

OCCASIONAL PAPER

JANUARY 2021
ISSUE 14.1



THE

2021

NATIONAL BUDGET

WHAT PROMISE DOES IT BRING
TO THE FILIPINO PEOPLE?

THE 2021 NATIONAL BUDGET: WHAT PROMISE DOES IT BRING TO THE FILIPINO PEOPLE?

THE GAA 2021

The theme for the General Appropriations Act 2021 is 'Reset, Rebound and Recover: Investing for Resiliency and Sustainability.' Expectedly, the administration plans to spend heavily on responding and recovering from the pandemic. In other words, due to the urgent need to shift and realign spending priorities, the national budget for 2021 is intended to recover the gains achieved in the past years as well as to gear the country for resilience and sustainability.

The COVID-19 pandemic has changed the course of human history as it set the deepest global recession since World War II. In its World Economic Outlook in October 2020, the International Monetary Fund (IMF) projected the world economy to contract by 4.4% for the full-year 2020.¹ As of 30 December 2020, according to the World Health Organization (WHO), there were around 80.8 million confirmed cases of COVID-19, with a death toll of 1.8 million people.²

For the Philippines, the pandemic added more reasons for the downward trend in economic growth in the first half of 2019. From 5.5% in the second half of 2019, the economy plunged into a recession by mid-2020, with a negative growth rate of 11.5% in the third quarter.³ The total external trade in the first ten months of 2020 fell by 20.2% year-on-year,⁴ and unemployment reached record-highs as many businesses suffered losses and were forced to either temporarily or permanently close down.⁵

Based on data from the Department of Health (DOH), a total of 474,064 COVID-19 cases were confirmed in the Philippines —with 9,244 deaths— as of the end of 2020.

In response to the downturns experienced in 2020, the government's economic team proposed the Philippine Program for Recovery with Equity

and Solidarity (PH-PROGRESO), a four-pillar strategy comprised of three stages: emergency stage, recovery stage, and resiliency stage.

This recovery program revolves around the following measures: the Bayanihan to Recover as One Act, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, Financial Institutions' Strategic Transfer (FIST) Bill, Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) bill, the "Build, Build, Build" infrastructure program, as well as the national budgets for 2021 and 2022.⁶ In particular, the national budgets or the General Appropriations Acts (GAAs) for 2021 and 2022 will be reprioritized to build health and economic resilience, specifically the "Build, Build, Build" program, agriculture, the food value chain, and other new normal priorities.⁷

This paper focuses on the GAA for Fiscal Year 2021, which will serve as the government's financial blueprint for recovery. By 2021, the Philippines seeks to implement a financial program that will sustain a healthy population, a more agile workforce, and a resilient business environment. These can be attained by containing the spread and cushioning the impact of COVID-19, improving the healthcare system, providing social safety nets for affected individuals, ensuring food security, advancing infrastructure development, and enabling a digital government and economy to facilitate the shift to the new normal.⁸

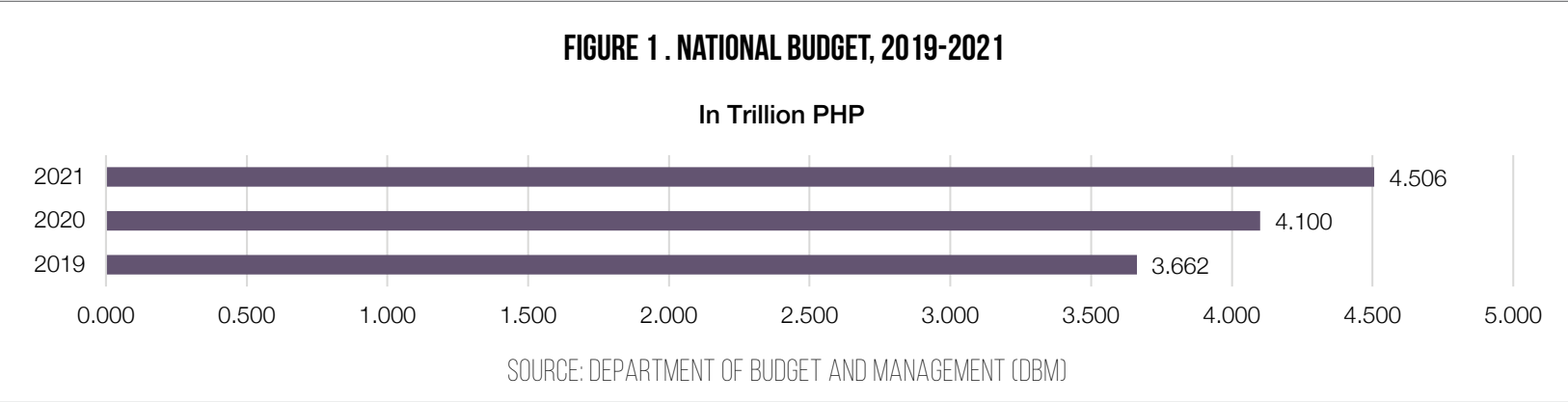
* THE VIEWS AND OPINIONS EXPRESSED IN THIS PAPER ARE THOSE OF THE AUTHOR AND DO NOT NECESSARILY REFLECT THOSE OF THE INSTITUTE.

HIGHLIGHTS OF THE 2021 GAA

The General Appropriations Act for 2021 —officially called Republic Act No. 11518—amounting to PHP4.506 trillion, was signed into law on 28 December 2020. The amount is equivalent to 21.8% of the projected GDP for the year and is 9.9% higher than the budget the year before. Figure 1 below shows the comparative budget levels from 2019 to 2021.⁹

The theme for the GAA 2021 is “Reset, Rebound and Recover: Investing for Resiliency and Sustainability.” Expectedly, the administration plans to spend heavily on responding and recovering from the pandemic. Specifically, the national budget seeks to contain the further spread of the virus and to mitigate the effects of the COVID-19 pandemic; fund the vaccine rollout program; restart the

economy to create jobs and attract investments; and transition to the post-crisis recovery environment. In other words, due to the urgent need to shift and realign spending priorities, the national budget for 2021 is intended to recover the gains achieved in the past years as well as to gear the country for resilience and sustainability.¹⁰



FISCAL PROGRAM

Unsurprisingly, the pandemic significantly affected the level of government revenues and expenditures, such that national government revenues fell by 7.9% in the first three quarters of 2020, as seen in Table 1. Specifically, tax revenues declined by 11.3% as the collections of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) dropped by 9.9% and 15.3%, respectively.¹¹

On the other hand, non-tax revenues increased by 21.6% due to higher dividend remittances and repayment of interest and advances by government-owned and controlled corporations (GOCCs). Expenditures jumped by 15.1%, amounting to PHP3.0 trillion. These were utilized in supporting programs meant to counter the impacts of the COVID-19 pandemic, such as the Social Amelioration Program (SAP) and subsidies to PhilHealth and the National Housing Authority (NHA).¹²

For 2021, given lower collection prospects, revenues are projected to reach only PHP2.717 trillion, as seen in Table 2.¹³ Against disbursements projected at PHP4.467 trillion, a deficit of about PHP1.749 trillion or about 8.5% of GDP is expected. The deficit will be financed by gross borrowings amounting to PHP3.025 trillion.¹⁴

TABLE 1 . NATIONAL GOVERNMENT REVENUE COLLECTION PERFORMANCE

| | Jan - Sep 2019 | Jan - Sep 2020 | Growth |
|------------------|--------------------|--------------------|--------|
| | (in Billion Pesos) | (in Billion Pesos) | (%) |
| Total Revenues | 2,327.9 | 2,143.5 | (7.9) |
| Tax Revenues | 2,090.5 | 1,854.8 | (11.3) |
| BIR | 1,602.8 | 1,443.9 | (9.9) |
| BOC | 470.0 | 398.0 | (15.3) |
| Other Offices | 17.7 | 12.8 | (27.6) |
| Non-Tax Revenues | 237.3 | 288.4 | 21.6% |
| Expenditures | 2,626.9 | 3,022.7 | 15.1 |
| NG Balance | (299.0) | (879.2) | 194.1 |

SOURCE: DEPARTMENT OF FINANCE (DOF)

The targeted PHP2.717 trillion total revenue collection for 2021 is 7.8% higher than the estimated PHP2.519 trillion in 2020. Tax effort is projected to be relatively stable at 12.3%. Of the total receipts, tax revenues are expected to reach PHP 2.541 trillion, 15.3% higher than the PHP2.205 trillion in 2020. On the other hand, non-tax revenues are projected at PHP175.4 billion, most of which will be generated from the Bureau of the Treasury (BTr) collections—income from interest earned, dividends from government corporations, and shares from the stocks of the national government.¹⁵

Given that revenue collections cannot cover the programmed spending level, the government will have to resort to deficit spending for the country to be able to meet its economic targets and help cushion the detrimental effects of the pandemic on the country’s GDP growth and employment, the tax base in particular. For 2021, the deficit as a share of GDP is projected to more than double, from 3.4% (PHP660.2 billion) in 2020 to 8.5% (PHP 1.749 trillion). The deficit will be financed by gross borrowings amounting to PHP3.025 trillion. Of this amount, some PHP2.582 trillion (or 85.4%) will come from domestic lenders, while the remaining PHP442.4 billion (or 14.6%) will be raised from external sources.¹⁶

The higher financing requirements will raise the 2021 debt-to-GDP ratio from 39.6% in 2019 to 53.9% in 2021, based on the financing program as of 28 July 2020.¹⁷ As of September 2020, the Philippines’ debt-to-GDP ratio surged to 51.2% from 48.1% in July 2020, as the national government continued to borrow funds to counter the impacts of the COVID-19 pandemic. According to the BTr, as of October 2020, the total national government debt amounted to PHP 10.0 trillion, 70.6% of which came from domestic sources.¹⁸ Figure 2 shows the national government debt as a percentage of GDP from 1986.

The Philippine government continues to secure funding to support its COVID-19 response efforts, most of which were from development partners such as the Asian Development Bank (ADB)

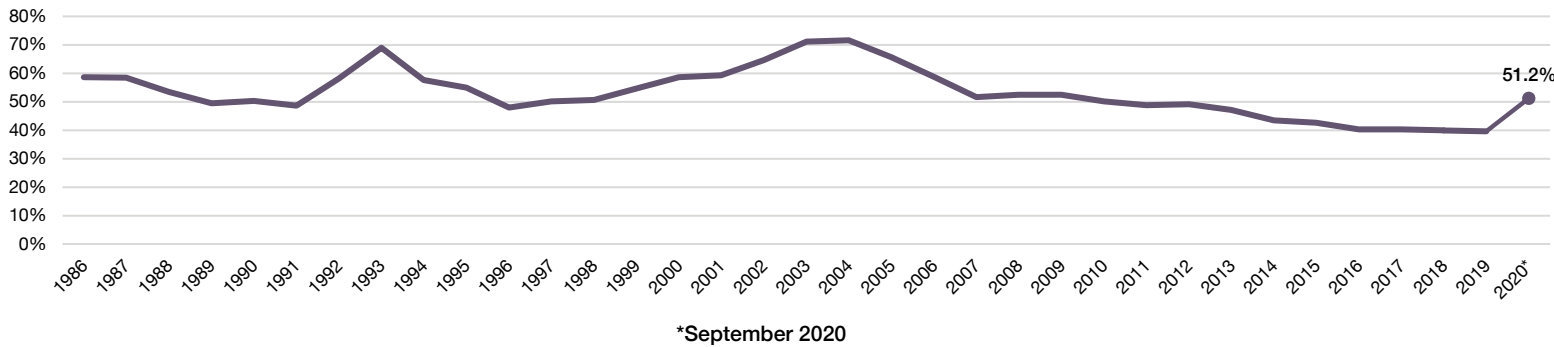
and the World Bank. The Department of Finance (DOF) reported that as of 15 December 2020, a total of USD13.36 billion had been raised.¹⁹

TABLE 2 . NATIONAL GOVERNMENT FISCAL PROGRAM, 2020-2022

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

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

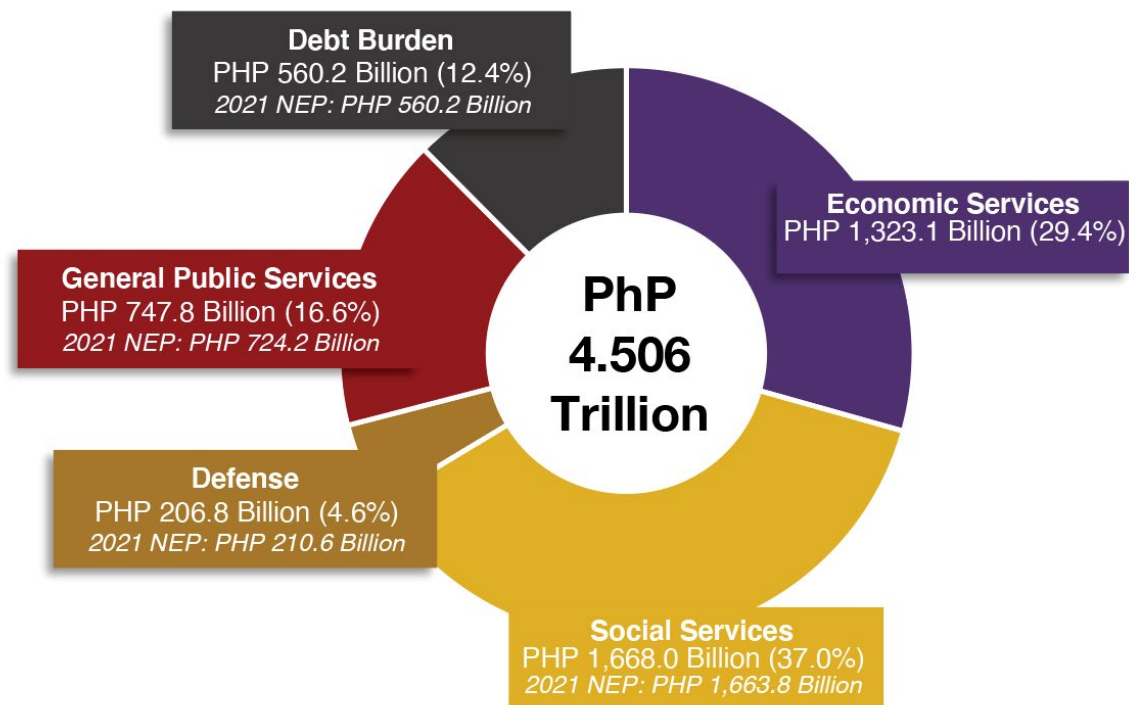
FIGURE 2 . NATIONAL GOVERNMENT DEBT AS % OF GDP, 1986-2020



SOURCE: BUREAU OF THE TREASURY (BTR)

FIGURE 3 . BUDGET DIMENSIONS BY SECTOR

(GAA 2021)



SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

BUDGET DISTRIBUTION

For analytical purposes, the national budget is generally disaggregated into the following sectors: (1) social services, (2) economic services, (3) general public services, (4) defense, and (5) debt burden.

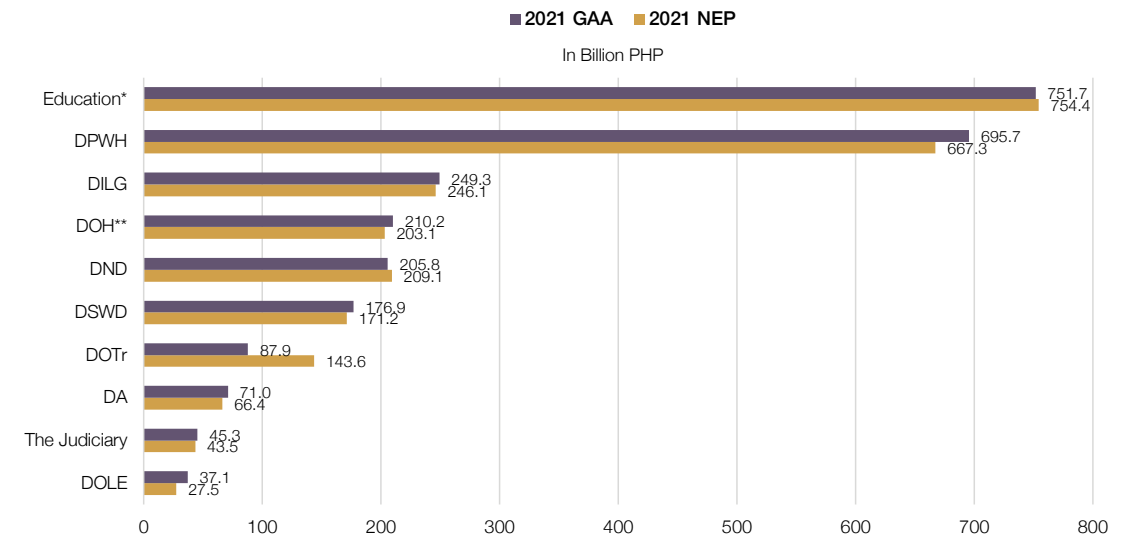
Based on the GAA 2021, the Social Services sector remains to have the largest share in the total budget pie, with PHP1.7 trillion (or 37.0%), followed by Economic Services with PHP1.3

trillion (or 29.4%). The General Public Services sector is to receive PHP747.8 billion (or 16.6%), Debt Burden is allotted PHP560.2 billion (or 12.4%), while Defense will have an allocation of PHP206.8 billion (or 4.6%).²⁰

Figure 4 shows the comparative allocations for the top 10 departments in the National Expenditure Program,²¹ as proposed by the President, and in the GAA 2021.²²

FIGURE 4 . TOP 10 DEPARTMENTS, GAA & NEP

(FY2021)



*Includes the DepEd, SUCs, CHED, and TESDA

**Includes the PHP 71.4 billion budget for PhilHealth

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

Table 3 provides a tabular presentation of the allocation for the top 10 departments, from the adjusted GAA 2020 to the GAA 2021.

Seven of these ten departments had allocations higher than what was initially proposed as submitted by the President in the NEP, signifying Congress’s intent to augment their allocation. These are the Department of Agriculture at 6.93%, Department of Public Works and Highways (DPWH), 4.26%, and the Judiciary at 4.14%.

It is interesting to note that Congress opted to reduce the budget intended by the executive branch for the three departments on the list. These are education, the Department of National Defense (DND), and the Department of Transportation (DOTr). The DOTr suffered the most significant reduction at 38.79%, from PHP143.60 billion in the NEP to PHP87.90 billion in the GAA.

2021 BUDGET PRIORITIES

The President, in his Budget Message for Fiscal Year 2021, outlined seven key budget priorities:²³

- (1) Health, Nutrition, and Wellness (e.g., nationwide health insurance coverage, Human Resources for Health, programs for prevention and control of diseases, and improving other aspects of Filipino health and nutrition);
- (2) Education;
- (3) Food Security;
- (4) Social Protection (e.g., protecting Filipinos from economic risks, income support systems, and integrating health in the housing and urban development agenda);

(5) Preparedness and Resiliency (e.g., infrastructure development, medical infrastructure, seamless movement of essential goods and services through a reliable road systems network, and upgrading rail and public transport systems);

(6) Enhancing Interoperability to Address Coordination Gaps (e.g., transitioning to a digital government, protecting the people’s digital privacy, strengthening coordination among different sectors and players, and institutionalizing a national pandemic and response network); and

(7) Safety, Security, and Stability (e.g., rebuilding public trust

and confidence in law enforcement agencies and curbing environmental risks).

In particular, the spending priorities for 2021 revolve around the national budget’s theme of Reset (health-related COVID-19 response programs to address the pandemic), Rebound (stimulating the Philippine economy through infrastructure development under the “Build, Build, Build” program that could generate 1.1 million jobs and accelerate business activities), and Recover (adapting to the new normal).²⁴ The specific priorities are in Table 4.²⁵

TABLE 3 . TOP 10 DEPARTMENTS, CHANGES IN ALLOCATION

| Rank | Departments | Amount (in Billion Pesos) | | |
|------|---|------------------------------|-------|-------|
| | | 2021 | | 2020 |
| | | GAA | NEP | |
| 1 | Education (DepEd, SUCs, CHED, TESDA) | 751.7 | 754.4 | 659.3 |
| 2 | Department of Public Works and Highways (DPWH) | 695.7 | 667.3 | 431.2 |
| 3 | Department of Interior and Local Government (DILG) | 249.3 | 246.1 | 236.0 |
| 4 | Department of Health (DOH) | 210.2 | 203.1 | 183.4 |
| 5 | Department of National Defense (DND) | 205.8 | 209.1 | 179.7 |
| 6 | Department of Social Welfare and Development (DSWD) | 176.9 | 171.2 | 366.6 |
| 7 | Department of Transportation (DOTr) | 87.9 | 143.6 | 84.2 |
| 8 | Department of Agriculture (DA) | 71.0 | 66.4 | 75.8 |
| 9 | The Judiciary | 45.3 | 43.5 | 41.2 |
| 10 | Department of Labor and Employment (DOLE) | 37.1 | 27.5 | 36.6 |

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

TABLE 4 . 2021 SPENDING PRIORITIES
(IN BILLION PESOS)

| RESET: Responding to the Pandemic | |
|--|-------|
| Health Sector Budget | 221.1 |
| Regular Health Programs | |
| National Health Insurance Program (PhilHealth) | 71.4 |
| Medical Assistance to Indigent Patients | 17.0 |
| Human Resources for Health Program | 16.6 |
| Health Facilities Enhancement Program | 14.7 |
| Family Health, Immunization, Nutrition, and Responsible Parenting | 12.2 |
| New Health Programs/Projects for COVID-19 Response | |
| Provision for: | |
| Personal Protective Equipment | 4.7 |
| COVID-19 Vaccine | 2.5 |
| COVID-19 GeneXpert Cartridges | 1.0 |
| Foreign-Assisted Projects: | |
| Health Systems Enhancement to Address and Limit COVID-19 (ADB) | 4.2 |
| COVID-19 Emergency Response Project (World Bank) | 1.1 |
| Research and Development: | |
| Establishment of the Virology Science and Technology Institute of the Philippines | 0.3 |
| Disease Surveillance and Monitoring of COVID-19 and Other Similar Respiratory Infections | 0.1 |
| REBOUND: Reviving Infrastructure Development | |
| Department of Public Works and Highways (DPWH) | |
| Core Programs (of which): | |
| Network Development Program | 124.5 |
| Flood Management Program | 101.8 |
| Asset Preservation Program | 66.0 |
| Bridge Program | 25.4 |

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

| REBOUND: Reviving Infrastructure Development | |
|--|-------|
| Department of Transportation (DOTr) | |
| Rail Transport (of which): | |
| North-South Commuter Railway System | 21.1 |
| Metro Manila Subway Project Phase 1 | 11.2 |
| Subsidy for MRT 3 | 7.0 |
| Land Public Transportation | 12.6 |
| Maritime Infrastructure | 0.6 |
| RECOVER: Adapting to the Post-Pandemic Life | |
| Food Security | |
| Irrigation Services (NIA) | 31.7 |
| National Rice Program | 15.5 |
| Rice Competitiveness Enhancement Program | 10.0 |
| Industry and Livelihood | |
| Livelihood and Emergency Employment Program | 20.4 |
| Training for Work Scholarship Program | 4.1 |
| MSME Development Program | 2.4 |
| Tulong Trabaho Scholarship Program | 1.0 |
| Education | |
| Basic Education – Learning Continuity Plan | 17.0 |
| DepEd Computerization Program | 5.9 |
| Social Protection | |
| Pantawid Pamilyang Pilipino Program | 106.8 |
| Social Pension for Indigent Senior Citizens | 23.5 |
| Sustainable Livelihood Program | 4.3 |
| Governance | |
| Philippine Identification System | 4.3 |
| Community-Based Monitoring System | 0.1 |

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

COMPARATIVE ANALYSIS: THE 2020 AND 2021 GAAS

SECTORAL DISTRIBUTION

Based on the GAA 2021, in comparison with the previous year, the appropriation for Economic Services in 2021 is higher by 10.3%, Social Services by 11.6%, Defense by 4.8%, General Public Services by 1.5%, and Debt Burden by 21.5%. Table 5 presents, by sector, the allocated amounts, the rate of change, and the corresponding share in the budget.

The Debt Burden accounted for the highest increase, at 21.5%, from the GAA 2020 to the following year’s budget, reflecting the increase in debt obligation of the government stemming from the borrowings related to the COVID-19.

In terms of the share in the national budget, there is no significant change for Economic Services and Social Services, with a 0.1 and 0.5 percentage point increase, respectively. The share of the Debt Burden has increased by 1.2 percentage points, from 11.2% in 2020 to 12.4% in 2021. The collective increase of 1.8 percentage points from these three sectors will be offset against a decrease of 1.2 in General Public Services and 0.2 in Defense.

AGENCY DISTRIBUTION

Figure 5 shows the comparative allocations for the top 10 departments in the GAA for 2020 and 2021.

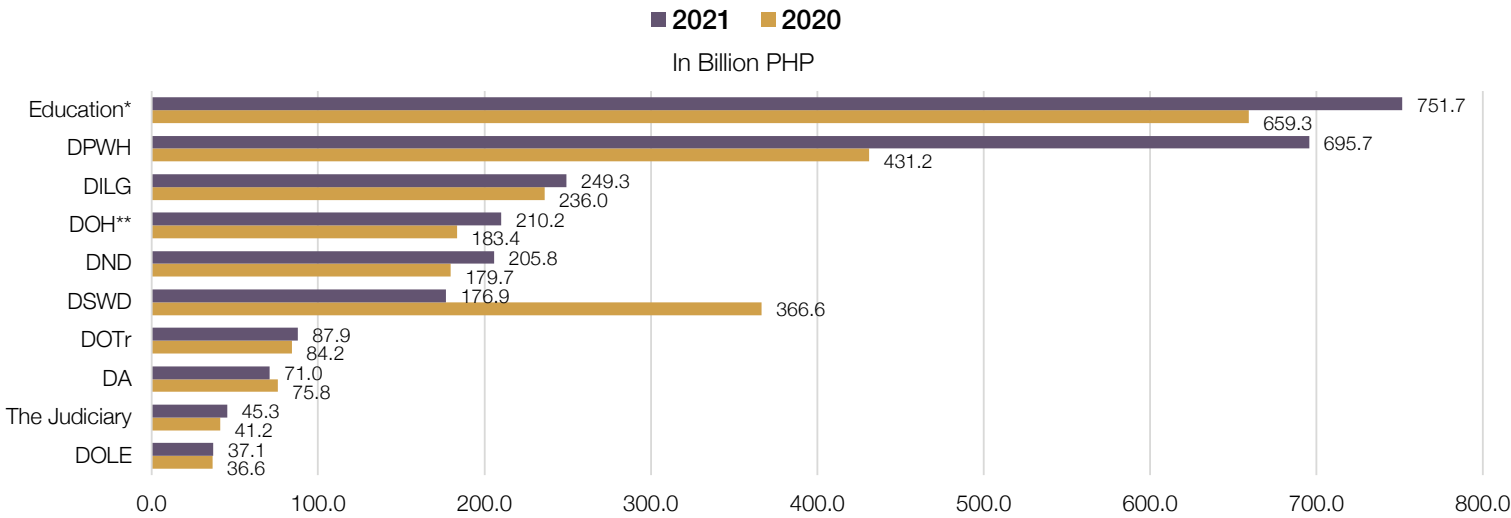
Table 6 presents the allocated amounts for the top 10 departments, the rate of change, and the corresponding share in the budget.

TABLE 5 . COMPARATIVE SECTORAL DISTRIBUTION, 2020 AND 2021

| Sectors | Amount (in Billion pesos) | | Increase/ (Decrease)* | | Budget Share (%)* | |
|-------------------------|------------------------------|---------|------------------------------|------|----------------------|-------|
| | 2020 | 2021 | Amount (in Billion pesos) | % | 2020 | 2021 |
| Economic Services | 1,200.0 | 1,323.1 | 123.1 | 10.3 | 29.3 | 29.4 |
| Social Services | 1,495.0 | 1,668.0 | 173 | 11.6 | 36.5 | 37.0 |
| Defense | 197.4 | 206.8 | 9.4 | 4.8 | 4.8 | 4.6 |
| General Public Services | 746.7 | 747.8 | 1.1 | 1.5 | 18.2 | 16.6 |
| Debt Burden | 461.0 | 560.2 | 99.3 | 21.5 | 11.2 | 12.4 |
| TOTAL | 4,100.0 | 4,506.0 | 406.0 | 9.9 | 100.0 | 100.0 |

* Authors’ computations
SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

FIGURE 5. TOP 10 DEPARTMENTS, GAAS 2020-2021



SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

TABLE 6 . COMPARATIVE TOP 10 DEPARTMENTS, 2020 AND 2021

| Departments | Amount (in Billion Pesos) | | Increase/ (Decrease)* | | Budget Share (%)* | |
|---|------------------------------|-------|------------------------------|--------|----------------------|------|
| | 2020 | 2021 | Amount (in Billion Pesos) | % | 2020 | 2021 |
| Education (DepEd, SUCs, CHED, TESDA) | 659.3 | 751.7 | 92.4 | 14.0 | 16.1 | 16.7 |
| DPWH | 431.2 | 695.7 | 264.5 | 61.3 | 10.5 | 15.4 |
| DILG | 236.0 | 249.3 | 13.3 | 5.6 | 5.8 | 5.5 |
| Health (DOH, PhilHealth) | 183.4 | 210.2 | 26.8 | 14.6 | 4.5 | 4.7 |
| DND | 179.7 | 205.8 | 26.1 | 14.5 | 4.4 | 4.6 |
| DSWD | 366.6 | 176.9 | (189.7) | (51.7) | 8.9 | 3.9 |
| DOTr | 84.2 | 87.9 | 3.7 | 4.4 | 2.1 | 2.0 |
| DA | 75.8 | 71.0 | (4.8) | (6.3) | 1.8 | 1.6 |
| The Judiciary | 41.2 | 45.3 | 4.1 | 10.0 | 1.0 | 1.0 |
| DOLE | 36.6 | 37.1 | 0.5 | 1.4 | 0.9 | 0.8 |

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

The top 10 list has DPWH at the second spot with a budget of PHP695.7 billion and DILG at the third with PHP249.3 billion. Health occupies the fourth slot with a combined allocation of PHP210.2 billion for the Department of Health and PhilHealth. DOLE ranks last with PHP37.1billion.

However, in terms of rate of change, DPWH overshadowed all other departments with the biggest increase of PHP264.5 billion from the previous year, or a glaring 61.3% increase. At the second spot is Education with an increase of PHP92.4 billion or a 14% increase from 2020.

Generally, the budgets of the top agencies increased in 2021, except

for the DA. It is important to note that the budget for the DSWD in 2020 was adjusted from the original PHP156.6 billion to provide social safety nets to vulnerable groups that were severely affected by the economic impact of the pandemic.

In terms of the budget share, Education gets a combined budget of PHP751.7 billion for the Department of Education (DepEd), State Universities and Colleges (SUCs), the Commission on Higher Education (CHED), and the Technical Education and Skills Development Authority (TESDA). This amount puts Education with the most significant share of the national budget at 16.7%, in compliance with the constitutional mandate under Article XIV, Section 5(5) that “the State shall ensure the highest budgetary priority to education.”

In terms of its share in the national budget, the importance of Health remained relatively stable at 4.7% from the previous year’s 4.5%.

BUDGET FOR THE DEPARTMENT OF HEALTH (DOH)

The COVID-19 pandemic exposed the major shortcomings and vulnerabilities of the Philippine health care system. Since the start of the pandemic in the early part of 2020, severe challenges have been in tracking and containing the spread of the virus and the accurate reporting of COVID-19 cases. The health care system turned out to be unprepared to respond to a pandemic.

Amid a public health crisis, it would have been expected that the DOH, as a critical agency, would receive a significantly higher budget if only to accomplish its mission. Instead, what turned out to be glaring is that the budget for the DOH and PhilHealth cumulatively represents only 4.7% of the total 2021 national budget and increased by only 14.6%. By ignoring current realities in the fiscal plan, questions about the seriousness of the government to meet the objective of containing COVID-19 and its effect loom large.

Table 7 shows the changes in spending levels for regular health programs, from the originally approved GAA 2020 to its adjustment to the NEP for 2021, up to the approved final amount under the GAA 2021.

It is important to note that the DOH has warned of a possible post-holiday surge of COVID-19 cases. In a statement dated 17 December 2020, the DOH reported an increase in the number of cases in the National Capital Region (NCR), where nine cities are now at moderate risk compared to the month before when all cities in the region were at low risk. The average daily attack rate in NCR is now also higher than the national average. Furthermore, increases have been

TABLE 7. 2021 SPENDING PRIORITIES: REGULAR HEALTH PROGRAMS
(IN BILLION PESOS)

| Programs | 2020 | | 2021 | |
|---|------|----------|------|------|
| | GAA | Adjusted | NEP | GAA |
| National Health Insurance Program (PhilHealth) | 71.4 | 71.4 | 71.4 | 71.4 |
| Assistance to Indigent Patients | 10.5 | 10.5 | 17.3 | 17.0 |
| Human Resources for Health (HRH) Program | 10.0 | 11.7 | 16.6 | 16.6 |
| Family Health, Immunization, Nutrition, and Responsible Parenting | 9.6 | 9.6 | 12.2 | 12.2 |
| Health Facilities Enhancement Program (HFEP) | 8.4 | 12.9 | 11.6 | 14.7 |

SOURCE: DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)

observed in other regions across the country. According to the DOH, if this trend continues, a spike of cases may occur and overwhelm the country's healthcare system once again.²⁶

On top of this, a new strain of COVID-19 was discovered in the United Kingdom in December 2020, which is said to be more transmissible. However, as of this writing, there is no indication that this strain leads to more severe illness.²⁷ This new strain has spread to other countries such as Japan and the US, forcing the Philippine government to impose travel bans on those countries.

In light of these developments, the current budget allocated to the DOH might eventually turn out to be inadequate in addressing these emerging challenges.

ISSUES AND CONTROVERSIES

THE BUDGET AND THE HOUSE LEADERSHIP CONTEST

As if the allocation process for the 2021 national budget is not controversial enough, its timely passage was threatened due to the contest for House leadership in the middle of the budget deliberation process.

In July 2019, President Duterte brokered a term-sharing agreement between Rep. Alan Peter Cayetano and Rep. Lord Allan Velasco for the Speakership of the House of Representatives. Cayetano was to serve as the leader of the House for the first 15 months until October 2020, after which Rep. Velasco would assume leadership

for the remaining 21 months.²⁸ However, by October 2020, it became apparent that the terms of the agreement would not be honored by Cayetano. This situation created a dramatic power struggle between him and Velasco that led to a suspension of the plenary session, which held the 2021 budget hostage.²⁹

The impasse was eventually resolved with the members of the House of Representatives holding an election for the House Speakership position on 12 October 2020 in a special session outside Congress. Velasco won with 186 votes out of 299. This was subsequently ratified the following day at the House of Representatives. On the other hand, Cayetano tendered his irrevocable “resignation” shortly afterward. The two lawmakers later met with President Duterte and agreed to pass the budget.³⁰ This leadership contest exposed the cracks within President Duterte's allies and even almost compromised the country's most crucial economic tool for recovery in 2021. Congress eventually passed the national budget in time for President Duterte's review and approval.

THE BUDGET, POLITICAL PATRONAGE, AND THE 2022 NATIONAL ELECTIONS

The equitable allocation of the budget has always been a thorny issue in the budget process. The deliberations in the House of Representatives for the 2021 budget was not an exception. On the contrary, given that the year 2021 will be the last full year of the administration, the discussions were more controversial and added fuel to the House leadership contest.

As a result of the country's unequal levels of development and the heavy reliance of localities on central transfers, legislators tend to be more concerned with maximizing their access to resources than with the general expected outcomes of government programs. According to former DBM Secretary Florencio Abad, political patronage is a

“deeply entrenched culture” between the members of Congress and their respective constituents, especially that poor Filipinos view their representatives as the only way for them to access resources from the national government.³¹ Thus, increased budget oversight by Congress would enable them to acquire the funds needed to address the needs of their constituents in a “legitimate” manner. Now that the 2022 national elections are nearing, the appropriated funds might be diverted and used for legislators’ campaigns during the election season.

THE BUDGET AND CORRUPTION

When public funds are involved, corruption talks are never far behind, especially when it comes to public works where people assume the presence of opportunities for illicit transactions that lead to commissions and kickbacks from contractors. Therefore, it becomes alarming when the budget for the DPWH becomes abnormally lavish.

At the same time, there is a common belief that, as the election draws near, politicians become more aggressive in making their political presence felt—whether through government projects, other means of political patronage, or even outright corruption. With 2021 being the penultimate year of the administration, it is also seen as the last opportunity to convince their constituents of their accomplishments, build up their war chest illegally from those projects, or both. Thus, there is little surprise that the hustle for a bigger share of the national budget is seen as a means in aid of election.

Ironically, during his weekly address to the nation on 28 December 2020, President Duterte publicly named neophyte Rep. Eric Yap, the Chairperson of the House Committee on Appropriations, as

one of the legislators identified by the Presidential Anti-Corruption Commission (PACC). They are allegedly involved in corrupt activities in infrastructure projects.

Specifically, President Duterte expounded that according to the PACC report, Yap allegedly rigged the bidding for a Benguet project “through his agent” and exerted “influence in choosing his district engineer to be able to control the awarding of projects in the district assigned to him.” Yap denied the allegations.³² With the tagging of the Chairperson of the House Committee on Appropriations in allegations of corruption, suspicions of unscrupulous insertions in the national budget, specifically, that of the DPWH, are not easily dismissible.

Big strides have been made towards the transparency of the budget with the end in view of allowing citizens to access information that would enable them to hold their government accountable for their utilization of public resources and, thereby, contribute to reducing wasteful spending and curbing corruption.

According to the latest Open Budget Survey (OBS) of the International Budget Partnership (IBP) for 2019, the Philippines ranked 10th out of 117 countries in terms of budget transparency, with a score of 76.³³ While this is a significant achievement for the Philippines, issues on transparency remain, such as the accessibility of the information and the language of the budget, both of which could effectively render the push for transparency as mere lip service. Moreover, political considerations surrounding budgetary decisions continue to lie outside the realm of the information given to the public, such as the legitimacy of budgetary items.

CONTROVERSIAL PROGRAMS AND PROVISIONS

As expected, the budget allocations for some agencies have been questioned and criticized. For one, in the 2021 NEP, the National Task Force to End Local Communist Armed Conflict was provided with a budget of PHP19.1 billion. This is even significantly higher than the budget for the provision of COVID-19 vaccines at PHP2.5 billion, which will be a significant driver of public health and economic health in 2021. The task force was initially identified as one of the government’s priorities for recovery in 2021.³⁴ Ironically, even during a pandemic and a public health emergency, the government seems to be singularly focused on national security.

There have also been calls for oversight actions among members of the Senate concerning alleged insertions in the budget version drafted by the lower chamber. Specifically, Sen. Panfilo Lacson pointed out alleged duplications in the budgets for the same projects under the DPWH amounting to PHP 6.8 billion.³⁵

Specific provisions of the budget law were controversial, such as the introduction of congressional oversight over intelligence funds in the form of reportorial requirements. This was vetoed by the President, saying in his Veto Message that he is “duty-bound to protect national security and maintain public safety, as well as ensure peace and order at all times. Hence, all activities involving intelligence gathering that have a direct impact on national security and public safety shall be reported directly to [him]. Accordingly, reports on the utilization of the intelligence funds shall be directly submitted to [his] Office.”³⁶

CONCLUSION

The national budget is the financial expression of a government's intended courses of action for a given period. As such, the General Appropriations Act is customarily used to read into the priorities of government—whether expressed in terms of absolute amounts, in terms of the percentage of increase from the previous year's level, or as a slice of the entire pie.

The theme of the 2021 General Appropriations Act is “Reset, Rebound, and Recover: Investing for Resiliency and Sustainability.” Through the various programs to be funded from the national budget, the administration aims to address the pandemic by resetting, boost infrastructure development and generate job opportunities by rebounding, and assist communities in adapting to the post-pandemic life by rebuilding.

Even without the rhetoric, there is bound to be unanimity among Filipinos that what the government needs to do at this stage are two things—contain the virus and get the economy back on its feet. Therefore, expectations are high that expenditures relating to health would figure prominently in the plans and the budget of this administration. On the other hand, how economic recovery can be best achieved could go in different directions.

Congressional deliberations on the national budget pointed towards building health and economic resilience through a more robust public health system, the “Build, Build, Build” program, agriculture, food value chain, and other new normal priorities. However, it is not apparent how the GAA 2021 will accomplish these.

For instance, even though the COVID-19 punctuated the urgent need to strengthen the country's healthcare system, the budget

of PHP210.2 billion allocated for DOH falls short of expectations, having a measly 4.7% share of the total national budget, even less than the budget for the DILG. Looking at the list of so-called priorities, research and development in the health sector—despite its inclusion in the list—does not appear to be much of a priority given the allocated budget. These factors put serious doubts about addressing the pandemic, or the resetting part as the administration calls it.

On the other hand, the budget of the DPWH is higher by PHP485.5 billion, a whopping 61.3% increase from the amount in 2020, earning the agency the second spot in terms of share in the national budget at 15.4%, second only to the constitutionally mandated top priority given to education. Clearly, the government has heavily pinned economic recovery—or what they call a rebound—on the continuation of the “Build, Build, Build” (BBB) program.

The budget is a zero-sum game. Where we add resources to one area, we need to deduct them from others. Thus, augmenting the budget for health is not as simple as it seems unless the government is prepared to have a corresponding reduction in other areas. Moreover, in the absence of other more viable options, government spending may be our best bet to prime the economy at this point.

Given the high multiplier effect of infrastructure projects, pursuing the BBB program may also be a sound economic decision. But the funds from tax revenues initially intended for the BBB program may not materialize. The next option, of course, would be to go into deficit spending and borrow. If the country is to stay on course in its fiscal program, we can only borrow to a certain extent. This gives

rise to the dilemma of where to use borrowed funds between the two competing needs. There is another option, though—the Public-Private Partnership (PPP). Had this been pursued, the infrastructure projects could have been taken off the national budget, and the allocation for them shifted to augment the budget in public health programs and projects. For some, this arrangement may be less than ideal as it may not produce the desired political patronage.

As it is, the GAA 2021 seems like business as usual. Based on the allocation for DOH, there is very little hint that we are amid a pandemic. Neither does it look incredibly healthy enough to be a strong driver for public health sustainability. The intelligence funds, which are not available for public scrutiny, appear to have more significance in the eyes of government authorities. Complicated and much delayed, it was an alliance of several big-name companies that stepped up and implemented massive financial assistance to tide people over.

ENDNOTES

¹ International Monetary Fund. (2020). World economic outlook, October 2020: A long and difficult ascent. Retrieved from <https://www.imf.org/-/media/Files/Publications/WEO/2020/October/English/text.ashx>

² World Health Organization. (2020). WHO coronavirus disease (COVID-19) dashboard. Retrieved from <https://covid19.who.int/>

³ Philippine Statistics Authority. (2020a). Q1 2018 to Q3 2020 national accounts of the Philippines (Base year 2018). Retrieved from https://psa.gov.ph/sites/default/files/Q32020%20NAP_PUB.pdf

⁴ PSA. (2020b, December 10). Highlights of the Philippine export and import statistics, October 2020 (Preliminary). Retrieved from https://psa.gov.ph/system/files/PR%20IMTS%20October%202020_signed.pdf

⁵ PSA. (2020c, December 3). Employment situation in October 2020. Retrieved from <https://psa.gov.ph/content/employment-situation-october-2020>

⁶ National Economic and Development Authority. (2020a, September 4). FY 2021 National Expenditure Program: Reset, rebound, and recover: Investing for resiliency and sustainability. Retrieved from https://www.neda.gov.ph/wp-content/uploads/2020/09/082820_NEDA-PPT-for-Budget-Hearing-DMB-MPM-DON-RRC_rge-AT3-LL-AT-KC-AT-KC-AT-LL2-KC.pdf

⁷ NEDA. (2020b, May 13). PH-PROGRESO: Turning the crisis into an opportunity: A proposed economic recovery program. Retrieved from https://www.neda.gov.ph/wp-content/uploads/2020/05/Economic-recovery-program-v9-short-for-Sulong_1589436221.pdf

⁸ Department of Budget and Management. (2020a). Technical notes on the 2021 proposed national budget. Retrieved from <https://www.dbm.gov.ph/images/pdf/Technical-Notes-on-the-2021-Proposed-National-Budget.pdf>

⁹ DBM. (2020b). PRRD signs the P4.506 trillion national budget for FY 2021. Retrieved from <https://www.dbm.gov.ph/index.PHP/secretary-s-corner/press-releases/list-of-press-releases/1778-prrd-signs-the-p4-506-trillion-national-budget-for-fy-2021>

¹⁰ The President's Budget Message for Fiscal Year 2021. (2020). Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/Our%20Budget/2021/PBM-2021.pdf>

¹¹ Department of Finance. (2020a, November 15). DOF economic bulletin on national government (NG) revenue collection performance for the first three quarters of 2020. Retrieved from <https://www.dof.gov.ph/wp-content/uploads/2020/11/DOFPR1613NOV20-1.pdf>

lbd.

DBM (2020a)

lbd.

The President's Budget Message for Fiscal Year 2021 (2020)

lbd.

lbd.

Bureau of the Treasury. (2020). Debt indicators. Retrieved from https://www.trea-sury.gov.ph/wp-content/uploads/2020/12/Debtindct_Rebased2020_Oct2020_rev.pdf

DOF. (2020b). Financing secured for COVID-19 response (as of December 15, 2020). Retrieved from <https://www.dof.gov.ph/data/fin-agreements/>

DBM (2020b)

DBM. (2020c). National Expenditure Program FY 2021: Volume I. Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/NEP2021/NEP-2021-VOLUME-1.pdf>

DBM. (2020d). General Appropriations Act FY 2021. Retrieved from <https://www.dbm.gov.ph/index.php/budget-documents/2021/general-appropriations-act-fy-2021>

The President's Budget Message for Fiscal Year 2021 (2020)

DBM (2020b)

DBM. (2020e). 2021 budget at a glance (Signed). Retrieved from <https://www.dbm.gov.ph/images/pdf/201229-2021-Budget-at-a-Glance.pdf>

Department of Health. (2020, December 17). Joint statement on preventing a post-holiday surge. Retrieved from <https://doh.gov.ph/press-release/joint-statement-on-preventing-a-post-holiday-surge>

Yan, H. (2020, December 23). What does this new coronavirus strain mean for you? CNN. Retrieved from <https://www.cnnphilippines.com/world/2020/12/23/new-coronavirus-strain-UK-what-to-know.html>

Calonzo, A. (2020, October 12). Philippines' 2021 budget hangs as Duterte House allies clash. Bloomberg. Retrieved from <https://www.bloomberg.com/news/articles/2020-10-12/duterte-allies-nominate-new-house-speaker-as-budget-hangs>

Luna, F. (2020, October 12). 186 allies vote Velasco as House speaker in remote session. Philstar Global. Retrieved from <https://www.philstar.com/headlines/2020/10/12/2049015/186-allies-vote-velasco-house-speaker-remote-house-session>

Calonzo (2020)

Mendoza, R. U. & Timberman, D. G. (2019). Budget reform in the Philippines: Making the budget a tool for national transformation. Mandaluyong City, Philippines: Anvil Publishing, Inc.

Ramos, C. (2020, December 29). 'I'm ready to resign if proven guilty of corruption,' says Yap of ACT-CIS. Inquirer.net. Retrieved from <https://newsinfo.inquirer.net/1377300/im-ready-to-resign-if-proven-guilty-of-corruption-says-yap-of-act-cis>

International Budget Partnership. (2020). Open budget survey 2019. Retrieved from https://www.internationalbudget.org/sites/default/files/2020-04/2019_Report_EN.pdf

DBM. (2020f). 2021 budget at a glance (Proposed). Retrieved from <https://www.dbm.gov.ph/images/pdf/2021-Budget-at-a-Glance-Proposed.pdf>

Tamayo, B. (2020, November 2020). Lacson bares 'double' budget allocations. The Manila Times. Retrieved from <https://www.manilatimes.net/2020/11/20/news/national/lacson-bares-double-budget-allocations/798777/>

President's veto message on FY 2021 General Appropriations Act (GAA). (2020, December 28). Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/Our%20Budget/2021/President-Veto-Message-on-FY-2021-GAA.pdf>

Picture credit cover and back page : the-scientist.com/news-opinion/newer-vaccine-technologies-deployed-to-develop-covid-19-shot-67152

Picture credit page 2: public.sif-source.org/sif-source-news/philippine-government-announces-the-use-of-source-for-its-flagship-build-build-build-program



ABOUT

Edwin P. Santiago

is a member of the Editorial Board of the Stratbase ADR Institute. He is a faculty member of the Political Science Department of De La Salle University. He handles courses both in the Political Science and the Development Studies programs of the department. He served in the government under the Department of Finance, the Department of Budget and Management, and the Philippine Amusement and Gaming Corporation.



Venice Isabelle T. Rañosa

is a Research Manager at Stratbase ADR Institute, where she is also in charge of the Economic Snapshots, a quarterly review of the Philippine economy. She received her Master of Arts in Development Policy and Bachelor of Arts in International Studies, with honors, from De La Salle University-Manila, and a diploma in Spanish from the Instituto Cervantes in Madrid, Spain.



STRATBASE ADR INSTITUTE

is an independent international and strategic research organization with the principal goal of addressing the issues affecting the Philippines and East Asia

9F 6780 Ayala Avenue, Makati City
Philippines 1200

V 8921751
F 8921754

www.stratbase.ph