Republic of the Philippines
Development Budget Coordination Committee
Malacañang, Manila

Year-End Report on the 2016 National Budget

September 25, 2017

I. Introduction

The Philippine economy sustained its robust growth and registered among the fastest growing economies in Asia in 2016 with a 6.9 percent expansion, surpassing that of China (6.7 percent) and Vietnam (6.2 percent). The economic growth was driven by a strong domestic demand boosted by household consumption, increased government spending, and sustained investment.

The country's macroeconomic fundamentals remained strong, characterized by broad based domestic growth, low and stable inflation and interest rates, improved fiscal position, and broadly stable peso. However, external pressures – such as the US Fed rate hike, the fluctuations of the China's economy, and the higher price of oil in the global market – continued to loom over the short- and medium-term and stir volatility into the domestic market.

It is worth noting however that the sustained expansion and persistent development efforts in previous years has brought about significant achievements in the other socioeconomic areas. In 2016, unemployment rate reached its lowest since 2006 at 5.5 percent, with the quality of employment improving. Majority of workers found remunerative work and full-time employment, thereby increasing the overall mean hours of work. In terms of poverty, the Philippines made significant strides to reduce poverty to 21.6 percent from the baseline of 26.3 percent in 2009.

Overall, in terms of the delivery of public services directed towards achieving a better life for the Filipino people, the government sustained the implementation of relevant programs and projects which increased the access to basic education, healthcare, and social protection services of the marginalized and poorest communities; improved the current state of public infrastructure to attract more investments and generated employment; supported and modernized the agriculture sector and provided greater income opportunities for farmers and fisherfolk; and strengthened the resilience of communities vulnerable to climate change hazards.

This report gives an overview of the country's performance for the previous fiscal year 2016, in terms of the fiscal, financial, social, and economic objectives of the national government. In summary, the report tackles the following:

- ❖ Overview of the policy and principles embedded in the 2016 Budget;
- ❖ Examination of the year's overall performance relative to the macroeconomic, revenue, expenditure, financing, and debt targets;
- ❖ Discussion of national government's expenditure performance by program, sector, expense class, and department/agency; and
- ❖ Reporting of the physical performance of key departments and major programs and projects against the performance targets submitted to Congress.

II. 2016 National Government Budget

The FY 2016 National Government Budget was a transition budget – the last budget crafted under the previous administration, and the first budget implemented by the current administration – which was intended to sustain government reforms. It is based on the principle that the budget is a key instrument in implementing government reforms, from establishing integrated systems in order to suppress corruption and promote transparency and accountability to enhancing the capacity of government institutions in the delivery of public services.

The FY 2016 Budget of ₱3.002 trillion, was almost double the FY 2010 Budget of ₱1.541 trillion. This allowed the government to expand its programs and projects, and to pursue its priority agenda, while remaining committed to the principle of fiscal sustainability. Moreover, the government had managed to cut the share of debt burden to 14 percent of total expenditures[1], notably the lowest in three decades, given the preceding years of fiscal discipline. This freed resources to be allocated to address urgent needs for Social and Economic Services, which got a combined share of 64.5 percent of the total

[1] Share of Debt Burden to total expenditures based on actual figures is 24.2 percent in 2010.

Budget, as well as for Peace, Security and General Services, which was given the remaining 21.5 percent.

The implementation of the FY 2016 Budget was expectedly challenging. Given that it was an election year, the government prepared to support the period for election campaign activities through more intense pre-planning and the early procurement of government-led investments in key public infrastructures and social services. It is worth noting however that the government underwent a smooth transition as the Aquino Administration's fiscal policies were adopted and taken a notch higher by the Duterte Administration.

The new government took on board the "early procurement, short of award" policy, which allows departments/agencies to bid out contracts right after the National Expenditure Program is submitted to Congress in time for implementation at the start of the year. The government also adopted the GAA-as-a-Release document (GAARD) or GAA-as-Allotment Order policy to streamline the lengthy and often repetitive budget execution process, while fostering predictability and accountability among departments. It moved the fiscal deficit limit to 3 percent from the previous 2 percent policy; and continued the conditional strategy to funding and capacitating local government units, and the Open Government and Participatory approach to involve the communities and civil society organizations in the approval and monitoring of programs and projects, especially in anti-poverty programs.

III. Macroeconomic and Fiscal Performance

III.1 Macroeconomic Environment

The Real Sector

The Philippine economy strengthened further and registered the second fastest growth rate among major Asian emerging economies in 2016. The full–year 2016 real GDP growth of 6.9 percent settled near the upper-bound of the DBCC-approved target of 6.0 to 7.0 percent. The economic performance surpassed that of China (6.7 percent) and Vietnam (6.2 percent), and was second only to India (7.9 percent). The real GDP growth in 2016 is higher than the 5.9% average growth for the period 2011-2015.

Domestic demand was visibly strong (11.0%), boosted by household consumption (7.0% in 2016 from +6.3% in 2015), sustained government consumption (+8.4% from 7.6%), and the continued robust expansion in investment (+23.7%). Notable expansions were recorded in durable equipment (+34.5% from +21.8), consumption of food and non-alcoholic beverages (+6.9% from +5.9%), and construction (+15.1% from +11.0%).

Household consumption was mainly supported by high consumer confidence, modest inflation and interest rates, and improving labor market conditions. Consumer confidence improved on the back of better employment opportunities, and in part also, due to the continued government assistance such as the Pantawid Pamilyang Pilipino Program (4Ps). Meanwhile, government consumption was bolstered by election-related spending as well as the implementation of EO 201 s2016 that upgraded the salary and granted additional benefits to government employees. Strong growth in capital formation was supported by the expansions of both public and private construction as well as higher spending on durable equipment. Total exports grew at a steady pace despite the slowdown in electronics, in part due to the recovery of agricultural products exports and higher growth of other goods exports. Providing additional boost is the strong services exports on account of strong inbound tourism and stable BPO activities.

Table 1. Actual Performance versus Macroeconomic Assumptions, 2016

Particulars	2016		
	2016 BESF	2017 BESF	Actual
	Initial Target	Updated	
Nominal GDP (In Php millions)			
low-end	15,376,569	14,528,872	14,480,720
high-end	15,780,794	14,728,791	
Real GDP growth rate	7.0-8.0	6.0-7.0	6.9
Nominal GNI (In Php millions)			
low-end	18,399,098	17,561,396	17,430,420
high-end	18,858,839	17,818,403	
Real GNI growth rate	6.7-7.6	5.9-6.9	6.7

Sources: Department of Budget and Management (DBM), NEDA

On the supply-side, as shown in the table below, full year output growth was primarily contributed by services (+7.4 %) and industry (+8.4 %) sectors. In particular, significant expansion came from manufacturing (+7.0% from 5.7%); trade (+7.2% from +7.1%); real estate renting and business activities (+8.9% from +7.1%); financial intermediation (+7.6% from +6.1%), and public administration and defense including social security (+7.2% from +1.2%). On the other hand, agriculture output (-1.3%) declined due to the impact of El Nino during the first half as well as the typhoons in the last quarter, which weighed down on crops and fisheries subsector.

Consumer-based manufactures such as food and beverage drove the growth of manufacturing in line with still upbeat household consumption. Strong consumption also reflected in higher growth in trading activities, especially retail trade, along with the increase in volume of car sales in 2016. The real estate renting and business activities sector, on the other hand, expanded on the back of the continued growth in the business process outsourcing (BPO) industry, overseas remittances, infrastructure development, and favorable demographics. Meanwhile, higher revenues from bank operations supported the growth in financial intermediation as indicated by improvements in loan performance, with non-performing loans continuing to settle at low levels. Finally, public administration and defense including social security performed well due to the higher personnel services accounting largely from the release of the yearend bonus (YEB) of government employees, requirements for the filling, upgrading or reclassification of positions, as well as the creation of positions and the release of retirement and terminal leave benefits.

Table 2. Recent Philippine Macroeconomic Performance

Particulars	2011	2012	2013	2014	2015	2016
GROSS DOMESTIC PRODUCT	**3.7**	**6.7**	**7.1**	**6.1**	**6.1**	**6.9**
GROSS NATIONAL INCOME	**3.0**	**7.1**	**7.8**	**6.0**	**5.8**	**6.7**
By Industrial Origin						
Agri, Fishery and Forestry	2.6	2.8	1.1	1.7	0.1	(1.3)
Industry	1.9	7.3	9.2	7.8	6.4	8.4
o.w. Manufacturing	4.7	5.4	10.3	8.3	5.7	7.0
Services	4.9	7.1	7.0	6.0	6.9	7.4
By Expenditure						
Household Final Consumption Exp.	5.6	6.6	5.6	5.6	6.3	7.0
Gov't Final Consumption Exp.	2.1	15.5	5.0	3.3	7.6	8.4
Capital Formation	2.8	(4.3)	27.9	4.2	18.4	23.7
o.w. Fixed Capital Formation	(1.9)	10.8	11.8	7.2	16.9	25.2
Exports	(2.5)	8.6	(1.0)	12.6	8.5	10.7
Imports	(0.6)	5.6	4.4	9.9	14.6	18.5

Source: PSA

The pattern of economic growth in 2016 basically reflects a continuation of the trend of structural transformation seen over the last 5 years. That is, growth is increasingly being driven by investments vis-à-vis consumption, and led by the industry sector relative to the service sector. In other words, sources of economic growth have broadened. In fact, in 2016, the contribution of investments to growth was larger than that of consumption. On the other hand, higher growth in 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 average performance over the last five years, the economy was in better shape in 2016 with real GDP growth (6.9% versus 5.9%) rising by 100 basis points. Domestic demand (11.0% from 6.7%) had nearly doubled supported by the robust expansions of capital formation (23.7% from 9.8%), government consumption (8.4% from, 6.7%) and household consumption (7.0% from 5.9%). External demand also displayed a more upbeat performance though the balance showed a widening deficit. That is, while exports growth nearly doubled (10.7% from 5.2%), faster growth of imports resulted in a higher negative trade balance for the country. Imports had grown almost thrice as fast as demand for imported capital goods continued to rise – contributing to the further expansion of the productive capacity of the domestic economy. Looking into the supply-side, both industry (8.4% from 6.5%) and services (7.4% from 6.4%) demonstrated acceleration across all its subsectors, offsetting the weaker performance of the agriculture and fishery sector (-1.3% from 1.7%).

Monetary and External Trade Sectors

The Philippines' macroeconomic fundamentals remain sound, characterized by resilient domestic growth, low and stable inflation, low interest rates, favourable fiscal position, and broadly stable peso. Headline inflation rose to 1.8 percent in 2016 from its 2015 full-year average of 1.4 percent. This was due to tighter food supply arising from weather-related supply disruptions as well as rising domestic pump prices caused by higher international oil prices. Nonetheless, the 2016 inflation outturn fell below the government target range of 3.0 percent ± 1.0 percentage point.

The Bangko Sentral ng Pilipinas (BSP) maintained appropriately calibrated monetary policy settings amidst below-target inflation for the year. The BSP's steady monetary policy stance along with the favourable National Government (NG) fiscal position resulted in low and stable domestic interest rates. As shown below, the 364-day Treasury bill (T-bill) rate registered an average of 1.8 percent in the twelve auctions offered by the Bureau of the Treasury (BTr) in 2016, lower than the 2.1-percent average rate in 2015 and below the 2.0-4.0 percent DBCC assumption range for the year. The lower T-bill rate in the primary market reflected strong market demand for short-term government securities, amid slower-than-expected tightening in US monetary policy.

Table 3. Actual Performance versus Macroeconomic Assumptions

Particulars	2016		
	2016 BESF	2017 BESF	Actual
	Initial Projections	Adjusted/Updated	
Inflation (%)	2.0-4.0	2.0-4.0	1.8
364-day T-bill rate (%) [a/]	2.0-4.0	2.0-4.0	1.8
Foreign exchange rate (Php/US$1)	43.00-46.00	45.00-48.00	47.49
180-day LIBOR (%)	1.0-2.0	0.8-1.8	1.1
Dubai crude oil price (US$/barrel)	55.00-75.00	35.00-50.00	41.27
Goods exports growth (%) [b/]	6.0	3.0	0.6
Goods imports growth (%) [b/]	12.0	7.0	16.6

Notes:
a/ Based on primary market rates
b/ Based on the Balance of Payments and International Investment Position Manual, 6th edition (BPM6)
*Actual data for 2016
Sources: DBM, BTr, BSP

The Philippine peso weakened against the US dollar, recording an average exchange rate of P47.49/US$1 in 2016 from P45.50/US$1 in 2015. This was within the adjusted exchange rate assumption of P45.00-P48.00/US$1 in the 2017 Budget of Expenditures and Sources of Financing (BESF), but slightly lower than the earlier assumption of P43.00-P46.00/US$1 in the 2016 BESF. Global market developments, particularly in the US and China, have largely influenced the trend in the peso-dollar exchange rate. The impact of US Fed rate hike in December 2016, expectations of further US Fed rate hikes as well as concerns over China's economic slowdown contributed to the depreciation of Philippine peso during the year. Nonetheless, the country's strong macroeconomic fundamentals along with ample international reserves, sustained foreign exchange inflows from overseas Filipino (OF) remittances, foreign direct investments inflows, tourist receipts, BPO receipts, and the country's investment-grade status helped provide sufficient cushion against the volatilities caused by external developments, helping to counterbalance depreciation pressures.

Moreover, expectations of a steeper trajectory of foreign interest rates, reflecting the projected policy rate path of US Federal Reserve contributed to the increase in the 180-day LIBOR. The average LIBOR rose to 1.1 percent in

2016 from the 0.5-percent average in 2015, but within the revised assumption range of 0.8-1.8 percent in the 2017 BESF and the initial assumption range of 1.0-2.0 percent in the 2016 BESF.

Meanwhile, the average per barrel price of Dubai crude oil further to US$41.27 in 2016, from US$50.92 in the previous year. The said outturn was within the adjusted assumption range of US$35-US$50 per barrel in the 2017 BESF, but lower than the initial assumption range of US55-US$75 per barrel in the 2016 BESF. Global crude oil prices remained generally subdued in early 2016 due largely to the sustained glut in the global oil supply. However, it rebounded in late 2016 following an agreement among major oil-producing countries to reduce production in an effort to stabilize oil prices. Nonetheless, the increase in prices in late 2016 was not enough to offset the substantial decline recorded in the year.

Amid the generally weak demand in advanced economies and major emerging economies, coupled with the softening of commodity prices, goods exports grew slightly by 0.6 percent in 2016 to US$43.4 billion from the US$43.2 billion in 2015. While it indicated recovery from the 13.3 percent contraction in the previous year, it fell short of the projected initial and adjusted growth rate of 6.0 percent and 3.0 percent in the 2016 and the 2017 BESF, respectively. Moreover, exports of manufactured goods declined year-on-year by 7.1 percent due largely to lower shipments of machinery and transport equipment, non-consigned electronics (including other electronics), and garments on account of the continued sluggish demand from the country's major trading partners. Exports of mineral products likewise fell by 18.8 percent, while exports of agro-based products recovered with 2.3 percent growth in 2016 from more than 20 percent contraction in 2015.

On the other hand, goods imports in 2016 rose by 16.6 percent, reversing the slight contraction in 2015, and surpassing the initial and adjusted growth projection of 12.0 percent and 7.0 percent, respectively for the year. The year-on-year expansion in total goods imports was driven mainly by purchases of capital goods and raw materials/intermediate goods, which increased by 41.6 percent and 16.8 percent, respectively. Imports under these two (2) major commodity groups accounted for 15.5 percentage points of the 16.6 percent aggregate growth in imports, pointing to the continued expansion in the domestic economy's capital formation and production. Growth in imports of capital goods was supported by higher inward shipments of power generating and specialized machines, and telecommunication equipment and electrical machines. The increase in imports of raw materials and intermediate goods was driven primarily by purchases of manufactured goods particularly iron and steel and non-metallic mineral manufactures. By contrast, imports of mineral fuel and lubricants declined by 15.2 percent due mainly to the 29.6 percent contraction in the value of imports of petroleum crude as world market prices of crude oil on the whole, remained low in 2016.

Employment

The higher pace and improved quality of economic growth have created more and better employment in the last six years, leading to the significant decline in unemployment rate and improvement in the quality of employment in 2016. The unemployment rate reached its lowest in the past decade at 5.5 percent. At the same time, the quality of employment improved in the past six years, as majority of workers found remunerative work and full-time employment, thus increasing the overall mean hours of work.

Table 4. Employment, actual versus target, 2014-2016

Indicators	2014		2015		2016	
	Target	Actual	Target	Actual	Target	Actual
Unemployment rate (%)	6.7-6.9	6.6	6.6-6.8	6.3	6.5-6.7	5.5
Underemployment rate (%)	19.0	18.4	18.0	18.5	17.0	18.3

Source: Labor Force Survey, PSA

As shown in the table above, the unemployment rate targets in the last three years were surpassed. This was achieved by the dramatic reduction in the youth unemployment rate, from 16.6 percent in 2010 to 11.6 percent in 2016. Apart from the increased labor demand in support of the faster economic growth, a big factor was the expansion of the 4Ps to cover high school students beginning 2016 and the implementation of the senior high school program, which increased school participation (and, therefore, reduced labor market participation) of those aged 15 to 17 years.

However, an equally serious concern is underemployment, where in 2015 and 2016, the country lagged behind in terms of attaining its underemployment targets. The agriculture sector continues to account for a significant share in employment – close to 30 percent. Nevertheless, given that the jobs available in the agriculture sector were seasonal and low-paying, it is not uncommon to see relatively high underemployment in the sector. For instance, in 2016, underemployment in the sector was about 25.7 percent, which is higher compared to around 18.9 percent in industry and 14.4 percent in services. The high underemployment rate of the country can also be attributed to a considerable segment of laborers and unskilled workers, which make up one-third of total employment.

Poverty

The Philippines significantly advanced in terms of bringing down its poverty incidence.[2] From the baseline 26.3 percent poverty incidence in 2009, the target was to reduce this to 22.5 percent in 2015 during the mid-term updating of the Philippine Development Plan, 2011-2016. This was surpassed by the actual rate of 21.6 percent in 2015, reaching a record-low since 2006. Among families, the poverty incidence during this year, fell from 20.5 percent in 2009 to 16.5 percent in 2015. Consistent with this, 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 20.9 percent of individuals in 2009 to 8.1 percent in 2015.

Table 5. Poverty, Subsistence Incidence, and Poverty Treshold, 2006-2015

Indicator	FY 2006	FY 2009	FY 2012	FY 2015
Poverty Incidence (%)				
Families	21.0	20.5	19.7	16.5
Population	26.6	26.3	25.2	21.6
Subsistence Incidence (%)				
Families	8.8	7.9	2.5	5.7
Population	12.0	10.9	10.4	8.1
Monthly Poverty Threshold for a Family of Five (Php)	5,566	7,030	7,889	9,064
Monthly Food Threshold for a Family of Five (Php)	3,878	4,908	5,513	6,329

Source: Family Income and Expenditure Survey, PSA

There were many factors at work that may explain this. First, the economy experienced stable inflation environment in the period, as evidenced by slower 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 three deciles 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 faster increase in per capita income of the poor

[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.

resulted in higher purchasing power of the poor during the period. Lastly, the continued implementation of the government's social programs, particularly the CCT, KALAHI-CIDSS, and the Sustainable Livelihood Program provided additional support in coping up with major shocks and may have helped some to diversify livelihood sources.

As mentioned, one contributing factor to the decline in the poverty rate is the expansion of the 4Ps that provided cash transfers to family beneficiaries conditional on the attendance in school of child members and in Family Development Sessions of parent/s, and the healthcare seeking behaviour of families. But the overall decline in poverty incidence may have been more pronounced had individuals, families and economic sectors been more resilient and prepared to withstand or at least recover quickly from the more frequent natural and human-induced shocks and hazards that befell the country.

The broad-based decrease in poverty incidence eased disparities across regions. But NCR and its adjacent regions continued to post the lowest poverty incidence while regions in Mindanao consistently recorded the highest. Per capita income of the bottom three deciles rose across all regions in the 2012-2015 period with seven regions posting per capita income growth rates higher than the national average. Notably, Region I and Region III brought down their proportion of poor families to single digit levels for the first time since 2006. Nonetheless, the high proportion of poor families in the Mindanao regions, particularly ARMM, could be linked to the large number of conflict-related displacements in 2015 and the poor business environment arising from such conflicts.

To further accelerate poverty reduction, it is important for the government to leverage on employment as a tool for sustaining the momentum of decline, while maintaining its effective poverty reduction program to more threshold levels down by improving the efficiency of their implementation, ensuring increased incomes, and sustaining low inflation.

III.2 Fiscal Performance

The DBCC revised the 2016 fiscal program on July 5, 2016 as the new economic managers under the Duterte Administration adopted more realistic fiscal targets on account of the following: a) prevailing macroeconomic environment which could affect revenue outturns; b) absorptive capacity issues of implementing agencies as reflected in their recent disbursement performance; and c) the expected temporary delays and slowdown in spending due to the major transition to a new administration after a presidential election.

The revised fiscal program consisted of P2,256.7 billion revenue collection target equivalent to 15.5 percent of the revised GDP projection, and P2,645.6 billion disbursements projection, accounting for 18.2 percent of GDP. This resulted to a P388.9 billion deficit limit for the year, equivalent to 2.7 percent of GDP. This program is consistent with the 2016 Outlook presented in Table A.2 of the 2017 BESF.

Table 6. 2016 Fiscal Program, Original vs. Revised
(In billion pesos)

Particulars	2016 Program		% of GDP	Variance	
	Original	Revised		Amount	%
Revenues	2,696.8	2,256.7	15.50	(440.0)	16.3
Disbursements	2,995.4	2,645.6	18.20	(349.8)	11.7
Surplus/(Deficit)	**(298.6)**	**(388.9)**	**(2.7)**	(90.3)	30.2

The actual National Government (NG) fiscal deficit for 2016 increased to 2.4 percent of GDP, higher than 2015's 0.9 percent ratio, and the highest level attained for the past five years. In nominal terms, the NG deficit reached P353.4 billion or 91 percent of the target. NG expenditure reflected a faster 14.3 percent growth from 2015, while revenue collections grew by 4.1 percent.

III.2.1 Revenue Performance

For 2016, total revenues amounted to P2,195.9 billion, 4.1 percent higher than the 2015 collection of P2,109.0 billion. The 2015 collection includes non-recurring privatization revenue from the transfer of the P60.1 billion Coconut Levy Fund to the government's general fund amounting to. Net of this Levy Fund transfer, revenue grew by 7.2 percent in 2016. As percent of GDP, total revenues reached 15.2 percent. Tax revenues made up 86.1 percent of total revenues as can be seen below.

Table 7. NG Fiscal Position
(In billion pesos)

Particulars	2015 Actual	2016 Program	2016 Actual	% Variance (2016 Actual vs. Program)	Growth rate (Actual 2015 vs. 2016)
Total Revenues	**2,109.0**	**2,256.7**	**2,195.9**	**-2.7%**	**4.1%**
Total revenues less coco levy	2,048.9	2,256.7	2,195.9	-2.7%	7.2%
Revenue effort	*15.8%*	*15.5%*	*15.2%*		
Tax revenues	1,815.5	2,044.0	1,980.4	-3.1%	9.1%
Tax effort	*13.6%*	*14.1%*	*13.7%*		
Non-tax revenues	230.7	210.7	214.9	2.0%	-6.9%
Privatization	62.8	2.0	0.7	-67.2%	-99.0%
Expenditure	**2,230.6**	**2,645.6**	**2,549.3**	**-3.6%**	**14.3%**
Surplus/(Deficit)	**(121.7)**	**(388.9)**	**(353.4)**	**-9.1%**	**190.4%**
% of GDP	-0.9%	-2.7%	-2.4%		

Tax revenues reached P1,980.4 billion, 9.1 percent or P164.9 billion higher than the P1,815.5 billion revenues in 2015. The tax effort increased to 13.7 percent in 2016 from 13.6 percent in 2015. The Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) raised collections by 9.3 percent and 7.8 percent, respectively.

Non-tax revenues totaled P214.9 billion, which is lower than the 2015 level of P230.7 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 decline in non-tax revenues resulted from the lower income of the Bureau of the Treasury from BSF/SSF investments and NG deposits, and also lower guarantee fee collection and dividend remittance.

Total remittances from the government's privatization program also contracted by 99 percent in 2016, with the one-time transfer of the P60.1 billion Coco Levy Assets in 2015.

BIR Collection in 2016

The BIR collected P1,575.9 billion, an annual growth of 9.3 percent against 2015. BIR reached 97.3 percent of its revised target of P1,620.0 billion for FY 2016. BIR paid out tax refunds amounting to P8.3 billion in 2015 and P8.6 billion in 2016. Bulk of the refunds were for VAT in both years. In 2015, refunds were made on Taxes on Company/Corporate Enterprise (P103.0 million), Taxes on Individual (P8.0 million), Excise on Tobacco (P355.4 million), Excise on Petroleum (P0.05 million), VAT (P7,716.2 million), Franchise Tax (P84.2 million), Tax on Property (P2.3 million) and Documentary Stamp Tax (P1.9 million). For 2016, tax refunds were paid out to Taxes on Company/Corporate Enterprise (P69.3 million), Taxes on Individual (P7.6 million), Tax on Government Securities (P3,291.6 million), VAT (P5,198.8 million), Tax on Property (P2.3 million), Documentary Stamp Tax (P1.2 million), and Other Miscellaneous Tax (P0.3 million).

BIR attributed the increase in collections to the agency's strict enforcement of the country's tax laws and continuing its 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.

Table 8. BIR Collections
(In billion pesos)

Particulars	2015 Actual	2016 Target	2016 Actual	Growth rate (Actual 2015 vs. 2016)	% Variance (2016 Actual vs. Program)
Total BIR Collections	1,441.57	1,620.00	1,575.87	9.3%	-2.7%
Taxes on Income and Profits	846.20	945.62	924.59	9.3%	-2.2%
o.w. Individual Income Tax	309.21	325.43	343.86	11.2%	5.7%
Taxes on Property	5.64	5.33	6.64	17.8%	24.6%
Taxes on Domestic Goods and Services	589.73	669.05	644.65	9.3%	-3.6%
Value Added Tax	295.50	336.26	331.42	12.2%	-1.4%
Excise taxes	158.32	178.00	163.51	3.3%	-8.1%
Percentage taxes	58.38	65.92	64.62	10.7%	-2.0%
Franchise taxes	0.61	0.56	0.51	17.6%	9.0%
Documentary stamp tax	72.07	83.31	80.20	11.3%	-3.7%
Other taxes	4.85	5.01	4.40	-9.3%	12.1%

Taxes on Income and Profits

The positive year-on-year performance of income taxes was driven by several factors:

1. Strengthening of tax administration for individual income tax as collections grew by 11.2 percent in 2016, higher than the growth of compensation of employees in the income and outlay accounts
2. Higher growth in the Industry and Services Sectors in 2016. Industry and Services account for 91.2 percent of GDP.

Excise Taxes

Excise tax revenues increased by 3.3 percent compared with 2016, mainly coming from higher collections from alcohol products.

Excise tax revenues from tobacco products fell against 2015. The decline in collections is attributed largely to the impact of the discovered widespread use of fake stamps on cigarettes by a cigarette producer which now faces tax evasion cases, and the implementation of Graphic Health Warning (GHW) Law.

Value-Added Tax

The increase in VAT collected in 2016 by 12.2 percent results from higher volume of sales by various taxpayers engaged in wholesale and retail trade, manufacturing, automobiles, and alcohol sectors as well as election-related spending. VAT collections grew much faster than nominal GDP growth, indicating better administration and VAT buoyancy.

Percentage Taxes

Percentage tax collection in 2016 improved by 10.7 percent due to the higher volume of loans of the banking sector driven by the expansion in both production and household consumption loans.

Other Taxes

The increase in loan activity in the financial sector in 2016 also resulted in an increase in volume of transactions subject to Documentary Stamp Tax (DST). Growth in DST offset the decline in donor's tax collected in 2016.

BOC Collections in 2016

Total BOC collections grew by 7.8 percent in 2016, reaching a total of P398.4 billion. The bureau collected 97.4 percent of its revised target of P409.0 billion. The BOC collection includes tax refund amounting to P2.0 billion which is beneath the P6.5 billion allotted in the Special Provision for tax refund of the BOC. Tax refund applied and claimed are mostly from Value Added Tax payments.

As shown in the table below, import taxes, comprising of VAT and excise tax, accounted for 83.6 percent of BOC's collections. VAT on goods brought in P291.7 billion for the year, 6.2 percent up than in 2015. The strong collection from excise tax, which grew by P41.5 billion or 30.4 percent, was on account of higher excisable imports, particularly motor vehicles.

The collection from crude oil and petroleum products, decreased from P62.2 billion to P51.5 billion due to the drop in oil prices up to the third quarter of 2016.

The improvement in valuation boosted duty collections by 3.8 percent, despite lower average tariff rates and the higher share of non-dutiable imports to total imports posted in 2016. The average tariff rate went down from 6.49 percent in 2015 to 5.99 percent in 2016, while the ratio of non-dutiable-to-total imports rose by 81 percent in 2016. Top commodities in terms of duties and taxes paid include motor vehicles, foodstuff, petro products, industrial machineries/equipment, iron/steel, crude oil, organic/inorganic chemicals, plastic/resin, and pharmaceutical products.

Table 9. BOC Collections
(In billion pesos)

Particulars	2015 Actual	2016 Target	2016 Actual	Growth rate (Actual 2015 vs. 2016)	% Variance (2016 Actual vs. Program)
Total BOC Collections	**367.53**	**409.00**	**398.41**	**8.4%**	**-2.6%**
o.w. TEF	10.13	10.00	7.75	-23.5%	-22.5%
Import duties	57.14	51.88	59.31	3.8%	14.3%
Non-oil	57.13	51.88	59.31	3.8%	14.3%
Oil	0.01	-	0.01		
Value Added Tax	274.70	322.10	291.72	6.2%	-9.4%
Non-oil	225.68	273.90	251.06	11.2%	-8.3%
Oil	49.02	48.20	40.66	-17.1%	-15.6%
Crude	22.52	20.90	14.79	-34.3%	-29.2%
Oil products	26.50	27.30	25.87	-2.4%	-5.2%
Excise Taxes	31.82	35.02	41.49	30.4%	18.5%
Others	3.88	-	5.88	51.6%	

III.2.2 Borrowing Performance

National Government Financing

For 2016, the National Government (NG) raised P507.0 billion in gross financing to cover the budget deficit of P353.4 billion and refinancing requirement of P176.1 billion, inclusive of the P53.9 billion used to buyback outstanding expensive debt. As shown in the table below, the actual gross financing is lower than the revised full year program of P695.4 billion, given the actual deficit lagging behind program for most of the year. Domestic borrowing was still heavily favoured, although settling at a lower ratio than the target with an external-to-domestic financing mix of 29:71. But using the net proceeds from the bond exchange transactions will lead to an adjusted external-to-domestic financing mix of 21:79.

Table 10. National Government Financing, FY 2016
(In million pesos)

Particulars	2016			Actual vs. Revised	
	Program 1/	Revised Program 2/	Actual 3/	Difference	Variance
NET FINANCING	**327,100**	**516,804**	**330,939**	**(185,865)**	**-36%**
Net External Borrowing	(13,068)	(18,219)	(24,113)	(5,894)	32%
Gross External Borrowing	104,575	157,051	149,523 4/	(7,528)	-5%
Less: Amortization	117,643	175,270	173,636 5/	(1,634)	-1%
Net Domestic Borrowing	340,168	535,023	355,052	(179,971)	-34%
Gross Domestic Borrowing	570,228	538,373	357,497	(180,876)	-34%
Less: Amortization	230,060	3,350	2,445 6/	(905)	-27%
Amortization (Schedule 2)		312,780	311,875	(905)	0%
o/w Serviced by the BSF 7/		309,430	309,430	-	0%
GROSS FINANCING	**674,803**	**695,424**	**507,020**	**(188,404)**	**-27%**
Financing Mix (% of the Total)					
External	15	23	29		
Domestic	85	77	71		

Note:
1/ Based on the BESF 2016 Table D.1 (This still follows the old reporting of debt amortization which includes Contribution to BSF and payments to regular debt for both foreign and domestic.)
2/ Based on BESF 2017 Table D.1
3/ Based on 2016 Cash Operations Report
4/ Includes proceeds used to prepay outstanding bonds in bond exchange transactions
5/ Includes prepayments made through bond exchange transactions
6/ Domestic Amortization only includes A/R Bonds
7/ Actual redemption from Sinking Fund

Source: Bureau of the Treasury

Of the total amount, P149.5 billion or 29 percent was raised externally through the availment of concessional loans from development partners and the issuance of dollar bonds in the international capital markets. A new 25-year global bond (or ROPs) in the amount of USD2.0 billion or P95.1 billion was issued in March in line with debt management efforts to reduce interest payments and extend portfolio maturities. Meanwhile, program loans from the Asian Development Bank (ADB) comprised the bulk of loan availments, specifically: (1) USD300 million or P14.1 billion from Encouraging Investments through Capital Market Reform Program and (2) USD300 million or P14.1 billion from Expanding Private Participation in Infrastructure Program.

Domestic borrowings through the auction of treasury bills and bonds contributed P357.5 billion or 71 percent to the borrowing effort. Gross treasury bills floatation amounted to P215.5 billion while redemptions amounted to P192.0 billion, leaving P23.5 billion for financing. Meanwhile, P234.0 billion came from the issuances of 5-, 7-, and 10-year treasury bonds. In September, a total of P100.0 billion was also raised from the Treasury's issuance of its 18th tranche of retail treasury bonds as part of the government's initiative of reaching a wider investor base, promoting savings and investment consciousness among Filipinos, and mobilizing domestic savings.

For 2017, the National Government aims to borrow predominantly in local currency to meet its funding requirements in line with the goal of reducing the country's exposure to foreign currency volatility and contribute to the development of the domestic capital market. On the external financing side, the NG will continue to take advantage of available concessional loans from development partners. The program targets an 80:20 mix between domestic and foreign sources of financing.

National Government Debt

By year-end 2016, NG outstanding debt was registered at P6,090 billion. Of the total, 35 percent or P2,156 billion were sourced from external creditors while 65 percent or P3,934 were owed to domestic creditors. From its level a year ago, NG debt has increased by 2.3 percent or P135.73 billion, with domestic and foreign debt registering increments of 1.3 percent or P49.72 and 4.2 percent or P86.01 billion, respectively.

Debt sustainability indicators such as the debt-to-GDP ratio has further improved, narrowing to 42.06 percent as of end-December 2016 compared to 44.70 percent from the previous year.

Table 11. National Government Debt
(In million pesos)

Particulars	2015	2016	Difference	Variance
Total	5,954,917	6,090,262	135,345	2.3%
External	2,070,537	2,156,165	85,628	4.1%
Domestic	3,884,380	3,934,097	49,717	1.3%
% of Total				
External	34.77%	35.40%		
Domestic	65.23%	64.60%		
% of GDP	44.70%	42.06%		
External	15.54%	14.89%		
Domestic	29.16%	27.17%		
Currency Breakdown				
Foreign	33%	34%		
Domestic	67%	66%		
Interest Rate Mix	100.00%	100.00%		
Fixed	91.85%	91.23%		
Floating	8.03%	8.64%		
Interest Free	0.12%	0.13%		
Weighted Average Interest Rate	5.19%	4.99%		
External	4.67%	4.54%		
Domestic	5.46%	5.24%		
Average Maturity (years)	10.04	10.05		
External	11.86	12.17		
Domestic	9.16	8.73		
Total Interest Payments (IP)	309,364	304,454	(4,910)	-1.6%
External	93,775	99,028	5,253	5.6%
Domestic	215,589	205,426	(10,163)	-4.7%
% of GDP				
Total IP	2.32%	2.10%		
External	0.70%	0.68%		
Domestic	1.62%	1.42%		
% of NG Expenditures				
Total IP	12.14%	11.94%		
External	4.20%	3.88%		
Domestic	9.66%	8.06%		
% of NG Revenues				
Total IP	14.09%	13.86%		
External	4.45%	4.51%		
Domestic	10.22%	9.35%		
Memo Items:				
GDP	13,322,041	14,480,720		
PESO/USD	47.15	49.77		
Expenditures	2,230,645	2,549,336		
Revenues	2,108,956	2,195,914		

Note:
1/ Based on jurisdiction of issuance
2/ Based on currency of issuance
3/ Average Maturity measured in years on a residual basis

Alongside improvements in the relative size of its debt, the NG was also successful in shifting the profile of its outstanding debt in line with cost and risk considerations.

- The currency mix of NG obligation indicates moderate exposure to adverse adjustments in foreign exchange. Based on value, Peso-denominated obligations account for 66 percent of the total, followed by USD, JPY and EUR at 28 percent, 5 percent, and 1 percent, respectively. Year-on-year, the currency mix has been kept fairly stable.

- The debt structure maintains minimal exposure to unfavorable swings in interest rate. Only 8.64 percent of the total debt portfolio is subject to resetting, which limits the sensitivity of interest payments to volatile market conditions.

- Average residual maturity continues to be at the upper bound of the medium-term target of 7-10 years. The average maturity of NG debt is 10.05 years long, with domestic and external debt having remaining maturities of 8.73 and 12.17 years, respectively. Short term debt (less than1-year maturity) based on residual maturity makes up a mere 8.92 percent of the total debt portfolio as of end-2016.

- The weighted average interest rate (WAIR) for total NG Debt has remained low and stable at 4.99 percent from 5.19 percent a year ago. The WAIR for both domestic and foreign borrowing has gone down to 5.24 percent and 4.54 percent as of end-2016 from 5.46 percent and 4.67 percent a year ago, respectively.

- Concomitantly, Interest Payments (IP) went down in absolute terms, to P304.5 billion in 2016 from P309.4 billion in 2015. It eased to 13.9 percent of revenues and 11.9 percent of expenditures, from 14.7 percent and 13.9 percent the year before, respectively.

Going forward, NG will continue with its strategic approach to debt issuance to take advantage of opportunities to further improve the profile of its outstanding obligations.

III.2.3 Disbursement Performance

Year-on-Year Performance

National Government spending reached P2,549.3 billion as of December 31, 2016. Disbursements grew by 14.3 percent – the highest annual growth posted since 2000 – and equivalent to about P320.0 billion additional outlays from the P2,230.6 billion level recorded for the full year of 2015. The spending in 2016 was largely driven by strong infrastructure and other capital expenditures, higher budgetary support to government corporations and substantial transfers to local government units.

Table 12. National Government Disbursements, January to December 2016
(In billion pesos)

Particulars	2015 Actual	Jan to Dec 2016		Variance		Increase/(Decrease)	
		Rev. Program*	Actual*	Amount	Percent	Amount	Percent
Current Operating Expenditures	**1,782.2**	**1,957.7**	**1,909.3**	**(48.4)**	**(2.5)**	**127.10**	**7.1**
Personnel Services	664.4	726.2	723.2	(3.0)	(0.4)	58.8	8.8
Maintenance Expenditures	400.3	478.3	419.8	(58.5)	(12.2)	19.5	4.9
Subsidy	78.0	70.7	103.2	32.5	46.0	25.2	32.3
Allotment of LGUs	312.2	342.9	342.9	-	-	30.7	9.8
Interest Payments	309.4	327.7	304.5	(23.3)	(7.1)	-4.9	(1.6)
Tax Expenditure Fund	17.8	11.8	15.7	3.9	32.9	-2.1	(11.7)
Capital Outlays	**438.8**	**671.1**	**624.7**	**(46.3)**	**(6.9)**	**185.9**	**42.4**
Infrastructure/Other CO	345.3	533.1	493.0	(40.1)	(7.5)	147.7	42.8
Equity	0.8	8.6	11.7	3.1	35.8	10.9	1,422.9
Capital Transfers to LGUs	92.7	129.3	120.0	(9.3)	(7.2)	27.3	29.5
Net Lending	**9.7**	**16.8**	**15.3**	**(1.5)**	**(9.1)**	**5.6**	**57.8**
Grand Total	**2,230.6**	**2,645.6**	**2,549.3**	**(96.3)**	**(3.6)**	**318.7**	**14.3**
Memo Items:							
Revenues	2,109.0	2,256.7	2,195.9	(60.8)	(2.7)	87.0	4.1
Surplus/(Deficit)	(121.7)	(388.9)	353.4	35.4	(9.1)	(231.7)	190.4

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

Infrastructure and other capital expenditures surged by 42.8 percent to reach P493.0 billion, almost half a trillion vis-à-vis the P345.3 billion outlays in 2015. This was a result of the government's acceleration of infrastructure projects of the Aquino administration during the first half of the 2016 ahead of the transition to the new administration, as well as the implementation of critical infrastructure programs and other capital projects for the rest of the year. Specifically, this include the following: a) road infrastructure network of the DPWH (e.g., road widening, repair and rehabilitation of national roads); b) modernization program of the DND-AFP and c) other capital outlay projects in the DOH (e.g., health facilities and medical equipment), DepEd and some SUCs (e.g., construction, rehabilitation and repair of educational facilities).

Subsidy and equity to government corporations have likewise propelled the growth of disbursements in 2016, increasing by 32.3 percent to reach P103.2 billion and more than a hundred percent to end at P11.7 billion, respectively. Government subsidies in 2016 are largely composed of the P43.8 billion support to the Philippine Health Insurance Corporation (PHIC) for the premium payments of the indigents and senior citizens enrolled under the National Health Insurance Program, P16.9 billion to the National Irrigation Administration (NIA) for completed irrigation projects nationwide, and P12.0 billion to the National Housing Authority (NHA) for its housing programs. Meanwhile, equity contributions include the capitalization requirements of the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP) amounting to P5.0 billion and P5.8 billion, respectively, consistent with Basel III requirements.

Allotment and Capital Transfers to LGUs combined for some P463.0 billion disbursements, expanding by P58.0 billion or 14.3 percent year-on-year as a result of higher internal revenue collections and additional NG development assistance through the Local Government Support Fund (LGSF)[3]. The Allotment to LGUs is composed of the 80 percent of LGU Internal Revenue Allotment (IRA) while the Capital Transfers consisted of the remaining 20.0 percent of the IRA allotted for developmental projects, the special shares of the LGUs in the proceeds of the national taxes, and the LGSF intended for capital outlay and local infrastructure development. In 2016, some P18.4 billion cash allocations under the LGSF were released to qualified LGUs which had complied with the good governance conditions and public financial management criteria of the said fund.

Other sources of growth were personnel services (P723.2 billion; 8.8 percent year-on-year) and maintenance expenditures (P419.8 billion; 4.9 percent) due to the higher salaries and benefits of government employees pursuant to E.O. 201 s. 2016 and expansion of social services programs, respectively. The growth of maintenance expenditures, however, was muted by the delays experienced during the transition period.

Program vs Actual Performance

Against the revised full year program of P2,645.6 billion, the underspending was minimal at 3.6 percent equivalent to some P96.3 billion. This is significantly lower when compared to the underspending recorded in 2014 (13.3 percent, P302.7 billion), in 2015 (12.8 percent, P328.3 billion) and in the first semester against the original program (11.9 percent, P164.4 billion).

[3] This was reclassified under the Allotment and Capital Transfers to LGUs. Previously it was treated as part of the NG MOOE.

Among the major factors that continued to cause the underspending were: a) low obligations emanating from procurement issues (e.g., delayed, failed and ongoing biddings) and expected and temporary delays during the transition period (e.g., change in leadership in line agencies and evaluation of ongoing programs/projects against the priorities of the new administration); b) payment and billing issues due to incomplete and non-submission of documentary requirements and liquidation reports; and c) unreleased allocations of LGUs from the Special Shares in the Proceeds of National Taxes pending release of certifications from collecting agencies.

The departments and expenditure items as well as the examples of programs and projects where sizable underspending were recorded are summarized below:

Maintenance expenditures (P58.5 billion or 12.2 percent)

Reason/s	Department	Programs/Projects	Estimated Amt.
Low Obligations	DOH	Banner programs and services such as hospital services, general administrative services and health sector policy services	P2.1 billion
	DICT (formerly DOST-ICTO)	Free Wi-Fi Project	P1.6 billion
Billing Issues	DA	National Programs for Rice, Corn, High Value Development Crops, Organic Agriculture and Livestock, BUB/PAMANA programs	P4.0 billion
	DepEd	Government Assistance to Students and Teachers in Private Education (GASTPE)	P3.6 billion
	CHED	Student Financial Assistance and K-12 Transition Programs	P1.5 billion
	DOTr	MRT3 Maintenance and General Overhauling	P690.0 million
	DILG	SALINTUBIG (potable water supply proj.), BUB/PAMANA Programs	P687.0 million
Non-completion of acceptance and testing of delivered items	DOTr	Acquisition of 48 new MRT3 coaches	P2.2 billion
Postponement of SK and Barangay Elections	COMELEC	2016 SK and Barangay Elections	P4.8 billion

Infrastructure and other capital outlays (P40.1 billion or 7.5 percent)

Reason/s	Department	Programs/Projects	Estimated Amt.
Procurement Difficulties	DOH	Health Facilities Enhancement Program	P7.6 billion
	DOTr	Various Locally-Funded Projects	P2.7 billion
	DOF-BIR	Construction of buildings/offices	P2.3 billion
	DFA	Acquisition of properties, renovation of buildings and purchase of furniture, fixtures and equipment for chanceries, residences and office space for consular or diplomatic posts	P1.6 billion
Ongoing construction and/or pending approval of projects	DND	AFP Modernization Project	P1.0 billion
Unrequested transfer of funds	DOTr, PNR and PPA	Various rail and port projects under Memorandum of Agreement with the DOTr	P1.8 billion

On a positive note, underspending also came from the P23.3 billion savings in interest payments resulting from the debt liability management strategies implemented by the BTr.

Disbursements for the following expenditure items, however, exceeded the program: 1) subsidy (P32.5 billion, 46.0 percent); 2) tax expenditures (P3.9 billion, 32.9 percent); and 3) equity (P3.1 billion, 35.8 percent). The program for the said expenses were significantly reduced during the revision of the 2016 full year program on account of their historically low fund utilization. Hence, some items for the aforementioned expenditures which materialized during the second half of the year were not considered in the revised program.

IV. National Government Expenditure Performance

IV.1 Allotment Releases and Obligations

As shown in the table below, the total appropriations available for 2016 amounted to P3,279.5 billion, consisting of the P3,006.8 billion program for the year and the P272.7 billion continuing appropriations or the 2015 appropriations which remain valid until the end of 2016.

Allotment releases as of end-December 2016 totalled to P3,093.6 billion or 94.3 percent of the available appropriations for the year. This is comprised of some P2,846.6 billion from current appropriations, and some P247.0 billion from continuing appropriations, which is inclusive of the P204.5 billion unobligated allotments released in 2015. The bulk of the releases pertains to the budget of line agencies amounting to P2,075.3 billion or 67.1 percent.

Actual obligations in 2016, meanwhile, reached P2,682.8 billion or 86.7 percent of the total P3,093.6 allotment releases. The total obligation rate for 2016 declined slightly from the 87.1 percent recorded in 2015 mainly due to lower interest payments which merely reached 77.5 percent of the program appropriations, down from 83.0 percent in 2015. The obligation rate for National Government Agencies (NGAs), on the other hand, was recorded at 84.5 percent, almost the same as the 84.1 percent budget utilization rate posted in 2015. Faster fund absorption were noted in some big-spending agencies such as the Department of Agriculture (DA) (84.0 percent to 86.5 percent), Department of Education (DepEd) (86.0 percent to 89.2 percent), and the Department of Transportation (DOTr) (58.0 percent to 67.1 percent). However, the overall obligation rate was pulled down by the lower budget utilization of the Department of Social Welfare and Development (DSWD) (87.1 percent to 82.5 percent). The details of the financial and physical performance of the big-spending agencies are discussed in the succeeding sections.

Table 13. Statement of Appropriations, Allotments and Obligations, FY 2016
(In billion pesos)

Particulars	Available Appropriations 1/	Allotment Releases 2/	Actual Obligations	Obligation Rate 3/
National Government Agencies	**2,137.9**	**2,075.3**	**1,753.3**	**84.5**
Special Purpose Funds (SPF)	**733.4**	**610.2**	**609.7**	**99.9**
GOCCs	166.7	145.3	145.3	100.0
ALGUs	508.9	464.9	464.4	99.9
Other SPFs	57.9	-	-	-
Automatic Appropriations	**408.1**	**408.1**	**319.8**	**78.4**
Net Lending	15.3	15.3	15.3	100.0
Interest Payments	392.8	392.8	304.5	77.5
Total	**3,279.5**	**3,093.5**	**2,682.8**	**86.7**
By Funding Source	**3,279.5**	**3,093.6**	**2,682.8**	
Current Year	3,006.8	2,846.6	2,501.5	
Continuing Appropriations	272.7	247.0	181.3	

1/ Includes adjustments per Special Provision in the GAA, realignments of allotment classes and releases to implementing units from SPFs, Unprogrammed and Automatic Appropriations.
2/ Includes the P205.4 billion unobligated allotment released in 2015
3/ Percentage of obligations vs. allotment releases

Source: Statement of Allotments and Obligations, DBM

IV.2 Financial and Physical Performance of Selected Major Programs and Projects, by Department, as of December 31, 2016

Department of Agrarian Reform (DAR)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DAR	14.97	8.40	56.1%	14.27	8.19	57.4%

Financial Performance. For 2016, DAR was able to register an obligation-to-allotment rate of 57.4 percent. This is slightly higher than the 56.1 percent the Department registered in 2015. By source of appropriation, the agency's Specific Budget recorded a 61 percent obligation rate while Foreign Assisted Projects recorded a 30 percent obligation rate. The low obligation rate for the Specific Budget can be attributed to the slow progress in Land Tenure Services. Land Tenure Services (LTS) registered an obligation rate of 56.6 percent. In terms of disbursements, DAR spent about P7.23 billion or 88.3 percent out of their total obligations for the year, a tad lower than the P8.00 billion or 95.5 percent accomplished in 2015.

Physical accomplishment. For 2016 as shown below, the Department was able to distribute 28,636 has. of land which represents only 27.3 percent of the total target of 105,000 has. This accomplishment represents those landholdings which reached the final milestone activity of the distribution process which is the Registration and Distribution of Emancipation Patents (EPs) and Certificate of Land Ownership Award (CLOA). On top of the 28,636 has. however, some 47,131 has. are in the advance stages of land acquisition and distribution but has not reached the registration of EP/CLOAs at the LRA.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment**	Accomplishment Rate**
MFO 2: Land Tenure Services				
No. of hectares for distribution	189,933 has.	105,000 has.	28,636 has.	27.3%
No. of hectares for acquisition		155,217 has.	30,385 has.	19.6%
MFO 4: Technical Advisory Services (Support Services)				
No. of Agrarian Reform Beneficiaries (ARBs) Trained in ARCs and Non-ARCs	405,768 ARBs	397,604 ARBs	517,746 ARBs	130.2%

*Source: FY 2015 MFO Accountability Report Card
**Source: FY 2016 Agency Performance Review

In terms of land acquisition, DAR was able to prepare and document claim folders for 19.6 percent of the 155,217 hectares targeted for the year. Again, this accomplishment includes only those landholdings which reached and/or passed the stage of claim folder documentation. The tedious Land Acquisition and Distribution process has been identified as one of the reasons for their below-target performance. The said process involves 19 steps and according to the Department takes 195 days to do under normal conditions.

Another important activity of the DAR is the provision of support services to Agrarian Reform Beneficiaries (ARBs). For 2016, a total of 517,746 ARBs from both agrarian reform communities (ARCs) and non-agrarian reform communities were trained. This is 120,142 beneficiaries or 30.2 percent more than the total target of 397,604 ARBs. However, it is important to note that according to DAR ARBs may be trained more than once.

Department of Agriculture (DA)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DA	56.10	47.15	84.0%	51.96	44.94	86.5%

Financial Performance. Total obligations for DA amounted to P44.9 billion or about 86.5 percent of the total allotments received by the Department, slightly higher than their 2015 obligation rate of 84 percent. The bulk of the obligations made by the Department was for the implementation of the various programs and projects under the Office of the Secretary. DA-OSEC obligated about P35.8 billion or 85.9 percent of its P41.7 billion total allotments for the period. BFAR, on the other hand, achieved a slghtly higher obligation rate amounting to almost P6.8 billion, which is 86.3 percent of its allotments for 2016.

However, the Department's disbursements rate for the period reached P34.8 billion or 77.4 percent of obligations, an improved level compared to 72.5 percent in 2015. DA-OSEC was able to disburse P27.2 billion or 75.9 percent out of their total obligations, an improvement over the 69.9 percent of 2015. BFAR disbursed 5.4 billion or 79.3 percent of obligations, also a slightly higher rate than the 78.9 percent in 2015.

Physical Accomplishment. One of the major reasons given by the DA-OSEC for its low physical performance was procurement delays. Another reason cited was the occurrence of unforeseen events such as the insufficiency in water supply in previously validated sites for small scale irrigation projects. This led to the generation of 7,634 has. of service area which corresponds to 72.9 percent of the 10,476 has targeted for 2016. There were also difficulties experienced in the distribution of planting materials due to the unavailability of seeds brought about by the El Niño during the last quarter of 2015.

The DA is also supporting farmers through the provision of agriculture infrastructures such as Farm-to-Market Roads. For 2016, 823.86 kilometers of FMRs were validated for construction/ rehabilitation/repair. This is 86 kilometers or 11.7 percent more than the 737.72 kilometers targeted for 2016. In terms of the validation and monitoring of DPWH-constructed FMRs, the Department registered a 69.3 percent accomplishment, which is attributed to the insufficient number of staff monitoring FMRs at the regional level. DA also mentioned concerns on the coordination between the DPWH District Office and the DPWH Central Office.

For the other major agency under the Agriculture Department, the Bureau of Fisheries and Aquatic Resources (BFAR likewise experienced a below-target performance in the establishment of community fish landing centers. This was attributed to the difficulty experienced by Local Government Units in securing documentary requirements (i.e., permit, tenurial instruments, Sangguniang Barangay Resolution authorizing local chief executive to enter memorandum of agreement with BFAR. As a result, only 21 out of the 271 fish landings constructed were completed on time.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	**2016**		
	Actual Accomplishment*	**Target (GAA)**	**Actual Accomplishment****	**Accomplishment Rate****
OSEC				
MFO 3: Irrigation Network Services				
Service area generated from establishment and installation of small-scale irrigation projects (hectares)	8,972 has.	10,476 has.	7,634 has.	72.9%
MFO 4: Farm-to-Market Road (FMR) Network Services				
FMRs validated for construction/ rehabilitation/repair (kilometer)	The appropriation for FMR was directly released to DPWH	737 kms	823.86 kms	111.8%
DPWH-constructed FMRs validated and monitored (percent)	96%	100%	69.3%	69.3%
BFAR				
MFO 4: Supply of Infrastructure Facilities and Equipment for Fishery Industry				
No. of CFLC constructed	0	271	24	8.9%
MFO 5: Fisheries and Aquatic Resources Regulation Services				
No. of violations or complaints acted upon and reports issued	189	20	122	410%

*Source: FY 2015 MFO Accountability Report Card

**Source: FY 2016 Agency Performance Review

Meanwhile, in terms of enforcement of laws and regulations, the BFAR overshot its target fourfold (410 percent) which was attributed to the additional prohibitions identified in RA 10654[4]. This lead to an increase in the number of cases being pursued by BFAR which also increased the number of violations. The registered number of violations, however, were less than the 182 reported in 2015.

Department of Education (DepEd)

Department	2015 (In billion pesos)			2016 (In billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DepED	360.52	309.90	86.0%	416.00	371.05	89.2%

Financial Performance. The Department of Education's (DepED) mandated function of providing access to quality formal and non-formal basic education was sustained with a hefty amount of P416.0 billion released to the Department in 2016. Of this amount, P31.2 billion is a carry-over fund from the previous year. The DepEd budget being personal services (PS) intensive, PS accounts for P300.0 billion or 72.1 percent of last year's allotment; followed by MOOE with P73.8 billion or 17.8 percent, and CO with P42.1 billion or 10.1 percent.

By the end of last year, obligation for the PS requirements, amounting to P294.4 billion, mainly contributed to the department's total year spending of P371.0 billion or 89.2 percent of its total allotment. Of the total obligated amount, DepEd disbursed 90.6 percent or P336.1 billion, compared to 93.4 percent in 2015. A considerable amount of P44.9 billion has remained unobligated by the end of the year. This is attributed to challenges in procurement particularly of textbooks and instructional materials (TX/Ims), equipment for technical vocational laboratories (TVLs), and science and mathematics equipment (SME). Likewise, only less than half of the budget allocated for the Education Voucher System (EVS) for Senior High School was obligated.

Physical Performance. DepED reached its 2016 education completion target with 83 percent of the 13,048,563 students (ages 5 to 11 years old) enrolled in kindergarten and elementary education completing the school year (SY) 2015-2016. This improves over the 71-79 percent rates from 2010 to 2013. For the same period, 77 percent of the 4,915,676 students (ages 12 to 15 years old) enrolled in secondary education completed the SY, 3 percentage points shy of

[4] An Act to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, Amending Republic Act No. 8550, Otherwise Known as "The Philippine Fisheries Code of 1998," and for Other Purposes

its 80 percent target (93 percent accomplishment rate) but better that the 75 percent accomplished in 2010-2013.

Contributing to these achievements was the creation of a total of 58,720 teaching and 17,699 non-teaching and teaching-related positions in 2016. This compares with the 62,320 new teaching positions planned to be created for the year. DepED filled up 48,371 teaching (82.3 percent of positions created and 77.6 percent of the planned new teachers) and 5,288 non-teaching and teaching-related positions (29.9 percent of created positions) during the year. Under the Basic Education Facilities Program, 33,418 classrooms and 268 Tech-Voc laboratories were constructed; 21,509 classrooms were repaired; and 364,670 seats (sets) were procured. These exceed the 43,000 classrooms constructed and the 96,789 procured new seats budgeted for in 2016 but not the target 4,553 new Tech-Voc laboratories.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	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	13,600,329	13,048,563	95.9%
% of learners who completed the school year	83%	83%	83%	100.0%
Secondary Education				
No. of learners ages 12-15 years old enrolled in kindergarten and elementary education (in any learning system)	5,972,294	4,521,418	4,915,676	108.7%
% of learners who completed the school year	77%	80%	74%	92.5%
Alternative Learning System				
No. of learners ages 15 years old served thru Alternative Learning System (ALS) Program	506,573	348,656	469,623	134.7%
MFO 3: REGULATORY AND DEVELOPMENTAL SERVICES FOR PRIVATE SCHOOLS				
No. of grantees	910,342	1,808,554	1,548,019	85.6%
Ratio of completers to grantees	79%	84%	76%	90.5%

*Consistent with the Agency PBB Form A, Major Final Outputs

Likewise, 16 million TX/Ims and 3,129 TVL packages were delivered to various schools last year. In addition, 20,713 schools were also provided Information and Communications Technology (ICT) packages through the DepEd Computerization Program. The 2016 budget had targeted some 103.2 million of textbooks purchased for 2016.

Moreover, 1,800,884 severely wasted and wasted learners were served nutritious meals through the School-based Feeding Program. It is intended to address malnutrition and short-term hunger among public school children. This accounts for 91.8 percent of the 1.385 million wasted and 533 thousand severely wasted students planned to be fed under the School-based Feeding Program.

Meanwhile, the Department exceeded its 324,565 out-of-school youths (OSYs) target by reaching out to a total of 469,623 OSYs through programs on education, employment, and entrepreneurship under the Alternative Learning System (ALS) Program. Essentially, the Program aims to provide OSYs who do not have access to formal education in schools the chance to complete basic education through non-formal and informal sources of knowledge and skills.

Lastly, the Expanded Government Assistance to Students and Teachers in Private Education (EGASTPE) benefitted 932,090 junior high school grantees through Education Service Contracting (ESC), nearly meeting the 1 million targeted for 2016. Another 581,511 senior high school (SHS) students from Private SHS availed of the EVS compared to the 708,883 budgeted for in 2016. However, only 34,418 or 47.0 percent of the 2016 target of 73,185 students from non-DepED SHS applied and were granted said vouchers. Hence, it was only able to meet 86 percent of its total target of 1,808,554 grantees. In addition, only 76 percent of the total 1,548,019 grantees completed the SY, lower than the 79 percent ratio of completers to grantees in 2015 and its 84 percent target in 2016.

Commission on Higher Education (CHED)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
CHED	7.44	7.04	94.5%	8.23	6.66	81.0%

Financial Performance. To sustain efforts in promoting accessible quality tertiary education, P8.2 billion was allocated to the Commission on Higher Education (CHED) in 2016. Of the said amount, P2.1 billion was sourced from the Higher Education Development Fund (HEDF) while P331 million was a continuing appropriation from 2015. For the period, CHED obligated 81 percent of its total budget amounting to P6.7 billion, achieving a lower obligation rate in absolute and relative terms compared to 2015. The bulk of the obligated amount is comprised of obligations done for the K to 12 Transition Program - P2.5 billion; Students Financial Assistance Programs

(StuFAPs) - P2.4 billion; and the Philippine-California Advanced Research Institute (PCARI) - P549 million. Hence, an amount of P1.6 billion has remained unobligated by the end of the year.

For the same period, P5.7 billion or 84.8 percent of the agency's total obligated amount was disbursed due to the undisbursed funds for second semester school bills which starts in November (January in some schools) and the late submission of necessary documents by students, faculty and Higher Education Institutions (HEIs). This is an improvement from the 2015 performance of P4.6 billion or 65.2 percent of obligations disbursed.

Physical Performance. Last year, the agency exceeded its 2016 target of 155,690 with 211,776 scholarships and students grants awarded through the StuFAPs. Of the said total, the Tulong Dunong Program covered 71,049 deserving student beneficiaries. Under the Student Grant Program of the Payapa at Masaganang Pamayanan (PAMANA) Project, 1,090 grantees from conflict-afflicted areas also received a maximum of P10,000 per year per student to cover tuition and other fees. Moreover, the implementation of the new Iskolar ng Bayan Program provided scholarship grants to 6,363 top ten (10) graduates of all public high schools enrolled in SUCs. Moreover, 10,315 or 88 percent of the 11,782 scholarship holders completed their degree in 2016.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 2: HIGHER EDUCATION DEVELOPMENT SERVICES				
Number of scholarships and student grants	81,553	155,690	211,776	136.0%
% of scholarship holders who complete their degree	100%	87%	88% (10,315/11,782)	100.6%
MFO 3: SUPERVISION OF THE HIGHER EDUCATION DEVELOPMENT FUND				
Number of project proposals funded	77	80	93	116.3%

*Consistent with the Agency PBB Form A, Major Final Outputs

Meanwhile, CHED provided scholarships in graduate degree programs covering 5,604 faculty members and awarded 4,613 grants for development of faculty and staff under the K to 12 Transition Program. In addition, HEIs availed a total of 88 innovation grants under the Program for the said period.

In addition, the agency promoted and supported seven (7) high-end Research and Development outputs through the PCARI Project. These include the Chemical and Environment-Portable Sensor Technologies, AIRSCAN: Collaborative Aerial Robotics in Large-Scale Urban Infrastructure

Management, and the Philippine Cancer Phenome-Biobanking System and Biomonitoring Program, among others.

Similarly, the HEDF funded 93 project proposals (116 percent of its 80 project proposals target) from HEIs and SUCs on the 17 Sustainable Development Goals clustered into six platforms (Food Production and Security; Environment Disaster Risk Reduction, Climate Change and Energy; Terrestrial and Marine Resources: Economy, Biodiversity and Conservation; Smart Analytics and Engineering Innovations; Health Systems; and Education for Science, Technology, Engineering, Agriculture and Mathematics [STEAM]). These are investments in HEIs aimed to develop their capacity and capability to systematically and sustainably work with communities on development issues such as a) entrepreneurship/livelihood development, b) adult education, c) environmental management, and d) role of women, among other development concerns.

Department of Energy (DOE)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOE	7.40	2.83	38.2%	4.62	1.80	38.9%

Financial Performance. The total obligation of DOE stood at P1.8 billion, only 38.9 percent of its P4.6 billion allotment for FY 2016, though it is a slight improvement over its FY 2015 obligation rate of 38.2 percent. In contrast, the department's obligation rate for its total current year appropriation alone yields an 88.2 percent obligation rate. The cause for the low rate remains the same as with the previous years—the non-obligation for the Market Transformation through the introduction of Energy-Efficient Vehicles (E-Trike) Project, amounting to an accumulated P2.6 billion from previous years. As a result of this non-obligation, coupled with a low disbursement rate for its locally-funded projects attributed mainly to delays caused by the change in administration, the agency's disbursement rate sat only at P 1.2 billion or 65.9 percent. It must be noted that in December 2016, the loan covering the production of more E-Trikes has already been cancelled with the agency tasked to distribute units that were already procured.

Physical Performance. The DOE achieved all of its Major Final Output (MFO) targets for 2016, which includes the endorsing of 317 certificate of endorsements (COE) and the provision of 34 technical advisories. However, four indicators, namely (1) the number of energy efficiency audits provided to government agencies, (2) the number of applications for permits, service/operating contracts and accreditations processed and (3) number of analytical tests conducted in support of energy exploration activities, and (4) number of energy establishments and facilities/power plants monitored and inspected with reports issued, achieving more than 200 percent of its set targets.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment**	Accomplishment Rate
MFO 1: Energy Sector Policy Services				
% of applications for certificate of endorsement (COE) for investment ir	100% (406 out of 406)	100%	100% (317 out of 317)	100.0%
MFO 2: Promotion of Energy Sector Innovation				
Technical Assistance				
No. of technical advisories provided to entities	48	18	34	188.9%
Energy Efficiency and Conservation				
No. of energy efficiency audits provided to government agencies	189	40	142	355.0%
MFO 3: Energy Sector Regulatory Services				
Registration and Processing				
No. of applications for permites, service/opreaying contracts and accreditations processed	9,305	2,000	11,959	598.0%
No. of analytical tests conducted in support of exploration activities, Biofuels Law, RE Law and Clean Air Act within the prescribed period	12,921	8,000	16,527	206.6%
Supervision and Monitoring				
No. of energy establishments and facilities/power plants monitored and inspected with reports issued	3,845	1,000	3,439	343.9%

*Source: FY 2015 MFO Accountability Report Card

**Source: FY 2016 Agency Performance Accomplishment

In general, the cause of this overperformance was identified to be the non-updating of the targets despite the agency's increased capacities to handle the activities in the past years. The agency has been informed of the need to update their targets and has worked toward improved target setting for 2017. The overachievement for the processing of applications and conducting of analytical tests were specifically attributed to the Malampaya Phase 3 Development Project projects and additional necessary site validations for the former while it was a management directive for expansion of coverage for the latter.

Department of Environment and Natural Resources (DENR)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DENR	26.85	23.85	88.8%	28.47	25.67	90.2%

Financial Performance. The DENR exhibited an obligation rate of 90.2 percent for 2016, an improvement from the 88.8 percent obligation rate registered in 2015. Around 80.3 percent of the total obligations incurred by the Department is for the implementation of the various programs and projects under the Office of the Secretary. One such program is the National Greening Program (NGP). For 2016, some P7.8 billion was obligated for NGP, this is 93.9 percent of the P8.2 billion allotment released for its implementation. The P476 million which was not obligated was attributed to the adoption of a new approach/strategy introduced by the new management for the implementation of the program.

As far as disbursements are concerned, the Department was able to disburse P21.6 billion out of the P25.7 billion obligations or 84 percent. The lower disbursement rate vis-à-vis obligation rate is due to some difficulties the Department experienced in the implementation of foreign-assisted projects under the Office of the Secretary and some procurement challenges encountered by the attached agencies notably, the Environment Management Bureau (EMB), Mines and Geoscience Bureau (MGB), National Mapping and Resource Information Authority (NAMRIA) and the National Water and Resources Board (NWRB).

Physical Accomplishment. One of the main thrusts of the Department is the provision of Ecosystem Management Services. For 2016, the Department was set to rehabilitate 246,524 has. of ecosystems. The Department's accomplishment of 284,039 has. is 15 percent more than the target area for the year.

With the issuance of EO 193 s.2015, NGP continues to be one of the banner programs of the DENR especially for ecosystem management and regulation. For 2016, the total area planted under the NGP was 284,089 has. This is 36,406 has. or 14.7 percent more than the target area of 247,683 has. In terms of the number of seedlings planted, almost 415,564,211 seedlings were planted for 2016. This is 99,802 seedlings more than the target of 415,464,409 seedlings. The DENR also ensures that the seedlings planted survive by targeting an 80 percent survival rate. For 2016, the survival rate recorded was 82 percent, this is higher than the 2016 target but slightly lower than the 85 percent registered in 2015.

The Department's mandate also includes pollution prevention and control, and environmental impact assessment with the EMB being at the forefront of this endeavor. For 2016, EMB targeted to issue 27,030 permits and clearances. The Bureau was able to surpass this target with the issuance of a total of 39,828 permits and clearances or 47.3 percent more. Aside from issuing permits and clearances, EMB is also tasked to monitor compliance to environmental laws and regulation. For 2016, the Bureau was able to monitor/inspect 60,342 sites/ facilities. This is 13 percent above the 53,281 sites/ facilities targeted for the period.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	**2016**		
	Actual Accomplishment*	**Target (GAA)**	**Actual Accomplishment****	**Accomplishment Rate****
OSEC				
MFO 2: Ecosystem Management Services				
Number of hectares of ecosystems under management for rehabilitation	334,364 has.	246,524 has.	284,039 has.	115%
MFO 3: Ecosystem Regulation Services				
Percentage survival rate of planted seedlings	85%	80%	82 %	103%
EMB				
MFO 1: Environmental Regulation Services				
Number of permits and clearances issued	32,770	27,030	39,828	147%
Number of sites/facilities monitored and/or inspected with reports submitted	31,255	53,281	60,342	113%
Number of Notice of Violations issued arising from regular monitoring/survey or cases/complaints acted upon	169	3,588	6,308	176%
MGB				
MFO 1: Mineral Resource Development Services				
Percentage increase in Peso value for royalty payments collected	-3%	10%	-18 %	-180%
Percentage of Philippine territory surveyed (geological exploration) at least once in the last 3 years	0.12%	0.10 %	4.10 %	4100%
MFO 2: Mining Regulation Services				
Number of sites and facilities monitored and/or inspected with reports issued	1,172	1,067	1,124	105%

*Source: FY 2015 MFO Accountability Report Card

**Source: FY 2016 Agency Performance Review

In terms of the management and development of the country's mineral resources, the MGB was able to monitor and/or inspect 1,124 sites and facilities versus the 1,067 target or 5.3 percent more for 2016. The MGB is also tasked to survey 0.1 percent of the country's territory at least once in the last three years. For 2016, the Bureau was able to survey 4.1 percent of the country's territory. However, the Bureau suffered a lower performance in terms of the royalty payments collected. For 2016, it registered an 18 percent decline in the royalty payment collections. This is a reversal from the 10 percent growth targeted for the year. According to the reports submitted by MGB, the decline was brought about by the series of suspensions of mining companies' operations and moratorium on the acceptance, as well as processing and approval of new mining applications.

Department of Health (DOH)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOH	73.75	64.51	87.5%	90.75	78.68	86.7%

Financial Performance. To support the DOH's mandate to provide equitable, sustainable and quality health for all Filipinos, an allotment of P90.7 billion was provided to the Department in 2016. Of this amount, P78.7 billion or 86.7 percent was obligated by the Department by the end of the year, which was slightly lower than its obligation rate of 87.5 percent in 2015.

By expense class, current operating expenditures made up for P55.6 billion or 70.6 percent of the total obligations incurred with maintenance and other operating expenses at P31.1 billion and personnel services at P24.5 billion, respectively.

Of the total obligations of the DOH, P77.8 billion or 98.9 percent was incurred by the Office of the Secretary (DOH-OSEC), and the rest by its attached agencies, namely, the National Nutrition Council (NNC) at P505 million or 0.6 percent, and the Commission on Population (POPCOM) at P401 million or 0.5 percent. POPCOM registered the highest obligation rate at 98.6 percent, followed by NNC at 91.3 percent and the DOH-OSEC at 86.6 percent.

Under the DOH-OSEC, some P30.9 billion or 39.3 percent of the total obligations of the Department were spent for the implementation of the following major programs in 2016: a) Health Facilities Enhancement Program

(HFEP), P15.8 billion; b) Implementation of the Doctors to the Barrios and Rural Health Practice Program, P6.6 billion; c) Expanded Program on Immunization, P3.9 billion; d) Family Health and Responsible Parenting, P1.9 billion; e) Program on Other Infectious Diseases and Emerging and Re-Emerging Diseases including HIV/AIDS, dengue, food and water-borne diseases, P860 million; f) TB Control, P823 million; g) Program for Elimination of Diseases as Public Health Threat such as Malaria, Schistosomiasis, Leprosy and Filariasis, P558 million; h) Rabies Control Program, P486 million; and i) Non-Communicable Disease Prevention and Control, 17 million.

The DOH disbursed some P76.8 billion in 2016 or 97.6 percent of its obligations, significantly larger than the P 49.2 billion (or 76.3 percent of obligations) it disbursed in 2015.

In addition to the P90.7 billion allotment to the DOH, a huge amount of P42.3 billion was released and obligated to the Philippine Health Insurance Corporation (PHIC) to cover the health insurance premiums of the following: a) 14.45 million indigent families listed under the National Household Targeting System (NHTS) – P34.7 billion; b) 2.8 million senior citizens – P7.6 billion; and c) family beneficiaries identified by the OPAPP under the PAMANA and Bangsamoro Programs – P37 million and P34 million, respectively.

Physical Accomplishment. In pursuit of its training support services to Human Resource for Health (HRH) development in 2016, the DOH as shown in the table below, trained 163,295 HRH from LGUs and other health partners or 110.7 percent of its target of 147,457 HRH. Moreover, it provided health facilities to 1,388 LGUs and other health partners under the HFEP, but fell short of its target by 50.1 percent. For its support to disease prevention, the DOH provided 476,384,100 commodities and human resource services (vaccination, doctors/nurses/midwives' hours) to LGUs, and met in full within 48 hours, 93.3 percent of said requests – accomplishing more than its targets of 18,560,794 commodities and services and 86.0 percent of requests, respectively. Meanwhile, for its support to direct health care delivery under hospital services, the DOH managed 6,155,368 out-patients (out of the target 4,497,508 out-patients) and 1,461,500 in-patients (out of the target 1,300,597 in-patients), greatly exceeding its demand projections.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	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	240,418	147,457	163,295	110.7%
Funding Support (HFEP)				
Number of LGUs and other health partners provided with health facilities	371	2,773	1,388	50.1%
Disease Prevention				
Number of commodities and services to LGUs: Vaccination, Doctors Hours, Nurses and Midwives	641,259,910	18,560,794	476,384,100	2566.61%
% of requests for commodities and human resources met in full within 48 hours	84.6%	86%	93%	108.14%
MFO 3: HOSPITAL SERVICES				
Direct Health Care Delivery				
Number of out-patients managed	5,243,805	4,497,508	6,155,368	136.86%
Number of in-patients managed	1,338,271	1,300,597	1,461,500	112.37%

*Consistent with the Agency PBB Form A, Major Final Outputs

For 2016, the PHIC reported accomplishments of 93.5 percent of its target indigent families listed under the NHTS, representing 14.4 million families out of the target 15.4 million families; 100.0 percent of its target 2.8 million senior citizens; and 60.7 percent of its target families identified under the PAMANA Program, representing 13,547 families out of the target 22,319 families .

Department of the Interior and Local Government (DILG)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DILG	175.69	167.86	95.5%	178.25	170.56	95.7%

Financial Performance. In support of its mandate to promote peace and order, ensure public safety and strengthen the capability of local government units, the DILG was released P178.3 billion in 2016. Of the said amount, P170.6 billion or 95.7 percent was obligated for the same period – a very slight improvement over its 95.5 percent obligation rate in 2015. Meanwhile, disbursements amounted to P163.0 billion or 95.5 percent of obligations.

By expense class, obligations incurred for personnel services reached P 139.0 billion or 81.5 percent of the total obligations of the Department. This is mainly due to the large number of police, firemen and jail personnel tasked to maintain peace and order and public safety nationwide. Maintenance and other operating expenses and capital outlays, on the other hand, comprised 14.3 percent and 4.2 percent of the Department's total obligations, respectively.

By implementing agency, the Philippine National Police (PNP) made up P 128.9 billion or 75.6 percent of the total obligations, followed by the Bureau of Fire Protection (BFP) of P15.0 billion (8.8 percent) and the DILG-Office of the Secretary (DILG-OSEC) of P14.1 billion (8.3 percent).

Physical Accomplishment. With the resources given to the PNP in 2016, police visibility improved through the increase in the number of its manpower complement to 168,472 from 162,364 in 2015. This brought the police-to-population ratio to 1:614 from the 1:625 ratio of the previous year. The improved police visibility helped the PNP to conduct 8,281,059 foot patrol and 5,516,998 mobile patrol operations or a total of 13,798,057 patrol operations, accomplishing 112.1 percent of its targeted number of 12,304,350 foot and mobile patrol operations for the period. Moreover, in pursuit of its crime prevention and suppression services, the PNP expanded its police programs to innovative and responsive police activities as follows: Community Oriented Policing System (COPS); Search and Rescue Operations; VIP Security Operations; Vital Installation Security; Traffic Management Operations; Airports and Seaports Security Operations; and Security Preparations of the PNP for Secure and Fair Elections (SAFE) 2016.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 1: CRIME PREVENTION AND SUPPRESSION SERVICES				
Number of foot and mobile patrols conducted	11,718,429	5% increase (12,304,350)	13,798,057	112.1%
Percentage change in Crime Rate	16.55%	5% reduction (15.68%)	11.24%	128.3%
Percentage of crime incidents responded within 15 minutes (in urban areas)	99.40%	100%	98.37%	98.4%
MFO 2: CRIME INVESTIGATION SERVICES				
Number of crime investigations undertaken	675,816	802,201	583,774	72.8%
Percentage of most wanted persons/high value targets arrested	39%	5% increase (41.04%)	41.99%	102.3%
Percentage of arrested persons within 30 days upon the receipt of the warrant of arrest	31.89%	5% increase monthly arrest (60%)	25.64%	42.7%

*Consistent with the Agency PBB Form A, Major Final Outputs

As shown in the table above, the PNP was also able to reduce the crime rate from 16.6 percent in 2015 to 11.2 percent in 2016 (out of its target of 15.7 percent). However, in terms of its response within 15 minutes to calls for police assistance in the urban areas, the PNP fell short of its target of 100 percent with an accomplishment of 98.4 percent due to calls not related to crime incidents or prank calls. As to its crime investigation services, the PNP undertook 583,774 crime investigations or 72.8 percent of its target of 802,201 crime investigations inasmuch as the total number of crimes reported in the PNP blotter in all police stations in 2016 was 583,774. Moreover, the PNP arrested 42.0 percent of most wanted persons/high value targets, exceeding its target of 41.0 percent; and arrested 25.6 percent of persons within 30 days upon the receipt of the warrant of arrest, falling short of its target of 60.0 percent.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 1: FIRE PREVENTION SERVICES				
Percentage of Fire Safety Inspection Certificate-Rated building or structure that are not affected by fire	93.75%	95%	99%	104.2%
% of buildings/establishments inspected out of the total number of buildings and establishments registered	93%	88%	103.31%	117.4%
Number of buildings or structures inspected within the prescribed time from the receipt of Mission Order by the Fire Safety Inspector	90%	85%	94%	110.6%
MFO 2: FIRE SUPPRESSION AND INVESTIGATION SERVICES				
Number of fire and emergency medical services and rescue calls responded	86%	86%	100%	116.3%

*Consistent with the Agency PBB Form A, Major Final Outputs

For 2016, the BFP stepped up its fire prevention services through the greater inspection of 1,443,568 buildings/establishments, 103.31 percent of the 1,397,332 establishments registered/to be inspected nationwide, exceeding its target of 88.0 percent. Of the total number of buildings/establishments inspected, 1,306,675 buildings/establishments were found compliant with the provision of the Fire Code and issued with the Fire Safety Inspection Certificate (FSIC). Of the total number of FSIC-rated buildings/establishments, 99.0 percent (or 104.2 percent of the target) were not affected by fire and 94.0 percent (or 110.6 percent of the target) were issued with FSIC within the prescribed time of 3 and a half days from the receipt of the Mission Order by the Fire Safety Inspector. Moreover, the BFP's fire suppression and investigation services responded to 100.0 percent or 24,500 fire (19,292) and emergency medical services (EMS)/rescue calls (5,208) nationwide, exceeding its target by 14.0 percent.

Meanwhile, the DILG-OSEC provided technical assistance to 1,674 LGUs and assessed 1,672 provinces, cities and municipalities (PCMs) on the Seal of Good Local Governance (SGLG) - achieving more than its 2016 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 (20.5 percent increase from 5.0 percent increase) and the percentage of LGUs provided with incentives for good governance performance (32.0 percent from 20.0 percent).

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 2: LG CAPACITY DEVELOPMENT AND PERFORMANCE OVERSIGHT AND INCENTIVE AND AWARDS SERVICES				
Number of LGUs provided with technical assistance	100% All LGUs	1,665 LGUs	1,674 LGUs	100.5%
Number of LGUs assessed on Seal of Good Local Governance (SGLG)	SGLG Assessment Postponed	1,653 PCMs	1,672 PCMs	101.1%
% of LGUs that passed the Seal of Good Local Governance (SGLG)	SGLG Assessment Postponed	5% increase	20.5% increase	114.6%
% of LGUs provided with incentives for good governance performance	95% of qualified LGUs	20% of qualified LGUs	32% of qualified LGUs	159.0%

*Consistent with the Agency PBB Form A, Major Final Outputs

Department of Labor and Employment (DOLE)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOLE	8.25	7.73	93.6%	13.18	10.44	79.2%
TESDA	6.10	5.58	91.6%	7.53	6.42	85.3%

Financial Performance. To ensure that the Department of Labor and Employment (DOLE) will fulfill its mandated function of formulating and implementing policies and programs on labor and employment, the Department was released a total of P13.2 billion in 2016, inclusive of P745 million continuing appropriation from previous years. Of this amount, P10.4 billion, representing 79.2 percent of its allotments, was obligated and P9.5 billion, 90.7 percent of its obligation, was disbursed as of December 31, 2016.

The Office of the Secretary (OSEC) accounted for the biggest share of the total DOLE obligation, amounting to 7.6 billion and it was able to disburse P7.0 billion of these obligations. The amount supported DOLE's major programs such as the Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD) and the Government Internship Program (GIP) with an obligation of P2.7 billion; DOLE Integrated Livelihood Program (DILP) – P785 million; Special Program for Employment of Students - P589 million; Rural and Emergency Employment Program - P44 million; and the Jobstart Philippines Program- P10 million. A balance of P2.6 billion remained unobligated at the end of the year mainly due to low utilization of funds for the K to 12 Adjustment Measures Program (AMP)[5] and Jobstart Philippines Program which had obligation rates of 3.6 percent and 9.3 percent, respectively. However, the low utilization of K to12 AMP is a positive indicator of the employability of affected personnel. As for the Jobstart Philippines Program, the Department had to prioritize the use of the 2015 remaining grants[6].

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 2: EMPLOYMENT FACILITATION AND CAPACITY BUILDING SERVICES				
Number of youth-beneficiaries provided with JobStart services	-	3,200	3,421	106.91%
Number of beneficiaries provided with livelihood assistance (P10,000 on the average	71,607	150,000	113,316	75.54%
Number of beneficiaries under Special Program for Employment of Students (SPES)	207,898	203,000	213,912	105.38%
MFO 3: LABOR FORCE WELFARE SERVICES				
Number of workers served	4,540,069	4,467,519	4,640,998	103.88%
Percentage of affected workers provided services within the prescribed PCT	100%	100%	100%	100.00%
MFO 4: EMPLOYMENT REGULATION SERVICES				
Number of establishments inspected	50,161	76,908	60,379	78.51%
Number of workers covered as a result of inspections conducted	1,805,683	4,556,674	2,274,649	49.92%

*Consistent with the Agency PBB Form A, Major Final Outputs

Meanwhile, the Technical Education and Skills Development Authority (TESDA) obligated P6.4 billion or 85.3 percent of its total allotment of P7.5 billion and disbursed P5.6 billion or 85 percent of its total obligations in 2016.

[5] The K-12 AMP is a safety-net linked to active labor market programs (ALMP) and provides unemployment-related benefit schemes, such as financial support, employment facilitation, and training and livelihood to displaced personnel who will not qualify or avail of the Department of Education (DepED) and the Commission on Higher Education (CHED) mitigation measures for the impact of the K-12 Program.

[6] The Government of Canada funded the pilot implementation of the Jobstart Philippines Program while the Asian Development Bank provided technical assistance. Because of Jobstart's success in its pilot implementation, it was allocated P106.5 million in the General Appropriations Act for the first time in 2016 intended to support the scaling up of the program.

Of the total obligated amount, P2.1 billion was accounted to the Training for Work Scholarship Program (TWSP). The delay in the procurement of capital outlays (e.g., motor vehicle, information system and tools and equipment for CENTEX scholars) is the primary reason for the unobligation of P1.1 billion at the end of the year.

Physical Performance. The Department exceeded most of its 2016 targets as indicated by the table below. Through the Jobstart Philippines Program, 3,421 vulnerable youths were provided school-to-work transition assistance through trainings and employment opportunities, 221 youths more than targetted.

The DILP which provides various skills trainings, tools and jigs and/or financial assistance (made available through: Kabuhayan Formation, Kabuhayan Enhancement and Kabuhayan Restoration) fell short of its original target of 150,000 beneficiaries but surpassed its 90,962 revised target beneficiaries to reach 113,316 beneficiaries. The General Appropriations Act (GAA) target of 150,000 was adjusted downwards due to the re-alignment of a portion of the DILP funds for the implementation of TUPAD in areas affected by El Niño particularly in Regions CAR, 1, 2, 4A, 4B, 5, 6, 7, 9, 11, 12, and 13.

Moreover, 213,912 poor but deserving students and out-of-school youths benefited from the employment assistance of SPES. This represents 105 percent of the targeted 203,000 beneficiaries for 2016.

In addition, DOLE served a total of 4,640,998 workers which includes displaced workers resulting from weather and regulatory shocks including internal conflicts given short term employment under the DOLE-OSEC's TUPAD. Likewise, the GIP provided three (3)-month internship opportunity for high school, technical-vocational and college graduates pursuing a career in government. Both programs served a total of 374,245 beneficiaries or 120 percent of their targets for the said period.

On the other hand, only 142 displaced teachers and non-teaching personnel, 0.6 percent of its 23,739 target, availed of the assistance provided through the K to 12 AMP. This indicates that not as much personnel in universities and colleges affected by the K to 12 Program were in need of assistance and that the impact of the Program on the retrenchment of teaching and non-teaching personnel was not as extreme as anticipated.

However, the Department inspected only 60,376 establishments for compliance to workplace regulations and covered 2,274,649 workers as a result of the inspections conducted. While the actual number of workers in assessed establishments is beyond DOLE's control, the target of 76,908 establishments inspected was actually reduced to 52,074 in consideration of a enhanced checklist of requirements (e.g., specialized checklist to detect violations and prohibit practices that circumvent the right to security of tenure) that resulted to additional number of days for the assessment process.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 2: Technical Education and Skills Development Services				
No. of trainees	318,208	257,621	258,826	100.47%
Average no. of training hours per trainee	363	356	421	118.26%
No. of graduates who are employed 6 (six) months after completion of training	90,484	79,000	82,597	104.55%
Percentage of training applications acted upon within two (2) weeks	89%	90%	100%	110.70%
Percentage of graduate in programs with training regulations certified withi 5 days after graduation	92%	84%	62%	73.25%
Percentage of training program that are delivered within one month of the original plan	54%	80%	82%	101.88%
No. of TWSP subsidized enrollees	260,136	231,579	209,882	90.63%
No. of TWSP subsidized graduates	184,575	208,421	181,124	86.90%

*Consistent with the Agency PBB Form A, Major Final Outputs

In the case of TESDA, the agency served a total of 258,826 trainees which represents 100 percent of its target. Likewise, it also reached its target in terms of the number of graduates employed within six (6) months after completion of training with an accomplishment of 82,597 employed graduates. Moreover, 211,562 students were granted scholarships through the TWSP, about 9 percent shy of its 231,579 target. Some 181,124 or 87 percent of the enrolled students were able to graduate in 2016, lower than its 208,421 target and its 184,575 graduates accomplished in 2015. This can be attributed to the revision of guidelines for the TWSP which resulted to its implementation starting only on the 4th quarter of last year.

Department of National Defense (DND)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DND	162.21	151.78	93.6%	181.30	172.35	95.1%

Financial Performance. To be able to fulfill its mandate of maximizing its effectiveness in guarding 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, the DND was provided an allotment of P181.3 billion in 2016. Of this amount, P172.4 billion or 95.1 percent was obligated for the same period, higher than its obligation rate of 93.6 percent in 2015. Disbursements, on the other hand, reached P158.5 billion or a disbursements to obligations rate of 92.0 percent.

By expense class, personnel services amounted to P123.8 billion and comprised 71.8 percent of total obligations, while combined maintenance and other operating expenses and capital outlays added up to P48.6 billion or 28.2 percent.

Of the total available allotment to DND, about P66.5 billion or 36.7 percent was released to General Headquarters (GHQ), out of which P62.9 billion or 94.6 percent was obligated. Other than GHQ, fairly large releases were also made to the three major services of the Armed Forces of the Philippines (AFP) as follows: a) Philippine Army (PA) – P54.9 billion; b) Philippine Navy (PN) – P20.1 billion; and c) Philippine Air Force (PAF) – P19.6 billion. Likewise, a sizeable P15.1 billion was released to the Philippine Veterans Affairs Office (PVAO). Similar to GHQ, high obligation rates were recorded by the PVAO at 99.9 percent; the PA at 97.1 percent; the PN at 93.9 percent; and the PAF at 92.5 percent.

Physical Accomplishment. For 2016, the PA achieved three out of its five performance targets for the delivery of its MFO 1, namely, Territorial Defense, Security and Stability Services as shown in the table below.

In terms of the number of tactical units, the PA maintained only 188 tactical battalions or 99.5 percent of its target of 189 tactical battalions inasmuch as the activation and operationalization of battalions are based on strategy and actual requirement on the ground. In terms of the readiness level and effective strength of tactical units, the PA achieved its targets of 72.0 percent operational readiness and average of 90.0 percent effective strength that can be mobilized within one hour as dictated by higher authorities. As to the number and readiness level of reserve units, the PA maintained 81 ready reserve battalions or 100.0 percent of its target, but posted only 65.0 percent operational readiness as against its 2016 target of 72.0 percent and 2015 accomplishment of 73.0 percent. The above-target rate of operational readiness was due to the following: a) low personnel fill-up in the Regional Community Defense Groups (RCDGs) to handle reservist-related trainings which caused delay in the completion of the programmed unit trainings; and b) reservists' constraints to attend the programmed trainings. The ready reserve battalions do not only serve as force multiplier to the PA, but also provide combat support and service support such as disaster rescue and relief services, and community service.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 1: TERRITORIAL DEFENSE, SECURITY AND STABILITY SERVICES				
Number and Readiness level of tactical units				
Percentage of operational readiness of tactical battalions	69%	72%	72%	100.0%
Average percentage of effective strength of tactical battalions that can be mobilized within 1 hour as dictated by higher authoritiies	90%	90%	90%	100.0%
Number of tactical battalions maintained	187	189	188	99.5%
Number and Readiness level of reserve units				
Number of ready reserve battalions maintained	81	81	81	100.0%
Percentage of operational readiness of ready reserve battalions	73%	72%	65%	90.3%

*Consistent with the Agency PBB Form A, Major Final Outputs

The PAF, on the other hand and as indicated in the table above, exceeded its performance targets for 2016 as to the number of supportable aircraft maintained (150 out of 140) and the percentage of accomplishment of one hour response time to flight-directed mission (99.0 percent out of 85.0 percent) except for the aircraft maintenance readiness rate (AMRR), which registered a low 61.0 percent out of the target of 70.0 percent. The low AMRR was due to the following: a) increase in the operational tempo of 6,470 flying time or 15.0 percent of the total programmed for the year for Internal Security Operations (ISO) based on the pronouncement of President Duterte, which entailed higher scheduled and unscheduled maintenance activities and led to longer period of downtime; and b) longer lead time for delivery of most aircraft spares which were not readily available in the market or required export licenses from Defense Departments of foreign suppliers.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 1: TERRITORIAL DEFENSE, SECURITY AND STABILITY SERVICES				
Aircraft Maintenance Readiness Rate	60%	70%	61%	87.1%
Percentage of accomplishment of one (1) hour response time to flight-directed mission	99%	85%	99%	116.5%
Number of Supportable Aircraft Maintained	138	140	150	107.1%

*Consistent with the Agency PBB Form A, Major Final Outputs

Meanwhile as shown in the table below, the PN achieved four out of its six performance targets in 2016. It was able to maintain 124 mission-ready fleet marine units and 59 mission-ready support and sustainment units; and was able to achieve the targeted average response time of fleet units (24 hours) and marine units (6 hours) that can be mobilized as instructed by higher authorities. The PN, however, fell a bit short of its targets as to the percentage of readiness of fleet marine units (78.02 percent) and support and sustainment units (61.97 percent) with actual accomplishment of only 75.0 percent and 58.0 percent, respectively. This was due to the following: a) insufficiency of personnel deployed to units as compared to the fill-up based on the approved PN Table of Organization; and b) mismatch in rank and rating of personnel currently assigned in the units and personnel accretion due to death and retirement, among others.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 1: TERRITORIAL DEFENSE, SECURITY AND STABILITY SERVICES				
Number of mission-ready fleet marine units	116	124	124	100.0%
Percentage of readiness of fleet marine units	72.0%	78.02%	75.0%	96.1%
Number of mission-ready support and sustainment units	58	59	59	100.0%
Percentage of readiness of support and sustainment units	58.0%	61.97%	58.0%	93.6%
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 of marine units that can be mobilized as instructed by higher authorities	6 hours	6 hours	6 hours	100.0%

*Consistent with the Agency PBB Form A, Major Final Outputs

Department of Public Works and Highways (DPWH)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DPWH	447.95	351.26	78.4%	549.54	425.84	77.5%

Financial Performance. As of December 31, 2016, the Department of Public Works and Highways (DPWH) received a total allotment of P 549.5 billion. Out of the total allotment, 77.5 percent obligation was recorded equivalent to P 425.8 billion, and was slightly lower by 0.9 percentage points over the 2015 obligation rate of 78.4 percent. Furthermore, the DPWH disbursed an amount of P 311.8 billion in 2016, or 73.2 percent of its obligated budget, compared to 63.5 percent rate in 2015. The level of disbursements was however 39.8 percent more than in 2015.

For National Road Network Services, the Department obligated P 156.1 billion while for Flood Management Services, the DPWH obligated P 51.1 billion. Further, under Maintenance and Construction Services of Other Infrastructures involving construction of access roads to airports, sea ports and tourist destinations, a total of P 25.2 billion was obligated in 2016. The total budget obligated for the three major final outputs (MFOs) comprised 54.6 percent of the total obligated budget of DPWH, inclusive of the capital transfers from other agencies.

Physical Performance. As shown below, the DPWH did not fully meet all its targets. Under the National Road Network Services, the Department constructed, maintained, and paved 1,121.1 kilometers of national road out of the committed target of 3,500.9 kilometers, recording a 32.0 percent accomplishment. This was lower compared to 35.3 percent accomplished in 2015 or 1,565.1 kilometers. On the other hand, the DPWH constructed 4,594.7 lineal meters of bridges out of the target 18,273.4 lineal meters or a 25.1 percent accomplishment. Said accomplishment was significantly lower compared to 60.7 percent in 2015 equivalent to 10,774.5 lineal meters.

Meanwhile, under Flood Management Services, the Department committed to construct and maintain 1,090 flood control projects, of which 996 were constructed and maintained; thus, recording an accomplishment of 91.4 percent. This was higher compared to 78.7 percent in 2015 or 759 flood control projects.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate **
MFO 1: NATIONAL ROAD NETWORK SERVICES				
Length of National Roads Maintained (Km.)	598.9	857.8	503.4	58.7%
Length of National Roads Constructed (Km.)	723.9	1,431.4	362.2	25.3%
Length of National Roads Paved (Km.)	242.4	1,211.7	255.5	21.1%
Total accomplishment for National Roads	**1,565.1**	**3,500.9**	**1,121.1**	**32.0%**
Length of Bridges Constructed (Lm.)	10,774.5	18,273.4	4,594.7	25.1%
MFO 2: FLOOD MANAGEMENT SERVICES				
No. of Flood Control Structures and Drainage Systems constructed /maintained	759	1090	996	91.4%
MFO 3: CONSTRUCTION AND MAINTENANCE SERVICES OF OTHER INFRASTRUCTURE				
Length of Access Roads leading to Airports constructed/improved (Km.)	19.3	83.0	7.2	8.7%
Length of Access Roads leading to Sea Ports constructed/improved (Km.)	30.9	169.0	26.2	15.5%
Length of Access Roads leading to declared Tourist Destinations constructed/improved (Km.)	226.0	1,200.0	133.7	11.1%
Total accomplishment for Access Roads	**276.2**	**1,452.0**	**167.2**	**11.5%**
No. of Septage/Sewerage/Rain Water Collectors constructed	504	620	3,208	517.4%

Notes:

* Consistent with the actual accomplishment of DPWH as reflected in BAR-1

** The actual accomplishment rate of DPWH was computed as the percentage of actual accomplishment of DPWH as reflected in BAR-1 over its committed target in the GAA.

Finally, the DPWH constructed and improved 167.2 kilometer-access roads leading to airports, sea ports, and tourist destinations out of the committed target of 1,452.0 kilometers, or a 11.5 percent accomplishment. This was lower compared to 28.7 percent in 2015 equivalent to 276.2 kilometers. However, the Department also constructed 3,208 septage/sewerage/rainwater collectors out of the committed 620 units or 517.4 percent accomplishment, which was significantly higher than the 84.7 percent accomplishment in 2015 or 504 units.

The reasons for low physical accomplishments of DPWH include issues on Right-of-Way (ROW) and relocation, procurement, coordination with relevant agencies, and challenges faced by the Department in the construction industry sector. To address low physical performances, the DPWH plans to strictly impose calibrated sanctions/penalties on contractors with negative slippages, and integrate the analysis of physical and financial accomplishments to existing DPWH systems for an integrated real time monitoring and reporting of projects.

The Department encountered several ROW and relocation issues such as the transition to the new ROW Act of 2015, and delay in relocating informal settlers. In some of its projects, the DPWH encountered resistance from residents in areas where projects were to be implemented. Likewise, the removal and relocation of public utilities posed as a challenge for DPWH. The Department is committed to deal with these issues by expediting ROW resolution based on the ROW Act of 2015.

The DPWH also encountered government procurement difficulties in terms of the involvement of foreign contractors in public-private partnership (PPP) projects and other big-ticket projects, as well as other procurement issues such as late compliance by contractors of pertinent documents, and the need to re-advertise some projects due to failure of bidding. There were also instances where there are no bid takers for small value projects. To address such issues, the DPWH is committed to streamline procurement process consistent with the revised IRR of the procurement law (R.A. 9184).

The Department also pointed out coordination with relevant agencies as a major issue in project implementation. The disapproval and difficulty in securing approvals and clearances from authorities and other agencies for big-ticket projects, as well as issues raised by LGUs prior to project implementation caused delay in the project implementation.

There were also factors beyond the control of the Department that affected its physical performance, particularly the performance of the construction industry sector in 2016. The DPWH confronted challenges on the shortage of raw construction materials and insufficient manpower, which affected its capacity to implement massive infrastructure projects. Likewise, the modernization of the construction industry has yet to be realized in terms of equipment, technology, and advanced construction methodology for construction, operation and maintenance of tunnels and inter-island bridges.

Other reasons for low physical accomplishments of DPWH include: (a) peace and order situation in some areas; (b) intermittent weather condition during project implementation; (c) problems on sub-soil exploration caused minimal project accomplishment, (d) late submission and approval of some project modifications; and (e) late filing of claims by some contractors with accomplishment rates of 85.0 percent and above, who tend to submit claims during the final billing.

Department of Science and Technology (DOST)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOST	20.41	16.95	83.1%	22.45	18.93	84.3%

Financial Performance[11]. The DOST System obligated 84.3 percent or P18.9 billion of its P22.4 billion allotment for FY 2016, slightly higher than its 83.1 percent obligation rate for FY 2015. It is noteworthy that of its 20 agencies, 18 achieved obligation rates higher than 80 percent. Only missing the mark narrowly, PHIVOLCS obligated 74.7 percent or P404.8 million of its total allotment due to delays in procurement and technical problems encountered in some projects/programs. Meanwhile, ICTO obligated 58.2 percent or P3.8 billion of its budget releases, wherein its current year obligation rate of 32.4 percent was buoyed by its high obligation rate 99.9 percent for its continuing appropriations, a pattern similar to its FY 2015 performance. At the disbursement side, the DOST System spent 15.3 billion or 81.0 percent of its obligations wherein difficulties in procurement (e.g. procuring specialized equipment, failed biddings) were cited as one of the reasons for their performance.

Physical Performance. The DOST continued its S&T education efforts through its scholarship programs. The Science Education Institute (SEI) provided a total of 20,618 scholarships for tertiary education, 4.4 percent over its full-year target, due to its support of an additional 860 undergraduates, so that a total of 17,491 undergraduates were assisted. Some 3,127 postgraduates were also supported, composed of 2,407 students taking a Masters program and 720

[11] The financial performance of DOST still includes those of ICTO. It will be transferred to the new agency created by RA 10844, the Department of Information and Communications Technology (DICT), as its Office of the Secretary.

taking a Doctorate program. Supplementing the SEI's efforts on S&T education is the Philippine Science High School (PSHS), which covered 6,389 scholars for SY 2016-2017. Both the SEI's Doctorate and PSHS' scholarship numbers fell below their targets of 794 and 6,493 students, respectively, partly due to the lower number of its applicants (e.g. non-enrolment of students).

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment**	Accomplishment Rate
OSEC				
MFO 3: Regional S&T Services				
Technology Transfer				
No. of firms/other entities provided with S&T assistance	4,510	2,150	4,524	210.4%
No. of jobs created (in terms of person)	34,512	17,431	40,076	229.9%
No. of technology interventions	7,021	4,715	7,668	162.6%
S&T Services				
No. oftechnical/consultative services rendered	33,526	19,940	32,980	165.4%
PSHS				
MFO 1: Provision of Specialized Secondary Science Education				
No. of students supported	4,923	6,493	6,389	98.4%
SEI				
MFO 1: Provision of Specialized Secondary Science Education				
No. of students supported	18,765	19,758	20,618	104.4%
Undergraduate level	15,858	16,557	17,491	105.6%
Masters Program	2,282	2,407	2,407	100.0%
Doctoral Program	625	794	720	90.7%
PAGASA				
MFO 1: Weather, Climage and Flood Forecasting/Warning and Other Related Services				
No. of weather and flood warnings issued	3,201	2,190	4,178	190.8%
PHIVOLCS				
MFO 1: Technical Advisory Services for Geologic and Geophysical Phenomena				
No. of bulletins and warnings issued	1,201	As necessary	1,276	NA
MFO 2: Disaster Preparedness and Risk Reduction Services				
No. of Disaster Risk Reduction (DRR) activities conducted	315	260	271	104.2%
Ave. no. of participants per disaster risk reduction activities	124	90	111	123.3%

*Source: FY 2015 MFO Accountability Report Card

**Source: Consolidated FY 2016 Actual MFO/PI Physical Accomplishment

In supporting industry growth, DOST championed technology transfers, providing 4,524 firms and other entities with S&T assistance and paved the way for the creation of 40,076 jobs. These two accomplishments exceeded its set targets for the year at above 200 percent. In addition to these accomplishments, a total of 7,668 technology interventions and technical/consultative services to 32,980 firms were also provided by the agency.

As part of the department's efforts on Disaster Risk Reduction and Management (DRRM), PAGASA issued 4,178 weather and flood warnings. In parallel, PHIVOLCS issued 1,276 bulletins for geologic and geophysical phenomenon and conducted 271 DRR activities, with participants averaging at 111 per activity.

Department of Social Welfare and Development (DSWD)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DSWD	142.75	124.26	87.0%	131.83	108.81	82.5%

Financial Performance. To provide policy direction in the delivery of social welfare and development services and the implementation of social protection of the poor, vulnerable and disadvantaged sector, the DSWD was supported with a total allotment of P131.8 billion in 2016, of which P16.0 billion was a carry-over from the previous years. The obligation rate of 82.5 percent or P108.8 billion is mainly accounted by the following major programs: Conditional Cash Transfer Program - P60.5 billion; Social Pension for Indigent Senior Citizens - P8.2 billion; Sustainable Livelihood Program- P7.4 billion; and Supplemental Feeding Program- P3.9 billion. As of end 2016, a total of P23.0 billion has remained unobligated. Of this amount, approximately P7.5 billion is accounted for by the overprovision for the expanded coverage until High School for CCT beneficiaries. In terms of disbursement amounting to P92.8 billion, the department was able to utilize 88 percent of its obligations.

Physical Performance. As of end-December 2016, DSWD granted educational and health allowances to a total of 4,156,591 households which complied with the requirements of the Conditional Cash Transfer Program. It was short of its 4.4 million target beneficiaries since the department deferred the registration of approximately 270,000 additional beneficiaries targeted for CY 2016 due to the policy to retain the current number of Pantawid Pamilya beneficiaries. Another 233,272 households benefitted from the Modified Conditional Cash Transfer which covers families in need of special protection[14]. The overachievement of its 2016 target of 218,377 family beneficiaries is attributed to the inclusion of families affected by disasters such as Zamboanga Seige and Typhoon Yolanda and continuous registration of Field Officers in the National Capital Region (NCR) to complete the target for Oplan Balik Bahay Sagip Buhay (OBBSB). Moreover, the extended coverage of the CCT Program of children up to 18 years of age to enable children to finish high school provided for 1,377,895 beneficiaries during the year.

[14] such as street families, itinerant indigenous families including those displaced by natural and man-made disasters, and persons with disability (PWD), child laborers, children in conflict with the law, and families with members having terminal disease and victims of human trafficking

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment*	Accomplishment Rate
MFO 2 SOCIAL PROTECTION SERVICES				
Pantawid Pamilyang Pilipino Program (Conditional Cash Transfer)				
No. of familiy beneficiaries-Regular CCT	4,139,728	4,402,253	4,154,417	94%
No. of familiy beneficiaries-Modified CCT	238,034	218,377	233,272	107%
No. of children beneficiaries - CCT Extended Coverage until High School	-	1,153,020	1,377,895	120%
Supplementary Feeding Program				
No. of Day Care children provided with supplementary feeding	1,804,735	2,231,361	1,998,489	90%
Recovery and Reintegration Program for Trafficked Persons				
No. of trafficked persons assisted	2,268	1,800	1,713	95%
Social Pension for Indigent Senior Citizens				
No. of indigent senior citizens ages 60 years old and above, with social pension	877,198	1,368,941	1,314,816	96%
Sustainable Livelihood Program				
No. of families to be served thru Micro-enterprise Development	380,068	170,470	225,119	132%
No. of families facilitated for employment	127,539	208,352	218,040	105%

*Consistent with the Agency PBB Form A, Major Final Outputs

The Department, through its Supplementary Feeding Program (SFP), provided additional hot meals to 1,998,489 day care children enrolled in LGU-run day care centers and supervised neighborhood play, short of achieving its 2,231,361 target as 309 Local Government Units (LGUs) have not implemented the 6th cycle of SFP due to unliquidated funds from the previous cycle and delayed submission of required documents for downloading of funds for the 6th cycle.

For the same period, the monthly social pension of P500 was given to 1,314,816 indigent senior citizens aged 65 and above.

Meanwhile, the Sustainable Livelihood Program exceeded its target of 170,470 families by 32 percent by serving 225,119 CCT beneficiary-families through its Micro Enterprise Development component. Another 218,040 non-CCT but identified poor families in the National Household Targeting System for Poverty Reduction (NHTS-PR) were facilitated for employment.

Department of Transportation (DOTr)

Department	2015 (in billion pesos)			2016 (in billion pesos)		
	Allotment	Obligation	BUR	Allotment	Obligation	BUR
DOTr	79.59	46.13	58.0%	92.16	61.80	67.1%

Financial Performance. As of December 31, 2016, the Department of Transportation (DOTr) received a total allotment of P 92.2 billion. Out of the total allotment, 67.1 percent equivalent to P 61.8 billion were obligated, significantly higher than last year's 58.0 percent obligation rate. Furthermore, the DOTr disbursed an amount of P 49.0 Billion in 2016 more than twice the P22.2 billion disbursed in 2015.

The reasons for continuing low fund utilization rates, both obligation and disbursement, were mainly attributed to the election ban as well as the slowing down of activities during the transition period due to the late approval of the appointments of the new set of Department Undersecretaries, which caused delays in project implementation. Also, the perennial problem of procurement – such as failure of bidding, and filing by losing bidders of Motions for Reconsideration – caused delays in the awarding of contracts, court injunctions and temporary restraining orders on major projects. Other reasons were problems related to Metro Rail Transit Line 3 (MRT 3) operations, delay in the procurement of various locally-funded projects, deferred payments to contractors, and delayed transfer of funds to attached corporations, pending finalization of the covering Memoranda of Agreement (MOA).

Physical Performance. Under the Motor Vehicle Registration and Driver's Licensing Regulatory Services, the Land Transportation Office (LTO) was able to register 8,973,364 motor vehicles, and issue 5,672,746 driver's licenses and permits ahead of the target of registering 8,331,490 motor vehicles and 5,247,060 driver's licenses and permits, representing accomplishment rates of 107.7 percent and 108.1 percent, respectively. Likewise, the department reached its target of completing the registration of new motor vehicle plates and stickers within seven days and renewal of registration of motor vehicle plates and stickers within two hours. In the case of renewal registration, the unavailability of MV plates due to Commission on Audit (COA) disallowance that resulted to the non-delivery of plates by the supplier. Finally, the LTO was only able to take action on 568,531 apprehensions out of the target 586,010 apprehensions for which a Temporary Operator's Permit (TOP) was issued and complaints acted upon, representing a 97.0 percent accomplishment rate. The LTO did not meet the target because it cannot force erring motorists to pay fines and penalties immediately even with imposed time frame.

PARTICULARS	PHYSICAL TARGETS/ACCOMPLISHMENT			
	2015	2016		
	Actual Accomplishment*	Target (GAA)	Actual Accomplishment**	Accomplishment Rate ***
MOTOR VEHICLE REGISTRATION AND DRIVER'S LICENSING REGULATORY SERVICES				
Vehicle Registration				
No. of motor vehicles registered	8,463,001	8,331,490	8,973,364	107.7%
% of new registrations completed with MV plates and stickers within seven days	90%	90%	90%	100.0%
% of renewals of registration completed with MV plates and stickers within two hours	90%	90%	90%	100.0%
Driver Licensing				
No. of driver's licenses and permits issued	5,442,005	5,247,060	5,672,746	108.1%
Enforcement				
No. of apprehensions for which a Temporary Operator's Permit (TOP) is issued and complaints acted upon		586,010	568,531	97.0%
REGULATION OF PUBLIC TRANSPORT SERVICES				
Franchising				
% of new CPC acted upon over the compliant applications received	92%	93%	51%	54.8%
No. of petitions for extension of validity acted upon		40,778	36,390	89.2%
No. of dropping/substitution acted upon		10,772	8,124	75.4%
% of dropping/substitution acted upon over the no. of dropping/substitution filed	91%	91%	74%	81.3%
No. of other petitions acted upon		751,604	522,115	69.5%
% of sale and transfer acted upon over the no. of petitions for sale and transfer received	93%	92%	72%	78.3%
RAIL TRANSPORT PASSENGER SERVICES				
No. of passenger kilometers travelled (per day)	3,075,760	4,335,324	3,422,027	78.9%
Average travel speed (kph)	35.25	33	26.4	80.0%
No. of passenger unloading incidents (annual)	417	300	587	-95.7%

Notes:

* Consistent with the actual accomplishment of DOTr in 2015 as reflected in MARC-1

** Consistent with the actual accomplishment of DOTr in 2016 as reflected in BAR-1

*** The actual accomplishment rate of DOTr was computed as the percentage of actual accomplishment of DOTr as reflected in BAR-1 over its committed target in the GAA.

Meanwhile, under the Regulation of Public Transport Services, the Land Transportation Franchising and Regulatory Board (LTFRB) was able to achieve most of its performance targets. However, it is noteworthy that LTFRB underperformed on some of its commitments.

First, the LTFRB issued 51 percent of the new Certificate of Public Convenience (CPC) applications behind the targeted 93 percent of CPC issued over received compliant applications. Thus, it record an accomplishment rate of 54.8 percent in this indicator. The decline in the processing of new CPC was attributed to the suspension of acceptance of all Transport Network Vehicle Services (TNVS) nationwide pending review of existing policies and other relevant processing issues on the issuance of franchise to this mode of service.

Second, the LTFRB acted upon 522,115 other petitions below its target 751,604 other petitions equivalent to a 69.5 percent accomplishment rate. The decrease in the number of filed and adjudicated applications of other petitions was due to the prohibition of interchange of units, as well as the temporary and extended suspension in the conduct of the testing and resealing of taximeters nationwide.

Third, the LTFRB accomplished 72 percent of sale and transfer over the number of petitions for sale and transfer received behind its target 92 percent in 2016s, recording an accomplishment rate of 78.3 percent, lower than the 93 percent accomplishment in 2015. The non-accomplishment of the target was due to the prohibition of acceptance of application for sale and transfer or any form of conveyances of CPC. This goes back to issues of abuses and the hi-jacking of the franchising process by trafficking in franchises and CPCs at huge profit. This has been a lucrative business, which mocks the very purpose of application for franchises and CPCs. In terms of the decrease in the number of filed and adjudicated cases, this could be attributed to the more stringent policies of the LTFRB Board.

Finally, under the Rail Transport Passenger Services, the MRT-3 did not fully meet its committed targets in the 2016 GAA. In terms of passenger kilometer, the MRT-3 was only able to travel 3,422,027 passenger kilometers out of the target 4,335,324 passenger kilometers recording an accomplishment of 78.9 percent, which was however, still an improvement over its 2015 accomplishment. The below-target performance was attributed to the insufficient number of trains in good running condition during operating hours for the first semester of 2016. It is noteworthy that the number of passenger kilometers travelled per day slightly improved during the second semester because of gradual increase in the number of trains. Correspondingly, the MRT-3 only achieved an average travel speed of 26.4 kph out of the target 33 kph or 78.8 percent accomplishment. The non-accomplishment of the target was due to the train speed restriction on the mainline during revenue hours for passenger safety, considering the signaling problem and rail breakage. Lastly, there were also 587 cases of passenger unloading incidents, which was behind the target 300 cases; thus, recording an underperformance of 95.7 percent. The increase in passenger unloading incidents was attributed to the increase in number of train defects coupled with lack of spare parts during the first semester and due to system failures, e.g., signaling, Automatic Train Protection (ATP) Failure, and broken rail problems.

Infrastructure Program

Obligations

For 2016, the infrastructure obligation budget totaled to P744.2 billion. Out of the said budget, 87.4 percent obligation was recorded equivalent to P650.1 billion, 12.9 percent higher over the 2015 actual obligation of P 575.7 billion. The obligation budget for infrastructure covers National Government (NG) infrastructure, infrastructure subsidy and equity to GOCCs, and infrastructure transfers to LGUs.

Disbursements

The estimated cash requirements of the infrastructure outlays for 2016 amounted to P613.3 billion[15] equivalent to 4.2 percent of GDP. This pertains to payments for infrastructure programs or projects which were: 1) completed or delivered in the previous years but remain unpaid in the current year; and 2) contracted out and completed or delivered in the current year. This is composed of the P484.8 billion requirements of line agencies for various infrastructure projects; P103.1 billion transfers to LGUs for local development; and the P25.4 billion infrastructure component of the subsidy and equity to government corporations.

Table 14. Infrastructure Program for the period indicated
In billions

Particulars	Full Year						
	2015 Actual	2016		Deviation		Increase/(Decrease)	
		Program	Actual	Amt	%	Amt	%
Infrastructure Program	**405.9**	**613.3**	**590.5**	**(22.8)**	**(3.7)**	**184.6**	**45.5**
National Government	299.8	484.8	448.5	(36.3)	(7.5)	148.7	49.6
Infrastructure Transfers to GOCCs	25.3	25.4	37.8	12.4	48.8	12.5	49.5
Infrastructure Transfers to LGUs	80.8	103.1	104.2	1.1	1.1	23.4	28.9

For 2016, actual disbursements for infrastructure outlays have reached P590.5 billion, up by P184.6 billion or 45.5 percent year-on-year. This was driven largely by the P448.5 billion payments of the National Government Agencies for transport and road infrastructure projects (DOTr and DPWH), school buildings of the (DepEd), health facilities and equipment (DOH) and defense assets and equipment (DND-AFP). Some P104.2 billion, meanwhile, was released to LGUs representing the 20.0 percent of the Internal Revenue Allotment, as well as additional financial assistance under the Local Government Support Fund intended for local infrastructure projects such as road repair and rehabilitation. On the other hand, infrastructure transfers to

[15] Consistent with the revised disbursement program for 2016. See discussions about the fiscal program on page 11 for the explanation of the revision. The infrastructure spending is part of the total NG disbursements discussed on page 22. Infrastructure transfers to GOCCs refers to the portion of the regular subsidy and equity intended for or attributed to infrastructure programs or projects.

GOCCs reached P37.8 billion mainly to cover the housing projects of the NHA and irrigation projects of the NIA.

Infrastructure spending, however, fell short of the P613.3 billion program by P22.8 billion or 3.7 percent. This primarily due to the P36.3 billion underspending in line agencies as a result of procurement difficulties for their respective capital outlay projects *(see discussion on Program vs. Actual Performance on page 23)*. The shortfall was offset by the faster fund absorption in GOCCs, mainly from payment claims for completed housing programs and irrigation projects of the NHA and NIA, respectively.

V. Fiscal Outlook

Medium-Term Fiscal Program

The government will embark on an expansionary fiscal strategy anchored on raising both the revenue effort and the deficit ceiling to finance the country's development priorities. This fiscal policy will provide a positive stimulus to economic growth in support of the Philippine Development Plan's growth target of 7.0 percent to 8.0 by 2022 towards our goal of becoming an upper middle income country.

The revenue-to-GDP ratio of 15.2 percent in 2016 is relatively low compared to the country's peers and development needs. This underscores the need for both tax policy and administrative reforms to expand the revenue base and intensify collection efficiency. The proposed tax reform measures will allow total revenues to increase by an average of 11.0 to 12.0 percent annually and reach P4,504.0 billion or 17.8 percent of GDP by 2022.

The FY 2017 National Budget and the Medium-term Budget Framework were crafted with an overall deficit target of 3.0 percent of GDP, up from the 2.0 percent of GDP target of the previous administration. The government will continue to favor domestic borrowings with an 80:20 financing mix to minimize the country's exposure to foreign exchange fluctuations and for better debt management. This approach is sound and sustainable as economic growth is projected to outpace the rise in debt accumulation. The debt-to GDP ratio is therefore expected to decline from 42.2 percent in 2016 to 37.7 percent in 2022.

The administration's goal of decreasing the poverty rate from 21.6 percent in 2015 to 14.0 percent by 2022, lifting about 6.0 million Filipinos out of poverty, requires an increased share of infrastructure and social services in the government's expenditure program. Of the P3,350.0 billion obligation budget for FY 2017, P858.1 billion, equivalent to 5.4 percent of GDP, is allocated for infrastructure development. This is projected to reach 7.3 percent of GDP by 2022 as the authorities plan to spend more than P8.0 trillion for public infrastructure over the medium term.

The government is also committed to long-term human capital development, providing the country's young population with the necessary tools – quality education, appropriate healthcare, and effective social safety nets – to be an agile, competent and productive workforce. In line with this, the social services sector will continue to expand both as a percentage of GDP (from 8.5 percent in 2017 to 9.2 percent in 2022) and as a share of the total budget (from 40.3 percent in 2017 to 41.2 percent in 2022).

Outlook for 2017

Government spending remains to be one of the primary drivers of growth and hence plays a pivotal role in uplifting the lives of more than 104 million Filipinos. In 2016, government consumption grew by 8.4 percent, contributing to 10.5 percent of the country's GDP. Public infrastructure on the other hand increased by 28.0 percent and equivalent to 24.0 percent of the total gross value in construction.[16]

This growth momentum will be sustained in 2017 with the National Government intending to spend P2,909.0 billion, equivalent to 18.2 percent of GDP and 14.1 percent higher than the P2,549.3 billion actual disbursements in 2016. This spending commitment covers the requirements of major social sector programs such as the K-12 program, universal health care, and social pension and protection which is a significant contributor to the *Government Final Consumption Expenditure*. It also considers the huge investments to public infrastructures with some P549.4 billion cash program to support the requirements of infrastructure and other capital expenditures this year. In all, this will contribute to the achievement of the 6.5 to 7.5 GDP growth target for the year, consistent with the macroeconomic assumptions and fiscal targets adopted by the DBCC.

The growth of disbursements for the first few months this 2017, however, has been moderate, partly due to base effect considering the high disbursements recorded for the same period in 2016 taking into account the impact of one-off

[16]The annual growth of the sector or industry, and its percentage distribution to total sector/industry and GDP are measured at constant 2000 prices.

and election-related expenditures. The growth is expected to pick up in the succeeding months beginning the summer season towards the end of the year as the bulk of the spending requirements of line agencies (i.e., 54 percent of the total disbursement program) are lodged in the second semester. Moreover, the pre-implementation and pre-procurement activities for the programs and projects of line agencies are usually being completed at the start of the year.

Revenues meanwhile are targeted to reach P2,426.9 billion, 10.5 percent more than the actual collections in 2016 given the more robust domestic economy and improved trade outlook this year. Collections of the BIR and BOC will amount to 1,782.8 billion and P459.6 billion, respectively, representing 92.4 percent of the total revenue program for 2017. In order to attain these targets and sustain collection growth, the BIR and BOC will continue to implement revenue-enhancing measures such as *Run After Tax Evaders, Oplan Kandado,* simplification of tax forms, tax mapping, anti-smuggling campaigns, and technology modernization.

Reform Measures

Improved Budget Execution. To help the agencies obligate their budget faster, the DBM has comprehensively released P1,643.9 billion or 83.5 percent of the total P1,968.8 billion agency-specific budget in January 3, 2017 – the first working day of the year[17]. This is part of the Department's *GAA-As-An-Allotment Order* policy and is supported by the comprehensive release of cash requirements for the first semester to ensure efficient and timely implementation of government programs and projects.

Better procurement planning. Spending agencies are also enjoined to conduct early procurement activities from planning up to the conduct of actual procurement processes and procedures, short of award, even before the approval of the GAA or receipt of obligational authorities issued by the DBM.[18] Furthermore, to fast-track the bidding process and encourage pre-procurement activities and better procurement planning, the government issued late last year the revised Implementing Rules and Regulations (IRR) of the Procurement Law or R.A. No. 9184. Training and capacity building of BAC personnel also started in late 2016 and currently still ongoing for some

[17] Annex A of National Budget Circular No. 567 dated January 3, 2017 entitled *Guidelines on the Release of Funds for FY 2017*. Available at http://www.dbm.gov.ph/?page_id=18372

[18] Section 4.5, GPPB Circular 09-2015 dated August 18, 2015 entitled *Guidelines Reiterating the Procedures to be Adopted in Undertaking Procurement Activities Prior to the Approval of the GAA or Receipt of Obligation Authorities Issued by DBM.*

line agencies, GOCCs and LGUs to support the implementation of the revised IRR. This should facilitate the procurement activities of agencies this year, help them avoid procurement problems and the delays in program/project implementation to hopefully improve their budget utilization.

Increased allocative and operational efficiency. The government is institutionalizing the implementation of the *Medium-Term Expenditure Framework* through the development of manual that will assist the line agencies in rolling out a medium-term budget consistent with the development plan. This will strengthen the link of planning and budgeting of line agencies by quantifying the cost of implementing their strategic plans consistent with the Philippine Development Plan (PDP) within the available resource envelope.

The government will also implement a *Rightsizing Program* which aims to attain effective and efficient delivery of public services by streamlining the operations in government agencies. The measures under the program include 1) elimination of functions, programs and projects which are already redundant or no longer needed; and 2) abolition of agencies with overlapping or redundant operations and functions that result in confusing regulatory rules, duplicating requirements, red tape and inefficient delivery of public goods and services. The savings generated from these measures will be used to fund expenditure priorities. As of June 30, 2017, four (4) senate bills and four (4) house bills addressing government rightsizing have already been filed at the Senate and the House of Representatives. To date, Senate Bill. No. 1395 is currently under second reading in the Senate while House Bill No. 5707 was approved on the third and final reading in the House of Representatives. The public hearings are currently ongoing in both chambers of the Congress.

Stronger PFM practices and standards. The government is pushing for the enactment of the *Budget Reform Bill* which will address the gaps in the country's PFM system and clarify the limits of the Executive's budgetary powers. The bill provides for the: 1) shift from obligation-based to cash-based budgeting and from a two-year appropriation shelf-life to one-year validity to force implementation-ready projects and better strategic and operational planning in spending agencies; 2) establishment of the Office of the Comptroller General (OCG) for improved compliance to reporting and accounting standards; 3) development and implementation of an Integrated Financial Management and Information System for better monitoring and reporting of financial transactions; and 4) strengthening of the Congressional power of the purse to ensure proper check and balance.

Fiscal Expansion. In order to increase the resources to meet the country's growing development needs, the government is actively pushing for the passage of the *Tax Reform for Inclusion and Acceleration* (TRAIN) bill. The Package 1 of the TRAIN covers the following measures: 1) adjustment of the personal income tax brackets to correct for "income bracket creeping"; 2) expanding the VAT base by limiting exemptions to raw food and other necessities; 3) increasing excise tax rates on all petroleum products; and 4) restructuring and increasing excise tax on automobiles. The House-approved version or HB No. 5636 is projected to provide the government with an average of 1.1 percent of GDP in additional revenues each year starting in 2018 up to 2022:

	2018	**2019**	**2020**	**2021**	**2022**
Additional Revenues	P133.8 B	P233.6 B	P272.9 B	P253.0B	P269.9B
% of GDP	0.8%	1.2%	1.3%	1.1%	1.1%

The proceeds will be earmarked to priority sectoral expenditures such as basic education, health care, social protection and public infrastructures.