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## Analysis of the 2021 president's budget

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# Analysis of the 2021 President's Budget

*Janet S. Cuenca*



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# Analysis of the 2021 President's Budget

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December 2020

## **Abstract**

The Philippines has been badly affected by the COVID-19 pandemic. In this light, the analysis of the 2021 President's Budget determines how the pandemic shaped the budgetary distribution of government's limited financial resources with focus on the top six departments/recipients for FY 2021. It shows the high spending priority given to social and economic services which is consistent with the policy pronouncements of the government for FY 2021. The government's greatest priority for FY 2021 is to sustain and strengthen government efforts in responding to and recovering from the pandemic. Nevertheless, the emphasis on these spending priorities in the 2021 President's Budget Message creates an expectation that DOH and DSWD will rank much higher in the top 10 departments/recipients for FY 2021. Apparently, the 2021 proposed budget gives higher spending priority on maintenance of peace and order and national defense, which placed DILG and DND in higher spots compared to DOH and DSWD. A close examination of various government documents (e.g., DBM 2020e) indicates that the proposed budget for National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) is part of the government's recovery program to adapt to the post-pandemic life.

**Keywords:** President's Budget, National Expenditure Program

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# Analysis of the 2021 president's budget

*Janet S. Cuenca<sup>1</sup>*

## 1. Introduction

The importance of ensuring that the spending priorities of the government are consistent with the policy pronouncements of the current administration cannot be overemphasized. Given budget constraints, government expenditures should be programmed across sectors and categories in pursuit of the over-arching goals of the incumbent administration. Likewise, the fiscal targets (i.e., revenues, expenditures, and resulting fiscal deficit) should be consistent with a realistic macroeconomic framework as drawn up by the Development Budget Coordination Committee (DBCC).

Similar to the previous PIDS budget analysis studies (e.g., Manasan (2001), Manasan (2002), Manasan (2004), and Manasan (2013)), this study aims to assess the 2021 President's Budget (PB) with focus on three important aspects: (i) evaluation of the overall fiscal picture as projected in the 2021 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 2021 PB. Valuable inputs/insights in aid of budget deliberation and legislation can be obtained from budget analysis.

Specifically, the study aims to address the following research questions:

1. How is the 2021 President's Budget allocated among government agencies/units in the light of the COVID19 pandemic?
2. Is the budget allocation aligned or consistent with the pronounced priorities of the Duterte Administration for FY2021?
3. How is the allocation different from that of the 2020 President's Budget?
4. Which programs are winners/losers in the 2021 proposed national budget?
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 BESF for 2021?

Based on the 2021 President's Budget Message, the overall theme of the 2021 PB is "Reset, Rebound, and Recover: Investing for Resiliency and Sustainability," which aims to "sustain and strengthen government efforts in effectively responding to and recovering from the COVID-19 pandemic" (DBM 2020a). 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).

In addition, it is deemed important to examine closely the budget details of the Department of the Interior and Local Government (DILG) and the Department of National Defense (DND) as these agencies get higher spending priority vis-à-vis DOH and DSWD. Such investigation is meant to shed light on whether their programs, activities, and projects contribute to "reset,

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<sup>1</sup> Research Fellow at the Philippine Institute for Development Studies; The author acknowledges the valuable research assistance of Ms. Lucita M. Melendez.

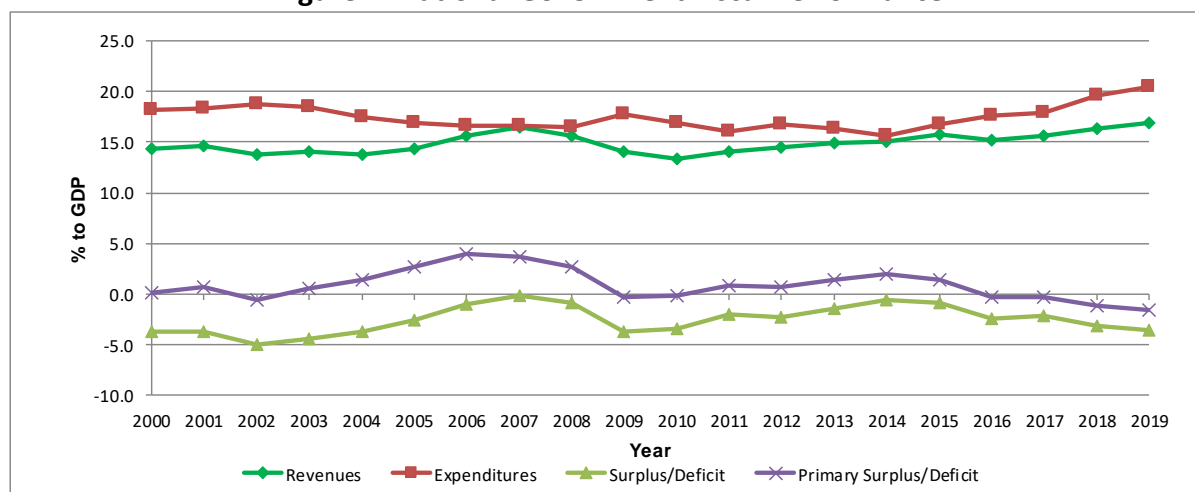
rebound, and recover” objectives of the 2021 budget. Moreover, there will be a discussion on the budgetary allocation for the Department of Information and Communications Technology (DICT) as the onslaught of the pandemic highlighted the urgent need for “One Digitized Government” for the country.

The rest of the paper is organized as follows. Section 2 presents the overall fiscal performance in the period 2000-2019 and examines the emerging fiscal picture in 2020. It draws heavily on Section 2 of Cuenca (2020) and is basically an updated version of the same to reflect most recent fiscal data. Section 3 discusses the macroeconomic assumptions in the 2021 PB. It also evaluates the overall fiscal picture as projected in the 2021 BESF (DBM 2020c) and its consistency with these macroeconomic assumptions. Section 4 examines the revenue and expenditure program of the 2021 PB. Section 5 ends with the conclusion and policy recommendation.

## 2. Overview of Fiscal Performance<sup>2</sup>

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 2013).

**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, the primary expenditures 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

<sup>2</sup> Lifted from Cuenca (2020, pp.3-5) and updated to take into account most recent data



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 2013). 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.

**Table 1. National Government Expenditures, Percent to GDP, CY 2000-2019**

Paticulars	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenditures</b>	<b>18.12</b>	<b>18.37</b>	<b>18.80</b>	<b>18.46</b>	<b>17.46</b>	<b>16.96</b>	<b>16.65</b>	<b>16.67</b>	<b>16.46</b>	<b>17.71</b>	<b>16.91</b>	<b>16.04</b>	<b>16.83</b>	<b>16.29</b>	<b>15.68</b>	<b>16.74</b>	<b>17.61</b>	<b>17.86</b>	<b>19.56</b>	<b>20.40</b>
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	3.32
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	1.94
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	0.15
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	1.08
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	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	0.09
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	13.81
<b>Primary Expenditures</b>	<b>14.19</b>	<b>13.88</b>	<b>14.37</b>	<b>13.48</b>	<b>12.36</b>	<b>11.68</b>	<b>11.71</b>	<b>12.78</b>	<b>12.94</b>	<b>14.24</b>	<b>13.64</b>	<b>13.17</b>	<b>13.87</b>	<b>13.49</b>	<b>13.14</b>	<b>14.42</b>	<b>15.50</b>	<b>15.90</b>	<b>17.56</b>	<b>18.46</b>

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

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 2. National Government Revenues, Percent to GDP, CY 2000-2019**

Paticulars	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Grand Total</b>	<b>14.38</b>	<b>14.59</b>	<b>13.78</b>	<b>14.07</b>	<b>13.80</b>	<b>14.37</b>	<b>15.62</b>	<b>16.49</b>	<b>15.58</b>	<b>13.99</b>	<b>13.42</b>	<b>14.01</b>	<b>14.53</b>	<b>14.87</b>	<b>15.11</b>	<b>15.83</b>	<b>15.16</b>	<b>15.65</b>	<b>16.36</b>	<b>16.86</b>
<b>Tax Revenues</b>	<b>12.85</b>	<b>12.69</b>	<b>12.09</b>	<b>12.10</b>	<b>11.81</b>	<b>12.43</b>	<b>13.71</b>	<b>13.54</b>	<b>13.59</b>	<b>12.23</b>	<b>12.15</b>	<b>12.38</b>	<b>12.89</b>	<b>13.31</b>	<b>13.61</b>	<b>13.63</b>	<b>13.68</b>	<b>14.24</b>	<b>14.72</b>	<b>15.19</b>
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	11.69
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	3.39
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	0.12
<b>Non-tax Revenues</b>	<b>1.49</b>	<b>1.85</b>	<b>1.66</b>	<b>1.94</b>	<b>1.99</b>	<b>1.95</b>	<b>1.91</b>	<b>2.95</b>	<b>1.99</b>	<b>1.76</b>	<b>1.26</b>	<b>1.62</b>	<b>1.65</b>	<b>1.56</b>	<b>1.50</b>	<b>2.20</b>	<b>1.49</b>	<b>1.41</b>	<b>1.63</b>	<b>1.66</b>
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	0.79
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	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	0.00
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	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	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	0.57
<b>Grants</b>	<b>0.04</b>	<b>0.05</b>	<b>0.03</b>	<b>0.03</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

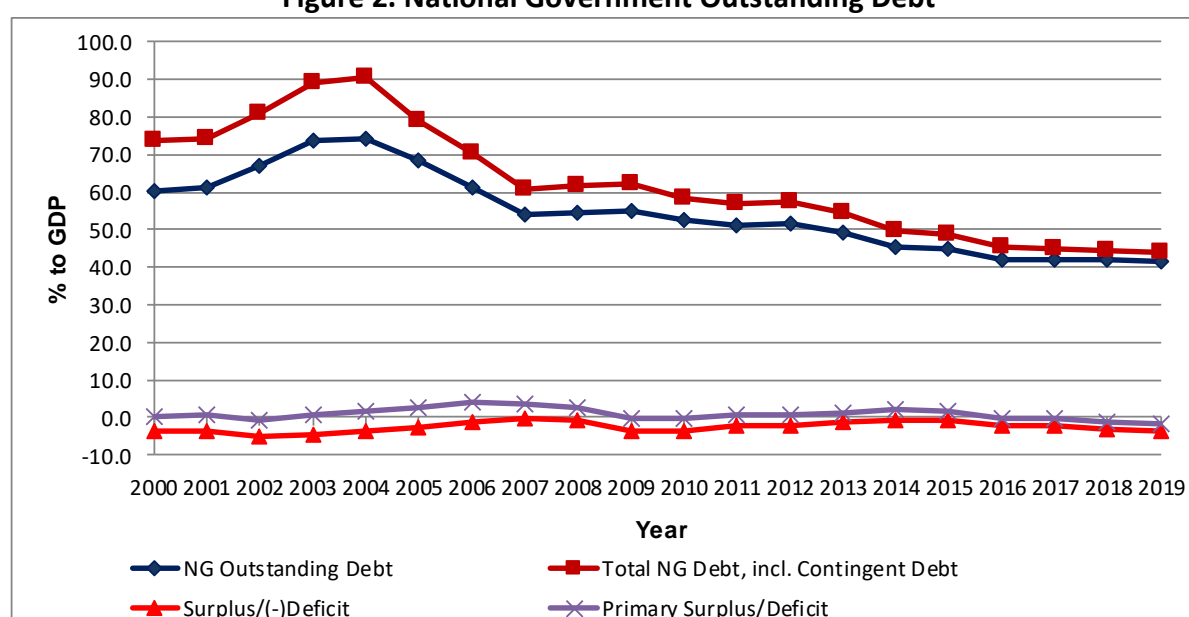
Further, the fiscal balance posted a dramatic improvement for the period 2010-2015 due to government's "underspending," particularly during the first nine months of 2011. The slow utilization of spending authority was attributable to the thorough contracting/procurement process considering the Aquino 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 0.9 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, 3.2 percent in 2018, and 3.5 percent in 2019 (Figure 1).

Such deterioration in fiscal balance was due to significant growth in NG expenditures, when measured relative to GDP, from 16.7 percent in 2015, 19.6 percent in 2018, and 20.4 percent in 2019 (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 and 16.9 percent in 2019, the improvement was not enough to cover for the NG expenditures that stood at 19.6 percent of GDP in 2018 and 20.4 percent in 2019, which is higher than the programmed total disbursements in nominal terms for the full year of 2019.

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 41.5 percent in 2019 (Figure 2).

**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 1.6 percent in 2019 (i.e., highest in 2000-2019). 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 44.2 percent in 2019 (Figure 2).

## *Emerging Fiscal Picture in 2020*

The 2020 PB projected that total NG revenues would be 16.7 percent (i.e., PHP 3,536.2 billion) of GDP in 2020 while NG expenditures would be 19.9 percent, which is equivalent to PHP 4,213.8 billion. Thus, the 2020 PB set the NG fiscal deficit at PHP 677.6 billion, which is 3.2 percent of GDP<sup>3</sup> (Table 3). Nevertheless, the fiscal year (FY) 2020 is fraught with challenges that include Taal volcano eruption and Typhoon Ambo; animal virus outbreak (i.e., African swine flu); and the devastating COVID19 pandemic (thereafter pandemic), which was declared by the World Health Organization (WHO) on March 11, 2020. Just recently, the country was hit by typhoons, including Typhoon Pepito and Typhoon Quinta.

According to NEDA (2020a, p. 6)<sup>4</sup>, “aggressive efforts to contain COVID-19, including the Luzon-wide quarantine, could by itself, add pressure on the country’s fiscal position. Even without additional spending, the estimated decline in GDP (2.1% to 6.6%) can increase the national government budget deficit to 4.4 to 5.4 percent of GDP in 2020, assuming the same revenue effort.” It should be noted that the economy contracted by 0.7 percent in the first quarter and 16.5 percent in the second quarter of FY 2020 (NEDA 2020b). The Development Budget Coordination Committee (DBCC) had to revise the country’s macroeconomic assumptions, growth targets, and fiscal program for FYs 2020-2022 amid the pandemic, particularly on July 28, 2020.<sup>5</sup> In the 2021 BESF (DBM 2020c), the programmed or adjusted revenue collection for 2020 is placed at PHP 2,519.8 billion while NG disbursement is set at 4,335.2 billion. Consequently, an overall fiscal deficit of PHP 1,815.4 billion is expected for 2020 (Table 3).

Adopting Manasan (2013) methodology, the total revenue collection is projected to be PHP628.6B billion lower than the target for full year of 2020, i.e., as indicated in 2020 BESF (DBM 2020b) based on actual collections in January – August 2020. In contrast, it is PHP 387.8 billion higher than the programmed revenues (i.e., PHP 2,519.8 billion) for the full year of 2020, as indicated in the 2021 BESF/DBM (2020c) [Table 3]. Its major component, tax revenue collection is estimated to exceed the programmed tax revenue collection of PHP2,2205 billion for 2020 by PHP 300 billion, with projected better collection performance for the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) in the remaining months of FY 2020. The author’s projections assumed better revenue collection in September onwards as the economy gradually reopens.

Nevertheless, the projected higher total revenue collections (i.e., vis-à-vis the programmed revenues for 2020) is not enough to finance the projected NG disbursements (i.e., PHP 4,209.3 billion) for 2020, thus resulting in the overall deficit amounting to PHP 1,301.7 billion, which is lower than the programmed deficit of PHP 1,815.4 billion but notably, much higher than the initially projected overall deficit based on 2020 BESF (DBM 2020b). Excluding interest payments, the NG is forecast to post a primary deficit of PHP 922.8 billion, i.e., about 5 percent of programmed or adjusted GDP for FY 2020 based on 2021 BESF<sup>6</sup>/DBM (2020c) [Table 3]. The NG has to borrow to finance its interest payments.

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<sup>3</sup> 2000-based

<sup>4</sup> As of March 19, 2020

<sup>5</sup> <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/1698-dbcc-revisits-macroeconomic-assumptions-and-fiscal-program-for-the-2021-president-s-budget>

<sup>6</sup> Adopts the revised and rebased 2018 National Accounts of the Philippines as released by the Philippine Statistics Authority (PSA) in April 2020

As of August 2020, the NG outstanding debt amounted to PHP 69,731 billion, which is 12.36 percent higher than that for the period January – August in 2019 (Table 4). The increase in domestic loans is remarkable as it dramatically grew from a low of PHP 7.6 billion in the period January – August 2019 to a high of PHP 1,807.6 billion in January – August 2020. Apparently, the NG outstanding debt had been increasing since February 2020. The growth is particularly high from PHP 7,763 billion in January 2020 to PHP 8,166 billion in February 2020. It is equivalent to 5.18-percent increase, which is the highest growth in the period under examination. Since February 2020, the outstanding debt steadily rose to PHP 8,477 billion in March, PHP9,054 billion in June, and PHP 9,615 billion in August. The government borrowings were meant to finance priority spending on social services and infrastructure in response to the pandemic, which spawned both health and economic crises. Subsequently, the debt-to-GDP ratio is expected to widen up from a low of 41.5 in 2019 to a high of 56.5 percent, approximately by end of 2020 (DBCC 2020).<sup>7</sup>

**Table 3. National Government Fiscal Position, 2020**

Particulars	BESF PROJ (PHP B)	2020 BESF (% GDP)		BESF PROG (PHP B)	2021 BESF (% GDP)		AUTHOR'S PROJ <sup>a/</sup> (PHP B)	2020 BESF (% GDP)		2021 BESF (% GDP)		DIFFERENCE 2020 <sup>f/</sup> 2020 <sup>g/</sup> (PHP B)	
		LOW <sup>a/</sup>	HIGH <sup>b/</sup>		LOW <sup>c/</sup>	HIGH <sup>d/</sup>		LOW <sup>a/</sup>	HIGH <sup>b/</sup>	LOW <sup>c/</sup>	HIGH <sup>d/</sup>		
Revenues	3,536.2	16.75	16.47	2,519.8	13.51	13.22	2,907.6	13.77	13.55	15.59	15.25	628.6	-387.8
Tax revenues	3,332.4	15.78	15.52	2,205.2	11.83	11.57	2,505.7	11.87	11.67	13.44	13.14	826.7	-300.5
BIR	2,576.00	12.20	12.00	1,685.70	9.04	8.84	1,951.6	9.24	9.09	10.47	10.24	624.4	-265.9
BOC	731.2	3.46	3.41	506.2	2.71	2.65	539.0	2.55	2.51	2.89	2.83	192.2	-32.8
Nontax revenues	201.9	0.96	0.94	314.1	1.68	1.65	400.6	1.90	1.87	2.15	2.10	-198.7	-86.5
Disbursements	4,213.80	19.95	19.63	4,335.20	23.25	22.74	4,209.3	19.93	19.61	22.57	22.08	4.5	125.9
of which													
Allotments to LGUs		0.00	0.00		0.00	0.00	811.1	3.84	3.78	4.35	4.25	-811.1	-811.1
Interest payments	451	2.14	2.10	421.3	2.26	2.21	378.9	1.79	1.77	2.03	1.99	72.1	42.4
Net lending	10	0.05	0.05	26.9	0.14	0.14	-38.2	-0.18	-0.18	-0.21	-0.20	48.2	65.1
Total disbursements less interest	3,762.8	17.82	17.53	3,913.9	20.99	20.53	3,830.4	18.14	17.84	20.54	20.09	-67.6	83.5
Overall surplus/deficit	-677.6	-3.21	-3.16	-1,815.4	-9.74	-9.52	-1,301.7	-6.16	-6.06	-6.98	-6.83	624.1	-513.7
Primary surplus/deficit	-226.6	-1.07	-1.06	-1,394.1	-7.48	-7.31	-922.8	-4.37	-4.30	-4.95	-4.84	696.2	-471.3

a/ Based on low GDP assumption as indicated in 2020 BESF (i.e., PHP 21,117B - 2000-based)

b/ Based on high GDP assumption as indicated in 2020 BESF (i.e., PHP 21,465B - 2000-based)

c/ Based on low GDP assumption as indicated in 2021 BESF (i.e., PHP 18,648B - 2018-based)

d/ Based on high GDP assumption as indicated in 2021 BESF (i.e., PHP 19,067B - 2018-based)

e/ Based on January - August 2020 data

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

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

**Table 4. National Government Outstanding Debt,  
In Billion Pesos**

	Jan-Aug 2019 Actual	Jan-Aug 2020 Actual	Growth Rate
Domestic	41,284.39	47,443.59	14.92
Loans	7.58	1,807.58	23,734
Debt Securities	41,276.81	45,636.00	10.56
External	20,777.69	22,287.07	7.26
Loans	7,846.47	9,082.16	15.75
Debt Securities	12,931.22	13,204.91	2.12
Total	62,062.08	69,730.65	12.36

Source: Bureau of Treasury

<sup>7</sup> Based on DBCC (2020) but the ratio that is reflected here is estimated using 2000 base year to be consistent with the discussion above

### 3. Macroeconomic Assumptions in the 2021 President's Budget

The 2021 President's Budget (PB) assumes that GDP will dip by 4.5 to 6.6 percent in 2020 due to the devastating effects of the pandemic. On the contrary, ADB (2020)'s projection is rather gloomier as it forecasts that the Philippine economy will shrink by 7.3 percent in 2020 (Table 5). The report anticipates that economic recovery in the Southeast Asian region will be slow and painful as COVID-19 infections continue to rise in some countries, particularly Indonesia and the Philippines. However, it is optimistic that the Philippine economy will recover by 6.5 percent in 2021. Such projection is consistent with the 2021 PB's minimum growth projection, albeit the country's economic managers are more optimistic that economic growth can go as high as 7.5 percent in real terms in 2021 and 2022 (DBM 2020b).

**Table 5. Gross domestic product growth rate, % per year**

	2019	2020			2021		
		<i>April ADO 2020</i>	<i>June ADOS</i>	<i>Sept. Update</i>	<i>April ADO 2020</i>	<i>June ADOS</i>	<i>Sept. Update</i>
<b>Southeast Asia</b>	4.4	1	-2.7	-3.8	4.7	5.2	5.5
Brunei	3.9	2	1.4	1.4	3	3	3
Cambodia	7.1	2.3	-5.5	-4	5.7	5.9	5.9
Indonesia	5	2.5	-1	-1	5	5.3	5.3
Lao PDR	5	3.5	-0.5	-2.5	6	4.5	4.5
Malaysia	4.3	0.5	-4	-5	5.5	6.5	6.5
Myanmar	6.8	4.2	1.8	1.8	6.8	6	6
Philippines	6	2	-3.8	-7.3	6.5	6.5	6.5
Singapore	0.7	0.2	-6	-6.2	2	3.2	4.5
Thailand	2.4	-4.8	-6.5	-8	2.5	3.5	4.5
Timor-Leste	3.4	-2	-3.7	-6.3	4	4	3.3
Viet Nam	7	4.8	4.1	1.8	6.8	6.8	6.3

*ADOS = ADO Supplement*

*Source: ADB (2020)*

In contrast, the IMF (2020)'s growth projection is bleaker than that of ADB (2020) for 2020 as it projects contraction of the Philippine economy by 8.3 percent. Nevertheless, IMF (2020) is more optimistic that the economy will recover by 7 percent in 2021 (Table 6). As regards inflation, IMF (2020) forecasts that it will be at 2.4 percent in 2020, i.e., similar to the ADB (2020)'s projection. Nevertheless, the two reports differ in their projection for 2021. The IMF (2020) sets the inflation to 3 percent for 2021, which is a little higher than the ADB (2020)'s projection of 2.6 percent (Tables 6 and 7). On the other hand, the 2021 PB assumes that inflation rate is 2 to 4 percent in 2020, 2021, and 2022. In addition, it assumes that foreign exchange rate will range between PHP 50 and PHP 54 to a dollar in 2021, vis-à-vis PHP 50 - PHP 52 in 2020. Further, the 364-day Treasury Bill rate will vary between 3 percent to 4.5 percent in 2021 (DBM 2020b).

**Table 6. Real GDP and Consumer Prices (Annual percent change, unless noted otherwise)**

	Real GDP Projections			Consumer Prices <sup>1</sup> Projections		
	2019	2020	2021	2019	2020	2021
<b>Emerging and Developing Asia</b>	5.5	-1.7	8	3.3	3.2	2.9
China	6.1	1.9	8.2	2.9	2.9	2.7
India	4.2	-10.3	8.8	4.8	4.9	3.7
<b>ASEAN-5</b>	4.9	-3.4	6.2	2.1	1.5	2.3
Indonesia	5	-1.5	6.1	2.8	2.1	1.6
Thailand	2.4	-7.1	4	0.7	-0.4	1.8
Malaysia	4.3	-6	7.8	0.7	-1.1	2.4
Philippines	6	-8.3	7.4	2.5	2.4	3
Vietnam	7	1.6	6.7	2.8	3.8	4
<b>Other Emerging and Developing Asia<sup>2</sup></b>	6.6	-1.7	7.8	5.3	5.3	5.4

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup>Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A5 and A6 in the Statistical Appendix.

<sup>2</sup>Other Emerging and Developing Asia comprises Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Kiribati, Lao P.D.R., Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Samoa, Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

Source: IMF (2020)

**Table 7. Inflation, % per year**

	2019	2020			2021		
		April ADO 2020	June ADOS	Sept. Update	April ADO 2020	June ADOS	Sept. Update
<b>Southeast Asia</b>	2.1	1.9	1	1	2.2	2.3	2.3
Brunei	-0.4	-0.2	0.4	1.4	0.1	0.4	1
Cambodia	1.9	2.1	2.1	2.1	1.8	1.8	1.8
Indonesia	2.8	3	2	2	2.8	2.8	2.8
Lao PDR	3.3	4	5.5	5.5	4.5	5	5
Malaysia	0.7	1	-1.5	-1.5	1.3	2.5	2
Myanmar	8.6	7.5	6	6	7.5	6	6
Philippines	2.5	2.2	2.2	2.4	2.4	2.4	2.6
Singapore	0.6	0.7	-0.2	-0.3	1.3	0.8	1
Thailand	0.7	-0.9	-1.3	-1.6	0.4	0.7	0.8
Timor-Leste	1.5	1.3	1.3	1	1.8	1.8	1
Viet Nam	2.8	3.3	3	3.3	3.5	3.5	3.5

ADOS = ADO Supplement

Source: ADB (2020)

In this light, the prospects for the country in realizing the projected real GDP growth rate of 6.5 percent to 7.5 percent in 2021 highly depends on the ability of the government to reset, rebound, and recover the economy from the pandemic. This will be a tough challenge considering the many uncertainties associated with the highly unpredictable nature of the pandemic. For one, the impact of the pandemic on the economy could be worse than what experts have anticipated. As DBCC (2020, p. 9) puts it, “A more prolonged adverse effect of COVID-19 on the supply and demand sides of the economy (especially on sectors including

tourism and transport, exports, remittances, and consumption) would imply deeper than expected contraction in the country's economic growth."

To mitigate this risk, economic recovery programs have been crafted to help people get back to work, help businesses to normalize, and help stabilize the financial sector. In addition, the government has been realigning spending priorities in 2020 and 2021 to facilitate the economy's transition and adjustment to the "new normal" (DBCC 2020). It is noteworthy that in May 2020, a report titled "We Recover as One" was released by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases - Technical Working Group for Anticipatory and Forward Planning (IATF-TWG for AFP) led by the National Economic and Development Authority (NEDA). The report provided measures to mitigate the impact of the pandemic and also, to facilitate economic recovery and transition to a new normal. To date, two legislative measures have been enacted in response to the pandemic, namely the Republic Act (RA) No. 11469 (i.e., otherwise known as Bayanihan to Heal As One Act)<sup>8</sup> and RA No. 11494 (i.e., otherwise known as Bayanihan to Recover As One Act)<sup>9</sup>.

#### *Fiscal outlook for 2021*

The 2021 PB projects that NG revenues will be 13.2 percent (i.e., PHP 2,717.4 billion) of GDP in 2021 while NG disbursements will be 21.6 percent, which is equivalent to PHP 4,467 billion. Thus, the 2021 PB sets the NG fiscal deficit at PHP 1,749.6 billion, which is 8.5 percent of GDP (Table 8). As in previous years, tax revenues will be the major source of NG revenues for 2021 which account for 94 percent of the total NG revenues. The biggest chunk of the tax revenues will come from BIR collections, which is estimated to be 9.2 percent of GDP. The gross borrowing is placed at PHP 3,025.20 billion, which is programmed to finance amortization and the deficit.

**Table 8. National Government Fiscal Program, 2021 (In Billion Pesos)**

Particulars	2021 Projection <sup>1/</sup>	% GDP
<b>REVENUES</b>	2,717.40	13.2
<b>Tax Revenues*</b>	2,541.60	12.3
of which:		
Bureau of Internal Revenue	1,904.20	9.2
Bureau of Customs	619.5	3.0
<b>Non-Tax Revenues</b>	175.4	0.8
<b>Privatization</b>	0.5	0.0
<b>DISBURSEMENTS</b>	4,467.00	21.6
<b>Current Operating Expenditures</b>	3,281.60	15.9
of which:		
Interest Payments	531.5	2.6
Percent Share to Total Disbursement	11.9	
<b>Capital Outlays</b>	1,156.80	5.6
<b>Net Lending</b>	28.7	0.1
<b>DEFICIT</b>	-1,749.60	-8.5
<b>FINANCING <sup>2/</sup></b>		
Gross Borrowings	3,025.20	
Less: Amortization <sup>3/</sup>	762.3	
Net Financing <sup>4/</sup>	2,262.90	
Less: Total Net Financing Requirement/Deficit	1,749.60	
<b>Budgetary Change in Cash</b>	513.3	
<b>Nominal GDP (2018-based)</b>	20,642.30	

1/ Projection approved by the DBCC on July 28, 2020 via Ad Referendum.

2/ The details of the FYs 2019-2021 Financing Program are shown in Table D.1 of the BESF.

3/ Excludes repayments serviced by the Bond Sinking Fund (BSF).

4/ Includes contributions to the BSF.

\* Tax revenues include proceeds from the Comprehensive Tax Reform Program presented in Table C.5.

<sup>8</sup> An Act declaring the existence of a national emergency arising from the coronavirus disease 2019 (COVID-19) situation and a national policy in connection therewith, and authorizing the President of the Republic of the Philippines for a limited period and subject to restrictions, to exercise powers necessary and proper to carry out the declared national policy and for other purposes

<sup>9</sup> An Act providing for COVID-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefor, and for other purposes

## 4. Composition of National Government Revenues and Expenditures in 2021 PB

### 4.1. National Government Revenues

The projected NG revenues for 2021 is 13.2 percent of GDP which is lower than the 2020 total revenue-GDP ratio (i.e., 13.4 percent). As in previous years, tax revenues account for the bulk of NG revenues in 2021. It is projected to be 93.5 percent of the total NG revenues (Table 9). On the average, it comprises about 90.4 percent of the total revenues in 2019-2021. The tax-to-GDP ratio is expected to improve from 11.7 percent in 2020 to 12.3 percent in 2021. The expected lower tax effort in 2020 (i.e., vis-à-vis 14.5 percent in 2019) is partly attributable to the extension of deadlines for tax filing and payments that has been adopted to provide relief to affected sectors. A one-month extension in tax filing was estimated to cause collection delay of about PHP 145 billion (NEDA 2020a). The slowdown in economic activities is another factor that significantly reduced tax revenues. It is a direct consequence of the imposition of quarantine measures in various parts of the country to control the spread of COVID-19 virus and save lives. More specifically, 75 percent of the economy was forced to shut down in the first half of 2020, which resulted in increased unemployment (i.e., 17.7% in May 2020) and underemployment (NEDA 2020b).

**Table 9. Revenue Program, 2019-2021**

Particulars	% GDP*			Percent Distribution		
	2019	2020	2021	2019	2020	2021
Grand Total	16.08	13.36	13.16	100.00	100.00	100.00
Tax Revenues	14.49	11.69	12.31	90.13	87.51	93.53
Bureau of Internal Revenue	11.15	8.94	9.22	69.34	66.90	70.08
Bureau of Customs	3.23	2.68	3.00	20.09	20.09	22.80
Other Offices	0.11	0.07	0.09	0.70	0.53	0.66
Non-tax Revenues	1.58	1.67	0.85	9.84	12.47	6.45
Income from BTr Operations	0.28	0.28	0.10	1.74	2.06	0.79
NG income collected by BTr	0.47	0.86	0.26	2.93	6.40	1.96
Fees and Other Charges	0.28	0.20	0.20	1.77	1.51	1.48
Others	0.55	0.33	0.29	3.40	2.49	2.22
Foreign Grants	0.00	0.00	0.00	0.01	0.00	0.00
Privatization	0.00	0.00	0.00	0.03	0.02	0.02

\* 2018-based

Source of basic data: 2021 BESF

Nevertheless, the BIR revenue collections will remain as the biggest contributor in 2021, i.e., at 70 percent of the total NG revenues. On the average, it constitutes about 68.8 percent of the total revenues in 2019-2021. When measured relative to GDP, it stands at about 9.8 percent, on the average, in 2019-2021. In contrast, the BOC revenue collections account for 3 percent of GDP, on the average, in the same period. BOC's share is projected to be 22.8 percent of total revenues in 2021.

On the other hand, nontax revenues are assumed to contribute a meager amount, i.e., about 6.5 percent of the total NG revenues. When measured relative to GDP, nontax revenue collections is forecast to decline from 1.67 percent in 2020 to only 0.85 percent in 2021. This holds true



for all its components. Nontax revenues' share to total NG revenues is projected to drop from about 12.5 percent in 2020 to 6.5 percent in 2021. Likewise, the share of its components, taken separately, to total revenues are expected to dip in the same period. Notably, the share of foreign grants is negligible in all years (Table 9).

#### 4.2. National Government Expenditures

The NG will continue its expansionary fiscal policy to help the economy reset, rebound, and recover. In particular, the proposed 2021 budget will “focus on preserving lives and livelihoods while facilitating economic recovery after the health crisis. Fiscal resources will be directed to help the nation reset by urgently addressing the pandemic, rebound by boosting infrastructure development and generating job opportunities, and rebuild by assisting communities to adapt to the post-pandemic life” (DBM 2020d, p.1). The proposed budget for 2021 is 9.9 percent higher than the proposed budget for 2020 (Table 10).

**Table 10. Comparative Analysis of the National Expenditure Program (NEP) by Sector, 2020-2021**

P A R T I C U L A R S	Level (PHP M)		(PHP M) Difference 2020-2021	Growth Rate 2020-2021	% Distribution	
	FY 2020	FY 2021			FY 2020	FY 2021
<b>ECONOMIC SERVICES</b>	1,183,680	1,347,210	163,530	13.8	28.87	29.90
Agriculture and Agrarian Reform	142,650	142,514	-136	-0.1	3.48	3.16
Natural Resources and Environment	27,888	27,189	-699	-2.5	0.68	0.60
Trade and Industry	10,256	10,559	303	3.0	0.25	0.23
Tourism	5,745	6,347	602	10.5	0.14	0.14
Power and Energy	6,096	14,123	8,027	131.7	0.15	0.31
Water Resources Dev't & Flood Control	70,101	87,552	17,451	24.9	1.71	1.94
Communications, Roads and Other Transport	630,272	748,447	118,175	18.7	15.37	16.61
Other Economic Services	40,576	40,708	132	0.3	0.99	0.90
Subsidy to Local Government Units	250,094	269,772	19,678	7.9	6.10	5.99
<b>SOCIAL SERVICES</b>	1,525,201	1,663,753	138,552	9.1	37.20	36.92
Education, Culture and Manpower Dev't	711,321	780,384	69,063	9.7	17.35	17.32
Health	168,896	212,385	43,489	25.7	4.12	4.71
Social Security, Welfare and Employment	370,727	378,746	8,019	2.2	9.04	8.41
Housing and Community Development	6,879	4,031	-2,848	-41.4	0.17	0.09
Land Distribution	100	100	0	0.0	0.00	0.00
Other Social Services	2,893	2,920	27	0.9	0.07	0.06
Subsidy to Local Government Units	264,385	285,187	20,802	7.9	6.45	6.33
<b>DEFENSE</b>	195,625	210,586	14,961	7.6	4.77	4.67
Domestic Security	195,625	210,586	14,961	7.6	4.77	4.67
<b>GENERAL PUBLIC SERVICES</b>	734,531	724,207	-10,324	-1.4	17.92	16.07
General Administration	192,321	157,163	-35,158	-18.3	4.69	3.49
Public Order and Safety	304,000	311,902	7,902	2.6	7.41	6.92
Other General Public Services	38,134	39,325	1,191	3.1	0.93	0.87
Subsidy to Local Government Units	200,075	215,817	15,742	7.9	4.88	4.79
<b>NET LENDING</b>	10,000	28,700	18,700	187.0	0.24	0.64
<b>DEBT-SERVICE-INTEREST PAYMENTS</b>	450,964	531,544	80,580	17.9	11.00	11.80
<b>GRAND TOTAL</b>	4,100,000	4,506,000	406,000	9.9	100.00	100.00

Source: 2020 BESF and 2021 BESF

The increases in budgetary allocation for almost all sectors (except for agriculture and agrarian reform, natural resources and environment, housing and community development, and general

administration) for FY 2021 are evident in Table 10. More specifically, the 2021 budget allocation for power and energy is more than 100-percent higher than the 2020 budget (i.e., 131.7%), albeit the budget share accounts for only 0.31 percent of the total 2021 budget. The budget for health posted a 25.7-percent increase in 2021. On the other hand, the budget allocation for water resources development and flood control, grew by almost 25 percent while that for communications, road, and other transport increased by 18.7 percent. In contrast, the budget allocation for housing and community development declined by 41.4 percent.

The biggest chunk (i.e., 36.9%) of the 2021 budget is allocated for social services sector, although the share declined from 37.2 percent in 2020. Education, culture, and manpower development is the top recipient within the social services sector, eating up about 46.9 percent of the total budget for the sector. Social security, welfare and employment gets the second largest share (i.e., 22.8%) while health receives only 12.8 percent. Relative to the total budget, education, culture, and manpower development accounts for 17.3 percent while social security, welfare and employment, and health represents 8.4 percent and 4.7 percent, respectively. On the other hand, economic services sector receives the second biggest portion (i.e., 29.9%) of the 2021 budget. Communications, roads, and other transport has the highest budget share (i.e., 55.6%) within the sector (Table 10). The high spending priority given to social services sector and economic services sector is consistent with the policy pronouncements of the government.

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 for FY 2021. Table 11 shows the comparable data for the top 10 departments/recipients in 2020 and 2021. Apparently, Education cluster and DPWH have retained their ranking in FY 2020 and FY 2021.

**Table 11. Top Ten Departments/Recipients, Cash-based, in billion Pesos**

DEPARTMENT/ RECIPIENT	2020 GAA		2020 Adjusted		2021 NEP	
	Amount	Rank	Amount	Rank	Amount	Rank
Education (DepEd, SUCs, CHED, TESDA)	692.6	1	650.2	1	754.4	1
DPWH	581.7	2	436.5	2	667.3	2
DILG	241.6	3	235.9	4	246.1	3
DND	192.1	5	179.7	5	209.1	4
DSWD	200.5	4	366.5	3	171.2	6
DOH	175.8	6	177.7	6	203.1	5
DOTr	100.6	8	84.2	8	143.6	7
DA	101	7	106.1	7	97.8	8
Judiciary	41.2	9	41.2	10	43.5	9
DOLE	17.9	17	23.5	13	27.5	10

Source: DBM (2020e)

The Department of the Interior and Local Government (DILG) and Department of National Defense (DND) are in the 3<sup>rd</sup> and 4<sup>th</sup> rank, respectively, in FY 2021. Apparently, these agencies get higher spending priority vis-à-vis DOH (ranked 5<sup>th</sup>) and DSWD (ranked 6<sup>th</sup>). This is not as expected as based on the pronouncements of the Duterte Administration, the greatest priority of the 2021 PB is to sustain and strengthen government efforts in responding to and recovering from the pandemic. In particular, the 2021 PB priorities will be (i) containment of the spread of the virus and mitigation of the effects of the pandemic; (ii) funding of a vaccine; (iii)

restarting the economy to create jobs and attract investments; and (iv) transition to the post-crisis recovery environment (DBM 2020a). In this light, DOH and DSWD are expected to get higher budgetary allocation over DILG and DND.

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. In addition, it is deemed important to examine closely the budget details of DILG and DND to find out whether they contribute to “reset, rebound, and recover” objectives of the 2021 budget. Moreover, there will be a discussion on the budgetary allocation for the DICT as the pandemic highlighted even more the importance of the planned “One Digitized Government” for the country.

### *DPWH Office of the Secretary (OSEC)*

DPWH OSEC’s proposed budget for 2021 is 25 percent higher than the 2020 proposed budget. The budget increase is equivalent to about PhP133B (Table 12). As in 2020, the budget allocation for operations accounts for the largest portion of the proposed budget for DPWH OSEC, i.e., almost 92 percent for FY 2021. Taking a closer look at DPWH’s budget, DPWH OSEC’s operations’ budget share stands at 87.4 percent of the total budget, on average in 2020-2021. The budget share is programmed to increase by 9.2 percent, i.e., from 82.8 percent in 2020 to about 92 percent in 2021.

In nominal terms, the budget allocation for operations will increase by PHP 171 billion in 2021 which is equivalent to a 39-percent increase when compared to the 2020 proposed budget. On the contrary, the budget allocation for support to operations will significantly drop by 50 percent, i.e., from 76.5% in 2020 to only 38% in 2021. Nevertheless, the higher budget allocation for operations spells significant improvement in budget allocation for most of its components.

In particular, the proposed budget for locally funded projects is expected to grow by 81.7 percent, i.e., from a low of PHP 97 billion in 2020 to a high of PHP 176.2 billion in 2021. Consequently, its budget share will increase from 18.2 percent in 2020 to 26.4 percent in 2021. Similarly, the different programs, activities, and projects (PAPs) under this budget item are expected to post significant growth in 2021, except for national bridges (Table 12). The improvement in budget allocation is remarkable for flood control and drainage (i.e., with budget increase equivalent to 382.6% in 2021); local roads (i.e., growth of about 142.5%); and local bridges (i.e., growth of about 116.7%).

Moreover, the proposed 2021 budget for PAPs under flood management services will be 31.8 percent higher than that in 2020. On the other hand, the proposed budget for PAPs related to ensuring safe and reliable national road system or network services will be bigger by PHP 57 billion in 2021, which is equivalent to 28 percent growth relative to that for FY 2020. Likewise, the budget share for this item will grow from 38 percent of the total DPWH OSEC’s proposed budget in 2020 to 39 percent of the same in 2021. More specifically, such improvement in budget favors most the PAPs under network development, which will get 67 percent of the total budget increase in 2021. On the other hand, the PAPs under the bridge program and asset preservation of national roads will receive 20 percent and 13 percent, respectively.

**Table 12. Summary of Proposed New Appropriations for DPWH OSEC (in billion pesos)**

	Proposed		Diff (2) - (1)	Inc/Dec In Percent	Share to total	
	2020 (1)	2021 (2)			2020 NEP	2021 NEP
GAS	15.00	15.24	0.24	1.61	2.81	2.29
Support to operations	76.54	38.13	-38.40	-50.17	14.35	5.72
Operations	441.97	613.10	171.14	38.72	82.84	91.99
<i>of which</i>						
1. Ensure Safe and Reliable National Road System/ National Road Network Services	203.80	260.86	57.06	28.00	38.20	39.14
Asset Preservation of National Roads	51.79	58.97	7.18	13.86	9.71	8.85
Network Development	119.14	157.46	38.33	32.17	22.33	23.63
Bridge Program	32.88	44.43	11.55	35.13	6.16	6.67
2. Protect lives and properties against major floods/ Flood Management Services	95.47	125.87	30.40	31.84	17.89	18.89
3: Convergence and Special Support Program/ Maintenance and Construction Services of other infra	45.73	50.22	4.49	9.81	8.57	7.54
Projects	96.96	176.16	79.20	81.68	18.17	26.43
Locally funded	96.96	176.16	79.20	81.68	18.17	26.43
<i>of which</i>						
Buildings and Other Structures	36.66	50.02	13.36	36.44	6.87	7.51
Flood Control and Drainage	6.20	29.91	23.71	382.57	1.16	4.49
National Roads	24.28	27.08	2.80	11.54	4.55	4.06
National Bridges	0.49	0.48	-0.01	-2.05	0.09	0.07
Local Roads	24.41	59.19	34.78	142.48	4.58	8.88
Local Bridges	2.69	5.84	3.15	116.72	0.51	0.88
Water Management	2.23	3.64	1.41	63.34	0.42	0.55
Total	533.50	666.47	132.98	24.93	100.00	100.00

Sources of raw data: 2020 NEP and 2021 NEP

According to DBCC (2020, p.11), “the government will realign expenditure priorities in 2020 and 2021 to facilitate the transition and adjustment to the “new normal”. In particular, Build Build Build projects will be prioritized based on the following criteria:

- i. Those with firm funding commitments
- ii. Most shovel-ready
- iii. Those with highest socioeconomic impact, foremost of which are health, education and digital infrastructure

The proposed budget for buildings and other structures (e.g., construction/ rehabilitation of school buildings) will increase from PHP 36.7 billion in 2020 to PHP 50 billion in 2021, i.e., equivalent to 36.4 percent growth (Table 12). In the final analysis, the increases in budget allocation for the various PAPs under operations will support the government’s efforts to help the economy rebound from the pandemic.

#### *DepED Office of the Secretary (OSEC)*

DepED OSEC’s budget is proposed to increase from PHP 518 billion in 2020 to PHP 568 billion in 2021, which is equivalent to 9.6 percent growth (Table 13). Taking a closer look at its proposed budget for 2021, about 97 percent is allotted to operations (i.e., vis-à-vis 98% in

2020). A meager portion is allocated for support to operations (i.e., 0.7% in 2020 and 0.57% in 2021) and general administration (i.e., 1.56% in 2020 and 2.61% in 2021). Although the share of operations to total DepED OSEC's budget declined in 2021, the increase in budget allocation amounts to PHP 43.5 billion in nominal terms. It is 8.6 percent increase relative to the proposed 2020 budget. In contrast, there is significant increase of about 83.4% in the budget allocation for general administration, thus increasing the budget share from 1.6 percent in 2020 to 2.6 percent in 2021. It can be attributed to DepED's effort to adjust to the new normal. On the contrary, budget allocation for support to operations is programmed to decline by 11 percent.

Under operations, support to schools and learners program will take up 85 percent of the 2021 budget for operations and 82.3 percent of the total DepED OSEC's budget (Table 13). Just like in previous years, the largest share of this budget is allocated for elementary (Kinder to Grade 6) and junior high school (Grade 7 to Grade 10) [Cuenca 2019; Cuenca 2020]. In particular, more than 50 percent of the share for this budget item will finance PAPs under elementary and about 30 percent will support PAPs under junior high school. Apparently, the budget allocation for elementary and junior high school will increase in 2021 relative to that in 2020. In 2021, budgetary support for elementary and junior high school will be higher by PHP 25.8 billion and PHP 16.5 billion, respectively. On the contrary, budget allocation for voucher program for private senior high school will be lower by PHP 5 billion due to expected lower enrolment.

Likewise, the budget share of basic education inputs program is set to decline by PHP 11 billion in 2021, which is equivalent to a 16.3 percent budget reduction relative to 2020. Subsequently, the share to total DepED OSEC's budget will dip from 13 percent in 2020 to only 10 percent in 2021. The budget allocation for this program has been declining in recent years, i.e., from about 33 percent, on the average in 2017-2018 to 15.5 percent in 2019 and 13 percent in 2020 (Cuenca 2018, Cuenca 2020). A closer examination of the budget for this program shows that basic education facilities will receive the brunt of the budget cut in 2021. From PHP 36 billion in 2020, the said subprogram is programmed to receive only PHP 24 billion in 2021, which is equivalent to 33 percent budget reduction.

On the contrary, the inclusive education program will get additional budget of PHP 14.6 billion, which significantly increases its budget by 1,353 percent. Subsequently, its budget share will grow from 0.21 percent in 2020 to 2.8 percent of the total budget for DepED OSEC (Table 13). Under this program, flexible learning options account for the biggest chunk of the PHP 15.6 billion budget in 2021 which include the printing of learning materials and modules that are needed to adapt to the new normal.

**Table 13. Summary of Proposed New Appropriations for DepEd OSEC (in billion pesos)**

	Proposed		Diff (2) - (1)	Diff In Percent	Share to total	
	2020 NEP (1)	2021 NEP (2)			2020 NEP	2021 NEP
GAS	8.09	14.83	6.75	83.39	1.56	2.61
Support to operations	3.62	3.22	-0.40	-11.09	0.70	0.57
Operations	506.47	549.96	43.48	8.59	97.74	96.82
<i>of which</i>						
1. Education Policy Development Program	7.75	7.93	0.18	2.36	1.49	1.40
2. Basic Education Inputs Program	67.81	56.78	-11.03	-16.27	13.09	10.00
<i>of which</i>						
Learning Tools and Equipment	2.72	2.72	0.00	0.00	0.52	0.48
Basic Education Facilities	36.01	24.15	-11.86	-32.94	6.95	4.25
Quick Response Fund	2.00	2.00	0.00	0.00	0.39	0.35
Creation and Filling up of Positions	15.10	15.93	0.82	5.46	2.91	2.80
Textbooks/Instructional Materials	0.96	0.96	0.00	0.00	0.19	0.17
DepED Computerization Program	8.99	9.00	0.00	0.02	1.74	1.58
3. Inclusive Education Program	1.08	15.64	14.56	1,353.40	0.21	2.75
4. Support to Schools and Learners Program	427.93	467.72	39.79	9.30	82.58	82.34
<i>of which</i>						
Elementary (Kinder to Grade 6)	227.04	252.82	25.78	11.35	43.82	44.51
Junior High School (Grade 7 to Grade 10)	122.52	139.02	16.50	13.47	23.64	24.48
Senior High School (Grade 11 to Grade 12)	32.48	37.41	4.93	15.18	6.27	6.59
School-Based Feeding Program (SBFP)	5.97	5.97	0.00	0.00	1.15	1.05
Education Service Contracting (ESC) Program for Private Junior High Schools	10.67	10.67	0.00	0.00	2.06	1.88
Voucher Program for Private Senior HS	18.76	13.69	-5.06	-26.99	3.62	2.41
Voucher Program for Non-DepEd Public Senior HS	0.59	0.74	0.15	25.33	0.11	0.13
Joint Delivery Voucher for Senior HS TecVoc and Livelihood Specialization	1.16	1.16	0.00	0.00	0.22	0.20
5. Education Human Resource Development Program	1.91	1.89	-0.01	-0.67	0.37	0.33
Total	518.18	568.01	49.83	9.62	100.00	100.00

Sources of raw data: 2020 NEP and 2021 NEP

### DSWD Office of the Secretary

DSWD OSEC's proposed budget is programmed to increase by 12.6 percent, i.e., from PHP 156.6 billion in 2020 to PHP 169.2 billion in 2021 (Table 14). The biggest proportion of its budget is allocated for operations (i.e., 98.6% in 2020 and 98.8% in 2021), thus leaving a small portion for general administration (i.e., 0.54% for both years) and support to operations (i.e., 0.83% in 2020 and 0.68% in 2021). Notably, the budget allocation for support to operations is set to decline by 11.4 percent in 2021. Nevertheless, its budget component, namely the National Household Targeting System for Poverty Reduction will have higher budget in 2021, which is equivalent to 5 percent growth.

Under operations, bulk (i.e., 72%) of the budget will go to Promotive Social Welfare Program, which includes Pantawid Pamilyang Pilipino Program (4Ps) and Sustainable Livelihood Program (SLP). There is significant improvement in the budget allocation for SLP, which is set to increase by 42.4 percent, i.e., from PHP 3 billion in 2020 to PHP 4.3 billion in 2021. Nevertheless, the budget increase is larger for 4Ps (i.e., PHP 5 billion vis-à-vis PHP 1.3 billion for SLP) when viewed in nominal terms. Overall, 4Ps will account for 95 percent of the total budget for this program and 67.3 percent of the total budget for DSWD OSEC. It tops all DSWD OSEC programs which is aligned with the passage of the 4Ps law in 2019. On the contrary, the foreign-assisted project called KALAHI-CIDSS will not receive any allocation in 2021. However, the locally funded KALAHI-CIDSS, which did not get any budget allocation in 2020 will get PHP 2.2 billion in 2021.

The second biggest share of the total budget goes to Protective Social Welfare Program, which represents 24.5 percent of the total budget. About 56 percent of this budget share is allocated for social pension for indigent senior citizens, which is under the social welfare for senior citizens subprogram. It accounts for 13.7 percent of the total budget. In response to the pandemic, the budget for protective program for individuals and families in especially difficult circumstances will be higher by PHP 4.7 billion in 2021, which is equivalent to 63.1 percent budget increase.

More specifically, the budget for protective services for individuals and families in difficult circumstances will rise from a low of PHP 6.6 billion in 2020 to a high of PHP 12 billion in 2021, which is almost 82 percent budget increase. On the contrary, locally funded projects will incur budget reduction amounting to PHP 0.7 billion in 2021, i.e., a dramatic decline of about 77.7 percent. Taking a closer at the budget, the significant reduction in budgetary allocation is associated with the zero-budget allocation for the tax reform cash transfer project for FY 2021. It indicates discontinuance of the said project in 2021.

The remaining portion of the budget allocation for DSWD OSEC's budget is thinly distributed 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 0.05 percent, 0.03 percent, and 0.01 percent of the OSEC budget, respectively. An important program such as disaster response and management program represents only 2.5 percent of the budget, which is lower than the budget share of 2.7 percent in 2020.

**Table 14. Summary of Proposed New Appropriations for DSWD OSEC (in billion pesos)**

	Proposed		Diff (2) - (1)	Diff In Percent	Share to total	
	2020 NEP (1)	2021 NEP (2)			2020 NEP	2021 NEP
GAS	0.85	0.91	0.1	6.73	0.54	0.54
Support to Operations	1.29	1.15	-0.1	-11.37	0.83	0.68
<i>of which</i>						
National Household Targeting System for Poverty Reduction/NHTS-PR	0.14	0.15	0.0	5.74	0.09	0.09
Operations	154.42	167.10	12.7	8.21	98.63	98.79
<i>of which</i>						
<i>Well-being of Poor Families Improved</i>						
1. Promotive Social Welfare Program	112.76	120.28	7.5	6.66	72.02	71.10
<i>of which</i>						
Pantawid Pamilya (Implementation of Conditional Cash Transfer)	108.77	113.80	5.0	4.63	69.47	67.3
Sustainable Livelihood Program	3.00	4.27	1.3	42.36	1.92	2.52
Foreign-Assisted Project(s)						
KALAH-I-CIDSS: National Community Driven Development Project	1.00	0.00	-1.0	-100.00	0.64	0.00
Locally-Funded Projects						
KALAH-I-CIDSS: Kapangyarihan at Kaunlaran sa Barangay	0.00	2.21	2.2		0.00	1.30
<i>Rights of the Poor and Vulnerable Sectors Promoted and Protected</i>						
2. Protective Social Welfare Program	36.43	41.41	5.0	13.67	23.27	24.48
<i>of which</i>						
Residential and Non-Residential Care Sub-Program:	1.87	1.98	0.1	6.06	1.19	1.17
Services for residential and center-based clients						
Supplementary Feeding Subprogram:	3.60	3.70	0.1	2.78	2.30	2.19
Supplementary Feeding Program						
Social Welfare for Senior Citizens Subprogram	23.29	23.32	0.0	0.13	14.88	13.79
<i>of which</i>						
Social Pension for Indigent Senior Citizens	23.18	23.19	0.0	0.01	14.81	13.71
Implementation of R.A. No. 1086B or the Centenarians Act of 2016	0.11	0.14	0.0	24.48	0.07	0.08
Protective Program for Individuals and Families in Especially	7.50	12.23	4.7	63.11	4.79	7.23
Difficult Circumstances						
<i>of which</i>						
Protective services for individuals and families in difficult circumstances	6.61	12.03	5.4	81.99	4.22	7.11
Assistance to Persons with Disability and Older Persons	0.01	0.01	0.0	1.80	0.01	0.01
Locally-Funded Project(s)	0.88	0.20	-0.7	-77.73	0.56	0.12
<i>of which</i>						
Comprehensive Project for Street Children, Street Families and IP's	0.03	0.03	0.0	1.80	0.02	0.02
Reducing Vulnerabilities of Children from Hunger and Malnutrition	0.16	0.16	0.0	1.80	0.10	0.10
in ARMM or Bangsamoro Umpungan sa Nutrisyon (BangUN)						
Tax Reform Cash Transfer Project	0.69	0.00	-0.7	-100.00	0.44	0.00
Social Welfare for Distressed OFWs and Trafficked Persons Subprogram	0.17	0.17	0.0	1.56	0.11	0.10
<i>of which</i>						
Services to Distressed Overseas Filipinos	0.09	0.09	0.0	1.36	0.06	0.05
Services to Displaced Persons (Deportees)	0.05	0.05	0.0	1.80	0.03	0.03
Recovery and Reintegration Program for Trafficked Persons	0.02	0.02	0.0	1.80	0.02	0.01
<i>Immediate Relief and Early Recovery of Disaster Victims/Survivors Ensured</i>						
3. Disaster Response and Management Program	4.15	4.28	0.1	3.01	2.65	2.5
<i>of which</i>						
Assistance to victims of disasters and natural calamities	1.89	2.02	0.1	6.56	1.21	1.19
Locally funded projects	0.96	0.96	0.0	0.00	0.61	0.57
Peace and Development						
Implementation and Monitoring of Payapa at Masaganang Pamayanan	0.96	0.96			0.61	0.57
(PAMANA) Program - Peace and Development Fund						
<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	0.0	4.10	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	1.02	1.08	0.1	6.10	0.65	0.64
Total	156.56	169.15	12.6	8.04	100.00	100.00

Sources of raw data: 2020 NEP and 2021 NEP



## *DOH Office of the Secretary (OSEC)*

DOH OSEC's budget is set to increase from a low of PHP 88.3 billion in 2020 to a high of PHP 127.3 billion in 2021. The budget improvement is equivalent to 39 percent growth (Table 15). The significant increase in budgetary allocation for DOH OSEC is expected given the pronouncement of the government on the focus of the 2021 proposed budget. In particular, the government is resolute primarily to contain the spread of the virus and mitigate the effects of the pandemic as well as to fund a vaccine.

A close examination of the budget suggests that the budget for general administration will increase from PHP 6.6 billion in 2020 to PHP 8 billion in 2021 (i.e., equivalent to 22% growth). On the contrary, the budget for support to operation will dip from PHP 2.4 billion in 2020 to PHP 1.8 billion in 2021, thus reducing the budget for support to operations by almost 26 percent. In contrast, the budget for operations will rise from a low of PHP 79 billion in 2020 to PHP 117 billion in 2021, thus increasing the budget for operations by 48 percent. Overall, operations account for 92.2 percent of the total DOH OSEC's budget for 2021 (i.e., vis-à-vis 89.7% in 2020).

The budget improvement favors various programs such as health systems strengthening program, social health protection program, and public health program. The budget allocation for health systems strengthening program will significantly increase from PHP 9.6 billion in 2020 to PHP 22.6 billion in 2021, which is equivalent to 134 percent growth (Table 15). Notably, one of its components, namely health human resource subprogram will grow from a low of PHP 2.6 billion in 2020 to a high of PHP 16.7 billion in 2021, thus representing 540 percent growth. Subsequently, this subprogram will account for 13 percent of the total DOH OSEC's budget in 2021 (i.e., vis-à-vis 3% in 2020). Human resources for health (HRH) deployment aims to "strengthen the capacity of the primary health care workforce and to support national and local health systems through the deployment of 23,364 HRH (744 Doctors, 16,675 Nurses, 4,538 Midwives, 222 Dentists, 303 Pharmacists, 200 Nutritionist-Dietitians, 601 Medical Technologists, 81 Physical Therapists) and provision of 3,492 scholarship grants" (DOH 2020, p.17).

On the contrary, service delivery subprogram will incur budget reduction of about PHP 0.84 billion in 2021. Under this subprogram, health facilities enhancement program (HFEP) will bear the brunt of the budget drop. In nominal terms, budget for HFEP will dip by PHP 1.1 billion in 2021. The budget reduction in 2021 is equivalent to 19 percent relative to 2020. From 6.7 percent of the total DOH OSEC's budget in 2020, it will account for only 3.8 percent of the same in 2021. According to DOH (2020), the HFEP budget will be used to purchase various equipment worth PHP 4.68 billion meant for 1,633 health facilities (e.g., 1,076 barangay health stations (BHS), 250 rural health units/RHUs, 1 polyclinic, 236 local government unit (LGU) hospitals, and 70 DOH hospitals). In addition, it will be used to procure ten ambulances worth PHP 25 million that will benefit ten health facilities (i.e., 9 RHUs and 1 LGU hospital); and to defray the cost (i.e., PHP 82 million) of monitoring and evaluation of HFEP implementation activities.

**Table 15. Summary of Proposed New Appropriations for DOH OSEC (in billion pesos)**

	Proposed		Diff (2) - (1)	Diff In Percent	Share to total	
	2020 NEP (1)	2021 NEP (2)			2020 NEP	2021 NEP
GAS	6.64	8.09	1.45	21.89	7.52	6.36
Support to Operations	2.43	1.81	-0.62	-25.68	2.76	1.42
Operations	79.19	117.39	38.20	48.23	89.72	92.22
<i>of which:</i>						
1. Health Policy and Standards Development Program	0.29	0.26	-0.04	-13.22	0.33	0.20
2. Health Systems Strengthening Program	9.64	22.57	12.93	134.05	10.92	17.73
<i>of which</i>						
2.a. Service Delivery Subprogram	6.44	5.59	-0.84	-13.13	7.29	4.39
<i>of which:</i>						
Health Facility Policy and Plan Development	0.18	0.17	0.00	-1.43	0.20	0.14
Health Facilities Enhancement Program	5.90	4.78	-1.11	-19	6.68	3.76
Local Health Systems Development and Assistance	0.26	0.35	0.09	34.37	0.30	0.28
Pharmaceutical Management	0.10	0.28	0.18	182.65	0.11	0.22
2.b. Health Human Resource Subprogram	2.61	16.72	14.11	540.93	2.96	13.14
2.c. Health Promotion	0.60	0.25	-0.34	-57.49	0.68	0.20
3. Public Health Program	16.99	27.73	10.73	63.17	19.25	21.78
<i>of which:</i>						
Public Health Management	3.92	3.86	-0.06	-1.50	4.45	3.04
Operation of PNAC Secretariat	0.01	0.03	0.02	128.45	0.02	0.03
Environmental and Occupational Health	0.00	0.00	0.00	1.83	0.00	0.00
Family Health, Immunization, Nutrition, and Responsible Parenting	9.77	12.20	2.42	24.80	11.07	9.58
Prevention and Control of Communicable Diseases	2.76	5.99	3.23	117.16	3.12	4.70
Assistance to Philippine Tuberculosis Society (PTS)	0.01	0.01	0.00	1.80	0.02	0.01
Prevention and Control of Non-Communicable Diseases	0.51	0.37	-0.14	-26.65	0.58	0.29
FAPs:						
Health System Enhancement to Address and Limit (HEAL) COVID-19	0.00	4.21	4.21		0.00	3.30
Philippines COVID-19 Emergency Response Project (ERP) (Loan No. 9105-PH)	0.00	1.05	1.05		0.00	0.83
4. Epidemiology and Surveillance Program	0.12	0.11	0.00	-2.48	0.13	0.09
5. Health Emergency Management Program	0.73	0.78	0.05	7.27	0.83	0.62
6. Health Facilities Operation Program	41.10	47.70	6.61	16.08	46.56	37.48
7. Health Regulatory Program	0.88	0.93	0.05	5.92	1.00	0.73
8. Social Health Protection Program	9.44	17.31	7.87	83.34	10.70	13.60
Total	88.26	127.29	39.03	44.22	100.00	100.00

Sources of raw data: 2020 NEP and 2021 NEP

The budget increase for local health systems development and assistance (i.e., PHP 0.09 billion equivalent to 34.4% growth) and pharmaceutical management (i.e., PHP 0.18 billion equivalent to 182.7% growth) combined is much less than the budget reduction for HFEP, thus in total, budget for service delivery subprogram deteriorated by 13.1 percent (Table 15). The budget for local health systems development and assistance will be used to provide assistance to 58 Universal Health Care (UHC) integration sites in their effort to integrate their local health systems into province-wide and city-wide health systems and also, to provide technical assistance and capacity building to strengthen local health systems of all LGUs. On the other

hand, the budget for pharmaceutical management will be used to procure essential medicines for Botika ng Bayan and Botika ng Bayani (DOH 2020).

In the same manner, budget for health promotion will drop by PHP 0.34 billion in 2021, with even sharper budget reduction (i.e., 57.5%) when compared to that for HFEP (i.e., 19%). The budget for health promotion will be directed to ongoing health promotion activities at the national and regional level. DOH (2020) underscores that the proposed budget for health promotion in 2021 is insufficient to cover any additional funding requirements for the National Risk Communication and Community Engagement Plan in the light of the lower immunization rates due to the pandemic.

On the other hand, the budget allocation for social health protection program is set to grow from PHP 9.4 billion in 2020 to PHP 17.3 billion in 2021, thus accounting for 83.3 percent growth (Table 15). Dubbed as Medical Assistance for Indigent Patients (MAIP), the program basically provides assistance to indigent patients either confined or out-patient in government hospitals (e.g., specialty hospitals, LGU hospitals, Philippine General Hospital, or West Visayas State University Hospital).

On the one hand, public health program will be PHP 10.7 billion higher in 2021, which is equivalent to 63.2 percent growth. Budget improvement is particularly remarkable for operation of the PNAC Secretariat (i.e., 128.5%), and prevention and control of communicable diseases (i.e., 117.2%). In nominal terms, the budget increase is greater for the prevention and control of communicable diseases which stands at PHP 3.2 billion. It will help defray the cost of personal protective equipment/PPE (i.e., PHP 2.67 billion) and GeneXpert COVID-19 testing cartridges (i.e., PHP 1.03 billion) that will be procured in 2021 (DOH 2020).

In addition, DOH OSEC will implement two foreign-assisted projects (FAPs) under the public health program, in response to the pandemic. More specifically, Health System Enhancement to Address and Limit (HEAL) COVID-19 will have a budget of PHP 4.2 billion while Philippines COVID-19 Emergency Response Project (ERP) will get PHP 1 billion. The former will account for 3.3 percent while the latter 0.83 percent of the total OSEC's budget for 2021. These are the only FAPs (i.e., comprising 4.1% of the total 2021 OSEC budget) that are specifically associated with COVID-19 pandemic.

Moreover, the budget allocation for critical programs such as family health, immunization, nutrition, and responsible parenting will increase from PHP 9.8 billion in 2020 to PHP 12.2 billion in 2021. The budget improvement is equivalent to about 25 percent growth and PHP 2.4 billion, in nominal terms. It is inadequate to cover the cost (i.e., PHP 2.5 billion) of COVID-19 vaccines that will be administered to priority target groups (e.g., medical frontliners in public hospitals, DOH, Bureau of Jail Management and Penology, Bureau of Corrections, DepED, DSWD, and uniformed personnel in Philippine National Police and Armed Forces of the Philippines, as well as indigent senior citizens) [DOH 2020].<sup>10</sup> The shortfall will compete with the regular PAPs (e.g., national immunization, micronutrient supplementation, management of acute malnutrition in vulnerable population, and family planning) under this budget item. On the contrary, the budget for prevention and control of non-communicable disease will decline by almost 27 percent in 2021. The same holds true for public health management, albeit with minimal budget reduction, i.e., 1.5 percent (Table 15).

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<sup>10</sup> COVID-19 vaccination will cover 3.8 million individuals. Three million of which are indigent senior citizens.

Further, the budget allocation for other programs under operations are also programmed to increase. These programs include health emergency management program (i.e., with 7.3% increase), health facilities operation program (i.e., with 16% increase), and health regulatory program (i.e., 5.9% increase). Among these 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% in 2020 and 37.5% in 2021). The budget for this program will grow by 16 percent in 2021, i.e., equivalent to PHP 6.6 billion relative to 2020 NEP.

About 97.3 percent of this budget is allotted for curative health care subprogram. The said subprogram includes operations of DOH specialty hospitals in Metro Manila as well as DOH regional hospitals and other health facilities, which account for almost 99 percent of the budget for the said subprogram. The remaining proportion of the budget for this subprogram is allocated for the operations of blood centers (i.e., accounting for almost 0.62%) and operations of national reference laboratories (i.e., accounting for 0.62%). Based on DOH (2020, p.20), the budget allocation for the former is “inadequate to sustain current operations of national, subnational and regional blood centers in addressing the convalescent plasma transfusion needs of critical COVID-19 patients.” Likewise, the budget allocation for the latter “does not include additional funding requirements for the operations, laboratory consumables, and HRH augmentation for COVID-19 testing needs of the entire public laboratory network.” In this light, the proposed budget for DOH OSEC for FY 2021 is insufficient to cover the funding requirements for COVID-19-related PAPs.

## DILG

As mentioned earlier, DILG ranks 3<sup>rd</sup> in the top ten departments/recipients in the proposed 2021 budget (Table 11). Just like in 2020, the main driver of costs in DILG for FY 2021 is the Philippine National Police (PNP), which accounts for almost 78 percent of the total DILG budget (Table 16). In contrast, DepED OSEC and DOH OSEC get the largest chunk of the budget for the education and health sectors.

**Table 16. Summary of Proposed New Appropriations for DILG (in billion pesos)**

	2020 NEP (1)	2021 NEP (2)	Diff (2) - (1)	Diff In Percent	Share to Total 2020 NEP	Share to Total 2021 NEP
A. Office of the Secretary	6.79	6.69	-0.11	-1.57	2.88	2.74
B. Bureau of Fire Protection	22.72	23.60	0.88	3.88	9.62	9.66
C. Bureau of Jail Management and Penology	18.60	19.82	1.22	6.57	7.87	8.11
D. Local Government Academy	0.25	0.26	0.01	3.39	0.11	0.11
E. National Commission on Muslim Filipinos	0.64	0.69	0.05	8.05	0.27	0.28
F. National Police Commission	1.77	1.85	0.08	4.38	0.75	0.76
G. National Youth Commission	0.12	0.13	0.01	10.13	0.05	0.05
H. Philippine Commission on Women	0.11	0.11	0.00	0.68	0.05	0.04
I. Philippine National Police	184.60	190.52	5.92	3.21	78.15	77.98
J. Philippine Public Safety College	0.62	0.64	0.02	2.93	0.26	0.26
<b>Total</b>	<b>236.22</b>	<b>244.31</b>	<b>8.08</b>	<b>3.42</b>	<b>100.00</b>	<b>100.00</b>

*Sources of rawdata: 2020 NEP and 2021 NEP*

Apparently, the PNP’s budget will be higher by 3.21 percent (i.e., equivalent to almost PHP 6 billion in nominal terms) relative to 2020. In this sense, the proposed 2021 budget favors PNP the most among all attached agencies of the DILG. A closer look at the PNP budget suggests

that crime prevention and suppression program has the biggest share (i.e., 84.8% in 2020 and 86.8% in 2021) of the PNP budget. From PHP 156.6 billion in 2020, the budget for this PNP program is set to rise by PHP 8.8 billion with a concomitant budget drop amounting to almost PHP 3 billion for general administration and support (Table 17). Almost 71 percent (i.e., equivalent to PHP 6.2 billion) of this budget increase will fund the conduct of police patrol operations and other related confidential activities against a number of crimes.

**Table 17. Summary of Proposed New Appropriations for PNP (in billion pesos)**

	Proposed		Diff (2) - (1)	Diff In Percent	Share to total	
	2020 NEP (1)	2021 NEP (2)			2020 NEP	2021 NEP
GAS	25.79	22.80	-2.99	-11.59	13.97	11.97
Support to Operations	0.45	0.48	0.04	8.41	0.24	0.25
Operations	158.36	167.24	8.87	5.60	85.79	87.78
of which						
OO : Community safety improved	158.36	167.24	8.87	5.60	85.79	87.78
CRIME PREVENTION AND SUPPRESSION PROGRAM	156.60	165.40	8.80	5.62	84.83	86.81
of which						
Conduct of procurement, transport, storage and distribution of supplies and materials, including the maintenance of equipment and facilities	11.31	12.06	0.75	6.62	6.13	6.3
Conduct of police patrol operations and other related confidential activities against dissidents, subversives, lawless elements and organized crime syndicates and campaign against kidnapping, trafficking of women and minors, etc	142.51	148.74	6.24	4.38	77.20	78.07
Conduct of intelligence and counterintelligence activities	1.14	1.15	0.01	1.21	0.62	0.61
Conduct of community awareness, public relations activities and community work and development, including disaster preparedness, community organization and mobilization, community development, relief operations and others	0.33	0.35	0.01	4.09	0.18	0.18
Project(s)	0.00	0.00	0.00		0.00	0.00
Locally-Funded Project(s)						
Construction of Police Stations	0.10	0.10	0.00	0.00	0.05	0.05
PNP Project Convergence on Manila Bay Rehabilitation	0.03	0.03	0.00	0.00	0.01	0.01
Philippine Anti-Illegal Drugs Strategy	0.55	0.55	0.00	0.00	0.30	0.29
Construction of Philippine National Police Medical Plaza	0.63	1.15	0.51	81.05	0.34	0.60
End of Local Communist Armed Conflict (ELCAC)	0.00	1.08	1.08		0.00	0.57
PNP Intelligence Analytics Center	0.00	0.01	0.01		0.00	0.01
PNP Smart Camps	0.00	0.11	0.11		0.00	0.06
Establishment of PNP Information Technology Center	0.00	0.04	0.04		0.00	0.02
Police Community Relations Management Information System (e-PCRMIS)	0.00	0.00	0.00		0.00	0.00
Establishment of Crime Lab Information Management System (CLIMS) Portal	0.00	0.01	0.01		0.00	0.01
PNP Intelligence Operations Command, Control and Communication Center	0.00	0.00	0.00		0.00	0.00
CRIME INVESTIGATION PROGRAM	0.69	0.72	0.03	4.05	0.38	0.38
of which						
Conduct of criminal investigation and other related confidential activities	0.69	0.72	0.03	4.05	0.38	0.38
POLICE EDUCATION PROGRAM	1.07	1.12	0.05	4.42	0.58	0.59
of which						
Research and Development Activities	0.00	0.00	0.00	52.80	0.00	0.00
Education and Training Program	1.07	1.11	0.05	4.28	0.58	0.58
Total	184.60	190.52	5.92	3.21	100.00	100.00

Sources of raw data: 2020 NEP and 2021 NEP

In addition, PNP will implement new locally funded projects in 2021. Among these projects, the end local communist armed conflict (ELCAC) project is the top priority with budget allocation of almost PHP 1.1 billion for 2021. Based on DBM (2020e), the DILG budget for ELCAC forms part of a much bigger budget (i.e., PHP 19 billion in 2021) for the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC). The NTF-ELCAC budget includes support to the Barangay Development Program (Local Government Support Fund) and ELCAC budget of the Department of Agriculture, Department of Agrarian Reform,

DSWD, and DILG. NTF-ELCAC is one of the recovery programs of the government that are meant to help the country adapt to the post-pandemic life.

## DND

DND follows DILG in ranking of top ten departments/recipients (Table 11). Its budget is programmed to increase from a low of PHP 188.7 billion in 2020 to a high of PHP 208.7 billion in 2021 (i.e., equivalent to about 10.6 percent budget improvement). The budget increase is a considerable amount, i.e., PHP 20 billion in nominal terms (Table 18). The largest proportion (i.e., 43%) of this budget increase will go to General Headquarters, AFP and AFP-wide Service Support Units (AFPWSSUS). It is equivalent to about 23.5 percent budget growth in 2021 relative to 2020.

**Table 18. Summary of Proposed New Appropriations for DND (in billion pesos)**

	2020 NEP (1)	2021 NEP (2)	Diff (2) - (1)	Diff In Percent	Share to Total	
					2020 NEP	2021 NEP
A. Office of the Secretary	0.52	0.50	-0.01	-2.87	0.27	0.24
B. Government Arsenal	1.29	1.30	0.01	0.97	0.68	0.62
C. National Defense College of the Philippines	0.11	0.10	-0.01	-8.09	0.06	0.05
D. Office of Civil Defense	1.21	1.19	-0.02	-1.38	0.64	0.57
E. Philippine Veterans Affairs Office (Proper )	0.57	0.60	0.03	4.91	0.30	0.29
F. Veterans Memorial Medical Center	1.65	1.75	0.10	5.87	0.88	0.84
G. Philippine Army (Land Forces)	91.51	96.83	5.31	5.80	48.51	46.39
H. Philippine Air Force (Air Forces)	25.94	29.80	3.87	14.91	13.75	14.28
I. Philippine Navy (Naval Forces)	29.03	31.15	2.13	7.32	15.39	14.93
J. General Headquarters, AFP and AFP-Wide Service Support Units (AFPWSSUS)	36.83	45.48	8.65	23.49	19.52	21.79
<b>Total</b>	<b>188.65</b>	<b>208.71</b>	<b>20.05</b>	<b>10.63</b>	<b>100.00</b>	<b>100.00</b>

Sources of rawdata: 2020 NEP and 2021 NEP

In contrast, about 26 percent of the budget increase will be allotted to the Philippine Army (Land Forces). Although the Philippine Army's budget increase is not as much as that for AFPWSSUS, the Philippine Army retains its biggest share (i.e. 48.5% in 2020 and 46.4% in 2021), of the total DND budget. AFPWSSUS accounts for 21.8 percent while Philippine Navy (Naval Forces) and Philippine Air Force (Air Forces) represent 14.9 percent and 14.3 percent, respectively of the total budget. The budget allocation for these DND-attached agencies comprises 97.4 of the total DND budget. A meager portion is left for the other attached agencies (Table 18).

## DICT Office of the Secretary (OSEC)<sup>11</sup>

As emphasized earlier, the pandemic highlighted the importance of “One Digitized Government.” The proposed 2021 budget recognizes this as it considers DICT's Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) as one of the

<sup>11</sup> Submitted to the Senate of the Philippines on July 17, 2020 as comments on the Senate Resolution No. 409 entitled, “Resolution directing the Senate Committee on Finance to conduct an inquiry, in aid of legislation, to determine the budgetary requirements of the government to utilize innovative digital technologies and accelerate the build-up of telecommunications infrastructure towards improving governance, socio-economic development, and prompt delivery of services to the Filipino people”

programs that will help the economy rebound (DBM 2020e). Nevertheless, the DICT is not among the top 10 departments/recipients in the 2021 President's Budget.

This sub-section provides analysis of the budgetary requirements of the government to utilize innovative digital technologies and accelerate the build-up of telecommunications infrastructure towards improving governance, socio-economic development, and prompt delivery of services to the Filipino people. The Philippine Development Plan (PDP) 2017-2022 recognizes the "ICT as a vital tool for nation-building and good governance." In this regard, "the government will ensure that the country's ICT infrastructure and services are available, accessible, and reliable, trusted and affordable" (NEDA 2017, p. 308).

The government's priority strategies in ICT development include: (i) expansion of the deployment of ICT infrastructure and addressing the gaps in digital connectivity; (ii) continuity in enhancing the country's e-government system as a vital tool for good governance; and (iii) institution of reforms in the policy and regulatory frameworks. In previous years, the government implemented the e-Government Master Plan 2013-2016, which enabled the Integrated Government Philippines Project to provide infrastructure, data centers, and other support systems to improve e-government system in the country (NEDA 2017).

The passage on May 23, 2016 of Republic Act (RA) No. 10844, otherwise known as the "Department of Information and Communications Technology (DICT) Act of 2015," created the DICT and defined its powers and functions. In particular, Section 2 of RA 10844 specifies the policy of the State that includes, among others the following:

- i. To recognize the vital role of information and communications in nation-building
- ii. To ensure the provision of strategic, reliable, cost-efficient, and citizen-centric ICT infrastructure, systems and resources as instruments of good governance and global competitiveness
- iii. To promote the use of ICT for the enhancement of key public services, such as education, public health and safety, revenue generation, and socio-civic purposes

Section 5 of RA 10844 stipulates that the DICT "shall be the primary policy, planning, coordinating, implementing, and administrative entity of the Executive Branch of the government that will plan, develop, and promote the national ICT development agenda. As the government's primary agency that promotes the adoption of ICT Enabled Services (ICT-ES), the DICT launched the E-Government Master Plan (EGMP) 2022, which serves as the blueprint for a harmonized government information system. It sets out the DICT's plan to develop the country's e-Government systems through the digital transformation of basic services that cut across the whole-of-government. The ultimate goal is to have "One Digitized Government" for the country (DICT 2019).

EGMP 2022 is the successor of the EGMP 2013-2016, which built on previous ICT plans. The underlying building blocks for e-Government in the country have remained the same but the e-Government ecosystem have changed significantly with the three (3) agencies now attached to the DICT, namely, the National Privacy Commission (NPC), the National Telecommunications Commission (NTC), and the Cybercrime Investigation and Coordination Center (CICC). EGMP 2022 was formulated in support of the DICT's mission to achieve "One Digitized Government" for the country. In this regard, there is a need to "harmonize and coordinate all

ICT initiatives to optimize available government ICT resources, encourage information, and resource-sharing and database-building, and ensure the development and protection of an integrated government ICT infostructure (DICT 2019, p.6).”

Through the digital transformation of government, EGMP 2022 seeks to attain the following objectives:

**Table 19. EGMP 2022 Objectives**

Optimize government operations	G2G (Government to Government)	<ul style="list-style-type: none"> <li>- Provide a more efficient service delivery platform</li> <li>- Integrate e-government systems, enable knowledge, information and resource sharing as well as database building</li> </ul>
Engage citizens	G2C (Government to Citizens)	<ul style="list-style-type: none"> <li>- Unlock insights that improve citizen services for greater connection and participation</li> <li>- Ensure the delivery of digital public services directly to clients are fast, cost-efficient, and accessible</li> </ul>
Transform services	G2B (Government to Businesses)	<ul style="list-style-type: none"> <li>- Facilitate business transactions through a streamlined processing of licenses, permits and fees (simplify requirements, streamline procedures)</li> </ul>
Empower government employees	G2E (Government to Employees)	<ul style="list-style-type: none"> <li>- Deliver productivity gains that improve impact</li> <li>- Enhance the capacity and capability of government workforce to improve the internal efficiency and public service delivery</li> </ul>

*Note: Table lifted from DICT (2019)*

Although the EGMP 2013-2016 building blocks were adopted in the EGMP 2022, these building blocks were refined by considering the enabling trends of the National ICT Ecosystem Framework (NICTEF), which includes among others the Internet of Things (IOT), Artificial Intelligence (AI), and Big Data, and also, the salient provisions of the National Cybersecurity Plan (NCSP) 2022 (i.e., issued in 2016) and National Broadband Plan (NBP), i.e., issued in 2017 (DICT 2019).

Based on the foregoing, the government had already set out the plan for “One Digitized Government” even before the pandemic. Nevertheless, the pandemic highlights the urgent need for it. Thus, it is deemed critical to prioritize it even more now by securing the budgetary requirements to finance such great endeavor. The analysis of the budgetary requirement for “One Digitized Government” is assumed to cover the bulk if not the entire budgetary requirement of the government to utilize innovative digital technologies and accelerate the build-up of telecommunications infrastructure towards improving governance, socio-economic development and prompt Delivery of Services to the Filipino People.



The analysis focuses on the budget appropriations for the DICT, the lead agency in ICT development in the country, in 2017-2020 and also, the budgetary allocation for it in the proposed 2021 President's Budget. It is assumed that the budget appropriations/allocation provided to the DICT formed part of the budgetary requirement in achieving "One Digitized Government." Based on the 2017-2020 General Appropriations Act (GAA), the budget appropriations that DICT received are shown in Table 20.

**Table 20. Department of Information and Communications Technology Budget Appropriations, In Million Pesos**

	2017	2018	2019	2020	Percent Distribution			
					2017	2018	2019	2020
A. Office of Secretary	2,998.88	4,712.32	6,278.61	5,733.49	84.87	87.71	88.77	58.12
B. Cybercrime Investigation and Coordination Center	13.74	150.83	31.40	11.26	0.39	2.81	0.44	0.11
C. National Privacy Commission	150.74	19.72	225.82	229.60	4.27	0.37	3.19	2.33
D. National Telecommunications Commission	370.04	489.47	537.38	3,890.78	10.47	9.11	7.60	39.44
Total New Appropriations	3,533.40	5,372.34	7,073.21	9,865.12	100.00	100.00	100.00	100.00

Source of raw data: GAA, various years

The budget appropriations have increased from PhP3.5 billion in 2017 to PhP9.9 billion in 2020. The biggest chunk of the DICT budget went to the Office of Secretary in 2017-2020. Notably, the share of the Office of Secretary in the budget pie shrunk from 88.8 percent in 2019 to 58.1 percent in 2020. In contrast, the budget share of NTC dramatically rose from 7.6 percent in 2019 to 39.4 percent in 2020. Looking closely at the NTC's GAA data, the budget appropriations for operations grew significantly from PhP417 million to PhP3.7 billion due to the implementation of locally funded projects that include the ICT modernization program (i.e., PhP2.8 billion) and national emergency communication resiliency (i.e., PhP475 million) in 2020.

Analysis of the DICT-OSEC's 2017 GAA (i.e., the very first GAA following DICT's creation on May 23, 2016) indicates that promotion of e-governance was a top priority of the newly created agency. Under locally funded projects, governance (i.e., general public services particularly national government data center infrastructure and free Internet Wi-Fi connectivity in public places) accounted for 74 percent of the DICT-OSEC's 2017 budget appropriations. A meager share of 5.8 percent went to OSEC's major final outcomes (MFOs) while the remaining portion (i.e., 19.9%) went to General Administration and Support (Table 21).

**Table 21. DICT OSEC, New Appropriations in 2017 (In Million Pesos)**

<b>PROGRAMS</b>	<b>Amount</b>	<b>% Share</b>
General Administration and Support (GAS)		
General Management and Supervision	587.30	19.58
Staff Human Resource Development	7.16	0.24
Administration of Personnel Benefits	1.61	0.05
Sub-total, GAS	596.07	19.88
Support to Operations		
Electronic Data Management		
Data Processing	6.66	0.22
Systems Development	1.76	0.06
Sub-total, Support to Operations	8.42	0.28
Operations		
MFO 1: GOVERNMENT-WIDE ICT POLICY SERVICES	79.88	2.66
Development of Information and Communication Technology	79.88	2.66
Policies, Standards, Plans and Programs		
Promotion of technical assistance in the formulation	25.50	0.85
of government technology plans and policies		
Promotion and information technology in local government	54.38	1.81
MFO 2: TECHNICAL ADVISORY SERVICES	48.98	1.63
ICT Management and Infrastructure Advisory and Services	38.92	1.30
Formulation, Coordination and Evaluation of	10.07	0.34
DICT Plans, Programs and Services		
MFO 3: ICT TRAINING SERVICES	43.99	1.47
Information and Communication Technology Literacy Program	43.99	1.47
and Manpower Development		
Provision of technical assistance in the professionalization of	1.33	0.04
Information Technology Personnel		
Development and conduct of information technology education	42.66	1.42
and training programs		
Sub-total, Operations	172.85	5.76
<b>Total Programs and Activities</b>	<b>777.34</b>	<b>25.92</b>
PROJECT(S)		
Locally-Funded Project(s)		
Governance	2,221.54	74.08
General Public Services	2,221.54	74.08
National Government Data Center Infrastructure	463.38	15.45
Free Internet Wi-Fi Connectivity in Public Places	1,758.16	58.63
Sub-total, Locally-Funded Project(s)	2,221.54	74.08
<b>Total Project(s)</b>	<b>2,221.54</b>	<b>74.08</b>
<b>Total New Appropriations</b>	<b>2,998.88</b>	<b>100.00</b>

Source of raw data: GAA 2017

Based on the 2018-2020 DICT-OSEC's GAA data, the MFOs in 2017 were revised to highlight (i) ICT governance program, (ii) ICT systems and infostructure development, management, and advisory program, and (iii) ICT capacity development management program (Table 22).

**Table 22. DICT OSEC, New Appropriations in 2018-2020 (In Million Pesos)**

	2018	2019 Amount	2020	2018	2019 % Share	2020
PROGRAMS						
GENERAL ADMINISTRATION AND SUPPORT (GAS)						
General Management and Supervision	645.14	428.78	663.39	13.69	6.83	11.57
Organization and Human Resource Management and Development	9.71	21.24	7.69	0.21	0.34	0.13
Administration of Personnel Benefits	0.00	9.04	11.33	0.00	0.14	0.20
Staff Human Resource Development	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total, GAS	654.85	459.06	682.41	13.90	7.31	11.90
SUPPORT TO OPERATIONS						
Internal Support Management Program	8.44	6.62	18.32	0.18	0.11	0.32
Internal Systems and Standards Development and Management Program	30.50	31.58	49.74	0.65	0.50	0.87
Sub-total, Support to Operations	38.93	38.21	68.06	0.83	0.61	1.19
OPERATIONS						
An innovative, safe and happy nation that thrives through and is enabled by the extensive utilization of Information and Communication Technology	4,018.54	5,781.34	4,983.02	85.28	92.08	86.91
ICT GOVERNANCE PROGRAM						
ICT Plans Development and Management	776.63	1,543.40	1,136.44	16.48	24.58	19.82
ICT and Cybersecurity Policies Development and Management Project(s)	39.54	32.75	28.67	0.84	0.52	0.50
Locally-Funded Project(s)	687.09	1,504.64	1,045.03	14.58	23.96	18.23
National ICT Household Survey	50.00	6.00	62.74	1.06	0.10	1.09
	50.00	6.00	62.74	1.06	0.10	1.09
ICT SYSTEMS AND INFOSTRUCTURE DEVELOPMENT, MANAGEMENT, AND ADVISORY PROGRAM						
INNOVATION AND DEVELOPMENT SUB-PROGRAM	2,923.75	3,507.85	1,935.93	62.04	55.87	33.77
ICT Systems and Infrastructure Development Projects)	2,645.01	3,289.14	1,600.48	56.13	52.39	27.91
Locally-Funded Project(s)	325.62	304.02	427.70	6.91	4.84	7.46
National Government Data Center Infrastructure	2,319.39	2,985.12	1,172.78	49.22	47.54	20.45
Free Internet Wi-Fi Connectivity in Public Places	206.79	177.00	345.15	4.39	2.82	6.02
Free Internet Wi-Fi Connectivity in State Universities and Colleges	1,362.70	1,166.40	50.00	28.92	18.58	0.87
National Broadband Plan	327.00	279.90	50.00	6.94	4.46	0.87
National Government Portal	50.62	1,043.33	296.46	1.07	16.62	5.17
IMPLEMENTATION MANAGEMENT AND OPERATIONS SUB-PROG	372.28	318.49	431.17	7.90	5.07	7.52
ICT Systems and Infrastructure Management Services	278.73	218.71	335.45	5.92	3.48	5.85
	278.73	218.71	335.45	5.92	3.48	5.85
ICT CAPACITY DEVELOPMENT MANAGEMENT PROGRAM						
ICT Literacy Development and Management	318.17	730.10	1,910.65	6.75	11.63	33.32
ICT Industry and Countryside Development	34.59	47.63	1,295.11	0.73	0.76	22.59
	283.58	682.47	615.54	6.02	10.87	10.74
Sub-total, Operations	4,018.54	5,781.34	4,983.02	85.28	92.08	86.91
TOTAL NEW APPROPRIATIONS						
	4,712.32	6,278.61	5,733.49	100.00	100.00	100.00

Source of raw data: GAA, various years

The locally funded projects classified under governance (i.e., general public services like national government data center infrastructure and free Internet Wi-Fi connectivity in public places) which were not part of the DICT-OSEC's regular programs and activities in 2017 were included in the 2018-2020 DICT-OSEC's programs and activities under Operations, particularly under (ii) ICT systems and infostructure development, management, and advisory program. The locally funded projects were expanded to include free Wi-Fi connectivity in state universities and colleges, the National Broadband Plan, and the National Government Portal. All these locally funded projects were geared towards achieving "One Digitized Government."

Based on Table 22, the "ICT systems and infostructure development, management, and advisory program", which includes the above-mentioned locally funded projects categorized under the innovation and development subprogram, accounted for the bulk of the OSEC's budget appropriations in 2018 and 2019, i.e., equivalent to 62 percent and almost 56 percent of the total, respectively. However, the budget share shrunk to only about 34 percent in 2020 with the significant reduction in budget share of the innovation and development subprogram from 52.4 percent in 2019 to only about 28 percent in 2020.

More specifically, the budget share of free Internet Wi-Fi connectivity in public places dropped significantly from 18.6 percent in 2019 to less than 1 percent in 2020. Likewise, the budget share of the National Broadband Plan fell from 16.6 percent in 2019 to only 5.2 percent in 2020 (Table 22).

Based on 2021 NEP, the total new appropriations for DICT stands at PHP 8 billion pesos. The OSEC will get the biggest chunk (i.e., 92.1%) of the budget, thus leaving a small portion for the DICT-attached agencies (Table 23). Assuming that the proposed DICT budget will be approved for FY 2021, it will be 17.5 percent smaller than the approved budget in 2020. In nominal terms, the budget reduction will be equivalent to PHP 1.7 billion.

**Table 23. Department of Information and Communications Technology  
Budget Appropriations, In Million Pesos**

	2017	2018	2019	2020	Proposed	Percent Distribution				
					2021	2017	2018	2019	2020	2021
A. Office of Secretary	2,998.88	4,712.32	6,278.61	5,733.49	7,493.36	84.87	87.71	88.77	58.12	92.06
B. Cybercrime Investigation and Coordination Center	13.74	150.83	31.40	11.26	11.67	0.39	2.81	0.44	0.11	0.14
C. National Privacy Commission	150.74	19.72	225.82	229.60	208.58	4.27	0.37	3.19	2.33	2.56
D. National Telecommunications Commission	370.04	489.47	537.38	3,890.78	426.13	10.47	9.11	7.60	39.44	5.24
Total New Appropriations	3,533.40	5,372.34	7,073.21	9,865.12	8,139.75	100.00	100.00	100.00	100.00	100.00

Source of raw data: GAA, various years; 2021 NEP

A close examination of the OSEC's budget indicates that bulk (i.e., almost 91%) of the proposed budget will be allocated for OSEC's operations (Table 24). Assuming that the proposed budget for OSEC will be approved in its totality, the budget operations will be 37 percent higher than the 2020 approved budget. In nominal terms, it will gain PHP 1.8 billion. The proposed 2021 budget favors the ICT systems and infostructure development, management, and advisory program with almost PHP 2.5 billion budget increase in 2021. The said program will account for 58.7 percent of the proposed budget (i.e., vis-à-vis 33.8% in 2020).

The biggest chunk of this budget share will support innovation and development subprogram, which includes locally funded projects such as national government data center infrastructure and national broadband plan, among others. These projects represent 44.2 percent of the total budget for operations. In contrast, other programs under operations, namely the ICT governance program and ICT capacity development management program will incur budget reduction in 2021.

**Table 24. DICT OSEC, Appropriations in 2020-2021 (In Billion Pesos)**

	2020 GAA	2021 Proposed	2020 Percent Distribution	2021
<b>PROGRAMS</b>				
<b>GENERAL ADMINISTRATION AND SUPPORT (GAS)</b>				
General Management and Supervision	0.66	0.59	11.57	7.91
Organization and Human Resource Management and Development	0.01	0.01	0.13	0.09
Administration of Personnel Benefits	0.01	0.00	0.20	0.02
Staff Human Resource Development	0.00	0.00	0.00	0.00
<b>Sub-total, GAS</b>	0.68	0.60	11.90	8.02
<b>SUPPORT TO OPERATIONS</b>				
Internal Support Management Program	0.02	0.02	0.32	0.22
Internal Systems and Standards Development and Management Program	0.05	0.07	0.87	0.93
<b>Sub-total, Support to Operations</b>	0.07	0.09	1.19	1.15
<b>OPERATIONS</b>				
An innovative, safe and happy nation that thrives through and is enabled by the extensive utilization of Information and Communication Technology	4.98	6.81	86.91	90.83
<b>ICT GOVERNANCE PROGRAM</b>				
ICT Plans Development and Management	1.14	1.05	19.82	14.06
ICT and Cybersecurity Policies Development and Management	0.03	0.03	0.50	0.37
ICT and Cybersecurity Policies Development and Management	1.05	1.01	18.23	13.46
Project(s)				
Locally-Funded Project(s)	0.06	0.02	1.09	0.24
National ICT Household Survey	0.06	0.02	1.09	0.24
<b>ICT SYSTEMS AND INFRASTRUCTURE DEVELOPMENT, MANAGEMENT, AND ADVISORY PROGRAM</b>	1.94	4.40	33.77	58.67
<b>INNOVATION AND DEVELOPMENT SUB-PROGRAM</b>				
ICT Systems and Infrastructure Development	1.60	3.66	27.91	48.80
Projects)	0.43	0.34	7.46	4.59
Locally-Funded Project(s)	1.17	3.31	20.45	44.21
National Government Data Center Infrastructure	0.35	2.09	6.02	27.93
Free Internet Wi-Fi Connectivity in Public Places	0.05	0.00	0.87	0.00
Free Internet Wi-Fi Connectivity in State Universities and Colleges	0.05	0.00	0.87	0.00
National Broadband Plan	0.30	0.90	5.17	12.04
National Government Portal	0.43	0.32	7.52	4.23
<b>IMPLEMENTATION MANAGEMENT AND OPERATIONS SUB-PROG</b>	0.34	0.74	5.85	9.87
ICT Systems and Infrastructure Management Services	0.34	0.74	5.85	9.87
<b>ICT CAPACITY DEVELOPMENT MANAGEMENT PROGRAM</b>	1.91	1.36	33.32	18.10
ICT Literacy Development and Management	1.30	0.79	22.59	10.53
ICT Industry and Countryside Development	0.62	0.57	10.74	7.57
<b>Sub-total, Operations</b>	4.98	6.81	86.91	90.83
<b>TOTAL NEW APPROPRIATIONS</b>	5.73	7.49	100.00	100.00

Source of raw data: 2020 GAA and 2021 NEP

It should be noted that the budget appropriations for DICT-OSEC for all years were all lodged with the Central Office. There was no regional distribution of the budget appropriations and thus, it is not clear how “One Digitized Government” is/will be operationalized at the regional level.

## 5. Concluding Remarks

The increase in budgetary appropriations for almost all sectors (except for general public services) for FY 2021 confirms the expansionary fiscal stance of the government. As in previous years, high spending priority is given to social and economic services which is consistent with the policy pronouncements of the government for FY 2021. As mentioned

earlier, the government's greatest priority for FY 2021 is to sustain and strengthen government efforts in responding to and recovering from the pandemic. In this regard, the government deems it critical to shift priorities and realign spending policies. In particular, it directs the entire budget to focus on "containing the spread and mitigating the effects of the COVID-19 pandemic; funding a vaccine, restarting the economy to be able to create jobs and attract investments; and transitioning to the post-crisis recovery environment" (DBM 2020a, p.4).

Nevertheless, the emphasis on these spending priorities in the 2021 President's Budget Message (DBM 2020a) creates an expectation that DOH and DSWD will rank much higher in the top 10 departments/recipients for FY 2021. Based on the detailed analysis done in this study, the 2021 proposed budget gives higher spending priority on maintenance of peace and order and national defense, which placed DILG and DND in higher spots compared to DOH and DSWD in the top 10 departments/recipients for FY 2021. A close examination of various government documents (e.g., DBM 2020e) indicates that the proposed budget for National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) is part of the government's recovery program to adapt to the post-pandemic life.

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