



Republic of the Philippines  
**Development Budget Coordination Committee**  
 Malacañang, Manila

**Mid-Year Report on the 2015 National Budget**  
 30 September 2015

## Introduction

2015 is a critical year for the Philippines. The many game-changing reforms that have contributed immensely to improving public financial management must ultimately result in pushing economic growth and bringing millions out of poverty. While the country has achieved significant wins in regaining investor confidence, expanding the economy, and bringing down poverty incidence, much remains to be done to ensure that all Filipinos benefit from the country's newfound prosperity.

This year is crucial to cementing the reforms that have plugged leakages in the National Budget, tamed the country's deficit and debt, and reshaped government priorities towards social and economic services. After all, these reforms will be instrumental in sustaining in the next six years the development that can further reduce poverty, establish a strong middle class, and shift the economy to one that is led by investments and industrial productivity.

The 2015 National Budget recognizes this immense responsibility in ensuring that the irreversibility of reforms sustains inclusive development. Guided by the good governance agenda of the Aquino Administration, the 2015 Budget was crafted to keep the simple yet profound promise of giving everyone regardless of birth, gender or geography a fair and equal shot at a better life.

This Mid-Year Report for Fiscal Year 2015 narrates the contribution of the National Budget thus far to building an economy that is inclusive.

This Report tackles the following:

- Overall budgetary principles, reforms, and targets;
- Updated programs for revenues, expenditures, financing and debt for the full fiscal year.

- Examination of year-to-date performance relative to macroeconomic, revenue, expenditure, financing, and debt targets as initially adopted in the Budget; and
- Revised economic forecasts for the fiscal year, which takes into account economic performance to date and updated projections for the remainder of the year; and
- Discussion on the effects of trends in performance and macroeconomic variables on the estimates of full-year revenue, expenditures, financing, and debt.

## I.

### **The 2015 National Government Budget**

What has been lost in the last decade characterized by corruption and slow poverty reduction has been successfully regained in a short period of five years through the Administration's unflinching pursuit of inclusive socio-economic development built on a strong platform of good governance.

Just this January, the Philippines was branded by Bloomberg as the "Strong Man of Southeast Asia." The dividends of good governance have given the country above six-percent economic growth in 2014 and investment-grade credit upgrades that both signify the structural transformation taking place in the erstwhile sick man of Asia.

The Philippines has proven that if it is willing to pursue reforms that are unconventional and destructive of the status quo, it can mean meaningful, substantial, and direct benefits to its people. If it is open to change and innovation, it is capable of delivering services at better quality and faster rate. It is more than willing to accommodate the huge influx of investments if it is unbiased towards the powerful and well-entrenched.

These feats have been achieved to a larger extent due to reforms in the preparation, execution, and evaluation of the National Budget. The Budgets that were enacted from 2011 to 2013 first addressed the systematic weaknesses inherent in the system. The 2014 National Budget built on the gains of these early reforms to start laying down the budget priorities framework necessary for inclusive development.

The 2015 National Budget sustains this unwavering commitment to provide equal opportunities for all by investing P2.606 trillion on the future of the Filipino people. To sustain Inclusive Development, the 2015 National Budget was guided by the following principles and reforms:

*Supporting Further Economic Expansion*

The country's recent growth trajectory has given the government enough resources to invest in programs and projects that further boost economic growth and make this development inclusive.

With increasing revenue collections, the Aquino Administration has painstakingly worked to reshape the budget priorities by reducing the share of debt burden; and it has consciously put a cap on deficit at 2 percent of GDP in order to limit the burden of debt payment on future generations. With better public financial management, the government has used the growing fiscal space to spend social and economic services.

Over the past decades, public spending on infrastructure has remained dismally low as a result of tight fiscal space. Today, it has been made a policy by the Aquino Administration to gradually raise the country's infrastructure outlay at 5 percent of GDP by 2016, the benchmark considered as sufficient to provide for the needs of the growing population and economy.

*Focusing on the Imperative of Inclusive Development*

To make growth inclusive necessitates a shift in the development strategy—"a growth that is rapid enough to matter, given the country's large population, geographical differences, and social complexity."<sup>1</sup>

The 2015 National Budget was guided by the Budget Priorities Framework, which help national government agencies craft their budgets along the strategies and the Key Result Areas of the Administration that primarily zero in on quality employment and livelihood generation for the country's workforce. This Framework also reiterates that as the economy is the process of becoming inclusive, strategies will be set in place to prevent the present near-poor and poor from sliding into deeper poverty. Thus, the 2015 National Budget focuses on ensuring the poor is provided with enough social safety nets that they can depend on.

As the government ensures better social protection and social services, it also seeks to sustain the country's robust economic performance by investing in strategic transport infrastructure, bolstering agricultural productivity, reviving the manufacturing sector, and maximizing the tourism sector.

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<sup>1</sup> Philippine Development Plan 2011-2016, p. 18

This Budget also recognizes that Filipinos can easily slid into poverty due to disasters, man-made or natural. Thus, disaster risk reduction management seeks to invest in countrywide climate change adaptation and risk resiliency program. Moreover, for development to gravitate towards communities, there is an imperative to pursue just and lasting peace and uphold the rule of law.

At the core of these priorities is good governance: the continuing fight against graft and corruption, as well as reforms to strengthen transparency, efficiency, and accountability in the way the government is run.

#### *Prioritizing the Needs of Poor and Vulnerable Localities*

Inclusive Development shuns one-size-fits-all mentality. Thus, resources are distributed equitably and efficiently through interventions that are tailor fitted to the needs of the poor and vulnerable communities.

The 2015 National Budget adopts a spatial focus by ensuring that the 44 poorest and most-vulnerable provinces are given priority in the allocation of resources. These provinces are categorized under three Geographical Focus Areas:

- Provinces with high poverty magnitude of poor households: These provinces have great economic opportunities but the poor are unable to participate in the process of wealth creation.
- Provinces with high poverty incidence: These provinces are characterized as smaller, less populated, and disconnected from main growth centers.
- Provinces that are highly vulnerable to shocks and disasters: These provinces can easily dip into poverty in times of disasters and calamities.

#### *Increasing People's Voice in the Use of Their Taxes*

The Aquino Administration has always believed in the power of citizens actively claiming their voice and stake in the way their taxes are spent. It has leveraged the National Budget to promote reforms that greatly widen avenues for citizen participation. The 2015 National Budget, for one, expanded the Bottom-Up Budgeting which was first introduced in the 2013 Budget.

Active citizen participation necessarily requires open access by citizens to the government's cache of financial and performance information. Thus, the 2015 National Budget continues to promote fiscal transparency through the policy of requiring agencies to post budget-related disclosures through their websites' Transparency Seals; of uploading vast amount of databases to the online platform Open Data Philippines; and of publishing a citizen-friendly version of the Budget—the People's Budget.

*Increasing Government's Accountability for the Results of Public Spending*

The 2015 National Budget affirms the Administration's promise that each peso spent must result in direct, meaningful, and measurable results for the people. To ensure agencies deliver on their commitments in exchange of their budgets, the 2015 National Budget has set in place mechanisms that demand greater accountability from government.

In 2014, the National Budget tightly linked performance targets to budget allocations. Agency budget contained a list of performance at the output level. This reform, called Performance Informed Budgeting, seeks to help citizens demand accountability for their taxes spent by government. The 2015 National Budget took a further step in implementing Performance Informed Budgeting by linking budgets to targeted outputs and ultimately to desired organizational outcomes.

To help ensure that the bureaucracy's workforce delivers on agency's performance targets, the 2015 National Budget has strengthened the link between performance and employee incentives through the grant of a Productivity Enhancement Incentive equivalent to a one month salary, on top of performance-based bonus (PBB).

*Supporting Rapid and Effective Delivery of Public Services*

A suite of reforms aimed at supporting faster service delivery has been implemented for the 2015 National Budget. These include the GAA-As-Release Document: a policy that makes the General Appropriations Act the allotment order, thus reducing the stages for the release of public funds. As such, agencies can obligate their appropriations on the first day of the fiscal year.

The government also implemented procurement innovations. For instance, agencies were allowed to conduct procurement activities even before the GAA is passed. This reduces delays in the procurement process and enables agencies to award contracts as soon as the GAA is enacted into law.

To ensure agencies can handle the massive bidding requirements, Bids and Awards Committees are being strengthened.

### *Enhancing the Health of Government's Finances*

The 2015 National Budget sustains the policy of keeping the fiscal deficit at manageable level of 2 percent of GDP. This policy is supported by the government's efforts to improve the revenue effort without enacting new taxes, as well as strategic liability management to reduce the debt burden on the budget as well as the country's outstanding debt as a proportion of GDP.

## **II.**

## **Macroeconomic and Fiscal Performance**

### **a. Macroeconomic Performance**

In the first semester of 2015, the country's real GDP grew by 5.3 percent from 6.2 percent in the same period a year ago. The relatively weaker performance during the first half reflects slower external trade performance while at the same time, manifesting some early signs of El Niño phenomenon's development. The first half's Gross National Income (GNI) also slowed down to 4.6 percent relative to 2014's 6.7 percent. There was a moderation of Compensation Income Inflow (0.3 percent from 10.1 percent) which dampened Net Primary Income (1.5 percent from 9.5 percent) during the period. Despite the fragility of external demand that impacted manufacturing, together with the deceleration of agriculture and fishery due to drought, the domestic outlook remains positive within the near-term as domestic demand growth accelerated to 7.4 percent in the first semester of 2015 from 6.2 percent in the same period last year. This augurs well for the anticipated improvement in consumer sentiment for the coming quarters coupled with a generally positive business sentiment.

**Table 1. 2014-2015 Macroeconomic Performance, as of June 30, 2015**

Particulars	2014	2015	
	Actual	FY 2015 BESF	Actual
	First Semester	Initial Projections	First Semester
<b>Nominal GNI (in PhP million)</b>			
low-end		17,005,365	
high-end	7,361,032	17,326,074	7,700,018
<b>Real GNI Growth Rate (%)</b>	<b>6.7</b>	<b>6.7 - 7.7</b>	<b>4.6</b>
<b>Nominal GDP (in PhP million)</b>			
low-end		14,184,337	
high-end	6,021,338	14,453,838	6,338,477
<b>Real GDP Growth Rate (%)</b>	<b>6.2</b>	<b>7.0 - 8.0</b>	<b>5.3</b>

Source: National Economic and Development Authority

The Services sector continued to drive the economy, followed by Industry and Agriculture. Key subsectors which drove these expansions are Manufacturing; Trade and Repair of Motor Vehicles; Motorcycles, Personal and Household Goods; Other Services, Real Estate, Renting and Business Activities; and Construction. The pick-up in domestic demand, robustness of the BPO industry, and the acceleration of the tourism subsector contributed to the sustained growth. Agriculture, however, registered almost a nil contribution as earlier anticipated due to drought. Consistent with the demand side, the mark down in Manufacturing resulted from weaker external demand.

**Table 2. Growth of GDP by Component**

Particulars	Growth rate				Contribution to GDP Growth (in ppt)	
	Q1 2015	Q2 2015	H1 2014	H1 2015	H1 2014	H1 2015
<b>Supply Side</b>						
Agriculture	1.1	-0.5	1.9	0.3	0.2	0.0
Industry	5.5	6.1	7.3	5.8	2.4	2.0
o.w. Manufacturing	6	4.6	9	5.3	2.0	1.2
Services	5.4	6.2	6.3	5.8	3.6	3.3
<b>Demand Side</b>						
Private consumption	6	6.2	5.9	6.1	4.0	4.1
Government consumption	1.7	3.9	0.9	2.9	0.1	0.3
Capital formation	11.6	17.4	10.6	14.3	2.0	2.8
o.w. Fixed capital formation	10	8.9	4.2	9.5	0.9	2.0
Exports	6.4	3.7	10.2	5	4.7	2.4
Imports	8.7	12.7	10.4	10.6	4.7	5.0
<b>GROSS DOMESTIC PRODUCT</b>	<b>5</b>	<b>5.6</b>	<b>6.2</b>	<b>5.3</b>		

Source: Philippine Statistics Authority

On the demand side, the expansion of the Philippine economy during the first semester of the year came from an accelerated strong domestic consumption. This, however, was pulled down by the contraction of Net Exports. Household Consumption accounted for most of the growth,

followed by Capital Formation and Government Final Consumption Expenditure. Compared to the same period last year, Capital Formation showed the most notable improvement despite the slowdown in Public Construction. The slowdown in Public Construction has to gain further traction in the second half as its first quarter slump weighed on the second quarter pick-up.

Meanwhile, headline inflation decelerated to 2.0 percent in the period January – June 2015, the low end of the government target range for the year of 2.0 – 4.0 percent. The slower inflation was attributed mainly to adequate domestic supply of key food items along with continued decline in petroleum prices. It will be noted that on April 7, 2015, the DBCC reduced downwards its oil price projections from the original \$90-110 price range to a drastically more favorable \$50-70 per barrel given oil production targets and pricing decisions reached in the Middle East and the United States. Given this and an assessment that the prevailing price and output conditions support the policy of “maintaining current monetary policy settings”, the BSP Monetary Board decided to retain its policy settings thus far in 2015.

**Table 3. Selected Macroeconomic Indicators**

Particulars	FY 2015 DBCC Assumptions		Actual January - June 2015
	Original	Revised	
Real GDP growth	7.0-8.0	7.0-8.0	5.3
Inflation	2.0-4.0	2.0-4.0	2.0
364-day T-bill rate <sup>a/</sup>	2.0-4.0	2.0-4.0	2.1
Exchange rate ( <i>PhP/USD, period average</i> )	42.00-45.00	43.00-46.00	44.55
LIBOR (6 months)	1.0-2.0	0.4-1.5	0.4
Dubai crude oil price ( <i>US\$/barrel</i> )	90.00 – 110.00	50.00-70.00	56.61
Merchandise exports growth <sup>b/</sup>	8.0	5.0	-12.9
Merchandise imports growth <sup>b/</sup>	10.0	1.0	-8.3

Notes:

*a/ Based on primary market rates*

*b/ Based on the Balance of Payments Manual, 6th Edition (BPM6) concept*

Source: NEDA and BSP

Market anticipation of policy rate hike in the US this year pushed interest rates up. The 364-day Treasury bill (T-bill) primary market rates averaged 2.1 percent in 1H 2015, higher than the 1.7-percent average yield recorded in the same period in 2014. Nevertheless, domestic interest rates in 1H 2015 settled within the 2.0 – 4.0 percent DBCC assumption for the year.



Similarly, foreign interest rates inched up marginally compared to previous year, influenced by the expected normalization of interest rates in the US. The 180-day LIBOR increased slightly to 0.4 percent in 1H 2015 from the 0.3-percent average in the same period a year ago. However, this was lower than the DBCC-assumed LIBOR range of 1.0 – 2.0 percent for 2015 in the FY 2015 BESF.

On the exchange rate, the peso has moved broadly in sync with the regional trend in 1H 2015. The movement of the exchange rate was due largely to the strengthening of the US dollar which reflects gradual recovery in the US economy and the anticipated increase in the US interest rates. During the period January–June 2015, the peso-dollar rate averaged ₱44.55/US\$1, within the revised DBCC assumption range of ₱43.00 – 46.00/US\$1. Steady overseas Filipino (OF) remittances, robust BPO earnings, rising tourism receipts, and the country’s investment grade status provided support to the peso. In the global oil market, crude oil prices declined significantly as mentioned. The average Dubai crude oil price settled at US\$56.61 per barrel in 1H 2015, nearer the lower range of the revised oil price range of US\$50.00 – US\$70.00 per barrel for 2015. The decline in crude oil prices was attributed to a combination of ample supply, sluggish demand, and a strong dollar.

In the external sector, the weaker-than-expected output expansion in major advanced economies (i.e., US, EU, and Japan) and moderation of growth in key emerging economies (particularly China) dampened the demand for the country’s exports in Q1 2015. Similarly, merchandise imports in the same period declined due mainly to lower imports of mineral fuels (due to the significant drop in oil prices), capital goods (due to the reduction of aircraft, ships, and boats imports), and consumer goods. This led to the reduction of export and import growth projections as shown in Table 3 of this report.

## **b. Fiscal Performance**

### *Adjustment of the Fiscal Targets*

Based on the latest macroeconomic forecasts by April, 2015 and the changes in the FY 2015 Budget approved by Congress, the adjustment of the FY 2015 Fiscal Program was approved by the DBCC, details of which are shown in the following table:

**Table 4. Updated FY 2015 Fiscal Program**  
*(In billion pesos, unless otherwise indicated)*

Particulars	2014 Actual	2015			Percent of GDP		Growth (%)
		Based on FY 2015 BESF	Revised Program	Difference	2014 Actual	2015 Program	
<b>REVENUES</b>	<b>1,908.5</b>	<b>2,337.3</b>	<b>2,275.2</b>	<b>(62.1)</b>	<b>15.1</b>	<b>16.3</b>	<b>19.2</b>
Tax Revenues	1,720.1	2,194.4	2,127.7	(66.8)	13.6	15.3	23.7
Non-Tax Revenues	186.5	140.9	145.6	4.7	1.5	1.0	(21.9)
Privatization	1.9	2.0	2.0	-	0.0	0.0	2.8
<b>DISBURSEMENTS</b>	<b>1,981.6</b>	<b>2,621.0</b>	<b>2,558.9</b>	<b>(62.1)</b>	<b>15.7</b>	<b>18.4</b>	<b>29.1</b>
Current Operating Expenditures	1,616.7	1,973.0	1,985.7	12.8	12.8	14.3	22.8
Capital Outlays	351.5	621.6	546.7	(74.9)	2.8	3.9	55.5
Net Lending	13.4	26.5	26.5	-	0.1	0.2	97.8
<b>SURPLUS/(DEFICIT)</b>	<b>(73.1)</b>	<b>(283.7)</b>	<b>(283.7)</b>	<b>-</b>	<b>(0.6)</b>	<b>(2.0)</b>	<b>288.1</b>
<hr/>							
Memo Item: GDP	12,642.7		13,919.1				

Source: Department of Budget and Management and Department of Finance

The revised revenue program for the year was reduced to P2,275 billion, lower by P62.1 billion than the original BESF target of P2,337.3 billion due to the estimated negative impact of the two (2) revenue-eroding measures recently passed by Congress. Some P16.9 billion was shaved off from the target of the Bureau of Internal Revenue (BIR) from the expansion of tax exemptions for di minimis benefits, while P30.0 billion was also removed due to the increase in tax exemption ceiling for bonuses. The collection target of the Bureau of Customs (BOC) was also reduced by some P20 billion given the lower import outturn and huge decline of oil price projections from \$90-110 per barrel to \$50-70 per barrel as a result of oil production developments in the Middle East and the United States. As a result, revenue effort is projected to reach 16.3 percent of GDP for the year, a tad lower than the BESF program of 16.5 percent, but still significantly higher than the 2014 outturn at 15.2 percent of GDP.

Accordingly, to maintain the deficit limit at 2 percent of GDP, an equivalent reduction was effected on the projected disbursement level, not only to reflect changes in the budgeted levels made by Congress and other agencies, but also to anticipate likely shortfalls in view of the weak outturn of disbursements during the previous months. Current operating expenditures were increased by P12.8 billion because of adjustments to consider changes in interest payment projections (negative P11.0 billion) as well as transfers to GOCCs (P57.3 billion), among others, while capital outlay

projections were reduced by P82.7 billion considering the outturn and the cash projection requirements of the agencies.

### *Fiscal Performance*

It is significant to note however, that the National Government incurred a fiscal surplus of P13.7 billion for the first half of 2015, a reversal from the P54.0 billion deficit recorded last year and from the P155.1 billion revised program for the first semester of 2015 in view of the revenue inflow of the P60.1 billion Coconut Levy Fund by virtue of Executive Order 180.

Disbursements had started growing weakly in January, registering a 5 percent contraction on the overall, but started to accelerate beginning February by 10 percent, improving to 17.5 percent by June. Hence, disbursements ended up registering an 8.5 percent growth by June, reaching a total of P1.07 trillion for the first half of 2015.

**Table 5. National Government Fiscal Performance**  
**As of June 30, 2015**  
(in Billion Pesos)

NG Fiscal Position	January-June			Difference	
	2014	2015		2014 vs. 2015	
	Actual	Program	Actual	amount	in %
<b>Total Revenues</b>	<b>933.7</b>	<b>1,096.7</b>	<b>1,085.7</b>	<b>152.0</b>	<b>16.3</b>
Tax Revenues	824.4	1,023.0	892.9	68.5	8.3
Tax Effort (%)	13.7		14.1		
Non-Tax Revenues	109.3	73.7	192.8	83.5	76.4
<b>Disbursements</b>	<b>987.7</b>	<b>1,251.7</b>	<b>1,072.0</b>	<b>84.3</b>	<b>8.5</b>
Current Operating Expenditures	805.0	996.8	869.2	64.2	8.0
Capital Outlays	176.3	246.2	200.1	23.8	13.5
Net Lending	6.5	8.7	2.7	(3.8)	(59.1)
<b>Surplus/(Deficit)</b>	<b>(54.0)</b>	<b>(155.0)</b>	<b>13.7</b>	<b>67.7</b>	<b>(125.4)</b>
% of GDP	(0.9)		0.2		

Note:

Nominal GDP

5,996.7

6,338.5

Figures may not add up due to rounding-off errors.

Source: Department of Finance

### *Revenue Performance*

The government saw a very favorable growth trajectory on its revenue collections in the first semester of 2015 (registering a historically high 16.3 percent annual growth) in which the P1 trillion (P1.086 trillion) revenue mark was breached in the first six months.

**Table 6. National Government Revenue Performance**  
**As of June 30, 2015**  
*(in Billion Pesos)*

NG Fiscal Position	January-June			Difference	
	2014	2015		2014 vs. 2015	
	Actual	Program	Actual	amount	in %
<b>Total Revenues</b>	<b>933.7</b>	<b>1,096.7</b>	<b>1,085.7</b>	<b>152.0</b>	<b>16.3</b>
Tax Revenues	824.4	1,023.0	892.9	68.5	8.3
Tax Effort (%)	13.7		14.1		
BIR	643.2	812.1	705.9	62.7	9.7
BOC	173.4	202.2	178.6	5.2	3.0
Other Offices	7.8	8.7	8.4	0.6	7.7
Non-Tax Revenues	109.3	73.7	192.8	83.5	76.4
BIR Income	62.9	32.7	67.0	4.1	6.5
Fees and Charges	16.9	17.2	18.0	1.1	6.5
Others	27.7	23.8	45.1	17.4	62.8
Grants	0.1	-	0.1	-	-
Privatization	1.7	-	62.6	60.9	3,582.4

Note:

Figures may not add up due to rounding-off errors.

Source: Department of Finance

Revenue as percent of GDP reached 17.1 percent in the first half, higher than the revenue effort of 15.5 percent achieved in the same period last year. Likewise, tax effort reached 14.1 percent, higher than last year's tax effort of 13.7 percent. Tax revenues grew at a rate of 8.3 percent, spearheaded by BIR collections growth of 9.7 percent.

Non-tax revenues increased by 76.5 percent in the first half of the year. This includes the transfer to the General Fund of the Coconut Levy Funds as a Special Account in the General Fund amounting to P60.1 billion last May 2015 pursuant to Executive Order No. 180.

#### *Bureau of Internal Revenue (BIR)*

Total BIR collections for the first six months of 2015 amounted to P705.9 billion, an increase of 9.7 percent compared to the same period in 2014.

Income Taxes contributed 59.7 percent of the Bureau's total tax collection. The higher collection performance was a result of the Bureau's efforts in the restructuring of operations of some companies; increased remittances from corporations engaged in business related to domestic tourism; and slightly increased remittances on withholding tax on compensation due to hiring of employees mainly in the service sector.

Excise taxes were propelled by the strong showing of the tobacco industry, while collection from other excise products fell short from

expectations due to the increase in recovery costs of petroleum companies; and holding of shipments of mining firms due to the drop in prices of nickel and other metallic products.

The passage and implementation of R.A. No. 10351 (Sin Tax Law) continued to boost excise tax collections. During the first two years of its implementation, the Sin Tax Law reversed the declining trend of excise tax collections from tobacco and alcohol products as a percent of GDP, from 0.5 percent in 2011 to 0.9 percent in 2014.

For the first half of 2015, total excise tax collections from sin products reached P53.5 billion, which shows a 16.2 percent growth from last year's first half, reflecting the continued above-target implementation of the Sin Tax Reform Law.

**Table 7. Impact of Sin Tax Law Implementation**

*(In billion pesos)*

Particulars	January-June			Growth (%)	
	2013	2014	2015	2013-2014	2014-2015
Tobacco	19.5	28.2	33.7	44.6	19.5
Alcohol	16	17.8	19.8	11.3	11.2
<b>Total</b>	<b>35.5</b>	<b>46.0</b>	<b>53.5</b>	<b>29.6</b>	<b>16.3</b>

*Note:*

*Includes both locally-produced and imported alcohol and tobacco products*

*Source: Department of Finance*

Value-added tax collection has improved year-on-year brought about primarily by the effect of RATE and other enforcement activities of the Bureau; higher volume of sales of various taxpayers.

The minimal increase in percentage tax collections can be attributed to the increase in value shares of stock traded as well as higher premiums generated by life insurance sector during the period. However, the collection is slightly affected by the decreased services of banks and financial intermediaries and the shift from percentage tax to income tax of gaming companies.

Other taxes slightly improved its collection performance as a result of increased Documentary Stamp Tax (DST) payments from reloading of eDST, government securities, and on transactions involving bonds and loans.

*Bureau of Customs (BOC)*

BOC registered P178.6 billion in collections, 3 percent higher compared to the same period last year. Despite the weighted average declared value of oil being down by 40 percent in the first six months, BOC collections from non-oil commodities, which grew by 18 percent year-on-year, pulled its collection growth to 3 percent.

*Fiscal Reforms and Future Policy Directions*

The government is pursuing the following legislative agenda to boost tax administration capacity, and to attain the government's desired revenue effort and support medium-term fiscal objectives. Presented below are the status of the legislative measures being shepherded by the DOF in Congress.

<b>Fiscal Incentives Rationalization (FIR)</b>	<p>The bill seeks to institute structural reforms and policy to enhance transparency and accountability in the grant and administration of tax incentives.</p> <p>Estimated revenue impact is P5 billion for the initial year.</p> <p>The DOF has presented its draft bill to Rep. Quisumbing which he filed as House Bill No. 2765.</p> <p>Earlier this year, the DTI and DOF agreed on the fiscal regime that will be part of the reform</p> <p><b>Status:</b> Pending in the Committee on Ways and Means in both houses of Congress</p>
<b>Tax Incentive Management and Transparency Act (TIMTA)</b>	<p>The bill seeks to foster transparency and accountability in the grant of tax incentives and to institutionalize a system of monitoring and reporting tax expenditures.</p> <p><b>Status:</b> Approved on 3rd reading in both Houses of Congress; pending Bicameral conference.</p>

<p><b>Customs Modernization and Tariff Act (CMTA)</b></p>	<p>The bill aims to promote and secure international trade, protect government revenue and modernize customs and tariff administration by adopting customs policies, rules and procedures which are clear, transparent and consistent with international agreements and customs best practices.</p> <p><b>Status:</b> Pending 2nd reading and period of interpellation in Congress; pending with Senate Committee on Ways and Means</p>
<p><b>Valuation Reform Act</b></p>	<p>The proposed bill seeks to institutionalize reforms in land and real property valuation which will translate into improved real property and related taxes.</p> <p>Estimated revenue impact of P8.03 billion annually</p> <p><b>Status:</b> Passed/Approved 3rd reading in Congress; pending with the Senate Committee on Ways and Means; Local Government; and Finance.</p>
<p><b>Fiscal Regime for Mining Industry</b></p>	<p>The plan is to design a scheme which adopts a single fiscal regime and a simple formula in determining the sharing arrangement between the government and mining companies.</p> <p><b>Status:</b> Pending with the Committee on Ways and Means in both Houses of Congress; Sen. Recto sponsored the MICC Bill.</p>
<p><b>LGU Income Reclassification</b></p>	<p>This bill seeks to establish updated, rationalized and transparent processes for the income-reclassification of provinces, cities, and municipalities. LGU income</p>

reclassification should be more reflective of their fiscal position vis a vis their broadened power to raise revenues, as well as statutory grant of LGU shares from national wealth and other national revenues under the 1991 Local Government Code special laws.

**Status:** Pending with the Committee on Local Government in both Houses of Congress.

### *Borrowing Performance*

#### *National Government Financing*

As mentioned, the National Government posted a P13.7 billion fiscal surplus for the first half of the year. This scenario is the opposite of the expected deficit for the period and thereby reduced the borrowing requirement from what was originally programmed.

**Table 8. National Government Financing, January to June, 2015**  
(in Million Pesos)

Particulars	January-June 2015				2015 Program <sup>3/</sup>	2015 Revised Program <sup>4/</sup>
	Program	Actual	Difference			
			Amount	In %		
Net Financing	185,916	15,443	(170,473)	(91.7)	310,435	296,822
External (Net)	42,920	50,847	7,927	18.5	20,898	55,049
External (Gross) <sup>1/</sup>	142,713	150,106	7,393	5.2	95,700	178,140
Less: Amortization <sup>2/</sup>	99,793	99,259	(534)	(0.5)	74,802	123,091
Domestic (Net)	142,996	(35,404)	(178,400)	(124.8)	289,537	241,773
Domestic (Gross)	299,895	90,850	(209,045)	(69.7)	605,122	532,683
Less: Amortization	156,899	126,254	(30,645)	(19.5)	315,585	290,910
Gross Financing	442,608	240,956	(201,652)	(45.6)	700,822	710,823
Financing Mix (% of Total Net)						
External	32%	62%			14%	25%
Domestic	68%	38%			86%	75%

Note:

1/ Includes proceeds used to buy back USD1.224 billion worth of outstanding bonds via exchange offer transaction (January 2015)

2/ Includes early retirement of USD1.224 billion (Php54.079 billion) worth of outstanding bonds due to exchange offer

3/ Based on BESF 2015 Table D.1

4/ Based on BESF 2016 Table D.1

Figures may not add up due to rounding-off errors

Source: Bureau of the Treasury

As of June 2015, the financing mix stood at 38 percent domestic and 62 percent external. External net financing was 18.5 percent higher than programmed for the first semester of 2015 due to the Global Bond swap offer in January and the inclusion of two program loans from IBRD - the Supplemental Financing for Typhoon Recovery in April and the Third Philippine Development Policy Loan in June. Domestic issuance was scaled



down due to the fact that gross external financing is already at 84 percent of the revised full-year target and given the ample fiscal space due to the surplus for the first semester. Amortization of outstanding external debt was broadly in line with the program while domestic amortization was 20 percent below program owing to the government's reduced contribution to the Bond Sinking Fund (BSF).

### *National Government Debt*

As a result, the outstanding debt of the National Government (NG) amounted to P5.816 trillion as of end-June 2015. Total NG debt increased by 2.9 percent or 165 billion compared to its level a year ago driven mainly by expansion of domestic debt in line with the mitigation of foreign exchange risk. Domestic debt accounted for 66 percent of total NG obligations amounting to P3.839 billion while external debt of P1.977 trillion is 34 percent of the total.

**Table 9. National Government Debt**  
**As of June 2015**  
(in Million Pesos)

Particulars	January -June			
	2014	2015	Difference	
			Amount	%
<b>Total NG Debt</b>	<b>5,650,882</b>	<b>5,816,216</b>	<b>165,334</b>	<b>2.9%</b>
External	1,919,087	1,976,906	57,819	3.0%
Domestic	3,731,795	3,839,310	107,515	2.9%
<b>% of Total</b>				
External	34.0%	34.0%		
Domestic	66.0%	66.0%		
<b>% of GDP</b>	<b>93.8%</b>	<b>91.8%</b>	<b>-2.1%</b>	
External	31.9%	31.2%	-0.7%	
Domestic	62.0%	60.6%	-1.4%	
<b>Total Interest Payments</b>	<b>159,741</b>	<b>156,122</b>	<b>(3,619)</b>	<b>-2.3%</b>
External	50,691	47,212	(3,479)	-6.9%
Domestic	109,050	108,910	(140)	-0.1%
<b>Total IP as % of GDP</b>	<b>2.7%</b>	<b>2.5%</b>		
<b>Total IP as % of Disbursements</b>	<b>16.2%</b>	<b>14.6%</b>		
<b>Total IP as % of Revenues</b>	<b>17.1%</b>	<b>14.4%</b>		
<b>Average Maturity (years) <sup>a/</sup></b>	<b>10.03</b>	<b>9.90</b>		
External	10.89	11.13		
Domestic	9.57	9.20		
<b>Weighted Average Interest Rate</b>	<b>5.5%</b>	<b>5.4%</b>		
External	5.1%	4.8%		
Domestic	5.8%	5.7%		
<b>Interest Rate Mix</b>	<b>100.0%</b>	<b>100.0%</b>		
Fixed	94.1%	93.0%		
Floating	5.7%	6.8%		
Interest Free	0.1%	0.1%		

Note:

a/ Average maturity is measured in years on residual basis

Memo Items:

GDP	6,021,338	6,338,477
Peso/US\$	43.75	45.20
Disbursements	987,708	1,071,989
Revenues	933,734	1,085,735

Source: Bureau of the Treasury

Attesting to the government's proactive liability management and sustained economic growth, debt sustainability has continuously improved with NG debt as a percentage of GDP recorded at 44.9 percent by end-June 2015 compared to 46.8 percent from a year ago. The improvement can be attributed to the combined effect of strong economic growth along with marginal increase in nominal debt brought about by reduced borrowings due to the lower deficit turnout. Both domestic and external debt decreased relative to GDP at 29.6 percent and 15.3 percent, down by 1.28 percentage points and 0.64 percentage points, respectively.

Alongside improvements in the relative size of its obligations, the Government was also successful in maintaining the favorable profile of its outstanding debt in line with cost and risk considerations:

- The interest structure of the NG debt portfolio ensures minimal exposure to adverse changes in the interest rate environment. As a product of the preference to issue fixed- rate, plain vanilla securities, only 7.57 percent of the total debt portfolio are subjected to resetting as of end-June 2015. This limits the sensitivity of interest payments to volatile market conditions.
- The average residual maturity remains at a very comfortable level. The average maturity of the debt portfolio is 10.16 years long, residing at the upper bound of the country's medium-term debt target of 7-10 years, with domestic and external debt having remaining maturities of 8.90 and 11.62 years, respectively. This stems from the country's ability and preference to borrow at medium-to long-term tenors, which reduces sovereign exposure to liquidity risks.
- Despite the rising interest rate environment, Weighted Average Interest Rate (WAIR) of the NG debt portfolio has remained low and stable. WAIR for NG domestic and external obligations is at 5.6% and 4.7% in end-June 2015 from 5.8% and 4.7% a year ago, respectively. The reduction in domestic borrowing costs results from a strategic issuance policy that takes advantage of favorable domestic interest rates to refinance maturing obligations.

### *Disbursements Performance*

The disbursement program for 2015 is placed at an aggregate level of P2,558.9 billion, up by 29.1 percent from the 2014 actual spending level. As mentioned, this revised program is lower by P62.1 billion relative to the FY 2015 BESF level to correspond to the adjustment in the revenue target

explained above and to maintain the deficit target of 2.0 percent of GDP. Also, the revised disbursement program considered changes made by Congress in the FY 2015 GAA; the lower outlook for interest payments by the Bureau of Treasury; the increased cash support for GOCCs on account of additional requirements under the 2014 Supplemental Budget, and unfunded prior years' allotments; and the Monthly Disbursement Programs (MDPs) submitted by departments and agencies.

Against this program, total national government disbursements registered at P1.072 trillion for the first semester of the year, higher by P84.3 billion or 8.5 percent than the actual level of P987.7 in the same period last year. Although accelerating continuously throughout the previous months, the expansion in national government spending is slower compared to the 10.9 percent growth in the first half of 2014. Moreover, the spending of the national government is lower by P179.9 billion or 14.4 percent relative to the first semester program representing 41.9 percent of the total program for the year.

Disbursements, as of June 2015, expanded by 8.5 percent year-on-year, driven mostly by growth in maintenance spending at 17.6 percent and allocations to LGUs at 16.8 percent. Personnel services and infrastructure expenditures also bolstered first semester spending by 10.9 percent and 10.1 percent, respectively. The growth of disbursements had been partially offset by lower expenditures for budgetary support to government corporations, tax subsidies, and debt burden (i.e. Net Lending and Interest Payments) with a combined year-on-year contraction of 7.8 percent or P17.9 billion. It is significant to note, that after netting out debt burden payments, the productive component of NG disbursements for the first semester actually expanded by a larger 14.1 percent, 3.6 percent during the first quarter and 25.3 percent in the second quarter.

**Table 10 . First Semester Disbursements by Expense Class, 2014 vs. 2015***(In billion pesos, unless otherwise indicated)*

Particulars	January-June			
	Level		Growth	
	2014	2015	2013-2014	2014-2015
<b>Current Operating Expenditures</b>	<b>805.0</b>	<b>869.2</b>	<b>9.9</b>	<b>8.0%</b>
Personnel Services	292.8	324.7	3.5	10.9%
Maintenance and Other Oper. Exp.	152.4	179.3	5.1	17.6%
Subsidy	49.5	44.0	274.8	-11.2%
Allotment to LGUs	136.6	155.9	13.0	14.1%
Interest Payments	159.7	156.1	1.7	-2.3%
Tax Expenditure	13.9	9.1	(4.8)	-34.3%
<b>Capital Outlays</b>	<b>176.3</b>	<b>200.1</b>	<b>23.9</b>	<b>13.5%</b>
Infrastructure & Other CO	136.6	150.4	13.7	10.1%
Equity	0.4	0.3	(0.1)	-26.8%
Capital Transfers to LGUs	39.2	49.4	10.3	26.2%
<b>Net Lending</b>	<b>6.5</b>	<b>2.7</b>	<b>(3.8)</b>	<b>-58.8%</b>
<b>TOTAL</b>	<b>987.7</b>	<b>1,072.0</b>	<b>30.0</b>	<b>8.5%</b>

*Source: Department of Budget and Management*

Maintenance expenditures improved to P179.3 billion from the P152.4 billion of the previous year as the government continued to expand its social protection services, notably the Conditional Cash Transfer (CCT) and Community Development Program of the DSWD.

Personnel services spending grew to P324.7 billion or P32.0 billion higher than the 2014 level mainly on account of the release of the Performance Enhancement Incentive (PEI) to government personnel in June. The PEI is a productivity incentive provided to employees of departments or agencies which have successfully met their performance commitments for the FY 2014. This is on top of the mid-year bonus (equivalent to one-half of the monthly basic salary) given in May.

Infrastructure expenditures increased by P13.7 billion to P150.4 billion as of June 2015 largely due to higher requirements of infrastructure development programs of the DPWH and the DOTC. Infrastructure spending reached P81.8 billion in Q2 alone, up by P22.2 billion from the previous year. A large portion of these payments was made in the month of June at P34.6 billion, P10.2 billion higher than the comparable period in 2014. Infrastructure spending grew most during the period as favorable weather conditions allowed the DPWH to accelerate the pace of its infrastructure activities such as road improvements and constructions. The dry season or lean months are also longer this year, ending in the fourth week of June compared to the first week in 2014<sup>2</sup>. This gives an additional two-week time for construction activities to be completed ahead of the rainy season.

<sup>2</sup> PAGASA Press Statement dated June 22, 2015. Available at <http://www.pagasa.dost.gov.ph/index.php/news/92-press-release/1007-onset-of-of-the-rainy-season>.

Allocations to LGUs, which consist of the 80 percent of Internal Revenue Allotment (IRA) and Capital Transfers (i.e., equivalent to the remaining 20 percent of IRA plus the Special Shares in the Proceeds of National Taxes) reached P205.4 billion. This is larger by almost P30 billion from the 2014 level because of higher revenue collections and broader tax base of the BIR following the enactment of Sin Tax Law.

Support to GOCCs amounted to P44.3 billion, broken down into P44.0 billion of subsidies and P317.0 million of equity infusion. Subsidies were lower by about P5.7 billion than last year as the cash requirement of the P4.1 billion allotment release to the NHA this June was not yet requested by the agency. It may be that the agency is still in the process of project implementation or still using its existing funds. Moreover, releases to the PHIC dropped to P32.6 billion from the P35.3 billion in 2014. The P2.7 billion difference will cover the additional enrollees of about 1.12 million families to the National Health Insurance Program this 2015, but due to the ongoing cleaning/updating of member's data records, the release of the said amount is programmed in the second semester. On the other hand, the P317 million equity expense refers to the investment outlay of the national government to support the capital expenditures of small government corporations.

#### *Program vs. Actual*

First semester disbursements slid below program by P179.9 billion or 14.4 percent lower than program or almost 2 percentage points lower when compared to the previous year. The slower-than-expected spending performance is primarily due to the lower-than-programmed obligations of some agencies as they tackled implementation issues, procurement difficulties and payment or billing concerns. It can be noted also that outstanding checks accounted for a large portion of this underspending by as much as P43.4 billion<sup>3</sup>, or around 25 percent. Nearly two-thirds of these check floats or P28 billion were accumulated in Q1, while the remaining was accumulated in Q2. The encashment of these outstanding checks nonetheless is expected to positively impact disbursement levels in the succeeding quarters.

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<sup>3</sup> Based on the Report of MDS-Government Servicing Banks

**Table 11 . Disbursements by Expense Class, Program vs. Actual***(In billion pesos, unless otherwise indicated)*

Particulars	January-June		Deviation	
	Program	Actual	Amount	%
<b>Current Operating Expenditures</b>	<b>996.8</b>	<b>869.2</b>	<b>(127.6)</b>	<b>-12.8%</b>
Personnel Services	383.8	324.7	(59.0)	-15.4%
Maintenance and Other Oper. Exp.	209.7	179.3	(30.4)	-14.5%
Subsidy	64.5	44.0	(20.6)	-31.9%
Allotment to LGUs	155.9	155.9	-	0.0%
Interest Payments	171.5	156.1	(15.4)	-9.0%
Tax Expenditure	11.3	9.1	(2.2)	-19.5%
<b>Capital Outlays</b>	<b>246.2</b>	<b>200.1</b>	<b>(46.1)</b>	<b>-18.7%</b>
Infrastructure & Other CO	188.5	150.4	(38.1)	-20.2%
Equity	1.9	0.3	(1.6)	-83.0%
Capital Transfers to LGUs	55.8	49.4	(6.4)	-11.4%
<b>Net Lending</b>	<b>8.7</b>	<b>2.7</b>	<b>(6.0)</b>	<b>-69.4%</b>
<b>TOTAL</b>	<b>1,251.7</b>	<b>1,072.0</b>	<b>(179.7)</b>	<b>-14.4%</b>

*Source: Department of Budget and Management*

In terms of expenditure classification, the magnitude of underspending is recorded in Personnel Services at P59.0 billion (15.4 percent), Infrastructure and Other Capital Outlays at P38.1 billion (20.2 percent), and Maintenance Expenses at P30.4 billion (14.5 percent).

Personnel Services were below programmed level mainly on account of program balances in the Miscellaneous Personnel Benefits Fund (MPBF) for the filling up of positions and for the Productivity Enhancement Incentive (PEI). Releases for the filling up of positions were minimal at P6.6 billion against the first semester program of about P21.6 billion, with pending request from agencies. In addition, about P3.7 billion remaining balance from the PEI was not yet released as some departments or agencies are yet to comply with the submission of accomplishment or performance reports as basis for the grant of the incentive.

The presence of large outstanding checks also dampened personnel services spending. For example, the PNP has around P945.3 million unclaimed checks representing retirement payments, remittances to GSIS, PAGIBIG, PHILHEALTH, and other lending institutions. The payees had been advised that the checks could already be claimed. Moreover, a large portion of retirement payment, which was already released in the first semester, is now expected to be credited in July due to incomplete submission of documents as well as the verification process of payee's accounts conducted by the banks. These delays in claims if historical, should inform cash disbursement projections on the overall.

Likewise, the maintenance expenditures were lower than the program mostly due to the accumulated outstanding checks in the first semester. For

instance, the DSWD has some P11.9 billion of unclaimed checks as of June that were attributed to the two-month billing cycle for the payment of cash assistance under the CCT, as well as the check payments for transactions pertaining to cash for work, emergency shelter assistance, social pension and supplementary feeding program, which were not yet released to or claimed by the concerned LGUs because of incomplete or non-submission of documentary requirements. To address this back-logs - specifically, for CCT - the DSWD plans to use pre-paid or debit cards, especially for those in the remote or hard-to-access areas.<sup>4</sup>

The low obligation rate for some programs continue to negatively impact disbursement levels due to delays in procurement and hiring of personnel such as in the case of the DOH (Provisions of Medicines and Doctors to the Barrios and Nurse Deployment programs) and DOST-ICTO (Free Public Wi-Fi Project). Low obligation was also recorded under the Land Tenure Services of DAR since the agency is still in the process of acquisition of private agricultural lands.

A sizeable portion of the underspending in Infrastructure and Other Outlays also came from the undisbursed P11.9 billion allocation of the COMELEC for the requirements of the Automated Election System (AES). It may be recalled that the funds were not disbursed following the Supreme Court's decision declaring the earlier contract of the COMELEC with SMARTMATIC as null and void, as well as delays encountered in the procurement of other components of the AES. The COMELEC had already conducted another round of public biddings for the contract and is set to award in Q3.

It is worth mentioning that some P21.4 billion (P15.4 billion from interest payments and P6.0 billion from net lending) or around 12 percent of the underspending is credited to operational efficiency of the government from its financial and debt management strategies, and not due to implementation bottlenecks.

Net lending releases were likewise lower than the program due to the absence of request from GOCCs. While there were less availment from government corporations, the DOF has also been more prudent in granting debt relief or assistance to GOCCs as it strictly monitors the financial position of these government corporations.

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<sup>4</sup> As reported by the DSWD in its Catch-up Plan

Savings were generated from interest payments due to the combined effects of lower volume of transactions, interest rates and assumed foreign exchange rates.

### III.

## Status of FY 2015 Expenditure Program

Table 12 below summarizes the developments on the P2.206 trillion approved by Congress for FY 2015.

**Table 12. Status of 2015 Program, Releases, and Balances, By Source**  
*As of June 30, 2015 (In billion pesos, unless otherwise indicated)*

Particulars	FY 2015 BESF	Congressional Adjustments <sup>1/</sup>	Original Program	Realignments <sup>2/</sup>	Releases <sup>3/</sup>	% of Releases to Program	Balance
<b>New GAA - R.A. 10651</b>	<b>1,739.8</b>	<b>-</b>	<b>1,739.7</b>	<b>-</b>	<b>1,441.4</b>	<b>82.9%</b>	<b>298.3</b>
Department	1,361.2	(9.8)	1,371.0	(37.2)	1,261.6	94.6%	72.2
SPFs	378.6	9.8	368.7	37.2	179.8	44.3%	226.1
<b>Automatic Appropriations</b>	<b>866.2</b>	<b>-</b>	<b>866.2</b>	<b>-</b>	<b>816.4</b>	<b>94.3%</b>	<b>49.8</b>
<b>Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73.6</b>	<b>0.0%</b>	<b>(73.6)</b>
Continuing Appropriations, R.A. 10633					39.0		(39.0)
2014 Supplemental Budget, RA 10652					22.5		(22.5)
Unprogrammed Fund					11.4		(11.4)
Other Automatic Appropriations <sup>3/</sup>	-	-	-	-	0.7	-	(0.7)
<b>Unobligated Allotment as of 12/31/2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199.2</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,606.0</b>	<b>-</b>	<b>2,605.9</b>	<b>-</b>	<b>2,530.6</b>	<b>97.1%</b>	<b>274.5</b>

Notes:

<sup>1/</sup> Changes made by the Senate and the House of Representatives in the FY 2015 Proposed Budget

<sup>2/</sup> Transfer of the National Health Insurance premiums for poor and near-poor beneficiaries from Department of Health to BSGC - Philippine Health Insurance

<sup>3/</sup> Includes unobligated allotment as of December 31, 2014

<sup>4/</sup> Includes grants/donations and Military Camps Sales Proceeds Fund

Source: Department of Budget and Management

### Allotments

The continuous adoption of the GAA-as-a-Release-Document (GAARD) policy - a policy allowing the comprehensive release of the budget of line agencies without the submission of additional requirements and further itemization of the budget - ensured that allotments are made available for all departments and agencies at the time the GAA takes effect. As a result, the total available allotment reached 97.1 percent of the programmed appropriations in the first semester, which is significantly higher than last year's 90.6 percent. <sup>5</sup> Total available allotment as of June amounted to P2,530.6 billion, which include P1.441 trillion from new appropriations (82.9 percent of program, and 56.9 percent of total releases in the first semester), P816.4 billion from automatic appropriations (94.2 percent of program and 32.3 percent of total releases in the first semester), P73.6 billion from continuing appropriations (3.2 percent of total releases in the first semester), and P199.8 billion from unobligated allotments released in the previous year.

These are some of the big-ticket items that were released during the first semester.

<sup>5</sup> Includes unobligated allotment as of December 31, 2014



DEPARTMENT	NATURE OF EXPENDITURES	AMOUNT RELEASED
DPWH	Various infrastructure programs and projects, including the construction of classrooms and farm-to-market roads of DepEd and DA, respectively	P264.6 B
DEPED	Basic Education Program (i.e. computerization program, basic educational facilities, textbook and instructional materials, Science and Math equipment and GASTPE scholarship program) and construction of power supply system of the Philippine High School for the Arts	P41.9 B
DSWD	Social protection programs, which consist of the KALAHI-CIDDS, social pension for indigent senior citizens and National Household Targetign System for Poverty Reduction (NHTS-PR)	P24.6 B
DOTC	Locally-funded Projects for the aviation industry under the Infrastructure Development Program	P11.9 B
ARMM	Local infrastructure programs	P11.9 B
COMELEC	Preparatory activities for the 2016 National and Local Elections	P11.4 B

### *Obligations*

Given the allotment-to-appropriations ratio of 97.1 percent, the government has incurred obligations in the amount of P1,193.7 billion or an obligation rate of 47.2 percent by the end of June. Net of interest payments, 55 percent of the available allotments for departments and agencies had been obligated. This is almost 2 percent lower compared to the obligation rate of 57 percent registered in the same period last year. The succeeding discussion on the status of obligations and accomplishments of the major departments/agencies further will shed light on the reasons for the low obligations rates and the underspending previously mentioned.

**Table 13 . Appropriations, Allotments, and Obligations, by Source***As of June 30, 2015 (In billion pesos, unless otherwise indicated)*

Particulars	Budget Level			Available Allotment/ As % of Adjusted Program		Amount	Obligations Incurred As % of Allotments Released		Amount
	Original Program	Realignments/	Adjusted Program	2014	2015		2014	2015	
<b>Current Year Budget</b>	<b>2,606.0</b>	<b>-</b>	<b>2,606.0</b>	<b>86.1%</b>	<b>86.6%</b>	<b>2,257.8</b>	<b>57.2%</b>	<b>50.4%</b>	<b>1,138.7</b>
New GAA(R.A No. 10633)	1,739.8	-	1,739.8	81.3%	82.9%	1,441.4	48.4%	50.7%	730.6
Departments	1,371.0	(37.2)	1,333.9	91.3%	92.0%	1,261.7	49.1%	47.1%	594.4
Special Purpose Funds (SPFs)	368.7	37.2	405.9	44.8%	48.7%	179.8	43.1%	75.8%	136.2
Automatic Appropriations <sup>a/</sup>	866.2		866.2	95.1%	94.2%	816.4	71.2%	50.0%	408.1
<b>Other Fund Sources</b>						<b>73.6</b>		<b>3.5%</b>	<b>2.6</b>
FY2014 Budget (R.A No. 10633)						39.1			
Supplemental Budget (R.A No. 10652)						22.4			
Unprogrammed Fund <sup>b/</sup>						11.4			
Other Automatic Appropriations						0.7			
Unobligated Allotments as of 12/31/2014						199.2		26.3%	52.4
<b>TOTAL</b>	<b>2,606.0</b>	<b>-</b>	<b>2,606.0</b>	<b>90.6%</b>	<b>97.1%</b>	<b>2,530.6</b>		<b>47.2%</b>	<b>1,193.7</b>

Note:

a/ Includes allotment releases for Debt Service-Interest Payments

2,157.8

55.3%

b/ Obligations incurred under these sources are included in the Current Year

c/ Includes unobligated allotment as of December 31, 2014

Source: Department of Budget and Management

**Financial and Physical Accomplishments of Selected Departments/Agencies**

The top five departments who received the biggest share in the 2015 total allotment releases were as follows: 1) DPWH with actual releases of P413.6 billion 2) DepEd with allotments worth P340.4 billion 3) DILG ranked third with P145.2 billion in allotment releases 4) DSWD - P141.3 billion and 5) DND placed fifth with releases amounting to P122.0 billion. For the complete financial performance of all departments/agencies, please see Annex A.1 and A.2 of this report.

**Department of Agrarian Reform (DAR)**

*Financial Performance.* From January to June 2015, DAR was able to obligate P3.3 billion of the P14.9 billion allotment releases for the said period or equivalent to an obligation rate of 22.1 percent. The low obligation rate can be attributed to the slow progress in the Land Acquisition and Distribution (LAD) activities in the high-LAD balance provinces as a result of the complex and complicated nature of the remaining landholdings to be acquired which are mostly private agricultural lands. In addition to this, there is also low obligation for agrarian policy and advisory services since a number of these socio-economic and impact researches and other technical studies relative to the Comprehensive Agrarian Reform Program (CARP) are still in the procurement phase.

*Physical Performance.* The DAR as the lead implementer of the CARP, is task to redistribute public and private lands to landless farmers and farmworkers, irrespective of tenurial arrangement. One of the major programs done by the Department to facilitate the implementation of the CARP is the LAD. For the first half of the year, the DAR has completed the processing of 47,674 hectares of land under the LAD. This is 23.1 percent of their 2015 annual target of 206,455 hectares and 42.3 percent of their target for the first semester of 112,751 hectares. On the other hand, in terms of the provision of agrarian legal assistance, the Department has processed 29,854 cases on agrarian-related conflicts from January to June this year. This represents a 70.0 percent accomplishment vis-à-vis their annual target of 42, 641 cases processed for 2015.

#### Department of Agriculture (DA)

*Financial Performance.* For the first semester of 2015, total obligations incurred by the DA amounted to P24.1 billion or 45.8.3 percent of the total allotment releases of P52.5 billion. Around 87.1 percent of the Department's obligations or about P22.3 billion is for the implementation of the various programs and projects under the Office of the Secretary.

*Physical Performance.* As part of the government's thrust to support Agricultural Development, the DA for 2015, targeted to distribute a total of 18,249 metric tons of seeds. As of end-June, the Department has been able to distribute 6,911 metric tons of seeds. This is approximately 37.9 percent of the annual target. The lower outturn versus the target, according to the DA is because most farmers opted not to plant due to the impact of the dry spell. Another strategy of the Department that seeks to provide support services for Agricultural Development is the construction/ rehabilitation of small scale irrigation projects (SSIPs). As of end of June, the Department has already covered a total of 1,678 hectares of service area due to the establishment and installation of SSIPs. This constitutes about 18.0 percent of the total target area of 9,291 hectares.

Aside from agriculture, the fisheries subsector has also been identified as one of the priorities of the 2015 budget. The Bureau of Fisheries and Aquatic Resources (BFAR) is the agency responsible for the development, improvement and management of the country's fisheries and aquatic resources. For the first semester of the year, BFAR was able to provide 31,253 individuals with production support services, e.g., planting materials, fingerlings, etc. This is about 14.2 percent of their annual target of 219,387 beneficiaries. In addition to these, to support improvements in fisheries infrastructure, the BFAR has targeted to construct 252 fish landings this year.

As of the first half of the year, they have completed 7.0 percent of their total target.

#### Department of Education (DepEd)

*Financial Performance.* To continuously undertake its mandated function of providing basic education to the target clientele as well as prepare for the implementation of the K to 12 Program in 2016, DepEd has been amply provided with a total allotment of almost P340.4 billion this year, including its unobligated allotment as of December 31, 2014 amounting to P24.5 billion, which is still available for obligation till 2015. Out of the current year's allotments, PS accounts for P253.61 billion, or 80.7 percent; followed by maintenance and other operating expenditures (MOOE) at P41.94 billion, or 13.3 percent; and capital outlays (CO) worth P18.79 billion, or 6 percent.

As of the first semester of 2015, the total obligation of the Department reached P144.8 billion. Thus, total unobligated allotment as of June 30, 2015 amounted to P195.6 billion.

As represented by DepEd, in general, their financial performance only indicates support for regular operating requirements and most of the procurement processes are programmed for the succeeding semester.

*Physical Performance.* In terms of physical accomplishments, one highlight noted during the period covered is the approval for the creation of additional 32,730 Teacher I positions as June 1, 2015 by the DBM, aimed to augment the DepEd personnel requirements. And yet the full financial impact of the created positions shall only be reflected during the second semester of this year.

#### Department of Energy (DOE)

*Financial Performance.* For the first six months of the year, the DOE was able to obligate P544.9 million or about 7.5 percent of the P7.3 billion allotment it received for the given period. The low obligation rate is greatly affected by the non-obligation of the allotments for the implementation of the Efficient Electric Vehicles Project.

*Physical Performance.* For January to June 2015, in compliance to its mandate, has undertaken a total of 43 promotional events to create awareness on energy sector innovations, e.g., advertisements on the "Earth Hour" and "Energy Sense Save Cents". This represents a 91.5 percent accomplishment versus their target for the first half of the year. On the other hand, as part of the Department's regulatory functions, the DOE has monitored and inspected

a total of 1,412 energy establishments and facilities/power plants. This is 50 establishments short of its first semester target of 1,462 establishments and facilities/power plants.

One of the Department's organizational outcomes is to achieve 90.0 percent household electrification by 2017. In order to do this, the DOE is set to increase the number of energized households from 14.5 million in 2010 to 18.4 million in 2015. This corresponds to an annual target of 5,600 households for 2015. For the first half of the year, the DOE has surpassed this target with the electrification of 6,919 households.

#### Department of Environment and Natural Resources (DENR)

*Financial Performance.* The DENR has already obligated around 53.5 percent of its total allotment releases of P24.5 billion for the first six months of the year. Around 81.8 percent or P10.7 billion out of the total obligation of P13.1 billion is for MOOE and CO.

*Physical Performance.* The DENR is committed to sustainably manage the country's environment and natural resources. One of the Department's banner programs to do this is the National Greening Program (NGP). The NGP is the massive forest rehabilitation program of the national government which seeks to grow 1.5 billion trees in 1.5 million hectares nationwide within a period of six years, from 2011 to 2016. As of the first two quarters of 2015, the DENR has covered 5.4 percent or 16,258 hectares out of the 300,000 hectares target area to be covered for 2015. Likewise, a total of 11.7 million seedlings were planted or about 5.0 percent of the 225 million target. To date, the total area covered of the NGP since its inception in 2011 is 1.03 million hectares, this is roughly 86.0 percent of the 1.2 million hectares targeted to be covered for the period of 2011-2015.

#### Department of Health (DOH)

For the first six months of 2015, the Department of Health (DOH) reported an obligation of P21.7 billion or 42.7 percent of its available allotment of P50.8 billion. Disbursements, on the hand, amounted to P18.0 billion or 82.8 percent of obligations.

Of the total DOH allotment, P16.9 billion or 33.3 percent was released to the priority programs of the department, out of which P7.4 billion or 43.8 percent was obligated. These include the following: a) Implementation of the Doctors to the Barrios and Rural Health Practice Program, P4.3 billion; b) Expanded Program on Immunization, P3.3 billion; c) Family Health and

Responsible Parenting, P3.3 billion; d) Health Facilities Enhancement Program (HFEP), P1.4 billion; e) TB Control, P1.1 billion; and, f) National Pharmaceutical Policy Development including provision of drugs and medicines, medical and dental supplies to make affordable quality drugs available, P993 million.

Of the total P4.3 billion allotment to the Doctors to the Barrios and Rural Health Practice Program, about P3.0 billion or 69.8 percent has already been obligated.

Meanwhile, the Expanded Program on Immunization incurred an obligation of P2.0 billion or 60.6 percent of its P3.3 billion allotment.

The low fund utilization for Family Health and Responsible Parenting of P955 million or only 29.2 percent of its P3.3 billion allotment was mainly due to the delays in the procurement of drugs and medicines, vaccines, Family Planning (FP) supplies, airing time, and consultancy services; bid failure; and, the issuance of Temporary Restraining Order (TRO) on the recertification of various FP commodities.

The below par spending of P240 million or 16.9 percent of the HFEP, on the other hand, was mainly on account of the following: a) Treatment and Rehabilitation Centers (TRCs) are finalizing the Detailed Architecture and Engineering Designs (DAEDs) since the release of SARO on June 2015; and, b) ongoing validation of allocated infrastructure projects for 2015 to align with actual need and performance.

The low level of spending for the TB Control Program of P183 million or 16.7 percent of its P1.1 billion allotment has been attributed to the bid failure of Category II TB drugs and procurement of other TB drugs and commodities.

The very low fund utilization for the Program on National Pharmaceutical Policy Development amounting to P17 million or 1.7 percent has been due to the delay in the procurement of drugs and medicines (DOH ComPack and other Medicines Access Programs) because of the redesigning of DOH ComPack focusing on Hypertension and Diabetes patients.

In addition to the DOH's available allotment of P50.8 billion, a huge amount of P32.6 billion has been released to and obligated by the Philippine Health Insurance Corporation (PHIC) to cover the health insurance premiums of families listed under the National Household Targeting System (NHTS) and the families identified under the Sajahatra Bangsamoro Program. With its 100.0 percent total obligation rate, the PHIC was able to accomplish 88.3

percent of its target, representing 13.6 million families listed under the NHTS out of the target 15.4 million families, and 18.4 percent of its target, representing 2,029 families identified under the Sajahatra Bangsamoro Program out of the target 11,000 families for 2015, respectively.

Per the PHIC'S profit and loss statement for the period, total benefit payments for the NHTS indigents amounted to P10.4 billion, P2.3 billion of which pertained to (Primary Care Benefit) PCB 1 payouts.

#### Department of Interior and Local Government (DILG)

More than half of DILG's 2015 total allotment of P145.2 billion has been obligated as of the first semester of the year. From its P77.4 billion obligations, the Philippine National Police (PNP) took the largest share of P51.94 billion or 69.38 percent of the total. Part of the funds were used to create additional 10,000 Police Officer I positions, thus, bringing the police to population ratio to 1:581, an improvement from the previous year's 1:617. Another P1.05 billion was spent for the procurement of various firearms and communications equipment. Moreover, the Capability Enhancement Program or the PNP Modernization Program was supported with P849.44 million to cover the acquisition of various transportation equipment required by the agency. Also, an amount of P96 million for the construction a Crime Laboratory building was provided. As a result, 340,563 crime investigations were undertaken and 2,002 most wanted persons or high-value targets were arrested by the Civilian Police Force. Also, a total of 3,005,896 foot patrols and 2,321,567 mobile patrols were conducted during the period under review.

Next to the PNP, the Bureau of Fire Protection (BFP) accounted for P8.2 billion or 10.95 percent of total obligations. In terms of physical accomplishment, the Bureau was able to inspect 741,064 buildings, or 79.2 percent of its target. Likewise, a total of 4,690 fire calls, emergency medical services and rescue calls nationwide were responded by the agency. In addition to the current number of fire stations, 110 new structures were programmed. It is also noted that even with the creation of additional 1,200 Fire Officer I positions, the resulting 1:5,359 fireman to population ratio, still falls short of the 1:2,000 target ratio. Similarly, the 116 fire trucks programmed for procurement will result to a fire truck to population ratio of 1:48,302 as compared to the ideal ratio of 1:28,000.

With a total budgetary outlay of P5.6 billion, the DILG-Osec, was able to provide assistance to 235 cities and municipalities with financial subsidy and technical assistance for project preparation and implementation.

### Department of Labor and Employment (DOLE)

In the case of DOLE, TESDA which is the biggest recipient of funding support close to P6.0 billion out of the total available allotment of DOLE amounting to P13.7 billion as of June 30, 2015, has attributed its low disbursement performance to the following: (1) long and tedious processes involved in payments for scholarships; (2) payments to technical vocational institutions (TVIs) are only made upon graduation of Training for Work Scholarship Program (TWSP) students, resulting to the utilization of only 5 percent of the P2 billion allotment as of the end of the first semester; and (3) centralized procurement for the Special Training for Employment Program (STEP) which emanated from a restrictive 2014 special provision in the GAA, causing underutilization in the bulk of TESDA's 2014 carry-over funds. Currently, the TESDA Director-General is only allowed to approve procurement up to a maximum of P5.0 million while Regional Offices can cover a maximum of P1.5 million and the rest requires the TESDA Board authorization. Moreover, part of the TESDA budget amounting to P335 million intended for the Bangsamoro Normalization Program has remained unspent.

Meanwhile, the below par spending of DOLE-OSEC is mainly due to: (1) prescribed mode of payment thru education voucher and/or late submission of payroll of students enrolled in the Special Program for Employment of Student (SPES) that resulted to disbursement of only 19 percent of the P714.1 million allotment; (2) difficulty encountered in the accreditation process for partners involving the DOLE Integrated Livelihood Program; and (3) low disbursement of BUB funds since there is expectation that 100 percent shall be shouldered by DOLE in the case of SPES and yet the SPES Law provides that 40 percent shall be funded by the government and the remaining 60 percent to be supported by the partners.

The amount of P484 million from the FY 2014 carry-over funds for the construction of the PRC Building in Pasay City will push through with the anticipated Memorandum of Agreement signing between PRC and DPWH for the design-and-build scheme.

The low level of spending of the National Maritime Polytechnic (NMP) has been attributed to its low enrolment rate after Typhoon Yolanda hit Tacloban since some of its facilities were destroyed and are not yet restored.

### Department of National Defense (DND)

As of the first semester of 2015, the Department of National Defense (DND) has been provided a total allotment of P122.0 billion, of which P77.6 billion or 63.6 percent has already been obligated. Aside from supporting the



regular operating requirements of the Department, said amount was also utilized for the partial implementation of the Revised Armed Forces of the Philippines Modernization Program (RAFPMP), of which P20 billion has been allocated for the current year. Of the said amount, P9.4 billion was already part of the GAA-as-Released-Document while the remaining P10.6 billion has been programmed for the second semester upon the approval of the President.

The Quick Response Fund (QRF) provided to DND-Osec. and the Office of Civil Defense (OCD), in the total amount of P882.5 million has remained almost unutilized at P38.4 million only. This was mainly due to the non occurrence of major calamities during the first half of the year.

In terms of the pension requirements, the Armed Forces of the Philippines–General Headquarters (AFP-GHQ) and the Philippine Veterans Affairs Office (PVAO) have already disbursed P20.7 billion, representing 49 percent of the total budgetary support of P42.40 billion to its pensioners and veterans.

#### Department of Public Works and Highways (DPWH)

DPWH is mandated to undertake planning of infrastructure, such as national roads and bridges, flood control, water resources projects and other public works; and to undertake the design, construction, and maintenance of national roads and bridges, and major flood control systems. Bulk of the budget allotment for DPWH this year is geared for economic expansion and job generation through transport infrastructure program of the National Government.

*Financial Performance.* As of June 30, 2015, of the P413.6 billion available allotment for DPWH, about P189.1 billion (or 45.7 percent) was obligated. The bulk of the obligation was for the Capital Outlays, particularly for the road network (P124.8 billion), flood control systems (P22.8 billion), and school buildings (P1.9 billion).

*Physical Performance.* DPWH was able to exceed its target for the construction of bridges. The department constructed 11,899.12 lm of bridges or 192.9 percent of the 6,170.13 lm target for the period. On the other hand, the department was also able to construct 133 septage, sewerage, and rain water collectors meeting its target for the period.

However, for most of the national road network services, DPWH was not able to meet its physical target for the period. The department maintained 214.59 km of national roads, achieving 22.2 percent of the 966.19 km target.

Meanwhile, it was able to construct 52.05 km of national roads which is 7.2 percent of the 722.82 km target. Furthermore, the department paved 22.76 km of national roads in contrast to the physical target of 484.20 km.

As for the flood management services, the department was able to construct and maintain 208.70 pr of flood control structures and drainage systems, attaining 47.1 percent of the set target of 443.48 pr.

DPWH was not also able to meet its physical target for most of the construction and maintenance services of access roads leading to various airports, sea ports, and tourist destinations as of the end of the 2<sup>nd</sup> quarter. The department constructed and improved 0.97 km of access roads leading to airports, achieving 2.4 percent of the 40.72 km target for the project. Meanwhile, the department constructed and improved 2.81 km of access roads leading to seaports, obtaining 6.3 percent of the 44.40 km target for the project. Furthermore, DPWH was able to construct and improved 14.41 km of access roads leading to tourist destinations, achieving 3.6 percent of the target for the period.

The department faced several implementation issues like unresolved Right-of-Way problems and other legal issues, unliquidated inter-agency fund transfers, and delayed submission of documentary requirements of progress billings by contractors among others.

In order to fast-track the project implementation for the rest of the fiscal year, DPWH will implement simplification of bidding process, and clustering of small projects. The department will also enact strict monitoring of contractors performance and accepting only PCAB-licensed contractors and sub-contractors and those with sufficient financial capability among others.

#### Department of Science and Technology (DOST)

*Financial Performance.* As of end-June 2015, total obligation for DOST amounted to P7.1 billion, this is 35.6 percent of the total allotment for the period of P20.1 billion. Obligations incurred for current operating expenditures comprise 92.3 percent of the total obligations for the period. Part of these obligations is some P1.2 billion to cover scholarship expenses of the Science Education Institute (SEI).

*Physical Performance.* The DOST through the SEI, is mandated to undertake science and technology manpower development and administer scholarships awards, and grants to ensure that there is an adequate supply of qualified

science and technology human personnel in the country. In order to do this, the SEI for the first two quarters of the year provided scholarship grants to: 16,389 individuals in the undergraduate level, 2,280 in the Master's Program and 647 individuals in the Doctoral Program vis-à-vis their respective annual targets of 15, 566 individuals, 2,322 individuals and 691 individuals. All actual accomplishments achieved above 90.0 percent accomplishment rates, with the grant of scholarships for the undergraduate level even surpassing its target for the year.

Also included under the DOST's mandate, specifically under the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) is the provision of timely accurate and reliable weather-related information and services. In compliance with this, the PAGASA has issued a total of 930 flood warnings within the first semester of the year; 88.5 percent of these warnings were issued within 5 minutes of the scheduled time. In addition to this, on the average the agency's forecasts on rainfall and wind were considered, on the average, 99.0 percent accurate<sup>6</sup>. In order to enhance the provision of weather-related information, the PAGASA is also undergoing various projects to improve their weather systems. An example of such projects is the Rehabilitation of the Meteorological Radar System in Guiuan, Eastern Samar. Actual repair works commenced last March and is expected to be completed by December of this year.

#### Department of Social Welfare and Development (DSWD)

*Financial Performance.* For the period under review, DSWD-OSEC has obligated P50.6 billion, representing only 36 percent of the total allotment of P141.3 billion, which includes previous year's carry-over and a program loan attributed to the Department. As explained by the DSWD, despite their low disbursement performance, they are still on track because they have a different spending pattern due to the intricacies of the implementation of their various programs and projects. For instance, the Conditional Cash Transfer (CCT) Program, which accounts for the almost half of the total allotment for the department, has obligated about P19.8 billion. In the case of the Sustainable Livelihood Program (SLP), only P2.23 billion, or 44 percent of the total P5.06 billion allotment has been obligated.

Meanwhile, of the P5.88 billion allotment release made to the Social Pension for Indigent Senior Filipino Citizens Program, only P3.2 billion, or 54 percent has been obligated. Moreover, of the P3.6 billion total allotment released for the Supplemental Feeding Program, only P2.29 billion or 64

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<sup>6</sup> The accuracy of the forecasts is measured by a having a variance of 20.0 percent or less compared to the actual amount of rainfall and wind gustiness

percent has been obligated. This is attributed to the failure of a number of LGUs in complying with the liquidation requirements.

*Physical Performance.* However, physical accomplishments have been registered at 97 percent for Regular CCT and 172 percent for Modified CCT due to the intensive reaching process that resulted to the increase in the number of indigenous peoples enrolled in the Program. Reasons cited for the large gap between the disbursement rate and the physical accomplishment include: (1) payment of grants is made every two (2) months due to the compliance verification requirements; (2) spending pattern of the program where only health grants cover twelve (12) months while educational grants are given in 10 months which is equivalent to a school year; and (3) difficulty of Land Bank, the official depository and disbursing bank for the implementation of CCT, in procuring conduits to service the MCCT beneficiaries in GIDA-areas.

The low absorptive capacity for SLP has translated to a low physical accomplishment serving only 85,219 families, or 22 percent, of the 378,822 target families of the Program. All these have been affected by the following factors: (1) limited number and fast turn-over of staff, which means that the newly-hired staff are still learning the SLP process and government policies and procedures, (2) tedious procurement process for training service providers and starter kits, (3) failure of some LGUs and partner NGAs to submit timely the required documents and information; and (4) late hiring of staff during the first quarter of 2015 instead of the latter part of last year. Since the bulk of the proposals will be ready for implementation in the second semester this year, huge disbursement is expected during the same period.

The Senior Filipino Citizens Program has benefitted a total of 398,760 senior citizens or 42 percent of the total target of 939,609 beneficiaries. According to DSWD, the low performance has been attributed to the following: (1) obligation of funds is done during the first month of the quarter but the distribution of pension starts on the second month; (2) some fund transfers are made to LGUs but there are liquidation concerns; and (3) validation is done every quarter considering that the beneficiaries are already old.

Since the success indicator of KALAHI-CIDDS-NCDDP is the number of completed projects, there is a low level of physical accomplishment at 6 percent as compared to the obligated funds of 53 percent. In general, the social preparation for target beneficiaries takes six (6) months, thus, affecting the rate of disbursement as grants for the sub-projects are given after the social preparation. Moreover, physical accomplishments are measured based on completed projects. Also, the non-engagement of some LGUs which can be

helpful in starting the program implementation has contributed to the low fund utilization. However, it is expected that physical accomplishment and fund obligations will match by the end of the year when projects are completed and payments for the goods/services are delivered/rendered by the third and fourth quarters.

The Supplemental Feeding Program which is another major DSWD undertaking, was able to reach 1,671,306 beneficiaries, 81 percent of its 2 million target beneficiaries.

### Department of Transportation and Communications (DOTC)

*Financial Performance.* As of June 30, 2015, P18.7 billion or 24.5 percent of the P76.4 billion available allotments have been obligated. The low absorptive capacity of the department for the period can be attributed to the following: suspension of some projects; still ongoing feasibility studies; and ongoing procurement for independent consultants. At present, the department did not present any catch-up plans to increase its absorptive capacity for the rest of the fiscal year.<sup>7</sup>

The DOTC Road Transportation IT Infrastructure Project Phase 1, which aims to improve the information and communication technology (ICT) system of the LTO for its licensing and vehicle registration functions, is suspended because of injunction due to the pending case in court. Meanwhile, most locally-funded projects of the department are under further studies. Furthermore, the Southwest Terminal for Metro Manila Integrated Terminal Service, and LRT Line-1 Extension Project are still on the process of procurement of independent consultants.

*Physical Performance.* Most of the airport, railroad, and port projects of DOTC are still ongoing. For the railroad projects, the design and construction of the 4.19-km eastern extension of the existing LRT Line-2 has an accomplishment rate of 30.2 percent behind the 46.2 percent target for the period. About P2.6 billion, or 86.3 percent, of the total P3 billion total allotment for the project was obligated.

For the airport projects, the Puerto Princesa Airport Development Project's consultancy services and civil works are still ongoing. The consultancy services for construction and maintenance of the project has an accomplishment rate of 27.6 percent while the civil works has an accomplishment rate of 29.6 percent, which is ahead of the 28.6 percent target

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<sup>7</sup> Based on DOTC, CABSEC Report as of June 30, 2015

for the period. For the consultancy services, the P196 million was obligated and P58 million was disbursed while for the civil works, about P2.4 billion was obligated and P678 million was disbursed. On the other hand, the Notice of Award for the New Bohol Airport Construction and Sustainable Environment Protection Project was issued on March 31, 2015. Meanwhile, the NAIA Terminal 1 Rehabilitation Project has an accomplishment of 83.8 percent behind the target of 98.8 percent as of end of the first semester.

Other projects of the DOTC include the New Communications, Navigation and Surveillance/Air Traffic Management Systems Development Project. The project has an accomplishment rate of 74.8 percent, behind the target of 81.5 percent. About P7.1 billion has been obligated and disbursed for this project. On the other hand, the detailed engineering design for the Cebu Bus Rapid Transit Project is still ongoing and is expected to be completed in January 2016.

#### Commission on Higher Education (CHED)

*Financial Performance.* As of end-June of this year, CHED has only obligated P916 million, representing 12.5 percent of its total allotment of P7.3 billion. This low financial performance has been largely accounted by the poor programming of scholarships being implemented by the Commission. The bulk of the budgetary provision for scholarships are programmed in the third and fourth quarters. Starting 2015, half of the funding support for scholarships has already been allocated to the various state universities and colleges (SUCs). In the case of Students' Financial Assistance Program (StuFAPs), the submission of documentary requirements for SY 2015-2016 has been expected on April 15 onwards after enrolment. However, the higher educational institutions and student beneficiaries have not been able to comply until June, thus, contributing to the low fund utilization. The lack of Delivering Institutions to implement the Off-Shore Program under the Faculty Development Program as well as the delayed implementation of the first cycle of the Philippine-California Research Institute (PCARI) Project have also contributed to the slow spending of the agency. To address this concern, CHED is proposing the following measures: (1) direct release of funds to its Regional Offices, and (2) improve the management and programming of scholarships, such as devising ways to facilitate payment of assistance in the case of StuFAPs; considering short courses for faculty enhancement in science and engineering; and fast tracking the evaluation of cycle 2 project proposals together with DOST and DOH for the PCARI Project.

## IV.

### Macroeconomic and Fiscal Outlook

#### For the Rest of 2015

##### a. Macroeconomic Outlook

The DBCC continuously monitors and assesses the macroeconomic environment in line with the review of the macroeconomic assumptions used in the formulation of the FY 2015 Budget. The full-year macroeconomic outlook, as a result of its assessment is shown below:

**Table 14. Macroeconomic Assumptions, FY 2016 BESF Outlook**

Particulars	FY 2015 Outlook based on the FY 2016 BESF
Nominal GNI (in PhP million)	
low-end	16,683,570
high-end	16,934,480
Real GNI Growth Rate (%)	6.7 - 7.7
Nominal GDP (in PhP million)	
low-end	13,919,080
high-end	14,144,729
Real GDP Growth Rate (%)	7.0 - 8.0

*Source: National Economic and Development Authority*

As the ASEAN region experiences poor trade performance, the Philippines remains to be one of the bright spots in Asia. This semester's growth of 5.3 percent, however, implies that the country needs to achieve at least 8.6 percent average real GDP growth for the remaining two quarters in order to reach the DBCC full-year low-end target of 7.0 percent. On the other hand, a 6.0 percent full-year real GDP growth in 2015 requires an expansion by at least 6.6 percent in the second semester. Such a scenario is feasible given the buoyant performance of the domestic demand.

On the supply side, agriculture and fishery will likely take the brunt of El Nino as a number of provinces are either afflicted by drought, dry spell, or below normal rainfall conditions. According to PAGASA, the El Nino is expected to intensify and last until early 2016. Specifically, their latest assessment shows that the provinces affected by drought include Bohol, Camiguin, Misamis Oriental, Quezon and Siquijor. Meanwhile, the major areas under dry spell are the provinces of Aurora, Camarines Norte, Catanduanes, Laguna, Marinduque, Occidental Mindoro, and Quirino. In light of the evolving intensity of El Nino, the provinces of Cagayan, Isabela,

Bohol, and Camarines Norte are seen or likely to experience drought/dry spell. Crops - in particular, palay and corn - are likely to be the most affected, with projected contraction in their production in the second semester by 0.5 percent and 1.6 percent respectively. Poultry and livestock will likely experience distress and could be aggravated by the possible spike in the price of feeds. Fishery could also be adversely affected given that the increase in temperature could push more schools of fish in the pelagic zone. Moreover, an increase in the temperature may jeopardize aquaculture such as seaweed, milkfish, and tilapia farms.

Meanwhile, the industry sector will post strong growth in the near-term buoyed by the continued activities in both public and private construction, uptick in utilities and the recovery of manufacturing. Public construction will likely further accelerate as the focus of government is on implementing the budget efficiently. Private construction is expected to remain upbeat on the back of the expansion of existing and committed power plants/projects, a likely increase in spending for socialized housing, sustained demand for office space - particularly, for the business process management (BPM) sector, and aggressive hotel development.

Growth in the services sector will partly be driven by the transportation, communication, and storage sub-sector given lower petroleum prices and the easing of port and logistics operations. Domestic trade will post an uptick as consumption activities continue to improve. Financial intermediation services is expected to remain upbeat as loans continue to grow in productive sectors such as manufacturing, utilities, trade, real state, renting and business activities. For most banks, the inflow of remittances will continue to provide a strong revenue stream over the medium term. Meanwhile, the real estate, renting and business subsector will be largely influenced by expansion in the BPM industry, along with increasing demand from traditional office occupants and industrial land leasing. Other services will primarily draw its strength from inbound tourism.

Overall, the source of the country's economic growth for the second half is likely to remain domestic in origin. The private sector's positive outlook, the fiscal space of the government, the growth-supporting monetary policy stance, and the interventions of the government in terms of its various programs and projects directed towards improved social services will continue to maintain the country's favorable growth trajectory.

Notwithstanding, downside risks remain that may impinge on the country's growth prospects moving forward. Domestically, the El Nino is threatening to hamper agricultural output, exacerbated by natural disasters



such as typhoons and prolonged monsoon rains. Moreover, delays in the implementation of infrastructure and reconstruction projects can affect investor sentiment and result in the slowdown of potential investment stream. While congestion in the ports has ceased, the continued efforts to effect a longer-term solution is important to avoid its recurrence. The disruption in the Mindanao peace process also needs to be addressed. Lastly, the country's relatively thin power reserves present vulnerability to the potential impact of El Nino on hydropower.

On the external front, the global economic growth momentum remains sluggish as suggested by the fragile economic performance of the Euro area, Japan, as well as the slowdown in large emerging economies, particularly China. For the Philippines, external vulnerability through the country's trade exposure to said countries is amplified given that around 44.4 percent of exports is accounted for to these countries. Moreover, the asynchronous monetary policies in major developed countries (i.e., the expected tightening of monetary policy in the US at a time when many other countries are easing their monetary policy stance) can cause increased market volatility. Meanwhile, geopolitical tensions (e.g., the war in the Middle East, the maritime dispute in the West Philippines Sea) can also cause economic disruptions.

**Table 15. Outlook for Selected Macroeconomic Indicators**

Particulars	FY 2015 DBCC Assumptions	
	Based on FY 2015 BESF	Based on FY 2016 BESF
Real GDP growth	7.0-8.0	7.0-8.0
Inflation	2.0-4.0	2.0-4.0
364-day T-bill rate <sup>a/</sup>	2.0-4.0	2.0-4.0
Exchange rate (PhP/USD, period average)	42.00-45.00	43.00-46.00
LIBOR (6 months)	1.0-2.0	0.4-1.5
Dubai crude oil price (US\$/barrel)	90.00 – 110.00	50.00-70.00
Merchandise exports growth <sup>b/</sup>	8.0	5.0
Merchandise imports growth <sup>b/</sup>	10.0	1.0

Notes:

a/ Based on primary market rates

b/ Based on the Balance of Payments Manual, 6th Edition (BPM6) concept

Source: Department of Budget and Management

The following details the outlook on other key macroeconomic indicators.

- **Latest BSP forecasts indicate that inflation could settle slightly below the 3.0 percent  $\pm$  1.0 percentage point target range for 2015.** There are emerging risks to the inflation outlook. On the one hand, upside risks could come from pending petitions for power rate adjustments and the impact of stronger-than-expected *El Niño* dry weather conditions on food

prices and utility rates. On the other hand, slower global economic activity could pose a downside risk to inflation.

- **The peso-dollar exchange rate will continue to be market-determined.** Considering emerging trends and global developments that could influence the peso, the peso-dollar rate assumption for 2015 has been increased slightly to ₱43.00 – 46.00/US\$1 in the FY 2016 BESF. The eventual federal funds rate hike expected in 2H 2015 could exert some weakening pressure on the peso. Nonetheless, the country's firm macroeconomic fundamentals will continue to provide sufficient cushion to the peso. In addition, the BSP will continue to maintain its presence in the foreign exchange market during periods of unusual volatility to keep the movements aligned with fundamentals and with those of currencies in the region.
- **The current oil market situation of production outpacing global demand could persist over the near term.** Following the steep drop in international oil prices in the latter part of 2014, the DBCC adjusted the Dubai crude oil price assumption to US\$50.00 – 70.00 per barrel in the FY 2016 BESF. Looking ahead, global inventories are expected to remain ample. The implementation of the Joint Comprehensive Plan of Action (JCPOA) between Iran and P5+1 is expected to raise Iran's crude oil exports.<sup>8</sup> Meanwhile, concerns on weakening economic activity in China and other key emerging markets could contribute to further slowdown in global demand. However, the outlook in the global oil market remains highly uncertain. Possible oil price fluctuations could come from the production impact of the sanctions relief in Iran, the recovery of oil demand in advanced economies, the responsiveness of oil producers to cheaper oil prices, and heightened geopolitical tensions in oil-exporting countries.
- **The trend in the T-bill rates will continue to be influenced by the cash position of the National Government (NG), the liquidity conditions in the economy as well as the policy actions of the BSP and the US Federal Reserve.** The NG's commitment to fiscal discipline and the current ample liquidity in the financial system would help preserve stability in domestic interest rates. Moreover, the BSP will continue to keep a watchful eye on domestic and external conditions to ensure that the monetary policy stance stays in line with maintaining price and financial stability. The US Federal Reserve has kept the federal funds target rate unchanged thus far in 2015 but market expectations point to a September 2015 lift-off. However,

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<sup>8</sup> On July 14, the P5+1 and Iran announced an agreement that could result in relief from United States and European Union nuclear-related sanctions (which include some oil-related sanctions). Sanctions relief is contingent on verification by the International Atomic Energy Agency that Iran has complied with key nuclear-related steps. Source: Energy Information Agency Short-Term Energy Outlook August 2015, available online at [www.eia.gov](http://www.eia.gov).

uncertainties surrounding the anticipated federal funds rate hikes could lead to upward pressures on domestic interest rates.

- **The 180-day LIBOR is expected to remain low and will be affected by the policy actions taken by major central banks in response to both domestic and global economic conditions.** Consequently, the DBCC-assumed LIBOR range has been widened to 0.4 – 1.5 percent for 2015 in the FY 2016 BESF. The gradual policy normalization by the US Federal Reserve alongside further monetary easing in the euro area and Japan could lead to volatility in foreign interest rates.
- **The exports growth assumption for 2015 has been reduced to 5.0 percent in the FY 2016 BESF.** The reassessment took into account the lower global growth outlook due to weaker-than-expected performance in advanced economies (i.e., US, EU, Japan) and moderation in emerging economies particularly China. Notwithstanding, the 2015 exports growth will be supported by the improved outlook for traditional exports (i.e., electronics, machinery, and garments).
- **Similarly, imports growth assumption has been reduced to 1.0 percent in the FY 2016 BESF, due mainly to the sharp decline in world oil prices.** The 2015 imports growth is expected to be supported by the following: (1) the increase in the volume of oil imports (considering the still strong domestic growth outlook, which could partly offset the decline in oil prices); (2) recovery of the imports of raw materials, given the expected improvement in electronics exports; and (3) expected delivery of capital goods imports in support of government infrastructure agenda (i.e., transport-related development projects, roll-out of Public-Private Partnership programs, etc.) in 2H 2015.

## **b. Fiscal Outlook**

Given the positive result from the ongoing reforms in the BIR and the BOC, as well as the additional non-tax inflows, the government is on-track to meet the revised revenue target of 16.3 percent of GDP.

The available expenditure program balance for the remaining half of the year amounts to P274.6 billion or just 10.5 percent of the P2,606.0 billion program. This is comprised mostly of special purpose funds such as the MPBF, PGF, National Disaster Risk Reduction and Management Fund (NDRRMF) and special shares of the LGUs in the proceeds of national taxes.

By the very nature of these funds, releases are either subject to submission of additional requirements (e.g. clearance/certifications from oversight agencies), fulfillment of certain conditions (e.g. positions are either created or filled, successfully met performance commitments) or contingent to occurrence of certain events like calamities or emergencies.

Given the lower-than-expected obligation level and resulting underspending in the first semester, spending targets were pushed back to the second semester as agencies try to implement their catch-up plan to meet the full-year spending target. With the full activation of FDUs in the departments and agencies and the central FDU in the DBM, improvement in disbursement performance will likely be expected in the second half of the year. The central FDU is also set to convene in the second half of the year to discuss agency spending outturn, as well as the planned spending strategies to improve disbursement performance.

### **c. Financing and Debt Outlook**

For the rest of 2015, the NG will borrow predominantly in local currency to meet its funding requirements, in line with the goal of reducing the country's exposure to foreign currency volatility as well as the long term objective of developing the domestic capital market. Hence, the financing mix at end of 2015 is projected at 75:25, as ample domestic liquidity will allow the government to source majority of its financing needs from domestic market.

STATEMENT OF ALLOTMENT, OBLIGATION AND DISBURSEMENTS as of June 30, 2015 (In Million Pesos)											
Department	Available Appropriations				Allotment Releases (Inclusive of Unobligated Allotment d/)		As of Q2				
	Current Budget a/	Carry-Over from Previous Years b/	Transfers c/ (as of June 30)	Total	Releases as of June 30	% to Available Appropriations	Obligations e/		Disbursements f/		
							Amount	% to Allotment	Amount	% to Allotment	% to Obligations
(1)	(2)	(3)	(4)	(5) = (2 + 3 + 4)	(6)	(7) = (6 / 5)	(8)	(9) = (8 / 6)	(10)	(11) = (10 / 6)	(12) = (10 / 8)
Congress of the Philippines	12,658	1,157	551	14,365	14,366	100.0%	2,009	14.0%	5,574	38.8%	277.5%
Office of the President	2,568	2,101	8,017	12,686	12,686	100.0%	2,689	21.2%	2,731	21.5%	101.6%
Office of the Vice-President	223	15	9	247	247	99.9%	102	41.5%	98	39.7%	95.9%
Department of Agrarian Reform	10,259	9,615	505	20,379	14,925	73.2%	3,293	22.1%	3,508	23.5%	108.5%
Department of Agriculture	41,935	15,188	1,109	58,232	52,515	90.2%	24,053	45.8%	13,555	26.0%	56.8%
Department of Budget and Management	1,667	134	1,002	2,804	2,804	100.0%	2,076	74.0%	979	34.9%	47.2%
Department of Education	272,893	26,768	44,213	343,874	340,406	99.0%	144,768	42.5%	143,205	42.1%	98.9%
State Universities and Colleges	42,280	2,880	5,424	50,584	49,627	98.1%	18,105	36.5%	17,933	36.1%	99.0%
Department of Energy	3,470	2,674	1,168	7,312	7,311	100.0%	545	7.5%	416	5.7%	76.3%
Department of Environment and Natural Resources	21,016	3,927	1,143	26,086	24,533	94.0%	13,116	53.5%	7,765	31.6%	59.2%
Department of Finance	13,863	3,349	3,189	20,391	19,303	94.7%	8,197	32.1%	6,369	33.0%	102.8%
Department of Foreign Affairs	12,955	1,662	189	14,806	13,230	89.4%	6,357	48.1%	3,273	24.7%	51.5%
Department of Health	50,407	8,421	4,010	62,838	50,728	80.7%	21,737	42.9%	18,003	35.5%	82.8%
Department of the Interior and Local Government	104,568	16,189	26,430	147,187	145,243	98.7%	77,452	53.3%	69,627	47.9%	89.9%
Department of Justice	11,326	557	1,906	13,789	13,592	98.6%	6,744	49.6%	5,979	44.0%	86.7%
Department of Labor and Employment	11,550	1,242	914	13,706	13,698	99.9%	6,939	50.7%	5,177	37.8%	74.6%
Department of National Defense	99,925	2,737	30,433	133,095	122,041	91.7%	77,592	63.6%	61,556	50.5%	79.5%
Department of Public Works and Highways	343,667	99,407	9,272	452,346	413,811	91.4%	189,121	46.3%	88,206	21.3%	45.6%
Department of Science and Technology	17,578	2,134	393	20,105	20,091	99.9%	7,145	35.6%	5,400	26.9%	75.6%
Department of Social Welfare and Development	107,701	19,720	13,904	141,325	141,325	100.0%	50,609	35.8%	55,806	39.5%	110.3%
Department of Tourism	2,479	107	50	2,636	2,611	99.0%	882	33.8%	846	32.4%	96.9%
Department of Trade and Industry	3,734	1,252	188	5,173	5,174	100.0%	2,211	42.7%	1,707	33.0%	77.2%
Department of Transportation and Communications	52,874	20,415	3,119	76,407	76,408	100.0%	18,745	24.5%	10,154	13.3%	54.2%
National Economic and Development Authority	6,273	224	215	6,712	6,402	95.4%	487	7.6%	2,443	38.2%	501.3%
Presidential Communications Operations Office	1,111	6	116	1,233	1,109	90.0%	500	54.1%	720	64.5%	120.0%
Other Executive Offices	10,584	4,715	2,756	18,055	17,383	96.2%	4,263	24.6%	5,515	31.8%	129.4%
Autonomous Region in Muslim Mindanao	26,160	389	540	27,189	26,040	95.8%	13,353	51.3%	8,940	34.3%	66.9%
Joint Legislative-Executive Councils	3	1	-	4	4	100.0%	1	34.6%	1	27.6%	79.8%
The Judiciary	20,261	4,131	1,848	26,240	26,240	100.0%	9,504	36.2%	8,542	32.6%	89.9%
Civil Service Commission	1,114	13	83	1,209	1,210	100.0%	707	58.4%	596	49.3%	84.3%
Commission on Audit	7,754	539	1,328	9,621	9,622	100.0%	4,689	48.7%	4,101	42.6%	87.4%
Commission on Elections	16,815	513	224	17,552	17,551	100.0%	-	0.0%	1,894	10.7%	
Office of the Ombudsman	1,822	336	114	2,272	2,272	100.0%	590	26.2%	832	36.6%	151.3%
Commission on Human Rights	355	1	26	382	382	100.0%	173	45.2%	165	43.2%	95.6%
<b>TOTAL, NGAs</b>	<b>1,333,850</b>	<b>252,518</b>	<b>164,465</b>	<b>1,750,833</b>	<b>1,664,670</b>	<b>95.1%</b>	<b>716,815</b>	<b>43.1%</b>	<b>561,805</b>	<b>33.7%</b>	<b>78.4%</b>
Government-Owned and Controlled Corporations	99,673	12,001	7,708	119,383	84,806	71.0%	84,806	100.0%	44,208	52.1%	52.1%
Allocation to Local Government Units	423,331	11,818	32	435,181	405,258	93.1%	404,405	99.8%	208,917	51.6%	51.7%
Automatic Appropriations and Non-Cash	476,371	-	(51,331)	425,040	375,859	88.4%	257,059	68.4%	257,059	68.4%	100.0%
Special Purpose Funds	272,775	13,929	(109,437)	177,266	-	0.0%	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>2,606,000</b>	<b>290,266</b>	<b>11,437</b>	<b>2,907,703</b>	<b>2,530,593</b>	<b>87.0%</b>	<b>1,463,684</b>	<b>57.8%</b>	<b>1,071,989</b>	<b>42.4%</b>	<b>73.3%</b>
<i>Notes:</i>											
<i>a. Current budget from 2015 GAA (Inclusive of transferred funds per Annexes A-1 and B-1 of NBC 556)</i>											
<i>b. Carry-over from previous year (Continuing unobligated appropriations from DBM) and Unobligated allotment from Statement of Allotments, Obligations and Balances (SAOB) submitted by agencies.</i>											
<i>c. Transfers from Special Purpose Funds (SPFs) and Automatic Appropriations from GAA for RLP and SAROs issued by DBM.</i>											
<i>d. Allotment release from GAA-as-Release Document per NBC 556 and SARO/GARO Released by DBM</i>											
<i>e. Obligation from SAOB submitted by agencies including attached agencies.</i>											
<i>f. Disbursement from bank reports submitted to DBM and agencies.</i>											
<i>g. No SAOB submission since January 2015</i>											
COP-HOR											
SUC-EARIST, JHCSC, SSC, TYRAC, CPSC, CVSC, MSU											
OEO-NOP, PRRC											
COMELEC											
<i>h. Derived amount based on obligation as of March 31, 2015 (multiplied by 2 to approximate 6 mos obligation). The following are the list of agencies:</i>											
COP-CA											
OH-BFAR											
SUC-MPC, PCSA, TUP, BSC, MSU (TCTO), MSU (IIT), ADSSCAT											
DOF-BDC, BR, BLGF, CDA, PMO											
DOF-FACT											
NEDA-PSA, PPPCP											
OEO-AMLC, DOB, NPAC, NSC											
CSC (PROPER)											
CHR											

## Annex A.2

STATEMENT OF ALLOTMENT, OBLIGATION AND DISBURSEMENTS  
as of June 30, 2015  
(In Million Pesos)

Department	Available Appropriations							
	Current Budget a/	Carry-Over from Previous Years b/			TOTAL	Transfers from Other Agencies c/		
		Unobligated Allotment	Unreleased Appropriation	Adjustment in 2015		Current	Continuing	Automatic
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Congress of the Philippines	12,658	837	320	1,157	226		325	561
Office of the President	2,598	2,101		2,101	7,582		35	8,017
Office of the Vice-President	223	15		15	5		4	9
Department of Agrarian Reform	10,259	4,261	5,353	9,615	181		324	505
Department of Agriculture	41,935	12,558	2,630	15,188	431	234	444	1,109
Department of Budget and Management	1,667	734		134	131	495	377	1,002
Department of Education	272,893	24,339	2,225	26,768	23,245		20,955	44,213
State Universities and Colleges	42,290	2,568	311	2,880	2,878	327	2,219	5,424
Department of Energy	3,470	2,674		2,674	22		1,146	1,168
Department of Environment and Natural Resources	21,018	2,509	1,418	3,927	298	400	445	1,143
Department of Finance	13,863	1,817	1,532	3,349	643	61	2,465	3,169
Department of Foreign Affairs	12,855	1,180	478	1,662	77	13	95	189
Department of Health	50,407	8,421		8,421	2,817	89	1,104	4,010
Department of the Interior and Local Government	104,598	12,853	3,536	16,189	25,918		512	26,430
Department of Justice	11,326	547	11	557	1,117		789	1,306
Department of Labor and Employment	11,550	1,240	2	1,242	413		501	914
Department of National Defense	99,825	2,337	200	2,737	30,148		265	30,433
Department of Public Works and Highways	343,667	70,429	28,979	99,407	1,624	2,436	5,211	9,272
Department of Science and Technology	17,578	1,832	302	2,134	209	3	181	393
Department of Social Welfare and Development	107,701	15,645	4,081	19,720	13,506		398	13,904
Department of Tourism	2,479	107		107	24		26	50
Department of Trade and Industry	3,734	482	770	1,252	79		109	188
Department of Transportation and Communications	52,874	19,207	1,207	20,415	694		2,425	3,119
National Economic and Development Authority	6,273	224		224	191		191	215
Presidential Communications Operations Office	1,111	6		6	71		45	116
Other Executive Offices	10,584	4,713		4,713	338	141	2,276	2,756
Autonomous Region in Muslim Mindanao	26,160	235	154	389	434		206	640
Joint Legislative-Executive Councils	3	1		1				-
The Judiciary	20,261	4,131		4,131	1,063		785	1,848
Civil Service Commission	1,114	13		13	21		62	83
Commission on Audit	7,754	539		539	571		757	1,326
Commission on Elections	16,515	513		513	713		150	224
Office of the Ombudsman	1,822	336		336	54		60	114
Commission on Human Rights	355	1		1	5		20	26
<b>TOTAL, NGAs</b>	<b>1,333,850</b>	<b>199,609</b>	<b>53,514</b>	<b>(605)</b>	<b>252,518</b>	<b>115,324</b>	<b>4,199</b>	<b>44,943</b>
Government-Owned and Controlled Corporations	99,673		12,001	12,001	1,322		6,386	7,708
Local Government Units	423,331	174	11,644	-	11,818		30	2
Automatic Appropriations and Non-Cash	476,371	-		-	-		(51,331)	(51,331)
Special Purpose Funds	272,775	-	13,324	605	13,929	(103,916)	(5,521)	(109,437)
<b>GRAND TOTAL</b>	<b>2,606,000</b>	<b>199,783</b>	<b>90,483</b>	<b>-</b>	<b>290,266</b>	<b>11,437</b>	<b>0</b>	<b>11,437</b>

Notes:

a. Current budget from 2015 GAA.

b. Carry-over from previous year (Continuing unreleased appropriations from DBM) and Unobligated allotment from Statement of Allotments, Obligations and Balances (SAOB) submitted by agencies.

c. Transfers from Special Purpose Funds (SPFs) and Automatic Appropriations from GARO for RLIP and SAROs issued by DBM.

d. Allotment release from GAA-as-Release Document per NBC 555 and SARO/GARO Released by DBM.

e. Obligation from SAOB submitted by agencies including attached agencies.

f. Disbursement from bank reports submitted to DBM and agencies.

\*No SA400B submission since January 2015

COP-HDR

SUCs-EARIST, JHCSC, SSC, TTRAC, CPSC, CVSC, MSU

OEO-NCIP, PRRC

COMELEC

\*\*Derived amount based on obligation as of March 31, 2015 (multiplied by 2 to approximate 6 mos obligation). The following are the list of agencies:

COP-CA

DA-BFAR

SUCs-MPC, PSCA, TUP, BSC, MSU (TCTO), MSU (ITT), ADDSCAT

NEDA-PISA, PPPCP

OEO-AMLC, DOB, NPAC, NSC

CSC (PROPER)

CHR

## STATEMENT OF ALLOTMENT, OBLIGATION AND DISBURSEMENTS

as of June 30, 2015

(In Million Pesos)

Department	Allotment Releases d/					As of Q2					
	Releases as of June 30	Unobligated Allotment	Adjustments to Unobligated Allotment	TOTAL	% to Available Appropriations	Obligations e/		Disbursements f/			
						Amount	% to Allotment	Negotiated Checks	Working Fund	TOTAL	% to Allotment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Congress of the Philippines	13,529	837		14,366	100.0%	2,009	14.0%	5,574		5,574	38.8%
Office of the President	10,385	2,101		12,486	100.0%	2,659	21.3%	2,731		2,731	21.9%
Office of the Vice-President	231	15		247	99.9%	102	41.5%	96		96	39.1%
Department of Agrarian Reform	10,863	4,261		15,125	73.2%	3,293	22.1%	3,370	138	3,508	23.5%
Department of Agriculture	39,957	12,558		52,515	90.2%	24,053	45.8%	11,347	2,308	13,655	26.0%
Department of Budget and Management	2,670	734	(600)	2,804	100.0%	2,076	74.0%	979		979	34.9%
Department of Education	315,887	24,339		340,226	99.0%	144,768	42.5%	142,205		142,205	42.1%
State Universities and Colleges	47,058	2,568		49,627	98.1%	18,105	36.5%	17,933		17,933	36.1%
Department of Energy	4,837	2,674		7,511	100.0%	545	7.5%	416		416	5.7%
Department of Environment and Natural Resources	22,024	2,509		24,533	94.0%	13,116	53.5%	7,656	109	7,765	31.6%
Department of Finance	17,496	1,817		19,313	94.7%	8,197	32.1%	6,076	293	6,369	33.0%
Department of Foreign Affairs	12,855	1,180		14,035	89.4%	6,359	48.1%	3,245		3,245	24.7%
Department of Health	42,306	8,421		50,728	80.7%	21,737	42.9%	17,937	66	18,003	35.5%
Department of the Interior and Local Government	132,590	12,853		145,443	98.7%	77,452	53.3%	69,827		69,827	47.9%
Department of Justice	13,046	547		13,593	98.8%	6,744	49.6%	5,979		5,979	44.0%
Department of Labor and Employment	12,326	1,240		13,566	99.9%	8,399	61.9%	5,177		5,177	37.9%
Department of National Defense	119,504	2,337		122,041	91.7%	77,592	63.6%	81,826		81,826	66.5%
Department of Public Works and Highways	343,183	70,429		413,611	91.4%	188,121	45.7%	87,823	383	88,206	21.3%
Department of Science and Technology	18,258	1,832		20,091	99.9%	7,145	35.6%	5,400		5,400	26.9%
Department of Social Welfare and Development	125,685	15,645	(5)	141,325	100.0%	50,609	35.8%	44,742	11,064	55,806	39.5%
Department of Tourism	2,504	107		2,611	99.0%	862	33.0%	846		846	32.4%
Department of Trade and Industry	4,692	482		5,174	100.0%	2,211	42.7%	1,707		1,707	33.0%
Department of Transportation and Communications	57,200	19,207		76,408	100.0%	19,745	24.5%	10,154		10,154	13.3%
National Economic and Development Authority	6,177	224		6,402	95.4%	487	7.6%	2,389	53	2,443	38.2%
Presidential Communications Operations Office	1,103	6		1,109	90.0%	600	54.1%	720		720	64.9%
Other Executive Offices	12,650	4,713		17,363	96.2%	4,263	24.6%	5,495	20	5,515	31.8%
Autonomous Region in Muslim Mindanao	25,805	235		26,040	95.8%	13,353	51.3%	8,940		8,940	34.3%
Joint Legislative-Executive Councils	3	1		4	100.0%	1	25.0%	1		1	25.0%
The Judiciary	22,109	4,131		26,240	100.0%	9,594	36.2%	8,542		8,542	32.6%
Civil Service Commission	1,197	13		1,210	100.0%	707	58.4%	596		596	49.3%
Commission on Audit	9,082	539		9,622	100.0%	4,689	48.7%	4,101		4,101	42.6%
Commission on Elections	17,039	513		17,551	100.0%	-	0.0%	1,884		1,884	10.7%
Office of the Ombudsman	1,936	336		2,272	100.0%	550	24.2%	832		832	36.6%
Commission on Human Rights	381	1		382	100.0%	173	45.2%	165		165	43.2%
<b>TOTAL, NGAs</b>	<b>1,463,683</b>	<b>199,609</b>	<b>(605)</b>	<b>1,663,678</b>	<b>93.1%</b>	<b>716,818</b>	<b>43.1%</b>	<b>547,391</b>	<b>14,434</b>	<b>561,805</b>	<b>33.7%</b>
Government-Owned and Controlled Corporations	84,506	-		84,506	71.0%	84,506	100.0%	44,201	7	44,208	52.1%
Local Government Units	405,084	174		405,258	93.1%	404,405	99.8%	208,917		208,917	51.6%
Automatic Appropriations and Non-Cash	375,859	-		375,859	88.4%	257,059	68.4%	257,059		257,059	68.4%
Special Purpose Funds	-	-		-	-	-	-	-		-	-
<b>GRAND TOTAL</b>	<b>2,331,415</b>	<b>199,783</b>	<b>(605)</b>	<b>2,530,593</b>	<b>87.0%</b>	<b>1,463,084</b>	<b>57.8%</b>	<b>1,057,547</b>	<b>14,441</b>	<b>1,071,989</b>	<b>42.4%</b>

Notes:

a. Current budget from 2015 GAA.

b. Carry-over from previous year (Continuing unreleased appropriations from DBM) and Unobligated allotment from Statement of Allotments, Obligations and Balances (SAOB) submitted by agencies.

c. Transfers from Special Purpose Funds (SPFs) and Automatic Appropriations from GARO for RLIP and SAROs issued by DBM.

d. Allotment release from GAA-as-Release Document per NBC 555 and SARO/GARO Released by DBM.

e. Obligation from SAOB submitted by agencies including attached agencies.

f. Disbursement from bank reports submitted to DBM and agencies.

\*No SA400B submission since January 2015

COP-HDR

SUCs-EARIST, JHCSC, SSC, TTRAC, CPSC, CVSC, MSU

OEO-NCIP, PRRC

COMELEC

\*\*Derived amount based on obligation as of March 31, 2015 (multiplied by 2 to approximate 6 mos obligation). The following are the list of agencies:

COP-CA

DA-BFAR

SUCs-MPC, PSCA, TUP, BSC, MSU (TCTO), MSU (ITT), ADDSCAT