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DISCUSSION PAPER SERIES NO. 2020-13

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Janet S. Cuenca



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Analysis of the 2020 President's Budget

Janet S. Cuenca

PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

April 2020

Abstract

The government budget reflects the government's spending priorities. It is deemed important to assess whether the priorities as outlined in the proposed 2020 President's Budget are consistent with the policy pronouncements of the current administration. In this light, the study examines whether budget allocation is consistent with the priorities that the government identified in its various policy pronouncements. It also evaluates the overall fiscal picture as projected in the proposed budget and its consistency with the macroeconomic assumptions. In addition, it examines the national revenue program, which together with the national expenditure program indicates the overall fiscal health in the 2020. The budget analysis indicates the high spending priority given to social services sector and economic services sector that is consistent with the policy pronouncements of the government. Nevertheless, the budget cut in the health sector needs further inquiry.

Keywords: President's Budget, National Expenditure Program

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Analysis of the 2020 President's budget

*Janet S. Cuenca**

1. Introduction

The government budget reflects the government's spending priorities. It is deemed important to assess whether the spending priorities are consistent with the policy pronouncements of the current administration. Ideally, the budget is an instrument to attain the overall objectives of the government, both in the short- and long-term. In previous years, Manasan (2001, 2002, 2004, 2013a, and 2013b) assessed the President's Budget (PB) which provided valuable inputs to the budget deliberation. All these Manasan studies talked about how the government would spend its resources (i.e., its budget) and also, how it would mobilize resources to finance the budget. In this sense, these budget papers presented the administration's fiscal program for a particular year. They evaluated the PB proposal in terms of twin objectives of a good fiscal policy: fiscal discipline and strategic allocation of resources.

As emphasized in Manasan (2002), fiscal discipline entails consistency between the fiscal targets (i.e., revenues, expenditures, and resulting fiscal deficit) and a realistic macroeconomic framework. On the other hand, allocative efficiency requires that government expenditures be programmed across sectors and categories in such a way that the budget achieves the overarching goals of the incumbent administration. The issuance of Executive Order (EO) 91, s. 2019 on September 9, 2019 mandated the adoption of cash-based budgeting system beginning fiscal year (FY) 2019, and for other purposes. The shift from obligation-based budgeting to cash-based budgeting is meant to improve fiscal planning of government agencies and in turn, speed up the implementation of programs and promptly deliver goods and services to the Filipinos. As such, it has implications on government operations, particularly on budget as the new scheme prioritizes the most implementation-ready programs, activities, and projects of government agencies/units.

Under the cash-based budgeting system, “(i) all authorized appropriations shall be available for obligation and disbursement until the end of each fiscal year. (ii) Obligations incurred by the national government within each fiscal year shall be implemented during the same fiscal year. Goods and services corresponding to said obligations shall be delivered or rendered, inspected and accepted by the end of each fiscal year. (iii) Payment for obligations incurred shall be made until the end of the extended payment period (EPP), which shall be three (3) months after the end of the validity of appropriations against which they were obligated, unless another period has been determined by the DBM, upon consultation with relevant agencies. (iv) Any unreleased appropriations and unobligated allotments at the end of fiscal year, as well as unpaid obligations and undisbursed funds at the end of the extended payment period shall revert to the National Treasury and shall not thereafter be available for expenditure, except by subsequent legislative enactment (EO 91, s. 2019, p.1-2).”

In previous years, there were significant gaps between the actual expenditure outturns and annual appropriations which translated to delayed and foregone services that could have benefitted the Filipino people. The adoption of cash-based budgeting system is envisioned to

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close the gap. Nevertheless, it is too early to assess whether the new budget scheme has been effective in closing the gap. In particular, the questions: “How did select government agencies fare in closing the gap between the actual expenditure outturns and annual appropriations? Were they able to fully spend the annual appropriations?” can only be addressed after the fiscal year (FY) 2020, considering the extension in the validity of the 2019 appropriations for maintenance and other operating expenses (MOOE) and capital outlays (CO) until end of FY 2020.

These questions should be addressed with caution, cognizant of the delay in the approval of the 2019 PB and the election ban on the implementation of infrastructure projects and social services, both of which prompted the issuance of the House Joint Resolution (HJR) No. 19 and later, the passage of House Bill (HB) No. 5437 (or the proposed Act extending the validity of the 2019 appropriations for MOOE and CO until December 31, 2020), which is the bill version of the said resolution.

However, the 2020 PB is the first budget that is fully comparable with the 2019 PB as both budgets adopted annual cash-based budget scheme. The research questions that the current study seeks to address are as follows:

1. How is the 2020 PB allocated among government agencies/ units?
2. Is the budget allocation aligned/ consistent with the pronounced priorities of the Duterte Administration for FY2020?
3. How is the allocation different from that of the 2019 PB?
4. Which programs are winners/losers in the 2020 PB?
5. Will the government revenue be able to finance the expenditure program?
6. Will the government hit/achieve/meet the fiscal targets set out in the Budget of Expenditures and Sources of Financing (BESF) for 2020?

In general, Manasan (various years) budget papers focused on three important aspects: (i) evaluation of the overall fiscal picture as projected in the PB and its consistency with the macroeconomic assumptions; (ii) examination of its revenue program; and (iii) assessment of the congruence between the expenditure program and policy pronouncements as embodied in the PB. In this light, the study seeks to analyze the 2020 PB. In particular, the study aims to (i) evaluate the overall fiscal picture as projected in the 2020 BESF and its consistency with the macroeconomic assumptions; (ii) examine the government’s revenue program; and (iii) assess the congruence/consistency between the government’s expenditure program and policy pronouncements as embodied in the 2020 PB.

The overall theme of the 2020 PB is “Continuing the Journey to a More Peaceful and Progressive Philippines,” which aims to provide better quality of life for all Filipinos by 2022. In particular, it highlights the expansion of public investment to address the infrastructure gap, climate change, and disaster vulnerability as well as investments in social services to uplift the quality of life of all Filipinos, especially the marginalized sector of society (DBM 2019). In this regard, the detailed analysis of the budget will focus on the Office of the Secretary of Department of Public Works and Highways (DPWH), Department of Education (DepED), Department of Social Welfare and Development (DSWD), and Department of Health (DOH).

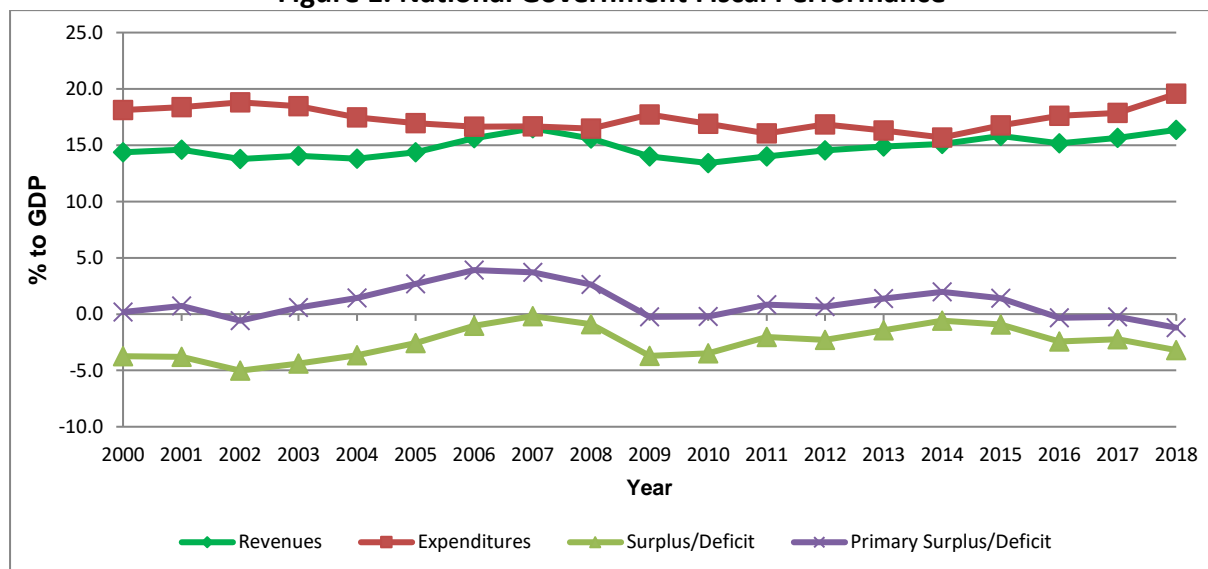
The rest of the paper is organized as follows. Section 2 presents the overall fiscal performance in the period 2000-2018 and examines the emerging fiscal picture in 2019. Section 3 discusses

the macroeconomic assumptions in the 2020 PB. It also evaluates the overall fiscal picture as projected in the 2020 BESF and its consistency with these macroeconomic assumptions. Section 4 examines the revenue and expenditure program of the 2020 PB. Section 5 ends with the conclusion and policy recommendation.

2. Overview of Fiscal Performance

The national government (NG) fiscal balance, a measure of country’s fiscal health, shows improvement in the country’s fiscal performance in the periods 2003-2007 and 2009-2015 (Figure 1). From 5 percent of gross domestic product (GDP) in 2002, the overall fiscal deficit started to decline to 4.4 percent of GDP in 2003, 1 percent in 2006, and 0.2 percent in 2007. The marked improvement in the fiscal position starting 2003 until 2007 was the result of fiscal consolidation that was achieved during the period through expenditure compression and enactment of new tax measures (Manasan 2013a).

Figure 1. National Government Fiscal Performance



Source of basic data: Bureau of Treasury and Philippine Statistics Authority

In particular, the total NG expenditures, when measured relative to GDP, declined from 18.8 percent in 2002 to 16.7 percent in 2006 and 2007. Excluding interest payments, it dropped from 14.4 percent of GDP in 2002 to 11.7 percent in 2006 (Table 1). On the other hand, tax effort increased from 11.8 percent in 2004 to 13.7 percent in 2006 (Table 2). The increase in tax effort was brought about by the enactment of new tax measures such as the Republic Act (RA) No. 9334, which amended excise tax rates on sin products in late 2004 and took effect in January 2005; and RA 9337, which is otherwise known as the Reformed VAT Law, which was legislated in the first half of 2005 and took effect in the last quarter of 2005 (Manasan 2013a). Nevertheless, the improvement in tax effort was not sustained as evident in Table 2. The tax-to-GDP ratio dipped from 13.7 percent in 2006 to 12.2 percent in 2010 and 12.4 percent in 2011.

In contrast, fiscal deterioration is noted in 2008-2009. In particular, the overall fiscal deficit dramatically grew from 0.2 percent of GDP in 2007 to about 0.88 percent in 2008, 3.7 percent in 2009 and 3.5 percent in 2010 (Figure 1). It was attributable to the 2008 global financial

crisis, which prompted the government to adopt expansionary fiscal stance. The total NG spending, when measured relative to GDP, increased from 16.5 percent in 2008 to 17.7 percent in 2009 and 16.9 percent in 2010. Prior to such increase, it declined from about 17 percent of GDP in 2005 to 16.5 percent in 2008 because of the downward movement in interest payments, i.e., from 5.3 percent of GDP in 2005 to 3.5 percent in 2008 (Table 1).

Table 1. National Government Expenditures, Percent to GDP (CY 2000-2018)

Particulars	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenditures	18.12	18.37	18.80	18.46	17.46	16.96	16.65	16.67	16.46	17.71	16.91	16.04	16.83	16.29	15.68	16.74	17.61	17.86	19.56
of which																			
Allotment to LGUs	2.79	3.04	3.35	3.20	2.88	2.83	2.79	2.81	2.89	3.30	3.10	3.25	2.82	2.75	2.72	2.91	3.11	3.35	3.30
Interest Payments	3.93	4.50	4.43	4.98	5.10	5.28	4.94	3.89	3.53	3.47	3.27	2.87	2.96	2.80	2.54	2.32	2.10	1.96	2.00
Tax Expenditures	0.10	0.10	0.27	0.29	0.14	0.36	0.33	0.44	0.76	0.65	0.52	0.35	0.36	0.20	0.23	0.13	0.11	0.05	0.12
Subsidy	0.25	0.24	0.18	0.33	0.28	0.22	0.22	0.40	0.27	0.22	0.23	0.55	0.40	0.57	0.64	0.59	0.71	0.83	0.78
Equity	0.01	0.01	0.04	0.06	0.00	0.00	0.06	0.05	0.02	0.02	0.02	0.13	0.20	0.10	0.01	0.01	0.08	0.03	0.02
Net Lending	0.07	0.10	0.06	0.12	0.11	0.03	0.00	0.14	0.19	0.06	0.10	0.19	0.26	0.14	0.11	0.07	0.11	-0.03	0.03
Others	10.96	10.39	10.48	9.48	8.95	8.24	8.31	8.95	8.81	10.00	9.65	8.71	9.82	9.72	9.43	10.71	11.39	11.66	13.29

Source of basic data: Bureau of Treasury and Philippine Statistics Authority

Further, the fiscal balance posted a dramatic improvement for the period 2010-2015 due to government's "underspending," particularly during the first nine months of 2011. The slow utilization of spending authority was attributable to the thorough contracting/procurement process considering the Aquino administration's focus on anti-corruption and good governance. The overall fiscal deficit, when measured relative to GDP, declined from 3.5 percent in 2010 to only 0.91 percent in 2015. However, such improvement was not sustained as the fiscal position deteriorated with fiscal deficit of 2.4 percent of GDP in 2016 and 3.2 percent in 2018, which is higher than the target deficit in nominal terms for 2018 (Figure 1). It should be noted, however, that the actual GDP in 2018 is lower than the projected GDP for 2018 based on low assumption.

Such deterioration in fiscal balance was due to significant growth in NG expenditures, when measured relative to GDP, from 16.7 percent in 2015 to 19.6 percent in 2018 (Table 1) while there was concomitant drop in NG revenues, when measured relative to GDP, from about 16 percent in 2015 to about 15 percent in 2016 and 15.6 percent in 2017 (Table 2). Although the NG revenues, when measured relative to GDP, posted an increase from 15.6 percent in 2017 to 16.4 percent in 2018, it was not enough to cover for the NG expenditures that stood at 19.6 percent of GDP in 2018, which is higher than the programmed total disbursements in nominal terms for the full year of 2018.

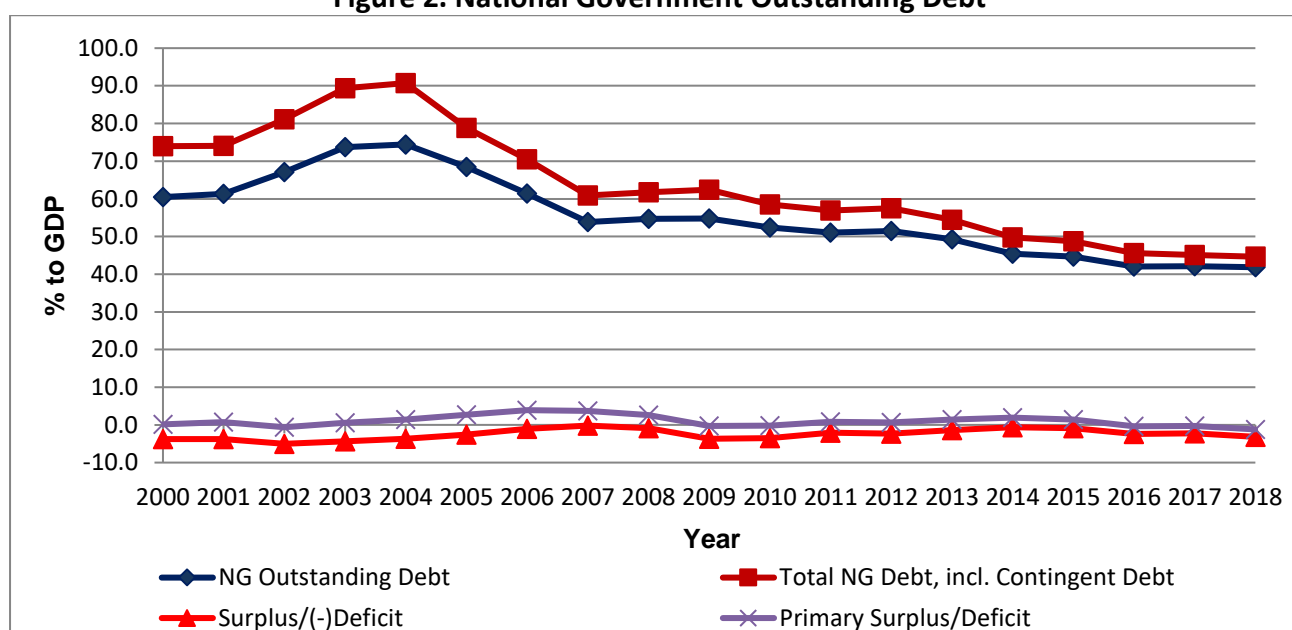
Excluding interest payments, the NG posted a small primary deficit, i.e., 0.25 percent of GDP in 2009 and 0.22 percent in 2010, which means that the government had to borrow to finance its interest payments. Consequently, NG outstanding debt, when measured relative to GDP, rose from 53.9 percent in 2007 to 54.8 percent in 2009. Previously, it significantly contracted from 74.4 percent of GDP in 2004 to 53.9 percent in 2007 before it went up in 2009. In 2010, NG registered a lower debt-to-GDP ratio of 52.4 percent, which declined further to 51.5 percent in 2012, 45.4 percent in 2014, 42.1 percent in 2016, and 41.8 percent in 2018 (Figure 2).

Table 2. National Government Revenues, Percent to GDP (CY 2000-2018)

Paticulars	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Grand Total	14.38	14.59	13.78	14.07	13.80	14.37	15.62	16.49	15.58	13.99	13.42	14.01	14.53	14.87	15.11	15.83	15.16	15.65	16.36
Tax Revenues	12.85	12.69	12.09	12.10	11.81	12.43	13.71	13.54	13.59	12.23	12.15	12.38	12.89	13.31	13.61	13.63	13.68	14.24	14.72
Bureau of Internal Revenue	10.08	9.99	9.59	9.40	9.19	9.56	10.41	10.35	10.08	9.35	9.14	9.52	10.02	10.54	10.56	10.76	10.82	11.21	11.20
Bureau of Customs	2.65	2.57	2.37	2.58	2.49	2.72	3.16	3.04	3.37	2.74	2.88	2.73	2.74	2.64	2.92	2.76	2.74	2.90	3.40
Other Offices	0.12	0.13	0.13	0.13	0.14	0.15	0.14	0.14	0.13	0.14	0.13	0.13	0.13	0.12	0.12	0.11	0.12	0.13	0.12
Non-tax Revenues	1.49	1.85	1.66	1.94	1.99	1.95	1.91	2.95	1.99	1.76	1.26	1.62	1.65	1.56	1.50	2.20	1.49	1.41	1.63
BTr Income	0.86	1.19	1.12	1.25	1.26	1.24	1.19	0.99	0.82	0.87	0.60	0.77	0.80	0.70	0.74	0.83	0.70	0.63	0.66
Fees and Other Charges	0.50	0.62	0.52	0.41	0.38	0.34	0.27	0.31	0.21	0.24	0.25	0.27	0.26	0.26	0.26	0.27	0.27	0.26	0.30
Privatization	0.13	0.03	0.01	0.01	0.01	0.04	0.09	1.31	0.41	0.02	0.01	0.01	0.08	0.03	0.02	0.47	0.00	0.01	0.09
CARP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marcos Wealth	0.00	0.00	0.00	0.00	0.17	0.13	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.27	0.16	0.19	0.23	0.34	0.55	0.63	0.40	0.57	0.51	0.57	0.48	0.63	0.51	0.51	0.58
Grants	0.04	0.05	0.03	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source of basic data: Bureau of Treasury and Philippine Statistics Authority

Figure 2. National Government Outstanding Debt



Source of basic data: Bureau of Treasury and Philippine Statistics Authority

The sustained declining NG outstanding debt, measured relative to GDP, starting 2012 onwards is remarkable considering that the NG incurred a primary deficit of 0.34 percent of GDP in 2016 (i.e., higher than the primary deficits incurred in 2009 and 2010), 0.25 percent in 2017, and 1.2 percent in 2018 (i.e., highest in 2000-2018). Including contingent liabilities, the total outstanding debt dipped from a high of 90.7 percent of GDP in 2004 to a low of 60.9 percent of GDP in 2007 but it rose to 62.4 percent in 2009 before declining to 58.5 percent in 2010 and further to 54.4 percent in 2013, 45.6 percent in 2016, and 44.6 percent in 2018 (Figure 2).

Emerging Fiscal Picture in 2019

Following Manasan (2013a) methodology, total revenue collection is projected to be PHP 19 billion higher than the target for full year of 2019 based on actual collections in January – November 2019. Such projection, when compared to the projection based on actual collections in January – September 2019, suggests better revenue collection in the last quarter of 2019. In

addition, projection based on actual collections in January – June 2019 suggests that revenue collection worsened in the third quarter of 2019 (Table 3).

Although the projected total revenue collection based on January – November 2019 data exceeds the target, its major component, tax revenue collection is projected to fall short of its PHP2,955-billion target for 2019, with revenue collection by the Bureau of Internal Revenue (BIR) lacking PHP 77.7 billion and that by the Bureau of Customs (BOC) lacking PHP 23 billion to hit their respective target for 2019 (Table 3). The underperformance of the BIR has become more pronounced in the third quarter (i.e., shortfall of PHP 105 billion vis-à-vis PHP 95 billion), when compared with projection based on January – June 2019 data. In contrast, the underperformance of the BOC has become less evident in the third quarter (i.e., shortfall of PHP 17 billion vis-à-vis PHP 24 billion), when compared with projection based on actual collections in the first semester of 2019.

Table 3. National Government Fiscal Position, 2019

Particulars	BESF Program 2019		Author's Projections 2019 ^{a/}		Difference 2019 ^{b/}	Author's Projections 2019 ^{c/}		Difference 2019 ^{b/}	Author's Projections 2019 ^{d/}		Difference 2019 ^{b/}
	(PHP B)	(% GDP)	(PHP B)	(% GDP)		(PHP B)	(% GDP)		(PHP B)	(% GDP)	
Revenues	3,149.7	16.51	3,169.0	17.03	-19.3	3,151.3	16.93	-1.6	3,166.1	17.01	-16.4
Tax revenues	2,955.4	15.49	2,853.5	15.33	101.9	2,831.6	15.21	123.8	2,833.7	15.22	121.7
BIR	2,271.4	11.90	2,193.7	11.79	77.7	2,166.8	11.64	104.6	2,176.2	11.69	95.2
BOC	661.0	3.46	638.0	3.43	23.0	643.8	3.46	17.2	636.9	3.42	24.1
Nontax revenues	192.2	1.01	314.1	1.69	-121.9	319.8	1.72	-127.6	333.0	1.79	-140.8
Disbursements	3,769.7	19.75	3,696.5	19.86	73.2	3,608.3	19.39	161.4	3,335.8	17.92	433.9
of which											
Overall surplus/deficit	-620.0	-3.25	-527.5	-2.83	-92.5	-457.0	-2.46	-163.0	-169.6	-0.91	-450.4
Primary surplus/deficit	-220.4	-1.15	-170.7	-0.92	-49.7	-89.1	-0.48	-131.3	199.8	1.07	-420.2

a/ Based on January - November 2019 data

b/ Difference = Budget of Expenditures and Sources of Finance (BESF) target less author's projections

c/ Based on January - September 2019 data

d/ Based on January - June 2019 data

The higher-than-target total revenue collection in 2019 is due to better collection performance for nontax revenues that are projected to exceed the target by almost PHP 122 billion based on actual collections in January – November 2019. The excess over target for nontax revenues could have been higher if the collection performance achieved in the first semester of 2019 was sustained. Nevertheless, nontax revenues compensated for more than the total shortfall in tax revenues. Consequently, higher total revenue collections combined with lower-than-target disbursements (i.e., due to the delay in the passage of the 2019 budget and election ban in infrastructure spending) yields smaller overall deficits, i.e., PHP 527.5 billion as compared to the programmed deficit of PHP 620 billion.

3. Macroeconomic Assumptions in the 2020 President's Budget

The 2020 President's Budget (PB) assumes that GDP will grow by 6-7 percent in real terms in 2019 and 6.5-7.5 percent in 2020. However, based on Philippine Statistics Authority (PSA) reports, GDP posted 5.9 percent growth in 2019. The lower growth rate attained is primarily

due to the delay in the approval of the 2019 PB and the election ban on infrastructure spending, both of which limited government expenditures that are essential for economic growth. With the passage of the 2020 General Appropriations Act (GAA) in early January 2020, government agencies can already implement programs, particularly critical infrastructure and human capital development to boost socio-economic growth. In addition, the 2020 PB assumes that inflation rate is 2.7-3.5 percent in 2019 and 2-4 percent in 2020. Based on PSA reports, inflation rate is placed at 2.5 percent in 2019, i.e., lower than the projected inflation rate for the year. It also assumes that foreign exchange rate will range between PHP 51 and PHP 55 per dollar in 2020, vis-à-vis PHP 51- PHP 53 in 2019. Further, the 364-day Treasury Bill rate will vary between 5 percent to 6 percent in 2020.

In contrast, ADB (2019b) projects that GDP in the Philippines will grow by 6.2 percent in 2020 (vis-à-vis 6.5%-7.5% as assumed in the 2020 PB). It should be noted that ADB (2019)'s GDP growth projection for 2019 is 6 percent, which is slightly higher than the realized GDP growth rate (i.e., 5.9%) in 2019. In this sense, ADB (2019) growth projection closely approximates the actual GDP growth rate in the country for 2019. In addition, ADB (2019b) assumes that inflation rate will be placed at 3 percent in 2020 (vis-à-vis 2%-4% as assumed in the 2020 PB). The projected inflation rate for 2019 is 2.6 percent, which is also slightly higher than the actual inflation rate (i.e., 2.5%) recorded in 2019. It should be noted, however, that these projections were lower than the original projections as reflected in ADB's Asian Development Outlook 2019 that was released in April 2019 (ADB 2019a). The downward revision accounts for the challenging global environment with slowing global trade and economic activity, global downturn in electronics, and trade tensions between the United States and the People's Republic of China (ADB 2019b).

On the other hand, the World Bank (2019) projects that real GDP growth will be at 6.1 percent in 2020. The projected growth rate for 2019 is 5.8 percent. The report underscores that such projections are lower than the first growth projections of 6.4 percent in 2019 and 6.5 percent in 2020, as indicated in the April 2019 edition of the report due to downside risks (e.g., slowdown in public spending, particularly on infrastructure and market anxiety on the impact of global economic developments on the Philippine economy) that have emerged since April 2019.

In this light, the prospects for the country in realizing the projected real GDP growth rate of 6.5 percent to 7.5 percent highly depends on the ability of the government to accelerate government spending on infrastructure projects that are critical in boosting socio-economic growth as well as its resilience in absorbing the external shocks such as weak global manufacturing activity and trade as well as trade tensions between the United States and China. DBCC (2019) identifies these global developments as macroeconomic risks and recognizes the importance of the government's vigilance on potential downside risks to growth. Nevertheless, growth projections in the 2020 PB are far more optimistic than those of the ADB and World Bank.

Fiscal outlook for 2020

The 2020 PB projects that NG revenues will be 16.7 percent (i.e., PHP 3,536.2 billion) of GDP in 2020 while NG expenditures will be 19.9 percent, which is equivalent to PHP 4,213.8 billion. Thus, the 2020 PB pegs the NG fiscal deficit at PHP 677.6 billion, which is 3.2 percent of GDP. Nevertheless, this paper's estimates of these indicators vary when measured relative to GDP

that is based on low assumptions. The resulting overall fiscal deficit differ by PHP 1.86 billion (Table 4). It is not clear what exact GDP figure¹ was used as basis for the BESF 2020 (1) projections in Table 4.

Table 4. Fiscal Outlook for 2020

Particulars	BESF		Based on GDP (low)		Difference (1) - (2)	Author's Projections		Difference	
	2020 (1)		2020 (2)			2020a/ (3)		(1) - (3)	(2) - (3)
	(PHP B)	(% GDP)	(PHP B)	(% GDP)		(PHP B)	(% GDP)		
Revenues	3,536.2	16.70	3,526.5	16.70	9.66	3,347.8	15.85	188.41	178.8
Tax revenues	3,332.4	15.80	3,336.5	15.80	-4.09	3,020.5	14.30	311.85	315.9
BIR	2,576.0					2,355.3	11.15	220.73	
BOC	731.2					642.1	3.04	89.06	
Nontax revenues	201.9	1.00	211.2	1.00	-9.27	277.0	1.31	-75.09	-65.8
Disbursements	4,213.8	19.90	4,202.3	19.90	11.51	4,044.5	19.15	169.27	157.8
Overall surplus/deficit	-677.6	-3.20	-675.7	-3.20	-1.86	-696.7	-3.30	19.14	21.0

a/ Based on historical performance

Based on historical performance, this paper assumes that the aggregate NG revenue collection in 2020 will be 15.9 percent of GDP (i.e., based on low assumption), thus falling short from the 2020 BESF target by roughly PHP 188 billion. In particular, tax revenues, which constitute bulk of the total NG revenues, are assumed to fall below the 2020 BESF target by approximately PHP 312 billion. The underperformance of BIR and BOC contributes to revenue shortfall by about PHP 221 billion and PHP 89 billion, respectively. In contrast, nontax revenues are projected to exceed the 2020 BESF target by roughly PHP 75 billion. On the other hand, the paper assumes that NG expenditures will be 19.2 percent of GDP, which is equivalent to PHP 4,045 billion. Consequently, the overall fiscal picture is projected to vary from what is programmed in the 2020 PB. In particular, the fiscal deficit is assumed to be PHP 697 billion vis-à-vis PHP 678 billion based on 2020 BESF.

4. Composition of National Government Revenues and Expenditures in 2020 PB

4.1. National Government Revenues

The NG relies on medium-term proceeds from the Comprehensive Tax Reform Program (CTRP). The projected NG revenues is 16.8 percent of GDP (low assumption) which is slightly lower than the 2019 ratio total revenue-GDP ratio (i.e., 16.9 percent). As in previous years, tax revenues account for the bulk of NG revenues in 2020. It is projected to be 94.2 percent of the total NG revenues (Table 5). On the average, it comprises almost 93 percent of the total revenues in 2018-2020. Nevertheless, tax-to-GDP ratio is expected to deteriorate by 0.10 percent in 2020, which is counterintuitive considering the projected huge proceeds from CTRP Package 2+ (i.e., excise tax on alcohol and tobacco products).

¹ Assumed to be slightly different from GDP (low scenario) which allows rough estimation of differences

The BIR revenue collections remain as the biggest contributor in 2020, i.e., at 77.3 percent of tax revenues and almost 73 percent of the total NG revenues. On the average, it constitutes about 71 percent of the total revenues in 2018-2020. When measured relative to GDP, it stands at about 12 percent, on the average, in 2018-2020. In contrast, the BOC revenue collections account for about 3.5 percent of GDP, on the average, in the same period. BOC's share is projected to be 21.6 percent of tax revenues and 20.4 percent of total revenues in 2020.

On the other hand, nontax revenues are assumed to contribute a meager amount, i.e., 5.7 percent of the total NG revenues. When measured relative to GDP, nontax revenue collections have been declining in 2018-2020. This holds true for all of its components. Nontax revenues' share to total NG revenues has also been going down in the same period but with significant decline from 9.4 percent of NG revenues in 2018 to 6.1 percent in 2019. Likewise, the share of all its components to total revenues has been decreasing in the same period. Notably, the share of foreign grants is negligible in 2018 and fully fades in succeeding years (Table 5).

Table 5. Revenue Program, 2018-2020 (in billion pesos)

Particulars	% GDP			Percent Distribution		
	2018	2019	2020	2018	2019	2020
Grand Total	16.36	16.92	16.75	100.00	100.00	100.00
Tax Revenues	14.72	15.88	15.78	90.02	93.83	94.24
Bureau of Internal Revenue	11.20	12.203	12.199	68.48	72.11	72.85
Bureau of Customs	3.40	3.54	3.42	20.81	20.91	20.40
Other Offices	0.12	0.14	0.17	0.73	0.81	0.99
Non-tax Revenues	1.54	1.03	0.96	9.43	6.10	5.71
Income from BTr Operations	0.22	0.13	0.14	1.36	0.76	0.83
NG income collected by BTr	0.43	0.27	0.25	2.64	1.58	1.50
Fees and Other Charges	0.30	0.29	0.25	1.85	1.69	1.52
Others	0.58	0.35	0.31	3.57	2.07	1.86
Foreign Grants	0.00			0.00		
Privatization	0.09	0.01	0.01	0.55	0.06	0.06

Source of basic data: 2020 BESF and Philippine Statistics Authority

4.2. National Government Expenditures

The NG will continue its expansionary fiscal policy to finance strategic infrastructure investments and development priorities that are geared towards rapid poverty reduction and inclusive growth. The increases in budgetary allocation for almost all sectors (except for health and general administration) for FY 2020 are evident in Table 6. In particular, the 2020 budget for housing and community development is more than 100-percent higher than the 2019 budget, albeit the budget share accounts for only 0.17 percent of the total 2020 budget. The budget for social security, welfare, and employment posted a 31.2-percent increase in 2020. On the other hand, the budget for communications, roads, and other transport increased by 27 percent while that for economic services grew by 22 percent.

The biggest chunk (i.e., 37.2%) of the 2020 budget is allocated for social services sector, although the share declined from 37.6 percent in 2019. Education, culture, and manpower development is the top recipient within the social services sector, eating up about 46.4 percent of the total budget for the sector. Social security, welfare and employment gets the second largest share (i.e., 24.3%) while health receives only 11 percent. Relative to the total budget,

education, culture, and manpower development accounts for 17.4 percent while social security, welfare and employment, and health represents 9 percent and 4 percent, respectively. On the other hand, economic services sector receives the second biggest portion (i.e., 28.9%) of the 2020 budget. Communications, roads, and other transport has the highest budget share (i.e., 53.2%) within the sector (Table 6). The high spending priority given to social services sector and economic services sector is consistent with the policy pronouncements of the government.

Table 6. Comparative Analysis of the National Expenditure Program (NEP) by Sector, 2019-2020

PARTICULARS	Level (PHP M)		(PHP M)	Growth	% Distribution	
	(CASH-BASED)		Difference	Rate	(CASH-BASED)	
	FY 2019	FY 2020	2019-2020	2019-2020	FY 2019	FY 2020
ECONOMIC SERVICES	970,256	1,183,680	213,424	22.0	26.5	28.9
Agriculture and Agrarian Reform	133,707	142,650	8,943	6.7	3.7	3.5
Natural Resources and Environment	23,926	27,888	3,962	16.6	0.7	0.7
Trade and Industry	10,213	10,256	43	0.4	0.3	0.3
Tourism	4,857	5,745	888	18.3	0.1	0.1
Power and Energy	5,334	6,096	762	14.3	0.2	0.2
Water Resources Development and Flood Control	61,015	70,101	9,086	14.9	1.7	1.7
Communications, Roads and Other Transport	495,709	630,272	134,563	27.1	13.5	15.4
Other Economic Services	34,062	40,576	6,514	19.1	0.9	1.0
Subsidy to Local Government Units	201,432	250,094	48,662	24.2	5.5	6.1
SOCIAL SERVICES	1,377,797	1,525,201	147,404	10.7	37.6	37.2
Education, Culture and Manpower Development	698,588	711,321	12,733	1.8	19.1	17.4
Health	177,735	168,896	-8,839	-5.0	4.9	4.1
Social Security, Welfare and Employment	282,528	370,727	88,199	31.2	7.7	9.0
Housing and Community Development	3,249	6,879	3,630	111.7	0.1	0.2
Land Distribution	100	100	0	0.0	0.0	0.0
Other Social Services	2,654	2,893	239	9.0	0.1	0.1
Subsidy to Local Government Units	212,943	264,385	51,442	24.2	5.8	6.5
DEFENSE	188,595	195,625	7,030	3.7	5.2	4.8
Domestic Security	188,595	195,625	7,030	3.7	5.2	4.8
GENERAL PUBLIC SERVICES	710,930	734,531	23,601	3.3	19.4	17.9
General Administration	216,551	192,321	-24,230	-11.2	5.9	4.7
Public Order and Safety	291,141	304,000	12,859	4.4	8.0	7.4
Other General Public Services	42,092	38,134	-3,958	-9.4	1.2	0.9
Subsidy to Local Government Units	161,146	200,075	38,929	24.2	4.4	4.9
NET LENDING	14,500	10,000	-4,500	-31.0	0.4	0.2
DEBT-SERVICE-INTEREST PAYMENTS	399,571	450,964	51,393	12.9	10.9	11.0
GRAND TOTAL	3,661,648	4,100,000	438,352	12.0	100.0	100.0

Source: 2020 BESF

Having identified the top recipients among all the sectors, a closer examination of the budget of various departments/agencies provide more insights on the spending priorities of the government. Table 7 shows the comparable data for the top 10 departments/recipients in 2019 and 2020. Most of these departments have retained their ranking except for the DOH and Department of Transportation (DOTr), which exchanged rankings and ARMM, which fell from the roster as it was replaced by the Department of Environment and Natural Resources (DENR) in 2020. As mentioned earlier, detailed analysis of the budget will focus on the Office of the Secretary (OSEC) of DPWH, DepED, DSWD, and DOH because they are the lead agencies in implementing the various infrastructure and social amelioration programs of the government.

Table 7. Top Ten Departments/Recipients, Cashed-based, in billion Pesos

DEPARTMENT/ RECIPIENT	2019 Program		2020 NEP		Change	
	Amount	Rank	Amount	Rank	Amount	%
Education (DepEd, SUCs, CHED, TESDA)	665.1	1	673	1	7.9	1.19
DPWH	464.6	2	534.3	2	69.7	15.00
DILG	230.4	3	238	3	7.6	3.30
DND	186.5	4	189	4	2.5	1.34
DSWD	141.4	5	158.6	5	17.2	12.16
DOH	102	6	92.2	7	-9.8	-9.61
DOTr	69.4	7	147	6	77.6	111.82
DA	49.7	8	56.8	8	7.1	14.29
Judiciary	39.5	9	38.7	9	-0.8	-2.03
ARMM	32.3	10				
DENR	22.9		26.4	10	3.5	15.28

Source: NEP 2020

DPWH Office of the Secretary (OSEC)

DPWH OSEC's budget for 2020 grew by 15 percent (i.e., when compared with adjusted 2019 budget) that is equivalent to almost PhP70B (Table 7). On the contrary, when compared with 2019 GAA, it declined by 3 percent (Table 8). Taking a closer look at DPWH's budget, it can be gleaned in Table 8 that the budget for operations consistently takes up the largest portion (i.e. 87.3% of the budget, on average in 2019-2020, i.e., relative to 2019 GAA or 85.9% of the budget, on average in 2019-2020, i.e., relative to 2019 National Expenditure Program/NEP) of DPWH budget. When compared to 2019 GAA, the budget for operations based on 2020 NEP declined by 12.4 percent, which is equivalent to PhP62.6B. In contrast, when compared to 2019 NEP, the reduction is smaller (i.e., 8.7% that is equivalent to PhP42B). The difference (i.e., PhP20.5B-increase) between the budget for operations based on 2019 NEP and 2019 GAA indicates the extent by which budget deliberation in Congress shaped the approved 2019 budget (Table 8).

Despite the higher approved budget for operations in 2019, the national road network services suffered a dramatic budget slash of about PhP50.6B, which meant a budget reduction of PhP 27.6B for network development and PhP13.5B for asset preservation of national roads in 2019. Also, flood management services got lower budget (i.e., PhP114.3B in 2019 NEP vis-a-vis PhP90.7B in 2019). Nevertheless, local programs (i.e., consisting of locally funded projects such as buildings and other structures, flood control and drainage, national roads and bridges, local roads and bridges, and water management) benefitted from such budget cut as the approved budget for these local programs for 2019 was about PhP98.6B higher than the proposed budget (Table 8). In particular, the approved budget for local roads for 2019 is PhP45.6B higher than the proposed budget. With such huge budget increase, one can imagine the significant improvement in access and quality of local roads that can be achieved.

Table 8. Summary of Obligations and Proposed New Appropriations for DPWH OSEC (in billion pesos)

	Cash-based	Cash-based		Difference	Difference		Difference		Share to total		
	2019 GAA	2019 NEP	2020 NEP	2019			In Percent		2019	2019	2020
	(1)	(2)	(3)	(2) - (1)	(3) - (1)	(3) - (2)	(3) - (1)	(3) - (2)	GAA	NEP	NEP
GAS	12.93	10.46	15.00	-2.47	2.07	4.53	15.98	43.31	2.35	1.92	2.81
Support to operations	31.93	50.01	76.54	18.08	44.61	26.52	139.70	53.04	5.81	9.18	14.35
Operations	504.53	484.05	441.97	-20.49	-62.57	-42.08	-12.40	-8.69	91.83	88.89	82.84
<i>of which</i>											
1. Ensure Safe and Reliable National Road System/ National Road Network Services	165.05	215.60	203.80	50.55	38.75	-11.80	23.48	-5.47	30.04	39.60	38.20
Asset Preservation of National Roads	45.47	58.99	51.79	13.51	6.31	-7.20	13.88	-12.21	8.28	10.83	9.71
Network Development	95.29	122.92	123.83	27.62	28.54	0.91	29.95	0.74	17.35	22.57	23.21
Bridge Program	24.29	33.70	32.88	9.41	8.59	-0.82	35.37	-2.44	4.42	6.19	6.16
2. Protect lives and properties against major floods/ Flood Management Services	90.72	114.30	95.47	23.57	4.75	-18.83	5.23	-16.47	16.51	20.99	17.89
3: Convergence and Special Support Program/ Maintenance and Construction Services of other infra	30.31	34.26	45.73	3.94	15.42	11.48	50.88	33.51	5.52	6.29	8.57
Projects	218.44	119.89	96.96	-98.55	-121.48	-22.93	-55.61	-19.12	39.76	22.02	18.17
Locally funded	218.44	119.89	96.96	-98.55	-121.48	-22.93	-55.61	-19.12	39.76	22.02	18.17
<i>of which</i>											
Buildings and Other Structures	57.59	32.39	36.66	-25.20	-20.93	4.27	-36.34	13.19	10.48	5.95	6.87
Flood Control and Drainage	35.34	17.33	6.20	-18.00	-29.14	-11.14	-82.46	-64.25	6.43	3.18	1.16
National Roads	33.65	30.26	24.28	-3.40	-9.37	-5.98	-27.85	-19.75	6.13	5.56	4.55
National Bridges	2.23	0.68	0.49	-1.55	-1.74	-0.19	-78.04	-27.90	0.40	0.12	0.09
Local Roads	79.50	33.85	24.41	-45.64	-55.09	-9.44	-69.29	-27.89	14.47	6.22	4.58
Local Bridges	7.75	4.03	2.69	-3.72	-5.06	-1.34	-65.25	-33.14	1.41	0.74	0.51
Water Management	2.39	1.35	2.23	-1.04	-0.16	0.88	-6.72	65.16	0.43	0.25	0.42
Total	549.39	544.52	533.50	-4.87	-15.89	-11.02	-2.89	-2.02	100.00	100.00	100.00

Sources of raw data: 2019 GAA, 2019 NEP and 2020 NEP

Assuming that the proposed 2020 DPWH budget will be approved in its totality, the budget for operations is 82.8 percent of the DPWH budget which is almost 9 percent lower compared to its budget share based on 2019 GAA. However, the national road network services gain PhP38.7B relative to its budget based on 2019 GAA, which indicates a budget increase of 23.5%. Likewise, network development gets a budget that is P28.5B (or 30%) higher than that for 2019. On the contrary, local programs are the biggest loser based on the 2020 NEP, when compared with the 2019 GAA. From approved budget of PhP218B in 2019, the local programs are allocated with about PhP97B only.

The largest budget cut is evident for local roads (i.e., PhP55B), flood control and drainage (i.e., PhP29B), and building and other structures (i.e., PhP21B). Compared to 2019 GAA, the decline is sharpest for flood control and drainage (i.e., 82.5%) and also, for national bridges (i.e., 78%). It is possible that budget prioritization for 2020 considered the unspent funds for local programs caused by the delay in the approval of 2019 PB. In contrast, convergence and special support program is the biggest winner within DPWH based on 2020 PB. From approved budget of PhP30B in 2019, it rose to PhP45.7B that is equivalent to about 51 percent-budget increase (Table 8). Bulk (i.e., 47.5%) of this budget is allocated for construction/improvement of access roads leading to declared tourism destinations. A significant portion (i.e., 23%) is also allocated for construction/ improvement of access roads leading to trade, industry, and economic zones.

DepED Office of the Secretary

DepED OSEC's budget rose from PhP500B (i.e., based on 2019 GAA) to PhP518B in 2020. It is equivalent to about 3.6 percent increase in the budget (Table 9). It is evident that DepED OSEC gained from the budget deliberation in Congress for 2019. The proposed budget for 2019 was PhP497.8B but in the end, DepED OSEC got PhP500B. Taking a closer look at its budget, about 97 percent goes to operations. A meager portion is allocated for support to operations (i.e., 0.7%) and general administration (i.e., 1.56%).

Under operations, support to schools and learners program takes up around 84.5 percent of the budget for operations and 82.6 percent of the total DepED OSEC's budget (Table 9). Based on 2019 GAA, the share of this program is 81.6 percent of the budget for operations and 78.7 percent of the total budget. The 2019-2020 budget share is a significant improvement compared to 2017-2018 when the budget share for this program was about 60 percent, on the average (Cuenca 2019).

In contrast, the budget share of basic education inputs program is estimated at 13 percent of the total budget based on 2020 NEP/PB and 15.5 percent based on 2019 GAA (Table 9). When compared to 2017-2018, the budget share in 2019-2020 deteriorated from about 33 percent, on the average in 2017-2018 (Cuenca 2019). Apparently, support to schools and learners program is prioritized over basic education inputs program in 2019-2020. In 2020, the former has additional PhP34B while the latter loses PhP9.9B relative to 2019 GAA.

The largest share of the budget for support to schools and learners program is allocated for elementary/Kinder to Grade 6 (i.e., 43.8%) and junior high school/Grade 7 to Grade 10 (i.e., 23.6%) just like in 2018, albeit in lower proportions (Cuenca 2019). These two sub-programs are expected to receive higher budget allocation in 2020 relative to 2019 GAA. In particular, elementary subprogram is set to get a budget increase of PhP17.7B and PhP12.3B for junior high school subprogram (Table 9).

Table 9. Summary of Proposed New Appropriations for DepED OSEC (in billion pesos)

	Cash-based	Cash-based		Difference	Difference		Difference		Share to total		
	2019 GAA	2019 NEP	2020 NEP	2019			In Percent		2019	2019	2020
	(1)	(2)	(3)	(2) - (1)	(3) - (1)	(3) - (2)	(3) - (1)	(3) - (2)	GAA	NEP	NEP
GAS	13.93	12.31	8.09	-1.62	-5.84	-4.22	-41.95	-34.29	2.79	2.47	1.56
Support to operations	3.61	3.20	3.62	-0.41	0.01	0.42	0.32	13.24	0.72	0.64	0.70
Operations	482.73	482.25	506.47	-0.48	23.75	24.23	4.92	5.02	96.49	96.88	97.74
<i>of which</i>											
1. Education Policy Development Program	7.93	7.60	7.75	-0.32	-0.18	0.14	-2.29	1.87	1.58	1.53	1.49
2. Basic Education Inputs Program	77.73	81.20	67.81	3.47	-9.91	-13.38	-12.75	-16.48	15.54	16.31	13.09
<i>of which</i>											
Learning Tools and Equipment	4.12	4.12	2.72	0.00	-1.40	-1.40	-33.95	-33.95	0.82	0.83	0.52
Basic Education Facilities	30.97	34.74	36.01	3.77	5.03	1.26	16.25	3.64	6.19	6.98	6.95
Quick Response Fund	2.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.39
Creation and Filling up of Positions	32.19	32.19	15.10	0.00	-17.09	-17.09	-53.08	-53.08	6.43	6.47	2.91
Textbooks/Instructional Materials	1.84	1.79	0.96	-0.05	-0.88	-0.83	-47.78	-46.32	0.37	0.36	0.19
DepED Computerization Program	4.38	4.28	8.99	-0.10	4.62	4.72	105.41	110.32	0.88	0.86	1.74
3. Inclusive Education Program	1.22	0.75	1.08	-0.47	-0.15	0.33	-12.09	43.48	0.24	0.15	0.21
4. Support to Schools and Learners Program	393.87	390.76	427.93	-3.11	34.06	37.17	8.65	9.51	78.73	78.51	82.58
<i>of which</i>											
Elementary (Kinder to Grade 6)	209.32	209.21	227.04	-0.11	17.72	17.83	8.47	8.52	41.84	42.03	43.82
Junior High School (Grade 7 to Grade 10)	110.17	110.05	122.52	-0.12	12.35	12.47	11.21	11.33	22.02	22.11	23.64
Senior High School (Grade 11 to Grade 12)	27.13	26.97	32.48	-0.16	5.36	5.51	19.75	20.45	5.42	5.42	6.27
School-Based Feeding Program (SBFP)	4.97	3.97	5.97	-1.00	1.01	2.01	20.27	50.59	0.99	0.80	1.15
Education Service Contracting (ESC) Program for Private Junior High Schools	10.67	10.67	10.67	0.00	0.00	0.00	0.00	0.00	2.13	2.14	2.06
Voucher Program for Private Senior HS	18.76	18.76	18.76	0.00	0.00	0.00	0.00	0.00	3.75	3.77	3.62
Voucher Program for Non-DepEd Public Senior HS	1.53	1.53	0.59	0.00	-0.94	-0.94	-61.35	-61.35	0.31	0.31	0.11
Joint Delivery Voucher for Senior HS TecVoc and Livelihood Specialization	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00	0.23	0.23	0.22
5. Education Human Resource Development Program	1.97	1.93	1.91	-0.04	-0.07	-0.03	-3.53	-1.30	0.39	0.39	0.37
Total	500.27	497.76	518.18	-2.52	17.91	20.43	3.58	4.10	100.00	100.00	100.00

Sources of raw data: 2019 GAA, 2019 NEP and 2020 NEP

A closer examination of the budget for basic education inputs program shows that creation and filling up of positions receives the brunt of the budget cut. From PhP32.2B in 2019, the said subprogram is set to receive only PhP15.1B in 2020. On the contrary, basic education facilities and DepED computerization program get additional budget of PhP5B and PhP4.6B, respectively. Subsequently, the former and the latter accounts for 6.9 percent and 1.7 percent of the total budget for DepED OSEC (Table 9). It should be noted that in previous years, the budget for basic education facilities accounted for about 21.9 percent in 2017 and 19 percent in 2018 (Cuenca 2019). The budget share dipped to 6.19 in 2019 (Table 9).

DSWD Office of the Secretary

DSWD OSEC's budget increased from PhP138.5B (i.e., based on 2019 GAA) to PhP156.6B in 2020. It posted a budget increase of 18 percent in 2020 (Table 10). Apparently, DSWD OSEC benefitted from the budget deliberation in Congress for 2019 as it has higher approved budget in 2019 relative to its proposed budget. In particular, the proposed budget for 2019 was PhP136.4B but in the end, DSWD OSEC was able to secure PhP138.5B. In particular, the higher approved budget favored most the Pantawid Pamilyang Pilipino Program, which is better known as 4Ps, with a budget higher by PhP1.6B in 2020 relative to 2019 GAA.

Taking a closer look at the DSWD OSEC's proposed budget, about 98.6 percent is allocated for operations, thus leaving a small portion for general administration and support to operations. Under operations, the biggest chunk (i.e., 73%) of the budget goes to Promotive Social Welfare Program, which includes 4Ps, Sustainable Livelihood Program (SLP), and KALAHI-CIDSS, among others. The budget share improved from 68 percent in 2019 (Table 10). Within the Promotive Social Welfare Program, 4Ps accounts for around 96 percent of the budget. Overall, it accounts for 69.5 percent of the total budget. In contrast, SLP gets less than 2 percent of the total budget while KALAHI-CIDSS receives less than 1 percent. In sum, the 4Ps tops all DSWD OSEC programs which is consistent with the policy pronouncement of the government, particularly with the passage of the 4Ps law in 2019.

The second biggest share of the total budget goes to Protective Social Welfare Program, which represents 23.3 percent of the total budget. About 64 percent of this budget share is allocated for social pension for indigent senior citizens, which accounts for 14.8 percent of the total budget. The rest of DSWD OSEC's budget is thinly spread across other programs and projects. In particular, assistance to persons with disability and older persons represents 0.01 percent of the total DSWD OSEC budget. Programs concerning distressed OFWs and trafficked persons such as services to distressed overseas Filipinos, services to displaced persons (deportees), and recovery and reintegration program for trafficked persons accounts for 0.06 percent, 0.03 percent, and 0.02 percent of the OSEC budget, respectively. An important program such as disaster response and management program represents only 2.7 percent of the budget.

Table 10. Summary of Obligations and Proposed New Appropriations for DSWD OSEC (in billion pesos)

	Cash-based	Cash-based		Difference	Difference		Difference		Share to total		
	2019 GAA	2019 NEP	2020 NEP	2019	(3) - (1)	(3) - (2)	In Percent		2019	2019	2020
	(1)	(2)	(3)	(2) - (1)	(3) - (1)	(3) - (2)	(3) - (1)	(3) - (2)	GAA	NEP	NEP
GAS	0.73	0.73	0.85	0.00	0.12	0.12	16.89	16.89	0.52	0.53	0.54
Support to Operations	3.83	3.83	1.29	0.00	-2.54	-2.54	-66.26	-66.26	2.77	2.81	0.83
<i>of which</i>											
National Household Targeting System for Poverty Reduction/NHTS-PR	2.93	2.93	0.14	0.00	-2.79	-2.79	-95.10	-95.10	2.12	2.15	0.09
Operations	133.94	131.86	154.42	-2.08	20.49	22.56	15.30	17.11	96.71	96.66	98.63
<i>of which</i>											
<i>Well-being of Poor Families Improved</i>											
1. Promotive Social Welfare Program	94.30	93.16	112.76	-1.14	18.47	19.60	19.58	21.04	68.09	68.29	72.02
<i>of which</i>											
Pantawid Pamilya (Implementation of Conditional Cash Transfer)	89.75	88.11	108.77	-1.65	19.01	20.66	21.18	23.45	64.81	64.59	69.47
Sustainable Livelihood Program	1.72	2.28	3.00	0.56	1.27	0.72	73.86	31.32	1.25	1.67	1.92
Foreign-Assisted Project(s)											
KALAHI-CIDSS: National Community Driven Development Project	2.77	2.77	1.00	0.00	-1.77	-1.77	-63.90	-63.90	2.00	2.03	0.64
Locally-Funded Projects											
KALAHI-CIDSS: Kapangyarihan at Kaunlaran sa Barangay	0.05	0.00	0.00	-0.05	-0.05	0.00	-100.00	0.00	0.04	0.00	0.00
<i>Rights of the Poor and Vulnerable Sectors Promoted and Protected</i>											
2. Protective Social Welfare Program	35.07	34.13	36.43	-0.94	1.36	2.30	3.87	6.73	25.32	25.02	23.27
<i>of which</i>											
Residential and Non-Residential Care Sub-Program:											
Services for residential and center-based clients	1.75	1.75	1.87	0.00	0.12	0.12	6.82	6.82	1.26	1.28	1.19
Supplementary Feeding Subprogram:											
Supplementary Feeding Program	3.49	3.49	3.60	0.00	0.11	0.11	3.19	3.19	2.52	2.56	2.30
Social Welfare for Senior Citizens Subprogram											
of which											
Social Pension for Indigent Senior Citizens	23.18	23.18	23.18	0.00	0.00	0.00	0.00	0.00	16.74	17.00	14.81
Implementation of R.A. No. 1086B or the Centenarians Act of 2016	0.11	0.11	0.11	0.00	0.00	0.00	0.00	0.00	0.08	0.08	0.07
Protective Program for Individuals and Families in Especially											
Difficult Circumstances	6.37	5.43	7.50	-0.94	1.13	2.07	17.70	38.07	4.60	3.98	4.79
<i>of which</i>											
Protective services for individuals and families in difficult circumstances	5.09	4.15	6.61	-0.94	1.52	2.46	29.88	59.31	3.67	3.04	4.22
Assistance to Persons with Disability and Older Persons	0.01	0.01	0.01	0.00	0.00	0.00	-0.24	-0.24	0.01	0.01	0.01
Locally-Funded Project(s)	1.27	1.27	0.88	0.00	-0.39	-0.39	-30.80	-30.80	0.92	0.93	0.56
<i>of which</i>											
Comprehensive Project for Street Children, Street Families and IP's	0.03	0.03	0.03	0.00	0.00	0.00	-0.24	-0.24	0.02	0.03	0.02
Reducing Vulnerabilities of Children from Hunger and Malnutrition	0.16	0.16	0.16	0.00	0.00	0.00	-0.24	-0.24	0.11	0.12	0.10
in ARMM or Bangsamoro Umpungan sa Nutrisyon (BangUN)											
Tax Reform Cash Transfer Project	1.08	1.08	0.69	0.00	-0.39	-0.39	-36.26	-36.26	0.78	0.79	0.44
Social Welfare for Distressed OFWs and Trafficked Persons Subprogram											
of which											
Services to Distressed Overseas Filipinos	0.09	0.09	0.09	0.00	0.00	0.00	-0.18	-0.18	0.06	0.07	0.06
Services to Displaced Persons (Deportees)	0.05	0.05	0.05	0.00	0.00	0.00	-0.24	-0.24	0.04	0.04	0.03
Recovery and Reintegration Program for Trafficked Persons	0.02	0.02	0.02	0.00	0.00	0.00	-0.24	-0.24	0.02	0.02	0.02
<i>Immediate Relief and Early Recovery of Disaster Victims/Survivors Ensured</i>											
3. Disaster Response and Management Program	3.50	3.50	4.15	0.00	0.65	0.65	18.71	18.71	2.52	2.56	2.65
<i>of which</i>											
Assistance to victims of disasters and natural calamities	1.90	1.90	1.89				0.00	-0.24	1.37	1.39	1.21
Locally funded projects											
Peace and Development											
Implementation and Monitoring of Payapa at Masaganang Pamayanan											
(PAMANA) Program - Peace and Development Fund	0.00	0.00	0.96	0.00	0.96				0.00	0.00	0.61
Implementation and Monitoring of Payapa at Masaganang Pamayanan											
(PAMAMA) Program - DSWD/LGU Led Livelihood	0.30	0.30	0.00	0.00	-0.30	-0.30	-100.00	-100.00	0.22	0.22	0.00
<i>Continuing compliance of Social Welfare and Development Agencies to Standards in the Delivery of Social Welfare Services Ensured</i>											
4. Social Welfare and Development Agencies Regulatory Program	0.06	0.06	0.06	0.00	0.00	0.00	-0.46	-0.46	0.04	0.04	0.04
<i>Delivery of Social Welfare and Development programs by LGUs through Local Social Welfare and Development Offices Improved</i>											
5. Social Welfare and Development Technical Assistance and Resource											
Augmentation Program	1.01	1.01	1.02	0.00	0.01	0.01	0.81	0.81	0.73	0.74	0.65
Total	138.49	136.42	156.56	-2.08	18.07	20.15	13.05	14.77	100.00	100.00	100.00

Sources of raw data: 2019 GAA, 2019 NEP and 2020 NEP

DOH Office of the Secretary

DOH OSEC's budget declined by 9.6 percent (i.e., when compared with 2019 GAA budget) that is equivalent to almost PhP9.4B (Table 11). This is surprising because with the passage of the Universal Health Care (UHC) Law in 2019, it is expected that DOH OSEC's budget for 2020 is higher than that for 2019. A close examination of the budget suggests that the budget for general administration declined from PhP8.3B in 2019 to PhP6.6B in 2020 (i.e., equivalent to 20% reduction) and also, the budget for operations dipped from PhP87.3B in 2019 to PhP79.2B in 2020, thus reducing the budget for operations by 9.3 percent (Table 11).

Table 11. Summary of Obligations and Proposed New Appropriations for DOH OSEC (in billion pesos)

	Cash-based		Difference	Difference		Difference		Share to total			
	2019 GAA	2019 NEP		2020 NEP	2019	In Percent		2019	2019	2020	
	(1)	(2)	(3)	(2) - (1)	(3) - (1)	(3) - (2)	(3) - (1)	(3) - (2)	GAA	NEP	NEP
GAS	8.30	8.33	6.64	0.04	-1.66	-1.70	-20.00	-20.35	8.50	11.88	7.52
Support to Operations	2.04	2.04	2.43	0.00	0.39	0.39	19.22	19.22	2.09	2.91	2.76
Operations	87.32	59.75	79.19	-27.57	-8.12	19.44	-9.30	32.54	89.41	85.21	89.72
<i>of which:</i>											
1. Health Policy and Standards Development Program	0.23	0.22	0.29	-0.01	0.07	0.08	31.01	37.10	0.23	0.31	0.33
2. Health Systems Strengthening Program	25.90	2.55	9.64	-23.36	-16.26	7.10	-62.77	278.87	26.52	3.63	10.92
<i>of which:</i>											
2.a. Service Delivery Subprogram	16.88	0.92	6.44	-15.95	-10.44	5.51	-61.87	596.50	17.28	1.32	7.29
<i>of which:</i>											
Health Facility Policy and Plan Development	0.19	0.19	0.18	0.00	-0.01	-0.01	-7.79	-7.79	0.20	0.27	0.20
Health Facilities Enhancement Program	15.92	0.05	5.90	-15.87	-10.02	5.85	-62.95	11.695	16.30	0.07	6.68
Local Health Systems Development and Assistance	0.27	0.27	0.26	0.00	0.00	0.00	-1.28	-1.28	0.27	0.38	0.30
Pharmaceutical Management	0.50	0.42	0.10	-0.08	-0.40	-0.32	-80.23	-76.22	0.51	0.59	0.11
2.b. Health Human Resource Subprogram	8.73	1.33	2.61	-7.40	-6.12	1.28	-70.11	96.35	8.94	1.89	2.96
2.c. Health Promotion	0.29	0.29	0.60	0.00	0.31	0.31	104.46	104.46	0.30	0.42	0.68
3. Public Health Program	17.46	17.41	16.99	-0.05	-0.47	-0.42	-2.70	-2.42	17.88	24.83	19.25
<i>of which:</i>											
Public Health Management	4.04	4.04	3.92	0.00	-0.11	-0.11	-2.83	-2.83	4.13	5.76	4.45
Operation of PNAC Secretariat	0.01	0.01	0.01	0.00	0.01	0.01	72.22	72.22	0.01	0.01	0.02
Environmental and Occupational Health	0.03	0.03	0.00	0.00	-0.03	-0.03	-93.47	-93.47	0.03	0.04	0.00
National Immunization	7.55	7.55	7.54	0.00	-0.01	-0.01	-0.08	-0.08	7.73	10.76	8.55
Family Health, Nutrition and Responsible Parenting	2.47	2.47	2.23	0.00	-0.24	-0.24	-9.83	-9.83	2.53	3.53	2.53
Elimination of Disease such as Malaria, Schistosomiasis, Leprosy and Filariasis	0.22	0.22	0.32	0.00	0.11	0.11	47.91	47.91	0.22	0.31	0.37
Rabies Control	0.91	0.91	0.50	0.00	-0.41	-0.41	-44.92	-44.92	0.93	1.30	0.57
Prevention and Control of Other Infectious Diseases	0.74	0.74	1.02	0.00	0.28	0.28	37.92	37.92	0.76	1.05	1.15
TB Control	0.88	0.88	0.91	0.00	0.03	0.03	3.84	3.84	0.90	1.26	1.04
Assistance to Philippine Tuberculosis Society (PTS)	0.01	0.01	0.01	0.00	0.00	0.00	1.79	1.79	0.01	0.02	0.02
Prevention and Control of Non-Communicable Diseases	0.61	0.56	0.51	-0.05	-0.10	-0.05	-15.96	-8.39	0.62	0.79	0.58
4. Epidemiology and Surveillance Program	0.26	0.26	0.12	0.00	-0.15	-0.15	-56.08	-56.08	0.27	0.38	0.13
5. Health Emergency Management Program	0.77	0.77	0.73	0.00	-0.04	-0.04	-5.27	-5.27	0.79	1.10	0.83
6. Health Facilities Operation Program	32.50	32.09	41.10	-0.40	8.60	9.00	26.46	28.06	33.28	45.76	46.56
7. Health Regulatory Program	0.82	0.82	0.88	0.00	0.06	0.06	7.81	7.81	0.84	1.16	1.00
7. Health Regulatory Program	9.38	5.63	9.44	-3.75	0.06	3.81	0.62	67.55	9.61	8.03	10.70
Total	97.65	70.12	88.26	-27.53	-9.39	18.14	-9.62	25.86	100.00	100.00	100.00

Sources of raw data: 2019 GAA, 2019 NEP and 2020 NEP

The budget cut affected various programs such as health facilities enhancement program (HFEP), health human resource subprogram, and pharmaceutical management, which accounts for 6.7, 3 percent, and 0.11 percent of the total budget, respectively. The decline is sharp for these programs. In particular, the budget for health human resource subprogram declined by 70 percent (i.e., equivalent to PhP6B) while the budget for HFEP dipped by 63 percent (i.e., equivalent to PhP10B) [Table 11].

Nevertheless, it should be noted that these programs gained significantly from the budget deliberation in Congress in 2019 as the approved budget for these programs in 2019 is much higher than the proposed budget. In particular, the proposed budget for HFEP for 2019 is placed at PhP0.05B only but after budget deliberation, it grew to about PhP16B. Likewise, the proposed budget for health human resource subprogram is set at PhP1.3B but after budget deliberation, it rose to PhP8.7B. The budget cut for these programs in 2020 can be due to unspent funds based on 2019 GAA whose validity for MOOE and CO was extended until December 2020.

In addition, the budget cut also affected various public health programs. The total budget for public health programs declined by 2.7 percent in 2020. The decline is sharpest for environmental and occupational health, whose budget dropped from PhP31M in 2019 to only PhP2M in 2020 (i.e., equivalent to 93.5% budget reduction). Apparently, even critical programs such as national immunization, family health, nutrition and responsible parenting, and rabies control posted budget reduction (Table 11). The budget cut for these programs is not as huge as that for HFEP or health human resource subprogram but it can have direct impact on health outcomes such as infant mortality rate and maternal mortality rate, among others.

Among the various DOH OSEC programs, the health facilities operation program is considered as the biggest winner as it tops all in terms of budget share (i.e., 46.6%). The budget for this program improved by 26.5 percent, i.e., equivalent to PhP8.6B relative to 2019 GAA. About 97 percent of this budget is allocated for curative health care subprogram. The said subprogram includes operations of DOH hospitals in Metro Manila as well as DOH regional hospitals, which account for 98 percent of the budget for the said subprogram. The rest of the budget for health facilities operation program (i.e., 3%) is allocated for operation of dangerous drug abuse treatment and rehabilitation centers.

5. Concluding Remarks

The increase in budgetary appropriations for almost all sectors (except for health and general administration) for FY 2020 confirms the expansionary fiscal stance of the government. The high spending priority given to social services sector and economic services is consistent with the policy pronouncements of the government regarding its resolve to expand public investment to address infrastructure gap and also, investments in social development to uplift the quality of life of all Filipinos. Nevertheless, the decline in DOH OSEC's budget is not as expected in the light of the passage of the law on Universal Health Care. Further inquiry needs to be done to understand the factors that led to the budget cut in the health sector.

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