

# Philippine budget: Austerity for the poor, subsidies for the rich

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Philippine President Benigno “Noynoy” Aquino has presented his proposed 2011 budget, amounting to more than \$36 billion—an increase of 6.8 percent from this year’s. The lower house began its deliberations this month and, according to House Speaker Feliciano Belmonte Jr., the vote on the budget will take place on October 15.

In his speech to Congress, Aquino claimed the budget was aimed at uplifting “the lives of our countrymen who are in the direst need of government’s compassion and support—the poor, the disadvantaged, the marginalised”. He declared that the budget was “biased for the poor”. Cutbacks, he said, were aimed only against “inefficiencies,” to allow the redirection of scant resources to those in desperate need.

Aquino’s pro-poor posturing is a sham. Like government leaders worldwide, he is under pressure from global financial capital to rein in public expenditure. In the Philippines, the international financial institutions are pressing for the budget deficit to be cut from 3.9 percent of Gross Domestic Product to just 2 percent by 2013.

Aquino has begun to deliver. Appropriations for 10 government departments have been slashed by over \$1 billion. Significantly, those departments whose jurisdictions impinge on the private interests of Aquino and his allies have been hit hard. The budget for the agrarian reform department, which is tasked with breaking up large landed estates such as the Aquino family’s Hacienda Luisita, has been reduced by more than 22 percent. The largest cut, over 77 percent, was imposed on the energy department, which supervises the electricity industry, currently dominated by the Lopez family.

Capital outlays for public infrastructures have been sharply reduced by over 13.9 percent, from \$3.4 billion this year to \$2.9 billion next year. The budget for the public works department has been cut by over 25 percent.

Subsidies for key government corporations have been slashed by a massive 79.2 percent. In particular, government support for the National Food Authority, which sells rice—the main national staple food—at subsidised prices, has been reduced to zero. This decision will inevitably impact most on the poorest layers of society.

Health subsidies for the poor to access specialised government hospitals have been severely affected. Assistance for the Lung Centre of the Philippines has been reduced by 47.75 percent. The subsidy for the National Kidney and Transplant Institute has been slashed by 69 percent. Financial aid for the Philippine Children’s Medical Centre has been cut by 13.2 percent and the Philippine Heart Centre by a massive 77 percent.

State colleges and universities have seen their budgets for 2011 reduced by over 8 percent. This will mean higher fees for students. Aquino insists that public tertiary institutes must become “self-sufficient and financially independent, given their ability to raise their income and to utilise it for their programs and projects”. In a direct attack on government employees, the budget cuts the appropriation to pay premiums for their pension fund by more than 56 percent, or nearly \$1 billion.

While the proposed budget means worsening living standards for the Filipino poor and working masses, it still contains significant subsidies for the ruling elites. The private sector will be boosted by financially starving government departments, agencies, public colleges,

universities and corporations. Private operators will make further inroads into services such as road construction, water and electricity distribution and supply, irrigation, flood control, rice importation and mass transportation. Private businesses already have a large stake in hospitals and college- and university-level education.

According to a *Business World* report, the Aquino administration plans to mount “around 80 projects that will cost nearly” \$16 billion through so-called public-private partnerships. Private businesses will build and operate infrastructure, ranging from airports, roads and railways to school buildings and health facilities, and charge the public for their use.

The consequences are already known. Water distribution in Manila was privatised in 1997, resulting in a 1,700 percent rise in water tariffs. Much of the country’s electricity generation, transmission and distribution is now privately owned and operated by key allies of the Aquino administration. Not surprisingly, the administration insists that the public must now bear the “real” cost of electricity. Tolls for a major expressway, as well as fares for Manila’s light railways, are slated for huge increases.

Aquino’s claim that his budget is “biased for the poor” hinges on its substantial increases for the social welfare, education and health departments, amounting to a total of \$922 million. For the social welfare department alone, the increase is more than 55 percent. However, closer scrutiny of these proposals reveals the underlying class interests—the bias is not to the poor but to wealthy private interests.

Over 25 percent of the education department’s budget increase will be for school vouchers for 1 million students—effectively a massive subsidy to private elementary and secondary schools. The health department’s entire \$74 million increase has been channelled into health insurance for indigents. Given the private monopoly of institutional medical care, the increased amount is effectively a subsidy to privately-run hospitals.

Even more bogus is the handout of \$471 million for social welfare. Aimed at more than 4.6 million families categorised as desperately poor, the sum translates to just \$100 per family for the whole year. If the promised \$400

a year, or just over a dollar a day, were dispensed, then only one million families would receive the amount. To be eligible, each family will have to comply with stringent conditions, including ensuring their children are at school.

All of this is dwarfed by the huge slice of the budget devoted to servicing the government’s debt to local and international finance institutions. Interest payments alone next year are estimated at \$7.9 billion—equivalent to 21.7 percent of next year’s public expenditure. Next year’s principal amortisation is estimated to reach \$10.36 billion, or 28 percent of public expenditure. Taken together, interest and principal payments will amount to \$18.3 billion, or more than half of government expenditure for 2011.

The dominant role of finance capital is underlined by the fact that debt repayments take precedence over all other government spending and are automatically appropriated year after year. That remains the case under Aquino.

In an ominous sign that Aquino is expecting rising social unrest, the security forces have been sheltered from cutbacks. The national defence budget has been increased by more than 81 percent, and the interior department, which is in charge of the national police, by 32.6 percent. These sectors receive a combined \$1.4 billion.

Like every Filipino politician, Aquino has to try to dress himself up as “pro-poor”. His first budget demonstrates that, no less than his predecessors, the newly installed president is a ruthless defender of the interests of the wealth elite at the expense of the tens of millions of working people who are struggling to survive from day to day.



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