in 2019 to 80 percent in 2020.

The Ombudsman Public Assistance, meanwhile, will receive PhP58 million to resolve or act on 77 percent of requests for assistance and grievances within the prescribed time and increase the percentage of frontline service feedback with a rating of at least very satisfactory from 75 percent in 2019 to 80 percent in 2020.

Recognizing that rehabilitation happens within the community, the implementation of the Volunteer Probation Aide (VPA) Program will be continued and further strengthened in 2020 through the Parole and Probation Program. The VPA Program encourages citizen and community involvement in the process of rehabilitation, prevention of crime, and the overall administration of justice. Through the program, citizens are able to participate in the community-based programs of probation and parole as supervisors and assistants. In 2020, the program intends to capacitate and mobilize 94.18 percent of VPAs in the rehabilitation program.

Towards a Just and More Responsive Justice System

The Philippine justice system is a highly complex network of institutions. It is not just the prosecution, the judiciary, the corrections system, nor just the community. It is all of these, working together and in support of each other, that can assure the fair and swift administration of justice, foster the culture of lawfulness, and preserve the rule of law. Recognizing this, the Administration aims to streamline interdependence among the justice sector institutions. Through the harmonized efforts of all justice institutions and the programs and initiatives funded in the 2020 Budget, the Administration seeks to deliver swift, just, and inclusive justice for all.

Endnotes

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VI. PUBLIC EXPENDITURE MANAGEMENT REFORMS

People's trust is a crucial factor in ensuring the success of any initiative or reform that the government introduces and pursues. Not only does it enhance rapport between government leaders and workers, and the various publics they serve, it also promotes active engagement and participation by the people in the government's socioeconomic development agenda.

Essential to trust-building, of course, is transparency. Government must be willing – and in fact should be proactive – to provide the information and explanations relevant to its decisions and action in various aspects of its work and service. These include, among others, the collection, allocation, and disbursement of the country's funds, or public expenditure management.

As the agency specifically mandated to lead in this, the Department of Budget and Management (DBM) faithfully pursues its mission to ensure the equitable, prudent, transparent, and accountable allocation and use of public funds. The DBM has consistently sought to enhance transparency and improve efficiency in public expenditure management through reforms that will ease bureaucracy bottlenecks and improve the implementation of government programs and projects.

Among the major reforms pursued by the DBM are the shift to the Cash Budgeting System and the investment in technology and science-based mechanisms through the Project DIME (Digital Information for Monitoring and Evaluation), Budget and Treasury Management System (BTMS), and modernized Philippine Government Electronic Procurement System (mPhilGEPS).

Shifting Gears: Adopting the Cash Budgeting System

The Philippine Government adopted the Cash Budgeting System (CBS) in the preparation of the 2019 Proposed National Budget, and in its execution following the approval by Congress of the 2019 General Appropriations Act in April 2019.

This was the first time that the CBS was implemented in the country and marked the beginning of the shift from the obligation-based budget system that was used prior to Fiscal Year 2019. The move aims to speed up budget utilization, promote faster delivery of government services, and foster discipline among agencies through better planning and management of their programs and projects, including early procurement.[1]

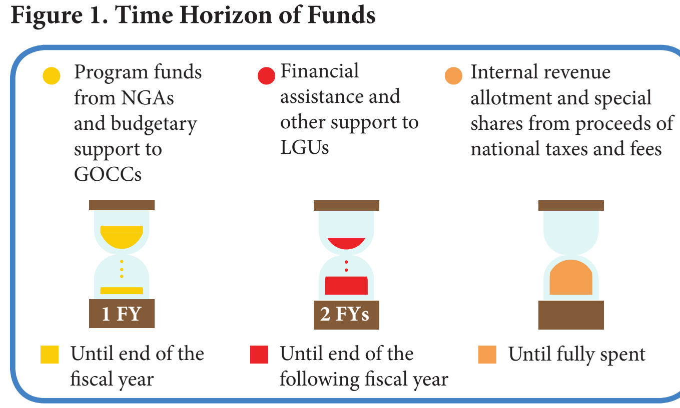
The shift to CBS is one of the principal PFM reforms that are part of the Budget Modernization Bill[2], which will be refiled in the 18th Congress. In the meantime, while awaiting enactment of the Bill, the DBM sought to launch the implementation of the CBS by formulating the 2019 Budget in the context of the CBS and steering the issuance of Executive Order No. 91 (Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes), which was signed by President Duterte on September 9, 2019.

Under the CBS, all approved appropriations, except statutory shares of and financial subsidy to local government units (LGUs), shall be available for obligation and disbursement only until the end of every fiscal year. This means that national government programs, projects, and services budgeted for the fiscal year should be implemented, delivered or rendered, inspected and accepted within the fiscal year in consideration. Payments should also be settled by the end of the same fiscal year, or only up to a three-month Extended Payment Period (EPP) after the fiscal year.

Furthermore, program and project funds provided to LGUs from departments or agencies, such as the Health Facilities Enhancement Program (HFEP) of the Department of Health and the Farm-to-Market Road (FMR) projects of the Department of Agriculture, should be disbursed within the fiscal year.

Budgetary support to government-owned and/or -controlled corporations (GOCCs) should likewise be disbursed within the fiscal year.

Figure 1. Time Horizon of Funds



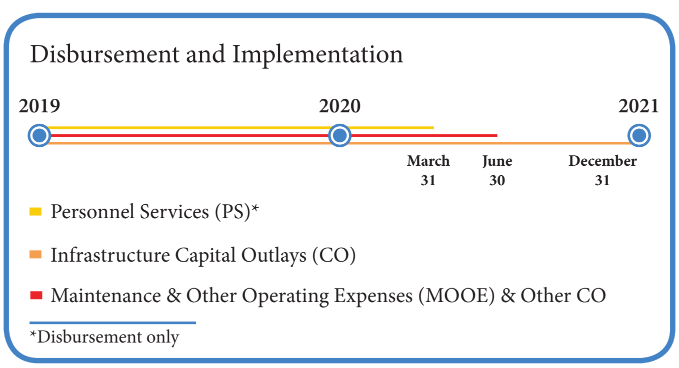
Financial subsidies to LGUs shall be available for obligation and disbursement until the end of the succeeding fiscal year. However, appropriations for the statutory shares of LGUs, such as the internal revenue allotment (IRA) and special shares from proceeds of national taxes, shall be available for obligation and disbursement until fully spent.

All unspent appropriations, whether budgets of the national government agencies (NGAs) or funds downloaded to GOCCs and LGUs, shall revert to the national treasury after the end of their validity period.

Transition Year

Due to the delay in the passage of the 2019 National Budget and the election ban for the May 13, 2019 national and local elections, which prohibited the release and disbursement of public funds from March 29 to May 12, 2019, the disbursement and payment period was adjusted for FY 2019. As provided for under the CBS, NGAs must obligate their funds until December 31, 2019 in accordance with Section 65 of the General Provisions of the 2019 GAA. However, allocations for Personnel Services may still be disbursed up to March 31, 2020, while the implementation and disbursement of Maintenance and Other Operating Expenses and Other Capital Outlay are allowed until June 30, 2020. Infrastructure Capital Outlays, on the other hand, have a longer implementation and payment period, specifically until December 31, 2020.

Figure 2. Period of Implementation and Payment



How the CBS Benefits the Filipino People

"No pain, no gain."

Like any other reform, the CBS also experienced birth pains at the start of the implementation process. Agencies had to adjust and adapt to the requirements of the System (e.g., better planning, conduct of early procurement, etc.), and will be expected to continue doing so in the future. But the "pain" or challenges are necessary in the learning process; and once overcome, they will yield the rewards which will benefit the general public.

Promotes Discipline among Agencies. The CBS will promote discipline among government agencies as it will require them to improve the planning and implementation of their programs, activities, and projects (PAPs). Setting a time frame for the completion, delivery, and payment will ensure that the PAPs that are included in their budget for the Fiscal Year are shovel-ready, or ready for implementation. Agencies are also required to conduct early procurement activities to ensure the prompt implementation of their projects.

Under Section 7.6 of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 or the Government Procurement Reform Act, government agencies are authorized to undertake procurement activities, short of award.

Helps Attract Reputable Private Sector Contractors and Suppliers. By assuring prompt payment of goods and services – within the fiscal year or at least not beyond the three-month Extended Payment Period – government agencies will attract more reputable suppliers and contractors, thereby promoting a reliable and efficient business environment.

Fosters Faster Service Delivery to the Public. Most importantly, with CBS, the general public can expect faster delivery of goods and services since government agencies will be pushed to implement their programs and projects within the one-year horizon.

Creating a More Transparent and Credible Government

Encouraged by its consistently high trust ratings among the Filipino people, the Duterte Administration continues to pursue more open and participatory governance by adopting measures and mechanisms that would improve the implementation, particularly monitoring and validation, of its programs and projects. A strategic measure is the use of technology, to help speed up the gathering of information that would greatly aid in the evaluation and analysis of the gains and gaps in every government activity, especially those which are allotted with substantial budgets.

Going Digital: Technology-Driven Monitoring and Evaluation through Project DIME

In March 2018, the DBM, in collaboration with the Department of Science and Technology (DOST), launched Project DIME (Digital Imaging for Monitoring and Evaluation later renamed to Digital Information for Monitoring and Evaluation). It aims to monitor the status of implementation of government programs and projects through the use of various technologies, including satellites, drones, light detection and ranging (LIDAR), open roads platform and geostore, and geotagging. The use of digital data imaging technologies (DDIT) is crucial in overseeing projects, particularly in far-flung areas where physical inspection would be difficult.

The project, which facilitates the exercise of the management function of the DBM and ensures that every peso allocated is used as intended or budgeted, is anchored on the following three key thrusts: 1) Results-based monitoring, evaluation, and reporting; 2) The use of DDIT and conduct of desk review; and 3) Collaboration and partnership.

Various monitoring and validation methodologies were applied under Project DIME which will establish the actual existence of projects and the extent of delivery of outputs. These include desk review, consultation meetings, verification of location coordinates of projects, gathering and processing of satellite images, and on-site inspection.

Desk Review. This refers to the collection, organization, synthesis of available data, and analysis of a program's spending behavior to assess its potential to be concretized into actual physical accomplishments. The information generated from the desk reviews is fed into the validation activities using digital technologies and/or on-site inspection. For smooth coordination and interface with implementing agencies, focal persons are assigned for each program as Project Monitoring Teams (PMTs).

Consultation Meetings. These are done to discuss, among others, the various issues and concerns surrounding the delay or non-implementation of the projects, the reportorial requirements of the team, clarification/feedback on data submitted, enhancement on the reporting processes and the resolution to issues/bottlenecks. The meetings serve as a regular interface mechanism to establish good coordination relationships with counterparts from implementing agencies. Results of the meetings and recommendations to resolve some of the issues are then communicated to the steering committee.

Satellite Image Processing/Verification of Location Coordinates. This methodology involves the gathering, display, and manipulation of imagery. The Google Earth Pro system application is used to verify geographic coordinates in order to establish the exact location of the projects, while the pixel differencing evaluation is employed in the processing of collected satellite imageries to assess the extent of implementation progress or measure the length of a given project.

On-site Inspection. On-site inspection of selected projects is conducted to confirm the findings from digital technologies and/or to validate the vertical progress of a project as compared with the reported percentage of accomplishments.

The New "I" in Project DIME

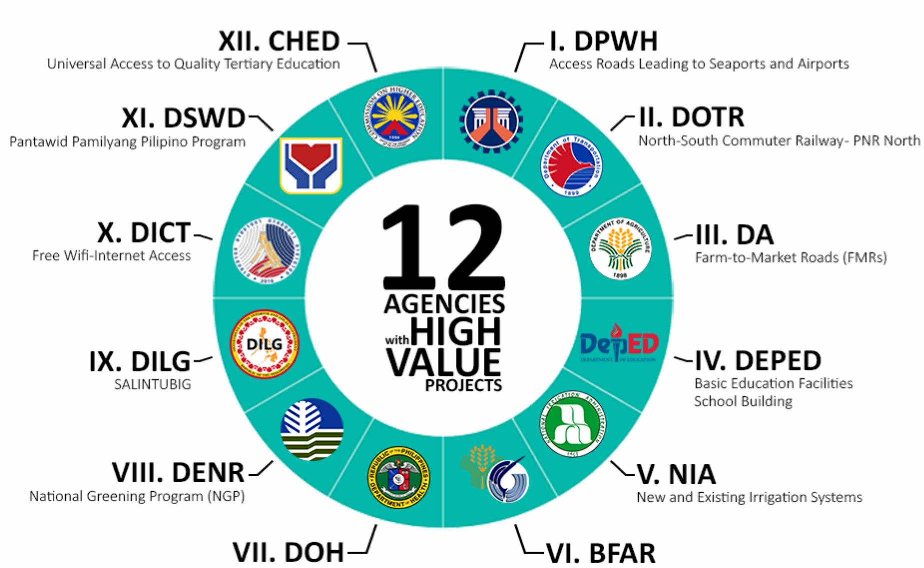
In a strategic planning held on June 29, 2019, the Project DIME Team reviewed and rebranded the Project into Digital Information for Monitoring and Evaluation.

The new branding aims to leverage the capacity of Project DIME in monitoring and evaluating not just hard (infrastructure) government projects, but also soft projects such as the *Pantawid Pamilyang Pilipino* Program (4Ps) and Access to Quality Tertiary Education. It targets a more in-depth technology-driven mechanism which will provide broader and more comprehensive information in overseeing projects. This initiative to monitor and validate performance at the program/project level is intended to equip the DBM staff in operations bureaus with better analytical armament in helping out their agency coverage in determining the appropriate level of budgetary allocation to achieve the desired results the agencies are mandated to deliver to their beneficiaries.

Priority Projects

In 2018, the DBM tried to cover as many sectors and approved twelve (12) big ticket priority programs/projects in the pilot run of the Project, based on criteria set by the Project DIME Task Force and the DBM's Budget and Management Bureaus (BMBs). The BMBs conscientiously rated the programs under their coverage and endorsed those that have at least one of the set criteria.

Figure 3. Project DIME's Pilot Programs for 2018



The priority programs approved to undergo intensive monitoring and validation under the DIME are from the economic, social, and rural sectors. *(See Figure 3)*

For the pilot run, all programs underwent desk review. Notably, some projects were sampled for validation using satellite images and other programs were validated through on-site inspection.

The selected high-value programs/projects were classified into hard, semi-hard, and soft, to determine the appropriate technologies to be used in the validation stage.

Hard projects are generally characterized by horizontal structures such as roads, railways, irrigation canals, and trees, among others. **Semi-hard projects**, on the other hand, are generally characterized by vertical structures such as the construction of buildings that may be detected remotely but needs on-site validation for accurate assessment of actual progress and performance. **Soft projects** are those in which the bases of monitoring are not tangible assets such as financial grants to intended beneficiaries.

Project DIME's Initial Gains

In 2018, Project DIME noted the following initial gains that have contributed largely to the enhancement of the reporting and implementation process:

a. Improved and more timely reporting of program/project performance at the project/site level, and with data availability, renders programs for remote/on-site validation of physical accomplishments;

b. More systematic monitoring through the use of the prescribed standard reporting/monitoring templates for infrastructure projects, to capture complete and vital information of physical and financial performance parameters;

c. It paved the way for agencies implementing convergence programs to deepen conversations of harmonizing planning, implementation, and monitoring processes to lessen, if not prevent implementation issues/bottlenecks;

d. It intensified both awareness on the importance of monitoring and evaluation and on conducting program monitoring while maximizing use of appropriate DDIT.

Future Directions: Project DIME's Vision and Mission

Project DIME envisions to integrate science-based monitoring and evaluation principles and processes into the budget and management system of the government by 2022. Its mission is to provide and promote a more efficient and effective mechanism for planning, monitoring, evaluation, and validation of government programs and projects for BMBs, management oversight, and implementing agencies by applying innovative uses of technologies.

Bolstering the PFM System through the Budget and Treasury Management System

The Budget and Treasury Management System (BTMS) was conceived and adopted through the joint efforts of the DBM, the Bureau of the Treasury (BTr), and the Commission on Audit (COA), with the objective of improving convenience, efficiency, accuracy, and timeliness in fiscal reporting and management.

A modern, integrated, accurate, reliable, and secure Financial Management Information System for the public financial management (PFM) processes of the government, the BTMS aims to revolutionize the PFM system and achieve better transparency and accountability among national government agencies (NGAs), while providing more reliable and timely financial information.

The BTMS is a response to the country's need, as pointed out by the World Bank, for an integrated financial management information system (IFMIS) in order to have a more efficient PFM system in place. This will ensure fiscal responsibility, provide a more accurate and transparent view of the government's financial performance, and improve the management of public funds.

The establishment of the BTMS is a cornerstone in the government's program to strengthen PFM and accountability systems through the development and eventual institutionalization of an IFMIS for the country.

Improving and Simplifying PFM Processes

The BTMS was developed to fundamentally suit a wide range of public financial requirements. It covers the budget execution and budget utilization phases of the National Budget cycle. Under the System, government financial information is collected and organized through an integrated central database that supports crucial PFM functions, such as: 1) Budget Management; 2) Commitments and Obligations Management; 3) Payments Management; 4) Receipts Management; 5) Cash Management; 6) Property, Plant, and Equipment; and 7) Accounting and Fiscal Reporting.

In addition to this, 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); Journal Entry Voucher (JEV); and Budget Control Update Voucher (BCUV) are created and transacted in digital form in the system to simplify such processes and cut duplication of these processes.

Modernizing and Expanding the Reach of the System

The BTMS is a sustainable government resource planning solution that is extensible, flexible, and adaptable to further reform and modernization. The roadmap for PFM reforms focuses on the gradual adoption and standardization of the BTMS as the primary tool and single source of truth for budget utilization and fiscal reporting for all NGAs.

The development and implementation of the BTMS consist of five (5) different phases: 1) BTMS Portal; 2) Budget Execution (Utilization); 3) Treasury Management; 4) Budget Management; and 5) BTMS Integrated Solution. Since 2018, the BTMS has already been rolled out to four (4) pilot NGAs, namely the DBM, the BTr, the Department of Public Works and Highways (DPWH), and the Department of Trade and Industry (DTI). The DBM and the BTr both provided oversight to the development of the BTMS, while also serving as pilots for the System's initial rollout and full-scale implementation. The rollout to high spending pilot agencies including the DPWH and the DTI followed thereafter.

In 2019, the rollout of the BTMS to remaining NGAs was initiated, in view of its mandatory adoption starting July 2019, pursuant to DBM Circular Letter No. 2019-4 dated January 14, 2019.

Capacitating the System's Users

Training government employees on the use of the BTMS is one of the challenges in the implementation of the System. To address this, the DBM partnered with the United States Agency for International Development (USAID)-Philippines to develop the BTMS e-Learning system, a learning management platform that will aid, streamline, and accelerate the training of over 15,000 BTMS users.

The e-Learning system consists of online courses accessed through a downloadable cloud-based learning technology that is available through a web-based portal accessible via any browser. This enables the simultaneous delivery of the training to large numbers of learners, thus reducing the training time, compared to the estimated six years it may take using conventional classroom training methods.

Aside from the e-Learning system, other ladderized activities are also conducted to institutionally prepare NGAs to adopt and utilize the BTMS by July 2019. Such activities include: 1) BTMS Briefing Sessions and Deep Dive Workshops; 2) Security Access Matrix Workshops; 3) Hands-on Trainings; and 4) Data Migration.

Moving the System Forward

As envisioned, all spending agencies should capture government transactions at source, using the BTMS as the sole accounting and fiscal reporting system, thus enabling oversight agencies to retrieve such reports directly from the BTMS. Through this vision, the country's PFM system will be anchored on the BTMS as the single source of current, accurate, and reliable government financial and performance information. To realize this future state, the focus of the rollout will be shifted to achieving the following targets:

BTMS Budget Management (BM) Module Go-Live. The BTMS BM Module is set to go live within the last quarter of FY 2019, and will enable the DBM to perform the following management processes: 1) Appropriations Management; 2) Allotments Management; 3) Management of Disbursement Authorities; and 4) Planning and Performance Management. The module will complement the Budget Utilization Module by establishing the budgetary control levels and additional higher controls as appropriate to the government budget and management operations.

BTMS Rollout to All National Government Agencies within 2019. Through interventions for capacity building trainings, all spending agencies will be institutionally prepared to implement the use of the BTMS within 2019. The implementation roadmap of the BTMS involves empowering first the central offices of the NGAs, particularly the respective agencies' BTMS Implementation Teams, power users, and end users. Subsequently, said teams and users will replicate the rollout interventions to the regional offices and lowest operating units starting 2020.

The increasing number of BTMS users for the second half of 2019 onwards will also pave the way for higher enrollment rates in the BTMS e-Learning System. As hands-on trainings are reinforced with the e-Learning platform, BTMS users become more capacitated in fully implementing the BTMS by 2020.

To realize the future state to be enabled by the BTMS, government-wide reports have been regularly generated and analyzed by the DBM through the BTMS Project Management Office. The information from such reports will be validated and triangulated with existing reliable sources of similar information derived from other stand-alone systems and/or manual processes.

With the accelerated rollout of the BTMS, it is imperative that the PFM Committee on BTMS Implementation, namely the DBM, BTr, and COA, establish stronger linkages to enable effective change management and policy decisions for the smooth transition of NGAs to the adoption of the BTMS. Thus, strengthened collaboration efforts are also prioritized.

Modernizing the Government Procurement System

A sound PFM system requires a good procurement system as the latter helps ensure operational efficiency through timely and competitive acquisition of goods and services needed for operations.

Over the past years, the Philippine government has introduced several measures, such as the conduct of early procurement, strengthening of agency capacity in procurement planning, and modernization of the Philippine Government Electronic Procurement System, to reform the Philippine procurement system and address its frailties, which range from transparency issues to delays in procurement.

So far, these measures have been gaining ground. For one, the Early Procurement Policy, which allows agencies to proceed with their procurement activities short of award before the approval of the National Budget by Congress, has helped curb government underspending. It has also promoted timely implementation of government programs and projects by providing agencies with sufficient lead time in procurement. Likewise, stronger capacity of agencies in procurement planning has helped avoid bid failures and delays with the use of market analysis and better costing techniques and specifications in procurement.

The Early Beginnings

The government's electronic procurement system has also come a long way. Starting off in 2000 as the Pilot Electronic Procurement System, it served as the common portal for registration of suppliers and advertisement of bid opportunities. Its use was boosted by the issuance of the Government Procurement Reform Act in 2003, which mandated all government agencies to utilize the Government Electronic Procurement System as the single portal that shall serve as the primary source of information on all government procurement. The System was fully implemented in 2006 as the Philippine Government Electronic Procurement System (PhilGEPS).

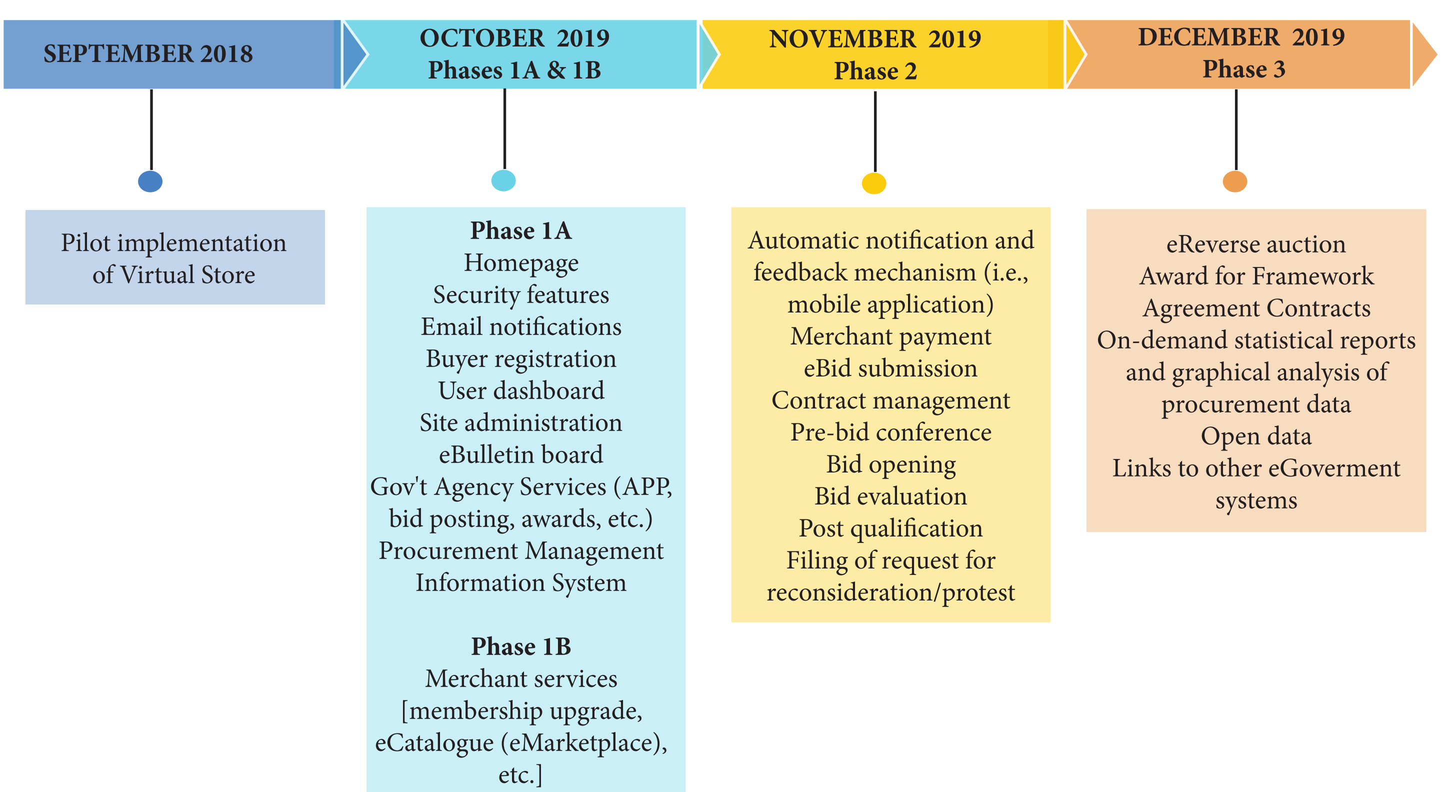
As the single internet-based portal for the central registry of suppliers and viewing of government procurement opportunities, it established an efficient, transparent, and competitive marketplace for government procurement, which helped generate significant savings for the government. Since bid notices and awards are posted online in the PhilGEPS, it has eliminated the need to post the bid in three major newspapers, thus cutting down the government's advertising expenses. Likewise, the extent of transparency and accountability of the agencies has greatly been enhanced.

Aiming for a Total e-Government Procurement Solution

To further tap the potential of technology as a key tool in instilling transparency, efficiency, and accountability in government procurement, the DBM and the Procurement Service-Philippine Government Electronic Procurement System Group expanded the functionalities of the PhilGEPS via the acquisition and modernization of an Electronic Government Procurement System or the modernized PhilGEPS (mPhilGEPS). This project, which started in February 2018, aims to:

- Provide and implement a total e-Government procurement solution and achieve transparency in all stages of government procurement, (e.g., from procurement planning to bidding and bid evaluation to project management/contract implementation and management);
- Utilize new technologies and applications to create a suitable comprehensive e-procurement solution that meets the present and future requirements of the Government of the Philippines;
- Provide a procurement system that will be able to link with other Government Registration Database to allow the electronic validation of supplier records;

Figure 4. mPhilGEPs Project Timeline



- Integrate with the Budget and Treasury Management System (BTMS) for the generation of Purchase Request, generation of Purchase Order and Invoices and Contract Management.

- Generate data for the Agency Procurement Compliance and Performance Indicator (APCPI) for the compliance and performance monitoring of agencies; and,

- Provide access to structured open data on all stages of procurement using the Open Contracting Data Standard.

The development of the mPhilGEPS, which was outsourced to a private sector service provider – Joint Venture of Nextix and Nextenders – is expected to be completed by the end of the year.

One of its functionalities, the Virtual Store, was initially implemented in September 2018 in three agencies – the DBM, Procurement Service, and the Government Procurement Policy Board-Technical Support Office – to promote a more efficient procurement system. Currently, it is being rolled-out to various national government agencies and government-owned and/or -controlled corporations. The Virtual Store is the online service of the PhilGEPS that allows agencies to view, search, select, and procure Common-Use Supplies and Equipment 24/7. Agencies use their eWallet, consistent with their budgetary funds to purchase items in the Virtual Store. From January 1 to August 30, 2019, 15 agencies have made successful orders, worth a total of PhP13.5 million. To date, the Virtual Store has 20 registered agencies.

Other functionalities of the mPhilGEPS which will be implemented in 2020 include the Annual Procurement Plan, e-bidding, Contract Management, and the mGEPS-BTMS linkage, among others.

With the full implementation of the mPhilGEPS next year in the national government agencies, the government, bidders and suppliers, and the general public are expected to reap the benefits from the upgraded System such as optimization/automation of procurement process, ease of participation by Merchants, enhanced competition/efficiency, cost savings, effective management control through the Management Information System, reduced paperwork, transparency through comprehensive audit trail, and process integration.

Endnotes

[1] Early procurement activities (EPA) refers to the conduct of procurement activities by the national government agencies, government-owned and/or -controlled corporations, and local government units for goods to be delivered, infrastructure projects to be implemented, and consulting services to be rendered in the following fiscal year pending approval of the GAA. EPA shall commence from the posting of the procurement opportunity, if required, until recommendation to the Head of the Procuring Entity as to the award of the contract.

[2] An agenda to reform the budget process by enforcing greater accountability in public financial management (PFM), promoting fiscal sustainability, strengthening Congress' power of the purse, instituting an integrated PFM system, and increasing budget transparency and participation.

VII. CONCLUSION

When contemplating and making plans for the Year 2020, reference has frequently been made to the significance of the number in the context of vision. More specifically, acuity or clarity of vision, since at a level of 20/20, which is considered normal or ideal, one is able to discern reality with precision, and thus fully appreciate it.

With 20/20 vision, one has a clear and unobstructed view of what lies ahead. And for a traveller on a challenging yet compelling path, it is a vital asset for a journey that one has begun and is determined to complete.

In submitting for approval the PhP4.100 trillion expenditure program of the government for Fiscal Year 2020, President Rodrigo Roa Duterte adverted to the *journey of change* that the Filipino people embarked on at the start of his Administration in 2016.

The journey leads to the peaceful and progressive nation that Filipinos have long aspired for. Past the halfway mark of the Duterte Administration and settled into the second semester, 2020 is the ideal moment to see clearly and accurately where we stand in the path we have chosen – what we have achieved thus far, and what fruits and gains still await us.

The proposed 2020 National Budget reflects the significance of this unique moment for the Administration, as well as for the country and people. It will strengthen the collective resolve to move on, to push forward despite the challenges.

In submitting to the Senators and Members of Congress, for their diligent review and speedy approval, the proposed National Budget of PhP4.100 trillion, President Duterte urged them to "continue to give meaning to the trust that our people have vested upon us and to make good our promise to lead them to a more peaceful and progressive Philippines."

DEPARTMENT OF BUDGET AND MANAGEMENT
TECHNICAL NOTES ON THE 2020 PROPOSED NATIONAL BUDGET
SURVEY FEEDBACK FORM

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Financing the National Expenditure Program	5	4	3	2	1
Dimensions of the National Expenditure Program (By Sector [Old/Traditional System and COFOG], By Expense Class, By Recipient Entity, By Department and Special Purpose Fund, By Appropriation Source, By Region, Intergovernmental Transfers to LGUs, Transfers to GOCCs, Earmarked Revenues, and Off-Budget Accounts)	5	4	3	2	1
Expenditure Priorities					
Accelerating Infrastructure Investments	5	4	3	2	1
Ensuring Security, Public Order, and Safety	5	4	3	2	1
Attaining a Just and Lasting Peace	5	4	3	2	1
Ensuring Ecological Integrity, Clean, and Healthy Environment	5	4	3	2	1
Accelerating Human Capital Development (Education and Health)	5	4	3	2	1
Reducing Vulnerability of Individuals and Families	5	4	3	2	1
Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	5	4	3	2	1
Expanding Economic Opportunities in Industry and Services through *Trabaho* and *Negosyo*	5	4	3	2	1
Building Safe and Secure Communities	5	4	3	2	1
Ensuring People-Centered, Clean, and Efficient Governance	5	4	3	2	1
Pursuing Swift and Fair Administration of Justice	5	4	3	2	1
Public Expenditure Management Reforms					
Shifting Gears: Adopting the Cash Budget System	5	4	3	2	1
Going Digital: Technology Driven Monitoring and Evaluation through Project DIME	5	4	3	2	1
Bolstering the PFM System through the Budget and Treasury Management System	5	4	3	2	1
Modernizing the Government Procurement System	5	4	3	2	1
Conclusion	5	4	3	2	1

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The content is logical and well-organized.	5	4	3	2	1
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PRODUCED BY THE:

Department of Budget and Management

October 2019

Production Team:
Budget Information and Training Service

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