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Philippines' COVID-19 loans balloon to P641 billion; to be paid until 2049

ABS-CBN Investigative and Research Group

6-8 minutes



A woman is vaccinated against the novel coronavirus Covid-19 in Papeete, French Polynesia, on January 12, 2021. - Politicians, doctors and people over the age of 75 volunteered to be vaccinated, a dozen people are vaccinated per day since January 11. *Suliane Favennec, AFP*

MANILA — More than three-fourths, or 76% of the P82.5 billion budget targeted for coronavirus disease (COVID-19) vaccination

will be coming from new foreign loans, data from the Department of Finance (DOF) show.

This translates to P62.5 billion (approximately USD1.3 billion) that the government is currently negotiating with multilateral banks, including the Asian Development Bank (ADB), the China-led Asian Infrastructure Investment Bank (AIIB), and the World Bank.

Aside from these new loans, another P2.54 billion (USD52.8 million) of the loans that the government had previously secured for COVID-19 response will be realigned toward procuring COVID-19 vaccines, according to DOF.

Nearly double in 5 months

The Philippine government has amassed a total of USD13.34 billion or approximately P640.96 billion in loans for its COVID-19 response, DOF data as of Dec. 15, 2020 show.

The amount of loans nearly doubled since July 1, 2020, when total government loans for COVID-19 response stood at USD7.73 billion (approximately P371.67 billion).

On top of this, the government is also seeking to borrow P62.5 billion for vaccine procurement from multilateral financing institutions including the Asian Development Bank (ADB), the China-led Asian Infrastructure Investment Bank (AIIB), and the World Bank.

Of the aggregate amount of USD5.6 billion in new loan agreements, or those that were signed from July 14 to Dec. 10, 2020, a total of USD2.85 billion will be coming from multilateral and bilateral financing institutions, while USD2.75 billion will be through the issuance of bonds. Below are the details of these new

loans:

- ADB: USD1.33 billion (approximately P63.67 billion) for the Competitive and Inclusive Agriculture Development Program, the Disaster Resilience Improvement Program, the Health System Enhancement to Address and Limit COVID-19 Program, and the Inclusive Finance Development Program, Subprogram 2
- World Bank: USD970 million (approximately P46.61 billion) for the Philippines Beneficiary FIRST Social Protection Project and the Support to Parcelization of Lands for Individual Titling Project
- JICA: USD458.95 million (approximately P22.05 billion) for the Post Disaster Standby Loan (Phase 2)
- KEXIM-EDCF: USD100 million (approximately P4.81 billion) for the Program Loan for COVID-19 Emergency Response Program
- Issuance of bonds: USD2.75 billion (approximately P132.15 billion)

To be paid until 2049

The running total of the country's USD13.34 billion or approximately P640.96 billion loans will be paid from 2023-2049, with an average repayment period of 15 years for each loan, based on the amortization schedules indicated in the loan agreement documents available on the DOF website as of Dec. 15.

Of the USD12.72 billion or approximately P611.41 billion for budgetary support financing, a big chunk (85%) or USD10.77 billion (approximately P517.53 billion) has already been disbursed to the government as of Dec. 15, 2020, according to DOF.

Another USD26.36 million or approximately P1.27 billion were grants from the Government of Japan and from ADB. The

government did not acquire any new grants since July 2020.

Realigned for vaccines

Meanwhile, a total of USD52.8 million or approximately P2.54 billion from the country's existing loans secured last year will be realigned toward procuring COVID-19 vaccines, Finance Undersecretary Mark Dennis Joven said in a letter response to ABS-CBN's query on the matter.

These are:

- USD27.8 million (approximately P1.34 billion) of the USD100 million loan from the World Bank for the Philippines: COVID-19 Emergency Response Project (PCERP), which has already been amended; and
- USD25 million (approximately P1.2 billion) of the USD125 million ADB loan, Health System Enhancement to Address and Limit (HEAL) COVID-19, which is already "under discussion."

Target: P82.5B

The country would need P82.5 billion to "provide vaccines to around 55% of the population," Finance Secretary Carlos Dominguez said last week. This translates to some 50-70 million Filipinos that the government is targeting to inoculate against COVID-19.

Health Secretary Francisco Duque III earlier said that at least 60 million Filipinos need to be immunized against COVID-19 in order to attain herd immunity.

Of the P82.5 billion target budget, P70 billion will be used to fund some 140 million doses of vaccines, along with the COVAX contribution, while the remaining P12.5 billion will be used to

finance rollout, storage, distribution, and other “ancillary requirements,” Undersecretary Joven said during a senate hearing last Jan. 11.

The COVAX Facility is an initiative that “brought together governments and vaccine manufacturers, including 64 high-income economies,” to guarantee fair and equitable access to COVID-19 vaccines of participating countries.

Unprogrammed Appropriations: P70B

Of the P82.5 billion needed for vaccines, P2.5 billion has been allocated to DOH in the 2021 national budget. Another P10 billion will come from Bayanihan 2’s COVID-19 vaccination program allocation from last year. The rest of the funds for vaccine procurement, or P70 billion, is provided in the 2021 General Appropriations Act under “Unprogrammed Appropriations.”

Unprogrammed appropriations, according to the Budget Department, may be tapped when there are excess revenue collections, new revenue sources, or approved loans for foreign-assisted projects.

Dominguez earlier said that P70 billion of the target vaccine funding will be sourced from loans from multilateral lenders, the Philippines’ bilateral partners or the domestic market.

More loans

As of writing, the DOF is negotiating around P62.5 billion (approximately USD1.3 billion) through “loans with multilateral banks to procure COVID-19 vaccines,” including from the ADB, World Bank, and AIIB, Dominguez said.

“This will form part of the unprogrammed appropriations of the

National Budget,” Joven said, adding that this “may also be complemented by” additional supplies through the COVAX facility,” and through private and local government partnerships.

Exchange rate used is as of Jan. 8, 2021 by the Bangko Sentral ng Pilipinas = P48.053

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