Republic of the Philippines
Development Budget Coordination Committee
Malacañang, Manila

FY 2017 Annual Fiscal Report

August 16, 2018

I. Introduction

The Philippines remained as one of the fastest growing emerging economies in the region in 2017, growing at 6.7 percent in 2017, only behind China (6.9 percent) and Vietnam (6.8 percent). On the expenditure side, growth was supported by improvements in external demand due mainly to positive developments in advanced economies like US and the European Union, and recovery of trade in major Asian economies. These were enough to offset the slowdown in domestic economic activities usually experienced after an election year. On the supply side, growth was driven by the rebound in the agriculture sector with recovery in the production of crops (except for mango and coffee), livestock, and poultry.

The country's macroeconomic fundamentals remained sound, characterized by solid domestic growth, manageable inflation, and a favourable National Government (NG) fiscal position. However, expectations of the monetary policy tightening in the US, geopolitical tensions in the Middle East, and the OPEC's decision to cut the production of oil placed some pressure on prices and introduced volatility in the domestic market.

In terms of socioeconomic performance, the country saw modest gains in employment as the government continued to push for its decent work agenda. Underemployment, an indicator for quality of work, improved to 16.1 percent from 17.3 percent in 2016. Unemployment on the other hand slightly inched up to 5.7 percent in 2017, and failed to achieve the PDP target of 5.1 percent-5.4 percent for 2017.

The National Government continued to spearhead socioeconomic development through the faster implementation of its programs and projects. In 2017, the one year validity of budgetary appropriations was imposed and spending on infrastructures and other capital outlays surged to P568.8 billion or 15.4 percent growth from 2016. Moreover, personnel services and maintenance expenditures remained robust mainly on account of the phased increase of the base pay and benefits of public sector employees under Executive Order 201, s.2016 and the expansion of major social services programs of the government, such as the K to12 Program, Universal Access to Quality Tertiary Education, and the Conditional Cash Transfer Program. Due to these, underspending narrowed further to 2.9 percent of the disbursement program in 2017 from the comparable ratios of 3.6 percent in 2016 and 13.3 percent in 2014.

This 2017 Annual Fiscal Report gives an overview of the country's performance for fiscal year 2017, relative to meeting the fiscal, social and economic objectives of the National Government as laid out in its Philippine Development Plan (PDP), 2017-2022 and the government's fiscal targets as submitted to Congress. The Report is presented as follows:

- Overview of the FY 2017 National Budget
- Macroeconomic Performance
- Fiscal Performance
- Expenditure Performance
- Fiscal Outlook

II. FY 2017 National Government Budget

As the first budget crafted by the Duterte administration, the 2017 National Government Budget sets the tone and pace for the next 6 years. It defined the priorities of the government which will be pursued in order to realize the commitments of the new leadership to help achieve the Filipino's collective aspiration for a " *matatag, maginhawa, at panatag na buhay* " under the Ambisyon 2040.

Bearing the theme "A Budget for Real Change", this Budget was formulated for the people and by the people. It was designed around the following five principles: (i) just and disciplined fiscal policy; (ii) focus on social order and equitable progress; (iii) transparency or what you see is what you get; (iv) accountability to the people; and (v) local governments as able partners in development.

The 2017 Budget as approved by Congress, amounted to P3.350 trillion, which is more than double the 2010 Budget and 11.6 percent higher than the budget for FY 2016. It was crafted in such a way that the poorest sectors will benefit the most; the social services sector received the largest share of the budget of 40.3 percent, given the increased budgets for education, healthcare, and social protection. Moreover, the economic services sector received the second largest share of 27.6 percent in view of the larger budgets for roads, railways and transport projects, irrigation and agricultural development, school buildings and health facilities consistent with the "Build Build Build" program of the administration. Meanwhile, the general public services sector and debt burden got 17.2 percent and a lower 10.5 percent of the budget, respectively. As in past years, the budget for defense received the smallest share of 4.4 percent.

In terms of allocation by expense class, Personnel Services took the biggest chunk of the budget with 29.6 percent, equivalent to P990.5 billion. However, this was followed for the first time, by Infrastructure and Other Capital Outlays with its 23.1 percent share. The latter expense class grew by 15.4 percent. Lastly, Maintenance expenditures received a 16.1 percent share. This expense allocation is consistent with the administration's objective to start bridging the country's infrastructure gap which is often cited as one of the country's binding constraints.

In a nutshell, the 2017 Budget embodied the following characteristics: pro-people, pro-investment, pro-growth, and pro-development.

Coming from the relatively strong disbursement performance in 2016, executing the 2017 Budget was acknowledged to be challenging. In order not to repeat the underspending experienced in previous years, measures were adopted. The President's veto upholding the one-year validity of appropriations was enforced. Government agencies were reminded to obligate the entirety of their budget within the budget year, encouraging the agencies to actively manage the execution of their budgets and avoid complacency, a common problem for budget systems with a 2-year shelf life. The government continued implementing the "early procurement, short of award" policy, which allows departments/agencies to bid out contracts right after the National Expenditure Program (NEP) is submitted to Congress to enable program/project execution at the start of the year. The government also adopted the GAA-as-Allotment Order policy to ensure predictability in budget releasing, streamline the lengthy and often repetitive budget release process, and foster accountability among departments.

The government also continued the conditional scheme to funding local government units to promote capacity building, as well as the Open Government and Participatory approach to involve the communities and civil society organizations in the approval and monitoring of programs and projects, especially those for anti-poverty.

III. Macroeconomic and Fiscal Performance

III.1 Macroeconomic Environment

The Real Sector

The Philippine economy sustained its upward trajectory in 2017 with GDP growing at 6.7 percent, meeting the government's target of 6.5 to 7.5 percent for the period. The country ranked the third fastest growing major Asian emerging economy in 2017 after China (6.9 percent) and Vietnam (6.8 percent).

Table 1. Actual Performance versus Macroeconomic Assumptions, 2017

Particulars	2017		
	2017 BESF Initial target	2018 BESF Updated target	Actual
Nominal GDP (in Php Millions)			
Low-end	15,937,446	15,876,921	15,806,359
High-end	16,375,877	16,021,728	
Real GDP growth rate	6.5 - 7.5	6.5 - 7.5	6.7
Nominal GNI (in Php Millions			
Low-end	19,104,168	18,985,862	19,006,673
High-end	19,633,101	19,160,082	
Real GNI growth rate	5.8 - 6.8	6.3 - 7.3	6.6

Source: Department of Budget and Management - Budget of Expenditures and Sources of Financing 2017 and 2018, Fiscal Statistics Handbook

On the expenditure side, growth was supported by improvements in external demand, partially off-setting the slowdown in domestic economic activities. Positive developments in advanced economies such as the United States and European Union, and big emerging economies like China and India, along with the recovery of trade in major Asian economies propped up growth in 2017. Total exports in the national income accounts rose by 19.5 percent in 2017, from 11.6 percent in 2016, buoyed by 20.9 percent increase in merchandise exports compared to 10.7 in the previous year. Services exports on the other hand remained robust with a 14.5 percent growth, albeit slower than the 15.3 percent recorded a year ago. A slight deceleration in the growth of imports (18.1 percent from 20.2 percent) was also observed in 2017, which tempered the decline in net exports (-9 percent) relative to the significant drop in the previous year (-130 percent).

Table 2. Recent Philippines Macroeconomic Performance, 2011-2017

Particulars	2011	2012	2013	2014	2015	2016	2017
GROSS DOMESTIC PRODUCT	**3.7**	**6.7**	**7.1**	**6.1**	**6.1**	**6.9**	**6.7**
GROSS NATIONAL INCOME	**3.0**	**7.1**	**7.8**	**6.0**	**5.8**	**6.7**	**6.6**
By industrial origin							
Agri, Fishery, and Forestry	2.6	2.8	1.1	1.7	0.1	-1.2	4.0
Industry	1.9	7.3	9.2	7.8	6.4	8.0	7.2
o.w. Manufacturing	4.7	5.4	10.3	8.3	5.7	7.1	8.4
Services	4.9	7.1	7.0	6.0	6.9	7.5	6.8
By expenditure							
HFCE	5.6	6.6	5.6	5.6	6.3	7.1	5.9
GFCE	2.1	15.5	5.0	3.3	7.6	9.0	7.0
Capital formation	2.8	-4.3	27.9	4.2	18.4	24.5	9.4
o.w. Fixed capital formation	-1.9	10.8	11.8	7.2	16.9	26.1	9.5
Exports	-2.5	8.6	-1.0	12.6	8.5	11.6	19.5
Imports	-0.6	5.6	4.4	9.9	14.6	20.2	18.1

Source: Philippine Statistics Authority, revised as of 12 April 2018

As election-related spending in 2016 tapered off, domestic demand growth moderated to 6.9 percent in 2017 (from 11.4 percent a year ago). Specifically, household consumption eased to 5.9 percent from 7.1 percent in 2016, in part owing to higher inflation in 2017. Moreover, slower growth in government consumption spending (7.0 percent in 2017 from 9.0 percent in 2016) and capital formation (9.4 percent from 24.5 percent), particularly in construction (5.9 percent from 13.1 percent) and durable equipment (10.7 percent from 37.7 percent), tempered domestic demand in 2017.

On the supply side, the rebound in the agriculture sector (4.0 percent from -1.2 percent) was a welcome development as the crops sector grew by 6.5 percent from the 3.2 percent decline in 2016 led by palay, corn, and sugarcane. The recovery in crops (except for mango and coffee), livestock, and poultry production mainly influenced the positive growth in the agriculture sector in 2017. On the other hand, industry growth eased to 7.2 percent (from 8.0 percent in 2016), following the recorded deceleration in construction (5.3 percent from 12.1 percent), and utilities (3.4 percent from 9.0 percent). These offset the significant improvement of manufacturing growth (8.4 percent from 7.1 percent) and mining and quarrying (3.7 percent from 3.2 percent). Services also grew at a slower pace of 6.8 percent from 7.5 percent a year ago. In particular, trade and repair of household goods (7.3 percent from 7.6 percent), real estate and business activities (7.4 percent from 8.9 percent), transport and communication (4.0 percent from 5.3 percent), financial intermediation (7.6 percent from 7.9 percent) and other services (6.4 percent from 7.5 percent) exhibited softer growth. On a positive note, the growth in services was buoyed by public administration, defense, and social security (7.8 percent from 7.1 percent).

The pattern of economic growth in 2017 reflects a continuation of the trend of structural transformation seen over the last 6 years. That is, growth is increasingly being driven by investments vis-à-vis consumption, and by the industry sector relative to the service sector, broadening the sources of economic growth. Moreover, the higher growth of industry (particularly driven by the resurgence in manufacturing and strong public construction program) versus services has led to a rising share of industry in GDP, reversing the "de-industrialization" experienced in previous decades.

Relative to the performance over the last six years, the economy remained on solid footing in 2017 as real GDP grew by 6.7 percent, higher than the 6.1 percent annual average growth between 2011 and 2016. The country took advantage of positive developments in the global economy as exports growth significantly accelerated (19.5 percent versus 6.3 percent). However, the doubling of imports growth (18.1 percent versus 9.0 percent) brought the country's external balance to a higher deficit. On a positive note, however, import growth was driven by the increased demand for imported capital goods which is expected to contribute to the further expansion of the productive capacity of the domestic economy.

Domestic demand (6.9 percent from 7.5 percent) maintained its upbeat performance in 2017 despite the deceleration of the last few years. This slowdown is partially attributed to the tapering of the base effects from the 2016 election year, as well as the normalization of the economic cycle of the country. These factors resulted in slower growth in household consumption (5.9 percent in 2017 from 6.1 percent in 2011-2016), public consumption (7.0 percent from 7.1 percent), and capital formation (9.4 percent from 12.3 percent). Looking at the supply-side of growth, all the major sectors accelerated in 2017 compared with the last six years: agriculture (4.0 percent from 1.2 percent), industry (7.2 percent from 6.8 percent) and services (6.8 percent from 6.6 percent).

Monetary and External Trade Sectors

The Philippines' macroeconomic fundamentals remained sound, characterized by solid domestic growth, manageable inflation, and a favorable National Government (NG) fiscal position. The 2006-based headline inflation rose to 3.2 percent in 2017 from 1.8 percent in 2016. This was due to the uptick in the prices of selected food items as well as increases in the domestic oil prices and electricity rates. The 2017 inflation outturn was well within the government target range of 3.0 percent ± 1.0 percentage point.

The Bangko Sentral ng Pilipinas (BSP) maintained appropriately calibrated monetary policy settings. The BSP's steady monetary policy stance along with the favorable NG fiscal position resulted in stable domestic interest rates. The

364-day Treasury bill rate averaged 2.9 percent in 2017, higher than the 1.8-percent average rate in 2016 but well within the 2.0 – 4.0 percent DBCC assumption range for the year. The higher T-bill rate in the primary market reflected strong preference for short-term government securities given uncertainty over monetary policy in the US and other advanced economies and geopolitical concerns overseas.

The Philippine peso depreciated against the US dollar, recording an average exchange rate of P50.40/US$1 in 2017 from P47.49/US$1 in 2016. This was slightly depreciated than the adjusted exchange rate assumption of P48.00 – 50.00/US$1 in the 2018 Budget of Expenditures and Sources of Financing (BESF) and the earlier assumption of P45.00 – 48.00/US$1 in the 2017 BESF. Prospects of the monetary policy tightening in advanced economies and the higher demand for US dollars as a result of higher imports, higher resident investments abroad, and prepayment of debt, contributed to the depreciation of Philippine peso during the year. Nonetheless, the country's firm macroeconomic fundamentals along with the ample international reserves, sustained foreign exchange inflows from overseas Filipino (OF) remittances, foreign direct investments, tourist receipts, BPO receipts, and the country's investment-grade status helped provide sufficient cushion against the volatility caused by external developments, thus helping to counterbalance depreciation pressures.

Moreover, the policy rate hikes by the US Federal Reserve contributed to the increase in the 180-day LIBOR. The average 180-day LIBOR rose to 1.5 percent in 2017 from the 1.1-percent average in 2016, within the assumption range of 1.0 – 2.0 percent in the 2017 and 2018 BESF.

Meanwhile, the average price per barrel of Dubai crude oil increased to US$53.17 in 2017, from US$41.27 in the previous year. The said outturn was within the assumption range of US$40 – US$55 per barrel in the 2018 and 2017 BESF. Crude oil prices rallied for most of 2017 due largely to production cap imposed by the Organization of Petroleum Exporting Countries (OPEC) and selected non-OPEC producers (i.e., Russia). Supply outages caused by geopolitical tensions (Iraq and Kurdistan Region) and civil unrests (Libya and Venezuela) in OPEC-member countries as well as refinery shutdowns resulting from weather disturbances (including Hurricane Harvey in the United States) also contributed to the uptrend in global oil prices.

The full year 2017 trade-in-goods data likewise show the strong performance with both exports and imports growing at double-digit rates. Exports of goods rose to US$48.2 billion, or by 12.8 percent from US$42.7 billion in 2016, reversing the slight contraction of 1.1 percent in the previous year and outperforming the adjusted projected growth rate of 5.0 percent in the 2018 BESF and the initial growth rate assumption of 6.0 percent in the 2017 BESF. The expansion in goods exports was due largely to higher shipments of manufactured goods and mineral products, which registered double-digit growth rates of 10.3 percent and 72.4 percent, respectively. Exports of manufactures totalled US$36.8 billion during the year, boosted by higher shipments of non-consigned electronics (including other electronics), and machinery and transport equipment. Meanwhile, exports of mineral products amounted to US$4.1 billion, on account of higher demand for copper metal and gold as a result of increased exports volume and higher world market prices.

Meanwhile, the imports of goods reached US$89.4 billion in 2017, growing by 14.2 percent from US$78.3 billion the year ago, surpassing the 10.0 percent growth projection for the year. The upturn was accounted for mainly by higher imports of raw materials and intermediate goods (16.7 percent), and mineral fuels and lubricant (32.9 percent). Improved imports of raw materials and intermediate goods emanated largely from imports of semi-processed raw materials, particularly manufactured goods (14.4 percent), notably iron and steel, as well as materials and accessories for the manufacture of non-consigned electronic products (22.4 percent). The growth in imports of mineral fuels and lubricants was due to the higher consumption of petroleum crude, and mineral fuels and lubricant. The imports of consumer goods also increased (8.4 percent), spurred by purchases of durables, particularly passenger cars and motorized cycles, and miscellaneous manufactures.

Table 3. 2017 Actual Performance versus Macroeconomic Assumptions

Particulars	2017		
	2017 BESF	2018 BESF	Actual
	Initial Projections	Adjusted/Updated	
Inflation (%)	2.0 - 4.0	2.0 - 4.0	3.2
364-day T-bill rate (%) a/	2.5 - 4.0	2.5 - 4.0	2.9
Foreign exchange rate (P/US$1)	45.00 - 48.00	48.00 - 50.00	50.40
180-day LIBOR (%)	1.0 - 2.0	1.0 - 2.0	1.5
Dubai crude oil price (US$/barrel)	40.00 - 55.00	40.00 - 55.00	53.17
Goods exports growth (%) b/	6.0	5.0	12.8
Goods imports growth (%) b/	10.0	10.0	14.2

a/ Based on primary market rates

b/ Based on Balance of Payments and International Investment Position Manual, 6th edition (BPM6)

Note: Actual data for 2017 are annual averages

Sources: DBM, BTr, BSP

Employment

Against the backdrop of sustained growth momentum, modest gains were observed in the country's employment situation as the country followed its decent work agenda.

The national underemployment rate reached its lowest at 16.1 percent in 2017 from 18.3 percent in 2016, signifying improved quality of work for the period. Consistent with this, the underemployment rate in areas outside of NCR (AONCR) also declined to 17.1 percent in 2017, from 19.7 percent in 2016, beating the PDP target of 18.3-20.3 percent for 2017. This indicates that the improvement in the quality of work is geographically broad-based and in line with government effort to decongest NCR and to stimulate economic activities in other regions.

Table 4. Actual Performance versus PDP Employment Target, 2017-2019

Indicators	Baseline value	Plan targets			Actual
		2017	2018	2019	2017
Unemployment rate (%) decreased	5.4 (2016)	5.1 - 5.4	4.7 - 5.3	4.3 - 5.3	5.7
Youth unemployment rate (%) decreased	11.5 (Oct 2016)	11.0	10.4	9.8	11.9 (Oct 2017)
Underemployment rate in areas outside NCR (%) decreased	19.7 (2016)	18.3 - 20.3	17.8 - 19.8	17.4 - 19.4	17.1
Employment generated increased	n.a. (2016)	900,000 to 1.1 Mn	900,000 to 1.1 Mn	900,000 to 1.1 Mn	-663,243

Source: PSA - Labor Force Survey (LFS); Notes: (i) Youth unemployment rate targets used the October rounds of the LFS as the reference period; (ii) Employment generated for 2016 is not available given the incomparability of data from 2015 due to the change in the master sample design.

On the other hand, there were some missed employment-related targets in 2017. The unemployment rate slightly inched up to 5.7 percent in 2017 from 5.5 percent in 2016, short of the PDP target of 5.1-5.4 percent in 2017. In the same manner, youth unemployment rate inched up to 11.9 percent in 2017 from 11.6 percent in 2016, failing to achieve the PDP target of 11.0 percent in 2017[1]. The missed targets highlight the need to strengthen human capital interventions for the youth, as well as improve the employment creation opportunities in the economy by addressing labor market rigidities, as well as removing foreign investment limits in various sectors.

Meanwhile the country experienced weak employment growth in 2017 as reflected by the employment losses in agriculture and services sector, as the number of unpaid family workers in these sectors were reduced. The reduction of child workers in agriculture (probably due to their return to school), which was observed in previous years, may have continued given the incentives from

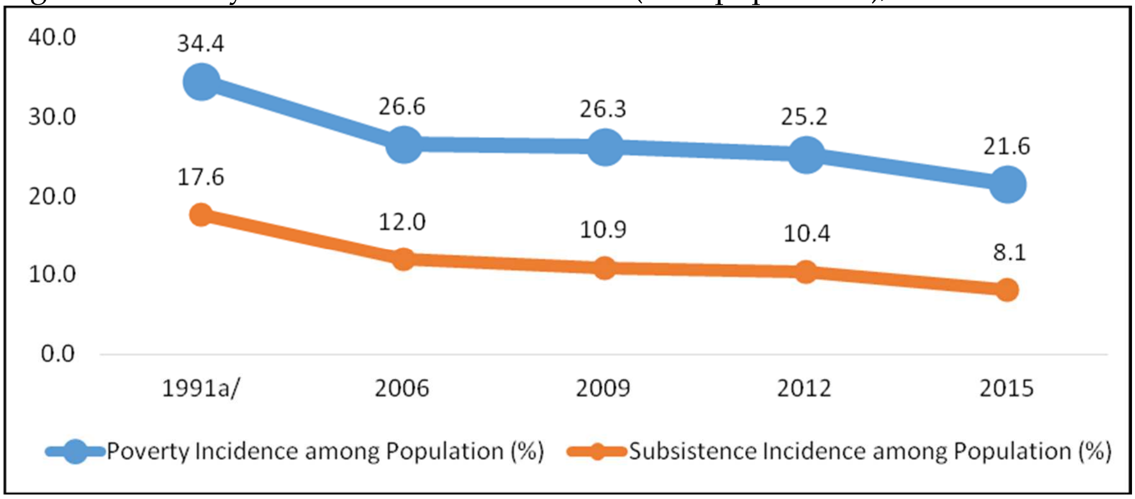
[1] The youth unemployment rate reports the October 2016 and October 2017 values. Other employment indicators report full year 2016 and 2017 values.

the conditional cash transfers program. The labor market condition in 2017 may have also been affected by stricter policies on contractualization.

Poverty

The Philippines significantly advanced in terms of bringing down its poverty incidence[2]. From a baseline of 26.3 percent poverty incidence among population in 2009, the actual rate of 21.6 percent registered in 2015, achieving the previous PDP target range of 20-23 percent for 2015. In the same manner, extreme poverty, as measured by subsistence incidence or the proportion of the population who could not afford to meet their basic food requirements, also declined from 10.9 percent of population in 2009 to 8.1 percent in 2015.

Figure 1. Poverty and Subsistence Incidence (% of population), 1991-2015



There were many factors at work that may explain these favourable developments. First, the economy experienced a stable inflation environment during the period, as evidenced by slower price adjustments from an average of 12.1 percent in 2009-2012 to 8.8 percent in 2015. Second, per capita income growth for the bottom 30 percent of households (poorest households) grew faster at an average of 24.3 percent in 2012-2015, relative to the average for all income groups (15.8 percent). The stable prices in tandem with the faster increase in per capita income of the poor resulted in the higher purchasing power of the poor during the period. Lastly, the continued implementation of the government's social programs (i.e., CCT, KALAHI-CIDSS, and the Sustainable Livelihood Program) provided additional support in coping with major shocks and may have helped some to diversify livelihood sources.

[2] The latest poverty incidence used in the report is released in 2015. In the past, the poverty incidence in the country is released every three years, although there are agreements made to release the poverty results every two years, moving forward. The next release of poverty incidence is expected in 2018.

Other indicators, such as per capita income and food inflation, were also adopted in the Philippine Development Plan (PDP) 2017-2022 as supplemental measures to measure the welfare of Filipinos over time.

In particular, growth of GNI per capita has increased from 4.1 percent in 2015 to 4.8 percent in 2017, above the 4.5 percent growth target set for 2017. This is on the back of meeting the GDP target of 6.5-7.5 percent set by the government for 2017. Meanwhile, food inflation has increased from 2.6 percent in 2016 to 3.7 percent in 2017 (though remaining within target) on account of higher fish, meat and rice prices.

Table 5.Select PDP 2017-2022 Core Indicators, Targets vs Actual, 2017-2019

Indicators	Baseline value	Plan targets			Actual
		2017	2018	2019	2017
GNI per capita (growth rates) increased	4.1 (2015)	4.5	5.0	5.0	4.8
Poverty incidence (%) reduced	21.6 (2015)	n/a	17.3 - 19.3	n/a	n/a
Rural poverty incidence (%) reduced	29.8 (2015)	n/a	25.6	n/a	n/a
Subsistence poverty incidence (%) reduced	8.1 (2015)	n/a	6.8	n/a	n/a
Food inflation (%)* kept stable	2.6 (2016)	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	3.8

*Figures were derived from 2006-based CPI.
Source: Philippine Development Plan (PDP) 2017-2022

III.2 Fiscal Performance

The National Government (NG) fiscal deficit for 2017 decreased to 2.2 percent of GDP, lower than 2016's 2.4 percent, and amounted to P350.6 billion. NG expenditures reflected a 10.8 percent growth from 2016, while revenue collections grew faster by 12.6 percent.

III.2.1 Revenue Performance

For 2017, total revenues amounted to P2,473.1 billion, 12.6 percent higher than the 2016 collection of P2,195.9 billion, and surpassing the 2017 full year program by 1.9 percent after 10 years. Relative to GDP, total revenues reached 15.6 percent compared to 15.2 percent a year before. Tax revenues made up 91.0 percent of total revenues.

Table 6. National Government Fiscal Position, 2016-2017
(in billion pesos)

Particulars	2016	2017		Variance	Growth rate
	Actual	Program	Actual	2017 vs Prog.	2017 vs 2016
Total Revenues	**2,195.9**	**2,426.9**	**2,473.1**	**1.9%**	**12.6%**
Revenue effort	*15.2%*	*15.3%*	*15.6%*		
Tax revenues	1,980.4	2,258.4	2,250.7	-0.3%	**13.6%**
Tax effort	*13.7%*	*14.2%*	*14.2%*		
Non-tax revenues	214.9	166.5	221.6	33.1%	**3.1%**
Privatization	0.7	2.0	0.8	-58.5%	**26.3%**
Expenditure	**2,549.3**	**2,909.0**	**2,823.8**	**-2.9%**	**10.8%**
Surplus/(Deficit)	**(353.4)**	**(482.1)**	**(350.6)**	**-27.3%**	**-0.8%**
% of GDP	*-2.4%*	*-3.0%*	*-2.2%*		

Tax revenues reached P2,250.7 billion, growing faster by 13.6 percent or P270.3 billion higher than the P1,980.4 billion revenues in 2016. The tax effort increased to 14.2 percent in 2017 from 13.7 percent in 2016. The Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) raised collections by a noteworthy 13.1 percent and 15.6 percent respectively.

Non-tax revenues totalled P221.6 billion, which was 3.1 percent higher than the 2016 level of P214.9 billion. These include collections from fees and charges, income of the Bureau of Treasury (BTr), collections from Government-Owned and Controlled Corporations (GOCCs), and other non-tax revenues such as Malampaya royalties.

The BTr collections decreased year-on-year by 1.8 percent which resulted from the lower income from BSF/SSF investments and NG deposits with the rationalized assets holdings of the BSF, and also lower cash holdings and deposits. However, the BTr still exceeded its target by 70.5 percent given the higher collections from PAGCOR and dividends on NG shares of stocks.

Total remittances from the government's privatization program increased by 26.3 percent in 2017 although it zfell short of its P2.0 billion target.

BIR Collection in 2017

The BIR collected P1,772.3 billion, net of tax refund, with a growth of 13.1 percent from 2016. BIR paid out tax refunds amounting to P8.57 billion in 2016 and P8.48 billion in 2017. BIR fell short of collecting its target of P1,782.8 billion by 0.6 percent.

Table 7. BIR Collection, 2016-2017
(in billion pesos)

Particulars	2016	2017		Variance (2017 vs Prog.)	Growth (2017 vs 2016)
	Actual	Program	Actual		
Total BIR Collections	**1,567.30**	**1,782.84**	**1,772.32**	**-0.6%**	**13.1%**
Taxes on income and profits	924.59	1,079.65	1,028.64	-4.7%	11.3%
o.w. Individual income tax	343.86	350.65	390.85	11.5%	13.7%
Taxes on property	6.64	6.51	7.47	14.7%	12.5%
Taxes on domestic goods and services	644.65	696.67	744.70	6.9%	15.5%
Value-added tax	331.42	360.62	365.24	1.3%	10.2%
Excise taxes	163.51	162.47	209.49	28.9%	28.1%
Percentage taxes	64.62	74.04	76.04	2.7%	17.7%
Franchise taxes	0.51	0.37	0.57	54.1%	12.0%
Documentary stamp tax	80.20	94.74	85.92	-9.3%	7.1%
Other taxes	4.40	4.43	7.45	68.1%	69.3%
Tax refund	(8.57)	(15.00)	(8.48)	-43.5%	-1.0%

The growth of BIR collections resulted from the strict enforcement of tax laws and continuing priority programs, such as the Run After Tax Evaders (RATE), Oplan Kandado and other enforcement activities, including the Tax Compliance Verification Drive (TCVD), stocktaking operations, post-evaluation of Cash Register Machines (CRM)/Point-of-Sales Machines (POS), increased collection from delinquent accounts, and the Bureau's intensified audit program.

BOC Collections in 2017

Total BOC collections grew by 15.6 percent in 2017, reaching a total of P458.2 billion. The bureau collected 99.7 percent of its revised target of P459.6 billion.

Table 8. BOC Collection, 2016-2017
(in billion pesos)

Particulars	2016	2017		Variance	Growth
	Actual	Program	Actual	(2017 vs Prog.)	(2017 vs 2016)
Total BOC Collections	**396.37**	**459.64**	**458.18**	**-0.3%**	**15.6%**
o.w. TEF	7.75	1.50	1.44	-4.0%	-81.4%
Import duties	**57.51**	**55.95**	**64.43**	**15.2%**	**12.0%**
Non-oil	57.50	55.95	64.43	15.2%	12.0%
Oil	0.01	-	0.00	0.0%	-50.7%
Value-added tax	**287.70**	**363.83**	**326.84**	**-10.2%**	**13.6%**
Non-oil	247.04	304.65	269.84	-11.4%	9.2%
Oil	40.66	59.19	57.01	-3.7%	40.2%
Crude oil	**14.79**	25.73	20.11	-21.8%	36.0%
Oil products	25.87	33.46	36.89	10.3%	42.6%
Excise	**45.29**	**39.86**	**59.38**	**49.0%**	**31.1%**
Non-oil	34.42	23.11	43.79	89.5%	27.2%
Oil	10.87	16.75	15.58	0.0%	43.4%
Others	**5.88**	-	**7.53**	**0.0%**	**28.1%**

Import duties grew by 12.0 percent from 2016. In spite of the lowering of duties imposed on imported goods, BOC was able to collect a total of P64.4 billion from tariff duties due to improved valuation and application of correct tariff classification.

On the other hand, import taxes, comprising of VAT and excise tax, accounted for 84.3 percent of BOC's collections. VAT on goods brought in P269.84 billion for the year, 9.2 percent higher than the 2016 level, while VAT on oil products fetched P57.0 billion, higher by 40.2 percent due to depreciation, oil price increase and the stable demand for oil products. Likewise, the 31.1 percent growth in excise tax was on account of higher excisable imports, particularly motor vehicles.

III.2.2 Borrowing Performance

National Government Financing

In 2017, the National Government (NG) raised P901.7 billion in gross financing from external and domestic sources to cover the budget deficit of P350.6 billion and the refinancing requirement of P142.7 billion, including the P58.0 billion used to buyback outstanding debt. The actual gross financing was higher than the revised full year program of P727.7 billion mainly due to the issuance of

Retail Treasury Bonds (RTB) to prefund some of the requirements for 2018, taking advantage of ample market liquidity and favorable rates.

Table 9. National Government Financing
(in million pesos)

Particulars	2017				Difference	
	Program[1/]	Revised Program[2/]	Actual		level	%
NET FINANCING	**542,009**	**584,780**	**758,929**		**174,149**	**29.8%**
External Borrowing (Net)	42,777	43,170	27,569		(15,601)	-36.1%
External Borrowing (Gross)	126,259	182,770	168,103		(14,667)	-8.0%
Project Loans	34,080	30,300	33,424		3,124	10.3%
Program Loans	68,179	42,470	35,113		(7,357)	-17.3%
Bonds and other inflows	24,000	110,000	99,566	3/	(10,434)	-9.5%
Less: Amortization	83,482	139,600	140,534	4/	934	0.7%
Domestic Borrowing (Net)	499,232	541,610	731,360		189,750	35.0%
Domestic Borrowing (Gross)	505,035	544,969	733,569		188,600	34.6%
Treasury Bills	40,000	54,969	26,433		(28,536)	-51.9%
Retail Treasury Bonds	-	-	437,103		437,103	
Treasury Bonds	465,035	490,000	270,033		(219,967)	-44.9%
Less: Net Amortization	5,803	3,359	2,209		(1,150)	-34.2%
Amortization	232,987	230,543	229,392		(1,151)	
o/w serviced by BSF[5/]	227,184	227,184	227,183		(1)	
GROSS FINANCING	**631,294**	**727,739**	**901,672**		**173,933**	
Financing Mix (% of total)						
External	20%	25%	19%			
Domestic	80%	75%	81%			

1/ Based on BESF 2017 Table D.1
2/ Based on BESF 2018 Table D.1
3/ Includes proceeds used to prepay outstanding bonds in bond exchange transactions
4/ Includes prepayments made through bond exchange transactions
5/ Actual redemption from Sinking Fund

Source: Bureau of the Treasury

Of the total gross financing, P733.6 billion or 81.4 percent was sourced from domestic lenders while P168.1 billion was raised externally through availments of concessional loans from development partners and the issuance of dollar bonds in the international capital market. The 2017 turnout reflects an 81:19 split between domestic and external borrowings in keeping with the government's strategy of minimizing foreign exchange risks and supporting local debt market development.

The bulk of the domestic borrowing was raised through the issuance of P431.1 billion (RTB) issued in April and in December amounting to P181.9 billion P255.3 billion respectively. As mentioned, the latter fund raising was made to prefund some of the 2018 financing requirements. The issuance of 3-, 5-, 7-, 10- and 20-year treasury bonds accounted for P270.0 billion. On the other hand, gross treasury bills floatation amounted to P291.1 billion while redemptions amounted to P264.6 billion, leaving P26.4 billion for financing the deficit.

With respect to external financing, the majority of the gross borrowings was sourced from the international market through the issuance of USD2.0 billion (P99.6 billion) Global Bonds in February - the first for the Duterte administration. Of the total amount, USD1.5 billion was used to buyback previously issued expensive debt through a switch tender offer. Meanwhile, program loans from the Asian Development Bank (ADB) and the International Bank for Reconstruction and Development (IBRD) comprised the majority of loan availments, specifically: (1) USD250 million or P12.7 billion from ADB's *Local Government Finance and Fiscal Decentralization Reform Project* and (2) USD220 million or P10.9 billion from IBRD's *Philippine Social Welfare Development and Reform Project*. Project loans disbursements improved to US$690 million from $392 million in 2016.

The emerging 2018 financing program sets 65 percent to be strategically sourced from domestic sources, net of the pre-funding raised in 2017. With the government's drive to increase spending for infrastructure as well as social services, the Department of Finance has started to explore new modes of financing, specifically hybrid financing, which utilizes Official Development Assistance (ODA) and multilateral agency loans to fund the infrastructure push. The Government has also begun exploring the issuance of bonds in other jurisdictions such as the Chinese market and a possible issuance of Samurai bonds in Japan. These serve to both widen and diversify the investor base of Government debt instruments, taking advantage of natural hedges provided by ODA flows to mitigate against currency mismatches.

National Government Debt

The National Government's outstanding debt as of end-2017 was recorded at P6,652.43 billion, registering a 9.25 percent or P562.17 billion increase from its level a year ago. Of the total, 68.34 percent is in local currency, considerably improving from 66.32 percent a year ago in line with the borrowing strategy's bias towards domestic sources of financing.

NG debt as a proportion of GDP sustained its level at 42.1 percent against the initial government target of 40.7 percent. The difference vis-a-vis the program is due to the lower-than-programmed nominal GDP and the pre-funding exercise in December. Nevertheless, the structure and characteristics of NG's debt portfolio has maintained a prudent exposure to market risks.

- The currency composition indicates moderate and improving exposure to foreign exchange risks. Based on value, Peso-denominated obligations increased to 68.34 percent of the total from 66.32 percent in 2016; followed by USD, JPY and EUR at 26.14 percent, 4.59 percent, and 0.48 percent, respectively.

- The weighted average interest rate (WAIR) for total NG Debt has remained low and stable at 4.89 percent from 4.99 percent at the beginning of the year. Over the same period, the WAIR for domestic debt has gone down to 5.13 percent from 5.24 percent while that of external debt is at 4.41 percent from 4.54 percent.

- Only 8.31 percent of the total debt portfolio is subject to resetting. This limits the sensitivity of interest payments to volatile market conditions.

- Average maturity of 9.80 years lies at the upper bound of the 7-10 year strategic target. Domestic and external debt have remaining maturities of 7.75 and 12.05 years, respectively.

The level of debt is projected to remain manageable despite the higher funding requirement from the various development initiatives of the National Government. Going forward, sustained economic growth will support the sustainability of debt, allowing for the further improvement of debt levels relative to the trajectory of the economy.

Table 10. National Government Debt
(in million pesos)

Particulars	2016	2017	Difference	Variance
Total	6,090,262	6,652,430	562,168	9.2%
External[1/]	2,156,165	2,211,170	55,005	2.6%
Domestic	3,934,097	4,441,260	507,163	12.9%
% of Total				
External	35.40%	33.24%		
Domestic	64.60%	66.76%		
% of GDP	42.06%	42.11%		
External	14.89%	14.00%		
Domestic	27.17%	28.11%		
Currency Breakdown				
Foreign	34%	32%		
Local[2/]	66%	68%		
Interest Rate Mix	100.00%	100.00%		
Fixed	91.23%	91.57%		
Floating	8.64%	8.31%		
Interest Free	0.13%	0.12%		
Weighted Average Interest Rate	4.99%	4.89%		
External	4.54%	4.41%		
Domestic	5.24%	5.13%		
Average Maturity (years)[3/]	10.05	10.05		
External	12.17	12.05		
Domestic	8.73	7.75		
Total Interest Payments (IP)	304,454	310,541	6,087	2.0%
External	99,028	100,065	1,037	1.0%
Domestic	205,426	210,476	5,050	2.5%
% of GDP				
Total IP	1.93%	1.97%		
External	0.63%	0.63%		
Domestic	1.30%	1.33%		
% of NG Expenditures				
Total IP	10.78%	11.00%		
External	3.51%	3.54%		
Domestic	7.27%	7.45%		
% of NG Revenues				
Total IP	12.31%	12.56%		
External	4.00%	4.05%		
Domestic	8.31%	8.51%		
Memo Items:				
GDP	14,480,720	15,797,503		
PESO/USD	49.77	49.96		
Expenditures	2,549,336	2,823,769		
Revenues	2,195,914	2,473,132		

Note:

1/ Based on jurisdiction of issuance

2/ Based on currency of issuance

3/ Average Maturity measured in years on a residual basis

III.2.3 Disbursement Performance

National Government spending in 2017 remained robust amidst faster personnel services, maintenance expenditures and infrastructure and other capital outlays. Despite the base effects of election spending in 2016, disbursements as of end-December 2017 reached P2,823.8 billion, registering a 10.8 percent year-on-year growth. This compares to the annual growth rates of 7.7 percent and 2.3 percent posted in similar post-Presidential election period in 2005 and 2011, respectively.

Table 11. National Government Disbursements, January-December 2017
(in billion pesos)

Expenditure Class	January to December			Variance		Increase/(Decrease)	
	2016 Actual*	2017 Program	2017 Actual	Amt	%	Amt	%
Current Operating Expenditures	1,909.3	2,195.6	2,113.9	(81.6)	*(3.7)*	204.6	*10.7*
Personnel Services	723.2	882.4	808.4	(74.0)	*(8.4)*	85.2	*11.8*
MOOE	419.8	474.5	465.4	(9.1)	*(1.9)*	45.5	*10.8*
Subsidy	103.2	95.5	131.1	35.6	*37.3*	27.9	*27.0*
Allotment to LGUs	342.9	392.3	390.2	(2.1)	*(0.5)*	47.2	*13.8*
Interest Payments	304.5	334.9	310.5	(24.3)	*(7.3)*	6.1	*2.0*
Tax Expenditure Fund	15.7	16.0	8.3	(7.7)	*(47.9)*	(7.4)	*(47.1)*
Capital Outlays	624.7	696.6	714.1	17.4	*2.5*	89.4	*14.3*
Infrastructure and Other CO	493.0	549.4	568.8	19.4	*3.5*	75.8	*15.4*
Equity	11.7	4.1	5.4	1.3	*30.8*	(6.3)	*(54.1)*
Capital Transfers to LGUs	120.0	143.2	140.0	(3.2)	*(2.3)*	19.9	*16.6*
Net Lending	15.3	16.8	(4.2)	(21.0)	*(125.3)*	(19.5)	*(127.7)*
Total	**2,549.3**	**2,909.0**	**2,823.8**	**(85.2)**	***(2.9)***	**274.4**	***10.8***

*The *Local Government Support Fund* was reclassified under the Allotment to LGUs and Capital Transfers to LGUs. This was previously treated as part of NG MOOE.

Personnel services expenditures amounted to P808.4 billion (11.8 percent year-on-year) owing to the creation and filling of positions in various agencies and increase in the base pay and benefits of public sector employees pursuant to the second year implementation of EO No. 201, s.2016. Maintenance spending, meanwhile, reached P465.4 billion (10.8 percent year-on-year) mainly on account of social services programs of the government, namely K to 12 Program, tertiary education, banner health programs and the Conditional Cash Transfer Program. Infrastructure and Other Capital Expenditures rose strongly to P569 billion (15.4 percent year-on-year) at the back of faster implementation of road infrastructure projects of the DPWH and completion or delivery of other capital outlay projects of the DND (AFP Modernization Program), DILG-PNP (Capability Enhancement Program) and DepEd and various SUCs (repair and rehabilitation of school facilities).

Underspending narrowed down to 2.9 percent of the disbursement program in 2017, even while procurement issues and other bottlenecks remained. Total disbursements fell short of the P2,909.0 billion 2017 full-year program by P85.2 billion or a mere 2.9 percent, down from the 3.6 (P96.3 billion) percent recorded in 2016, and significantly lower than the 13.3 percent (P302.7 billion) and 12.8 percent (P328.3 billion) posted in 2014 and 2015, respectively.

This underspending is even lower at 1.6 percent (P40 billion) of the total disbursement program when debt burden – both Interest Payments and Net Lending – is excluded. Infrastructure and Other Capital Expenditures and Subsidy exceeded their respective programs for the year due to the acceleration of infrastructure projects of the DPWH and faster billing claims from contractors of NIA and NHA, respectively.

Total disbursements could have been higher and the full-year target would have been met if not for the large underspending posted in personnel services (P74.0 billion) due to delays in creation or filling of positions in various agencies and minimal claims for pension and retirement benefits. Likewise, procurement difficulties such as failure of biddings, and billing issues due to incomplete or non-submission of supporting documents by suppliers/beneficiaries resulted in lower-than-programmed disbursements.

The National Government continued to spend less on non-discretionary expenditures due to savings in Interest Payments, Tax Subsidies and Net Lending. Savings were generated from interest payments (P24.3 billion) due to bond exchange transactions; from net lending (P21.0 billion) mainly from the repayments received from PSALM; and from tax expenditures (P7.7 billion) due to minimal availment from NGAs and other government corporations. The three expenditure items, however, had a combined effect of accounting for P53.0 billion (or 62.2 percent) of the P85.2 billion underspending for the year.

IV. National Government Expenditure Performance

IV.1 Allotment Releases and Obligations

For 2017, the total appropriations available to National Government Agencies (NGA), Government-Owned and –Controlled Corporations (GOCCs) and Local Government Units (LGUs) amounted to P3,703.7 billion. This is composed of the P3,348.5 billion Current Year's budget[3] and some P355.2

[3] Inclusive of the adjustments consistent with the special provision of the 2017 General Appropriations Act (GAA), realignments to allotment classes, as well as releases to implementing agencies from the Special Purpose Funds (SPFs), Unprogammed Fund, Automatic Appropriations

billion from Continuing Appropriations in 2016 which remain valid until December 31, 2017.

Table 12. Statement of Appropriations, Allotments and Obligations (in billions)

Particulars	Available Appropriations [1]	Allotment Releases[2]	Actual Obligations	Unobligated Balances	Obligation Rate [3]	Disbursements [4]
National Government Agencies	2,486.2	2,419.7	2,276.1	143.6	*94.1*	1,850.9 [5]
Special Purpose Funds (SPFs)	882.6	729.0	728.7	0.3	*100.0*	666.5
GOCCs	175.9	167.1	167.1	-	*100.0*	136.4
ALGUs	592.6	561.9	561.6	0.3	*99.9*	530.1
Other SPFs	114.1	-	-	-	-	-
Automatic Appropriations	334.9	334.9	310.5	24.3	*92.7*	306.3
Net Lending	-	-	-	-	-	(4.2)
Interest Payments	334.9	334.9	310.5	24.3	*92.7*	310.5
Other Automatic	(0.0)	-	-	-	-	-
Total	3,703.7	3,483.6	3,315.3	168.2	*95.2*	2,823.7
By Funding Source	3,703.7	3,483.6	3,315.3	168.2		
Current Year	3,348.5	3,163.3	3,045.9	117.5	-	-
Continuing Appropriations	355.2	320.2	269.5	50.8	-	-

[1]Includes adjustments per Special Provisions in the GAA, realignments of allotment classes and releases to implementing units from SPFs, Unprogrammed and Automatic Appropriations.
[2]Includes the P237.7 billion unobligated allotment released in 2016.
[3]Percentage of obligations vs allotment releases.
[4]Based on the Cash Operations Report of the Bureau of the Treasury.
[5]Includes P8.3 billion Tax Expenditure Subsidy

SOURCE: Statement of Allotments and Obligations, DBM and Cash Operations Report, BTr

Of the available appropriations, allotment releases totalled to P3,483.6 billion as of end-December 2017. The bulk of these releases were made to NGAs amounting to P2,419.7 billion (69.5 percent) followed by LGUs at P561.6 billion (16.1 percent), Creditors for interest payments at P334.9 billion (9.6 percent) and GOCCs amounting to P167.1 billion (4.8 percent).

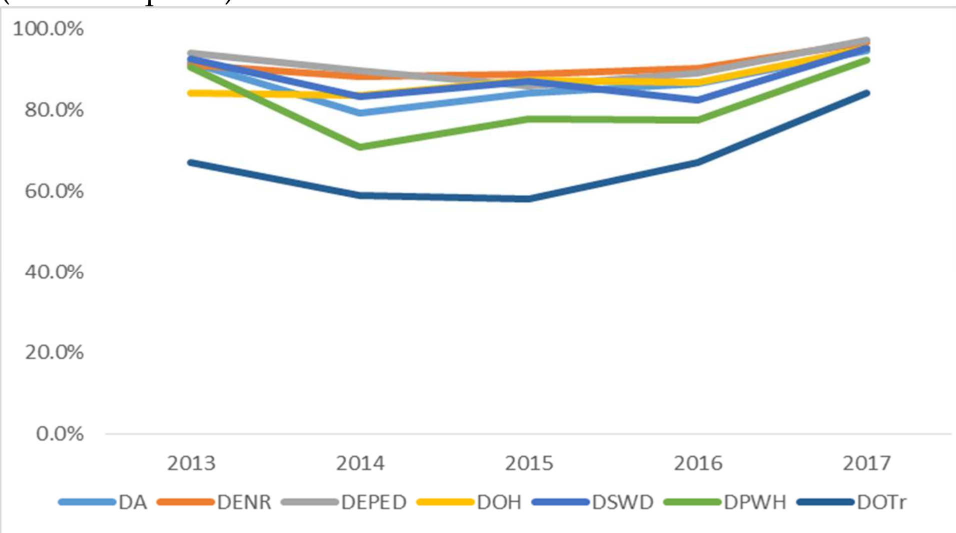
In terms of funding source, P3,163.3 billion or 90.8 percent of the total allotment releases was charged against the Current Year's budget, while the remaining P320.2 billion[4] or 9.2 percent was from the 2016 Continuing Appropriations.

The DBM comprehensively released some P1,643.9 billion, representing 68 percent of the total releases to NGAs, at the first working day of 2017 pursuant to the National Budget Circular No. 567 dated January 3, 2017[5] to help implementing agencies obligate their funds faster.

[4] Inclusive of P237.7 billion unobligated allotments released in 2016
[5] See issuance at https://www.dbm.gov.ph/wp-content/uploads/Issuances/2017/National%20Budget%20Circular/NBC-567.pdf and Summary of FY 2017 Fund Releases at https://www.dbm.gov.ph/wp-content/uploads/Issuances/2017/National%20Budget%20Circular/SUMMARY%20OF%20FY%202017%20FUND%20RELEASE.pdf

Actual obligations reached P3,315.3 billion in 2017, representing 95.2 percent of the P3,483.6 allotment releases for the year. Actual obligations of NGAs, meanwhile, stood at P2,276.1 billion, representing an obligation rate[6] of 94.1 percent, which is about 10 percentage points higher than the 84.5 percent total obligation rate of NGAs posted in 2016 and 7 percentage points better compared to the five-year average of 87.2 percent. This marked improvement can be attributed to the adoption of the one year validity of appropriations where unused appropriations and unobligated allotments revert to the General Fund by December 31. This policy aimed to discipline line agencies and compel them to utilize their budget (contract out) for specific programs, activities and projects as appropriated in the GAA. Appropriations for maintenance expenditures and capital outlays for 2016 however, were still valid until the end of 2017. In effect, FY 2017 was a transition year during which line agencies were executing two budgets during the fiscal year – the current year's budget and the continuing appropriations from 2016.

Figure 2. Five-Year Obligation Rate of Selected Big-Spending Departments (in billion pesos)



With the one-year validity of appropriations, the obligation rate of big-spending agencies, as shown in Figure 2 above, significantly improved in 2017. Notably, the obligation rate of the DPWH and DOTr (bottom two lines in the chart) which averaged to below 85 percent and 70 percent in the past five years, respectively, rose to 92.1 percent and 84.1 percent in 2017.

[6] Percentage of obligations vs allotment releases

Against the allotment releases, some P2,554.3 billion of Notice of Cash Allocations (NCAs)[7] where released in 2017, in accordance with the Monthly Disbursement Programs submitted by the departments and agencies. As reported by the Bureau of the Treasury, NG disbursements reached P2,823.8 billion, comprised of P2,356.3 billion NCA disbursements[8] and P467.5 billion Non-NCA disbursements. NCA disbursements represent 92.2 percent of the NCAs released, slightly lower when compared to the 93.6 percent disbursement ratio to NCAs in 2016.

Meanwhile, total NG disbursements represent 85.2 percent of the total obligations incurred in 2017. This compares to 95.0 percent in 2016 and the 93.0 percent average disbursements to obligations ratio from 2013 to 2017. This sudden downward trend is due to the higher obligations made by line agencies in 2017, which grew by 23.6 percent from P2,682.8 billion in 2016 following the one-year validity of appropriations. In contrast, disbursements only grew by 10.8 percent year-on-year. It is expected, however, that with the improvement in agency obligation rates in 2017, disbursements will increase in the succeeding years as payments for contracts entered into become due and demandable.

The details of the financial and the physical performance of big-spending agencies are discussed in the succeeding sections.

[7] Excludes disbursement authorities for Non-Notice of Cash Allocations items such as Cash Disbursement Ceiling, Non-Cash Availment Authority, Tax Remittance Advice, Interest Payments, Net Lending and Tax Expenditure Fund.

[8] Pertain to disbursements through the use of NCAs. NCA is a cash authority issued by the DBM to central, regional and provincial offices and operating units through the authorized Modified Disbursement Scheme-Government Servicing Banks, to cover the cash requirements of agencies.

IV.2 Financial and Physical Performance of Selected Major Programs and Projects, by Department, as of December 31, 2017

Department of Agrarian Reform

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DAR	14.3	8.2	57.4%	13.6	10.6	77.7%

Financial Performance. DAR showed significant improvement in its financial performance, with its obligation rate rising up to 77.7 percent in 2017 from 57.4 percent in 2016. However, its disbursement rate (ratio of total disbursements to obligations) declined to P8.3 billion or 78.2 percent in 2017 compared to P7.2 billion or 88.3 percent in 2016.

Broken down by source of appropriation, improvements can be seen in the performance of both the Agency Specific Budget and Foreign-Assisted Projects (FAPs). The obligation to allotment rate for the Agency Specific Budget increased to 78.8 percent from 61 percent bolstered by improvements implemented in its Land Tenure Services (LTS) and Agrarian Reform Beneficiaries Development and Sustainability Program, despite the changes in the DAR leadership. As for FAPs, obligation to allotment rates recorded a substantial improvement at 74.2 percent in 2017, doubling its 30 percent obligation rate in 2016, although disbursement rates stayed at 44-45 percent. However, much is to be desired in the utilization of the Fund for Agrarian Reform Education (FARE) since only P372,000 was obligated out of its P2.3 million allotment.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
MFO 2: Land Tenure Services				
No. of hectares for distribution	28,636 has	48,588 has[2/]	34,567 has	71.1%
No. of landholdings (LHs) for documentation[1/]	30,385 has	12,743 has	4,948 has	38.8%
MFO 4: Technical Advisory Services (Support Services)				
No. of Agrarian Reform Beneficiaries (ARBs) trained in ARCs and Non-ARCs	517,746 ARBs	380,785 ARBs	517,221 ARBs	135.8%

1/ "No.of hectares for acquisition" under the FY 2016 GAA

2/ Adjusted from the original target of 95,000 has in the GAA due to reallocation of P277 million from LTS to Support Services (Common Service Facilities)

Physical accomplishment. DAR exceeded its targets for all MFO indicators except for the two (2) under its Land Tenure Services (LTS). Though the Department's efforts yielded 34,567 has. of distributed land, higher than its accomplishment of 28,636 has. in 2016 by 20.7 percent, this is still below the 48,588 has. target. On the other hand, the targeted number of landholdings (LHs) for documentation decreased relative to the 2016 accomplishment (registering a mere 16.3 percent of the 2016 level), and the actual accomplishment fell below the target of 12,743 has. managing to accomplish only 38.8 percent or 4,948 has documented. Meanwhile, LTS implementation experienced delays due to changes in leadership in Field Operations Office (FOO), along with the incomplete implementation of the Department's approved staffing under the Rationalization Plan, and issues in procurement and documentary requirements. In terms of the Department's staffing based on approved Rationalization Plan, only 71.7 percent of the approved positions had been filled up since the issuance of the Notice of Organization, Staffing, and Compensation Action (NOSCA) in 2014.

To support the Agrarian Reform Beneficiaries (ARBs), DAR provides Technical Advisory Support Services (TASS). Despite the underspending for TASS, DAR managed to exceed its 380,785 target by training 517, 221 ARBs in Agrarian Reform Communities (ARCs) and Non-ARCs, or 35.8 percent more than target.

Department of Agriculture (DA)

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DA	52.0	44.9	86.5%	51.2	48.4	94.6%

Financial Performance. The obligation rate of DA increased from 86.5 percent in 2016 to 94.6 percent in 2017. DA-OSEC, which has the biggest share in the Department's total budget, obligated an amount of P38.4 billion. This is followed by BFAR which obligated an amount of P7.3 billion. The DA-OSEC and BFAR have obligation-to-allotment rates of 95.1 percent and 90.8 percent respectively. The Department exhibited improvements on its capacity to obligate funds.

In terms of disbursements, DA spent 66.1 percent or P32.0 billion out of its total obligations for 2017. The Department's disbursement rate decreased from 77.4 percent in 2016. This can be attributed to the low disbursement rate of both the DA-OSEC and BFAR.

In terms of the programs, the biggest chunk of the DA-OSEC's allotment release, equivalent to 38.7 percent of the total Agency allotment, was allotted to banner National Programs composed of Rice, Corn, Livestock, High Value Crops Development, and Organic Agriculture. In terms of obligation, the programs exhibited high financial performance with 97.6 percent aggregate obligation rate. However, the aggregate disbursement rate at 68.9 percent remained relatively low with the NHVCDP and NLP registering the two lowest disbursement rates of 61.7 percent and 61.6 percent, respectively, as shown below:

Major Programs	(in million pesos)			BUR	
	Allot.	Oblig.	Disb.	Oblig.	Disb.
DA-OSEC					
Total National Programs	19,828	19,354	13,335	97.6%	68.9%
National Rice Program (NRP)	10,079	9,918	7,164	98.4%	72.2%
National Livestock Program (NLP)	1,688	1,623	1,000	96.2%	61.6%
National Corn Program (NCP)	2,990	2,930	2,137	98.0%	72.9%
National High Value Crops Development Program (NHVCDP)	4,209	4,111	2,536	97.7%	61.7%
National Organic Agriculture Program (NOAP)	862	773	497	89.6%	64.4%
Farm-to-Market Roads (FMRs)	6,849	6,022	2,577	87.9%	42.8%
DA-ACPC					
Agro-Industry Modernization Credit and Financing Program - Agri-Fishery Financing Program (AMCFP-AFFP)	750	750	750	100.0%	100.0%
DA-BFAR					
National Fisheries Program (NFP)	5,164	5,135	3,856	99.4%	75.1%

Farm-to-Market Roads (FMR), which obtained 13.4 percent of the DA-OSEC's allotment, had an obligation rate of 87.9 percent. The fund for FMRs is transferred to DPWH for the implementation of the project. Despite its relatively high obligation rate, it recorded a disbursement rate of 42.8 percent. The low disbursement performance for FMRs is due to lack of required documents for the settlement of progress billings or percentage completion of the project and the unfavourable weather conditions caused delay in the implementation.

One of the major programs of DA under ACPC is the AMCFP-AFFP, a lending facility extending wholesale loans to accredited Government Financing Institutions (GFIs) and Microfinance Institutions (MFIs) that in turn lend directly to the small farmers and fisherfolk registered in the RSBSA. For FY 2017, it registered a 100 percent for its obligation and disbursement rates as the funds were transferred to the GFIs and MFIs. And as reported below, some 86.7 percent of the loans were lent out to the farmers and fisherfolk.

Meanwhile, almost 10 percent of the Department's budget was allocated to the National Fisheries Program to provide policy services, technical advisory services, supply and infrastructure equipment and facilities, and regulatory services for the improvement of fishery productivity and industry. By the year-end, NFP registered 99.4 percent obligation rate and disbursed 75.1 percent of its obligations.

The undisbursed funds of DA-OSEC meant the delayed delivery of goods and services to the clients. The agency's foreign-assisted projects (FAPs) only disbursed 18 percent out of the P4.1 billion obligation. The Philippine Rural Development Project (PRDP) had the lowest disbursement rate among the FAPs and only disbursed 35 percent of its obligations. It is also the project that was observed to contribute significantly to the low disbursement rate of DA.

BFAR projects' 31.12 percent disbursement rate was recorded as the lowest of the Agency. For FAPs, the Fisheries, Coastal Resources, and Livelihood (FishCORAL) Project had the lowest disbursement rate for 2016 and 2017 recorded at 19.65 percent and 8.34 percent, respectively. Moreover, the Integrated Environment Marine Environment Monitoring System's (PHILO Project) non-obligation of its P0.61 billion appropriations also contributed significantly to BFAR's low disbursement performance. It can be noted that the agency sought the NEDA Board approval for a change in the project by the 3rd Quarter of 2017 given that the supplier who won the bid in December, 2017 is not eligible for financing under the 2015 French Treasury Loan and the design of the proposed regulatory system was deemed not advantageous to the country.

Physical Accomplishment. For 2017, the DA-OSEC distributed agricultural equipment and facilities to 53 farmers and 6,993 groups of farmers which are 26.0 percent and 76.2 percent of its targets for 2017, respectively. This low physical performance was attributed to the following (1) delayed distribution of production support brought by staggered delivery of suppliers, (2) delayed distribution of machineries caused by failed biddings or request for extension because of unavailability of materials for production, (3) delayed construction of facilities due to non-submission of required documents by proponents, and (4) late submission of LGUs of the reports on the list of farmer beneficiaries for the distributed seeds/equipment.

For plant and animal regulation services, DA-OSEC was not able to process any application for quarantine and sanitary and phytosanitary permits (SPS) within one day as targeted. This is due to the temporary adoption of strict control measures which extended the length of days to process applications. Strict control measures were implemented because of allegations of fraud in the grant of the SPS clearances.

For FMR, some 587.4 km or 97.9 percent were validated for construction/rehabilitation/repair out of the 600 km target. Out of these, around 82.5 percent of DPWH-constructed FMRs were validated and monitored. The remaining 17.5 percent of the DPWH-constructed FMRs were not accomplished due to (1) inadequate number of staff in the regional offices conducting post geo-tagging activities, (2) unfavorable weather conditions, (3) peace and order situation in the area where some of the FMRs are located, and (4) mobility problem due to lack of service vehicles.

ACPC was similarly, not able to meet its target loans to be granted and target number of loan beneficiaries. As indicated in the physical accomplishment report, the FY 2017 targets included the programs with the People's Credit Finance Corporation (PCFC) and Postal Bank which were pre-terminated due to the abolition of PCFC and the lowering of Postal Bank's CAMEL Rating are both beyond the control of the agency.

BFAR's low physical accomplishment on supply of infrastructure facilities and equipment for fishery industry can be attributed to the delayed implementation of Community Land Fishing Centers (CFLCs) due to the difficulty experienced by LGUs in securing requirements such as permits and tenurial instruments. The lowest (negative 12,418 percent) and highest (524 percent) accomplishment rates are both under Enforcement, MFO5. The additional prohibitions under RA 10654 "An Act to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated (IUU) Fishing, Amending RA No. 8550, otherwise known as "The Philippine Fisheries Code of 1998" were not considered in the targets, thus, explaining the material variance in its reported accomplishments. However, the highest 524 percent accomplishment rate for the "Percentage of detected violations that are resolved or referred for prosecution within 7 working days" may be attributed to the creation of an Adjudication Committee authorized in the said amended Act.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
OSEC				
MFO 2: TECHNICAL AND SUPPORT SERVICES				
Beneficiaries of specific goods and services delivered (no.)				
Individuals	1,008,727.0	526,002.0	476,819.0	90.6%
Groups	10,660.0	10,057.0	11,199.0	111.4%
Beneficiaries rating the goods and services delivered to be at least satisfactory (percent)	99.8%	80.0%	99.9%	124.9%
Goods and services validated by beneficiaries to have been delivered at the appropriate time (percent)	99.6%	100.0%	99.4%	99.4%
MFO 3: IRRIGATION NETWORK SERVICES				
Service area generated from	7,633.5	30,462.0	19,121.0	62.8%
Percentage of project completion within 6 months: Small-Scale Irrigation Systems	90.0%	50.0%	79.5%	159.0%
MFO 4: FARM-TO-MARKET ROAD (FMR) NETWORK SERVICES				
FMRs validated to construction/rehabilitation/ repair (kilometer)	823.9	600.0	587.4	97.9%
Requests for construction/rehabilitation/repair responded to within seven days (percent)	75.0%	100.0	99.0	99.0%
DPWH-constructed FMRs validated and monitored (percent)	69.3%	100.0%	82.5%	82.5%
MFO 5: AGRICULTURAL EQUIPMENT AND FACILITIES SUPPORT SERVICES				
No. of farmers assisted with agricultural				
Individuals	N/A	204.0	53.0	26.0%
Groups	5,635.0	9,180.0	6,993.0	76.2%
MFO 6: PLANT AND ANIMAL REGULATION SERVICES				
Percentage of applications for quarantine and SPS permits processed within one day (percent)	79.6%	100.0%	0.0%	0.0%

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
ACPC				
MFO 1: CREDIT SUPPORT SERVICES				
Total amount of loans granted	-	4,130.0	3,558.8	86.2%
Total no. of loan beneficiaries/number of transactions	-	90,920.0	69,253.0	76.2%
BFAR				
MFO 2: TECHNICAL ADVISORY SERVICES				
Training				
No. of individuals trained	42,612.0	202.0	25.0	12.4%
No. of trainings conducted	1,912.0	1,551.0	1,483.0	95.6%
Percentage of training course attendees who rate the training as good and better	82.0%	80.0%	91.0%	113.8%
Percentage of requests for training responded within 3 days	85.0%	80.0%	92.0%	115.0%
Technical Advisory				
No. of fisherfolk provided with technical advisory	88,851.0	66,058.0	102,610.0	155.3%
Percentage of recipients of technical advice who rate the advice as good or better	90.0%	80.0%	90.0%	112.5%
Percentage of request of technical advice responded within 3 days	94.0%	80.0%	92.0%	115.0%
MFO 3: SUPPLY SERVICES FOR FISHERY PRODUCTIVITY				
No. of fisherfolk provided with production/supply	109,406.0	195,599.0	110,820.0	56.7%
Percentage increase in production of major fishery commodity of fisherfolk due to support/supply given	2.0%	2.0%	2.0%	100.0%
Percentage increase in value of major fishery commodity of fisherfolk due to support/supply given	1.3%	2.0%	4.0%	200.0%
Percentage of request for support/supply acted within 3 days	91.0%	80.0%	97.0%	121.3%
MFO 4: SUPPLY OF INFRASTRUCTURE FACILITIES AND EQUIPMENT FOR FISHERY INDUSTRY				
Supply of Community Fish Landing				
No. of CFLC constructed	24.0	202.0	25.0	12.4%
% of CFLC that were completed within the original project timeframe	8.0%	50.0%	25.0%	50.0%
% of violations detected that are resolved as referred for prosecution within 1 working day	93.0%	10.0%	52.0%	520.0%
MFO 5: FISHERIES AND AQUATIC RESOURCES REGULATION SERVICES				
Enforcement				
No. of violations of complaints acted upon and reports issued	122.0	11.0	1,366.0	-12418.2%

Department of Education

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DepEd	416.0	371.0	89.2%	472.1	458.3	97.1%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. As the Philippine Constitution mandates the government to assign the highest budgetary priority to education, the Department of Education (DepEd) was provided with substantial allotment releases of P436.0 billion in 2017. An additional P36.1 billion carry-over fund from the previous year also formed part of its available allotments. The bulk of its budget was intended for Personnel Services (PS) in the amount of P329.4 billion or 69.8 percent; followed by Maintenance and Other Operating Expenses (MOOE) - P100.1 billion or 21.2 percent; and Capital Outlay (CO) - P42.6 billion or 9.0 percent.

Of the Department's allotment, P458.3 billion or 97.1 percent was obligated by the end of the year, a significant improvement over the 89.2 percent obligation rate in 2016. Obligations in 2017 were 23.5 percent more than in 2016. About 71.2 percent of the Department's obligation was attributed to the PS requirements amounting to P327.0 billion. Other big ticket items included the MOOE of schools with P22.7 billion, Government Assistance to Students and Teachers in Private Education (GASTPE) – P41.1 billion, Provision for Basic Education Facilities (DepEd portion)- P12.5 billion, and Computerization Program with P11.6 billion. A total of P13.7 billion (2.9 percent) remained unobligated by end-year 2017.

In terms of disbursement, the DepEd was able to disburse P384.8 billion in 2017, 12.3 percent more than in 2016. This was, however, 84.0 percent of its total obligation which compares with the 92.4 percent of 2016. However, the Department's low disbursement rate was also attributed to the late creation of and hiring for teacher items; ongoing procurement of learning resources such as Science and Mathematics Equipment (SME), Technical Vocational and Livelihood (TVL) Equipment, Textbooks and Computers; market/industry limitations to meet the huge basic education sector demands; and implementation schedule of most of its programs which follow the School Year rather than the Fiscal Year. Notably, all regions averaged obligation rates of 98.3 percent and disbursement rates of 94.4 percent, compared to the 91.8

percent and 33.2 percent achieved by the central office. This was likely due to the centralization of procurement of the above items at the central office.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
MFO 2: Basic Education Services				
Kindergarten and Elementary Education				
No. of learners ages 5-11 years old enrolled in kindergarten and elementary education (in any learning system)	13,367,442	12,523,929	14,342,879	114.5%
% of learners who scored average or better in the National Achievement Test (NAT)	88%	87%	-	0.0%
% of learners who completed the school year	83%	85%	93%	109.4%
Secondary Education				
No. of learners ages 12-15 years old enrolled in secondary education (in any learning system)	4,915,676	5,246,596	6,589,849	125.6%
% of learners who scored average or better in the NAT	-	64%	-	0.0%
% of learners who completed the school year	74%	82%	82%	100.0%
Alternative Learning System				
No. of learners above 15 years old served thru Alternative Learning System (ALS) Program	469,623	720,000	641,584	89.1%
% of ALS completers who passed the accreditation and equivalency test	-	63%	-	0.0%
MFO 3: Regulatory and Developmental Services for Private Schools				
No. of grantees	1,548,019	2,664,611	1,928,108	72.4%
% increase of grantees who scored average or better in the NAT	-	6%	-	0.0%
Ratio of completers to grantees	73%	86%	73%	84.9%

Physical Performance. For SY 2017-2018, the DepEd, provided either free or highly subsidized formal basic education to 26.9 million students in public and private schools, 5.2 percent more than in 2016. As 2017 ended, the Department exceeded some of its physical targets. The issuance of Department Order No. 47 s. 2016 strengthened the implementation of the Kindergarten Education Act of 2012, which provides for mandatory kindergarten education. With this, there was an increased participation in the kindergarten and elementary education wherein 93.0 percent of the 14,342,879 students who enrolled in grades 1 to 6, and 82.0 percent of students (ages 5 to 11 years old) who enrolled in grades 7 to 10 were able to complete the school year (SY) 2016-2017. This compares with the 83.0 percent and 74.0 percent respective completion rates the school year before. The higher-than-target enrolment rates, especially in secondary education, is attributed by DepEd to the renewed interest to finish schooling given the promise of employment after Senior High School (SHS). This is evidenced by the highest number of "balik-aral" high school students recorded in SY 2016-2017 at 370,715, in time for the start of Grade 11. Due to procurement difficulties, the National Achievement Test (NAT) results for the school year are not yet available and hence, the targeted quality improvements in education cannot be ascertained. However, the above completion rates for both the elementary and junior high school levels surpassed their 2022 targets of 90.0 percent and 78.5 percent, respectively.

Crucial to these accomplishments was the provision of basic education inputs. Under the 2017 budget, 54,077 teaching positions were created in addition to the 97,722 positions created in 2015 and 2016. By the end of 2017, only 69.7 percent or 37,689 of the 2017 positions had been filled up. Likewise, 8,002 non-teaching and teaching-related positions were created in 2017. Of these, only 52.5 percent or 4,198 positions had been filled up by December, 2017.

Additionally, the DepEd procured 66.6 million textbooks and instructional materials (TX/Ims) and printed/delivered 93.0 million TX/Ims last year. These were only 57.9 percent of its 115.1 million target TX/Ims procured and 61.1 percent of its 152.2 million target TX/Ims printed/delivered. It is likewise noted that the 66.6 million TX/Ims procured in 2017 was lower than the 84.9 million TX/Ims procured in 2016. However, there was a big jump in the number of TX/Ims printed/delivered in 2017 at 93.0 million from the 16.0 million TX/Ims printed and delivered to schools in 2016.

As of December 2017, the Department was also able to provide 89,484 schools with SME packages or 91.1 percent of the 2017 target of 98,322 schools. This was considered as a significant improvement since this had a zero percent accomplishment in 2016. Meanwhile, the Department only delivered 1,325 Information and Communications Technology (ICT) packages or 1.7 percent of its 2017 target of 79,029 ICT packages, and zero TVL packages out of its target of 15,707 TVL packages. This compares to the Department's accomplishment in 2016 wherein schools were provided with 20,713 ICT packages and 3,129 TVL packages. The procurement for these said items are still ongoing.

Under the Basic Education Facilities Fund, 19,501 classrooms and 881 Tech-Voc laboratories were constructed; 17,096 classrooms were repaired; and 33,124 school seats were provided. The number of Tech-Voc laboratories constructed in 2017 was three times more than the 268 laboratories constructed in 2016. However, the accomplishment rates for the other items were significantly lower than their 2016 accomplishments of 33,418 classrooms constructed; 21,509 classrooms repaired; and 364,670 school seats provided. Similarly, the 2017 accomplishments were way below their targets of 63,361 classrooms and 3,026 Tech-Voc laboratories constructed; 29,502 classrooms repaired; and 90,434 sets of school seats provided.

Meanwhile, to address undernutrition and short-term hunger among public school children, some 57,671 schools (91.3 percent) out of the 63,148 target schools implementing the School-based Feeding Program served nutritious meals to 2,997,912 severely wasted and wasted learners in 2017. This was less than its 3,741,907 target learners to be fed in 2017 but was 66.5 percent more than the 1,800,844 learners fed in 2016.

In terms of the ALS, the DepEd had reached out to 641,584 out-of-school youths (OSYs) above 15 years old who did not have access to formal education in schools through programs on education, employment, and entrepreneurship. This was lower than its target of 720,000 target OSYs to be served in 2017 but 36.6 percent higher than its accomplishment of 469,623 OSYs served in 2016.

Moreover, a total of 1,928,108 students (72.4 percent) out of the 2,664,661 target students benefitted from the GASTPE in FY 2017. Of the said total, 973,088 junior high school grantees (50.5 percent) are under the Education Service Contracting (ESC). This is 40,998 students more (4.4 percent) than its 2016 accomplishment and 93.6 percent of its target of 1,040,148 students. The rest of the 955,020 GASTPE SHS students are beneficiaries of the Voucher Program for Private SHS. Despite hitting only 69.0 percent of its 1,386,001 target, it was still higher than the 581,511 student beneficiaries (64.2 percent) provided with vouchers in 2016. It should be noted, however, that there is only one cohort of SHS (Grade 11) for FY 2016. In addition, only 44,366 or 32.0 percent of the 2017 target of 138,462 students availed of vouchers for non-DepEd Public SHS. However, it still increased from the 34,418 grantees in 2016.

The validation of the list of recipients of the Joint Delivery Voucher for SHS students who are taking the TVL track is still ongoing. Lastly, 73.0 percent of the total number of grantees completed the SY, the same as the 73.0 percent accomplishment in 2016 but lower than its 86.0 percent target for 2017.

It is noteworthy that the DepEd implemented a number of reforms and improvements in its internal systems which should improve its allocative and technical efficiencies in the coming years. These include:

1. Strengthening the technical procurement planning which resulted to the generation of the department's indicative Agency Procurement Plan for 2018 by October 2017;
2. The early downloading of funds to field offices complemented the development of multi-year implementation guidelines for big ticket items;
3. The operationalization of the Program Management Information System to help in planning, budgeting, implementation and progress monitoring of programs/projects;
4. Harmonization of existing DepEd Information Systems to facilitate data-driven policy making to address program delivery bottlenecks;
5. Implementation and streamlining of DepEd correspondence with DPWH to include report sharing, and action planning to improve the school facilities program implementation;
6. Calibration of budget and accounting skills at the central and field level through financial management operations training;
7. Strengthening of the curriculum on drug education, gender and development especially in relation to teenage pregnancies, and disaster preparedness and climate change adaptation and mitigation; and
8. Increased efforts to strengthen and expand the coverage of ALS.

Commission on Higher Education

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
CHED	8.2	6.7	81.0%	22.3	20.7	92.5%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. As of December 31, 2017, the Commission on Higher Education (CHED) was able to obligate P20.7 billion, representing 92.5 percent of its P22.3 billion allotment releases, inclusive of P1.8 billion continuing appropriation from previous years. This compares with the 81.0 percent obligation rate achieved in 2016, in view of the near tripling of allotment releases. A sizeable amount of its obligation came from its major programs such as the Free Tuition Policy- P8.0 billion; Students Financial Assistance Programs

(StuFAPs) – P4.6 billion; K to 12 Transition Program – P3.3 billion; and the Philippine-California Advanced Research Institute (PCARI) – P763 million. Only P1.7 billion was left unobligated by the end of the year.

However, the Commission only disbursed P6.8 billion or 33.1 percent of the total obligated amount by end-year 2017. Despite the low disbursement rate, it should be noted that this is still 21.1 percent higher than its P5.7 billion disbursement in 2016. The low disbursement rate of the Commission was explained by several factors including the failure of bidding for the procurement of furniture and fixtures for UNIFAST; the pending completion of the process of hiring personnel for the UNIFAST Secretariat; the undisbursed funds for second semester school bills which starts in November (January in some schools); the late/non-submission of necessary documents by grantees (students and faculty) and Higher Education Institutions (HEIs); the limited manpower to process voluminous documents; and the disbursements for approved Research and Development Projects (R&D) programmed for release in early 2018 since the Research Funding Agreements (RFAs) were executed only in December 2017, among others.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
MFO 2: Higher Education Development Services				
Number of scholarships and student grants awarded	211,776	445,836	456,441	102.4%
% of scholarship holders who complete their degree	88%	85%	86%	100.8%
MFO 3: Supervision of the Higher Education Development Fund				
Number of project proposals funded	93	80	93	116.3%

Physical Performance. Generally, the CHED fared well in terms of exceeding its physical targets last year. The Commission awarded 456,441 scholarships and student grants in 2017, 10,605 (2.4 percent) higher than its 445,836 target and more than double its 221,776 accomplishment in 2016. Of this total, 426,688 student beneficiaries were covered by the StuFAPs, comprised of 386,263 (90.5 percent) deserving student beneficiaries of the Tulong Dunong Program; 32,563 (7.6 percent) beneficiaries of the regular StuFAPs (Scholarship Program, Grants-in-Aid Program, and Student Loan Program); 6,307 (1.5 percent) top 10 graduates of public high schools enrolled in State Universities and Colleges (SUCs) through the implementation of the Iskolar ng Bayan Program; 1,212 (0.3 percent) grantees from conflict-afflicted areas under the Student Grant

Program of the Payapa at Masaganang Pamayanan (PAMANA) Project; and 343 (0.1 percent) dependents and children of sugarcane industry workers and small farmers.

Another 884,354 students in SUCs and Local Universities and Colleges (LUCs) were covered by the Free Tuition Policy passed by the Congress last year. Moreover, 25,826 students from CCT beneficiary households benefitted from the Expanded Students' Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) implemented by the SUCs. For the same period, 4,430 or 85.7 percent of the 5,171 graduating scholarship holders completed their degree, slightly lower than the completion rate of 87.5 percent of the 11,782 graduating students recorded in 2016.

Similarly, 8,624 faculty and staff of HEIs availed of scholarships in graduate degree programs under the K to 12 Transition Program. This is 70.4 percent of its 12,257 target. Under the same program, the Agency awarded 6,365 grants for the development of faculty and staff of HEIs, exceeding its 3,083 targeted number of grants by more than twice. In addition, the accomplishment rate for the number of innovation grants availed by HEIs in 2017 turned out to be 138.4 percent or 173 grants availed as compared to its target of 125 grants. This is due to the number of grants which were supposed to be funded in 2016 but was availed by HEIs only in 2017.

Likewise, the PCARI Project was able to promote and support nine (9) high-end Research and Development (R&D) outputs. Said R&D outputs included the Vibrational Energy Harvesters for Resilient Environmental Sensor Nodes (VERse); deploying unmanned research vessels to advance marine and environmental health monitoring and data collection in the Philippines; and the establishment of the University of the Philippines Manila Drugs of Abuse Research Laboratory.

Meanwhile, the same as in 2016, the target number of projects of HEIs funded through the Higher Education Development Fund (HEDF) was surpassed with a 116.3 percent accomplishment rate. The 93 project proposals funded focus on the 17 Sustainable Development Goals clustered into six platforms. These are considered as investments in the HEIs by supporting the development of their capacity and capability to systematically and sustainably work with communities on development issues such as entrepreneurship/livelihood development; disaster risk reduction; role of women; and community leadership and governance, among other development concerns.

Department of Energy (DOE)

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOE	4.6	1.8	38.9%	3.0	2.2	74.6%

Financial Performance. The total obligation of DOE for 2017 was P2.2 billion, or 74.6 percent of its P 3.0 billion allotment releases. This is a marked improvement over its 38.9 percent obligation rate in 2016, and principally due to the cancellation of the ADB loan for the Market Transformation through the introduction of Energy-Efficient Vehicles (E-Trike) Project in December 2016. Despite this improvement, the main cause of the Department's low obligation rate for 2017 continued to be the performance of its locally-funded projects, obligating only P979.3 million or 65.4 percent of its P1.5 billion budget. In terms of its locally-funded projects, the National Intensification of Household Electrification (NIHE) Program encountered difficulties with only P437.0 million or 53.6 percent of its P 815.4 million allotment releases being obligated. This was due to the program's overlaps with the National Government's risk reduction management activities, which caused the cancellation of the procurement of solar lamps and delays in the approval process for connections and re-connections. DOE has addressed the issues in procurement through the issuance of a circular and stricter monitoring. However, it should be acknowledged that P139.6 million of the unobligated amount represent savings from procurement activities and prudent spending. In contrast to the improvement in the performance in obligation, disbursements fell from P1.2 billion or 65.9 percent in 2016 to P998.5 million or 45.0 percent in 2017 mainly due to the delays in the approval process of NIHE and procurement of the Access to Sustainable Energy Program (ASEP).

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
MFO 1: Energy Sector Policy Services				
% of application for certificate of endorsement (COE) for investment in the energy sector processed	100% (317 out of 317)	100%	150% (30 out of 20)	150.0%
MFO 2: Promotion of Energy Sector Innovation				
Technical Assistance				
No. of technical advisories provided to	34	24	58	241.7%
Energy Efficiency and Conservation				
No. of energy efficiency of audits provided to government agencies	142	45	56	124.4%
MFO 3: Energy Sector Regulatory Services				
Registration and Processing				
No. of applications for permits,service/operating contracts and accreditations processed	11,959	6,956	15,628	224.7%
No. of analytical tests conducted in support of exploration activities, Biofuels Law, RE Law and Clean Air Act within the prescribed period	16,527	10,000	13,293	132.9%
Supervision and Monitoring				
No. of energy establishments and facilities/power plants monitored and inspected with reports issued	3,439	4,034	4,634	114.9%

Physical Performance. Similar to its 2016 performance, DOE met all of its physical targets for 2017, including thirty (30) certificate of endorsements (COE) in directing investments to the energy sector. Furthermore, twenty-four (24) technical advisories were provided for the innovation of the energy sector while 56 audits were conducted to ensure that government agencies implemented energy efficiency efforts. Two indicators (i.e., the number of technical advisories provided and the number of applications for permits, service/operating contracts) achieved more than 200 percent of targets.

Although delays in procurement was a factor in the non-installation of solar home systems (SHS) under the photovoltaic (PV) mainstreaming component of ASEP, DOE was able to meet the policy targets of said program. Also, eight of DOE's locally-funded projects achieved more than 100 percent of their targets. Three (3) projects however, accomplished less than their set targets. As previously discussed, overlaps with other government initiatives caused NIHE's 15.7 percent accomplishment rate. The Biofuels Program, with only 41.7 percent accomplishment of its physical target, also attributed its performance to various delays such as failed biddings.

Department of Environment and Natural Resources (DENR)

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DENR	28.5	25.7	90.0%	31.3	30.2	96.5%

Financial Performance. DENR's obligation rate for 2017 increased by 6.5 percentage points from the 2016 rate. The bulk of the Department's budget is allotted to DENR-OSEC which covers P25.5 billion or 81.6 percent of the total allotment releases. While its obligation performance improved, DENR only disbursed 73.65 percent of its total obligations for 2017, equivalent to P22.2 billion. This however, is 10.14 percentage point lower from its 83.79 percent disbursement performance in 2016.

The low disbursement rate of DENR can be generally attributed to the department's due and demandable obligations which have remained unpaid by the end of the year due to the following: (a) non-submission of accomplishment reports by the contractors and verification reports by the validation team for the programs, activities and projects (PAPs) that are under the progress billing system of payment and (b) delays in the submission of liquidation reports by SUCs which are the DENR's partners in the implementation of some of its PAPs.

Physical Performance. The physical targets of DENR were mostly accomplished. DENR-OSEC was able to meet most of its physical targets. The low accomplishment rate for the performance indicator (PI), "Number of hectares of ecosystems under management for rehabilitation" of 87.56 percent was attributed to the reduction by Congress of the National Greening Program Budget by P2 billion. This should have been accompanied by a corresponding decrease in target from 225,508 hectares to 191,843 hectares. The remaining six (6) PIs are still awaiting data from the Forest Management Bureau and from UP-NCPAG for the outsourced Department-wide Client Satisfactory Survey (CSS).

Particulars	2016 Actual Accomplishment	2017 Target (GAA)	2017 Actual Accomplishment	2017 Accomplishment Rate
MFO 1: ECOSYSTEM POLICY SERVICES				
Rehabilitation				
Average percentage of stakeholders that rate plans and policies as satisfactory or better 1/	92.6%	80.0%		
MFO 2: Ecosystem Management Services				
Rehabilitation				
Number of hectares of ecosystems under management for rehabilitation	284,039	225,508	202,488	89.8%
Percentage of stakeholders who rate DENR ecosystems rehabilitation as satisfactory or better 1/	94.5%	80.0%		
Management				
Percentage of stakeholders who rate DENR ecosystems management as satisfactory or better 1/	94.5%	80.0%		
Number of CBFMA areas under management	Data not available	1,608,959	1,615,136	100.4%
Percentage of CBFMA areas under management assessed by the end of the year	Data not available	100.0%	100%	100%
MFO 3: Ecosystem Regulation Services				
Monitoring				
Percentage survival rate of planted seedlings 1/	82.3%	80.0%		

1/ Ongoing validation of 2017 actual accomplishments. Data will be available by August 2018.

Department of Health (DOH)

(in billion pesos)

Dept.	2016 1/ Allotment	2016 1/ Obligation	2016 1/ BUR	2017 2/ Allotment	2017 2/ Obligation	2017 2/ BUR
DOH	90.7	78.7	86.7%	112.3	106.7	95.1%

1/ 2016 SAODB

2/ 2017 SAODB

Financial Performance. To fulfill the DOH's mandate to provide equitable, sustainable and quality health for all Filipinos, allotment releases totalling P112.3 billion was provided to the Department in 2017. Of this amount, P106.7 billion or 95.1 percent was obligated by the Department for the same period, much higher than its obligation rate of 86.7 percent in 2016. For 2017, the DOH achieved a disbursement rate of 63.3 percent, far below its 2016 disbursement rate of 97.6 percent partly because of the large 23.8 percent increase in allotment releases. The lower disbursement accomplishment rate in 2017 was also due to the late delivery of goods and services rendered in December 2017, which was automatically considered as accounts payable in 2017 for payment in 2018.

By expense class, current operating expenditures made up P72.7 billion or 68.1 percent of the total obligations incurred, with maintenance and other expenses accounting for P41.9 billion and personnel services at P30.8 billion, respectively. Capital outlays, on the other hand, amounted to P34.0 billion or almost one- third of the total obligations.

By implementing agency, a huge P105.7 billion or 99.0 percent of the total obligations of the DOH was incurred by the Office of the Secretary (DOH-Osec), and the rest by the National Nutrition Council (NNC) at P618 million or 0.6 percent, and the Commission on Population (POPCOM) at P440 million or 0.4 percent. The POPCOM registered the highest obligation rate at 98.8 percent, followed by the DOH-Osec at 95.1 percent and the NNC at 89.3 percent.

Of the total obligations of the DOH, more than half or P62.2 billion was spent for the implementation of the following major programs in 2017: a) Health Facilities Enhancement Program (HFEP), P31.7 billion; b) Implementation of the Doctors to the Barrios and Rural Health Practice Program, P7.9 billion; c) Expanded Program on Immunization, P7.2 billion; d) Family Health and Responsible Parenting, P4.2 billion; e) Assistance to Indigent Patients, P4.1 billion; f) Program on Other Infectious Diseases and Emerging and Re-Emerging Diseases including HIV/AIDS, dengue, food and water-borne diseases, P1.8 billion; g) Non-Communicable Disease Prevention and Control, P1.7 billion; h) TB Control, P1.5 billion; i) Program for Elimination of Diseases as Public Health Threat such as Malaria, Schistosomiasis, Leprosy and Filariasis, P1.0 billion; j) Operation of Drug Abuse Treatment and Rehabilitation Centers, P595 million; and k) Rabies Control Program, P497 million.

On top of the P112.3 billion allotment to the DOH in 2017, a large amount of P50.0 billion was released to the Philippine Health Insurance Corporation (PHIC) to administer the National Health Insurance Program (NHIP). Of this amount, 94.4 percent or P47.2 billion was obligated by the PHIC by the end of the year. About P47.0 billion or most of the PHIC's obligations were spent to cover the health insurance premiums of the following: a) 14.1 million indigent families listed under the National Household Targeting System (NHTS) – P33.9 billion; b) 5.4 million senior citizens – P13.0 billion; c) 17,386 families identified by the Office of the Presidential Adviser on the Peace Process (OPAPP) under the Payapa at Masaganang Pamayanan (PAMANA) Program – P42 million; and d) 19,385 families identified by the OPAPP under the Bangsamoro Program – P47 million. The remaining P195 million, on the other hand, was used to cover the PHIC's Universal Health Care for Point of Service (POS) Program's payment for the 2017 actual cost of hospital availment of 18,869 POS patients. POS patients refer to citizens who are non-PhilHealth members but classified as financially incapable to pay their PhilHealth membership at point of hospital admission.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
MFO 2: Technical Support Services				
Training Support				
Number of Human Resources for Health from LGUs and other partners trained	163,295	143,374	117,818	82.20%
Funding Support (HFEP)				
Number of LGUs and other health partners provided with health facilities	1,388	507	833	164.30%
Disease Prevention				
Number of commodities and services to LGUs: vaccination, doctor hours, nurses and midwives	476,384,100	2,828,493,944	1,968,262,847	69.60%
% of requests for commodities and human resources met in full within 48 hours	93%	90%	92%	102.20%
MFO 3: Hospital Services				
Direct Health Care Delivery				
Number of out-patients managed	6,155,368	5,154,628	7,236,414	140.40%
Number of in-patients managed	1,461,500	1,365,431	1,509,722	110.60%

Physical Accomplishment. Under its training support services under the Human Resource for Health (HRH) Program in 2017, the DOH was able to train 117,818 HRH from LGUs and other health partners, 82.2 percent of its target of 143,374 HRH and 27.8 percent less than 2016. Also, the Department provided health facilities to 833 LGUs and other health partners under the HFEP, exceeding its target of 507 LGUs and other health partners but again, 40.0 percent less than 2016. For its support to disease prevention, the DOH provided 1.97 billion commodities and human resource services (vaccination, doctors/nurses/midwives' hours) to LGUs or 69.6 percent of its target of 2.83 billion commodities and services. This was four times more than what was given in 2016. In terms of the requests for commodities and human resources met in full within 48 hours, the Department accomplished 92.0 percent, exceeding its target by 2.2 percent. For its support to direct health care delivery under hospital services, the DOH managed 7.24 million out-patients (out of the targeted 5.15 million out-patients) and 1.51 million in-patients (out of the targeted 1.36 million in-patients).

In 2017, the PHIC accomplished the following health insurance coverage rates: a) 91.6 percent or 14.1 million indigent families out of the target 15.4 million indigent families listed under the NHTS; b) 100.0 percent or 5.4 million senior citizens not covered under any existing PhilHealth membership category; c) 68.1 percent or 17,386 families out of the target 25,512 families identified under the PAMANA Program; and d) 85.4 percent or 19,385 families out of the target 22,708 families identified under the Bangsamoro Program.

Department of Information and Communications Technology

(in billion pesos)

Dept.	2017		
	Allotment	Obligation	BUR
DICT	6.5	6.2	94.4%

Financial Performance. A newly established agency, the DICT was nonetheless able to obligate P6.2 billion or 94.4 percent of its total budgetary allotments for 2017. The bulk of this budget was allotted for the implementation of the programs and projects of DICT-OSEC which obligated P5.6 billion or 94.4 percent of its total budget. Some P0.1 billion out of the unobligated amount of P0.3 billion pertains to the savings generated from the implementation of the National Government Data Center (NGDC) infrastructure project.

The Free Wi-Fi Project received the lion's share of the DICT allotment releases amounting to P3.3 billion (or 50.7 percent of the total allotments) for the installation of wireless internet access points in public place especially in the rural areas for better access of information.

Major Programs	(in million pesos)			BUR	
	Allot.	Oblig.	Disb.	Oblig.	Disb.
DICT-OSEC					
National Government Data Center Infrastructure Project	902	792	25	87.8%	3.2%
Free Internet Wi-Fi Connectivity in Public Places Project	3,321	3,317	1,005	99.9%	30.3%

The Free Wi-Fi Project exhibited high financial accomplishment in terms of its obligation which reached approximately 100 percent of allotments but was only able to deliver one-third of these obligations as reflected in its disbursement rate of 30.3 percent.

The low financial performance for the two locally-funded projects were attributed to (1) the complex bidding process, (2) high technical nature of bids, (3) Inability of the bidders to comply with the bidding requirements, (4) limited number of providers, and (5) lack of manpower in the Procurement Service due to the inability of the Department to fill-up the authorized positions during the year.

Particulars	2017		
	Target	Actual Accomplishment	Accomplishment Rate
OSEC			
Locally Funded Projects			
Free Internet Wi-Fi Connectivity in Public Places			
Completion of development activities	100.0%	75.0%	75.0%
Number of established free Wi-Fi live sites	5,746	805	14.0%
Capacity Building Activities	90	123	136.7%

Physical Performance. DICT-OSEC obtained the highest allotment release and accomplished most of its physical targets for 2017. Only two targets obtained low accomplishment rates and these are under the locally funded project Free Internet Wi-Fi Connectivity in Public Places. The actual establishment of Wi-Fi sites is low (14.01 percent) due to delayed procurement and difficulty encountered by DICT in securing needed authorizations such as MOAs from the LGUs. Only 75 percent of the development activities under this project were completed because of the pending inventory of MOAs from the municipalities and the pending approval of the official logo of the project.

Department of the Interior and Local Government (DILG)

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DILG	178.3	170.6	95.7%	202.4	200.9	99.3%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. To enable the DILG to carry out its mandate to promote peace and order, ensure public safety and strengthen the capability of local government units, allotment releases of P202.4 billion was provided to the Department in 2017. Of this amount, P200.9 billion or 99.3 percent was obligated by the DILG, notably higher than its obligation rate of 95.7 percent in 2016. Disbursements, on the other hand, amounted to P183.7 billion or 91.4 percent of total obligations, lower than the disbursement rate of 95.5 percent in 2016. This is partly due to the 13.5 percent increase in allotment releases.

By expense class, personnel services (PS) made up the bulk of P154.0 billion or 76.7 percent of the total obligations of the Department. Of the said amount, the Philippine National Police (PNP) accounted for P129.2 billion or 83.9 percent of the DILG's total PS obligations. Meanwhile, combined maintenance and other operating expenses and capital outlays added up to P47.0 billion or 23.4 percent.

By implementing agency, the PNP incurred P151.4 billion or 75.4 percent of the total obligations of the DILG, followed by the Bureau of Fire Protection (BFP) at P18.6 billion or 9.3 percent, the Bureau of Jail Management and Penology (BJMP) at P14.1 billion or 7.0 percent and the DILG-Office of the Secretary (DILG-OSEC) at P13.4 billion or 6.7 percent. All of these four agencies posted high obligation rates with the PNP at 99.8 percent, the BFP at 99.4 percent, the BJMP at 99.2 percent and the DILG-OSEC at 94.4 percent.

Physical Accomplishment. For the delivery of its MFO 1 – Crime Prevention and Suppression Services in 2017, the PNP conducted 9.13 million foot patrol and 6.08 million mobile patrol operations or a total of 15.21 million foot and mobile patrol operations. These are 103.7 percent of its targeted number of 14.68 million foot and mobile patrol operations. Likewise, the PNP expanded its police programs and activities on the following: Managing Police Operations; Anti-Illegal Drugs Campaign Plan; Double Barrel Reloaded; PNP Task Force for ASEAN 2017; National Tourist Oriented Police for Community Order and Protection (NTOPCOP); Search and Rescue Operations; VIP Security

Operations; Vital Installation Security; Traffic Management Operations; and Airports and Seaports Security Operations. It achieved an 8.65 percent reduction in the National Index Crime Rate in 2017 and responded to calls for police assistance within 15 minutes in the urban areas, in 98.64 percent of the time with the 1.36 percent variance from target attributed to prank calls.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Crime Prevention and Suppression Services				
Number of foot and mobile patrols conduc	13,798,057	5% increase (14,676,960)	15,215,826	103.7%
Percentage change in National Index Crime Rate (NICR)	11.2%	5% reduction (10.68%)	8.7%	123.5%
Percentage of crime incidents responded within 15 minutes (in urban areas)	98.4%	100%	98.6%	98.6%
MFO 2: Crime Investigation Services				
Number of crime investigations undertaken	583,774	842,311	520,389	61.8%
Percentage of most wanted persons/high value targets arrested	42.0%	5% increase (44.08%)	49.1%	111.4%
Percentage of arrested persons within 30 days upon the receipt of the warrant of arrest	24.5%	5% increase monthly arrest (39.18%)	30.4%	77.5%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

With respect to the delivery of its MFO 2 - Crime Investigation Services in 2017, the PNP on the other hand, conducted 520,389 crime investigations, based on the total number of crimes reported in the PNP blotter in all police stations in the country. The PNP arrested 49.11 percent of the most wanted persons or high value targets, exceeding its target by 11.4 percent. Furthermore, the PNP arrested 30.36 percent of wanted persons within 30 days upon the receipt of the warrant of arrest, falling short of its target of 39.18 percent. This below target performance was attributed to the lack of uniformed personnel assigned as arresting officers.

The BJMP, on the other hand, exceeded its targets in all performance indicators for the delivery of its MFO 1 – Inmates Safekeeping and Development Services in 2017. A total of 153,442 inmates nationwide benefitted from the Bureau's welfare and development services, 81.4 percent more than its target of 84,591 inmates. Likewise, the Bureau more than achieved its target of 99.98 percent safekeeping efficiency through the implementation of strong control measures for the inmates and the provision of their basic needs. By strengthening its decongestion efforts to speed up the resolution of inmates' cases, the Bureau was able to release 46,491 inmates, 30.0 percent more than its target of 35,750 inmates, all within the prescribed period.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Inmates Safekeeping and Development Services				
Percentage of inmates benefitting from services that promote their security	99.99% of 133,219 inmates			
Percentage of inmates benefitting from services that promote their welfare	96,027 inmates			
Reduction in the number of escape incidents	29 escape incidents			
Percentage of inmates released 24 hours or more after their release date	100% of 44,799 qualified inmates released			
Percentage of inmates benefitting from welfare and development services		80.00% of 105,739	145.11% or 153,442 inmates	181.4%
Improves safekeeping efficiency		99.98% of 105,739	99.99%	100.0%
Percentage of inmates released within the prescribed period		100.00% of 35,750	130.04% or 46,491 inmates	130.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Meanwhile, the BFP exceeded all of its performance targets for the delivery of its MFO 1 – Fire Prevention Services in 2017. The Bureau was able to inspect 108.4 percent or 1.71 million buildings/establishments out of the total number of 1.58 million registered buildings/establishments with the Business Permit and Licensing Office (BPLO) nationwide, exceeding its target of 88.0 percent. Of the total number of buildings/establishments with issued Fire Safety Inspection Certificate (FSIC), on the other hand, 98.4 percent (or 109.3 percent of the target) did not experience any fire occurrence and 96.2 percent (or 113.1 percent of the target) were inspected within the prescribed time (of three and a half days from the receipt of Inspection Order by the Fire Safety Inspector).

With respect to the delivery of its MFO 2 – Fire Suppression and Investigation Services, the BFP was able to respond to all of its 20,993 fire and related emergency/rescue calls nationwide.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Fire Prevention Services				
Percentage of buildings/establishments inspected out of the total number of BPLO-registered buildings and establishments nationwide	103.3%	88%	108.4%	123.2%
Percentage of buildings/establishments with issued FSIC that has not been the cause of fire occurrence	99.1%	90%	98.4%	109.3%
Number of buildings or structures inspected within the prescribed time (3 1/2 days) from the receipt of Inspection Order by the Fire Safety Inspector	94.4%	85%	96.2%	113.1%
MFO 2: Fire Suppression and Investigation Services				
Number of fire and related emergency/rescue calls responded nationwide	100.0%	100%	100%	100.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

For its part, the DILG-OSEC, accomplished and even exceeded its performance targets for the delivery of its MFO 1 – Local Government Capacity Development and Performance Oversight and Incentive Awards Services in 2017. The DILG-OSEC provided technical assistance to 1,671 LGUs and assessed 1,671 provinces, cities and municipalities (PCMs) on the Seal of Good Local Governance (SGLG), achieving more than its targets of 1,665 LGUs and 1,653 PCMs, respectively. Likewise, the DILG-OSEC exceeded its performance targets in terms of the percentage of LGUs that passed the SGLG (40.0 percent increase from 5.0 percent increase) and the number of LGUs provided with incentives for good governance performance (100.0 percent of qualified LGUs from 20.0 percent of qualified LGUs). Also, the DILG-OSEC provided all of its target 1, 671 LGUs with technical assistance in accordance to set timelines.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: LG Capacity Development and Performance Oversight and Incentive and Awards Services				
Number of LGUs provided with technical assistance	1,674 LGUs	1,665 LGUs	1,671 LGUs	100.4%
Number of LGUs assessed on Seal of Good Local Governance (SGLG)	1,672 PCMs	1,652 PCMs	1,671 PCMs	101.1%
% of LGUs that passed the Seal of Good Local Governance (SGLG)	20.5% increase (306 LGUs)	5% (321 LGUs)	40% (449 LGUs)	800.0%
Number of LGUs provided with incentives for good governance performance	32% of qualified LGUs (97 LGUs)	20% of qualified LGUs (64 LGUs)	100% of qualified LGUs (449 LGUs)	500.0%
Number of LGUs provided with TA in accordance to set timelines	100% All target 1,674 LGUs	100% All target LGUs	100% All target 1,671 LGUs	100.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Department of Labor and Employment (DOLE)

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOLE	20.7	16.9	81.4%	15.0	12.9	85.9%

1/ 2016 SAODB
2/ 2017 SAODB

Financial Performance. In support of the DOLE's mandate to formulate and implement policies and programs on labor and employment, the Department was provided allotment releases of P 15.0 billion in 2017. Of this amount, P 12.9 billion or 85.9 percent was obligated by the end of the year compared to 81.4 percent in 2016. Disbursements amounted to P 10.3 billion or 79.7 percent of obligations.

By implementing agency, the bulk of DOLE's allotment went to the Office of the Secretary (OSEC), receiving P 11.2 billion or 74.9 percent of the Department's total allotment. The OSEC incurred obligations amounting to P9.4 billion and disbursed P7.3 billion, translating to an obligation rate and a disbursement rate of 83.4 percent and 77.6 percent, respectively. These compare with the 74.7 percent and 92.5 percent comparable rates of 2016. Under the OSEC, P4.3 billion or 33.3 percent of the total obligations of the Department was spent for the implementation of the following major programs: a) DOLE Integrated Livelihood Program (DILP), P 1.9 billion; b) Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD) and the Government Internship Program (GIP), P 1.6 billion; c) Special Program for Employment of Students (SPES), P 619 million; and d) Jobstart Philippines Program, P 169 million.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 2: Employment Facilitation and Capacity Building Services				
Number of qualified persons referred for placement	2,019,274	1,811,843	2,301,611	127.0%
Number of youth-beneficiaries provided with JobStart services	3,421	4,200	3,708	88.3%
Number of beneficiaries provided with livelihood assistance	113,316	94,272	103,386	109.7%
Number of beneficiaries under the Special Program for Employment of Students (SPES)	213,912	203,470	195,380	96.0%
MFO 3: Labor Force Welfare Services				
Number of workers served	4,640,998	4,191,748	4,399,606	105.0%
MFO 4: Employment Regulation Services				
Number of establishments inspected	60,379	54,530	60,732	111.4%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Physical Performance. The DOLE exceeded most of its physical targets in 2017. Through the network of Public Employment Service Offices (PESOs), the active participation of Private Recruitment and Placement Agencies (PRPAs) as well as the nationwide conduct of Job Fairs, some 2.30 million qualified jobseekers were referred for placement to various employment opportunities, surpassing the Department's target by 27.0 percent. This output was however, 3.8 percent lower compared to 2016.

A total of 3,708 youths were also provided with life skills training, technical training and paid internship under the JobStart Program, translating to 88.3 percent of its target of 4,200 youths, and 8.4 percent more than the previous year. Moreover, the Special Program for Employment of Students (SPES) provided bridging employment assistance to 195,380 youths or 96.0 percent of its target for the said year.

Under the DOLE Integrated Livelihood and Emergency Employment Program (DILEEP), 103,386 beneficiaries were provided with various skills trainings, tools and jigs and/or financial assistance, registering an accomplishment rate of 109.7 percent vis-à-vis the target but 8.8 percent less than in 2016. It is worth noting that per DILEEP's revised guidelines under D.O. No. 173 s. 2017, the maximum per capita assistance to beneficiaries was increased from P 10,000 to P 20,000. However, the set target of 94,272 beneficiaries for 2017 was still based on the P 10,000 maximum per capita assistance.

In addition, a total of 4.40 million workers were provided with various welfare and protection services. Of these, around 3.56 million were OFWs who were provided with on-site training, custodial and case management services, and other welfare assistance.

Furthermore, a total of 60,732 establishments were covered by the Labor Laws Compliance System (LLCS) to ensure compliance with General Labor Standards (GLS) and the minimum wage. Thus, accomplishing more than its set target of 54,530 establishments by 11.4 percent.

Technical Education and Skills Development Authority (TESDA)

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
TESDA	7.5	6.4	85.3%	8.1	7.8	97.1%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. To be able to fulfill its mandate of molding a workforce that can meet the challenges of trade liberalization and global competition, the TESDA was provided allotment releases of P 8.1 billion in 2017. Of the said amount, P 7.8 billion or 97.1 percent was obligated by the Agency for the same period. Disbursements amounted to P 6.1 billion, reflecting a disbursement rate of 77.9 percent. These rates compare with the 85.3 percent obligation rate and 96.4 percent disbursement rates registered by TESDA in 2016.

Among the agency's major programs, the Training for Work Scholarship Program (TWSP) incurred the largest obligation at P 2.2 billion, followed by the Special Training for Employment Program (STEP) at P 418 million and the Private Education Student Financial Assistance (PESFA) at P 186 million.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 2: Technical Education and Skills Development Services				
Number of TESDA Technology Institutions (TTIs) enrollees	258,826	257,621	359,879	139.7%
Number of TTIs graduates	-	231,859	319,580	137.8%
Number of TWSP subsidized enrollees	209,882	293,333	320,937	109.4%
Number of TWSP subsidized graduates	181,124	264,000	137,169	52.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Physical Performance. Looking at its physical performance for 2017, a total of 359,879 enrollees were accommodated by the TESDA Technology Institutions (TTIs). This is 39.7 percent higher than the set target of 257,621 enrollees and 39.0 percent more than in 2016. Likewise, TESDA was able to produce a total of 319,580 TTIs graduates for the same period, which translates to 137.8 percent of its set target of 231,859 graduates.

The TESDA was also able to provide subsidies for 320,937 enrollees and produced a total of 137,169 subsidized graduates under the TWSP in 2017, accounting for 109.4 percent and 52.0 percent of its set targets, respectively. These compare with last year's accomplishments of 209,882 enrollees and 181,124 graduates.

Department of National Defense (DND)

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DND	181.3	172.4	95.1%	218.4	212.6	97.4%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. To support the DND's mandated functions of guarding the country against external and internal threats to national peace and security, promoting the welfare of soldiers and veterans, and providing support for social and economic development, this Department was provided allotment releases of P218.4 billion in 2017, 20.5 percent more than the previous year. Of this amount, P212.6 billion or 97.4 percent was obligated by the Department by the end of the year, slightly higher than its 95.1 percent obligation rate in 2016. The DND's disbursements, on the other hand, amounted to only P142.5 billion or 67.0 percent of the total obligations, much lower than the 92.0 percent disbursement rate in 2016. It will be noted that obligations in 2017 were 23.3 percent more than the previous year, but disbursements were 10.2 percent lower than in 2016.

By expense class, obligations incurred for personnel services (PS) amounted to P127.4 billion or 59.9 percent of the Department's total obligations, with the Philippine Army (PA) and the General Headquarters (GHQ) accounting for P91.9 billion or 72.1 percent of the total PS obligations. Maintenance and other operating expenses and capital outlays comprised 19.3 percent and 20.8 percent, respectively.

By implementing agency, the GHQ accounted for P85.7 billion or 40.3 percent of the total obligations of the DND, followed by the three major services of the Armed Forces of the Philippines (AFP): a) PA – P65.5 billion or 30.8 percent; b) Philippine Navy (PN) – P23.6 billion or 11.1 percent; and c) Philippine Air Force (PAF) – P22.4 billion or 10.5 percent. Among these four major agencies of the DND, the PAF registered the highest obligation rate at 100.0 percent; the PA at 99.9 percent; the PN at 98.8 percent; and the GHQ at 94.6 percent.

Physical Accomplishment. In 2017, the PA met almost all of its five performance targets for the delivery of its MFO - Territorial Defense, Security and Stability Services.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Territorial Defense, Security, and Stability Services				
Number and readiness level of tactical units				
Number of tactical batallions maintained	188	190	198	104.2%
Percentage of operational readiness of tactical batallions	72%	79%	76%	96.2%
Average percentage of effective strength of tactical batallions that can be mobilized within 1 hour as dictated by higher authorities	90%	90%	94%	104.4%
Number and readiness level of reserve units				
Number of ready reserve batallions maintained	81	82	82	100.0%
Percentage of operational readiness of ready reserve batallions	65%	60%	60%	100.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

In terms of the number of tactical units, the PA maintained 198 tactical battalions or 104.2 percent of its target of 190 tactical battalions. Still, the number of tactical battalions were 5.3 percent or 10 battalions more than in 2016. However, in terms of the readiness level of tactical units, the PA obtained an average rating of 76.0 percent operational readiness, slightly short of its target of 79.0 percent and with an accomplishment rate of only 96.2 percent. This was attributed to the activation of new units, which required the realignment of personnel and mission essential equipment of all tactical units. However, with respect to the effective strength of tactical battalions that can be mobilized within one hour as dictated by higher authorities, the PA achieved an average rating of 94.0 percent or 104.4 percent of its target of 90.0 percent. Meanwhile, in terms of the number and readiness level of reserve units, the PA maintained 82 ready reserve battalions and posted 60.0 percent operational readiness, achieving 100.0 percent of its performance targets.

The PAF, for its part, exceeded two out of three of its performance targets for the delivery of its MFO - Territorial Defense, Security and Stability Services in 2017 (*see table below*). In terms of aircraft maintenance readiness rate (AMRR), the PAF attained 72.0 percent or 102.9 percent of its target of 70.0 percent, which was attributed to the prompt and sustained maintenance requirements of PAF aircrafts. Also, with respect to the accomplishment of one hour response time to flight-directed mission, the PAF achieved 98.0 percent or 108.9 percent of its target of 90.0 percent, which was due to the effectiveness and efficiency of the Command's response to Higher Headquarters flight-directed missions. The PAF, however, fell a bit short of its target as to the number of supportable aircraft maintained (153 out of 154) due to the delayed delivery of the unmanned aircraft system (UAS) aircraft.

Particulars	**2016**	**2017**		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Territorial Defense, Security, and Stability Services				
Number of supportable aircraft maintained	150	154	153	99.4%
Aircraft maintenance readiness rate	61%	70%	72%	102.9%
Percentage of accomplishment of one (1) hour response time to flight-directed mission	99%	90%	98%	108.9%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

The PN, on the other hand, achieved four out of its six performance targets for the delivery of its MFO - Territorial Defense, Security and Stability Services in

2017 as shown in the table below. It was able to maintain 179 mission-ready fleet marine units and 34 mission-ready support and sustainment units; and was able to achieve the targeted average mobilization response time of fleet units (24 hours) and marine units (6 hours). The PN, however, fell a bit short of its targets with respect to the percentage of readiness of fleet marine units (78.4 percent) and support and sustainment units (69.7 percent) with actual accomplishments of only 97.1 percent and 95.3 percent, respectively. This was attributed to the following: a) insufficiency of personnel deployed to units as compared to the required fill-up based on the approved PN Table of Organization; b) mismatch in rank and rating of personnel currently assigned in the units; and c) personnel accretion due to death and retirement, among others.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 1: Territorial Defense, Security, and Stability Services				
Number of mission-ready fleet marine units	124	179	179	100.0%
Percentage of readiness of fleet marine units	75.0%	80.8%	78.4%	97.1%
Number of mission-ready support and sustainment units	59	34	34	100.0%
Percentage of readiness of support and sustainement units	58.0%	73.2%	69.7%	95.3%
Average response time of fleet units that can be mobilized as instructed by higher authorities	24 hours	24 hours	24 hours	100.0%
Average response time as instructed by higher authorities	6 hours	6 hours	6 hours	100.0%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Department of Public Works and Highways

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DPWH	549.5	425.8	77.5%	674.9	621.9	92.1%

Financial Performance. As of December 31, 2017, the Department of Public Works and Highways (DPWH) received total allotment releases of P 674.9 Billion. Out of the total allotments, a 92.1 percent obligation rate was recorded equivalent to P 621.9 Billion. This 2017 obligation performance recorded a significant increase of 14.6 percentage point over the 2016 obligation rate of 77.5 percent. The DPWH exceeded its targeted obligation rate of 85 percent based on its FY 2017 Financial Plan, and the five-year average obligation rate of 79.2 percent from 2012 to 2016.

The significant improvement of the obligation performance of the DPWH was mainly attributed to the acceleration of project implementation in view of the one-year validity of the appropriations. Likewise, the Department adopted a number of streamlined policies that improved the implementation of projects through effective and efficient planning, monitoring, and scheduling.

Meanwhile, in terms of disbursement performance[1], the DPWH disbursed P405.3 Billion in 2017. It is noteworthy that only P 211.4 Billion was disbursed for the Current Year's Budget. On the other hand, P 33.9 Billion was disbursed for the Prior Year's Budget, and P 160.0 Billion was spent for Prior Years' Accounts Payable of the Department – totalling to P 193.9 Billion. This meant that almost half (or 47.8 percent) of the total disbursements of the Department were paid for its prior years' obligation. Further, in terms of year-on-year disbursement performance, the disbursements in 2017 was 21.8 percent higher than the P 332.9 Billion disbursements made in 2016.

Despite the higher disbursement performance of the DPWH in 2017, the Department still encountered the following bottlenecks: (a) unsettled right-of-way (ROW) issues; (b) unprocessed vouchers due to lack of required documents for the settlement/payment of progress billings or percentage completion of the project, i.e. occupancy/building permits and BIR Form 0217 (Application for Contractor's Final Payment Release Certificate); and (c) unfavourable weather conditions that resulted to delay in implementation for some projects.

Meanwhile, in terms of measuring the disbursement performance vis-à-vis Monthly Disbursement Program (MDP), the DPWH also fared well by recording a utilization rate of 83.1 percent. This was attributed to the establishment of an oversight and centralized control over the cash requirements and programming of the implementing units.

It is noteworthy that the total budget obligated for the three major final outputs (MFOs) of the Department – namely: National Road Network Services, Flood Management Services, and Maintenance and Construction Services of Other Infrastructures – amounted to P 327.4 billion, equivalent to 52.6 percent of the total obligated budget of DPWH (inclusive of the capital transfers from other agencies). However, the Department only disbursed an amount of P 153.0 billion or 46.7 percent of the obligated budget for these programs. The table below shows the allocation for the three MFOs of the DPWH:

Major Programs	(in billion pesos)			BUR	
	Allot.	Oblig.	Disb.	Oblig.	Disb.
MFO 1: National Road Network Services	238.5	224.3	104.4	94.1%	46.5%
MFO 2: Flood Management Services	83.9	80.3	41.0	95.7%	51.1%
MFO 3: Construction and Maintenance Services of Other Infrastructure	24.1	22.8	7.7	94.5%	33.7%
Total	**346.5**	**327.4**	**153.0**	**94.5%**	**46.7%**

The DPWH – being the infrastructure arm of the National Government – also implemented other capital projects chargeable against transferred appropriations from other Departments such as: (a) Basic Educational Facilities (BEF) of the Department of Education (DepEd), (b) Farm-to-Market Roads (FMRs) of the Department of Agriculture (DA), and (c) Farm-to-Mill Roads of the Sugar Regulatory Administration (SRA). In 2017, total fund transfers from said agencies amounted to P 115.9 billion, of which P 110.9 billion was obligated, equivalent to 95.7 percent obligation ratio. Similarly, this was higher compared to the 73.5 percent obligation performance in 2016. However, in terms of the disbursement-obligation ratio, the disbursement rate was only 6.0 percent of the obligated budget (P 6.7 billion), which was 23.9 percentage point lower than the 29.9 percent disbursement rate in 2016.

Major Programs	(in billion pesos)			BUR	
	Allot.	Oblig.	Disb.	Oblig.	Disb.
Farm-to-Market Roads	6.0	5.5	2.3	91.6%	41.7%
Basic Educational Facilities	109.3	104.9	4.4	96.0%	4.2%
Farm-to-Mill Roads	0.6	0.5	0.0	89.9%	2.7%
Total	**115.9**	**110.9**	**6.7**	**95.7%**	**6.0%**

Physical Performance. The DPWH did not fully meet all its targets based on the Department's commitments presented in the 2017 GAA. It is also noteworthy that the physical performance of the Department under its three MFOs in 2017 was lower compared to the reported physical performance in 2016. The low physical accomplishments of the DPWH in 2017 relative to its 2016 physical accomplishments and 2017 targets is attributed to the low disbursement of the Department despite high obligated funds as explained in the previous section. This shows that many projects of the DPWH are still ongoing at the end of 2017, which are not reported in the physical performance of the Department. It is noteworthy that only completed projects are being reported in the physical accomplishment of the Department. Further, a portion of the DPWH's disbursement is allotted for the payment of the prior years' obligation, which means that lower disbursement for the current year was made that resulted to low physical accomplishment in 2017.

First, under the National Road Network Services, the Department constructed, maintained, and paved 513.0 kilometers of national road out of the committed target of 4,704.0 kilometers or 10.9 percent accomplishment. This accomplishment was lower compared to 32.0 percent (or 1,121.1 kilometers out of the committed 3,500.9 kilometers) in 2016. On the other hand, the DPWH constructed 1,594.4 linear meters of bridges out of the target 26,786.0 linear meters or 6.0 percent accomplishment, which was lower compared to 25.1 percent in 2016 equivalent to 4,594.7 linear meters of the committed 18,273 linear meters.

Second, under the Flood Management Services, the Department committed to construct and maintain 2,176 flood control projects, of which 857 were constructed, maintained, and rehabilitated; thus, recording an accomplishment of 39.4 percent. This was significantly lower compared to 91.4 percent or 996 flood control projects out of committed 1,090 flood control projects in 2016.

Lastly, under the Construction and Maintenance Services of Other Infrastructure, the DPWH constructed and improved 38.5 kilometer-access roads leading to airports, sea ports, and tourist destinations out of the committed target of 1,000.0 kilometers, or 3.9 percent accomplishment. This was lower compared to 11.5 percent in 2016, equivalent to 167.2 kilometers of the committed 1,452.0 kilometers. The Department also constructed 966 septage/sewerage/rainwater collectors out of the committed 3,503 units or 27.6 percent accomplishment, which was notably lower than the 517.4 percent accomplishment in 2016 or 3,208 units out of the committed 620 units.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual [1/] Accomplishment	Accomplishment Rate
MFO 1: National Road Network Services				
Length of National Roads Maintained (km)	503.4	1,080.0	325.3	30.1%
Length of National Roads Constructed (km)	362.2	3,102.0	159.0	5.1%
Length of National Roads Paved (km)	255.5	522.0	28.6	5.5%
Total accomplishment for National Roads	**1,121.1**	**4,704.0**	**512.9**	**10.9%**
Length of Bridges Constructed (lm)	4,594.7	26,786.0	1,594.4	6.0%
MFO 2: Flood Management Services				
No. of Flood Control Structures and Drainage Systems constructed/ maintained/rehabilitated	996	2,176	857	39.4%
MFO 3: Construction and Maintenance Services of Other Infrastructure				
Length of Access Roads leading to Airports constructed / improved (km)	7.2	70.0	11.5	16.4%
Length of Access Roads leading to Seaports constructed/improved (km)	26.2	229.0	12.8	5.6%
Length of Access Roads leading to declared Tourist Destinations constructed/improved (km)	133.7	701.0	14.2	2.0%
Total accomplishment for Access Roads	**167.2**	**1,000.0**	**38.5**	**3.9%**
No. of Septage/Sewerage/Rain Water Collectors constructed	3,208	3,503	966	27.6%

1/ FY 2019 National Expenditure Program

Aside from the three MFOs under the Department's regular mandate, other capital projects transferred to the Department were also considered part of the DPWH's performance and accomplishment. For Basic Educational Facilities Program of DepEd, the Department completed the construction of 1,072 school buildings out of the total 12,071 active projects, or 8.9 percent accomplishment rate. Meanwhile, for the farm-to-market roads (FMRs) of the DA, the Department completed 483 FMR projects out of the 1,140 active projects, recording an accomplishment rate of 42.4 percent – which was highest among the transferred programs. Lastly, the Department only completed 1 farm-to-mill road project for SRA out of the 39 active projects; thus, recording an accomplishment of only 2.6 percent.

Particulars	Total No. of Projects	Completed	Accomplishment Rate
Farm-to-Market Roads	12,071	1,072	8.9%
Basic Educational Facilities	1,140	483	42.4%
Farm-to-Mill Roads	39	1	2.6%

The reasons for low physical accomplishments of the DPWH include issues on ROW and relocation, procurement, coordination with relevant agencies for permit acquisition, peace and order situation and inclement weather, late submission and approval of some project modifications, and suspension of projects for construction of electrical, water and telecommunication lines of utility companies.

The Department encountered several road ROW and relocation issues, and in some of its projects, the DPWH experienced resistance from residents in areas where projects will be implemented.

The DPWH also faced procurement issues such as delayed biddings and delivery of procured items during the project implementation. The Department shall pursue implementation measures to fast track the procurement of its delayed programs, activities, and projects.

Lastly, the Department also identified coordination with relevant government agencies as a major issue in project implementation. There were delays and difficulties in acquiring permits from concerned government agencies for some projects, especially for the big-ticket ones.

Department of Science and Technology

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOST	22.4	18.9	84.3%	21.8	20.6	94.5%

Financial Performance. The DOST System obligated a total of P20.6 billion, or 94.5 percent of its P21.8 billion allotment release, an improvement from its 2016 obligation of 84.3 percent. It is noted that all nineteen (19) agencies under the DOST system obligated more than 80 percent of their allotments, with PHIVOLCS showing the most significant improvement from an obligation rate of 74.7 percent in 2016 to 88.3 percent in 2017. ASTI's obligation rate of 81.6 percent, though the lowest among the DOST agencies, was partly due to savings from procurement and cost-cutting measures, similar to other DOST agencies. Top obligating agencies with obligation rates ranging from 98-100 percent included OSEC, FNRI, NRCP, PCAARD, PCHRD, PCIEERD, SEI and STII.

However, despite DOST's high obligation rate, its overall disbursement is at P14.2 billion or 69.1 percent which is lower than the P15.3 billion or 81.0 percent accomplished in 2016. Underspending was attributed to a combination of external factors such as non-submission of documentary requirements of beneficiaries and procurement issues (e.g. failed biddings) and internal issues such as late project approvals. The low disbursement rates of ASTI, ITDI, PAGASA and PSHS which ranged from 29-54 percent, dragged down the disbursement rate of DOST. Top implementing agencies however, included FPRDI, NAST, NRCP, PCAARD, PCHRD, PHIVOCS, PTRI, SEI, and TAPI whose disbursement ratios ranged from 91-100 percent.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual Accomplishment	Accomplishment Rate
OSEC				
MFO 3: Regional Science and Technology Services				
Technology Transfer				
No. of firms/other entities provided with S&T assistance	4,524	2,972	4,653	157.0%
No. of jobs created (in terms of person)	40,076	24,478	38,074	156.0%
No. of technology interventions	7,668	5,392	7,836	145.0%
S&T services				
No. of technical/consultative services rendered	32,980	21,632	37,091	171.0%
PSHS				
MFO 1: Provision of Specialized Secondary Science Education				
No. of students supported	6,389	8,083	7,882	98.0%
SEI				
MFO 1: Science and Technology Human Resources Development Services				
No. of students supported	20,618	22,723	22,783	100.0%
Undergraduate level	17,491	19,058	19,058	100.0%
Masters Program	2,407	2,669	2,832	106.0%
Doctoral Program	720	996	893	90.0%
PAGASA				
MFO 1: Weather, Climage and Flood Forecasting/Warning and Other Related Services				
No. of weather and flood warnings issued	4,178	2,211	6,596	298.0%
PHIVOLCS				
MFO 1: Technical Advisory Services for Geologic and Geophysical Phenomena				
No. of bulletins and warnings issued	1,276	As necessary	1,275	-
MFO 2: Disaster Preparedness and Risk Reduction Services				
No. of Disaster Risk Reduction (DRR) activities conducted	271	250	391	156.0%
Ave. no. of participants per disaster risk reduction activities	111	90	106	118.0%

Physical Performance. Recognizing the crucial role of STI in economic development of regions, DOST's accomplishments surpassed their set targets for Regional Science and Technology Services in 2017. S&T assistance was provided to 4,653 firms and other entities, 2.9 percent more than in 2016. Meanwhile, a total of 7,836 technology interventions were provided, allowing for the creation of 38,074 jobs, 145.3 percent of targets and 2.2 percent more than 2016. Apart from technology transfers, DOST also rendered technical/consultative services to 37, 091 firms. This is 171 percent of target and 12.5 percent more than last year.

To ensure the development of human resources in S&T, the DOST supported a total of 30, 665 students through scholarship programs of SEI and PSHS. The former supported a total of 22,783 students, a little over its 22,723 target. Though the target number of students for doctoral degrees was not met, it is worth noting that the number of supported students for Masters Program exceeded target by 163 students. Meanwhile, the number of students supported by PSHS fell below target due to an external factor-- the compliance with policy standards to qualify for the scholarship program. However, the number of scholars supported by SEI and PSHS was 99.5 percent and 13.5 percent more than in 2016.

Responding to the need for responsive disaster risk reduction and management (DRRM) services, PAGASA issued 6,596 weather and flood warnings, which was 57.9 percent more than in 2016. Meanwhile, PHIVOCS issued 1,275 bulletin warnings for geologic and geophysical phenomenon, as necessary. Additionally, PHIVOLCS conducted 106 DRR activities for an average number of 106 participants per activity, compared to 271 activities with an average number of 111 participants in 2016.

Department of Social Welfare and Development

(in billion pesos)

Dept.	2016[1/]			2017[2/]		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DSWD	131.9	108.9	82.5%	161.6	153.6	95.1%

[1/] 2016 SAODB
[2/] 2017 SAODB

Financial Performance. In support of the Department of Social Welfare and Development's (DSWD) mandated function to provide opportunities that will uplift the living conditions of disadvantaged families and communities, individuals with special needs and those distressed by natural and man-made calamities, P161.6 billion was released to the Department in 2017. The amount is inclusive of prior years' continuing appropriation of P26.3 billion. The DSWD was able to obligate P153.6 billion or 95.1 percent of its total allotment by the end of the year. This is an improvement over the 2016 obligation rate of 82.5 percent. Of the total obligations of the Department, P116.0 billion or 75.6 percent was spent for the implementation of the following programs: a) Conditional Cash Transfer (CCT), P86.9 billion; b) Social Pension for Indigent Senior Citizens (SocPen), P16.5 billion; c) Sustainable Livelihood Program (SLP), P8.4 billion; and d) Supplementary Feeding Program (SFP), P4.2 billion. Hence, an amount of P7.9 billion has remained unobligated by the end of the year. Moreover, P129.7 billion or 84.4 percent of the obligated amount was disbursed in 2017. This is lower than the 92.2 percent disbursement rate recorded in 2016.

Particulars	2016	2017		
	Actual [1/] Accomplishment	Target (GAA)	Actual [2/] Accomplishment	Accomplishment Rate
MFO 2: SOCIAL PROTECTION SERVICES				
Pantawid Pamilyang Pilipino Program (Conditional Cash Transfer)				
No. of household beneficiaries	-	4,402,253	4,394,813	99.8%
No. of household beneficiaries- Regular CCT	4,154,417			
No. of household beneficiaries- Modified CCT	233,272			
No. of regular and modified CCT household beneficiaries	-	3,084,523	4,394,813	142.5%
Provision of rice assistance for the household beneficiaries	1,377,895	4,400,000	4,253,792	96.7%
No. of transitioning household beneficiaries	-	1,315,477	1,315,477	100.0%
Supplementary Feeding Program				
No. of Day Care children provided with supplementary feeding	1,998,489	1,746,199	1,582,839	87.6%
Social Pension for Indigent Senior Citizens				
No. of indigent senior citizens ages 60 years old and above, with social pension	1,314,816	2,809,542	2,683,037	95.5%
Sustainable Livelihood Program				
No. of families to be served thru Micro-enterprise Development	225,119	170,470	32,909	19.3%
No. of families facilitated for employment	218,040	211,508	16,250	7.7%

1/ Agency PBB Form A, Major Final Outputs
2/ FY 2019 National Expenditure Program

Physical Performance. Last year, the DSWD provided monthly educational and health allowances to 4.39 million households out of the 4.40 million target household beneficiaries upon their compliance with the requirements of the regular and modified[1] CCT. The program's 99.8 percent accomplishment rate is due to the increased compliance to requirements of the beneficiaries from 90.0 percent to 95.0 percent. The change in behavior of the beneficiaries may have been influenced by the provision of rice assistance to 4.25 million households, just 3.3 percent shy of its 4.40 million targeted household beneficiaries. Meanwhile, 1.32 million household beneficiaries who are transitioning from poor to non-poor status but are still vulnerable to socioeconomic changes were also given assistance.

For the same period, the Supplementary Feeding Program fell short of its 2017 target of 1.75 million children with ages zero to five by covering 1.53 million children enrolled in LGU-run day care centers and Supervised Neighborhood Play. The program serves hot meals in addition to the children's regular meals, five times a week for six months, in order to improve their nutritional status.

Moreover, the Department also caters to the indigent senior citizens with ages 60 and above by granting them monthly social pension. For 2017, 2.68 million indigent senior citizens out of its 2.81 million target received P500 per month. The target was not reached due to difficulty in reaching the geographical location of the beneficiaries, and non-submission of some LGUs of the verified list of pensioners. Still, the 2.7 million indigent senior citizens reached represented a 104.1 percent increase over 2016.

Meanwhile, the issued moratorium on the use of Cash Assistance Payroll in releasing funds to the SLP beneficiaries because it was found to be non-compliant to R.A. No. 9184 or the Government Procurement Act, as well as the stringent process of CSO accreditation of partner providers, resulted to a low accomplishment rate for the SLP in 2017. The program only served 19.3 percent or 32,909 families out of the 170,470 target families for the Microenterprise Development (MD) track and 7.7 percent or 16,250 families out of the 211,508 target families for the Employment Facilitation (EF) track. This was way below the 225,119 families and 218,040 families reached by the program in 2016 through the MD and EF tracks, respectively.

Department of Transportation (DOTr)

(in billion pesos)

Dept.	2016			2017		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOTr	92.2	61.8	67.1%	82.3	69.2	84.1%

Financial Performance. As of December 31, 2017, the Department of Transportation (DOTr) received total allotment releases of P 82.3 billion, which was lower than the 2016 allotment releases of P 92.2 billion. Out of the total allotments, P 69.2 billion was obligated, equivalent to 84.1 percent obligation rate. This was a 17.0 percentage points higher than last year's 67.1 percent obligation rate. Furthermore, the Department disbursed some P 27.1 billion in 2017, almost half the P 49.0 billion recorded disbursements in 2016.

The priority infrastructure projects of the DOTr – categorized under four sectors, namely: a) Rail Sector, b) Aviation Sector, c) Maritime Sector, and d) Land Public Transportation Sector – received the lion's share of the department's allotments amounting to P 42.2 billion (or 51.3 percent of the DOTr's total allotments) in support of the *Build Build Build* Program of the National Government. Out of the total allotments for these projects, about P 36.0 billion was obligated. However, it is noteworthy that only P 10.5 billion was disbursed for these projects. The table below shows the allocations for priority infrastructure projects of DOTr by sector:

Sector	(in billion pesos)			BUR	
	Allot.	Oblig.	Disb.	Oblig.	Disb.
Rail	22.1	17.9	7.6	80.9%	42.2%
Aviation	6.8	6.5	0.1	96.2%	1.7%
Maritime	8.4	7.9	0.4	94.2%	4.8%
Land Public Transportation	5.0	3.7	2.5	74.0%	67.9%
Total	**42.2**	**36.0**	**10.5**	**85.2%**	**29.3%**

The Aviation Sector posted the highest obligation rate at 96.2 percent (or P 6.5 billion out of the P 6.8 billion allotment), but also recorded the lowest disbursement ratio of 1.7 percent (or P 112 million of the obligated budget for the sector). The budget for the sector aimed to construct, rehabilitate, and improve 30 airports, and its air traffic management systems. Major aviation infrastructure projects include New Bohol (Panglao) International Airport, and Bicol International Airport/New Legazpi (Daraga) Airport.

Meanwhile, the Land Public Transportation Sector, recorded the lowest obligation rate at 74.0 percent (or P 3.7 billion out of almost P 5.0 billion), but posted the highest disbursement rate at 67.9 percent (or P 2.5 billion of the obligated budget for the sector). The budget for the sector was utilized for the implementation of various road-related projects with the objective of improving efficiency, effectiveness, and safety of the public transport system in an environmentally sustainable manner. Notable projects of the sector include PUV Modernization Program and Road Transport IT Infrastructure Project.

The Rail Sector received the biggest share of the budget among the sectors, with more than half of the budget for priority projects of DOTr. The sector obligated an amount P 17.9 billion out of its P 22.1 billion allotment, which is equivalent to 80.9 percent obligation rate. However, only an amount of P 7.6 billion equivalent to 42.2 percent of its obligated budget was disbursed. The budget for the sector was utilized to support the ongoing improvements in the existing railway lines in the country such as Light Rail Transit (LRT) Line 1, LRT Line 2, Metro Rail Transit (MRT) Line 3, and Philippine National Railways (PNR) Lines. Further, ongoing right-of-way (ROW) activities were being conducted for the Mindanao Railway Project Phase 1.

Lastly, the Maritime Sector recorded a high obligation rate of 94.2 percent, but recorded a very low disbursement rate of 4.8 percent.

In general, the reasons for low fund utilization rates, both obligation and disbursement, were mainly attributed to procurement (e.g., failure of bidding, filing by losing bidders of Motions for Reconsideration that cause delays in awarding contracts, court injunctions and Temporary Restraining Orders [TROs] filed on major projects). The unsuccessful biddings and delay in the procurement of various locally-funded projects resulted to rescheduling of advance payment and progress billings at a later date.

There were specific project-related problems, such as the operations of the MRT-3, that were attributed to the following: a) unobligated allotment for MOOE due to the delayed completion of the Ancillary System (AS) because of the delayed completion of testing and commissioning of light rail vehicles (LRVs), which is dependent on the result of third party safety audit being conducted; b) savings from the claim of the MRT-3 former maintenance provider; c) unutilized balance for the maintenance of 48 LRVs which were not yet operational as of end 2017; and d) savings from security services due to contract extension maintaining the original number of 500 guards as against the budget for 600 guards.

There were also problems concerning the delivery of goods and services by the Land Transportation Office (LTO), which include: a) delay in payment for the buy-out of LTO’s IT provider, b) delay in the delivery and payment of LTO license plates and cards, and c) hold order by the Commission on Audit (COA) on LTO plates that remains unresolved.

Particulars	2016	2017		
	Actual Accomplishment	Target (GAA)	Actual [1/] Accomplis+D20 hment	Accomplishment Rate
MFO 2: Motor Vehicles Registration and Driver's Licensing Regulatory Services				
Vehicle Registration				
No. of motor vehicles registered	8,973,364	8,981,520	10,410,814	115.9%
% of new registrations completed with MV plates and stickers within seven days	90%	90%	90%	100.0%
Driver Licensing				
No. of driver's licenses and permits issued	5,672,746	5,673,290	6,628,459	116.8%
Enforcement				
No. of apprehensions for which a Temporary Operator's Permit (TOP) is issued and complaints acted upon	568,531	578,440	640,455	110.7%
MFO 3: Regulation of Public Transport				
Franchising				
% of new CPC acted upon over the complaint applications received	51%	93%	38%	40.9%
% of extension of validity acted upon over the number of petitions for extension of validity received		100%	63%	63.0%
% of dropping/substitution acted upon over the number of droopings filed	74%	100%	92%	92.0%
% of sale and transfer acted upon over the number of petitions for sale and transfer received	72%	92%	60%	65.2%
Monitoring				
No. of inspected franchise holders that are audited/ monitored and complaint with rules and regulations		150,000	141,530	94.4%
MFO 4: Rail Transport Passenger Services				
No. of passenger kilmoters travelled (per day)	3,422,027.00	3,500,000	3,550,806	101.5%
Average travel speed (kph)	26.4	39.0	33.0	84.6%
No. of passenger unloading incidents (annual)	587	361	463	71.7%

1/ FY 2019 National Expenditure Program

Physical Performance. Under the Motor Vehicle Registration and Driver's Licensing Regulatory Services, the LTO was able to register 10,410,814 motor vehicles, and issue 6,628,459 driver's licenses and permits, equivalent to accomplishment rates of 115.9 percent and 116.8 percent, respectively. The issue of unavailability of motor vehicle plates could be traced back to the

Temporary Restraining Order (TRO) issued by the Supreme Court (SC) en banc on the distribution of license plates for motor vehicles and the hold-order issued by the Commission on Audit (COA) on the LTO Plates Project, which remain in effect by the end of the fiscal year. Finally, the LTO was able to take action on 640,455 apprehensions for which a Temporary Operator's Permit (TOP) is issued and complaints acted upon, recording an accomplishment rate of 110.7 percent. It is noteworthy that the 578,440 target in 2017 for the said indicator was relatively lower than the 2016 target of 586,010.

Meanwhile, under the Regulation of Public Transport Services – which consists of two main activities such as Franchising and Monitoring – the Land Transportation Franchising and Regulatory Board (LTFRB) was able to achieve 5 out of 10 of its performance targets. However, there were some commitments that were not met. First, the LTRFRB issued only 38 percent of the new Certificate of Public Convenience (CPC) applications behind the targeted 93 percent of CPC issued over received compliant applications recording an accomplishment rate of 40.9 percent in this indicator. The stringent policy of the LTFRB contributed to the decrease in the number of adjudicated cases, petitions for extension of validity and dropping/substitution. Second, the Board was only able to inspect, monitor, and audit 141,530 franchise holders behind the target 150,000 franchise holder; thus, recording an accomplishment rate of 94.4 percent. The decrease in monitoring is attributed to the suspension of sealing and resealing of taxi units.

Lastly, under the Rail Transport Passenger Services, MRT-3 recorded low accomplishment rates in 2017 in 2 out of 3 committed targets. In terms of average travel speed, the Department has an accomplishment rate of 84.6 percent, which was still considered an improvement over its 2016 accomplishment. The committed target was not met due to the train speed restriction on the mainline during revenue hours for passenger safety considering the signaling problem and rail breakage. Meanwhile, number of passenger unloading incidents recorded an accomplishment rate of 71.7 percent. Despite not keeping the committed target of 361 unloading incidents in 2017, the accomplishment may be considered a significant improvement from 2016 accomplishment rate of 4.3 percent (or underperformance of 95.7 percent). The high passenger unloading incidents were attributed to the increase in the train defects coupled with lack of spare parts, and system failures (e.g., signaling, Automatic Train Protection [ATP] and broken rail). On the other hand, the Department was able to travel 3,550,806 passenger kilometers exceeding its target to travel 3,500,000 passenger kilometers.

V. Fiscal Outlook

2018 Fiscal Program

The passage of the Package 1A of the Comprehensive Tax Reform Program (CTRP) known as Tax Reform for Acceleration and Inclusion (TRAIN), and the subsequent enactment of Package 1B by the second half of 2018 will support higher public spending. Revenues are targeted to reach P2,846.3 billion (16.2 percent of GDP) in 2018, taking into account the nearly P125 billion in incremental revenues from Packages 1A and 1B of the CTRP. Disbursements, on the other hand, are set at P3,370.0 billion (19.2 percent of GDP) to fund priority social services expenditures such as the Free Tertiary Education and the Tax Reform Cash Transfer Project, increase in the base pay of the military and uniformed personnel, and the massive infrastructure projects under the Build, Build, Build Program of the Duterte Administration. The deficit of P523.7 billion will help finance the spending program of the government. This is equivalent to 3.0 percent of GDP and will be sourced from external and domestic capital markets with a total gross financing mix of 36:64.

Medium-Term Fiscal Program 2019-2022

The medium-term fiscal policy will continue to be expansionary, yet sustainable, to lay a stronger foundation for inclusive growth. The CTRP is projected to generate an average of P268.3 billion (1.2 percent of GDP) in additional revenues each year so that revenue effort will reach 17.6 percent of GDP by 2022, from 15.7 percent of GDP in 2017. This will support the growth of disbursements by an average of 12.3 percent each year to reach 20.6 percent of GDP by 2022, from 17.9 percent of GDP in 2017. The deficit target was adjusted by the DBCC to 3.2 percent of GDP in 2019 to support the government's aggressive spending strategy for both the social and infrastructure sectors. Nonetheless, the deficit target for 2020 onwards will be maintained at 3.0 percent of GDP, affirming the commitment to long-term fiscal sustainability. The deficit will be financed mainly through domestic sources with a gross borrowing mix of 75:25 over the medium-term. This will result in better debt management, balancing the need to explore new markets for the country's financing requirements and the need to minimize exposure to foreign exchange fluctuations.

Despite the increase in deficit in 2019, the country's debt profile will continue to be sustainable with debt-to-GDP ratios still projected to decline from 42.1 percent of GDP in 2017 to 38.6 percent in 2022, amidst the faster economic growth due to higher public spending. In all, this will support the country's medium-term growth target of 7.0 to 8.0 percent, poverty reduction from 21.6

percent poverty incidence in 2015 to 14.0 percent by 2022, and the goal of becoming a middle income country in the next four years.

Budget Reforms

The passage of the Budget Modernization Bill (BMB) will transform the public financial management landscape in the country, and thereby further strengthen budgeting and planning. The BMB will institutionalize fiscal responsibility principles, from the crafting of fiscal policy, formulation of fiscal objectives, strategies and targets, the planning and preparation of the budget up to its execution and accountability phases. The Bill will also instill greater fiscal discipline, make resource allocation more strategic, and encourage operational efficiency with the adoption of the annual cash-based appropriations. Likewise, the BMB will develop and institutionalize an integrated financial management and information system to improve processing, recording, monitoring and reporting of government financial transactions. The Bill has been approved by the House of Representatives on third and final reading on March 20, 2018 while Senate plenary deliberations are ongoing. The Bill is targeted to be enacted by both Houses in 2018.

The DBM continues to implement measures that will facilitate faster budget execution and hence improve agency disbursement performance. The previous regime of two-year validity of appropriations resulted in delays in program and project implementation and budget carry overs in the succeeding fiscal years. With the one-year validity, line agencies work double time to obligate their funds before the same lapse at the end of the year. This also compels them to plan and conduct pre-procurement activities ahead of budget execution. The comprehensive release of allotments under the GAA-As-An-Allotment-Order Policy is already matched with the release of full-year cash allocations credited at the first day of the quarter. These funding arrangements should make budget execution faster, enabling line agencies to actively plan and manage their cash requirements, cognizant of their implementation timelines and procurement schedules.

The President submitted the proposed 2019 Budget to Congress on July 23, 2018. This is the first cash-based budget prepared by the DBM supportive of this Administration's expenditure priorities and development targets. It seeks to accelerate government spending, and further improve delivery and outcome of essential public services by funding only those programs, activities and projects proposed by line agencies which can be fully implemented and delivered within the fiscal year. The proposed 2019 Cash-Based Appropriations amount to P3,757.0 billion and equivalent to 19.3 percent of GDP.