



Republic of the Philippines
Development Budget Coordination Committee
Malacañang, Manila

Mid-Year Report on the 2016 National Budget

I. Introduction

The global economic outlook remains subdued amidst lingering downside risks such as the ongoing economic adjustment in China, geopolitical issues in Europe and the Middle East, weak growth in advanced economies, and slowdown in emerging economies. Despite the uncertainty in the global economic environment, the Philippine economy managed to post 6.9 percent GDP growth for the first semester of 2016, one of the fastest growth rates recorded in the Asian region. The growth of the domestic economy was driven by strong private consumption and increased investment spending, supported by higher fiscal spending and manageable inflation.

Meaningful macroeconomic and fiscal policy reforms instituted in the last five years have facilitated significant improvement in the country's fiscal and financial position. The major challenge is to translate the progress achieved in the fiscal front into tangible benefits for the marginalized sectors of the economy to make them productive members of society.

The government continues to work towards the eradication of poverty and the promotion of higher standard of living for its citizens by providing the necessary support and assistance through various social programs and infrastructure projects. The National Budget serves as the government's main policy instrument in the delivery of its priority agenda.

This Mid-Year Report for Fiscal Year 2016 documents the contribution of the National Budget towards building an inclusive economy. This Report discusses the following:

- Overall budgetary principles and targets;
- Updated projections for the economy, revenues, expenditures, financing and debt for the full fiscal year.
- Year-to-date performance relative to macroeconomic, revenue, expenditure, financing, and debt targets as initially adopted in the Budget; and
- Implications of macroeconomic developments on the estimates of full-year revenues, expenditures, financing, and debt.

II. 2016 National Government Budget

The FY 2016 National Government Budget was the last budget crafted under the previous administration, intended to sustain government reforms – spending within means, investing in the right priorities, and delivering measurable results to the people. This 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 to enhancing the capacity of government institutions in the delivery of public services. Most importantly, the Budget plays a critical role in empowering the citizenry through improved transparency, accountability, and commitment.

Building on the economic gains of the previous years, the government, through the budget, continues its pursuit of a better life for the Filipino people by increasing the access to basic education, healthcare, and social protection services to the marginalized and poorest communities; improving the current state of public infrastructure to attract more investments and generate employment; supporting the agriculture sector to modernize the sector and provide greater income opportunities to farmers and fisherfolk; and strengthening the resilience of communities vulnerable to climate change hazards.

The Budget for FY 2016, at ₱3.002 trillion, is almost double the 2010 Budget of ₱1.541 trillion. This was made possible by projected revenue collections reaching ₱ 2,696.8 billion and a deficit target of 2 percent of GDP which amounted to ₱ 308.7 billion. This has allowed the government to

expand its programs and projects, and to pursue other priority agenda, while remaining committed to fiscal sustainability. Moreover, the government had managed to cut the share of Debt Burden to 14 percent of total expenditures¹, 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 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, being a transition Budget, was expectedly challenging. For one, the country was coming from a rough FY2014, marred by fiscal underperformance and weak overall economic performance. While the pace of government spending accelerated substantially in 2015, the extent of underspending did not narrow down as the budget grew faster than the absorptive capacities of agencies. As 2016 is also an election year, the implementation of certain programs and projects was further hampered by provisions of the election ban in the first semester.

To address these issues, the government continued to adopt 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 is also adopting 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 accountability among departments. Additionally, EO 46 which was issued the previous year, provided for measures to address slower than target spending: the creation of additional positions for the BAC secretariat, and the formation of full-time delivery units in departments to monitor and troubleshoot bottlenecks to implementation and spending.

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

Budget Priorities

For FY 2016, the government continued to put emphasis on funding programs and projects that have real and measurable impact on the lives of the people. The Budget Priorities Framework gave direction to the allocation of public resources based on the Aquino administration's commitments to provide for the urgent needs of the poorest and most vulnerable provinces and communities based on the 5 Key Result Areas under EO 43, series of 2010.

In its effort to reduce poverty, the government allocated significant resources for education, health and social protection services under the FY 2016 Budget. The education sector was allocated ₱547.3 billion, which will enable the Department of Education to keep up with the critical input requirements of implementing the K to 12 Basic Education Reform Program. The Department of Social Welfare and Development (DSWD) was provided ₱62.7 billion for the expansion of the Pantawid Pamilyang Pilipino Program (4Ps) and the massive validation of the National Household Targeting System for Poverty Reduction. Meanwhile, the health sector's budget was increased to ₱132.7 billion. This will enable the Department of Health (DOH) to continue providing health insurance for poor families and senior citizens, build more PhilHealth-accredited basic health facilities and deploy more healthcare workers to the barangays.

The government targets economic development that extends up to the countryside. Hence, the agriculture sector, to which a large percentage of the population belongs, remained to be a priority. For 2016, ₱93.4 billion was allocated to the Department of Agriculture (DA). This will enable the construction of farm-to-market roads and irrigation systems, and the provision of support services to farmers.

To address the shortfall in transport infrastructure development, the government increased investment for the development of road networks, bridges, ports, and airports. For 2016, the total allocation for infrastructure outlays totals to ₱766.5 billion. Of this, around ₱268.4 billion will be allocated to the DPWH for the paving of all national roads and construction of access roads to airports, seaports, and tourist destinations. The DOTC, on the other hand, will have ₱10.2 billion for the construction and improvement of airports and seaports, and ₱15.7 billion for the rehabilitation and expansion of the mass railway systems.

In light of the intensifying natural calamities due to climate change, the government is investing a greater amount on disaster risk management to strengthen the resilience of vulnerable communities. The DWPH was provided with ₱59.8 billion for the construction of flood control facilities in the 18 major river basins, principal rivers, and watersheds. Meanwhile, the DENR was allocated with ₱10.2 billion for the National Greening Program, which intends to reforest some 1.5 million hectares of forestland. To prepare, capacitate and rehabilitate communities in the occurrence of calamities, a sizeable ₱38.9 billion is provided for the National Disaster Risk Reduction and Management Fund (NDRRMF). Another ₱5.7 billion was provided for the Quick Response Funds to allow the immediate access to funds in the occurrence of calamity or other emergency situations.

III. Macroeconomic and Fiscal Performance

1. Macroeconomic Environment

Gross domestic product (GDP) accelerated in the first half of 2016, growing by 6.9 percent, higher than the 5.5 percent growth posted in the first semester of 2015. The growth performance exceeded market expectations and those of other high-performing Asian economies including China (6.7 percent), Vietnam (5.5 percent), Indonesia (5.1 percent), Malaysia (4.1 percent) and Thailand (3.4 percent). The first half of GDP growth performance was higher than market expectations, but it did not manage to hit the lower end of the growth target for the year.

Table 1. Macroeconomic Performance, January-June, 2015-2016

Particulars	2016	Actual (January-June)	
	FY 2016 BESF Initial Projections	2015	2016
Nominal GDP (in PhP million)			
low-end	15,376,569	6,354,740	6,875,660
high-end	15,780,794		
Real GDP Growth Rate (%)	7.0-8.0	5.5	6.9

Source: National Economic and Development Authority

Domestic demand (12.1 percent growth in S1 2016 from 7.8 percent in S1 2015) continued to be the main growth driver in the first semester of the year (12.1 percent in S1 2016 from 7.8 percent in S1 2015). In particular, growth during the semester was investment driven, with significant

contribution from durable equipment (41.1 percent). In addition, investment in public construction sustained a double digit growth in the first two quarters of the year, with a substantial 27.9 percent increase in the second quarter. Household consumption, boosted by election spending, continued to contribute significantly to the economy's growth, accelerating by 7.0 percent in the first quarter of the year, and further increasing by 7.3 percent in the second quarter.

Moderating the country's economic growth was the weak external demand, with total exports growth dipping to 7.0 percent in S1 2016 compared to 7.7 percent in the first semester of 2015. This decline was largely due to a slower growth in the export of goods (from 5.7 percent in S1 2015 to 4.7 percent in S1 2016), while export of services also recorded a slight slowdown (from 14.8 percent in S1 2015 to 14.7 percent in S1 2016). On the other hand, total imports strengthened (from 12.4 percent in S1 2015 to 19.9 percent in S1 2016), with goods imports rising to 22.2 percent, in large part due to increased purchase of capital goods and durables.

Table 2. Growth of GDP, by Component, January-June 2016

Particulars	Growth rate		Contribution to GDP Growth (in ppt)
	S1 2015	S1 2016	S1 2016
Demand Side			
Private consumption	6.3	7.2	4.9
Government consumption	1.4	12.7	1.4
Capital formation	16.7	27.1	6.0
Public construction	4.3	31.6	0.6
Private construction	11.7	8.2	0.6
Durable equipment	13.0	41.1	4.6
Exports	7.7	7.0	3.5
Imports	12.4	19.9	-10.1
Supply Side			
Agriculture	0.5	-3.3	-0.3
Industry	5.7	7.9	2.6
Services	6.2	8.0	4.6
GROSS DOMESTIC PRODUCT	5.5	6.9	

Source: Philippine Statistics Authority

With the exception of agriculture, higher growth rates were posted in all sectors. The service sector continued to account for the largest portion of the economy, registering an impressive 8.0 percent growth in the first semester of 2016. Almost all its sub-sectors enjoyed higher growth, led by trade and repair of motor of vehicles, motorcycles, personal and household

goods (8.3 percent); real estate, renting and business activities (9.2 percent); and financial intermediation (8.1 percent). On the other hand, transportation, storage and communication slowed down to 6.2 percent (from 7.5 percent in S1 2015), and other services dipped slightly (from 8.6 percent in S1 2015 to 8.5 percent in S1 2016).

The industry sector, similarly, accelerated to 7.9 percent growth in the first semester of 2016. The expansion was supported by faster growth in manufacturing (7.2 percent), construction (11.6 percent), and utilities (9.8 percent). The mining sector remained weak, posting negative growth in S1 2016, as global commodity prices were on a year-on-year decline in the second quarter, particularly for iron ore, copper, and nickel.

Agriculture production on the other hand, contracted anew (-3.3 percent) due to the lingering effects of the El Niño phenomenon, which affected major crops such as palay, corn, and coconut, as well as fishing activities. The decline follows the modest growth recorded in the first semester of 2015 (0.5 percent).

Table 3. Selected Macroeconomic Indicators

Particulars	FY 2016 DBCC	Actual (January - June)	
	Original ^{a/}	2015	2016
Real GDP growth (%)	7.0 - 8.0	5.5	6.9*
Inflation (%)	2.0 - 4.0	2.0	1.3
364-day T-bill rate (%) ^{b/}	2.0 - 4.0	2.1	1.8
Exchange rate (PhP/USD, period average)	43.00 - 46.00	44.55	46.90
LIBOR (6 months)	1.0 - 2.0	0.4	0.9
Dubai crude oil price (US\$/barrel)	55.00 - 75.00	56.61	36.80
Merchandise exports growth (%) ^{c/}	6.0	-10.2	-5.20
Merchandise imports growth (%) ^{c/}	12.0	-3.0	18.30

Notes:

a/ Based on FY 2016 BESF

b/ Based on weighted average of primary market rates

c/ Based on Balance of Payments Manual, 6th edition (BPM6) concept

Actual data are averages for the period January to June 2016

Sources: DBM, PSA, BTr, and BSP

Consumer prices continued to be soft in the first half of 2016 (H1 2016), as headline inflation averaged 1.3 percent during the period. This was attributed mainly to lower domestic rice and petroleum prices, the downward adjustment in electricity rates, and the provisional rollback in jeepney fares. While the H1 2016 inflation outturn was lower than the government target range of 3.0 percent \pm 1.0 percentage point for the year, the outlook for the rest of the year shows that average inflation would likely be low but near the low-end of the target range.

Based on the assessment of manageable inflation dynamics and robust domestic growth conditions, the Bangko Sentral ng Pilipinas (BSP) maintained its monetary policy stance in the four monetary policy meetings held in H1 2016. At the same time, the BSP implemented enhancements in its monetary operations by adopting the interest rate corridor (IRC) system in June 2016. The IRC is a system for steering short-term money market rates towards the BSP's policy rate, which is the overnight reverse repurchase (RRP) rate, thus enhancing the effectiveness of the monetary policy.

Market expectations of slower policy normalization by the US Federal Reserve, along with steady monetary policy stance by the BSP, contributed to the strong market demand for short-term government securities. The 364-day Treasury bill rates in the primary market registered an average of 1.8 percent in H1 2016, below the 2.0 - 4.0 percent DBCC assumption for the year. Similarly, the expected gradual pace of US Fed's policy tightening, as well as further monetary easing by the European Central Bank and the Bank of Japan, led to lower-than-assumed foreign interest rates. The average 180-day London Interbank Offered Rate (LIBOR) settled at 0.9 percent in the first six months of 2016, slightly below the 1.0 - 2.0 percent assumption range in the 2016 Budget of Expenditures and Sources of Financing (BESF).

Moreover, heightened financial market turbulence in major international financial markets amid worries on the state of the global economy contributed to the Peso depreciation during the review period. In January - June 2016, the Peso-Dollar exchange rate settled at an average of ₱46.90/US\$1, slightly weaker than the DBCC assumption range of ₱43.00 - 46.00/US\$1 in the 2016 BESF. Nevertheless, the Peso continued to draw support from the country's firm macroeconomic fundamentals, robust external position, and investment grade status.

In the international oil market, crude oil prices dropped further due mainly to continued abundance of global oil inventories, the re-entry of Iranian crude oil exports, and the sluggish demand given concerns over the slowdown in emerging markets, particularly China. Dubai crude oil price averaged US\$36.80 per barrel in January - June 2016, below the DBCC assumption of US\$55.00 - US\$75.00 per barrel in the 2016 BESF. While still below 2015 levels, global crude oil prices followed a slight upward trend in H1 2016² on account of the slowdown in crude oil production, the increase in

² Average Dubai crude oil price in January - June 2016 is lower at US\$36.80 per barrel relative to US\$56.61 per barrel average during the comparable period in 2015. However, monthly Dubai crude oil price average increased from US\$26.81 per barrel in January 2016 to more than US\$40.00 per barrel in May and June 2016.

oil supply outages (e.g., in Canada due to a wildfire and in Nigeria due to unrest affecting oil and gas infrastructure in the Niger Delta), and prospects of pickup in global oil consumption.

The continued weakness in the global economic environment significantly weighed down the country's exports performance in H1 2016, as merchandise exports contracted by 5.2 percent for the period, falling short of the projected full-year growth rate of 6.0 percent. Declines registered across almost all commodity groups, largely due to weak demand in commodity prices. Lower shipments were recorded under manufactures (by 10.7 percent) including non-consigned electronics, chemicals, garments, machinery and transport equipment, processed food and beverages, and other manufactures; coconut products (by 30.6 percent); and mineral products (by 39.5 percent). However, wood manufactures and sugar products partly tempered the drop in merchandise exports, by recording positive growth rates of 28.3 percent and 229.9 percent, respectively.

Meanwhile, merchandise imports in H1 2016 expanded by 18.3 percent, already surpassing the 12.0 percent growth projection for the full year with larger-than-expected inward shipments of capital goods (increased by 55.7 percent) due to higher imports of power generating and specialized machines, telecommunications equipment, and electrical machines; increased imports of raw materials and intermediate goods (by 25.7 percent), mainly for the materials and accessories used to manufacture non-consigned electronics; and higher imports in consumer goods (by 24.9 percent), supported by higher imports of durables, particularly passenger cars and motorized cycles.

In the face of these developments, the higher pace and improved quality of economic growth has created more and better employment as reflected in the July 2016 round of the Labor Force Survey (LFS). Unemployment has declined in the first semester of 2016 registering 6.0 percent, beating the 6.6 percent targeted for the year, and the lower than the 6.3 percent registered in the 2015. Underemployment, on the other hand, worsened to 19.0 percent in the first semester of 2016 from the 18.5 percent in 2015, and higher than the 17.0 percent target for the year.³ Also, both youth unemployment and youth inactivity are on a downtrend. However, youth unemployment (13.5 percent) remains a major labor market concern as it is

³ Starting April 2016, the LFS used the 2013 MS Design, the 2010 Census of Population and Housing (CPH)-based populations projections and the 2012 Philippine Standard Occupation Classification (PSOC). Prior to April 2016, the LFS used the 2003 MS Design, the 2000 CPH-based population projections and the 1994 PSOC.

still more than twice the 5.4 percent national unemployment rate. In addition, the high share of inactive youth (22 percent or 4.3 million young Filipinos) is another serious problem that needs to be resolved as this implies that many young Filipinos are underutilized and their skills are not being enhanced either by education, training or employment.

The buoyant state of the country's labor market is also reflected in the increasing trend of quality employment indicators such as wage and salaried employment, full time employment, and mean hours of work. Vulnerable employment remains a concern as it accounts for more than a third of the total employed persons. The number of remunerative and stable wage and salary employment registered at 25.2 million or 61.5 percent of the total employed persons in July 2016. On the other hand, in terms of hours worked, the share of full-time employment (worked more than 40 hours) reached 67.9 percent or 27.8 million workers and an increase in mean hours of work to 42.7 hours per week in July 2016.

Meanwhile, poverty incidence eased to 21.6 percent of individuals as of end-2015, reaching a record low since 2012 (27.9 percent). On the other hand, poverty among families inched down by 4.5 percentage points to 16.5 percent in 2015 from 21.0 percent recorded in S1 2009. Consistent with this, extreme poverty in 2015, as measured by subsistence incidence or the proportion of the population/families who could not afford to meet their basic food requirements, dropped to 5.7 percent of total number of families and below double-digits for the first time at 8.1 percent for individuals.

There has been a decline in poverty especially between 2012 and 2015, as improvements in real incomes have become more progressive. The growth of average nominal per capita income accelerated from 12.8 percent in 2009-2012 to 15.3 percent in 2012-2015, while inflation decelerated from 12.1 percent in 2009-2012 to 9.5 percent in 2012-2015. Moreover, per capita income growth for the bottom 30 percent of households, at over 20 percent in 2012-2015, was much faster than the average growth for all households (15.3%). However, the rate of poverty reduction between 2009 and 2015 could have been faster, if not for the occurrences of major shocks, especially the intermittent typhoons and El Niño that adversely impacted agricultural production, rural incomes, and food prices.

2. Fiscal Performance

As mentioned above, public construction spending remained vibrant for the first half of the year. National government infrastructure and other capital outlays grew robustly by 52.3 percent and maintenance expenditures expanded by 20.8 percent while total government disbursements rose by 13.9 percent. Because of this, the budget deficit figured at PHP120.3 billion, which compared to a PHP13.7 billion surplus in 2015. Still, this deficit fell short by 29.6 percent or by PHP27.5 billion than the program. Total revenues grew by a measly 1.4 percent to PHP1.10 trillion, with the one-time transfer of some PHP62.3 billion to the General Fund in May 2015 as the Supreme Court ordered the transfer of the Coco Levy funds to government coffers.

Revenue Performance

In the first semester of 2016, total revenues amounted to a total of PHP1,101.0 billion, reflecting a 1.4 percent growth year-on-year, compared to last year's first semester growth of 16.3 percent. As shown in Table 4 and mentioned above, this growth was despite the huge transfer of the Coco Levy funds to the Treasury.

Table 4. National Government Revenue Performance

(In billion Pesos, unless otherwise indicated)

Particulars	January-June			Difference Prog. vs. Actual Amount	Growth 2015 vs. 2016 %
	2015 Actual	2016			
		Program	Actual		
Total Revenues	1,085.7	1,294.8	1,101.0	-193.9	1.4%
<u>Tax Revenues</u>	<u>893.0</u>	<u>1,216.6</u>	<u>982.0</u>	<u>-234.6</u>	10.0%
BIR	705.9	968.6	783.4	-185.1	11.0%
BOC	178.7	238.3	190.6	-47.8	6.7%
Other offices	8.5	9.8	8.1	-1.7	-5.2%
<u>Non-tax Revenues</u>	<u>130.1</u>	<u>76.2</u>	<u>118.5</u>	<u>42.3</u>	-8.9%
BTr income	67.0	31.7	63.7	32.1	-5.0%
Fees and charges	18.0	19.5	18.4	-1.1	2.2%
Others	45.0	25.1	36.4	11.3	-19.1%
Grants	0.1	0.0	0.0	0.0	-75.0%
Privatization	62.6	2.0	0.5	-1.6	-99.3%

Note:

Figures may not add up due to rounding-off errors

Source: Department of Finance

However, tax revenues, which account for 90 percent of the government's revenue collections grew by 10.0 percent from 2015. In particular, both the BIR and BOC collections grew by 11.0 percent and 6.7 percent, respectively. Other offices were able to collect a total of PHP8.1 billion, which is only PHP0.44 billion lower than last year's collection.

Total non-tax revenue collections were PHP11.6 billion smaller than the 2015 level because of the Coco Levy fees. Only fees and charges recorded larger collections of 2.1 percent. Total income collected by the Bureau of the Treasury decreased by 5.0 percent year-on-year due to low remittances of guarantee fees and income from deposits and investments.

In terms of the revenue program, the total collections fell below target by around 15.0 percent, or PHP193.9 billion. This was largely due to the tax revenue collection shortfall of the BIR (PHP185.1 billion) and the BOC (PHP47.8 billion).

Bureau of Internal Revenue⁴

Total BIR collections for the first six months of 2016 amounted to PHP786.1 billion, gross of tax refund amounting to PHP2.6 billion, or an increase of 11.4 percent compared to the same period in 2015 of PHP705.9 billion.

Table 5. BIR Collection Performance

(In billion Pesos, unless otherwise indicated)

Particulars	January-June			Difference Prog. vs. Actual Amount	Growth %	2016 Distribution %
	2015	2016				
	Actual	Program	Actual			
Total BIR Collections	705.9	968.5	786.1	-182.4	11.4%	100.0%
Taxes on Net Income and Profits	423.6	612.0	470.1	-141.9	11.0%	59.8%
Taxes on Property	2.2	4.1	3.1	-1.0	41.6%	0.4%
Taxes on Domestic Goods and Services	280.1	352.4	312.9	-39.5	11.7%	39.8%
Value Added Tax	140.7	187.1	163.3	-23.8	16.1%	20.8%
Excise Tax	73.6	69.2	77.6	8.4	5.4%	9.9%
Percentage Taxes	29.0	39.2	31.7	-7.5	9.3%	4.0%
Franchise Taxes	0.3	0.4	0.3	-0.1	-3.5%	0.0%
Documentary Stamp Tax (DST)	33.9	51.6	37.3	-14.3	10.0%	4.7%
Other Taxes	2.7	4.9	2.7	-2.2	0.8%	0.4%

Note:

Figures may not add up due to rounding-off errors

Source: Bureau of Internal Revenue

⁴ Based on the submission of the Bureau of Internal Revenue

The more buoyant growth of collections (11.4 percent) compared to the economy's 6.9 percent was due to the agency's relentless commitment to strictly enforce the country's laws through its priority programs, such as Run After Tax Evaders (RATE) and Oplan Kandado, as well as other enforcement activities; the implementation of various e-services, which provides a more convenient system for the filing and payment of taxes; and the launching of intensified/comprehensive awareness campaigns to educate taxpayers, among others.

Income Taxes. Taxes on income contributed the highest among the Bureau's collections, recording an 11.0 percent rise. It accounted for 59.8 percent of total tax collection. The higher collection performance was due to the following factors:

1. Higher remittances on withholding tax on compensation due to increased hiring of employees;
2. Positive growth in the nominal Gross Value Added (GVA) of the Services and Industry Sectors; and
3. Increased remittances from corporations engaged in business related to domestic tourism and election-related activities.

However, the positive collection growth in income taxes was partly offset by lower collections from the following items:

1. Final withholding tax on government securities, which fell short of its program due to lower average actual interest rates for all maturities as of June 2016 (1.65 percent vs. 3.10 percent target);
2. Tax debit memos that certain taxpayers availed of, which are considered non-cash collections for payment of taxes due in lieu of cash;
3. Lower declaration/non-declaration of cash dividends; and,
4. Decreased sales/receipts of taxpayers under various industries such as telecommunications, mining, and real estate, among others.

Excise Taxes. The Bureau collected 5.3 percent higher excise taxes due to the following reasons:

1. Collection on sin products, particularly on alcohol products, continued to improve due to the sustained implementation of R.A. No. 10351, or the Sin Tax Reform Act;

2. Demand for petroleum products increased due to continuing lower prices of fuel. Moreover, HFCE (household final consumption expenditure) for housing, water, electricity, gas, and other fuels also improved.

However, the Bureau fell short of its excise tax targets due to weakened exports of metallic minerals as a result of the continuing depressed metal prices worldwide.

Value-Added Tax. VAT collections improved by a substantial 16.1 percent on a year-on-year basis due to the following reasons:

1. Positive impact of the implementation of RATE and other enforcement activities of the Bureau;
2. Higher volume of sales by various taxpayers engaged in the manufacturing, automobiles, radio and TV broadcasting, and real estate sectors;
3. Total earnings generated from visitors to the country were higher than a year ago; and
4. Infrastructure spending also surged as government accelerated the implementation of flagship infrastructure projects.

However, VAT collections also fell short of target due to increased claims of input taxes by taxpayers as cost of purchases and importation increased.

Percentage Taxes. The minimal increase in percentage tax collections (9.3 percent) could be attributed to the increase in the value of shares of stocks traded, as well as higher premiums generated by the life insurance sector during the period.

Revenues from gaming and casinos, as well as from utility companies, increased due to reduced expenses during the period.

Commercial banks' lending activities grew year-on-year, driven by expansion in both production and household consumption loans.

PAGCOR's shift of payment from percentage tax to income tax per Revenue Memorandum Circular No. 33-2013, as well as lower revenues from franchise tax, contributed to the shortfall in collection.

Collection performance of Other Taxes slightly improved compared to the 2015 collections, mainly due to the increased Documentary Stamp Tax (DST) payments on transactions, amid higher loans extended for production activities. However, collections from DST on government securities fell short of programmed collections by 32.8 percent due to the slowdown in the borrowings of the government.

Bureau of Customs⁵

The BOC registered PHP190.6 billion in actual collections for January to June 2016. This is 6.7 percent higher compared to the same period last year of PHP178.7 billion but lower than its target by PHP47.8 billion, or 20 percent.

Table 6. BOC Collection Performance
(In million Pesos, unless otherwise indicated)

Particulars	January-June			Difference (actual) 2015 vs. 2016		Difference Program vs. Actual	
	2015	2016		amount	%	amount	%
	Actual	Program	Actual				
Total BOC Collections	178.7	238.3	190.6	11.9	6.7	-47.77	-20.0
Import Duties/Taxes	28.5	30.7	28.5	-0.1	-0.2	-2.27	-7.4
VAT on Imports	133.3	188.5	141.9	8.6	6.5	-46.69	-24.8
Spec (Excise)	15.4	19.1	20.9	5.5	35.3	1.81	9.5
Other Collections	1.5	0.0	3.0	1.5	104.1	2.98	0.0

Note:

Figures may not add up due to rounding-off errors

Source: Bureau of Customs

The deficit may be attributed to the lower crude oil prices, from the programmed amount of US\$50.0/bbl to the average US\$36.81/bbl actual price for the period, and the lower average tariff, from the programmed 7.5 percent to 6.2 percent, due to reduced tariff rate as a result of the implementation of various Free Trade Agreements. It will be noted that the value of the total import of goods expanded by 12.8 percent during the first semester, meeting the original projection of 12 percent.

The lower collection of PHP3.4 billion, or 10.6 percent from same period last year, resulted from the drop in the weighted average price of crude and petroleum products by 22.2 percent, despite the increase in the volume of oil imports.

⁵ Based on the submission of the Bureau of Customs

Import duties slightly decreased by 0.2 percent from PHP28.52 billion to PHP28.45 billion. VAT on imports increased by 6.5 percent, from PHP133.3 billion to PHP141.9 billion. Excise tax increased by 35.3 percent, from PHP15.4 billion to PHP20.9 billion, due to collections from motor vehicle importations. Non-traditional revenues such as auction sales of confiscated/abandoned goods, wastages and warehousing supervision fee, penalties and other fees, and charges classified under Other Collections increased by 104 percent or PHP1.52 billion year-on-year.

Impact of Sin Tax

The passage and implementation of R.A. No. 10351, or the Sin Tax Reform Law, continued to boost excise tax collections.

Table 7. Impact of Sin Tax Law Implementation

(In million Pesos, unless otherwise indicated)

Particulars	January - June		Growth
	2015	2016	2015-2016
Tobacco	35.1	37.5	7.0%
Alcohol	19.8	24	21.5%
Total	54.9	61.6	12.2%

Note:

Figures may not add up due to rounding-off errors

Source: Department of Finance

As of June 2016, total excise tax collections from sin products reached PHP61.6 billion, registering a 12.2 percent growth from last year and reflecting the continued above-target implementation of the Sin Tax Reform Law.

Table 8. Volume of Removals for Sin Products

Particulars	January - June		Growth
	2015	2016	2015-2016
Cigarettes (packs)	1,498.1	1,382.7	-7.7%
Fermented liquors (Liters)	696.8	812.7	16.6%
Distilled Spirits/ Compounded liquors (proof liters)	177.9	186.6	4.9%

Source: Department of Finance

Borrowing Performance

National Government Financing

As of June 2016, the National Government (NG) raised PHP303.2 billion in gross financing to cover the budget deficit of PHP120.3 billion and the refinancing requirement of PHP73.7 billion for the first semester. In addition to this, PHP53.9 billion was used to buyback outstanding expensive debt, making available a balance of PHP55.2 billion for spending in the second half. Actual gross financing was lower than the original program of PHP411.0 billion, despite front loading of external borrowings, as the deficit in the first half came below the target, leaving room to slide borrowings over to the second half to avoid costly build up of cash.

Table 9. National Government Financing
(In million pesos, unless otherwise indicated)

Particulars	January-June 2016				2016 Program ^{2/}	2016 Revised Program ^{3/}
	Program	Actual ^{1/}	Difference			
			Amount	%		
Net Financing	337,474	175,562	(161,912)	-48%	327,100	516,803
Net External	18,770	6,213	(12,557)	-67%	(13,068)	(18,219)
Gross External ^{3/}	89,364	132,675	43,311	48%	104,575	157,051
less: Amortization ^{4/}	70,594	126,462	55,868	79%	117,643	175,270 ^{4/}
Net Domestic	318,704	169,349	(149,355)	-47%	340,168	535,022
Gross Domestic	321,600	170,510	(151,090)	-47%	570,228	538,373
less: Amortization	2,896	1,161	(1,735)	-60%	230,060	3,351 ^{5/}
Amortization	278,426	227,619	(50,807)	-18%		312,780
o/w serviced by the BSF	275,530	226,458	(49,072)	-18%		309,429
Gross Financing	410,964	303,185			674,803	695,424
Financing Mix (% of total)						
External	22%	44%			15%	23%
Domestic	78%	56%			85%	77%

Note:

1/ Based on Cash Operations Report

2/ Based on BESF 2016 Table D.1

3/ Based on BESF 2017 Table D.2

4/ Includes prepayments made through bond exchange transactions

5/ Domestic amortization includes A/R bonds only

Source: Bureau of the Treasury

For the first semester of the 2016, gross borrowings tallied a 44:56 external-to-domestic financing mix, a deviance from the projected financing mix of 22:78 for 2016. Of the total amount for financing, PHP132.7 billion or 44 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 ROP) in the amount of US\$2.0 billion or PHP95.1 billion was issued in March to partly finance borrowing requirements (PHP41.257 billion) and to buyback expensive debt as earlier stated, 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) US\$300 million or PHP14.1 billion from Encouraging Investments through Capital Market Reform Program and (2) US\$300 million or PHP14.1 billion from Expanding Private Participation in Infrastructure Program.

Transaction	Issue Size	Bonds Retired	IP Savings p.a.	Maturity Extension
2016 Global Bond Exchange	US\$ 2,000 million	US\$ 1,145.64 million	US\$ 21.11 million	11.3 years

Domestic borrowings through the auction of treasury bills and bonds contributed PHP170.5 billion or 56 percent to the borrowing effort. Gross treasury bills floatation amounted to PHP114.1 billion while redemptions amounted to PHP90.8 billion, leaving PHP23.3 billion for financing. Meanwhile, the issuance of 5-, 7-, and 10-year treasury bonds accounted for the remaining PHP147.2 billion in domestic funding.

National Government Debt

As a result of its borrowing operations, the outstanding debt of the national government hit PHP5.948 trillion as of end-June 2016. Total NG debt increased by 2.3 percent or PHP132 billion, compared to its level a year ago, with domestic debt of PHP3.828 trillion accounting for 64 percent of total outstanding obligations and external debt comprising PHP2.120 trillion.

Underpinned by strong economic growth, prudent fiscal stance and effective debt and fiscal management initiatives, the sustainability of National Government debt strengthened further, as evidenced by the continued decline in debt as a percentage of GDP, from the 44.9 percent recorded as of end-June 2015 to at 43.0 percent by the end of S1 2016.

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

- a. The currency breakdown of the NG debt was primarily driven by the heavy preference for domestic financing. Despite this, Peso denominated debt slid a little from the end-2015 level due to the redemption of maturing debt since the beginning of the year. The end-June share of local currency debt stands at 66.2 percent while other currencies, such as the US dollar, Japanese yen, and European euro, constitute 27 percent, 5 percent, and 1 percent, respectively.
- b. The interest structure of the NG debt portfolio ensured minimal exposure to adverse changes in the interest rate environment. Only 8.46 percent of the total debt portfolio as of end-June 2016 is subject to

resetting, which limits the sensitivity of interest payments to volatile market conditions.

- c. The average residual maturity remained at a very comfortable level. The average maturity of the debt portfolio is 10.23 years long, residing at the upper bound of the country's medium-term debt target of 7-10 years, with domestic and external debt having remaining maturities of 9.05 and 12.36 years, respectively. This stems from the country's ability and preference to borrow at medium-to long term tenors, which reduces sovereign exposure to liquidity risks.
- d. The Weighted Average Interest Rate (WAIR) of the NG debt portfolio remained low and stable. The WAIR for NG domestic and external obligations at end-June 2016 was at 5.4 percent and 4.5 percent, from 5.6 percent and 4.7 percent a year ago, respectively. The reduction in domestic borrowing costs results from a strategic issuance policy that takes advantage of favorable domestic interest rates to refinance maturing obligations.

In line with the management of borrowing costs and proactive liability management, the burden of interest payments (IP) has markedly improved year-on-year. Total IP for the first six months of the year was down to PHP153 billion from PHP156.1 billion a year ago. Relative to revenues and expenditures, IP went down to 14.0 percent and 12.6 percent, respectively. These indicate a better capacity to service debt while providing fiscal space for productive spending.

Table 10. National Government Debt, 2014-2015
(In million Pesos, unless otherwise indicated)

Particulars	As of June			
	2015	2016	Growth	
			Amount	%
Total NG Debt	5,816,216	5,947,999	131,783	2.3%
External ^{1/}	1,976,906	2,119,503	142,597	7.2%
Domestic	3,839,310	3,828,496	-10,814	-0.3%
% of Total				
External	34%	36%		
Domestic	66%	64%		
% of GDP				
External	44.83%	43.01%	-1.82%	
Domestic	15.24%	15.33%	0.09%	
Domestic	29.59%	27.69%	-1.91%	
Currency Breakdown				
Foreign ^{2/}	32.1%	33.8%		
Peso	67.9%	66.2%		
Interest Rate Mix				
Fixed	92.30%	91.41%		
Floating	7.57%	8.46%		
Interest Free	0.13%	0.13%		
Weighted Average Interest Rate	5.28%	5.07%		
External	4.68%	4.46%		
Domestic	5.59%	5.40%		
Average Maturity (years)^{3/}	10.2	10.2		
External	11.6	12.4		
Domestic	8.9	9.1		
Total Interest Payments	156,122	153,712	(2,410)	
External	47,212	49,831	2,619	
Domestic	108,910	103,881	(5,029)	
Total IP as % of GDP	1.20%	1.11%		
External	0.36%	0.36%		
Domestic	0.84%	0.75%		
Total IP as % of Disbursements	14.56%	12.59%		
External	4.40%	4.08%		
Domestic	10.16%	8.51%		
Total IP as % of Revenues	14.38%	13.96%		
External	4.35%	4.53%		
Domestic	10.03%	9.44%		

Note:

1/ Based on jurisdiction of issuance

2/ Based on currency of issuance

3/ Average maturity measured in years on residual basis

Memo Items:

GDP	12,973,179	13,828,277
PhP/USD	45.2	47.007
Disbursements	1,071,989	1,221,271
Revenues	1,085,735	1,100,955

Source: Bureau of the Treasury

Disbursement Performance

Year-on-Year Performance

National government disbursements continued to accelerate during the first semester of 2016, expanding by 13.9 percent to reach PHP1,221.3 billion and outperforming the 8.5 percent growth recorded for the same period in 2015. The increase is credited to the strong infrastructure and other capital expenditures, and higher maintenance spending, which augured well for economic growth.

Table 11. NG Disbursement Performance, 2015-2016

(In billion Pesos, unless otherwise indicated)

Particulars	January to June		Annual Growth	
	2015	2016	Amt	%
Current Operating Expenditures	869.2	922.5	53.4	6.1
Personnel Services	324.7	339.0	14.2	4.4
Maintenance and Other Operating Exp.	179.3	216.6	37.3	20.8
Subsidy	44.0	36.6	(7.4)	(16.8)
Allotment to LGUs	155.9	171.3	15.4	9.9
Interest Payments	156.1	153.7	(2.4)	(1.5)
Tax Expenditure Fund	9.1	5.3	(3.8)	(41.4)
Capital Outlays	200.1	294.6	94.5	47.2
Infrastructure/Other Capital Outlays	150.4	229.0	78.6	52.3
Equity	0.3	8.4	8.1	2,565.3
Capital Transfers to LGUs	49.4	57.2	7.8	15.7
Net Lending	2.7	4.1	1.4	53.9
Total Disbursements	1,072.0	1,221.3	149.3	13.9

Infrastructure spending grew faster, from a modest 10.1 percent increase recorded in the first semester of 2015, to nearly 40.0 percent in the second semester of the same year, and continued surging to 52.3 percent as of June 2016. As a result, infrastructure and other capital outlays reached PHP229.0 billion as of the first semester of 2016 – PHP78.6 billion more than the PHP150.4 billion disbursements for the same period a year ago. The increase was propelled by the road infrastructure projects of the Department of Public Works and Highways (DPWH) and the convergence programs it implemented with the Department of Education (DepEd) for school buildings, the Department of Agriculture (DA) for farm-to-market roads, the Department of Tourism (DOT) for access roads to tourist destinations, and the Department of Health (DOH) for health facilities.

Also contributing to the higher infrastructure expenditures were capital outlay projects of some State Universities and Colleges (SUCs),

acquisition of military equipment of the Department of National Defense (DND) under the Armed Forces of the Philippines (AFP) Modernization Program, and transport infrastructure projects of the Department of Transportation⁶ (DOTr). The acceleration in infrastructure expenditures led to a higher growth in the construction sector, which expanded by 13.6 percent for the first semester of this year vis-à-vis the 9.9 percent for the comparable period in 2015.

Maintenance expenditures grew by 20.8 percent to PHP216.6 billion for the first half of the year, surpassing the 17.6 percent growth recorded for the same period in 2015. The expansion was a result of the implementation of key social programs, including the K to 12/Senior High School program of the DepEd, purchase of vaccines and medicines of the DOH, training/capacity building programs of the Department of Labor and Employment (DOLE), as well as expenditures of the Commission on Elections (COMELEC) for the conduct of the National and Local Elections in May this year.

On the other hand, personnel services reached PHP339.0 billion as of June 2016, up by just 4.4 percent from the level for the same period in 2015. The growth was slimmer compared to the 10.9 percent recorded for the first half of 2015 as the impact of the pay hike under the Compensation Adjustment of 2016 was weighed down by the following: 1) The one-off Performance Enhancement Incentive granted in June 2015; 2) Lower releases from the Miscellaneous Personnel Benefits Fund (MPBF) for the creation/filling of positions, and from the Pension and Gratuity Fund (PGF) for retirement and gratuity claims.

Growth was also recorded in the Allotments and Capital Transfers to Local Government Units (LGUs), which rose by 9.9 percent or PHP15.4 billion and 15.7 percent or PHP7.8 billion, respectively, due to the higher tax collections of the Bureau of Internal Revenue (BIR) and the larger shares in the proceeds of national taxes. In 2015, the shares were only released towards the end of the year, after the requests from LGUs and certification from the BIR had been obtained.

Similarly, equity contributions to GOCCs increased substantially by PHP8.1 billion due to the investment outlay of the government in the two state-owned banks – the Land Bank of the Philippines (LBP) and the

⁶ Formerly Department of Transportation and Communications

Development Bank of the Philippines (DBP) to enable the banks' capitalization requirement under the Basel III Convention.

The hike in disbursements, however, was tempered by the contraction in subsidy and interest payments, and tax expenditures. Subsidy contributions were down to PHP36.6 billion as of June 2016, from almost PHP44 billion for the same period in 2015, due to the delay in the release of subsidy for health insurance premiums to the Philippine Health Insurance Corporation (PHIC). In 2015, said requirements were released in June; but for this year, the amount was programmed in July to give ample time for the completion of the processes and procedures needed before payments could be made. Interest payments declined by PHP2.4 billion or 1.5 percent due to the combined impact of bond exchange transactions and lower interest rates. Tax expenditures dropped by some PHP3.8 billion or 41.4 percent on account of lower availment from government agencies and corporations.

Program vs. Actual Performance

As disbursements accelerated, underspending as of June 2016 narrowed down to 11.9 percent of the program as against the 14.4 percent for the same period in 2015. While a large portion of the PHP164.4 billion underspending was contributed by line agencies, savings in interest payments alone accounted for almost a quarter of this total.

Table 12. NG Disbursement Performance, Program vs. Actual

(In billion Pesos, unless otherwise indicated)

Particulars	January-June		Deviation	
	Program	Actual	Amount	%
Current Operating Expenditures	1,048.5	922.5	(126.0)	(12.0)
Personnel Services	396.0	339.0	(57.0)	(14.4)
Maintenance and Other Operating Exp.	236.8	216.6	(20.2)	(8.5)
Subsidy	38.6	36.6	(2.0)	(5.1)
Allotment to LGUs	171.3	171.3	-	-
Interest Payments	194.3	153.7	(40.6)	(20.9)
Tax Expenditure	11.5	5.3	(6.2)	(53.7)
Capital Outlays	328.5	294.6	(33.9)	(10.3)
Infrastructure and Other Capital Outlays	260.8	229.0	(31.9)	(12.2)
Equity	10.1	8.4	(1.6)	(16.3)
Capital Transfers to LGUs	57.6	57.2	(0.4)	(0.7)
Net Lending	8.6	4.1	(4.5)	(52.6)
TOTAL	1,385.7	1,221.3	(164.4)	(11.9)

Source: DBM

Personnel services fell short of the first semester program by some PHP57.0 billion or 14.4 percent as a result of large program balances in the MPBF and PGF due to lower access or claims from line agencies and the ongoing validation for the release of the performance-based bonus. Other contributing factors were delays in the payment of salaries of newly hired/appointed DepEd personnel pending the submission of supporting documents, as well as from the incorrect programming of some personnel benefits. The shortfall in personnel services accounted for 35.0 percent of the total underspending for the period.

Maintenance and infrastructure expenditures, on the other hand, were short by PHP20.2 billion (8.5 percent of the program) and PHP31.9 billion (12.2 percent), respectively, mainly as a result of low obligations and payment or billing issues encountered by implementing agencies. These two items accounted for another PHP52.1 billion, or nearly 32.0 percent of the spending gap as of June 2016.

Some of the factors affecting low obligations per submitted reports of agencies were the following⁷:

- Procurement issues such as ongoing bidding process (e.g., Wi-Fi connectivity project of the Department of Information and Communications Technology⁸, transport infrastructure project of the DOTr), procurement difficulties due to failures in meeting required specifications (e.g., Mapping Services of the NAMRIA), and procurement delays due to the election ban (e.g., BUB and PAMANA projects of the DILG).
- Payment issues, late transfer or downloading of funds resulting from delayed, incomplete or non-submission of documentary requirements (e.g., LGU-intended projects administered by the DILG, student financial assistance program of the CHED, Foreign-Assisted Projects (FAPs) of the DAR⁹), incomplete or non-submission of liquidation reports and other supporting documents (e.g., School MOOE under the

⁷ The status of obligations of big-spending departments are discussed in the succeeding sections while a more detailed report on the assessment of national government disbursement performance is also available in the DBM website. This can be accessed at http://www.dbm.gov.ph/?page_id=8980.

⁸ Formerly Information and Communications Technology Office under the Department of Science and Technology.

⁹ This includes the *Mindanao Sustainable Agrarian and Agriculture Development Project* and the *Italian Assistance to the Agrarian Reform Communities Development Support Program*. Both are intended to promote rural and agriculture development by providing infrastructure support and technical assistance.

budget of the DepEd), and billing concerns arising from late or non-submission of billing statements and other required documents to support payment (e.g., some FAPs of the DOTr, capital outlay projects for the repair and rehabilitation of school facilities of the DepEd).

- Delays due to changes in implementation timelines (e.g., K to 12 Program of the CHED affected by the shift in Academic Calendar of some SUCs from June to August) and from other factors such as peace and security concerns, delayed issuance of permits/clearances from authorities (e.g., Land Tenure Services of the DAR) and weather disturbances (e.g., National Greening Program of the DENR affected by the El Nino phenomenon).

It is important to note, however, that some PHP51.3 billion or 31.2 percent of the total underspending for the period was a result of the government's effort to trim down debt service and reduce the dependency of government agencies and corporations on tax subsidies and net lending assistance. Around PHP40.6 billion savings in interest payments were generated from bond exchange transactions of the Bureau of the Treasury (BTr), and also from the impact of lower-than-assumed interest rates. Another PHP6.2 billion from tax expenditures and PHP4.5 billion from net lending were saved from a combination of low availment from government agencies/corporations and the stricter policies adopted by the DOF in evaluating requests and the grant of the said transfers.

Since most of the enumerated reasons affecting the pace of government spending are based on the structural weaknesses within agencies, such as poor project preparation/design, limited institutional capacities, and weak coordination among implementing and oversight agencies, as well as approving authorities, the DBM continues to work with agencies in providing technical assistance; closely monitor of program/project implementation; and improve systems, processes and procedures for various government transactions.

For instance, the evaluation process for new programs/projects in the proposed 2017 Budget has been strengthened through the Sub-Committee on Program and Project Appraisal (SC-PPA). A multi-year infrastructure plan has also been set-up with the Three-Year Rolling Infrastructure Program (TRIP) to identify strategic infrastructure projects that would address development gaps, and sustain economic growth and to ensure the feasibility and implementation preparedness of these projects. Both processes thus

ensure that only viable and implementation-ready programs/projects within the sphere of expenditure priorities are funded in the national budget.

Last August 29, 2016, the revised IRR of the procurement law was issued to streamline bidding processes and requirements. This is supported by the ongoing training and capacity building of stakeholders. Likewise, a fiscal calendar will soon be issued to guide the planning-budgeting exercise of line agencies.

IV. National Government Expenditure Performance

1. Allotments and Obligations

Releases as of June 2016¹⁰ have already reached PHP2,618.7 billion or 87.2 percent of the PHP3,001.8 billion program for the year, leaving a balance of PHP383.1 billion for the second semester. Compared to the previous year, however, the release when taken as a proportion of the total expenditure program for the year was slightly lower than the 89.5 percent ratio recorded for the same period in 2015. The decline is mainly on account of lower releases from continuing appropriations which are accommodated within this year's expenditure program. In 2015, releases for continuing appropriations as of the first semester amounted to PHP61.5 billion, partly to respond to the Yolanda typhoon rehabilitation efforts, compared to only PHP27.7 billion for the same period this year. Hence, it is worthy to note that the continuing appropriations in 2015 came from two funding sources – R.A. No. 10633 or the FY2014 GAA and R.A. No. 10652 or the FY2014 Supplemental Appropriations. This year, the funding source for continuing appropriations is solely R.A. No. 10651 or the FY2015 GAA.

¹⁰ Status of Allotment Releases published in the DBM website. http://www.dbm.gov.ph/?page_id=16204.

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

The following portion summarizes the status of financial and physical accomplishment of a number of selected departments. On the whole, it will be noted that there were improvements in the implementation capacities of a number of departments, especially the large ones like DPWH, DENR, DILG and DND. However, with budgets increasing faster than these capacities, the rate of underspending or “slow spending” was reduced minimally as mentioned in the discussion on disbursements above.

Department of Agrarian Reform (DAR)

Financial Performance. For the first six months of 2016, the Department of Agrarian Reform was able to obligate PHP3.43 billion or 25.0 percent of the PHP13.68 billion allotment released to it. This is an improvement from the 22.9 percent obligation rate the Department recorded for the same period in 2015. By expense class, personnel services represents 58.8 percent of the PHP3.43 billion obligated by the Department, followed by MOOE with 40.4 percent.

Meanwhile, Land Tenure Services and Technical Advisory Services made up 58.7 percent of the Department’s total obligation for the period. This includes some PHP1.15 billion for Land Acquisition and Distribution (LAD). In terms of obligation rate, the DAR was able to obligate 32.8 percent of the allotment it received for LAD. The low obligation rate was brought about by various factors that affected the processing of DAR, including delays in procurement as an effect of the election ban, peace and order concerns, and pending court cases on landholdings.

Physical Accomplishment. As of end June 2016, the DAR was able to prepare claim folders and distribution folders for 11,353 hectares of landholdings. This is 12 percent of the 94,666 hectares targeted for the period. Out of the 64,417 hectares targeted to have approved survey plans for the period, some 7,115 hectares of land or 11.0 percent have the approved plans. According to the DAR, the low turnout can be explained by the delays in the procurement of services for the conduct of the surveys. Hence, to date, some of the landholdings are still in the early stage of the survey process. Land valuation, on the other hand, registered a 17.9 percent accomplishment. This corresponds to the issuance of a memorandum of valuation to 8,238 hectares of landholdings out of the 45,970 hectares targeted for the semester.

Another important thrust of the DAR is to empower Agrarian Reform Beneficiaries (ARBs) through the provision of support services. As of end June 2016, the Department was able to conduct product development/enhancement and commercialization for 235 products and services. This is 83 percent more than the 128 products and services targeted for the semester. The Department was also able to provide credit services to 29,268 ARBs, 16.3 percent more than the targeted number of beneficiaries. Also for the same period, some 69 organizations were developed as microfinance providers, representing a 92 percent accomplishment.

Department of Agriculture (DA)

Financial Performance. The Department of Agriculture was able to obligate PHP21.91 billion or 44.4 percent of the PHP49.35 billion allotment they received for the first half of 2016. This is slightly lower than the 48.3-percent obligation rate registered by the Department for the same period last year. By expense class, MOOE and CO made up about 90.6 percent of the obligations incurred by the Department. On the other hand, by implementing agency, the bulk of the Department's obligation or around 81.2 percent is for the implementation of the various programs and projects under the Office of the Secretary.

Physical Accomplishment. As part of the DA-OSEC's delivery of technical support services, a total of 398,598 individuals were provided inputs such as seeds, as well as extension services through trainings. This accomplishment for the first semester is 71.2 percent of the target for the period. According to the DA, the variance is partly attributable to the non-availability of seeds in Region XII, since seed growers were not able to plant during the last quarter of 2015 due to the El Niño phenomenon. Another reason cited by the Department was the absence of any pest outbreak in Region II, hence, there was no distribution of rodenticide, insecticide, fungicide and bactericide required.

Another important intervention of the DA is the provision of necessary agricultural infrastructure facilities. For the first quarter of the year, a total of 2,177 hectares of service area has been generated from the establishment and installation of small-scale irrigation projects. This represents 14.3 percent more than the 1,904 hectares targeted for the period. Other vital agriculture infrastructures are farm-to-market roads. For the first half of the year, some

731.16 kilometers of roads for construction/rehabilitation/repair have been validated by the DA. This is 25 kilometers more than the target for the period.

Meanwhile, in support of the fisheries sector, the Bureau of Fisheries and Aquatic Resources (BFAR) was able to disseminate a total of 102,030 copies of Information, Education and Campaign materials, 16 percent more than the first semester target. As a form of technical assistance, some 14,742 individuals were provided production support services, representing 38 percent of the 38,510 beneficiaries targeted for the first half of the year. According to BFAR, it is still awaiting the list of beneficiaries from the BFAR Provincial Fishery Offices and Local Government Units, hence the lower-than-program accomplishment. Another form of support services provided by the BFAR is the distribution of various fishing gears and paraphernalia. As of the first semester, a total of 28,880 fishing gears and paraphernalia were distributed, which is 7.5 percent more than the 26,858 targeted for the period.

Department of Education

Financial Performance. To support the Department of Education's mandate of providing access to quality formal and non-formal basic education particularly in the first year of implementation of the Senior High School Program, a sizeable amount of PHP388.6 billion has been allocated for the current year. Of this total, PHP30.9 billion is from the unobligated allotment in 2015. Of the DepEd budget, PS accounts for PHP276.9 billion or 71.2 percent of the current year's allotment, followed by MOOE with PHP73.3 billion or 18.86 percent, and CO with PHP38.4 billion or 9.9 percent.

Of its total budget, the DepEd was able to obligate 42 percent or PHP162.6 billion as of June 30, 2016. The following factors affected the Department's spending: 1) procurement concerns of the School Feeding and the DepEd Computerization Programs; 2) convergence and programming difficulties of the Abot-Alam and the Alternative Learning and Delivery Mode Programs, since their implementation involves other agencies such as the Department of the Interior and Local Government (DILG) and the National Youth Commission (NYC); and 3) strategic issues in the content development of textbooks and instructional materials amounting to PHP2.4 billion, including those for children with special needs worth PHP100 million.

Physical Performance. As of the first semester of 2016, a total of 55,349 teaching-related positions have been created, 36,461 or nearly 66 percent of which are for the Senior High School Program. Moreover, the Department was able to fill a total of 61,600 of these items with 38,768 teaching items coming from the 39,002 created items in 2015. Under the Basic Education Facilities Program, 21,205 classrooms have been constructed. Likewise, 7,529 classrooms have been repaired using funds from 2013 to 2015. However, Batch 1 of classroom repairs using funds for 2016 is still in the procurement process. Meanwhile, 137,420 seats have been purchased and provided to various schools.

With regard to the DepEd Computerization Program, funds from 2013 to 2015 were utilized to procure 10,802 ICT packages for distribution to various high schools. Another 1,073 ICT packages to be funded by the Department's 2016 allotments are still under procurement. Moreover, 147 Technical Vocational Laboratories (TVLs) have been constructed for the use of senior high school students taking the technical-vocational track.

Commission on Higher Education

Financial Performance. For the first semester of 2016, the Commission on Higher Education (CHED) was able to obligate PHP1.19 billion, representing 15 percent of its PHP8 billion total budget, which includes the previous year's carry-over of PHP331 million. More than half of the total budget is allotted for providing assistance, incentives, scholarships and grants to students in tertiary level and faculty members of Higher Education Institutions (HEIs). Following the schedule of the school year, the Commission's obligation of the remaining balance of PHP6.8 billion is expected to accelerate by June to August, following the enrolment period.

Physical Performance. For the period under review, CHED funded 17 project proposals from State Universities and Colleges (SUCs) and private HEIs out of the 125 research proposals and support for application for center of excellence reviewed. Provision of scholarships and grants to 155,690 students and faculty members are programmed in the third and fourth quarter. Another 4,660 top graduates of all public high schools who will go to SUCs will be provided scholarship grants under the new Iskolar ng Bayan Program.

In the case of the third cycle implementation of the Philippine-California Research Institute (PCARI) Project, 9 Cycle 1 projects on Health

Innovation and Translational Medicine and Information Infrastructure Development have already been awarded and implemented. Moreover, 7 Cycle 2 Projects have already been awarded, three of which have already started. The PCARI Scholarship Project also provided scholarships to 17 post-graduate students. Likewise, 102 scholars are under the Project-based Study Support for PCARI Researchers and currently pursuing graduate degrees. Recruitment and processing of applicants for the 968 slots for Research and Development Trainees on Scientific Writing, Research Administration, Laboratory Management, and Courseware Development are still ongoing.

Department of Environment and Natural Resources (DENR)

Financial Performance. As of end-June 2016, total obligation for DENR amounted to PHP13.63 billion, equivalent to 53.6 percent of its total allotment releases of PHP25.4 billion for the period. The PHP10.1 billion obligated for MOOE and CO made up 73.8 percent of the Department's total obligation. A significant amount of the Department's obligation, about 85.6 percent or PHP11.7 billion, is for the implementation of the programs and projects under the DENR-OSEC.

Physical Accomplishment. One of the flagship programs of the DENR is the National Greening Program (NGP). The Program aims to rehabilitate the country's forests. It also serves as a major climate change mitigation strategy by increasing the country's forest stock to aid in the absorption of carbon dioxide. For the first semester of 2016, 347 million seedlings were produced out of the 334 million seedlings targeted for the period. This is four percent more than the target for the semester. Vis-a-vis the annual target, the performance for the first semester already represents a 71.1 percent accomplishment. In addition to this, some 1.02 million hectares of the previous years' plantation have been maintained and protected out of the 1.23 million hectares targeted for the first half of 2016, representing 82.5-percent accomplishment.

Additionally, through the various programs of the Environment and Management Bureau, the Department is able to pursue pollution prevention and control, as well as environmental impact assessment. One of the Bureau's programs on air quality management is the *Linis Hangin Program*. Under this program, the Bureau was able to issue 184 Certificates of Conformity (COC) for motor vehicles that have complied with the emission standards being prescribed by the DENR. This is about 22.7 percent more than the target for the semester or about 61 percent of the annual target.

In addition to the testing of motor vehicles, firms with air pollution source installations (APSI) are also being monitored for their compliance with the Clean Air Act. For the first half of the year, some 4,823 permits to operate (PO) were issued, which is 17.2 percent more than the target for the semester and about 57.0 percent of the annual target. Meanwhile, for water quality management, the EMB already achieved its annual target of 317 adopted *esteros*/water bodies monitored. In addition, some 39 new *esteros* were adopted in the first six months of 2016, representing 61 percent of the annual target.

Another priority program of the DENR is the Geohazard Mapping and Assessment Program, which is being implemented by the Mines and Geosciences Bureau (MGB).

Under the program, areas vulnerable to geologic hazards are identified and assessed. For the first semester, a total of 119 LGUs were assessed for vulnerability and risks. This is more than the 115 LGUs targeted for the same period. For the updating of 1:10,000 scale geohazard maps as a result of changes due to natural calamities, some 16 LGUs have been assessed, again more than the 14 LGUs targeted. The program also includes capacity building in the use/interpretation of the maps produced and distributed by the MGB.

For the first half of the year, 5,351 consultations/workshops for Barangay Captains and Officials have been conducted, more than the 4,659 consultation/workshops targeted. Lastly, in terms of Coastal Geohazard Assessment, the MGB was able to assess 55 LGUs out of the 122 LGUs targeted for the first half of the year. According to the Bureau, the low outturn was due to the refocusing of target areas to *Yolanda* affected regions. In addition, the conduct of assessment only commenced in April 2016. However, the MGB assured that the 186 LGUs targeted for assessment in 2016 can be completed within the year.

Department of Energy (DOE)

Financial Performance. Out of its PHP4.6 billion allotment, the DOE obligated a total of PHP534.8 million or only 11.7 percent as of 30 June 2016. Year-on-year, this rate is an improvement, given the 7.5-percent obligation rate in June 2015. The low obligation rate of the DOE may be attributed to the

unobligated PHP2.6 billion allotment for the Market Transformation through the Introduction of Energy-Efficient Electric Vehicles (E-Trike) Project and the unobligated PHP844.2 million for its electrification projects. If the agency's regular budget alone was considered, the agency's obligation rate would be 42.2 percent.

Physical Performance. The DOE has surpassed all its Major Final Output (MFO) targets for the first semester of 2016, with some indicators exceeding their set targets for the year. For example, the Department has already exceeded by 1,043 its target of processing 5,361 applications for energy service permits, contracts and accreditations this year, having processed a total of 6,404 applications. Furthermore, a total of 99 promotional events for energy innovation were already undertaken, exceeding the year's target by 51 events.

Department of Health (DOH)

Financial Performance. For the first half of 2016, the DOH was able to obligate PHP38.5 billion or 45.6 percent of its total available allotment of PHP84.5 billion. Obligations incurred for current operating expenditures (PS and MOOE) amounted to PHP27.8 billion and comprised 72.2 percent of the total obligations for the period.

Of the total DOH allotment, PHP83.6 billion or 98.9 percent was released to the Office of the Secretary, of which PHP38.2 billion or 45.7 percent was obligated. Meanwhile, the DOH's attached agencies, namely the Commission on Population and the National Nutrition Council, were provided a total allotment of PHP940 million, of which PHP320 million or 34.0 percent was obligated.

Around PHP19.7 billion or 51.3 percent of the Department's total obligations were used to fund the implementation of the following major priority programs: a) Health Facilities Enhancement Program (HFEP), PHP 9.2 billion; b) Expanded Program on Immunization, PHP3.74 billion; c) Implementation of the Doctors to the Barrios and Rural Health Practice Program, PHP3.71 billion; d) Family Health and Responsible Parenting, PHP1.9 billion; e) TB Control, PHP631 million; and, f) Program on Other Infectious Diseases and Emerging and Re-Emerging Diseases including HIV/AIDS, dengue, food and water-borne diseases, PHP586 million.

It is worth mentioning that almost half or 47.7 percent of the available allotment for the DOH's major priority programs has already been obligated as of end-June 2016, as evidenced by the improvement in the obligation ratios of most of the priority programs, compared to their previous year's ratios. These programs included the Expanded Program on Immunization (92.1 percent vs. 60.6 percent), Family Health and Responsible Parenting (63.3 percent vs. 29.2 percent), TB Control (50.0 percent vs. 16.7 percent), and the HFEP (37.6 percent vs. 16.9 percent).

At present, the Philippine Health Insurance Corporation (PHIC) is appropriated a huge sum of PHP43.9 billion for the continued and effective implementation of the National Health Insurance Program (NHIP). The provision will cover the health insurance premium of the 15.44 million indigent families listed under the National Household Targeting System (NHTS), PHP37.1 billion; the 2.82 million identified senior citizens, PHP6.8 billion; and the 22,319 family-beneficiaries under the PAMANA Program, PHP54 million. Payments for the full year health insurance premiums are scheduled for release in July and September 2016.

As of the first six months of the year, the amount of PHP27 million was released from the previous year's budget and obligated by the PHIC for the payment of the health insurance premiums of 11,378 family-beneficiaries identified by the Office of the Presidential Adviser on the Peace Process (OPAPP) under the PAMANA and Bangsamoro Programs for FYs 2014-2015.

Some issues encountered during the NHIP implementation included the following: a) supply side limitation in terms of the inability of beneficiaries to avail of full PhilHealth benefits due to inaccessible/inadequate health care facilities; and b) fraud in PhilHealth claims concerning issues on doctors' upscaling their diagnosis in order to bloat hospital bills to PhilHealth.

Department of the Interior and Local Government (DILG)

Financial Performance. For the first semester of 2016, total obligations of the DILG amounted to PHP79.2 billion or more than half of its PHP151.4 billion total available allotments for the period. Of the total obligations, the Philippine National Police (PNP) accounted for PHP61.3 billion or a huge 77.4 percent, followed by the Bureau of Fire Protection (BFP) and the DILG-Office

of the Secretary (DILG-Osec), with P6.8 billion (8.6 percent) and PHP5.4 billion (6.8 percent), respectively.

Physical Performance. Of the total obligations incurred by the PNP, PHP33.3 billion or 54.3 percent was used to provide for its operational requirements. This enabled the PNP to conduct 3,258,798 foot patrols and 2,406,565 mobile patrols. With the intensified police presence through Beat Patrols, the average National Index Crime Rate (NICR) decreased to 11.8 percent for the first half of the year, from 16.5 percent for the same period last year. Also, the PNP achieved a 99.2 percent police response within 15 minutes to calls for police assistance in the urban areas. Together with these accomplishments, the PNP conducted 291,255 crime investigations that led to the arrest of 1,426 most wanted persons or high value targets.

The BFP, which incurred an obligation equivalent to 49.6 percent of its available allotment, inspected 1,221,666 buildings and establishments, and responded to 13,216 fire incidents and 2,387 Emergency Medical Service (EMS) or rescue calls for the period.

Meanwhile, the DILG-Osec, with an obligation rate of 32.9 percent, provided technical assistance on accountable, transparent, participative and effective local governance to 1,592 LGUs and assessed 1,653 LGUs for compliance with the standards of the Seal of Good Local Governance (SGLG).

Department of Labor and Employment (DOLE)

Financial Performance. The DOLE received a total allotment of PHP20.1 billion for the current year. During the first semester, DOLE obligated PHP8.4 billion or 42 percent of its total budget. Of the total obligated amount, the Technical Education and Skills Development Authority (TESDA) accounted for PHP3.0 billion or 41.1 percent of its PHP7.4 billion budget. TESDA has attributed its low financial performance to the slow moving bidding process for the procurement of Special Training for Employment Program (STEP) toolkits. Likewise, the bulk of the funds for the Private Education Student Financial Assistance (PESFA) Program will only be utilized during the enrollment period in July. Moreover, the Office of the Secretary was able to obligate only PHP4.0 billion, representing 41 percent of its PHP9.9 billion allotment. Reasons cited by the Department include: 1) its limitation to only deal with accredited CSOs as partners in the implementation of DOLE

programs/projects as required by the COA-DBM-DSWD Joint Resolution No. 2014-001 dated December 29, 2014¹¹; and 2) procurement of IT and related equipment is still under bidding/procurement process.

Physical Performance. As of end-June 2016, TESDA was able to provide scholarship to 118,145 students under the Training for Work Scholarship Program (TWSP), already halfway towards its 231,579 target for the year. The agency was also able to serve 6,897 trainees under the STEP, which is only about 20 percent of its annual target. The delay in the procurement of toolkits to be used in the training resulted in low performance since some of the schools refuse to start the training without the toolkits. To cope with the lower number of enrollees as a result of the first year of implementation of the Department of Education's Senior High School Program, PESFA's target was reduced from 21,053 to 13,333 trainees and resulted in an increase in per capita cost from PHP9,500 to PHP15,000. The increment will cover additional training costs and student allowances. Program implementation starts in July.

Meanwhile, 169,611 poor but deserving students and out of school youths benefited under the Office of the Secretary's SPES, which provides bridging employment assistance. This represents 84 percent of the targeted 203,000 beneficiaries for FY 2016. The Office also assisted 33,251 beneficiaries through the provision of various skills trainings, tools and jigs and/or financial assistance under the DOLE Integrated Livelihood Program (DILP). Said grants are made available to beneficiaries through: Kabuhayan Formation, Kabuhayan Enhancement and Kabuhayan Restoration. They were provided with trainings in skills and entrepreneurship, organizational development and productivity, and safety/health to build their capacities in managing livelihood projects.

Department of National Defense (DND)

Financial Performance. As of end-June 2016, total obligations of the DND reached PHP82.7 billion or 57.0 percent of its available allotment of PHP145.2 billion. Obligations incurred for personal services amounted to P59.9 billion and comprised 72.4 percent of the total obligations for the period.

¹¹COA-DBM-DSWD Joint Resolution No. 2014-001 dated December 29, 2014 requires accreditation of Civil Society Organization

Of the total DND allotment, PHP52.0 billion or 35.8 percent was released to the Philippine Army, out of which PHP27.0 billion or 51.9 percent was obligated. Substantial releases in the combined amount of PHP82.0 billion were also made to the General Headquarters (PHP45.9 billion), the Philippine Navy (PHP18.6 billion) and the Philippine Air Force (PHP17.5 billion), of which PHP48.9 billion or 59.6 percent was obligated. The release for GHQ included PHP12.4 billion capital outlay releases for the Revised AFP Modernization Program.

Physical Performance. As of the second quarter of the year, the Philippine Army was able to maintain 188 tactical battalions with 67.0 percent operational readiness and 89.0 percent effective strength. It was also able to organize 81 ready reserve battalions with 48.0 percent operational readiness.

The Philippine Air Force, on the other hand, was able to maintain 140 supportable aircraft with 56.0 percent readiness rate; and was able to achieve an accomplishment rate of 99.0 percent of flight directed missions responded in one hour, exceeding its target of 85.0 percent.

Meanwhile, the Philippine Navy was able to maintain 121 mission-ready Fleet Marine units with 73.7 percent readiness, and 59 mission-ready support and sustainment units with 56.8 percent readiness; 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.

Department of Public Works and Highways (DPWH)

Financial Performance. As of June 30, 2016, the DPWH has been provided an allotment of PHP517.1 billion. The amount includes capital transfers amounting to PHP73.5 billion from several agencies like the DA for the provision of farm-to-market roads, and DepEd for the Basic Educational Facilities Program, among others. Out of the total allotment released, DPWH obligated PHP274.3 billion, equivalent to 53.0 percent obligation rate. This gives a 7.3 percentage point year-on-year growth on the obligation rate of the department, compared to the same period last year. Without taking into account the transfers from several agencies, the DPWH specific agency allotment is only PHP444.0 billion, of which PHP263.7 billion has been obligated, equivalent to 59.4 percent obligation rate. The slow obligation on

the capital transfers to DPWH has affected the financial performance of the Department for the first semester of 2016.

The bulk of the obligated budget of the DPWH was for the operations of the Department, amounting to PHP182.4 billion, which can be categorized by major final outputs (MFOs). The National Road Network Services (MFO 1) incurred an obligation of PHP125.8 billion; the Flood Management Services (MFO 2) recorded an obligation of PHP38.4 billion; and the Maintenance and Construction Services of Other Infrastructures (MFO 3), which includes construction and improvement of access roads leading to airports, seaports, and declared tourism destinations, obligated an amount of PHP18.1 billion.

Obligated capital transfers to DPWH amounted to PHP10.6 billion. This is composed of the PHP3.1 billion from DA for the farm-to-market roads, and PHP7.6 billion from DepEd for the basic educational facilities. It is noteworthy that the capital transfers from the Sugar Regulatory Administration (SRA), the DOH, and the bulk of the transfers from DepEd, amounting to a total of PHP62.9 Billion, remained unobligated.

Physical Performance. Consistent with the Department's key role as the engineering and construction arm of the National Government, the DPWH committed to implement 13,883 projects for 2016. As of June 30, 2016, the Department has completed 13,241 projects for detailed engineering, and 11,916 projects for pre-construction. This records an accomplishment rate of 95.3 percent and 85.8 percent, respectively. Finally, the DPWH completed 4,267 projects under the construction phase, recording an accomplishment rate of 30.7 percent. It is noteworthy that under the construction phase of the active projects, 7,239 projects are still ongoing, and the remaining 2,377 are yet to be implemented.

Department of Science and Technology (DOST)

Financial Performance. The DOST system obligated 36.1 percent or PHP6.9 billion out of its PHP21.9 billion allotment for 2016. Year-on-year, it is higher than the agency's 2015 mid-year obligation rate of 35.6 percent. If excluding the Information and Communications Technology Office (ICTO), as it is due to transfer to the DICT in 2017, the agency has obligated PHP7.5 billion, or 47.9 percent, of the total 2016 allotment of PHP15.7 billion for 2016.

Physical Performance. As of the mid-year of 2016, 19,758 scholars were supported by the DOST-Science Education Institute in their pursuit for higher education -- a 100 percent achievement of the agency's target for the first semester of 2016.

The DOST System has been pouring efforts into Disaster Risk Reduction and Management (DRRM). The Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) has already completed Flood Forecasting and Warning Centers (FFWC) in the river basins of Abra, Tagum-Libuganon, and Davao while those in Abulog, Ilog-Hilabangan, Agusan, and Buayan-Malungon are on-going. The Philippine Institute of Volcanology and Seismology (PHIVOLCS) issued a total of 1,183 evaluation reports and hazards and risks maps, of which 99 percent were rated satisfactory or better by clients. PHIVOLCS also conducted 133 DRR activities, 23 above the mid-year target, but short of the target average number of participants per activity in the second quarter.

Department of Social Welfare and Development (DSWD)

Financial Performance. For 2016, the total allotment released to the DSWD reached PHP112.8 billion, in addition to its 2015 unobligated funds of PHP16.0 billion, to implement various social protection programs of the Department. Among the major programs supported are the Conditional Cash Transfer, PHP62.7 billion; Social Pension for Indigent Senior Citizens, PHP8.7 billion; Supplemental Feeding Program, PHP4.3 billion; Sustainable Livelihood Program, PHP9.6 billion; and KALAHI-CIDSS National Community-Driven Development Project (KC-NCDDP), PHP11 billion. The DSWD has obligated an amount of PHP43.7 billion or 33.9 percent of its total allotment, leaving a balance of PHP85.1 billion as of June 30, 2016.

Physical Performance. At mid-year 2016, the DSWD has provided educational and health allowances to 4,160,116 households which complied with the Conditional Cash Transfer Program conditionalities. Another 237,869 households and 1,248,513 children also benefited through the Modified Conditional Cash Transfer, which extends the coverage of the CCT Program to children up to 18 years of age, to enable them to finish high school. Likewise, the Program also covers families in need of special protection 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, families with members having terminal disease, and victims of human trafficking.

For the first semester of the current year, 80 percent of the DSWD's target or 1,795,699 day care/school children benefited from its Supplemental Feeding Program. The Program provides food, in addition to regular meals, to children enrolled in day care centers and Supervised Neighborhood Play, a home-based early childhood day care program, for 120 days. The funding for the program is released by calendar year but implementation is in cycles, which coincides with the academic year from June to March of the following year.

The DSWD has granted a monthly social pension of P500 to 1,047,350 indigent senior citizens aged 60 and above, representing 77 percent of its total target as of end of June 2016. The accomplishment rate of the program has been affected by the following: 1) inadequate number of DSWD Field Office Special Disbursing Officers who can be given cash advance for the grants for payouts; 2) late submission of LGU data, such as liquidation reports for Field Office III, V and VII as well as data on replacement, validated lists and delisted beneficiaries; 3) unclaimed stipends due to geographical terrain of some barangays, particularly for island regions; 4) Notice of Transfer Allocation (NTA) for the 71,087 social pensioners from the ARMM Office of the Regional Governor was only received on June 22, 2016, which caused the delay in the payouts for the 1st and 2nd semesters. Actual payout only started in August 2016.

Meanwhile, the Sustainable Livelihood Program exceeded its target with an 111 percent accomplishment or 50,847 families facilitated for employment and 159 percent or 80,759 families served through its Micro Enterprise Development component. The over performance was attributed to: 1) the frontloading of 2015 proposals for implementation in 2016; 2) the development of the Hanapbuhay Integrated System which maps out opportunities for direct referrals of beneficiaries and avoidance of job-skills mismatch by identifying the appropriate project fit for beneficiaries; and 3) the conduct of partnerships fora and dialogues with LGUs, other government agencies and private institutions, and aggressive program promotion.

The overall physical accomplishment of KALAHI-CIDSS National Community-Driven Development Project is almost 100 percent, with 15 regions, 58 provinces, 771 municipalities, and 18,931 barangays empowered to achieve improved access to services and to participate in more inclusive local

planning, budgeting and implementation. Moreover, 4,939 community development projects were funded and completed under this effort.

Department of Transportation (DOTr)

Financial Performance. As of June 30, 2016, the DOTr received an allotment of PHP69.3 billion, of which PHP10.5 billion was obligated, recording an obligation rate of 15.1 percent. The obligation incurred for the first semester of 2016 is 9.6 percentage points lower than the recorded obligation rate during the same period in 2015 (24.7 percent).

Physical Performance. The DOTr's locally-funded infrastructure projects (2010-2016) include 148 airport projects, 239 port projects, and 37 building projects. For 2016 alone, the Department has 27 airport projects, 30 port projects and 8 building projects. For the airport projects, 9 projects, including the Laoag International Airport, the Bicol International Airport, and the Zamboanga International Airport, are still under procurement process. The remaining 18 projects are under detailed engineering design (DED), which include the Basco Airport, Naga Airport, and Ozamiz Airport. Meanwhile, all 30 port projects of the DOTr for 2016 are under DED.

Aside from the locally-funded projects, the DOTr is also implementing foreign-assisted aviation projects. One of these projects is the New Communications, Navigation and Surveillance/Air Traffic Management Systems Development Project (CNS/ATM). This aims to have a new satellite-based CNS/ATM system in accordance with the International Civil Aviation Organization (ICAO) Global Air Navigation Plan for CNS/ATM Systems. Said Project will be implemented in two work packages – Package 1 (ATM Center Building and ATM Automation System) is targeted to be completed in December 2016, while Package 2 is expected to be completed in July 2016. As of June 30, 2016, the Project has an overall physical accomplishment of 86.6 percent compared to the target of 89.3 percent, recording a slippage of 2.7 percentage point.

The Puerto Princesa Airport Development Project aims to improve the airport's facilities by constructing a new passenger terminal complex, which includes the construction of an air traffic control tower and new access roads, among others. As of 30 June 2016, the overall physical accomplishment of the project was 70.1 percent, with obligation amounting to ₱4.4 billion. The civil

works are still ongoing, with an accomplishment rate of 70.4 percent, and are expected to be completed in January 2017. Meanwhile, the consultancy services are also ongoing with an accomplishment rate of 76.7 percent.

The Department is also implementing road transport infrastructure projects to improve the transport system in the country. The Cebu Bus Rapid Transit Project involves the establishment of a transport system that will run through the dedicated bus-ways in Cebu City. Said Project is currently under DED, which is expected to be completed in July 2016.

Lastly, the Philippine Ports and Coast Guard Capability Development Project, and the Maritime Safety Capability Improvement Project of the Philippine Coast Guard (PCG) aim to enhance the country's maritime facilities. The Philippine Ports and Coast Guard Capability Development Project is currently under loan negotiation. Meanwhile, the construction of the first Multi-Role Response Vessels (MRRV) is ongoing, with 44 percent accomplishment rate. The delivery of the first vessel is expected in September 2016, and followed by a quarterly delivery of vessels. The last vessel is expected to be delivered in October 2019.

V. Macroeconomic and Fiscal Outlook

1. Macroeconomic Outlook

The economy's performance in the second quarter was broadly in line with market expectations (6.1 percent to 7.2 percent)¹². With the good economic growth performance in Q2 2016, the country needs at least an average of 5.1 percent real GDP growth for the remaining two quarters of 2016 to reach the DBCC low-end target of 6.0 percent for the year. On July 5, 2016, the DBCC downscaled the GDP growth targets from the 7.0-8.0 percent range to a 6.0-7.0 range given the adverse impact of the El Nino and La Nina phenomena on the agricultural sector and the continued slow and weak recovery of the advanced economies, which translated into the poor performance of the country's exports. Likewise, the rest of other macroeconomic forecasts were updated in an effort to capture the latest emerging trends given the more uncertain external environment.

¹² <http://www.manilatimes.net/q2-gdp-grew-on-election-spending-analysts/279857/>

Growth for the second half of the year remains consistent with market expectations given a mean consensus forecast of 6.2 percent (as of 17 August 2016), given the upbeat perception of the private sector and the upsurge on government spending. The normalization of economic activities during post-election years will put downward pressure on GDP growth in the second half, but nonetheless, the smooth transition of power and assurance of macroeconomic policy consistency by the new administration will likely keep business and consumer confidence strong to meet the full year target. To this end, ensuring that government spending on infrastructure projects, especially those related to transport and logistics, remains critical.

Table 13 .Macroeconomic Assumptions, FY 2017 BESF Outlook

Particulars	Outlook	
	Original ^{a/}	Revised ^{b/}
Nominal GDP (in PhP million)		
low-end	14,528,872	14,528,872
high-end	14,728,791	14,728,791
Real GDP Growth Rate (%)	6.0-7.0	6.0-7.0
Real GDP growth (%)	7.0 - 8.0	6.0 - 7.0
Inflation (%)	2.0 - 4.0	2.0 - 4.0
364-day T-bill rate (%) ^{c/}	2.0 - 4.0	2.0 - 4.0
Exchange rate (PhP/USD, period average)	43.00 - 46.00	45.00 - 48.00
LIBOR (6 months)	1.0 - 2.0	0.8 - 1.8
Dubai crude oil price (US\$/barrel)	55.00 - 75.00	35.00 - 50.00
Merchandise exports growth (%) ^{d/}	6.0	3.0
Merchandise imports growth (%) ^{d/}	12.0	7.0

Notes:

Outlook based on the 2017 BESF

Sources: DBM, PSA, BTr, and BSP

The expenditure side of the economy will likely continue to be driven by domestic demand, led by household consumption and investment, and supported by government expenditures. Based on the latest Consumer Expectations Survey (CES), consumer sentiment will likely normalize given the post-election season. The momentum of government spending since the third quarter of 2015 is expected to continue in the coming quarters, particularly for personnel services and maintenance and other operating expenditures. For investments, the construction activity will be further reinforced by the increase in spending on durable equipment, reflected by the continued rise in capital goods importation, particularly for telecommunications equipment and electrical machinery, power generating and specialized machines, land transport equipment, as well as office and electronic data processing machines.

Meanwhile, the sluggish global trade activity will continue to hamper merchandise exports. The Semiconductor and Electronics Industries in the Philippines (SEIPI), for instance, indicated that they are keeping their export growth forecast at 2.0 percent to 5.0 percent as global demand for electronics remains relatively weak¹³. On the bright side, exports of services are expected to make headway, supported by a full year target of 6.5 million inbound tourists in tandem with the strong performance of the country's BPO sector. Imports will still outpace exports, driven by a strong investment and consumption demand.

On the supply side, the waning effects of the El Niño phenomenon will likely be favorable to the agriculture and fishery sub-sectors, although this could be tempered by the increasing probability of the La Niña phenomenon in the second half of 2016. Notwithstanding, palay and corn production are expected to expand by 6.7 percent and 9.0 percent, respectively¹⁴, in the second semester of 2016. Manufacturing will continue to contribute positively to growth with the sustained implementation of the Comprehensive National Industrial Strategy (CNIS)¹⁵. Construction will remain a major growth drivers in the second half, on the back of an aggressive public infrastructure spending program. Utilities will take its cue from the power sub-sector as the DOE expects more power plants to commence commercial operations within the year. Across the services subsectors, growth will remain firm due to the favorable prospects from wholesale and retail trade, renting and business activities (notably from BPOs), and other services, particularly those related to tourism such as hotels and restaurants, as well as recreational activities.

One of the developing risks to the growth outlook is La Niña, which is likely to intensify between August and October 2016, with 55-60 percent probability of occurrence. The DA, with the help of the Food and Agriculture Organization (FAO), is already crafting a La Niña Action Plan, which identifies the most vulnerable municipalities and which will focus on interventions, preparedness, response, immediate recovery and rehabilitation.¹⁶

¹³ <http://www.businessmirror.com.ph/2016/07/28/south-china-sea-row-wont-affect-phl-electronics-seipi/>

¹⁴ Rice and Corn Situation Outlook Report, July 2016

¹⁵ Identified major contributors are automotive and aerospace parts, garments, food, and resource-based industries, chemicals, furniture, tool and dye, and shipbuilding

¹⁶ <http://www.da.gov.ph/index.php/media-resources/daily-news-monitor/2016-news-monitor/7875-news-monitor-june-17-2016;>

<http://www.philstar.com/nation/2016/06/17/1593596/fao-da-prepare-la-nina-action-plan>

Even with a robust economic outlook, global developments and the country's domestic challenges will continue to influence the Philippine economic landscape. Hence, the DBCC continually monitors and assesses the macroeconomic environment in line with the review of the macroeconomic assumptions needed in the formulation of the 2017 National Budget. The foregoing assessment considers the outlook for the rest of 2016.

- **Latest BSP forecasts indicate that inflation could average near the low end of the government inflation target for 2016.** An assessment of the price and output conditions suggests that the risks surrounding the inflation outlook are broadly balanced. Downside risk could come from slower-than-expected global economic activity, while pending petitions for adjustments in electricity rates pose an upside risk to inflation.
- **The trend in the peso-dollar exchange rate will continue to be influenced by global economic developments.** Considering the depreciation pressures on the peso-dollar rate following episodes of financial market volatilities in 1H 2016, the DBCC raised slightly the exchange rate assumption to ₱45.00-48.00/US\$1 for 2016. Looking ahead, the peso will remain sensitive to concerns over global economic recovery, expectations on the timing of subsequent US Fed funds rate hikes, developments in the UK and the rest of the EU, and China's economic growth slowdown. Nonetheless, indications of gradual adjustments in US interest rate, the country's firm macroeconomic fundamentals, and steady foreign exchange inflows could support a broadly stable peso.
- **Current global oil dynamics of supply outstripping demand is projected to persist in H2 2016, but with expected rebalancing in H2 2017.** Given the significant decline in crude oil prices since H2 2015, the DBCC revised downward the Dubai crude oil price assumptions to US\$35.00-US\$50.00 per barrel for 2016. However, the projected tightening of oil supply-demand gap in late 2017 could translate to modest uptrend in oil prices. Meanwhile, oil price volatilities could emanate from weaknesses in oil consumption growth, with the lingering concerns over the pace of the global economic recovery, the responsiveness to low oil prices of oil producers outside the Organization of Petroleum Exporting Countries (OPEC), and unplanned oil supply outages.
- **Domestic interest rates could remain broadly stable in 2016.** The DBCC maintained the 364-day T-bill rate assumption at 2.0 – 4.0

percent for 2016. Prevailing interest rates in the primary and secondary markets, availability of ample liquidity in the financial system, as well as the projected slower pace of policy tightening by the US Fed, support the view that domestic interest rates could remain low at the moment. However, the resumption of the US Fed's policy tightening could contribute to a slight increase in 364-day T-bill rates over the medium term. Likewise, the recent pronouncement on higher fiscal deficit targets could provide some upward pressure on domestic interest rates. Nevertheless, the National Government remains committed to fiscal prudence while raising government spending, particularly, on infrastructure.

- **Foreign interest rate assumption (180-day LIBOR) for 2016 has been reduced to 0.8 – 1.8 percent for 2016.** This is supported by the view that interest rates in advanced economies are expected to stay low for a long period as inflation remains low and global economic conditions are fragile and uncertain, especially after the UK voted to leave the EU. However, foreign interest rates would continue to be affected by the pace of the US Fed's policy tightening cycle, as well as the policy stance by major central banks in advanced economies.
- **The growth assumption for merchandise exports in 2016 is seen to moderate to 3.0 percent from the projected growth rate of 6.0 percent in the 2016 BESF.** The reassessment considered the lingering subdued outlook for the global economy and further decline in commodity prices taking their toll on the country's exports. The exports projection for 2016 is seen to be supported by traditional export products such as electronics, as well as other agro-based exports, on the back of modest global economic growth and improvement in domestic agricultural production with the waning effects of the *El Niño* phenomenon in mid-2016.
- **Similarly, merchandise imports growth for 2016 is expected to rise by 7.0 percent, tempering the earlier projection of 12.0 percent in the 2016 BESF, on account mainly of the persistent decline in energy and metal prices.** This is seen to be partly offset by the continued robust purchases of power generating machines, office and electronic data processing machines, telecommunications equipment, and passenger cars and motorized cycles, indicating sustained domestic economic activity moving forward.

2. Fiscal Outlook

After the first semester, revenue collections are short of the program by PHP193.4 billion or by 15.0 percent while disbursements are likewise PHP164.4 billion or 11.9 percent short. In view of the difficulty of catching up with the full year program given the underlying reasons for the shortfall and the need to anchor the 2017 budget and fiscal program on more realistic forecasts, the DBCC recalibrated the 2016 fiscal outlook as shown in the table below:

Table 14. NG Disbursements, January to June 2016, Program vs Actual

(In billion Pesos, unless otherwise indicated)

Particulars	January to June 2016		Variance	
	Program	Actual	Amount	%
Current Operating Expenditures	1,048.5	922.5	(126.0)	(12.0)
Personnel Services	396.0	339.0	(57.0)	(14.4)
Maintenance and Other Operating Exp.	236.8	216.6	(20.2)	(8.5)
Subsidy	38.6	36.6	(2.0)	(5.1)
Allotment to LGUs	171.3	171.3	-	-
Interest Payments	194.3	153.7	(40.6)	(20.9)
Tax Expenditure Fund	11.5	5.3	(6.2)	(53.7)
Capital Outlays	328.5	294.6	(33.9)	(10.3)
Infrastructure/Other Capital Outlays	260.8	229.0	(31.9)	(12.2)
Equity	10.1	8.4	(1.6)	(16.3)
Capital Transfers to LGUs	57.6	57.2	(0.4)	(0.7)
Net Lending	8.6	4.1	(4.5)	(52.6)
Total Disbursements	1,385.7	1,221.3	(164.4)	(11.9)

The full year revenue outlook for 2016 was adjusted downward to PHP2,256.7 billion, equivalent to a revenue effort of 15.5 percent of GDP. This projection is lower by PHP440.1 billion or 16.3 percent of the original DBCC-approved program of PHP2,696.8 billion for the year, taking into account the actual performance for 2015 and the first semester of 2016, latest macroeconomic projection, and tax administration efficiency. Tax revenue estimates were trimmed down to PHP2,044.0 billion from the PHP2,543.3 billion original program, mainly on account of the lower growth projections, import projections, and future prices of crude oil.

The government also deemed it difficult to catch up with the full year disbursement program of PHP2,995.4 billion approved by the DBCC in February, 2016. As has been observed in the previous Presidential election year in 2010, when a new administration took over, disbursements during the second semester were lower when compared to the first semester. This seasonality is expected since newly appointed heads of implementing

agencies usually need time to study the operations of their respective offices and evaluate their programs and projects. Hence, the government is revising its full year disbursement program to ₱2,645.6 billion, lower by ₱349.8 billion or 11.7 percent of the original full year program approved for 2016.

The DBM is closely coordinating with line agencies to monitor the status of the implementation of their respective programs and projects. The revised IRR of the procurement law is also expected to assist in facilitating program implementation by streamlining bidding processes and documentation requirements. Training and capacity building of stakeholders is currently being conducted to ensure common understanding and to smoothen the operationalization of the revised IRR.

Similarly, in view of the President's order to speed up the delivery of services for the citizens to cut down processing time to 2 days, the government is looking into various procedures such as the adoption of ISO assessment of frontline processes, the repeal of old and redundant regulations, including documentary requirements involved in transacting with line agencies to help hasten various activities in government, such as procurement, hiring, processing and release of permits, billings and payments, among others.

As a result of a lower revenue outlook, the full-year deficit is projected to reach 2.7 percent of GDP, higher than the 2.0 percent target for this year, notwithstanding the downward adjustment of disbursements.

3. Financing Outlook

For the rest of 2016, NG will source the remaining program predominantly through domestic borrowings. While deficit is projected to increase to 2.7 percent of GDP, the net domestic financing will be sufficient to cover the additional requirements for the remainder of the year. With this, the revised external to domestic financing mix target is also rebalanced to 23:77, taking into account the gross proceeds from the US\$2.0 billion global bond exchange transaction in March.¹⁷

This higher deficit stance and financing strategy is sustainable given the preceding years disciplined stance of the national government. In fact, the

¹⁷ If based on net proceeds, the resulting external-to-domestic mix is 16:84.

government's outstanding debt as a percentage to GDP is projected to continue its downward trajectory to 43 percent of GDP by the end of 2016 from 44.75 percent last year.

4. Revised 2016 Fiscal Program

The DBCC adjusted the 2016 fiscal program on account of the prevailing macroeconomic environment and institutional capacities and performance of both collecting and spending agencies. Current macroeconomic conditions – weak global demand, lower agriculture sector productivity, market uncertainties – point to a modest 6.0 – 7.0 percent GDP growth for the year compared to the more optimistic 7.0 – 8.0 percent original target. The slower growth forecast is a key consideration in the downward revision of revenues as tax collections are positively correlated to robust economic activity. The reduction is also reinforced by lower trade projections – from 12.0 percent to 7.0 percent, and lower prices of crude oil – from 55-75 US\$/bbl to 35-50 US\$/bbl – to pull down duties and excise collections. As a result, revenues are projected to reach just PHP2,256.7 billion down by PHP440.0 or 16.3 percent of the PHP2,696.8 billion original program. It should be emphasized, however, that while revenue outlook was reduce, and performance of collecting agencies shall still be assessed against their original target in the BESF consistent with the provision of the Attrition Law.

On the disbursements side, the DBCC had to consider the following in revising the full year program: 1) first semester performance where spending fell by PHP164.4 billion or 11.9 percent of the target; 2) the monthly average disbursement rate per expenditure class from 2013-2015 which highlights the underspending in the recent years; and 3) the expected slowdown in government spending during the transition period to a new administration after the Presidential elections. Hence, disbursements are expected to reach PHP2,645.6 billion, PHP349.8 billion or 11.7 percent below the original target.

Table 15. 2016 Fiscal Program, Original vs Revised*(In billion Pesos, unless otherwise indicated)*

Particulars	2016 Program		% of GDP	Variance	
	Original	Revised		Amt	%
Revenues	2,696.8	2,256.7	15.5	(440.0)	(16.3)
Disbursements	2,995.4	2,645.6	18.2	(349.8)	(11.7)
Surplus/(Deficit)	<u>(298.6)</u>	<u>(388.9)</u>	(2.7)	(90.3)	30.2

With the revenue outlook down by 16.3 percent vis-à-vis the reduction in disbursements by only 11.7 percent, deficit will grow wider to P388.8 billion equivalent to 2.7 percent of GDP from the original P298.6 billion or 2.0 percent of GDP target of the Aquino administration. The revised deficit program, however, is still within the 3.0 percent of GDP target of the Duterte administration over the medium-term, which recognizes the need to both stimulate the economy and contain the deficit and debt to more sustainable levels.

2016 MID-YEAR REPORT

FY 2016 STATEMENT OF APPROPRIATIONS, ALLOTMENTS, OBLIGATIONS, DISBURSEMENTS AND BALANCES															
AS OF JUNE 30, 2016															
(In Thousand Pesos)															
ANNEX															
PARTICULARS	FY 2016 AVAILABLE APPROPRIATIONS														
	APPROPRIATIONS (GAA, R.A. 10717, Continuing, Automatic Appropriations and Unobligated Allotments)					ADJUSTMENTS (Transfer of Funds per Special Provisions in the GAA, Realignments of Allotment Classes and Releases to Implementing Agencies from SPFs, UF and Automatic)					TOTAL AVAILABLE APPROPRIATIONS				
	PS	MOOE	FINEX	CO	Total	PS	MOOE	FINEX	CO	Total	PS	MOOE	FINEX	CO	Total
Congress of the Philippines	6,090,275	7,923,886	-	420,990	14,435,151	993,369	-	-	-	993,369	7,083,644	7,923,886	-	420,990	15,428,520
Office of the President	771,670	5,428,942	-	132,801	6,333,413	128,768	-	-	-	128,768	900,438	5,428,942	-	132,801	6,462,181
Office of the Vice-President	48,771	454,938	-	4,703	508,412	12,259	-	-	-	12,259	61,030	454,938	-	4,703	520,671
Department of Agrarian Reform	2,797,597	9,524,537	-	913,936	13,236,070	684,054	-	-	-	684,054	3,481,651	9,524,537	-	913,936	13,920,124
Department of Agriculture	2,822,077	29,625,645	2,419	22,880,860	55,331,001	677,717	1,118,056	-	(7,084,019)	(5,288,246)	3,499,794	30,743,701	2,419	15,796,841	50,042,755
Department of Budget and Management	530,403	1,312,709	108	198,302	2,041,522	715,311	3,169	-	792	719,273	1,245,714	1,315,879	108	199,094	2,760,795
Department of Education	253,314,425	72,748,811	-	116,904,910	442,968,146	46,992,460	758,071	-	(73,182,500)	(25,431,969)	300,306,885	73,506,882	-	43,722,410	417,536,177
State Universities and Colleges	26,916,021	12,956,680	-	13,703,215	53,575,916	6,507,229	-	-	-	6,507,229	33,423,250	12,956,680	-	13,703,215	60,083,145
Department of Energy	340,782	681,668	-	2,474,558	3,497,008	78,547	1,018,943	-	29,573	1,127,063	419,329	1,700,611	-	2,504,131	4,624,071
Department of Environment and Natural Resources	3,741,799	10,916,059	3	9,740,295	24,398,156	1,032,430	68,697	2	40,528	1,141,658	4,774,229	10,984,756	6	9,780,623	25,539,814
Department of Finance	6,030,521	8,116,585	925,986	6,737,265	21,810,357	1,384,139	2,045,847	1	6,525	3,436,512	7,414,660	10,162,432	925,987	6,743,790	25,246,869
Department of Foreign Affairs	6,558,139	11,772,592	18,115	3,845,311	22,194,157	322,356	51,778	-	-	374,134	6,880,495	11,824,370	18,115	3,845,311	22,968,291
Department of Health	21,214,444	78,910,197	-	34,952,420	135,077,061	4,238,972	(43,508,824)	-	(3,383,868)	(42,653,719)	25,453,416	35,401,373	-	31,568,552	92,423,342
Department of the Interior and Local Government	93,951,804	27,527,168	-	9,224,064	130,703,036	26,431,785	192,798	-	660,702	27,285,285	120,383,589	27,719,966	-	9,884,766	157,988,321
Department of Justice	8,656,769	4,091,620	-	960,058	13,708,447	2,279,854	401,263	-	24,143	2,705,259	10,936,623	4,492,883	-	984,201	16,413,706
Department of Labor and Employment	3,861,575	14,412,319	-	742,337	19,016,232	1,070,254	63,763	-	-	1,134,017	4,931,829	14,476,082	-	742,337	20,150,248
Department of National Defense	63,330,592	31,220,205	19	36,223,805	130,774,621	32,849,419	139,239	-	1,713,487	34,702,145	96,180,011	31,359,444	19	37,937,292	165,476,697
Department of Public Works and Highways	5,883,266	16,210,788	-	444,554,316	466,648,370	1,630,094	80,786	-	89,900,448	91,611,328	7,513,360	16,291,574	-	534,454,764	558,259,698
Department of Science and Technology	2,910,357	14,516,619	-	3,966,236	21,393,212	493,220	97,264	-	83,906	674,390	3,403,577	14,613,883	-	4,050,142	22,067,602
Department of Social Welfare and Development	4,824,817	119,875,325	781,732	1,318,551	126,800,425	418,732	1,596,665	-	119	2,015,516	5,243,549	121,471,990	781,732	1,318,670	128,815,941
Department of Tourism	374,721	2,935,787	1,534	465,295	3,777,337	80,175	-	-	-	80,175	454,896	2,935,787	1,534	465,295	3,857,512
Department of Trade and Industry	1,184,776	3,237,230	1,340	176,161	4,599,507	273,655	(5,673)	-	5,673	273,655	1,458,431	3,231,557	1,340	181,834	4,873,162
Department of Transportation and Communications	5,403,711	16,373,928	7,220	45,257,491	67,042,350	1,523,243	1,556,499	-	15,522	3,095,264	6,926,954	17,930,427	7,220	45,273,013	70,137,614
National Economic and Development Authority	1,698,561	4,496,751	218	803,142	6,998,672	900,240	7,835	-	100	908,175	2,598,801	4,504,586	218	803,242	7,906,847
Presidential Communications Operations Office	628,992	529,281	-	44,835	1,203,108	119,545	7,546	-	-	127,091	748,537	536,827	-	44,835	1,330,198
Other Executive Offices	3,727,579	9,963,749	-	2,262,278	15,953,608	1,047,765	3,007,426	9	874,935	4,930,134	4,775,344	12,971,175	11	3,137,213	20,883,743
Autonomous Region in Muslim Mindanao	10,885,259	4,563,020	-	13,140,325	28,588,604	1,401,469	1,015,030	-	-	2,416,499	12,286,728	5,578,050	-	13,140,325	31,005,103
Joint Legislative-Executive Councils	2,351	755	-	4	3,110	350	-	-	-	350	2,701	755	-	4	3,460
The Judiciary	17,367,790	9,979,393	-	3,269,658	30,616,841	2,378,657	-	-	-	2,378,657	19,746,447	9,979,393	-	3,269,658	32,995,498
Civil Service Commission	784,621	295,305	13	186,221	1,266,160	208,983	-	-	-	208,983	993,604	295,305	13	186,221	1,475,143
Commission on Audit	8,316,473	894,561	-	273,944	9,484,978	1,314,405	-	-	-	1,314,405	9,630,878	894,561	-	273,944	10,799,383
Commission on Elections	8,641,552	12,747,128	-	2,000	21,390,680	413,342	-	-	-	413,342	9,054,894	12,747,128	-	2,000	21,804,022
Office of the Ombudsman	1,439,788	717,503	-	175,816	2,333,107	200,065	-	-	-	200,065	1,639,853	717,503	-	175,816	2,533,172
Commission on Human Rights	235,428	166,626	10	43,344	445,408	54,826	-	-	-	54,826	290,254	166,626	10	43,344	500,234
A. TOTAL NATIONAL GOVERNMENT AGENCIES (NGAs)	575,287,706	545,128,310	1,738,719	775,999,448	1,898,154,183	138,857,890	(30,283,822)	12	9,706,066	118,279,947	714,145,396	514,844,488	1,738,732	785,705,514	2,016,434,130
B. SPECIAL PURPOSE FUNDS (SPFs)	204,556,555	208,167,197	-	33,684,481	446,408,233	(104,541,243)	470,983,266	-	(2,650,240)	363,791,783	100,015,312	679,150,462	-	31,034,241	810,200,015
Government-Owned and Controlled Corporations (GOCCs)	-	101,022,241	-	8,958,939	109,981,180	-	47,010,449	-	-	47,010,449	-	148,032,690	-	8,958,939	156,991,629
Allocation to LGUs	21,537	79,527,085	-	650,373	80,198,995	5,892	428,636,376	-	-	428,642,268	27,429	508,163,461	-	650,373	508,841,263
Other SPFs	204,535,018	27,617,871	-	24,075,169	256,228,058	(104,547,135)	(4,663,560)	-	(2,650,240)	(111,860,935)	99,987,883	22,954,311	-	21,424,929	144,367,123
C. AUTOMATIC APPROPRIATIONS	31,950,135	466,018,371	392,797,013	39,929,885	930,695,404	(34,316,448)	(440,409,952)	(10)	(6,081,831)	(480,808,240)	(2,366,313)	25,608,419	392,797,003	33,848,054	449,887,164
Net Lending	-	-	-	26,500,000	26,500,000	-	-	-	-	-	-	-	-	26,500,000	26,500,000
Interest Payments	-	-	392,797,000	-	392,797,000	-	-	-	-	-	-	-	392,797,000	-	392,797,000
Other Automatic	31,950,135	466,018,371	13	13,429,885	511,398,404	(34,316,448)	(440,409,952)	(10)	(6,081,831)	(480,808,240)	(2,366,313)	25,608,419	3	7,348,054	30,590,164
GRAND TOTAL	811,794,396	1,219,313,878	394,535,732	849,613,814	3,275,257,820	(1)	289,492	2	973,995	1,263,489	811,794,395	1,219,603,370	394,535,735	850,587,809	3,276,521,309

2016 MID-YEAR REPORT

FY 2016 STATEMENT OF APPROPRIATIONS, ALLOTMENTS, OBLIGATIONS, DISBURSEMENTS AND BALANCES AS OF JUNE 30, 2016 (In Thousand Pesos)																	ANNEX	
PARTICULARS	ALLOTMENTS					OBLIGATIONS INCURRED (Agency Submission)					UNOBLIGATED BALANCES					Disbursements (Based on Govt. Servicing Banks' Reports)	OBLIGATION RATE (% of Obligations vs. Allotments)	
	PS	MOOE	FINEX	CO	Total	PS	MOOE	FINEX	CO	Total	PS	MOOE	FINEX	CO	Total			
Congress of the Philippines	6,267,437	7,923,886	-	420,990	14,612,313	1,115,207	857,016	-	2,158	1,974,382	5,152,230	7,066,870	-	418,832	12,637,931	5,222,726	13.51%	
Office of the President	761,465	5,303,942	-	132,801	6,198,208	413,118	802,968	-	3,589	1,219,674	348,347	4,500,974	-	129,212	4,978,534	2,658,058	19.68%	
Office of the Vice-President	59,813	185,450	-	4,703	249,966	28,312	58,746	-	1,757	88,815	31,501	126,704	-	2,946	161,150	90,906	35.53%	
Department of Agrarian Reform	3,441,857	9,323,537	-	913,936	13,679,330	2,015,334	1,385,153	-	25,970	3,426,458	1,426,522	7,938,384	-	887,966	10,252,871	3,015,192	25.05%	
Department of Agriculture	3,439,580	30,742,381	2,419	15,161,361	49,345,741	2,061,294	13,124,141	451	6,723,962	21,909,868	1,378,287	17,618,239	1,968	8,437,380	27,435,873	15,270,267	44.40%	
Department of Budget and Management	1,231,053	1,301,807	108	199,094	2,732,061	304,228	254,019	5	25,216	583,470	926,824	1,047,787	103	173,878	2,148,592	1,111,723	21.36%	
Department of Education	276,892,410	73,301,754	-	38,447,196	388,641,361	133,655,188	17,294,794	-	11,631,845	162,571,828	143,237,222	56,016,961	-	26,815,351	226,069,534	152,711,315	41.83%	
State Universities and Colleges	31,278,821	12,490,379	-	10,806,596	54,575,796	15,160,840	4,086,691	-	3,264,981	22,492,512	16,115,980	8,423,688	-	7,541,526	32,081,193	21,819,802	41.21%	
Department of Energy	385,198	1,700,611	-	2,503,631	4,589,440	191,004	319,825	-	23,957	534,786	194,194	1,380,596	-	2,479,674	4,054,655	654,790	11.65%	
Department of Environment and Natural Resources	4,722,414	10,946,772	5	9,745,884	25,415,075	3,568,469	3,420,190	6	6,642,573	13,631,238	1,153,945	7,526,582	(0)	3,103,311	11,783,837	8,906,895	53.63%	
Department of Finance	7,119,606	9,851,853	925,987	6,462,906	24,360,352	3,580,748	3,884,983	438,674	1,131,402	9,035,807	3,538,858	5,966,870	487,313	5,331,504	15,324,545	5,958,838	37.09%	
Department of Foreign Affairs	6,700,147	11,744,198	17,892	3,546,587	22,008,825	3,214,875	6,311,431	10,861	921,195	10,458,363	3,485,271	5,432,767	7,031	2,625,392	11,550,462	8,333,486	47.52%	
Department of Health	19,404,021	34,984,343	-	30,149,398	84,537,763	10,768,023	17,024,696	-	10,696,865	38,489,584	8,635,998	17,959,647	-	19,452,534	46,048,179	43,759,662	45.53%	
Department of the Interior and Local Government	114,279,789	27,659,966	-	9,510,666	151,450,420	65,299,032	9,597,301	-	4,362,509	79,218,843	49,020,757	18,062,664	-	5,148,157	72,231,578	76,767,626	52.31%	
Department of Justice	10,518,700	4,383,738	-	841,417	15,743,856	6,011,460	1,584,810	-	145,261	7,741,531	4,507,240	2,798,929	-	696,156	8,002,325	6,433,440	49.17%	
Department of Labor and Employment	4,875,562	14,466,082	-	742,337	20,083,982	2,514,882	5,735,213	-	152,002	8,402,097	2,360,680	8,730,870	-	590,335	11,681,885	7,123,579	41.83%	
Department of National Defense	93,775,256	31,256,444	19	20,174,091	145,205,811	59,887,168	12,189,515	-	10,634,514	82,711,597	33,888,088	19,066,529	19	9,539,578	62,494,214	70,120,931	56.96%	
Department of Public Works and Highways	7,266,091	15,521,574	-	494,684,344	517,472,009	3,700,374	4,095,459	-	266,528,279	274,324,112	3,565,717	11,426,115	-	228,156,065	243,147,897	132,289,028	53.01%	
Department of Science and Technology	3,280,643	14,610,183	-	4,046,042	21,936,868	1,483,266	5,703,323	-	724,829	7,911,417	1,797,378	8,906,861	-	3,321,213	14,025,452	6,930,599	36.06%	
Department of Social Welfare and Development	5,243,211	121,457,734	781,732	1,318,032	128,800,709	2,575,732	40,748,619	75,943	257,753	43,658,047	2,667,479	80,709,115	705,789	1,060,279	85,142,662	42,672,349	33.90%	
Department of Tourism	4,36,642	2,935,787	1,534	465,295	3,839,258	273,664	771,286	978	6,517	1,052,445	162,978	2,164,501	556	458,778	2,786,813	998,938	27.41%	
Department of Trade and Industry	1,420,885	3,231,557	1,340	181,834	4,835,616	779,834	1,191,384	16	23,908	1,995,142	641,051	2,040,173	1,324	157,926	2,840,474	1,900,911	41.26%	
Department of Transportation and Communications	6,364,868	17,894,927	7,220	44,998,013	69,265,028	3,483,898	6,054,747	5,959	911,949	10,466,553	2,880,970	11,830,180	1,261	44,086,064	58,799,475	12,410,765	15.11%	
National Economic and Development Authority	2,500,683	4,043,656	218	803,242	7,347,839	1,457,498	1,788,988	1	25,364	3,271,741	1,043,195	2,254,808	217	777,878	4,076,058	3,049,138	44.53%	
Presidential Communications Operations Office	597,872	536,827	-	44,835	1,179,533	253,475	272,706	-	18,473	544,654	344,396	264,121	-	26,362	634,879	539,460	46.18%	
Other Executive Offices	4,724,759	12,715,370	11	2,547,501	19,987,641	2,433,215	2,815,327	1	258,309	5,505,852	2,291,544	9,900,043	10	2,289,192	14,480,789	6,010,303	27.55%	
Autonomous Region in Muslim Mindanao	11,147,707	5,477,107	-	13,140,325	29,765,138	5,479,886	2,691,203	-	8,241,948	16,413,037	5,667,821	2,785,904	-	4,898,377	13,352,102	12,621,658	55.14%	
Joint Legislative-Executive Councils	2,701	755	-	4	3,460	1,292	196	-	1,488	1,409	4	559	-	4	1,972	1,149	43.00%	
The Judiciary	19,320,974	9,979,393	-	3,269,658	32,570,025	8,835,656	1,239,832	-	94,223	10,169,711	10,485,318	8,739,561	-	3,175,435	22,400,314	11,566,813	31.22%	
Civil Service Commission	990,091	295,305	13	186,221	1,471,630	507,930	89,113	1	135,536	732,580	482,161	206,192	12	50,685	739,050	714,821	49.78%	
Commission on Audit	8,973,643	894,561	-	273,944	10,142,148	4,662,133	246,009	-	73,430	4,981,572	4,311,510	648,552	-	200,514	5,160,576	4,270,733	49.12%	
Commission on Elections	9,054,894	12,747,128	-	2,000	21,804,022	3,196,909	5,033,187	-	-	8,230,096	5,851,985	7,713,941	-	2,000	13,573,926	6,780,273	37.75%	
Office of the Ombudsman	1,633,765	717,503	-	175,816	2,527,084	811,831	133,969	-	16,220	962,020	821,934	583,534	-	159,596	1,565,064	817,236	38.07%	
Commission on Human Rights	277,350	166,626	10	29,844	473,830	139,750	83,377	1	6,578	229,707	137,600	83,249	9	23,266	244,124	197,556	48.48%	
A. TOTAL NATIONAL GOVERNMENT AGENCIES (NGAs)	668,387,909	510,793,175	1,738,508	715,930,456	1,896,850,049	349,825,520	170,870,517	532,898	333,713,090	854,942,026	318,562,389	339,922,658	1,205,611	382,217,366	1,041,908,023	673,522,956	45.07%	
B. SPECIAL PURPOSE FUNDS (SPFs)	27,429	522,739,886	-	9,438,643	532,205,958	15,162	307,995,408	-	9,074,975	317,085,545	12,267	214,744,478	-	363,668	215,120,414	267,445,670	59.58%	
Government-Owned and Controlled Corporations (GOCCs)	-	59,693,628	-	8,862,939	68,556,567	-	59,693,628	-	8,862,939	68,556,567	-	-	-	-	-	45,153,891	100.00%	
Allocation to LGUs	27,429	463,046,258	-	575,704	463,649,391	15,162	248,301,780	-	212,036	248,528,978	12,267	214,744,478	-	363,668	215,120,414	222,291,779	53.60%	
Other SPFs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
C. AUTOMATIC APPROPRIATIONS	-	-	392,797,000	4,091,000	396,888,000	-	-	153,712,000	4,091,000	157,803,000	-	-	239,085,000	-	239,085,000	153,712,000	39.76%	
Net Lending	-	-	-	4,091,000	4,091,000	-	-	-	4,091,000	4,091,000	-	-	-	-	-	-	100.00%	
Interest Payments	-	-	-	392,797,000	392,797,000	-	-	-	153,712,000	153,712,000	-	-	-	-	239,085,000	153,712,000	39.13%	
Other Automatic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GRAND TOTAL	668,415,338	1,033,533,061	394,535,508	729,460,099	2,825,944,007	349,840,682	478,865,926	154,244,898	346,879,065	1,329,830,570	318,574,657	554,667,136	240,290,611	382,581,034	1,496,113,437	1,094,680,626	47.06%	