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Philippine Institute for Development Studies

## Impact of the Financial Crisis on Social Services Financing and Delivery

*Virginia S. Pineda*

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# ***IMPACT OF THE FINANCIAL CRISIS ON SOCIAL SERVICES FINANCING AND DELIVERY***

***Virginia S. Pineda***

## **I. INTRODUCTION**

In view of the economic difficulties arising from the Asian financial crisis, the government, through Administrative Order No. 372 (dated 27 December 1997, effective 1 January 1998), directed all its departments and agencies to reduce total expenditures for 1998 by at least 25 percent of authorized regular appropriations for non-personal services items. It also withheld 10 percent of the internal revenue allotment to local governments.

Eventually, the budgetary reserves imposed on the appropriation for maintenance and other operating expenditures (MOOE) for critical basic health and social services programs aggregating to P1.5 billion were lifted on 10 July 1998. This is to mitigate the adverse impact of the financial crisis on the disadvantaged sectors of the society.

The crisis has raised much concern for the social sector. Shortly after its occurrence, several studies have been made to assess its impact, notably by the World Bank (1998), Lim (1998), and Reyes (1998). In the absence of actual trends, these studies presented the likely or projected impact of the crisis on the social sector. The most recent study was done by Reyes, Manasan, Orbeta, and Guzman (1999) which utilized focus group discussions, key informant survey and household survey in addition to secondary data in determining the social impact of the financial crisis on the populace, particularly the vulnerable groups.

The present study focuses on the effects of the crisis on the government's financing and provision of social services through the Department of Health (DOH), Department of Education, Culture and Sports (DECS), and the Department of Social Welfare and Development (DSWD). It seeks to address the following questions:

1. What have been the effects of the crisis for the year 1998 on the following:
  - a. financing of the social sector relative to other sectors
  - b. financing among the social subsectors
  - c. financing and performance of social services programs
2. What was the impact of the crisis on 1999 appropriations among the social subsectors, economic category of expenditures, and specific programs and projects?
3. What are the remedial measures taken by the social agencies to cope with the fiscal constraint?
4. How far has the government progressed in addressing long-identified budget-related issues?

The impact of the financial crisis on financing of social programs was analyzed in terms of the following:

1. How much the agency actually spent relative to the appropriated amount.

This was indicated by calculating the ratio of obligations incurred to current or new appropriations for the year. Obligations are liabilities legally incurred and committed to be paid for by the government. Current appropriation pertains to the amount allocated by the government for each agency, programs, projects, and activities for the current year as contained in the General Appropriations Act (GAA).

2. How much the government released relative to appropriations

This was computed using the current allotment/current appropriation ratio. Allotment refers to authorization issued by the Department of Budget and Management (DBM) to an agency which allows it to incur obligations or enter into contracts for specified amounts. Based on the Advice of Allotment, the DBM releases the corresponding Notice of Cash Allocation (NCA) which specifies the maximum amount of withdrawal an agency can make from a government servicing bank.

To indicate the absorptive capacity of a particular agency, i.e. how much it was able to utilize out of the allotment releases, the obligation/allotment ratio was also computed.

The impact on delivery of services was evaluated based on the programs' percentage of accomplishments to targets as measured by performance indicators.

## **II. EFFECTS ON 1998 FINANCING AND PERFORMANCE**

### **A. Comparison between Social and Other Sectors**

The government accorded the highest priority to the social services sector by providing it the highest budget allocation. In 1998, the sector received about 30 percent of the GAA (Table 1). The sector was likewise relatively protected from the cutback in expenditures as the imposed reserves on social services were selectively lifted. Accordingly, expenditures on social services were reduced by 10 percent of the GAA program level, in contrast with economic services which fell by 30 percent and national defense, by 17 percent.

Table 1. GAA Appropriations &amp; Actual National Government Expenditures By Sector

Sector	GAA (P million)	Actual Expenditures (P million)		Share in GAA (%)	Actual/GAA (%)
	1998	1997	1998*	1998	1998
Social services	152,301	122,668	137,106	29.50	-9.98
Economic services	115,159	108,952	80,786	22.31	-29.85
National defense	46,492	37,366	38,454	9.01	-17.29
Public services	86,692	73,165	78,559	16.79	-9.38
Others	116,371	71,661	105,147	22.54	-9.65
Total national government expenditure **	516,215	413,812	439,450	100.00	-14.87

\* preliminary

\*\* excluding debt service

Source: Department of Budget and Management (DBM); Reyes et al (1999).

Compared to the 1997 level, expenditures on social services increased not only in nominal terms but also in real terms, although only slightly, by about 2 percent. On the other hand, the other sectors increased in nominal terms but declined in real terms. The hardest hit was economic services which fell by 33 percent in real terms. As the limited funds in 1998 were allocated in favor of the social services sector, its percentage share increased from 30 percent in 1997 to 31 percent in 1998 while those of the other sectors were lower in 1998 relative to 1997.

Table 2. National Government Expenditure Changes &amp; Shares By Sector, 1997-1998

Sector	Percent Change		Percent Share	
	Nominal	Real*	1997	1998
Social services	11.77	1.67	29.64	31.20
Economic services	-25.85	-32.55	26.33	18.38
National defense	2.91	-6.38	9.03	8.75
Public services	7.37	-2.33	17.68	17.88
Others	46.73	33.48	17.32	23.93
Total national government expenditure **	6.20	-3.40	100.00	100.00

\* based on 1996 prices

\*\*excluding debt service

Source: Department of Budget and Management (DBM); Reyes et al (1999).

However, in terms of per capita, social services expenditures declined in real terms, from P621 in 1997 to P618 in 1998. Nevertheless, it has the smallest reduction, by only 0.60 percent. Again, economic services suffered the greatest reduction as per capita expenditure declined by 34 percent and the level in 1998 was even lower than in 1996 by 22.5 percent.

Table 3. National Government Expenditures Per Capita By Sector, 1996-1998

Sector	Amount (P) (in 1985 prices)			Percent Change	
	1996	1997	1998	1996-97	1997-98
Economic services	470	552	364	17.50	-34.06
Social services	555	621	618	12.04	-0.60
National defense	171	189	173	10.65	-8.48
Public services	351	371	354	5.50	-4.51
Others	322	363	471	12.58	29.74
Total national government expenditure *	1,869	2,096	1,980	12.15	-5.56

\*excluding debt service

Source: Department of Budget and Management (DBM); Reyes et al (1999).

## B. Comparison Among Social Services Sectors

Among the social services sector, education and social welfare were the most protected sectors. Education had the highest appropriation, about 72 percent of the total for social sectors in 1998. Its actual expenditures were also cut the least, by 4 percent, relative to the GAA level. Compared to the 1997 level, actual expenditures in education increased by 1 percent in 1998. Moreover, its share in total social expenditures remained high at 76 percent in 1998. However, per capita expenditure decreased from P474 in 1997 to P470 in 1998 or by about 1 percent.

Social welfare and employment sector expenditures declined by 24 percent as a percentage of GAA. However, real expenditures increased by 19 percent from 1997-1998. The percent share of social welfare and employment in total social expenditures likewise increased from 11 percent in 1997 to 13 percent in 1998. More significantly, real expenditures per capita increased by 17 percent.

In case of the health sector, actual expenditures was 15 percent lower than the GAA level. Similarly, expenditures in real terms declined by 15 percent, unlike that of education and social welfare which increased. The health sector's share in total social expenditures also shrunk from 11 percent in 1997 to 9 percent in 1998. Moreover, per capita health expenditures decreased the most in 1998, by 16 percent. In addition, its level in 1998 at P55 was even lower than that in 1996 at P57.

Housing was the most adversely affected sector. Its actual expenditures was only 50 percent of its 1998 appropriation. Actual expenditures in 1998 declined by 19 percent in real terms over that of 1997, the greatest reduction among the social sectors. Its low share of 2 percent in social expenditures in 1998 further dwindled to 1.6 percent in 1998. Furthermore, per capita real expenditure on housing at P13 in 1998 was only half of that in 1996.

Table 4. GAA &amp; Actual National Government Expenditures on Social Subsectors

Subsector	GAA (P million)	Actual Expenditures (P million)		% Share in Social Expenditures	Actual/GAA (%)
	1998	1997	1998*	1998	1998
Education	109,130	93,639	104,301	71.65	-4.42
Health	14,506	13,062	12,274	9.52	-15.39
Social Welfare & Employment	23,418	3,493	17,720	15.38	-24.33
Housing & Community Development	4,447	2,474	2,207	2.92	-50.37
Total Social Services	152,301	122,668	137,108	100.00	-9.98

\*preliminary

Source: Department of Budget and Management (DBM); Reyes et al (1999).

Table 5. National Government Expenditure Changes and Shares By Social Subsector, 1997-1998

Subsector	Percent Change		Percent Share	
	Nominal	Real	1997	1998
Education	11.39	1.33	76.34	76.07
Health	-6.03	-14.52	10.65	8.95
Social Welfare & Employment	31.33	19.47	11.00	12.92
Housing & Community Development	-10.79	-18.85	2.02	1.61
Total Social Services	11.77	1.67	100.00	100.00

Source: Department of Budget and Management (DBM); Reyes et al (1999).

Table 6. National Government Expenditures Per Capita By Social Subsectors, 1996-1998

Subsector	Amount per Capita (P) (in 1985 prices)			Percent Change	
	1996	1997	1998	1996-97	1997-98
Education	404.97	474.4	469.92	17.14	-0.94
Health	56.98	66.17	55.3	16.13	-16.43
Social Welfare & Employment	66.93	68.36	79.84	2.14	16.79
Housing & Community Development	25.82	12.54	12.66	-51.43	0.96
Total Social Services	554.7	621.47	617.72	12.04	-0.60

Source: Department of Budget and Management (DBM); Reyes et al (1999).

## **C. DOH Programs: Financing and Performance**

### **1. Actual Expenditures vs. Appropriation**

Public health services programs were more severely affected by the fiscal crunch relative to health facilities maintenance and operations. The percentage of expenditures to total appropriation was only 49 percent for public health services compared with 67 percent for health facilities maintenance and operations (Table 7).

The procurement of drugs and medicines was likewise adversely affected as the obligations incurred was only 43 percent of appropriations. The lowest obligation/appropriation ratio was for women and children protection program (women and children protection units in selected hospitals) below 1 percent.

Among the public health services, the ratio of obligations to appropriation was below 50 percent in some programs. These include control of diarrheal diseases (1%), national diabetes program (17%), cancer control program (23%), immunization program (31%), and STD/AIDS Control Program (42%)

Those with relatively higher obligations to appropriation include rabies control program and smoking cessation program (both at 71%), leprosy elimination program and dengue control program (both at 72%), schistosomiasis control service (76%), and national preventive mental health program (83%)

### **2. Government allotment releases as against appropriations**

One reason for the low obligations/appropriations ratio is low allotment releases. In a number of DOH programs, however, the proportion of allotment to releases in a number of programs has been high, even 100 percent in some cases but the amount obligated constituted a small percentage of allotment. In such instances, where allotment is high but utilization is low, the problem may be traced to delays in fund releases and low absorptive capacity due to administrative constraints.

The slower releases of allotment in public health services, to some extent, caused the low level of expenditures in public health services relative to health facilities maintenance and operations. At the end of 1998, allotment releases for public health services reached 92 percent of appropriations, higher than that for health facilities at 89 percent. However, as of the third quarter of 1998, the amount released for public health services was lower at 73 percent relative to health facilities at 83 percent. The earlier releases for health facilities enabled higher rate of utilization of allotment at 67 percent while the public health services' ratio of obligation to allotment was lower at 49 percent.

Government allotment releases for drugs and medicines amounted to 87 percent of appropriations as of December 1998 but only 42 percent of the allotment was obligated for the year. The allotment releases has been much delayed - as of September 1998, only 24 percent of the appropriation has been released which constrained incurring of obligation and slowed down procurement.



Table 7. DOH (Office of the Secretary, Central Office), 1998 Appropriations, Allotments &amp; Obligations (Current)

Programs (Operations)	Obligations/ Appropriations	Obligations/ Allotments	Allotments/Appropriations	
	(as of Dec.31)	(as of Dec.31)	(as of Sept.30)	(as of Dec.31)
a. Public Health Services	0.49	0.53	0.73	0.92
b. Primary Health Care Program	0.38	0.54	0.70	0.70
c. Health Facilities Maintenance and Operations	0.67	0.75	0.85	0.89
d. Health Facility Standards, Regulations and Licensing	0.67	0.78	0.86	0.86
e. Drugs and Medicines	0.43	0.49	0.24	0.87
f. Women and Children Protection Program	0.01	0.10	0.05	0.05
g. Regional Assistance Fund for Drugs & Micronutrients	0.75	1.00	0.75	0.75
Public Health Services				
1. Family Health Nutrition and Welfare	0.39	0.40	0.75	0.97
a. Maternal and Child Health Service	0.37	0.38	0.91	0.96
b. Nutrition Service including Salt Iodization Program	0.59	0.61	0.72	0.97
c. Family Planning Service	0.56	0.63	0.78	0.90
d. Dental Health Service	0.52	0.55	0.85	0.95
e. Control of Diarrheal Diseases	0.01	0.01	1.00	1.00
f. Immunization Program	0.31	0.31	0.69	1.00
g. Control of Acute Respiratory Infection/ Integrated Child Care Management	0.56	0.56	1.00	1.00
h. Family Health Program	0.26	0.38	0.50	0.68
2. National Disease Control Program	0.58	0.66	0.71	0.87
a. Communicable Disease Control Program	0.62	0.68	0.75	0.92
1. Communicable Disease Control Service	0.94	0.96	0.96	0.98
2. Tuberculosis Control	0.62	0.64	0.76	0.96
a. Tuberculosis Control Services	0.78	0.82	0.88	0.95
b. Philippine Tuberculosis Society	0.75	1.00	0.75	0.75
c. National Tuberculosis Control Program	0.58	0.59	0.75	0.99
3. STD/AIDS Control Program	0.42	0.63	0.60	0.66
4. Malaria Control Program	0.64	0.71	0.81	0.90
5. Rabies Control Program	0.71	0.72	0.75	0.98
6. Schistosomiasis Control Service	0.76	0.80	0.91	0.95
7. Dengue Control Program	0.72	0.74	0.75	0.97
8. Filaria Control Program	0.64	0.78	0.75	0.82
9. National Leprosy Elimination Program	0.72	0.76	0.75	0.94
b. Non-communicable Disease Control Program	0.49	0.63	0.62	0.77
1. Non-communicable Disease Control Service	0.72	0.77	0.87	0.93
2. Cardiovascular Disease Control	0.51	0.73	0.57	0.70
3. Smoking Cessation Program	0.71	0.74	0.75	0.96
4. Cancer Control Program	0.23	0.43	0.48	0.52
5. Blindness Prevention Program	0.59	0.74	0.75	0.80
6. Preventive Nephrology	0.51	0.58	0.59	0.88
7. National Preventive Mental Health Program	0.83	0.83	0.93	1.00
8. Occupational Health Program	0.66	0.72	0.75	0.92
9. National Diabetes Program	0.17	0.18	0.50	0.94
3. Environmental Health Program	0.67	0.76	0.82	0.89
a. Environmental Health Service	0.76	0.85	0.83	0.89
b. Operation of Inter-Agency Committee on Environmental Health	0.62	0.68	0.78	0.91
c. Hospital Waste Management	0.11	0.12	0.75	0.89
4. Community Health Program	0.47	0.65	0.56	0.73
a. Community Health Service	0.69	0.71	0.88	0.96
b. Traditional Medicine Program	0.51	0.68	0.62	0.74
c. Health Development Program	0.34	0.56	0.40	0.61
d. Community-based Rehabilitation Program	0.73	0.77	0.75	0.95
e. Indigenous People	0.68	0.68	0.75	1.00
5. Provision for a pool of 80 Rural Health Physicians for Doctorless Communities	0.74	0.82	0.84	0.90

Source of basic data: DOH

In the case of women health protection program, the government provided a low allotment of 5 percent of appropriation and the DOH obligated only 10 percent of this allotment, an indication that this is not a high priority program.

Among the public health services programs, in the case of immunization, the government has provided 100 percent of appropriation at the end of 1998. However, as of September 30, only 69 percent has been released, and this contributed to the low obligation allotment ratio of 31 percent. Similarly, the national diabetes control program has high allotment/appropriation ratio, 94 percent as of December, but as of September, only 50 percent of the appropriation has been released. Such delay partly caused low utilization of allotment, of which only 18 percent was obligated for 1998.

Other programs where 100 percent of appropriation was released included control of acute diarrheal diseases and control of acute respiratory infections. The amount obligated was quite low at 1 percent for control of diarrheal diseases and 56 percent for control of acute respiratory infections. Considering that the allotment has already been released 100 percent as early as September 30, there could be administrative problems in these programs.

For cancer control and STD/AIDS control, the allotment released was relatively low, only 52 and 66 percent, respectively, of appropriation as of December 31. Obligated amount was likewise low: 43 percent of allotment for cancer control and 63 percent for STD/AIDS Control.

Although delays in releases contributed to the low utilization of allotment in some programs, such as the provision of drugs and medicines, there are real problems with DOH administrative capacities. Based on COA data, allotments released for capital outlay in 1996 totalling P257.2 million intended for the purchase of equipment and construction of new buildings were not utilized and thus considered lapsed after two years (as provided by the National Budget Circular 406 dated April 28, 1989). The budget officer obligated the releases in favor of the DOH but no purchase orders were prepared by the supply officer and approved by the agency head. There have also been allegations of anomalies in DOH procurement such that decentralization of procurement have been initiated. According to DOH Secretary Romualdez, not enough is being spent on developing administrative capacities leading to low absorptive capacities especially of public health programs (Romualdez, 1999).

### **3. Performance: Accomplishments vs. Targets**

Data on program accomplishments are available only up to the first half of 1998. Most of the programs have accomplished below 50 percent of targets as of the first semester of 1998 (Table 8). The programs with the lowest proportion of accomplishment to targets include TB control (0.05%), Iodine Supplementation (1.12%), Hepatitis-B immunization (5.37%), food supplementation to moderately underweight (7.63%) and severely underweight children (11.54%), and control of diarrheal diseases (13.10%).

Table 8. DOH Performance Targets &amp; Accomplishment (1st Semester, 1998)

	Performance Targets	Actual Accomplishment	Percent Achieved
I. Prenatal and Postpartum Care			
Pregnant women with three or more prenatal visits	2,535,443	707,134	27.89
II. Fully Immunized Children	2,173,237	870,774	40.07
Infant given 3rd dose of Hepa B	1,719,949	92,391	5.37
Pregnant women given TT2 +	2,535,443	588,728	23.22
III. Control of Diarrheal Diseases			
Diarrhea cases given ORS	2,921,303	382,667	13.10
IV. Acute respiratory Infections			
Pneumonia cases (0-59 mos.) given treatment	1,043,323	246,414	23.62
V. Nutrition			
Food Supplementation among 6-59 mos. Children			
Moderately Underweight	250,483	19,108	7.63
Severely underweight	70,087	8,089	11.54
Pregnant women given complete iron dosage	2,530,752	491,273	19.41
Women (15-49) given iodized oil capsule	18,044,453	202,543	1.12
Children (12-59 months) given Vitamin A	8,043,757	3,049,881	37.92
Lactating mothers given Vitamin A	2,154,578	507,516	23.56
VI. Dental			
Provided curative treatment			
Preschoolers	1,905,950	342,309	17.96
Schoolers	19,958,138	966,906	4.84
Schoolers provided preventive treatment	1,985,364	1,344,652	67.73
Pregnant women provided			
Preventive treatment	857,073	246,201	28.73
Curative treatment	839,931	191,603	22.81
VII. TB Control			
New Sputum positive initiated treatment	72,441,224	34,961	0.05

VIII. Schistosomiasis Control Program			
No. of positive cases given treatment	3,622	3,278	90.50
IX. Rabies Control Program			
No. of animal bites given post-exposure immunization	31,140	13,147	42.22
X. Filariasis Control program			
No. of filaria cases given treatment	1,046	672	64.24
XI. Malaria Control program			
No. of clinically diagnosed given treatment	120,950	51,362	42.47

Source: DOH

In addition to financing constraints, the programs suffered from increased cost of inputs. For instance, the prices of imported vaccines for the immunization program rose by an average of 43.5 percent due to the peso devaluation. Hepatitis-B vaccine registered the highest price increase by as much as 78 percent from P13.5 before the devaluation, thus constraining performance.

The DOH, though, managed to have above 50 percent for a few programs. These included filariasis control program (64.2%), preventive dental health treatment for schoolers (67.7%), and schistosomiasis control program (90.5%).

## **D. DECS Programs: Financing and Performance**

### **1. Financing**

The government provided the lowest allotment releases relative to appropriations for teacher I positions (24%), purchase of desks/chairs, textbooks/instructional materials, tools, furniture, fixtures, computers and other equipment (37%), land and land improvement (20%). (Table 9)

Consistent with such low allotment releases, the obligations/appropriations ratios were also low for the same items: teacher I positions (24%), land and land improvement (17%) while no amount was obligated for purchase of desks/chairs, textbooks/instructional materials, tools, furniture, fixtures, computers and other equipment.

However, in contrast to DOH, the DECS had high utilization of the amount released : 89 percent for land and land improvement and 100 percent for most of the specified programs. Exceptions are the purchase of desks, and pre-school education.

Also severely affected by the fiscal constraint was the DECS Schoolbuilding Program. The program is administered by the Department of Public Works and Highways based on the work program submitted by DECS. Its programmed amount for 1998 was cut by 52 percent relative to the 1997 level. This was aggravated by the very low disbursement in 1998 as it covered only 46 percent of obligations for the same year.

### **2. Performance: Accomplishments vs. Targets**

#### **School Building Program**

The number of school building projects (construction, rehabilitation, replacement, completion, repair) declined substantially from 12,147 in 1997 to 4,903 in 1998 or by 60 percent. Furthermore, the proportion of completed projects to the programmed target was much lower in 1998 at 76 percent compared to those of 1996 and 1997 which were almost 100 percent. This will further worsen the classroom backlog which was estimated at 10,942 in 1997. There was a report that the number of students per class in public schools have already reached 85 due to the current classroom shortage.

Table 9. DECS (Office of the Secretary, Central Office) Financing Ratios, 1998

	Allotments/ Appropriations	Obligations/ Appropriations	Obligations/ Allotments
<b>A. PROGRAMS AND ACTIVITIES</b>			
<b>I. General Administration and Support</b>			
a. General Administration and Support Services			
a. General Management and Supervision			
1. General Administrative Services	0.89	0.89	1.00
b. Operation and Maintenance of Centers	0.92	0.92	1.00
c. Human Resources Training and Development including an amount of P15 Million for Teacher's Training	0.63	0.63	1.00
d. Contributions to Various Activities	0.81	0.81	1.00
e. Out-of-School Adult Education Program	0.75	0.75	1.00
Subtotal, I	0.86	0.86	1.00
<b>II. Support to Operations</b>	0.88	0.88	1.00
<b>III. Operations</b>			
Regional Operations (Nationwide)			
a. Requirements of Newly-Created Positions			
Teacher I Positions (2,000 Items)	0.24	0.24	1.00
Public Health Nurse Positions (2,240 Items)	0.82	0.82	1.00
b. Government Assistance to Students and Teachers in Private Education (GASTPE)	0.75	0.75	1.00
c. Lump-sum for Reclassification of Positions	1.00	1.00	1.00
d. Lump-sum for Subsistence and Laundry Allowance	1.00	1.00	1.00
e. Pre-School Education	0.75	0.00	0.00
f. Secondary Education			
1. Operational Expenses of Newly-Legislated/ Established High Schools	0.48	0.48	1.00
g. Purchase of Desks, Chairs, Textbooks, Instructional Materials, Tools, Furniture, Fixtures, Computers and Other Equipment	0.38	0.00	0.00
h. Lump-sum for Land and Land Improvement Outlay	0.20	0.17	0.89
Subtotal, III	0.58	0.47	0.80
Total	0.63	0.54	0.85

Source of basic data: DECS

Table 10. DECS School Building Program: Financing

Year	Program (P'000)	Allotment/ Program (%)	Obligation/ Allotment (%)	Disbursement/ Obligation (%)
1996	4,051,275	99.60	97.36	93.31
1997	4,508,083	96.21	93.11	83.26
1998	2,163,058	97.94	86.05	45.98

Source of basic data: Department of Public Works and Highways (DPWH)

Table 11. DECS School Building Program: Completed Projects

Year	No. of Projects		Completed/ Program (%)
	Program	Completed	
1996	11,221	11,217	99.96
1997	12,147	11,962	98.48
1998	4,903	3,738	76.23

Source of basic data: DPWH

There is wide disparity in the percentage of projects completed across regions. Central Mindanao has the lowest ratio at 29 percent, followed by Western Mindanao at 49 percent and CARAGA at 52 percent. In contrast, Ilocos has the highest proportion of projects completed at 99 percent. Next are Southern Tagalog and Central Luzon with 93 and 91 percentage completion, respectively.

Relating percentage completion of projects with poverty incidence, Central Mindanao, which has the lowest completion rate, has the second highest poverty incidence (Table 12). In contrast, Central Luzon and Southern Tagalog, with high completion rates, have the second and third lowest poverty incidence, correspondingly. However, there seems to be no strong linkage between the percentage completion and the poverty status of the regions since some poorer regions like Bicol and Northern Mindanao also have high completion rates.

Table 12. DECS School Building Program: Regional Level

Reg. No.	Region	1998			1997
		No. of Projects		Percent	Poverty Incidence (%)
		Program	Completed	Completed	
12	Central Mindanao	293	85	29.01	49.1
9	Western Mindanao	227	112	49.34	39.8
13	CARAGA	197	102	51.78	-
6	Western Visayas	477	274	57.44	41.6
CAR	Cordillera	96	57	59.38	42.3
7	Central Visayas	309	207	66.99	34.2
8	Eastern Visayas	353	264	74.79	40.7
2	Cagayan Valley	243	189	77.78	31.6
10	Northern Mindanao	260	210	80.77	46.8
NCR	Metro Manila	160	130	81.25	7.1
5	Bicol	394	335	85.03	50.1
11	Southern Mindanao	248	227	91.53	37.9
3	Central Luzon	411	379	92.21	16.8
4	Southern Tagalog	980	914	93.27	25.7
1	Ilocos	255	253	99.22	37.6

Source: DECS; NEDA, 1999.



## **E. DSWD Programs: Financing and Performance**

### **1. Financing**

Out of the appropriated amount, only 42 percent was released for assistance to persons with disability and senior citizens, 46 percent for nationwide emergency assistance/calamity relief operations and 63 percent for protective services for children and youth in especially difficult circumstances. (Table 13). Greater priority was given to maintenance and operations of centers and institutions. Allotment for this item reached 80 percent of appropriation. This covers reception and study centers for children, Lingap centers for street children, regional rehabilitation centers for the youth, women centers, and centers for persons with disabilities.

In terms of the obligation/appropriations ratios, the same ranking applies. For the locally-funded projects, allotment released was 75 percent of appropriation and the obligated amount was 99 percent of allotments.

Similar to DECS, DSWD has high absorptive capacity. Except for family welfare fund which has an obligation/allotment ratio of 22 percent, the obligation/allotment ratios of the other items ranged from 86 to 100 percent

### **2. Performance: Accomplishments vs. Targets**

DSWD fell short of its targets in some activities, particularly under the Sulong Dunong Para sa Kabataan and the Self-Employment Assistance Kaunlaran (SEA-K) projects (Table 14). Sulong Dunong, provides relevant skills training to out-of-school youth. For 1998, DSWD achieved only 15 and 17 percent of its targets for number of youth associations to be organized and involved in community projects and activities, respectively.

The SEA-K, which is a Social Reform Agenda (SRA)<sup>1</sup> program, is a livelihood assistance program that involves the provision of an integrated package of social welfare services to needy family heads, disadvantaged women, out-of-school youth, and persons with disabilities. The program includes capital assistance, social preparation/capability building, technical assistance and other support services aimed at enhancing the capability of community-based credit associations to self-administer a socialized credit scheme for income-generating projects. For 1998, the actual number of SEA-K associations assisted was only 15 percent of its target. Likewise, the DSWD was able to provide self-employment assistance to only 5 out of its targeted 21 families (24 percent of target).

For other projects, however, DSWD surpassed its targets. Most notable is the Comprehensive and Integrated Delivery of Social Services (CIDSS), which is an SRA flagship project. The CIDSS specifically addresses the lack of access to basic services. It is a two-pronged approach aimed at building the capabilities of the disadvantaged families and communities to analyze their conditions as basis for

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<sup>1</sup> The SRA is the government's centerpiece program to address the needs of the marginalized basic sectors like farmers, fisherfolk, OFWs, senior citizens, women, children and youth, persons with disabilities, disaster victims, and indigenous people. Launched in 1994, it involves the implementation of flagship programs by national government agencies targeted at vulnerable groups.

Table 13. DSWD (Office of the Secretary) Financing Ratios, 1998

	Allotments/ Appropriations	Obligations/ Appropriations	Obligations/ Allotments
<b>A. PROGRAMS AND ACTIVITIES</b>			
I. General Administration and Support	0.88	0.78	0.89
II. Support to Operations			
III. Operations	0.73	0.72	0.99
a. Assistance Program for Distressed and Disadvantage Population			
1. Nationwide Emergency Assistance\Calamity Relief Operations, etc.	0.46	0.44	0.97
2. Assistance to Persons with Disability including P15,000,000 for Senior Citizens	0.42	0.42	1.00
3. Protective Services for Children and Youth in Especially Difficult Circumstances	0.63	0.54	0.86
b. Technical Assistance to LGUs?			
c. Maintenance and Operations of Centers and Inst	0.80	0.80	1.00
TOTAL PROGRAMS AND ACTIVITIES	0.75	0.72	0.96
<b>B. PROJECTS</b>			
I. Locally-Funded Project(s)			
a. CIDSS in the Most Depressed Provs under SRA	0.75	0.75	1.00
b. Sulong Dunong Para sa Kabataan	0.75	0.75	1.00
c. Tulay 2000	0.75	0.75	1.00
d. Special Project for Poverty Mapping	0.75	0.67	0.89
e. SEA-Kaunlaran II	0.75	0.75	0.99
f. Family Welfare Fund	0.75	0.17	0.22
TOTAL PROJECTS	0.75	0.75	0.99
GRAND TOTAL	0.75	0.73	0.97

Source of basic data: DSWD

Table 14. DSWD Targets and Accomplishment, 1998

	Target	Accomplishment	Percent Achieved
<b>A. Productivity Skills Capability</b>			
Building for Disadvantaged women			
1. No. of women trained on PSCB	44,918	38,023	85
2. No. of trained women gainfully employed	28,911	29,861	103
<b>B. Comprehensive and Integrated Delivery of Social Services (CIDSS)</b>			
1. No. of poor families benefited by CIDSS projects/activities	171,216	268,861	157
2. No. of depressed barangays served	1,259	1,323	105
3. No. of community projects implemented	2,189	4,047	185
4. No. of community structures organized	3,399	6,352	187
5. No. of leaders/volunteers trained/mobilized	25,423	78,072	307
<b>C. Sulong Dunong</b>			
1. No. of PYA organized	1,089	192	18
2. No. of PYA involved in community projects/activities	14,918	2,307	15
3. No. of Out-of-School Youth (OSY) served with:			
a. educational support services	946	834	88
b. practical skills development	668	789	118
c. livelihood	225	138	61
<b>D. Social Mobilization of Persons with Disabilities and Senior Citizens and Their Families</b>			
1. Early Detection, Prevention and Intervention of Disabilities			
No. of 0-6 years old children provided with intervention	3,987	2,235	56
2. Self-Help Group (SHG) of Persons with Disabilities (PWDs)			
a. No. of PWDs assessed and provided with intervention	1,489	2,170	146
b. No. of SHGs strengthened, organized and mobilized	388	194	50
c. No. of SHGs involved in income generating projects	85	117	138
d. No. of PWDs involved in income generating projects	245	82	33

Source: DSWD

3. Senior Citizens (SCs) as Volunteer

Table 14. DSWD Targets and Accomplishment, 1998

	Target	Accomplishment	Percent Achieved
Resource			
a. No. of SCs assessed and provided with intervention	1,357	2,135	157
	1,222	934	76
b. No. of SCs trained on volunteerism	1,472	3,225	219
c. No. of SCs mobilized as volunteers			
E. Assistance to Disadvantaged Transnationals			
	1,946	845	43
No. of transnational children served (repatriated, educational/support/legal assistance)			
F. Community-Based Rehabilitation Services for Children in Conflict with the Law			
	570	655	115
No. of Youth Offenders (YOs) served (income-generating projects, educational/support services, practical skills training, job placement)			
	91	279	307
No. of YOs supervised by volunteers			
G. Local Adoption and other Alternative Family Care			
1. No. of adoption forum and advocacy activities conducted	194	286	147
2. No. of foster families provided with subsidies	104	79	76
H. SEA-K			
1. Revolving Settlement Fund (RSF)			
	2,650	2,843	107
a. No. of individual projects established	833	535	64
b. No. of SKAs assisted	6,647	12,867	194
c. No. of SKA members served			
2. PSCB			
	2,602	1,407	54
No. of women provided with SEA			
3. CIDSS			
	415	1,971	475
a. No. of individual projects	2,384	368	15
b. No. of SKAs assisted			
4. Sulong Dunong			
	75	82	109
a. No. of OSYs provided with SEA	15	13	87
b. No. of OSY families provided with SEA			
5. Transnational			

Table 14. DSWD Targets and Accomplishment, 1998

	<b>Target</b>	<b>Accomplishment</b>	<b>Percent Achieved</b>
No. of transnational children families provided with SEA	21	5	24
6. CBRS			
No. of YO families provided with SEA	3	16	533
7. Abused Children			
No. of abused children families provided with SEA	5	13	260
8. Level II: Kabayans			
a. No. of families provided with assistance for micro-enterprise	886	673	76
b. No. of families provided with assistance for home improvement	692	444	64
c. No. of families provided with assistance for housing construction	414	147	36
I. CPC-IV - Women in Development			
1. No. of women provided transportation assistance	350	864	247
2. No. of women referred for medical assistance	88	356	405
3. No. of women trained at PSCB	2,089	4,968	238
4. No. of women volunteers trained/mobilized	1,790	1,161	65
5. No. of women provided sessions on modular packages	5,514	10,192	185

collectively accessing resources that will address their problems and at the same time build the capabilities for social services delivery. LGUs are likewise provided with technical and other forms of assistance towards the provision of the minimum basic needs (MBN). For the CIDSS program, DSWD accomplishment/target ratios ranged from 105 to 307 percent. Performance indicators include number of beneficiary families, barangays served, community projects implemented, community associations organized, leaders/volunteers trained and mobilized.

The DSWD likewise exceeded its targets in Community-Based Rehabilitation Services (CBRS). The program aims to rehabilitate youth offenders with suspended sentence and to assist them and their families in their reintegration into the mainstream of society. Support services are also provided to their families, such as capital assistance for income-generating projects and parent and child counselling to strengthen parents' capability to supervise their children.

### III. IMPACT ON 1999 APPROPRIATIONS

#### A. By Department

The 1999 GAA explicitly states that no budgetary reserves shall be imposed for DECS, DOH, and DSWD. Despite this, financing is tighter in 1999 relative to 1998. New appropriations in 1999 were lower in real terms by 22 percent for DSWD, by 20 percent for DOH and by 4.5 percent for DECS compared with their 1998 levels. For DOH, its 1999 appropriations were even lower than the 1996 level (by about 4 percent).

Table 15. New Appropriations\* under the GAA (P'million)

Agency	Nominal (P million)				Percent Change		
	1996	1997	1998	1999	1996- 1997	1997-1998	1998-1999
DECS	48,418	56,271	78,813	81,665	16.22	40.06	3.62
DOH	9,302	11,370	13,085	11,340	22.24	15.08	-13.34
DSWD	1,184	1,594	1,827	1,555	34.64	14.67	-14.88
Real (in 1996 prices, P million)							
DECS	48,418	52,965	67,482	64,445	9.39	27.41	-4.5
DOH	9,302	10,702	11,204	8,949	15.05	4.69	-20.13
DSWD	1,184	1,500	1,565	1,227	26.73	4.31	-21.55

\*for the whole department inclusive of bureaus/agencies and funds under GATT- related adjustment measures

Sources: GAA, 1996-1999.

#### B. By Economic Category of Expenditures

In terms of economic category, capital outlay suffered the greatest reduction and personnel services the smallest shrinkage in 1999 appropriation. (For comparison purposes, appropriations are valued in 1996 prices). The decrease in capital outlay was particularly severe for DSWD at 76 percent, followed by DOH at 66 percent. For DECS, the decline was relatively lower at 25 percent. Thus, the share of capital

outlay dropped from 5.2 percent in 1998 to 1.6 percent in 1999 for DSWD, from 19.4 to 8.4 percent for DOH, and from 1.5 to 1.2 percent for DECS.

With the decline in capital outlay, the percentage of personnel services increased by 6 percentage points for DOH and DSWD. Although maintenance and other operating expenditures also decreased, this item continue to account for the greatest share in appropriations for DOH and DSWD. In contrast, about 89 percent of appropriations of DECS goes to personal services.

Decreases in capital outlays and maintenance and other operating expenditures have negative implications on growth and quality of the capital stock.

Table 16. GAA Appropriations By Economic Category (in 1996 prices)

Category	Amount (P million)		Change (%)	Share (%)	
	1998	1999		1998	1999
DECS					
PS	59,117	57,184	-3.27	87.6	88.73
MOOE	7,345	6,497	-11.55	10.88	10.08
CO	1,020	765	-25.01	1.51	1.19
Total	67,482	64,445	-4.5	100.00	100.00
DOH					
PS	4,292	4,001	-6.78	38.31	44.71
MOOE	4,736	4,219	-10.9	42.27	47.15
CO	2,176	728	-66.53	19.42	8.14
Total	11,204	8,949	-20.13	100.00	100.00
DSWD					
PS	387	372	-3.8	24.72	30.31
MOOE	1,096	836	-23.71	70.04	68.11
CO	82	19	-76.47	5.24	1.57
Total	1,565	1,227	-21.55	100.00	100.00

Sources: GAA, 1996-1999.

### C. DOH Programs

Health facilities maintenance and operations has the lowest reduction at 2.5 percent (Table 17-A). It accounted for 60.8 percent of DOH (OSEC) appropriation in 1999. In contrast, budget for public health services suffered a greater cut at 15 percent. It constituted 11.5 percent of appropriation in 1999. Thus, health facilities maintenance and operations continued to be favored in 1999. The provision of drugs was accorded high priority in 1999 as its appropriation increased by 27 percent. It is the only item with a positive percent change.

Under public health services, appropriations for most of the programs decreased by 17 percent (Table 17-B). Within family health and welfare, the greatest reduction were on nutrition services and maternal and child health service, by 26 and 24 percent, respectively. In contrast, family planning services has the smallest

Table 17-A. DOH GAA Appropriations (P'000, in 1996 prices), 1998-1999

	Appropriations		% Change
	1998	1999	1998-1999
OPERATIONS			
a. Public Health Services	1,212,635	1,025,498	-15.43
b. Primary Health Care Program	22,969	19,186	-16.47
c. Health Facilities Maintenance and Operations	5,538,942	5,400,434	-2.50
d. Health Facility Standards, Regulations & Licensing	319,660	264,179	-17.36
e. Provision of Drugs and Medicines, Medical and Dental Supplies & Materials, Vaccines, Reagents & Biological Supplies	64,715	82,247	27.09
f. Implementation of the Regional Licensing & Standards Enforcement, Malaria, Filariasis and Schistosomiasis Programs and Other Health-related Retained Activities	52,132	45,202	-13.29
g. Local Health Board Liaison and Coordination	13,328	11,330	-14.99
h. Regional Funds to Assist Primary Health Care Programs of Local Government Units	122,964	95,930	-21.99
i. Centers of Wellness Program for Special and Regional Hospitals, Medical Centers, Sanitaria & other hospitals	18,316	15,350	-16.20
j. Women and Children Protection Program	10,695	8,441	-21.08
k. Regional Assistance Fund for Drugs, & Micronutrients for the Devolved Prov. And District Hospitals	55,727	46,225	-17.05
l. Nat'l Govt Subsidy for the Premium Contribs of Indigent Households Enrolled under the NHIP	-	7,891	-
PROJECTS			
Locally-Funded	746,075	44,192	-94.08
GATT-Related Adjustment Projects (Locally Funded)	16,664	14,437	-13.36
Foreign-Assisted	1,400,221	448,729	-67.95

Source of basic data: GAA, 1998-1999.



Table 17-B. DOH GAA Appropriations for Public Health Services (P'000, in 1996 prices), 1998-1999

	Appropriations		% Change
	1998	1999	1998-1999
1. Family Health Nutrition and Welfare	559,580	483,095	-13.67
a. Maternal and Child Health Service	55,871	42,588	-23.77
b. Nutrition Service incl. Salt Iodization Program	75,028	55,133	-26.52
c. Family Planning Service	46,607	52,719	13.11
d. Dental Health Service	16,112	19,628	21.82
e. Control of Diarrheal Diseases	16,326	13,542	-17.05
f. Immunization Program	300,713	249,435	-17.05
g. Control of Acute Respiratory Infection	32,229	26,734	-17.05
h. Family Health Program	16,695	13,848	-17.05
i. Reproductive Health Program	-	3,157	-
j. Early Childhood Devt. Program	-	789	-
k. Natl Family Planning Program	-	3,157	-
l. Anemia Control and Prevention Program	-	2,367	-
2. Natl Disease Control Program	492,733	397,853	-19.26
a. Communicable Disease Control Program	338,884	277,340	-18.16
1. Communicable Disease Control Service	8,058	7,536	-6.47
2. Tuberculosis Control	193,918	156,062	-19.52
3. AIDS and STD Control Program	39,018	28,742	-26.34
4. Malaria Control Program	24,845	20,604	-17.07
5. Rabies Control Program	38,455	31,898	-17.05
6. Schistosomiasis Control Program	17,456	15,876	-9.05
7. Dengue Control Program	13,334	11,053	-17.10
8. Filaria Control Program	793	706	-10.92
9. National Leprosy Elimination	3,007	2,494	-17.05
10. Soil-transmitted Helminthiasis Prevention and Control Program	-	2,367	-
b. Non-communicable Diseases control program	153,850	120,513	-21.67
1. Non-communicable Disease Control Service	15,546	13,789	-11.30
2. Cardiovascular Disease Control	37,604	28,035	-25.45
3. Smoking Cessation Program	7,995	3,512	-56.07
4. Cancer Control	30,641	20,539	-32.97
5. Blindness Prevention	15,726	11,465	-27.09
6. Preventive Nephrology	27,142	22,514	-17.05
7. National Preventive Mental Health Program	3,785	3,139	-17.05
8. Occupational Health Program	6,850	5,682	-17.05
9. National Diabetes Control Program	8,562	7,102	-17.05
10. Asthma Prevention and Control	-	1,578	-
11. Injury Prevention and Control	-	789	-
12. Drug Abuse Prevention and Control	-	2,367	-
3. Environmental Health Program	24,633	22,064	-10.43

Table 17-B. DOH GAA Appropriations for Public Health Services (P'000, in 1996 prices), 1998-1999

	Appropriations		% Change
	1998	1999	1998-1999
a. Environmental Health Service	20,300	16,873	-16.88
b. Operation of Inter-Agency Committee on Environmental Health	1,528	1,286	-15.84
c. Hospital Waste Management	2,805	2,326	-17.06
d. Local Public Health Systems Development Program	-	1,578	-
4. Community Health Program	105,055	90,248	-14.09
a. Community Health Service	8,583	7,644	-10.93
b. Traditional Medicine Program	13,571	11,257	-17.05
c. Health Development Program	28,887	23,962	-17.05
d. Disability Prevention & Community-Based Rehabilitation Program	4,053	3,363	-17.04
e. Indigenous People's Health	2,098	1,740	-17.05
f. Support to the Priority Provinces	47,863	42,282	-11.66
5. Provision for a Pool of 80 Rural Health Physicians for Doctorless Communities	30,634	27,503	-10.22
6. Health and Nutrition of Special Populations	-	4,735	-
a. Women's Health and Development Program	-	2,367	-
b. Urban Health and Nutrition Program	-	2,367	-

Source of basic data: GAA, 1998-1999

reduction at 13 percent. For immunization program, appropriations fell by 17 percent.

Within the disease control program, the greatest reduction was for smoking cessation (56%), cancer control (33%), blindness prevention (27%) and AIDS/STD control (26%). For the dengue control, the decrease in appropriation may be considered moderate at 17 percent.

Appropriation declined the most for locally-funded projects, by 94 percent. Although lower, the shrinkage in appropriations for foreign-assisted projects was also severe, at 68 percent. DOH has only two foreign-assisted projects in 1999 compared with six in 1998.

To cope with the financial constraints, DOH remedial measures include the following:

- (1) focused targeting, redirection of program strategies and reallocation of inputs in favor of vulnerable groups;
- (2) intensification of program implementation in financially burdened LGUs which are generally the 5<sup>th</sup> and 6<sup>th</sup> class municipalities populated by predominantly low-income families, particularly the improvement of hospital and primary health care (PHC) outlets such as the rural health units (RHUs) and barangay health stations (BHSs);
- (3) provision of grants to support/augment community-based/managed health projects in Social Reform Agenda (SRA) convergent areas, indigenous communities and in 4<sup>th</sup> to 6<sup>th</sup> class municipalities;
- (4) hiring and deployment of doctors to doctorless 5<sup>th</sup> and 6<sup>th</sup> class communities;
- (5) expansion of the subsidy given to private hospitals for the medical care of indigent patients; and
- (6) augmentation of the budget of priority programs that specifically cater to vulnerable groups from the Poverty Alleviation Funds (PAFs) or the Structural Adjustment Loan from the WB, e.g., EPI, Nutrition Program, TB Control Program, SRA-Related Program and all hospitals (Caponess, 1998).

#### **D. DECS Programs**

Among operations, the greatest reduction in appropriations in real terms is on the requirement of Teacher I positions, by about 98 percent, followed by buildings and structures, by 61 percent, and land and land improvement by 40 percent (Table 18).

The smallest shrinkages are for pre-school (2%), elementary education (4%), purchase of desks (5%), GASTPE (8%), and purchase of textbooks (10%). Only secondary education posted an increase in appropriation, by 6 percent.

Table 18. DECS GAA Appropriations (P'000, in 1996 prices), 1998 and 1999

	Appropriations 1998	1999	% Change 1998-1999
<b>OPERATIONS</b>			
a. Non-formal Education	32,657	30,098	-7.84
b. Research & Promotion of School Health & Nutrition	71,222	50,154	-29.58
c. Medical/Dental Health Services	30,953	28,527	-7.84
d. Palarong Pambansa Program	82,009	59,800	-27.08
A33 e. Regional Operations	62,376,038	59,713,934	-4.27
1. Pre-school Education	115,509	112,872	-2.28
2. Elementary Education	44,041,339	42,303,114	-3.95
3. Secondary Education	14,165,724	14,976,430	5.72
4. Requirement of Teacher I Positions	805,007	18,033	-97.76
5. Govt. Assistance To Students and Teachers in Private Education (GASTPE)	649,557	598,662	-7.84
6. Purchase of Desks	243,934	232,739	-4.59
7. Purchase of Textbooks	441,086	398,175	-9.73
8. Requirements of Newly Created Positions	992,335	778,871	-21.51
9. Lump Sum for Reclassification of Positions	5,994	5,120	-14.58
10. Lump-sum for Subsistence and Laundry Allowance	27,399	17,213	-37.18
11. Lump-sum for Furniture, Fixtures, Eqpt. and Books Outlay	115,526	86,540	-25.09
12. Lump-sum for Buildings and Structures Outlay	109,909	43,403	-60.51
13. Lump-sum for Land and Land Improvement Outlay	26,542	15,783	-40.54
14. Lump-sum for the Conduct of NEAT and NSAT	25,687	-	-
15. Purchase of Desks, Chairs, Textbooks, Instructional Materials, Tools, Furniture, Fixtures, Computers & Other Eqpt.	477,776	-	-
16. Scholarship Program	131,859	-	-
17. Maintenance of Computer Eqpt. For Schools in NCR	856	-	-
18. Hardship Pay	-	57,015	-
19. Financial Assistance to ARMM	-	3,946	-
20. Early Child Development Program	-	31,566	-
21. Mass Production of Science Eqpt. and Purchase of Sets of Accessories for Computer Aided Experiments	-	26,563	-
22. Lump-sum for Purchase of Instructional Materials	-	7,891	-
<b>PROJECTS</b>			
<b>I. Locally-Funded Projects</b>			
a. DECS Computerization Program	85,623	78,914	-7.84
d. Construction of School Bldgs., Classrooms and Other Facilities	55,312	76,152	37.68
b. Purchase of Computers, Instructional Printed Materials and Electronics Video Hardware as well as the Production and Dissemination of Materials for the Information Campaign for Climate Change in the Fourth District of Isabela	38,102	-	-
c. Titling of School Sites	1,712	-	-
e. Procurement of Musical Instruments, R. Magsaysay H.S., Manila	171	-	-
Sub-total, Locally Funded Projects	180,921	155,066	-14.29
<b>II. Foreign-Assisted Projects</b>			
a. Engineering and Science Education Project (IBRD)	9,081	-	-
b. Philippine-Australia Project in Basic Education (PROBE)	42,640	43,900	2.95
c. Educational Facilities Improvement Project IV- JICA Grant	23,254	35,776	53.85
d. Third Elementary Educ. Program (IBRD)	301,793	720,072	138.60
Sub-total, Foreign-assisted	376,768	799,748	112.27
<b>GATT Projects (Foreign-Assisted)</b>			
a. Agricultural Education Program - EEC grant	8,939	1,301	-85.45
b. Phil.-Australia Agricultural Technology Educ. Proj -NAES-AusAid grant	16,970	12,339	-27.29
c. Non-formal Educational Project - ADB	224,918	150,801	-32.95
Sub-total, GATT Projects	250,826	164,440	-34.44
<b>DECS SCHOOL BLDG. PROGRAM (35 Bldgs &amp; Structures outlay)</b>			
Elementary	1,689,014	1,491,475	-11.70
Secondary	991,961	481,376	-51.47
Total	2,680,975	1,972,851	-26.41

Source of basic data: GAA, 1998-1999.

The appropriation for locally-funded projects declined by 14 percent. Construction of school buildings and other facilities is prioritized as the appropriation for these projects rose by 38 percent. In the case of foreign-assisted projects, appropriations more than doubled in 1999 relative to 1998. The most substantial increase is for the Third Elementary Education Project (TEEP) at 139 percent. The TEEP seeks to provide classroom to schoolchildren in the 6-12 age bracket in 26 poor provinces where the dropout rate for elementary school children has been highest. For DECS projects under the GATT-Related Adjustment Measures Fund, which are also foreign-assisted, appropriations declined by 34 percent on the whole.

Appropriations for the DECS School Building program also fell by 26 percent in real terms in 1999. The secondary level was most severely affected as appropriations for it were lower by 51 percent.

To ease the classroom shortage, DECS strategies include the following:

- (1) Coordination with local government units (LGUs), Parents-Teachers Associations (PTAs), civic organizations and private firms in mobilizing additional funds for classroom construction, renting private buildings to be used as classrooms, and maximizing the use of non-academic classrooms like gymnasiums, laboratories as well as chapels, barangay halls and other government buildings (Manila Bulletin [MB], 6 June 1999).
- (2) Consideration of a sort of Build-Operate-Transfer (BOT) scheme where private contractors will build initially 10,000 classrooms. DECS will use the classrooms, estimated to cost P8 billion under a lease-purchase agreement under which the rental will be considered amortization for interest and principal over a 10-year period (MB, 12 April 1999).
- (3) Obtaining funding support from foreign institutions for the construction and repair of classrooms, particularly in far-flung areas.

According to Secretary Gonzalez, he will also push for a new legislation that would give the department a special appropriation - on top of its regular national budget - to wipe out the present shortage of classes (MB, 6 June 1999).

To alleviate the shortage of teachers, DECS has ordered the return of teachers holding administrative position back to the classrooms. These include the 400 of the 1,400 personnel in the main DECS offices at ULTRA (MB, 12 April 1999). DECS has also directed principals and special teachers such as guidance counselors, librarians, canteen teachers, clinic teachers and coordinators, among others, to teach two subjects each and for field officials to identify vacant positions in their respective areas and immediately fill them up in time for the school year (MB, 6 June 1999). Other emergency steps taken when there are not enough teachers include:

- (1) increasing the maximum number of pupils in a class from the ideal 40 to 55 or even 60 pupils per class;

- (2) adopting the double-single class program where a teacher handles one class in the morning and another class in the afternoon to come out with a two-in-one set up;
- (3) organization of a multigrade class which is made up of a group of pupils belonging to several grade levels (like Grades I, II and III or Grades IV, V and VI) and handled by only one teacher; and
- (4) using double shifting in densely-populated secondary schools where one group of students (e.g., first year and second year) report to class from 6 a.m. to 12 noon and another group of students (e.g. third year and fourth year) attend classes from 12 noon to 6 p.m. with both groups of students handled by the same mentors (Rimando, 1999).

DECS has also to contend with textbook shortage. The pupil to textbook ratio is 1:6 in elementary and 1:8 in the secondary level. The textbook shortage was particularly severe in 1998. According to DECS Secretary Gonzalez, although P550 million was allotted for new books in 1998, no corresponding cash was provided (MB, 12 April 1999). The government should thus ensure that the needed funds are available at the start of any given calendar years so that the needed books could be printed and delivered before the start of a new school year.

To remedy the textbook shortage, DECS is restudying the book requirements in accordance with available meager funds, so that non-core subjects will use only mimeographed materials instead of books. Secretary Gonzalez has also declared a two-year moratorium on the acquisition of supplementary reference materials so the department can use the savings to buy more textbooks. DECS is also tapping other countries and international financial institutions to provide funds for new books, as well as training for teachers.

Considering that funds are lost to overpricing, short deliveries and ghost deliveries (such as the publicized desks and armchair scam and textbook scam, DECS is undertaking new measures to avoid irregularities. These include the use of inventory checks in the field offices to curb ghost deliveries or underdeliveries, devolution of bidding to regional and local offices, and inclusion of at least two private sector representatives in the Pre/Post Qualification, Bids and Awards Committee (PBAC). Committee members will serve for a period of six months to one year, without anyone of them knowing when he or she will be replaced. To prevent collusion with agents and suppliers, PBAC members will be chosen by the drawing of lots just before the start of every bidding (MB, 12 April 1999 and Philippine Daily Inquirer, 23 April 1999)

## **E. DSWD Programs**

Among DSWD operations, the assistance program for distressed and disadvantaged population has the greatest reduction in appropriation, by 43 percent (Table 19). Within this program, the appropriation for assistance to persons with disability and senior citizens was slashed by 52 percent and that for assistance to victims of disasters and calamities by 47 percent. For the other programs under operations, technical assistance to LGUs, NGOs, and POs and maintenance and

Table 19. DSWD GAA Appropriations (P'000, in 1996 prices), 1998-1999

	Appropriations 1998	1999	% Change 1998-1999
<b>OPERATIONS</b>			
a. Assistance Program for Distressed & Disadvantaged Population	101,367	58,205	-42.58
1. Nationwide Emergency Assistance/Calamity Relief Operations/Assistance to Victims of Disasters & Natural Calamities	54,863	29,014	-47.11
2. Assistance to Persons with Disability and Senior Citizens	19,357	9,360	-51.64
3. Protective Services for Children & Youth in Especially Difficult Circumstances incl. Assistance to Indigent Patients in Hospitals as well as Assistance for Burial and Transportation Expenses	27,148	19,830	-26.95
b. Technical Assistance to LGUs, NGOs, & PO's Including Disaster Response & Monitoring Capability Building	7,042	5,937	-15.68
c. Maintenance & Operation of Centers & Institutions	311,019	262,089	-15.73
Sub-total, Operations	419,428	326,231	-22.22
<b>PROJECTS</b>			
<b>I. Locally-Funded Projects</b>			
a. Comprehensive & Integrated Delivery of Services in the Most Depressed Provinces under the Social Reform Agenda	376,137	394,570	4.90
b. SEA-Kaunlaran II (Livelihood Development Project)	8,562	7,891	-7.84
c. Mt. Pinatubo Assistance, Resettlement & Development Project	59,936	15,783	-73.67
d. Others:	156,880	-	-
Sulong-Dunong Para Sa Kabataan 2000			
Tulay 2000			
Special Project for Poverty Mapping			
Family Welfare Fund			
Assistance to Senior Citizens at Welfareville, Mandaluyong			
Purchase of Utility Van for Senior Citizens being served by the Office of Senior Citizens, Mandaluyong			
Assistance to Central Day Care Center, Welfareville, Mand.			
Construction of Tuloy Street Children Training Center, Tuloy Foundation, Inc.			
Construction of Day Care Centers			
Financial Assistance to Community-based Information & Educational Program and Livelihood Projects for Women			
Crisis Intervention and Temporary Shelter/Assistance for Abandoned, Neglected, Abused, Surrendered Infants & Exploited/Disadvantaged Women and Families			
Assistance to Ugnayan Pag-Asa Center (DSWD-NCR)			
Financial Assistance to Summon to Serve Foundation			
Financial Assistance to Indigents, Victims of Disasters and Calamities, Distressed & Disadvantaged Population, Persons with Disabilities, Elderlies & their Families			
Community Projects for Persons with Disabilities			
Construction of Family Resource Centers			
Sub-total, Locally-Funded Projects	601,516	418,244	-30.47
<b>II. Foreign-Assisted Project</b>			
Productivity Skills Capability Building for Women	53,086	21,066	-60.32

operation of centers and institutions, the reduction in appropriation was comparatively lesser at 16 percent.

In contrast to 19 locally-funded projects in 1998, DSWD has only three locally-funded projects in 1999. These include the CIDSS, the SEA-Kaunlaran II, and the Mt. Pinatubo Assistance, Resettlement and Development Project. The appropriation for Mt. Pinatubo was severely cut by 74 percent. CIDSS continue to be the top priority project as its appropriation even rose by 5 percent.

DSWD's only foreign-assisted project, Productivity Skills Capability Building for Women, also got a substantially reduced appropriation in 1999, 60 percent lower than the 1998 level. This program aims to provide training and job opportunities to women

DSWD's coping mechanisms with the fiscal constraints include the following:

- (1) encouragement of LGUs to give priority in allocating funds for DSWD services;
- (2) intensification of social marketing and advocacy to encourage support/assistance from the private business sectors;
- (3) strengthening linkages with NGOs and other stakeholders to police their ranks relative to compliance of approved DSWD standards and regulations. This would facilitate provision of quality services to the target clientele thereby minimizing travel costs regulation enforcement activities; and
- (4) maximization of volunteers, NGOs, media and community support for SWD programs.

#### **IV. BUDGET-RELATED ISSUES IN THE SOCIAL SERVICES SECTORS<sup>2</sup>**

This section examines how the government has been progressing in addressing long-identified weaknesses in the financing of education and health services. It compares previous expenditure patterns with those of the recent years to indicate whether there have been improvement or deterioration.

##### **A. Health Sector**

###### **1. Underinvestment in the Health Sector**

In 1993, general government expenditure (national government and local government units) on health per capita at 95.10 (\$3.51), was not enough to cover the price of a minimum package of basic health interventions estimated to cost at \$12.61 in 1993 (based on World Bank estimate of \$12 per capita in 1990 adjusted for inflation).

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<sup>2</sup> This section draws largely from Manasan, Llanto, and Nuqui (1996).



Based on DOH data, in 1997, national government and local government expenditures on health amounted to P18.6 billion and P15.5 billion, respectively, or a total of P34.1 billion. This amount to \$16.18 per capita (based on 1997 population of 71.5 million and exchange rate of P29.47/\$1). Adjusted for inflation, the World Bank estimated price of a minimum package of basic health interventions is equivalent to \$16.92 in 1997. Although this may indicate improvement in financing of the health sector, the country ranks low in terms of human development indicators when compared with the other ASEAN members (Indonesia, Malaysia, Singapore and Thailand).

Table 20. Philippines' Rank in Human Development Indicators, 1986-1995

Components	Rank
Access to health service	3
Access to safe water	3
Life expectancy at birth	4
Crude death rate (per 1,000 population)	4
Access to sanitary toilet	4
Low birth weight infants (%)	5
Infant mortality rate (per 1,000 livebirths)	5

Source: Reyes et al (1999).

## 2. Overalllocation for Curative Care

It is widely accepted that prevention is cheaper than cure. World Bank estimates indicate that cost per life saved is much higher (at least two to five times as much) in curative care than in preventive care. However, the government has been over-investing in curative care services and under-investing in preventive care services. This is indicated by the very high share of curative care services relative to preventive care services in total government expenditures. On the average, from 1986-1993, about 70 percent of DOH expenditures was spent on curative and only 21 percent on preventive health services. In recent years, the proportion of curative services was lower at 55 percent in 1997 but it rose to 60 percent in 1999. On the other hand, the share of preventive health services in health expenditures declined further to 11 percent in 1997 and 10 percent in 1999. This is an indication that curative care is still prioritized, even increasingly, over preventive health care.

Table 21. Comparison of Preventive & Curative Health Expenditures

	Nominal (in million pesos)			Percent share		
	1997 (Actual)	1998 (Adjusted)	1999 (Proposed)	1997	1998	1999
Services						
Preventive	1,530	1,414	1,465	10.81	10.29	10.38
Curative	7,756	7,540	8,414	54.80	54.86	59.64
Others	4,868	4,790	4,229	34.39	34.85	29.98
Total Health Expenditures	14,154	13,743	14,108	100.00	100.00	100.00

Source: NEDA, 1999.

Given the limited funds available, one recommendation to augment resources for public health programs is through cost-recovery such as charging users of public hospital facilities. For its part, the DOH has a revenue enhancement and cost recovery project which aims to increase hospital income through improved pricing, billing, collection and revenue retention and cost-recovery in hospitals. This was undertaken in a number of hospitals such as Rizal Medical Center, Ilocos Regional Hospital, Cotabato Provincial Hospital, Quezon Memorial Hospital, and Palawan Provincial Hospital.

Recognizing that restrictions on the retention of income generated by DOH hospitals severely limit the incentive to hospital personnel to charge and collect user fees, DOH Secretary Romualdez proposes fiscal autonomy - allowing the hospitals to collect, retain and allocate revenue from socialized user fees.

At present, hospitals are still highly subsidized. Of the DOH appropriation in 1999, about 61 percent is for health facilities maintenance and operations. This limits funds for public health services.

Table 22. Appropriations for Health Facilities and Public Health Services

Year	Percent Share in DOH GAA		Percent Change in Appropriation (Based on 1996 prices)	
	Health Facilities Maintenance & Operations	Public Health Services	Health Facilities Maintenance & Operations	Public Health Services
1996	46.70	13.47		
1997	51.19	11.68	26.06	-0.27
1998	49.88	10.92	1.85	-2.25
1999	60.75	11.53	-2.50	-15.43

Sources: GAA, 1996-1999.

### 3. Overallocation for Administrative Services

DOH outlays for administrative services have not been reduced in proportion to the devolution of a substantial number of its personnel (45,000 out of 75,000) and budget (P3.9 billion out of P10 billion). The allocation for general administrative services in 1993 was estimated to be P382 million higher than what its reduced personnel and budget warrant. The share of administrative services in DOH expenditures even went up from 6.2 percent in 1992 to 12.1 percent in 1993. In 1999, the proportion of general administration and support services to DOH new appropriations remained high at 13 percent (Table 23).

Table 23. Share of Administrative Services in  
DOH Expenditures and Appropriations (%)

Year	Share in Expenditures
1991	6.3
1992	6.2
1993	12.1
	Share in Appropriations
1996	13.3
1997	11.3
1998	11.0
1999	13.0

Sources: Manasan, Llanto, and Nuqui (1996) and  
GAA, 1996-1999

Local officials note with resentment the continuing high budget of the DOH despite the devolution of the majority of its employees. They complained that while the service delivery responsibilities are with the local government, funds remain at the national level (ARD, 1999)<sup>3</sup>.

Hopefully, the current streamlining being undertaken in the central office through the reduction of staff, resources, and functions will help decrease general administration expenditures.

#### **4. Underfunding of Maintenance and Operating Expenditures**

Low allocation for maintenance and other operating expenditures result in shortage of complementary inputs like drugs, medicines, supplies, fuel and building and vehicle maintenance. This reduces the effectiveness of the health staff. There has been a marked increase in the ratio of DOH personal services expenditure to maintenance and operating expenditure – from an average of 0.63 in 1980-1982 to an average of 1.02 in 1989-91.

In recent years, based on the appropriations under the GAA, the ratio fell to 0.82 in 1996 but has been increasing to 0.86 in 1997, 0.91 in 1998, and 0.95 in 1999.

### **B. EDUCATION**

#### **1. Underfunding of Education**

<sup>3</sup> Other devolution issues that remain to be resolved are the mismatch in the costs and revenues transferred from national government agencies to LGUs under the Local Government Code and pre-devolution backlogs. Solon (1999) revealed that investments that have been earmarked for local health facilities were never carried through. Thus, the facilities were already dilapidated when the LGUs took over. To solve pre-devolution backlogs and to encourage LGUs to allocate more resources for health services, the recommendation is for the DOH to set aside adequate resources that will be provided as grants to LGUs. Such grants will be used to leverage for better performance from LGUs.

Provision of adequate and quality educational inputs and facilities for the growing student population requires resources. Compared with the other ASEAN members, education in the Philippines is underfunded. The country has the second lowest ratio of education expenditures to GDP in 1990. This ratio was higher in 1996-1999 at around 4 percent but it is still below the ratios of the ASEAN members in 1990.

Table 24-A. Comparison of ASEAN Education Expenditures, 1990

Country	Ratio to GDP (%)
Indonesia	1.72
Malaysia	5.70*
Philippines	3.10
Singapore	4.35
Thailand	19.51

\*1988

Table 24-B. Ratio of Phil. Education Expenditures to GDP (%)

	1996	1997	1998	1999
Educ. Exp./GDP	3.44	3.92	4.00	3.80

## 2. Low Allocation for MOOE

The allocation for maintenance of existing facilities and other operating expenditures is relatively very little compared to personnel services. In 1990, 16 percent of DECS new appropriation was for MOOE while 71 percent was for personnel services. In 1999, the share of MOOE decreased further to 10 percent while personnel services rose to 89 percent. Thus, the sector continues to experience chronic shortages in textbooks, desks and other facilities.

## 3. Inequity in Regional Allocation

The inequitable allocation of resources among regions shows in the wide disparity in their educational performance across regions. Less-developed regions have lower educational performance. To enable poorer regions to have a bigger share of the budget, the inclusion of poverty incidence in the allocation criteria has been recommended. This will also help reduce dropout rates and improve survival and completion rates.

The government has now recognized the weaknesses of the current Fair and Equitable Access to Education Act (RA 7880 of 1995) in allocating educational resources. It noted that the scheme (allocation of capital outlay based on student population and classroom shortages) does not address small areas that are equally disadvantaged educationally, and does not close the gap between the well-endowed and less-endowed areas (NEDA, 1999). As such, a review of RA 7880 is included among the priority legislative agenda.

#### **4. The Need to Rationalize Tertiary Education**

To provide lower income groups with access to higher education, state universities and colleges (SUCs) were created. However, studies (Tullao, 1993, and Manasan, 1996) indicate that SUCs in general are not as cost effective as private schools and they are not also efficient providers of quality education. The cost of instruction per student in SUCs was much higher than the average tuition fee per student in high-priced private schools. Financing of SUCs (numbering 107 as of 1998) have also strained the limited public resources available which could have been used for basic education. The consensus among the studies is that it is better for the government to subsidize the student's education directly, i.e., through well-targeted and well defined scholarship schemes for poor but deserving students, rather than operate universities and colleges (NEDA, 1999). Just recently, in July 1999, President Estrada has ordered a moratorium on the creation of state universities and colleges (Contreras, 1999).

At present, DECS' scheme to help needy students is the Government Assistance to Students and Teachers in Private Education (GASTPE)<sup>4</sup>. Its low support level, however, enables only relatively better-off families to benefit from the scheme.

#### **V. CONCLUSION**

The financial crisis has raised much concern for the social sectors. Compared with the other sectors, the social services sectors are relatively more protected from the effects of the financial crisis. They have lower cut in expenditure relative to GAA as well as to the 1997 level.

While no reserves were imposed on DOH, DECS, and DSWD for 1999, the situation is tighter for this year as the appropriations are lower than the 1998 levels. In particular, DOH 1999 appropriation was even lower than 1997 and even 1996 levels.

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<sup>4</sup> GASTPE has the following components:

1. Education service contracting (ESC) scheme: provides financial assistance for tuition and other school fees of overflow students from public high schools enrolled in qualified private schools;
2. Tuition fee supplement (TFS): given to high school students enrolled in low-tuition private schools and for students enrolled in priority courses in both degree and non-degree programs in tertiary institutions;
3. Private education student financial assistance (PESFA): made available to underprivileged but deserving high school graduates who would like to pursue college or technical education in private colleges and universities;
4. Study-now-pay-later plan; and
5. College faculty development fund: intended for training and development of college teachers.

In addition to the fiscal crunch, some long-identified structural weaknesses in resource allocation have persisted and even worsened. These include the rising share of curative relative to preventive health care services in the health budget, the declining share of MOOE in DOH and DECS appropriations, the continuing high proportion of general administration and support services in DOH appropriations despite the devolution of its many personnel.

In some of these areas, there may be possible future improvements. In the health sector, the DOH is in the process of streamlining its central office. In education, the priority legislative agenda include a review of the Fair Access to Education Act and the Omnibus Education Bill. Among the provisions of the bill are as follows: the budget allocation should meet the full requirement of basic education and shall be provided annually in the GAA, the share of education in the total budget for the year shall not diminish from the previous year and shall in fact be increased in proportion to enrolment, and setting up a voucher system for educational financial assistance.

Other specific measures to address structural weaknesses have already been identified in previous studies and may be considered by the social agencies. These include the following:

#### On Health:

1. Promotion of cost-recovery in public hospitals, providing them fiscal autonomy, and stopping of re-nationalization of devolved hospitals. This will free resources for preventive health care and maintenance and other operating expenses.
2. Provision of support to Philippine health insurance corporation to improve its coverage of indigents and fund utilization.
3. For better absorptive capacity, DOH has to study ways to improve its logistics/systems.

#### On Education:

1. SUCs: integration of uneconomic-sized SUCs to achieve economies of scale, implementation of full-cost pricing, privatization. These will free resources for basic education and MOOE
2. GASTPE: increase support value of subsidy and consider covering out of pocket costs so that more poor families could avail.
2. Inequity in regional allocation: include poverty incidence among the allocation criteria.
3. Textbooks: reduce the number of textbooks to cover only core subjects, and require better-off families to pay for their children's textbooks.

4. Access to Basic Education: explore other more cost-effective options to the objective of elementary school in every barangay and a high school in every municipality”) such as provision of (a) bus services in areas where there are good roads, (b) dormitory housing for students from far-flung areas (if bus services are not feasible), and (c) incentives for teachers to locate in areas where schools can be cost effectively provided.

Following these measures could help the social services sector to weather the financial crisis and become structurally strong to face the challenges of the new millenium.

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