Technical Notes on the

2019

PROPOSED NATIONAL BUDGET

Building a Bright Future for the Philippines and its People

TABLE OF CONTENTS

I. INTRODUCTION

We are almost midway on the path that our people have chosen to traverse with us,
one that will take them from mere hopes and dreams of the past,
to the reality of a better and more comfortable life,
in a peaceful and more progressive nation, today.
- President Rodrigo Roa Duterte
President's Budget Message, 23 July 2018

Reflecting the tone and content of his third State of the Nation Address (SONA), which veered away from the traditional recitation of the Administration's accomplishments and focused instead on plans and strategies to ensure consistent performance towards the full achievement of its goals, President Rodrigo Roa Duterte similarly refrained from a recitation of past gains in his Budget Message to the members of the Senate and the House of Representatives. He opted instead to reiterate, and more strongly, the resolve to stay on track in pursuit of the realization of the Filipinos' deep and long-held aspirations.

The track that the President was clearly alluding to is the path of change. Change was the rallying call of his campaign to lead and serve in 2016. And having succeeded in and received the mandate for this, change became the commitment that now defines his Administration's governance. Not change that is superficial and thus temporary, nor impulsive and thus fleeting. But change that is positive and lasting, and that will thus bear much fruit in terms of a bright future for the country and a better life for all Filipinos.

In presenting to the Legislative Branch the Proposed Budget of the National Government for Fiscal Year 2019, President Duterte underscored its unique significance in the context of the allotted time that he and his Administration have been given to accomplish their task. He noted that within the scope of this entire time frame, the government is now "almost midway on the path." Or at half-time – an auspicious moment in any journey or undertaking to review what has taken place and what has been achieved so far; to assess the ease or difficulty of the path taken and to evaluate the pace; and to survey what lies along the rest of the way to the destination, and determine the best and fastest way to get there.

The President formally submitted the 2019 Proposed National Budget only minutes after he delivered the SONA last July 23, 2018. This schedule was consistent with that of the 2018 Proposed National Budget, which was also officially submitted to the Legislators on the same day of the 2017 SONA.

The Administration has proposed and is seeking the Congress' approval of a National Budget of PhP3.757 trillion for Fiscal Year 2019. This financial program, representing 19.3 percent of the country's projected gross domestic product (GDP), was presented by the Department of Budget (DBM) and approved by the President during the July 9, 2018 Cabinet Meeting.

Without background nor explanation, and merely viewed side by side with last year's National Budget that was approved by the Philippine Congress and signed into law by President Duterte as the 2018 General Appropriations Act on December 17, 2017, the proposed 2019 Budget was initially reported as being lower than the FY 2018 Budget of PhP3.767 trillion.

It is crucial to point out, however, that this 2019 financial program, designed and crafted to support and sustain government operations and service delivery for the fiscal year in consideration, is unlike any other of the previous National Budgets.

A Cash-Based Budget to Build a Bright Future

The 2019 Proposed National Budget is a historic and ground-breaking document. It is the first ever Cash-Based National Budget for implementation in the Philippines – a landmark achievement in terms of putting in place the significant reforms in public financial management that will effectively address the need for expenditure control and budget administration, including such issues as absorptive capacity, fund utilization and underspending.

The formal submission of the 2019 Budget by President Duterte to Congress last July 23 has positioned the country alongside many other progressive countries that have already adopted the cash-based system of budgeting, a system that has been proven to promote more disciplined and accountable budget execution. In terms of impact on the Administration's pursuit of its defined socioeconomic agenda, the 2019 Budget that comes at the mid-term sets the country at the threshold of the bright future long aspired for by the nation and the people, where it is now within sight and reach in clearer, sharper focus.

A "cash-based" budget, as differentiated from an "obligation-based" budget – which is what all previous National Budgets of the Philippines were – is focused not so much on plans or intentions as on action and implementation. While both are designed to ensure the sustained operations and efficient implementation of programs, activities and projects (PAPs) of the various agencies of government, they are distinct in their approach and basis of appropriations, from the crafting to the execution stage.

As the term suggests, a cash-based budget – one that proposes "cash-based" appropriations – guarantees and authorizes payments for the items (goods and services) that are included in the budget over a limited period of time, generally corresponding to the fiscal year in consideration. This therefore imposes a time limit on contractual commitments, i.e., PAPs budgeted for the fiscal year should be implemented, completed and delivered within the same fiscal year.

An "obligation-based" budget that proposes "obligation-based" appropriations, on the other hand, authorizes agencies to enter into contractual commitments and to make payments according to these commitments, without a predetermined time limit. In such cases, the focus is on the items included in the budget (programs, activities or projects) – as long as they have been included in the budget, and funds for these have been obligated, availment and/or utilization of these funds are allowed even beyond the time frame of a year. Under such a system, appropriations have their own scheduled completion and delivery dates, which are not limited to one year.

In actual practice, applied to the 2019 Proposed National Budget, this simply means that following the Annual Cash-Based Appropriations (ACBA) System, the 2019 Budget provides for a one-year implementation of programs and projects of all government agencies, compared to the current obligation-based appropriation system of two (2) years or more of implementation. It therefore follows that it allows for a one-year payment period for goods and services, with a three-month Extended Payment Period (EPP), compared to the 24-month and beyond payment period under the current system.

By shifting to the ACBA System, the Administration expects reforms and improvements in the procurement of goods and in the delivery of services by the government agencies concerned, leading to faster completion of projects and higher availment and utilization of funds – all within the fiscal year. This translates to more disciplined budget planning and more accountable budget implementation.

Since this is the first year that such a scheme will be put in place, however, the DBM has agreed to introduce a transition period as the country shifts to the Annual Cash-Based Budgeting System.

This will be further discussed in the section on Modernizing the Philippine Public Financial Management System on page 94.

Appreciating the Numbers

Because the two relevant consecutive Budgets – the 2018 National Budget and the 2019 Proposed National Budget – were crafted for implementation under two different systems and approaches, it is not possible to get an accurate picture of the budget story by directly comparing their totals.

A cursory, non-analytical look at just the numbers might easily lead to the conclusion that a reduced budget has been crafted and submitted for 2019 – PhP3.757 trillion, compared to the 2018 National Budget of PhP3.767 trillion. And indeed it could result as well in the equally erroneous observation and concern over problems in the implementation of programs, activities and projects or shortfalls in the delivery of services.

A more accurate appreciation of the 2019 Proposed National Budget vis-à-vis the 2018 National Budget is to look into the numbers that represent the cash equivalents in the 2018 financial program. These will be presented and referenced in the discussions on the budgets for the programs, activities and projects of the various government agencies in the rest of this publication.

What is important to note though, and in fact what the 2019 Proposed Budget underscores, is the even stronger resolve to continue the story of change -- to effect the genuine transformation that leads to growth and progress that is inclusive and sustainable.

That is the journey we have started as a nation, as people. And the Duterte Administration, at the halfway mark in the path of change – on the road to the bright future it has promised the people – is not pausing in the journey nor skipping a beat in the steady cadence.

The goals remain the same, and in fact have become even more stark, as the leadership has become even more determined to give the people the life they aspire for.

Principles of the 2019 Budget: The Passion to Build Continues

The operative word of the Duterte Administration – which flows from its commitment to make change happen, and for good – is *build*. Literally and figuratively. To invest in public infrastructure that will connect and unite people and regions. And to invest in human capital development – to build up our people.

The passion to "Build, Build, Build" will continue to guide the Administration's spending priorities for 2019.

There will be no let-up in the Infrastructure Development momentum as this is seen to be a key factor for the country's sustained economic growth, which the government has targeted to reach 7 to 8 percent of GDP by 2022. This will likewise be a contributor to the creation of jobs and the enhancement of development opportunities in the regions, particularly beyond the urban centers.

Neither will there be a slowdown in the strengthening of human resources. The Administration continues to put a premium on human capital development and is determined to be unstinting in its support for education, health care, and social protection. Conscious of the value of a young population, and its potential to maintain the country's growth momentum while ensuring sustainability and inclusivity, the Administration envisions, through the twin approaches of education and health, to evolve a productive and world-class work force.

II. FINANCING THE NATIONAL EXPENDITURE PROGRAM

A. MACROECONOMIC ENVIRONMENT

The Philippine economy remains on a solid growth path and continues to be one of the fastest growing emerging economies.

In 2017, it registered a 6.7 percent GDP growth, hitting the government's 2017 forecast of 6.5 percent to 7.5 percent. In the first quarter of 2018, the country's economic performance reached 6.6 percent, slightly higher than the 6.5 percent growth in the same period last year. Growth was fuelled by manufacturing and trade on the supply side and by strong public spending on the demand side. It was also supported by a strong fiscal environment and reform-minded leadership.

However, by the second quarter of 2018, the country's GDP growth slipped to 6.0 percent, below the 7.0 to 8.0 percent target. The downslide is attributed to high inflation which affected consumer spending.

Despite the lower-than-expected GDP growth, however, economists are optimistic that the slowdown can be reversed as efforts are being undertaken to temper inflation. Domestic demand also remains strong, with capital formation (investments) growing at 20.7 percent in the second quarter of 2018, from 12.4 percent in the previous quarter. Government consumption also grew at 11.9 percent in the second quarter of the year.

Overview of the Global Economic Environment

Globally, economic growth is on the upswing. It strengthened to 3.7 percent in 2017, from 3.2 percent in 2016. Said growth, the fastest since 2011, was driven by a robust growth in emerging markets in Asia, increased investment spending in advanced economies, and the recovery in commodity exports. Based on the July 2018 World Economic Outlook (WEO), growth is expected to rise to 3.9 percent in 2018 and 2019, but the expansion would be uneven as growth in some major economies appears to have reached their peak.[1]

Growth Outlook in Advanced Economies. For 2018, advanced economies are projected to sustain their 2017 growth of 2.4 percent and will decelerate to 2.2 percent in 2019 due to moderate potential growth (e.g., unfavorable demographics in Japan and the Euro area, and the temporary nature of some tax provisions in the United States).

Growth Outlook in Emerging Market and Developing Economies. Projected economic growth in emerging market and developing economies is on the upswing. From 4.7 percent in 2017, it is estimated to grow to 4.9 percent this year and 5.1 percent next year. A steady growth is likewise estimated for the Association of Southeast Asian Nations (ASEAN)-5 economies, namely Indonesia, Malaysia, Philippines, Thailand, and Vietnam, at 5.3 percent in 2018 and 2019, due to healthy domestic demand and recovering exports sector. China's growth, on the other hand, will temper to 6.6 percent and 6.4 percent in 2018 and 2019, respectively, from 6.9 percent last year. This slowdown is attributed to the lessening of external demand and "regulatory tightening of the financial sector".[2]

Table 1. World Economic Outlook Projections, 2018-2019

Particulars	Year over Year			
	2016	2017	Projections 2018	Projections 2019
World Output	**3.2**	**3.7**	**3.9**	**3.9**
Advanced Economies	**1.7**	**2.4**	**2.4**	**2.2**
United States	1.5	2.3	2.9	2.7
Euro Area	1.8	2.4	2.2	1.9
Germany	1.9	2.5	2.2	2.1
France	1.1	2.3	1.8	1.7
Italy	0.9	1.5	1.2	1.0
Spain	3.3	3.1	2.8	2.2
Japan	1.0	1.7	1.0	0.9
United Kingdom	1.8	1.7	1.4	1.5
Canada	1.4	3.0	2.1	2.0
Other Advanced Economies	2.3	2.7	2.8	2.7
Emerging Markets and Developing	4.4	**4.7**	**4.9**	**5.1**
Economies	6.5	6.5	6.5	6.5
Emerging and Developing Asia	6.7	6.9	6.6	6.4
China	7.1	6.7	7.3	7.5
India	4.9	5.3	5.3	5.3
ASEAN-5	0.4	2.1	2.3	2.2
Commonwealth of Independent States	-0.2	1.5	1.7	1.5
Russia	1.9	3.6	3.6	3.7
Excluding Russia	3.2	5.9	4.3	3.6
Emerging and Developing Europe	-0.6	1.3	1.6	2.6
Latin America and the Caribbean	-3.5	1.0	1.8	2.5
Brazil	2.9	2.0	2.3	2.7
Mexico	5.0	2.2	3.5	3.9
Middle East, North Africa, Afghanistan,	1.7	-0.9	1.9	1.9
and Pakistan	1.5	2.8	3.4	3.8
Saudi Arabia	-1.6	0.8	2.1	2.3
Sub-Saharan Africa	0.6	1.3	1.5	1.7
Nigeria				
South Africa				

Source: World Economic Outlook Update, July 2018

Inflation Outlook. Headline inflation is projected to increase in advanced and emerging market economies due to rising fuel prices. Based on the July 2018 WEO, core inflation has inched up in the United States due to the tightening of the labor market, and in emerging markets as prices of fuel and agricultural commodities spike.

[1] International Monetary Fund. (2018, July). *World Economic Outlook Update.* Retrieved from www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018

[2] Ibid.

Domestic Economic Performance and Outlook

The Philippine economy grew by 6.0 percent in the second quarter of 2018, lower than the 6.6 percent growth registered in the same period last year and in the first quarter of 2018.

According to the Philippine Statistics Authority (PSA), the second quarter growth was mainly driven by Manufacturing, Trade, and Construction, with the latter registering a double digit (13.5%) growth. Among the economic sectors, Services and Industry contributed 3.8 and 2.2 percentage points increases to the GDP growth, respectively. Agriculture, Hunting, Forestry, and Fishing, on the other hand, contributed a 0.01 percentage point increase.

On the expenditure side, capital formation (investments) contributed the highest at 5.5 percentage points, followed by household consumption at 3.7 percentage points, and government consumption, 1.5 percentage points.

In terms of the growth rate of industries, Public Administration and Defense, Compulsory Social Security recorded the fastest growth at 15.0 percent.

Inflation Dilemma: Tempering the "Spoiler". Economists believe that the country's economy would have performed better if not for inflation. In August 2018, headline inflation rate reached a 9-year high of 6.4 percent, up from 5.7 percent in the previous month, due mainly to the price increases of key commodities such as Food and Non-Alcoholic Beverages, 8.6 percent; Furnishings, Household Equipment, and Routine Maintenance of the House, 3.3 percent; Transport, 10.2 percent; Recreation and Culture, 2.3 percent; and Restaurant and Miscellaneous Goods and Services, 4.7 percent.

Despite the rise in inflation, however, the government remains optimistic that it will be contained within the 2018 inflation forecast of 4.0 to 4.5 percent by year-end, and eventually normalize next year and in the medium-term, to reach the 2.0 to 4.0 percent target.

Necessary measures are being and will be implemented, both in the short term and long term, to manage inflation and, more importantly, to address the adverse impact of high inflation on the country's economic growth and on the Filipino people's welfare, particularly the poor.

Among the urgent measures that the government sees as necessary to taper off inflation are the following:

- Augment rice supply through timely imports;
- Lower the cost of bringing farm products to the market;
- Address the supply constraints by boosting the productivity of the Agriculture Sector to increase the supply of food and other agricultural produce;
- Enact the Rice Tariffication Bill which will remove the prescribed import volume and allow private sector rice importation;
- Capitalize on the trade opportunities with ASEAN countries; and
- Enhance the production capacity of firms.

To alleviate the impact of inflation on the poor, the government is strictly monitoring the prices of goods, as well as providing subsidies for vital commodities such as rice and fuel *(Pantawid Pasada)* and cash transfers. *(See discussion on Unconditional Cash Transfers on page 90 for more details)*

The government is likewise banking on private sector investments, particularly in the Manufacturing Sector, to stimulate employment and income growth. For the past years, Manufacturing has been a key driver of economic growth. It grew by 5.6 percent in the second quarter of this year, from 8.0 percent in the same period last year.

Fiscal Risks

Risks, which come in various forms, are inevitable realities in any organization or government. For instance, there are certain fiscal risks that may affect a government's fiscal position.

In the Philippines, an inter-agency committee, the Development Budget Coordination Committee (DBCC), is tasked to identify the fiscal risks and the strategies necessary to address them. The DBCC annually publishes a Fiscal Risks Statement, which discusses in full the risks and the corresponding measures to mitigate them. Below are some of the fiscal risks identified in said document for FY 2019.

Macroeconomic Risks. Given the passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Law Package I, household consumption is likely to amplify as the take-home pay of taxpayers increases due to the lowering of the personal income tax. Such increased demand for goods and services, as well as price pressures from adjustments in transport fares, among others, may pull up inflation. But this spike in inflation is seen to be only temporary and is expected to eventually slow down.

As an immediate relief from the price pressures, the government is giving out unconditional cash transfers (UCT) to the poorest households identified in the *Listahanan* and fuel subsidies to qualified public utility jeepney (PUJ) franchise holders. *(See section on Unconditional Cash Transfers on page 90 for more details)*

To address the supply side, the government is introducing short- and medium-term strategies to taper off inflation by boosting agricultural supply. These strategies involve pushing for the lifting of the quantitative restrictions on rice importation to stabilize the supply and reduce the price of rice, and restructuring the National Food Authority (NFA) to remove its import monopoly and instead shift its focus to buffer stocking for emergencies, among others.

To help temper the build-up in inflation expectations, the country's monetary authorities tightened, for the third time this year, the policy rates by 50 basis points, thus increasing the Bangko Sentral ng Pilipinas' (BSP) overnight lending, borrowing, and deposit rates to 4.5 percent, 4.0 percent, and 3.5 percent, respectively.[3] This move, the BSP believes, will help prevent potential second round effects by controlling liquidity.

Expenditure-related risks. Underspending, while a fiscal risk, is no longer a major source of fiscal risk in the country. With the various public financial management (PFM) reforms and initiatives that the government is undertaking to expedite budget execution, government spending has improved a lot.

To support the country's growth target of 7.0-8.0 percent in the medium-term and address issues on the country's poor infrastructure, the Duterte Administration launched the massive infrastructure program dubbed "Build, Build, Build". One of the identified major risks of the Program is the possible delay in the actual implementation of infrastructure projects, which could result in the delayed realization of benefits (e.g., better public roads and ports, economic growth) and unwanted costs.

As a risk mitigating measure, the government has been pushing for the passage of the Budget Modernization Bill (BMB) to institutionalize its PFM reforms and to reduce transitional systemic risks associated with changes in leadership/administration. When enacted, the law will foster fiscal discipline among agencies, address underspending, and ensure faster service delivery, among others. *(See section on Modernizing the Philippine Public Financial Management System on page 94 for more details.)*

Meanwhile, while awaiting the passage of the BMB, the government will already shift to the Annual Cash-Based Budgeting System in 2019, using the President's power to determine the form and content of the budget under the Constitution and Administrative Code. Under this new system, government programs and projects, particularly non-infrastructure projects, budgeted for the fiscal year should be implemented and delivered within the same fiscal year. To achieve this, all government agencies, including government-owned and/or -controlled corporations (GOCCs), as well as local government units, have been directed to undertake timely budget and operations planning and early procurement activities.

Contingent Central Government Obligations. Given that GOCCs are still a possible source of fiscal risk, the government, through the Department of Finance (DOF), continues to strengthen policies with regard to the government corporate sector and strictly monitors their financial performance and impact on the country's fiscal position. In 2017, the number of Major Non-Financial Government Corporations (MNFGCs) being monitored was expanded from 14 to 17, to further observe the magnitude of government exposure. Reforms are also being pursued especially for the GOCCs which are largely dependent on support from the national government, those with mandates which overlap with other government agencies, and those which are in competition with the private sector.

Local Government Units (LGUs). One other source of fiscal risk is the LGUs' dependence on the Internal Revenue Allotment (IRA), which currently averages 69 percent. Cities have lower IRA dependence, which average 47 percent, while provinces have the highest, at 84 percent.

Among the risk mitigation measures identified to improve local revenues are the following:

- Institute reforms in real property assessment valuation and through the enactment of the Property Valuation Reform Act (VRA), which targets to establish unified standards and processes that will govern the valuation of real properties in the Philippines. This is seen to improve the capacity of LGUs to generate additional revenues from real property. When enacted, some PhP41.3 billion in local tax collections is estimated to be generated from the measure.
- Amend the Local Government Code of 1991 to give LGUs enough fiscal autonomy, chiefly on tax assignments per LGU level, and greater flexibility in fine-tuning tax rates.

Medium-Term Macroeconomic Forecasts

The trends, recent developments in the international and domestic fronts, as well as fiscal risks, were all considered in crafting the macroeconomic parameters for 2019 and in the medium-term to ensure that the fiscal and budget (revenues and expenditures) estimates stand on solid ground.

Gross Domestic Product. One of the major indicators used by economists to measure the health of the country's economy is the gross domestic product, or simply GDP. A higher GDP means that more goods and services are produced, resulting in a larger tax base, hence higher revenue collections which are critical in financing much-needed public services.

This year and in the medium-term, the GDP forecast for the Philippines remains strong, as affirmed by the World Economic

[3] Caraballo, Mayvelin C. (2018, August 10) *"Monetary Board hikes rates anew"*. Manila Times, p. B1

Table 2. Macroeconomic Parameters, 2017-2021

Particulars	2017 Actual	2018 Adjusted	Projections		
			2019	2020	2021
Nominal GDP (in PhP Million)	15,806,359	low 17,577,829 high 17,735,893	low 19,474,285 high 19,826,691	low 21,530,838 high 22,118,610	low 23,694,512 high 24,562,396
Real GDP Growth (%)	6.7	7.0-8.0	7.0-8.0	7.0-8.0	7.0-8.0
Inflation Rate (%), CPI (2012=100)	2.9	4.0-4.5	2.0-4.0	2.0-4.0	2.0-4.0
364-Day Treasury Bill Rate (%)	2.9	3.0-4.5	3.0-4.5	3.0-4.5	3.0-4.5
FOREX (PhP/US$)	50.4	50-53	50-53	50-53	50-53
180-Day LIBOR (%)	1.5	2.0-3.0	2.0-3.0	2.0-3.0	2.0-3.0
Dubai Crude Oil (US$/barrel)	53.17	55-70	50-65	50-65	50-65
Exports (%), (BPM6)	12.8	9.0	9.0	9.0	9.0
Imports (%), (BPM6)	14.2	10.0	10.0	10.0	10.0

Source: 2019 Budget of Expenditures and Sources of Financing

Outlook discussed earlier. Buoyed up by strong domestic demand and investments, the country's GDP in nominal values is expected to reach PhP19,474.3 billion in 2019, from PhP15,806.4 billion in 2017. By 2021, it is projected to grow to PhP23,694.5 billion. The government's massive infrastructure spending via the "Build, Build, Build" Program is expected to greatly contribute to the expansion of the domestic economy in the medium-term.

In terms of real GDP growth rate, or the growth in the domestic economy as adjusted for inflation, it is projected at 7.0-8.0 percent for 2018 until 2022. Despite the risks of high inflation and the possible effects of the impending El Niño phenomenon in the latter part of 2018, the government is optimistic that it will meet its growth targets, given the following assumptions:

- Expected high household consumption as a result of the increased take-home pay, lower price of rice due to the impending lifting of the quantitative restrictions on rice importation, and implementation of the unconditional cash transfer;
- Higher investments due to the reduction in foreign investment restrictions and the passage of the Ease of Doing Business Act in May 2018;
- Improvement in the communication sector with the entry of a new telecommunications player;
- Improvement in the construction services given the government's massive "Build, Build, Build" Program; and
- Improvement in the tourism industry, with the operationalization of two new airports located in Cebu and Bohol.

Inflation. Inflation, or the movement in the prices of certain major commodities, breached the government's 2018 target of 4.0-4.5 percent when it peaked to a 9-year high of 6.4 percent in August 2018, from the previous month's rate of 5.7 percent. According to the PSA, the spike in the prices of food and non-alcoholic beverages at 8.5 percent greatly contributed to the August inflation. Faster price increments were also seen in alcoholic beverages and tobacco (21.6 percent); housing, water, electricity, gas, and other fuels (5.5 percent); transportation (7.8 percent); and health (4.0 percent).

Over the medium-term, the government will retain its original inflation target of 2.0-4.0 percent, given the various measures that it will adopt to manage the increase.

Domestic Interest Rates. The 364-day Treasury Bill (T-Bill) rate averaged 2.9 percent in 2017, higher than the 1.8 percent average in 2016. It increased to 3.2 percent, still within the 3.0 percent to 4.5 percent range set for the year, in the first 11 auctions done by the Bureau of the Treasury (BTr) in early 2018. Over the medium-term, the one-year T-Bill rate is forecast to remain at 3.0 percent to 4.5 percent as the national government's cash position, liquidity management, and policy actions by the BSP and the US Federal Reserve continue to influence this trend.

Peso-Dollar Foreign Exchange Rate. From 2017 and up to the second semester of 2018, the Philippine Peso has been experiencing depreciation pressures due to the increase in the interest rates in the United States (US), the continuing increase in the demand for the US Dollar since May 2015, and the recent boost of global risk aversion. In the second quarter of 2018, the Philippine Peso averaged PhP52.86 to the US dollar or 2.8 percent weaker compared to the first quarter average. Year-on-year, the Peso depreciated by 6.0 percent below the average for the same period a year ago. Given these depreciation pressures on the Peso, the Peso-Dollar exchange rate is projected at PhP50-53 for 2018 until 2022.

Dubai Crude Oil Price. The average Dubai crude oil prices increased significantly to USD53.17 per barrel in 2017, from USD41.27 per barrel in 2016. In the second quarter of 2018, it rose further to USD72.08 per barrel, increasing by about USD8.20 per barrel or 12.8 percent from the previous quarter's USD63.88 per barrel. The increase has been influenced by the following factors: (1) the Organization of Petroleum Exporting Countries (OPEC) agreement to cut production so as to stimulate prices and address the perceived oil glut in the industry; (2) impending sanctions against Iran; and (3) geopolitical tensions in the Middle East.

Given the upward trend, the 2018 Dubai crude oil price assumption was projected at USD55-70 per barrel. For 2019 and in the medium-term, the target will be retained at USD50-65 per barrel, given the forecast by several financial agencies that the prices of Dubai crude oil will become steady and even decline in the coming years.

London Interbank Offered Rate (LIBOR). LIBOR, the rate charged to several short-term loans by international leading banks, serves as the benchmark for other loan rates. In the second quarter of 2018, the six-month LIBOR averaged at 2.49 percent, higher by 38 basis points than the 2.11 percent average of the previous quarter. The upward trend in the LIBOR is attributed to the policy rate hikes by the US Federal Reserve. For 2019 to 2021, the projection for the six-month LIBOR will be maintained at the current range of 2.0-3.0 percent.

Exports and Imports. In 2017, both exports and imports posted double-digit growth. Due to higher shipments of mineral products and manufactured goods, goods exports rose by 12.8 percent, from USD42.7 billion in 2016 to USD48.2 billion in 2017. With the strong performance of the industry, the exports of goods is projected to grow to USD57.3 billion in 2019, USD62.5 billion in 2020, and USD68.1 billion in 2021, or a 9.0 percent growth for each year.

Imports of goods, on the other hand, grew by 14.2 percent, from USD78.3 billion in 2016 to USD89.4 billion in 2017. Said growth is mainly attributed to the increased imports of intermediate goods and raw materials, as well as minerals and lubricants[4]. The steady growth in goods imports is estimated to expand by 10.0 percent next year and in the medium-term.

Socioeconomic Indicators 2017-2022

The present and future budgets of the Administration are geared towards the achievement of the collective aspirations of the Filipino people, woven into the country's development blueprint – the PDP 2017-2022.

Among the overall targets identified in this blueprint are: (1) to become an upper middle-income country by 2022; (2) to achieve inclusive growth by reducing poverty incidence to 14.0 percent by 2022, from 21.6 percent in 2015; and (3) to reduce the unemployment rate to 3.0-5.0 percent in said target year, from 5.5 percent in 2016.

Accomplishments vs. Targets. Since the Duterte Administration assumed leadership in 2016, it was able to maintain the economic growth achieved in the past as the country remains to be one of the best performing countries in the Asian region. In 2017, it achieved a gross national income (GNI) per capita growth rate of 4.8 percent, surpassing the 2017 target of 4.5 percent and the 2015 baseline of 4.1 percent. If the economy sustains its robust performance, the country could reach its target of becoming an upper middle-income country by the end of 2019.

On poverty incidence, the data is expected to be released in 2019, after the conduct this year by the PSA of the Family Income and Expenditure Survey. As part of the government's efforts to reduce poverty incidence, it is investing heavily in

Table 3. Headline Indicators, Targets and Accomplishments

Indicator	Baseline		Annual Plan Targets				Accomplishments	
	Year	Value	2017	2018	2019	2020	2017 (Actual)	2018
Economic growth (%) sustained	2016	6.9	6.5-7.5	7.0-8.0	7.0-8.0	7.0-8.0	6.7	6.0 (2nd qtr.)
GNI per capita (growth rates) increased	2015	4.1	4.5	5.0	5.0	5.0	4.8	4.1 (2nd qtr.)
Poverty incidence (% of population) reduced	2015	21.6	-	17.3-19.3	-	14	N/A	N/A
Unemployment rate (%) decreased	2016	5.5	5.1-5.4	4.7-5.3	4.3-5.3	3.0-5.0	5.7	5.4 (as of July)

Sources: NEDA, PSA

[4] Development Budget Coordination Committee (2018). *FY 2019 Fiscal Risks Statement.*

infrastructure to spur job creation, and in social services which target the poorest of the poor. About PhP909.7 billion has been set aside for infrastructure spending in 2019, and PhP491.7 billion for social protection[5], 26 percent of which will go to the Conditional Cash Transfer (CCT) program to benefit more than four (4) million households. The government is also giving out unconditional cash transfers to cushion the effect of inflation on the poor. *(See section on Social Protection on page 68 for more details)*

The unemployment rate, on the other hand, registered at 5.4 percent in July 2018, from 5.6 percent in the same period last year. According to NEDA, this is the lowest unemployment rate recorded for all surveys conducted in July since 2008. While this is a positive improvement, more needs to be done to achieve the annual targets indicated in the PDP. Nonetheless, the government is optimistic that its "Build, Build, Build" Program will create an average of 1.1 million jobs annually in the medium term to boost employment. As of April 2018, said Program helped generate 468,000 construction-related jobs.

Budget Sensitivity to Macroeconomic Parameters

Given that the macroeconomic parameters are used in crafting expenditure and revenue estimates, any change or movement in these indicators has an impact on the budget balance as shown in Table 4.

Peso-US Dollar Exchange Rate. This refers to the exchange rate of the Philippine Peso to the US Dollar. Any PhP1.00 depreciation would result in an additional PhP8.8 billion in revenues for the government in 2019. However, it would also increase the country's expenses on foreign-denominated debts by PhP2.2 billion.

Domestic Interest Rates (Treasury Bill Rate). This pertains to the interest rate on Treasury Bills on all maturities issued by the Philippine government through the Bureau of the Treasury to generate funds. A one percentage point increase in the Treasury Bill rate would generate PhP0.8 billion in revenues from withholding taxes, but it would also cost the government PhP2.6 billion in interest payments.

Treasury Bond Rate. A one percentage point increase in the Treasury Bond Rate will result in some PhP0.9 billion in revenues. However, it will also cost the government PhP2.8 billion.

London Interbank Offered Rates (LIBOR). The LIBOR is the "rate offered to prime borrowers in the internal capital market based in London which serves as the basis for most foreign interest rate quotations." A one percentage point increase in the 180-day LIBOR would translate to an additional foreign interest payment expense of PhP5.9 billion. Unlike other macroeconomic indicators, changes in LIBOR do not have a corresponding impact on revenues.

Inflation Rate. As the prices of major commodities increase, the amount of taxes collected, such as from value-added tax, also increases. Thus, a percentage point increase in inflation rate would generate an additional PhP20.5 billion in revenues for the government.

Real GDP Growth Rate. Domestic growth helps widen the tax base, which in turn enhances government revenues. Thus, a one percentage point increase in Real GDP Growth Rate would yield PhP23.0 billion in revenues, improving the budget balance by the same amount.

Growth Rate of Imports. Given the taxes levied on imports, a percentage point increase in the inflow of imports would provide PhP5.5 billion in additional revenues for the government, improving the budget balance by the same amount.

Table 4. Budget Sensitivity to Macroeconomic Parameters, 2019
(in billion Pesos)

Particulars	Change	2019		
		Revenues	Disbursements	Budget Balance[1/]
Peso-US Dollar Exchange Rate	PhP1.00 depreciation	8.8	2.2	6.6
Treasury Bill Rate (all maturities)	1 percentage point increase	0.8	2.6	-1.8
Treasury Bond Rate (all maturities)	1 percentage point increase	0.9	2.8	-1.9
180-Day LIBOR	1 percentage point increase		5.9	-5.9
Inflation Rate	1 percentage point increase	20.5		20.5
Real GDP Growth Rate	1 percentage point increase	23.0		23.0
Growth Rate of Imports	1 percentage point increase	5.5		5.5

Source: 2019 Budget of Expenditures and Sources of Financing
[1/]A negative figure in the budget balance means an increase in deficit.

[5] Based on the Classification of the Functions of Government (COFOG)

B. FISCAL STRATEGY

The FY 2017 Fiscal Performance

The significant growth in disbursements of the national government, combined with the effects of improved revenue collections, lower-than-programmed interest payments, and net lending, have kept the budget deficit within the target of 3.0 percent of the gross domestic product (GDP). For 2017, the overall deficit amounted to PhP350.6 billion, which is equivalent to 2.2 percent of GDP.

National government disbursements improved significantly in 2017 despite the base effects of the election spending in 2016. Actual disbursements reached PhP2,823.8 billion in 2017, or 10.8 percent higher than the PhP2,549.3 billion disbursement in 2016. This is relatively higher than the annual growth rates in spending of 7.7 percent and 2.3 percent recorded in the parallel post-Presidential election periods in 2005 and 2011, respectively. As a share of GDP, disbursements grew from 17.6 percent in 2016 to 17.9 percent in 2017.

The robust spending was driven mainly by the 11.8 percent increase in releases for Personnel Services, amounting to PhP808.4 billion, to fund the creation and filling of teaching positions in the Department of Education (DepEd) and State Universities and Colleges (SUCs), medical positions in the Department of Health (DOH), and police officer positions in the Department of the Interior and Local Government (DILG); as well as the increase in the base pay and benefits of civil servants pursuant to the second year implementation of Executive Order No. 201, s. 2016.[6]

Maintenance and other operating expenses (MOOE) registered a 10.8 percent increase, from PhP419.8 billion in 2016 to PhP465.4 billion in 2017. This is owing to the implementation of the K-to-12 Program, scholarship programs under the Commission on Higher Education (CHED), banner health programs such as the National Health Insurance Program, and the *Pantawid Pamilyang Pilipino* Program.

Infrastructure and Other Capital Expenditures, meanwhile, performed strongly, rising to P568.8 billion or 15.4 percent from PhP493.0 billion in 2016, on the strength of the accelerated implementation, completion and/or delivery of infrastructure programs and projects under the government's "Build, Build, Build" Program. These include the road infrastructure projects of the Department of Public Works and Highways (DPWH), projects under the AFP Modernization Program of the Department of National Defense (DND), the Capability Enhancement Program of the DILG, and other projects under the DepEd and various SUCs, such as the repair and rehabilitation of school facilities.

Subsidy to government-owned and/or -controlled corporations (GOCCs) reached PhP131.1 billion, 27.0 percent higher than the PhP103.2 billion in 2016, to cover the premium contributions of indigents and senior citizens enrolled under the National Health Insurance Program (NHIP) of the Philippine Health Insurance Corporation (PhilHealth) and for the implementation of the various irrigation projects of the National Irrigation Administration.

With the more robust disbursement performance, the Duterte Administration was able to reduce underspending to 2.9 percent of the disbursement program of PhP2,909.0 billion in 2017. From PhP96.3 billion (3.6 percent) in 2016, PhP328.3 billion (12.8 percent) in 2015, and PhP302.7 billion (13.3 percent) in 2014, total disbursements fell short of program by only PhP85.2 billion. The full-year disbursement target could have been met—and even exceeded—if not for the PhP74.0 billion underspending posted in Personnel Services due to program balances under the Miscellaneous Personnel Benefits Fund (e.g., low releases for the Performance-Based Bonus, delays in the creation or filling of positions), Pension and Gratuity Fund (e.g., minimal claims for pension and retirement benefits), and non-disbursement of allocations for the honoraria, salaries and allowances of poll watchers following the postponement of the *Sangguniang Kabataan* and *Barangay Elections* in 2017.

Other contributors to the lower-than-programmed total disbursements include, among others, procurement difficulties (e.g., failure of biddings and billing issues due to non-submission of or incomplete supporting documents by suppliers/contractors); and savings generated from Interest Payments (PhP24.3 billion), Tax Subsidies (PhP7.7 billion) and Net Lending (PhP21.0 billion). Although the latter contributed to the underspending, it has turned out favorable for the government as less was spent on non-discretionary expenditures.

Revenues for 2017 totalled PhP2,473.1 billion, 12.6 percent higher than the 2016 level of PhP2,195.9 billion. This revenue performance also outperformed the 4.1 percent increase posted in 2016. Tax effort increased to 14.2 percent from 13.7 percent in 2016, as total tax revenues grew by 13.6 percent to PhP2,250.7 billion, from the 2016 level of PhP1,980.4 billion.

The collections of the Bureau of Internal Revenue (BIR) grew by 13.1 percent and reached PhP1,772.3 billion. They were bolstered mainly by collections from Information Technology (IT) corporations and strict enforcement of tax laws and continuing priority programs such as the Run After Tax Evaders (RATE), Oplan Kandado, Tax Compliance Verification Drive (TCVD), stocktaking operations, post-evaluation of Cash Register Machines (CRM)/Point-of-Sales Machines (POS), increased collection from delinquent accounts, and the Bureau's intensified audit program.

[6] Modifying the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of Additional Benefits for Both Civilian and Military and Uniformed Personnel

Similarly, the collections of the Bureau of Customs (BOC) increased by 15.6 percent, from PhP396.4 billion in 2016 to PhP458.2 billion in 2017 on the back of strong collections from import duties and improved valuation and application of tariff classification.

For non-tax revenues, the government collected PhP221.6 billion in 2017, PhP6.8 billion higher than the total generated in 2016. This was mainly from the income of the Bureau of the Treasury (BTr) from interest earned from placements of Bond Sinking Funds and Securities Stabilization Funds; higher collections from the Philippine Amusement and Gaming Corporation; and dividends and shares from the stocks of the national government.

Meanwhile, privatization proceeds amounted to PhP830 million in 2017, 26.3 percent higher than the 2016 level of PhP657 million.

In 2017, total gross financing from external and domestic sources reached PhP901.7 billion. Of this amount, PhP350.6 billion was raised to cover the budget deficit and PhP142.7 billion for the refinancing requirement, including the P58.0 billion used to buy back outstanding debts. Of the total gross financing mix, the government realized an 81:19 mix between domestic and foreign borrowings, in keeping with the government's strategy to minimize exposure to foreign exchange risks while at the same time supporting the development of the local debt market. A total of PhP733.6 billion, or 81.4 percent, was raised from domestic lenders, while PhP168.1 billion was generated through availments of concessional loans from development partners and the issuance of dollar bonds in the international capital market.

The FY 2018 Fiscal Position

For the first six months of 2018, total disbursements amounted to PhP1,603.6 billion, 20.5 percent higher than the PhP1,330.8 billion disbursements within the same period in 2017. Total spending also surpassed the PhP1,569.1 billion program for the first semester by PhP34.4 billion or 2.2 percent, as expenditures for Personnel Services and Infrastructure Outlays exceeded their respective program levels by PhP24.5 billion and PhP14.4 billion, respectively.

Major contributors under Personnel Services included, among others, the improved fill up rates for teaching positions in the DepEd, the payment of pension and retirement claims in the DILG-PNP and DND-AFP, and the increased salaries in the military. Under Infrastructure and Other Capital Outlays,

Table 5. Full Year 2017 Fiscal Peformance
(in billion Pesos)

Particulars	2016 Actual*	January to December 2017		Variance		Increase/(Decrease)	
		Program	Actual	Amount	Percent	Amount	Percent
REVENUES	2,195.9	**2,426.9**	**2,473.1**	**46.3**	**1.9**	**277.2**	**12.6**
DISBURSEMENTS	2,549.3	**2,909.0**	**2,823.8**	**(85.2)**	**(2.9)**	**274.4**	**10.8**
Current Operating Expenditures	1,909.3	2,195.6	2,113.9	(81.6)	(3.7)	204.6	10.7
Personnel Services	723.2	882.4	808.4	(74.0)	(8.4)	85.2	11.8
MOOE	419.8	474.5	465.4	(9.1)	(1.9)	45.5	10.8
Subsidy	103.2	95.5	131.1	35.6	37.3	27.9	27.0
Allotment to LGUs	342.9	392.3	390.2	(2.1)	(0.5)	47.2	13.8
Interest Payments	304.5	334.9	310.5	(24.3)	(7.3)	6.1	2.0
Tax Expenditure Fund	15.7	16.0	8.3	(7.7)	(47.9)	(7.4)	(47.1)
Capital Outlays	624.7	**696.6**	**714.1**	**17.4**	**2.5**	**89.4**	**14.3**
Infrastructure and Other CO	493.0	549.4	568.8	19.4	3.5	75.8	15.4
Equity	11.7	4.1	5.4	1.3	30.8	(6.3)	(54.1)
Capital Transfers to LGUs	120.0	143.2	140.0	(3.2)	(2.3)	19.9	16.6
Net Lending	15.3	**16.8**	**(4.2)**	**(21.0)**	**(125.3)**	**(19.5)**	**(127.7)**
SURPLUS/(DEFICIT)	(353.4)	(482.1)	(350.6)	(131.4)	(27.3)	(2.8)	(0.8)

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

Table 6. National Government Disbursement Performance For the First Semester, 2018
(in billion Pesos)

Particulars	2017 Actual	First Semester		Variance		Increase/(Decrease)	
		Program	Actual	Amount	Percent	Amount	Percent
CURRENT OPERATING EXPENDITURES	1,001.0	1,137.7	1,154.7	17.0	1.5	153.7	15.4
Personnel Services	383.3	436.0	460.5	24.5	5.6	77.2	20.1
MOOE	208.2	238.1	242.1	4.0	1.7	33.9	16.3
Subsidy	58.2	67.5	67.7	0.2	0.3	9.5	16.4
Allotment to LGUs	194.8	211.8	210.6	(1.3)	(0.6)	15.7	8.1
Interest Payments	151.6	173.0	165.5	(7.5)	(4.3)	13.9	9.2
Tax Expenditure Fund	4.7	11.2	8.2	(3.0)	(26.9)	3.5	73.3
CAPITAL OUTLAYS	331.2	425.8	447.5	21.7	5.1	116.3	35.1
Infrastructure and Other CO	249.1	338.3	352.7	14.4	4.3	103.6	41.6
Equity	3.2	3.7	2.6	(1.1)	(29.6)	(0.7)	(20.2)
Capital Transfers to LGUs	78.9	83.9	92.3	8.4	10.0	13.4	17.0
NET LENDING	(1.3)	5.6	1.4	(4.3)	(75.7)	2.7	(203.2)
GRAND TOTAL	1,330.8	1,569.1	1,603.6	34.4	2.2	272.7	20.5
Memo items:							
Revenues	*1,176.4*	*1,304.8*	*1,410.5*	*105.7*	*8.1*	*234.2*	*19.9*
Surplus/(Deficit)	*(154.5)*	*(264.3)*	*(193.0)*	*71.3*	*(27.0)*	*(38.5)*	*25.0*

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

the acceleration of disbursements for infrastructure projects, including those from the previous Administration, resulted in higher payment claims for prior and current year's accounts payable.

The government, however, continued to generate savings from Interest Payments (PhP7.5 billion) due to bond maturities and lower-than-programmed issuance of debt instruments and from Net Lending (PhP4.3 billion) owing to repayments and minimal availment of GOCCs.

The better-than-expected disbursement performance for the first semester was supported by increased revenue collections, giving the government enough fiscal room to stay well within the deficit ceiling. Revenues as of end-June 2018 surpassed by PhP105.7 billion or 8.1 percent the target of PhP1,304.8 billion, to reach PhP1,410.5 billion.

Proceeds from the implementation of the first package of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, improved the collections of the BIR and the BOC, and higher dividend remittances from GOCCs trimmed the deficit by PhP71.3 billion, or 27.0 percent below the PhP264.3 billion program for the first six months of the year. *(See Table 6)*

The Medium-Term Fiscal Program

For the full-year 2018, total disbursements are programmed at PhP3,370.0 billion and constitute 19.2 percent of GDP, representing a 19.3 percent growth over the 2017 level of PhP2,823.8 billion. This increase in spending will be led by the expansion in all three major expenditure items, namely, PS, MOOE, and Infrastructure and Other Capital Outlays. Disbursements for PS will amount to PhP961.9 billion, to fund the increase in the salaries of military and uniformed personnel (Joint Resolution No. 1, s. 2018) and the implementation of the third tranche of compensation adjustments of civilian workers, per Executive Order No. 201, s. 2016. Likewise, maintenance expenditures will reach PhP517.5 billion to ensure the efficient implementation of programs under social services, specifically the Universal Access to Quality Tertiary Education pursuant to Republic Act 10931 enacted on August 3, 2017.

Meanwhile, PhP775.4 billion will be spent for infrastructure and other capital outlays to continue supporting the various infrastructure projects under the Duterte Administration's "Build, Build, Build" Program.

To improve budget utilization and significantly trim down, if not completely remove, underspending in 2018, the government has begun the implementation of the one-year validity of appropriations; the conduct of early procurement activities (short of award, as soon as the proposed budget is submitted to Congress); early and comprehensive release of allotments and cash allocations; and the reduction in the validity of government-issued checks from six (6) months to only three (3) months. These measures will be institutionalized with the passage of the Budget Modernization Bill (BMB), details of which will be tackled in later chapters of this publication.

Over the medium-term, disbursements will expand to PhP3,832.6 billion in 2019, and up to PhP4,314.0 billion in 2020, PhP4,803.7 billion in 2021 and PhP5,362.3 billion in 2022. These increasing levels already take into account the start of the adoption and implementation of the annual cash-based budgeting system in 2019, in place of the current obligation-based system.

Under the annual cash-based budgeting system, the public is assured of better designed and better coordinated programs and projects to be implemented or undertaken by government agencies, as well as the speedy delivery of goods and services, since obligations or contracts for programs, activities and projects (PAPs) for implementation during the fiscal year have to be fully delivered, inspected and accepted by the end of the said year. Furthermore, payments for these completed PAPs will be made within the fiscal year, and only up to the next three months of the succeeding year under an Extended Payment Period, to maintain credibility with the private sector. *(Please refer to the section on Modernizing the Philippine Public Financial Management System on page 96 for a more in-depth discussion on the annual cash-based budgeting)*

For fiscal year 2019 alone, the PhP3,832.6 billion total disbursement program includes identified budgetary pressures, such as the following: (1) the 2018 pension arrears amounting to PhP33.9 billion as a result of the increase in military and uniformed personnel base pay pursuant to Joint Resolution

Table 7. Medium-Term Fiscal Program
(in billion Pesos)

Particulars	2018 Program	2019	2020	2021	2022
		Medium-Term Projections			
REVENUES	2,846.3	3,208.2	3,676.4	4,101.3	4,588.0
% of GDP	16.2%	16.6%	17.2%	17.4%	17.7%
Growth Rates	15.1%	12.7%	14.6%	11.6%	11.9%
DISBURSEMENTS	3,370.0	3,832.6	4,314.0	4,803.7	5,362.3
% of GDP	19.2%	19.8%	20.2%	20.4%	20.7%
Growth Rate	19.3%	13.7%	12.6%	11.4%	11.6%
Current Operating Expenditures	2,415.6	2,824.3	2,994.0	3,246.9	3,523.4
Personnel Services	961.9	1,189.4	1,213.2	1,253.3	1,295.5
MOOE	517.4	603.5	684.6	770.7	874.6
Subsidy	137.7	148.9	111.2	109.1	109.1
Allotment to LGUs	425.2	468.4	520.2	598.3	669.8
Interest Payments	354.0	399.6	450.2	501.0	559.9
Tax Expenditure Fund	19.5	14.5	14.5	14.5	14.5
Capital Outlays	940.4	993.7	1,305.5	1,542.3	1,824.5
Infrastructure and Other CO	775.3	823.0	1,125.2	1,346.1	1,610.4
Equity	7.6	1.7	4.6	1.0	1.0
Capital Transfers to LGUs	157.5	169.0	175.7	195.2	213.1
Net Lending	13.8	14.5	14.5	14.5	14.5
SURPLUS/(DEFICIT)	(523.7)	(624.0)	(637.6)	(702.4)	(774.3)
% of GDP	-3.0%	-3.2%	-3.0%	-3.0%	-3.0%

No. 1. s. 2018; (2) higher PS requirements of the DepEd, DND, and DILG; and (3) the full earmarking of the 30.0 percent of the TRAIN Law's Package 1A proceeds for social mitigating measures, which include, among others, the Unconditional Cash Transfer (UCT) already lodged under the DSWD budget.

For the medium-term levels, PS will post an average 8.1 percent annual increase to take into account the salary increases for both civilian and military and uniformed personnel. MOOE will expand by 69.0 percent in five years, from PhP517.4 billion in 2018 to PhP874.6 billion by 2022. The medium-term disbursements for national government infrastructure, on the other hand, will already include the 70.0 percent of the revenue proceeds from Package 1A and the full impact of Package 1B. *(See Table 7)*

The deficit will be slightly adjusted to 3.2 percent in 2019 and maintained at an average of 3.0 percent of GDP for 2020 to 2022. The revenues are based on the impact of Packages 1A and 1B of the TRAIN Law. The earmarking provision of the TRAIN Law, which allocates 70.0 percent of the incremental revenues for infrastructure development and 30.0 percent for the social mitigating measures, will be applied to Package 1A, while proceeds from Package 1B will be fully allocated to infrastructure in support of the Administration's aggressive push towards infrastructure development.

Medium-Term Revenues from TRAIN. In 2018, Package 1A of the TRAIN Law saw, among others, the lowering of personal income tax rates; imposition of levies on sugar-sweetened beverages; and updating of the excise taxes on tobacco, petroleum, coal, mining and automobiles. Proceeds from the implementation of this package are estimated to reach PhP89.9 billion, PhP74.0 billion from the collections of the BOC, and PhP15.9 billion from the BIR.

Total revenues for 2018 will amount to PhP2,846.3 billion, 94.1 percent or PhP2,677.4 billion of which will come from tax revenues. This already takes into account the proceeds from Package 1A of the TRAIN Law, and a deficit of P523.7 billion (3.0 percent of GDP). Non-tax revenues will contribute PhP166.8 billion while privatization is estimated to pour in PhP2 billion.

The medium-term fiscal program will consider the slight increase in the deficit target of 3.2 percent in 2019, which will return to 3.0 percent thereafter from 2020 to 2022 to maintain the momentum of ongoing and new infrastructure projects, including the 75 Flagship Infrastructure Projects[7] of the Duterte Administration. Total revenues will continue to grow, and by 2022, the revenue effort is estimated to be at 17.6 percent of GDP, while the tax effort is at 16.9 percent.

The government is optimistic over its programmed revenue levels, with the continuous flow of proceeds from Package 1A and the eventual passage of the remaining packages of the Comprehensive Tax Reform Program (CTRP). Package 1B covers adjustments in the current estate tax amnesty and general tax amnesty, and the lifting of the Bank Secrecy Law for tax purposes. Package 1C, on the other hand, is focused on the new two-tiered rates for the Motor Vehicle User's Charge. The Duterte Administration expects to realize a total of PhP306.4 billion by 2022 with the full implementation of the TRAIN Law.

Proceeds from Package 1A are estimated to increase from PhP89.9 billion in 2018 to PhP186.8 billion by 2021. The government will continue to incur losses from the lowering of the personal income tax, including the simplification of the income tax brackets. However, the inflow of fresh funds from the expansion of the value-added tax; the PhP6-PhP12 levy on sugar-sweetened beverages; and excise taxes on tobacco, petroleum, coal, mining and automobiles, are expected to offset these losses.

Package 1B is expected to generate higher revenues in 2019, with PhP37.2 billion, compared to PhP33.7 billion in 2020 and PhP35.8 billion in 2021. The higher collection expected in 2019 is due to the one-time-big-time collection of PhP19.6 billion under the Tax Amnesty Program. A total of PhP6.0 billion is estimated to come from freed up properties that had been locked under unsettled estates (Estate Tax Amnesty) while the remaining PhP13.6 billion will be sourced from collections from minimum payments of unsettled tax liabilities (General Tax Amnesty). Likewise, revenues from the new MVUC rates are expected to increase exponentially, from PhP1.1 billion in 2019 to PhP15.5 billion in 2020, and PhP15.8 billion in 2021.

Starting 2020, Package 2 of the TRAIN Law will contribute PhP62.7 billion, with the BIR collecting 98.5 percent, or PhP61.7 billion. This portion of the BIR will increase by 25.9 percent to PhP77.7 billion, or 98.4 percent of the total PhP78.9 billion proceeds from Package 2 for 2021.

Package 2 aims to lower the corporate income tax rate from the current 30 percent to a more competitive rate of 25 percent. It will also rationalize the present proliferation of fiscal incentives, which in 2015 alone resulted in an estimated PhP301.2 billion in foregone revenues.

When approved for implementation, about 150 investment-related fiscal incentives laws will be rationalized to identify activities that are really deserving of fiscal incentives, specifically to ensure that there is a sunset provision in the grants thereof. *(See Table 8)*

Financing the FY 2019 Budget

Revenue generation will play a crucial role in ensuring a smooth transition in the crafting and full implementation of the National Budget from an obligation-based to a cash-based budgeting system starting in 2019.

[7] Refer to discussion on "Intensifying Infrastructure Development" on page 38.

Table 8. List of Revenue Measures
(in million Pesos)

Particulars	2018 Program	2019 Projection	2020 Projection	2021 Projection
Package 1A	**89,928**	**144,230**	**187,704**	**186,756**
Bureau of Internal Revenue	**15,893**	**42,912**	**65,226**	**56,581**
Personal Income Tax	(146,641)	(161,047)	(177,098)	(194,957)
Corporate Income Tax (PCSO)	500	549	602	661
Estate Tax	(2,100)	(2,100)	(2,100)	(2,100)
Donor's Tax	(1,650)	(1,810)	(1,990)	(2,180)
Value-Added Tax (VAT)	27,084	37,433	48,126	46,196
Excise Tax on Tobacco	3,861	4,977	7,092	4,406
Excise Tax on Petroleum	29,706	49,433	63,299	64,349
Excise Tax on Coal	696	1,495	2,411	2,607
Excise Tax on Mining	2,070	2,130	2,200	2,300
Excise Tax on Automobiles	2,682	2,855	3,038	3,211
Sugar-Sweetened Beverages	46,455	49,634	52,465	55,473
Cosmetic Procedures	89	89	89	89
Foreign Currency Deposit Unit	1,280	1,408	1,549	1,704
Capital Gains on Non-Traded Stocks	4,580	4,600	4,600	4,600
Stock Transaction Tax for Traded Stocks	1,580	1,740	1,920	2,110
Adjustment of Creditable Withholding Tax Rate	-	(2,200)	(2,420)	(2,662)
Documentary Stamp Tax	29,100	32,000	35,200	38,700
Tax Administration	16,600	21,726	26,244	32,073
Bureau of Customs	**74,035**	**101,318**	**122,478**	**130,176**
Excise Tax on Petroleum	24,044	41,415	54,469	55,677
Value-Added Tax (VAT)	26,664	31,124	34,060	36,804
Excise Tax on Automobiles	10,193	10,796	11,436	12,129
Excise Tax on Coal	946	2,327	3,946	4,313
Sugar-Sweetened Beverages	2,188	2,339	2,482	2,616
Tax Administration	10,000	13,316	16,085	18,637
Package 1B	-	**37,200**	**33,700**	**35,800**
Bureau of Internal Revenue	-	**36,100**	**18,200**	**20,000**
Estate Tax Amnesty	-	6,000	-	-
General Amnesty	-	13,600	-	-
Bank Secrecy and Exchange of Information	-	16,500	18,200	20,000
Motor Vehicle User's Charge	-	**1,100**	**15,500**	**15,800**
Package 2+	-	-	**62,657**	**78,910**
Bureau of Internal Revenue	-	-	**61,709**	**77,716**
Tobacco	-	-	24,297	30,981
Alcohol	-	-	29,586	37,239
Royalty from Non-Mineral Reservations	-	-	1,360	1,310
Value-Added Tax (VAT)	-	-	6,466	8,186
Bureau of Customs	-	-	**949**	**1,194**
Alcohol	-	-	847	1,066
Value-Added Tax (VAT)	-	-	102	128
TOTAL REVENUES	**89,928**	**181,430**	**284,061**	**301,466**

Table 9. Breakdown of Revenues
(in million Pesos)

Particulars	2017 Actual	2018 Program	2019 Projection	2021 Projection	2021 Projection
Tax Revenues*	**2,250,678**	**2,677,431**	**3,017,926**	**3,487,131**	**3,911,584**
BIR	1,772,321	2,060,162	2,330,693	2,696,334	3,040,008
BOC	458,184	594,881	662,165	749,173	827,300
Others	20,173	22,389	25,068	41,625	44,276
Non-Tax Revenues	**221,624**	**166,845**	**188,284**	**187,253**	**187,733**
BTr	99,905	55,775	73,894	72,863	73,343
Fees and Charges	40,771	47,074	50,437	50,437	50,437
Others	80,948	63,996	63,953	63,953	63,953
Privatization	**830**	**2,000**	**2,000**	**2,000**	**2,000**
TOTAL REVENUES	**2,473,132**	**2,846,277**	**3,208,210**	**3,676,384**	**4,101,317**
% of GDP	15.6%	16.2%	16.6%	17.2%	17.3%
% of Growth	12.6%	15.1%	12.7%	14.6%	11.6%

** Tax revenue projections for 2018-2021 include proceeds from the TRAIN Law presented in Table 8.*

Under a cash-based budgeting system, programs and projects covered by the Budget should be adequately funded to ensure that these are completed within the set time frame and paid for in a timely manner.

Revenues

The increased national government disbursements for FY 2019 will be supported by a 12.7 percent improvement in revenues amounting to PhP3,208.2 billion, from the 2018 level of PhP2,846.3 billion. Representing 16.6 percent of the GDP, this is significantly higher than the 2018 level of 16.2 percent.

Of the PhP3,208.2 billion revenues for 2019, PhP3,017.9 billion, or 94.1 percent, will be in the form of taxes. The BIR will generate the bulk of this amount, with PhP2,330.7 billion, while the rest will be contributed by the BOC with PhP662.2 billion, and other offices (e.g., Motor Vehicle Tax of the Land Transportation Office, Fire Code Tax and Immigration Tax) with PhP25.07 billion. Non-tax revenues, on the other hand, will amount to PhP188.28 billion, while the sale of government assets is expected to generate some PhP2.0 billion. *(See Table 8)*

At PhP1,108.7 billion, taxes on net income and profits will comprise 47.6 percent of the total BIR collections for 2019. This represents a 7.3 percent increase from the 2018 program of PhP1,033.3 billion. The second biggest revenue source of the BIR will be taxes collected from goods and services, comprising 43.1 percent of the total agency collections. Other sources of tax revenues include, among others, documentary stamp tax collections (PhP147.5 billion) and tax administration improvements (PhP57.8 billion).

Table 10. Breakdown of Revenues
(in million Pesos)

Particulars	2018 Projection	2019 Projection
BIR	2,060,162	2,330,693
Taxes on Net Income and Profits	1,033,271	1,108,747
Taxes on Property	4,954	6,231
Taxes on Domestic Goods and Services	866,367	1,003,491
Documentary Stamp Tax	133,182	147,532
Miscellaneous	14,787	16,317
Tax Refund other than VAT Refund	(9,000)	(9,450)
Tax Administration	16,600	57,826
BOC	594,881	662,165
Taxes on International Trade and Transactions	584,881	648,849
Tax Administration	10,000	13,316

**Tax revenue projections for 2018-2021 include proceeds from the TRAIN Law presented in Table 8.*
Note: Numbers may not add up due to rounding off.

Table 11. Proceeds from Revenue Measures, FY 2019
(in million Pesos)

Particulars	2019 Projection
Package 1A	**144,230**
Bureau of Internal Revenue	**42,912**
Personal Income Tax	(161,047)
Corporate Income Tax (PCSO)	549
Estate Tax	(2,100)
Donor's Tax	(1,810)
Value-Added Tax (VAT)	37,433
Excise Tax on Tobacco	4,977
Excise Tax on Petroleum	49,433
Excise Tax on Coal	1,495
Excise Tax on Mining	2,130
Excise Tax on Automobiles	2,855
Sugar-Sweetened Beverages	49,634
Cosmetic Procedures	89
Foreign Currency Deposit Unit	1,408
Capital Gains on Non-Traded Stocks	4,600
Stock Transaction Tax for Traded Stocks	1,740
Adjustment of Creditable Withholding Tax Rate	(2,200)
Documentary Stamp Tax	32,000
Tax Administration	21,726
Bureau of Customs	**101,318**
Excise Tax on Petroleum	41,415
Value-Added Tax (VAT)	31,124
Excise Tax on Automobiles	10,796
Excise Tax on Coal	2,327
Sugar-Sweetened Beverages	2,339
Tax Administration	13,316
Package 1B	**37,200**
Bureau of Internal Revenue	**36,100**
Estate Tax Amnesty	6,000
General Amnesty	13,600
Bank Secrecy and Exchange of Information	16,500
Motor Vehicle User's Charge	**1,100**
TOTAL REVENUES	**181,430**

For the BOC, tax revenues will mainly come from taxes on intenational trade and transactions amounting to PhP648.8 billion, or 10.9 percent higher over the 2018 program level of PhP584.9 billion. These include value-added tax from imports (PhP437.2 billion), import duties and taxes (PhP60.6 billion), and other excise taxes (PhP151.0 billion). The rest of the tax revenue collections amounting to PhP13.3 billion will be generated by the agency's tax administration efforts.

Non-tax revenues for 2019 will be driven mainly by collections in the form of fees and charges, PhP50.4 billion; income of the national government collected by the BTr, PhP49.9 billion[8] (including miscellaneous income); and income from Treasury operations of the BTr, PhP24.0 billion. Total non-tax revenues will increase by 12.8 percent over the 2018 program level of PhP166.8 billion.

As Package 1A of the TRAIN Law has put more money in the taxpayer's pockets starting 2018, it will continue to reshape and modify the distribution of income tax rates and brackets to narrow the inequality gaps. While the government stands to lose about PhP161.0 billion in 2019 from the reduction in personal income taxes, it still expects Package 1A to bring in a total of PhP144.2 billion in incremental revenues, which are significantly higher by 60.4 percent than the expected collections in 2018.

For 2019, the TRAIN Law is expected to generate an additional PhP181.4 billion with the implementation of its Package 1B.

As mentioned earlier, Package 1B will generate a total of PhP37.2 billion in 2019, of which PhP19.6 billion will come from the Tax Amnesty Program, as follows: General Tax Amnesty, PhP13.6 billion; and Estate Tax Amnesty, PhP6.0 billion.

To mitigate the temporary inflationary effects of the implementation of the remaining packages of the TRAIN Law, the full earmarking of 30.0 percent of its proceeds for social services, amounting to PhP44.2 billion, will start in 2019. This includes, among others, the Unconditional Cash Transfer lodged under the DSWD budget. The amount is 48.4 percent higher than this year's level of PhP29.8 billion. From PhP25.7 billion in 2018 at PhP200/beneficiary/month, UCT will receive increased funding of PhP37.6 billion in 2019 from TRAIN to distribute PhP300/beneficiary/month to about 10 million of the poorest households, identified by the Department of Social Welfare and Development based on the list of beneficiaries registered in the *Listahanan*. Other social programs include the *Pantawid Pasada* Program, PhP3.9 billion; and the PUV Modernization Program, PhP2.7 billion. *(See Table 12)*

[8] Includes Dividends on Shares of Stocks (PhP16.0 billion); NG Share from PAGCOR Income (PhP31.9 billion); NG Share from MIAA Profit (PhP1.2 billion); and NG Share from Airport Terminal Fees (PhP812 million)

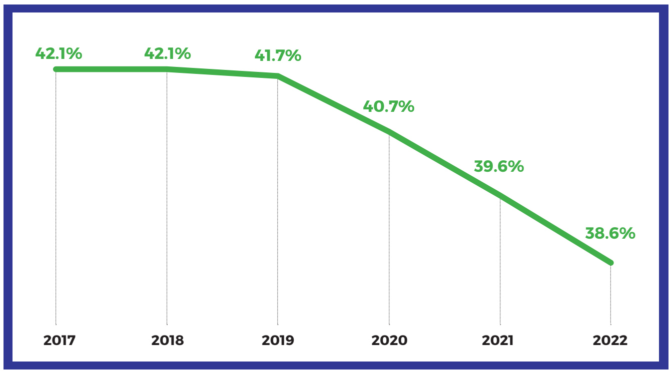
Debt Management and Borrowings

For 2019, the Duterte Administration will slightly raise its deficit target to 3.2 percent in order to address the need for additional financing, especially now that its priority programs are gaining a lot of momentum. This slight increase is still consistent with the government's prudent and sustainable financing policy, i.e., 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 42.1 percent of GDP in 2017 to 38.6 percent of GDP by 2022.

This compares favorably with the previous higher levels of 83.7 percent in 2004 and 51.7 percent in 2010, and 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 BMB, to enable it to better manage contingent liabilities.

Figure 1. Debt-to-GDP Ratio, 2017-2022



This declining debt-to-GDP trajectory will see a borrowing mix of 75:25 in favor of domestic sources. 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.

At 6.1 percent of GDP, government borrowings will rise to PhP1,188.9 billion in 2019, or 22.3 percent higher than this year's borrowing program of PhP971.9 billion. Of the total borrowings, PhP624.4 billion will be used to finance the deficit. Of the total financing requirement, PhP906.2 billion will come from local markets amidst the prevailing healthy domestic liquidity conditions of the economy. Likewise, the increased government borrowings will be characterized by diversified funding sources so as not to crowd local business investment out of limited capital.

Table 12. National Government Financing, 2018-2019
(in million Pesos)

Particulars	2018	2019
SURPLUS/(DEFICIT)	(523,682)	(624,370)
GROSS BORROWINGS	**971,865**	**1,188,888**
External (Gross)	331,751	282,734
Less: Amortization	114,266	142,731
External (Net)	217,485	140,003
Domestic (Gross)	640,114	906,154
Less: Net Amortization	3,362	3,525
Domestic (Net)	636,752	902,629

III. DIMENSIONS OF THE NATIONAL EXPENDITURE PROGRAM

A rational budget classification is one of the building blocks of a sound budget management system. Properly understood and adopted as the basic framework for the budget planning process, it provides a clear picture of how funds are "allocated, presented, and recorded," thus promoting transparency and coherence[2], two vital elements of a credible budget.

Given the technical nature of the budget, a presentation and discussion from various perspectives or dimensions facilitates better public understanding of government objectives, highlighting the Administration's priorities in terms of how the people's taxes are to be spent.

In this section, the 2019 Proposed Budget is explained through various perspectives or dimensions, with expenses classified or categorized on the basis of the following: by Sector; by Expense Class; by Region; by Department and Special Purpose Funds; and by Appropriation Source. Off-Budget Accounts and Earmarked Revenues are also presented, while Foreign-Assisted Projects are shown by recipient agency.

However, it should be pointed out at the onset that the proposed 2019 National Budget was crafted as a cash-based Budget, unlike any of the previous years' obligation-based budgets. Thus, the budget allocations for 2019 mentioned in this section cannot be directly compared with the allocations of the previous year, which are obligation-based. Hence, increases and/or decreases in budget allocations cannot be assumed.

To present an apple-to-apple, and thus more accurate comparison of the 2018 and the 2019 Budgets, the cash-based equivalent of the 2018 Budget is used as basis. The MDP, or monthly disbursement program of agencies/operating units, was used by the DBM as basis for determining the monthly level of the Notice of Cash Allocations (NCAs)/other disbursement authorities to be issued to the agencies/units. The requirements of prior years' payments and accounts payables were excluded from the MDP to come up with the cash-based equivalent for 2018. Similarly, transfers from Special Purpose Funds were likewise excluded.

A. The Budget by Sector (Traditional System and COFOG)

In classifying the National Budget according to sector or function, the Department of Budget and Management has been using two systems since 2015. In addition to the Old or Traditional Method, the Classification of Functions of Government (COFOG) was adopted in classifying the FY 2016 Proposed National Budget.

The COFOG system was introduced by the Organization for Economic Co-operation and Development (OECD), an intergovernmental economic organization whose goal is to stimulate economic progress and world trade.

The Old/Traditional Method divides expenditure items, which include programs and projects, into 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 COFOG Method, on the other hand, classifies expenditures according to function, purpose, and contribution to society of the expenditure item regardless of the implementing agency. COFOG takes into consideration the nature of expenditure of the agency rather than its contribution to the sector where the agency belongs.

The DBM continued the use of the old method despite the adoption of COFOG to be able to measure and compare allocations over the years.

The Budget by Sector under the Old/Traditional Method

The PhP3.757 trillion Proposed National Budget for FY 2019, when broken down by Sector, reflects the continued commitment of the Duterte Administration to boost infrastructure and human capital development as the pillars of growth. This will continue until 2022, consistent with the government's strategy of fostering a more robust investment climate, and strengthening linkages with the private sector, the academe, and civil society by plugging infrastructure gaps and building the country's manpower capacity.[2]

Expectedly, the Administration allocates the biggest share of the proposed Budget to Social Services at 36.7 percent, followed by Economic Services at 28.4 percent, General Public Services at 18.9 percent, Debt Burden at 11.0 percent, and Defense at 5.0 percent. As seen in Figure 1, the budgets of all these five sectors increased, compared to their cash equivalents in the 2018 obligation-based Budget.

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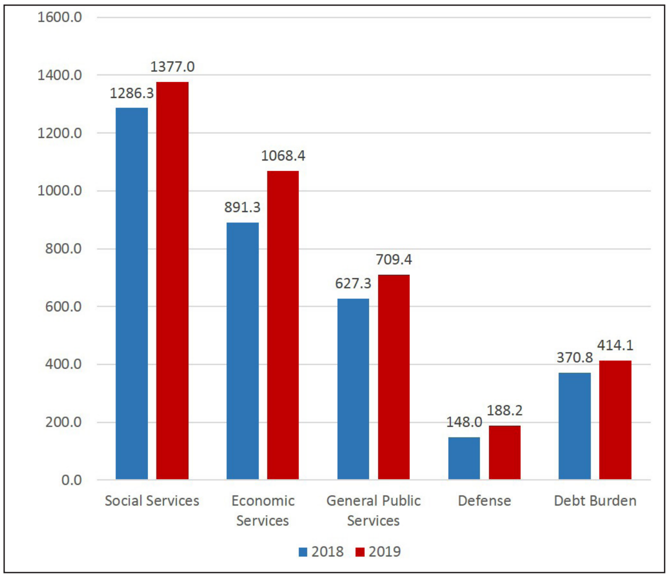
[1] Jacobs, D., Helis, J., & Bouley, D. (December 2009). Budget Classification. International Monetary Fund. Retrieved from https://www.imf.org/external/pubs/ft/tnm/2009/tnm0906.pdf

[2] Department of Budget and Management. (2018). National Budget Memorandum No. 130. Retrieved from https://www.dbm.gov.ph/wp-content/uploads/Issuances/2018/National%20Budget%20Memorandum/NBM-No130.pdf

Figure 1. Budget by Sector under the Traditional Method



Collectively, the three National Budgets of the Duterte Administration, including the 2019 Proposed Budget, have given the biggest budget allocation to both social and economic services in terms of average percentage share to total budget, with 37.0 and 30.5 percent, respectively.

Social Services. For 2019, Social Services will receive PhP1,377.0 billion or 36.7 percent of the total budget. This is allotted to the following sectors: education, culture and manpower development (PhP693.8 billion); health (PhP149.8 billion); social security, welfare and employment (PhP315.0 billion), and housing and community development (PhP2.9 billion), among others.

Among the government's banner social programs, and their proposed allotments, are the following: Pantawid Pamilyang Pilipino Program, PhP88.1 billion, of which PhP28.5 billion is earmarked for rice subsidy; National Health Insurance Program, PhP67. 4 billion; Universal Access to Quality Tertiary Education, PhP51.0 billion; and Basic Educational Facilities Program, PhP34.7 billion.

Through these programs, the Administration aims to improve the state of the country's nutrition and health, expand learning opportunities, and enhance the income-earning capability of Filipinos. All these are geared towards reducing the poverty incidence rate to 14.0 percent by 2022, from 21.6 percent in 2015.

Economic Services. The second largest portion, PhP1,068.4 billion or 28.4 percent of the Budget, will be spent on Economic Services, with the goal to achieve the rapid and sustained economic expansion targets, particularly of becoming an upper middle-income and globally competitive economy by 2022. The continued growth of the economy, which expanded by 6.7 percent in 2017, assures steady support for the Administration's infrastructure development and social spending agenda.

To stimulate other engines of economic growth, the government will invest in the sectors of Agriculture and Agrarian Reform (PhP137.1 billion), Natural Resources and Environment (PhP26.4 billion), Trade and Industry (PhP9.2 billion), Tourism (PhP4.1 billion), Power and Energy (PhP5.7 billion), and Communications, Roads and other Infrastructures (PhP578.1 billion), among others.

General Public Services. About 18.9 percent or PhP709.4 billion of the Budget will fund General Public Services which for one, strengthens the government's implementation of peace, order, and security measures for public safety and the speedy dispensation of justice. Some PhP218.7 billion will go to General Administration, which provides management and and administrative support to agency operations. Another PhP286.1 billion is given to Public Order and Safety, of which PhP216.3 billion is allotted to the Department of the Interior and Local Government, mostly for the Philippine National Police with PhP172.6 billion.

Defense. Defense will get PhP188.2 billion, about 5.0 percent of the Budget, to improve the defense capabilities of the country. For its role in the security of the country, the Department of National Defense will receive PhP179.6 billion, of which

Table 1. Budget by Sector, 2018-2019
(in billion Pesos)

Sectors	Allocation (in billion Pesos)		As a Percentage of the Total Expenditure Program		Percentage Increase/ Decrease
	2018 (MDP*)	2019 (Cash-based)	2018	2019	2018-2019
Economic Services	891.3	1,068.4	26.8	28.4	19.9
Social Services	1,286.3	1,377.0	38.7	36.7	7.1
Defense	148.0	188.2	4.5	5.0	27.2
General Public Services	627.3	709.4	18.9	18.9	13.1
Debt Burden	370.8	414.1	11.2	11.0	11.7
Total	**3,323.7**	**3,757.0**	**100.0**	**100.0**	**15.8**

**DBM-approved, net of Prior Years' Payments and Accounts Payable. Agency Specific Budget excludes allocations from Special Purpose Fund*
Source: DBCC Presentation to the House Committee on Appropriations, July 31, 2018
Note: Figures may not add up due to rounding off.

about PhP177.8 billion will be for the Armed Forces of the Philippines. About half of this, or PhP89.0 billion, will go to the Philippine Army. Another Php25.0 billion is earmarked for the AFP Modernization Fund.

Debt Burden. Lastly, the government has allotted PhP414.1 billion, or 11.0 percent of the Budget, for the Debt Burden, or the servicing of the government's debt. This includes interest payments on the country's domestic and foreign debts, as well as for net lending or advances to government corporations for debts guaranteed by the national government.

For 2018, the government, through the Development Budget Coordination Committee, readjusted the borrowing program to a 65-35 mix from the earlier 80-20 mix, in favor of domestic borrowings. For 2019 up to 2022, it will be a 75-25 mix as part of the government's strategy to diversify its investors and tap new markets to meet its financing requirements.[3] Local borrowing is preferred by the Administration to minimize the impact of foreign exchange risks and in order to develop the domestic bond market.

The Budget by Sector under COFOG

Under the COFOG system, government expenditures are divided into ten functional sectors based on the functions served. These are: 1) General Public Services; 2) Defense; 3) Public Order and Safety; 4) Economic Affairs; 5) Environmental Protection; 6) Housing and Community Amenities; 7) Health; 8) Recreation, Culture, and Religion; 9) Education; and 10) Social Protection. As with the Traditional Method, each function is further divided into sub-groups.

The first five sectors are generally focused on functions that yield benefits for the entire society, while the next five are geared towards the welfare and development of persons, most especially the underprivileged and vulnerable sectors.

In classifying expenditure items using the COFOG system, some of the limitations of the Traditional Method are addressed.

First, as an international standard, it enables the country to directly compare its sectoral allocations with those of other countries that use the same functional classification.

Second, unlike the Old System where the budget of an entire agency is usually lodged in one sector, COFOG allows more flexibility in diligently determining which function each expenditure item subscribes to, given the more elaborate groupings under the newer system. In this case, COFOG can highlight how each program, activity, or project of an agency supports and forwards the development of a sector.

General Public Services (GPS). General Public Services receives the largest budget allocation, at PhP1,421.5 billion, or 37.8 percent of the 2019 Proposed Budget. This includes expenditures for general administration, such as lawmaking, fiscal management, foreign affairs, governance, and other regulatory services.

The largest shares of this sector go to three subsectors, which have a combined percentage share of 95.0 percent, or PhP1,350.4 billion. These are expenditures for: 1) Executive and legislative organs, financial and fiscal affairs, and external affairs, PhP639.0 billion; 2) Public debt transactions, PhP399.6 billion; and 3) General services, mostly general administration and support (GAS) of all agencies, PhP311.8 billion.

Defense. Defense expenditures will focus largely on military defense, which gets PhP161.1 billion, or 98.7 percent of the total allocation of PhP163.3 billion. This will be primarily for the upgrading of the Armed Forces of the Philippines' defense and combat capabilities, and includes the PhP25.0 billion for the AFP Modernization Program. Other items are for Civil Defense, PhP1.3 billion; Foreign Military Aid, PhP178 million; and some PhP39 million for research and development. The budget for Defense is equivalent to 4.3 percent of the total proposed budget.

Public Order and Safety. Public Order and Safety is given PhP238.8 billion, or 6.4 percent of the proposed Budget, to continue the Administration's relentless campaign for peace and security. More than half of this is allocated to Police Services, with PhP158.9 billion, or 66.5 percent of the total budget for public order and safety. This will go to the services of the Philippine National Police, Bureau of Immigration, National Bureau of Investigation, Philippine Coast Guard, and the Philippine Drug Enforcement Agency, among others.

Some PhP28.1 billion is allocated for Law Courts, to continue to assure fair and speedy delivery of justice. Fire Protection Services will have PhP20.8 billion to improve the response time of the Bureau of Fire Protection Units, as well as improve their equipment. Some PhP20.5 billion will go to Prisons to add to and upgrade jail facilities all over the country and for the Inmates' Safekeeping and Development Program.

Economic Affairs. Economic Affairs gets PhP591.8 billion, representing a 15.8 percent share of the Budget, to support various industries that boost the country's economy, and improve their competitiveness to create more jobs. About a third of this, or PhP445.3 billion, will go to Transport under the "Build, Build, Build" Program, which targets to improve and construct more roads and bridges even in the far-flung areas of the country. This will facilitate the movement of people and transfer of goods (raw and processed) and services, thereby linking people to more opportunities and reducing the cost of doing business.

Aside from this, PhP90.2 billion will support the development of Agriculture, Forestry, Fishing and Hunting. The General Economic, Commercial, and Labor Affairs sub-group is

[3] Department of Budget and Management. (n.d.). Prudent fiscal policies draw praise from Standard & Poor's. Retrieved from https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/941-prudent-fiscal-policies-draw-praise-from-standard-poor-s

Table 2. Sectoral Allocation under the COFOG, 2017-2019
(in billion Pesos)

Particulars	2017	2018	2019	%
	(Obligation-based)		(Cash-based)	Share
General Public Services, *of which:*	1,213.0	1,378.7	1,421.5	37.8
Executive and legislative organs, financial and fiscal affairs, external affairs	62.7	592.5	639.0	
General Services	264.9	364.9	311.8	
Public Debt Transactions	310.5	354.0	399.6	
Defense, *of which:*	134.9	127.4	163.3	4.3
Military Defense	133.0	124.8	161.1	
Civil Defense	0.4	1.0	1.3	
Public Order and Safety, *of which:*	227.0	195.4	238.8	6.4
Police Services	162.1	120.9	158.9	
Law courts	27.4	25.3	28.1	
Prisons	14.4	16.6	20.5	
Economic Affairs, *of which:*	578.8	693.0	591.8	15.8
General economic, commercial and labor affairs	21.7	34.1	25.5	
Agriculture, forestry, fishing and hunting	126.0	103.5	90.2	
Transport	408.5	514.6	445.3	
Environmental Protection, *of which:*	8.6	22.6	24.6	0.7
Waste Water Management	0.4	0.1	2.6	
Protection of biodiversity and landscape	2.7	12.9	11.8	
Pollution abatement	1.6	2.0	2.3	
R & D Environmental protection	0.2	0.8	0.8	
Housing and Community Amenities, *of which:*	14.8	6.1	5.5	0.1
Water Supply	12.6	4.3	3.1	
Community Development	1.4	1.6	1.6	
Health, *of which:*	162.8	172.8	145.3	3.9
Hospital Services	60.8	70.4	45.3	
Health Insurance	50.0	60.5	67.2	
Public Health Services	48.1	39.2	29.2	
Recreation, Culture, and Religion, *of which:*	6.5	6.6	15.4	0.4
Recreational and Sporting Services	0.7	0.7	10.2	
Cultural Services	4.6	4.8	3.5	
Broadcasting and publishing services	0.7	0.6	1.1	
Education, *of which:*	657.5	705.8	659.3	17.5
Pre-primary and Primary Education	201.2	237.3	240.1	
Secondary Education	185.5	162.2	193.1	
Tertiary Education	59.1	94.7	94.9	
Social Protection, *of which:*	311.4	458.7	491.7	13.1
Old age (Senior Citizens)	27.4	140.2	177.5	
Conditional Cash Transfer	86.9	115.1	125.7	
Conflict-affected Areas	13.0	1.5	0.9	
Family and children (street families)	9.8	9.7	8.0	

Source: 2019 BESF Table B.5.b
Note: Figures may not add up due to rounding off.

allotted PhP25.5 billion, while Mining, Manufacturing, and Construction gets PhP10.9 billion.

Environmental Protection. In consideration of the vital role of the environment and natural resources in development, Environmental Protection gets PhP24.6 billion to address the challenges posed by natural and man-made disasters and calamities. In particular, more efforts will be undertaken to control or lessen human activities that put poor and vulnerable communities at a great disadvantage before, during, and after calamities.

PhP11.8 billion, nearly half of the budget for environmental protection, is allotted for the Protection of Biodiversity and Landscape. The rest is for Waste Water Management, PhP2.6 billion; Pollution Abatement, PhP2.3 billion; and Waste Management, PhP1.8 billion.

Housing and Community Amenities. PhP5.5 billion will be allotted to address the need for safe and affordable housing, particularly for informal settlers living in danger zones and individuals and families displaced by calamities and disasters. The biggest share of this budget, PhP3.1 billion or 56.4 percent of the total, will be for Water Supply, to ensure the availability of potable water through the construction of water supply systems. Other subsectors are: Community Development, PhP1.6 billion; Housing and Community Amenities, PhP600 million; and Housing Development, PhP144 million.

Health. The Health Sector will receive PhP145.3 billion to provide affordable, accessible, and quality health care services for the public, especially those who have little or no access to these because of poverty. The biggest allocation of PhP67.2 billion is for Health Insurance, to expand the coverage of the Philippine Health Insurance Corporation and its National Health Insurance Program.

Another PhP45.3 billion, 31.2 percent of the budget, is for Hospital Services under the Department of Health, the State Universities and Colleges, and the Department of National Defense. Also to receive a substantial allocation is Public Health Services, with PhP29.2 billion to support primary healthcare providers in barangay health stations and rural health units to bring healthcare services closer to the people.

Recreation, Culture, and Religion. Recreation, Culture, and Religion will receive PhP15.4 billion to promote the country's cultural heritage, provide publishing and broadcasting services, and engage people in recreation and sports. Taking up most of the budget is Recreational and Sporting Services with PhP10.2 billion or 66.2 percent, of which PhP9.5 billion will go to the Bases Conversion and Development Authority for infrastructure development.

Cultural Services is allotted PhP3.5 billion to strengthen and promote cultural and national identity, while some PhP1.1 billion is for Broadcasting and Publishing Services to provide citizens with relevant information on public goods and services through the government facilities.

Education. Education will get PhP659.3 billion, or 17.5 percent of the budget, to provide quality and accessible education at all levels. With this continued increase in spending for education, the government looks forward to a well-trained, competitive, and highly educated workforce that will sustain the momentum of growth in the country. In addition to this, the government invests in educational facilities and better-equipped teaching force to ensure a more conducive environment for learning.

The biggest portion, more than a third of the budget at PhP240.1 billion, will go to the Pre-Primary and Primary Education. Coming in second is Secondary Education, which will get PhP193.1 billion to support the K-to-12 Program for public and private schools in the country, as well as the Philippine Science High School (PSHS) Campuses under the Department of Science and Technology (DOST), to boost competency in Science, Technology, Engineering, and Math. Tertiary Education will receive PhP94.9 billion to support tuition fees and the improved operational requirements of State Universities and Colleges (SUCs). Meanwhile, the Technical Education and Skills Development Authority (TESDA) will have a share of PhP14.8 billion to offer skills-based courses and trainings especially for minimum wage earners, the unemployed, out-of-school youths, and adult illiterates.

Social Protection. Social Protection is allotted PhP491.7 billion to ensure that the people, particularly the disadvantaged sectors like senior citizens, specially-abled persons, children, and the poor, are protected and provided with opportunities to enjoy and live a comfortable life. This represents 13.1 percent of the 2019 proposed Budget.

The biggest budget share goes to Senior Citizens, with PhP177.5 billion. About PhP153.7 billion of this will cover the Pension and Gratuity Fund of retiring government employees. It also includes the pension program of the Department of Social Welfare and Development (DSWD) for indigent senior citizens. More than a quarter will be allotted for the Conditional Cash Transfer Program, with PhP125.7 billion, and around PhP8.0 billion will be allotted for assistance to Families and Children (Street Families).

B. The Budget by Expense Class

The 2019 Budget, when presented on the basis of expense class, is divided into four general classifications of expenditures, namely: Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Financial Expenses (FinEx), and Capital Outlays (CO).

In general, MOOE will receive the biggest portion of the Budget, with PhP1,394.9 billion or 37.1 percent, followed by PS, CO, and FinEx, at 31.5, 20.7, and 10.7 percentage shares, respectively.

Personnel Services. Inclusive of Special Purpose Funds and automatically appropriated accounts, PS covers salaries of government officials and employees, and benefits such as the Personnel Economic Relief Allowance (PERA), and representation, transportation, and clothing allowances. Of the four Expense Class Items, PS has the biggest increase of PhP138.3 billion from the 2018 level. New expenditures for PS include the fourth tranche salary increase per Executive Order No. 201, s. 2016 (Modifying the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of Additional Benefits for both Civilian and Military Uniformed Personnel) and the requirements for the increase in the base pay of military and uniformed personnel (MUP) in the government pursuant to Joint Resolution No. 1, s. 2018 (Joint Resolution Authorizing the Increase in Base Pay of Military and Uniformed Personnel in the Government, and for Other Purposes).

Maintenance and Other Operating Expenses. The MOOE covers expenditures needed by the government to operate and perform its functions on a daily basis. Such expenditures include supplies and materials, transportation, repairs and maintenance, and utilities such as water and electricity, among others, as well as recurring service delivery programs. Its PhP1,394.9 billion budget for 2019 is more than a third of the total proposed National Budget. Among the national agencies, the Department of Social Welfare and Development (DSWD) has the biggest allocation for MOOE, with PhP129.5 billion with the implementation of the Conditional and Unconditional Cash Transfer Programs and other social welfare programs.

Financial Expenses. FinEx are expenditures incurred in the process of owning or borrowing an asset or property, as well as net lending to government-owned and/or -controlled corporations (GOCCs). These include interest expenses, bank charges, commitment fees, guarantee fees, trusteeship fees, and other financial charges. The allocation for this category amounts to PhP401.0 billion or 10.7 percent of the proposed Budget.

Capital Outlays. CO cover the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government. These also include investments in the capital stock of GOCCs and their subsidiaries. Examples of these are funds for the construction of roads, bridges, school buildings, and transportation and communication infrastructure.

In view of the implementation of the annual cash-based budgeting system starting in FY 2019, only those capital outlay programs and projects that are shovel-ready and can be completed within the year are funded. The 2019 Budget is bigger by 18.9 percent when compared to the cash-based equivalent budget of PhP652.7 billion for 2018. Given this, the government expects that programs and projects will be implemented and completed faster than before as pre-procurement issues such as feasibility studies, and right-of-way concerns have already been addressed and considered prior to the proposal to fund the same.

C. The Budget by Region

"Building an economy that is much kinder to its people" was one of the goals that the Duterte Administration pursued, towards its main target of inclusive growth – the kind of growth that contributes to the reduction of poverty, a perennial challenge especially in the countryside and poor regions. This was highlighted by Finance Secretary Carlos Dominguez III when he assumed the chairmanship of the Asian Development Bank Board of Governors in 2017.[4]

Dominguez announced that the Duterte Administration has taken on the challenge of addressing inequality in the country's regions, giving emphasis on the domestic economy. Cited in particular are the heavy investments in farm productivity and the logistical backbone for trading in the country.[5]

Reflective of this is the PhP2,371.8 billion budget to be distributed among the regions, which represents 63.1 percent of the PhP3,757.0 billion total National Budget. The remaining 36.9 percent, or PhP1,385.2 billion, is the Non-Regionalized Budget, which consists of Nationwide and Central Office allocations.

For the regionalized budget, Luzon receives 24.1 percent of the budget pie with PhP907.2 billion, the biggest among the three major island groups. Second is Mindanao, with PhP585.9 billion, or 15.6 percent, followed by the Visayas with PhP400.3

Table 3. Expenditure Program, By General Expense Class, 2018-2019
(in billion Pesos)

Particulars	2018 (Cash-based equivalent)	% Share of the Budget	2019 (Cash-based)	% Share of the Budget
Personnel Services (PS)	1,046.7	31.5	1,185.0	31.5
Maintenance and Other Operating Expenses (MOOE)	1,269.0	38.2	1,394.9	37.1
Financial Expenses (FinEx)	355.3	10.7	401.0	10.7
Capital Outlays (CO)	652.7	19.6	776.1	20.7
Total	**3,323.7**	**100.0**	**3,757.0**	**100.0**

Source: 2019 BESF Table B. 9

[4] Department of Finance. (2017). Inclusive growth is Duterte Admin's main target- Dominguez. Retrieved from https://www.dof.gov.ph/index.php/inclusive-growth-is-duterte-admins-main-target-dominguez/

[5] Ibid.

billion, or 10.7 percent. NCR, meanwhile, gets PhP478.4 billion, or 12.7 percent.

It should be noted that for 2019, the budget for the National Capital Region (NCR) is relatively smaller, compared to the levels in the past obligation-based budgets, although they are not directly comparable due to the following reasons:

1) The budget allocations of Departments/Agencies with a single Operating Unit (Central Office) located in the NCR were transferred from "NCR" to "Nationwide;" and

2) The budget allocation of Foreign-Assisted Projects (FAPs) and Locally-Funded Projects (LFPs), with their respective Project Monitoring Office (PMO) located in the NCR but are nationwide in scope, were transferred from "NCR" to "Nationwide." As such, the Nationwide allocation ballooned, compared to the past figures.

Next to NCR, Mindanao has the largest per capita allocation among the the major island groups with PhP22,207, bigger by 16.9 percent and 16.2 percent than that of Luzon and the Visayas, respectively. Excluding NCR where most of the central offices are located, the Cordillera Administrative Region has the biggest budget per capita at PhP34,077, followed by CARAGA (PhP28,684), Region VIII (PhP24,696), Region II (24,466), and Region X (PhP24,335).

Meanwhile, 36.9 percent of the Budget or PhP1,385.2 billion goes to the non-regionalized budgets, of which 34.1 percent or PhP1,279.4 billion is under the Nationwide Allocations. The remaining 2.8 percent or PhP105.8 billion is for the Central Office allocations.

Nationwide Allocations are still to be distributed to the various regional offices of departments and agencies during budget execution, similar to multi-user special purpose funds (SPFs) which include, among others, interest payments, pension and gratuity fund, and allocations to LGUs *(See section on Special Purpose Funds on page 29).*

The Central Office allocations are those managed and used by the Head or Central Office of the Department/Agency. In the case of the DOH, this includes Cancer and Drug Rehabilitation Centers.

D. The Budget by Department and Special Purpose Funds

By recipient, the combined allocations for the national government agencies under the 2019 Proposed National Budget total PhP2,515.3 billion, representing 66.9 percent of the entire Budget. This amount includes the transfers from Special Purpose Funds to be used to implement programs/activities/projects of the agencies aligned with the agenda and priorities of the Administration, and tax expenditures. Of this amount, more than a quarter or PhP659.3 billion will go to agencies under the Education Sector, reflective of the Administration's emphasis on enhancing the human capital of the country. The allocations are as follows: Department of Education, PhP528.8 billion; State Universities and Colleges, PhP65.2 billion; Commission on Higher Education, PhP50.4 billion; and Technical Education and Skills Development Authority, PhP14.8 billion. Further discussion on the other top departments/recipients is covered in the following section.

Meanwhile, subsidy for Government-Owned and/or-Controlled Corporations (GOCCs) amounts to PhP187.1 billion or 5.0 percent of the total Budget, bigger by PhP31.9 billion or 20.6 percent than the 2018 cash-based equivalent of PhP155.2 billion. The increase is largely attributed to the implementation of the Unconditional Cash Transfer Program under the Land Bank of the Philippines (PhP36.5 billion) and the National Health Insurance Program under the Philippine Health Insurance Corporation (PhP67.4 billion).

The allocation for the local government units (LGUs) amounts to PhP640.6 billion or 17.1 percent of the total proposed Budget. This is 10.2 percent higher than its 2018 cash equivalent of PhP581.1 billion. The Internal Revenue Allotment (IRA) remains to have the biggest share with 89.8 percent or PhP575.5 billion. Some of the other allocations under the

Table 4. FY 2019 National Budget, By Major Island Group

Particulars	2019 Proposed (Cash-based)	Percent Share (%)	Per Capita Allocation (in Pesos)
Regionalized Budget	**2,371.8**	**63.1**	
NCR	478.4	12.7	36,337
Luzon	907.2	24.1	18,989
Visayas	400.3	10.7	19,106
Mindanao	585.9	15.6	22,207
Non-Regionalized Budget	**1,385.2**	**36.9**	
Nationwide	1,279.4	34.1	
Central Office	105.8	2.8	
Total	**3,757.0**	**100.0**	**25,197**

Table 5. Breakdown of FY 2019 Budget by Region and Expenditure per Capita

Particulars	2019 Proposed (Cash-based) (in billion Pesos)	% Share	Per capita allocation (in Pesos)
Regionalized Budget	**2,371.8**	**63.1**	
NCR	478.4	20.2	36,337
Luzon	907.2	38.2	18,989
Region I	112.2	12.4	20,823
CAR	65.2	7.2	34,077
Region II	90.3	10.0	24,466
Region III	208.7	23.0	17,771
Region IV	290.9	32.1	15,699
Region V	140.0	15.4	21,494
Visayas	400.3	16.9	19,106
Region VI	146.1	36.5	17,947
Region VII	133.7	33.4	16,857
Region VIII	120.5	30.1	24,696
Mindanao	585.9	24.7	22,207
Region IX	88.4	15.1	21,935
Region X	121.9	20.8	24,335
Region XI	127.0	21.7	23,777
Region XII	87.5	14.9	17,640
CARAGA	84.5	14.4	28,684
ARMM	76.6	13.1	18,700
Non-Regionalized Budget	**1,385.2**	**36.9**	
Nationwide	1,279.4	34.1	
Central Office	105.8	2.8	
Total	**3,757.0**	**100.0**	

Source: 2019 Population Projection, Philippine Statistics Authority

ALGU include the Special Shares of LGUs in the national taxes and fire code fees (PhP27.6 billion), Local Government Support Fund (PhP34.3 billion), and for the Metropolitan Manila Development Authority (PhP3.2 billion).

Top Ten Recipient Departments

The combined budgets of the top ten recipient-departments for FY 2019 total PhP2,134.2 billion, higher by 18.1 percent than their cash-equivalent budget for FY 2018, which amounts to PhP1,806.6 billion. The aggregated budget alone comprises more than half of the total budget for FY 2019, or 56.8 percent of the PhP3,757.0 billion National Budget.

Education (PhP659.3 billion) and DPWH (PhP555.7 billion) got the bulk of the budget to support the Administration's agenda of boosting social services and infrastructure spending.

The budget for **Education** increased by PhP72.2 billion from the 2018 level of PhP587.1 billion. This is distributed among the following agencies: Department of Education (DepEd), PhP528.8 billion; State Universities and Colleges (SUCs), PhP65.2 billion; Commission on Higher Education (CHED), PhP50.4 billion; and Technical Education and Skills Development Authority (TESDA), PhP14.8 billion.

Among the banner programs of the Administration that target to improve accessibility, learning condition, and competency of schools and training institutions in the country are the DepEd's PhP34.7 billion Basic Education Facilities Program under the K-to-12 Basic Education regime; the Government Financial Assistance and Subsidy to Students and Teachers, PhP32.1 billion; and the Universal Access to Quality Tertiary Education, PhP51.0 billion.

The **Department of Public Works and Highways**' budget increased by 25.8 percent or PhP113.9 billion, from PhP441.8 billion in 2018 to PhP555.7 billion in 2019. This budget will cover the repair and construction of existing and new roads and bridges, as well as the construction of flood-mitigating infrastructures to ensure a safer road system that connects people to opportunities and protects them and their properties against natural disasters like floods.

Around PhP122.9 billion of this will be for network development, which includes road widening, paving of unpaved roads, and construction of flyovers, interchanges, and underpasses, among others. Some PhP33.7 billion will go to the construction and repair of bridges. Another PhP114.3 billion will go to flood mitigating structures and drainage systems, as well as for flood mitigation facilities in some areas near rivers. *(See section on Intensifying Infrastructure Development for more details)*

The **Department of the Interior and Local Government** will receive PhP225.6 billion in 2019, about 30.9 percent or PhP53.2 billion more than the 2018 budget of PhP172.4 billion. This will support the intensified campaigns of the Philippine National Police (PNP) against illegal drugs and criminality, among others, with a budget of PhP172.6 billion. Most of the net increase can be attributed to the adjustment in the base pay of uniformed personnel, pursuant to Joint Resolution (JR) No. 1, s. 2018.

From ranking sixth in 2018, the **Department of National Defense** now has the fourth biggest budget allocation with PhP183.4 billion, 34.4 percent bigger than the 2018 level of PhP136.5 billion. The budget will continue to empower the country's defense units in their duty to protect the sovereignty and territorial integrity of the country, particularly against external threats.

Of this budget, the Armed Forces of the Philippines will receive PhP177.8 billion, of which PhP129.6 billion goes to territorial defense, security, and stability services. It will also continue to fund the AFP Modernization Program. The bulk of the increase of PhP46.9 billion over the 2018 budget is attributed as well to JR No. 1, s. 2018 which increased the base pay of those in the military service.

Although relegated to fifth place from fourth in 2018, the budget of the **Department of Social Welfare and Development** increased by 5.4 percent, or PhP8.9 billion, from PhP164.4 billion in 2018 to PhP173.3 billion in 2019. Social protection and social services are being expanded by the government to increase the benefits given to disadvantaged individuals and communities.

Among the banner programs are the Pantawid Pamilyang Pilipino Program, with PhP88.1 billion, which will cover health and education grants, rice subsidy, and other assistance for around 4.4 million households. The increase in the budget is due to the provision for the Tax Reform Cash Transfer Program, which increases the subsidy of the beneficiaries from PhP200 per month in 2018 to PhP300 per month in 2019.

The **Department of Health** also took a step back and ranked 6th for 2019. The DOH received a smaller budget, with PhP141.4 billion in 2019 from PhP153.7 billion in 2018, a decrease of 8.0 percent or some PhP12.3 billion. This is attributed to the decrease in the budget for the Health Facilities Enhancement Program (HFEP), which is only allotted PhP50 million in 2019 compared to PhP30.3 billion the previous year. A careful assessment of the Program will be done in view of the dismal

Table 6. Top Ten Recipients, 2018-2019
(in billion Pesos)

Recipient	2018 MDP [1/] (Cash-based equivalent)		2019 Proposed (Cash-based)		Increase/(Decrease)	
	Amount	Rank	Amount	Rank	Amount	%
Education (DepEd, SUCs, CHED, TESDA)	587.1	1	659.3	1	72.2	12.3
DPWH	441.8[2/]	2	555.7	2	113.9	25.8
DILG	172.4	3	225.6	3	53.2	30.9
DND	136.5	6	183.4	4	46.9	34.4
DSWD[3/]	164.4	4	173.3	5	8.9	5.4
DOH[4/]	153.7	5	141.4	6	(12.3)	(8.0)
DOTr	40.2	8	76.1	7	35.9	89.3
DA	50.7	7	49.8	8	(0.9)	(1.8)
Judiciary	35.4	9	37.3	9	1.9	5.4
ARMM	24.4	10	32.3	10	7.9	32.4

[1/] *DBM-approved, net of Prior Years' Payments and Accounts Payable. Agency Specific Budget excludes allocations from Special Purpose Funds*
[2/] *Includes projected Current Year's Accounts Payable to be paid in 2019*
[3/] *Includes provision for the Unconditional Cash Transfer lodged under the Land Bank of the Philippines*
[4/] *Includes the budget of the Philippine Health Insurance Corporation*

spending performance of the DOH in the implementation of the HFEP, disbursing only PhP13.5 billion of the PhP138.0 billion appropriated since 2008, as well as some adverse findings by the Commission on Audit (COA).

Still, the budget for 2019 continues to promote and provide adequate healthcare services to more people, with the help of competent and dedicated health workers. A huge budget of PhP67.4 billion is provided for the National Health Insurance Program to provide subsidy for health services to 15.4 million indigent families, 5.4 million senior citizens, 25,514 families under the PAyapa at MAsaganang PamayaNAn (PAMANA), and 22,709 families under the Bangsamoro Health Insurance Program. Likewise, PhP1.2 billion is also allotted under DOH for the continued implementation of the Doctors to the Barrios and Rural Health Practice Program for the deployment of doctors to rural communities.

The seventh biggest budget is for the **Department of Transportation (DOTr),** to bolster infrastructure expenditure of the government for various transportation modes in the country in view of the "Build, Build, Build" Program. The proposed budget for the DOTr in 2019 is PhP76.1 billion, PhP35.9 billion more than the 2018 allocation of PhP40.2 billion.

The DOTr is posting the biggest increase in terms of percentage share at 89.3 percent. This covers mostly the payments for right-of-way access and resettlement, to avoid delays and complications in the implementation of infrastructure projects. The budget of the agency will improve the availability of and access to rail, air, sea, and land transportation, and address corresponding problems, with PhP26.1 billion, PhP2.2 billion, PhP0.6 billion, and PhP1.5 billion, respectively.

Next is the **Department of Agriculture** with PhP49.8 billion, smaller by 1.8 percent or PhP0.9 billion, from the 2018's PhP50.7 billion. One of the programs with a higher allocation for 2019 is the Agro-Industry Modernization Credit and Financing Program with PhP3.4 billion, up by 209.1 percent from the 2018 allocation of PhP1.1 billion, which will be transferred to government financial institutions, cooperative banks, rural banks, and non-government organizations to establish a flexible credit facility for the benefit of qualified farmers and fisherfolk.

The budget of the DA is also inclusive of programs that will boost production and increase the buffer stock of various products under the rice, corn, high-value crops, organic agriculture, fisheries, and livestock programs. It also includes funds for the development of farm-to-market roads worth PhP11.4 billion, and another PhP38.9 billion for the National Irrigation Administration to provide free irrigation services for farmers who own eight hectares of land or less, among others.

The **Judiciary** made it to the list at 9th place with a budget of PhP37.3 billion, 5.4 percent or PhP1.9 billion more than the 2018 level of PhP35.4 billion. The inclusion of the Judiciary in the top ten list reflects the strengthening of the government's efforts to promote fair and swift administration of justice through harmonized efforts and seamless coordination among those involved in the process. For the operations of the Supreme Court (SC) and the Lower Courts, about PhP33.4 billion is allocated for this purpose. Around PhP1.0 billion is also provided for the construction of Halls of Justice (HOJs) under the Justice Infrastructure Program and another PhP0.3 billion for the new SC complex in Fort Bonifacio.

The **Autonomous Region in Muslim Mindanao**, keeping its tenth spot, will get PhP32.3 billion. This is higher by PhP7.9 billion, or 32.4 percent, than its 2018 level of PhP24.4 billion. This budget will address socioeconomic problems that continue to plague the development of the Region and its people.

More than PhP13.2 billion will be poured into the Region's infrastructure program, which includes the construction and repair of roads, bridges, flood control structures, and school buildings, among others. Two major programs will still be funded in 2019, the Bangsamoro Regional Inclusive Development Program for Sustainable Growth and Equity (BRIDGE) which strengthens local governance and empowers communities with an allocation of PhP2.7 billion, and the Health, Education, Livelihood, Peace, and Synergy (HELPS) Program with PhP1.5 billion which provides barangay social services. *(See section on Achieving a Just and Lasting Peace for more details)*

Special Purpose Funds

Special Purpose Funds (SPFs) are items included in the Budget which are not yet allocated to the specific recipient-agencies during the budget preparation stage. There are two types of SPFs, namely:

1) Disaggregated SPFs or those which have specific details such as the GOCCs to be subsidized and the specific purposes of the fund; and

2) Lump-sum SPFs or those whose specific details cannot be determined during budget preparation but whose use is governed by certain conditions stated ic in their respective Special Provisions.

To ensure that such funds are used appropriately and to eliminate opportunities for abuse of said funds, measures have been undertaken by the government to decrease the number of SPFs and further stretch the budget into greater detail. Consequently, some of the previous key SPFs, e.g., the International Commitments Fund and the e-Government Fund, have now been lodged under the regular budget of certain agencies.[6]

The proposed SPFs for 2019 amount to PhP1,496.8 billion, higher by 6.4 percent or PhP90.3 billion than the 2018 level of PhP1,406.5 billion. The increase is due mainly to higher allocations for local government units (LGUs) and the Pension

[6] Department of Budget and Management. (2015). 2016 Technical Notes on the Proposed Budget. https://www.dbm.gov.ph/index.php/budget-documents/2016/technical-notes-on-the-2016-proposed-national-budget

and Gratuity Fund (PGF). As in the previous year, automatic appropriations get the biggest share among the SPFs, followed by disaggregated SPFs. Lump-sum funds remain to have the smallest share with PhP33.4 billion.

Disaggregated SPFs

Of the proposed SPFs for 2019, around PhP459.5 billion are disaggregated into specific agencies and/or certain programs and projects. These are the Budgetary Support to Government Corporations (BSGC), Miscellaneous Personnel Benefits Fund (MPBF), and the PGF. Three more are lodged under the allocations to LGUs: Share in the Proceeds of Taxes, Local Government Support Fund, and the provision for the MMDA.

The bulk of the disaggregated funds, PhP187.1 billion, is for the BSGC, in the form of subsidy support and/or equity contribution. With the introduction of the performance-informed budgeting in the FY 2014 budget, the list of recipient-GOCCs and the purposes 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, similar to how national government agencies are held accountable.

Among the GOCCs, the PhilHealth will receive the largest share of PhP67.4 billion, to accommodate beneficiaries of the National Health Insurance Program now at 98.2 million Filipinos, or 92 percent of the entire population of the country as of March 2018. The National Irrigation Administration gets PhP36.9 billion to finance the free irrigation program of the government.

For allocation to the LGUs, the Local Government Support Fund is given PhP34.3 billion. This will be for priority programs and projects of local government units that will promote the socioeconomic agenda of the Administration, as well as adhere to good governance standards.

The PGF, on the other hand, is allocated PhP156.0 billion to pay the pension and retirement gratuity, among others, of retiring uniformed and selected civilian personnel or their beneficiaries.

Lump-Sum Funds

There are basically three SPFs which are lump-sum by strict definition. These amount to PhP33.4 billion or 2.2 percent of the total SPFs budget of PhP1,496.8 billion. They consist of the National Disaster Risk Reduction and Management Fund (NDRRMF), Contingent Fund, and Allocations to LGUs' for the Barangay Officials Death Benefits and their Share in the Proceeds of Fire Code Fees.

By their nature, these funds cannot be disaggregated into specific programs and projects since their specific uses are only identified during the budget execution phase. Furthermore, releases from these funds are made only when specific conditions are met.

For instance, the PhP20.0 billion budget for the NDRRMF is allotted for aid, relief, and rehabilitation services to communities/areas affected by human-induced and natural calamities, and repair and construction of damaged structures. Specific programs and projects for these cannot be programmed specifically in the proposed budget mainly because disasters and the extent of damage that result from them cannot be predicted when the budget is being prepared. The Fund also has specific sets of conditions for its use in the corresponding Special Provisions.

The Contingent Fund gets PhP13.0 billion, which is intended to cover urgent and/or new projects and activities of national agencies and GOCCs that need to be implemented or paid for during the year, such as the legal obligations of the government arising from final and executory decisions by competent authority, and for newly created offices.

Automatic Appropriations

SPFs under this category are not included in the GAA as they need not require periodic action and approval by Congress, and are automatically appropriated by virtue of their nature and enabling laws. Two funds (IRA and IP) can be considered disaggregated while the other two (TEF and NL) are lump-sum funds. For 2019, automatic appropriations breached the trillion level at PhP1,004.1 billion. This is PhP91.0 billion higher than the 2018 level of PhP913. 1 billion.

A big chunk of the funds will go to the Internal Revenue Allotment (IRA) of local government units, at PhP575.5 billion, as mandated by the Local Government Code of 1991. This will fund, among others, operating requirements of LGUs, basic services and facilities devolved to them, as well as development projects identified in the LGUs' Annual Investment Plan.

Interest Payments, considered as a real expense item in the budget, also gets a big share with PhP399.6 billion, to pay for the cost of borrowed funds from domestic and foreign sources.

E. The Budget by Appropriations Source

Another way to present the 2019 Budget is on the basis of sources of appropriations, which are classified into: 1) New General Appropriations; and 2) Automatic Appropriations.

New General Appropriations refer to the portion of the Budget where authorization by Congress is needed every year. This is further divided into Programmed New General Appropriations and Unprogrammed New General Appropriations. Meanwhile, Automatic Appropriations need not seek regular annual approval by Congress as they are deemed authorized under existing laws.

Table 7. Special Purpose Funds, 2018-2019
(in billion Pesos)

Special Purpose Funds	2018 (Cash-based equivalent)	2019 (Cash-based)
SPFs under the General Appropriation Act (GAA)		
Disaggregated SPFs	**460.5**	**459.5**
Budgetary Support to Government Corporations	180.8	187.1
Allocation to LGUs	58.1	64.8
Share in the Proceeds of Taxes	23.1	27.3
Local Government Support Fund	31.4	34.3
Metropolitan Manila Development Authority	3.6	3.2
Miscellaneous Personnel Benefits Fund	99.4	51.6
Pension and Gratuity Fund	122.2	156.0
Lump-Sum Funds (LSF)	**32.9**	**33.4**
National Disaster Risk Reduction and Management Fund	19.6	20.0
Contingent Fund	13.0	13.0
Allocation to LGUs	0.3	0.3
Barangay Officials Death Benefits Fund	0.05	0.05
Share in the Proceeds of Fire Code Fees	0.3	0.3
SPFs outside the GAA		
Automatic Appropriations	**913.1**	**1,004.1***
IRA (Disaggregated)	522.8	575.5
Tax Expenditure Fund (LSF)	19.5	14.5
Net Lending (Disaggregated)	16.8	14.5
Interest Payments (LSF)	354.0	399.6
Total	**1,406.5**	**1,496.8**

Source: 2019 BESF
**Excludes Retirement and Life Insurance Premiums and Special Accounts in the General Fund, which are not SPFs*

New General Appropriations

The total budget for New General Appropriations for 2019 is PhP2,882.6 billion, or 76.7 percent of the total expenditure program. This is higher by 0.7 percent than the 2018 level of PhP2,861.5 billion.

Given the shift to the cash-based budget system which limits new appropriations to those programs and projects most ready for implementation and completion within the budget year, around PhP2,685.5 billion or 93.2 percent of this is allotted for the Programmed New General Appropriations. This is smaller by 3.6 percent than the 2018 amount of PhP2,786.2 billion, an obligation-based budget. The bulk of this represents the budgets of the Departments and Agencies, which come up to PhP2,193.2 billion, or 81.7 percent. Some PhP492.3 billion is also provided for under the Special Purpose Funds.

The remaining 6.8 percent, amounting to PhP197.1 billion, is allotted for the Unprogrammed New General Appropriations. This constitutes the standby authority, which can only be tapped and released when revenues collected in any one of the identified revenue sources exceed targets as identified in the Budget of Expenditures and Sources of Financing, or when foreign loans or grants are received. Among the expenditures under the Unprogrammed Appropriations are the Support to Foreign-Assisted Projects, PhP96.0 billion; payment of pension arrearages for retired military and uniformed personnel, PhP33.9 billion; and Budgetary Support to GOCCs, PhP29.1. It also includes the PhP15.0 billion for the Risk Management Program, and the PhP10.0 billion for the implementation of the proposed National Government Rightsizing Program.

Automatic Appropriations

Of the PhP3.757 trillion National Budget, 28.5 percent or PhP1,071.5 billion represents expenditures automatically appropriated by virtue of their nature and enabling laws. This is bigger by 9.2 percent from the 2018 level of PhP980.8 billion.

In summary, more than half of the budget for Automatic Appropriation, PhP575.5 billion or 53.7 percent, is in the form of IRA given to local government units. Some PhP399.6 billion is allotted for Interest Payments for the government's outstanding debts. Another PhP47.2 billion will cover Retirement and Life Insurance Premiums (RLIP) which is the legally-mandated

Table 8. New General and Automatic Appropriations, 2018-2019

Particulars	Levels (in billion Pesos)		As a percentage of the Total Expenditure Program	
	2018 (Obligation-based)	2019 (Cash-based)	2018 (Obligation-based)	2019 (Cash-based)
Total New General Appropriations	**2,861.5**	**2,882.6**	**76.0**	**76.7**
% of GDP	16.4	14.8		
Less: Unprogrammed New Appropriations	75.3	197.1	2.0	5.2
Equals: Programmed New General Appropriations	2,786.2	2,685.5	74.0	71.5
Plus: Programmed Automatic Appropriations	980.8	1,071.5	26.0	28.5
Total Expenditure Program	**3,767.0**	**3,757.0**	**100.0**	**100.0**
% of GDP	21.6	19.3		

Sources: 2019 NEP, 2018 TechNotes
Note: Figures may not add up due to rounding off.

share of the national government in premium payments to the Government Service Insurance System for the life insurance and retirement benefits of national government employees. These three make up 95.4 percent of the total Automatic Appropriations.

The rest is allotted for, among others, the following:

- Net Lending for advances of the national government for the servicing of government–guaranteed debts of GOCCs and net of repayments on such advances, PhP14.5 billion; and
- Tax Expenditure Fund for subsidies to agencies, GOCCs, and LGUs in lieu of actual payment of taxes and customs duties, PhP14.5 billion.

F. Off-Budget Accounts

In addition to their allocated budgets, some agencies are allowed by law to generate income from their operations, which they are allowed to utilize for particular expenditures.These are called off-budget accounts which detail the revenues or receipts and incomes of agencies, outside their allotted budgets.

Off-budget accounts are categorized as follows: 1) Retained income/receipts; 2) Revolving funds; and 3) Receipts from borrowings by the Bureau of the Treasury (BTr). While said funds are not included in the General Fund of the government being managed by the BTr, the collection and use of off-budget accounts are still subject to the scrutiny of the Commission on Audit (COA).

The government estimates that about PhP94.2 billion in off-budget revenues are to be collected in 2019. Around PhP73.9 billion of this, or 78.5 percent, will be used for various expenditures of the agencies. The expected revenues are bigger by 12.9 percent than the 2018 level of PhP83.4 billion, while the expected expenditures are likewise PhP3.2 billion more than the 2018 amount of PhP70.6 billion.

The DOH is seen to have the largest off-budget account for 2019. At PhP27.6 billion, it is 21.6 percent higher than the 2018 level of PhP22.7 billion. The bulk of this, worth PhP21.2 billion, correspond to the income of the DOH-retained hospitals which, per DOH-DOF-DBM Joint Circular No. 2003-1, are allowed to retain incomes sourced from various fees such as registrations, certifications, seminars and trainings, and other incomes from rent or lease of facilities like hostels and dormitories. More than PhP18.6 billion of this will be used for the augmentation of their MOOE and equipment requirements.

Meanwhile, SUCs are estimated to generate PhP25.3 billion, sourced from tuition fees, grants, and donations, among others, pursuant to Republic Act No. 8292. Around PhP24.1 billion of this is expected to be spent by the SUCs' respective administration.

The Judiciary is likewise expected to generate about PhP17.4 billion in off-budget revenues. Around PhP17.3 billion or 99.4 percent of the total will come from the Supreme Court of the Philippines and the Lower Courts. Fiduciary and Sheriff funds, worth about PhP14.5 billion, comprise much of the agencies' share, which come from bail bonds, and thus will have to be refunded, subject to pertinent laws, rules, and regulations. As such, only PhP4.6 billion of the PhP17.4 total revenues/receipts of the Judiciary will be expended.

G. Earmarked Revenues

In the budgeting process, the practice of dedicating tax proceeds or other forms of revenue to a specific or chosen program or purpose is known as earmarking and by policy is discouraged given the one fund concept. As such, earmarked revenues are the identified revenues that are required by statute to be used

Table 9. Off-Budget Accounts, 2017-2019
(in million Pesos)

Particulars	2017 (Actual)		2018 (Actual)		2019 (Proposed)	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Department of Agriculture	1,451.8	644.0	718.9	654.7	740.2	582.3
Department of Budget and Management	3.8	2.1	-	-	-	-
Department of Education	2,071.1	1,066.3	1,099.2	728.7	1,165.3	785.8
State Universities and Colleges	18.576.6	16,444.0	22,769.8	22,675.0	25,036.3	24,093.0
Department of Energy	651.7	178.6	623.3	136.5	660.4	142.0
Department of Environment and Natural Resources	167.1	115.3	148.2	109.4	120.4	110.0
Department of Finance	1,469.2	1,439.9	1,409.4	1,538.3	1,302.3	1,439.7
Department of Foreign Affairs	438.9	326.9	500.4	601.9	549.4	631.7
Department of Health	21,912.5	18,345.8	22,739.6	19,733.8	27,556.8	24,437.6
Department of the Interior and Local Government	1,683.1	1,600.1	1,917.9	1,859.4	1,967.3	1,936.6
Department of Justice	384.4	92.3	1,327.2	946.2	414.3	273.0
Department of Labor and Employment	5,001.8	4,291.0	5,268.3	2,401.8	5,175.1	2,440.9
Department of National Defense	2,906.9	2,840.0	1.139.6	1,635.3	1,695.0	2,063.0
Department of Public Works and Highways	11.4	5.6	8.5	2.2	11.7	1.8
Department of Science and Technology	1,142.5	906.9	986.7	943.9	930.1	866.7
Department of Social Welfare and Development	323.5	504.9	217.0	219.8	32.7	47.5
Department of Tourism	159.6	170.2	163.8	228.5	176.8	231.8
Department of Trade and Industry	851.6	613.0	853.0	861.5	909.0	908.7
Department of Transportation	6,493.7	6,260.2	5,605.2	6,667.1	2,596.3	4,133.5
National Economic and Development Authority	104.9	82.0	1,893.7	461.9	1,274.7	119.5
Presidential Communications Operations Office	63.6	40.9	1,422.7	1,344.1	1,455.1	1,384.4
Other Executive Offices	2,125.2	2,094.6	2,175.9	2,168.6	2,274.1	2,281.3
The Judiciary	9,472.7	4,828.4	9,811.8	4,403.2	17,437.9	4,620.4
Civil Service Commission	235.6	89.3	277.6	109.9	328.0	121.0
Commission on Audit	169.4	115.4	157.1	109.5	151.1	110.6
Commission on Elections	73.7	8.1	79.0	8.9	86.9	9.8
Metropolitan Manila Development Authority	147.0	34.0	114.0	114.0	142.1	142.1
Total Expenditure Program	**141,584.1**	**103,047.8**	**83,427.7**	**70,664.3**	**94,189.3**	**73,914.7**

Sources: 2019 BESF B. 16
Note: Figures may not add up due to rounding off.

for designated activities, benefits, or purposes. These must be accounted for separately from the government's general revenues.

For 2019, around PhP96.7 billion of earmarked revenues are expected to be collected by the government. More than PhP60.8 billion of this, or 62.9 percent, is already programmed for specific programs and projects. The projected earmarked revenues and corresponding programmed expenditures for 2019 increased by 7.7 and 3.1 percent, respectively, from the 2018 level of PhP89.8 billion and PhP59.0 billion.

For this part, earmarked revenues are classified into two: 1) Use of Income in the General Fund; and 2) Special Accounts in the General Fund (SAGF). The latter holds most of the total earmarked revenues, with 69.2 percent.

The SAGF for 2019 is estimated at PhP66.9 billion, up by 4.0 percent from the previous year's PhP64.3 billion. The bulk of this, equivalent to PhP52.5 billion, will come from various national government agencies and the various offices and units under them. Under the BSGC, around PhP10.1 billion is expected to be generated, PhP7.5 billion of which will be from the Tobacco Fund. The remaining PhP4.3 billion will be collected from other executive offices such as the CHED and the Dangerous Drugs Board, with PhP3.0 billion and PhP104.6 million, respectively.

The biggest contribution to the SAGF, with PhP28.2 billion, comes from the government's share from the national wealth such as gas (Malampaya and Libertad) worth PhP22.2 billion; coal with PhP4.9 billion; and petroleum (oil) with PhP645 million, among others. Of this amount, PhP11.5 billion is foreseen to be spent for various projects aimed at developing the energy industry of the country.

Collections from the Motor Vehicle User's Charge (MVUC) under RA 8794 (Act Imposing a Motor Vehicle User's Charge on Owners of all Types of Motor Vehicles and for Other Purposes) amounting to PhP12.9 billion are deposited as special accounts (Special Road Support Fund, Special Local Road Fund, and Special Road Safety Fund) in the National Treasury which will be used exclusively for road maintenance and installation of road safety devices and traffic lights, among others.

Meanwhile, the Use of Income in the General Fund by agencies and corporations will grow by PhP4.3 billion or 17.0 percent in 2019, from PhP25.5 billion in 2018.

The PhP27.3 billion Special Shares of LGUs from collections of the DOE, BIR, Department of Environment and Natural Resources, and the Mines and Geo-Sciences Bureau will constitute 91.5 percent of the total inflows under Use of Income.

Of this, 91.5 percent or PhP25.0 billion will come from the tax collections of the BIR, composed of the following: 15 percent of the excise tax on Virginia Tobacco (PhP14.4 billion); 20 percent of the 50 percent of Value-Added Tax collections of cities/ municipalities (PhP6.1 billion); 15 percent of the incremental revenues collected from the excise tax on Burley and other native tobacco products (PhP3.6 billion); and 40 percent share of mining taxes (PhP882 million).

It should be noted though that while earmarking guarantees the continuity of funding for programs and projects already mandated by law and depoliticizes funding decisions, particularly in the event of a change in political leadership, the practice can also give rise to certain challenges. For one, it can be a source of inflexibility in managing fiscal affairs and non-transparency of the budget, especially when the increasing earmarked revenues are not being fully utilized. This further exacerbates the problem of an increasing balance of unutilized funds.

Thus, to provide more safeguards in the use of earmarked revenues and to address its increasing balance, now at PhP382.7 billion, certain provisions have been included in the proposed Budget Modernization Bill (BMB) of the Duterte Administration.

Under the BMB, all earmarked revenues with significant inflows, where a large portion is not yet expected to be disbursed for a certain year, shall be treated as Trust Funds and recorded as trust receipts. Proceeds from these Trust Funds shall be recognized only as revenue inflow in the General Fund when programmed to be spent for the year. The Permanent Committee created under EO No. 292, s. 1987 (Instituting the Administrative Code of 1987) has the authority to identify and convert SAGFs into Trust Funds, subject to pertinent rules and regulations.[7]

Furthermore, to manage the creation of SAGFs, they shall only be established by law under exceptional circumstances to recognize taxes, fees, charges, penalties, income, dividends, interest earnings, grants, and donations collected, earned, or received by NGAs for specified purposes. A period of validity shall be provided in the establishment of SAGFs, and in case of non-identification, shall be based on the fulfillment of their purpose, or for three years, whichever comes first. However, while SAGFs are not part of the General Fund, the balance upon their termination shall be transferred to the General Fund.[8] *(See section on Modernizing the Philippine Public Financial Management System on page 94 for more details on the Budget Modernization Bill)*

H. Foreign-Assisted Projects

Some programs and projects implemented by the national government may be wholly or partly funded from foreign sources. These are commonly referred to as foreign-assisted projects (FAPs) or Official Development Assistance (ODA) with specific duration, dedicated to clearly defined objectives and outputs and borrowed at very concessional terms from bilateral and multilateral creditors. For partly funded projects, the Philippine government sets aside counterpart funds to be used in the implementation of an ODA project. These FAPs are reported in the National Expenditure Program.

The funding of FAPs are contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations or bilateral agreements, or which are members of the United Nations and their agencies, and international or multilateral lending institutions. These shall be in the form of soft loans or grants, or both. Grants can either be financial or in kind and are formalized under the following modalities with the donating or financing institution/country: loan or grant agreement; memorandum of understanding; note verbale; and similar contracts/instruments, among others.[9]

Loans for various projects are categorized into five sectors, namely: Infrastructure (Infra); Social Reform and Community Development (SRCD); Industry, Trade, and Tourism (ITT); Agriculture, Agrarian Reform and Natural Resources (AARNR); and Governance and Institutions Development (GID). Shown in Table 11 are the number of loans contracted by sector and creditor type. The table indicates that most loan agreements are bilateral in nature, and are under the sector of infrastructure.

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[7] Senate. (2018). *Committee Report No. 304.* Retrieved from https://www.senate.gov.ph/lisdata/2764523920!.pdf

[8] Ibid.

[9] Department of Trade and Industry. (n.d.). *DTI and Foreign Assisted Projects (FAPs).* Retrieved from https://www.dti.gov.ph/programs-projects/faps

Table 10. Earmarked Revenues, 2017-2019
(in million Pesos)

Department/Agency/Fund	2017 (Actual)		2018 (Program)		2019 (Proposed)	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Use of Income, General Fund	32,381.8	20,851.3	25,508.8	25,502.4	29,848.2	29,838.9
Special Accounts in the General Fund	60,432.9	32,437.8	64,333.2	33,513.8	66,886.5	30,987.1
Total	**92,814.8**	**53,289.2**	**89,842.0**	**59,016.2**	**96,734.7**	**60,825.9**

Source: 2019 BESF, Table B.15
Note: Figures may not add up due to rounding off.

The 2017 ODA Audit Report of the Commission on Audit[10] shows that the country had a total of 459 ODA from January 1995 to December 2017. The Cumulative Gross Loan Commitments (CGLC) from the 459 programs and projects amounted to PhP2,144.7 billion. Some PhP214.4 billion are under the Cumulative Loan Cancellations. This results in a Cumulative Net Loan Commitment (CNLC) of PhP1,930.3 billion.[11] Of this amount, PhP1,481.5 billion or 76.8 percent has been availed of by the government as of end 2017 for 452 loan accounts.

Likewise, under its 2017 ODA Portfolio Review Report, the National Economic and Development Authority recently reported that 27 ODA-funded programs and projects contributed strongly and positively to the attainment of targets indicated in the Administration's medium-term plan – the Philippine Development Plan 2017-2022, specifically in 30 sector outcome indicators.[12]

For 2019, a total of PhP57.9 billion is allotted to foreign-assisted projects, higher by 59.4 percent than the 2018 level of PhP36.3 billion. Around PhP35.2 billion of this, or 60.8 percent, consists of loan proceeds, while the remaining 39.2 percent or PhP22.7 billion are counterpart funds.

Of the PhP57.9 billion total budget, 96.3 percent or PhP55.8 billion will go to national government agencies (NGAs), higher by PhP20.4 billion than the previous year's level. The remaining 3.7 percent or PhP2.1 billion are considered Special Purpose Funds (SPFs).

Expectedly, the bulk of the allocations for NGAs will be used by the DPWH and DOTr, with a combined budget of PhP47.7 billion or 85.4 percent. The biggest share goes to the DPWH with PhP28.4 billion, which increased by 169.4 percent compared to the 2018 budget of PhP10.5 billion. The big increase is attributed to the PhP10.8 billion of additional loan proceeds. Around PhP16.0 billion of the DPWH allocation will go to roads and bridges, while PhP12.4 billion is provided for flood control programs and projects.

A major item under this is the PhP3.6 billion for the Improving Growth Corridors in Mindanao Road Sector Project with the ADB. According to the ADB, the Project is expected to improve around 280 km of roads in Mindanao through "paving of earth roads, replacing of damaged road sections, and replacing and strengthening of bridges, as well as improving resilience to climate change."[13] Another PhP2.3 billion is provided for the Road Upgrading and Preservation Project with JICA for around 1,400 km of highways in the country. The Project, which started

Table 11. Loan Structure by Sector and Creditor Type Indicating the Number of Loans Contracted and CNLC

Source/ Creditor Type	Number of Loans Contracted by Sector						CNLC by Sector and Creditor Type (in billion)						
	AARNR	GID	ITT	Infra	SRCD	Total	AARNR	GID	ITT	Infra	SRCD	Total	
												US$	PhP
Bilateral	45	6	11	140	20	222	92.85	44.30	37.37	667.52	57.87	18.01	899.91
Commercial	8	1	1	37	12	59	11.51	1.23	0.31	58.07	8.99	1.60	80.12
Multilateral	44	16	13	53	52	178	108.91	174.97	33.55	164.13	468.73	19.02	950.29
Total PhP	97	23	25	230	84	459	213.27	220.50	71.23	889.72	535.59	38.64	1,930.31
Total US$							4.27	4.41	1.43	17.81	10.72	38.64	

Source: COA

[10] Commission on Audit. (2018). *Consolidated Audit Report on the Official Development Assistance (ODA) Programs and Projects 2017.* Retrieved from https://www.coa.gov.ph/phocadownload/userupload/annual_audit_report/ODAproject/2017_ODA_Audit_Report.pdf

[11] CNLC is the amount of loan commitments after deducting the amount of commitments cancelled as of the given period.

[12] National Economic and Development Authority. (2018, August). *ODA projects in 2017 advance ph development initiatives.* Retrieved from http://www.neda.gov.ph/2018/08/15/oda-projects-in-2017-advance-ph-development-initiatives/

[13] Asian Development Bank. (2018). *Philippines: Improving Growth Corridors in Mindanao Road Sector Project.* Retrieved from https://www.adb.org/projects/41076-048/main#project-stories

in 2011, involves civil works for pavement improvements, procurement of various equipment, and consulting services, among others.[14]

Around 72.8 percent of the DOTr's fund, or a total of PhP14.0 billion, will go to a single project with JICA – the PNR North 1, formerly North-South Commuter Railway Project Phase 1, to connect Malolos, Bulacan to Tutuban, Manila.

Other big ticket projects include the following: Expansion of the Philippine Rural Development Project under the DA with the World Bank – International Bank for Reconstruction and Development (WB-IBRD), PhP2.3 billion; Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects of DPWH with China, PhP2.6 billion; Metro Manila Flood Management Project Phase 1 of DPWH and MMDA with the Asian Infrastructure Investment Bank (AIIB) and WB-IBRD, PhP2.4 billion; and the Central Luzon Link Expressway Phase 1 of the DPWH with JICA, PhP1.8 billion.

Table 12. Foreign-Assisted Projects, By Department
(in thousand Pesos)

Particulars	FY 2018 Program (Obligation-based)			FY 2019 NEP (Cash-based)		
	Peso Counterpart	Loan Proceeds	Total	Peso Counterpart	Loan Proceeds	Total
Departments	**14,747,225**	**20,652,976**	**35,400,201**	**22,141,290**	**33,666,036**	**55,807,326**
Department of Agrarian Reform (DAR)	396,102	1,563,471	1,959,573	178,031	245,158	423,189
Department of Agriculture (DA)	604,526	3,421,300	4,025,826	478,378	3,171,069	3,649,447
Department of Environment and Natural Resources (DENR)	354,154	1,902,213	2,256,367	356,379	866,822	1,223,201
Department of the Interior and Local Government (DILG)	16,800	-	16,800	16,800	-	16,800
Department of Public Works and Highways (DPWH)	4,204,160	6,334,130	10,538,290	11,263,919	17,129,346	28,393,265
Department of Social Welfare and Development (DSWD)	2,014,826	3,360,259	5,375,085	1,504,534	1,265,737	2,770,271
Department of Trade and Industry (DTI)	-	-	-	58,250	-	58,250
Department of Transportation (DOTr)	7,156,657	3,802,346	10,959,003	8,284,999	10,987,904	19,272,903
Special Purpose Funds	**322,088**	**627,451**	**949,539**	**597,552**	**1,532,315**	**2,129,867**
Budgetary Support to Government Corporations (BSGC)	309,000	627,451	936,451	575,246	1,331,556	1,906,802
Allocations to Local Government Units (ALGU)	13,088	-	13,088	22,306	200,759	223,065
Total	**15,069,313**	**21,280,427**	**36,349,740**	**22,738,842**	**35,198,351**	**57,937,193**

Source: 2019 BESF B. 13

[14] Japan International Cooperation Agency. (2011). *Japanese ODA Loan Signed with the Philippines*. Retrieved from https://www.jica.go.jp/english/news/press/2010/110331.html

IV. EXPENDITURE PRIORITIES

A. PAGBABAGO

Intensifying Infrastructure Development

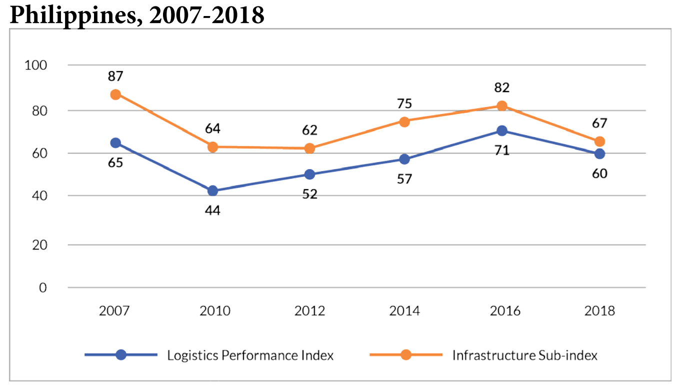
Accelerated public infrastructure spending in the last three years has enabled the Duterte Administration to sustain the country's growth momentum, maintaining the GDP growth average at 6.0-7.0 percent, and keeping the country within the ranks of the fastest growing economies worldwide. Dubbed as the "Build, Build, Build" Program, this strategic infrastructure development strategy focuses on improving the mobility and connectivity of people and industries with programs and projects spread throughout the archipelago.

By building and completing various infrastructure projects such as roads, bridges, airports, and ports, the Duterte Administration has also enhanced the performance of the country's supply chains — connecting firms and producers to markets and consumers. The massive infrastructure development aimed at the improvement of connectivity and mobility has improved the economy's logistics performance, thereby enhancing growth and integration.

The World Bank Logistics Performance Index (LPI)[1] is a unique benchmarking tool used to measure the challenges and opportunities confronted by over 160 countries on trade logistics and the policy actions that can improve their performance. It is based on the feedback provided by a survey of worldwide logistics professionals from multinational freight forwarders and express carriers on the "friendliness" of logistics services of the countries with which they trade, and in which they operate. One of the key dimensions of the LPI score is the quality of trade and transport-related infrastructure, which also affects the timeliness of shipments in reaching their destinations.

In 2018, the Philippines placed 60th among 160 countries in terms of its performance in trade logistics, garnering an LPI score of 2.90 from 2.86 in 2016. This represents an improvement by 11 notches, from its 71st ranking in 2016. In terms of ranking in the infrastructure indicator of the LPI, or the quality of trade and transport-related infrastructure such as ports, railroads, roads and information technology, the Philippines climbed 15 notches, from 82nd in 2016 to 67th in 2018. This marked improvement in the LPI score, including trade and transport-related infrastructure, has been attributed to the government's efforts to level up the country's infrastructure facilities to make transporting goods faster and more efficient through the "Build, Build, Build" Program. *(See Figure 1)*

Figure 1. LPI and Transport-Related Infrastructure Ranking Philippines, 2007-2018



Source: The World Bank

"Build, Build, Build" Program

Under the "Build, Build, Build" Program, the National Economic and Development Authority (NEDA) has so far identified a total of 75 infrastructure flagship projects[2] for prioritization, approval, and roll-out under the Duterte Administration. Of these, 35 projects worth PhP1,245.3 billion are in various stages of implementation, including the Subic-Clark Railway Project, the New Centennial Water Source-Kaliwa Dam Project, Phase 1 of the Mindanao Railway, the New Cebu International Container Port, and the Davao, Laguindingan, Bacolod, and Iloilo Airports. *(See Table 1)*

For FY 2019, the total "Build, Build, Build" Program budget will amount to PhP909.7 billion, or 24.2 percent of the total Proposed Budget. The amount represents 4.7 percent of GDP, and will primarily fund robust pipeline infrastructure projects which are expected to generate 1.1 million new jobs and expand the economy, thereby increasing incomes and spreading development to the rest of the regions. Some of these high-impact infrastructure projects funded in 2019 are included in the 75 flagship projects such as the Subic-Clark Railway Project, PhP2.9 billion; Mindanao Railway Project, Phase I, PhP2.9 billion; Ambay-Simuay River and Rio Grande de Mindanao River Flood Control Projects, PhP2.6 billion; Chico River Pump Irrigation System, PhP1.7 billion; and New Bohol International Airport Development Project, PhP754 million.

[1] World Bank. (2018). *International Logistics Performance Index.* Retrieved from https://lpi.worldbank.org/international/global/2018

[2] NEDA 75 Infrastructure Flagship Projects as of March 12, 2018. Data sourced from the Republic of the Philippines (ROP) presentation of the Investor Relations Office for the Fitch Annual Visit Briefing dated July 2018.

Table 1. NEDA Board Approved 35 Infrastructure Flagship Projects*

No.	Implementing Agency	Project Title	Location	Total Project Cost (in million Pesos)
Ongoing				
1	DPWH	Bonifacio Global City to Ortigas Center Road Link Project, Phase I, IIA & IIB	NCR	1,896.24
2	NIA	Chico River Pump Irrigation Project	CAR, Region II	4,372.90
3	NIA	Malitubog-Maridagao Irrigation Project, Phase II	ARMM, Region XII	5,444.84
Procurement				
4	DOTr	New Cebu International Container Port	Region VII	9,962.00
5	DOTr	PNR South Long-Haul (Manila-Bicol)	NCR, Region IV-A, Region V	175,318.00
6	DOTr	MRT-LRT Common Station Project	NCR	2,800.00
7	DOTr	Iloilo International Airport Project	Region VI	30,400.00
8	DOTr	New Bohol Airport - O&M Concession	Region VII	2,335.20
9	DOTr	Bacolod-Silay International Airport Project	Region VI	20,260.00
10	DOTr	Laguindingan International Airport Project	Region X	14,620.00
11	DOTr	Davao International Airport Development Project	Region XI	40,570.00
12	DOTr	Mindanao Rail Project (Phase I) - Tagum-Davao Digos Segment	Region XI	35,257.00
13	DPWH	Cavite Industrial Area Flood Management Project	Region IV-A	9,891.50
14	MWSS	New Centennial Water Source -Kaliwa Dam Project	NCR, Region IV-A	12,200.01
Budgeting/Financing				
15	DOTr/BCDA	Subic-Clark Railway Project	Region III	50,031.00
16	DPWH	Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects	Region XII	39,219.68
17	DPWH	Palanca-Villegas (2nd Ayala)	NCR	1,595.49
18	DPWH	Beata-F.Y. Manalo Bridge	NCR	1,386.61
19	DPWH	Blumentritt-Antipolo Bridge	NCR	1,103.34
20	DPWH	Marikina-Vista Real Bridge	NCR	1,813.78
21	DPWH	J.P. Rizal-Lopez Jaena Bridge	NCR	1,610.81
22	DPWH	J.P. Rizal-St. Mary Bridge	NCR	5,738.76
23	DPWH	Mercury-Evangelista Bridge	NCR	1,375.30
24	DPWH	East-West Bank Bridge 1	NCR	1,538.04
25	DPWH	East-West Bank Bridge 2	NCR	3,176.25
26	DPWH	North and South Harbor Bridge	NCR	8,029.53
For Review				
27	DOTr	Metro Manila BRT-Line 1 (Quezon Avenue)	NCR	4,789.08
28	DOTr	Metro Manila BRT-Line 2 (EDSA/Central)	NCR	37,760.00
Detailed Engineering Design				
29	BCDA/ DOTr	A. Clark International Airport Expansion Project	Region III	9,360.00
		B. Clark International Airport Expansion Project -PPP O&M Concession	Region III	5,612.41
30	DOTr	PNR North 2 (Malolos-Clark Airport-Clark Green City Rail)	NCR, Region III	211,425.20
31	DOTr	PNR South Commuter Line (Solis-Los Baños)	Region IV-A, NCR	124,143.00
32	DOTr	Metro Manila Subway Project-Phase 1	NCR	356,964.17
33	DPWH	Binondo-Intramuros Bridge	NCR	4,607.04
34	DPWH	Estrella-Pantaleon Bridge	NCR	1,367.04
35	DPWH	Panguil Bay Bridge Project	Region X	7,375.34

**As of July 27, 2018*
Source: NEDA

Recipient Entity. Of the total PhP909.7 billion public infrastructure budget for 2019, national government agencies (NGAs) will spend PhP713.6 billion, or 78.4 percent, led by the Department of Public Works and Highways (DPWH) with a PhP529.7 billion share. This DPWH infrastructure allocation already corners 74.2 percent of the total infrastructure allocation for NGAs, to ensure safe and reliable national roads system, and protect lives and properties against major floods.

Following the DPWH are the Department of Transportation (DOTr) and the Department of Education (DepEd) with PhP55.8 billion (7.8 percent) and PhP39.4 billion (5.5 percent), respectively. The allocation for the DOTr will primarily support its various rail, aviation and maritime infrastructure programs. On the other hand, the bulk of the infrastructure outlay of the DepEd amounting to PhP37.6 billion will be used to construct school buildings.

Table 2. Top 5 National Government Agency Recipients of the "Build, Build, Build" Program
(in billion Pesos)

Agency	Amount
Department of Public Works and Highways	529.7
Department of Transportation	55.8
Department of Education	39.4
Department of National Defense	25.9
Department of Agriculture	15.6

Other agencies that will receive major portions of the total infrastructure budget include the Department of National Defense (DND) for its Revised AFP Modernization Program, and the Department of Agriculture (DA) for the construction of farm-to-market roads (PhP11.4 billion), among others.

Local government units (LGUs) will receive some PhP143.8 billion, or 15.8 percent of the total public infrastructure budget, the bulk of which will come from their Internal Revenue Allotment (IRA) for FY 2019, amounting to PhP115.1 billion. This portion of the IRA constitutes the twenty (20) percent allocation for local development projects of each LGU as provided for under Title III, Chapter I, Section 287 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

Another major component of the LGU infrastructure budget amounts to PhP27.3 billion, lodged under the Local Government Support Fund (LGSF). Of this amount, PhP11.7 billion, or 42.9 percent, represents Assistance to Municipalities to support the priority projects of municipalities, culled from their respective Local Development Investment Programs. Other infrastructure components of the LGSF are the PhP8.2 billion Conditional Matching Grant to Provinces for Road Repair, Rehabilitation and Improvement; PhP5.8 billion Assistance to Cities; and PhP1.5 billion Provision of Potable Water Supply (SALINTUBIG). For 2019, the SALINTUBIG Program aims to fund 384 projects for waterless municipalities, barangays, and resettlement sites.

The remaining PhP1.4 billion infrastructure allocation under the Allocation for Local Government Units constitutes the portion of the Metropolitan Manila Development Authority (MMDA), to help reduce the time of flood water subsidence in Metro Manila for rainfall intensity of less than 40 mm/hour from 20 minutes in 2018 to within 18 minutes or less. To achieve this, a total of 108 flood mitigation and control projects are scheduled for 2019, such as the construction, repair, rehabilitation and improvement of drainages; dredging and deepening of creeks; and maintenance of pumping stations.

Infrastructure allocations under the Budgetary Support to Government Corporations (BSGC), on the other hand, will amount to PhP52.3 billion, or 5.7 percent of the total "Build, Build, Build" Program for FY 2019. By recipient corporation, the National Irrigation Administration (NIA) captures the largest share with PhP26.3 billion, or 50.3 percent; followed by the Bases Conversion and Development Authority (BCDA) and the National Electrification Administration (NEA) with PhP16.9 billion and PhP1.5 billion, respectively.

Road Transport

The country has a national road network of 32,868.06 km, of which about 21,181.42 km or 64.44 percent are concrete, and 9,853.88 km or 29.98 percent are asphalt roads. Gravel and earth roads comprise 1,779.04 km and 53.72 km or 5.41 percent and 0.16 percent, respectively.[3] As of November 9, 2017, records show that out of the 32,868.06 km total length of national roads, 72.59 percent, or 23,858.39 km, has been assessed as being in good or fair condition.[4] This represents a significant improvement over the recorded 45 percent in 2011, 47 percent in 2001, and 52 percent in 1982.[5]

Table 3. National Road Length and Condition*

Road Condition	Length of Roads (km)	%
Good	13,665.82	41.58
Fair	10,192.57	31.01
Poor	4,024.95	12.25
Bad	1,853.88	5.64
No Assessment	3,130.84	9.53
GRAND TOTAL	**32,868.06**	**100.00**

*As of November 9, 2017

[3] Department of Public Works and Highways. (2018). *Philippine National Road Network.* Retrieved from http://www.dpwh.gov.ph/dpwh/2017%20DPWH%20ATLAS/06%20Road%20WriteUp%202017.pdf

[4] Ibid.

[5] Asian Development Bank. (2012). *Philippines: Transport Sector Assessment, Strategy, and Road Map.* Retrieved from https://www.adb.org/sites/default/files/institutional-document/33700/files/philippines-transport-assessment.pdf

Good and fair road conditions require only routine maintenance while poor road conditions are subjected to rehabilitation. Roads classified as in bad condition are recommended for total reconstruction.

The Duterte Administration will allot a total of PhP346.6 billion, or 38.1 percent of the total PhP909.7 billion infrastructure budget, for road networks. This amount aims to ensure that the country's road systems are safe and reliable by not only constructing more roads but also making sure that they are in good or fair condition. Targets include the construction of 1,073.84 km of bypass and diversion roads/missing links/ new roads; maintenance of 1,250.59 km of roads; widening of 778.82 km of roads; and rehabilitation, reconstruction, and upgrading of 314.79 km of roads.

Table 4. DPWH Performance Targets, 2018-2019

Performance Indicators	2018 (km)	2019 (km)
Length of maintained roads	631.18	1,250.59
Length of rehabilitated/ reconstructed/upgraded roads	400.72	314.79
Length of newly-constructed roads	1,535.35	1,073.84
Length of widened roads	1,298.19	778.82

Major projects include, among others, Improving Growth Corridors in Mindanao Road Sector Project (PhP3.57 billion) to cover an estimated 280 km of national primary, secondary, and tertiary roads in Mindanao; Central Luzon Link Expressway, Phase I Project (PhP1.85 billion) to construct a 4-lane expressway with a total length of 30.7 km in Region III, decongesting traffic on the Pan-Philippine Highway (Daang Maharlika); Davao City Bypass Construction Project (PhP1.62 billion) to build 44.6 km of bypass road, including the tunnel section from the Davao-Digos section of the Pan Philippine Highway in Toril, Davao City to Davao-Agusan National Highway in Panabo City; and Arterial Road Bypass Construction Project, Phase III (PhP1.19 billion) to provide an arterial road of 24.61 km to link the NLEX in Balagtas, Bulacan with the Philippine-Japan Friendship Highway, also called Maharlika Highway in San Rafael, Bulacan.

To keep the country's roads in good condition, PhP59.0 billion under the DPWH budget for 2019 is allocated for the Asset Preservation Program. This amount aims to protect investments in road network systems and avoid costly outlays in the future. Major programs include preventive maintenance, PhP24.3 billion; rehabilitation, reconstruction and upgrading of damaged paved roads, PhP15.1 billion; rehabilitation and reconstruction of roads with slips, slope collapse and landslide, PhP14.5 billion; and construction, upgrading and rehabilitation of drainage along national roads, PhP5.1 billion.

Bridges facilitate travel. They promote economic activities by making it possible to transport farm produce and other deliveries to the markets and consumers. For 2019, PhP33.70 billion will fund, among others, the widening of permanent bridges, PhP12.2 billion; replacement of permanent weak bridges, PhP4.3 billion; retrofitting of permanent bridges, PhP7.8 billion; construction of new permanent bridges, PhP5.6 billion; rehabilitation/major repair of permanent bridges, PhP3.7 billion; and replacement of bridges (temporary to permanent), PhP126.9 million.

Rail Transport

The economic cost of the worsening traffic situation in Metro Manila now reaches almost PhP1.3 trillion a year, or an estimated productivity loss of around PhP3.5 billion a day.[6] These numbers refer to the vehicle operating cost (e.g., wasted fuel) and time cost spent by drivers and passengers sitting in traffic along the road network. These lost opportunities are more than enough to fund the country's annual public infrastructure needs or underinvestment in social services. If not addressed, this is estimated to increase to PhP5.4 billion a day by 2035[7].

To address this issue, major rail transport projects amounting to PhP24.6 billion will be funded under the 2019 Budget. The bulk of this amount will be spent for major rail transport projects located in Luzon outside of Metro Manila, including the urban centers in Mindanao, to decongest Metro Manila.

The PhP1.5 billion for the 35-km Metro Manila Subway Project Phase 1 will run from Mindanao Avenue in Quezon City to the Ninoy Aquino International Airport in Pasay City. This is expected to lessen travel time from Mindanao Avenue to the Food Terminal Inc. in Taguig by 35 minutes. Likewise, the 56-km Philippine National Railways (PNR) South Commuter Project from Solis, Tondo in Manila to Los Baños, Laguna will be given PhP1.4 billion to serve more than 300,000 commuters in its opening year. Once fully operational, it is expected to cut travel time between Manila and Calamba from over two hours today to just under one hour.

Likewise, a total of PhP14.0 billion will fund the 38-km PNR North 1 Project, which will have 10 stations to serve 340,000 passengers daily and cut travel time from Malolos, Bulacan to Tutuban in Manila, to 35 minutes from one hour and 30 minutes.

To reduce travel time from 3.5 hours to 1.3 hours from Tagum-Davao-Digos, PhP2.9 billion will be allocated for the Mindanao Railway Project, which is the first railway in Mindanao consisting of 1,500 circumferential and spur lines. Once completed, daily ridership of the Tagum-Davao-Digos segment is expected to reach 134,060 by 2022, and further increase to 237,023 and 375,134 by 2032 and 2042, respectively.

[6] Japan International Cooperation Agency and NEDA. (2018). *"Follow-Up Survey on the Roadmap for Transport Infrastructure Development for the Greater Capital Region."* Retrieved https://www.jica.go.jp/philippine/english/office/topics/news/180226.html

[7] Ibid.

Table 5. Rail Transport Programs and Projects, 2019
(in billion Pesos)

Particulars	2019
PNR North 1 (Tutuban-Malolos)	14.0
Subsidy for Mass Transport (MRT 3)	4.7
Mindanao Rail Project	2.9
Metro Manila Subway Project Phase 1	1.5
PNR South Commuter (Solis-Los Baños)	1.4

Air Transport

Airports and airlines connect remote, rural, and regional communities. They play a vital role as a logistical mechanism to achieve economic development as they move not only goods and cargo, but also people. The demand for new airports and more airlines has been increasing as the number of passengers carried in 2017 increased to 9.6 percent, or 44,087,368 from 40,206,684 in 2016.[8]

Table 6. Air Transport Passengers Carried

	2015	2016	2017
Philippines	37,023,422	40,206,684	44,087,368

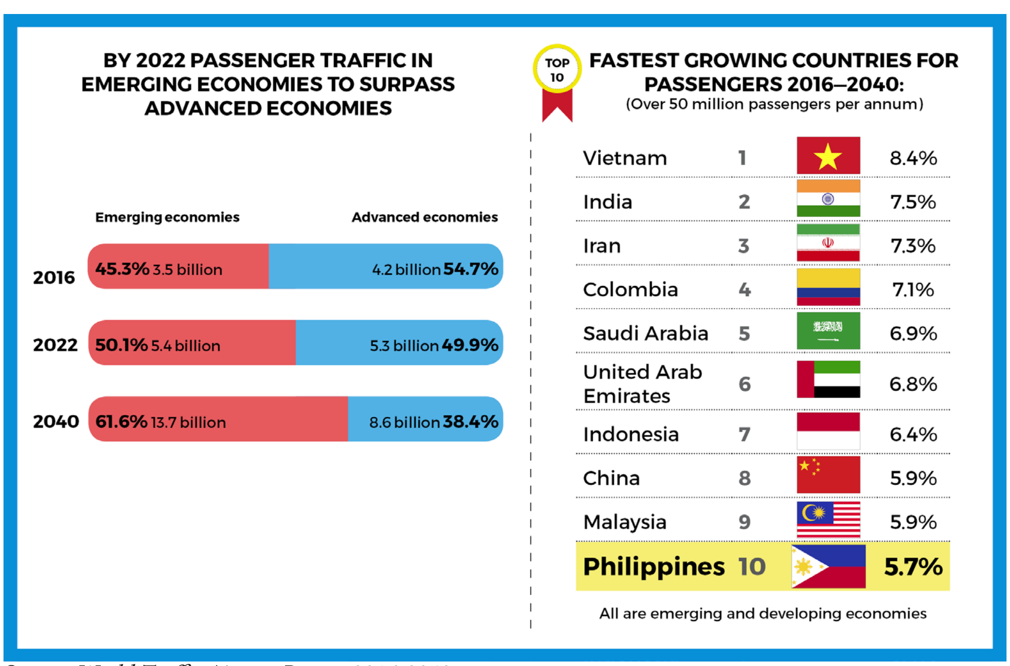
Source: World Development Indicators

It is also estimated that by 2022 passenger traffic in emerging economies like the Philippines will likely surpass advanced economies. From 3.5 billion in 2016, or 45.3 percent of the total passenger traffic, emerging economies are expected to corner 13.7 billion, or 61.6 percent of the total passenger traffic in 2040. The Philippines alone is seen as the 10th fastest growing country for passengers for the period 2016-2040.[9] *(See Figure 2)*

Cognizant of this, the Duterte Administration will invest PhP2.2 billion for its Aviation Infrastructure Program to increase airport facilities capacity by 5.0 percent; increase passenger traffic by 16.0 percent; and increase cargo traffic (in terms of tons) by 5.0 percent. Most notable of these projects under the 2019 Proposed Budget is the PhP754 million New Bohol (Panglao) International Airport Development Project, which is the country's first-ever eco-airport utilizing green and sustainable structures and technologies, and equipped with solar panels to cover one-third of the airport's energy requirements.

To expand the roads leading to the Sayak (Siargao) Airport terminal in Surigao del Norte, PhP500 million is set aside for its nautical highway. The DOTr has also been allotted PhP450 million to extend the runway of the Catbalogan Airport in Samar, while PhP50 million has been set aside to build the control tower of the Tacloban Airport in Leyte. Other airport projects that are seen to facilitate regional economic development are the Davao International Airport (PhP315 million); and Central Mindanao (M'lang) Airport (PhP92 million).

Figure 2. World Airport Traffic, 2016-2040



Source: World Traffic Airport Report 2016-2040

[8] The World Bank. (2018). *World Development Indicators.* Retrieved from http://databank.worldbank.org/data/reports.aspx?source=2&series=IS.AIR.PSGR&country=#

[9] Airports Council International. (2018). *World Airport Traffic Report 2016-2040.* Retrieved from https://aci.aero/Media/9d12ed0c-e36b-48da-9b9f-8ec4640d5821/iM0Zyg/Statistics%20and%20Data/Infographics/Infographic_ACI_World_Airport_Traffic_Forecasts%202017%E2%80%932040.pdf

Table 7. Port Statistics, First Semester of 2015-2018

Particulars	2015	2016	2017	2018
Shipcalls	198,515	220,721	222,331	236,967
Cargo Throughput	106,461,953	117,121,220	121,579,109	122,622,907
Passenger Traffic	34,286,362	37,879,662	39,674,996	42,742,268

Source: Philippine Ports Authority

Maritime Transport

Maritime transportation involves the movement of freight and people over water masses, such as oceans, rivers, and lakes. The sector plays a central role in the competitiveness of the country's trade logistics, which include the timeliness of shipments in reaching the destination within the scheduled or expected delivery time, among others.

For the first semester of 2018, the shipping traffic recorded 236,967 vessels arriving at the country's various ports, representing a 6.6 percent increase compared with the 222,331 vessels reported in the same period of 2017. Cargo throughput, or the volume of cargo discharged and loaded at the ports, also registered a moderate improvement of 0.8 percent at 122.6 million metric tons (MMT) from 121.6 MMT in the same period of 2017.[10] *(See Table 7)*

The number of passengers embarking and disembarking at the various ports nationwide during the first half of 2018 totaled 42,742,268. This marks a 24.7 percent expansion compared to the 2015 first semester figure of 34,286,362, and also an increase of 7.7 percent from 39,674,996 recorded in the same period in 2017[11].

Aware of the essential role of maritime transport in economic advancement, the Duterte Administration has proposed PhP627 million for its Maritime Infrastructure Program for 2019. The allocation targets to expand shipcalls by 5.0 percent and increase passenger traffic by 2.0 percent. The proposed budget will support the PhP221 million New Cebu International Container Port Project, to provide an efficient transport infrastructure for the flow of goods in the Visayas Region. The Port will be built on a 25-hectare reclaimed island in Consolacion, Cebu with a 500-meter berth length. Its berthing facility can simultaneously accommodate two 2,000 TEU (Twenty-foot Equivalent Unit)[12] vessels. It also involves the improvement of 1,500 meters of inland road and the construction of a 300 linear meters of offshore bridge connecting the port to the shoreline.

Ports and wharves are also slated to be rehabilitated, repaired, or improved under the maritime transport budget for 2019. These include the wharves in Zumarraga, Samar (PhP40 million), Poblacion Wharf in Sta. Rita, Samar (PhP25 million), and Hindang Port in Leyte (PhP10 million). To help lessen traffic congestion in Metro Manila, a PhP2.0 billion budget will be allocated for the Pasig River Ferry Convergence Program to construct 17 additional stations along the Pasig River, from the current 12, in the Cities of Manila, Mandaluyong, Makati, Taguig, Pasig, and Marikina, all the way to Laguna Lake. This will be implemented by 10 government agencies, led by the Department of Budget and Management. When fully operational, the Program will be able to deploy twenty-four (24) 50-seater boats to ferry 76,000 commuters daily.

Regional Allocation for Infrastructure Projects

By deciding where to invest in and build infrastructure, the government can ensure, as much as possible, that growth is felt evenly across the population and falls evenly across regions. For FY 2019, a total of PhP296.9 billion, or 32.6 percent of the PhP909.7 billion, is allocated for the regions.

The National Capital Region (NCR) holds the largest allocation for infrastructure projects, amounting to PhP51.6 billion, followed by Region III with PhP25.8 billion, and Region V with PhP20.9 billion.

Among the regions in the Visayas, Region VIII gets the biggest allocation with PhP16.7 billion, to fund various infrastructure projects particularly in the Provinces of Samar and Leyte where the prevalence of poverty is relatively high.

The Davao Region (Region XI) holds the largest allocation in the Mindanao Area, with a PhP16.1 billion budget, followed by the Autonomous Region in Muslim Mindanao with PhP13.2 billion, and Region X with PhP11.9 billion.

Of the non-regionalized infrastructure budget, Central Office gets PhP477.1 billion while Nationwide corners PhP135.7 billion. Nationwide allocations refer to those multi-users of special purpose funds such as the Allocation to LGUs, Pension and Gratuity Fund, and National Disaster Risk Reduction and Management Fund. Central Office allocations, on the other hand, consist of infrastructure funds being managed by the head office of departments/agencies. *(See Table 8)*

[10] Philippine Ports Authority. (2018). *Summary Port Statistics.* Retrieved from http://www.ppa.com.ph/content/statistics-1

[11] Ibid.

[12] TEU measures a ship's cargo carrying capacity. The dimensions of one TEU are equal to that of a standard 20 shipping container (20' feet long, 8 feet tall).

Table 8. Regional Breakdown of the FY 2019 Infrastructure Budget

Particulars	2019 NEP
Nationwide	135.7
Central Office	477.1
National Capital Region (NCR)	51.6
Cordillera Administrative Region (CAR)	11.5
Region I	18.7
Region II	14.6
Region III	25.8
Region IV-A	20.1
MIMAROPA Region	13.8
Region V	20.9
Region VI	16.4
Region VII	15.2
Region VIII	16.7
Region IX	9.3
Region X	11.9
Region XI	16.1
Region XII	10.4
Region XIII	10.8
Autonomous Region in Muslim Mindanao (ARMM)	13.2
Total	**PhP909.7**

Infrastructure Projects in Local Government Units

Local government units (LGUs) are essential in delivering services to the public, especially those located in remote areas where access to services of the national government is limited. They serve as conduits of the national government in promoting welfare as programs and projects devolved to them include, among others: 1) the construction of roads, drainage facilities, bridges, and irrigation canals; 2) the lighting and cleaning of streets and other places; and 3) the establishment and maintenance of waterworks, markets, and slaughter houses. Thus, the Duterte Administration's "Build, Build, Build" Program recognizes the critical role that LGUs play in ensuring the success of its goal of ushering the Golden Age of Infrastructure. Specifically, this flagship program aims to encourage investments in the rural areas and help decongest urban cities.

The infrastructure program for LGUs will include grants for the local roads in provinces, cities, and municipalities which will be beneficial for transport of goods and services to the citizens. Fifteen percent, or PhP143.8 billion of the PhP909.7 billion overall infrastructure budget, is allocated for infrastructure projects for implementation by LGUs.

The Metropolitan Manila Development Authority will lead and implement projects for the ecological, safe, and efficient solid waste disposal and management; safe and smooth flow of traffic; and flood mitigation that will eventually improve the living conditions of the communities in Metro Manila with a total budget of PhP3.2 billion. Out of this budget, PhP240 million represents the MMDA's share of the Pasig River Ferry Convergence Project that serves as an alternate mode of transportation for the commuters in the Pasig, Makati, and Manila areas to complement the efforts to improve the traffic problem in Metro Manila.

A total of PhP11.7 billion is allotted for assistance to municipalities, which will be used to fund the establishment of local access roads, bridges, sanitation and health facilities, and potable water system projects. Along with these projects is the PhP8.2 billion set aside for the Conditional Matching Grant to Provinces (CMGP) for the pavement, repair, and improvement of around 500 km of provincial roads across the country.

The "Green, Green, Green" Project, which was launched this 2018, aims to make the communities in 145 urban cities more livable, sustainable, and well connected through the development of public open spaces. The activities under this project include the creation of esplanades, parks, botanical gardens, bike lanes, walkways and green infrastructure. This Program will be pursued in 2019 with a PhP5.8 billion allocation for the Assistance to Cities.

The rest of the infrastructure allocations for LGUs will fund the purchase of various transportation equipment, as well as the construction, repair, and rehabilitation of local roads, bridges, multi-purpose halls and buildings, and the installation of barangay street lighting. This will support the LGUs in making sure that service delivery to the citizens is convenient and of best quality.

IT Infrastructure Projects

The Duterte Administration aims to tap the power of information technology in order to ensure better services for the Filipino people and to support economic growth. According to the 2018 Internet World Stats report, 67 million out of the 105.7 million Filipinos, or 63 percent of the country's population, are internet and social media users. This places the Philippines among the top 20 countries globally in terms of internet use. In order to harness this potential, the Administration will invest in key IT infrastructure.

The country's current IT infrastructure setup is still beset with problems, such as the lack of government interoperability, old technical hardware, and failure to implement proper steps that hinder full-blown IT improvements. The Administration will invest PhP5.1 billion, representing the FY 2019 proposed allocation for the Department of Information and Communications Technology (DICT) to fund various IT projects which will improve the current situation. This amount represents an 18.6 percent increase from its cash-based equivalent of PhP4.3 billion in 2018.

Along with improving technological infrastructure is the need to improve data and information sharing and security. As more services and information are shared through the internet, the possibilities of breach and abuse also rise. This requires the provision of a budget for cyber security, which will ensure that data, information, and services are safe from any form of abuse.

For 2019, budget provisions under the DICT budget have been allotted for the improvement of Government Data Centers, upgrading of government IT equipment, and enhancement of government interoperability.

The government will also allocate PhP1.2 billion and PhP280 million to provide free internet Wi-Fi access in public places and in state universities and colleges, respectively. The free Internet access targets to support the 67 million internet users in the country. This project will also facilitate social services that are available online. The Administration is establishing these connections to ensure free and safe internet browsing within government institutions.

Based on a survey conducted by the United Kingdom-based consultancy We Are Social Ltd and social media management platform Hootsuite, which was released in January 2018, Filipinos spend the most time on social media websites compared with other nationalities around the world. The report showed that Filipinos spent an average of three hours and 57 minutes per day on social media platforms such as Facebook, Instagram, and Twitter. The Philippines is followed by Brazil (three hours and 39 minutes) and Indonesia (three hours and 23 minutes).

Table 9. Top 5 Countries that Spend the Most Time in Social Media

Country	Average number of hours spent on social media
1. Philippines	Three hours, 57 minutes
2. Brazil	Three hours, 39 minutes
3. Indonesia	Three hours, 23 minutes
4. Thailand	Three hours, 10 minutes
5. Argentina	Three hours, nine minutes

In order to cater to the population which uses the internet in availing of various services, a total of PhP318.5 million will also fund the National Government Portal (NGP) Project of the DICT. The Project will serve as a one-stop gateway for all web-based government information which will equate to rapid, high quality, and more efficient services to the citizens.

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. The interoperability in the Philippine government is also a factor for the NGP, which already interconnected 34 government agencies in 2018.

Major parts of the NGP budget will also be spent on capacity building for the supposed users and maintenance personnel for each agency's website. This Project will also be beneficial in improving the current Philippine ranking in the Global e-Government Development Index from 71st in 2016 to be part of the Top 60 by 2022. The NGP will achieve this ranking improvement as it centralizes the government content and services in a single venue which is measured globally.

To fully assure government interoperability, the Administration will also spend more than PhP177 million for the advancement and improvement of the National Government Data Center (NGDC). The allocation will address the needs of government internet connectivity to ensure a higher quality of government service. DICT's NGDC will likewise maintain and secure the Government Network, Government Cloud, and the National Data Center.

Likewise, the National Broadband Plan (NBP) implementation will also get a PhP43 million budget to improve internet speed nationwide. The NBP will undertake this upgrade by establishing the National Fiber Optic Cable Backbone and the implementation of the Luzon Bypass Project. This Project will hasten the deployment of fiber optic cables and wireless technologies which in turn will serve as the backbone for the aforementioned projects and services.

Towards the Golden Age of Infrastructure

It is estimated that every one percent growth in GDP requires that at least one percent of the GDP be invested in infrastructure development.[13] With the Duterte Administration's economic growth target of 7.0-8.0 percent per year, funding for infrastructure development has been accelerated to catch up with the pace of economic development. In fact, the share of public infrastructure spending as a share of GDP in the medium-term is expected to increase from an average of 2.6 percent in the last 50 years to 7.3 percent by 2022, or equivalent to between PhP8-PhP9 trillion from 2017-2022.

[13] Inderst, G & Stewart, F. (2014). *Institutional Investment in Infrastructure in Emerging Markets and Developing Economies,* Public-Private Infrastructure Advisory Facility, World Bank Group.

Building a More Secure and Peaceful Nation

Among the strategic pursuits of the Duterte Administration, peace and order stands as the bedrock that would strengthen the foundations for sustainable development. Represented by the zero in the Administration's "0+10-Point Socio-Economic Agenda", it facilitates the implementation of all other strategies which affect the people's mobility, confidence, and well-being, as well as business continuity and longevity.[1]

1. Maintaining Public Order and Safety

The Administration accords high priority to the preservation and maintenance of public order and safety, confident that this will strengthen the foothold of other pillars of development. Hand in hand with, or even ahead of, the pursuit of the ambitious goals of infrastructure and human capital development, the government envisions to provide a safe place for the Filipino people through a relentless battle against criminality and external threats.

This vision supports the thrust of uplifting the overall well-being of the Filipino people by making them feel safe as they go about their business, economic, and social pursuits. The government believes that a more secure and peaceful nation assures the progressive flow of other developmental goals. There is no doubt that a country which is not distracted by issues, threats, and tensions on national security and public order has a good foundation for enhancing, maintaining, and sustaining reforms and other government interventions for the common good of its people.

The government aims by 2022 for the country to "have better capability to significantly reduce criminality and terrorism, and to ensure the safety and security of all Filipinos in the country and overseas from all forms of hazards."[2]

To achieve this, the Duterte Administration has introduced and sustained reforms that include, among others, equipping the Philippine National Police (PNP), implementing the second horizon of the Modernization Program in the military sector, and increasing the salaries of the Military and Uniformed Personnel (MUP).

Joint Forces in Securing the Nation

Under the medium-term development plan, security, public order, and safety can be achieved if: 1) territorial integrity and sovereignty are upheld and protected; 2) all forms of criminality and illegal drugs are significantly reduced; and 3) public safety is ensured.

For 2019, the total budget of the Defense Sector has been increased to PhP188.2 billion from the 2018 level of PhP161.5 billion. Meanwhile, the Public Order and Safety Sector increased its budget from PhP655.4 billion in 2018 to PhP709.4 billion in 2019. The increase is attributed to programs such as the continuity of the Modernization Program of the Armed Forces of the Philippines; the Crime Prevention and Suppression Program of the Philippine National Police (PNP); the Inmate Safekeeping and Development Program of the Bureau of Jail Management and Penology (BJMP); the Fire and Emergency Management Program of the Bureau of

Table 1. Defense and Public Order and Safety Sectors Programs and Budgets, 2017-2019 (in billion Pesos)

Particulars	2017 Actual (obligation-based)	2018 GAA (obligation-based)	2019 NEP (cash-based)
Department of National Defense	**167.1**	**150.0**	**183.4**
Of which:			
AFP Modernization Program	33.2	25.0	25.0
Department of the Interior and Local Government	**473.9**	**172.4**	**225.6**
Of which:			
Philippine National Police	**151.4**	**132.6**	**172.6**
Crime Prevention and Suppression Program	143.3	110.4	151.7
Crime Investigation Program	0.6	0.7	0.7
Bureau of Jail Management and Penology	**14.1**	**14.5**	**18.9**
Inmate Safekeeping and Development Program	12.1	13.5	16.9
Bureau of Fire Protection	**18.6**	**15.8**	**23.0**
Fire Prevention Management Program	0.4	0.3	0.3
Fire and Emergency Management Program	13.0	11.8	18.5

[1] National Economic and Development Authority (NEDA). (2017). *Philippine Development Plan 2017-2022.*
[2] Ibid.

Fire Protection (BFP); and the funding for the salary increase of Military and Uniformed Personnel (MUP).

Upholding and Protecting Territorial Integrity and Sovereignty

Strengthening the Philippines' defense posture, particularly its maritime security, is still on top of the reform priorities of the Duterte Administration. As regards geographical vulnerability to external threats, the government continues to reinforce the country's border security and patrol measures to protect our porous borders from illegal incursions, resource exploitation, maritime disputes, smuggling of firearms and contrabands, human trafficking and other transnational crimes.[3]

For 2019, the budget of the Department of National Defense (DND) has gone up to PhP183.4 billion or a 34.4 percent increase over its 2018 cash-based budget equivalent of PhP136.5 billion. Three of the Department's agencies have been given the highest budgets, namely: 1) Philippine Army (PhP89.0 billion); 2) Philippine Air Force (PhP24.6 billion); and 3) Philippine Navy (PhP27.8 billion).

Allocations for these agencies will go to their programs on land, air, and naval defense operations to attain the level of mission capability of their respective units during operations.

Republic Act No. 10349 s. 2012, extends the modernization program for another 15 years to continue enhancing the capabilities of all the branches of the AFP. For FY 2019, an amount of PhP25 billion has been proposed, bringing the total appropriated budget for the Modernization Program, per the General Appropriations Act, to PhP129.7 billion since 2014, the first year that funds were released.

By the end of 2022, the DND targets to be "a defense organization equipped with enhanced capabilities to address current and evolving defense and security challenges."[4]

Reducing the Incidence of All Forms of Criminality

"Your concern is human rights, mine is human lives."

These words from President Duterte, expressed during his 3rd State of the Nation Address last July 23, 2018, underscore the Administration's intention to continue the "war on drugs" to restore peace and order in the communities.

The President reiterated his stance that the "illegal drugs war will not be sidelined," elaborating on his definition of human rights – "giving Filipinos, especially those at the society's fringes, a decent and dignified future through the social and physical infrastructures necessary to better their lives."

Table 2. Defense Sector Accomplishments and Physical Targets

Particulars	2017 (Actual)	2018 (Target)	2019 (Target)
Armed Forces of the Philippines			
No. of tactical and ready reserve units maintained			
a. Tactical Battalions	198	191	204
b. Ready Reserve Battalions	82	82	83
Percentage of operational readiness of tactical and ready reserve units			
a. Tactical Battalions	76	82	81
b. Ready Reserve Battalions	60	65	65
Philippine Air Force			
No. of supportable aircraft maintained	153	154	154
Percentage of accomplishment of one-hour response to flight-directed mission	98	90	90
Percentage of flying hours flown	-	100	100
Philippine Navy			
No. of Philippine Navy (PN) units deployed and sustained for utilization/ deployment	-	184	117
No. of PN units prepared for deployment	-	38	40
No. of force-level support services units sustained	-	55	134

Source: National Expenditure Program FY 2019

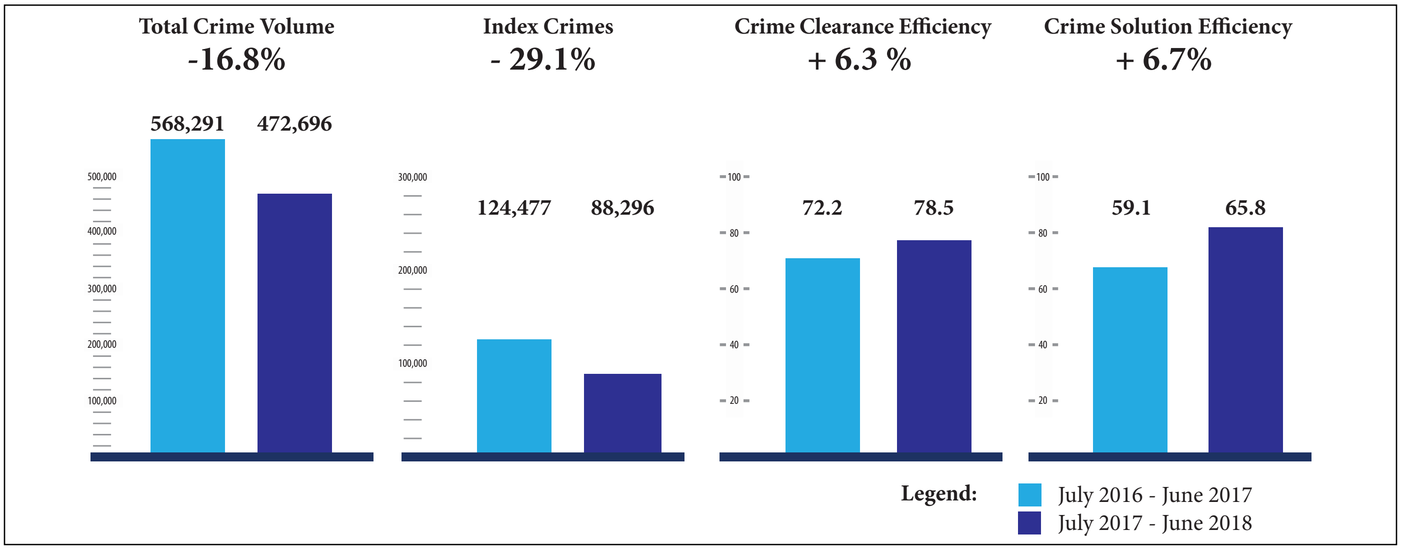
Gleaned from "The President's Report to the People 2016-2018", published by the Office of the President-Presidential Management Staff, the total crime volume in the country has gone down. This has been attributed to the successful implementation of several anti-crime campaigns.

Based on said Report, the PNP reported a total crime volume (or the actual number of crime occurrences nationwide) of 472,696 from July 2017 to June 2018, reflecting a decrease of 16.8 percent, compared to the July 2016 to June 2017 period. There have likewise been improvements in the PNP's crime clearance efficiency (CCE) and crime solution efficiency (CSE), which increased by 6.3 percent and 6.7 percent, respectively. CCE refers to the percentage of cleared cases out of the total number of crime occurrences, while CSE is the metric for percentage of solved cases.

[3] National Security Commission. (n.d.). *National Security Policy for Change and Well-being of the Filipino People.* Retrieved from https://www.nsc.gov.ph/attachments/article/NSP/NSP-2017-2022.pdf.

[4] Department of National Defense. (n.d.). *DND Quality Policy, Mission, Vision, and Core Values.* Retrieved from http://www.dnd.gov.ph/transparency/about-dnd/dnd-quality-policy-mission-vision-and-core-values.html.

Figure 1. Crime Statistics, 2016 vs. 2017



Source: Department of the Interior and Local Government

In the same Report, the PNP reported a significant decrease in the number of index crimes[5] (e.g., murder, homicide, physical injury, etc.), with 88,296 from July 2017 to June 2018, down by 29.1 percent from 124,477 crimes compared with the July 2016-June 2017 statistics.

While efforts have yielded good results, the government remains determined to sustain the reduction in all forms of criminality in the Philippines, aside from drug-related crimes.

As the primary law enforcement arm of the country, the PNP is provided with PhP172.6 billion for 2019. Of this total, a large chunk will fund its Crime Prevention and Suppression Program with PhP151.7 billion. This will pave the way for the conduct of more intensive police patrol operations and other related confidential activities against dissidents, subversives, lawless elements and organized crime syndicates and for the campaigns against kidnapping, trafficking of women and minors, smuggling, carnapping, gunrunning, illegal fishing and trafficking of illegal drugs.

Also included within the said Program is the procurement of PhP5.4 billion worth of mobility, firepower, communication, and other intelligence and investigative equipment under the PNP's Capacity Enhancement Program. Some PhP191 million is also allotted for the procurement of ammunitions for the 26,680 firearms purchased in 2017.

The budget will also be used to conduct community awareness and public relations activities, and community work and development, including disaster preparedness, community organization and mobilization, and relief operations. It also includes the construction of 51 additional police stations mostly outside Metro Manila.

Table 3. PNP Accomplishments and Targets, 2017-2019

Particulars	2017 (Actual)	2018 (Target)	2019 (Target)
Crime Prevention and Suppression Services			
No. of foot and mobile patrol operations conducted	15,215,826	5% increase from 2017 accomplishment	5% increase from 2018 accomplishment
Percentage change in National Index Crime Rate (NICR)	8.65%	5% reduction	5% reduction
Percentage of crime incidents responded within 15 minutes (in urban areas)	98.64%	100%	100%
Crime Investigation Program			
No. of investigations undertaken	520,389	527,902	554,297
Percentage of most wanted persons/high value targets arrested	49.11%	5% increase from 2017 accomplishment	5% increase from 2018 accomplishment
Percentage of persons arrested within 30 days upon receipt of the warrant of arrest	30.36%	5% increase in monthly arrest	5% increase in monthly arrest

Source: National Expenditure Program FY 2019

[5] Crimes which are serious in nature and occur with sufficient frequency and regularity

Safekeeping and Development of District, City and Municipal Jail Inmates

A new challenge that may emerge as a result of intensified law enforcement is that it could lead the country's justice system to a critical brink. The increased number of arrested offenders, coupled with an overwhelming number of pending cases, will definitely impact on the limited availability of detention cells in the Philippines. Aside from the additional budget needed to finance the basic necessities of inmates, decent and spacious jail cells should also be considered.

Table 4. Jail Congestion Rate, 2018[6]

Type of Jail	No. of Jails	Jail Population	% of Congestion
City	95	73,505	701
District	176	44,007	513
Municipal	124	9,439	576
Female	73	13,695	606
Other Classification	14	4,369	221
Total	482	145,015	589.12

Source: Bureau of Jail Management and Penology

The Bureau of Jail Management and Penology (BJMP) reported that the congestion rate in existing jails in the country is almost 600 percent. The city jails, for instance, suffer from a 701 percent congestion rate, which may lead to several more problems, among them the spread of infectious diseases.

To address these pressing issues, the BJMP has been allotted PhP18.9 billion in 2019. This will enable the agency to immediately attend to problems related to high congestion rates and the spread of infectious diseases in the various jails.

For 2019, the BJMP will focus on administering safe and humane management of all district, city, and municipal jails. Some PhP16.9 billion is set aside for its Inmate's Safekeeping and Development Program, which covers the custody, safekeeping and rehabilitation of inmates awaiting investigation, trial and/or transfer to the national penitentiary.

To address health concerns, some PhP3.9 billion out of the PhP16.9 billion is allotted for the daily subsistence of inmates. Another PhP666 million is for the medicine allowance of the assumed 182,556 number of inmates in 2019.

A large part of the proposed budget for the BJMP will fund the construction of additional jail buildings. The PhP2.9 billion allocation targets to decongest the existing facilities caused by the influx of inmates and thus prevent them from acquiring diseases.

Ensuring Public Safety

Aside from reducing criminality, the government also targets to reduce the number of casualties as a consequence of disasters and other similar hazards. Fires, for instance, are considered as among the most costly but preventable emergencies in the Philippines[7] and a major threat to health, life, and property.

According to the World Health Organization, fire-related incidents are also viewed as a global public health concern. The impact of fires may be categorized into two: 1) direct physical harm that causes deaths and injuries such as burns; and 2) psychological and emotional trauma.[8]

Table 5. Deaths and Injuries Due to Fire Incidents, 2016-2018

Particulars	January to June 2016	January to June 2017	January to June 2018
Fire Incidents	13,215	8,457	9,647
Deaths	160	161	132
Injuries	552	537	428

Source: Bureau of Fire Protection

The Bureau of Fire Protection (BFP) recorded a slight increase in the number of fire incidents in the first semester of this year compared with its 2017 level. The Bureau also noted 132 fire-related deaths and identified 428 injured persons during the period. The goal of reducing casualties is on track as the figures are lower than the 2016 and 2017 levels.

Republic Act No. 9514, otherwise known as the "Revised Fire Code of the Philippines of 2008," emphasizes the State's role "to ensure public safety and promote economic development through the prevention and suppression of all kinds of destructive fires." As the primary vanguard against destructive fires, the BFP has been tasked to strengthen systems and measures to prevent fire-related losses and injuries. This is being done through enforcing the thorough evaluation and inspection of all private and public buildings, facilities and structures as a pre-requisite to the grant of permits and/or licenses, as well as enhancing the capabilities of firemen in responding to fire incidents.

Table 6. Fire Safety Inspection, 2016-2018

Particulars	January to June 2016	January to June 2017	January to June 2018
No. of Establishments inspected	949,658	1,091,666	1,316,076

Source: Bureau of Fire Protection

[6] Data as of April 2018
[7] Velasco, G.V. (June 2013). *Philippine Institute for Development Studies. Epidemiological Assessment of Fires in the Philippines*. Retrieved from *https://dirp4.pids.gov.ph/ris/dps/pidsdps1335.pdf*.
[8] Ibid.

The BFP recorded an increase in the number of establishments which have duly complied with the provisions of the Fire Code. From January to June this year, the BFP inspected a total of 1,316,076 establishments.

To sustain the gains in protecting the public from destructive fires, the BFP is given PhP23.0 billion. The biggest chunk of its fund will be allocated for its Fire Prevention Management Program and Fire and Emergency Management Program.

On the "prevention" side, the budget of the BFP will be used for the enforcement of laws, rules and regulations on fire safety, including intensive inspection of fire prevention measures in establishments, as well as distribution of Information, Education, and Communication (IEC) materials on fire safety. For 2019, the BFP aims to increase its target inspections to 1,775,475, of which 6,475 are establishments in Philippine Economic Zone Authority (PEZA) areas.

On fire and emergency management, the BFP will continue to strengthen its operations and investigation activities.

The BFP has also set aside PhP1.0 billion, sourced from the fees and fines collected in accordance with the Fire Code, to be used for the BFP Modernization Program. This will fund, among others, the acquisition and improvement of facilities, purchase of fire trucks, firefighting, and personal protective equipment, and emergency and rescue equipment.

Improvement in the Personnel-to-Population Ratio

One of the aims of the major increase in the salary of MUPs is to attract more recruits, especially in the police, public safety, and jail management sectors. With the upward trend in the country's total population, as well as the spike in the number of inmates in jails, more personnel are needed to address public order and security issues.

According to the DILG, while the government is nearing its target in terms of police-to-population ratio, there is still much to be done to improve those of the fire and jail management sectors.

The government has provided funds in the 2019 Budget for the creation of additional MUP positions to gradually attain the ideal personnel-to-population ratio.

The PNP has been allotted PhP3.0 billion for the creation of 10,000 Police Officer 1 positions.

In the BFP, some PhP803 million is allotted for the creation of an additional 3,000 Fire Officer 1 positions.

To increase the number of jail personnel manning the detention cells, the BJMP has been allotted PhP576 million for the creation of an additional 2,000 positions. The additional personnel will beef up the Bureau's existing manpower resources for custodial and security functions, especially in view of the increasing number of inmates.

Improving the Welfare of the Country's Men and Women in Uniform

The American Psychological Association, a scientific and professional organization on psychology-related concerns, has identified some of the most hazardous occupations worldwide. Not surprisingly, among these are occupations involved in emergency response, including firefighters and policemen, as well as those in military occupations.[9]

These occupations have a high level of risk due to their work environments and their exposure to perilous situations. Added to these are factors which may put employees in great danger, such as violence, work schedules, health risks, trauma, stress, inconsistent sleeping pattern, fatigue, and other safety concerns.

In light of the inevitable risks that these occupations may likely confront, the government has laid out programs to ensure the safety and welfare of the Military and Uniformed Personnel (MUP). One of these is providing additional benefits such as hazard and combat duty pay, which may be used by them or their families for their daily subsistence and in times of emergency.

Table 7. Personnel-to-Population Ratio, 2016-2017

Ratio	Ideal	2016 (Actual)	2017 (Actual)	2018 (Target)	2019 (Target)
Police-to-Population[10]	1:500	1:550	1:521	1:529	1:505
Fire Personnel-to-Population[11]	1:2,000	1:5,279	1:4,914	1:4,620	1:4,350
Jail Personnel-to-Persons Deprived of Liberty[12]	1:7	1:39	1:41	1:38	1:33

[9] American Psychological Association. (n.d.) *High-Risk Jobs and High-Risk Populations*. Retrieved from http://www.apa.org/wsh/past/2011/high-risk-jobs.aspx.
[10] Data as of September 2017
[11] Data as of September 2017
[12] Data as of November 2017

Figure 2. Increase in the Monthly Base Bay of PO1 and Equivalent Ranks

On January 1 this year, President Duterte signed Congress Joint Resolution (JR) No. 1, s. 2018, which mandates the salary hike of the MUPs. Since the start of 2018, all MUPs have been granted a salary adjustment, resulting in the doubling of the base pay of a Police Officer (PO) 1 in the Philippine National Police (PNP) or a Private in the Armed Forces of the Philippines (AFP), and equivalent ranks in the Bureau of Jail Management and Penology (BJMP), Bureau of Fire Protection (BFP), Philippine Public Safety College (PPSC), Philippine Coast Guard (PCG), and the National Mapping and Resource Information Authority (NAMRIA).

This game-changing reform aims to, among others, adjust the compensation package of MUPs to a level proportionate to their functions, taking into consideration their exposure to high-risk environments in the performance of their duties.

The full implementation of the modified Base Pay Schedule in 2019 will result in an overall average increase of 72.18 percent from the Base Pay rates prior to the effectivity of the Joint Resolution.[13]

Securing the Nation from Criminality and Terrorism

Economic prosperity is highly dependent on national security.[14] Many of the world's highly developed countries are nations with low rates of criminality and terrorism. Undeniably, peace and development is a globally acknowledged aspiration and the Philippines has its eye on this, confronting national security threats through game-changing reforms.

2. Achieving a Just and Lasting Peace

The United Nations 2030 Agenda for Sustainable Development, which the Philippines has adopted along with more than 190 countries, affirms that "there can be no sustainable development without peace and no peace without sustainable development." The inextricable link between these two elements has been further underscored with the inclusion, among the 17 Sustainable Development Goals (SDG) to be achieved by 2030, of the promotion of "peace and inclusive societies… access to justice for all" and the strengthening of "effective, accountable and inclusive institutions at all levels".

As Agenda 2030 explains, "high levels of armed violence and insecurity have a destructive impact on a country's development, affecting economic growth and often resulting in long standing grievances that can last for generations."[15]

In the Philippines, this statement finds truth in the more than four-decades long conflict in Mindanao, which has taken more than 120,000 lives and displaced millions of people.[16] The Autonomous Region in Muslim Mindanao (ARMM), in particular, tagged as the "arena for one of the world's longest-running insurgencies", has remained a consistent laggard in almost all development outcomes.[17]

President Rodrigo Duterte, in his 3rd State of the Nation Address, cited an oft-repeated observation about Mindanao: that it is indeed the "Land of Promise" because it is literally an island where government promises never get beyond that state.

Taking action from there, especially in light of his being the country's first Chief Executive from Mindanao, President Duterte has defined the transformation of Mindanao through the fulfillment of promises for the island, as a priority thrust of his Administration. A recurring theme of his 2016 presidential campaign, in fact, was to correct the historical injustices against the Bangsamoro people.

And now, having set the tone and drafted the strategies to achieve this vision, the Duterte Administration continues the efforts, in pursuit of peace in Mindanao, which will hopefully bring about a lasting and unifying peace for the entire Philippines.

Forward Movement of the Peace Process

One of the key accelerators in forging a just and lasting peace in the conflict- and poverty- stricken region is an enabling law that will ensure the momentum of the initial steps in the peace process and the irreversibility of reforms.

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[13] Department of Budget and Management (DBM). (January 10, 2018). *Press Release: President Duterte fulfills campaign promise, doubles salaries of cops, soldiers.*
[14] National Security Commission. (n.d.). *National Security Policy for Change and Well-being of the Filipino People.* Retrieved from https://www.nsc.gov.ph/attachments/article/NSP/NSP-2017-2022.pdf
[15] United Nations Development Programme. (n.d.). *Goal 16: Peace, Justice and Strong Institutions.* Retrieved from http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-16-peace-justice-and-strong-institutions.html.
[16] Hutchcroft, Paul D. (2016). *Mindanao: The Long Journey to Peace and Prosperity.*
[17] Ibid.

That key is now at hand, the passage of the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao and its historic signing by President Duterte on July 27, 2018. This landmark legislation marked a major breakthrough in long and winding series of negotiations towards peace between the Philippine government and the Bangsamoro rebel groups.

The Bangsamoro Organic Law is the complementary instrument of the Comprehensive Agreement on the Bangsamoro (CAB) which was signed in 2014. The CAB ended 17 years of negotiations between the Government of the Philippines and the Moro Islamic Liberation Front (MILF) and proposed a comprehensive political settlement that would prevent violent extremism in the Region.

Under the new law, the Bangsamoro Autonomous Region shall have a democratic political system and a parliamentary form of government. 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, legislate matters within its authority and elect a Chief Minister to exercise executive authority on its behalf. The Parliament shall be composed of 80 members.

The establishment of the territorial jurisdiction of the Bangsamoro Autonomous Region shall take effect upon ratification of the Organic Law by majority of the votes cast in the territorial jurisdiction defined in the Law through a plebiscite to be conducted for the purpose, with political units voting favorably.

Executive functions and authority shall be exercised by the Cabinet headed by a Chief Minister, to be elected by a majority vote of all members of the Parliament.

Said Law may be counted as the sturdiest and most irreversible peace settlement pursued and successfully achieved by the Duterte Administration to end the decades-old conflict in the Region.

Changing the Face of the ARMM

The ARMM was created in 1989 by virtue of Republic Act No. 6734, otherwise known as "An Act Providing for an Organic Act for the Autonomous Region in Muslim Mindanao." The law provides the ARMM's "basic structure of government within the framework of the Constitution and national sovereignty and the territorial integrity of the Republic of the Philippines, and to ensure the peace and equality before the law of all people in the Autonomous Region."

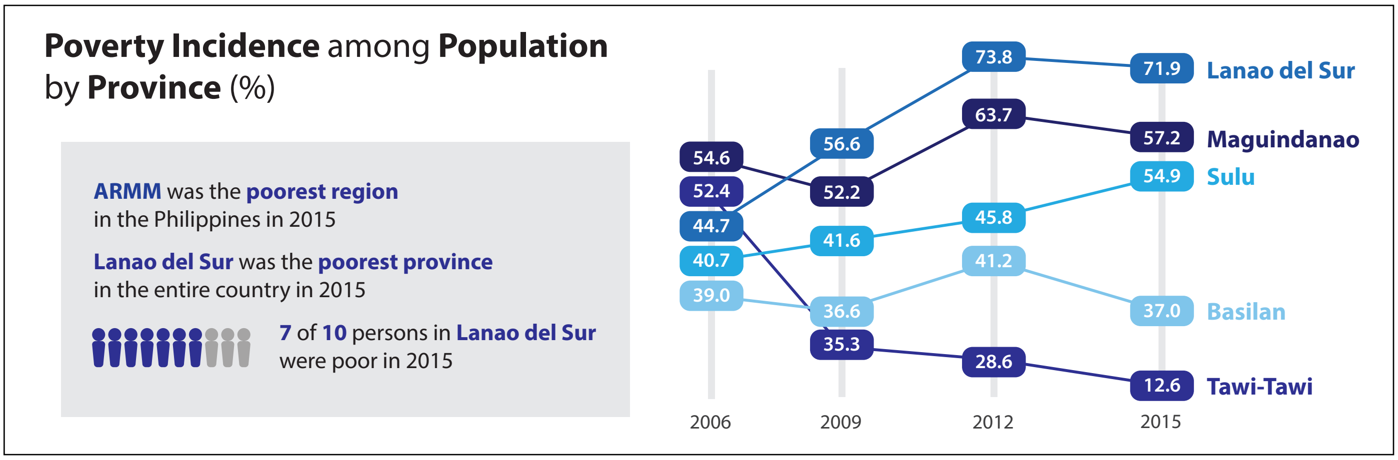
Almost two decades since its creation and on the heels of its new political structure, however, development remains to be elusive for the Region.

The Philippine Statistics Authority (PSA) reported that the ARMM remained the poorest region in the Philippines in 2015, with more than half of its total population within the poverty bracket. Twenty-one (21) percent of its population was not able to meet their basic food needs.[18]

To address various challenges in the ARMM, the Duterte Administration allotted PhP32.3 billion for the Region in 2019. The fund targets to prioritize, among others, infrastructure, human capital development, social services, and public order and safety programs for the Bangsamoro people.

One of the biggest programs in the Region is the ARMM-Health, Education, Livelihood, Peace and Order and Synergy (HELPS) Program, which is provided with an allocation of PhP1.5 billion. This poverty alleviation Program aims to bring government services closer to the ARMM people, with the use of an integrated delivery of

Figure 3. Poverty Incidence in ARMM, 2015



Source: Philippine Statistics Authority

[18] Autonomous Region in Muslim Mindanao. (n.d.). Retrieved from https://armm.gov.ph/discover-armm/programs-and-projects/.

Table 8. Key Projects and Activities under the HELPS Program

Sector	Projects and Activities
Health, Nutrition and Sanitation	• Construction of health centers and birthing facilities • Provision of medicines and supplies • Deployment of health personnel (e.g., midwife, Barangay Nutrition Scholars) • Capacity building for health workers
Education	• Construction of day care centers, school buildings/ community learning centers and Madrasah schools • Personnel support • Provision of early childhood care and development materials, school supplies, teaching materials and instructional support • Conduct of supplemental feeding • Strengthening of standard Madrasah curriculum • Provision of scholarships
Livelihood	• Self-employment assistance-kaunlaran/capital assistance • Gulayan sa Paaralan Project • Livelihood assistance for farmers, fisherfolk, women, youth, and the Moro National Liberation Front • Skills training • Support infrastructure (roads and bridges, fish ports, electrification and water system) • Aqua-agri implements and inputs and livestock dispersal • Credit access/Islamic micro-financing • Provision of pre- and post-harvest facilities • Packaging and marketing assistance • Eco-tourism • Mini-market or economic enterprise
Peace and Governance	a. Peace • Strengthening of local structures (Municipal Peace and Order Councils, Barangay Human Rights Action Center, Katarungang Pambarangay) • Housing/core shelters • Sportsfest • Cultural promotion • Bantay Dagat Program[19] • Regulation and reduction of loose firearms b. Governance • Construction of government centers • Formulation of local development plans • Conduct of municipal and barangay assemblies • Strengthening of local structures and special bodies • Promotion of Seal of Good Housekeeping • Task Force Marangal (voters education, and distribution of Information, Education, and Communication materials)

Source: Official website of the Autonomous Region in Muslim Mindanao

services in target areas in close coordination with the development stakeholders at the provincial, municipal, and barangay levels.[20]

Another intervention to reduce poverty in the Region is the ARMM-Bangsamoro Regional Inclusive Development Program for Growth and Equity (BRIDGE). For 2019, the Program is provided with a budget of PhP2.7 billion to help strengthen local governance and empower communities in the ARMM.

The BRIDGE is patterned after the government's National Community Driven Development Project, which aims to empower communities in targeted municipalities. It uses the "Apat na Dapat" Program Model, focused on water and sanitation, food, shelter, and electricity.

In addition to community empowerment, the ARMM also prioritizes education. For 2019, some PhP11.8 billion will be used for the implementation of the ARMM's basic education programs. Some PhP244 million is meanwhile allotted for the formulation and implementation of policies and programs on higher education. On the other hand, the ARMM's Regional Technical Education and Skills Development Authority (TESDA) is provided with PhP67 million for the development and implementation of Technical Education and Skills Development Programs. For the implementation

[19] A program to protect ARMM municipal waters from illegal fishing and poachers
[20] Autonomous Region in Muslim Mindanao. (n.d.). Retrieved from https://armm.gov.ph/discover-armm/programs-and-projects/.

of science and technology, research and technology transfer programs, the Region is allotted PhP29 million.

Building the Bangsamoro

For many years, Mindanao has lagged behind Luzon and Visayas in terms of infrastructure development.[21] The Mindanao 2020, the medium-term plan crafted by the Mindanao Development Authority, has identified the following infrastructure issues as the reasons for this situation:

- Lack of coherent plans (e.g., integrated roads, bridges and logistics; water resource management, etc.);
- Inadequate government financial resources for infrastructure development and maintenance;
- Underinvestment by the private sector due to a weak policy environment for implementation of development projects under public-private partnerships; and
- Criminality such as pilferage and vandalism of service infrastructures, and peace and order problems in some parts of Mindanao.

Among the areas in Mindanao, the ARMM is also challenged by slow infrastructure development. To continue improving the infrastructure in the Region, which is deemed vital in steering the attainment of other development goals, some PhP10.1 billion is allotted for the construction, improvement, and maintenance of infrastructure projects in the ARMM.

Women, Peace, and Security

During armed conflict, certain sectors such as women, children, and other persons with specific needs bear the brunt of displacement. Citing the destructive outcome of the Marawi siege in May 2017, the Child Protection Rapid Assessment Report on the Marawi Displacement, produced by the Child Protection Working Group-Philippines, noted that an estimated 98 percent of the Marawi population is believed to have been displaced due to the conflict. This includes, among others, unaccompanied and separated children, pregnant and lactating mothers, persons with disabilities, elderly persons, and persons with serious medical conditions.

Gleaned from this experience, much needs to be done in terms of providing assistance to these vulnerable groups. With the adoption of the 2017-2022 National Action Plan on Women, Peace and Security (NAP WPS), the government targets a whole-of-government approach in addressing gender-based violence in emergencies.

Starting in 2018, the Administration is recalibrating the 2017-2022 NAP WPS to integrate basic precepts of women's human security as stipulated in the CEDAW General Recommendation 30 (CEDAW GR 30), with regard to ensuring their human rights before, during, and after various conflict contexts and the impact of these on their lives.[22]

Winning Peace and Development

In seeking to build a peaceful and developed nation, it is imperative that government development interventions reach the far-flung and conflict-affected communities. One of the effective strategies to achieve this is to forge partnerships among national agencies in the delivery of most basic goods and services.

Countering war and violence with positive action, the government is providing opportunities for conflict-affected areas to benefit from the major services of government agencies. This may be in the form of social protection mechanisms and health services, among others.

Table 9. ARMM Infrastructure Program, 2017-2019

Particulars	2017 Actual (Obligation-based)	2018 GAA (Obligation-based)	2019 Proposed (Cash-based)
ARMM Infrastructure Program	**PhP10.3 B**	**PhP10.2 B**	**PhP10.1 B**
Maintenance and Repair of Infrastructure Facilities			
Kilometers (km) of roads maintained	992.58	992.51	992.51
Lineal meters (lm) of bridges constructed and maintained	6,723.88	6,723.88	6,723.88
No. of ports and shore protection structures maintained	33	64	64
No. of water supply projects maintained	17	87	87
Construction, Rehabilitation, and Improvement of Infrastructure Facilities			
Km of roads constructed/rehabilitated/improved	106.49	361.65	361.65

[21] Japan Ministry of Economy, Trade and Industry. (March, 2017). *Study on Infrastructure Development in Mindanao, Philippines*. Retrieved from http://www.meti.go.jp/meti_lib/report/H28FY/000056.pdf.
[22] Office of the Presidential Adviser on the Peace Process. (2016). *2017-2022 National Action Plan on Women, Peace and Security.*

One of the biggest programs of the Duterte Administration in terms of rebuilding conflict-stricken areas is the PAMANA (PAyapa at MAsaganang PamayaNAn) Program. It is the national government's principal convergence program which extends interventions especially to communities in insurgency fronts.

This Program is a key instrument in contributing to the attainment of a just and lasting peace along with projects and activities that target, among others, the improvement of socio-economic conditions in areas affected by and vulnerable to armed conflict.

Table 10. PAMANA Program, 2019
(in million Pesos)

Particulars	2019 Proposed
PAMANA Program	**386**
Of which:	
Community Support (DSWD)	302
Support to Indigenous Peoples (NCIP)	23
Health Insurance Premiums (PHIC)	61

With a budget of PhP386 million for 2019, PAMANA activities will focus on community support, assistance to indigenous peoples, and provision of health insurance premiums to beneficiaries identified by the Office of the Presidential Adviser on the Peace Process (OPAPP). The OPAPP is also being tapped by the Duterte Administration to validate the quarterly reports on the status of the PAMANA projects.

With its mandate to oversee, coordinate, and integrate the implementation of the comprehensive peace process, the OPAPP is allotted PhP688 million in 2019 to focus mainly on negotiating political settlement of all internal armed conflicts through the provision of technical advisory and support services on the comprehensive peace process program.

Realizing the Promise of a Lasting Peace

A genuine, inclusive, and lasting peace can never be achieved through short-term solutions as it is a never-ending battle of harmonizing beliefs, accepting individualities, fostering camaraderie, equally distributing opportunities, and forging partnerships.

Nonetheless, no matter how difficult and winding the road to peace is, the ultimate destination of a peaceful nation can be achieved. For the government, this means hearing the side of rebel groups and engaging them in the peace process. This also means reaching out to those at the peripheries, and providing them with their most basic needs.

With combined efforts of the government and its people and the mutually shared vision of a peaceful Philippines, the promise of a lasting peace is not impossible anymore.

3. Strengthening Disaster Resiliency

Among the perennial challenges confronting the Philippines, the threats and impacts of natural disasters are considered among the most serious and inevitable. The country's geographical location – facing the Pacific Ocean and lying within the Pacific Ring of Fire – makes it inherently vulnerable to typhoons, floods, sea level rise, volcanic activity, and earthquakes.

Situated in the midst of the Pacific Typhoon Belt, the country is known as the most tropical storm-exposed country on Earth.[23] It experiences 15-20 typhoons every year, five of them considered very destructive.[24]

From the second half of 2017 to early 2018, 21 typhoons were recorded to have entered the Philippine Area of Responsibility. These collectively affected around 3.30 million people, with 242 killed, 224 missing, and 105 injured. Losses and damage to agriculture and infrastructure were estimated at PhP4.95 billion and PhP2.07 billion, respectively.[25]

The Philippines ranked third in the 2017 World Risk Index's list of countries with the highest exposure to and risk of being affected by disasters worldwide.[26] This is the country's third consecutive year in the same slot, after a one-notch improvement in the 2014 report. The World Risk Index measures a country's exposure or risk to natural disasters and examines man-made factors along three components: coping, adaptation, and susceptibility.

Meanwhile, the 2018 Global Climate Risk Index reports that the Philippines ranked fifth in the top 10 countries most affected by climate disasters in the world from 1997-2016. During the two-decade period, the Philippines had the most number of disaster-related events, costing the country some US$2.3 billion. The report also highlighted that most of the affected countries in the top 10 of the long-term index recorded exceptional catastrophes during the said period.

These 10 countries were analyzed based on four indicators, namely: 1) Number of deaths; 2) Number of deaths per 100, 000

[23] Brown, S. (November 11, 2013). *The Philippines Is the Most Storm-Exposed Country on Earth.* Retrieved from http://world.time.com/2013/11/11/the-philippines-is-the-most-storm-exposed-country-on-earth/.
[24] Asian Disaster Reduction Center. (April 3, 2015). *Information on Disaster Risk Reduction of the Member Countries: Philippines*. Retrieved from http://www.adrc.asia/nationinformation.php?NationCode=608.
[25] Office of the President-Presidential Management Staff. (2018). *The President's Report to the People 2016-2018*. Retrieved from https://pcoo.gov.ph/downloads/2018-PRP-RRD.pdf.
[26] ReliefWeb (November 6, 2017). *World Risk Report 2017*. Retrieved from https://reliefweb.int/sites/reliefweb.int/files/resources/WRR_2017_E2.pdf.

Table 11. The Long-Term Climate Risk Index (CRI): The 10 Countries Most Affected from 1997 to 2016

Climate Risk Index (1997-2016)	Country	CRI Score	Death toll	Deaths per 100,000 inhabitants	Total losses in PPP* (in million US$)	Losses per unit GDP (in percent)	Number of Disaster Events (1997-2016)
1	Honduras	12.17	301.65	4.28	561.11	1.968	62
2	Haiti	13.50	280.40	2.96	418.77	2.730	72
3	Myanmar	14.00	7,097.75	14.55	1,277.86	0.694	43
4	Nicaragua	19.33	162.45	2.96	234.60	1.127	44
5	Philippines	20.17	859.55	0.98	1,893.41	0.611	289
6	Bangladesh	26.50	641.55	0.44	2.311.07	0.678	187
7	Pakistan	30.50	523.10	0.33	2,816.82	0.605	141
8	Vietnam	31.83	312.60	0.37	2,029.80	0.549	216
9	Thailand	33.83	139.60	0.21	7,696.59	0.967	137
10	Dominican Republic	34.00	210.90	2.32	243.53	0.262	49

Source: Global Climate Risk Index 2018
**Purchasing Power Priority*

inhabitants; 3) Sum of losses in US$ in purchasing power parity (PPP); and 4) Losses per unit of Gross Domestic Product (GDP).

Evolving Approaches in Addressing Disaster Risk

Given the inherent susceptibility of the Philippines to natural disasters, several approaches and strategies have been used over the years to aptly address these risks. In the 1970s, the country introduced the disaster preparedness and response approach, and shifted focus to disaster management in the 1980s. The latter approach eventually transformed into disaster risk management in the 1990s.

At present, the government uses the disaster risk reduction and management approach to suitably align the way people, communities, and governments think, act, and respond to current and emerging risks.[27]

In 2010, the passage of Republic Act No. 10121, otherwise known as the "Philippine Disaster Risk Reduction and Management Act", led to the crafting of the National Disaster Risk Reduction and Management Plan. The said Plan outlines several interventions to strengthen the capacity of the national government and the local government units in building disaster resilient communities.[28]

Under said Law, the National Disaster Risk Reduction and Management Council is tasked to approve the Plan and ensure that it is consistent with the provisions of the National Disaster Risk Reduction and Management Framework.

In 2017, President Duterte issued Executive Order (E.O.) No. 29 titled, "Renaming the National Disaster Consciousness Month to National Disaster Resilience Month and Shifting its Focus from Disaster Awareness Building to Disaster Resilience." The said E.O. also provides for a "paradigm shift from a reactive to a proactive approach to increase the people's resilience and decrease their vulnerabilities."

In 2018, he signed E.O. No. 52, creating the Program Management Office for Earthquake Resiliency (PMO-ERG) of the Greater Metro Manila Area (GMMA). The Office is mandated to spearhead, orchestrate, and integrate all efforts aimed at enhancing the resiliency of the GMMA in preparation for major earthquakes.

In his 3rd State of the Nation Address, the President further underscored his Administration's priority "to earnestly undertake initiatives to reduce vulnerabilities to natural hazards, and bolster [the country's] resilience to the impact of natural disasters and climate change."

Priority Programs to Strengthen Disaster Resiliency

Anchored on these approaches and thrusts, the government strengthens the implementation of programs focused on rehabilitating degraded forest lands, intensifying solid waste management efforts, construction of disaster-resilient infrastructures, and implementing technology-driven climate change adaptation measures.

Reforestation and Forest Protection Programs. The World Wildlife Fund, an international fund-raising organization for environmental conservation, estimates that the earth loses 18.6 million acres of forests annually, equivalent to 27 soccer fields

[27] Senate of the Philippines. (May 2017). *Policy Brief. Examining the Philippines' Disaster Risk Reduction and Management System.* Retrieved from https://www.senate.gov.ph/publications/SEPO/PB_Examining%20PH%20DRRM%20System_Revised_27June2017.pdf.
[28] Department of the Interior and Local Government. (2011). *The National Disaster Risk Reduction and Management Plan.* Retrieved from http://www.dilg.gov.ph/PDF_File/reports_resources/DILG-Resources-2012116-420ac59e31.pdf.
[29] World Wildlife Organization. (n.d.) *Threats: Deforestation.* Retrieved from https://www.worldwildlife.org/threats/deforestation.

Table 12. Major Programs and Projects to Strengthen Disaster Resiliency, 2017-2019
(in billion Pesos)

Particulars	2017 Actual (Obligation-based)	2018 GAA (Obligation-based)	2019 NEP (Cash-based)
Department of Environment and Natural Resources	**30.1**	**25.7**	**25.1**
National Greening Program	6.9	5.2	5.2
Solid Waste Management Program	0.9	0.9	0.7
Department of Science and Technology	**20.6**	**21.0**	**9.6**
PAGASA Modernization Program	1.1	1.5	0.1
Department of Public Works and Highways	**621.9**	**650.9**	**555.7**
Flood Management Program	80.2	122.7	101.9
Metropolitan Manila Development Authority	**2.2**	**3.5**	**3.2**
Flood Control Program	0.3	1.5	1.4

every minute.[29] Forests have a critical role in mitigating the impact of climate change by acting as a carbon sink, which soaks up carbon dioxide which contributes to ongoing changes in climate patterns. Forests are also a home to various resources which are significant in sustaining the industrial development and economic growth of a country.

Deforestation, one of the factors responsible for the huge loss of forestlands worldwide, is also the challenge that the Philippines aims to address. To deal with this, the Philippine government has embarked on a massive greening initiative called as the "National Greening Program."

The National Greening Program (NGP) aims to ramp up the country's reforestation efforts, by planting seedlings in forestlands, mangrove areas and protected areas, ancestral domains, civil and military reservations, and inactive and abandoned mining sites, among others.

The Department of Environment and Natural Resources (DENR) noted that the NGP was able to plant 1.3 billion seedlings in some 1.7 million hectares of land. The Program has also helped create some four (4) million jobs for around 558,323 individuals.[30]

Citing this accomplishment, the country ranked 5th among countries that chalked up the greatest forest area gain over the period from 2010 to 2015 in the Global Forest Resources Assessment 2015.

This assessment became the basis for the extension of the National Greening Program. Attributing the country's extensive forest gains to this Program, E.O. No. 193, s. 2015 (Expanding the Coverage of the National Greening Program) extended the implementation of the Program until 2028. By then, the Program targets to have covered an estimated 7.1 million hectares of unproductive, denuded and degraded forestlands.

Table 13. DENR Major Programs and Targets, 2017-2019

Particulars	2017 Actual (Obligation-based)	2018 GAA (Obligation-based)	2019 NEP (Cash-based)
National Greening Program	**PhP6.9 B**	**PhP5.2 B**	**PhP5.2 B**
Areas planted	202,488 ha	124,220 ha	143,187 ha
No. of seedlings produced	187 M	126 M	138 M
Areas maintained	740,237 ha	623,315 ha	497,023 ha
Forest Protection Program	**PhP0.5 B**	**PhP0.8 B**	**PhP0.8 B**
No. of Forest Protection Officers hired	435	1,622	744
Forest areas patrolled (km)	71,179 km	35,619 km	78,601 km
No. of forest ranger stations/towers constructed	61	15	-

[30] Department of Environment and Natural Resources. (n.d.). *Enhanced National Greening Program.* Retrieved from https://www.denr.gov.ph/priority-programs/national-greening-program.html.

From 2017 to 2022, the Duterte Administration targets to reforest some 1.2 million hectares of land in accordance with the updated 2016-2028 Master Plan for Forestry Development.

For 2019, the Department of Environment and Natural Resources (DENR) has been allotted with PhP25.1 billion. Of this amount, PhP5.2 billion is for the National Greening Program to cover the planting of around 138 million seedlings over a targeted area of 143,187 hectares. Meanwhile, the Forest Protection Program is given PhP0.8 billion in 2019 to patrol 78,601 kilometers of forest areas, more than double the 35,619 kilometers covered in 2018.

Technology-Driven Disaster Buffers. Over the years, the Philippines has recognized the pivotal role of science and technology in finding innovative solutions for disaster risk reduction and management. In view of this, the government has invested heavily in a number of interventions related to disaster mitigation, introduced and powered by information and communications technology (ICT).

PAGASA Modernization Program

Since the passage of Republic Act No. 10692, otherwise known as the "PAGASA Modernization Act of 2015," the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) has been able to upgrade its systems and services, particularly its weather forecasting capability. It has likewise been able to embark on an intensified radar rehabilitation program needed for tropical cyclone forecasting, as well as reinforce the timely issuance of weather advisories in its portal.

The Duterte Administration is supporting PAGASA in its disaster mitigation initiatives through sustained funding of its Modernization Program. For 2019, the country's premier Weather Bureau is given PhP1.6 billion, 62 percent higher than its 2018 cash-equivalent budget of PhP990 million. Of this amount, some PhP125 million is allotted for its Modernization Program, to be used to purchase equipment and technologies in support of the huge funding requirement called for under the PAGASA Modernization Act. Meanwhile, some PhP902 million will be for its Weather and Climate Forecasting and Warning Program.

Geohazard Assessment and Mapping

Another science-based intervention supported by the government is the National Geohazard Assessment and Mapping Program. This Program targets to locate areas in the country which are at high risk from various geologic hazards, thereby providing various stakeholders with vital information to lessen or mitigate the impacts of these events.

To effectively implement the Program, the DENR-Mines and Geosciences Bureau is allotted PhP1.4 billion for 2019. Part of this budget will be used to support the preparation of the Vulnerability and Risk Assessment of cities and municipalities and to conduct seminars/workshops for LGUs, distribution of information, education, and communication (IEC) materials on geohazard vulnerability. (*See Table 14*)

Also under the DENR's core programs is the National Geospatial Data Infrastructure which is being implemented by the National Mapping and Resource Information Authority (NAMRIA). For 2019, the Program is allotted PhP102 million. This is intended to further enhance the delivery of map services through the development, maintenance, and integration of the Agency's geographic information system and ICT capabilities and resources.

Disaster Mitigating Infrastructure Projects. The Philippines, located in one of the global hotspots for high disaster risks, is exposed to two highly destructive natural hazards – cyclones and floods.[31] Among the areas at highest risk is Metro Manila, a low-lying semi-alluvial floodplain facing Manila Bay in the west and Laguna de Bay in the southeast. Not only is the metropolis geographically at risk, it is also a highly populated area where thousands are at stake in the event of severe flooding.

Valuing the role of disaster-resilient infrastructure in assuring the protection of its citizens, the government pursues higher public spending for its massive infrastructure program so that the protection of lives and properties at risk from natural disasters will not be sidelined.

For 2019, some PhP72.7 billion will be provided for the construction and maintenance of flood mitigation structures and drainage systems in different parts of the country, and the construction and rehabilitation of flood mitigation facilities within major river basins and principal rivers. (*See Table 15*)

Of this amount, PhP2.7 billion is set aside for the Flood Risk Management Project in the Cagayan de Oro (CDO) River, while PhP2.6 billion is allotted for the Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects.

The CDO River and the Rio Grande de Mindanao are among the 18 major river basins in the Philippines, and thus the most potentially hazardous when swollen and overflowing due to continuous rainfall. In 2011, heavy rains from Typhoon "Sendong" caused the overflowing of the CDO River, resulting in the death of thousands and property damage in the millions.[32] The Rio Grande de Mindanao, also known as the Mindanao River and considered the second largest river system in the country, is likewise constantly monitored as it poses similar potential danger to nearby residential areas during extreme flooding. (*See Table 16*)

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[31] Asian Infrastructure Investment Bank. (September 2017). *Project Document of the Asian Infrastructure Investment Bank.* Retrieved from https://www.aiib.org/en/projects/approved/2017/_download/Philippines/summary/MetroManilaFloodProject-PDBoard.pdf.

[32] Jerusalem, J. (November 24, 2016). *Northern Mindanao river basin needs action.Sunstar Philippines*. Retrieved from https://www.sunstar.com.ph/article/111917.

Table 14. Geohazard Assessment and Mapping Accomplishments and Physical Targets, 2017-2019

Particulars	2017 Actual	2018 Target	2019 Target
Geohazard Assessment and Mapping			
No. of cities/municipalities covered in vulnerability and risk assessment	204	200	
No. of cities/municipalities covered in the updating of 1:10,000 scale geohazard maps as a result of changes due to natural calamities	22	200	
No. of cities/municipalities covered in detailed sub-surface assessment	15	15	
No. of seminars/workshops for LGUs – information, education and communication campaign on geohazard and vulnerability assessment maps	13,064	235	
No. of 1:10,000 maps updated, printed, and provided to LGUs	37,795	37,940	
Coastal Geohazard and Impact to Climate Change			
No. of cities/municipalities assessed through field mapping and survey (1:10,000 scale)	263	218	
No. of coastal cities/municipalities/provinces monitored			20
Groundwater Resource Assessment			
No. of provinces/cities/municipalities assessed	34	24	90
Geologic Mapping			
No. of quadrangle assessed in geologic mapping and surveys	100	100	100
No. of determinations made in laboratory services	779,487	623,072	623,073

Table 15. Flood Mitigation Structures and Facilities Budgets and Physical Targets, 2017-2019

Particulars	2017 Actual (Obligation-based)	2018 GAA (Obligation-based)	2019 NEP (Cash-based)
Flood Management Program			
Construction/Maintenance of flood mitigation structures and drainage systems	PhP74.3 B	PhP97.0 B	PhP72.7 B
No. of flood mitigation structures and drainage systems constructed	-	1,936	1,811
Construction/Rehabilitation of flood mitigation facilities along major and principal rivers	PhP5.9 B	PhP25.7 B	PhP29.2 B
No. of flood mitigation facilities with major river basins and principal rivers constructed/rehabilitated	-	451	547

Aside from the Flood Management Program of the DPWH, big-ticket flood mitigating projects in Metro Manila have also been laid out by the Metropolitan Manila Development Authority (MMDA). For 2019, its Flood Control Program is given PhP1.4 billion, targeting to reduce flood water subsidence to less than 18 minutes, and decrease by 30 percent the number of flooded areas during of heavy rainfall. (*See Table 17*)

Disaster Risk Reduction and Management Funds

The Philippines is considered a leading regional actor in disaster risk management.[33] One of the country's best practices in this regard is the prioritization of readily available funds in response to calamities and other natural and human-induced hazards.

National Disaster Risk Reduction and Management Fund. The National Disaster Risk Reduction and Management Fund is intended specifically for disaster risk reduction, mitigation, prevention, and preparedness activities, as well as for relief, recovery, rehabilitation, reconstruction and other works or services in connection with natural or human-induced calamities. Over the years, the NDRRM Fund has been steadily increasing with the government's thrust to immediately provide the service and assistance needed by victims of calamities. In 2016,

[33] Alcayna, T., Bollettino, V., Dy, P., & Vinck, P. (n.d.). *Resilience and Disaster Trends in the Philippines: Opportunities for National and Local Capacity Building*. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5061578/.

Table 16. Selected DPWH Flood Control Projects, 2017-2019
(in billion Pesos)

Particulars	2017 Actual	2018 GAA	2019 NEP
Flood Risk Management Project for Cagayan de Oro River	0.5	1.5	2.7
Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects	-	-	2.6
Metro Manila Flood Management Project, Phase 1	-	0.2	2.2
Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay, Pampanga	1.3	1.0	1.8
Flood Risk Management Project (FRIMP) in Cagayan, Tagoloan, Misamis Oriental and Imus River	0.7	1.4	1.7

Table 17. Selected Flood Control Projects of MMDA for FY 2019
(in million Pesos)

Particulars	2019
Rehabilitation/Deepening of Estero De La Reina (Pritil Bridge to C.M. Recto)	25
Rehabilitation/Deepening of Estero De Magdalena, Tondo, District II, Manila	25
Upgrading/Improvement of Drainage Systems along Lope De Vega – Oroquieta Streets and Vicinities (Phase I), Sta. Cruz, District III, Manila	20
Upgrading of Drainage System along Rosa Alvero St. and its Vicinities, District III, Quezon City	20
Improvement/Maintenance of Malabon – Tullahan River and its Vicinities, Malabon City	34
Construction of Drainage along Dela Paz St., Brgy. Fortune, District II, Marikina City	20
Desilting of Manggahan Floodway, Pasig City	20
Proposed reinforced concrete box culvert (RCBC) at Brgy. Progreso, San Juan City	20

Source: National Expenditure Program FY 2019

the NDRRM Fund rose to PhP38.9 billion, from PhP14.0 billion in 2015, to fund the Comprehensive Rehabilitation and Recovery Plan (CRRP) for the damages brought about by Typhoon Yolanda. (*See Table 18*)

For 2019, PhP20 billion is set aside for the NDRRMF. This will be used for aid, relief, and rehabilitation services, including the repair and reconstruction of permanent structures and capital expenditures for pre-disaster operations, rehabilitation, and other related activities, as well as for the rehabilitation of Marawi.

Quick Response Fund (QRF). Another financing resource which may be used for calamity purposes is the Quick Response Fund (QRF). This is intended for activities to immediately normalize the situation and living conditions of people and communities affected by calamities. For 2019, the QRF amounts to PhP6.4 billion lodged under the following agencies: Department of Agriculture, PhP1.0 billion; Department of Education, PhP2.0 billion; Department of Health, PhP500 million; Department of National Defense, PhP500 million; Department of Public Works and Highways, PhP1.0 billion; Department of Social Welfare and Development, PhP1.2 billion; and National Electrification Administration, PhP200 million.

Environmental Management Programs

Around the world, 92 percent of the world's population is exposed to air quality levels that exceed the World Health Organization's (WHO) ambient air quality guidelines. Over six million people are dying every year from non-communicable diseases such as heart disease, lung cancer, and chronic respiratory diseases, which are directly linked to indoor and outdoor air pollution. In the Philippines, about 1 in 4 deaths is attributed to air pollution.[34]

In addition, water pollution also poses health risks, including those from waterborne diseases that are linked to contaminated drinking water, such as diarrheal diseases, including cholera, and other serious illnesses such as Guinea worm disease, typhoid, and dysentery.[35]

Some of the major pollutants that cause water pollution in the country are inadequately treated domestic wastewater or sewage, agricultural wastewater, industrial wastewater, and non-point sources such as rain and groundwater runoff from solid waste or garbage deposits.[36]

This situation, which is directly linked to fast-paced industrialization, urbanization, and population growth, is being addressed by the Philippine government through efficient solid waste management. Notably, the national government is strict in implementing the policies set forth by Republic Act No. 9003, otherwise known as the "Ecological Solid Waste Management Act of 2000."

[34] Department of Environment and Natural Resources. (September 2017). *Air Pollution: A Public Health Concern in the Philippines.* Retrieved from https://www.denr.gov.ph/news-and-features/latest-news/3295-air-pollution-a-public-health-concern-in-the-philippines.html .
[35] Vestergaard. (n.d.) *Waterborne diseases.* Retrieved from https://www.vestergaard.com/global-challenges/waterborne-diseases.
[36] Greenpeace Philippines. (2010). *The State of Freshwater Sources in the Philippines.* Retrieved from http://www.greenpeace.org/seasia/ph/What-we-do/Toxics/Water-Patrol/The-problem/#a1.

Table 18. Disaster Risk Reduction and Climate Change Expenditure, 2017-2019
(in billion Pesos)

Particulars	2017	2018	2019
National Disaster Risk Reduction and Management Fund	**15.7**	**19.6**	**20.0**
Of which:			
Aid, Relief and Rehabilitation Services	4.9	5.1	4.3
Repair and Reconstruction of Permanent Structures, and Capital Expenditures for Pre-disaster Operations, Rehabilitation and Other Related Activities	9.3	4.5	12.2
Rehabilitation and Reconstruction	1.5	-	-
Marawi Recovery, Reconstruction and Rehabilitation Program	-	10.0	3.5

Table 19. Clean Air and Water Programs' Budgets and Physical Targets, 2017-2019

Particulars	2017	2018	2019
Clean Air Program	**PhP0.1B**	**PhP0.2 B**	**PhP0.1 B**
No. of Air Quality Monitoring Stations operated and maintained	98	98	98
No. of Air Quality Monitoring Stations calibrated	44	46	45
No. of firms monitored with reports submitted	15,871	15,732	15,732
Clean Water Program	**PhP0.1 B**	**PhP0.2 B**	**PhP0.2 B**
No. of esteros/waterbodies monitored	356	387	451
No. of firms monitored with reports submitted	7,757	7,123	7,123
Solid Waste Management Program	**PhP0.9 B**	**PhP0.9 B**	**PhP0.7 B**
No. of LGUs supported in the closure and rehabilitation of dumpsites	75	50	-
No. of LGUs supported in the establishment of MRFs	169	500	560

In November 2017, Environment Secretary Roy A. Cimatu warned leaders of local government units (LGUs) that the DENR will "not hesitate to initiate criminal and administrative charges" against them if their respective LGUs are found to be illegally operating phased-out open dumps and controlled dump facilities.

This was in response to the low compliance rate of some LGUs with regard to the provisions of the above-mentioned law.

To address the problem, the DENR is allotted PhP111 million for the implementation of the Clean Air Program, to fund the operation and maintenance of 98 Air Quality Monitoring Stations and the calibration of 45 existing stations.
Some PhP201 million, meanwhile, will be made available for the implementation of the Clean Water Program, to monitor 451 "esteros." This is an improvement over the 387 "esteros" targeted in 2018.

PhP656 million is also allotted to support the DENR's Solid Waste Management Program. This aims to intensify the campaign for the closure of illegal dumpsites and the rehabilitation of the credited dumpsites, as well as to assist LGUs in establishing their respective materials recovery facilities (MRF). These MRFs will serve as solid waste transfer and sorting stations, drop-off centers, and composting and recycling facilities. (*See Table 19*)

To complement this move, the MMDA is also provided with PhP1.2 billion for the implementation of the Metropolitan Manila Solid Waste Management Program. The Program will focus on regulating solid waste disposal and management of designated sanitary landfill in Metro Manila. One of the targets of the Program is to ensure a 10-year available capacity of current landfill space in Metro Manila.

Towards a Resilient Philippines

The destructive impact of natural disasters poses a constant threat to life and property and threatens to reverse any other developmental gains. The Philippines, as a locus of natural hazards, has for years adopted several frameworks and approaches to cope with the devastating consequences of environmental changes. Several technological advances and innovations have also been gaining momentum, all meant to save lives and property and sustain the development of the nation. The country has learned painful but valuable lessons from the past. Drawing experience and wisdom from the ordeal of victims and survivors of past calamities and disasters, its actions are now well-planned and notably life-changing – and life-saving – to achieve the goal of a more resilient Philippines.

B. MALASAKIT

Expanding Programs on Human Development

As defined by the United Nations, human development is allowing everyone to have fair chances in achieving opportunities that will aid in the development and enhancement of their knowledge, skills, and abilities. With the Philippines ranking 113rd in the 2017 Human Development Index, three levels higher than its 2015 rank of 116, it is clear how the government puts a premium on the well-being of its people. Focusing on the enhancement of social services and the continuous provision for the people's basic needs, the Duterte Administration continues to fulfill its promise of improving the lives of Filipinos, while building a strong foundation for a "matatag, maginhawa, at panatag na buhay".

1. Enhancing Social Services

A. Expanded Educational Opportunities

Education plays a pivotal role in inclusive and sustainable economic development as it improves not only the social and economic well-being of the people, but also their overall productivity. In a country like the Philippines where education is highly prioritized, various interventions, such as scholarship assistance to students and teachers, have been and are being implemented by the government to afford every Filipino the opportunity to receive quality education.

In 2015, 193 countries under the United Nations adopted a development agenda that defines 17 Sustainable Development Goals (SDG) that are to be achieved around the world by 2030. The fourth of these SDGs, i.e., to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," is a reiteration of the 1990 world declaration on Education for All (EFA) in Jomtien, Thailand, and serves as a basis for the Education 2030 Framework for Action.

SDG 4 aims to give everyone equal access to inclusive and equitable quality education and learning, regardless of gender and social status, since education is a fundamental human right.

Reflecting its adoption of and support for this framework, the Duterte Administration continues the tradition of giving the largest share of the National Budget to the Education Sector.

Table 1. Budget of Major Programs in the Education Sector, 2019
(in billion Pesos)

Agencies	2019 NEP (cash-based)
Department of Education	**528.8**
Basic Educational Facilities	34.7
Creation and Filling of Teaching and Non-Teaching Positions	32.9
Government Financial Assistance and Subsidy to Students and Teachers	32.1
Provision of Learning Materials	10.2
School-based Feeding Program	4.0
School Dental Health Care Program	2.3
Inclusive Education Program	.8
State Universities and Colleges (SUCs)	**65.2**
Commission on Higher Education	**50.4**
Universal Access to Quality Tertiary Education Act (UAQTEA) - SUCs	44.0
Student Financial Assistance Programs	1.7
K-to-12 Transition Program	2.4
Technical Educational Skills and Development Authority	**14.8**
UAQTEA - Technical and Vocational Education	7.0
Training for Work Scholarship Program	2.3
Special Training for Employment Program	1.7
Private Education Student Financial Assistance	0.2

Source: 2019 National Expenditure Program

For 2019, it is allotted PhP659.3 billion, representing a 12.3 percent increase in its 2018 cash-based equivalent budget of PhP587.1 billion.

Enhancing Access to Basic Education

Creating a conducive learning environment. An integral part in the learning process are the educational facilities. An effective learning environment has to be accessible, neat, well-ventilated, and comfortable, and learning resources, such as textbooks and instructional materials, have to be readily available.

For 2019, PhP34.7 billion is allocated for Basic Educational Facilities to fund the construction of 4,110 classrooms and 1,320 computer, technical-vocational (tech-voc), and science laboratories. A total of 33,672 classrooms will also be repaired and rehabilitated in 2019. These are on top of the 22,133 classrooms and 1,309 tech-voc laboratories built from July 2016 to June 2018, and around 85,867 classrooms that are currently being constructed. Likewise, 43,200 sets of school seats will be procured. A set of school seats is composed of 45 students' seats and 1 teacher's table and chair.

PhP10.2 billion is also given to the DepEd for the procurement of 8.9 million textbooks and instructional materials, 3,827 computer packages, 2,371 science and mathematics equipment, and 3,547 tech-voc equipment. As of July 2018, the government has already procured and distributed 136.29 million textbooks and instructional materials to various schools nationwide.

Increasing human resources for education. Educators play the most important role within an educational facility. Over the years, the teacher-to-student ratio across the country has been a constant challenge to the Education Sector – and one the Administration has prioritized to address. Table 2 shows the improvement in the teacher-to-student ratio of the country.

Table 2. Teacher-to-Student Ratio, 2016 and 2017

Ratio		2016	2017
Teacher-to-Student	Elementary	1:32	1:31
	Secondary	1:26	1:26

Source: Department of Education

As one ratio or class size is not applicable to all levels of basic education, the DepEd has formulated parameters that will serve as guides to reach the target teacher-to-student ratio. For Kindergarten, the parameter used is 25 students, with 30 being the maximum number. The target ratio for Grades 1 to 3 is 1:30, and 1:40 for Grades 4 to 10. For Senior High School (SHS), the target ratio is 1:40. However, it must be noted that these figures might change due to certain factors, such as the number of students and teachers, and subject specialization of SHS teachers, among others.

To achieve the aforementioned target teacher-student ratios in public schools nationwide, the Administration has set aside PhP29.8 billion for the creation of 10,000 teaching positions and the filling of the 105,529 existing ones. Also, PhP3.1 billion will be used to fund the creation and filling of 455 and 20,076 non-teaching positions, respectively.

Providing financial assistance to students and teachers. The government recognizes the complementary roles of public and private institutions in delivering quality basic education by providing scholarship assistance to deserving students and teachers.

For 2019, PhP32.1 billion is set aside for the Government Assistance and Subsidy, which has three component programs: Government Assistance to Students and Teachers in Private Education (GASTPE) Program [Educational Service Contracting (ESC) and Teachers' Salary Subsidy (TSS)], Senior High School Voucher Program (SHS-VP), and Joint Delivery Voucher Program for SHS.

Of this amount, PhP9.4 billion is allotted for the ESC Program to provide financial aid for 1,101,012 deserving elementary students who will enroll in private schools participating under this contract. This DepEd Program aims to decongest overcrowded public secondary schools by contracting out the available slots of private schools.

Through the Voucher Program for SHS students, some 1,384,375 students of private Senior High Schools and non-DepEd schools will be given the freedom to enroll in the institution they prefer that offers SHS. Students who completed JHS in public schools will receive 100 percent of the voucher value, while those who are from ESC-grantee private

Table 3. Amounts of SHS Voucher

National Capital Region (NCR)		Non-NCR Highly Urbanized Cities (HUCs)*		Other Cities and Municipalities	
100%	PhP22,500	100%	PhP20,000	100%	PhP17,500
80%	PhP18,000	80%	PhP16,000	80%	PhP14,000
50%	PhP11,250	50%	PhP10,000	50%	PhP 8,750

Source: Department of Education

**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*

Table 4. Schemes under the Financial Assistance and Subsidies to Students and Teachers

Programs	2019 NEP (in billion Pesos)	No. of Grantees
GASTPE	**10.7**	**1,145,380**
Educational Service Contracting (ESC) Program	9.4	1,101,012
Teacher Salary Subsidy Program	0.8	44,368
Voucher Program for Senior High School Students	**20.3**	**1,314,375**
Non-DepEd/Private School	18.8	1,225,688
Local Universities and Colleges (LUCs)/SUCs	1.6	88,687
Joint Delivery Voucher Program for Technical-Vocational-Livelihood Specializations (JDVP-TVL)	**1.2**	**70,000**

schools and Non-ESC grantees[1] will receive 80 percent of it. Also, anyone who will enter a state or local university/college that offers SHS will receive 50 percent of the voucher value. *(See Table 3)*

Likewise, PhP799 million of this allocation will go to the TSS Program which will benefit 44,368 teachers under the ESC Program. The TSS is a program for teachers in ESC-grantee private schools that grants PhP18,000 to each qualified teacher per year. *(See Table 4)*

Sustaining Inclusive Education. To continue to provide equal educational opportunities, the Administration has allotted PhP750 million for the Inclusive Education Program of the DepEd. This amount will fund the following programs: (1) Multigrade Education which improves the access to and quality of education in far-flung areas by opening multigrade classes; (2) Indigenous Peoples (IPs) Education which localizes, indigenizes, and enhances the basic education curriculum to suit the culture of the IPs; (3) Flexible Learning Options which aim to encourage out-of-school children and the youth to continue and finish their education; and (4) Madrasah Education which enhances the basic educational development of Filipino Muslims by providing the support mechanism necessary for the teaching of Islamic studies and Arabic literacy.

Prioritizing the health and nutrition of students. Good health and proper nutrition foster positive and improved academic performance.

Acknowledging and in support of this, President Rodrigo Duterte signed into law Republic Act No. 11037 (Masustansyang Pagkain para sa Batang Pilipino) last July 29, 2018, establishing a national feeding program which aims to combat hunger and malnutrition among Filipino children. The Program envisions to provide healthy food for undernourished children in day care centers, kindergarten, and elementary schools.

Included under this Law is the School-based Feeding Program of the DepEd, which provides food for undernourished students from the levels of kindergarten up to Grade 6 for a minimum of 120 days a year. For 2019, PhP4.0 billion has been allotted for this Program to cover 1,836,793 children.

In addition to nutrition issues, the government is also focused on addressing the problem of poor oral health, which can leave lasting detrimental effects in a child's life. Children who suffer from this problem are 12 times more likely to have restricted activity days, such as missing school, than those who do not.[2] Recognizing this, the DepEd has been introduced a School Dental Health Care Program. For 2019, it will receive a budget of PhP2.3 billion to fund the promotion of good oral health and the operation of dental facilities in 2,101 central public schools.

Expanding Free Education for All

Making higher education accessible for all. Effective higher education is considered as one of the major drivers of growth in a knowledge-driven global economy. According to the World Bank, it is also a prerequisite for innovation and growth as well-educated people are more employable, earn higher wages, and cope better with economic shocks.[3]

In 2016, the Philippines ranked second among selected ASEAN countries in terms of enrollment rate and number of graduates in the tertiary level. For academic year (AY) 2017-2018, however, the recorded number of enrollees decreased to 2,981,803 students from 3,589,484 for AY 2016-2017. This decrease may be attributed to the implementation of the K-to-12 Program. The SHS Program started in 2016, so instead of the students going directly to the tertiary level, they had to go through two more years of high school, resulting in lower enrollment rates in colleges and universities. *(See Figure 1)*

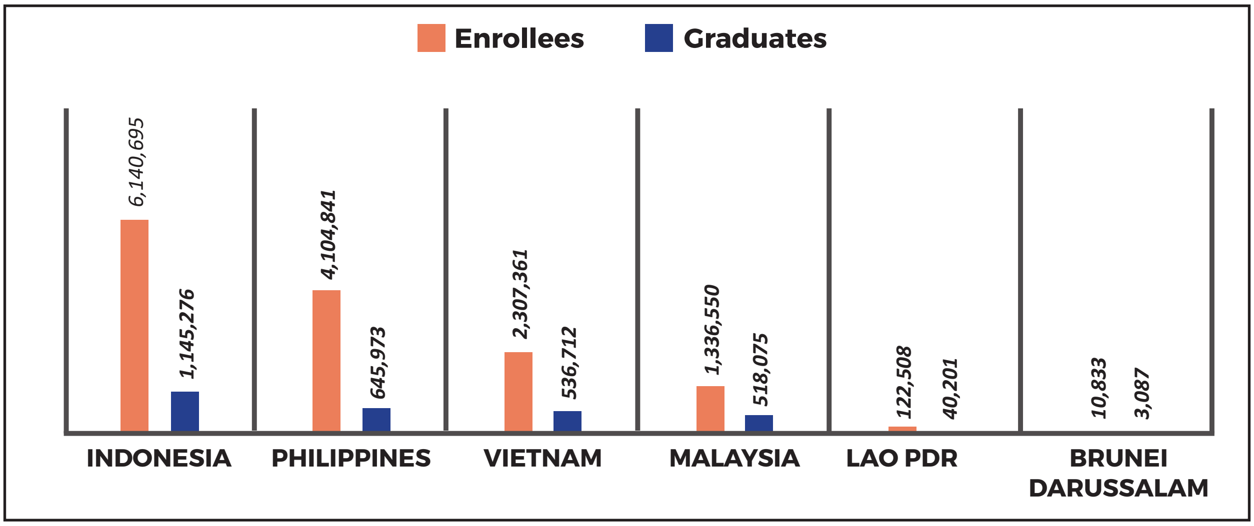
On the other hand, there has been an increase in the number of students who have graduated from all disciplines. From

[1] Students from Non-ESC grantee private schools still need to apply for the Voucher Program. The application does not guarantee automatic admission into the Program.

[2] United States General Accounting Office. (2000). *Oral Health: Dental Disease Is a Chronic Problem Among Low-Income Populations.* Retrieved from https://www.gao.gov/new.items/he00072.pdf

[3] World Bank. (n.d.). *Higher Education.* Retrieved from https://www.worldbank.org/en/topic/tertiaryeducation

Figure 1. Tertiary Enrollment and Graduate Statistics among Selected ASEAN Countries, 2016



Source: World Bank – Education Statistics

645,973 graduates in AY 2016-2017, the total has increased by 10 percent, or 708,445 in AY 2017-2018. In line with this, the 112 SUCs nationwide will receive an allocation of PhP65.2 billion.

The Commission on Higher Education (CHED), for its part, will receive a budget of PhP50.4 billion. This includes the allocation for the Universal Access to Quality Tertiary Education Act (UAQTEA) Program, which amounts to PhP44.0 billion, to fund the free higher education in SUCs and LUCs; tertiary education subsidy for SUCs, LUCs and private Higher Education Institutions; and student loan program.

Under the UAQTEA Program, around 1.3 million students from 112 SUCs and 78 CHED-recognized LUCs are expected to enroll in AY 2018-2019.[4]

Some PhP1.7 billion has been allocated to the Student Financial Assistance Programs (StuFAPs). Of this amount, PhP1.2 billion will fund the Tulong Dunong Program to provide scholarship grants to 98,423 students. The remaining PhP517 million will provide financial assistance to 23,975 student beneficiaries under other StuFAPs, such as the scholarship grants for dependent and children of sugarcane industry workers, and small farmers, among others.

The CHED also targets to use PhP2.4 billion of its budget for the K-to-12 Transition Program. It will cover 7,303 scholarships for faculty graduate studies, 59 development grants for faculty and staff, and 53 institutional and innovation grants. The fund provides financial aid for tuition fees, living allowances, and thesis/dissertation expenses, among others.

Promoting skills-based education. To meet the demands of globalization for a more specialized labor market and higher level of skills[5], the Administration has earmarked PhP14.8 billion for the Technical Education and Skills Development Authority (TESDA) in 2019. This is higher than its 2018 cash-based equivalent budget of PhP7.7 billion. *(See Table 5)*

Table 5. Major Programs under the TESDA
(in billion Pesos)

Particulars	2019 NEP (cash-based)
Free Technical Education and Training* No. of beneficiaries: 203,185	7.0
Training for Work Scholarship Program (TWSP) No. of enrollees: 163,672 No. of graduates: 155,488	2.3
Special Training for Employment Program (STEP) No. of beneficiaries: 121,396	1.7
Private Education Student Financial Assistance (PESFA) No. of beneficiaries: 4,000	0.2

**Part of the UAQTEA Program*

[4] Office of the President. (2018). *The President's Report to the People 2016-2018.*

[5] Cong, S. (2012). *A Perspective on Technical and Vocational Education and Training.* Retrieved from https://link.springer.com/chapter/10.1007/978-3-642-27948-5_10

Some PhP7.0 billion will be used for the implementation of the free technical education and training in state-run technical-vocational institutions. This will operate under the UAQTEA Program to provide, among others, starter tool kits and the fee for the National Competency Assessment, an assessment scheme to determine whether a student has achieved the level of competency required in a specific skill. This Program targets to benefit 203,185 students in 2019.

The Training for Work Scholarship Program, with a budget of PhP2.3 billion for 2019, targets to offer 163,672 enrollees with courses in priority industries and key employment generators, such as agri-fishery/agri-business/agro-industrial and general infrastructure, among others.

For its Special Training for Employment Program, PhP1.7 billion is earmarked for community-based trainings on specific skills that will promote employment in local communities.

Another key program, the Private Education Student Financial Assistance, will receive a budget of PhP200 million in 2019 to provide financial assistance to poor but deserving students enrolled in tech-voc courses, and assistance to private institutions in assuring a steady supply of enrollees to their course offerings.

Shaping a Better Education System

Education helps prepare Filipinos to become active members of society. In order to fully achieve a highly-qualified, better-trained, and skilled workforce, the provision of hefty investments in the education sector has to be prioritized.

B. Universal Health for All

The Philippines has managed to maintain the pace of the remarkable economic growth it has achieved over the past years. It has kept on track in its recovery from being the "sick man of Asia" with one of the lowest economic performances in the Region, to currently being counted among the "Rising Tigers of Asia" having one of the fastest growth rates in the world.

Parallel to the achievement of country's improved economic health is the goal to uplift of the overall health situation and profile of the citizenry. Thus, the government remains keenly focused on strategies with the greatest and most lasting impact on the health sector. For alongside education, health is recognized as a key factor in human capital development, which ultimately contributes to sustainable and inclusive growth.

Thus, within the first year of the Duterte Administration, sectoral plans have already been put in place, aimed at improving the health and nutritional status of Filipinos. Among the plans formulated in 2017 were the following[6]:

- Philippine Plan of Action for Nutrition 2017-2022;
- Philippine Population Management Program Directional Plan;
- Philippine Strategic Tuberculosis Elimination Plan Phase 1;
- AIDS Medium Term Plan;
- National Strategic Plan for the Control and Elimination of Malaria in the Philippines; and
- Indigenous Peoples Health Strategic Plan.

There have been early fruits from the implementation of these plans, as well as from those that have been implemented in the past and continue to be implemented and improved on. Some of these are the continuing decline of infant, under-five, and child mortality rates, and reported cases of vaccine-preventable diseases such as diphtheria and neonatal tetanus.

However, despite the gains, a number of issues and challenges remain. And the Duterte Administration is determined to confront and address them, in pursuit of the goal of "Universal Health For All", a key strategy in achieving the government's aspiration to provide a comfortable life for the Filipino people.

To ensure the continuity and effective implementation of the programs to promote Universal Health For All, PhP141.4 billion has been allotted for the health sector in 2019. Of this amount, PhP74.1 billion will go to the Department of Health (DOH). *(See Table 6)*

Enhancing Health Care Services

Widening the coverage of the health insurance program. Certainly the most notable achievement of the Duterte Administration is the coverage of 98.24 million Filipinos, representing 92 percent of the entire Philippine population as of March 2018, under the National Health Insurance Program (NHIP) of the Philippine Health Insurance Corporation (PhilHealth).

To continue the delivery of quality and affordable health services, PhP67.4 billion will be given to the PhilHealth for the NHIP. The Program targets to benefit 15.4 million indigent families, 5.4 million senior citizens, 25,514 families under the PAyapa at MAsaganang PamayaNAn (PAMANA) Program, and 22,709 families under the Bangsamoro Health Insurance Program. PhP3.0 billion of this amount will go to the Point-of-Service (POS) Program, which targets the remaining 8 percent of the population not covered by the health insurance program. Under this, the national government will shoulder the cost of the PhilHealth premiums of the indigent patients, specifically those belonging to the poor (Class C3 or D) category.

Providing tertiary-level health care. Hospitals under the DOH play a vital role in providing accessible and affordable tertiary-level health care for the poorest of the poor. A total of PhP32.1 billion has been earmarked for the Health Facilities Operations Program, which will fund the operations of all the DOH health facilities in the country.

[6] National Economic and Development Authority. (2018). *Socioeconomic Report 2017.*

Table 6. Budget of Major Programs in the Health Sector, 2019
(in billion Pesos)

Agencies	2019 NEP (cash-based)
Department of Health	
Health Facilities Operations Program	32.1
Human Resources for Health Deployment	9.0*
National Immunization	7.5
Assistance to Indigent Patients	5.6
Elimination of Infectious Diseases	1.1
Tuberculosis Control Programs	.9
Prevention and Control of Other Infectious Diseases	.7
National Nutrition Council	
First 1,000 Days	.1
Philippine Health Insurance Corporation	
National Health Insurance Program	67.4

Note: Figures may not add up due to rounding off.
** This budget is lodged under the Miscellaneous Personnel Benefits Fund (PhP7.8 billion) and the DOH (PhP1.2 billion).*

Table 7. Regional Allocation for 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	1,351,481	-	-	-
I	1,828,577	102,351	3,127	-
II	1,452,925	60,550	3,127	-
III	2,209,112	65,800	3,127	-
NCR	9,858,241	350,272	495,169	307,217
IV-A	829,061	84,502	-	-
MIMAROPA	351,304	-	-	-
V	1,246,395	105,474	5,000	-
VI	1,588,879	52,639	-	-
VII	1,941,093	100,275	6,583	-
VIII	749,342	59,660	1,800	-
IX	1,425,642	7,192	1,800	-
X	1,573,124	72,320	1,800	-
XI	2,619,754	12,000	6,583	-
XII	576,147	12,000	1,800	-
CARAGA	497,951	71,279	-	-
Total	**30,099,028**	**1,156,314**	**529,916**	**307,217**

Source: 2019 National Expenditure Program

Of this amount, PhP21.5 billion will go to regional hospitals and other health facilities, while PhP8.6 billion is allocated for the DOH hospitals in Metro Manila. The following are some of the health facilities with the largest allocation for their operations in 2019: Southern Philippines Medical Center (PhP1.9 billion), East Avenue Medical Center (PhP1.2 billion), Vicente Sotto Sr. Memorial Medical Center (PhP1.1 billion), National Center for Mental Health (PhP1.0 billion), Baguio General Hospital and Medical Center (PhP967 million), and Jose R. Reyes Memorial Medical Center (PhP932 million). *(See Table 7)*

Addressing the reality that the price of medicines in the Philippines negatively impacts the access to effective, efficient, and equitable health care[7], PhP15.2 billion is allocated for the

[7] Department of Health. (n.d.) *Drug Price Reference Index: Overview*. Retrieved from https://dpri.doh.gov.ph/

purchase of various drugs, medicines, vaccines, and medical and dental supplies for distribution to the different government health facilities. Eighty (80) percent of this amount will particularly target provinces with the highest incidence of diseases.

To ensure that adequately trained and skilled health workers are distributed throughout the archipelago, a total of PhP9.0 billion[8] is provided for the Human Resources for Health Deployment Program of the DOH. This amount will provide accessible and quality medical services by hiring and deploying 243 doctors, 9,138 nurses, 3,650 midwives, and 241 dentists in far-flung areas, particularly in municipalities that do not have any health worker.

Addressing the problem of use and abuse of illegal drugs. In support of the Administration's war against drugs, treatment and rehabilitation centers under the DOH are equipped to provide drug treatment and rehabilitation services. Around 97 percent or 3,580 of the 3,706 patients admitted in these facilities completed the rehabilitation treatment in 2016.[9]

For 2019, around PhP1.2 billion[10] is allotted for the operations of Dangerous Drug Abuse Treatment and Rehabilitation Centers to continue the recovery programs provided by the government. It targets to provide 3,156 patients with the right interventions and counseling to reverse the effects of illegal drug use.

Delivering free medical assistance to indigent patients. The DOH's Medical Assistance to Indigent Patients Program provides financial support to indigent patients in need of services such as medical consultation, examination, treatment, and rehabilitation. An allocation of PhP5.6 billion in 2019 will ensure medical and hospitalization assistance to indigent patients in all government health facilities.

Monitoring the Dengvaxia vaccinees. In response to the need for active and timely monitoring and reporting of developments in the health status of those who had been administered the Dengvaxia (anti-Dengue) vaccine, the government will hire 425 Disease Surveillance Officers. A budget of P213 million is allocated for the hiring of these Surveillance Officers who will be deployed all over the country.

Improving Child and Maternal Health

Promoting the importance of family health, nutrition, and responsible parenting. To further intensify the family planning interventions under the Philippine Population Management Direction Plan, PhP315 million has been allotted under the budget of the Commission on Population for this purpose. The Program targets to provide classes on responsible parenthood and reproductive health to some 900,000 couples, and on adolescent sexual and reproductive health to 35,000 adolescents and youths.

Similarly, a budget of PhP2.5 billion is allotted to address the issue of maternal malnutrition among Filipino mothers. Various micronutrient supplements like Vitamin A, iron drops and tablets, and iodine capsules, will be provided for infants, children, pregnant women, and lactating women. Lipid-based nutrients, such as sachets of ready-to-use supplementary food and ReSoMal (Rehydration Solution for Malnourished Children), will also be distributed to energy-deficient pregnant and lactating women and malnourished children.

Recognizing the importance of the first 1,000 days. Studies show that an individual gets the best start to life and the best opportunity to build the foundations of health and nutrition to achieve their fullest potential during the first 1,000 days – roughly from the moment of conception to the 2nd birthday. Recognizing this, the government has given special focus to Filipino children at this particular period of their lives.

Having launched and successfully implemented the first phase of the Early Childhood Care and Development in the First 1000 Days Program, a PhP118 million budget will continue the Program in 2019 to put into action more aggressive health interventions to address malnutrition among mothers and children. Local government units will be mobilized, especially in the 38 areas with the highest number of cases of stunting and wasting, to "transform low-intensity nutrition programs to those that will deliver targeted outcomes."[11] While Phase 1 of the First 1000 Days Program covered 9 regions, 10 provinces, 10 cities, and 37 municipalities in 2016 to 2018, Phase 2 will cover five (5) additional municipalities and one (1) province from 2017 to 2019.

Expanding the free immunization for all. More children are expected to survive beyond the age of five (5) because of the continuing decline in infant to under-five mortality rates. Based on the 2017 National Demographic and Health Survey, the infant mortality rate, which is the probability of dying between the time of birth until the first birthday, has gone down to 21 deaths per 1,000 live births, from 34 in 1993, while the under-five mortality rate has dropped to 54 deaths per 1,000 live births in 1993 to 27 in 2017. Likewise, the child mortality rate, which is the probability of dying among children aged 5 to 14 years old, is now at 7 deaths per 1,000 live births, from 21 in 1993.

The Expanded Program on Immunization seeks to ensure that infants, children, mothers, and senior citizens have access to vaccine-preventable diseases like pneumonia, TB, diphtheria, tetanus, mumps, and measles, among others. For 2019, PhP7.5 billion is earmarked for the National Immunization Program, to vaccinate 2.9 million children.

[8] This budget is lodged under the Miscellaneous Personnel Benefits Fund (PhP7.8 billion) and the DOH (PhP1.2 billion).

[9] National Economic and Development Authority. (2018). *Socioeconomic Report 2017.*

[10] Budget is lodged under the Health Facilities Operations Program

[11] National Nutrition Council. (2017). *Philippine Plan of Action for Nutrition 2017-2022: Executive Summary.*

Achieving Better Health for Everyone

Eliminating infectious diseases. The National Malaria Control and Elimination Program, implemented since the early 1990s, has yielded positive results. Forty (40) provinces have already been declared malaria-free, including the four provinces added in 2017, which are the Mountain Province, Nueva Vizcaya, Misamis Oriental, and South Cotabato. The Malaria prevalence rate of 7.7 cases per 100,000 population in 2015 improved to 6.45 in 2016. According to the DOH's Malaria Surveillance Report, there were only 501 cases reported for the first half of 2017, showing a 71 percent decrease from the 1,744 cases recorded during the same period in 2016.

For 2019, PhP219 million will be provided under the DOH, to continue the programs aimed at eliminating malaria, and other infectious diseases like schistosomiasis, leprosy, and filariasis.

In addition to this, priority is also given to the control of rabies, which has put the Philippines among the top 10 countries with the highest incidence of rabies in the world. It estimated that 200 to 300 Filipinos die from rabies annually.[12] To help reach the target of a rabies-free Philippines by 2020, PhP908 million will be given to the DOH for its Rabies Control Program.

Table 8. Some Targets of Public Health Programs in 2019

Particulars	Baseline	Target
No. of malaria-free provinces	42	52
No. of filariasis-free provinces	38	43
No. of rabies-free provinces	49	55

Source: 2019 National Expenditure Program

Preventing the spread of other infectious diseases. To strengthen the campaigns and programs on HIV/AIDS and other infectious diseases such as food and waterborne diseases, some PhP738 million has been allotted for their prevention and control.

According to the HIV/AIDS & ART (Anti-Retroviral Therapy) Registry of the Philippines (HARP), the number of newly-diagnosed HIV cases for the first two quarters of 2018 increased to 5,673 – slightly higher than the 5,399 cases reported during the same period in 2017.[13] Seen as a major contributor to this increase, however, is the greater willingness of vulnerable individuals to undergo tests and seek treatment. This, as a result of the intensified campaigns aimed at increasing awareness on HIV/AIDS and promoting the free services under the HIV/Sexually Transmitted Infections Prevention Program of the DOH.

Aside from the free and confidential HIV testing and counseling offered in various treatment hubs nationwide, the PhilHealth also offers an Outpatient HIV/AIDS Treatment Package, which provides a P30,000 reimbursement annually for the medical expenses of persons with HIV/AIDS.

The DOH has also recently launched the "LHIVE Free Redvocates", an innovation campaign patterned after beauty contests. The Program aims to produce three ambassadors who will promote safe sex and raise awareness on HIV/AIDS.

Reducing the transmission of Tuberculosis. The campaign to eradicate TB continues as TB remains one of the major causes of death in the Philippines. The TB incidence rate increased by 72 percent, from 322 cases per 100,000 population in 2015 to 554 cases in 2016. It has been noted, however, that this could be a result of the use of new technologies in detecting TB cases, as well as improved methodology in computing the TB incidence.

For 2019, PhP880 million will be provided for the TB Control Program of the DOH. With this, the government targets to reduce the number of TB incident rate to 243 cases per 100,000 population and TB-related deaths to 14,000 deaths by 2022.

Ensuring a Healthy Philippines

Despite the incredible progress the Philippines has achieved in the health sector, several issues, such as unequal access to public healthcare and high mortality rates from vaccine-preventable diseases, remain unsolved. However, achieving a healthier and brighter Philippines will be much more attainable through disciplined and effective use of the budget and timely implementation of the right interventions.

C. Social Protection

To reinforce one of the two pillars of the Administration's expenditure priorities, the proposed 2019 Budget aims to accomplish major social programs intended to protect the poor and the vulnerable from economic deprivation and shocks. Human development involves the reduction of vulnerability and risks, eradication of deprivation and provision of safety nets, and investment in human capital through enhancing capabilities and opportunities for development. These are the key areas that the government is aiming to secure in order to establish inclusive economic growth, a major part of its socio-economic agenda.

Determined to stay on track in its goal to cut down the poverty incidence rate from 21.6 percent in 2015 to 14 percent by 2022, the Duterte Administration allots PhP136.8 billion to the Department of Social Welfare and Development (DSWD), to boost the socioeconomic resiliency of vulnerable sectors. This will be accomplished through the implementation of

[12] World Health Organization. (n.d.). *Rabies in the Philippines.* Retrieved from http://www.wpro.who.int/philippines/areas/communicable_diseases/rabies/continuation_rabies_area_page/en/

[13] Department of Health - Epidemiology Bureau. (2018, June). *HIV/AIDS & ART Registry of the Philippines.* Retrieved from http://www.aidsdatahub.org/sites/default/files/publication/EB_HIV_June_AIDSreg2018.pdf

various programs that are specifically targeted to mitigate economic risks.

Table 9. Select Social Protection Programs, 2019
(in billion Pesos)

Particulars	2019 (cash-based)
Department of Social Welfare and Development	**136.8**
Of which:	
Conditional Cash Transfer Program (Pantawid Pamilyang Pilipino Program)	**88.1**
Kalahi-CIDSS	**2.8**
Sustainable Livelihood Program	**2.3**
Supplementary Feeding Program	**3.5**
Social Pension for Indigent Senior Citizens	**23.2**

Source: Department of Social Welfare and Development

Conditional Cash Transfer Program

The Pantawid Pamilyang Pilipino Program (4Ps) is the national government's primary human development program with the goal of providing social assistance and social development to aid poverty alleviation in the country.

The 4Ps will benefit 4.4 million poor households with children between 0-18 years of age. To receive cash grants, the beneficiary households must meet the following program conditionalities: To receive educational grants, children aged three (3) to eighteen (18) years old belonging to the household must attend school appropriate to them and register a monthly attendance of at least 85%. For health stipend, children must get regular check-ups. Children aged zero (0) to five (5) years old must receive appropriate vaccines, and children aged six (6) to fourteen (14) must receive deworming pills twice a year. In addition, parents or qualified guardians of the beneficiary households must attend Family Development Sessions, a monthly workshop that equips beneficiaries with knowledge and skills on responsible parenthood, active citizenship, and food insecurity mitigation, among others. This aims to empower beneficiary households through assuaging tough conditions.[14]

Under 4Ps, these beneficiary households will receive educational cash grants, health stipends, and monthly rice subsidies of 20 kilos per month, upon the fulfillment of the aforementioned conditionalities.

For 2019, a budget of PhP88.1 billion has been allocated for the 4Ps. Out of this allocation, PhP23.8 billion goes to health stipend while PhP29.5 billion is earmarked for educational grants. In addition, PhP28.5 billion will be used to fund the rice subsidy of 20 kilos per month per household[15] as a commitment of the Administration to enable subsistence for the beneficiary households.

Out of the 4.4 million beneficiary households under the 4Ps, 4.2 million households are classified by the National Household Targeting System for Poverty Reduction (NHTS-PR) under the Regular Conditional Cash Transfer (RCCT) Program. These are the households that were identified to be needing the most to help mitigate the factors affecting their living conditions. On the other hand, victims of natural and man-made disasters rendered homeless with no means of livelihood, as well as indigenous peoples in geographically disadvantaged areas, comprise the 235,212 households under the Modified Conditional Cash Transfer (MCCT) Program.

As of 2017, 12.6 percent of the beneficiary households belong to the indigenous peoples sector, while 4.9 percent have at least one household member with disability.[16] *(See Table 10)*

As a testament to the Duterte Administration's commitment to reduce the vulnerability of families by enabling them to progress from subsistence to self-sufficiency, a "Kumustahan" has been initiated where 1.3 million of the 4.4 million 4Ps beneficiary households have been classified as transitioning households. These households are those that have been identified by DSWD to have improved their well-being and upgraded their status to "non-poor". However, these households remain vulnerable with little or no buffer against economic shocks, and may revert to poverty in such events. To enable them to be self-sufficient, these transitioning households continue to remain in the Program.

The government stands firm in its belief that promoting the right conditions for human development in the country is a key factor in sustaining social stability and economic growth. Through the provision of cash grants for health and education upon the fulfillment of socially-enhancing conditionalities by the beneficiaries, the Program is able to bridge the large gaps in economic disadvantages that the poor experience. Furthermore, the extended program for identified transitioning households enables opportunities for the poor to build upon these benefits and create long-term livelihood foundations for themselves. The 4Ps is an important social protection mechanism that enables the poor not only to serve their immediate needs, but at the same time empowers them to break the cycle of poverty.

Kapit-Bisig Laban sa Kahirapan-Comprehensive Integrated Delivery of Social Services

Social inclusion has two important components: the improvement of the condition of the impoverished and the

[14] Department of Social Welfare and Development. (2018). *Pantawid Pamilyang Pilipino Program - About the Program.* Retrieved from https://pantawid.dswd.gov.ph/about

[15] Department of Social Welfare and Development. (2018). *Pantawid Pamilyang Pilipino Program Annual Accomplishment Report 2017.*

[16] National Economic and Development Authority. (2017). *Socioeconomic Report 2017.*

Table 10. Conditional Cash Transfer Program Budget and Physical Targets, 2017-2019

Particulars	2017 (obligation-based)	2018 (obligation-based)	2019 (cash-based)
Conditional Cash Transfer Program*	PhP78.2 B	PhP89.4 B	PhP88.1 B
Of which:			
Health Grant	PhP23.5 B	PhP23.8 B	PhP23.8 B
Educational Grant	PhP26.6 B	PhP28.6 B	PhP29.5 B
Rice subsidy	PhP29.1 B	PhP28.5 B	PhP28.5 B
Other assistance for MCCT	PhP 0.2 B	PhP 0.7 B	PhP 0.3 B
Operational Requirements**	PhP 1.2 B	PhP 7.8 B	PhP 6.1 B
Of which:			
Total Number of Beneficiaries	4.4 M	4.4 M	4.4 M
Regular CCT	4.2 M	4.2 M	4.2 M
Modified CCT	235,289	235,289	235,212

Source: Department of Social Welfare and Development
Note: Figures may not add up due to rounding off
** The slight decrease in the 2019 budget of the government's CCT Program from PhP89.4 billion in 2018 to PhP88.1 is attributed to the transfer of the cost of service worth PhP1.6 billion to the Miscellaneous Personnel Benefits Fund (MPBF).*
*** Includes funding for trainings and advocacy materials, personnel services, administrative expenses, monitoring and evaluation, and bank service fees.*

Table 11. KALAHI-CIDDS Budget and Physical Targets, 2018-2019

Particulars	2017 (obligation-based)	2018 (obligation-based)	2019* (cash-based)
KALAHI-CIDSS	PhP10.2 B	PhP5.4 B	PhP2.8 B
Regions	15	15	14
Provinces	58	69	69
Municipalities	781	180	101
Households	18,506	5,551	1,940
Sub-Projects Completed	7,936	2,705	1,643

**End of implementation of KALAHI-CIDSS*
Source: Department of Social Welfare and Development

disadvantaged, and the empowerment of these same groups to participate in societal activities, particularly in the preservation and development of resources and livelihoods that benefit their community.

Affirming this, the Administration continues to support the KApit-Bisig LAban sa Kahirapan-Comprehensive Integrated Delivery of Social Services (KALAHI-CIDSS), giving it a budget of PhP2.8 billion for 2019. KALAHI-CIDSS is a community-driven program in which communities in poor municipalities are engaged in participatory, inclusive, and responsive projects that address their particular needs.

As of 2017, there have been a total of 20,184 sub-projects completed, most of which are in Regions VI, VII, and VIII, serving 4.6 million households. As the Program envisions to enable more communities to participate in governance and capacity development, KALAHI-CIDSS aims to complete an additional 1,643 sub-projects in 14 regions before the end of the Program in 2019.[17] *(See Table 11)*

Other Social Programs

Sustainable Livelihood Program. In the true spirit of "malasakit", genuine social protection is not only protective but also transformative, equipping beneficiaries with the necessary skills for self-sufficiency. As of 2017, a total of 49,159 household beneficiaries were assisted under the Sustainable Livelihood Program (SLP). Some 32,909 of the household beneficiaries pursued the Micro-Enterprise Development track, which offers workshops and provides them with capital, access to credit, and other support to start a business. Another 16,250 household beneficiaries were enrolled in the Employment Facilitation track, which provides technical-vocational training and pre-employment assistance services.

In addition to continuing support for transitioning households under the CCT Program and livelihood training in 2018, a portion of the SLP was allotted for cash grants and distributed to qualified families affected by the closure of Boracay Island. The premier tourist destination was temporarily shut down

[17] Department of Social Welfare and Development. (2018). *KALAHI-CIDSS-NCDDP Narrative Performance Report for the 4th Quarter of CY 2017.*

for environmental rehabilitation on April 26, 2018, and along with other assistance programs that the DSWD provided as part of the Inter-Agency Task Force assigned to support affected families, PhP19.8 million worth of cash grants was distributed for this program as of May 31, 2018.[18]

For 2019, the SLP is allotted PhP2.3 billion. With this, the Program looks to extend more assistance to needy Filipinos, bolstering activities that seek to bridge unemployment through essential partnerships with other government agencies, at the same time providing long-term support to beneficiary households, ultimately contributing to poverty alleviation in the country.

Protective Programs for Children. According to the Cost of Hunger: Philippines, a 2016 study commissioned by Save the Children in collaboration with the Food and Nutrition Research Institute of the Department of Science and Technology (FNRI-DOST), the Philippines loses an estimated PhP328 billion per year due to the effects of malnutrition in children.[19] While this study did not include the economic losses related to healthcare costs due to malnutrition, it estimates PhP326.5 billion in workforce productivity loss due to reduced productivity among the stunted work force and early deaths due to undernutrition, and another PhP1.2 billion in education loss through grade level repetition.

To mitigate this situation, the Administration appropriates a budget of PhP3.5 billion to improve the nutritional status of children aged two (2) to five (5) years old through the Supplementary Feeding Program. A target of 1,881,979 children will receive healthy meals five days a week for 120 days to ensure development among the young and fulfillment of their well-being. *(See Table 12)*

Table 12. Supplementary Feeding Program: Budget and Physical Targets, 2018-2019

Particulars	2018	2019
Supplementary Feeding Program	PhP3.4 B	PhP3.5 B
Number of daycare children served	1,746,199	1,881,979

Source: (DSWD)

In 2015, the FNRI-DOST[20] reported that 38 percent of children aged five (5) to ten (10) years old in the Autonomous Region in Muslim Mindanao (ARMM) are underweight. Furthermore, 44 percent in the same group are stunting, or below the standard height for their age, which is an indication of chronic and prolonged malnutrition. These figures are significantly higher than the national average of 31.2 percent for underweight and 31.1 percent for stunting. This confirms that the ARMM remains to be one of the poorest regions in the country. To counter this, the Administration sets aside PhP158 million for the Bangsamoro Umpungan sa Nutrisyon (BangUN) to provide underweight children identified by the DSWD with nutritious meals for 180 days. The Program also includes other nutrition intervention support measures such as nutritional aid for pregnant women and lactating mothers.

Assistance to Older Persons. Social protection as an element of human development must also apply to older persons, and the government ensures that indigent senior citizens will benefit from the Administration's social inclusivity efforts by providing PhP23.3 billion for its Social Welfare for Senior Citizens Program. Of this amount, PhP23.2 billion will go to the Social Pension for Indigent Senior Citizens, representing a 20 percent increase from the 2018 budget of PhP19.3 billion. This will provide a PhP500 monthly stipend for 3,796,791 indigent senior citizens, to provide support to their basic needs in compliance with Republic Act No. 9994, or the "Expanded Senior Citizens Act".

Table 13. Social Pension for Indigent Senior Citizens: Budget and Physical Targets, 2017-2019

Particulars	2017	2018	2019
Social Pension for Indigent Senior Citizens	PhP17.9 B	PhP19.3 B	PhP23.2 B
Number of indigent senior citizens provided with social pension (aged 60 and above)	2,809,542	3,000,000	3,796,791

Social Welfare for Distressed Overseas Filipinos (OFs) and Trafficked Persons. The Overseas Filipinos' (OFs) steady flow of remittances is indispensable in sustaining the momentum of economic growth, with the year 2017 recording a total of PhP205 billion[21] in remittances and exceeding the Bangko Sentral ng Pilipinas' (BSP) projection for the year by 4 percent.[22] However, OFs continue to face challenges like substandard employment conditions, unjust labor practices, economic crises of host countries, and deportations.

[18] Department of Social Welfare and Development. (2018). *DSWD releases P19.8M for first batch of SLP beneficiaries in Boracay*. Retrieved from *https://livelihood.dswd.gov.ph/posts/dswd-releases-p198m-for-first-batch-of-slp-beneficiaries-in-boracay*

[19] Save the Children. (2016). *Cost of Hunger: Philippines*. Retrieved from *https://resourcentre.savethechildren.net/node/12557/pdf/save-the-children-cost-of-hunger-philippines-2016.pdf*

[20] Food Nutrition Research Institute-Department of Science and Technology. (2015). *The Double Burden of Malnutrition in the Philippines - ARMM*.

[21] Philippine Statistics Authority. (2018). *Total Number of OFWs Estimated at 2.3 Million (Results from the 2017 Survey on Overseas Filipinos)*. Retrieved from *https://psa.gov.ph/content/total-number-ofws-estimated-23-million-results-2017-survey-overseas-filipinos*

[22] Bangko Sentral ng Pilipinas. (2018). *Personal Remittances Exceed 4.0 Percent Growth Projection for 2017; Full-Year Level Reaches US$31.3 Billion*. Retrieved from *http://www.bsp.gov.ph/publications/media.asp?id=4615*

To safeguard the OFs, the Administration earmarks PhP167 million under the DSWD to uphold the welfare of Filipinos abroad and protect them from abuse and exploitation. From this allocation, PhP90 million goes to Services to Distressed Overseas Filipinos to fund intervention programs that include psycho-social counseling, trauma management, and financial literacy. PhP52 million is allotted to extend assistance to displaced persons (deportees). These will be in the form of temporary shelter, emergency relief, food, and medical services. The remaining PhP24 million has been allotted for the Recovery and Reintegration Program for Trafficked Persons (RRPTP), an extensive program that will ensure the recovery of trafficking victims and their successful reintegration. To reduce the number of trafficking incidents, the Department of Justice is also allotted PhP95 million to arrest and prosecute traffickers pursuant of R.A. No. 10364, or the "Expanded Anti-Trafficking Law".

From Vulnerability to Adequacy

Creating inequality-reducing opportunities for social development is the stimulus for inclusive economic growth, and the Duterte Administration intends to strengthen the vulnerable and capacitate the impoverished. These transformative social protection strategies aim not only to sustain the needs of the poor and the marginalized, but also to lift them out of poverty and deprivation, without fear of reversion. By prioritizing the needs of those at risk, the Administration remains steadfast in its goal to uplift the living conditions of all Filipino people.

2. Continuing Provision for the People's Basic Needs

A. Ensuring Food Security

Food security is said to exist "when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life"[1]. Under this universally accepted definition, food security is determined by four (4) key indicators: food availability, food access, food utilization, and food stability[2].

With the total world population expected to reach 9.1 billion by 2050, global demand for food will rise and ensuring food security will continue to be a challenge, especially for developing countries. In the Philippines, a number of emerging threats, such as high population growth rate, rapid urbanization, climate change, and water scarcity are making it difficult to ensure sufficient food production[3]. The government is confronted with the challenge of finding ways to produce more food in unfavorable environments, to feed more than 100 million Filipinos, and to support the livelihood of 11 million workers employed in the agricultural sector[4].

In a bid to address food insecurity in the country, the government provides allocations in the 2019 National Budget that aim to guarantee the availability and affordability of food for all. The Budget supports strategies outlined in the 2017-2022 Philippine Development Plan (PDP) to improve food production, increase the income of food producers, enhance agrarian reform, and strengthen the resilience of farmers and fisherfolk to the detrimental effects of climate change and natural disasters.

Shown in Table 1 are the budgets of the different agencies involved in ensuring food security in the country.

Table 1. Budgets of Some Agencies Involved in Ensuring Food Security in the Philippines, 2019
(in billion Pesos)

Department/Agency	Amount
Department of Agriculture (DA)	**49.8**
Of which:	
Bureau of Fisheries and Aquatic Resources (BFAR)	5.8
Agricultural Credit Policy Council (ACPC)	3.5
Bureau of Agricultural Research (BAR)	1.1
Philippine Center for Postharvest Development and Mechanization (PHILMECH)	0.3
Department of Agrarian Reform (DAR)	**8.2**
Other Agencies/Offices:	
National Irrigation Administration (NIA)	36.9
National Food Authority (NFA)	7.0
Philippine Crop Insurance Corporation (PCIC)	3.5
Philippine Coconut Authority (PCA)	1.3
Department of Science and Technology (DOST) - Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAANRRD)	1.2
Philippine Fisheries Development Authority (PFDA)	0.8
Philippine Rice Research Institute (PRRI)	0.8
Sugar Regulatory Administration (SRA)	0.5

[1] Food and Agriculture Organization of the United Nations (FAO). (2017). *The State of Food Security and Nutrition in the World 2017.* Retrieved from http://www.fao.org/3/a-I7695e.pdf

[2] FAO. (n.d.). *Sustainable Development Goals: Food Security and the Right to Food.* Retrieved from http://www.fao.org/sustainable-development-goals/overview/fao-and-the-post-2015-development-agenda/food-security-and-the-right-to-food/en/

[3] Philippine Rice Research Institute (PhilRice). *Strategic Plan 2017-2022.* Retrieved from http://www.philrice.gov.ph/wp-content/uploads/2017/03/Strat-Plan-2017.pdf

[4] Philippine Statistics Authority. (2017, October). *Selected Statistics on Agriculture 2017.* Retrieved from https://psa.gov.ph/sites/default/files/SSA2017%20%281%29.pdf

Improving Food Production

Tasked to promote agricultural development for sustainable food production, the Department of Agriculture (DA) will receive the eighth biggest allocation in the 2019 Budget, amounting to PhP49.8 billion. This proposed budget will be used to fund various agricultural programs, activities, and projects focused on enhancing food availability, as well as empowering local farming and fishing communities. *(See Table 2)*

Table 2. Major Programs and Projects of the DA, 2019
(in billion Pesos)

Particulars	Amount
Department of Agriculture (DA)	**49.8**
Of which:	
Construction of Farm-to-Market Roads	11.4
Rice Program	7.4
Fisheries Program	4.5
Agricultural Credit Program	3.4
Corn Program	1.5
High-Value Crops Program	1.5
Livestock Program	1.1
Organic Agriculture Program	0.5

Rice Program. To ensure the availability of the country's main staple, the Duterte Administration continues to provide investments for palay production. Table 3 shows that the volume of palay produced in 2017 increased to 19.3 million metric tons (MMT), 6.6 percent and 9.7 percent higher than the amounts produced in 2015 and 2016, respectively.

Table 3. Volume of Palay and Corn Production, 2015-2019
(in million metric tons)

Crop	2015 (Actual)	2016 (Actual)	2017 (Actual)	2018 (Target)	2019 (Target)
Palay	18.1	17.6	19.3	19.8	20.7
Corn	7.5	7.2	7.9	8.5	8.9

Source: Philippine Statistics Authority (PSA); DBM

The DA steadily pursues the National Rice Program in line with the government's vision of food security. For 2019, PhP7.4 billion[5] is allotted for the Rice Program to invest in research and development (R&D) on new farming methods to intensify rice production, provide a sustainable and quality seed supply for rice tillers, improve and maintain irrigation systems, and provide small farmers with increased access to education, training, and support services, as well as for agricultural mechanization through the provision of agricultural equipment and facilities.

For 2019, 20.7 MMT of palay is targeted to be harvested through the Rice Program, higher by 4.5 percent than the target 19.8 MMT of palay to be produced in 2018.

In support of the DA's Rice Program, PhP772 million will be provided to the Philippine Rice Research Institute (PRRI) to implement the PRRI's Rice Research and Development Program. It will be used for the development of high-yielding, cost-reducing, and environment-friendly technologies to increase palay yields and reduce rice production costs. With said amount, the PRRI will seek to implement 85 rice research projects, maintain the target 70 percent of farmers who have adopted rice farming technologies in project sites, and achieve a target rice yield of 1 ton/hectare (t/ha) in irrigated areas and 0.5 t/ha in rainfed areas.

Rice Tariffication: More Available and Affordable Rice for All. Before the Philippines joined the World Trade Organization (WTO) in 1995, the country used non-tariff barriers such as quantitative restrictions (QRs) to regulate the entry of agricultural commodities from other countries. When it acceded to the WTO, the Philippines committed to replace all QRs on agricultural products with tariffs through the establishment of a tariffication system by virtue of Republic Act (R.A.) No. 8178 (Agricultural Tariffication Act). The law, however, exempted rice from tariffication because it is considered a very important and sensitive commodity in the country[6].

To protect domestic rice production from global competition, the QRs on rice were maintained for more than two decades, from 1995 to 2017. When the special waiver on rice expired on June 30, 2017, President Rodrigo Duterte signed on April 28, 2017 Executive Order (E.O.) No. 23, which extended the quota on rice until 2020 or until the Agricultural Tariffication Act is amended.

The imposition of QRs on rice limits the volume of rice importations to protect local farmers from the influx of cheap imported rice, encourage domestic producers to cultivate rice, and prepare them for free trade[7] - all in an effort to make the Philippine rice industry more competitive. However, there has not been as much improvement in the competitiveness of

[5] Exclusive of National Irrigation Administration (NIA), PRRI, and National Food Authority (NFA). Limited to DA-Office of the Secretary (OSEC) budget only.

[6] PRRI. (2016). *Competitiveness of Philippine Rice in Asia.* Retrieved from http://www.philrice.gov.ph/wp-content/uploads/2016/08/Book_CPRA_22June2016_3.pdf

[7] National Economic and Development Authority (NEDA). (2018). *IEC Materials on Rice Tariffication.* Retrieved from http://www.neda.gov.ph/iec-materials/

Table 4. Rice Production and Average Domestic Rice Prices in Selected ASEAN Countries, 2015-2018

Country	2015		2016		2017		2018	
	Rice Production (MMT)	Average Domestic Price of Rice (USD/kg)	Rice Production (MMT)	Average Domestic Price of Rice (USD/kg)	Rice Production (MMT)	Average Domestic Price of Rice (USD/kg)	Rice Production (MMT)	Average Domestic Price of Rice (USD/kg)
Cambodia	9.3	0.40	10.0	0.39	10.4	0.42	10.6	0.43
Indonesia	73.0	0.80	72.6	0.87	73.9	0.79	74.5	0.79
Myanmar	27.7	0.35	28.6	0.40	29.5	0.28	30.4	0.37
Philippines	17.5	0.94	18.5	0.88	19.3	0.82	19.7	0.83
Thailand	27.4	0.37	32.4	0.34	33.7	0.33	34.5	0.38
Vietnam	45.1	0.32	43.2	0.29	42.8	0.31	44.2	0.39

Source: Food and Agriculture Organization of the United Nations (FAO)
Note: 2017 and 2018 values for rice production are based on FAO estimates and forecasts, respectively.

the rice sector as intended under the current quota system[8], as proven by the country's consistently low rice production and expensive domestic rice prices. The Philippines' rice production pales in comparison with most of its neighboring ASEAN countries, while the average cost of domestic rice in the country has remained high at almost USD1.00 per kilogram. *(See Table 4)*

As the Philippines is an agriculture-based economy, the shift from the quota system to a more open tariff system is expected to address the insecurities in rice production and make the staple more available and affordable for 8.23 million "food-poor" Filipinos[9]. Hence, the government is working for the immediate passage of House Bill (H.B.) No. 7735 or the Revised Agricultural Tariffication Act, which provides for the imposition of tariffs in place of the quota system, towards a more liberalized rice market and ultimately remove the QRs on rice.

The prevailing system of imposing a 40 percent tariff on rice imports below the Minimum Access Volume (MAV)[10] of 805,200 metric tons (MT) contributes to high rice prices due to the limited supply of rice. To address this and also to safeguard Filipino rice farmers, the proposed measure seeks to set the MAV on rice to 350,000 MT as indicated in the Philippines' commitment to the WTO. Rice imported from ASEAN WTO member-countries will be levied a 35 percent tariff rate, while imported rice from non-ASEAN member-countries that are within the MAV will be imposed a 40 percent Most Favoured Nation (MFN) rate[11].

Unlike QRs, rice tariffs generate revenues that may be used for projects to improve agricultural productivity. Under the proposed bill, tariff proceeds from rice imports will go to the Rice Competitiveness Enhancement Fund (RCEF) which can be tapped by the DA to reduce costs on rice production. The RCEF will be used to, among others, modernize the rice industry; provide local farmers with technical, financial, and educational support for increased competitiveness and productivity; and fund various research and development (R&D) projects on rice farming.

In addition, the proposed Bill seeks to remove unnecessary government interventions in the rice market in order to eliminate uncertainties in the supply of rice. Under H.B. No. 7735, the functions of the National Food Authority (NFA) will be limited to the following: (1) undertake direct importation of rice for the purpose of ensuring food security and maintaining adequate national buffer stocks; (2) establish rules and regulations on rice and corn trade and collect fees and charges for such transactions; and (3) issue import permits to certified and licensed importers for importations other than for maintaining buffer stocks.

The Revised Agricultural Tariffication Act, in the words of President Duterte, is a "crucial reform" that needs to be prioritized as it will make rice cheaper for ordinary Filipinos, especially the poor consisting of farmers, fisherfolk, and landless laborers, among others. As rice imports will increase, the retail price of rice is expected to decrease by an estimated

[8] PRRI. (2016). *Competitiveness of Philippine Rice in Asia.*

[9] Senate of the Philippines. (2017, December 19). *Policy Brief on Rice Tariffication.* Retrieved from https://www.senate.gov.ph/publications/SEPO/PB_Rice_Tariffication_19Dec2017.pdf

[10] The Minimum Access Volume (MAV) refers to the volume of an agricultural commodity that is allowed to be imported with a lower tariff as committed by the Philippines to the WTO. Currently, the MAV on rice is maintained at 805,200 MT as prescribed by E.O. No. 23.

[11] The Most Favoured Nation (MFN) Rate pertains to Philippine tariff rates that are applicable to imports from all sources as prescribed in the Customs Modernization and Tariff Act.

PhP4.31 to as much as PhP7.00 per kilo[12] to compete with cheaper rice prices in the global market.

This would mean lower rice expenditures for Filipino consumers, leading to an increase in household savings by as much as PhP2,362.00 annually and, in the long run, to a one (1) percentage point reduction in the inflation rate[13].

On August 14, 2018, H.B. No. 7735 was approved on third and final reading in the House of Representatives. Meanwhile, the Senate version, Senate Bill (S.B.) No. 1476, is still pending at the Committees on Agriculture and Food, Ways and Means, and Finance.

Corn Program. With a total production of 7.9 MMT in 2017, corn is the country's second most important crop[14]. Thus, PhP1.5 billion will be allotted for the National Corn Program to increase the production of quality corn for purposes of human consumption, feed manufacturing, and industrial use.

With the allocated budget, the DA targets a yield of 8.9 MMT of corn in 2019, an increase from the targets of 8.5 MMT in 2018 and 7.9 MMT in 2017.

Farm-to-Market Roads. Improving transportation infrastructure, such as roads leading from farms to markets, will further reduce logistics and marketing costs and minimize postharvest losses for farmers[15]. In accordance with R.A. No. 8435 (Agriculture and Fisheries Modernization Act of 1997), which mandates the construction and rehabilitation of farm-to-market roads (FMRs) as a primary infrastructure intervention to significantly raise agricultural productivity, PhP11.4 billion[16] will be provided to build 1,074 kilometers (km) of FMRs in 2019.

Of this total budget, PhP10.0 billion is lodged under the Department of Public Works and Highways (DPWH) for the construction, repair, and upgrading of 996 km of FMRs in major crop-producing provinces and in regions with the highest incidence of poverty among farmers and fisherfolk. Table 5 presents the regional allocation for FMRs to be constructed, repaired, and rehabilitated in 2019.

Agricultural Research and Development (R&D). Investing in agricultural R&D results in a more productive and competitive agricultural landscape. The adoption and use of science-based crops and farming systems, technologies, and strategies allow the country's food growers to maximize their yields and minimize the risks of pest infestations and climate change on their sources of livelihood.

Table 5. Regional Allocation for the Construction, Repair, and Rehabilitation of FMRs, 2019
(in million Pesos)

Region	Amount
Cordillera Administrative Region (CAR)	355
Region I - Ilocos Region	610
Region II - Cagayan Valley	500
Region III - Central Luzon	895
Region IV-A - CALABARZON	955
MIMAROPA Region	470
Region V - Bicol Region	680
Region VI - Western Visayas	750
Region VII - Central Visayas	505
Region VIII - Eastern Visayas	500
Region IX - Zamboanga Peninsula	560
Region X - Northern Mindanao	640
Region XI - Davao Region	880
Region XII - SOCCSKSARGEN	634
Region XIII - CARAGA	535
Autonomous Region in Muslim Mindanao (ARMM)	490

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

To modernize and boost the productivity of the Agriculture, Aquatic, and Natural Resources (AANR) Sectors, PhP1.2 billion will be provided to the Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAANRRD) of the Department of Science and Technology (DOST). Of this allocation, some PhP915 million will be used to fund 216 projects for the development of the AANR Sectors.

As the R&D arm of the DA, the Bureau of Agricultural Research (BAR) will receive a budget of PhP1.1 billion in 2019. Said amount will be used to strengthen, develop, and facilitate R&D in agriculture and fisheries for the purpose of improving efficiency and productivity in these sectors.

In addition to this, PhP1.3 billion will be for the enhancement of the growth and competitiveness of the coconut and palm oil industry through the Philippine Coconut Authority (PCA).

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[12] Presidential Communications Operations Office (PCOO). (2018, July 23). *State of the Nation Address of Rodrigo Roa Duterte, President of the Philippines, to the Congress of the Philippines.* Retrieved from https://pcoo.gov.ph/wp-content/uploads/2018/07/2018-State-of-the-Nation-Address-of-Duterte.pdf

[13] National Economic and Development Authority (NEDA). (2018). *IEC Materials on Rice Tariffication.* Retrieved from http://www.neda.gov.ph/iec-materials/

[14] FAO. (n.d.). *Feed Resources.* Retrieved from http://www.fao.org/3/w6928e05.htm

[15] PRRI. (2016). *Competitiveness of Philippine Rice in Asia.*

[16] Inclusive of foreign-assisted and locally-funded projects

With the budget, the PCA aims to increase the target average annual gross income of coconut farmers from PhP50,000 in 2018 to PhP70,000 in 2019.

The use of mechanization in farming, post-production, and processing contributes to increased crop yields and reduces on-farm and postharvest losses[17]. To strengthen the use of farming technology and machinery in the country, the government will allot a budget of PhP317 million for the Philippine Center for Postharvest Development and Mechanization (PHILMECH) in 2019.

The PHILMECH will target a 20 percent annual increase in the number of adopters or users of new postharvest development and mechanization technologies. The amount will also be used to, among others, train 944 individuals on the adoption and utilization of agricultural postharvest and mechanization technologies.

Increasing the Income of Small Farmers and Fisherfolk

Farmers and fisherfolk have been identified among the three basic sectors of the population with the highest poverty incidence in 2015, at 34.3 percent and 34.0 percent, respectively[18]. Determined to lift up those below the poverty threshold, the government sets aside funding for programs and projects that aim to improve the income of farmers, fisherfolk, and rural workers by providing them with diverse and significant opportunities for livelihood.

High-Value Crops Program. Pursuant to R.A. No. 7900 (High-Value Crops Development Act of 1995), the DA will allot PhP1.5 billion for the National High-Value Crops Program, to offer farmers a viable alternative to traditional crops especially during lean or off-season. Said amount will be used to promote the production, processing, marketing, and distribution of commercial crops - such as coffee, cacao, fruits, root crops, legumes, spices and condiments, and ornamental foliage plants - which have higher monetary value than staple crops[19].

For 2019, the government targets a yield of 10.220 MMT of bananas, 2.910 MMT of pineapples, 1.020 MMT of mangoes, and 0.290 MMT of rubber through the High-Value Crops Program. *(See Table 6)* In addition to this, 0.037 MMT of cacao and 0.068 MMT of coffee are projected to be produced to meet the increasing demand for these products. The production and sale of these crops are expected to enhance the productivity and income of small producers, as well as improve the country's earnings in the global export market.

Table 6. Targets of the National High-Value Crops Program, 2017-2019
(in million metric tons)

Crop	2017	2018	2019
Banana	9.170	9.926	10.220
Pineapple	2.670	2.822	2.910
Mango	0.740	0.986	1.020
Coffee	0.031	0.052	0.068
Cacao	0.007	0.027	0.037
Rubber	0.200	0.262	0.290

Organic Agriculture Program. The National Organic Agriculture Program was organized in January 2012, pursuant to R.A. No. 10068 (Organic Agriculture Act of 2010). Through the Program, the government intends to promote and develop organic agriculture farming in the country in order to contribute towards overall agricultural growth and productivity, provide better incomes and sustainable livelihood for farmers, and reduce poverty in the rural sector.

The government will allot PhP0.5 billion for the Organic Agriculture Program, which targets to convert 370,117 hectares (ha) of land to organic farming in 2019.

Revival of the Sugar Industry. In the coming years, the demand for sugar is expected to rise due to the growing food processing industry and the ballooning population[20]. To help meet the increasing market demand for sugar, PhP500 million will be provided to the Sugar Regulatory Administration (SRA).

This amount will be used for the Sugarcane Industry Development Program to support sugarcane producers and farmers and improve the competitiveness of the sugar industry in order to achieve the country's target of stable sugar production of 2.1 MMT in 2019. Of the total budget for the SRA, PhP150 million will fund the construction and rehabilitation of 7.3 km of farm-to-mill roads and 47.49 lineal meters (lm) of bridges leading to sugar block farms, small farms, and expansion areas.

Livestock Program. Raising cattle and other livestock offers another livelihood option and another opportunity to augment the income of food producers. However, livestock production in the Philippines has experienced slow growth in previous years as the country imports most of its meat, milk, and dairy commodities from abroad[21].

[17] FAO. (n.d.) *Sustainable Agricultural Mechanization.* Retrieved from http://www.fao.org/sustainable-agricultural-mechanization/en/

[18] PSA. (2017, June 30). *Farmers, Fishermen, and Children consistently posted the highest poverty incidence among basic sectors.* Retrieved from https://psa.gov.ph/poverty-press-releases

[19] An Act to Promote the Production, Processing, Marketing, and Distribution of High-Valued Crops, Providing Funds Therefor, and for Other Purposes

[20] United States Department of Agriculture (USDA) Foreign Agricultural Service. (2018, April 15). *Philippines: Sugar Annual Situation and Outlook.* Retrieved from https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Annual_Manila_Philippines_4-6-2018.pdf

[21] Senate of the Philippines. (2018, April 26). *Senator Cynthia Villar's Opening Statement for the Livestock, Dairy, and Poultry Hearing.* Retrieved from http://www.senate.gov.ph/press_release/2018/0416_villar1.asp

To reinvigorate the livestock industry, PhP1.1 billion from the DA budget will be allotted for the National Livestock Program, to produce 2.19 MMT of hogs and 1.85 MMT of chicken in 2019. These are higher than the 2018 targets by 1.4 percent and 3.4 percent, respectively. *(See Table 7)*

Table 7. Targets of the National Livestock Program, 2017-2019
(in million metric tons)

Production	2017	2018	2019
Hog	2.27	2.16	2.19
Chicken	1.75	1.79	1.85

Fisheries Program. Blessed with a rich marine biodiversity and with more than 1.6 million of its citizens engaged in the fishing industry, the Philippines has always been recognized as a major fish producer in the world[22]. To strengthen the fishing industry and support poor fisherfolk, PhP5.8 billion will be allotted for the Bureau of Fisheries and Aquatic Resources (BFAR), PhP4.5 billion of which will be for the National Fisheries Program. This amount will be used to reach a target of 1.002 MMT of commercial fisheries production, 1.184 MMT of municipal fish production, and 2.334 MMT of aquaculture production. *(See Table 8)*

Table 8. Targets of the National Fisheries Program, 2017-2019
(in million metric tons)

Production	2017	2018	2019
Commercial	0.947	1.057	1.002
Municipal	1.126	1.149	1.184
Aquaculture	2.238	2.422	2.334

The Philippine Fisheries Development Authority (PFDA) will be given an allocation of PhP765 million for the construction, rehabilitation, and improvement of fish ports and fishery post-harvest facilities all over the nation through the Fisheries Infrastructure Development Program. *(See Table 9)*

Table 9. Allocations for the Fisheries Infrastructure Development Program, 2019
(in million Pesos)

Infrastructure	Amount
Navotas Fish Port Complex	292
Iloilo Fish Port Complex	191
Lucena Fish Port Complex	164
Davao Fish Port Complex	73
Zamboanga Fish Port Complex	44
Total	**765**

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

Access to Agricultural Credit. Essential in crafting a sound agricultural development program is the provision of easy access to credit for small farmers and fisherfolk. Yet food producers from the country's most marginalized provinces have very low – or almost non-existent – access to formal credit, which contributes to low agricultural productivity in these areas[23].

One of the government's interventions to address the challenge of low productivity in poor provinces is to provide subsidies for rice seeds, fertilizers, and farm equipment and machinery. However, several problems have been encountered in the subsidy program, which include: (1) vulnerability to corruption; (2) unequal distribution of interventions; (3) political interference in the distribution; (4) long and slow procurement process; and (5) unsustainability of subsidies as a result of political decision[24].

In April 2017, the DA announced the shift from subsidies to easy access to financing of its agriculture and fisheries support program. A low interest, easy access credit program will fast-track procurement of seeds, fertilizers, and farm equipment and machinery; instill in the beneficiaries a sense of ownership; minimize opportunities for corruption; lessen political interference; and restore pride among poor farmers and fisherfolk. It is also more sustainable since it allows the government to restore loaned funds back into the program in the following year or after its maturity.

The government, through the Agricultural Credit Policy Council (ACPC), will extend credit support services to serve the financial needs of farmers and fisherfolk in agricultural production and manage the risks brought about by price variabilities and the changing climate. For 2019, the ACPC will receive a budget of PhP3.5 billion, 192 percent higher than its 2018 cash-based equivalent of PhP1.2 billion, to provide small farmers and fisherfolk with easy access to affordable credit through its Agricultural Credit Program.

Aside from the Agricultural Credit Program, agriculture and fisheries stakeholders may access other available government loans such as the Agricultural Competitiveness Enhancement Fund (ACEF). One component of the ACEF is the Lending Program through which farmers and fisherfolk may avail of the necessary credit to acquire and establish machineries, facilities, and equipment for production, postharvest, and processing.

[22] Western and Central Pacific Fisheries Commission. (2017). *Annual Report to the Western and Central Pacific Fisheries Commission (WCPFC): Philippine Annual Fishery Report Update.* Retrieved from https://www.wcpfc.int/system/files/AR-CCM-20%20PHILIPPINES%20PART%201%20Rev%201%20%281% 20 October%202017%29.pdf

[23] DA. (2018). *The Shift: Philippine Agriculture Moves from Subsidies to Easy Access Credit.* Retrieved from http://rbap.org/wp-content/uploads/2018/05/Sec.-Manny-Pinol-DA.pdf

[24] Ibid.

For 2019, PhP1.4 billion, tucked under the budget of the DA, will be allocated for the Lending Program under the ACEF. The Program allows a maximum credit of PhP5 million to be availed of by farmers and fisherfolk cooperatives, associations, and enterprises; and a maximum credit of PhP1 million for individual tillers and fishermen[25].

Enhancing Agrarian Reform

Committed to uphold the rights of tillers through equitable land distribution and tenurial security, the Department of Agrarian Reform (DAR) will receive a budget of PhP8.2 billion in 2019. Of this amount, PhP7.8 billion will be for the implementation of the Comprehensive Agrarian Reform Program (CARP), which focuses on redistributing public and private agricultural lands to landless farmers and farm workers. A 2017 study reports that over 4.8 million ha of both private and public agricultural lands have been distributed, benefitting 2.8 million agrarian reform beneficiaries (ARBs)[26].

Under the CARP, the DAR sets aside PhP2.2 billion to fast-track land distribution and ensure farmers' security of tenure through the Land Acquisition and Distribution Program. Said amount will cover the claim folder preparation and documentation of some 44,405 ha of land. In addition, the DAR targets some 41,077 ha of land to be covered by registered Emancipation Patents and Certificates of Land Ownership Award.

In addition, PhP465 million from the DAR budget will be for assistance to 345,816 ARBs from both Agrarian Reform Communities (ARCs) and non-ARC areas.

Strengthening Resilience to Climate Change and Disaster Risk

In order to help the agricultural sector cope with the adverse effects of climate change and natural and man-made disasters, the 2019 Budget provides investments to make farming and fishing communities more climate- and disaster-resilient.

Irrigation Services. Small-scale farmers are the most vulnerable to climate change since their source of subsistence is highly affected by climate variability and weather risks[27]. With increasing occurrences of devastating floods and droughts, there is an urgent need to develop climate-resilient and sustainable irrigation systems to ensure adequate water supply for agricultural communities.

In 2018, President Duterte fulfilled his promise of providing free irrigation services for small farmers[28] with the signing of R.A. No. 10969 (Free Irrigation Service Act). Under this law, farmers who own eight (8) ha of land or less are exempted from paying irrigation service fees (ISFs). The government allotted PhP2.6 billion in 2018 as subsidy for ISFs in accordance with this Act.

For 2019, the free irrigation subsidy will be maintained at PhP2.6 billion in the PhP36.9 billion budget of the National Irrigation Administration (NIA). PhP27.1 billion from the NIA budget will be allotted for various irrigation projects in the country, which are expected to service 2,307,926 ha of farmlands in all cropping seasons in 2019. Table 9 lists the different irrigation projects of the NIA, including national and communal irrigation systems, to be constructed in 2019.

Table 9. Irrigation Projects of the NIA, 2019

Project	Amount
Small irrigation projects nationwide	PhP4.6 B
Chico River Pump Irrigation System, Kalinga	PhP1.7 B
Lower Agno River Irrigation System Extension Project, Pangasinan	PhP875 M
Alfonso Lista Pump Irrigation Project, Ifugao	PhP412 M
Malitubog-Maridagao Irrigation Project Phase II, North Cotabato	PhP400 M
Balikatan Sagip Patubig Program	PhP133 M

Agricultural Insurance. The Philippine Crop Insurance Corporation (PCIC) will allot PhP3.5 billion to provide subsistence farmers and fisherfolk with full insurance premiums covering crop, livestock, fisheries, and non-agricultural assets and protect them from the financial risks brought about by climate change, natural and man-made disasters, and pestilence. The budget targets to cover the insurance of 1,820,033 farmer and fisherfolk beneficiaries listed under the Registry System for Basic Sectors in Agriculture[29].

Buffer Stocking Program. To ensure that the country will have an ample supply of rice in times of emergencies or natural disasters, the NFA will be provided PhP7.0 billion

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[25] DA. (n.d.). *ACEF Lending Program.* Retrieved from http://acef.da.gov.ph/index.php/464-2/

[26] Philippine Institute for Development Studies. (2017, December). *The Comprehensive Agrarian Reform Program (CARP) After 30 Years: Accomplishments and Forward Options.* Retrieved from https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1734.pdf

[27] FAO. (n.d.). *Adapting irrigation to climate climate change.* Retrieved from http://www.fao.org/in-action/aicca/overview/background/en/

[28] Small farmers are those farmers who till not more than five (5) ha of land.

[29] The Registry System for Basic Sectors in Agriculture is a database of farmers, farm laborers, and fisherfolk in the 75 provinces of the Philippines, excluding the ARMM and the NCR. It is used to determine the target beneficiaries of agricultural support programs being implemented by the government.

in 2019. This amount will be used for the Buffer Stocking Program to maintain a national rice reserve that will last for at least 15 days during the harvest season and at least 30 days during the lean season. For this purpose, the NFA targets to procure 388,889 MMT of domestic palay under the Program.

Sowing the Seeds of Food Security

Food security is a national issue that requires an array of strategic efforts and cooperation among various sectors to address immediate needs and produce long-term results. The implementation of government policies, programs, and projects aimed at promoting agricultural productivity and development, especially among the poor, will sow the seeds of food security that will, in the future, hopefully bear fruit in terms of a food-secure Philippines.

b. Decent Housing and Access to Clean Water and Electricity

Matatag, maginhawa, at panatag na buhay – this is what most, if not all, Filipinos aspire for. And one of the key indicators of the achievement of this aspiration is having a decent shelter, where a family can live with dignity regardless of social or economic status, with access to clean water and reliable electricity.

Decent Housing: Making Living Spaces Safer, Affordable, and Comfortable

Based on the 2017 Socioeconomic Report of the NEDA, the country's housing need for the years 2017-2022 was estimated at 6.57 million. In 2017, key shelter agencies (KSAs) targeted to assist 262,153 households, or 26 percent of the 1.02 million total households in need in 2017. However, only 142,444 households, or 54 percent of the target, were assisted, with the low absorptive capacity of some of the KSAs cited as among the factors which continue to impede their performance, particularly in the areas of housing production and community-driven housing programs. *(See Table 10)*

This low absorptive capacity of the KSAs is one of the primary reasons for the decline in the allocation for the housing sector in 2018, since the agencies concerned have yet to complete the implementation of past targets. Despite this, however, the government continues to sustain the efforts to ensure that Filipinos, particularly the informal settlers living in danger areas, are relocated to safer homes, and that housing is made affordable and comfortable through adjustments in the government's financing schemes and specifications for the housing units.

Under the Duterte Administration, the interest rate for socialized housing under the Pag-IBIG Fund's Affordable Housing Program has been reduced from 4.5 percent to 3.0

Table 10. Targets and Accomplishments of the National Shelter Program Direct Housing Assistance
(Households assisted)

Program	Agency	2017 Target	Accomplishments
NHA Housing Production	NHA	152,715	82,883
Resettlement for Informal Settler Families		28,700	9,165
AFP/PNP Housing Program		7,000	2,271
Settlements Upgrading		1,000	437
Housing Assistance Program For Calamity Victims		116,015	71,010
- Permanent Housing		115,515	43,520
- Housing Materials Assistance (HOMA)		500	27,490
Total NHA Without HOMA		152,215	55,393
Community Driven Housing Program	SHFC	39,254	6,087
Community Mortgage Program (CMP)		25,515	5,491
High Density Housing Program (HDHP)		13,739	596
Retail & Development Financing (Total)	HDMF	70,684	80,964
End-User Financing		70,684	80,964
- Socialized Housing (SH)		20,461	24,705
- Low-Cost Housing (LC)		48,779	55,483
- Medium Cost (MC)		1,006	501
- Open Market (OM)		438	275
Total Direct Housing Provision (Excluding HOMA)		**262,153**	**142,444**

Sources: NEDA, HUDCC, and Key Shelter Agencies percent per annum for the “first five years of the loan up to PhP450,000 over a maximum 30-year repayment period"[30]. Specifications for socialized housing and the AFP/PNP Housing Program have also been improved to allow for more spacious housing units. *(See Table 11)*

Table 11. Improvements in Housing Specifications

Old Specifications	New Specifications
Socialized Housing Units	
Horizontal (Subdivision housing units)	
Floor area: 18 square meters (sqm.)	22 sqm. with a loft of at least 50% of the base structure, or 24 sqm. Price: PhP480,000.00 24 sqm. with a loft of at least 50% of the base structure, or 28 sqm. Price: PhP530,000.00 28 sqm. with a loft of at least 50% of the base structure, or 32 sqm. Price: PhP580,000.00
Vertical (Condominium housing units)	
Floor area: 18 square meters (sqm.)	Metro Manila, 22 sqm. Price: PhP700,000.00 Metro Manila, 24 sqm. Price: PhP750,000.00 Other areas, 22 sqm. Price: PhP600,000.00 Other areas, 24 sqm. Price: PhP650,000.00
AFP/PNP Housing Program	
• 36 sqm. lot area and 22 sqm. floor area • 40 sqm. lot area and 18 sqm. floor area • (optional construction of loft within the unit) • 40 sqm. lot area and 20 sqm. floor area (optional construction of loft within the unit)	• 80 sqm. lot area and 44 sqm. floor area • 150 sqm. lot area and 60 sqm. floor area (in San Miguel, Bulacan) • 80 sqm. lot area and 60 sqm. floor area (for other areas) • 42 sqm. or 36 sqm. floor area (for low-rise buildings)

Sources: NEDA, HUDCC, and Key Shelter Agencies

To sustain the programs to provide decent housing, PhP2.9 billion is allocated for housing and community development in 2019. About PhP360 million of this total will go to the National Housing Authority (NHA) to fund the resettlement requirements of 1,206 informal settler families (ISFs), as well as settlements upgrading of 119 housing units. This is on top of the PhP5.6 billion unreleased appropriations and almost PhP16.0 billion unobligated allotment as of May 31, 2018, provided by the government for major housing projects such as the Resettlement Program, AFP/PNP Housing Project, Housing Program for ISFs Residing in Danger Areas in Metro Manila, and Permanent Housing for Typhoon Yolanda Victims, among others.

The Housing and Urban Development Coordinating Council (HUDCC), the government’s main arm to oversee and coordinate the activities of the key housing agencies, will receive PhP180 million next year. Part of the funds will be used to provide technical assistance to 130 LGUs on shelter planning and to 20 LGUs on establishing the systems and mechanisms to thwart the activities of professional squatters and squatting syndicates.

As part of the government’s socialized housing initiatives, several KSAs, such as the Social Housing Finance Corporation (SHFC) and the National Home Mortgage Finance Corporation (NHMFC), are tasked to provide low-income families with access to secure shelter financing.

For 2019, the SHFC is given PhP800 million to assist 3,679 ISFs living in danger areas and along the waterways in the National Capital Region via its High Density Housing Project. Said Project, which is undertaken together with some national government agencies, local government units, community associations of ISFs, civil society organizations, and the private sector, offers near site relocation or in-city high-density housing facilities to ISFs. On top of this, SHFC is also authorized to use the prior years’ subsidy releases to fund its High Density Housing Program and other projects and activities.

The NHMFC, on the other hand, is allocated PhP500 million to assist 1,111 low-income families through its Socialized Housing Loan Take-Out of Receivables (SHELTER) Program. Said Program helps address the socialized housing backlog by “offering a liquidity facility to originators such as non-government organizations, cooperatives, microfinance institutions, local government units, national government agencies, and private corporations which are involved or would like to be involved in providing a housing program for their employees, constituents, or members”[31].

[30] Home Development Mutual Fund. (2018). *Pag-IBIG Fund's interest for affordable housing lowest at 3%.* Retrieved from http://www.pagibigfund.gov.ph/newsevents/pdf/2018/Press%20Release%20-%20lowest%20interest%20rate%20on%20AHP%20(English).pdf

[31] National Home Mortgage Finance Corporation. (2017, October 18). *National Home Mortgage Finance Corporation (NHMFC) signs Memorandum of Agreement (MOA) with Tagum City Council of Women Foundation, Inc.* Retrieved from http://www.nhmfc.gov.ph/index.php?option=com_content&view=article&id=118

Clean Water: Ensuring Access to Clean Water

Aside from shelter, access to clean and potable water is also a basic human right and an essential element for human health. While water is considered a basic necessity, according to the World Health Organization (WHO) and the United Nations Children's Emergency Fund (UNICEF), 2.1 billion people worldwide do not have access to potable water at home, while 4.4 billion people lack access to safely managed sanitation[32]. To address this global concern, the United Nations has identified clean water and sanitation as one of the 17 Sustainable Development Goals (SDGs). And the Philippines is in full support of the pursuit of these global goals.

Thus, for 2019, the government has set aside PhP72.9 billion for Water Resources Development and Flood Control. Of this amount, PhP325 million will go to the Local Water Utilities Administration (LWUA) to pursue the development of water supply systems in the countryside. With this budget, it targets to install 108,439 water service connections and provide 38.3 percent of the target population, from the 36.9 percent target in 2018, with access to potable operational water supply and adequate sanitation in water district areas, among others.

The National Water Resources Board (NWRB), on the other hand, will get PhP152 million to sustainably manage natural resources, as well as improve the adaptive capabilities of human communities and natural systems. Part of its budget will be tapped to monitor and assess 5,562 water sources facilities, from 5,234 facilities in 2018.

Table 12. Budget Allocation for Water Supply
(in million Pesos)

Particulars	2018 (Cash-based equivalent	2019 (Cash-based)
LWUA	220	325
NWRB	170	152
SALINTUBIG (under ALGU)	1,386	1,550

Note: The amount indicated for SALINTUBIG in 2018 is obligation-based. It also excludes the PhP42.5 million provision for the monitoring and evaluation of SALINTUBIG.

Some PhP1,550 million is also set aside in the 2019 Budget under the Allocations to Local Government Units (ALGU) for the provision of potable water supply, via the *Sagana at Ligtas na Tubig Para sa Lahat (SALINTUBIG)* Project, in waterless areas. The bulk of the amount will go to Region VIII (Eastern Visayas) and Region VII (Central Visayas). On top of this amount, the Department of the Interior and Local Government

Table 13. Regional Allocation and Physical Targets for the Provision for Potable Water Supply (SALINTUBIG), 2019
(in million Pesos)

Region	Allocation	No. of Municipalities	No. of Sub-projects
Cordillera Administrative Region (CAR)	107.00	10	15
Region I - Ilocos Region	134.00	11	24
Region II - Cagayan Valley	135.69	9	24
Region IV-A - CALABARZON	121.00	8	43
Region IV-B - MIMAROPA	97.60	10	22
Region V - Bicol Region	95.50	10	23
Region VI - Western Visayas	116.00	10	16
Region VII - Central Visayas	160.40	19	38
Region VIII - Eastern Visayas	163.50	22	43
Region IX - Zamboanga Peninsula	66.00	9	22
Region X - Northern Mindanao	80.00	11	18
Region XI - Davao	73.90	7	29
Region XII - SOCCKSARGEN	107.55	13	37
Region XIII - CARAGA	91.50	8	30
Total	**1,549.64**	**157**	**384**

Source: DILG

[32] ABS-CBN News. (2017, July 18). *2.1B people lack access to safe drinking water at home: report.* Retrieved from http://news.abs-cbn.com/overseas/07/17/17/21b-people-lack-access-to-safe-drinking-water-at-home-report

(DILG) is given PhP8 million next year for the monitoring and evaluation of SALINTUBIG sub-projects. Since the Project's implementation in 2012, a total of 507,898 households from 297 waterless municipalities have benefited from the 1,053 completed water projects.

Electricity: Catering to the Power Needs of the People

Electrification, particularly in the rural and remote areas of the country, remains a major concern of the current Administration as it has considerable impact on development.

Based on studies, rural electrification has social and economic impacts as it can improve home business productivity and the flow of information (by listening to the radio and watching television), decrease time spent on household chores (e.g., by using electrical appliances in home chores), and provide a better sense of security among rural households[33].

The good news is that an estimated 88.3 percent of households in the country, or 20.94 million households, have access to electricity as of December 2017, as compared to 19.99 million households in 2016. By major island group, the household electrification level in Luzon is 94.8 percent; Visayas, 88.2 percent; and Mindanao, 70.8 percent[34].

Energizing Underserved and Unserved Areas. To help meet its target of completing household electrification by 2022, the government has allocated PhP5.7 billion to the power and energy sector for 2019. About PhP2.0 billion of this will go the Department of Energy (DOE) for its various programs. One of these is the Access to Sustainable Energy Program (ASEP) which targets to assist 1,129 households in their electrification needs for 2019.

Correspondingly, PhP500 million will be used by the DOE for its Total Electrification Program 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. Moreover, the appropriate technology/strategy (e.g., solar home system, mini-grid, etc.) to be implemented in the targeted unserved areas will be identified in the Consolidated Master Plan to be reviewed by the Task Force.

The DOE's electrification efforts will be complemented by the National Electrification Administration (NEA). For 2019, NEA is given PhP1.5 billion, PhP1.2 billion or 80 percent of which will be tapped for its Sitio Electrification Program to energize 775 sitios, thus enabling it to cover 90 percent of identified potential consumers. By 2022, NEA targets to energize all sitios.

The government has also provided PhP1.2 billion in subsidy to the National Power Corporation to be used for the capital requirements of the Missionary Electrification Program. Said Program 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 construction of transmission line and substation facilities.

Tapping Renewable Energy. Cognizant of energy supply security in the long-term and the benefits of expanding energy access in the country, the DOE, under its 9-Point Energy Agenda, adopted a technology neutral policy for an optimal energy mix and a policy on improving the supply of power that is reliable in order to meet the demand by 2040.

Renewable energy (RE), which promotes sustainable development and clean source of energy, has carved its own niche in the country's capacity and generation mix. In 2017, renewables total installed capacity stood at 7,079 megawatts (MW), or 31 percent of the total installed capacity. Among the RE-based plants, hydropower and geothermal facilities have the largest contributions at 16.0 percent (3,627 MW) and 8.4% (1,916 MW), respectively. Variable renewables, such as solar and wind, have grown rapidly from very nil contributions in 2005 (or 1 megawatt and 33 megawatts) to 885 megawatts and 427 megawatts in 2017[35].

On the power generation mix, renewables accounted for 24.6 percent of the total generation in 2017. Geothermal and hydro contributed the most in generation among the RE-based plants having shares of 10.9 percent (10,270 gigawatt-hours) and 10.2 percent (9,610 gigawatt-hours)[36].

The RE-based plants that were commissioned in 2017 totaled 128.3 MW, of which 127.5 MW are solar power plants. The remaining 0.8 MW is a run-of-river hydro plant[37].

As stipulated in DOE's Philippine Energy Plan (PEP) 2017–2040, the RE sector has the overall objective of increasing RE-installed capacity to at least 20,000 MW by 2040.

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[33] World Bank. (2002). *Rural Electrification and Development in the Philippines: Measuring the Social and Economic Benefits.* Retrieved from https://openknowledge.worldbank.org/handle/10986/19890

[34] Presidential Management Staff. (2018). *The President's Report to the People.* Retrieved from https://pcoo.gov.ph/downloads/2018-PRP-RRD.pdf

[35] Department of Energy. (2018). *2017 DOE Power Statistics.* Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/03_2017_power_statistics_as_of_30_april_2018_generation_per_type_05042018.pdf

[36] Ibid.

[37] Department of Energy. (2017, December). *DOE List of Existing Power Plants.* Retrieved from https://www.doe.gov.ph/electric-power?q=list-existing-power-plants

The National Renewable Energy Program (NREP) furthers the goal of increasing RE capacity in the country. It primarily outlines the policy framework and sets the strategies that will aid the country in attaining the goals stipulated in Republic Act No. 9513 or the Renewable Energy Act of 2008. Some PhP96 million has been set aside for this Program in 2019 to help increase the RE plants' capacity by seven percent.

Building Homes, Building Lives

Housing is more than merely providing a roof over people's heads. It is about building homes where people feel safe and comfortable and where they have access to potable water and reliable electricity that are essential for decent living.

This is the vision for Filipino families that the Administration has been turning into reality — building homes that are truly livable by ensuring the people's access to clean water and electricity, and their safety within their communities against lawless elements and the adverse impact of disasters.

C. Secure and Meaningful Employment

The relationship between employment and economic growth holds one of the significant keys to national development, as the creation of jobs and the improvement of working conditions are crucial to a country's development.

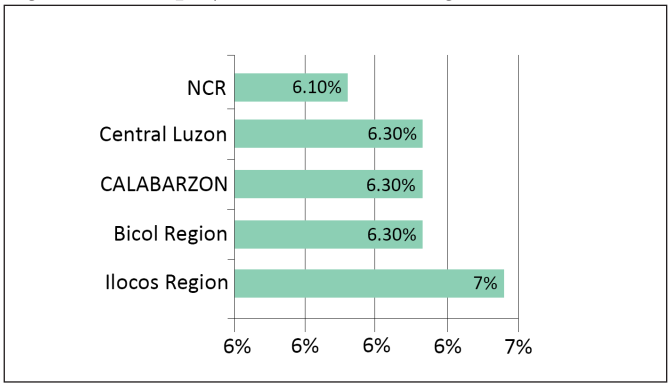
Employment rate, which is calculated as the ratio of the employed to the labor force population, is one of the primary indicators to help understand the state of a country's economy. Along with the Administration's medium-term goal to expand the economy to 7.0-8.0 percent, it also targets to improve the employment rate by increasing the number of jobs generated by 900,000 to 1.1 million this year and the next.

Based on the results of the July 2018 Labor Force Survey, the country's employment rate rose slightly from 94.4 percent in July 2017 to 94.6 percent in the same period this year. This translates to an additional 488,000 people employed, bringing the total number of people employed to 40.7 million. Distributed by sector, the services sector made up 57.5 percent of the employed population, comprising the largest proportion, followed by the agriculture sector with 23.1 percent. The industry sector comprised the smallest group with 19.4 percent[38].

Unemployment has a cascading ripple effect on the economy and the community. With a population of over 100 million, a high unemployment rate poses significant issues to development in the country. While the Philippines has enjoyed steady significant employment growth since the beginning of the millennium, it still continues to grapple with unemployment issues. With rapid population growth, increased labor force participation, and slow formation of jobs, the country had almost twice the level of unemployment of neighbouring countries in the past decade[39].

Regarding unemployment in the different regions, the Ilocos Region accounted for the highest, followed by Central Luzon, CALABARZON, and Bicol Region all having the same unemployment rate, and then followed by the National Capital Region[40].

Figure 1. Unemployment in Selected Regions



Source: PSA

However, the recently recorded unemployment rate in the Philippines, which also serves as a key indicator of the Philippine economy and labor market performance, has exhibited notable improvements from the past years — from 5.6 percent in July 2017 to 5.4 percent in July 2018, the country's lowest unemployment rate recorded for all July surveys since 2008. This brings the government closer to its target of reducing unemployment rate to 3.0 to 5.0 percent by 2022.

Youth unemployment, on the other hand, continues to be a challenge, as the Asian Development Bank (ADB) notes, since industries are unable to absorb all new entrants to the job market and reduce their entry into the informal market[41].

Statistics on youth unemployment rate remains to be a concern for the country's employment situation, reaching 14.1 percent

[38] Philippine Statistics Authority (PSA). (2018, September 5). *Employment Rate in July 2018 is Estimated at 94.6 Percent.* Retrieved from http://psa.gov.ph/content/employment-rate-july-2018-estimated-946-percent

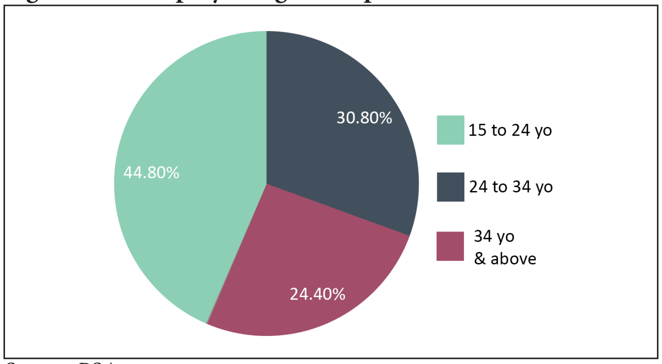
[39] Brooks, R. (2002). *Why is Employment High in the Philippines?* Retrieved from http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN027367.pdf

[40] PSA. (2018, September 5). *Employment Rate in July 2018 is Estimated at 94.6 Percent.*

[41] Asian Development Bank. (2018). *Social Protection Brief: Reducing Youth Not in Employment, Education, or Training through Jobstart Philippines.* Retrieved from https://www.adb.org/sites/default/files/publication/396081/adb-brief-084-youth-not-employment.pdf

for July 2018. Given this, much more needs to be done to achieve the 8.0 percent youth unemployment rate target by 2022.

Figure 2. Unemployed Age Group



Source: PSA

In July 2018, almost half of the unemployed were young workers. The PSA estimates that 44.8 percent of the unemployed persons belong to the age group of 15 to 24 years old. Among the unemployed population, 18.8 percent are college graduates, 17.9 are college undergraduates, and 30.1 percent have completed junior high school or high school graduates in the old curriculum[42].

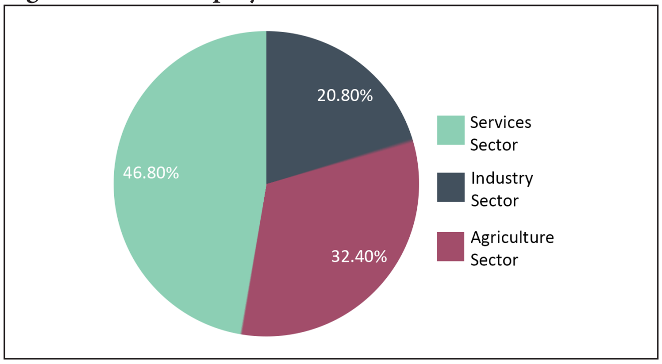
The ADB further points out that the Philippines continues to face the challenge of slow school-to-work transition and youth not in employment, education, or training (NEET) due to job-skills mismatch in the labor market, a lack of labor market information available to the youth, and insufficient employment services for at-risk youth.

While the country has witnessed robust changes and an improved employment profile over the past six years, still a number of other prevailing concerns, aside from youth unemployment, have to be monitored and addressed. These include the continuing challenges of underemployment and low labor market women participation[43].

The Philippine Statistics Authority (PSA) defines ***underemployment*** as "employed persons who express the desire to have additional hours of work in their present job, or to have an additional job, or to have a new job with longer working hours"[44].

In the Philippines, the underemployment rate increased to 17.2 percent in July 2018, compared to the recorded 16.3 percent in July 2017[45], or in actual figures, 7.0 million underemployed compared to 6.5 million in the same period last year.

Figure 3. Underemployment in the Sectors

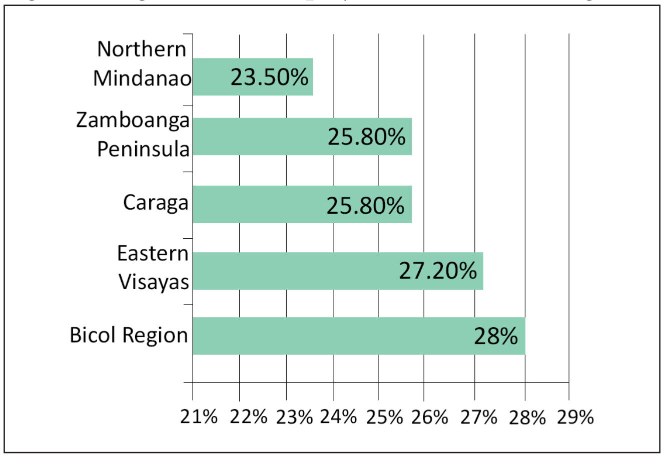


Source: PSA

The issues brought by underemployment are noteworthy in all regions and are most prevalent in the services sector as of July 2018, followed by the agriculture sector, then the industry sector.

As for underemployment in the different regions, the Bicol Region accounted for the highest, followed by Eastern Visayas, Caraga Region, Zamboanga Peninsula, and Northern Mindanao[46]. With the Duterte Administration targeting to decrease the underemployment rate in areas outside NCR to 16-18 percent by 2022, the country still has to exert extra effort to achieve its targets for underemployment.

Figure 4. Highest Underemployment Rates in the Regions



Source: PSA

The country's labor force participation rate (LFPR), defined by the PSA as the "proportion of total labor force to the total household population 15 years and over", was slightly lower at 60.1 percent in July 2018, compared to 60.6 percent in the same period last year.

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[42] PSA. (2018, September 5). *Employment Rate in July 2018 is Estimated at 94.6 Percent.*

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

[44] PSA. (2018, September 5). *Employment Rate in July 2018 is Estimated at 94.6 Percent.*

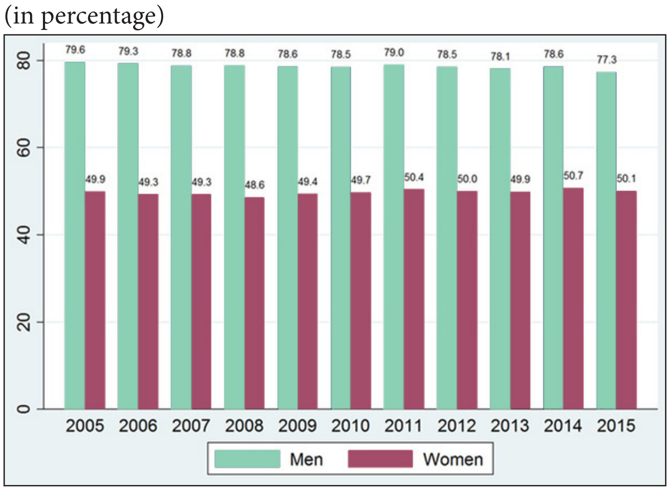
[45] Ibid.

[46] PSA. (2018, September 5). *Employment Rate in July 2018 is Estimated at 94.6 Percent.*

As regards ***male and female labor force participation rates*** in the Philippines, the challenges remain. While four of five working-age men are part of the labor force, the total recorded for women is only 50 percent[47]. Women continue to face disadvantages due to discrimination and gender inequality in the Philippines, with economic and social contributions of women having a tendency to be devalued.

The Labor Force Surveys conducted by the Philippine Statistics Authority from 2005 to 2015 show the stagnancy of the female labor force participation rate in the Philippines[48].

Figure 5. Labor Force Participation Rates
(in percentage)



Source: Philippine Statistics Authority (PSA) via Rappler

Building a Brighter Future through Employment

Recognizing the country's labor force as one of the main drivers for sustainable economic growth and development, the Administration focuses not only on creating job opportunities and improving workers employability but also on promoting and securing the rights and welfare of Filipino workers.

Creating Job Opportunities and Improving Workers' Employability. For 2019, the DOLE will receive PhP13.4 billion, 16.5 percent higher than its 2018 cash-equivalent budget of PhP11.5 billion. The DOLE assumes the main responsibilities of policy-making and programming in the labor and employment field.

The DOLE's PhP13.4 billion budget will include an allocation of PhP4.6 billion for livelihood and emergency employment. PhP3.34 billion of this will sustain the Tulong Panghanapbuhay sa Ating Disadvantaged (TUPAD) or Displaced Workers Program. From July 2016 to June 2018, the Program provided 582,536 beneficiaries with emergency employment and minimum wage and social insurance protection. For 2019, TUPAD targets 289,602 beneficiaries and aims to provide assistance and emergency employment for displaced workers, underemployed, and seasonal workers. The length of the program varies on the nature of work to be performed, while also not exceeding a maximum of 30 days and a minimum of 10 days. To identify beneficiaries, DOLE gives priority to: (a) indigent families under the National Household Targeting System for Poverty Reduction; (b) Informal sector families; and (c) those under the next lower poverty level, as determined by the DSWD[49].

Table 14. Major DOLE Projects, 2017-2019
(in billion Pesos)

Particulars	2017 Actual (Obligation-based)	2018 GAA (Obligation-based)	2019 Proposed (Cash-based)
Tulong Panghanapbuhay sa Ating Disadvantaged (TUPAD) or Displaced Workers Program	0.60	1.62	3.34
Livelihood or Kabuhayan Program	1.39	0.99	0.73
Rural and Emergency Employment Program - DOLE AMP	1.15	0.58	0.03
Special Program for Employment of Students (SPES)	0.61	0.71	0.52
JobStart Philippines Program	0.11	0.02	0.02
Government Internship Program	0.40	0.69	0.44

[47] Albert, J., & Vizmanos, J. (2017). *Closing the gender gap in economic opportunities.* Retrieved from https://www.rappler.com/thought-leaders/134739-gender-equality-economic-opportunities-philippines

[48] Ibid.

[49] DOLE. (2017). *TUPAD Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers Program.* Retrieved from https://bwsc.dole.gov.ph/images/InfoMaterials/TUPADProgram.pdf

The DOLE Integrated Livelihood Program or Kabuhayan Program, which aims to reduce the vulnerability of the marginalized workers and the poor, will receive PhP724 million for 2019. From 2016 to 2018, the Program provided 219,038 beneficiaries nationwide with assistance in starting new livelihoods and re-establishing existing livelihoods lost due to disasters. For 2019, the Program aims to support 34,881 beneficiaries in capacity-building on livelihood ventures[50].

PhP25 million will be allocated for the Rural and Emergency Employment Program - DOLE Adjustment Measures Program (AMP), which accommodated 1,780 beneficiaries in 2018, and provided assistance and other forms of interventions to help particularly distressed workers and companies to cope with the occurrence of natural disasters, calamities, armed conflicts affecting communities, and economic and social disruptions. Priority is given to augmenting the employability of workers and assisting companies in adopting socially-responsible workforce restructuring policies and workforce adjustment measures[51].

The Special Program for Employment of Students (SPES), which serves as a bridging strategy for students to gain significant skills and relevant workplace experience, will receive PhP517 million for 2019. The Program, which provided 388,046 poor students and out-of-school youths (OSYs) with temporary employment over the period from 2016 to 2018, targets to reach 135,585 youth beneficiaries for 2019. A special priority of the Program are poor but deserving students, OSYs or dependents of displaced workers who aim to finish their education[52].

The JobStart Philippines Program, the employment facilitation initiative of the DOLE that seeks to enhance the skills of jobseekers in formal education and technical training, will receivePhP20 million for FY 2019. From July 2016 to June 2018, the Program provided 11,387 youths with life skills and technical trainings, and full-cycle employment facilitation services, and for 2019, it will continue doing the same[53].

The Government Internship Program offers internship opportunities for high school, technical-vocational or college graduates for three to six months. Individuals 18 to 30 years old, with no work experience, are qualified for the Program. From July 2016 to June 2018, the Program was able to assist 35,752 youths in gaining government experience as interns for six months. For FY 2019, the Program has been allocated PhP441 million under Youth Employability and will assist 16,602 beneficiaries. This amount will be used for the payment of the stipend of beneficiaries equivalent to 75 percent of the existing minimum wage in the area during their office or field training in the government under the Program[54].

The DOLE also contributes to the prevention and elimination of child labor through its implementation of the Child Labor Prevention and Elimination Program (CLPEP). The Program covers protection, withdrawal, healing, and reintegration of child workers into a caring society. Under Project Angel Tree, a component of the CLPEP, 3,856 were assisted, while 3,430 families with child laborers were provided with livelihood assistance in 2017. Furthermore, 54 child laborers were saved during the 20 rescue operations by the Sagip Batang Manggagawa Quick Action Teams. For 2019, PhP15 million will be allocated for DOLE's projects under the CLPEP[55].

PhP2.3 billion will also be allocated to better equip the workers and make them more competitive. This will be for the Training for Work Scholarship Program of the Technical Education and Skills Development Authority (TESDA). Said Program will promote course offerings in key employment generators. A further PhP1.7 billion will be allocated for the TESDA's Special Training for Employment Program involving the conduct of community-based specialty training.

In addition, the TESDA will get a PhP7.0 billion share from the PhP51 billion allocation for the Universal Access to Quality Tertiary Education Act (UAQTEA) in 2019. Said amount will be used to cover the cost of tertiary education for all Filipino students enrolled in Technical-Vocational Institutions registered under the TESDA, and will cover tuition and other school fees for 2019. Apart from this, all Filipino learners who will enrol in any TESDA-registered Technical-Vocational Education and Training (TVET) program will be entitled to various benefits including, among others, starter toolkits and consumables. The starter toolkits contain training equipment and materials that would aid Filipino learners develop business opportunities[56].

Securing the Welfare of Filipino Workers. Since the Duterte Administration assumed office in July 2016, 22 wage orders have been issued by the DOLE, mandating wage increases ranging from PhP9.00 to PhP56.00 in 17 regions. To date, seven

[50] DOLE. (2017). *DOLE Integrated Livelihood Program or Kabuhayan Program.* Retrieved from https://bwsc.dole.gov.ph/images/InfoMaterials/Kabuhayan-Program.pdf

[51] DOLE. (2017). *Adjustment Measures Program (AMP).* Retrieved from http://dolewp.dole.gov.ph/adjustment-measures-program-amp/

[52] DOLE. (2016). *Special Program for Employment of Students.* Retrieved from http://ble.dole.gov.ph/downloads/SPES/SPES%20banner.jpg

[53] DOLE. (2016). *Implementing Guidelines of Jobstart Philippines Program Under the Employment Facilitation Program.* Retrieved from https://www.dole.gov.ph/files/Dept%20Order%20No_%20148-16.pdf

[54] DOLE. (n.d.) *DOLE Government Internship Program.* Retrieved from http://ble.dole.gov.ph/index.php/web-pages/13-dole-gip

[55] DOLE. (2017). *Philippine Program Against Child Labor Strategic Framework.* Retrieved from http://bwsc.dole.gov.ph/programs-and-projects-submenu1/clpep.html

[56] Unified Student Financial Assistance System for Tertiary Education. (2017). *Implementing Rules and Regulations of Republic Act No. 10932, knows as the UAQTEA of 2017.* Retrieved from https://wmsu.edu.ph/_resources/IRR%20for%20Distribution%20032218.pdf

out of ten occupational groups benefited from wage increases ranging from 2.5 percent to 32.4 percent[57].

On Labor Day this year, President Duterte signed Executive Order (E.O.) No. 51, which prohibits illegal labor contracting and subcontracting and reinforces various labor code provisions, including the inspection of establishments to verify compliance with all labor laws.

Another recently enacted law, Republic Act No. 11058 (An Act Strengthening Compliance with Occupational Safety and Health Standards), prioritizes the safety of Filipino workers in their workplaces by ensuring the implementation of proper health and safety standards in workplaces nationwide.

In an effort to ensure that workers' rights and privileges are protected, 156 labor and employer organizations were trained and authorized by the DOLE to aid in conducting inspections. From July 2016 to June 2018, the DOLE inspected 114,252 private establishments with 8.306 million workers to monitor their compliance with labor laws and standards.

Through the DOLE's efforts, 316,880 workers were regularized by July 9, 2018. By the end of 2018, the Duterte Administration targets to regularize 500,000 workers[58].

Likewise, a total of PhP465 million has been allocated for the operating requirements of the 136 new Labor Law Officers of the DOLE for 2019. The Labor Law Officers will assist in conducting inspection of establishments.

From July 2016 to June 2018, the following were accomplished through conciliation-mediation: (1) labor dispute resolution mechanisms settled 83,341 requests for assistance and/or cases; (2) PhP2.0 billion was granted to 1,152 workers by their employers with the settlement of 22 actual strikes/lockouts handled; and (3) PhP16.6 billion was granted by employers to 239,548 workers with the disposition of 80,515 cases under the Speedy and Efficient Delivery of Labor and Justice (SpeED)[59].

Aside from providing support to the local labor force, the government also puts emphasis on easing the plight of the Overseas Filipino Workers (OFWs). Of the PhP315.0 billion allocation for the Social Security, Welfare and Employment sector in 2019, PhP1.1 billion is set aside for the Overseas Workers Welfare Administration (OWWA) to safeguard the welfare of the country's Overseas Filipino Workers (OFWs).

The OWWA is mandated to ensure the welfare of the OFWs by providing social protection programs concerning disability, death and burial benefits, education and livelihood assistance program, relief assistance program, cultural services and help with employment, remittances, and legal matters.

For FY 2019, PhP690 million of the OWWA's budget is for its Social Protection and Welfare for OFWs Program, which has four major components: Social Welfare Services; Repatriation and Related Services; Family Support and Reintegration Services; and Social Protection Benefits.

The Social Welfare Services comprises the Regional and Overseas/On-site Welfare Assistance and covers Welfare Case Management, 24/7 Operation Center Services, and the Pre-Departure Education Program. The On-site Welfare Assistance comprises country-specific programs and the Worker's Welfare Assistance Fund[60].

The Repatriation and Related Services addresses repatriation issues and covers the provision of airline tickets, food and local transport services, domestic fares in going to their province, and medical needs[61].

The Family Support and Reintegration Services component, on the other hand, covers OFW family service organization, capability and techno-skills training, and reintegration programs. The OWWA assists in strengthening the organizations of OFWs — including associations, cooperatives, family circles, and federations. Furthermore, it also assists in preparing the OFWs while they are on-site through various reintegration preparedness training programs[62].

The Social Protection Benefits component covers assistance such as disability and dismemberment benefits, death and burial benefits, and medical health care program[63].

The Commission on Filipinos Overseas (CFO) will receive PhP115 million for FY 2019, higher by 34.9 percent than its 2018 budget of PhP85.2 million, to continually promote and uphold the interests, rights, and welfare of Filipino emigrants and Filipino permanent residents in other countries. PhP81 million has been set aside to implement its Overseas Filipino Welfare Program, while the BaLinkBayan and the CFO Information System Improvement Project will receive PhP31 million.

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[57] The President's Report to the People 2016-2018. (2018). Retrieved from https://pcoo.gov.ph/downloads/2018-PRP-RRD.pdf

[58] Ibid.

[59] Ibid.

[60] Overseas Workers Welfare Administration (OWWA). (n.d.) *Social Protection and Welfare Services.* Retrieved from http://owwa.gov.ph/sites/default/files/files/social%20protection%20and%20welfare%20services.pdf

[61] Ibid.

[62] OWWA. (n.d.) *Social Protection and Welfare Services.* Retrieved from http://owwa.gov.ph/sites/default/files/files/family%20Support%20and%20Reintegration%20Services.pdf

[63] Ibid.

The Overseas Filipino Welfare Program is composed of various programs and services for the well-being and empowerment of the community of Filipinos overseas. Such programs and services address common issues faced by Filipinos overseas in their country of residence. The CFO's programs and services under the Overseas Filipino Welfare Program include the following: (a) registration and provision of pre-departure orientation seminars to Filipino emigrants; (b) promotion and transfer of technology, material and financial contributions of Filipino emigrants to underserved communities in the Philippines; (c) provision of opportunities for Filipino youths overseas to learn the history and culture of the Philippines, Philippine institutions, and the Filipino language.

Particularly, such programs and services include the 134 Actionline Against Human Trafficking, Community Education Program, Diaspora to Development (D2D), Dual Citizenship, Exchange Visitor Program, Global Summit of Filipinos in the Diaspora, Lakbay-Aral Program, Lingkod sa Kapwa Pilipino Program, Overseas Filipinos Remittances for Development (OFs-RED) Project, Philippine Schools Overseas, Presidential Awards for Filipino Individuals and Organizations Overseas, Publication of Information Materials, and Pre-Departure Registration and Orientation Seminars, among others.

The BaLinkBayan Project of the CFO is a portal for diaspora engagement seeking to bring together 10.24 million Filipinos overseas into an integrated and comprehensive platform that will enable them to contribute to the development of the Philippines. It will link the OFs to development-oriented diaspora initiatives in the Philippines and offer opportunities to avail of business and investment opportunities at the national and LGU levels[64].

The CFO Information System Improvement Project, on the other hand, is the CFO's response to the Philippine Development Plan 2017 - 2022 to provide efficient and quality services to Filipinos overseas. Through this, the CFO's services will have a definite commitment to quality and protective concern along the pillars of *Malasakit and Patuloy na Pag-unlad* for the citizenry, while improving its efficiency in serving the people, especially Filipinos overseas.

Particularly, the Project will provide the framework and ICT systems that will enable the CFO to be in line with its quality management systems project implementation and will generate a robust quality system. It will strengthen the CFO's information systems, while streamlining CFO services to Filipinos overseas by setting up mobile desk offices.

Moving Forward

The country has witnessed modest gains in the country's employment situation since the year started, with an average of 1.17 million additional jobs created in the first three rounds of the Labor Force Survey and the employment rate of the country rising slightly from 94.4 percent in July 2017 to 94.6 percent in the same period this year, the highest among previous July rounds in the last decade. Similarly, the unemployment rate also showed notable improvement, dipping to 5.4 percent in July from 5.6 percent in the same period last year, the lowest rate for all July rounds of Labor Force Surveys in the past decade. However, the high underemployment rate persists and the gap between the current and the targeted youth unemployment rate remains a challenge.

Through the DOLE and its attached agencies, the Administration continues to support strategies and measures to ensure that employment-related programs are sustained, if not strengthened, to address the recurring issues posed by unemployment and underemployment.

Through these strategies and programs to facilitate employment, the Duterte Administration will continue to enhance Filipino employability and worker competitiveness — which will ultimately lead to an improvement in the overall employment situation in the country.

[64] Commission on Filipinos Overseas. (n.d.) *BaLinkBayan; Overseas Filipinos' One Stop Online Portal for Diaspora Engagement.* Retrieved from https://www.cfo.gov.ph/other-programs-initiatives/balinkbayan.html

Implementing the Tax Reform Cash Transfer Program

Taxes ensure the government's financing capability and guarantee sustained implementation of its programs and projects. Aside from this core purpose, taxes may also be used as a means to redistribute wealth by giving more in terms of income to those who have less in society, and granting them expanded social services to help them uplift their lives from their present condition.

The second is the overarching goal of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, as it seeks to provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve the levels of disposable income and increase economic activity.[1]

The new tax scheme, under the Comprehensive Tax Reform Program, serves as a remedy to correct a number of deficiencies in the country's tax system by making it simpler, fairer, and more efficient.

Mitigating the Impacts on the Poor

In addition to the reforms in the tax system, the TRAIN Law also revisits the tax rates on particular products, such as the oil excise tax and the levy on sugar-sweetened beverages, imposing higher rates for the manufacture and/or sale of these. While these measures are expected to raise revenue collections for the government, they may also have adverse impacts on consumers, especially the poor.

In response to this, and specifically to mitigate the impact of these measures on the poor and vulnerable sectors, the law directs that for the next five (5) years, 30 percent of the revenues to be generated from the new tax system be earmarked to fund some of the government's social services.[2] These include:

- Social mitigating measures and investments in education, health, social protection, employment, and housing for poor and near-poor households;
- Programs for sugar farmers to increase productivity, provide livelihood opportunities, develop alternative farming systems, and enhance farmer's income;
- Social welfare cards to ensure proper targeting of future cash subsidies and other benefits provided by the national government;
- Fare discounts in all public utility vehicles (except trucks for hire and school transport service) in the amount equivalent to ten percent (10%) of the authorized fare;
- Discounted purchase of National Food Authority (NFA) rice from accredited retail stores in the amount equivalent to 10% of the net retail prices, up to a maximum of twenty kilos per month;
- Free skills training under a program implemented by the Technical Education Skills and Development Authority (TESDA);
- Fuel vouchers for qualified franchise holders of public utility jeepneys (PUJs); and
- Targeted unconditional cash transfer to the poorest 10 million households.

These social mitigating measures envision to aid the poor in coping with temporary inflation. In August 2018, for instance, inflation jumped to 6.4 percent from 5.7 percent in the previous month. Economic analysts, however, have noted that price hikes cannot be attributed solely to the revised tax scheme, but have been a result of a host of factors, including the spike in global oil prices and the higher demand over supply, among others.

Realizing that these price adjustments may have a stronger impact on the people at the grassroots level, the Duterte Administration has laid out mitigating measures to soften the impact of rising prices of commodities and help the poor recover from the temporary situation.

Unconditional Cash Transfers

At the forefront of these measures is the Tax Reform Cash Transfer (TRCT) Project, the largest safety net under the TRAIN Law. This is a time-bound but targeted unconditional cash transfer (TUCT) which aims to provide immediate and sufficient relief for poor families and help them to adjust smoothly to the temporary shock introduced by the new tax scheme.

The Program targets 10 million households, the lower half of the approximately 20 million households registered in the National Household Targeting System for Poverty Reduction (NHTS-PR) or *Listahanan* of the DSWD.[3] These beneficiaries were targeted to receive PhP200 per month in 2018, increasing to PhP300 per month in 2019 and 2020.

In 2018, around PhP1.2 billion was allocated to the Department of Social Welfare and Development (DSWD) for the administration of the Program, while PhP24.5 billion was lodged in the Land Bank of the Philippines (LBP) for the cash transfer and for the payment of bank fees. For 2019, the DSWD and the LBP will be allotted with PhP1.1 billion and PhP36.5 billion for the Program, respectively.

[1] Joint Memorandum Circular No. 001, s. 2018 (General Guidelines for the Implementation of the Social Welfare and Benefits Programs Under R.A. No. 10963

[2] Department of Finance. (January 2018). Tax Reform for Acceleration and Inclusion (TRAIN) Magazine.

[3] *Listahanan* is an information management system that identifies who and where the poor are in the country. The system makes available to national government agencies and other social protection stakeholders a database of poor families as reference in identifying potential beneficiaries of social protection programs.

The immediate release of the aforementioned funds entitles CCT beneficiaries and Social Pension beneficiaries to receive their cash grants to provide for their daily subsistence. The entire annual TRCT cash grant is provided one-time per year to the intended beneficiaries.

These are the targeted beneficiaries[4] of the Program:

- 1.8 million CCT Households with existing LBP Cash Cards;
- 2.6 million CCT Households without existing LBP Cash Cards;
- 3.4 million Social Pension Beneficiaries; and
- 2.2 million NHTS-PR households.

To ensure proper targeting of future cash subsidies and other benefits, a national identification card will also be given to all Filipino citizens and resident aliens, prioritizing the poorest households. Through this, target beneficiaries will benefit more from the government's poverty alleviation programs and other benefits such as discounts on medicine, transportation and rice, as well as opportunities to be enrolled in vocational trainings. This conforms with the provisions of the Philippine Identification System Act signed by President Duterte on August 6, 2018.

Pantawid Pasada Program

The Duterte Administration has also readied a mitigating measure to cushion the impact of rising pump prices on Public Utility Jeepney (PUJ) drivers. As the government acknowledges the impact of imposing a higher levy on diesel, kerosene and gasoline, it increased the budget for the Pantawid Pasada Program under the Department of Transportation (DOTr).

The Pantawid Pasada Program was launched in July 2018 through the ceremonial signing of a Joint Memorandum Circular by the heads of the DBM, the LBP, Land Transportation Franchising and Regulatory Board (LTFRB), Department of Finance (DOF), Department of Energy (DOE), and the Department of Transportation (DOTr). The Program will provide a fuel subsidy to 139,669 units[5] or 100 percent of PUJ units with existing franchises approved by the LTFRB. This monthly subsidy amounts to PhP833.33 or around P5,000.00 from July to December 2018 per unit. It will be increased next year to PhP1,709.57 per month, or at most PhP20,000.00 for the whole year of 2019 per PUJ unit.

For 2019, the fuel subsidy for PUJ franchise holders increased by more than thrice its budget in 2018. The Duterte Administration has allotted PhP3.9 billion for the Program, compared with the PhP1.0 billion subsidy in 2018.

The DOTr, LTFRB, and LBP finalized the distribution plan last July 27, 2018. Regional distribution of fuel vouchers (Pantawid Pasada Cards) commenced last August 17, 2018. Since then, more than 31,587 vouchers[6] have already been distributed.

PUV Modernization Program

While a fuel subsidy can be a stop-gap measure in coping with fluctuations in fuel prices, the government has also introduced a long-term solution to the challenge – the Public Utility Vehicle Modernization Program (PUVMP).

This flagship program of the Duterte Administration envisions a restructured, modern, well-managed, and environmentally sustainable transport sector where drivers and operators have stable, sufficient, and dignified livelihoods while commuters get to their destinations quickly, safely, and comfortably.[7] This Program aims to convert changing outdated, polluting, and inefficient PUVs into modernized PUVs that are compliant with the Clean Air Act and the Philippine National Standards (PNS), equipped with closed-circuit television (CCTV), Global Positioning System (GPS), and Automatic Flight Control System (AFCS) at affordable financing terms.[8]

On top of the essential components of the Program is the fleet modernization. Under the Program, operators and drivers will be assisted in replacing old public utility vehicles with more efficient vehicles, thereby covering a longer stretch per liter going to their destination, and ultimately saving more money for reloading of fuel.

The Program introduces new vehicle standards based on extensive consultations with involved government agencies, jeepney associations, and local and international manufacturers. One of the standards set is a design that is environment-friendly and safe, secure and convenient for passengers, especially for Persons with Disability (PWDs).

The PUVMP is also accelerated by its Vehicle Useful Life Program which consists of policies and programs in dealing with different stages of a vehicle's useful life.
Around PhP2.7 billion will be allocated for the implementation of the Program in 2019, of which PhP500 million will be for the capacity building and training requirements of the DOTr. These include funding for Project Management Office operations, training (Social Support Mechanism), and Information and Education Campaigns on the PUVMP. The LBP and the Development Bank of the Philippines will be allocated with PhP1.1 billion each to subsidize a portion of the equity contribution of buyers.

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[4] As of September 24, 2018

[5] As of September 23, 2018

[6] As of September 23, 2018

[7] Land Transportation Franchising and Regulatory Board. (n.d.). *PUV Modernization*. Retrieved from http://ltfrb.gov.ph/index.php/puv-modernization-2/

[8] Joint Memorandum Circular No. 001, s. 2018 (General Guidelines for the Implementation of the Social Welfare and Benefits Programs Under R.A. No. 10963

Transforming Lives through Tax Reform

Reforms are often challenged by resistance. Thus, a shift in policy could be difficult for people who are reluctant to embrace change.

The implementation of the TRAIN Law, for instance, is still in the progressive stage to make people feel its long-term benefits. During the transition, the government readies mitigating measures to cushion the impact of rising prices in major commodities. Coping with the change may be difficult and the desired outcome may not be reflective thus far, but the government assures that the long-term effects will be within the sight of the Filipino people through this reform.

Sustaining Reforms in Government Service Delivery

The link between government service delivery and trust has long been established. The better a government provides basic public services, the more that it is trusted by the citizens. Recognizing this interdependence, the Duterte Administration is keen on improving governance and enhancing the government's capacity to provide vital services in order to win the people's trust and to ensure change that is positive and sustainable. This will be done through the pursuit of crucial reforms to streamline the government, modernize the budgeting system, enhance justice delivery, and expand the people's access to government services.

1. Streamlining the Bureaucracy

The performance of government institutions and personnel bear consequential impact on public trust and confidence in the state. A government agency operating at optimum size and rational cost is able to deliver public services more efficiently, especially if coordinated with sound and streamlined processes with other agencies. Maintaining the appropriate size of government, therefore, becomes a critical component of an efficient government.

Attaining Optimal Government Size for Better Public Service Delivery

Recognizing that the people's faith in the government and access to quality public services should be its primary concerns, the Administration seeks to implement the National Government Rightsizing Program (NGRP) in the Executive Branch. The Program, a key reform measure of the Administration, aims to simplify processes in service delivery, strengthen fundamental functions, and eliminate redundancies and overlaps in the responsibilities of government agencies.

One of the guiding principles of the NGRP is the adoption of a whole-of-government approach for coherent and consistent government operations. By delineating responsibilities between and among the National Government agencies and local government units (LGUs) in the production and delivery of goods and services, overlapping and duplication in functions will be eliminated.

In addition to this, government operations, systems, and processes will be simplified for an efficient delivery of services. Through the rationalization of rules and operations in the public sector, the regulatory burden on citizens, businesses, and other stakeholders will be reduced.

Lastly, the Program will determine the role and activities of government in accordance with its Constitutional mandate, thrusts or objectives, and available resources. This will contribute to a robust operation, thereby establishing a conducive policy environment that can encourage private sector engagement as well.

Initiatives and Gains in the Legislative Scene

The consolidated House Bill (H.B.) No. 5707 (Rightsizing the National Government Act), which contains the amendments proposed by various representatives and other stakeholders, has been approved on third and final reading in the House of Representatives on May 30, 2017.

Meanwhile, the Senate version of the Bill, or the consolidated Senate Bill (S.B.) No. 1395, is currently going through its second reading. The President has certified the proposed legislation as urgent in order to address the urgent need for reforms to enhance the government's institutional capacity to deliver public services[1].

Accomplishing Top-Down Structural Transformation

Once the Bill is enacted into law, the Executive Branch will be mandated to conduct a comprehensive review of its organizational structures and processes to conform with the Constitution, state directives, and expendable funds. This will involve merging or abolishing agencies with duplicative capacities, dissolving institutions that have outlived their purposes, and identifying functions that could be better undertaken by the private sector or devolved to LGUs.

The Bill provides for a three-year implementation timeline of the NGRP in all departments and agencies of the Executive Branch and Government-Owned and/or -Controlled Corporations (GOCCs) not covered by Republic Act No. 10149 (GOCC Governance Act of 2011).

Not covered by the NGRP are teaching-related positions in schools, medical-related positions in hospitals and medical facilities, military and uniformed positions, and those in GOCCs and Government Financial Institutions (GFIs) covered by the Governance Commission for GOCCs (GCG) pursuant to R.A. No. 10149.

As the Legislative and Judicial Branches, along with the Constitutional Offices, the Office of the Ombudsman, and the LGUs are not included in the mandatory adoption of the NGRP, these offices may choose to adopt the guidelines of the Program and implement a similar initiative.

[1] Senate Bill 1395 (2017) provides for the rationalization of rightsizing the national government.

The Bill also requires the creation of a Committee on Rightsizing the Executive Branch that will develop the framework and mechanisms to be adopted and to oversee the implementation of the NGRP. It will be composed of the Executive Secretary as Chairman, and the Secretary of Budget and Management as Co-Chairman, with the Secretary of Socioeconomic Planning, Chairperson of the Civil Service Commission (CSC), and the Head of the Presidential Management Staff, as members.

The NGRP will strengthen the core functions of government, thus reestablishing the effectiveness and quality of government services. This will also help earmark resources to the priorities outlined in the President's 0+10-Point Socioeconomic Agenda.

Seeking to Provide Quality Services through Cost-Efficient Allocations

To ensure that safeguards are in place for the seamless execution of the NGRP, the Administration is allocating PhP10.0 billion for FY 2019 to cover the terminal leave benefits and separation incentives of personnel who may be affected. Moreover, PhP7 million will be provided for the hiring of sector, organizational development, change management, and resource management consultants and experts to conduct thorough studies on the organization of offices in the Executive Branch.

The implementation of the NGRP ensures the right magnitude of a service-oriented public sector workforce. The Program is not about outright downsizing. There shall be no forced retirement or separation of affected regular employees. Regular personnel whose positions would be affected in the implementation of the Program shall have the option to:

(1) avail of retirement benefits and separation incentives; or
(2) be placed in agencies needing additional personnel.

The Program is also not an early retirement scheme, which means only those personnel whose functions or offices would be declared redundant shall be given the option to avail of the separation benefits, if they choose not to be placed in other agencies.

The Administration is dedicated to delivering only the highest quality of service for the Filipino public through a continuing reinforcement of government structures, systems, and competent civil servants. The advancing legislative, executive, and budgetary strategies to carry out the NGRP all attest to attaining this goal. With a rational appropriation of funds to safeguard the quality of public service delivery and, at the same time, guarantee the security of tenure of its workforce, the Administration remains steadfast in its mission to regain the public's faith and trust in the government.

2. Modernizing the Philippine Public Financial Management System

The budget is an essential instrument in building trust between the people and the state. It is the means by which citizens entrust the government with authority to manage public finances for the improvement of public welfare[2].

A sound public financial management (PFM) system can help underpin trust in the government as it ensures that the budget is spent in a timely and judicious manner on programs and projects that will best benefit the people, especially the poor and the marginalized. In contrast, a poor PFM system can undermine and destroy trust as it prevents the full and efficient utilization of the budget, thereby leading to an overall delay in public service delivery[3].

Responding to the Need to Modernize the Budget System

The 2016 Public Expenditure and Financial Accountability (PEFA) Assessment emphasized the need to address weaknesses in the Philippines' PFM system to "ensure clarity, control, and comprehensiveness in budgeting". One of those weaknesses is slow and inefficient spending due to the bureaucracy's weak absorptive capacity.

The inability of government agencies to fully translate their budgets into beneficial public goods and services contributes to the problem of underspending in the government[4]. Since underspending results in the delay or non-delivery of public goods and services, it deprives the citizens of a better and more comfortable life that they aspire for and deserve, and therefore, ultimately results in the erosion of public faith and confidence in the government.

In a bid to minimize and gradually eliminate underspending and to restore faith in the government, the Administration has put in place various reforms that aim to address the gaps in the country's PFM system. Among these reforms are the development of the Treasury Single Account (TSA) and the Budget and Treasury Management System (BTMS) which would ultimately lead to the institutionalization of the Integrated Financial Management Information System (IFMIS), the implementation of the one-year validity of appropriations, and the conduct of early procurement activities to fast-track project implementation.

As a result of these initiatives, coupled with the Administration's aggressive spending policy, the rate of underspending has been sizably trimmed down from 13.2 percent in 2014 to only 2.9 percent in 2017. *(See Table 1)* The continuing decline in

[2] OECD. (2017). *Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust.* Retrieved from https://read.oecd-ilibrary.org/governance/trust-and-public-policy/trust-and-budgeting-meeting-the-challenge-of-competence-and-values_9789264268920-7-en#page3

[3] Ibid.

[4] Underspending is defined as the difference of programmed disbursements from actual disbursements.

Table 1. Underspending of the Philippine Government, 2014-2017

Year	Programmed Disbursement (in billion Pesos)	Actual Disbursement (in billion Pesos)	Underspending	
			(in billion Pesos)	(in percentage)
2014	2,284	1,982	302	13.2
2015	2,559	2,231	328	12.8
2016	2,646	2,549	97	3.7
2017	2,909	2,824	85	2.9

underspending reflects the Administration's resolve to expedite its delivery of services and boost its capacity to respond to the needs of the people.

Pushing for a Modern and Open Budget

To ultimately eliminate underspending and enhance the country's overall PFM processes, it is imperative to institutionalize previously implemented budget reforms through a comprehensive and timely legislation, considering that the last comprehensive law on PFM was enacted in 1987 as contained in Book VI of the Administrative Code.

Hence, the Department of Budget and Management (DBM), together with the Department of Finance (DOF), Bureau of the Treasury (BTr), and Commission on Audit (COA), is pushing for the passage of a Budget Modernization Bill (BMB) to modernize the Philippine PFM system, in line with international best practices and to secure the irreversibility of previous initiatives. House Bill (H.B.) No. 7302[5] was passed on third reading by the House of Representatives last March 20, 2018, while its counterpart, Senate Bill (S.B.) No. 1761 is currently pending plenary deliberation.

The BMB is a revolutionary reform that aims to instill fiscal discipline, transparency, and accountability in the budgeting process for a more modern and open National Budget. With the planned spending of between PhP8 trillion to PhP9 trillion for infrastructure and PhP10.3 trillion for social services in six years, the BMB seeks to ensure that the expanding National Budget is fully executed to successfully deliver programs and projects in support of the Administration's medium-term goals of economic growth and poverty reduction.

In addition to this, the BMB aims to achieve the following objectives: (1) to enforce the Congress' power of the purse by reiterating its power to appropriate and holding government agencies more accountable for the delivery of public services; (2) to promote the people's involvement in the management of public funds as well as their access to fiscal information; and (3) to strengthen linkages between planning and budgeting.

Making the Shift to Annual Cash-Based Budgeting

Starting 2017, the DBM implemented the one-year validity of appropriations, which limited the validity of funds from two years to one year[6]. As a result of this, government agencies will be compelled to plan their programs and projects more efficiently, manage their procurement, and strengthen their capacities to promptly deliver goods and services within the fiscal year (FY). This was done in preparation for the shift to an annual cash-based budgeting system in 2019.

One of the most significant features of the BMB is the shift from an Obligation-Based Budgeting System to an Annual Cash-Based Appropriations (ACBA) System. An annual cash-based budget limits the government from incurring contractual obligations beyond its capacity, thereby promoting better discipline in the planning, procurement, budgeting, and payment processes for faster service delivery.

Period of Obligation and Implementation. In contrast to an obligation-based budget, which allows contracts awarded within the FY to be delivered even after the end of the year, an annual cash-based budget ensures that obligations or contracts for programs and projects of the government budgeted for the FY are obligated and implemented within the same FY. *(See Figure 1)*

Period of Payment. The shift to ACBA will also affect the period of payment for obligations that need to be paid and settled. Under the current obligation-based system, since implementation can go beyond the FY, inspection, verification, and payment of goods and services delivered can also be done even beyond the end of the FY. Under the ACBA, on the other hand, payments have to be settled until the end of the year and only up to a three-month Extended Payment Period (EPP) in the succeeding FY. *(See Figure 2)*

[5] An Act 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

[6] DBM. (2018, January 3). *National Budget Circular No. 573.* Retrieved from https://www.dbm.gov.ph/wp-content/uploads/Issuances/2018/National%20Budget%20Circular/NBC-No573.pdf

Figure 1. Obligation-based Appropriations vs. ACBA: Period of Obligation and Implementation

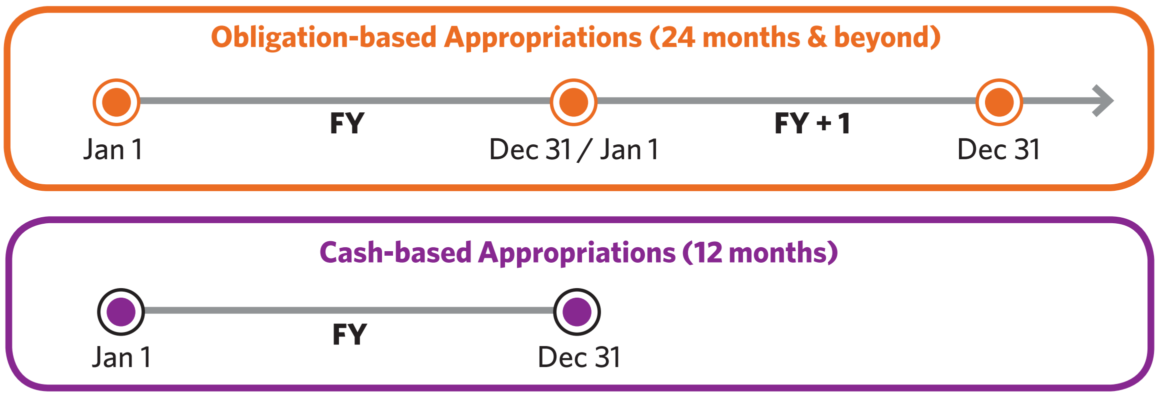
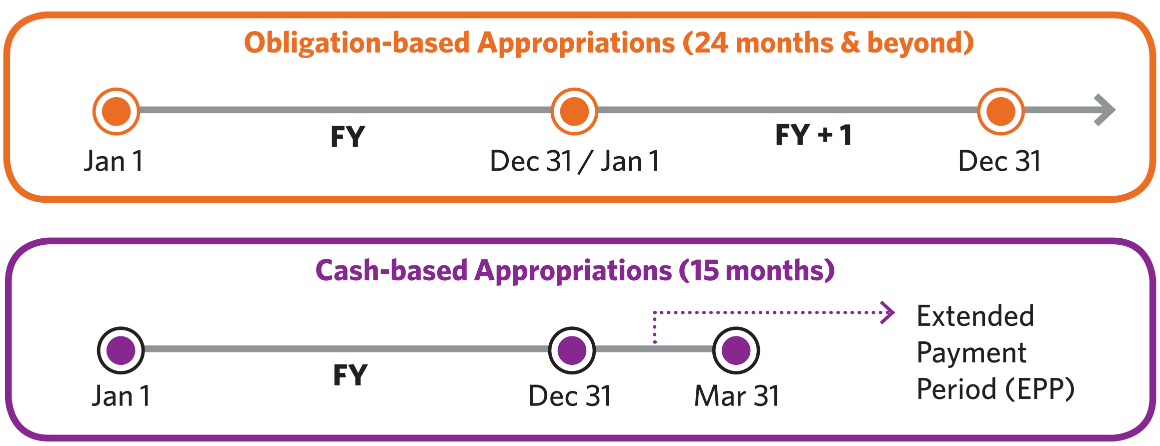


Figure 2. Obligation-based Appropriations vs. ACBA: Period of Payment



FY 2019: Ensuring a Seamless Transition to Annual Cash-Based Budgeting

For a smooth transition to an annual cash-based budgeting system, the FY 2019 Budget will serve as a transitory cash-based budget to allow government agencies and institutions to better prepare for the implementation of their infrastructure programs and projects under the new system.

Period of Obligation and Implementation. Under the transitory cash-based Budget for FY 2019, agencies (including State Universities and Colleges and Government-Owned and/or -Controlled Corporations) will be given a time horizon of 12 months to obligate (e.g., enter into contracts from January 2019 up to December 2019) and 18 months to implement their infrastructure programs and projects (from January 2019 up to June 2020). On the other hand, provisions for non-infrastructure items such as Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) will be released and can be obligated and utilized until December 31, 2019, consistent with the ACBA.

Figure 3 shows the differences in the periods of obligation and implementation for infrastructure and non-infrastructure programs and projects under the 2019 cash-based Budget.

Period of Payment. Likewise, the 2019 cash-based Budget extends the duration of payment for infrastructure projects delivered and accepted within 2019 and up to six months after the end of the FY or until June 30, 2020. Meanwhile, disbursements for non-infrastructure goods and services must be made within the FY and up to an allowable three-month EPP. *(See Figure 4)*

Figure 3. Period of Obligation and Implementation for Infrastructure and Non-Infrastructure Programs and Projects, 2019

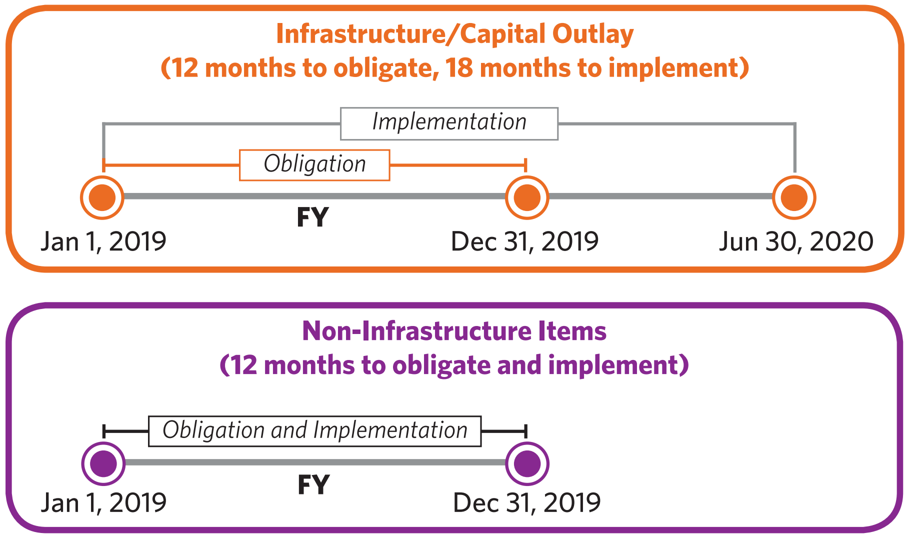
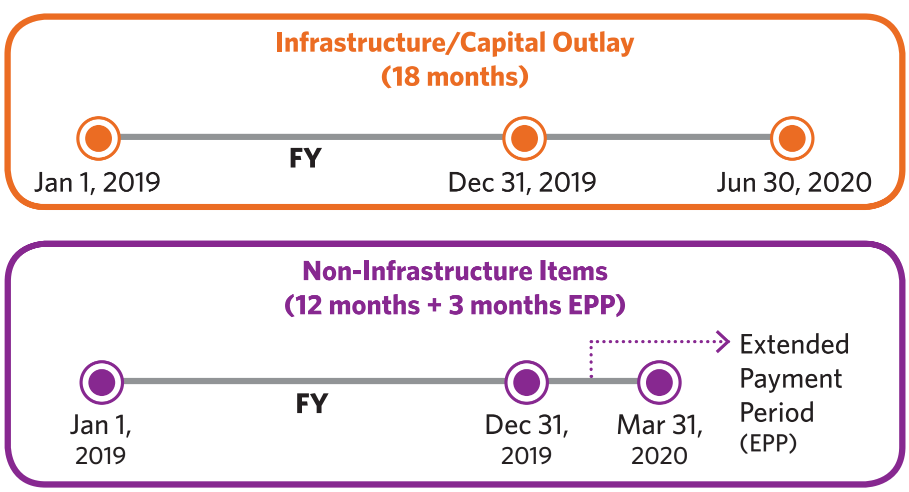


Figure 4. Period of Payment for Infrastructure and Non-Infrastructure Programs and Projects, 2019



Cash-Based vs. Cash-Based Equivalent: An Apple-to-Apple Comparison

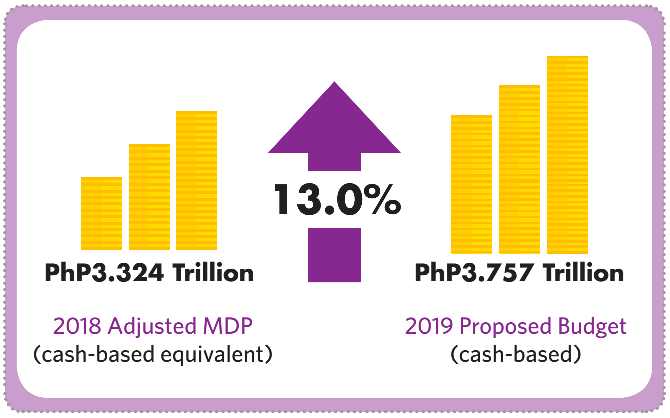
Given the significant differences between annual cash-based budgeting and obligation-based budgeting, the 2019 cash-based Budget cannot be directly compared with the government's prior years' budgets which are obligation-based.

To achieve an apple-to-apple comparison, the 2019 cash-based Budget should be compared with the cash-based equivalent of, for instance, the 2018 Budget. The cash-based equivalent is derived by taking out the prior years' payments for accounts payable from the Monthly Disbursement Program (MDP) submitted by agencies. This leaves the cash disbursements estimated to be made by the agency from the current year's budget[7].

Compared to the PhP3.324-trillion cash-based equivalent of the 2018 Budget, the FY 2019 cash-based Budget of PhP3.757 trillion grew by 13 percent or PhP433 billion. Figure 5 shows the comparison between the 2019 proposed cash-based Budget and its 2018 cash-based equivalent.

[7] DBM. (2018). *Briefer on the FY 2019 Proposed National Budget (Annual Cash-Based Budget).* Retrieved from http://www.dbm.gov.ph/images/pdffiles/DBM-ACBA-FY-2019.pdf

Figure 5. Apple-to-Apple Comparison of the 2018 Budget and the 2019 Proposed Budget



Towards Disciplined, Accountable, and Faster Service Delivery

The importance and benefits of cash-based budgeting are recognized worldwide, as evidenced by its adoption among 73 percent of the member-countries of the Organisation for Economic Co-operation and Development (OECD)[8]. As the most widely-used system of budgeting in the world, cash-based budgeting fosters better discipline and accountability in fiscal management and enhances the government's capacity to deliver basic services.

Promoting better discipline among agencies. A cash-based budget instills greater discipline in the use of public funds as it limits the incurrence of obligations to programs and projects which can be completed within the year, and the payment for goods and services rendered, inspected, and accepted within the FY up to the allowable extended payment period. Agencies' budget proposals are evaluated and approved according to the implementation readiness of their proposed programs and projects and the consistency of their proposals with the priorities (e.g., infrastructure and social services) outlined in the Budget Priorities Framework, Philippine Development Plan, and Public Investment Program.

To put it more simply, a cash-based budget ensures that government agencies are able to implement priority programs and projects within the year budgeted, thereby compelling them to propose only well-planned and "shovel-ready" programs and projects.

Achieving faster service delivery. With a shorter time horizon of one year for budget execution, the government will be able to fast-track the delivery of public services as agencies will be pushed to conduct early planning and procurement activities, better coordinate with other units, and strengthen monitoring.

Otherwise, unused cash appropriations will revert to the General Fund in the National Treasury and will need to be re-appropriated by Congress.

Enhancing government accountability. Unlike an obligation-based budget which measures agency performance based on contracts awarded or obligated, an annual cash-based budget measures the performance of agencies in terms of actual programs, projects, and outputs delivered, implemented, and paid for during the FY.

It reflects and actualizes the words of DBM Secretary Benjamin Diokno that "obligations are intentions, not [actual] expenditures".

By ensuring the prompt provision of goods and services to the people, a cash-based budget supports the Administration's goal of achieving a 7 to 8 percent growth and becoming an upper-middle income and globally competitive economy by 2022.

A Modern and Open Budget for Trust and Progress

With the budget reforms that have been previously put in place, the momentum for modernizing the Philippine budgeting system has been set. The successful passage of the BMB, which mandates the adoption of the ACBA, will consolidate and institutionalize all efforts to remove stumbling blocks along the path towards a modern and open PFM system that characterizes a trustworthy government and a progressive nation.

3. Ensuring Swift and Fair Administration of Justice

Vital to laying down and strengthening the foundations of a resilient and high-trust society is the assurance of swift, fair, and effective administration of justice[9]. A strong justice system promotes trust in the government as a whole, as it assures the people that their rights will be upheld and protected, and safeguarded from possible violations and abuses resulting from misbehavior committed by other members of society[10].

In the Philippines, several factors such as graft and corruption, slow case disposition, and institutional inefficiencies have contributed to a perceived weakness in justice delivery and rule of law, casting doubt on the dependability of the country's justice system. This declining public perception of the justice

[8] DBM.(2018). *2019 People's Proposed Budget.* Retrieved from http://www.dbm.gov.ph/index.php/budget-documents/2019/2019-people-s-budget/2019-budget-at-a-glance-proposed-2

[9] NEDA. (2017). *2017 Socioeconomic Report.* Retrieved from http://www.neda.gov.ph

[10] OECD. (2017). *Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust.* Retrieved from https://read.oecd-ilibrary.org

system was reflected in the recent drop in the country's global ranking in the 2017-2018 World Justice Project (WJP) Rule of Law Index[11].

Various efforts and initiatives from the government have sought to address the declining trust in the Philippine justice system. These involved the enhancement of coordination between key players in the Justice Sector; introduction of mechanisms to fast-track case disposition such as the Alternative Dispute Resolution (ADR) and the Continuous Trial of Criminal Cases; and improvement of judicial systems and infrastructure.

Restoring public faith and confidence in the Philippine justice system requires the government's support in sustaining the implementation of crucial justice reforms. Hence, the Administration, in accordance with the Philippine Development Plan (PDP) 2017-2022, allocates funds to carry out reforms and other efforts in expediting justice delivery, promoting sector transparency and accountability, and enhancing the overall justice system.

Table 2 lists the budget allocations for major programs and projects in the Justice Sector in 2019.

Strengthening law enforcement. At the forefront of the Philippine justice system is law enforcement. This pillar involves the observance of laws by the citizens, prevention and control of crimes, investigation of suspects, and arrest of criminals or offenders[12].

Of the PhP21.4 billion allocation for the Department of Justice (DOJ) in 2019, PhP5.9 billion will be used to strengthen the rule of law in the country through the DOJ's Law Enforcement Program. The amount aims to further enhance, among others, the scientific investigation capability of the Department and its agencies concerned; help establish a unified and harmonized evidence management; and intensify law enforcement against illegal drugs, terrorism, human trafficking, child abuse and exploitation, human rights violations, and cybercrimes.

In addition, the National Bureau of Investigation (NBI) will be provided PhP1.6 billion to ensure effective and efficient case investigations. The amount will be used to conduct and act on a target of 56,000 investigations and to process 6,210,000 applications for clearance in 2019.

Promoting effective prosecution. Prosecution, the second pillar of the Philippine justice system, focuses on fast-tracking case disposition[13]. It is the duty of prosecution offices to

Table 2. Budgets of Major Programs and Projects in the Justice Sector, 2019
(in billion Pesos)

Programs and Projects	Amount
The Judiciary	**37.3**
Of which:	
Operations of the Supreme Court (SC) and the Lower Courts	33.4
Appellate Adjudication Program (Court of Appeals)	1.1
Construction of Halls of Justice (HOJs) under the Justice Infrastructure Program	1.0
Sandiganbayan Adjudication Program	0.3
Construction of the new SC building in Taguig City	0.3
Enterprise Information System Plan	0.1
Department of Justice (DOJ)	**21.4**
Of which:	
Law enforcement services (including investigation and prosecution services)	5.9
Free legal services to indigents/other qualified persons (Public Attorney's Office)	4.7
Investigation services (National Bureau of Investigation)	1.6
Parole and Probation Administration (PPA)	1.0
DILG-Bureau of Jail Management and Penology (BJMP)	**18.9**
Of which:	
Inmates' Safekeeping and Development Program	16.9
Bureau of Corrections (BuCor)	**2.9**
Of which:	
Prisoners Custody and Safekeeping Program	2.6
Ombudsman (OMB)	**2.9**
Of which:	
Anti-Corruption Investigation Program	0.6
Anti-Corruption Enforcement Program	0.4
Corruption Prevention Program	0.06

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

[11] The 2017-2018 WJP Rule of Law Index is a measure of countries' adherence to the rule of law based on the perspective and experiences of ordinary people and local experts. The index showed that the Philippines slid down from 70th slot in 2016 to 88th out of 113 nations for the year/s in review. Among the areas that recorded the most significant decline are constraints on government powers, fundamental rights, order and security, and criminal justice.

[12] Ombudsman of the Philippines. (2013). *Assessment of the Capacity of the Pillars of the Philippine Criminal Justice System to Implement the Medium-Term Development Plan for the Criminal Justice System (2010-2016).* Retrieved from http://www.ombudsman.gov.ph/UNDP4/wp-content/uploads/2013/02/CJS-Cap-Assmnt-FINAL.pdf

[13] Ibid.

Table 3. Distribution of the Number of Public Attorneys per Region, 2018

Regions/Offices	Authorized Positions	Filled Positions
Central Office	114	114
National Capital Region (NCR)	314	314
Cordillera Administrative Region (CAR)	65	64
Region I	115	114
Region II	87	86
Region III	191	190
Region IV-A	232	231
MIMAROPA Region	59	59
Region V	110	109
Region VI	141	141
Region VII	134	134
Region VIII	111	110
Region IX	83	83
Region X	98	97
Region XI	66	65
Region XII	78	78
Region XIII	50	49
Autonomous Region in Muslim Mindanao	42	42
TOTAL	**2,090**	**2,080**

Source: Government Manpower Information System (GMIS)

conduct preliminary investigations on complaints or cases filed by law enforcement agencies and endorse these to courts for adjudication.

The 2017 Socioeconomic Report of the National Economic and Development Authority (NEDA) described the need to improve the prosecution services to address the heavy backlog in preliminary case investigations. In response to this, PhP5.5 billion will be used to expedite the investigation and prosecution of criminal offenses through the Prosecution Service.

The amount will also be used to achieve the following targets: 88 percent of criminal complaints resolved during the prescribed period, 75 percent of successful prosecutions reached, and 85 percent of investigations completed.

Also, PhP2.9 billion is provided for the Office of the Ombudsman (OMB) for the investigation and prosecution of corrupt government officials and employees. Part of said budget, amounting to PhP609.8 million, will fund the Anti-Corruption Investigation Program to reach a target of 20 percent of fact-finding investigations and lifestyle checks conducted against erring public officials and a target 40 percent of criminal and forfeiture cases investigated and resolved in 2019.

Another PhP412.7 million will be set aside for the prosecution of criminal and forfeiture cases filed against erring public officials with the Sandiganbayan and Regional Trial Courts through the Anti-Corruption Enforcement Program of the OMB.

Expanding the delivery of legal services. In recent years, the government has made it a priority to make justice services more available to the people, particularly the poor and marginalized sectors. Increased investments in free legal services for indigents through the Public Attorney's Office (PAO) have resulted in a greater number of Public Attorneys serving the citizens[14]. *(See Table 3)*

For 2019, in fulfillment of the Constitutional mandate that poverty should not be a reason to deny a person free access to courts[15], the PAO will be given a budget of

[14] As of May 2018, there were 2,080 public lawyers in the PAO's workforce, an improvement over the 2016 total of 1,688 attorneys and a step closer towards the one (1) attorney per court (1:1) standard requirement set by Republic Act (R.A.) No. 9406.

[15] PAO. (2018, July 24). *PAO Citizen's Charter.* Retrieved from http://www.pao.gov.ph/page.php?id=19

PhP4.7 billion to continue to provide free legal services and assistance to indigent litigants, the oppressed and vulnerable members of society, and other qualified persons.

The PAO budget will be used to dispose of a targeted 76.5 percent of cases with favorable judgment. The PAO also seeks to act on 100 percent of requests for non-judicial assistance within two hours of receipt and to raise the Alternative Dispute Resolution (ADR) success rate to 92.75 percent in 2019, from the 2018 baseline of 92.2 percent.

Also, the DOJ will allot PhP0.2 billion from its total budget to provide legal services for the public and the government. With this budget, the DOJ aims to act on 97 percent of requests for legal services within the prescribed period and train a target of 550 practitioners in reinforcing the ADR system as another means of resolving cases.

Fast-tracking case resolution. After prosecution, the next pillar in the justice system involves the adjudication of cases and pronouncement of judgments by the Courts which are collectively called the Judiciary. Since 2017, allocations for the Judiciary have increased, reflecting the Administration's commitment to expedite the delivery of justice through the country's courts.

For 2019, PhP37.3 billion will be allotted to the Judiciary to ensure the independent, efficient, and effective adjudication of cases. Of this total, PhP33.4 billion will fund the operations of the SC and 2,249 lower courts. In addition, PhP0.3 billion will be for the construction of the new SC building in Taguig which is currently on its fourth year of implementation.

The 2019 budget of the Judiciary will also include a provision of PhP1.0 billion to fund the construction, repair, and maintenance of 18 Halls of Justice (HOJs) nationwide under the Justice Infrastructure Program. Presented in Table 4 is the breakdown of allocations for the various HOJs to be built, rehabilitated, and maintained in 2019.

With its budget, the Judiciary aims to maintain the target number of resolutions and decisions made by the Supreme Court and the Lower Courts and raise their case disposition rate in 2019. *(See Table 5)*

To promote judicial excellence in coming up with decisions on appealed cases, the Court of Appeals (CA) will receive a budget of PhP2.6 billion. Of the total budget for the CA, PhP1.1 billion will fund the Appellate Adjudication Program for the speedy and impartial adjudication of appealed and other court cases. The amount will be used to raise the target case resolution rate from 44 percent in 2018 to 46 percent in 2019, and to maintain the target of 14,520 cases disposed.

For the disposition of cases involving government officials and employees, the Sandiganbayan will receive a budget

Table 4. Allocations for the Construction, Repair, and Maintenance of HOJs, 2019
(in million Pesos)

HOJ Location	Amount
Cebu City, Cebu	277.3
Calapan, Oriental Mindoro	105.7
Calamba, Laguna	109.4
Mariveles, Bataan	90.5
Masbate, Masbate	80.0
Puerto Princesa, Palawan	71.8
Mandaue City, Cebu	50.5
Midsayap, North Cotabato	49.8
Bulan, Sorsogon	43.6
Laoag City, Ilocos Norte	42.6
Meycauayan, Bulacan	41.4
Tagudin, Ilocos Sur	15.0
Talibon, Bohol	15.0
Pinamalayan, Oriental Mindoro	7.6
Natonin, Mt. Province	7.5
Baliuag, Bulacan	7.5
Bongabon, Nueva Ecija	7.5
San Isidro, Davao Oriental	7.5
TOTAL	**1,030.2**

Table 5. Physical Targets of the SC and the Lower Courts, 2018-2019

Particulars	2018	2019
No. of resolutions and decisions made		
Supreme Court	6,000	6,000
Regional Trial Courts	207,791	207,791
Metropolitan Trial Courts	85,376	85,376
Municipal Trial Courts in Cities	84,222	84,222
Municipal Circuit Trial Courts	21,626	21,626
Municipal Trial Courts	25,957	25,957
Sharia District Courts	15	15
Sharia Circuit Courts	435	435
Child and Family Courts	41,857	41,857
Disposition rate of the courts		
Supreme Court	41%	41%
Regional Trial Courts	21%	22%
Metropolitan Trial Courts	67%	70%
Municipal Trial Courts in Cities	59%	58%
Municipal Circuit Trial Courts	41%	45%
Municipal Trial Courts	46%	51%
Sharia District Courts	10%	10%
Sharia Circuit Courts	24%	25%
Child and Family Courts	38%	45%

of PhP673.5 million. This will fund the Sandiganbayan's Adjudication Program to process a target of 5,020 cases and reach a target case disposition rate of 10.6 percent in 2019.

To speed up case resolution, enhance personnel productivity, and improve court and case management, the automation of the courts will be pursued through the Enterprise Information Systems Plan (EISP), the Judiciary's long-term automation program. The EISP involves the upgrading of the Judiciary's Data Center, nationwide connectivity, network security, and other necessary software applications to interconnect over 2,000 courts in the country.

Two major components of the EISP have been completed: (1) rehabilitation of the SC Main Data Center in Manila; and (2) construction of a Disaster Recovery (Back-up) Site. Servers and equipment for the two data centers have also been fully delivered and installed in 2017[16]. Three (3) regional data centers in the Cities of Tagaytay, Lapu-Lapu, and Davao will be constructed to provide the courts in Regions IV-A, VII, and XI with secure connectivity and access to the application systems in the Main Data Center[17].

Once completed, the EISP is expected to pave the way for a more modern, transparent, and efficient court system. For 2019, PhP0.1 billion will be allotted for the fifth-year implementation of the EISP in the Judiciary.

Improving the corrections and rehabilitation system. For the Corrections Pillar of the Philippine justice system to effectively perform its core function of safekeeping and rehabilitating convicted offenders, disintegration in the operations of the different corrections and rehabilitation agencies needs to be addressed.

In response to this, the government has begun to pursue reforms and measures to establish an integrated and harmonized corrections and rehabilitation system. Among these was the

[16] SC. (2017). *The Judiciary Annual Report (2016-June 2017).* Retrieved from http://sc.judiciary.gov.ph/pio/annualreports/SC_Annual_2016-2017_narrative%20report.pdf

[17] Ibid.

launching of the Uniform Manual on Time Allowances and Service of Sentence on December 1, 2017 by a joint committee of the DOJ and the Department of the Interior and Local Government (DILG) to set uniform standards, guidelines, systems, and procedures in the management of inmates.

The new Manual is the first standardized guideline on the specification of time allowances and service of sentence for persons deprived of liberty (PDL)[18] to be implemented in the Bureau of Corrections (BuCor), Bureau of Jail Management and Penology (BJMP), provincial jails, and rehabilitation and detention centers. Its adoption by the corrections agencies and institutions is seen as a step towards unifying and addressing dysfunctions in the penal system.

Aside from establishing a harmonized corrections system, the government must also take on the daunting yet pivotal task of decongesting prison facilities. On August 31, 2017, President Duterte signed into law R.A. No. 10951[19], updating the amount or value of fines and penalties in the provisions of R.A. No. 3815 (Revised Penal Code), to prevent the imposition of unjust and excessive punishment on convicted persons. The law is expected to benefit some 50,000 prisoners in terms of lowering or reducing their penalties and sentences[20], thereby expediting their release and resulting in the reduction of prison congestion.

Likewise, additional jail facilities will be constructed in the country to accommodate the increasing number of detainees as a result of the Administration's intensified campaign against prohibited drugs and criminality. For 2019, the BJMP will be given a bigger allocation of PhP18.9 billion, of which, PhP16.9 billion will be allocated for the Inmates' Safekeeping and Development Program for the supervision and management of inmates and for the construction of jail buildings. *(For more details, see the section on Building a More Secure and Peaceful Nation on page 45)*

For the supervision and management of national penitentiaries and inmates, the BuCor will receive a budget of PhP2.9 billion. The amount will be used to bring down the national jail congestion rate from the current 130 percent[21] to a target of 120 percent in 2019.

Of the BuCor's budget, PhP2.6 billion will fund the Prisoners Custody and Safekeeping Program to guarantee that 46,495 national prisoners are effectively and efficiently kept safe and rehabilitated. *(See Table 6)*

Table 6. Allocations for the BuCor's Prisoners Custody and Safekeeping Program
(in million Pesos)

Particulars	2019
Prisoners Custody and Safekeeping Program	**2,580**
New Bilibid Prison/Correctional Institution for Women (NCR)	2,097
Iwahig and Sablayan Prison and Penal Farms (MIMAROPA Region)	160
Leyte Regional Prison (Region VIII-Eastern Visayas)	68
San Ramon Prison and Penal Farm (Region IX-Zamboanga Peninsula)	59
Davao Prison and Penal Farm (Region XI-Davao)	196

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

Taking a holistic approach to easing jail congestion, the government will also strengthen programs on inmate reformation and rehabilitation. Putting a premium on rehabilitating drug surrenderees, the Inter-Agency Committee on Anti-Illegal Drugs (ICAD), created by virtue of Executive Order No. 15, launched its "Rehabinasyon" campaign on March 6, 2017 to treat drug addicts and combat the use of illegal drugs in the Philippines.

Through "Rehabinasyon", community-based programs on information dissemination, treatment of drug users, job security, and livelihood development are conducted[22]. Since the Duterte Administration's war on drugs began in July 2016, there have been 102,630 anti-drug operations conducted, with 6,562 barangays having been declared drug-free, and 1,161 minors rescued[23].

To support the rehabilitation and reintegration of offenders in order to make them productive, law abiding, and socially responsible members of society, PhP1.0 billion will be

[18] Damiog, Jeffrey G. (2017, December 1). *Uniform prison manual expected to decongest inmate population.* Retrieved from https://news.mb.com.ph/2017/12/01/uniform-prison-manual-expected-to-decongest-inmate-population/

[19] The Act is entitled "An Act Adjusting the Amount or the Value of Property and Damage on Which A Penalty is Based, and the Fines Imposed Under the Revised Penal Code, Amending for the Purpose Act No. 3815, Otherwise Known as 'The Revised Penal Code', as Amended". Through this law, penalties for less grave felonies, such as theft and estafa, were reduced, while penalties for more serious crimes, such as treason and crimes against public order, were increased.

[20] Philippine News Agency. (2017, January 18). *Senate panel tackles bill removing Revised Penal Code's 'cruel punishment'.* Retrieved from http://www.canadianinquirer.net/2017/01/18/senate-panel-tackles-bill-removing-revised-penal-codes-cruel-punishment/

[21] BuCor statistics as of August 31, 2018

[22] PCOO. (2017, June 22). *REHABiNASYON Launched.* Retrieved from https://pcoo.gov.ph/drug-rehabilitation/rehabinasyon-launched/

[23] PDEA statistics as of June 30, 2018

allotted for the Parole and Probation Administration (PPA). The budget will fund the Parole and Probation Program, to render a target of 400,311 rehabilitation and intervention services to parolees and probationers and maintain the target of 95 percent of clients participating in rehabilitation programs in 2019.

Enhancing Sector Transparency and Accountability

To reinforce the Community Pillar of the Philippine justice system, the government will focus on increasing transparency and enabling citizens to assist in deterring crimes and maintaining peace and order in the country.

The government encourages citizens to participate as volunteers in rendering services for social, economic, and humanitarian development. Hence, the PPA, in line with Presidential Decree No. 968 (Probation Law of 1976)[24] and Executive Order No. 468[25], established the Volunteer Probation Aide (VPA) Program, which focuses on maximizing citizen and community involvement in crime prevention, offender rehabilitation, and criminal justice administration. Through the Program, competent volunteers with good reputation and moral character are recruited as VPAs to supervise and assist in the rehabilitation and treatment of pardonees, parolees, and probationers[26].

The VPA Program continues to be enforced through the PPA's Parole and Probation Program, which will be allotted PhP825.8 million in 2019. The budget will be used, among others, to mobilize a target 5,068 VPAs to assist in client rehabilitation programs.

Likewise, the OMB will continue to strengthen its efforts in enabling citizens to help in the fight against corruption. In 2019, PhP59.8 million of the OMB budget will be used for the Corruption Prevention Program to capacitate and mobilize a target of 9,000 integrity and anti-corruption advocates. PhP40.2 million will be allotted for the OMB Public Assistance Program to resolve or act on a target of 77 percent of requests for assistance and grievances in 2019.

With respect to the provision of legal protection and assistance to witnesses and victims of crimes, the DOJ will allot funding for its Witness Protection Program and Victims Compensation Program, amounting to PhP208.3 million and PhP9.2 million, respectively.

An Optimistic Outlook for the Justice System

While there is still much to be done to improve the Justice Sector, with the sustained implementation of reforms and an intensified support from the government and the public to enhance justice delivery, the justice system will always be an instrument for trust and lasting peace.

4. Making Government Services More Accessible to the People

Crucial in promoting trust in the government is its reliability and responsiveness in delivering basic services to its constituents. Cognizant of this, the Duterte Administration is keen on implementing reforms and optimizing the use of technology aimed at improving governance to enhance the delivery of goods and services and build the people's faith and confidence in the government.

Shown in Table 7 are the allocations for some programs to be funded in 2019 that aim to enhance the people's access to critical government services.

Improving Governance for Better Service Delivery

Eliminating red tape. People trust a government that can effectively and efficiently provide services in a timely manner to meet their needs. In the past years, various reforms have been implemented to expedite transactions and prevent graft and corruption in government agencies. Among them is Republic Act (R.A.) No. 9485 (Anti-Red Tape Act of 2007), which sought to enhance the delivery of government services by reducing bureaucratic red tape and streamlining procedures in frontline services.

Up to the present, the government continues to take the necessary measures to eliminate red tape and corruption in its transactions with the citizens. For 2019, PhP38 million will be allotted to reinforce the implementation of the Anti-Red Tape Act (ARTA) by the Civil Service Commission (CSC) to promote efficiency and transparency in government.

The Administration also enables citizens as partners of change by allowing them to keep watch of and provide feedback on government affairs through the institutionalization of the 8888 Citizens' Complaint Hotline. The 8888 Hotline, supervised by the Office of the Cabinet Secretary under the Office of the President, provides a 24/7 mechanism for citizens to report concerns, complaints, or grievances on acts of red tape and corruption in government agencies.

For 2019, PhP41 million will fund the information and communications technology (ICT) infrastructure requirements of the 8888 Citizens' Complaint Hotline. This amount has been included in the budget of the Office of the President.

Promoting ease of doing business. On May 28, 2018, President Duterte signed into law R.A. No. 11032 (Ease of Doing Business and Efficient Government Service Delivery Act of 2018) to enable and facilitate a more conducive business environment to boost competitiveness, in line with the Administration's 0+10-Point Socioeconomic Agenda.

[24] Establishing a Probation System, Appropriating Funds Therefor and for Other Purposes

[25] Revitalizing the Volunteer Probation Aide (VPA) Program of the Parole and Probation Administration

[26] PPA. (2017). *Rehabilitation Program: Volunteerism.* Retrieved from https://probation.gov.ph/wp-content/uploads/2017/04/Volunteerism.pdf

Table 7. Budgets of Some Programs to Make Government Services More Accessible to the People, 2019
(in million Pesos)

Particulars	2019
Philippine Statistics Authority (PSA)	
Of which:	
National ID System	2,096
Department of Information and Communications Technology (DICT)	
Of which:	
Free Wi-Fi Internet Program	1,480
National Government Portal	318
National Government Data Center	177
National Broadband Plan	43
Civil Service Commission (CSC)	
Of which:	
Civil Service Professionalization and Workplace Cooperation Program	570
Implementation of the Anti-Red Tape Act (ARTA)	38
Public Assistance and Contact Center ng Bayan (CCB) Services	17
Department of Trade and Industry (DTI)	
Of which:	
Establishment of Negosyo Centers	512
Accreditation and issuance of business licenses, permits, registrations, and authorities	217
Department of the Interior and Local Government (DILG)	
Of which:	
Improve LGU competitiveness and ease of doing business	40
911 Emergency Services	24
Office of the President (OP)	
Of which:	
8888 Citizens' Complaint Hotline	41

As an amendment to the ARTA of 2007, the Ease of Doing Business (EODB) Act of 2018 further makes doing business in government easier by simplifying the issuance of business permits and licenses. The law covers all government agencies, including Government-Owned and/or -Controlled Corporations (GOCCs) and local government units (LGUs).

The law prescribes specific time periods for processing government transactions, as follows: (a) three (3) working days for simple transactions; (b) seven (7) working days for complex transactions; and (c) 20 working days for highly technical applications[27].

The EODB Act of 2018 also sets procedures that would streamline the issuance of local business licenses, clearances, permits, certifications, or authorizations, particularly:

(1) the use of a single or unified business application form in processing applications for new business permits and renewals, such as building clearances, local taxes and clearances, and sanitary permits, among others;

(2) the establishment of a Business One Stop Shop (BOSS) in cities and municipalities to serve as a common location for processing and securing business permits and licenses; and

(3) the automation of business permitting and licensing systems or setting up of an electronic BOSS in LGUs for a more efficient processing of transactions.

Under the law, the Department of Information and Communications Technology (DICT) will be responsible for the development of a Central Business Portal to receive and obtain application data on business-related transactions and

[27] Republic Act No. 11032. (n.d.). *Primer on the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.* Retrieved from https://www.dti.gov.ph/businesses/ease-of-doing-business#ra-11032-ease-of-doing-business-and-efficient-government-service-delivery-act-of-2018

provide links to online registration or application systems. It will also establish, manage, and maintain a Philippine Business Data Bank to allow other government agencies and LGUs to access the information of registered business entities for purposes of verifying their validity and existence[28].

To ensure that the objectives of the EODB Act of 2018 are met, an Anti-Red Tape Authority will be organized. It will be responsible for, among others, (1) implementing and administering a national policy and initiatives on anti-red tape and ease of doing business, (2) monitoring the compliance of government agencies with said law, (3) initiating investigations on complaints received and filing of cases for violations, and (4) recommending processes, systems, and policies to enhance the efficiency and effectiveness of business permitting agencies.

The Competitiveness Bureau of the Department of Trade and Industry (DTI) will serve as the temporary secretariat of the Authority until such time that its organizational structure and staffing complement have been determined and filled up.

The law likewise provides for the creation of the Ease of Doing Business and Anti-Red Tape Advisory Council, a policy and advisory body to the Anti-Red Tape Authority to be headed by the Secretary of the DTI as Chairperson. The Council will formulate policies and programs that will improve the country's competitiveness and ease of doing business, as provided for in the law.

In 2018, an amount of PhP110 million, charged against the FY 2018 Contingent Fund, was released to the DTI to cover the initial funding requirements for the Anti-Red Tape Authority *(See Table 8)*.

To further promote the ease of doing business in the country, PhP512 million will be allotted for the maintenance of 939 Negosyo Centers in 2019. These Negosyo Centers will target to assist 575,000 clients (micro, small, and medium enterprises [MSMEs]) in processing requirements for business registrations. In addition, some PhP217 million from the DTI budget will be used for the accreditation and issuance of business licenses, permits, registrations, and authorities.

PhP40 million from the DILG budget will be used to improve the competitiveness and ease of doing business in LGUs. This will cover the following project components: (1) strengthening the Local Public-Private Partnership for the People Initiative (LGU P4)[29]; (2) streamlining of regulatory services such as the automation of business permitting and licensing systems, re-engineering of LGU operations, systems, and procedures, integration of barangay clearance on the regulatory permitting processes, and issuance of building permits and certificates of occupancy (BPCO); and (3) rationalizing fees and charges.

Establishing a national identification (ID) system. Another game-changing reform that will help address red tape and pave the way for better government transactions is the establishment of a national ID system.

On August 6, 2018, the President signed into law R.A. No. 11055 (Philippine Identification System Act of 2018) which allows Filipino citizens and resident aliens to have a single and unified proof of identity for simpler and more streamlined transactions with the public and private sectors. Upon birth or registration to the Philippine Identification System (PhilSys), an individual will be issued a PhilID, which will contain his or her PhilSys Number (PSN) and biometric data. It will also bear the owner's name, photograph, gender, birth date, signature, and the date of issuance of the ID[30].

The PhilID will consolidate all government-issued IDs into one, thereby providing citizens with ease and convenience as it will eliminate the need to present different IDs when transacting

Table 8. Initial Funding Requirements for the Anti-Red Tape Authority, 2018
(in million Pesos)

Particulars	Amount
Operationalizing the Anti-Red Tape Authority	18
Creation of a corporate branding identity for the Authority	5
Development of an advocacy and media campaign	34
Promotion of regulatory reforms on selected government agencies	28
Monitoring of compliance of government agencies to R.A. No. 11032	7
Implementation of the Anti-Red Tape Authority Transparency, Honesty, Efficiency, Integrity, and Responsibility (THEIR) Program	18
TOTAL	**110**

[28] Ibid.

[29] The LGU P4 is a government initiative that aims to improve the capacity of LGUs to provide basic services to communities, especially the marginalized sectors, by engaging in public-private partnerships to carry out local development projects.

[30] Congressional Policy and Budget Research Department. (n.d.). *National ID System: Filipino Identification System Act.* Retrieved from http://cpbrd.congress.gov.ph/images/17thCongressTracker/BRIEFERS/282-42---EPRS_Medes---National-ID-System_-Filipino-Identification-System-Act.pdf

with national government agencies (NGAs), LGUs, GOCCs, government financial institutions (GFIs), and private companies. Individuals will be able to use their PhilIDs as proof of identity for voting and registration purposes, for application for social welfare benefits being offered by the government, for passport and driver's license applications, for tax-related transactions, for admission to learning institutions, for police clearances, and for other purposes[31].

As the primary implementing agency of the PhilSys, the Philippine Statistics Authority (PSA) has been given an allocation of PhP2.1 billion from its budget to carry out the overall planning, management, and administration of the national ID system in 2019. In issuing the PhilID cards, the government will prioritize the underprivileged and vulnerable members of society, such as the poor, senior citizens, and persons with disabilities.

Improving access to public information. Just as the government should be able to deliver basic services to its citizens, it should also have the capacity to provide them with adequate access to information on matters of public concern, as provided for in the 1987 Philippine Constitution. In response to this, the President signed Executive Order (E.O.) No. 2, implementing the Freedom of Information (FOI) Act in the Executive Branch on July 23, 2016.

Since then, all of the NGAs (or 100 percent), 111 out of 118 GOCCs (or 85 percent), and 101 out of 112 State Universities and Colleges (SUCs) (or 90 percent) have submitted their respective People's FOI Manuals. In addition, 176 out of 521 Local Water Districts (or 34 percent) and other government offices such as the Office of the Ombudsman, Commission on Audit, Province of Ilocos Norte, and the City of Laoag have already complied with the provisions of said E.O. by submitting their FOI manuals[32].

Citizens may request information through the electronic FOI (eFOI) online platform (www.foi.gov.ph). As of August 2018, 289 agencies of the government are already onboard the eFOI portal[33].

Serving citizens better with technology. To keep up with the public demand for faster delivery of basic services, governments all over the world, particularly those in developing countries, are harnessing the power of information and communications (ICT) technology for better and speedier access to government information and services.

The Philippines is no exception. Recognizing the importance of ICT in governance, a budget of PhP4.9 billion is allotted for the DICT in 2019 to implement various ICT programs and projects that aim to improve the government's efficiency and accountability in providing services to the people.

Among these are the provision of free Wi-Fi internet connectivity to the public through the DICT's Free Wi-Fi Internet Program (PhP1.5 billion); the creation of a one-stop central gateway for all government online services, data, and information through the National Government Portal (PhP318.5 million); the creation of an ICT infrastructure to interconnect government agencies through the National Government Data Center (PhP177 million); and the improvement of internet speed by accelerating the deployment of fiber optic cables and wireless technologies through the National Broadband Plan (PhP43 million). *(For more information on the programs and projects of the DICT, see the section on IT Infrastructure Projects under Intensifying Infrastructure Development)*

To enhance services on public safety and provide prompt assistance in times of crisis, the government facilitated the establishment of a nationwide communication infrastructure known as the Emergency 911 Hotline. Through the 911 hotline, citizens who need immediate assistance will be directly connected to emergency responders.

For 2019, PhP24 million will be provided for the 911 Emergency Services under the supervision of the DILG.

Strengthening the Public Sector

To help boost the citizens' confidence in the government and its employees, the CSC has been allotted a total budget of PhP1.8 billion in 2019 for its various programs and projects geared towards developing a high-performing government workforce.

A huge chunk of the CSC budget, amounting to PhP570 million, will go to the Civil Service Professionalization and Workplace Cooperation Program which seeks to mold credible and productive civil servants. Under this Program, the CSC will provide competency-based learning and development to public personnel; grant eligibilities, rewards, and honor awards to qualified civil servants; and target to absorb 1,000 eligible individuals in the government service.

From its total budget of PhP1.8 billion in 2019, PhP17 million has been set aside to implement the Public Assistance and Contact Center ng Bayan (CCB) services. The CCB is a platform dedicated to receive requests for information and feedback from citizens to help the government improve its frontline services. Calls from the public are logged, responded to, and rerouted to relevant government agencies for proper handling and resolution.

The CSC will target a 90 percent resolution rate of requests or complaints received through its Public Assistance and CCB services in 2019.

[31] Ibid.

[32] FOI Philippines. (2018, June 30). *2018 FOI Mid-Year Report.* Retrieved from https://www.foi.gov.ph/downloads/2018_Midyear.pdf

[33] Freedom of Information Philippines. (2018, August 27). *Participating Agencies.* Retrieved from https://www.foi.gov.ph/agencies

Better Services for a Trusting and Productive Society

By enhancing governance, the government will be in a better position to meet the demands of its people for faster, more efficient, and quality services. And as it continues to do so, public trust in the government will improve, thereby fostering a more cooperative and productive society.

V. BUILDING A BRIGHTER FUTURE FOR JUAN AND JUANA

In opting to break from tradition by not limiting his State of the Nation Address (SONA) to a mere recitation of accomplishments, President Rodrigo Roa Duterte conveyed the unequivocal message that his Administration remains focused on its mission and will not be distracted by the need for acclaim and accolades.

Affirming this tone in his Budget Message, as he presented the proposed financial program for Fiscal Year 2019 for the approval of Congress, the President expressed the government's continuing resolve to ensure that the change long aspired for by the people is at hand, and will bear lasting fruits.

These are clear indicators that at the approach to the halfway mark in the six-year mandate given to him and his Administration to lead the country and the people to the fulfillment of their aspirations, the choice is to look forward rather than back. And to sustain the momentum of growth.

This Budget, designed to reflect and support the ideals and principles of governance for the good of the people, will guarantee the sure and steady foothold on the path forward.

As the Philippines' first-ever Cash-Based Budget, the 2019 Proposed National Budget of PhP3.757 trillion will open the next chapter in the story of change that began in 2016 and that will lead to sustainable and inclusive growth, achieving the targets set by the PDP 2017-2022. It envisions to institutionalize the reforms that have already begun to yield good results for our people, and begin the era of modern and open budgets for action and accountability of government and all its agencies.

This is the Budget that will breathe life into the ambitious yet attainable program to build – literally and figuratively. The country is well on its way to the Golden Age of Infrastructure, through which the Administration aims to generate employment, while achieving the goals of improved mobility, connectivity and sustainability. It is also on point in preparing the people for much improved, more productive and secure lives – through enhanced educational opportunities, better health benefits and expanded social services that are particularly focused on the less privileged and more vulnerable.

This is the Budget that will light up the nation's way forward – that will set every Juan and Juana on the mark, and ready, at the threshold of their bright future.

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