

# ALTERNATIVE BUDGET

Fiscal Year  
**2011**

HEALTH  
EDUCATION  
AGRICULTURE  
ENVIRONMENT

*Tungo sa Paggugol  
na Tapat, Sapat  
at Nararapat*





# **ALTERNATIVE BUDGET**

**Fiscal Year  
2011**

**Tungo sa Paggugol na  
Tapat, Sapat at Nararapat**

**Alternative Budget Initiative  
Social Watch Philippines**

October 2010

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*Front cover picture: Mantiquil, Siaton, Negros Oriental, 2009*

# FOREWORD

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The citizen's alternative budget proposal for the 2011 national budget titled "Tungo sa Paggugol na Tapat, Sapat at Nararapat" was developed through the contributions of various citizens' groups in terms of increasing the budget for social development and ensuring that public funds are actually geared towards uplifting the lives of the marginalized.

The principles behind the citizens' alternative budget proposals and the proposed alternative sources of funding, as well as our analyses on macroeconomic assumptions are all products of citizens' long involvement and dedication of working at the grassroots and efforts to influence national priorities towards socioeconomic justice and genuine democracy.

For citizens' groups, it was a historic moment in 2006, when Social Watch Philippines went into partnership with progressive legislators from the House of Representatives and the Senate in order to increase available allocations for social development, in what is now known as the Alternative Budget Initiative (ABI). Civil society organizations worked closely with congressmen and senators in formulating alternative budget proposals in four areas: education, health, agriculture and the environment.

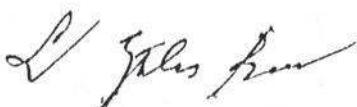
As proposed by ABI, a total of Php 5.3 billion was added to the 2007 national budget, while Php 6.3 billion was added to the 2008 budget for education, health, agriculture and the environment. In 2009 and 2010, the national budgets were increased by Php 6.7 billion and Php 5.4 billion respectively for the above four categories.

Last August 25, the President submitted the proposed 2011 National Budget to Congress. This cannot be considered completely as his budget since the budget cycle started last May 12 with the budget call. When President Aquino took over the reigns of government last July 1, the budget was practically finished already.

Nonetheless, there are features which augur well for budget reform. The most important of these is the effort to reach out to the public, particularly civil society. In his budget message, the President asked the private sector, civil society and the general public to help monitor the implementation of the budget.

This is a good enough start even as Social Watch Philippines is of the view that Participatory Budgeting is not only about monitoring the implementation of the budget. It is also about effective public participation in the entire budget cycle—starting from the preparation phase to accountability.

This is the first edition of the ABI budget for 2011. We plan to come out with the second edition which will further harmonize the different proposals for education, health, environment and agriculture.



**LEONOR MAGTOLIS BRIONES**

Lead Convenor

Social Watch Philippines





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# ALTERNATIVE BUDGET INITIATIVE

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## PEOPLE'S PARTICIPATION, TRANSPARENCY AND ACCOUNTABILITY IN THE NATIONAL BUDGET PROCESS

The year 2006 was a landmark in the history of the Philippine budget system. Nongovernment organizations (NGOs) and peoples' organizations (POs) banded together through the Alternative Budget Initiative (ABI); and they entered the halls of congress and senate to lobby for a budget proposal that puts social services at top priority and eliminates unreasonably big and vague budgetary allotment.

Due to the constructive interventions by CSOs in the national budget process, education and health services were given better allocations. The National Economic Development Authority (NEDA), in its MDG Report in 2007, reported that the alternative budget advocacy for 2007 resulted in an increase of P22.7 billion in additional proposals for MDG-related activities and an approval of the PhP5.5 billion for the 2007 national budget for social services.

Meanwhile, the ABI Campaign for the 2008 budget resulted to P6.3 billion increases for social services. This translates to more allocations for MDG related targets on health, agriculture, environment and education. For 2009, ABI was able to push for P7.7 billion additional allocations for social development. In 2010, there were P5.4 billion increases for the critical socio-economic services budget.

The ABI Campaign is led by Social Watch Philippines which has been campaigning for financing for development for more than ten years already, especially in pushing for better allocations for expenditures related to the Millennium Development Goals (MDGs).

The Alternative Budget Initiative is a peoples' crusade for a participatory, transparent and accountable budget system. It creates a vigilant community composed of private and government persons who are (1) aware of the national budget process, (2) are able to monitor and analyze the implementation of the budget, and (3) are able to constructively engage in the budget process. They are equipped with alternative budget proposals which ensure that development trickle down to the grassroots level.

The right of civil society organizations to participate and intervene in the national budget process is mandated by Sections 15 and 16, Article XIII of the Constitution that states that "the State shall respect the role of the independent people's organizations to enable the people to pursue and protect, within democratic framework their legitimate and collective interests and aspirations through peaceful means" and that "the right of the people and their organizations to effective and reasonable participation at all levels of social, political and economic decision-making shall not be abridged". The democratic exercise in the national budget process – is a practice that should be institutionalized. It is sustained through alternative budget proposals provided by the ABI consortium every year and

the ever-widening alliance of legislators and CSOs fighting for better allocations for social services. This is crucial in breaking an era of an executive-controlled budget process in the country where the President proposes, approves, implements and monitors the budget. This system is put in place by a Presidential Decree during the era of Ferdinand E. Marcos.

Through the ABI, a new era in the Philippine budget system is institutionalized – where pro-active people’s participation in the national budget process puts the “power of the purse” in the hands of the people.

### ***Convened by Social Watch Philippines***

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- Piglas Kababaihan
- Pinagsamang Lakas ng Magulang (PINASAMA)
- Public Services Labor Independent Confederation (PSLink)
- Rice Watch and Action Network (R1)
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- Unang Hakbang
- Upholding Life and Nature (ULAN)
- WomanHealth Philippines

***In partnership with***

- Senator Alan Peter Cayetano
- Senator Pia Cayetano
- Senator Teofisto Guingona III
- House Deputy Speaker Lorenzo Tañada III

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# ALTERNATIVE BUDGET INITIATIVE 2011

## *TUNGO SA PAGGUGOL NA TAPAT, SAPAT AT NARARAPAT*

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## SOCIO-ECONOMIC CONTEXT

### Introduction

The proposed National Government (NG) Budget for 2011 was submitted by President Benigno “Noynoy” Aquino amidst high hopes for the newly installed administration. Consistent with the President’s campaign line, his Budget Message describes the financial blueprint of his administration as a “reform budget” which promises to “make real the changes we need to revitalize our economy while leaving no sector behind.” The administration also stresses transparency and accountability as an important thrust of the proposed budget.

The Alternative Budget Initiative (ABI) welcomes these lofty goals upon which the proposed budget is being crafted. The ABI has always held that the government’s budget is an important instrument for addressing pressing development problems. We also believe that government budgeting is intrinsically a political process—of making choices on what government should and should not do; choices of which policies should be prioritized; of what sectors of society and regions in the country should benefit from public spending.



*Navotas shoreline, 2009.*



It is in this light that ABI is continuing its efforts to engage government – the executive and the legislative – to ensure that civil society’s analysis and critique of the budget, as well as citizen’s alternative budget proposals are appropriately considered in overall budgetary decision-making process.

This edition of the ABI Orange Book is the fifth volume in as many years. It contains the analysis of and recommendations for the President’s budget proposal. The contents of this document were collectively discussed and proposed by ABI’s networks of over 60 member organizations and legislator-partners. This chapter provides the macroeconomic and fiscal issues and challenges of the proposed budget while the succeeding ones contain those for agriculture, environment, health and education.

## **MACROECONOMIC ISSUES**

The proposed budget is predicated on macroeconomic assumptions as shown in Table 1. Overall, the assumptions point to a general improvement in the economy for next year. It targets a moderate improvement in GNP growth that would be driven by the domestic economy (GDP growth). From the Budget Call’s estimate of 5.6 – 6.5 percent real GDP growth for 2011, the DBCC<sup>1</sup> adjusted the target to a high of 7.0 - 8.0 percent. Upward adjustments were also made for real GNP growth.

The table also shows that inflation rate is expected to temper next year although world crude oil price is expected to rise by an average of \$5 per barrel. This is quite paradoxical considering how significant oil price movements are on inflation. Foreign exchange rate is also expected to remain at the same level as this year.

Table 1. Macroeconomic Assumptions

	2009	2010	2011
	(Actual)	(Projections)	(Projections)
Real GNP growth	4	7	7.5
Real GDP growth Budget Assumption	1.1	5	5
Real GDP growth Target		5.0 – 6.0	7.0 – 8.0
Inflation rate	3.2	3.5 – 5.5	3.0 – 5.0
Population (in Mn)	92.23	94.01	95.79
91-Day Treasury Bill Rate (%)	4.2	4.0 – 6.0	4.0 – 6.0
Forex Rate (Php/US\$)	47.64	45.0 – 47.0	45.0 – 47.0
Dubai Crude Oil Price (US\$/barrel)	61.69	70.0 - 90.0	75.0 - 95.0
Source: BESF FY 2011			

Considering these macroeconomic assumptions and the proposed spending pattern, it may be inferred that the projected economic performance for next year are predicated on the following critical assumptions:

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<sup>1</sup> *Development Budget Coordinating Committee*

- The rebound of the global economy will be sustained;
- The high growth in the first half of 2010 will carry over for the rest of the year and next year; and,
- Private investments will increase and make up for proposed reductions in government's public infrastructure spending.

A critical analysis of these three factors reveals that:

- Global economic recovery faces some risks and, by extension, risk whatever the country stands to gain from a more sustained and accelerated economic growth. Incidentally, even the budget's assumption projects lower growth in exports for next year compared to the current full-year's target.
- Growth for the first half of 2010 significantly benefited from election-related spending both from the private and the public sector. This major driver of growth will not be available next year.
- Public infrastructure spending, another major driver of growth for 2010 will be cut significantly with the assumption that the private sector will fill-in the necessary investments. The Public-Private Partnership mechanism entails risks, including shouldering the cost of inefficiencies of "private partners" and revenue erosion due to tax incentives to attract prospective partners.
- Agriculture sector, which recently registered poor performance despite the high growth for the first half of 2010, will stand to suffer budget cuts in 2011. This can compromise the much needed support for rural development.

### **Global economic recovery: V-, W-, or U-shaped?**

The budget assumes a continued, sustained growth and recovery of the world economy or what is often described as V-shaped. Some analysts surmise however, that the world economic recovery may take on different patterns, ex., W-shaped wherein the current recovery is short-term and will lead to another crash. Some, like Roubini's<sup>2</sup> assessment for example, maintains a central scenario that entails a sluggish or U-shaped world recovery in much of the advanced world with possible risks of L-shaped recoveries in Japan and the Eurozone.

The World Economic Outlook<sup>3</sup> noted that the 5.0 percent 2010 1<sup>st</sup> quarter growth rate of the world economy was mostly due to robust growth in Asia and that there are expectations of a modest but steady recovery in most advanced economies and strong growth in many emerging and developing countries. The report projects global economic growth rates of 4.0 and 4.5 percent for the full year of 2010 and 2011, respectively. These projections though are hinged on the assumption that financial turbulence and shocks in some parts of the world, particularly the Euro crisis contagion will be effectively dealt with. It is further noted that while Asia has only limited direct financial linkages to the most vulnerable Euro economies, a stall in the European recovery that spilled over the global growth would affect Asia through both trade and financial channels. The Philippines' GDP, according

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<sup>2</sup> Nouriel Rubini is a professor of economics at the New York University and expert in international economics.

<sup>3</sup> World Economic Output. International Monetary Fund, July 2010

to the IMF, is expected to grow at 6.0 percent in 2010 and 4.0 percent in 2011.

A World Bank<sup>4</sup> report notes that the Philippines benefited from a strong rebound in global trade, as did many countries in the region. Manufacturing and investment activity expanded briskly as a result. Private consumption continued to expand, as consumer confidence improved. The report also warns of the external risks linked to developments in Europe. GDP growth is projected as 4.4 percent for 2010 and 4.0 percent for 2011, both are below the official projections of the DBCC.

The GDP growth is complemented by the sustained growth of Net Factor Income from Abroad (NFIA) which would include earnings of OFWs. This allowed our GNP to post 8.2 percent growth rate for the first half of 2010, compared to only 3.9% last year (see Table 1). It must be noted however that NFIA growth rate for the same period has decreased compared to the same period in 2009, from 34.9 percent to 14.4 percent. This underscored the importance of sustained and accelerated growth in the domestic economy to reach growth targets for next year.

### **Can 2010 growth be sustained into 2011?**

Tables 2 and 3 show the performance of the economy from the supply and demand sides. More importantly, these tables provide indications of what factors have driven the high performance of the economy for the first half of the year.

Table 2. Macroeconomic Growth Rates by Industry Origin

Industry Origin	First Sem, 2009	First Sem, 2010
GDP	0.9	7.9
Agriculture	1.2	-2.9
Industry	-1.5	15.9
Services	2.3	6.7
NFIA	29.6	10.6
GNP	3.9	8.2
Source: NSCB, NEDA		

The actual GDP grew by 7.9% in the first half of 2010, compared to only 0.9% in 2009. Table 1 shows that the industry and service sectors have posted significant growth rates, with the industry rebounding from a contraction (-1.5 percent) last year to 15.9 percent. Manufacturing and mining and quarrying, subsectors under Industry, posted 16.2 and 22.9 percent, respectively, in 2010 which significantly accounts for the high growth in Industry. Services meanwhile was driven by the 10 percent and 7.1 percent growth posted by Trade and Government Services subsectors, respectively.

Despite this growth, agriculture contracted compared to 1.2 percent growth in the previous period. In fact, all subsectors of agriculture posted negative growth in the first half of 2010 – agriculture, fisheries and forestry posted -3.5, -0.3 and -17.5 percent, respectively. The El Nino phenomenon

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<sup>4</sup> *Philippines Quarterly Update June 2010*

surely have contributed in the sector's poor performance.

The poor performance of the agriculture sector is a source of concern as it has implications on unemployment, poverty and income distribution which will be further discussed later. It may be implied that the regions that benefited the most from GDP growth is the urbanized and urbanizing areas, while the adversely affected areas would include rural regions which are highly dependent on agricultural production.

Table 3. Macroeconomic Growth Rates by Expenditure Shares

Expenditure	First Sem, 2009	First Sem, 2010
GDP	0.9	7.9
Personal Consumption Expenditure	4.3	5.1
Government Consumption	9.2	12.2
Capital Formation	-8.0	16.2
Exports	-16.5	25.2
Less: Imports	-6.4	23.2
NFIA	29.6	10.6
GNP	3.9	8.2
Source: NSCB, NEDA		

Table 3 provides a glimpse of the sources of growth from the demand-side. Personal Consumption Expenditure, which accounts for the bulk of total demand, increased moderately while Government Consumption' growth rate was more pronounced. Significant growth were registered in Capital Formation and Exports. Both were coming off from negative growth rates and posted double-digit rates of 16.2 and 25.2 percent, respectively. The high growth in exports reflects how the country has benefited from external trade and apparent rebound of the global economy. Note however that the official projections based on the BESF shows exports to grow by only 15 percent for the full year of 2010, and 13 percent for 2011. This implies that its contribution to growth for next year may not be as significant as this year's. Capital Formation rebounded from a contraction a year ago. This includes Public Construction which posted 22.7 percent growth rate.

Through the impressive growth in the national accounts, GDP growth registered the highest since the second quarter of 2007, from negative 0.8 percent in the previous year while per capita GNP accelerated to 8.2 percent from 3.9 percent. It must be noted however that the challenge to sustain this growth remains as the population continues to grow and reach over 93 million at present. Note also that while GDP growth accelerated in the first two quarters, unemployment remains high and agriculture and rural sector was left behind.

### ***Election-related spending stimuli for 2010***

Looking at the drivers of growth point to the significance of election-related spending as a major stimulus of growth. Expansions posted in Government Consumption, Capital Formation (including public construction), Services, could well have been due to election and campaign-related expenses

from private and government sectors leading up to the May 2010 national elections. Part of election-related spending is the expansionary fiscal policy continued to support growth (ex., government spending for conduct of election, public construction).

A Philippine Center for Investigative Journalism (PCIJ) report<sup>5</sup> estimates net total spending on television, radio and print ads by the national candidates and party-list groups alone amounted to P4.3 billion across the 90-day official campaign period from February 9 to May 8, 2010. This does not include yet the pre-campaign period spending that amounted to around P1 billion. According to the same report, NEDA estimates that the total expenditures for the elections could reach P15 billion if the local levels are also included. NEDA estimates that this can contribute to around 0.39 percentage points increase to annual real GDP for 2010.

While growth benefited from election spending for this year, this stimulus of growth is not expected for next year.

### **Can the private sector fill in the slack in public infra and other economic spending?**

As previously noted, Capital Formation is another driver of growth for the first half of 2010 as spending grew by 16.2 percent. Included in here are construction projects including Public Construction which posted 8.2 and 28.7 percent for the first and second quarter, respectively. The massive infrastructure spending is primarily due to the “stimulus package” of the government in response to the downward spiral of the economy last year, election year and the post- Ondoy and Pepeng reconstruction requirements.

The 2011 budget however seeks to reduce national government’s public infrastructures spending by 13.99 percent. Table 4 shows the comparative figures for programmed 2010 and 2011 infrastructures spending.

Table 4. NG Public Infrastructures Expenditure (in '000 Pesos)

	2010	2011	Variance	% Change
Public Infrastructures	151,048,823	129,923,265	-21,125,558	-13.99
Source: BESF 2011				

The proposed budget seeks to reduce overall allocation for Economic Services by P37.85 billion or 9.49 percent less than this year’s budget. The reduction was largely due to the cuts in Agriculture and Agrarian Reform subsector by P23.17 billion which, as pointed out above, performs poorly based on latest growth data. While the public sector is not expected to solely bear the cost of investments to prep the economy, what should be looked into is the timing and magnitude of cuts on public investments. Will private investments pour in soon enough to fill in for the budget cuts for next year and ensure sustained growth of the economy?

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<sup>5</sup> “Nat’l bets splurge P4.3B, local bets P162M on ads”  
from <http://pcij.org/stories/nat%E2%80%99l-bets-splurge-p4-3b-local-bets-p162m-on-ads/> May 26, 2010

## **Potentials and risks of attractive investments**

Moody's Investment Service<sup>6</sup> last March noted a stable outlook for sovereign credit rating of the Philippines because of remittances and fairly sound and liquid banking system. It also observed that for the near term, remittance inflows and receipts from business-process outsourcing — now a major industry — will, among other, support the current account, as well as private consumption. However, it notes that investment spending remains low relative to its rating and regional peers, and highlights the importance of fiscal reform to generate higher revenues that would enable adequate public investments and ultimately higher rates of potential growth.

The peaceful transition of administration and high confidence on the newly installed government should help attract investments, along with abundance of skilled, English-speaking labor force and favorable incentives. The post-election optimism of investors however run the risk of being eroded if internally, the new administration will not be able to deliver reform programs, stabilize the fiscal position and introduce significant inroads in curbing corruption in government.

The budget proposes a Public-Private Partnership (PPP) mechanism which is supposed to be an innovation in bringing private investments in to co-finance government programs. The ambiguous description though of PPP appears synonymous to the current Build-Operate-Transfer (BOT) policy but is silent on how to plug the institutional weaknesses in the implementation of said policy which, in the past, have led to government bearing the costs arising from inefficiencies of the private partners operations as well as rent-seeking points in the approval process.

PPP should be further studied carefully and mechanisms fleshed out and made clear. Allocating P15 billion for program that has yet to be fully planned and implementing guidelines still pending should be a source of concern. The special provisions on PPP allocations provides that the DBM/DBCC will “identify” the projects for which these funds. It is the concerned agencies and not the DBM which has the appropriate professional authority to know the projects necessary for their respective sectors. It is suggested that implementation of the PPP be deferred subject to the finalization of an enabling policy guideline based on feasibility studies, foremost by NEDA and Department of Finance which have the technical capacity to make such studies.

## **SOCIAL DEVELOPMENT ISSUES**

The budget should be oriented towards addressing the poverty, hunger, and joblessness. Table 5 shows the recent poverty and hunger indicators. Latest official poverty incidence, as of 2006, is 26.9 percent of households which translates to 4.7 million families. Official estimate of subsistence poor, or those segment of the population whose incomes fall below the income threshold necessary to procure nutritional requirements, is 1.9 million families or 112.2 million individuals. The next round of official poverty statistics is expected to be released this year and many believe that numbers will be worse considering the food, fuel, financial, and political crises and the impact of climate change faced by the country since 2006.

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<sup>6</sup> An international credit rating agency

Table 5. Poverty and Hunger Indices

Socioeconomic Indicators, in percent		
	Incidence (%)	Magnitude
2006 Poverty estimates /1	26.9	4.7 million households
	32.9	27.6 million individuals
2006 Subsistence Poor /1	11	1.9 million households
	14.6	12.2 million individuals
Self-rated Poverty (SWS) /2	50	9.4 million households
Self-rated Food poverty (SWS) /3	38	7.2 million households
Self-rated Hunger (SWS) /4	21.1	4 million households
/1 Family Income and Expenditures Survey 2006		
/2 SWS Survey September 2010		
/3 SWS Survey September 2010		
/4 SWS Survey July 2010		

It would be instructive for budgetary decision-makers to know that 2006 official statistics also reveal that the highest poverty incidence is registered among the fishermen, farmers and children with 49.9, 44.0 and 40.8 percent, respectively. In terms of magnitudes, the highest number of poor are among the children, women and urban poor with 14.4, 12.8 and 6.9 million, respectively.

One of the reasons why a large segment of the population is left behind in the thrust towards high growth is that the quantity and quality of employment did not drastically improve even as the country registered high growth in recent years. Table 6 shows that unemployment rate rose as of April 2010 while quality of job as measured by the underemployment rate remain remarkable poor.

Table 6. Unemployment

	April 2010	April 2009
Unemployment Rate	8.00%	7.50%
Number of Unemployed	4.85 million	4.43 million
Underemployment Rate	17.80%	18.90%
Number of Employed	35.4 million	34.9 million
Agriculture	10.06 million	10.85 million
Fisheries	1.45 million	1.47 million
Source: BLES (April 2010 Labor Force Survey)		

The data above also reveals that while the number of employed increased by 500,000, about 790,000 jobs were lost in the agriculture sector. This trend is consistent with the poor performance of the sector wherein it posted -2.9 percent during the first half of 2010. Looking at its subsectors' growth rates, agriculture, fisheries and forestry posted -3.5, -0.3 and -17.5 percent, respectively.



It is quite alarming that considering the anemic performance of the sector, the proposed budget further reduces public investments intended for the sector. This will have serious implications on rural employment, poverty alleviation and income distribution.

The proposed budget places the conditional cash transfer (CCT) program as the centerpiece of the administration's anti-poverty program. CCT addresses only certain aspects of poverty and should be supported by the more sustainable interventions with more lasting impact on poverty alleviation, foremost of which is providing job opportunities and enhancing the social service delivery system, especially health and education.

Another challenge which the proposed budget should consider is the country's poor accomplishment rate on the Millennium Development Goals (MDGs) which is due five years from now. Aside from poverty and hunger, there is great concern in meeting targets in education, infant and child mortality, maternal mortality.

## **FINANCING THE BUDGET**

The biggest challenge of the Philippines on the fiscal front is the mounting budget deficit. Table 7 shows the fiscal position of the national government from January to August of the current year. The accumulated deficit has already reached P228.104 billion in the first eight months. Revenues has only reached P802.818 billion, which is grossly inadequate to finance the over P1 trillion expenditures of the government for the same period.

Table 7. FY 2010 NG Fiscal Position (In Mn Pesos)

Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	TOTAL
Revenues	92,265	76,699	96,860	124,468	109,717	92,095	102,908	107,806	802,818
Expenditures	129,390	109,887	160,726	121,869	140,244	126,717	135,602	106,487	1,030,922
Surplus/(-)Deficit	(37,125)	(33,188)	(63,866)	2,599	(30,527)	(34,622)	(32,694)	1,319	(228,104)
Financing	(10,751)	(58,608)	123,777	27,887	41,790	17,420	34,388	98,899	274,802
Change-In-Cash	44,608	(106,554)	13,533	21,642	(4,878)	(1,313)	42,579	66,291	75,908
Budgetary	(47,876)	(91,796)	59,911	30,486	11,263	(17,202)	1,694	100,218	46,698
Non-Budgetary	92,484	(14,758)	(46,378)	(8,844)	(16,141)	15,889	40,885	(33,927)	29,210

Source: Bureau of the Treasury

The deficit level already reached is still well within the P325 billion programmed for the rest of the year. Table 8 shows the programmed fiscal position for the rest of 2010 and 2011. The deficit for next year is expected to decline to P290 billion.

**Table 8. Annual Deficit Program (In Mn Pesos)**

Particulars	2010	2011
Revenues	1,294,412	1,410,000
Expenditures/ Cash Disbursements	1,619,432	1,700,000
Surplus/(Deficit)	-325,020	-290,000
Source, BESF FY 2011, BTr		

### **Reliability of Revenue Collections**

One of the culprits of the deficit is the poor revenue performance for the first half of the year. Table 9 shows that revenue collections was P23.799 billion short of targets for the period. There is marked shortfall on Non-tax revenues. Tax revenues collection exceeded targets but was not enough to pull up overall revenues to meet the target.

**Table 9. Surplus/(Shortfall) of Revenue Collections vs. Targets, 1<sup>st</sup> Semester 2010**

Particulars (in million pesos)	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	Total
REVENUES	-454	-23,345	-23,799
Tax Revenues	22,020	-1,795	20,225
BIR	16,192	-2,989	13,202
BOC	5,447	1,219	6,666
Non-Tax Rev	-22,474	-21,550	-44,024
BTr Income	-3,056	-347	-3,403
Privatization	-14,000	-15,854	-29,854
% of 2010 year-long target			(1.83%)

Sources: DOF, BTr

Inability to meet revenue targets however is not unique in 2010. It is, unfortunately, more a norm as evidenced by the revenue performance in recent years as shown in Table 10. The table shows that government expects revenue collects to increase by 8.93 percent to P1.41 trillion to partially finance the proposed budget. However, the chances of meeting this target is far from guaranteed.

Table 10. Revenue Performance

Particulars	2009	2010	2011
Total Revenues	1,123,211	1,294,412	1,410,000
Total rev % change		15.24	8.93
Revenue shortfall			
in Million pesos	-270,125	-41,217	
% of original target	-19.39	-3.09	
Total Rev as % of GDP	14.63	15.56	15.59
Tax Revenues	981,631	1,153,212	1,272,850
Tax rev % change		17.5	10.4
Tax Revenue shortfall			
in Million pesos	-297,262	-42,504	
% of original target	-23.24	-3.32	
Tax Rev as % of GDP	12.78	13.87	14.07
Sources: BESF, BTr			

The data shows that revenues tend to be overestimated, posting P270 billion shortfall in 2009 and, as early as now, revenue shortfall is expected for the whole year by P41 billion. Unrealistic or overly optimistic revenue projections compromises predictability in government budgeting and can contribute to further deficits.

Note that the administration is not proposing new taxes for next year and will therefore rely on enhancement of tax administration to increase collections. The administrative measures being mentioned however are those that are already being implemented for at least the past four years. The concern therefore is whether they are enough increase revenues by over 8 percent. The expected impact on actual collections of these measures may not necessarily lead as much as expected.

Note as well that revenue effort (revenues as percent of GDP) remains practically the same while tax effort will moderately improved. This implies that even the administration is not confident that revenue and tax efforts will improve much with the current tax administration system.

Another risk in attaining government's revenue targets is the passage of revenue-eroding bills and the failure to enact bills that will consolidate revenue bases such the rationalization of fiscal incentives bill which has been at the back-burner of Congress for years.

## Financing the Deficit

With revenues not enough to cover expenditures, borrowings becomes necessary as a source of financing. Table 11 shows the financing requirement needed to fund the deficit for 2010 and 2011. As pointed out above, government is targeting to reduce the deficit (which is the total net financing requirement in the table below) for next year to P290 billion. However, NG needs to borrow P777.973 billion to be able to finance the P290 billion deficit. The reason for this huge borrowing requirement

is that most of the fresh borrowings will be used to pay off amortization of outstanding debts.

Table 11. National Government Financing 2010 – 2011 (In Mn Pesos)

Particulars	2010	2011	Increase/ (Decrease)
<i>Gross Foreign Borrowings</i>	259,107	209,639	-49,468
<i>Gross Domestic Borrowings</i>	495,494	563,334	67,840
<b>GROSS BORROWINGS</b>	<b>754,601</b>	<b>772,973</b>	<b>18,372</b>
Less			
<i>Foreign Amortization</i>	129,096	160,159	31,063
<i>Domestic Amortization</i>	286,709	306,018	19,309
<b>Total Amortization</b>	<b>415,805</b>	<b>466,177</b>	<b>50,372</b>
NET FINANCING	338,796	306,796	-32,000
<b>TOTAL NET FINANCING REQUIREMENT</b>	<b>325,025</b>	<b>290,000</b>	<b>-35,025</b>

Source: BESF FY 2011

Another thing that could be noticed from the table is that while deficit is projected to decrease by P35 billion, gross borrowings will actually increase by P18.372 billion due to higher principal amortization payments due next year.

### Debt Service Burden

Significant public resources is still allocated to debt service as shown in Table 12. Interest Payments will rise by 9.19 percent and, at P357 billion, more than the budget of any agency. Note as well that the proposed budget is roughly 6 percent more than this year's budget, the said increase is largely due to the increase in interest payments.

Principal Amortization, an off-budget item, will increase at a faster rate at 12.11 percent and is actually bigger than interest payments. Total debt service adds up to P823 billion, 10.82 percent more than this year and would constitute almost one-tenth of GDP.

Table 12. Debt Service (In Mn Pesos)

Particulars	2010 Programmed	2011 Proposed	% Increase
Total interest payments	327,028	357,090	9.19%
Total principal amortization	415,821	466,177	12.11%
Total debt service	742,859	823,267	10.82%
Total debt service as percent of GDP	8.90%	9.10%	

Source: BESF FY 2011

Table 13 shows the extent of how debt service restricts the NG's fiscal position. If one only accounts for productive expenditures (i.e., debt service interest payment is taken out), the NG's fiscal balance

is actually manageable and would even generate a primary surplus for 2010 and 2011, assuming revenue targets are met and disbursements are controlled. The harsh reality however is that the burden of interest payments contributes to increasing fiscal deficit and extinguishes the possible surplus from revenues. It puts pressure on revenue performance and crowds out funding for critical programs and services.

Table 13. NG Primary Surplus/(Deficit) (In Mn Pesos)

Particulars	2010	2011	Variance
Revenues	1,294,412	1,410,000	115,588
Disbursements for Productive Expenditures	1,292,394	1,342,910	50,516
Primary Surplus/(Deficit)	2,018	67,090	65,072
Memo Item: Debt Service Interest Payments	327,038	357,090	30,052
Source, BESF FY 2011			

## **ALTERNATIVE BUDGET PROPOSALS**

Consistent with the analysis of the critical socio-economic and fiscal underpinnings of the proposed budget, the presents its alternative budget proposals for health, education, agriculture and environment in the succeeding chapters. These chapters, along with the chapter on lump-sums and contestable expenditure items, present concrete proposals on the prioritization of budget allocations and budget cuts that should make the budget more responsive the the needs of these sectors.

## **TOWARDS A MEDIUM-TERM REFORM AGENDA**

The foregoing discussions elaborate the macroeconomic, social and fiscal context, issues and challenges which should be addressed by next year's budget but by the present administration. While the intention for reform are clear, we believe that there is a need to re-engineer the budget to address the gaps and seeming disjoints between the current urgent concerns and the appropriate government response as reflected in the budget. Beyond that, ABI believes that this is an opportune time for the administration to introduce comprehensive reforms in the budgeting system, development planning and fiscal administration to improve overall public expenditure management.

Stronger mechanisms for transparency, accountability, predictability and participation must be put in place to ensure that the exercise of executive and legislative powers to make hard choices on resource allocation will yield the most impact on national development and benefit those who need government support the most – the poor and the marginalized.

### **Setting development goals and strategies**

We note that the budget was submitted to Congress earlier than the Memorandum Circular directing the formulation of the country's Medium-Term Philippine Development Plan (MTPDP). The logical sequence should be to have a plan setting out development goals, objectives and strategies and to

design a budget that reflects these development blueprint. This may have been the problem why there are disconnects in the budget, ex., cutting agriculture budget despite poor performance and urgent support for the sector in light of El Nino, climate change, etc.

In the absence of an MTPDP, there is a need for Congress to make clear the policy thrusts of the proposed spending and, more importantly, whether they cohere and complement to bring about the broadest benefits to the most marginalized. Choices will have to be made whether to infuse investments in agriculture and rural development of in urban areas.

Issues on how best to address the problem of poverty will have to be debated and clarified lest the government end up pouring billions of resources to programs and interventions that may not reach those who are most economically and socially excluded. Choices will have to be made whether to prioritize provision of direct subsidies or creating more opportunities for employment and access to better social services.

### **Fiscal management**

The major challenge is how to address the deficit problem. A clear deficit-reduction strategy must be formulated and presented to inform decisions on crafting the budget and reflect the choices on whether to rely more on borrowings or internal revenues to finance government expenditures. A debt-reduction strategy must be formulated to curb the exorbitant rise in the county's debt stock.

Strategic revenue enhancement measures must be identified. Choices will have to be made on whom to place the burden of financing government's operations. Fiscal incentives must be reviewed and explore options to relieve reliance on indirect taxes.

There is a need to review and evaluate the relevance and merits of various laws earmarking funds from specified sources to specified purposes which restricts flexibility in budget allocation and leads to wasteful and inefficient utilization of funds (ex., MVUC) which could otherwise be reallocated for other purposes.

Reassess the basis for providing budgetary support to government corporations and repeal provisions for automatic guarantees on GOCC debts.

### **Budget reform**

Pursue reforms in the budgeting system for greater transparency and accountability. In Congress, there is a need to prioritize budget reform bill pending since the last Congress including the impoundment control bills, defining savings and regulating its use, budgetary transfers, budget re-enactment and people's participation in the budget process. For the Executive, expand spaces for greater citizens' participation, access to information and institute mechanisms for dialogue and cooperation that is non-discriminatory and recognizes the diversity among civil society organization's initiatives.



# ADDRESSING MARGINALIZATION TO MEET MDG 2 AND EFA 2015

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## EDUCATION

There is recognition on the part of the new administration about the urgency of addressing the persisting crisis of education in the Philippines and the need to catch up given the continuing problems of access and quality. In its latest report on the progress of the Millennium Development Goals (MDGs), the government admitted that the education “target of universal access to elementary education by 2015 is in great risk of not being achieved.” The report acknowledged that the targets on education and on maternal health have the lowest chances of success.

Translating its commitment to ensure quality education at all levels, the Aquino administration submitted to Congress a budget for basic education that shows a sharp increase of 18.4 percent (P32.3 billion) from its 2010 budget of P175.0 billion. With an allocation of P207.3 billion representing 12.6 percent of the total budget, the DepEd retains its top position among all other agencies. In its budget message, President Aquino pointed to the long-standing shortages in

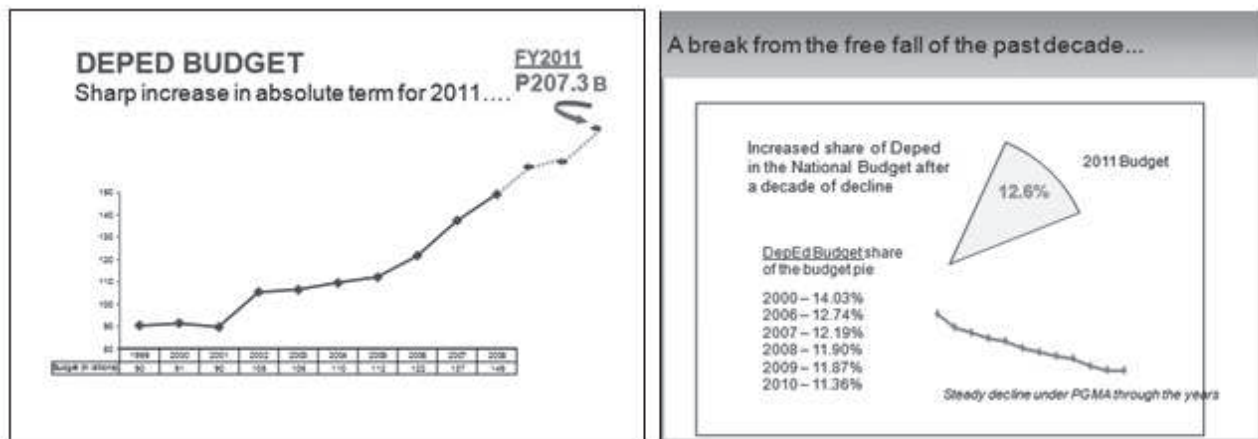


*Ipo Dam, Angat, Bulacan, 2010.*



classrooms, school furniture, textbooks, teachers and scholarships, all of which impede quality education. The President identified education as the central strategy for investing in our people.

The proposed budget for basic education relative to GDP showed a slight increase to 2.29 percent compared to the previous year of 2.10 percent of GDP. This is the first increase after falling consistently in the last 10 years relative to GDP. The proposed budget also indicates an increase in the share of basic education (12.6 per cent) in the total budget after shrinking consistently through much of the Arroyo administration. Given this increase, the declining per pupil expenditure in real terms is expected to be checked and reversed starting next year.



The proposed DepEd budget is highlighted by the following:

- ❑ **P12.4 billion** - for the construction of 13,147 classrooms (more than double the 2010 allocation)
- ❑ **P5.9 billion** – for the creation of 10,000 new teaching positions
- ❑ **P1.8 billion** - for the purchase of an estimated 32.3 million textbooks
- ❑ **P5.8 billion** – to expand GASTPE grantees to 1 million
- ❑ **P2.0 billion** – to strengthen the School-Based Management to empower schools
- ❑ **P1.8 billion** – to speed up computerization program
- ❑ **P1.8 billion** – to strengthen the Pre-School Education Program

### **Can this be the start of the catch up to meet MDG 2 and EFA by 2015?**

The sharp increase in the education budget is indeed commendable. However, critical programs in the education sector have remained poorly funded and virtually ignored. There are concerns raised that the budget focuses almost entirely on the formal school system and speaks little on the out-of-school children and other marginalized groups. Key infrastructure input may have been addressed, but investment in quality enhancement remains small, specifically in terms of teacher training,

development and welfare. The creation of 10,000 additional teaching positions is too small to cover the shortages and achieve the ideal pupil to teacher ratio. Finally, the proposed budget for basic education is still far from the required resources to catch up and meet the 2015 targets based on studies done by NEDA and the United Nations Development Programme (UNDP). International benchmarks endorsed by the United Nations Educational, Scientific and Cultural Organization (UNESCO) set the desirable level of total education expenditure at 6 percent of GDP and 20 percent of total public expenditure. Certainly, much more effort and resources will be needed to cover the shortfalls and underinvestment of the past several decades.

The ABI education cluster argues that the problem facing the education is far more serious than what the government is prepared to admit. The financing gap, wrong priorities and poorly managed programs have exacted a heavy toll on the Filipino children. Based on the UNESCO's EFA Development Index (EDI) which measures overall EFA achievement, the Philippines ranked 85<sup>th</sup> out of 128 countries in 2007, falling behind most Asian countries such as China, Malaysia and Indonesia. What is worse is that the EDI score of the Philippines has been decreasing since 2003 when it ranked at 75<sup>th</sup> of 125 countries. This confirms the observation that the Philippines has been under-performing in education, with key indicators way below what might be expected of a middle-income country. The sad reality is that the Philippines is being left behind, while most other countries in the world are making significant strides towards universal primary education.

The Philippines ranks among the lowest education spender in Asia and the rest of the world. The country's spending level is below the East Asian regional average of 3.6 percent of GDP and South Asia's average of 3.8 percent. When countries were classified into four groups based on income, the spending level of the Philippines (a middle-income country) on education was even lower than the median (3.9 percent of GDP) expenditure of countries belonging to the lowest income group.

### **ABI Proposal and Rationale**

The ABI education cluster reiterates its position that adequate resources must be invested to improve quality and access of the poor and marginalized groups to education. Along this line, it proposes the following key measures:

- ☐ Invest in Teachers for Quality Education
- ☐ Invest in programs to reach the "unreached"
- ☐ Improve governance and transparency

### **On Access**

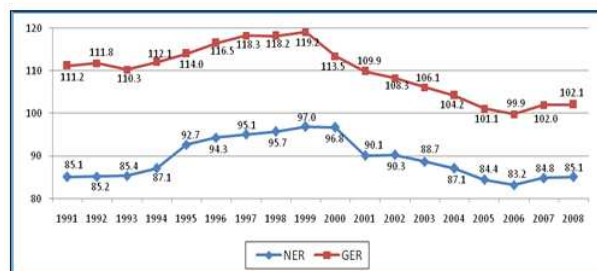
Millions of school-age children and youth are still being denied access to education. Net enrolment rate (NER) in elementary education declined sharply from 96.8 percent in SY 2000-2001 to 85.1 percent in SY 2008-2009. Learning efficiency as measured by the cohort survival rate (CSR)<sup>1</sup>,

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<sup>1</sup> Percentage of Grade 1 pupils who reach Grade 6

showed erratic fluctuation, indicating the poor holding capacity of the school system with dropout rate remaining alarmingly high at an average of 6.0 percent in SY 2008-2009.

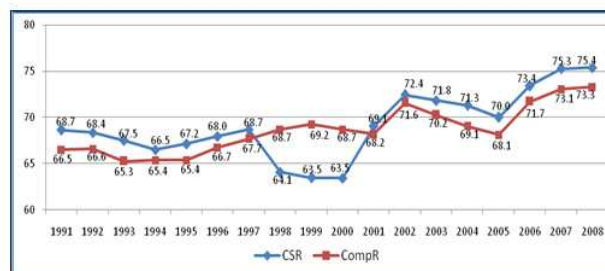
**Figure 1. Elementary education NER and GER (%), SY 1991-1992 to SY 2008-2009 (public and private)**



**Source of basic data:** Department of Education

**Note:** The years 1991 to 2008 in the horizontal axis represent start of school year (i.e., 1991 corresponds to school year 1991-1992)

**Figure 2. Elementary education CSR and CompR (%), SY 1991-1992 to SY 2008-2009 (public and private)**



**Source of basic data:** Department of Education

**Note:** The years 1991 to 2008 in the horizontal axis represent start of school year (i.e., 1991 corresponds to school year 1991-1992)

Wide disparities in key education indicators persist across regions, between rural and urban, and by gender, with girls out-performing the boys in terms of enrolment, survival and completion in elementary education from 2000 to 2008. Poverty, poor health, peace and order problems in some areas, and the prevalence of child labor are factors that keep children from attending school.

About a quarter of students who enter Grade 1 drop out before reaching Grade 6. Every year, at least half a million students drop out from elementary and secondary school, with a significant percentage permanently staying out of school. For 2007, UNESCO<sup>2</sup> estimated that 1.003 million Filipino children, 6 to 11 years old, were not attending school. This is similar to the estimate done by Action for Economic Reforms which placed the number of out-of-school children 6-15 years old at 2.2 million, 1.2 million of whom were between 6 to 11 years old. Apart from the 2.2 million school leavers, another 2.8 million youth (16 to 21 years old) were not attending school and had not completed basic education<sup>3</sup>. UNESCO's Global Monitoring Report (2010) noted that the Philippines, along with Myanmar, Vietnam, Thailand and Indonesia, are countries facing the greatest challenge in the number of out of school children.

The marginalized and disadvantaged groups are unable to catch up as they continue to be ignored and neglected. Good practices and programs for disadvantaged groups are, likewise, marginalized with little funding and limited coverage. The funding for the Alternative Learning System that is supposed to cater to the out-of-school youth and marginalized groups has remained grossly inadequate to make an impact. While about 20 percent of school-age children and youth are out of the school system, a measly budget of less than 1 percent of the DepEd budget is allocated to reach the out-of-school. In a matter of a few years, these indicators will translate to poverty statistics, and the cycle of poverty and poor education continues on.

<sup>2</sup> UNESCO's Global Monitoring Report 2010.

<sup>3</sup> Raya, 2010.

### **On Quality**

The poor quality of education is indicated by the poor performance of the Philippines in international competitive tests where Filipino students consistently rank among the bottom performers. This is also indicated in the low learning achievement in both elementary and secondary levels notwithstanding the slight increase registered in the last few years. The results of the 2008 Functional Literacy, Education and Mass Media Survey (FLEMMS) validate the concern about the poor quality of Philippine education. Among Filipinos who completed elementary education, about 20 percent were not functionally literate. More alarming is that about 10 percent of those who have reached high school education were not functionally literate. That means that while the average years of schooling of Filipinos increased, literacy has improved only marginally if at all.

The quality of public education must be improved through the continued training and professional development of teachers, to keep up to date with content and to improve teaching pedagogy. Adequate number of teachers must be hired to cover the perennial shortages and achieve a better pupil to teacher ratio.

### **On Governance**

The governance of education should be improved by ensuring transparency and accountability, and by enhancing participation of all stakeholders, including parents, students, community representatives and NGOs. The participation of stakeholders in policy bodies at national, local and school levels must be ensured. In connection with this, the school-based management system being implemented by DepEd should ensure empowerment of local school authorities, communities and parents.

### **Specific Budget Proposals**

#### **Reaching the Unreached**

<b>Budget Item</b>	<b>GAA 2010</b>	<b>NEP 2011</b>	<b>ABI Proposal 2011</b>	<b>Variance</b>
<b>Alternative Learning System (ALS)</b> (Includes an allocation for a National Literacy Campaign)	309,597,000	284,597,000	<b>1,500,000,000</b>	1,215,403,000
<b>Indigenous Peoples Education</b>			<b>100,000,000</b>	100,000,000
<b><u>Madrasah Education</u></b>	300,000,000	300,000,000	<b>No change</b>	
<b>Education in Emergencies</b>			<b>50,000,000</b>	50,000,000

For ALS, we propose an increase in the per learner allocation to P2,500 and target 500,000 learners. The proposed budget also includes an allocation of 1 mobile teacher per district and the development of ALS curriculum and Monitoring & Evaluation.

An allocation of P50 million is also proposed for a national literacy campaign in the light of the findings that about 9 million Filipinos 10 to 64 years old are not functionally literate.

The proposed P100 million allocation for IP Education includes provision of 40 Learning Centers for IPs, the development of IP curriculum and production of learning modules. The target is to reach at least 20,000 IPs who lack basic education and are not functionally literate.

A fund of P50 million is proposed to address education of children in conflict and disaster prone areas to comply with the international Minimum Standards in Education in Emergencies (M.S.E.E.)

### **Quality Teachers for Quality Education**

<b>Budget Item</b>	<b>GAA 2010</b>	<b>NEP 2011</b>	<b>ABI Proposal 2011</b>	<b>Variance</b>
<b>New teaching positions</b>	1,930,405,000	1,509,045,000	<b>3,000,000,000</b>	1,490,955,000
<b>Training &amp; Development</b>	800 Million	862 Million	<b>1.5 Billion</b>	638,000,000
<b>Compre Medical/ Dental &amp; Optical Health</b>	90,952,000	40,952,000	<b>583,029,000</b>	542,077,000

Quality education requires adequate number of qualified and motivated teachers and continuous professional development through training and scholarship provisions. There is also a need for a fair and sound system of promotion and career development, with better salaries and benefits that provide comprehensive welfare assistance, including full health coverage, housing support and provision for scholarships. For these reasons, we propose the following budget provisions:

- Double the target number of new teaching positions from 10,000 to 20,000 to accelerate efforts to cover the gap and achieve the ideal ratio of 1:35/40 Pupil to Teacher Ratio within a shorter timeframe.
- Provide additional funding of P1,000 per teacher to expand and speed up teacher training.
- Address teacher welfare by providing comprehensive medical assistance through an additional funding of P1,000 per teacher.



**Increasing MOOE for Enhanced Learning**

Budget Item	GAA 2010	NEP 2011	ABI Proposal 2011	Variance
<b>MOOE - Regional Operations</b>	17.1 Billion	18.9 Billion	<b>22.9 Billion</b>	4 Billion

The lack of operational funds impacts heavily on the quality of education and learning. Additional funding for MOOE is proposed to ensure a school environment that is conducive to learning. Specifically, we propose to peg the MOOE at P750 per elementary student and P1,250 per high school student. This will mean an additional P 4.0 billion in the MOOE for regional operations.

**SUC-University of the Philippines**

Budget Item	GAA 2010	NEP 2011	ABI Proposal 2011	Variance
<b>UP SYSTEM</b>	7.270 B	5.525 B	<b>7.004 Billion</b>	1.479 Billion
<b>UP-PGH</b>	417.671M	1.890 B	<b>2.778 Billion</b>	888 Million

The University of the Philippines needs additional funds for Maintenance and Other Operating Expenses (MOOE) to meet budget deficiencies for existing programs and projects; including provision of funds for utilities (water and electricity) and repair and maintenance of various school buildings and facilities of different campuses of the UP System. Likewise, there is a need to appropriate necessary funds for the completion and start of operation of several buildings of the National Science Complex (NSC) and the Engineering for Research and Development for Technology (ERDT) Projects of the College of Engineering.

Under RA 9500, “An Act to strengthen the University of the Philippines as the National University,” it is mandated that “in addition to the regular appropriations and for the University under the annual GAA, a centennial fund shall be appropriated in the amount of One Hundred Million pesos (P100M) per year for a period of 5 years which shall likewise be included in the annual GAA.

The increase in Maintenance and Other Operating Expenses (MOOE) for UP PGH is for the deficiencies in allocation of the following: a) drugs and medicines, chemicals and reagents, medical

supplies needed badly by 600,000 patients in a year seen in the hospital; b) repairs and preventive maintenance- to provide needed funds to meet the requirements of old hospital facilities, infrastructure in particular those that are very essential to patient care; c) to cover for shortfalls in the budget for electricity and water bills which have tremendously increased in previous years due to marked higher rates, expanded hospital services, most of which are 24/7, and to cater to the needs of 600,000 patients and 4,000 hospital staff; d) continuous operation of Occupational Safety and Health Measures; e) supplies and materials required for continuance of ISO Accreditation of the hospital; f) inter-disciplinary Staff Development Program of the Hospital; g) supplies and materials of Expanded Hospital Research Office and h) supplies and materials for continuous “Tatak PGH Plus.”

**TOTAL ALTERNATIVE BUDGET PROPOSAL FOR  
EDUCATION: P 10,403,435,000**

### **Some Specific Questions on the Proposed Budget for Basic Education for 2011**

A budget of P2 Billion is proposed for School-Based Management (SBM) which provides a grant to schools to set up the School Governing Councils. This represents an increase of four times compared to the budget for 2010. It is important to review the implementation of the SBM and the utilization of the allocated funds considering the questions raised about the effectiveness of the school governing councils. Many of these councils are existing in paper only and have not actually functioned as envisioned.

DepEd has yet another pilot project e-Impact with an allocation of P200 million. While generous amounts are given to such new programs, existing regular programs for those outside the school system remain grossly underfunded.

The amount of P500 million is allocated for Quick Response Fund but it is not clear what this fund is exactly for.

Finally, a review of the DSWD’s 4 Ps program is urgently needed given the huge funding allocated to it, much of which are sourced through external loans which add further burden to the next generation.



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The **ALTERNATIVE BUDGET INITIATIVE – EDUCATION CLUSTER** is composed of Action for Economic Reforms, Piglas Kababaihan, Pinagsamang Lakas ng Magulang (PINASAMA), Konkokyo Peace Activity Center Inc. (KPACIO), TEACHERS Inc., Teachers' Dignity Coalition, Kaguruan Center, KUMPAS, Kapitbarangay sa Pasig, Paaralang Bayan sa Zambales, Unang Hakbang, Education for Life, Kabataan Kontra Kahirapan, Asia South Pacific Association for Basic and Adult Education, and Metro West Network.

# REALIZING UNIVERSAL HEALTH CARE

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## HEALTH

### Introduction

Last month, heads of governments all over the world have congregated at the United Nations in New York to report on their accomplishment on the Millennium Development Goals (MDGs). The Philippines' own scorecard has not been so rosy. Foremost source of concern is MDG 5—improving maternal health—which has progressed so slowly, making it virtually impossible to cut down maternal mortality rate from 162 per 100,000 live births to 52 by the year 2015.

The weak and poorly-funded health system is much to blame for this situation. This has led to wide disparities between the poor and the rich in terms of access to health services, resources and benefits, and health outcomes. Financing universal health care poses a critical challenge for the Aquino administration.

The alternative budget for health focuses on a public health expenditure that is pro-poor with programs and services that cater to the most urgent needs of the marginalized sectors. No less than a thorough-going sector-wide reform of the health care system is being proposed. These reforms are directed



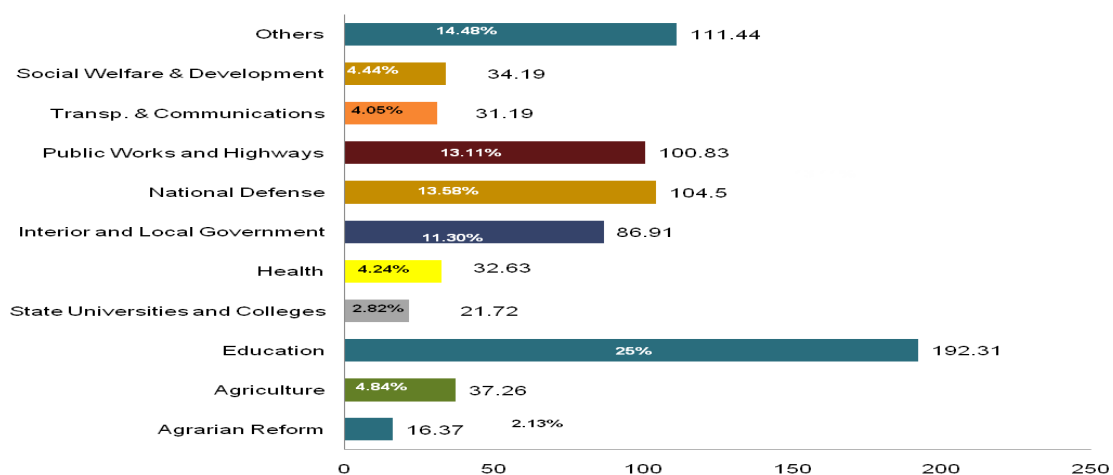
*San Mateo, Rizal, 2009. (by Michael John David)*

towards achieving universal health care and a health care system that is responsive to the needs of the poor. Lending support to these reforms is the adoption by the new Aquino administration of universal health care as the corner stone of its health agenda.

### Highlights and Salient Features of the Proposed 2011 Budget

For FY 2011, the proposed budget of the DOH in the amount of P32.63 billion ranks seventh among all national government agencies. (See Figure 1).

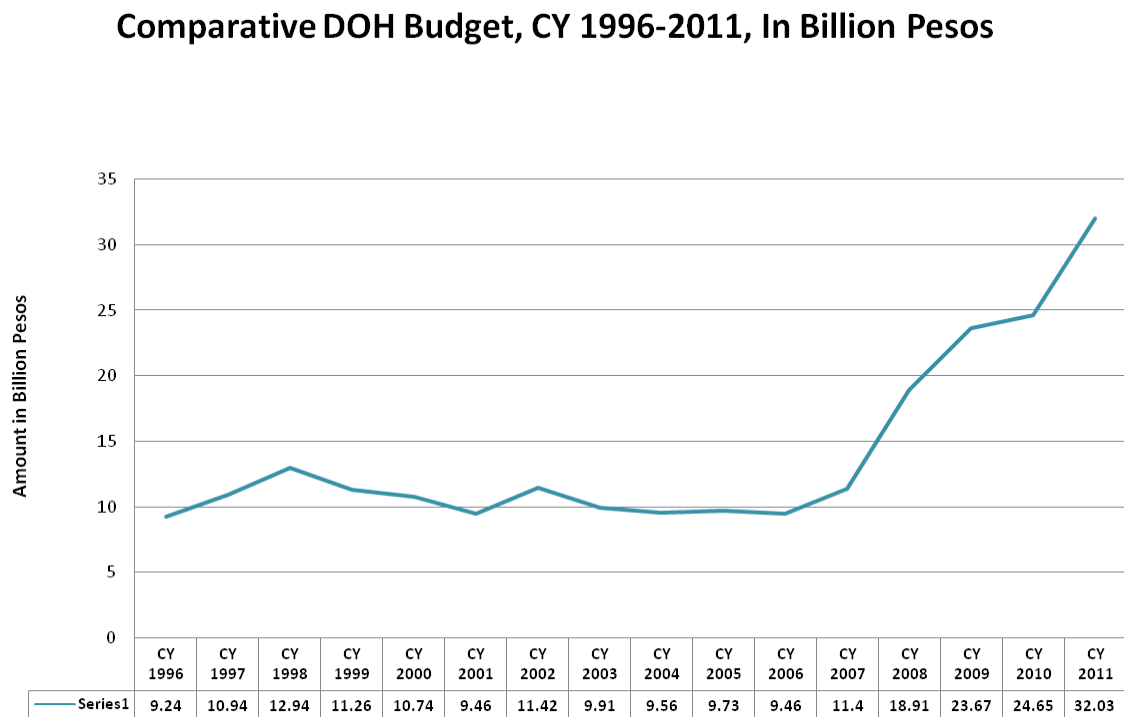
Figure 1. Proposed New Appropriations by Department/Agencies for FY 2011



Source: Health Policy Development and Planning Bureau (HPDPB), Department of Health

The DOH budget increased by 13.6 percent from P29.3 billion this year to P33.3 billion in 2011 to finance its major programs and projects. The proposed budget for the DOH for 2011 is P7.5 billion higher than the P25.238 billion 2010 budget. (See Figure 2)

Figure 2. Comparative DOH Budget CY 1996-2011, In Billion Pesos



Source: HPDPB, Department of Health

Of this, P32.02 billion or 95.82% of the total proposed budget for the DOH is allocated to the Office of the Secretary (See Table 1).

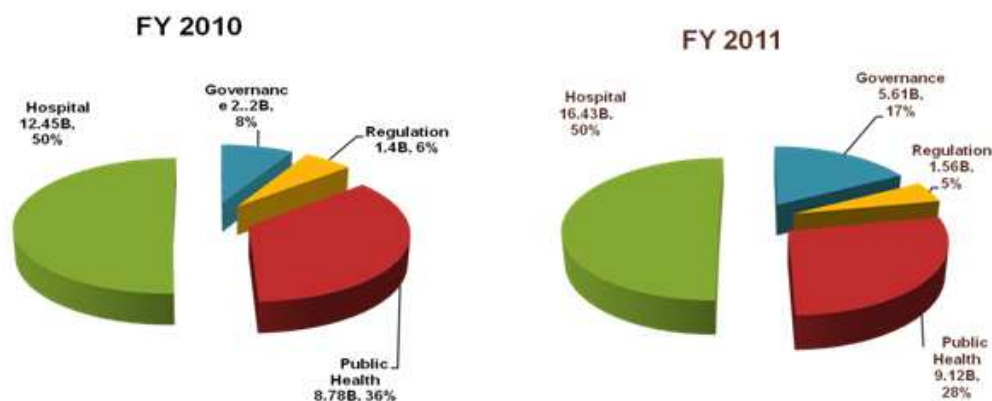
Table 1. DOH and attached agencies, FY 2011, NEP, In Thousand Pesos

Particulars	Amount	Share (%)
<b>Department of Health</b>		
<i>DOH Proper</i>	32,026,616	95.82
<i>Commission on Population</i>	290,660	0.87
<i>National Nutrition Council</i>	306,168	0.92
<b>Sub-Total</b>	<b>32,627,444</b>	<b>97.61</b>
<b>Specialty Hospitals</b>		
<i>Lung Center of the Philippines</i>	157,589	0.47
<i>National Kidney and Transplant Institute</i>	162,800	0.49
<i>Philippine Children's Medical Center</i>	318,000	0.95
<i>Philippine Heart Center</i>	122,000	0.36
<b>Sub-Total</b>	<b>760,360</b>	<b>2.27</b>
<b>Attached Corporations</b>		
<i>Philippine Health Insurance Corporation</i>	-	-
<i>Phil. Institute of Traditional and Alternative Health Care</i>	37,000	0.11
<i>Local Water Utilities Administration</i>	-	-
<b>Sub-Total</b>	<b>37,000</b>	<b>0.11</b>
<b>GRAND TOTAL</b>	<b>33,424,804</b>	<b>100.00</b>

Source: HPDPB, Department of Health

As proposed for FY 2011, hospital services amounting to P16.43 Billion or 50% of the total DOH Budget will be allotted while Public Health will only get a 28% share amounting to P9.12 Billion. (See Figure 3)

Figure 3. FY 2010 vs. FY 2011 Allocation by Function, DOH-Proper, In Billion Pesos

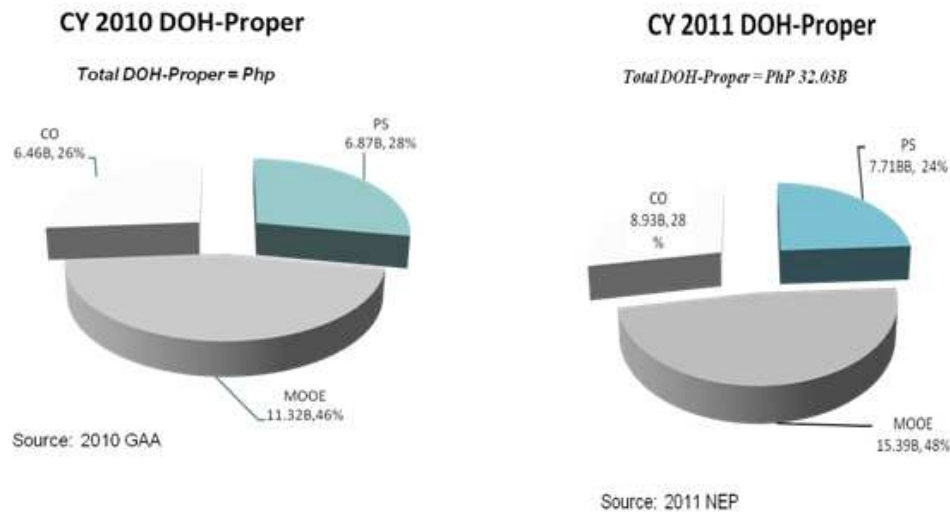


Source: GAA 2010

Source: NEP 2011

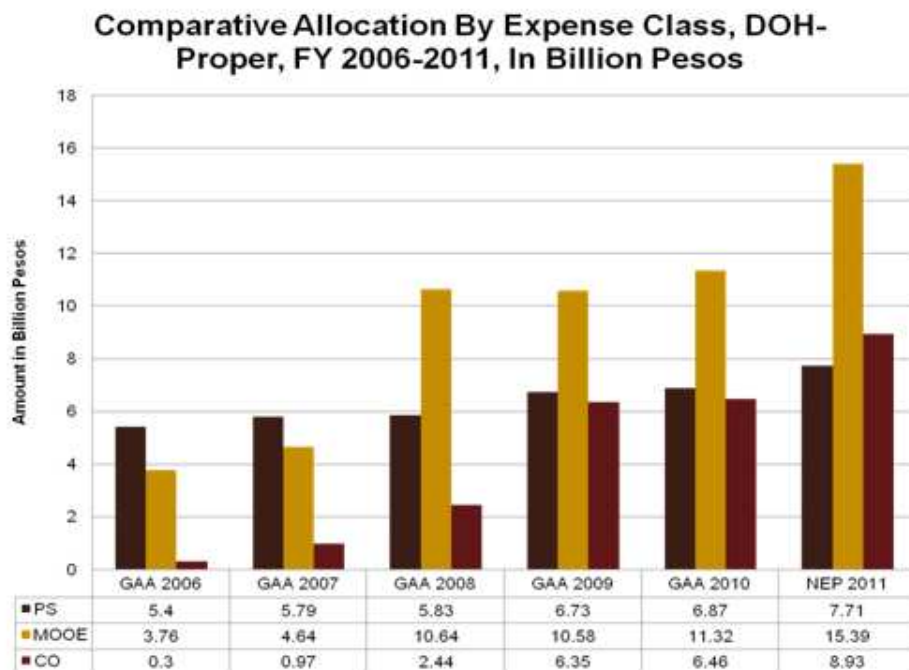
Moreover, Maintenance and Other Operating Expenses (MOOE) has the largest share amounting to P15.39 Billion or 48% of the total DOH budget while Capital Outlay (CO) will receive P8.93 Billion or 28% share of the budget. This is the first time that CO receives the second largest share (See Figure 4).

Figure 4. CY 2010 vs. CY 2011 Allocation by Expense Class, DOH Proper, In Billion Pesos



This is a significant change since the 2006 GAA, where CO only received P 300 Million; Personal Services (PS) usually receives the second largest share. (See Figure 5)

Figure 5. Comparative Allocation by Expense Class, DOH Proper, FY 2006-2011, In Billion Pesos



Source: HPDPB, Department of Health



For the FY 2011 NEP, CO has its largest share on “Leveraging services for priority health programs” (MFO 3) amounting to P8.664 billion while MOOE and PS has its largest share on Tertiary and other specialized health care (MFO 5) with allotments of P6.110 billion and P5.797 billion, respectively. MFO 3 has the largest share with P13.559 billion while MFO 5 has P11.907 billion allotment. Health policy and health program development (MFO 1), Capability building services for LGUs and other stakeholders (MFO 2) and Regulatory services for health products, devices, equipment and facilities (MFO 4) have allotments of not more than P3 billion. (See Table 2)

Table 2. Major Final Outputs (MFOs), FY 2011 NEP, In Thousand Pesos

<b>MAJOR FINAL OUTPUTS</b>	<b>PS</b>	<b>MOOE</b>	<b>CO</b>	<b>TOTAL</b>
<i>MFO 1: Health policy and health program development</i>	577,507	2,151,667	131,193	2,860,367
<i>MFO 2: Capability building services for LGUs and other stakeholders</i>	577,475	2,051,634	131,191	2,760,300
<i>MFO 3: Leveraging services for priority health programs</i>	512,851	4,382,153	8,664,553	13,559,557
<i>MFO 4: Regulatory services for health products, devices equipment and facilities.</i>	244,436	696,248	-	940,684
<i>MFO 5: Tertiary and other specialized health care</i>	5,797,283	6,110,425	-	11,907,708
<b>Total, MFOs</b>	<b>7,709,552</b>	<b>15,392,127</b>	<b>8,926,937</b>	<b>32,028,616</b>

Source: HPDPB, Department of Health

Compared with other Asian countries, health expenditure in the Philippines registered 3.8 percent<sup>1</sup> which is way below the five percent norm set by the World Health Organization (WHO) for developing countries. For the Philippines, the five percent GDP health expenditure is around P440 billion.

<sup>1</sup> 2009 World Health Statistics



Table 3. Health Expenditure in Asian countries against GDP

Country	Percentage of GDP
	2006
China	4.6
Indonesia	2.5
Malaysia	4.3
Philippines	3.8
Singapore	3.3
Thailand	3.5
Vietnam	6.6

Source: 2009 World Health Statistics, WHO

The DOH per capita budget is just P83.04 for an average nationwide allocation.

Table 4. Allocation per Person, Distribution of DOH budget per Region

CHDs	Population	% Population Distribution	DOH Budget Allocation	% Budget Share	Budget allocation per person
Luzon	49,818,331	56.25	3,618,515	49.20	72.63
Visayas	17,159,481	19.37	1,660,696	22.58	96.78
Mindanao	21,586,641	24.37	2,075,579	28.22	96.15
Philippines	88,566,732	100	7,354,790	100	83.04

Source: Department of Health

## Health Situation

By focusing on achieving universal health care for Filipinos, we mean that every Filipino should have access to high quality health care that is efficient, accessible, equitably distributed, adequately funded, fairly financed, and directed in concurrence with an informed and empowered public. The idea of universal health care is that access to social services of Filipinos is based on needs and not on the capability to pay.

The country spent a total of P234.3 billion for health care in 2007 representing 3.2 percent of GDP. Though, according to the National Statistical Coordination Board (NSCB), the country's total health expenditure showed improvements from 2005 to 2007, this was at decelerating growth rates both at current and constant prices. At current prices, the total outlay for health went up from P198.4 billion in 2005 to P234.3 billion in 2007, registering a growth rate of 9.1 percent in 2006 and 8.3 percent in 2007.

Government spending in health has been decreasing, owing largely to reductions in national government spending with minimal growth in local government spending. According to NSCB, the government came in far second in health spending contribution with the national and local government having equal shares of 13.0 percent and 13.3 percent in 2007, respectively.

#### **A. Total Health Expenditure in 2007**

Inadequacies in all of the building blocks of the Philippine health system are in some way ultimately traceable to the system for health care financing.

The first indication of an inequitable health care financing regime is the fact that so many Filipinos are unable to access and use health care because the costs of their care are missing in the totals. If we accept the WHO's recommendation that countries at our level of development should be spending at least 5% of GDP on health, our health sector is grossly under funded by at least 40%, representing the costs of unmet needs of many of our people.

#### **Health Expenditure by Source**

With half of the total expenditures on health each year sourced from out of pocket payments by individuals and families, our health system is largely financed by user fees and the non-payers are unlikely to be using services. Tax-based government spending (both local and national sources) accounts for less than 40 percent while the national health insurance program (PhilHealth) and private shared-risk schemes (insurance and HMOs) contribute about 11 percent. Even users of tax fund services provided by government and users with some type of health insurance still pay out-of-pocket as part of their co-payments for care. This means that people in need of care without the means to pay out-of-pocket are effectively shut out of a system where out-of-pocket payment become one's entry fee.

#### **Impact of High Out of Pocket Payments**

This mode of health care financing so heavily reliant on out of pocket payments has dire implications for individuals, families and communities which do not belong to income groups with large disposable income. Only those with money can fully afford out of pocket payments – and often they are also covered by generous insurance benefits. The poor, most of whom do not even have pockets, are totally dependent on government or private charity. The middle classes and near-poor are always at risk of impoverishment when they need health services particularly those requiring expensive interventions.

The existing health care financing structure also induces health care organizations and institutions to “follow the money”. Almost 70% of the DOH budget allocated for retained hospitals which, like private hospitals, emphasize high tech expensive interventions. Fiscal autonomy for government hospitals has not significantly reduced their dependence on subsidies mainly because income can only be generated from out of pocket payments. Thus even hospitals that are traditionally service-oriented like PGH require such payments from their patients.

### **Phil Health Reimbursements**

Ironically, even the national health insurance program which is supposed to be one of the answers to inequity in health care financing, turns out to be itself a factor that enhances inequality. One indication is the fact that the institutions that receive the highest share of Phil Health reimbursements are those that cater mainly to rich or well-to-do clients. The Davao Medical Center is the only government hospital that is among the top ten recipients of Phil Health reimbursements. Another indication is the fact that Phil Health benefits utilization rates are highest among the more highly paid employed members and remain very low among sponsored indigent members. And even among employed members, those with high incomes have higher utilization rates than those in the lowest income groups.

### **Increasing Out of Pocket Payments**

Even more disturbing is the fact that, since Phil Health was established by law in 1995 private sources of health financing comprising mainly out of pocket payments have soared. From 39 billion or 40 percent of total, this component of health financing rose to 54.3 percent of total in 2007. It is clear that the Social Health Insurance scheme as currently implemented by the Philippine Health Insurance Corporation is not working as envisioned.

### **Reforms Toward Universal Health Care**

Reform of health care financing should feature a quantum increase in tax-based coordinated government spending and reorientation of PhilHealth as a true social health insurance program that maximally spends its health fund benefits to fully support the health requirements of all Filipinos.

Government spending of 200 billion pesos annually on health is not realistic if we consider it in the context of a national budget of 1.6 trillion pesos. But political will is necessary to enable quantum increases in coordinated health spending by national and local governments as well as the social health insurance program within a national health reform framework.

While initially such efforts should focus on strengthening services for the poor, there should be a clear understanding that the system will eventually cover all socioeconomic classes. This is necessary to avoid developing a two-tier health care system that will exacerbate inequity.

A quantum increase in coordinated government spending, public support for reforms, and an initial focus on the poor, if introduced to the political process can make a reality in the next three years what many countries already have and Filipinos can now only dream about – UNIVERSAL HEALTH CARE.

## **B. Maldistribution of Human Resources for Health**

In the Philippine context, health human resources refer to “health personnel, also called health manpower, and the totality of their skills, knowledge and capabilities for national health development”. The term also refers to those engaged in the delivery of various health services to promote and maintain the well-being of the people, and thus include “professionals, paraprofessionals, community health workers, support health workers, support personnel and traditional healers”.<sup>1</sup>

Today it is estimated that 70% of all health workers are employed in a private health sector that serves only the 30% of the population that can afford to pay for their health care. The other 30% of the workforce are in government services that cater to the needs of the majority of Filipinos who are too poor to afford the cost of private services. It should be noted that even this small number of health professionals engage in private for-pay practice-either licitly or illicitly.

This maldistribution results from the fact that government positions providing basic public health services, are low paying and often considered less prestigious. Private clinical practice in lucrative urban areas is preferred by most doctors and even midwives. For nurses, teaching in nursing schools is significantly more rewarding than providing nursing care.

For all these reasons, in this country that produces some of the world’s best doctors, nurses and other health workers, 60% of Filipinos die without the benefit of health professional attention. Hospitals and other health institutions, both government and private are severely undermanned and entire communities- especially in far-flung areas are too poor to afford the services of a complete health team.

### **Dysfunctional Health Workforce Structure**

The Philippines’ health human resource problems are the result of its dysfunctional health workforce. The problems are introduced at the very onset of the health professional production process. To begin with, the families of those who enroll in health academic institutions perceive health professional careers as a means of economic advancement and considering training costs as investments from which returns are expected in the future.

The output of a workforce production system that is de-linked from the actual needs of the Philippine system are health providers from whom service is a lower priority than personal professional advancement. They are ill-prepared for dealing with health problems in the Philippine setting. The overwhelming majority of nursing graduates look to overseas employment as their ultimate professional goal. And because they are dissatisfied with the work condition they encounter after medical schools, a significant number of physicians abandon their profession for overseas possibilities as nurses. Sadly, those who are resolute to stay in the country to practice their profession preferred to work in private and urban areas rather than in rural regions where mostly of the poor Filipinos reside.

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<sup>1</sup> *National Objectives for Health 2005-2010*

## **C. Health Services**

A health care delivery system generally consists of the organizations and individuals providing health care services and provides a wide array of preventive, promotive, curative, and rehabilitative health care. In the Philippines, public health programs, such as maternal and child care, prevention and control of infectious diseases, and promotion of healthy lifestyle, as well as basic ambulatory curative care are usually delivered at the primary care level consisting of rural health units, health centers and private clinics.

On the other hand, hospital-based services in both public and private sectors are categorized into several levels: first level referral hospitals are non-departmentalized hospitals providing general clinical and nursing services for patients requiring care on a 24-hour basis; second level referral hospitals are departmentalized hospitals providing specialty clinical care; and third level or end-referral hospitals are hospitals providing the highest level of medical care that includes specialized and sub-specialized treatment, surgical procedures and intensive care.

Let us take a look at the way the country's health services are organized and delivered.

Filipinos who can afford it receive basic health services at private clinics and hospitals that are staffed by specialists and equipped with sophisticated medical equipment.

The less affluent majority go to government health centers or hospitals. Except for a few localities, these facilities are poorly equipped and often lack supplies. Quality of care is dependent on the degree of commitment of local governments or institutional health staff.

Disparities in access to basic care have persisted and worsened because of the fragmentation of the country's health system. First, too much of our basic health services are privately provided, privately funded and privately used mainly for the benefit of those who can afford to pay for these. Second, our public sector in health, which is the segment most amendable to equitable re-distribution on basis of the democratic principle of the greatest good for the greatest number, has been kept too small to make a real difference. And third, this already small public sector in health has been further cut up into smaller pieces by the faulty design of our public sector devolution of health services. In short, our basic health services remain inequitable because too much of it is in private hands, too little is in the public sector, and the little public sector, through Local Government Code of 1992, we had we divided into small inefficient pieces working independently.

### **Inequitable Access**

The consequence of all this is that among the poorest Filipinos, less than 50% of pregnant women are given vitamin supplements while 80% of their high income counterparts receive these important nutrients. This translates into a greater number of high risk pregnancies due to under nutrition among poor women who have higher fertility rates and are already at greater risk for unintended pregnancies.

In the lowest income quintile less than 2% of births are by caesarian section while among the highest income groups the caesarian section rate is greater than 20%. Given the accepted public health gold standard caesarian section rate of 15%, these figures are bad for both groups – among the poor, this means that women who should have surgery are not operated on, while among the rich, even those who do not need surgery get it.

Only 50% of children from low income groups receive at least partial immunization while over 80% of rich children are fully immunized. Because there are more of them than there are rich children, lower coverage of the poor in part explain why the reduction of infant and childhood deaths called for under the Millenium Development Goals has slowed down.

Finally, while the rich few can afford the most modern technologies to extend their lives or prevent premature deaths, the poor majority have little hope of similarly availing of state-of the –art interventions in the face of imminent death. This terrible inequity is the result of our non-existent arrangements for delivering tertiary care services to the poorest 60% of our population.

For example, more than half of the patients of the approximately 700 end-stage renal disease patients who received kidney transplants in the year 2007 were foreigners. The rest were the few Filipinos who are lucky enough to afford the exorbitant cost of the procedure.

#### **D. Health Regulation**

Health regulation applies not only to those who produce or provide health goods and services but also to those who finance, utilize or consume them. It may cover a broad range of health goods like pharmaceuticals, medical devices and health technologies, and a wide array of health services like education of health professionals, provision of health insurance, and delivery of health care among others.

Effective regulation, however, is a complex and challenging process that requires a demanding combination of technical expertise, administrative and legal capacity, and political support. Major stumbling block for achieving an effective regulation are lack of specific legal mandates, inadequate expertise and number of health regulation officers, lack of expertise and infrastructure in specialized services and laboratory facilities in specific areas, and weak health regulatory systems and processes.

#### **E. Health governance**

The structure of DOH remains the same as it was in the pre-devolution period. The functions of Centers for Health Development and the role of DOH in local health service development remains unclear and unfocused. In addition, DOH continues to exercise direct supervision and control of nationalized hospitals whose roles and relationships within the health system are not yet clearly defined.



## F. Health information

Health information management in the Philippines is at best rudimentary and ministerial, but poses greatest strategic value in reforming the health system. The country suffers from lack of leadership and organization. Most of the existing information programs are not guided by a strategic framework creating disintegrated silos of data. Despite a relatively mature communications network, it is not optimally used as a resource.

### FY 2011 Alternative Budget Proposal for Health

ABI proposes budget that shall ensure government's support in securing universal health care to all Filipinos. In the light of the current health situation and the limitation of the Philippine health delivery system to service the increasing health needs of the population, the ABI proposes the following alternative budget that seeks to better equip the public health system to respond to people's needs.

Budget Item	GAA 2010	NEP	ABI Proposal	Variance (ABI Proposal less NEP)
<b>SERVICE DELIVERY PROGRAMS (III.b)</b>				
1. Epidemiological and Disease Surveillance (III.b.1)	145,650,000	137,783,000	157,783,000	20,000,000
<b>Disease Prevention and Control (III.b.2)</b>				
<i>Total Allocation (NEP 2011): P5,542,956,000</i>				
<b>Intensified Disease Prevention and Control (III.b.2.b.3)</b>				
2. Expanded Program on Immunization for Infants, Children and the Elderly	990,784,000	2,462,938,000	5,409,096,400	2,916,698,400
		30,000,000		
3. Family Health including Family Planning (III.b.2.d)	1,434,349,000	931,349,000	2,256,000,000	1,324,651,000
4. Environmental and Occupational Health (III.b.2.e)	90,600,000	50,300,000	100,300,000	50,000,000
5. Health Facility Enhancement Program (III.b.6.c)		7,143,909,000	12,843,909,000	5,700,000,000
<b>Operation of Special Hospitals, Medical Centers and Institutes for Disease Prevention and Control (III.b.7)</b>				
6. Research Institute for Tropical Medicine	168,009,000	160,388,000	360,388,000	200,000,000
<b>SUPPORT TO OPERATIONS (II)</b>				
7. Health Information Systems and Technology Development (II.b)		190,372,000	1,200,000,000	1,009,628,000



Budget Item	GAA 2010	NEP	ABI Proposal	Variance (ABI Proposal less NEP)
8. Subsidy for Health Insurance Premium of Indigent Families including P500,000,000 for Informal Sector Enrolled in the National Health Insurance Program (II.f)		3,500,000,000	7,500,000,000	4,000,000,000
<b>Additional Budget For:</b>				
9. Magna Carta for Health Workers		New Line Item	4,311,667,000	4,311,667,000
10. Implementation of the Philippine Nurses Act		New Line Item	586,438,132	586,438,132
11. Health Human Resource Development/Implementation of the Rural Health Practice Program to the Barrios (II.c.4)		123,284,000	283,000,000	159,716,000
12. Medical/Health Services to Kidney Donors		New Line Item	1,500,000	1,500,000
13. Budget Women and Child Protection Unit on DOH Hospitals		New Line Item	34,676,292	34,676,292
14. Training of community based health workers at least 3 volunteers per barangay in the Philippines to rendering services for bedridden and sickly older people		New Line Item	516,698,400	516,698,400
<b>TOTAL</b>				20,831,673,224

### Explanatory Notes:

#### **1. Epidemiological and Disease Surveillance**

The additional proposed funding of P20 million would provide a certain leeway for DOH to be able to monitor the spread of disease and establish patterns of progression. By strengthening the epidemiological and disease surveillance in the country, we minimize the harm caused by an outbreak, epidemic or pandemic situations and increase knowledge on the factors affecting or contributing to such circumstance.

#### **2. Renamed as Expanded Program on Immunization for Infants, Children and the Elderly**

Vaccines are among the most cost-effective interventions to reduce, if not eliminate, infectious diseases. We need putting a significant portion of the budget resources on this immunization program to cover vaccines for measles, neonatal tetanus, Hepatitis B, and hemophilis influenza type B. The program will cover 2.6 million children.

The Expanded Program on Immunization almost tripled its budget, from P991 million to P2.5billion to enable the country to move a step closer to meeting the Millennium Development Goals (MDG) of reducing infant and child mortality as well as maternal mortality.

As provided in RA No 7876 otherwise known as the Expanded Senior Citizens Act of the Philippines, Some 865, 950 senior citizens, from 60 to 69 years old, will likewise be covered by the immunization program. They will be given pneumococcal and influenza vaccines every five years.

**Immunization Program for Infants, Children, Mothers and Elderly, which includes Vaccines—EPI (P594 M); Pneumococcal/Influenza (P 5.2B).**

The Expanded Program of Immunization (EPI) includes BCG, DPT, measles, polio, hepatitis B to increase from 91% in 2010 to 95% in 2015. The cost for vaccine is P350/flu shot. The administration is yearly for influenza but every 5-10 years for pneumococcal. This means that huge investment for elderly vaccine is only required every 5-10 years.

An additional P2.9 billion is proposed in order to fund 1 million pneumonia and influenza vaccines for senior citizens and to provide training for community-based health workers (at least 3 volunteers per barangays) to render services for bedridden and sick old people. (See Table 5)

Table 5: Additional Budget for Expanded Program for Immunization (EPI)

ACTIVITY	DETAIL OF BUDGET	SUBTOTAL	TOTAL
<b>1. Vaccination for 1 million indigent senior citizens</b>			
Influenza	P 900 x 1 million indigent people	900,000,000	
Pneumonia	P1,500 x 1million indigent older people	1,500,000,000	<b>2,400,000,000</b>
<b>2. Training of community based health workers at least 3 volunteers/barangay in the Philippines(home care volunteers among older people) per barangay in rendering services for bedridden and sickly older people</b>			<b>516,698,400</b>
<b>Total</b>			<b>2,916,698,400</b>

### 3. Family Health including Family Planning

Maternal, Newborn & Child Health and Nutrition (MNCHN) (P456 M) and Reproductive Health (P1.8 B)

The budget for family planning was slashed by 35 percent.

Proper medical attention and hygienic conditions during delivery are crucial in lowering the risks of women dying during childbirth. There are still many mothers dying each day because of childbirth and pregnancy complications.

The absence of a comprehensive policy on reproductive health explains why there is no concrete and unified direction on how to address needs on reproductive health.

This proposed budget aims to sustain the efforts to achieve the country's MDG commitment which is to bring down the maternal mortality rate to 52.3 percent by 2015 and ensure equity in the availability of and access to health services. This involves pushing the localization of Maternal Neonatal and Child Health and Nutrition strategy, increasing the capacity and skills of the local health providers to deliver emergency obstetric and neonatal care, ensuring adequate financing to operate BeMONC and CeMONC facilities intensifying the implementation of the strategies for child health and nutrition, and generating demand for public health goods like reproductive health commodities.

GAA 2010 provides P 729.7 M for MNCHN and Family Planning. The proposed additional budget is to expand the technical assistance, capacity building and leveraging of resources for BeMONC and CeMONC that have since been upgraded since 2007 under the Health Facilities Enhancement Program. (As of 2010, 446 BHS and RHUs as BeMONCs and 321 hospitals upgraded as Levels 1,2 and 3) These health facility upgrading is based on facility mapping and health facility rationalization plan of the provinces. The increased budget proposal for reproductive health is to leverage RH commodities to increase the modern contraceptive prevalence rate from 36 percent in 2006 to 70 percent in 2015.

#### **4. Environmental and Occupational Health**

Additional P50 million for capital outlay for upgrading of water laboratories at regional and provincial levels and to capacitate regions to run toxicology centers monitoring mining and aerial spraying activities. This amount will capacitate the following hospitals Davao Medical Center, East Avenue Medical Center, Baguio General and Medical Center and Vicente Sotto Sr. Memorial Medical Center

#### **5. Health Facility Enhancement Program (Health Facility Planning, Operations and Infrastructures Development)**

To support the reduction of neonatal and maternal mortality ratio, we need to increase the allocation for the upgrading of health facilities by P5.7 billion be used for the establishment of 1,278 Basic and Comprehensive Emergency Obstetrics and Newborn Care Facilities.

With these facilities strategically in place, we can encourage more pregnant women to have a facility-based delivery attended by trained health professionals.

This program aims to upgrade the priority BHS and RHUs nearest to the communities in order to provide basic emergency obstetric and neonatal care to reduce the maternal mortality

ratio, which is in line with the Philippine MDG commitments and the gate-keeping function of these facilities. This program will also invest in upgrading of government level 1 facility to level 2, and level 2 facilities to level 3 tertiary hospitals to provide Comprehensive Emergency Obstetric and Neonatal care.

**6. Research Institute for Tropical Medicine (RITM)**

By providing an additional P200 million to RITM, it is expected that more research activities related to diagnosis, cost-effective strategies for control and prevention of tropical diseases will be done. The allocation will also help fund the production of herbal medicines and other off patent medicines that can be given for free as entitlement to the poorest of the poor of the country. RITM manufactures vaccines and biological products of DOH.

**7. Health Information Systems and Technology Development**

The amount of P1.2 billion would allow the establishment and implementation of e-Health strategies in the country to maximize the use of information technology for health service delivery. Apart from this, health reports will be submitted electronically using a standard format in order to identify, collect and analyze health data.

**8. Subsidy for Health Insurance Premium of Indigent Families including Informal Sector Enrolled in the National Health Insurance Program**

Channel more funds to the health sector to expand the health insurance coverage of indigents as the more efficient mode of public health intervention. There is a 33-percent reduction in the allocation for the Philippine Health Insurance Program for the indigents. Only P3.5 billion is being provided for the Health Insurance Premium of 4.6 million indigent families, as identified through the DSWD's NHTS, and for the very first time, 1.4 million households in the informal sector. Small self-employed/underground economy workers will be given preference for this health care benefit.

Currently, the premium subsidy of the national government to enroll the indigents under the national health insurance program is P5.17 B at the annual rate of 1,200/family under the Sponsored Program. There is a 33 percent reduction in the allocation for the Philippine Health Insurance Program for indigents

Evidence shows that counter-parting for subsidy for SP premium between national government and LGU is ineffective because of leakage from enrolling non-poor and inconsistent, if not low enrollment of then poor to SP. To address these problems, it is proposed that the NG enrolls all the poor. By proposing an additional P4 billion to the existing NEP 2011 amount, more indigents will be covered by the social health insurance.

Sustain the provision of low-cost medicines through the establishment of an additional 3,931 Botika ng Barangay (BnB), each BnB to be P25,000 worth of medicines. Some P98 million

has been allotted for this endeavor as part of the P1 billion allocations for DOH to support the implementation of the Cheaper Medicines Act.

**9. Magna Carta for Health Workers**

Full funding for Magna Carta P4,311,667,000 consistent with the President's priority to provide incentives to health workers through implementation of Magna Carta.

In compliance to RA 7305 full funding of the Magna Carta Benefits for all DOH Public Health Workers such as Hazard Pay, Subsistence and Laundry Allowance was provided and incorporated in the respective budget of the region, hospital, bureaus and office concerned.

**10. Implementation of the Philippine Nurses Act**

The amount of P586.44 million would provide additional funds and benefits for registered nurses. By doing so, it is hoped that the exodus of nurses for high-paying employment abroad would end and to safeguard the health care system of the country.

**11. Health Human Resource Development/Implementation of the Rural Health Practice Program to the Barrios**

Expansion of DTTB Program to include the budget for Rural Health Midwife Placement Program in the amount of P159,716,000 and rename the line item for A.II.c.4 Implementation of Doctor to the Barrios and Rural Health Practice Program as "DOCTOR TO THE BARRIOS AND RURAL HEALTH TEAM PLACEMENT PROGRAM".

Integrate and strengthen health workforce regulatory functions under one body (i.e. commission) attached to the Department of Health (initially by executive mandates but eventually through legislation) to unify standards and regulations of the production, practice, and deployment of the various health professions. There should be a directive to government health workforce teaching and training institutions to tailor production for service to underserved communities either as government (national or local) or civil society professionals

Update and rationalize practice laws of the different health professions premised on health care being a team effort. It should define and update the practice of each health profession, allowing for greater flexibility and cooperation to include continuing education and trainings for these professions. Rationalize the system for health workforce remuneration across the professions to take into account the principles of primary health care.

**12. Medical/Health Service to Kidney Vendors.**

The proliferation of kidney vendors heightened in 2007 when the Philippines was open to providing Filipino living non-related kidney donors to foreign and local nationals with end



stage renal disease (ESRD), who can afford to pay for a kidney transplantation in leading hospitals in the country.

The additional funds amounting to P 1.5 million would provide the mandated medical check-up and monitoring for the exploited kidney vendors based on the trafficking victims support and protection provided for in RA 9208.

#### Medical Assistance to Kidney Vendors

The provision of their health needs can be packaged in a special living kidney donor benefit package under Philhealth.

This can be given in a progressive manner, targeting 500 kidney vendors in the first year and 500 more in each succeeding year until the program can reach out to all targeted kidney vendors, while continuing to provide check-ups to those previously identified (recommended practice of having check-ups at least twice a year).

In four years, the 2,000 kidney vendors from the Philippine Renal Disease Registry would be covered by this special living kidney donor benefit package through Philhealth. Once the Philhealth package is brought down to the LGUs, the identification of kidney vendors would easily follow. The administrative concerns for the implementation of this program is hoped to be carried over by the LGUs as their counterpart.

The proposed Special Living kidney donor benefit package will include:

Outpatient medical checkup every 6 months for life in Philhealth designated medical centers. A maximum amount of P 3000 per medical check-up will include laboratory exam, imaging test and professional fee. The standard laboratory exam includes CBC, urinalysis and serum creatinine.

Table 6. Medical Assistance to Kidney Vendors

Implementing Period	Target	Budget	Total Cost
Year One (2011)	500 Kidney Vendors	P3,000/kidney vendor	P1,500,000.00
Year Two (2012)	1000 Kidney Vendors	P3,000/kidney vendor	P3,000,000.00
Year Three (2013)	1500 Kidney Vendors	P3,000/kidney vendor	P4,500,000.00
Year Four (2014)	2000 Kidney Vendors	P3,000/kidney vendor	P6,000,000.00
<b>Total</b>	<b>2,000 Kidney Vendors</b>		<b>P15,000,000.00</b>

### **13. Budget Women and Child Protection Unit on DOH Hospitals**

The amount of P34,676,292 would capacitate the Women and Children Protection Units in 19 DOH hospitals some of whom have been serving abused women and children for the last 10 years in implementing R.A. 7610 (the Child Protection Act), R.A. 8505 (The Rape Victim Assistance Act), R.A. 9262 (Anti-Violence Against Women and their Children Act) and R.A. 9208 (Anti-Trafficking in Persons Act). (See list below).

Last year a total of 7,505 abused children were seen in WCPUs nationwide. Additional WCPUs are needed. For 2011, 5 new WCPUs are proposed. The Training and initial capital outlay for each is P500, 000. This is in addition to the annual budget of P1, 800,000 each.

The 19 WCPUs in the following DOH-affiliated Hospitals:

- Baguio General Hospital
- Mariano Marcos Memorial Hospital & Medical Center
- Region 1 Medical Center
- Veterans Memorial Hospital
- Dr. Paulino J. Garcia and Memorial Medical Center
- Quezon Memorial Hospital
- Bicol Medical Center
- Gov. Faustino Dy Memorial Hospital
- Dr. Jose Fabella Memorial Hospital
- Rizal Medical Center
- Western Visayas Medical Center
- Corazon Locsin Montelibano Memorial Hospital
- Vicente Sotto Memorial Medical Center
- Gov. Celestino Gallares Memorial Hospital
- Zamboanga Medical Center
- Cotabato Regional & Medical Center
- Davao Medical Center
- Mayor Hilarion Ramiro Sr., Regional and Training Hospital

Each WCPU will receive Php 1,800,000.00 annually:



1.1. Personnel

Medical Specialist II	Salary Grade 23	Salary & benefits = P552,376 annually
Social Worker II	Salary Grade 15	Salary & benefits = P361,346 annually
Nurse II	Salary Grade 15	Salary & benefits = P361,346 annually

1.2. MOEE = P 550,000 annually

Laboratory	= P150,000
Transportation for home visits and hearings	= P 15,000
Communications	= P 15,000
Office supplies and medical supplies including rape kits	= P 80,000
Medicines (Antibiotics for STIs and psychiatric meds)	= P100,000
Training, research and documentation	= P150,000
Monitoring and evaluation	= P 40,000

14. Training for community-based health workers

Home care is the alternative services for the older people who are bedridden. It is the cheapest alternative rather than staying at hospital.

The **ALTERNATIVE BUDGET INITIATIVE – HEALTH CLUSTER** is composed of Abot-Kayang Gamot sa Abot-Kayang Presyo (AGAP), Asia Against Child Trafficking (ASIA-ACTS), Child Protection Unit (CPU) Network, Coalition for Health Advocacy and Transparency (CHAT), Coalition of Services of the Elderly, Inc. (COSE), Democratic Socialist Women of the Philippines (DSWP), Family Planning Organization of the Philippines (FPOP), Health Care Without Harm, Medical Action Group (MAG), Philippine Legislators' Committee on Population and Development Foundation, Inc. (PLCPD), PS LINK, The Forum for Family Planning and Development (FFPD), and WomanHealth Philippines.

# BREAKING THROUGH THE LOST DECADE OF ENVIRONMENTAL SUSTAINABILITY<sup>1</sup>



## ENVIRONMENT

### Financing Climate Change Actions in the 2011 General Appropriations Act

#### I. Situational Context

Since 2006, the ABI-ENVI Cluster led by the La Liga Policy Institute has put forward its critique that the budget for the environment and natural resources sector has remained below 1 percent of the total General Appropriations Act (GAA) since 2001. The initial budget campaign aimed to



*Former PICOP Concession, Bislig City, Surigao del Sur, 2009.*

<sup>1</sup> Prepared by the La Liga Policy Institute for the Alternative Budget Initiative – Environment Cluster and Social Watch Philippines. September 2010.

increase budget allocations for this sector in the annual GAA, for reforestation, protected areas and wildlife management and biodiversity programs under DENR.

Last year ABI-ENVI fine-tuned its budget campaign by pushing for a climate-sensitive budget in the GAA. Apart from DENR, it broadened its budget proposals to include other agencies such as the DOE, the DA and the Climate Change Commission.

The campaign was able to increase allotments for specific environment and climate change programs under the 2010 GAA. A total of almost P1.4 billion more were appropriated to programs for Biodiversity, Sustainable Agriculture, Fisheries and Forestry, Ecological Waste Management, and Climate Change Adaptation Measures. Although substantial, this amount pales in contrast with the total budget proposed by the campaign amounting to P11.3 billion. Given this, the ABI-ENVI will still push for a climate-sensitive budget for the 2011 GAA campaign using the following analytical lenses:

***“Reform Budget” and “Citizens’ Participation” Declaration of President Aquino*** - In his first budget message, President Aquino enumerated his reform budget thrusts that include fiscal responsibility, addressing the unfunded mandates and revenue eroding bills, bias for the poor and vulnerable, promoting sustainable use of natural resources, and climate change adaptation and mitigation measures. These budget thrusts are a welcome development for the budget campaign considering that these comprise the major issues that plague financing for the environment and natural resources sector. These pronouncements must, however, be translated into actual allocations and participatory mechanisms for transparency and accountability.

***ABI-ENVI Experiences*** – the shift of the budget campaign to push for a climate-sensitive GAA gathered substantial support from a broad range of stakeholders coming from allied legislators, policy makers and citizens’ groups. The gains garnered by the campaign, coupled with the experiences of impounded allocations and realignments to special purpose funds, serve as guide for this year’s budget campaign.

***MDG 7 Shadow Report*** - La Liga has prepared two shadow reports on the progress of Philippine commitment to MDG 7: Ensuring Environmental Sustainability, one in 2007 (MDG mid-term report) and the other this year (10<sup>th</sup> year of MDG). These reports, consistently critical but constructive, represent alternative perspectives and views of non-state actors about how government is doing in the environment sector. It also contains recommendations for how performance might be improved.

Both reports recognize where government did well and pointed out gaps, inconsistencies and problems in government policies, programs and funding for the environment. Both the 2007 and 2010 reports showed that in terms of legislation, the government has fared well as it has been enacting landmark environment-related laws since 2001. However, in terms of funding these pieces of legislation, the government has been erratic, rendering these laws virtually inutile. The reports also pointed out the inconsistency of the 2004-2010 MTPDP with the policy environment of government for MDG 7. It views the environment as underutilized and untapped for growth. On the other hand, advocates and the environmental laws passed since 2001 raise alarm on the critical carrying capacity of the environment.



***Evident Changes and Projections in Climate Patterns*** – The effects of changing climate patterns have reached alarming levels and have exposed the vulnerabilities of our country, most especially on the resource-poor sectors such as farmers, fisherfolk, women, children and indigenous communities. This year’s El Nino wrought havoc to Philippine agriculture with total damages reaching P6 billion. Precipitation and tropical storm forecasts presented by various government agencies in the recently held La Nina Summit likewise painted a grim scenario, notably that climate change poses yet another threat to lives and livelihoods of Filipinos.

***Climate Change Adaptation and Mitigation Initiatives*** – In order to respond to the growing challenge of climate change to our country, financing must be focused on the following priority initiatives:

1. Disaster risk reduction;
2. Biodiversity, sustainable agriculture, fisheries and forestry;
3. Renewable/sustainable energy systems; and,
4. Ecological waste management.

## **II. Raising Questions on the Proposed 2011 Budget for the Environment and Natural Resources Sector**

The Philippines is said to be one of the most over-legislated countries, more so when it comes to environmental laws. There are laws covering the “green” environment (forestry, biodiversity and protected areas management), the “brown” environment (solid waste management, air pollution, water resources and mining pollution) and the “blue” environment (focusing on coral reefs, sea grasses, mangroves, and fisheries). To date, the Philippines has over 100 environment-related laws, several of which were enacted under former PGMA’s term, they include the following:

1. National Caves and Cave Resources Management and Protection Act of 2001;
2. Wildlife Resources Conservation and Protection Act of 2001;
3. Mt. Kanla-on Natural Park (MKNP) Act of 2001;
4. Philippine Plant Variety Protection Act of 2002;
5. Clean Water Act of 2004;
6. National Environmental Awareness and Education Act of 2008;
7. Renewable Energy Act of 2008;
8. Climate Change Act of 2009;
9. Organic Agriculture Act of 2010;
10. Disaster Risk Reduction and Management Act of 2010; and,
11. R.A. 10067 Establishing the Tubbataha Reefs as Protected Areas under the NIPAS.

The past 10 years were admittedly marked with landmark environment-related legislative enactments. In addition, the former PGMA administration also issued various Executive Orders, most recent of which were on the adoption of integrated coastal management and the Coral Triangle Initiative.

However, budget allocations for these statutes remain to be erratic, low or absent. These statutes continue to be low priority.

In the 2011 National Expenditure Program (NEP), budget allocations for protected areas such as the Tubbataha Reefs, Apo Reef, Mts. Banahaw and San Cristobal, Mt. Kitanglad, Northern Negros National Park, Central Cebu National Park and Mt. Kanlaon National Park are glaringly missing.

There are also no allocations given for the implementation of the Clean Water Act and the Renewable Energy Act.

Considering that these environment-related statutes contain specific provisions for financing, it should be asked why these mandates continue to be unfunded? In addition, since these laws provide for the setting-up of special accounts or funds, the status of these funds should also be made public.

These are the key questions that the ABI-ENVI budget campaign shall focus on, specifically on priority climate change actions that include: a) Disaster Risk Reduction; b) Biodiversity, sustainable agriculture, fisheries and forestry; c) Renewable/sustainable energy systems; and, d) Ecological waste management.

#### ***A. On Disaster Risk Reduction (DRR)***

1. How was last year's allocation for the calamity fund of PhP2 Billion spent and disbursed?
2. Since the allocated calamity fund was insufficient mainly because of the El Nino problem, how was the fund augmentation for the calamity fund amounting to P2 billion spent/distributed?
3. The recently enacted Disaster Risk Reduction and Management Act (DRRM Act) mandates a P1 billion allocation as revolving fund for DRR operations to be lodged under the Office of Civil Defense. Why is this not included in the 2011 NEP?
4. Why is the calamity fund still not aligned as the National Disaster Risk Reduction Management Fund as mandated by the DRRM Act?
5. After the devastation by Ondoy and Pepeng in 2009, the Special National Public Reconstruction Commission (SNPRC) and the Philippine Disaster Recovery Foundation (PDRF) were established as the government-clearing house for international aid. What is the status of the funds raised by the SNPRC and PDRF that is said to have reached US\$5 billion?
6. The recently enacted Climate Change Act formed the Climate Change Commission. Its mandate is to conduct a broad-based and participatory process to finalize the Philippine Strategic Framework for Climate Change Adaptation and the subsequent National and Local Adaptation Plans. How can the CC Commission perform its mandate when it was only given a P38 million allocation in the 2011 NEP?

#### ***B. On Biodiversity, Sustainable Agriculture, Fisheries and Forestry***

##### **On Protected Areas**

1. How was last year's allocation for various protected areas spent/distributed?

2. Where and how are the proceeds from users' fees remitted by the Protected Area Management Boards (PAMBs) disbursed and utilized?
3. The National Integrated Protected Areas Systems (NIPAS) Act mandates the creation of an Integrated Protected Area Fund (IPAF). What is the status of the central and sub funds under the IPAF?

#### On Agriculture and Fisheries

1. How was last year's allocation for organic agriculture amounting to P500 million under the DA spent/disbursed?
2. What exactly are the programs and activities to be financed by the P5 billion Public-Private Partnership support fund under the DA?
3. Why are there no allocations for the Construction/Repair/Maintenance of Water Impounding Systems under the Bureau of Soils and Water Management?
4. The DA budget lists several allocations for big irrigation projects. What is the status of these infrastructure projects on irrigation that are mostly loans?
5. Did these big infrastructure projects undergo vulnerability assessment in relation to risk areas identified by the geohazard maps? If not, are the costs of which integrated in the project costs?
6. Last year, the Supreme Court made a landmark decision on the clean-up and rehabilitation of Manila Bay. Also last year, the Philippines became a signatory to the Coral Triangle Initiative. Where are the allocations for these?
7. In 2005, the World Bank Environment Monitor reported a critical level of the Philippine marine ecosystems. Biodiversity loss and food insecurity are the twin effects of such degradation. Given this, where are the allocations for marine protected areas, mangrove reforestation, marine sanctuaries and rehabilitation of critical bays and gulfs?

#### On Forestry

1. What is the status of the P1 billion allocation for the Comprehensive Livelihood Emergency Employment Program (CLEEP) on Reforestation?
2. If the mandated national strategy for forest resources management is the Community-Based Forest Management Program (CBFM), why did allocations for CBFM and forest protection decrease while allocations for forest development increased?
3. Do the increased allocations for forest development mean bigger support to Industrial Tree Plantations Lease Agreements (ITPLA) and Integrated Forest Management Agreements (IFMA) projects?
4. What is the status of the forest boundary delineation, land use allocation and mapping of forest cover?



#### On Air Quality

1. The Clean Air Act mandates the creation of a special account for the Air Quality Management Fund. What is the status of the Air Quality Management Fund amounting to over P200 million as of March 2009?
2. What is the status of the Airshed Governing Boards that are mandated to formulate programs and plans in fulfillment of the Clean Air Act?

#### ***C. On Renewable Energy (RE)***

1. The Renewable Energy Act mandates the RE Management Bureau of the DOE as the operations center for RE projects. Why are there no allocations for this Bureau?
2. The RE Act also provides for the creation of the RE Trust Fund for research, development and mainstreaming of RE projects. Why is this not reflected in DOE's budget under the 2011 NEP?
3. During the ASEAN Ministers on Energy Meeting (AMEM28) in Da Lat City, Viet Nam, Secretary Almendras cited the Philippine initiatives on the aggressive development and utilization of the country's vast renewable energy sources. He also affirmed the country's commitment to achieve the 2013 target for a substantial RE share in the overall energy mix as stated in the Philippine Energy Plan (PEP). Given these, where are the allocations to support the 2013 target RE share in the overall energy mix as contained in the PEP?

#### ***D. On Ecological Waste Management and Clean Water***

1. What is the status of the Solid Waste Management Fund as mandated by the Ecological Solid Waste Management Act?
2. Why are there no allocations for the implementation of the Clean Water Act?
3. What is the status of the National Water Quality Management Fund and the Area Water Quality Management Fund as mandated by the Clean Water Act?

### III. Potential Climate Change Related Budget Items in the 2011 NEP<sup>2</sup>

Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
<b>XXVI. OTHER EXECUTIVE OFFICES</b>	
<b>N. NATIONAL CLIMATE CHANGE COMMISSION</b>	
<b>a. Operational Requirements for the National Climate Change Commission (p. Office of the Presidential Adviser on Global Warming and Climate Change, under the Office of the President 2010)</b>	38,880,000
<b>Calamity Fund</b>	5,000,000,000
<b>Department of Science and Technology</b>	
<b>I. Philippine Atmospheric, Geophysical and Astronomical Services Administration (Total)</b>	1,055,386,000
<b>II. Support to Operations</b>	
<b>a. Climate Data Management, AGROMETEOROLOGICAL and Weather Modification Research and Development</b>	8,044,000
<b>d. Installation, Repair and Maintenance of Telemetering Multiplex System for Flood Forecasting and Warning Covering Pampanga, Agno, Bicol and Cagayan River Basin</b>	2,296,000
<b>III. Operations</b>	
<b>a. Weather and Flood Forecasting and Geophysical and Astronomical Services</b>	181,856,000

<sup>1</sup> The table above is a result of a review of the 2011 NEP. It is not necessarily a comprehensive list but provides indicative elements related to financing climate change initiatives.

Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
<b>NEW for 2011</b>	
a. Repair and Rehabilitation of the following Weather Stations: General Santos, Weather and Flood Forecasting Center, Science Garden, Iloilo, Palawan, <u>Tampakan, Alabat, Laoag, San Jose, BSU, La Trinidad, Benguet</u>	11,500,000
b. Renovation of Radar Building ( <u>Aparri</u> , Cagayan) Region II	2,903,000
<b>II. Foreign-Assisted Project(s)</b>	
a. Improvement of Flood Forecasting and Warning System in the Pampanga and Agno River Basins - JICA Grant Phase I - Pampanga River Basin, Phase II - Agno River Basin	50,000,000
b. Strengthening of Flood Forecasting and Warning System for Dam Operation (FFWSDO)- JICA Grant TCP	40,000,000
c. Improvement Flood Forecasting and Warning System for <u>Magat Dam</u> and Downstream Communities (FFWSDO) <u>NoRAD Grant</u>	17,832,000
d. JICA RADAR	42,907,000
<b>NEW 2011</b>	
e. Improvement of Capabilities to Cope with Natural Disasters Caused by Climate Change (JICS)	40,000,000
f. Establishment of Early Warning and Response System for Disaster Mitigation in Metro Manila (Pasig-Marikina River Basin) KOICA	33,120,000
<b>Department of National Defense</b>	
<b>III. Operations</b>	
c. Supervision, Coordination and Direction of Disaster (Response) Management	7,400,000
<b>D. OFFICE OF CIVIL DEFENSE</b>	
<b>II. Operations</b>	
a. Disaster Risk Management	68,257,000
<b>Department of Public Works and Highways</b>	
<b>Budget Item</b>	<b>2011 NEP</b>



<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
<b>B. PROJECT(s)</b>	
<b>I. Locally-Funded Project(s)</b>	
b. Flood Control and Drainage Projects	2,678,100,000
<b>Department of Interior and Local Government</b>	
<b>NEW for 2011</b>	
b. Enhancing LGU Capacity on Climate Change Adaptation and Disaster Risk Management Framework	40,000,000
d. Manila Bay Clean-Up Project	10,000,000
<b>Metro Manila Development Authority</b>	
<b>I. Operations</b>	
c. Operational Support, Maintenance, Repair and Rehabilitation of Flood Control and Drainage Systems, Structures and Related Facilities	223,741,000
<b>B. PROJECT(s)</b>	
<b>I. Locally-Funded Project(s)</b>	
a. Urgent Disaster Flood Control Works under the Pasig-San Juan-Marikina River System and Other Areas in Metro Manila	50,000,000
b. Flood Control and Drainage Projects - National Capital Region	58,000,000
c. Mitigating Flooding at <del>Buendia</del> /South Superhighway Area and Vicinity	100,000,000
<b>I. Operations</b>	
c. Operational Support, Maintenance, Repair and Rehabilitation of Flood Control and Drainage Systems, Structures and Related Facilities	223,741,000
<b>E. PASIG RIVER REHABILITATION COMMISSION</b>	
<b>II. Operations</b>	
a. Coordination, integration, and execution of all programs related to the rehabilitation of the Pasig River	74,348,000
<b>B. PROJECT(s)</b>	
<b>I. Locally-Funded Project(s)</b>	
a. Rehabilitation and Development of <del>Esteros</del> Leading to Pasig River (TOTAL)	65,830,000
<b>Sub-Total</b>	9,693,683,000

Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
<b>BIODIVERSITY, SUSTAINABLE AGRICULTURE, FISHERIES AND FORESTRY</b>	
<b>Department of Agriculture</b>	
<b>III. Operations</b>	
a. Development of the Crops Sector	8,101,170,000
III. a. 11. - NATIONAL RICE PROGRAM	
a. Office of the Secretary	4,317,216,000
b. Promotion and development of organic agriculture	900,000,000
e. Implementation of Various Agricultural Research Projects	450,000,000
<i>New Item: Research, development &amp; piloting of alternative/sustainable farming systems</i>	-
a. NATIONAL IRRIGATION ADMINISTRATION	7,753,623,000
r. Construction/Repair/Maintenance of Water Impounding Systems (BSWM)	-
<b>New for 2011 NEP p. Public-Private Partnership Support Fund</b>	5,000,000,000
<b>C. BUREAU OF FISHERIES AND AQUATIC RESOURCES</b>	
<b>III. Operations</b>	
2. Conservation, regulation and protection of fisheries and aquatic resources	10,917,000
<b>Sub-Total</b>	<b>26,532,926,000</b>
<b>Department of Environment and Natural Resources</b>	
<b>II. Support to Operations</b>	
a. Formulation and Monitoring of ENR Sector Policies, Plans, Programs and Projects	254,360,000
b. Data Management Including Systems Development and Maintenance	565,675,000
c. Production and Dissemination of Technical and Popular Materials in the Conservation and Development of Natural Resources Including Environmental Education	101,532,000
d. Legal Services, Including Operations Against Unlawful Titling of Public Land	99,235,000



Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
e. Conduct of Special Studies, Design and Development in Support of Forestry, Mining and Environmental Management Operations	121,048,000
f. Provision for Operations Against Illegal Forest Resources Extraction/Utilization Activities, Including Payment of Rewards to Informers in the Discovery and Seizure of Illegally Collected/ Transported Forest Products and the Apprehension of Violators of	50,000,000
g. Laboratory Services	891,000
III. Operations	
<b>a. Forest Management</b>	
1. Management of Forest Lands and Forest Resources	867,697,000
2. Forest Development	1,429,588,000
3. Forest protection	691,358,000
4. Community-based forestry program	100,003,000
5. Soil conservation and watershed management	124,722,000
6. Forest boundary delineation and land use allocation	409,604,000
<b>b. Land Management</b>	
1. Land management services	998,639,000
2. Land Surveys	360,122,000
3. Survey of foreshores reservation, patrimonial properties and other lands covered by the Comprehensive Agrarian Reform Program in coordination with the Department of Agrarian Reform	10,009,000
4. Land Records Management	12,047,000
5. Field network survey	184,900,000
<b>c. Protected Areas and Wildlife Management</b>	
1. Protected Area Management	202,739,000
2. Operation and maintenance of the <u>Ninoy Aquino Park and Wildlife Nature Center in Quezon City</u>	19,141,000
3. Development and rehabilitation of the <u>Hinulugang Taktak National Park in Antipolo, Rizal</u>	4,342,000
4. Development and rehabilitation of the Mt. Apo National Park	992,000
5. Philippine Eagle Conservation Project	4,935,000
6. <u>Pawikan Conservation Project</u>	4,626,000
7. <u>Tamaraw Conservation Project</u>	3,862,000



Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
8. Operation and maintenance of the Crocodile Farm Institute in Irawan, Palawan	8,470,000
15. Biodiversity Conservation Program	133,872,000
16. Tarsier Conservation Project	5,000,000
<b>d. Ecosystems Research and Development</b>	
1. Ecosystems Research and Development Service	270,865,000
2. Pilot plantation establishment of selected forest species	3,145,000
3. Coastal and marine resources management	70,140,000
<b>B. PROJECT(s)</b>	
<b>I. Locally Funded Project(s)</b>	
b. Implementation of various programs and projects including the amount of P513,000,000.00 for the implementation of the Operational Plan for the Manila Bay Coastal Strategy pursuant to Supreme Court decision in G.R. No. 171947-48 and P20,000,000.00 for t	150,000,000
<b>Attached Agencies in</b>	
Land Registration Authority	497,780,000
Mines and Geo-Sciences Bureau	682,092,000
National Commission on Indigenous Peoples	655,138,000
National Mapping and Resource Information Authority	668,339,000
Palawan Council for Sustainable Development Staff	49,731,000
<b>Sub-Total</b>	9,816,639,000
<b>RENEWABLE/SUSTAINABLE ENERGY SYSTEMS</b>	
<b>Department of Energy</b>	
<b>III. Operations</b>	
b. Direction and Control of Energy Utilization and Conservation	67,529,000
e. Direction and Control of Renewable Energy Exploration, Development and Utilization	17,789,000
h. For the operational requirements of the National Biofuels Board	22,407,000
i. For the Operational Requirements of the National Renewable Energy Board	5,632,000
<b>Sub-Total</b>	113,357,000

Budget Item	2011 NEP
<b>CLIMATE CHANGE ADAPTATION MEASURES (DISASTER RISK REDUCTION)</b>	
<b>ECOLOGICAL WASTE MANAGEMENT</b>	
<b>DENR: Environmental Management Bureau</b>	
<i>Environmental Management Bureau (Total)</i>	699,277,000
<b>III. Operations</b>	
a. Environmental Management and Pollution Control	444,342,000
<b>B. PROJECT(s) - I. Locally-Funded Project(s)</b>	
a. Water Quality Monitoring and Community-Based Waste Management Project for the Pasig River Rehabilitation Plan	600,000
b. Implementation of Ecological Solid Wastes Management Act of 2000 (R.A. No. 9003)	12,407,000
c. Implementation of Clean Water Act of 2004 (R.A. No. 9275)	-
<b>Sub-Total</b>	457,349,000
<b>Metro Manila Development Authority</b>	
<b>I. Operations</b>	
a. Metro-wide Services as Stipulated under Section 3 of R.A. No. 7924: Solid Waste Disposal and Management	518,621,000
<b>Sub-Total</b>	518,621,000
<b>CLEAN AND GREEN INDUSTRIAL TECHNOLOGY</b>	
<b>Department of Science and Technology</b>	
D. Forest Products Research and Development Institute	91,446,000
L. Philippine Council for Aquatic and Marine Research and Development	36,532,000
K. Philippine Council for Agriculture, Forestry and Natural Resources Research and Development	290,722,000
N. Philippine Council for Industry and Energy Research and Development	44,879,000
<b>Sub-Total</b>	463,579,000
<b>Overall Total</b>	<b>47,596,154,000</b>

#### **IV. Budget Proposals for a Climate-Sensitive 2011 GAA**

The ABI-ENVI cluster proposes an additional allocation of almost P5 billion for a climate-sensitive 2011 GAA. These are combined with proposals for earmarking of certain allocations within specific budget line items.

##### **On Disaster Risk Reduction**

1. Allocate P1 billion for OCD's revolving fund for DRR as mandated by the DRRM Act
2. Increase to P100 million allocation of CC Commission for National and Local CC Action Plan participatory processes
3. New item: P50 million for nationwide IEC campaign on CC
4. New item: P250 million for the rehabilitation of the Marikina Watershed

##### **On Biodiversity, Sustainable Agriculture, Fisheries and Forestry**

1. Reconstruction and Disaster Response Fund - Allocate P1 billion for climate adaptation actions that include training on climate resilient crops and assistance to farms damaged by extreme weather events within the DA "Development of Crops Sector".
2. Allocate P5 million for the setting up of a Sustainable Agriculture Program within the DA OSEC budget.<sup>2</sup>
3. Increase to P1 billion allocation for the promotion and development of organic agriculture
4. P50 million additional allocation to the Implementation of Various Agricultural Research Projects – (to include research on climate resilient crops)
5. Increase to P183.8 million allocations to Conservation, regulation and protection of fisheries and aquatic resources (to include VNA on Fisheries)
6. Increase by P50 million allocation to production and dissemination of technical and popular materials in the conservation and development of natural resources including environmental education to include climate change literacy program
7. Increase to P191 million (2010 level) CBFM allocation
8. Increase by P300 million allocation to soil conservation and watershed management
9. Allocate a total of P35 million or P5 million each for the following protected areas: a) Tubbataha Reefs; b) Apo Reef; c) Mts. Banahaw and San Cristobal; d) Mt. Kitanglad; e) Northern Negros National Park; f) Central Cebu National Park; g) Mt. Kanlaon National Park
10. New Item: Total of P60 million or P10 million each for the establishment of Marine Sanctuary and coastal resource management in six (6) critical coastal habitats: Lingayen Gulf

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<sup>3</sup> Proposals #2 to #5 are joint proposals of the ABI-ENVI and ABI-AGRI clusters.

(Pangasinan), Tayabas Bay (Quezon), Visayan Sea (Panay-Masbate), Cebu Strait (Cebu-Bohol), Panguil Bay (Misamis Oriental) and Macalajar Bay

11. Increase by P250 million allocation to the Manila Bay Coastal Strategy to include budget for Coral Triangle Initiative
12. Allocate P250 million for the implementation of the Coral Triangle Initiative.

### **On Renewable Energy**

1. Allocate P2 billion under DOE for the Renewable Energy Trust Fund as mandated by the RE Act of 2008
2. Allocate P5 million for the operational requirements of the Renewable Energy Management Bureau to coordinate implementation of RE Act.

### **On Ecological Waste Management**

1. Increase to P50 million Allocations for Implementation of Ecological Solid Wastes Management Act of 2000
2. Allocate P50 million as part of the implementation of the Clean Water Act of 2004



## ABI-ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
<b>Disaster Risk Reduction</b>				
<b>Department of National Defense</b>				
II. Operations				
a. Disaster Risk Management (for revolving fund for DRR as mandated by the DRRM Act)	63,269,000	68,257,000	1,000,000,000	931,743,000
<b>Other Executive Offices</b>				
a. Operational Requirements for the National Climate Change Commission (for National and Local CC Action Plan Participatory processes)	45,000,000	38,880,000	100,000,000	61,120,000
New Item: Nationwide IEC Campaign on CC	-	-	50,000,000	50,000,000
<b>Department of Environment and Natural Resources</b>				
New Item: Rehabilitation of the Marikina Watershed	-	-	250,000,000	250,000,000
<b>Sub Total</b>	<b>108,269,000</b>	<b>107,137,000</b>	<b>1,400,000,000</b>	<b>1,292,863,000</b>
<b>Biodiversity, Sustainable Agriculture, Fisheries and Forestry</b>				
<b>Department of Agriculture</b>				
III. Operations				
a. Development of the Crops Sector	8,277,367,000	8,101,170,000	8,101,170,000	-

## ABI-ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
<b>Reconstruction and Disaster Response Fund</b> - Allocate P 1B for climate adaptation actions that include training on climate resilient crops and assistance to farms damaged by extreme weather events within the DA "Development of Crops Sector".	-	-	1,000,000,000	
III. a. 11. NATIONAL RICE PROGRAM				
a. Office of the Secretary	3,531,602,000	4,317,216,000	4,317,216,000	-
*Allocate P5 M for the setting up of a Sustainable Agriculture Program within the DA OSEC budget.			5,000,000	-
*b. Promotion and development of organic agriculture	500,000,000	900,000,000	1,000,000,000	100,000,000
*b. 1. Extension Work for Sustainable Agriculture			300,000,000	
*b. 2. Establishment of Organic Demonstration/Learning Farms			300,000,000	
*b. 3. Subsidy for Organic Fertilizer Production			350,000,000	
*b. 4. Monitoring of Standards for Organic Agricultural Products			50,000,000	



## ABI-ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
*e. Implementation of Various Agricultural Research Projects - Additional allocation of P50 M for research on climate resilient crops	208,500,000	450,000,000	500,000,000	50,000,000
C. Bureau of Fisheries and Aquatic Resources				
III. Operations				
*2. Conservation, regulation and protection of fisheries and aquatic resources (to include VNA on Fisheries)	10,425,000	10,917,000	183,800,000	172,883,000
*These are joint proposals by the ABI-Envi Cluster and the ABI-Agri Cluster. ABI Proposed budget items are computed within the proposals of the ABI-AGRI cluster.				
<b>Department of Environment and Natural Resources</b>				
II. Support to Operations				
c. Production and Dissemination of Technical and Popular Materials in the Conservation and Development of Natural Resources Including Environmental Education (to include climate change literacy program)	100,324,000	101,532,000	151,532,000	50,000,000
III. Operations				
4. Community-based forestry program	191,613,000	100,003,000	191,613,000	91,610,000
5. Soil conservation and watershed management	107,735,000	124,722,000	300,000,000	175,278,000

## ABI/ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
c. Protected Areas and Wildlife Management				
Development and Rehabilitation of <u>Tubbataha Reef</u>	20,000,000	-	5,000,000	5,000,000
Development and Rehabilitation of Apo Reef	-	-	5,000,000	5,000,000
Development and Rehabilitation of Mts. <u>Banahaw</u> and San Cristobal	5,000,000	-	5,000,000	5,000,000
Development and Rehabilitation of Mt. <u>Kitanglad</u>	5,000,000	-	5,000,000	5,000,000
Development and Rehabilitation of Northern Negros National Park	10,000,000	-	5,000,000	5,000,000
Development and Rehabilitation of Central Cebu National Park	10,000,000	-	5,000,000	5,000,000
Development and Rehabilitation of the Mt. <u>Kanlaon</u> National Park	5,000,000	-	5,000,000	5,000,000
New Item: Total of PhP 60 M or 10 M each for the Establishment of Marine Sanctuary and coastal resource management in six (6) critical coastal habitats: <u>Lingayen Gulf</u> (Pangasinan), <u>Tayabas Bay</u> (Quezon), <u>Visayan Sea</u> (Panay-Masbate), <u>Cebu Strait</u> (Cebu-Bohol), <u>Pangul Bay</u> (Misamis Oriental) and <u>Macalajar Bay</u>	-	-	60,000,000	60,000,000
B. PROJECT(s)				



## ABI-ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
I. Locally Funded Project(s)				
b. Implementation of various programs and projects including the amount of P513,000,000.00 for the implementation of the Operational Plan for the Manila Bay Coastal Strategy pursuant to Supreme Court decision in G.R. No. 171947-48 and P20,000,000.00 for the <del>Marilao-Meycauyan-Obando River Basins</del> (to include budget for Coral Triangle Initiative)	533,000,000	150,000,000	250,000,000	100,000,000
Allocation for the implementation of the Coral Triangle Initiative			250,000,000	250,000,000
<b>Sub Total*</b>	<b>987,672,000</b>	<b>476,257,000</b>	<b>1,238,145,000</b>	<b>761,888,000</b>
*excludes proposed items for DA since this is already computed within the ABI-AGRI proposals.				
<b>Renewable/Sustainable Energy Systems</b>				
<b>Department of Energy</b>				
New Item: Renewable Energy Trust Fund as mandated by the RE Act of 2008	-	-	2,000,000,000	2,000,000,000
New item: For the operational requirements of the Renewable Energy Management Bureau to coordinate implementation of RE Act.	-	-	5,000,000	5,000,000
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>2,005,000,000</b>	<b>2,005,000,000</b>

## ABI-ENVI BUDGET PROPOSALS FOR A CLIMATE-SENSITIVE 2011 GAA

Budget Item	GAA 2010	NEP 2011	ABI Proposal	Variance (ABI Proposal less NEP)
<b>Ecological Waste Management</b>				
<b>Department of Environment and Natural Resources</b>				
Environmental Management Bureau				
<b>B. PROJECT(s) - I. Locally-Funded Project(s)</b>				
b. Implementation of Ecological Solid Wastes Management Act of 2000 (R.A. No. 9003)	8,732,000	12,407,000	50,000,000	37,593,000
c. Implementation of Clean Water Act of 2004 (R.A. No. 9275)	-	-	50,000,000	50,000,000
<b>Sub Total</b>	<b>8,732,000</b>	<b>12,407,000</b>	<b>100,000,000</b>	<b>87,593,000</b>
<b>TOTAL</b>	<b>1,313,173,000</b>	<b>1,045,801,000</b>	<b>4,743,145,000</b>	<b>4,147,344,000</b>

## SUMMARY: BUDGET PROPOSALS FOR CLIMATE CHANGE ACTIONS

<p><b>DISASTER RISK REDUCTION</b> <b>(PHP 1.4 B)</b></p>	<p><b>Within the DND</b></p> <ul style="list-style-type: none"> <li>• Allocate P1 B for Disaster Risk management (for the revolving fund for DRR)</li> </ul> <p><b>Within the Other Executive Offices</b></p> <ul style="list-style-type: none"> <li>• Increase to P100 M Climate Change Commission (for National and Local CC Action Plan participatory processes)</li> <li>• P50 M New Item: Nationwide IEC Campaign on CC</li> </ul> <p><b>Within the DENR</b></p> <ul style="list-style-type: none"> <li>• P250 M New Item: Rehabilitation of the Marikina Watershed</li> </ul>
<p><b>BIODIVERSITY, SUSTAINABLE AGRICULTURE, FISHERIES AND FORESTRY</b> <b>(PHP 1.3 B)</b></p>	<p><b>Within the DA</b></p> <ul style="list-style-type: none"> <li>• <b>Reconstruction and Disaster Response Fund</b> - Allocate P 1B for climate adaptation actions that include training on climate resilient crops and assistance to farms damaged by extreme weather events within the DA "Development of Crops Sector".</li> <li>• *P 5 M Allocation for the setting up of a Sustainable Agriculture Program within the DA OSEC budget.</li> <li>• *Increase to P1 B Promotion and development of organic agriculture</li> <li>• *Increase to P500 M for the implementation of Various Agricultural Research Projects (to include research on climate resilient crops)</li> </ul> <p><b>Within the DA-BFAR</b></p> <ul style="list-style-type: none"> <li>• *Increase to 183.8 M Conservation, regulation and protection of fisheries and aquatic resources (to include VNA on Fisheries)</li> </ul> <p><small>*These are joint proposals by the <del>ABI-Env</del> Cluster and the <del>ABI-Agr</del> Cluster. ABI/Proposed budget items are computed within the proposals of the ABI-AGRI cluster.</small></p>



<p><b>BIODIVERSITY, SUSTAINABLE AGRICULTURE, FISHERIES AND FORESTRY</b></p>	<p><b>Within the DENR</b></p> <ul style="list-style-type: none"> <li>• Increase to P151,532 M Production and Dissemination of Technical and Popular Materials in the Conservation and Development of Natural Resources including Environmental Education (to include climate change literacy program)</li> <li>• Increase to P191,613 M Community-based forestry program</li> <li>• Increase to P300 M Soil conservation and watershed management</li> <li>• Allocate P5 M Each for <u>Tubbataha Reef</u>, <u>Apo Reef</u>, <u>Mts. Banahaw</u> and <u>San Cristobal</u>, <u>Mt. Kitanglad</u>, <u>Northern Negros National Park</u>, <u>Central Cebu National Park</u>, <u>Mt. Kanlaon National Park</u></li> <li>• P60 M New Item: 10 M each for the Establishment of Marine Sanctuary and coastal resource management in six (6) critical coastal habitats: <u>Lingayen Gulf (Pangasinan)</u>, <u>Tayabas Bay (Quezon)</u>, <u>Visayan Sea (Panay-Masbate)</u>, <u>Cebu Strait (Cebu-Bohol)</u>, <u>Pangulil Bay (Misamis Oriental)</u> and <u>Macalajar Bay</u></li> <li>• Increase to P250 M <u>Manila Bay Coastal Strategy</u></li> <li>• Allocate P250 M for the implementation of the Coral Triangle Initiative</li> </ul>
<p><b>RENEWABLE/SUSTAINABLE ENERGY SYSTEMS (PHP 2.005 B)</b></p>	<p><b>Within the DoE</b></p> <ul style="list-style-type: none"> <li>• P2 B New Item: Renewable Energy Trust Fund as mandated by the RE Act of 2008</li> <li>• P5 M New item: For the operational requirements of the Renewable Energy Management Bureau to coordinate implementation of RE Act.</li> </ul>
<p><b>ECOLOGICAL WASTE MANAGEMENT (PHP 100 M)</b></p>	<p><b>Within DENR-EMB</b></p> <ul style="list-style-type: none"> <li>• Increase to P50 M Ecological Solid Wastes Management Act of 2000 (R.A. No. 9003)</li> <li>• Allocate P50 M for the implementation of the Clean Water Act of 2004 (R.A. No. 9275)</li> </ul>



The **ALTERNATIVE BUDGET INITIATIVE – ENVIRONMENT CLUSTER** is composed of Alyansa Tigil Mina, AMRSP-JPICC, Earth Savers Movement, EcoWaste Coalition, First Philippine Conservation Incorporated (FPCI), Foundation for the Philippine Environment (FPE), Haribon Foundation, Mother Earth Foundation, KAAKBAY, Kilusan Para sa Makatarungang Lipunan at Gobyerno (KMLG), Partido Kalikasan Institute (PKI), Partnership for Clean Air (PCA), Phil. Federation for Environmental Concerns (PFEC), Phil. Network on Climate Change (PNCC), Philippine Rural Reconstruction Movement (PRRM), Saganang Buhay sa Liga ng Bayan Foundation (SBSB), Sustainability Watch, Upholding Life and Nature (ULAN), Tanggol Kalikasan, and Sibol ng Agham at Teknolohiya (SIBAT). The La Liga Policy Institute serves as the secretariat of the cluster.



*Mantiquil, Siaton, Negros Oriental, 2009.*

# TOWARDS A CLIMATE-RESPONSIVE AGRICULTURE AND FISHERIES BUDGET



## AGRICULTURE

### Introduction

The agriculture sector is on a slump. While the economy posted record growth rate of 7.9 percent (GDP) for the first half of 2010, latest statistics from the Bureau of Agricultural Statistics (BAS) shows that overall production in the agriculture sector has contracted by 2.9 percent for the same period. This is due to the sharp decline in the crops and fisheries sector which, together, comprise more than 70 percent of total agricultural output.

The crops subsector, which accounted for 44.83 percent of total agricultural production, declined by 6.2 percent. The output of the two major crops, palay and corn, dropped 10.24 and 24.95 percent, respectively. Sugarcane production also went down by 21.86 percent.

Production in the fisheries subsector also went down by 0.11 percent in the first half of 2010. Commercial and municipal fisheries both posted declines in outputs by 4.97 and 1.55 percent, respectively.



*Malaybalay City, Bukidnon, 2010.*

The livestock and poultry subsectors increased their production outputs for the first six months of 2010. Livestock increased its production by 2.11 percent while poultry grew by 2.46 percent. The growth in both of these sectors however, has not been enough to prevent agriculture posting -2.9 percent, as mentioned above, because these two combined only accounted for less than 30 percent of overall agricultural production.

The poor performance of the agriculture sector should be a major concern by the government. Agriculture is key to rural development, food security and poverty alleviation. As mentioned above, while GDP grew by 7.9 percent early this year, agriculture has actually contracted by 2.9 percent. The growth was driven by increased production in the industry and services sectors. This implies a pattern where the rural sector is being left behind. The inability of the sector to increase its production capacity also impacts on the availability and access to affordable and quality staples to meet the population's food and nutritional requirements.

Most alarmingly, the anemic performance of the agriculture sector should be a concern of government because of its impact on poverty. The 2006 official poverty figures reveal the high poverty incidences among fishers and farmers. Almost half (49.9 percent) of fishers and 44 percent of farmers live below the poverty line. Declines in agricultural production can only lessen incomes of those who depend on agriculture as source of living. Labor statistics of government show that the number of employed in agriculture declined from 10.85 million in April 2009 to 10.06 million in April 2010. This shows that about 790,000 jobs were lost in the sector in the span of one year.

Many are quick to point out that the slump in the performance of agriculture early this year was due to the El Nino. The weather phenomenon has undoubtedly affected production in the sector but beyond that, government must recognize that there are deeper problems that hamper the full potential of the sector. There is a need to reform the policies of government and public investments in the sector to enhance productivity and raise incomes.

### **Food security**

The Philippines has become the world's biggest rice importer and continues to lag behind in terms of improvements in the national rice sufficiency situation among countries in the Southeast Asian region. Despite the huge resources poured into the sector in 2009, the rice sector performed below expectation.

Looking at the performance of agriculture, the government continues to fail in increasing its self-sufficiency to incremental levels for several years, compared with our neighbors in the Southeast Asian region. If we use the per capita consumption level in 2009 when the rice sufficiency plan was formulated, the self-sufficiency rate will even go down to 81 percent in 2009. The harvest projection for 2010 also does not give a positive forecast.

Table 1. Rice Sufficiency Levels Since Hybrid Rice Program Started

Year	Sufficiency Level (in percentage)
2004	86
2005	86
2006	84
2007	82
2008	82
2009	83 (81-with old per capita)

Rice Self Sufficiency computed using BAS data

The fact that DA is promoting high-costing agriculture programs that a simple artisanal fisher or a 1 to 2-hectare owning farmer cannot afford, is already a problem. This is further complicated by some inherent problems in some of its investment strategies, foremost of which is in irrigation.

### **Irrigation**

Irrigation spending for five years under the Rice Self-Sufficiency Program was P20 billion. This is about 26 percent of the target total budget of P77 billion for rice self-sufficiency from 2009-2013. However, for the first two years alone in 2009-2010, irrigation has already received around P30 billion. This year, the DA allocates another P12.7 billion which will bring the total irrigation spending to about P43 billion until 2011.

The government's strategy is mainly irrigation repair and rehabilitation. In 2009, the National Irrigation Administration (NIA) issued a statement that it even exceeded its targets for irrigation repair and rehabilitation but failed to meet its expansion to additional new areas.

The strategy is essentially doomed to fail. Based on local reports, cleaning up the canals will certainly be a waste of money if the same silt fills up the canals come rainy season. Rice Watch and Action Network (R1) also learned that some irrigation systems especially in wet and perennially wet areas require regular annual budget allocation for repair as these are damaged by typhoons almost every year. Its purpose of increasing its cropping capacity is defeated as it remains useless for some time while undergoing reconstruction.

This was aggravated by the fact that many of the irrigation projects are loans. The projections of climate experts do not pose a better picture in the horizon if this strategy on the irrigation continues.

Like in irrigation, the seeds program is also a major concern. The government maintains its preference for the hybrid rice subsidy program despite its failures. The DA promised to remove this subsidy after about eight years of continuous promotion and support but the program continues to enjoy this special treatment. Ironically, our rice sufficiency levels continue to fall miserably since the program started.



Clearly, some changes and audit of these multi-billion projects have to be made. While we appreciate increased funding for agriculture considering its state some three to five years ago, R1 fears that this also led to a bigger window for corruption especially since subsidies like seeds are given on a regular basis at about twice every year.

### **Threat to municipal fisherfolk**

For fisheries, the establishment of marine culture parks requires high capitalization. Depending on its size, around 500,000 to over a million pesos are needed to operate one marine culture park. Undoubtedly, the municipal fisherfolk who comprise the majority of the fisheries sector will not be able to gain from these programs.

However, a more serious problem persists. Despite posting positive growth, the fisheries industry failed to deliver its mandate to effectively uplift the small fishers and their families from poverty. In fact they became even poorer.

The government said the growth was largely due to aquaculture with the success of its Aquaculture for Rural Development (ARD) program. However, the DA's aquaculture and mariculture strategies resulted as coastal areas, which used to be a public property and fishing ground for small artisanal fishers, are now being virtually privatized in favor of a few individuals. They hold tenure over these resources through instruments such as Fishpond Lease Agreements (FLAs) with 25-years effectivity and renewable for another 25 years.

Fishing grounds and large mangrove areas have been converted into fishponds, beach resorts and other industrial infrastructures which resulted in massive habitat degradation, resource depletion and continued marginalization of small fisherfolk. Now, the basic issue of small fishers is their right to livelihood and settlement security. The Comprehensive National Fisheries Industry Development Plan (CNFIDP) also lacks provisions on fisherfolk settlement and mitigating the impact of climate change to fishing communities.

The social and environmental costs of aquaculture are equally appalling. Mangrove conversions and reduced fishing grounds, salinization of drinking water and marine pollution are the expected effects of coastal construction. These are not only due to intensified aquaculture activities but also with increased on-shore improvements brought about by tourism.

To date, over 70 percent of coral reefs are already in poor state, and less than 5 percent are in excellent condition (Licuanan and Gomez, 2002). Only half of the 978 square kilometers of sea grass beds in 96 surveyed sites remains. The rest are severely degraded or completely obliterated in the past 56 years (Fortes and Santos, 2004:90). Equally alarming is the fact that of the estimated 450,000 hectares of mangroves recorded in 1918, less than 140,000 hectares exist today (White and de Leon, 1996:84). According to the Bureau of Fisheries and Aquatic Resources' (BFAR) National Stock Assessment Project (NSAP), the stark reality of unsustainable marine and fisheries development is alarming.

Clearly, the government's budget does not reflect the bureaucracy's desire to correct the situation. They provided larger budget allocation for patrol craft and mariculture parks than undertaking a resource assessment which may become the basis of the resource utilization levels for fisheries.

Considering the potential negative impacts of climate change, the state of the fisheries industry is not expected to improve unless the government decisively implements the necessary measures. The International Panel of Climate Change (IPCC) Report points to the coastal areas around the world being radically altered due to climate change. Corals, for instance, have been observed to have low adaptive capacity and are highly vulnerable to thermal stress. An increase in sea surface temperature (SST) of about 1-3 degrees Celsius is likely to result in more frequent coral bleaching and widespread coral mortality (IPCC 4<sup>th</sup> Assessment Report, 2007).

Coastal wetlands including sea marshes and mangroves are likely to be negatively hit by the sea-level rise. With a reported increase in the SST, considerable impact can be seen in both the inland and coastal marine ecosystems<sup>1</sup>. A marked change in sea temperature will disturb these sensitive ecosystems. Coral bleaching poses direct threats to community-managed marine protected areas as well as productivity of reef fisheries. Moreover, diversity of fish species and migratory patterns of these fish species are to be drastically altered because the Philippine tropical oceans receive greater amounts of solar heat input due to global warming.

Equally alarming is the threat on the settlement of low-lying fishing communities being submerged due to accelerated sea level rise<sup>2</sup>. The changes in fishing patterns means longer hours at sea but lesser fish catch for small artisanal fisherfolks.

### **Blaming the weather**

Meanwhile, we have seen and heard the DA blame the weather for the consistent crop losses due to intense rains and/or desertification due to El Niño.

The figure below indicates the changing temperatures all over the country. Higher temperature is expected to be felt in upper rice producing areas that has potential implications on investments in irrigation. Our farmers will also have to endure crop problems due to infestation and yield shortfall in the coming years as a result of climate change. The government needs to study and define the adaptation strategies being among the major components of agriculture development plan.

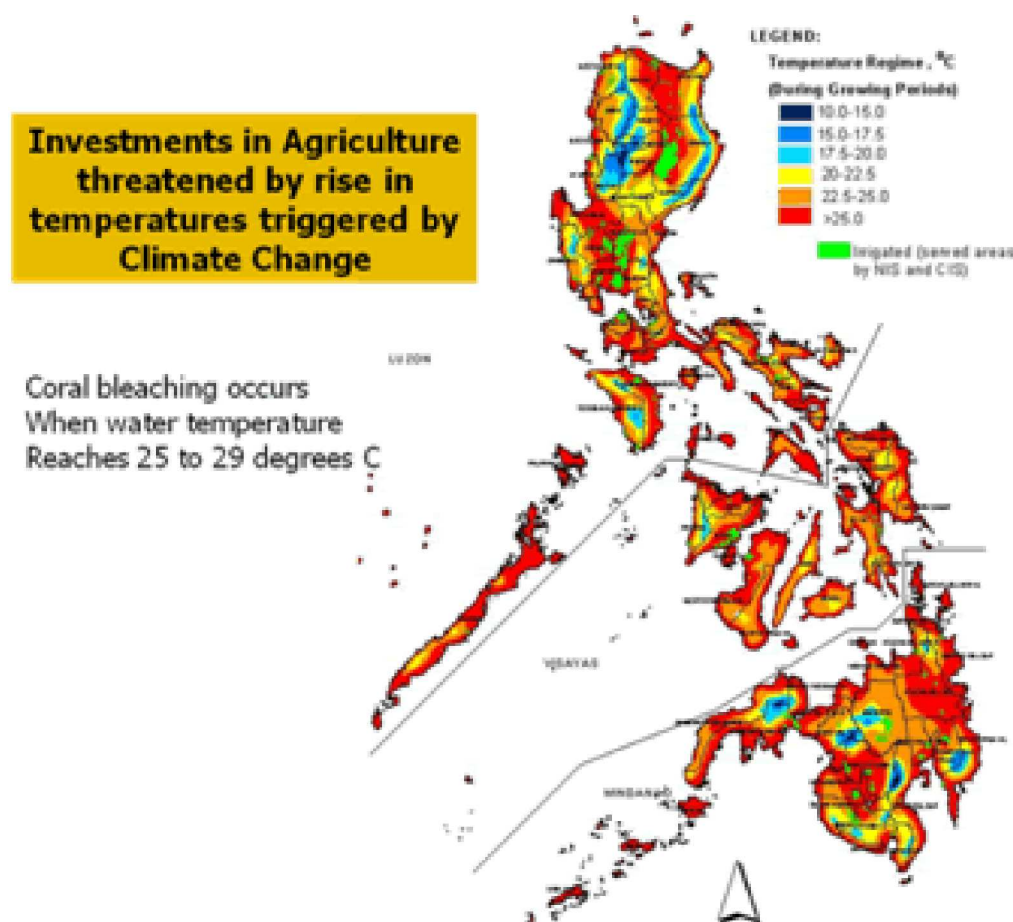
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<sup>1</sup> Houghton, et. al., (2005) reported that the changing climate resulted into an increase in sea-surface temperature (SST). It was reported that from 1976-2000, the SST has increased 0.14 degrees Celsius for every ten years.

<sup>2</sup> The IPCC 4<sup>th</sup> Assessment Report claims that the warming of the climate system is indisputable. This is evident from observations of increases in global average air and ocean temperatures, which resulted in the melting of snow and ice and the rise in the global average sea level. The Report recorded that 11 of the last 12 years (1995-2006) were ranked as the twelve warmest years in the instrumental record of global surface temperature since 1850.



Figure 1. Map Showing Temperature Simulations Nationwide



*NOTE: The map indicates the irrigated areas (on green) located in areas with the highest temperature (on red) that may likely suffer from water supply problems. International Rice Research Institute (IRRI) projected that the shortfall in water supply due to one to two more degrees increase in temperature will translate to 10% loss in rice production.*

### **Trade also comes into play particularly for rice**

The threat of liberalization continues to loom as rice is expected to be phased in by 2010 in the ASEAN Free Trade Agreement Common Economic Preferential Treatment (AFTA CEPT). We have to work hard at bringing our rice to a competitive level the soonest possible time even before the 2013 target. Otherwise, the efforts to improve the sector and the farmers' livelihood will be undermined by the influx of lesser-priced imported rice from Thailand and Vietnam and potentially binding us to the vagaries of the thin rice world market. Before the rice crisis happened in 2008, the landed price of imported rice, even with 50% tariff, is still cheaper than the local produce.

Tables 2 and 3 only show that our locally produced rice from 2003-2007 were uncompetitive with our ASEAN neighbors. Even if government imposes a higher level of protection for our local rice

producers by imposing a 50 percent tariff on imported rice, Thai and Vietnamese rice remain cheaper compared with the country's wholesale rice price.

Table 2. Comparison of Wholesale Price of Rice with Price of Thailand and Vietnam Rice (25% Broken) at 50% Tariff

Year	Thai Rice with 50% Tariff	Vietnamese Rice with 50% Tariff	Philippine Rice (Wholesale Price)
2003	12.13	11.07	18.30
2004	17.21	16.22	19.12
2005	19.89	18.36	20.93
2006	21.49	19.89	21.39
2007	21.11	20.35	22.59
2008	42.75	40.88	29.81

Source: Rice and AFTA-CEPT Primer, Rice Watch and Action Network

With the Asean Free Trade Agreeent-CEPT which further mandates the Philippines to eventually lower the 50 to 40 percent tariffs imposed on imported rice to a lower level, it only implies that the country has to step up its rice competitiveness measures if we want to provide the incentive to achieve national rice self-sufficiency.

Table 3. Comparison of Wholesale Price of Rice of Thailand and Vietnam (25% Broken) at 40% Tariff

Year	Thai Rice with 40% Tariff	Vietnamese Rice with 40% Tariff	Philippine Rice (Wholesale Price)
2003	11.32	10.33	18.30
2004	16.06	15.13	19.12
2005	18.57	17.13	20.93
2006	20.06	18.56	21.39
2007	19.71	18.99	22.59
2008	39.90	38.16	29.81

Source: Rice and AFTA CEPT Primer, Rice Watch and Action Network

With all these factors up against the agriculture and fisheries sector, the time is ticking for us to immediately find ways to fast-track the attainment of increased crop productivity and incomes for farmers and fishers. Their best defense against the damaging impacts of climate change is increased and diversified sources of incomes.

### **What Needs to be Done**

Serious assessment of the government's strategies is in order to ensure greater efficiency of programs. We are risking huge amounts of money going to waste if we continue without the benefit of a thorough assessment and planning with the stakeholders who after all have to bear the brunt of flawed policy directions and program priorities.

An honest to goodness audit and assessment should lead to defining a more strategic and concrete direction for each commodity. Programs need to be more inclusive instead of its current tendency to exclude and even to some extent violate the rights of small scale producers, particularly small fishers.

In addition, we believe that the DA has to devise a way to deliver a more dynamic and up to date extension work and not use its devolution to LGUs as an excuse for omitting this very critical intervention at the farm level. It is time to think of innovative ways to deliver the knowledge direct to the farmers.

We believe that lower cost but effective technologies are more appropriate to face the challenges of climate change. A good extension service will bring about the necessary change and this will not be costly on the pockets of farmers and fishers. Some agriculture experts recommended farming and fishing technologies or practices that can boost production and incomes with the aid of sustained on-farm training and transfer of technology.

### **Agriculture Budget**

The agriculture sector will be allocated less government budget support in the proposed P1.65 trillion budget of the President. The total FY 2011 budget is 6.78 percent more than what is programmed for the current year. However, a look at the allocation shows that the agriculture and agrarian reform sector's budget will be reduced by P22.17 billion, from P89.22 billion to P66.05 billion.<sup>1</sup> This 25.97 percent reduction represents the biggest cut in the economic services and accounts for most of the P37.85 billion reduction in the allocation for the entire economic services. The Department of Agriculture (DA) budget will be reduced from P41.17 billion to P37.698 billion in 2011. The DA is ranked 5<sup>th</sup> among the departments with the highest budgetary allocation.

The reduction in the agriculture sector and the DA raises serious concerns on the ability of government interventions to sufficiently and effectively implement the programs necessary to raise productivity of the sector and provide support services enhance the sector's capacity to deal with the challenges posed by climate change.

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<sup>1</sup> *Budget of Expenditures and Sources of Financing (BESF) FY 2011*

While we raise concern with the reduction in budget allocation, we also recognize the need to review allocations within the DA across programs and projects. In particular, there is a need to scrutinize the many lump sum appropriations within the DA which could find better use in more critical programs and services. The last chapter of this Orange Book provides a listing of these lump sums, foremost of which is the P5 billion allocation for Public-Private Partnership (PPP). These lump sums are fertile sources of funds which can augment the alternative budget proposals for agriculture provided below.

NIA 12.7 billion in FIELDS program– suspend until audit of its P30 billion budget for the last 2 years has been done

## ALTERNATIVE BUDGET PROPOSAL FOR AGRICULTURE

Budget Item	NEP (2011)	ABI Proposal	Variance
<b>DA - OSEC</b>			
1. Small Irrigation Project Nationwide (B.I.a.43)	500,000,000	5,000,000,000	4,500,000,000
2 Water Management and Soil Conservation (II.a.2.5)	63,166,000	103,166,000	40,000,000
<i>Under National Rice Program (III.a.11):</i>			
3. Sustainable Agriculture Program--DA OSEC*	New Item as III.a.11.a.1	5,000,000	5,000,000
4. Promotion and development of organic agriculture*	900,000,000	1,000,000,000	100,000,000
<i>Extension Work for Sustainable Agriculture*</i>	<i>New Item as III.a.11.b.1</i>	<i>300,000,000</i>	
<i>Establishment of Organic Demonstration/Learning Farms*</i>	<i>New Item as III.a.11.b.2</i>	<i>300,000,000</i>	
<i>Organic Fertilizer Production Support*</i>	<i>New Item as III.a.11.b.3</i>	<i>350,000,000</i>	
<i>Monitoring of Standards for Organic Agricultural Products*</i>	<i>New Item as III.a.11.b.4</i>	<i>50,000,000</i>	
5. Implementation of Various Agricultural Research Projects *(III.e)	450,000,000	500,000,000	50,000,000
6. Technology generation and dissemination for the growth and development of the vegetable industry	16,283,000	106,283,000	90,000,000
7. Creation/Validation of agriculture/commodity roadmaps	New Item	20,000,000	20,000,000
<b>Subtotal- DA-OSEC</b>		<b>7,734,499,000</b>	<b>4,805,000,000</b>



Budget Item	NEP (2011)	ABI Proposal	Variance
<b>BFAR Operations</b>			
<i>Under the Development and Management of Fisheries and Aquatic Resources</i>			
8. Validation of Priority Use Rights through Municipal Fisheries Registration and Licensing (new Item)		300,000,000	300,000,000
9. Capacity-building and Consolidation of Fisheries and Aquatic Resources Management Councils (FARMCs) (New Item)		210,000,000	210,000,000
10. Conservation, regulation and protection of fisheries and aquatic resources to include conduct of vulnerability assessment in the fisheries sector*	10,917,000	194,717,000	183,800,000
11. Municipal Water Delineation (New Item)		290,000,000	290,000,000
<i>Under National Fisheries Program</i>			
12. Sustainable Fisheries Livelihood		550,000,000	550,000,000
13. Additional Fisheries Extension Officers per Province		17,160,000	17,160,000
14. Enhancing Gender Responsiveness in Philippine Fisheries Industry Development Program		165,000,000	165,000,000
<b>Subtotal-BFAR</b>		<b>1,726,877,000</b>	<b>1,715,960,000</b>
<b>OTHER AGENCIES</b>			
14. NFA—for Local Rice Procurement		9,000,000,000	9,000,000,000
15. Phil. Rice Research Insti.	91,000,000	291,000,000	200,000,000
16. QUEDANCOR		2,000,000,000	2,000,000,000
<b>Subtotal-OTHER AGENCIES</b>		<b>11,291,000,000</b>	<b>11,200,000,000</b>
<b>TOTAL ALTERNATIVE BUDGET PROPOSAL FOR AGRICULTURE</b>		<b>20,752,326,000</b>	<b>17,720,960,000</b>

Note: Budget proposals marked with “ \* “ are joint proposals by the ABI-Envi Cluster and the ABI-Agri Cluster. ABI Proposed budget items are computed within the proposals of the ABI-AGRI cluster.

1. Increase of P5 billion for small irrigation projects and SWIPs to increase new areas for irrigation/cropping intensity.



2. Increase by P40 million the budget for soil analysis develop and promote technologies to help reduce use of chemical inputs by applying only the recommended nutrients
3. The proposed P5 million is for the setting up of a Sustainable Agriculture Program within the DA OSEC.
4. Provide additional P100 million for “Promotion and development of organic agriculture” on top of the P900 million on NEP. It is proposed that specific line items be included on this lump sum specifying the purposes for its utilization to wit:
  - (a) P300 million for Extension Work for Sustainable Agriculture;
  - (b) P300 million for Establishment of Organic Demonstration/Learning Farms;
  - (c) P350 million for Organic Fertilizer Production Support; and,
  - (d) P50 million for Monitoring of Standards for Organic Agricultural Products.

Extension work for organic/sustainable rice-based farming practices. This program should help to increase farm and farmers’ productivity. Extension can bring about increase in farm productivity. Extension will focus on crop management, proper education and training which can contribute 25 percent to the growth in rice production. If we combine these with seed adaptability techniques, then this growth percentage can increase by another 15 percent.

5. Additional allocation of P50 million for the item “Various Agricultural Research Projects”, which amount shall be used specifically for research on climate resilient crops.
6. A total of P90 million is proposed for technology generation and dissemination for the growth and development of the vegetable industry to produce safe and nutritious food and to reduce dependence on chemical inputs. The amount shall be allocated as follows:
  - (a) P20 million for Safe Vegetable from Rice Soil (SAVERS)—establishment of wood vinegar and compost plant;
  - (b) P20 million for Benguet Agri-Eco-Devt Farm Project (site dev and Post harvest facilities); and,
  - (c) P20 million for Mass Production of organic Fertilizers.
7. P20 million is being proposed for the creation and validation of agriculture commodity roadmaps.
8. Allocate P300 million for Validation of Priority Use Rights through Municipal Fisheries Registration and Licensing. This seeks to address the issue of open access to resources to municipal fisheries and to work towards the recognition of the preferential rights of municipal fishers over the resources.
9. P210 million is being proposed to strengthen and develop the capacities of FARMCs on sustainable fisheries management, enterprise development, and sustainable livelihood.

10. P183 million for “Conservation, regulation and protection of fisheries and aquatic resources” through the conduct of vulnerability assessment in the fisheries sector. This additional funding proposal shall be used to assess the vulnerability of coastal communities to climate change risks and impacts as basis for the formulation of clear and effective adaptation measures. The proposal is based on costing of Php200, 000 per coastal municipality/city x 919 municipality/city).
11. Allocation of P290 million for Municipal Water Delineation Completion under the National Fisheries Program. This is crucial since only 46 out of the 919 coastal cities and municipalities have been completed. The proposal is to complete the municipal water delineation of the remaining 873 coastal cities and municipalities. This means each coastal city and municipality should have passed ordinance. Estimated cost of delineation is  $\text{Php}330,000/\text{coastal city or municipality} \times 873 = \text{Php}290 \text{ million}$ .
12. P550 million for provision of sustainable climate-resistant livelihood for fisherfolk.
13. Additional P17.16 million for BFAR to develop and manage the Philippine fisheries industry, to provide technical support and other extension services to local government and coastal communities in implementing CRM and Fisheries Development Programs (currently, BFAR is understaff/lacks necessary human resources)
14. The amount of P165 million is proposed to institutionalize mechanisms for gender mainstreaming in fisheries sectoral planning and policy development.
15. Allocation of P9 billion for National Food Authority (NFA) to be used specifically for local rice procurement in support of local farmers. Local Rice Procurement at P17 and 5 percent of national requirement (around 553,000 tons) will greatly help increase farmers incomes.
16. Augmentation of budgetary support to Philippine Rice Research Institute (PhilRice) in the amount to P200 million specifically to support the Supplementary Program on Income Diversification through the Palayamanan strategy.
17. P2 billion for QUEDANCOR to provide credit support at negotiated rates to agricultural producers.

The **ALTERNATIVE BUDGET INITIATIVE – AGRICULTURE CLUSTER** is composed of Rice Watch and Action Network (R1), Tambuyog Development Center, NGOs for Fisheries Reform (NFR), Benguet Vegetable Growers Association/Office of Provincial Governor of Benguet – Alyansa Agrikultura Member, Pambansang Koalisyon ng mga Kababaihan sa Kanayunan.

# SUMMARY OF PROPOSED INCREASES IN THE 2011 NATIONAL BUDGET

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<i>Details</i>	<i>Amount (in PhP)</i>
Education	10,403,435,000
Health	20,831,673,224
Environment	4,147,344,000
Agriculture	17,720,960,000
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<b>TOTAL</b>	<b>53,103,412,224</b>

# FY 2011 BUDGET LUMP-SUMS AND OTHER CONTESTABLE EXPENDITURE ITEMS



FY 2011 Budget Lump-sums and other Contestable Expenditure Items						
Agency (Attached)	Item	Prog/Proj	Amount	P/M/C	NEP page	Issues and Proposals for Rationalizing
OP Other intelligence funds under:	B.1.1&1a.1	Confidential and Intelligence Funds	650,000,000	M	12 & 14	These funds should be allocated to gatherers of intelligence, ex DND, PNP, NBI since they have the capacity and expertise in intelligence gathering which can be tapped by other agencies. Prudent allocation to other agencies is necessary to curb abuse especially since there is limited means by the public to ensure transparency and accountability of such funds. Suggest to cut and realign to ABI.
	OVP	Confidential and Intelligence Funds	6,000,000	M		
	DENR	Confidential and Intelligence Funds	15,000,000	M		
	DOF	Confidential and Intelligence Funds	15,000,000	M		
	DOTC	Confidential and Intelligence Funds	18,600,000	M		
		Confidential and Intelligence Funds		M		
Public-Private Partnerships	NICA		43,544,000		BESF Table B.3.c	
DA-OSEC	B.1d	Public-Private Partnership Support Fund	5,000,000,000	C	30	PPP is presented as a new initiative and has yet to have clear mechanisms/guidelines. The special provisions provides that the DBM/DBCC will "identify" the projects for which these funds. It is the concerned agencies and not the DBM which has the appropriate professional authority to know the projects necessary for their respective sectors. It is suggested that implementation of the PPP be deferred subject to the finalization of an enabling policy guideline based on feasibility studies, foremost by NEDA and realign to ABI.
DPWH - OSEC	B.1f	Public-Private Partnership Strategic Support Fund	5,000,000,000	C	1169	
DOTC - OSEC	B.1a.13	Public-Private Partnership Strategic Support Fund				
			5,000,000,000	C	1290	
	B.1a.12	Feasibility Studies for Transport Infrastructure Projects including potential PPPs	100,000,000	C	1290	Budgets are allocated for PPP feasibility studies across several agencies. It is suggested that the feasibility study be done by NEDA since it has the personnel with the
DOF-OSEC	B.1b	Public-Private Partnership Capacity Building Project	2,000,000	M	715	

NEDA	BAE	Public-Private Partnership Capacity Building Project		M	1311	necessary expertise in making such studies. Suggest to cut and realign to ABI proposals.
DA-OSEC	BIa.33	Irrigated Rice Production Enhancement Project	5,000,000	M	1311	These jump-sum expenditure items must be judiciously scrutinized by Congress. Unlike regular programs which are recurring expenses for the provision of mandated goods and services by the agency, these items are classified as "locally-funded projects" which should result in the accomplishment of identifiable outputs within a designated period. Germane to Congress' power to appropriate is the control of how and where these project funds will be utilized and who will be the beneficiaries. Specifically, Congress should be having a clear determination of the process of identifying, selecting and prioritization of projects to be funded out of these funds. Congress should also evaluate whether such project purposes are necessary or redundant and has the prerogative to realign such funds to other programs that can yield greater benefits for the greater number of constituents, ex. ABI proposals.
	BIa.37	Construction/Repair/Rehabilitation of Existing National Irrigation Systems (CRENIS), Nationwide	130,000,000	C	29	
	BIa.38	Balitan Sagip Pambig Program (BSP), Nationwide	1,800,000,000	C	29	
	BIa.39	Repair/Establishment of Groundwater Pump Irrigation Project (REGPP), Nationwide	500,000	C	29	
	BIa.40	Feasibility Study and Detailed Engineering (FSDE) of Various Projects, Nationwide	50,000,000	C	29	
	BIa.41	Irrigation Management Transfer Support Services (IMTSS)	250,000,000	C	29	
	BIa.42	Repair, Operation and Maintenance of Pump Irrigation Systems, Nationwide	50,000,000	C	29	
	BIa.44	Small Irrigation Project, Nationwide	100,000,000	C	29	
	BIa	Support to Poverty Eradication, Empowerment and Development Program for Basic Sectors (SPEED Program)	500,000,000	C	30	
			11,580,000	M	30	
			420,000	C	30	
	BIa	Young Farmers Program	49,590,000	M	30	
			410,000	C	30	



DepEd - OSEC	B.1.b	Repair/Rehabilitation and Construction of Farm to Market Roads in the Designated Key Production Areas				<p>The special provision requiring the formulation of an FMR "network plan" as basis for the selection of projects is laudable. But there is a need to review the "Key Production Areas" to ensure that the geographic distribution is needs-based, otherwise, it will be under Executive discretion. Also, requiring LGUs to shoulder at least 10% counterpart may inequitably tip the balance against poorer LGUs who may otherwise need such infrastructure support.</p>
	III a.11	National Rice Program (Nationwide)	2,500,000,000	C	30	These lump-sum expenditure items are remnants of the <del>Grain Processing</del> <del>Magsanang Api (GMA)</del> programs under the AFMA Fund which has been the subject of much <del>controversy</del> , even Congressional investigations, for questionable release and utilization. Without thorough <del>conditions</del> , these funds become highly discretionary as to how it will be used, distributed and who will be the beneficiaries. More so, such amounts need to be channeled to appropriate and specific programs including those proposed by the ABI.
			4,679,427,000	M	36	
	III a.12	National Corn Program (Nationwide)	537,789,000	C	36	
			469,892,000	M	36	
	III a.16	National High Value Commercial Crops Program (Nationwide)	13,750,000	C	36	
			701,578,000	M	36	
	III b.6	National Livestock Program (Nationwide)	225,289,000	C	36	
			638,173,000	M	37	
			44,157,000	C	37	
DepEd - OSEC	B.1.a	Department of Education Computerization Program	700,760,000	M	77	These projects should be carefully evaluated as to the urgency and necessity considering that there are crucial regular programs in the DepEd that are under-funded such as Alternative Learning Program, Medical Services and Training for Teachers, MOOE for schools, and others identified by the ABI.
			1,100,740,000	C	77	
	B.1.c	School-based Management (SBM) Installation and Support	2,000,000,000	M	77	

DOH - OSEC	II.f.4	Assistance to Central Luzon Drug Rehabilitation Center	11,497,000	M	771	CLDRC is a privately-owned institution by Sagip Bja Foundation. Budget laws prohibit the appropriation of public funds to private entities. Congress should look into the legality and wisdom for allocating funds for this. Realign.
DILG - OSEC	B.I.b	Enhancing LGU Capacity on Climate Change Adaptation and Disaster Risk Management Framework	40,000,000	M	789	Item III.c's special provision includes the use of funds for disaster management. B.I.b's purpose overlaps with the Performance-based Challenge Fund facility which actually has a greater funding support. B.I.b can be evaluated for possible reallocation to more needed programs. P40 Mn could be realign to ABI proposals.
	III.c	Local Governance Performance Management Program - Performance-Based Challenge Fund for Local Government Units	500,000,000	M	792	There is a need to provide details of what this project is all about and, more importantly, a justification of the amount being proposed. CSOs generally are voluntary in nature and would welcome opportunities for participation in governance as part of their mission and without compensation. On what will this amount be used for?
DSWD - OSEC	B.I.c	Civil Society Organization/People's Participation Partnership Program	10,000,000	M	789	Expansion of CCT should be accompanied by the expansion of the "supply side", i.e., improvement of public health services providers to be successful. Program expansion should be deferred pending submission of program impact evaluation on a dole-out program and completion of National Household Targeting System for Poverty Reduction.
	BI.a.13	Conditional Cash Transfer (CCT)	21,194,117,000	M&C	1249	Congress needs to determine the
	BI.a.2	Supplemental Feeding Program	2,884,431,000	M	1249	

	B.I.a.4	Rice Subsidy Program				capacity of the DSWD to take on these programs which have been transferred from other agencies. On top of this, additional projects is the expansion in CCT being proposed. Increasing the budget for inputs does not necessarily lead to increases in outputs and outcomes if implementing capacity is insufficient.
Contingency Fund	A.1	Fund subsidies for contingencies	4,234,350,000	M	1249	Special provision includes Presidential travel expenses to be charged to this fund although there is already such a budget under OP. It is suggested that the special provision be revised to delete said proviso and deduct the amount of P200 million to be reallocated to ABL proposals.
E-Government Fund	A.1	For major information and communication technology projects	1,000,000,000	M&C	1539	This SPF does not provide an itemized listing of projects, how much each project would cost, what are the specific outputs, what agency will be the recipient/beneficiary, etc. The special provision states that the CICT will provide guidelines for the release of the funds. The CICT is created by an EO which does not even have a separate budget in the NEP. For transparency and accountability, pending such submission of proposed projects, it is proposed that the amount be realigned for other critical programs as proposed by ABL.
Unprogrammed Funds	A.2	Strategic Government Reforms	1,190,000,000	C		Special provision must specify specific projects and concerned agencies. Evaluation and reporting of release and utilization should also be included. Finally, require the submission of COA audit report of prior years, when applicable.
			2,000,000,000	C		

A.5	Support for Infrastructure Projects and Social Programs	30,500,000,000	MIS-C	No special program considering that the amount proposed constitute almost half of the P66.9 Bn Unprog Funds. The departments have extensive listing of infrastructure and social programs which should be prioritized.
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## **ON THE PANTAWID PAMILYANG PILIPINO PROGRAM (4Ps)**

The Pantawid Pamilya Pilipino Program (4Ps) was launched in late 2007, as the Philippine government's version of the conditional cash transfer. In exchange for the provision of cash grants for education and health activities, poor families need to comply with a set of conditionalities such as ensuring school attendance of children, regular visits to health centers for immunization, preventive health check-ups and maternal care. The program runs for five years for household-beneficiaries.

We believe that the 4Ps is an important relief measure. The usefulness of such a measure needs to be underscored in light of the fact that many poor Filipinos are desperate to survive these trying times. Social Watch-Philippines has recently conducted a preliminary study and survey of 4Ps beneficiaries and has found out that for many beneficiaries, this is the first time that they have experienced direct support from government on a relatively sustained basis and are therefore grateful for the support. Furthermore, investments in education and health improve the chances of children for upward social and economic mobility.

Nevertheless, we are concerned with the current stance of government on the 4Ps which seems to treat the 4Ps as a magic bullet for poverty reduction. Our concern is based on the following reasons:

**1. The 4Ps does not address all the dimensions of poverty and vulnerability.** The 4Ps program is patently a poverty reduction program designed to address issues on maternal mortality and child mortality (the latter mostly through the provision of vaccines and cash), as well as keep children in school for five years. Other vulnerable groups like poor senior citizens, the chronically sick, people with disabilities, the millions of out-of-school, and functionally illiterate or the unemployed poor are not covered by the program. As such, other anti-poverty programs designed to address the other dimensions of poverty must likewise be prioritized.

For example, tuberculosis remains one of the leading causes of morbidity and mortality among the Filipino poor[1] and yet, the budget for the Indigents' Program under the Philippine Health Insurance Program was reduced by thirty-three percent for 2011. Furthermore, we note that twenty percent of school age children and youth are out of school, and yet they get less than one percent of the education budget[2]. While the 4Ps is designed to attract the out-of-school to re-enroll, studies conducted locally and around the world have shown that a significant majority of the out-of-school will never return to school even with attractive packages. To continue, the housing budget was slashed by half for 2011(from P11 B in 2010 to P5.6 B), a move that will certainly negatively impact on the rising number of informal settlers in dire need of mass housing. Finally, the majority of the poor are in the rural areas and yet we note that public investment in agriculture, fisheries and



forestry remains low. Much of the rationale used by government to justify low and or decreasing levels of public spending in these areas is to be able to free up and provide additional sources for the 4Ps, a policy position which we disagree with.

We believe the government should not reduce public spending for other pro-poor programs and re-channel the freed up resources for the 4Ps, which only address a few dimensions of poverty and vulnerability and therefore only targets a sub-set of the total number of poor.[3]

**2. The success of the 4Ps, which addresses the demand side, through the provision of cash grants, requires ensuring the supply side (e.g. availability of health, education and transport facilities and services).** 4P areas are, by program definition, among the poorest. No amount of conditionalities will work if there is a lack of schools, health clinics, and means of transport in 4P areas. The fact that Philippine public investment in education[4] and health is low and has generally declined between 2000 and 2006 at both the national and local government levels does not augur well for the 4Ps meeting its stated objectives. This means that public investment in education and health must significantly increase. Stress is made on ensuring the quality of services.

**3. “Thanks for the cash but we need jobs.”** The Social Watch study reveals that most of the beneficiaries it surveyed expressed gratitude that with the cash grants, the health and education status of their families were improving. Nevertheless, an overwhelming majority of beneficiaries said that what would lift them out of poverty was access to regular employment. This underscores the fact that one of the most important elements in the fight against poverty is productive employment, an important component of MDG 1. In this light, Social Watch Philippines calls on the government to put quality job creation (which includes ‘green jobs’) and the protection of workers rights, including women’s rights, in the forefront of its anti-poverty agenda.

**4. What works in other countries may not necessarily work here. Context matters.** While conditional cash transfers (CCTs) around the world share similarities, features vary across countries, and more importantly, the economic and social policy settings in which these CCTs are embedded in, also vary. For example, Mexico’s *Oportunidades*, apart from education and health cash grants, are accompanied by cash transfers for food and for the elderly while in Brazil, *Bolsa Familia* is part of a larger economic and social protection scheme composed of ‘complementary actions’ and services to poor families. Among the significant ‘complementary actions’ are employment creation, provision of income-generating activities, and improvement of housing conditions.

While the Aquino government recognizes that the 4Ps as a ‘stand alone’ program will not work and has taken steps to link it to other economic programs (e.g., Kalahi-CIDDS and Self Employment Assistance-Kaunlaran or SEA-K), we believe that there is a need to refine such a strategy. For one, the highly micro-ized and project-ized nature of Kalahi-CIDDS projects has generated, at best, localized impact on poverty reduction and has not made a dent on reducing over-all poverty. Second, data has shown that SEA-K activities revolve mostly around low-value trade and commercial activities with limited impact on poverty reduction as well.

**4. Community organizing and mobilization are key ingredients to people’s empowerment.** We believe that community organizing and mobilization should play a key role in the empowerment of household-beneficiaries. The government recognizes this as seen by its linking up the 4Ps with

Kalahi-CIDDS (the latter being a community-driven development program). Based on the initial data that emerged from the Social Watch study, there is a need to ask: what is the current status and quality of community work, beyond the required parenting seminars, of which women are disproportionately represented? While one outcome of the 4Ps is the increased capacity of women to procure basic necessities, this also places more obligations and responsibilities on their shoulders[5], including increasing their workload. As such, more gender-aware interventions are needed. Furthermore, there is a need to examine how well-organized the community committees are, and what other functions these assume beyond organizing and ensuring attendance in parenting seminars.

**5. Loans for what?** Finally, we question borrowing US\$405 M from the World Bank and US\$400 from the ADB for the 4Ps because it not only increases our public indebtedness, which is cause for concern in itself, but more so because the government is infusing massive investment on a strategy, as it is currently conceived, that, at best, will have very limited impact on poverty reduction.

In this light, we call on government to do the following:

Increase public spending in the various pro-poor programs of government with stress on education, health, agriculture, housing, environment (e.g., see proposals of the Alternative Budget Initiative);

To come up with a comprehensive poverty reduction strategy, which includes both economic and social policy, and locate the 4Ps within this framework. Financing for the government's anti-poverty reduction strategy should flow from such a framework.

In the immediate, we call for an independent monitoring and review of the 4Ps, and to include civil society participation. Part of the review is to gauge the capacity of the Department of Social Welfare and Development (DSWD) to handle the further expansion of the 4Ps. This review should be included in the 2011 budget. Program transparency should also be ensured, including easy access for the public to relevant information on the 4Ps.

Furthermore, we call for the conduct of a comprehensive program performance audit by an independent body, and to include civil society participation, by the end of 2011, before further expansion of the 4Ps. The audit should determine whether the program as designed and implemented yields the expected outputs and outcomes.

We know that the causes of poverty are complex and interlocking and based on the evidence of other country experiences, so effectively combating it will require a combination of economic and social development policies that require sustained economic growth, productive employment, asset reform and comprehensive social policies which includes universal social protection measures. For as long as the Aquino government does not have a strategy that provides a holistic perspective and addresses the structural constraints to poverty reduction, its anti-poverty efforts will remain short-term palliatives.

**Social Watch Philippines**

October 4, 2010

*[1] Note: some 250,000 Filipinos are infected annually and 75 patients die everyday from TB in the Philippines (Social Watch Shadow Report, 2010)*

*[2] This refers to the Alternative Learning System item in the budget for education*

*[3] Numerically speaking, the 4Ps currently targets one million household beneficiaries, or approximately 21.3 per cent of the total 4.7 M poor families (FIES 2006). Considering projections of increased poverty incidence in the 2009 FIES results, this coverage will even be a smaller percentage of the total number of poor.*

*[4] While an increase in the 2011 education budget is noted, allocation for new teaching positions, teacher training and welfare/medical assistance remained the same.*

*[5] What is termed as ‘the feminization of responsibility and obligations’ including increasing women’s workload. This occurs when well-meaning pro-poor programs do not challenge existing inequalities in the distribution of both paid and unpaid work between women and men.*





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