Development Budget Coordination Committee
Malacañang, Manila

MID-YEAR REPORT
ON THE

FY 2020 NATIONAL BUDGET

September 30, 2020

LIST OF ACRONYMS AND ABBREVIATIONS

ALPAS	*Ahon Lahat, Pagkaing Sapat Kontra sa* COVID-19
4Ps	*Pantawid Pamilyang Pilipino* Program
ACs	Assessment Centers
ADB	Asian Development Bank
AFP	Armed Forces of the Philippines
AFPMC	Armed Forces of the Philippines Medical Center
AICS	Assistance to Individuals in Crisis Situation
ALGU	Allocation to Local Government Unit
ALIVE	Arabic Language and Islamic Values Education
ALS	Alternative Learning System
AMP	Adjustment Measures Program
ARMM	Autonomous Region in Muslim Mindanao
BangUN	Bangsamoro *Umpungan sa Nutrisyon*
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BE-LCP	Basic Education – Learning Continuity Plan
BESF	Budget of Expenditures and Sources of Financing
BFAR	Bureau of Fisheries and Aquatic Resources
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOP	Balance of Payments
BPM6	Balance of Payments and International Investment Position Manual, 6th edition
BPS	*Badan Pusat Statistik* (Statistics Indonesia)
BSF	Bond Sinking Fund
BSP	*Bangko Sentral ng Pilipinas*
BTMS	Budget and Treasury Management System
BTr	Bureau of the Treasury
CAMP	COVID-19 Adjustment Measures Program
CARES	COVID-19 Active Response & Expenditure Support
CBS	Cash Budgeting System
CCT	Conditional Cash Transfer
CDC	Community Development Centers
CHED	Commission on Higher Education
CIPHER	Clean and Vertically-Integrated Pure/Applied Hydrogen Energy Research for Next Generation Power Systems

CO	Capital Outlays
COA	Commission on Audit
COR	Cash Operations Report
COVID-19	Coronavirus Disease 2019
CREATE	Corporate Recovery and Tax Incentives for Enterprises
CSO	Civil Society Organization
CTRP	Comprehensive Tax Reform Program
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DHSUD	Department of Human Settlements and Urban Development
DICT	Department of Information and Communications Technology
DILG	Department of the Interior and Local Government
DILP	Integrated Livelihood Program
DIME	Digital Imaging for Monitoring and Evaluation
DND	Department of National Defense
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOLE-AKAP	DOLE-*Abot Kamay ang Pagtulong*
DOSM	Department of Statistics Malaysia
DOST	Department of Science and Technology
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DRRM-H	Disaster Risk Reduction Management for Health
DST	Documentary Stamp Tax
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
ECCD	Early Childhood Care and Development

ECQ	Enhanced Community Quarantine
EDC	Economic Development Cluster
EMB	Environmental Management Bureau
EO	Executive Order
EPP	Extended Payment Period
ESC	Education Service Contracting
FAS/SBMT	Financial Awareness Seminar and Small Business Management Training
FDI	Foreign Direct Investments
FIST	Financial Institutions Strategic Transfer
FLR	For Later Release
FMR	Farm-to-Market
FOs	Field Offices
FWP	Family Welfare Program
FX	Foreign Exchange
FY	Fiscal Year
GAA	General Appropriations Act
GAS	Government Assistance and Subsidies
GDP	Gross Domestic Product
GFI	Government Financial Institution
GHQ	General Headquarters
GIP	Government Internship Program
GLS	General Labor Standards
GOCC	Government-Owned and Controlled Corporation
GPPB	Government Procurement Policy Board
GSO	General Statistics Office of Vietnam
GUIDE	GFIs Unified Initiatives to Distressed Enterprises for Economic Recovery
HABs	Harmful Algal Blooms
HCIs	Health Care Institutions
HEIs	Higher Education Institutions
HFEP	Health Facility Enhancement Program
HRH	Human Resource for Health
IATF-EID	Inter-Agency Task Force on Emerging Infectious Diseases
IBRD	International Bank for Reconstruction and Development
IFM	Internal Financing Mechanism

IMF	International Monetary Fund
IPED	Indigenous Peoples Education
IRA	Internal Revenue Allotment
IRM	Internal Reimbursement Mechanism
IT	Information Technology
JICA	Japan International Cooperation Agency
JR	Joint Resolution
KALAHI-CIDSS-NCDDP	*Kapit-Bisig Laban sa Kahirapan*-Comprehensive and Integrated Delivery of Social Services - National Community Driven Development Program
LBP	Land Bank of the Philippines
LGSF	Local Government Support Fund
LGU	Local Government Unit
LIBOR	London Interbank Offered Rate
LMI	Labor Market Information
LPG	Liquefied Petroleum Gas
MDP	Monthly Disbursement Program
MGB	Mines and Geosciences Bureau
MOA	Memorandum of Agreement
MOOE	Maintenance and Other Operating Expenses
MPAs	Marine Protected Areas
MSMEs	Micro, Small and Medium Enterprises
MUP	Military and Uniformed Personnel
NBC	National Budget Circular
NCA	Notice of Cash Allocation
NDRRMF	National Disaster Risk Reduction and Management Fund
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
NESDC	Office of the National Economic and Social Development Council of Thailand
NFA	National Food Authority
NG	National Government
NGA	National Government Agency
NHIP	National Health Insurance Program
NHTS	National Household Targeting System
NIA	National Irrigation Administration

NNC	National Nutrition Council
OCD	Office of Civil Defense
ODA	Official Development Assistance
OFW	Overseas Filipino Workers
OGP	Open Government Partnership
OPEC	Organization of the Petroleum Exporting Countries
OSEC	Office of the Secretary
OSH	Occupational Safety and Health
OTC	Over-the-Counter
OWWA	Overseas Workers Welfare Administration
PAF	Philippine Air Force
PAGCOR	Philippine Amusement and Gaming Corporation
PAMANA	*PAyapa at MAsagandang PamayaNAn*
PAPs	Programs, Activities, and Projects
PCAG	Post Clearance Audit Group
PCARI	Philippine-California Advanced Research Institute
PCOO	Presidential Communications Operations Office
PCT	Process Cycle Time
PDITR	Prevent, Detect, Isolate, Treat, and Reintegration
PESOs	Public Employment Service Offices
PFM	Public Financial Management
PHIC	Philippine Health Insurance Corporation
PhilGuarantee	Philippine Guarantee Corporation
PhilHealth	Philippine Health Insurance Corporation
PhycoPro	Phytochemical Characterization of Macroalgae for Food and High Value Products
PN	Philippine Navy
PNP	Philippine National Police
PPE	Personal Protective Equipment
PRC	Philippine Red Cross
PRO	PhilHealth Regional Offices
PRPAs	Private Recruitment and Placement Agencies
PS	Personnel Services
PSA	Philippine Statistics Authority
PUV	Public Utility Vehicle
QRF	Quick Response Fund

RA	Republic Act
RATE	Run After Tax Evaders
RCEF	Rice Competitiveness Enhancement Fund
RTB	Retail Treasury Bonds
RT-PCR	Reverse Transcription Polymerase Chain Reaction
S&P	Standard & Poor's
SAAODB	Statement of Appropriations, Allotments, Obligations, Disbursements and Balances
SALINTUBIG	*Sagana at Ligtas na Tubig para sa Lahat*
SAP	Social Amelioration Program
SARS-COV-2	Severe Acute Respiratory Syndrome Coronavirus 2
SB	Sweetened Beverage
SBCorp	Small Business Corporation
SEAMEO INNOTECH	Southeast Asian Ministers of Education Organization Regional Centre for Educational Innovation and Technology
SFP	Supplementary Feeding Program
SHS	Senior High School
SingStat	Singapore Department of Statistics
SLP	Sustainable Livelihood Program
SLP	Sustainable Livelihood Program
SNP	Supervised Neighborhood Play
SocPen	Social Pension for Indigent Senior Citizens
SPED	Special Education
SpeED	Speedy and Efficient Delivery of Labor Justice
SPES	Special Program for Employment of Students
SPF	Special Purpose Fund
SSIP	Small Scale Irrigation Projects
SSS	Social Security System
StuFAPs	Students Financial Assistance Programs
SUCs	State Universities and Colleges
SureTech	Sustainable and Renewable Fuel and Electrolysis Cell Energy Technology
TB	Tuberculosis
T-bill	Treasury bill
TCVD	Tax Compliance Verification Drive

TechVoc	Technical-Vocational
TES	Tertiary Education Subsidy
TESDA	Technical Education and Skills Development Authority
TRAIN	Tax Reform for Acceleration and Inclusion
TUPAD	*Tulong Panghanapbuhay sa Ating* Disadvantaged/Displaced Workers Program
TUPAD #BKBK	*Tulong Panghanapbuhay sa Ating* Displaced / Disadvantaged Workers Program *#Barangay Ko, Bahay Ko*
TVIs	Technical Vocational Institutions
TVL	Tech-Voc and Livelihood
UAQTE	Universal Access to Quality Tertiary Education
UCT	Unconditional Cash Transfer
UNICEF Phil.	United Nations Children's Fund Philippines
VAT	Value-Added Tax
VMMC	Veterans Memorial Medical Center
WAIR	Weighted Average Interest Rate
WEO	World Economic Outlook
WTO	World Trade Organization
Y-o-Y	Year-on-Year
YTD	Year-to-Date

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I. Introduction

1. **The year 2020 marks an extraordinary period in history, and ushers in a critical juncture in the Duterte Administration as it progresses into the remaining half of its term.** The Philippines entered 2020 with a solid economic performance in the previous year. Despite the delay in the approval of the 2019 National Budget, infrastructure agencies of the National Government (NG) accelerated their spending and helped buoy economic growth, and managed to keep the implementation of the *Build, Build, Build* Program to remain on-track. Coupled with a low inflation environment, the government expected the country to achieve a higher growth trajectory starting this year. However, the eruption of the Taal volcano earlier in January, geopolitical tensions, particularly the US-Iran dispute, followed by the prolonged Coronavirus Disease 2019 (COVID-19) health crisis, made the country's macroeconomic environment fragile. At the height of the pandemic, the situation worsened further as the socio-economic impact of the virus becomes more apparent, while options for treatment or vaccines remained uncertain. The government then resolved to prioritize health and public safety over economic growth by imposing enhanced community quarantines (ECQ) nationwide in order to contain the spread of the virus. The health emergency ultimately led to revisions in the government's macroeconomic assumptions, growth targets, and fiscal program as well as the enactment of the *Bayanihan* Law I (RA No. 11469) which implemented social amelioration programs to mitigate the impact of the ECQ. The FY 2020 Mid-Year Report presents a comprehensive analysis of the country's macroeconomic and fiscal performance during the first six months of the year, including the significant impact of the challenges faced by the country with the COVID-19 pandemic. It also discusses the macro-fiscal outlook for the rest of the year, and updates on economic strategies and fiscal reforms.

2. **The COVID-19 pandemic led to the country's worst economic performance in the recent decades, and severely affected the government's fiscal position.** The health crisis prompted the implementation of community quarantines for most parts of the country, subduing growth prospects. This later on slowly snowballed to the shutting down of businesses, loss of income, and disruptions in supply chains,

severely affecting a swath of industries such as travel and tourism. Furthermore, consumer and investor sentiments were dampened by heightened uncertainty brought by the pandemic. All these accounted for the -9.0 percent decline in the country's Gross Domestic Product (GDP) during the first six months of the year (*see growth discussions on page 23*). With these events and muted economic activity, the government revenue collections shrank, prodding the Development Budget Coordination Committee (DBCC) to raise the deficit program amid the need to increase public spending to respond to the health emergency and pump-prime the economy (*see fiscal performance discussions on page 29*).

3. **The RA No. 11469 or *Bayanihan* to Heal as One Act (*Bayanihan* I) was enacted as an initial response to the COVID-19 emergency.** Government spending in the first semester of 2020 was spurred by measures to address the pandemic, including cash transfers to eligible low-income households, procurement of medical equipment and supplies, financial assistance to affected-workers, emergency repatriation of Overseas Filipino Workers (OFWs), and grants to Local Government Units (LGUs). In order to fund these COVID-19-related programs, activities, and projects (PAPs), the government was authorized by the *Bayanihan* I to discontinue, realign, and reprogram expenditure items in the FY 2020 General Appropriations Act (GAA) and FY 2019 Continuing Appropriations which cannot be feasibly implemented nor completed within the year due to the ongoing health crisis. The savings generated from discontinued PAPs amounted to P266.5 billion as well the remittance of P96.7 billion excess revenue sources by the Bureau of the Treasury (BTr) became the major funding source for COVID-19 measures. The DBM issued National Budget Circular (NBC) No. 580 to guide the declaration of savings by the agencies from activities which could no longer be implemented due to the ECQ and the pandemic such as new construction of new buildings, foreign travels, and the purchase of motor vehicles.

4. **The Philippines' sound macroeconomic fundamentals and strong fiscal position which were built over the years ensured that during this time of crisis, the country's growth potential can still expand.** Inflation in the last ten years settled at 2.5 percent through prudent monetary and fiscal policies. The low NG fiscal deficit (averaged to just 2.1 percent of GDP in from 2010-2019) and debt-to-GDP ratio (39.6 percent of GDP in 2019), as well as the implementation of the Comprehensive Tax Reform Program (CTRP) and various Public Financial Management (PFM) reforms allowed

the government to increase spending and help buttress growth, especially with the implementation of COVID-19 measures. The reprioritization of the *Build, Build, Build* Program is also seen to expected to spur local and foreign investments and generate jobs. While it is projected that economic recovery will be slow for the rest of the year, growth is projected to strongly rebound starting 2021 with the resumption of economic activity, and improvement in consumer and business confidence.

5. **Key economic and fiscal reforms will support the country's recovery.** The *Bayanihan* to Recover as One Act (*Bayanihan* II) bolsters up the initial measures implemented in the *Bayanihan* I to help further address the current health crisis and revive the economy. Some of the stimulus measures in the *Bayanihan* II are the capital infusion to Government Financial Institutions (GFIs), and assistance to micro, small and medium enterprises (MSMEs), other critically impacted industries and businesses, and displaced workers. The proposed GFIs Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill will support the access-to-credit provisions in *Bayanihan* II, while the Financial Institutions Strategic Transfer (FIST) Bill aims to assist the financial system in performing its role of efficiently mobilizing savings and investments. On the fiscal front, the passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill will lower corporate income tax and provide the much-needed assistance to the business sector. The Budget Modernization Bill will also be refiled in the 18th Congress after streamlining the provisions of the said measure to institutionalize a more effective public financial management system and address issues such as poor budget and procurement planning, and low fund utilization/absorptive capacity of departments/agencies. The amendments to the Public Service Act, the Foreign Investment Act, and the Retail Trade Liberalization Act will, likewise, support the country's economic recovery.

II. FY 2020 National Government Budget

a. Key Budget Principles

6. **The FY 2020 National Budget aims to build on the fruits and gains made during the first three years of this Administration towards achieving a more peaceful and progressive Philippines.** The proposed 2020 Budget was submitted to Congress on August 20, 2019 and underwent rigorous deliberations in both the House of Representatives and Senate before it was finally enacted on January 6, 2020. The FY 2020 Budget of P4.100 trillion is equivalent to 21.7 percent of GDP[1] and is 12.0 percent higher when compared to the FY 2019 Budget of P3.662 trillion. The 2020 Budget supports the country's socioeconomic and growth targets, and it continues to adhere to fiscal responsibility by staying within sustainable deficit levels and implementing a prudent debt strategy.

7. **The Cash Budgeting System (CBS) will continue to be implemented in FY 2020.** As mandated by Executive Order No. 91, dated September 9, 2019, beginning fiscal year 2019, all authorized appropriations shall be available for obligation and disbursement only until the end of each fiscal year, and that obligations incurred by the NG within each fiscal year shall be implemented during the same fiscal year. Furthermore, payments for obligations incurred shall be made until the end of the extended payment period (EPP) or three months after the end of the validity of appropriations against which it was obligated. While the initial implementation of the CBS has been met with some challenges, the government remains on the right track as spending moved in a faster pace and helped put an end to years of substantial underspending.

8. **To give way to a more effective transition and implementation of the CBS, transitory provisions were adopted in the 2020 GAA.**[2] Section 60 of the General Provisions provides that for FY 2020, the appropriations for

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[1] Consistent with the macroeconomic and growth assumptions, and fiscal program approved by the DBCC on July 28, 2020 via Ad Referendum

[2] The timeframe to be followed by agencies for FY 2020 under the CBS has also been clarified in Sections 3.4 and 3.5 of the National Budget Circular 578 dated January 6, 2020 ("Guidelines on the Release of Funds for FY 2020"), and during the Budget Execution Forum last January 2020.

infrastructure capital outlays, including subsidy releases to Government-Owned and Controlled Corporations (GOCCs) for infrastructure projects, shall be valid for obligation until December 31, 2020 while completion, inspection and payment shall be made not later than December 31, 2021. On the other hand, appropriations for maintenance and other operating expenses (MOOE) and other capital outlay items shall be valid for obligation until December 31, 2020, while delivery, inspection and payment shall be made not later than June 30, 2021. The transitional implementation is summarized in the table below:

Table 1. Transitional Implementation of the Cash Budgeting System

<table>
<tr><th>PARTICULARS</th><th>OBLIGATION</th><th>IMPLEMENTATION</th><th>EPP</th></tr>
<tr><td>Personnel services</td><td rowspan="3">Until December 31, 2020</td><td>Until December 31, 2020</td><td>January 1-March 31, 2021</td></tr>
<tr><td>Maintenance and other operating Expenses and Non-infrastructure capital outlays</td><td colspan="2">Until June 30, 2021</td></tr>
<tr><td>Infrastructure capital outlays</td><td colspan="2">Until December 31, 2021</td></tr>
</table>

9. **Transparency, accountability, and active engagement of the public are at the core of the government's budgetary processes.** The Department of Budget and Management (DBM), together with the Bureau of the Treasury (BTr) and the Commission on Audit (COA) under the PFM Committee, is working to improve the processing, recording, monitoring, and reporting of government financial transactions through the Budget and Treasury Management System (BTMS). Currently, the BTMS has been introduced to a total of 121 National Government Agencies which are already in various rollout stages.[3] A total of thirteen (13) agencies, meanwhile, are already in BTMS-live or doing it in parallel to manual transactions, capturing around 31.28 percent of the government's total budget[4]. Recognizing the potential of the BTMS to enable automated and responsive PFM especially for the education sector, the Department of Education (Central Office) has also committed to complete all requirements for it to go BTMS-live within the last quarter of FY 2020. Moving forward, as a result of the limitations brought about by the pandemic, the twenty-one (21) agencies targeted for

[3] As of September 2020
[4] Net of automatic appropriations and allocations to BARMM and Government Corporations

full rollout and live status in 2020 will be carried over as part of the target for 2021. The rollout target plan for 2021 will also be recalibrated to effect the necessary adjustments.

Meanwhile, earlier in the year, the DBM, in partnership with the Presidential Communications Operations Office (PCOO), conducted a Transparency Caravan to highlight how high-value programs/projects are monitored through the Project Digital Imaging for Monitoring and Evaluation (DIME) to over a thousand students and faculty in Guimaras, and Borongan and Guiuan, Eastern Samar from February 12-19, 2020[5]. This is especially important to validate agency outputs and deliverables considering the low absorptive capacity of various implementing agencies. On the other hand, the Open Government Partnership (OGP), in partnership with various Civil Society Organization (CSO) networks, is currently conducting webinars and assisting LGUs to be part of the OGP Local Program. The OGP is a multilateral initiative among various stakeholders, such as the government and non-government institutions, which commits to the implementation of concrete action plans that mainly aim to strengthen citizen participation, enhance transparency and accountability, and establish efficient and effective technology-enable monitoring mechanisms.

10. **The 2020 National Budget maximizes the role of Local Governments in countrywide development by providing additional financial assistance through the P28.9 billion allocation for Local Government Support Fund (LGSF).** The LGSF is used to fund local poverty alleviation programs and infrastructure projects that would contribute to inclusive growth in the locality.

b. Budget Priorities

11. **The Social Services Sector remained the top priority, cornering 36.5 percent of the total FY 2020 Budget with P1,495.0 billion allocation to improve the quality of life of the Filipino people, especially the disadvantaged and vulnerable, through education, health care, and social welfare services programs.** Economic services, on the other hand, received

[5] DBM Quarterly Report, First Quarter 2020. Available at https://www.dbm.gov.ph/wp-content/uploads/DBM%20Publications/Quarterly%20Report/2020/DBM-2020-Q1-Quarterly-Report.pdf

29.3 percent or P1,200.0 billion to fund programs and projects that aim to boost the economy and generate jobs and other employment opportunities.

12. **To sustain the investments and recently-made improvements in public infrastructure, various labor-intensive projects all over the country are funded through the *Build, Build, Build* Program with a budgetary outlay of P989.3 billion in 2020.** The Department of Public Works and Highways (DPWH) was allocated with P113.4 billion for road network development, P52.9 billion for asset preservation, and P30.2 billion for bridges to ensure that the country's road system is well-maintained, upgraded, safe and in good condition.[6] The Department of Transportation (DOTr) was provided funding support of P61.4 billion for the improvement the country's rail transport and another P2.4 billion for air infrastructure. Meanwhile, local governments were given funds for local disaster risk-reduction, infrastructure, and peace-promoting projects through the assistance to municipalities and cities (P11.7 billion and P2.5 billion, respectively), and conditional matching grant to provinces (P8.2 billion). The *Sagana at Ligtas na Tubig para sa Lahat* (SALINTUBIG) was allotted with P1.5 billion to provide potable water supply systems in 134 municipalities.

13. **To strengthen the Information Technology (IT) Sector, some P11.3 billion was earmarked for the Department of Information and Communications Technology (DICT).** Public places, including State Universities and Colleges (SUCs), will be provided enhanced Wi-Fi connectivity with a P1.5 billion funding support in 2020.[7] On the other hand, P431 million will be used for the operations of the National Government Portal which houses various online government services, data, and information, while P345 million was allotted for the National Government Data Center Infrastructure. To deliver better internet speed all over the country, the National Broadband Plan was given P296 million for the installation of fiber optic cables and wireless technologies.

14. **Achieving sustainable development and inclusive growth hinge on a wider access to quality education.** Hence, the Education Sector was given a budget of P692.6 billion this year. Of this amount, P554.2 billion was allocated for the K-12 Program of the Department of Education (DepEd) to support the academic development of learners in primary and secondary

[6] Inclusive of foreign-assisted projects
[7] Inclusive of P1.414 billion budget sourced from Special Account in the General Fund from Spectrum Users Fees collected by National Telecommunications Commission

education. An amount of P29.5 billion will cover the construction, repair, and rehabilitation of 23,750 classrooms, while P36.7 billion will be used for government assistance and subsidies to both public and private school students. For the tertiary education sector, the Commission on Higher Education (CHED) was provided with P47.9 billion, while P77.4 billion was set aside for the operation of SUCs nationwide. Of the CHED's budget, some P39.0 billion will be used to provide free tuition subsidy to eligible students under the Universal Access to Quality Tertiary Education (UAQTE) Program. Meanwhile, the P13.2 billion[8] budget for the Technical Education and Skills Development Authority (TESDA) will give less privileged Filipinos access to various technical and vocational courses and trainings that will boost their competencies and credentials to get employed.

15. **The Health Sector was provided with P175.8 billion for the current year to ensure access to quality and affordable health services under the Universal Health Care Program.** The P71.4 billion budgetary support to the National Health Insurance Program (NHIP) guarantees free health care services and other medical assistance to 15.4 million indigent families, 6.2 million senior citizens, 100,000 unemployed persons with disabilities, and 25,512 families under the *PAyapa at MAsaganang PamayaNAn* (PAMANA) Program. Aside from the NHIP, P10.5 billion was allocated for the hospitalization and financial assistance to indigent patients. Meanwhile, some P39.9 billion is intended for the operations of public health facilities under the Department of Health (DOH), and P19.1 billion for the procurement of drugs, medicines, and vaccines, as well as medical supplies for government health care facilities. Another P10.0 billion was set aside for the Human Resources for Health Deployment (HRH), while P8.4 billion was allotted to the Health Facilities Enhancement Program (HFEP) for the procurement of medical equipment and the construction and rehabilitation of government health facilities, especially in areas with large numbers of poor households.

16. **The government has set aside a sizable P200.5 billion for social protection services this 2020.** A huge amount of P108.8 billion was earmarked for the Conditional Cash Transfer (CCT) Program under the Department of Social Welfare and Development (DSWD) to provide health and education grants, and rice subsidy to 4.4 million poor Filipino households. These include around 4.165 million regular CCT and 235,040 modified CCT household

[8] Includes the P2.9 billion allocation for the UAQTE Program

beneficiaries. Another P37.2 billion[9] was allocated for the Unconditional Cash Transfer (UCT) Program to lessen the temporary impact of the price adjustments resulting from the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law on poor households, including CCT beneficiaries, and social pensioners. Meanwhile, P23.2 billion was set aside for the social pension of 3.797 million indigent senior citizens, and P8.7 billion for the Protective Services Program, which provides financial, food, medical, and educational assistance to individuals and families in difficult situations. Some P5.5 billion was provided for the Sustainable Livelihood Program to expand the access of poor Filipino households to employment opportunities, and another P3.7 billion to the Supplementary Feeding Program to mitigate the problem of malnutrition among Filipino children. An amount of P167 million was also earmarked for the social welfare of distressed overseas Filipinos and trafficked persons.

17. **Aside from social protection services, other social safety nets are also provided in the 2020 budget for the youth and the marginalized.** The major programs for the health, nutrition, social protection, and education of Filipino children was allotted with a combined amount of P2.6 billion: a) Family Health, Nutrition, and Responsible Parenting Program (DOH) (P2.0 billion); b) Early Childhood Care and Development (ECCD) Program (DepEd-ECCD Council) (P455 million); and c) First 1,000 Days Program (DOH-National Nutrition Council) (P159 million). Meanwhile, the Department of Labor and Employment (DOLE) was supported with a budget of P17.9 billion to assist Filipino workers in finding full, decent, and gainful livelihood. Under the DOLE, the *Tulong Panghanapbuhay sa Ating* Disadvantaged/Displaced Workers Program and Government Internship Program (TUPAD-GIP) was allocated with P6.8 billion to provide emergency employment to displaced, underemployed, and seasonal workers under the TUPAD Program, as well as create internship opportunities for young workers, especially the poor, through the GIP. On the other hand, the NG is also promoting liveable housing for informal settlers and the urban poor through the subsidies to the National Housing Authority (P4.6 billion), Social Housing Finance Corporation (P1.4 billion), and the National Home Mortgage Finance Corporation (P1.0 billion). Moreover, the newly-established Department of Human Settlements and Urban Development (DHSUD) was provided with P893 million to finance its operations. Some P2.3 billion has been set aside for Rural Electrification to provide electricity in 932 *sitios,* while the SALINTUBIG was earmarked

[9] This budget is lodged under the Land Bank of the Philippines (P36.5 billion) and DSWD (P0.7 billion).

with P1.5 billion to ensure the availability of clean water and reduce water-borne diseases.

18. **A total of P147.3 billion was allotted for the modernization of the agriculture and agrarian reform programs to ensure food security, serve the needs of agricultural workers, and strengthen resilience to climate change and other risks.** Some P16.4 billion is intended to boost the production of various commodities such as rice, corn, and high value crops. Pursuant to the Rice Liberalization Act (Republic Act No. 11203), P10.0 billion was also earmarked for the Rice Competitiveness Enhancement Fund (RCEF) to provide modern rice farming equipment, inbred rice seeds, expanded credit assistance, and agricultural extension services to farmers. Another P10.0 billion[10] is set aside for farm-to-market roads to ensure mobility of goods and services between production area and markets. Aside from this, an amount of P37.5 billion shall be utilized for irrigation development, while P7.0 billion is allocated for the Buffer Stocking Program. The latter ensures sufficient rice supply during calamities and emergencies by purchasing *palay* from local farmers. The following agri-agra programs are also funded to aid farmers and fisherfolk: a) Land Acquisition and Distribution (P3.9 billion); b) Crop Insurance (P3.5 billion); c) Financial Subsidy to Rice Farmers (P3.0 billion); and d) Credit Assistance (P2.5 billion).

19. **Good governance strategies to improve service delivery and create equal opportunities for all remain a top priority, as the government aims to become more transparent, open, responsive, and accountable.** The Department of Justice (DOJ) was given P23.5 billion to strengthen law enforcement against various crimes and provide equal access to justice through programs such as: a) Law Enforcement Program (P6.0 billion); b) Public Legal Assistance to Indigent and Other Qualified Persons (P3.9 billion); and c) Crime Detection and Investigation (National Bureau of Investigation) (P1.1 billion). On the other hand, an amount of P41.2 billion was allocated to the Judiciary to expedite the resolution and disposition of court cases. Of this amount, the operations of the Supreme Court and the Lower Courts were provided P35.9 billion, while the Appellate Adjudication Program under the Court of Appeals was allotted with P1.4 billion. Some P1.3 billion was also set aside for the construction and repair of Halls of Justice. In order to fight corruption, budgetary outlays of P13.1 billion and P4.1 billion were provided to the Commission on Audit and the

[10] Includes locally funded projects only

Office of the Ombudsman, respectively. Meanwhile, the Budget and Treasury Management System, which aims to automate and consolidate the public financial management processes of the government, was given P278 million. On the other hand, initiatives to improve the ease of doing business such as free internet Wi-Fi connectivity was budgeted with P1.5 billion[11]; *Negosyo* centers with P791 million; and the National Government Portal with P431 million.

20. **The Administration puts a premium on maintaining public order, achieving peace, and ensuring the security and protection of all its citizens and non-citizen residents.** Some P187.3 billion was allocated to cover the operations of the Philippine National Police (PNP) and to support its campaign against crime and lawlessness. To reduce and suppress the supply of dangerous drugs, the Anti-Illegal Drug Operations of the Philippine Drug Enforcement Agency was provided with P2.8 billion. Furthermore, to ensure public order and safety, the government also set aside P23.0 billion for the Bureau of Fire Protection, P18.6 billion for the Bureau of Jail Management and Penology, and P4.2 billion for the Bureau of Corrections. Meanwhile, P192.1 billion was provided to the Department of National Defense (DND), of which P25.0 billion is set aside for the Revised Armed Forces of the Philippines Modernization Program. Pursuant to the Bangsamoro Organic Law (Republic Act No. 11054), an amount of P70.6 billion[12] shall be used to ensure the smooth transition to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). Other major programs to achieve inclusive and sustainable peace are the Program for the End of Local Communist Armed Conflict, and the PAMANA Program, which were allotted with P1.7 billion each.

21. **To address urgent environment concerns and achieve sustainable growth, key policies to preserve the environment and natural resources were also funded in this year's budget.** A budgetary outlay of P26.4 billion was provided to the Department of Environment and Natural Resources (DENR). Included here are the P3.2 billion National Greening Program which aims to recover denuded forestland, produce seedlings, and maintain forests and watersheds; P1.4 billion Solid Waste Management Program which assesses 310 open and controlled dumpsites and establishes

[11] Inclusive of P1.414 billion budget sourced from Special Account in the General Fund from Spectrum Users Fees collected by National Telecommunications Commission

[12] Composed of the Block Grant appropriated for the BARMM (P63.6 billion); Special Development Fund for rebuilding, rehabilitation, and development of conflict-affected communities in BARMM (P5.0 billion); and Share in Taxes, Fees and Charges Collected in the BAR (P2.0 billion)

580 Materials Recovery Facilities; and P1.7 billion for the rehabilitation of the country's coastal and marine ecosystems. Other measures which promote a clean and healthy environment also include: a) Clean Water Program (P0.17 billion); and b) Clean Air Program (P0.15 billion).

22. **The Administration also recognizes the need to fund measures on climate change adaptation and disaster risk reduction, especially in a disaster-prone country like the Philippines.** Some P90.1 billion was set aside for construction and rehabilitation of flood mitigation structures and facilities, strengthen measures on flood control, and protect human lives and properties from the risks brought about by major floods. Furthermore, the National Disaster Risk Reduction and Management Fund (NDRRMF) was provided with P16.0 billion to fund disaster risk reduction or mitigation, prevention and preparedness activities, as well as relief, recovery, and reconstruction works or services in connection with calamities. This includes the P3.5 billion allocation for the Marawi Recovery, Rehabilitation, and Reconstruction Program, as well as the P5.0 billion allocation for the Comprehensive Aid to Repair Earthquake Damage for Regions XI and XII. Similarly, a combined amount of P6.8 billion was allocated as Quick Response Fund (QRF) in the respective budgets of concerned departments identified as "first responders".[13] The QRF serves as standby fund to be used in order to normalize the situation and living conditions of people in crisis-stricken communities as quickly as possible. Meanwhile, in order to develop and utilize renewable energy resources for clean, affordable, and sustainable energy, P154 million was set aside for Renewable Energy Development.

[13] Specifically, the following agencies received QRFs for FY 2020: DepEd (P2.1 billion), DA (P1.5 billion), DSWD (P1.3 billion), DPWH (P1.0 billion), DOH (P0.6 billion), Office of Civil Defense (P0.3 billion), and National Electric Administration (P0.1 billion). Note: Figures may not add up due to rounding off.

III. First Semester Macroeconomic and Fiscal Performance

a. Macroeconomic Environment

Growth Target

23. **The Philippine economy contracted by 9.0 percent in the first semester (S1) of 2020, as the country experienced unforeseen shocks** with the eruption of Taal volcano and the imposition of restrictive measures to contain the spread of COVID-19. As a result, the country's GDP contracted by 0.7 percent in the first quarter (Q1) and 16.5 percent in Q2, which brings GDP growth to -9.0 percent in the first semester. Among major emerging market economies in the region, only Vietnam (2.1 percent) saw positive growth in S1 while Indonesia (-1.2 percent), China (-1.8 percent), Singapore (-6.7 percent), Thailand (-7.1 percent), and Malaysia (-8.2 percent) posted a contraction.[14] Meanwhile, comparing the country's economic performance to the latest GDP projections of credit rating peers, such as Poland (-4.0 percent), Hungary (-5.2 percent), Colombia (-7.0 percent), Peru (-9.2 percent), Mexico (-10.2 percent), and Italy (-11.5 percent), the Philippine GDP performance is at the median.[15]

Table 2. Mid-Year 2020 Economic Performance vis-à-vis Macroeconomic Assumptions

Particulars	2020		FY 2019 Actual
	FY 2020 BESF[1/] Initial Projections	Actual (Jan-June)	
Nominal GDP (PhP Mn)			
Low-end	21,117,030	8,599,817	19,516,418
High-end	21,465,444		
Real GDP Growth Rate	6.5 to 7.5	-9.0	6.0

1/ FY 2020 Budget of Expenditures and Sources of Financing (BESF)

Source: PSA, NEDA

[14] Based on actual data. Sources: PSA, BPS, SingStat, DOSM, NESDC, GSO

[15] The Philippines, Mexico, and Italy are all based on actual data. Data for other countries are based on forecasts. Sources: PSA, BSP, Tradingeconomics

24. **On the demand side, consumer and investor sentiment was dampened initially by the Taal volcano eruption and increasingly by the heightened quarantine restrictions imposed to prevent the spread of COVID-19.** Both household consumption (-7.8 percent) and investments (-36.6 percent) significantly dropped in the first semester of 2020. Household consumption fell drastically as the unprecedented increase in unemployment, loss in income, and drop in foreign remittances greatly affected the households' purchasing power. On the other hand, investments contracted largely due to the decline in fixed capital investments (-22.3 percent), as private construction (-26.9 percent) fell substantially while public infrastructure (-0.8 percent) slightly weakened. The decline in both household consumption and investments far outweighed the increase in government consumption spending (15.6 percent), thus, reducing domestic demand by 11.8 percent.

25. **Net exports improved as imports fell more relative to exports.** External demand weakened in first half of 2020 with exports declining by 21.4 percent. The decline in exports in S1 was largely driven by the double-digit contraction in exports of services (-24.7 percent) mainly due to the decrease in travel services (-53.2 percent) as arrival of international visitors dropped. The decline in exports, however, was largely offset by the 24.7 percent decline in imports, resulting in an improvement for net exports (34.3 percent) in the first half of 2020.

26. **On the supply side, the varying levels of restrictions imposed across the country due to COVID-19 have disrupted supply chains and affected several industries.** For instance, the services sector declined by 8.2 percent in S1 2020 as most of its subsectors posted contraction, with accommodation and food service activities (-41.2 percent) and transport and storage (-36.6 percent) being the hardest hit as expected, given the restricted movement and lockdown. On the other hand, finance (7.9 percent) and information and communication (5.9 percent) posted growth in S1 as the demand for online services soared due to the increase in work from home arrangements, and higher usage of online banking facilities and electronic money platforms. Public administration also grew by 7.1 percent in S1 primarily on account of higher spending on personnel services during the period.

27. **Meanwhile, growth in the industry sector slid double-digit (-13.5 percent) for the first half of 2020, largely driven by the decline in manufacturing (-12.5 percent) and construction (-20.3 percent).** Among major industries,

only the agriculture sector recorded an expansion in the first half of the year (0.6 percent) as the it was allowed to fully operate even during the community quarantine period.

Table 3. Decomposition of Real GDP Growth, Supply-side and Expenditures

Particulars	Growth Rate (%)		Contribution to Growth (in ppt)	
	S1 2019	S1 2020	S1 2019	S1 2020
Gross Domestic Product	**5.6**	**-9.0**	**5.6**	**-9.0**
By Expenditure				
1. Household Final Consumption	5.9	-7.8	4.2	-5.6
2. Government Final Consumption	6.7	15.6	0.9	2.0
3. Capital Formation	3.9	-36.6	1.0	-9.5
A. Fixed Capital	1.8	-22.3	0.5	-5.7
1. Construction	4.8	-20.4	0.8	-3.2
Public	*-22.9*	*-0.8*	*-1.2*	*0.0*
Private	*19.0*	*-26.9*	*2.0*	*-3.2*
2. Durable Equipment	-5.7	-33.5	-0.5	-2.4
4. Exports	3.6	-21.4	1.1	-6.5
5. Less: Imports	4.2	-24.7	1.8	-10.2
By Origin				
1. Agriculture, Hunting, Forestry & Fishing	0.6	0.6	0.1	0.1
2. Industry	3.7	-13.5	1.1	-4.1
3. Services	7.3	-8.2	4.4	-5.0

Source: NEDA, PSA

Macroeconomic Assumptions

Table 4. Selected Macroeconomic Indicators, 2020

Particulars	2020 DBCC Assumptions		2020 Actual
	Original (2020 BESF)	Revised (2021 BESF)	
Inflation (%)	2.0 – 4.0	1.75 – 2.75	2.5 (Jan – Jun)
364-day T-bill rate (%) a/	5.0 – 6.0	2.5 – 3.5	3.1 (Jan – Jun)
180-day LIBOR (%)	1.5 – 2.5	0.8 – 1.5	1.1 (Jan – Jun)
Foreign exchange rate (₱/US$1)	51.00 – 55.00	50.00 – 52.00	50.65 (Jan – Jun)
Dubai crude oil price (US$/barrel)	60.00 – 75.00	35.00 – 45.00	40.64 (Jan – Jun)
Goods exports growth (%) b/	6.0	-16.0	-4.3 (Jan – Mar)
Goods imports growth (%) b/	8.0	-18.0	-10.3 (Jan – Mar)

a/ Based on primary market rates
b/ Based on Balance of Payments and International Investment Position Manual, 6th edition (BPM6)
Note: Actual data are averages for the period January – June 2019 except for goods exports and imports where the latest available data is for the period January – March 2020.
Source: DBM, PSA, BTr, and BSP

28. **Headline inflation settled at 2.5 percent in January – June 2020, within the government target of 3.0 percent ± 1.0 percentage point.** Monthly headline inflation was on a decelerating trend in early 2020. However, inflation started to increase in June driven largely by rising international oil prices that, in turn, resulted in higher domestic petroleum prices as well as tricycle fare hikes. With the COVID-19 pandemic and amid a benign inflation environment, the *Bangko Sentral ng Pilipinas* (BSP) eased monetary policy settings by reducing the policy interest rate by a cumulative 175 basis points (bps) in the first half of 2020. The policy responses implemented by the BSP are focused on providing broad monetary stimulus and sufficient liquidity to the financial system.

29. **At the same time, domestic interest rates moderated in the first six months of the year.** The 364-day T-bill rate averaged 3.1 percent in the auctions offered by the Bureau of the Treasury during the period, below the original assumption[16] of 5.0 – 6.0 percent for 2020. The results of the BTr auctions reflected market players' risk aversion amid geopolitical tensions between the US and Iran, as well as concerns over the impact of Taal Volcano eruption in Q1 2020. However, a declining trend was observed in recent

[16] Original assumptions refer to the set of Macroeconomic Assumptions published in Table A.1 of the FY 2020 Budget of Expenditures and Sources of Financing

months following the BSP's reduction in its policy rate and reserve requirement ratio, and implementation of its liquidity-enhancing measures. Increased demand for short-tenor government debt notes amid uncertainties brought about by the COVID-19 pandemic and limited investment options have also helped bring yields down.

30. **Similarly, the policy actions by the US Federal Reserve contributed to the decline in foreign interest rates.** For the period January – June 2020, the 180-day LIBOR averaged at 1.1 percent, below the original assumption of 1.5 – 2.5 percent. The US Federal Reserve implemented two sizeable emergency rate cuts in March 2020, bringing the US federal funds rate to the zero lower bound.[17] In addition, the US Federal Reserve implemented further actions to stimulate economic activity, including the purchases of Treasury securities and agency mortgage-backed securities, and offering of large-scale overnight and term repurchase agreement operations.

31. **In the foreign exchange market, the peso-dollar rate averaged at ₱50.65/US$1 in January – June 2020**, slightly below the original assumption of ₱51.00-55.00/US$1. Policy measures implemented by authorities to counter the impact of the COVID-19 on the economy calmed market sentiment, contributing to the stability of the peso. Moreover, trading volumes declined significantly during the community quarantine period as corporate dollar demand weakened. This was partly offset by depreciation pressures emanating from concerns over the US-Iran geopolitical tension, as well as heightened fears over the extent of the impact of COVID-19 on the domestic and global economy.

32. **In the international oil market, Dubai crude oil prices started to pick up following its notable dip in April 2020.** In the first six months of the year, Dubai crude oil prices averaged US$40.64 per barrel, below the original assumption of US$60.00-US$75.00 per barrel. Global oil prices have started to rise in May 2020 with the Organization of the Petroleum Exporting Countries and its allies (OPEC+) voluntary production cuts and its decision to extend its largest cut through July. At the same time, market optimism over demand recovery with re-opening efforts by economies across the globe, as well as results of initial testing for COVID-19 vaccines have also boosted oil prices.

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[17] The US Federal Reserve reduced the Fed funds target rate by 50 bps to 1.00-1.25 percent and by another 100 bps to 0-0.25 percent in unscheduled policy meetings on 3 and 15 March 2020, respectively.

33. **On the external sector, exports of goods declined by 4.3 percent to US$11.7 billion in Q1 2020[18] from US$12.2 billion in Q1 2019.** This developed on account of decreased demand from the country's major trading partners, i.e., China and the United States, and scaling back of orders due to the COVID-19 outbreak. By commodity, the decrease in exports of goods was evident in the 8.6-percent decline in shipments of manufactures, in particular, exports of machinery and transport equipment which contracted by 23.9 percent and chemicals by 34.7 percent. Shipments of electronic products and other electronics also declined by 2.4 percent and 15.5 percent, respectively. The lower production of electronic products, particularly electronic data processing, communication/radar, as well as control and instrumentation, mirrored the decline in the output of the manufacturing sector due to supply chain disruptions and limitations in mobility. Meanwhile, exports of fruits and vegetables managed to grow by 26.5 percent following higher shipments of canned pineapple, pineapple concentrates, and other fruits and vegetables. Exports of mineral products, likewise, expanded by 12.9 percent owing to increased shipments of iron ore agglomerates and gold during the quarter.

34. **Likewise, imports of goods dropped by 10.3 percent to US$21.9 billion in Q1 2020[19] from US$24.4 billion in the same quarter a year ago.** The decline stemmed largely from lower imports registered across all commodity groups, as domestic economic activity was adversely affected by the government-imposed lockdown. Imports of capital goods fell by 17.7 percent to almost US$6 billion attributed to lower purchases of telecommunication equipment and electrical machinery (by 29.7 percent), power generating and specialized machines (21.3 percent), and aircrafts, ships and boats (22.3 percent). Moreover, imports of raw materials and intermediate goods also contracted by 8 percent to US$8.1 billion on account of decreased imports of the following: a) manufactured goods, particularly metal products, non-ferrous metals, and non-metallic mineral manufactures; b) chemicals, mostly artificial resins and chemical compounds; and c) unprocessed raw materials, largely wheat and inedible crude materials. Further, inward shipments of consumer goods dropped by 9.4 percent to US$4 billion due to lower importation of rice (49.6 percent), and other miscellaneous manufactures (17.5 percent). Lastly, imports of mineral fuels and lubricant also decreased by 8.4 percent to US$2.6 billion

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18 Preliminary data; the first semester 2020 actual BOP performance will be released on 18 September 2020.

19 Ibid.

due to lower import volume and decline in the international market price of petroleum crude.[20]

b. Fiscal Program and Performance

35. **The government's fiscal program for the year was revised a number of times, underscoring the extent of uncertainty in the macro-fiscal environment due to the pandemic.** While revenues and disbursements were adjusted downwards to P3.492 trillion and P4.163 billion, respectively, in the December 2019 estimates from the original P3.536 trillion and P4.214 trillion FY 2020 Budget of Expenditures and Sources of Financing (BESF) assumption in July 2019, this was mainly due to the revised growth and updated Comprehensive Tax Reform Package assumptions, and the extended implementation of some expenditures (i.e., maintenance and other operating expenses and infrastructure outlays) with the continuing transitional arrangements under the Cash Budgeting System. The latest three revisions (*as summarized in Table 5 below*), meanwhile, characterize the very dynamic fiscal programming exercises due to the extremely volatile macroeconomic landscape, limited information about the virus at that time, and the magnitude of its socio-economic impact. In sum, revenue estimates declined by 3.1 percent of GDP to P2.613 trillion in May from the pre-COVID-19 level of P3.492 trillion in December 2019, while disbursements inched up by 2.0 percent of GDP to P4.225 trillion from P4.163 trillion. On the other hand, the deficit surged to P1.613 trillion, equivalent to 8.4 percent of GDP, from the P671.2 billion or 3.2 percent of GDP projections in December last year.

[20] Based on data from the Department of Energy, the average price of Dubai crude oil in Q1 2020 declined to US$50.74/barrel from US$63.51/barrel in Q1 2019.

Table 5. Comparison of FY 2020 Fiscal Program, Original vs Updated
(In billion pesos, unless otherwise indicated)

Particulars	FY 2020				
	Original Projection 1/ July 2019	December 2019 2/	March 27, 2020 3/	May 12, 2020 4/	May 27, 2020 5/
Revenues	**3,536.2**	**3,492.0**	**3,173.1**	**2,612.6**	**2,612.6**
% of GDP	*16.7%*	*16.7%*	*16.8%*	*13.6%*	*13.6%*
Disbursements	**4,213.8**	**4,163.2**	**4,163.2**	**4,175.2**	**4,225.2**
% of GDP	*20.0%*	*19.9%*	*22.1%*	*21.7%*	*21.9%*
(Deficit)	**(677.6)**	**(671.2)**	**(990.1)**	**(1,562.6)**	**(1,612.6)**
% of GDP	*-3.2%*	*-3.2%*	*-5.3%*	*-8.1%*	*-8.4%*
Nominal GDP	*21,117.0*	*20,971.4*	*18,832.3*	*19,261.7*	*19,261.7*

1/ As presented in the FY 2020 Budget of Expenditures and Sources of Financing (BESF).
2/ 177th DBCC Meeting on December 11, 2019.
3/ DBCC Ad Referendum Approval dated March 27, 2020.
4/ Special DBCC Meeting on May 12, 2020.
5/ DBCC Ad Referendum Approval dated May 27, 2020.

b.1 Revenue Performance

36. **For the first time in eleven years, total NG revenues fell by 6.1 percent against the same period in 2019, reaching only P1.453 trillion as of end-June 2020.** The community quarantines and travel lockdowns imposed over the entire country from mid-March, and the limited or non-operation of firms considered as non-essentials such as tobacco and automobiles, reduced revenues of these sectors in particular when compared with previous year's collections. The lockdown also resulted in an increasing number of Filipinos and repatriated OFWs who lost their jobs. The significant reduction in people's income affected the ability to spend hence, affected the consumption taxes particularly, the excise taxes and value added tax. The restrictions, likewise, curtailed economic activities and muted government's revenue generation capacity.

Table 6. National Government Revenue Performance, January to June 2020
(In billion pesos)

Particulars	Jan-June 2019 Actual	Jan-June 2020		Variance (2020 Actual vs Program)	Growth Rate (Actual 2020 vs 2019)
		Program[1/]	Actual		
Total Revenues	**1,547.5**	**1,451.6**	**1,453.3**	**0.1%**	**-6.1%**
Revenue Effort	*16.7%*	*16.5%*	*16.9%*		
Tax Revenues	**1,381.0**	**1,198.1**	**1,216.4**	**1.5%**	**-11.9%**
Tax Effort	*14.9%*	*13.6%*	*14.1%*		
Non-Tax Revenues	**166.3**	**253.3**	**236.6**	**-6.6%**	**42.3%**
Privatization	**0.3**	**0.2**	**0.3**	**69.1%**	**25.2%**
Expenditure	**1,590.2**	**2,202.6**	**2,013.7**	**-8.6%**	**26.6%**
Surplus/(Deficit)	**(42.6)**	**(751.0)**	**(560.4)**	**-25.4%**	**1214.1%**
% of GDP	*-0.5%*	*-8.5%*	*-6.5%*		

Note: Used the GDP Nominal 2018-based.

1/ Based on the approved DBCC Ad referendum dated 27 May 2020 with revised macroeconomic assumptions and fiscal program in line with the impact of the COVID-19 pandemic.

37. **Tax revenues amounted to P1.2 trillion, 11.9 percent or P164.6 billion lower than the previous year.** Tax revenues as a percent of GDP stood at 14.1 percent, or a decline of 0.7 percentage point year-on-year. With eroded tax bases and lower imports, the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) both suffered reductions in their actual collections of 10.3 percent and 16.5 percent, respectively.

38. **Offsetting the fall in tax revenues, non-tax revenues increased 42.3 percent, or P70.3 billion from the 2019 level.** The double-digit increase in non-tax revenues was fueled mainly by higher collection of the BTr. The Bureau generated P183.2 billion for the period, or an increase of 109.1 percent year-on-year due to higher remittance of dividends on shares of stocks held by the government, and interest on advances from GOCCs. Other non-tax revenues and fees and charges declined by 27.3 percent and 42.7 percent respectively due to the non-operations of various NG collecting agencies during the widespread enhanced community quarantines and lockdowns.

39. **For the first semester of 2020, the NG received a record P149.6 billion in dividends, fees, returns of unutilized subsidies and other remittances from 54 GOCCs.** Of these P149.6 billion total remittances, P101.3 billion was remitted to the BTr since the effectivity of the *Bayanihan* I Law on March 24.

Under the *Bayanihan* I Law, the President was authorized to allocate cash, funds, investments including unutilized or unreleased subsidies and transfers held by any GOCC in order to address the COVID-19 emergency. The Memorandum from the Executive Secretary Salvador C. Medialdea dated March 28, 2020 authorized the Secretary of Finance to perform these acts. The Secretary of Finance issued communications to various GOCCs to remit excess cash and unutilized subsidies/transfers to the BTr. In the pursuit of the intention and policy declaration under the *Bayanihan* Act, GOCCs remitted more than fifty percent of the minimum required under the Dividend Law.

40. **The total remittances from the government's privatization program also increased by 25.2 percent** compared with the same period in 2019.

Bureau of Internal Revenue

Table 7. BIR Collection, Net of Tax Refund, January to June 2020
(In billion pesos)

Particulars	Jan-June 2020		Jan-June 2019 Collection	% Variance (2020 Actual vs Program)	Collection Growth Rate	% Share in 2020 Total Collection
	Collection	Goal				
Total BIR Collections	**956.4**	**933.5**	**1,066.4**	**2.5%**	**-10.3%**	**100.0%**
Taxes on Net Income and Profit	545.4	493.9	565.9	10.4%	-3.6%	57.0%
Taxes on Property	2.0	2.8	2.8	-27.3%	-28.8%	0.2%
Taxes on Domestic Goods and Services	**409.0**	**436.8**	**497.7**	**-6.4%**	**-17.8%**	**42.8%**
Value-Added Tax	168.4	183.9	186.9	-8.4%	-9.9%	17.6%
Excise Taxes	129.4	113.9	170.2	13.6%	-24.0%	13.5%
Percentage Taxes	54.2	62.7	59.8	-13.5%	-9.3%	5.7%
Franchise Taxes	0.5	0.3	0.5	54.8%	-9.4%	0.1%
Documentary Stamp Tax	49.2	65.4	71.6	-24.8%	-31.2%	5.1%
Miscellaneous Taxes	7.3	10.6	8.7	-30.8%	-15.7%	0.8%

Notes:

1. Goal based on Revenue Memorandum Order No. 16-2020 dated June 16, 2020. (May 27 DBCC)

2. Collection (Net of Tax Refund) by tax type is based on BIR Form No. 1209 reports received from revenue district offices as of July 24, 2020

3. Details may not add-up to totals due to rounding

41. **For the first six months of 2020, the BIR managed to slightly surpass its revised target by P22.9 billion or 2.5 percent.** The Bureau collected P956.4 billion (net of tax refunds) as compared to its revised target for the period of P933.5 billion. The major tax gains for the first half of 2020 were seen in the collections of excise taxes and taxes on net income and profits, with the combined overperformance of P67.1 billion. On the other hand, collection shortfalls which amounted to P44.2 billion was seen in taxes on property, percentage taxes, value-added tax (VAT), documentary stamp tax (DST), and other taxes.

42. **Compared to 2019, total BIR collections for the first half were lower by 10.3 percent, owing to the impact of the lockdown on the economy due to the pandemic.** Community quarantines and travel lockdowns imposed on Luzon and other major cities around the country since mid-March led to eroded tax bases.

43. **The taxes on net income and profits reached P545.4 billion, declining by 3.6 percent from last year's collections for the same period.** Collections from corporate income taxes reached P264.4 billion, or a decline of 8.9 percent year-on-year, largely attributable to the non-operation or even shutdown since mid–March, of non-essential industries and services sector like hotels and tourism areas. Industry and services both posted negative growth of 13.1 percent and 6.4 percent, respectively, in the first half of 2020 based on Philippine Statistics Authority (PSA) data. Further, manufacturing, construction, mining and quarrying, as well as transportation and storage posted significant negative growth.

44. **Individual income taxes fell by a minimal 1.9 percent to reach P218.9 billion.** The public health crisis also led to job losses particularly during the imposed enhanced community quarantine from mid-March to May. Unemployment rate in July 2020 per PSA data was estimated at 10.0 percent, higher than the same month in 2019 at 5.4 percent, but lower than the record high of 17.7 percent in April 2020 as most parts of the country already started to ease community quarantine restrictions.

45. **The impact of the prolonged quarantine and lockdown was most evident in Value-Added Tax (VAT) performance.** VAT collections for the same period amounted to P168.4 billion, or P15.4 billion short of the revised target, and lower by 9.9 percent year-on-year. Closure of many establishments and restricted economic movements slowed consumer demand almost to a trickle. The reduction or even loss of incomes dampened consumption and consumer spending. GDP outcome for the first semester of 2020 showed household final consumption expenditure declining by 5.5 percent year-on-year according to PSA data.

46. **As of June 2020, excise tax collections amounted to P129.4 billion, exceeding its revised target of P113.9 billion by 13.6 percent.** However, when compared with the same period in 2019, total excise tax collections declined by 24.0 percent or P40.8 billion. Similar as VAT, excise taxes largely depend on consumer demand. However, except for petroleum products, all other excisable products are considered non-essential commodities. Excise tax collections from alcohol products declined by 27.2 percent despite the higher taxes this year under RA No. 11467, due to the imposed nationwide liquor ban. Some of the big manufacturers halted their production of alcohol products to produce rubbing alcohol instead to respond to the urgent requirements for disinfectant products. Excise tax collections from tobacco

products also suffered a 27.8 percent cut year-on-year despite the higher tax rate this year under RA No. 11346 for the same reasons. Petroleum excise tax collections fell because of mobility restrictions limiting private transportation, and the suspension of major public transportation since March. The closure of a major automobile company coupled with low demand severely affected automobile excise tax collections. Other excisable products like sweetened beverages, mining, and cosmetic procedures all suffered declines year-on-year.

47. **Percentage taxes as of June 2020 reached P54.2 billion which include taxes from banks, financial institutions, insurance premiums, amusements, franchise, and other percentage taxes.** These were 13.5 percent below the revised target, and lower by 9.3 percent year-on-year.

48. **Collections from other taxes which include taxes on property, documentary stamp tax, and miscellaneous taxes amounted to P58.5 billion for the first semester of 2020**, 25.7 percent below the revised target, and 29.5 percent lower than the collection in 2019.

49. **Despite the challenging environment brought about the pandemic situation, the BIR remained committed to its mandate of just enforcement of the country's tax laws through its priority programs such as the Run After Tax Evaders (RATE), Tax Compliance Verification Drive (TCVD), and *Oplan Kandado*.** Comprehensive tax awareness campaigns to educate the tax payers, improved e-Services and streamlined processes for ease of filing and payment of taxes, and intensified audit and collection from delinquent accounts were also continuously implemented.

Bureau of Customs

Table 8. BOC Collection, Net of Tax Refund, January to June 2020
(In billion pesos)

Particulars	Jan-June 2019 Actual	Jan-June 2020		Growth (2019 Actual vs 2020)	% Variance (2020 Actual vs Program)
		Program[1/]	Actual		
TOTAL	**303.0**	**257.9**	**253.1**	**-16.5%**	**-1.9%**
Import Duties	**35.9**	**39.3**	**34.4**	**-4.2%**	**-12.5%**
Non-Oil	35.9	35.7	32.1	-10.8%	-10.1%
Oil[2/]	0.002	3.656	2.360	142305.3%	-35.5%
VAT	**208.6**	**156.3**	**161.8**	**-22.4%**	**3.6%**
Non-Oil	167.8	125.7	134.6	-19.8%	7.1%
Oil	40.7	30.6	27.3	-33.1%	-13.5%
Excise	**57.6**	**61.3**	**55.3**	**-4.0%**	**-9.7%**
Non-Oil	18.8	14.5	16.2	-13.9%	11.9%
Oil	38.8	46.8	39.1	0.8%	-16.3%
Others	**0.9**	**1.1**	**1.5**	**72.7%**	**43.0%**

1/ Based on the approved DBCC Ad referendum dated 27 May 2020 with revised macroeconomic assumptions and fiscal program in line with the impact of the COVID-19 pandemic.
2/ With the implementation of EO 113 in 2020.

50. **BOC collections as of June 2020 amounted to P253.1 billion pesos, slightly lower than program by 1.9 percent, and 16.5 percent lower with same period last year.** The double-digit year-on-year decline in BOC collections could largely be attributed to the effects of COVID-19 pandemic to the global economy, with the reduction in imports, lower international oil prices, and foreign exchange volatilities. The 16.5 percent decline in collection, however, is lower than the 29 percent decline in imports for the first half of 2020.

51. **For the first half of 2020, imports dropped by 29 percent based on PSA data.** The drop in the second quarter was steeper at 43.8 percent, as the global economy continued to contract, given weakness in global consumption and continuing uncertainty amid the COVID-19 outbreak. The average Dubai crude oil price dipped by around 37.6 percent year-on-year, and by negative 54.2 percent year-on-year from April to May. The contraction in global oil demand resulted from slower global economic activity leading to excess oil supply. As for the foreign exchange rate, the

peso appreciated as of June 2020 by around 3.0 percent when compared to the same period last year.

52. **Duty collections as of June 2020 reached P34.4 billion**, below the program by 12.5 percent and from last year's collections by 4.2 percent.

53. **VAT, which accounts for about 64 percent of BOC's total collections, amounted to P161.8 billion for the first half of 2020.** Collection fell by 22.4 percent against the same period in 2019, though higher than the revised program by 3.6 percent. Specifically, VAT on oil collections dropped by 33.1 percent, an outcome of lower international prices as well as reduction in volume. The VAT on non-oil imports fell by 19.8 percent.

54. **Excise tax collections of P55.3 billion, likewise, fell short of the target by 9.7 percent, and lower by 4.0 percent against 2019.** Excise tax collections from oil products were almost flat despite the last phase of the increase in tax rates mandated by the TRAIN Law. Excise tax collections from other commodities like alcohol, cigarettes, and automobiles declined even further by 13.9 percent.

55. **Additional revenues of P622.6 million were collected as a result of the post clearance audits conducted by the BOC Post Clearance Audit Group (PCAG) on importers suspected to have violated the Customs Modernization and Tariff Act (CMTA) provisions.** The post clearance audits were conducted even after the shipments had been released to ensure that proper taxes were collected.

TRAIN, Tax Amnesty, and Sin Tax Laws Revenue Performance (Preliminary)

Table 9. Preliminary January to June 2020 TRAIN, Tax Amnesty and Sin Tax Laws Revenue Performance
(In billion pesos)

Revenue Measures	Jan-June 2019 Actual	Jan-June 2020		Jan-June 2020 Program vs Actual	Jan-June 2020 vs 2019 Actual
		Revised Program	Actual		
TRAIN Law	58.1	18.5	32.1	73.8%	-44.7%
Tax Amnesty[1/]	0.2	0.0	1.6	-	761.0%
Sin Tax Laws[2/]	0.0	5.8	17.2	194.5%	-
Total	**58.3**	**24.3**	**50.9**	**109.3%**	**-12.6%**

1/ No estimates in the revenue program for Tax Amnesty in 2020.
2/ New sin tax laws (RA 11346 and RA 11467) were only implemented effective January of 2020.
Source: Preliminary reports from BIR and BOC

TRAIN Law

56. **Preliminary incremental revenues due to TRAIN for the first semester of 2020 reached P32.1 billion, dropping 44.7 percent against the collection during the same period in 2019, but exceeding the revised estimate for the period of P18.5 billion.** The revised estimate already considered the projected impact of this public health crisis unleashed by COVID-19 pandemic.

57. **The gains against the revised estimates during the first half of 2020 were from personal income tax, imported petroleum excise tax, sweetened beverage (SB) excise tax, tobacco excise tax, and mining excise tax.** However, when compared with additional revenues collected during the same period in 2019, these all suffered reductions.

58. **Additional revenues from automobile excise tax declined by 64.7 percent year-on-year.** This was due mainly to the significant decline in both the volume of imports and local production of automobiles, in particular, during the lockdown period. Based on the reported data from the BIR, there was no recorded production in April, and only 897 cars were produced in May, or a decline of 88.9 percent year-on-year. On the other hand, the reported volume of imported automobiles from the BOC as of June 2020

also declined by around 32.0 percent year-on-year. As the pandemic crisis remained unresolved, demand remained dismal as consumers continued to hold off spending on non-essential goods such as automobiles particularly, with the growing uncertainty surrounding the impact of the pandemic on people's income and employment.

59. **Furthermore, the limited operations of public and private transportation, and the manufacturing sector during quarantines and travel lockdowns restricted economic movement and led to a reduction in the domestic demand for petroleum products.** Consequently, these factors muted petroleum excise collections despite another round of tax rate increase this year. This was evident in the January to June 2020 volume of locally-refined and imported petroleum products. Importations for the period for diesel, gasoline, aviation fuel, and kerosene suffered cuts by 29.4 percent, 20.2 percent, 29.0 percent, and 21.1 percent year-on-year, respectively. The same trend for the volume of locally refined diesel, gasoline, aviation fuel, liquefied petroleum gas (LPG), and kerosene was observed, which declined by 12.4 percent, 35.5 percent, 23.8 percent, 43.9 percent, and 24.1 percent year-on-year, respectively. Hence, the additional revenues from petroleum excise tax while above the revised estimate by 3.1 percent, was lower by 5.3 percent year-on-year.

Tax Amnesty

60. **Preliminary data show that the BIR's actual revenue collections from Tax Amnesty reached a total of P1.6 billion from January to June 2020.** Actual proceeds from estate amnesty during the same period reached P0.5 billion, while P1.1 billion was collected for tax amnesty on delinquencies.

61. **The BIR issued RMC No. 38-2020 on April 8, 2020, which further extended the deadline for the availment of the tax amnesty on delinquencies to 8 June 2020.** Before this extension, the BIR had already extended the deadline to 23 May 2020 from the original cut-off date of 23 April 2020.

Package 2+ or Sin Tax Laws

62. **Preliminary additional revenues from the Package 2+ or Sin Tax Laws reached P17.2 billion from January to June 2020**, exceeding the P5.8 billion revised estimate for the period.

63. **While additional revenues from alcohol and tobacco excise collections exceeded estimates for the first half of 2020, total excise tax collections for these sin products suffered reductions when compared with the same period last year.** This was despite the increase in the tax rates effective this year. The widespread lockdown which included the massive liquor ban and the limited production during the lockdowns continued to challenge the sin tax collections this year.

b.2 Borrowing Performance

National Government Financing

Table 10. National Government Financing
(In million pesos)

Particulars	Jan-June 2020			%	Full-year 2020	
	Program	Actual	Diff		Program [2/]	Revised Program [3/]
NET FINANCING	**779,944**	**1,548,022**	**768,078**	**98.5%**	**1,241,974**	**2,787,660**
External Borrowing (Net)	98,225	299,997	201,772	205.4%	197,865	632,802
External Borrowing (Gross)	221,975	413,457	191,482	86.3%	353,155	785,613
Project Loans	23,106	11,092	(12,014)	-52.0%	46,211	29,070
Program Loans	88,869	216,301	127,432	143.4%	114,444	466,812
Bonds and Other Inflows	110,000	186,064	76,064	69.1%	192,500	289,731
Less: Amortization	123,750	113,460	(10,290)	-8.3%	155,290	152,811
Domestic Borrowing (Net)	681,719	1,248,025	566,306	83.1%	1,044,109	2,154,858
Domestic Borrowings (Gross)	682,981	1,309,052	626,071	91.7%	1,046,968	2,218,230
Treasury Bills	152,981	310,427	157,446	102.9%	48,000	48,000
Treasury Bonds	530,000	698,625	168,625	31.8%	998,968	1,670,230
Advances from BSP/Repo (Net)	0	300,000	300,000		-	500,000
Less: Net Amortization	1,262	61,027	59,765	4735.7%	2,859	63,372
Amortization	*247,183*	*246,211*	(972)	-0.4%	*426,798*	*431,511*
o/w Serviced by the BSF [1/]	*245,921*	*185,184*	(60,737)	-24.7%	*423,939*	*368,139*
GROSS FINANCING	**904,956**	**1,722,509**	**817,553**	**90.3%**	**1,400,123**	**3,003,843**
Financing Mix (% of Total)						
External	25%	24%			25%	26%
Domestic	75%	76%			75%	74%

1/ Actual redemption from Sinking Fund
2/ Based on FY 2020 BESF Table D.1
3/ Based on FY 2021 BESF Table D.1
Source: Bureau of the Treasury

64. **The NG raised P1,722.5 billion of borrowings for the first half of 2020 alongside a P560.4 billion fiscal deficit and a refinancing requirement of P174.5 billion.** The amount raised was 90.3 percent above program for the period and already made up 56 percent of the revised full year target to support the government's COVID-19 response and economic recovery measures. The midyear outturn reflects a 24:76 split between external and domestic financing, approaching the target of 25:75.

65. **Gross domestic borrowings accounted for 76 percent or P1,309.1 billion of the borrowing effort and was 91.7 percent above the P683.0 billion first semester program.** The bulk of the raised amount was sourced from the issuances of treasury bonds through regular auction, Over-the-Counter

(OTC) and TAP facility, with sale of 3-, 5-, 7-, and 10-year fixed treasury bonds contributing P387.9 billion to the total. In February, the government also raised P250 billion from the issuance of P310.8 billion worth of 3-year retail treasury bonds (RTB 23), including the P60.7 billion bond buyback, wherein holders of RTB 3-08 (RTB 19) issued in April 2017 were allowed to swap their bond holdings for the new bond. The said program was part of the government's continuous goal of promoting financial inclusion and literacy program in the country. On top of this, the government availed short term borrowing from the BSP in March amounting to P300.0 billion through a repurchase (repo) agreement as additional budgetary support. Meanwhile, gross treasury bills floatation reached P676.8 billion with P366.4 billion in maturities, leaving P310.4 billion for financing. Domestic amortization was P246.2 billion which include maturities serviced by the Bond Sinking Fund. Domestic net amortization of P61.0 billion was higher than programmed due to the bond exchange transaction in February 2020.

66. **External borrowings of P413.5 billion sourced through concessional loans and issuances of sovereign bonds in the international capital market, likewise, exceeded the mid-year program by 86.3 percent.** Program loans made up 52 percent of total availments, majority of which were obtained from the Asian Development Bank (ADB) and the International Bank for Reconstruction and Development (IBRD). These include (1) (USD1.5 billion) P76.3 billion from ADB's *COVID-19 Active Response & Expenditure Support (CARES)* program; (2) (USD500 million) P25.3 billion from IBRD's *Third Disaster Risk Management Development Policy Loan;* and (3) (USD500 million) P25.0 billion from IBRD for *Emergency COVID-19 Response Loan*. In February and May, the government also successfully issued a 3- and 9-year euro, and 10- and 25-year dollar-denominated bonds in the international capital market, raising (EUR1.2 billion) P67.3 billion and (USD2.35 billion) P118.7 billion, respectively. Meanwhile, proceeds from project loans amounted to P11.1 billion and was 52 percent lower than programmed as government put on hold some infrastructure projects due to the imposition of lockdown and quarantine measures to control the COVID-19 outbreak. Fifty-three percent (53 percent) of the total were availed from Japan International Cooperation Agency (JICA), the bulk of which went to the Department of Transportation's Maritime Safety Capability Improvement project. Lastly, external amortization of P113.5 billion was 8.3 percent lower than program resulting from the impact of foreign exchange (FX) appreciation.

67. **The NG will continue to source its financing primarily from domestic lenders to meet its funding requirements for the rest of 2020** in line with its thrust of reducing the country's exposure to foreign currency volatility in funding its various programs. The government targets a 74:26 mix between domestic and foreign sources of financing for FY 2020.

National Government Debt

68. **The NG's total outstanding debt stood at P9,054.06 billion as of end-June 2020, reflecting a P1,322.77 billion increment from its end-2019 level.** Of the total outstanding debt stock, 32 percent were sourced externally while 68 percent are domestic debt.

69. **Debt as a percentage of GDP was recorded at 48.1 percent as of the first half of the year**, crawling up by 6.34 percentage points from a year ago due to higher government borrowing vis-à-vis slower economic growth, both linked to the COVID-19 pandemic. Nevertheless, prudent debt management strategies allowed the structure and profile of the NG debt portfolio to maintain minimal exposure to market risks.

70. **NG obligations continue to exhibit resilience against interest rate risk.** As of end-June 2020, the portion of total debt subject to refixing is still manageable and minimal at 9.72 percent, despite rising from 8.94 percent at the start of the year due to increased availment of concessional external loans with floating rates.

71. **Average residual maturity of 7.87 years is still within the 7-10 year target.** The decline in portfolio maturity from 8.59 years at the beginning of the year comes as the market turns to short and medium tenors due to uncertainties caused by the pandemic. Average residual maturity for domestic and external debt is at 5.95 years and 11.81 years from 6.79 years and 12.14 years as of end-December 2019, respectively. On the other hand, the weighted average interest rate (WAIR) has improved to 4.64 percent as of H1 2020 from 5.00 percent at the start of the year, driven by strong investor preference for safe haven government issuances.

72. **Local currency debt increased its share to 69.53 percent as of end-June 2020 from 67.68 percent at the start of 2020.** Meanwhile, debt denominated in US dollars, Japanese yen, European euros and other currencies accounted for 23.60 percent, 4.36 percent, 1.97 percent and 0.54 percent, respectively.

Table 11. National Government Debt

(In million pesos)

Particulars	June 2019	June 2020	Y-o-Y	
			Difference	Variance
Total NG Debt	**7,868,634**	**9,054,064**	**1,185,430**	**15.1%**
External	2,573,804	2,864,024	290,220	11.3%
Domestic	5,294,830	6,190,040	895,210	16.9%
% of Total				
External	33%	32%		
Domestic	67%	68%		
% of GDP	41.7%	48.1%	6.38%	
External	13.6%	15.2%	1.57%	
Domestic	28.1%	32.9%	4.81%	
Total NG Debt by Instrument	**7,868,634**	**9,054,064**	**1,185,430**	**15.1%**
Loans	979,735	1,469,761	490,026	50.0%
Debt Securities	6,888,899	7,584,303	695,404	10.1%
Total NG Debt by Currency	**7,868,634**	**9,054,064**	**1,185,430**	**15.1%**
Peso Denominated	5,398,893	6,294,824	895,931	16.6%
Foreign Currency Denominated	2,469,741	2,759,240	289,499	11.7%
Average Maturity (years) [1/]	**9.7**	**7.87**		
External	12.39	11.81		
Domestic	6.71	5.95		
Weighted Ave. Interest Rate	**5.09**	**4.64**		
External	4.15	3.61		
Domestic	5.54	5.14		
Interest Rate Mix	**100.00%**	**100.00%**		
Fixed	91.04%	86.47%		
Floating	8.87%	9.72%		
Interest Free	0.09%	3.81%		
Total Interest Payments	**180,071**	**187,676**	**7,605**	**4.2%**
External	57,482	53,182	(4,300)	-7.5%
Domestic	122,589	134,494	11,905	9.7%
% of GDP				
Total Interest Payments	1.94%	2.18%		
External	0.62%	0.62%		
Domestic	1.32%	1.56%		
% of NG Expenditures				
Total Interest Payments	11.32%	9.32%		
External	3.61%	2.64%		
Domestic	7.71%	6.68%		
% of NG Revenues				
Total Interest Payments	11.64%	12.91%		
External	3.71%	3.66%		
Domestic	7.92%	9.25%		
Memo Items				
GDP	18,875,474	18,836,022		
GDP (flow)	9,280,213	8,599,817		
Peso/USD	51.233	49.79		
Expenditures	1,590,190	2,013,728		
Revenues	1,547,543	1,453,318		

1/ Average Maturity measured in years on residual basis

Source: Bureau of the Treasury

b.3 Expenditure and Disbursements

73. **The FY 2020 GAA was recalibrated to make funds available for COVID-19 emergency response by virtue of RA No. 11469 or the *Bayanihan* to Heal as One Act (*Bayanihan* I).** The P4.1 trillion 2020 Budget was signed by the President into law on January 6, 2020, avoiding the scenario and adverse consequences of reenacting the previous year's budget similar to what happened in 2019. However, the government had to discontinue, realign, and reprogram some of the expenditure items in this year's budget and in the previous year's continuing appropriations[21], which could not be feasibly implemented nor completed within the year, or could be deferred due to the ongoing health crisis. The savings generated went to fund specific PAPs under the *Bayanihan* I aimed at mitigating the impact of the pandemic. National Budget Circular No. 580 dated April 22, 2020 entitled "Adoption of Economy Measures in the Government Due to the Emergency Health Situation"[22] was issued to operationalize the implementation of these provisions in the *Bayanihan* I Law.

74. **As shown in Table 12, the lion's share of the adjustments[23] within the P4.1 trillion FY 2020 GAA went into maintenance and operating expenses, mainly to finance health programs and provide social safety nets to cushion the socio-economic impact of community quarantine measures.** The allocation for MOOE increased from P644.5 billion in the original FY 2020 GAA to P789.3 billion in the adjusted FY 2020 GAA for the requirements of health–related programs/expenditures of the DOH (e.g., procurement of test kits and other medical supplies) social subsidy programs implemented by the DSWD, DOLE, and DA (e.g., Social Amelioration Program, *Tulong Panghanapbuhay sa Ating* Disadvantaged/Distressed Workers, COVID-19 Adjustment Measures Program, *Ahon Lahat, Pagkaing Sapat Kontra* COVID-19) in response to the COVID-19 pandemic. On the other hand, the allocation for capital outlays (CO) was adjusted downwards from P815.4 billion to P646.2 billion, following the discontinuance and realignments of less priority capital outlays, which were unlikely to be implemented nor completed during the year, or those which could be deferred because of the pandemic.

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[21] Pursuant to Sections 4 (v), (w), and (x) of RA No. 11469.

[22] For more details and further reading, see https://www.dbm.gov.ph/wp-content/uploads/Issuances/2020/National-Budget-Circular/NATIONAL-BUDGET-CIRCULAR-NO-580-dated-April-22-2020.pdf.

[23] Pertain to adjustments, discontinuance, realignments, and modification of allotments within the FY 2020 GAA. Exclude releases from the 2019 Continuing Appropriations, and Unprogrammed Appropriations.

Meanwhile, the increase in the allotment to LGUs pertained to the *Bayanihan* Grant to Provinces, Cities, and Municipalities, a one-time financial assistance to LGUs for the implementation of local COVID-19 emergency response.

Table 12. Comparison of FY 2020 GAA, Original vs Adjusted
(In billion pesos, unless otherwise indicated)

Particulars	2020 GAA					
	Original	Adjusted 1/	Original	Adjusted 1/	Variance	
	(In Billions)		(Percent Share)		Amount	Percent
Personnel Services	1,184.3	1,184.1	28.9%	28.9%	(0.1)	*0.0%*
Maintenance and Other Operating Expenses 2/	644.5	789.3	15.7%	19.3%	144.8	*22.5%*
Capital Outlays	815.4	646.2	19.9%	15.8%	(169.2)	*-20.7%*
Subsidy and Equity to GOCCs 3/	197.7	185.8	4.8%	4.5%	(11.8)	*-6.0%*
Allotment to LGUs 4/	782.7	819.0	19.1%	20.0%	36.3	*4.6%*
Tax Expenditure Fund	14.5	14.5	0.4%	0.4%	-	*0.0%*
Debt Burden 5/	461.0	461.0	11.2%	11.2%	-	*0.0%*
Total	**4,100.0**	**4,100.0**	**100.0%**	**100.0%**	**-**	***0.0%***

1/ Pertains to adjustments per *Bayanihan* to Heal as One Act to realign funds for COVID-19 response. Excludes releases from 2019 Continuing Appropriations, and Unprogrammed Appropriations.

2/ Include financial expense.

3/ Exclude net lending.

4/ Includes IRA, BARMM Shares, Special Shares of LGUs in the Proceed of National Taxes, and LGSF, among others

5/ Composed of net lending and interest payments

75. **By the end of June 2020, the total available appropriations for the year, thus, stood at P4.454 trillion when funds coming from the FY 2019 Continuing Appropriations, Unprogrammed Appropriations, and other Automatic Appropriations are accounted as part of the government's overall funding support for its regular operations and COVID-19 measures.** This is composed of the P2.781 trillion regular budgets of National Government Agencies (of which 40.8 percent or P1.134 trillion is for payment of personnel benefits), the P1.205 trillion special purpose funds (of which P712.5 billion is automatically appropriated to LGUs for Internal Revenue Allotment and the BARMM Block Grant), and the P468.5 billion other Automatic Appropriations (composed largely of the P451.0 billion interest payments). Of the total available appropriations, P3.899 trillion was released during the first six months of the year to various NGAs, GOCCs, and LGUs. Actual obligation was recorded at P2.032 trillion, representing 52.1 percent of the total allotment releases for the period. Meanwhile, total

disbursements based on the Cash Operations Report (COR) of the BTr reached P 2.014 trillion as of end-June 2020.

Table 13. Statement of Appropriations, Allotments, Obligations, Disbursements, and Balances, January to June 2020[24]

(In billion pesos, unless otherwise indicated)

Particulars	Available Appropriations 1/	Allotment Releases 2/	Actual Obligations	Unobligated Balances	Obligation Rate 3/	Disbursements 4/
National Government Agencies	**2,780.7**	**2,476.7**	**1,216.1**	**1,260.5**	**49.1%**	**1,276.7** 5/
Special Purpose Funds (SPFs)	**1,204.9**	**961.9**	**628.1**	**333.8**	**65.3%**	**579.3**
GOCCs	296.2	222.1	222.1	-	100.0%	170.1
ALGUs	785.1	729.3	401.1	328.2	55.0%	409.2
Other SPFs/Cont. Appro.	123.6	10.5	4.9	5.6	46.8%	-
Automatic Appropriations	**468.5**	**461.0**	**187.7**	**273.3**	**40.7%**	**157.7**
Net Lending	10.0	10.0	-	10.0	0.0%	(29.9)
Interest Payments	451.0	451.0	187.7	263.3	41.6%	187.7
Other Automatic Appro.	7.5	-		-	-	-
Total	**4,454.1**	**3,899.5**	**2,031.9**	**1,867.6**	**52.1%**	**2,013.7**
By Funding Source	4,454.1	3,899.5	2,031.9	1,867.6	**52.1%**	-
Current Year	4,225.1 6/	3,691.3	1,957.6	1,733.7	53.0%	
Continuing Appropriations	229.0	208.2	74.3	133.9	35.7%	

1/ Pertains to the FY 2020 GAA, FY 2019 Continuing Appropriations, Automatic Appropriations, and Unobligated Allotments. Includes adjustments per Special Provisions in the GAA, modification of allotment classes, and releases to implementing agencies from SPFs, Unprogrammed, and Automatic Appropriations.
2/ Includes FY 2019 Continuing Appropriations.
3/ Percentage of obligations vs allotment releases.
4/ Based on the Cash Operations Report of the Bureau of the Treasury (BTr). Include prior years' obligations/accounts payables, and Non-NCA expenditures.
5/ Includes P6.5 billion Tax Expenditure Subsidy.
6/ Includes P149.8 billion from Unprogrammed Appropriations.

Source: Statement of Appropriations, Allotments, Obligations, Disbursements, and Balances of the DBM, and Cash Operations Report of the BTr.

76. **The budget utilization performance of the NGAs for the first semester this year improved to 49.1 percent, higher than the 42.9 percent[25] for the comparable period last year.** Big-spending agencies made an effort to speed up implementation of social subsidy and health programs during the imposition of strict community quarantines for most part of the country at the height of the pandemic. Nonetheless, said performance could have been better if not for the unintended delays of the ECQ on some projects like

[24] Data as of August 31, 2020. Can be accessed at https://www.dbm.gov.ph/index.php/programs-projects/statement-of-allotment-obligation-and-balances.
[25] See report at https://www.dbm.gov.ph/wp-content/uploads/e-Fund_Releases/SAOB2019/2ndQuarter/Updated/2019%20SAAODB-Q2-Updated%20on%20Aug.%2031-BY%20DEPARTMENT.pdf.

infrastructure, as well as the strict validation process involved in the distribution of cash grants under the various social subsidy programs of the government, such as the Social Amelioration Program (SAP) of the DSWD.

77. **The releases for COVID-19 measures have reached P389.2 billion as of September 14, 2020[26].** Tabulated below are the major PAPs and their corresponding allotments and cash allocations which were released to the concerned implementing agencies. The allotments pertain to the available funding that implementing agencies can use to enter into contract with suppliers/service providers to implement their respective COVID-19 PAPs. On the other hand, the cash allocations refer to actual cash credited to the agencies for the payment of actual goods delivered or services rendered as the need arises. Cash allocations were only released when the obligations become due and demandable for payment or the agency sought replenishment for payments made from their common funds. The details and latest updates on the status of COVID-19 releases are posted regularly on the DBM website.[27]

Table 14. Status of COVID-19 Releases as of September 14, 2020
(In billion pesos)

Department	Major PAPs	Amount	
		Allotment	Cash Allocation
Total Releases		**389.2**	**359.1**
of which:			
DSWD	Implementation of Social Amelioration Programs	211.6	200.0
DOLE	Financial assistance to workers under the CAMP and TUPAD Programs; Emergency Repatriation Program for OFWs	12.6	12.6
DOH	Funding requirements to address the COVID-19 pandemic (e.g. procurement of detection kits, and other medical supplies and materials)	49.0	48.2
DOF	Small Business Wage Subsidy Program (SWBSP); *Bayanihan* Grant to LGUs, *Pondo sa Pagbabago at Pag-asenso* Program	88.1	88.1
DA	Implementation of *ALPAS Kontra* COVID-19 Program, and other agriculture support programs	11.4	8.5
DepEd	Implementation of Basic Education - Learning Continuity Plan	10.9	-

[26] Sourced from the discontinued PAPs pursuant to *Bayanihan* I Law, regular agency budget under the FYs 2019 and 2020 GAA, Special Purpose Funds, and Unprogrammed Appropriations.
[27] Can be accessed at https://www.dbm.gov.ph/index.php/programs-projects/status-of-covid-19-releases.

NG Disbursements

78. **National Government spending for the first semester rose to P2.013 trillion, posting a huge 26.6 percent increase due to higher MOOE, subsidy to GOCCs, and allotment and capital transfer to LGUs.**[28] More specifically, the substantial increase was driven by the government's COVID-19 response which includes the DSWD's Social Amelioration Program, DOH health-related expenditures, DOLE's Adjustment Measures Program, Small Business Wage Subsidy Program under the Social Security System (SSS), and the additional COVID-19 financial assistance to LGUs thru the *Bayanihan* Grant to Provinces, Cities, and Municipalities. However, disbursements were lower by P188.9 billion or 8.6 percent than the P2.203 trillion program for the period, largely due to the delays in the implementation of the second tranche of SAP, and lower-than-programmed interest payments and net lending.

Table 15. National Government Disbursements, January to June 2020
(In billion pesos, unless otherwise indicated)

PARTICULARS	2019 Actual	2020		Variance		Inc/(Dec)	
		Program	Actual	Amount	Percent	Amount	Percent
CURRENT OPERATING EXP.	**1,193.9**	**1,818.6**	**1,663.0**	**(155.6)**	***-8.6%***	**469.1**	***39.3%***
Personnel Services	503.3	572.1	559.3	(12.8)	*-2.2%*	56.0	*11.1%*
Maintenance & Other Operating Exp.	242.1	529.9	413.0	(116.9)	*-22.1%*	171.0	*70.6%*
Subsidy	26.7	171.3	169.5	(1.8)	*-1.0%*	142.8	*535.0%*
Allotment to LGUs	230.2	331.8	327.1	(4.7)	*-1.4%*	96.9	*42.1%*
Interest Payments	180.1	207.3	187.7	(19.6)	*-9.5%*	7.6	*4.2%*
Tax Expenditure	11.6	6.2	6.5	0.2	*4.0%*	(5.1)	*-44.3%*
CAPITAL OUTLAYS	**377.5**	**372.0**	**380.6**	**8.7**	***2.3%***	**3.2**	***0.8%***
Infrastructure/Other Capital Outlays	311.4	279.4	297.9	18.5	*6.6%*	(13.4)	*-4.3%*
Equity	0.6	0.1	0.6	0.5	*877.7%*	(0.0)	*-4.1%*
Capital Transfers to LGUs	65.5	92.5	82.2	(10.3)	*-11.2%*	16.6	*25.4%*
NET LENDING	**18.8**	**12.1**	**(29.9)**	**(42.0)**	**-347.9%**	**(48.8)**	**-259.2%**
TOTAL DISBURSEMENTS	**1,590.2**	**2,202.6**	**2,013.7**	**(188.9)**	**-8.6%**	**423.5**	**26.6%**
Memo items:							
Revenues	*1,547.5*	*1,451.6*	*1,453.3*	*1.7*	*0.1%*	*(94.2)*	*-6.1%*
(Deficit)	*(42.6)*	*(751.1)*	*(560.4)*	*190.6*	*-25.4%*	*(517.8)*	*1214.1%*
Infrastructure Program	373.7	368.0	382.1	14.1	3.8%	8.4	2.2%

[28] For more details and further reading, see full report of the NG Disbursement Performance as of June 2020 at https://www.dbm.gov.ph/index.php/dbcc-matters/reports/ng-disbursement-performance/1651-2020-ng-disbursement-performance.

79. **As expected, infrastructure and other capital outlays for the period were lower year-on-year as less priority projects which cannot be implemented, nor completed, because of the current health situation were discontinued.** The temporary stoppage of construction activities due to the imposition of the strict community quarantine measures contributed to the lower infrastructure spending for the first six months of the year. However, it is noteworthy, that the P297.9 billion outturn was slightly higher than the revised P279.4 billion program, as ongoing construction activities were continued with the gradual easing of restrictions in June, particularly in areas not covered by the lockdown. When the infrastructure component of NG subsidies/equity to GOCCs and transfers to LGUs are accounted for, the total infrastructure program disbursements for the first half of 2020 reached P382.1 billion, 2.2 percent higher year-on-year, and 3.8 percent more than the P368.0 billion program, owing mainly to the higher infrastructure subsidies and transfers to LGUs.

80. **The NG deficit for the first half of 2020 expanded to P560.4 billion**, thirteen times the deficit recorded during the first half of 2019, as the COVID-19 pandemic drastically changed the country's economic and fiscal environment. As percent of GDP, the budget gap stood at 6.5 percent. In response to the pandemic situation, the government accelerated spending necessary for mitigating the public health crisis, even while the widespread community quarantines and travel lockdowns starting mid-March reduced revenue collections.

c. Expenditure Performance of Select Big-Spending Departments/Agencies, by Major Programs/Projects

Department of Agriculture

Table 16. Financial Performance, DA, January to June 2020
(In billion pesos)

Department	January to June 2019[1/]					January to June 2020[2/]				
	Allotment	Obligation	Disbursements	BUR		Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb				Oblig	Disb
DA	44.6	24.0	8.8	53.8%	36.6%	60.1	35.1	20.9	58.4%	59.6%

[1/] 2019 SAAODB, as of June 30, 2019
[2/] 2020 SAAODB, as of June 30, 2020

Financial Performance

81. **By the end of June 2020, the DA had obligated 58.4 percent (or P35.1 billion) of its P60.1 billion allotment and disbursed P20.9 billion or 59.6 percent of these obligations.** Year-on-year, the agency not only posted an improved obligation rate from 53.8 percent but also nearly doubled its disbursement rate from 36.6 percent to 59.6 percent.

82. **The DA was provided an additional P8.5 billion pursuant to Republic Act No. 11469[29] sourced from "Pooled Savings" and additional allotments worth P2.8 billion through realignment from released allotments and from the For Later Release (FLR) portion of its FY 2020 budget, guided by NBC No. 580, to ensure food security during the COVID-19 pandemic.** The department offered P7.7 billion from its savings and FLR items to fund other programs and activities being implemented in relation to the current health situation.

Physical Performance

83. **As a response to the COVID-19 pandemic, the DA-Office of the Secretary (OSEC) intensified its market development services, especially its *Kadiwa ni Ani at Kita* program, through partnerships with LGUs and the private sector and served a total of 4,526 group beneficiaries, 273 percent**

[29] Also known and cited as the "*Bayanihan* to Heal as One Act" approved on March 24, 2020

above its 1,695 target for the year. Due to the restriction of movement as a result of the ECQ and the government policy[30] to cut costs for training, seminars and workshops, and DA re-focused its budget toward increased production and productivity. Capacity building interventions along with the establishment and installation of small scale irrigation projects (SSIP) took a back seat and resulted in unmet targets for the first semester of 2020. Similarly, the validation of Farm-to-Market (FMR) sub-projects for construction/rehabilitation fell slightly below target, reporting 808.20 km or 97 percent its 829.87 km target, as the remaining 21.67km for 19 sub-projects in BARMM was hampered by the ECQ in addition to peace and order issues.

84. **The limitations brought by the ECQ also hindered the full implementation of the Fisheries Development Program of the Bureau of Fisheries and Aquatic Resources (BFAR), with the delivery of fishing gears and other paraphernalia to individuals and fisherfolk groups reaching only 52.0 percent and 26.1 percent of the targets, respectively, with the distribution/delivery being rescheduled to the third quarter of 2020.** The agency also attributed the unmet targets primarily to unavailability of suppliers of postharvest support/supply because of the ECQ and the re-alignment on the types of post-harvest equipment requested. The provision of aquaculture support was however, exceeded due to the rehabilitation efforts from the impact of Typhoon Ursula, the increased production in facilities in Bohol and Cebu, and the response of the agency to the additional requests of LGUs for stock enhancement activities.

85. **Meanwhile, the Agricultural Credit Policy Council was able to meet half of its targets for its Agricultural Credit Program, lending to a total of 2,285.27 end-borrowers and conducting 438 credit program orientations online and individually or in small groups on-site.** However, the ECQ also affected the conduct of institutional capacity building for farmers and fisherfolk organizations with ACPC focusing on online business planning workshops for individuals and MSMEs.

86. **It is noteworthy that the DA committed to catch up with their implementation targets starting the third quarter of 2020** even when most

[30] Pursuant to NBC 580 dated April 2020

of the regions and provinces nationwide are put under general community quarantine and modified general community quarantine.

Department of Environment and Natural Resources

Table 17. Financial Performance, DENR, January to June 2020
(In billion pesos)

Department	January to June 2019[1/]					January to June 2020[2/]				
	Allotment	Obligation	Disbursements	BUR		Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb				Oblig	Disb
DENR	23.9	10.4	7.5	43.7%	72.3%	22.7	10.6	7.8	46.8%	73.3%

[1/] 2019 SAAODB, as of June 30, 2019
[2/] 2020 SAAODB, as of June 30, 2020

Financial Performance

87. **By mid-year, the DENR had obligated P10.6 billion, less than half of its P22.7 allotment for FY 2020.** However, out of this total obligation, P7.8 billion or 73.8 percent was disbursed. In comparison to its FY 2019 performance, the DENR showed slight improvement, raising its obligation and disbursement rates by 3.1 and 1.0 percentage points, respectively.

88. **The Natural Resources Conservation and Development Program of the DENR-OSEC, which subsumes the agency's sub-programs on wildlife conservation, protected areas development and management, coastal and marine ecosystems rehabilitation, accounted for P5.2 billion in obligations and P3.3 billion of disbursements for the first half of FY 2020.** In addition, the agency obligated P605.2 million and disburse P513.7 million for its Natural Resources Enforcement and Regulatory Program. Meanwhile, the development and regulation of mining resources and environmental quality were also sustained, with the Mines and Geosciences Bureau (MGB) and the Environmental Management Bureau (EMB) committing P581.2 million and P899.2 million, respectively, for these activities.

Physical Performance

89. **Under its Natural Resources Conservation and Development Program, DENR-OSEC was already able to fulfill its annual targets for marine**

resources, establishing five (5) marine protected areas (MPA) networks and mapping 2,622.04 has. of coral reefs, mangrove forests, and sea grass beds. It also came close to fulfilling its annual targets for the maintenance and protection of 210,137 has. of planted area and made significant progress in the establishment and conservation of protected areas/wetlands/caves. The DENR was also able to efficiently act upon 84.5 percent of the wildlife permits it received and was able to determine the appropriate management arrangement/tenure for 24,583.83 has. of open-access/untenured lands. However, it must improve the tracking of the denuded and degraded forestland areas. Out of its 50,000 has. target, only 2,876 has. have been accomplished.

90. **Meanwhile, the MGB has acted upon 1,717 mining applications and monitored 426 mining permits/contracts and capacitated LGUs on risk reduction and resiliency while the EMB has already fulfilled more than half of its targeted site/facility or area inspections**[31], at 29,686 as of mid-year, on the compliance with environmental quality standards and guidelines.

Department of Education

Table 18. Financial Performance, DepEd, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
DepEd	504.0	256.7	247.0	50.9%	96.2%

Source: SAAODB (as of June 2020)

Financial Performance

91. **As of June 30, 2020, the DepEd was allotted with a substantial amount of P504.0 billion to sustain its programs and projects aimed at protecting and promoting the right of every Filipino to quality, equitable, and culture-based formal and non-formal basic education.** Of the said total, P18.6 billion was from the unobligated allotment from the previous years. With the DepEd budget being personnel services (PS) intensive, PS accounts for

[31] And compliance reports already submitted

P401.6 billion or 79.7 percent of this year's allotment, followed by MOOE with P90.1 billion or 17.9 percent, and CO with P12.3 billion or 2.4 percent. It must be noted that the Republic Act No. 11469 or the *Bayanihan* to Heal as One Act, operationalized by the issuance of National Budget Circular No. 580, allowed the discontinuance/realignment of unobligated funds[32] to support priority PAPs to swiftly respond to the COVID-19 emergency.

92. **For the first six months of the current year, the DepEd obligated 50.9 percent of its total allotment amounting to P256.7 billion**. PS requirements amounted to P221.1 billion as the main contributor, followed by MOOE – P30.2 billion and CO – P5.5 billion. Obligations for the other big-ticket items included the Government Assistance and Subsidies (GAS) – P13.2 billion; Provision of learning resources – P2.6 billion; Provision for Basic Education Facilities (DepEd portion) – P2.3 billion; and School-based Feeding Program with P0.9 billion. The Department intends to utilize the remaining P247.3 billion until the end of the year. Of the total obligated amount, the DepEd disbursed 96.2 percent or P247.0 billion, broken down as follows: PS – P216.7 billion; MOOE – P27.8 billion; and CO – P2.4 billion.

93. **The following factors affected the Department's obligation of funds:** (i) termination of some of the major activities that require mass gathering (e.g. *Palarong Pambansa*, Campus Journalism, Graduation rites, National Assessments, National Summit/Conferences) due to the nationwide implementation of community quarantine; (ii) rescheduling of school opening and other activities to lessen the risk of the pandemic; (iii) delays in the implementation of programs/projects due to the process of prioritization brought by realignment; (iv) deferment of programs and projects which involve procurement since most of the procurement activities require face-to-face interactions (e.g., convergence of bidders for the actual bidding process); (v) reduction in number of field workers due to health and safety protocol issues resulting in halting of some infrastructure projects such as construction, improvement, repair, rehabilitation, demolition, restoration or maintenance which require necessary manpower and workforce; (vi) financial support from external partners (e.g. SEAMEO INNOTECH, UNICEF Phil., and US Peace Corps.) for the conduct of some activities of the Department causing the non-obligation of the allocated funds/higher savings; and (vii) emerging expenses brought about by pandemic not covered by existing policies, rules and regulations such as training and communication allowances for online activities (i.e., webinars

[32] Released and unreleased unobligated funds as of March 2020

and virtual trainings) resulting to further delay of the implementation of the programs/projects. The Department's obligation is expected to speed up as the school year commences in October.

94. **To fast-track the obligation and disbursement of its 2020 funds, the DepEd have undertaken the following steps:**

i) Plan adjustment by all offices and identification of existing funds that cannot be utilized due to change in the priorities and modalities of implementation. The said funds will then be accessed by DepEd offices to support Basic Education – Learning Continuity Plan (BE-LCP)-related activities subject to budgeting and accounting rules and regulations;

ii) Resumption of the implementation of programs and projects, considering health and safety protocols as prescribed by the omnibus guidelines from the Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID);

iii) Resumption of procurement and preparation of the needed procurement documents to commence the process and make sure it will be done in time;

iv) Streamlining of internal processes in DepEd such as processing, reviewing, and approval of documentary requirements via electronic mails and other online platforms to speed-up the obligation and actual implementation of the programs/projects;

v) Issuance of interim guidelines and provision of technical assistance to program implementers for necessary plan adjustment and catch-up plan taking into consideration the suggested/revised parameters; and

vi) Persistent coordination and communication with other government agencies such as the DBM and the COA to enable the Department to maximize the utilization of its allocation and formulate policies that will guide DepEd in its program implementation in support to the current situation brought about by the COVID-19 pandemic and other emerging diseases, calamities, and situations in the future.

Table 19. Physical Performance, DepEd, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	Actual Accomplishment	Accomplishment Rate
BASIC EDUCATION INPUTS PROGRAM			
Output Indicators			

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	**Actual Accomplishment**	**Accomplishment Rate**
1. Number of:			
a. new classrooms constructed	5,174	-	0.0%
b. textbooks and instructional/learning materials procured for printing and delivery	10,255,064	-	0.0%
2. Number of equipment distributed:			
a. Science and Math package*	3,378	-	0.0%
b. ICT package	39,512	-	0.0%
c. TechVoc Equipment*	1,200	-	0.0%
3. Number of newly-created teaching positions filled up	10,000	98	1.0%
INCLUSIVE EDUCATION PROGRAM			
Output Indicators			
1. Number of schools offering the following programs:			
a. ALIVE	4,887	-	0.0%
b. IPED	3,050	-	0.0%
c. SPED	8,523	-	0.0%
d. Multigrade Education Program	1,317	-	0.0%
2. Number of Community Learning Centers offering ALS program	11,000	-	0.0%
SUPPORT TO SCHOOLS AND LEARNERS PROGRAM			
Output Indicators			
1. Number of learners benefiting from the "School Based Feeding Program"	1,821,465	-	0.0%
2. Number of grantees:			
a. Education Service Contracting (ESC)	1,118,766	-	0.0%
b. Senior High School (SHS) Voucher	1,348,992	-	0.0%
c. Joint Delivery Tech-Voc and Livelihood (TVL)	89,300	-	0.0%
EDUCATION HUMAN RESOURCE DEVELOPMENT PROGRAM			
Output Indicator			
1. Number of teachers and teaching-related staff trained	150,000	-	0.0%

*Budget for these programs were re-allocated for the implementation of DepEd's BE-LCP, in response to the COVID-19 pandemic.

Source: Budget Accountability Report (as of June 2020)

Physical Performance

95. **The changing learning landscape in the post-pandemic, which involves different education delivery methods (i.e., flexible learning), prompted the DepEd to formulate its BE-LCP.**

96. **For the first semester of 2020, the DepEd filled up 98 teaching positions of the 9,640[33] newly created teaching positions[34].** However, the Department filled up 2,641 teaching positions and 106 non-teaching positions created from 2016 to 2019. Hiring for the said positions is still ongoing.

97. **With regards to the Basic Education Facilities Program, the allotment under the 2020 budget was only released in June 2020. The implementation of the program currently is in various stages.** As of end-June 2020, 44 standard classrooms were repaired using the FY 2020 budget. Likewise, 4,491 standard classrooms and 51 Technical-Vocational (TechVoc) laboratories were constructed; 11,982 standard classrooms were repaired; 91 Gabaldon classrooms were restored; 635 sites were upgraded, and energized; and 369,703 school seats were delivered using the funds from FYs 2016-2019. Meanwhile, FY 2020 funds for the procurement and delivery of school seats were realigned to the implementation of the BE-LCP.

98. **On the other hand, the procurement, printing, and delivery of textbooks and instructional/learning materials are still ongoing. Likewise, the procurement and delivery of Information and Communications Technology (ICT) packages are under way.** The FY 2020 allocations for the procurement and delivery of science and math packages and TechVoc equipment were realigned to support the BE-LCP. However, the Department utilized its FYs 2015-2019 funds to procure and deliver a total of 18,726 science and math packages and 5,938 ICT packages.

99. **Meanwhile, the targets under the following are programmed in the third and fourth quarters in sync with the school year:** Last Mile School Program; Arabic Language and Islamic Values Education (ALIVE) Program; National Indigenous Peoples Education (IPED) Program; Special Education (SPED) Program; Multigrade Education Program; Alternative Learning System (ALS) Program; School-based Feeding Program;

[33] 7,188 teaching positions for K to 10; 2,452 teaching positions for Grades 11 to 12
[34] Approved by the Department of Budget and Management on May 15, 2020

Education Service Contracting; SHS Voucher; Joint Delivery TVL; and the training of teachers and teaching-related staff.

Commission on Higher Education

Table 20. Financial Performance, CHED, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
CHED	40.7	14.5	6.8	35.6%	46.6%

Source: SAAODB (as of June 2020)

Financial Performance

100. **For the first semester of 2020, the CHED obligated P14.5 billion, representing 35.6 percent of its P40.7 billion allotment which includes prior year's continuing appropriation of P35.7 billion.** The amount of P32.3 billion, equivalent to 79 percent of the total allotment released, is provided for the Universal Access to Quality Tertiary Education. Of this amount, only P13.7 billion was obligated as of June 2020. Other items contributing to CHED's obligation include K to 12 Transition Program – P167 million; Students Financial Assistance Programs (StuFAPs) – P114 million; and the Philippine-California Advanced Research Institute (PCARI) – P10 million. Following the schedule of the school year, the department's obligation of the remaining balance of P26.2 billion as of June 2020, is expected to accelerate by June to August during the enrolment period.

101. **For the same period, P6.7 billion or 46.6 percent of the agency's total obligated amount was disbursed, of which P6.2 billion was for the UAQTE.** This low disbursement performance was mainly due to the CHED's challenges on the payment process for UAQTE, which is on a reimbursement basis. The documentary requirements for the processing of payment are dependent on the submission of billing statements from Higher Education Institutions (HEIs), which were delayed because of the HEI's limited access to records during the community quarantine period. Another reason for the low disbursement was the enhancement of

guidelines for the payment of Tertiary Education Subsidy (TES), which also took considerable time to be finalized.

102. **Given the current COVID-19 situation, the CHED will undertake the following steps to ensure maximum utilization of its allotment for 2020:** (i) early submission of budgetary request/s to ensure availability of funds; (ii) applicability of enhanced guidelines to subsequent academic years; and (iii) consistent coordination with HEIs thru memoranda and reminders.

Table 21. Physical Performance, CHED, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	**Actual Accomplishment**	**Accomplishment Rate**
HIGHER EDUCATION DEVELOPMENT PROGRAM			
Output Indicators			
1. Number of scholarships and student grants awarded	221,079	-	0.0%
2. Number of faculty members provided with faculty development grants	5,693	-	0.0%
3. Number of research, development and innovation project proposals funded	130	57	43.8%

Source: Budget Accountability Report (as of June 2020)

Physical Performance

103. **For the period under review, the CHED funded 57 project proposals from State Universities and Colleges (SUCs) and private HEIs out of the targeted 130 research proposals.** In the case of the PCARI Project, one (1) new project entitled "Sustainable and Renewable Fuel and Electrolysis Cell Energy Technology (SureTech)" was approved[35]. Moreover, the following five (5) projects are undergoing technical evaluation: Phytochemical Characterization of Macroalgae for Food and High Value Products (PhycoPro); Genomic Epidemiological Monitoring of COVID-19 in the Philippines; Clean and Vertically-Integrated Pure/Applied Hydrogen Energy Research for Next Generation Power Systems (CIPHER); Real-Time Monitoring and Early Warning for Harmful Algal Blooms (HABs) Using High Throughput Imaging and Molecular Methods (HABs Watch); and

[35] Provisionally approved.

Creating an Information Infrastructure and Informatics Platform for Environmental Monitoring of Coral Reefs.

104. **Meanwhile, it must be noted that the provision of scholarships and grants to 221,079 students and 5,693 faculty are programmed in the third and fourth quarters.**

105. **To ensure that the delivery of quality tertiary education will not be hampered despite the COVID-19 pandemic, the CHED will continually support the students and faculty members through the following:** (i) grants to HEIs on training for flexible learning, provision of open educational resources platform; (ii) enhancement of SUCs' connectivity; and (iii) subsidy to students' connectivity.

Department of Health

Table 22. Financial Performance, DOH, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
DOH	158.9	88.6	71.4	55.8%	80.6%

Source: Financial Accountability Report as of June 30, 2020

Financial Performance

106. **For the first half of the year, the DOH was provided a total allotment of P158.9 billion to implement the Department's primary function to promote, protect, and preserve the health of the Filipino people with the provision and delivery of health services, particularly during the COVID-19 health crisis.** Total obligation for the same period reached P88.6 billion or 55.8 percent while disbursement rate was around 80.6 percent. By implementing agency, the DOH-OSEC incurred almost the full share of the total obligation at P88.5 billion while the National Nutrition Council (NNC) had a share of less than one percent at P125.3 million. The DOH-OSEC registered a disbursement rate at around 80.6 percent followed by NNC at around 71.2 percent.

107. **Of the total obligation of the DOH-OSEC, P43.4 billion or 49.0 percent was accounted by the following programs:** a) Human Resource for Health (HRH) Program, P7.8 billion; b) Health Facility Enhancement Program (HFEP), P3.4 billion; c) National Immunization Program, P3.0 billion; d) Medical Assistance to Indigent Patients, P2.5 billion; e) Public Health Management, P1.8 billion; f) Tuberculosis (TB) Control, P918 million; g) Prevention and Control of Other Infectious Disease, P780 million; h) Operation of Dangerous Drug Abuse Treatment and Rehabilitation Centers, P587 million; i) Family Health, Nutrition and Responsible Parenting, P575 million; j) Prevention and Control of Non-Communicable Diseases, P452 million; and k) the operations of DOH Hospitals for Metro Manila – P5.9 billion, and Regional Hospitals and Other Health Facilities – P15.6 billion. In terms of spending, the HRH Program had the highest disbursement rate of 92.2 percent, followed by the operations of DOH hospitals in Metro Manila at 87.7 percent, the operations of DOH regional hospitals and other health facilities at 86.6 percent, and the Operation of Dangerous Drug Abuse Treatment and Rehabilitation Centers at 85.1 percent. On the other hand, the low disbursements of TB Control (0.1 percent) and Prevention and Control of Other Infectious Disease (1.2 percent) were attributed to the delay in deliveries of the procured commodities due to the ongoing COVID-19 pandemic. Other programs such as the Prevention and Control of Non-Communicational Disease had a disbursement rate of 4.4 percent due to the need to cancel its procurement activities in compliance to Section 4(v) of Republic Act No. 11469 or the *Bayanihan* to Heal as One Act.

108. **For its COVID-19 expenditures, the DOH was provided P47.6 billion from the pooled balances in accordance to Section 4(v) of the *Bayanihan* to Heal as One Act to cover the requirements for the procurement of the Reverse Transcription Polymerase Chain Reaction (RT-PCR) Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-COV-2) detection kits.** Another P45.7 billion was released from the Unprogrammed Appropriations to support the DOH programs under RA No. 11469. These include the augmentation of the operational budget of government hospitals especially those treating COVID-19, prevention and control of other infectious diseases, emergency preparedness and response, and the quick response fund. An amount of P100 million was released under the FY 2020 GAA and FY 2019 Continuing Appropriations to cover additional funding requirements for the immediate and continued response to emerging diseases posed by polio and COVID-19 during the first half of the

year. Finally, the DOH was provided with P500 million from the NDRRMF to cover the additional Quick Respond Fund of DOH.

109. **To ensure the continued implementation of the Universal Health Care Act and the response to the threat of COVID-19, the DOH will be undertaking strategies to ensure it maximizes its absorptive capacity for the remainder of the year.** These include the following strategies a) fast tracking the procurement process through online procurement, b) inviting more local bidders to address low bidder turn-out, c) making sure that the proposed project site is ready and validated by the regional offices, d) evaluating and close monitoring of stages of status of procurement and delivery of commodities/vaccines, and e) reassessing, reprogramming, and adjusting activities and programs to adapt to the new normal to be aligned with the IATF-EID policies and programs, among others.

Table 23. Physical Performance, DOH, January to June 2020

PARTICULARS	January to June 2020		
	Target (GAA)	Actual Accomplishment	Accomplishment Rate
HEALTH SYSTEMS STRENGTHENING PROGRAM			
Output Indicators			
1. Percentage of LGUs provided with technical assistance on local health systems development	100.0%	113.0%	113.0%
2. Percentage of priority areas supplemented with Human Resource for Health (HRH) from DOH Deployment Program	100.0%	100.0%	100.0%
PUBLIC HEALTH PROGRAM			
Output Indicators			
1. Percentage of LGUs and other health partners provided with technical assistance on public health programs	100.0%	122.2%	122.2%
2. Percentage of received health commodities from the Central Office distributed to health facilities based on the allocation list	Varies per region	85.8%	85.8%
EPIDEMIOLOGY AND SURVEILLANCE PROGRAM			

PARTICULARS	January to June 2020		
	Target (GAA)	Actual Accomplishment	Accomplishment Rate
Output Indicators			
1. Percentage of outbreak/epidemiologic investigations conducted	75.0%	100.0%	133.3%
HEALTH EMERGENCY MANAGEMENT PROGRAM			
Output Indicators			
1. Percentage of LGUs provided with technical assistance on the development or updating of Disaster Risk Reduction Management for Health (DRRM-H) Plans	90.0%	59.7%	66.3%
HEALTH FACILITIES OPERATION PROGRAM			
Output Indicators			
1. Number of blood units collected by Blood Service Facilities	124,290	50,017	40.2%
2. Number of in-patient and out-patient drug abuse cases managed	38,706	48,141	124.4%
SOCIAL HEALTH PROTECTION PROGRAM			
Output Indicator			
1. Number of patients provided with medical assistance	1,000,000	468,731	46.9%

Source: Quarterly Physical Report of Operation ending in June 30, 2020

Physical Performance

110. **Under the Health Systems Strengthening Program, the DOH provided 1,000 out of its targeted 882 LGUs with technical assistance on local health systems development, exceeding its target by 13.0 percent by the first half of the year.** In addition, a total of 1,522 identified priority areas were supplemented with HRH from the DOH Deployment Program. This translated to a 100 percent accomplishment of its target for the semester. The DOH provided 1,894 LGUs (out of its targeted 1,550 LGUs) and other health partners with technical assistance on public health programs, exceeding its target by 22.2 percent. In addition, 85.8 percent of received

commodities from the Central Office was distributed to health facilities based on the DOH's allocation list. For the Epidemiology and Surveillance Program, the DOH surpassed its target by 33.3 percent, allowing the DOH to conduct all of its targeted outbreak/epidemiologic investigations. In support of the Health Emergency Management Program, only 418 out of the targeted 700 of LGUs were provided with technical assistance on the development or updating of DRRM-H Plans.

111. **Under the Health Facilities Operations Program, only 40.2 percent or 50,017 out of the targeted 124,290 blood units were collected by blood center facilities by end-June.** The actual blood collections were lower than the submitted target due to the COVID-19 pandemic which caused fewer mobile blood donation activities. On the other hand, the Operation of Dangerous Drug Abuse Treatment and Rehabilitation Centers catered to 48,141 in-patient and out-patient drug abuse cases, exceeding its target by 24.4 percent. Finally, for the Social Health Protection Program, the DOH was able to accomplish 46.9 percent of its target by providing medical assistance to 468,731 patients for the period.

112. **The Philippine Health Insurance Corporation (PHIC) was appropriated P71.35 billion for the present year for the continued implementation of the National Health Insurance Program.** For the first half of the year, the PHIC obligated P48.2 billion for the payment of health insurance premiums of 8.8 million indigent families under the National Household Targeting System (NHTS) – P21.0 billion, and 5.4 million senior citizens – P27.2 billion.

113. **To ensure social health protection to Filipinos during the ongoing health crisis, the following are the COVID-19 initiatives of the PHIC funded out of its Corporate Funds:**

a. **Internal Reimbursement Mechanism (IRM)**

IRM Allocation of P27 billion – The initial amount which is sourced from corporate funds is intended to assists the health care institutions (HCI) by providing them with much needed liquidity and ensure continuous financial protection to its members in times of fortuitous events. As represented, this assistance package is equivalent to three (3)-months' worth of benefit claims, based on historical data to be charged to their future claims.

Status of IRM as July 31, 2020 is presented below:

Board-approval for IRM	27,000,000,000
Releases to 711 HCIs	14,970,850,000
Balance	**12,029,150,000**

Released by	No. of Recipient HCIs			Amount (In billions)	% to total amount
	Private	Gov't	Total		
PhilHealth Regional Offices (PRO)	402	146	548	13.197	88%
Head Office	103	60	163	1.774	12%
Total	**505**	**206**	**711**	**14.971**	**100%**

b. Internal Financing Mechanism (IFM)

IFM – tie up with the Philippine Red Cross (PRC) for testing for SARS-CoV-2 *pro hac vice* pursuant to PhilHealth's mandate under Republic Act No. 11469 (*Bayanihan* to Heal as One Act). This will strengthen PRC's testing capacity and will provide for the much-needed liquidity to adequately respond to the pandemic. The PhilHealth and the PRC enters into a Memorandum of Agreement (MOA) for the smooth implementation of this privilege where, SARS-COV-2 test is packaged at Three Thousand Five Hundred Pesos Only (P3,500.00). As of June 30, 2020, total amount of IFM releases to the Philippine Red Cross amounts to P308.48 million.

114. **Regarding COVID-19 inpatient and testing claims, the PhilHealth provided full coverage for inpatient care of probable and confirmed COVID-19 developing severe illness/outcomes before April 15, 2020 for all Filipinos.** After which, management for COVID-19 shall be covered with package amount ranging from P43,997 to P786,384 depending on severity for non-health workers while still providing full protection for health workers. In addition, PhilHealth covers the testing for the illness with package amount ranging from P2,710 to P8,150 depending the type of test. PhilHealth clarified that the package is for costs attributable to services related to testing such as clinical assessment, specimen collection, specimen transport and materials such as PPEs and test kits. The rate was then adjusted to P901 to P3,409. The adjustment resulted from its continuing consultation with stakeholders and infectious disease experts, increased

availability and affordability of testing kits in the market, and increased number of qualified facilities to do SARS-CoV-2 testing. As of June 30, 2020, total count of tests conducted by other providers aside from Philippine Red Cross was at P2,684 amounting to P14.7 million.

Department of Labor and Employment

Table 24. Financial Performance, DOLE, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
DOLE	26.2	13.7	13.0	52.3%	94.9%

Source: Financial Accountability Report (as of June 2020)

Financial Performance

115. **The DOLE obligated P13.7 billion or 52.3 percent of its total allotment for the first semester of 2020.** Of the said amount, 13.0 billion or 94.9 percent has been disbursed by the Department. The bulk of the obligation was incurred by the DOLE-OSEC which amounted to P11.0 billion or 80.3 percent of the Department's total obligations. Meanwhile, the DOLE-OSEC disbursed P10.6 billion or 81.4 percent of the Department's total disbursements. These translate to an obligation and disbursement rate of 71.5 percent and 96.1 percent, respectively.

116. **Under the DOLE-OSEC, the Livelihood Emergency Employment Program incurred the largest obligation at P6.45 billion.** Of the said amount, P2.51 billion was obligated under the *Tulong Panghanapbuhay sa Ating* Disadvantaged/Displaced Workers (TUPAD) Program, P260 million under the Government Internship Program, P345 million under the DOLE Integrated Livelihood Program (DILP) and P3.34 billion under the DOLE's Adjustment Measures Program (AMP).

117. To address the ongoing crisis brought about by the COVID-19 pandemic, the DOLE-OSEC obligated P2.3 billion for the *Tulong Panghanapbuhay sa Ating* Displaced / Disadvantaged Workers Program *#Barangay Ko, Bahay Ko* (TUPAD #BKBK) Disinfecting / Sanitation Project to support the informal sector workers of the economy, P3.3 billion for the local workers in the formal sector under the COVID-19 Adjustment Measures Program (CAMP), and P2.5 billion for the distressed/displaced OFWs under the DOLE's *Abot Kamay ang Pagtulong* (AKAP) Program. In addition, the DOLE-Overseas Workers Welfare Administration (OWWA) obligated P1.9 billion for the Social Protection and Welfare for OFW's Program.

Table 25. Physical Performance, DOLE, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	**Actual Accomplishment**	**Accomplishment Rate**
EMPLOYMENT FACILITATION PROGRAM			
Output Indicators			
1. Number of youth-beneficiaries assisted	71,768	2,651	3.7%
2. Number of qualified jobseekers referred for placement	1,614,476	722,217	44.7%
3. Number of individuals reached through Labor Market Information (LMI)	2,265,009	1,951,256	86.1%
EMPLOYMENT PRESERVATION AND REGULATION PROGRAM			
Output Indicators			
1. Number of establishments assessed (LLCS)	64,000	10,732	16.8%
2. Number of beneficiaries/ workers served	443,590	127,857	28.8%
3. Disposition rate of cases handled, including requests for assistance	100.0%	52.4%	52.4%
WORKERS PROTECTION AND WELFARE PROGRAM			
Output Indicators			
1. Number of beneficiaries provided with livelihood assistance	35,786	17,064	47.7%
2. Number of beneficiaries served	1,115,558	2,103,964	188.6%

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	Actual Accomplishment	Accomplishment Rate
3. Percentage of individuals provided services within the prescribed process cycle time (PCT)	100.0%	100.0%	100.0%

Source: Budget Accountability Report (as of June 2020)

Physical Performance

118. **For the first semester of 2020, the DOLE-OSEC was able to provide 2,651 youth beneficiaries with bridging employment assistance through the Special Program for Employment of Students (SPES) and the JobStart Program, translating to an accomplishment rate of 3.7 percent of the Department's full year target.** The Department also referred around 722,217 qualified applicants (44.7 percent of its full year target) for placement to various employment opportunities through the network of Public Employment Service Offices (PESOs), along with the active participation of Private Recruitment and Placement Agencies (PRPAs) as well as the nationwide conduct of Job Fairs. Moreover, the Department was able to reach almost 2 million students, jobseekers, employers, and program partners by various reports/publications on Labor Market Information (LMI) through the continued use of multimedia facilities and online services. This output translates to 86.1 percent of its full year target of almost 2.3 million individuals.

119. **To ensure compliance with the General Labor Standards (GLS) and Occupational Safety and Health (OSH) Standards, a total of 10,732 establishments were inspected under the Labor Inspection Program, translating to an accomplishment rate of 16.8 percent from the full year target.** A total of 127,857 workers/beneficiaries or 28.8 percent of the Department's full year target were served through the enhanced labor and employment education services as well as the Workers' Organization Development Program. Meanwhile, the Department recorded a disposition rate of 52.4 percent under the Speedy and Efficient Delivery of Labor Justice (SpeED)[36].

[36] The SpeED is a measure to address case backlogs and make the docket current in the different DOLE offices and agencies involved in labor adjudication and dispute resolution activities.

120. **Under the Workers Protection and Welfare Program, a total of 17,064 beneficiaries or 47.7 percent of the Department's full year target were provided with livelihood assistance while engaging in livelihood undertakings/enterprises or enhancing their existing sources of income or livelihood.** Around 2.1 million beneficiaries were provided with various welfare and protection services through its various programs[37], exceeding its set target of 1,115,558 beneficiaries by 88.6 percent. Finally, the DOLE-OSEC was able to attain its target of providing services to 100.0 percent of individuals within the prescribed Process Cycle Time (PCT).

<u>Department of National Defense</u>

Table 26. Financial Performance, DND, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
DND	212.2	109.8	54.9	51.7%	50.0%

Source: 2nd Quarter FY2020 SAAODB

Financial Performance

121. **As of end-June 2020, total obligations of the DND reached P109.8 billion or 51.7 percent of its total allotment of P212.2 billion.** Obligations incurred for personnel services amounted to P93.0 billion, comprising 84.7 percent of the total obligations for the period.

122. **Of the total DND allotment, P152.4 billion or 71.8 percent was released to the Armed Forces of the Philippines (AFP), out of which P67.4 billion or 44.2 percent was obligated.** The General Headquarters (GHQ) also received a substantial allotment of P48.0 billion, out of which P36.9 billion or 76.9 percent was obligated. The AFP and the GHQ account for a combined P104.3 billion or 95.0 percent of total obligations of the Department.

[37] Specifically, the programs include the On-Site Services for OFWs, TUPAD Program, Family Welfare Program (FWP), Child Labor Prevention and Elimination Program, GIP, Financial Awareness Seminar and Small Business Management Training (FAS/SBMT), and the K to 12 DOLE Adjustment Measures Program (AMP)

123. **The DND attributed P2.7 billion[38] of its regular budget to support its COVID-19 related initiatives.** Out of this amount, P2.2 billion or 82.4 percent was obligated as of August 15, 2020 for the QRF of the Office of Civil Defense (OCD); procurement of medical equipment for the AFP; and the procurement of patrol boats, unmanned aerial system, and mobile storage trailer to be used for COVID-19 response. Moreover, this also covered the additional operational requirements of the Veterans Memorial Medical Center (VMMC) and Armed Forces of the Philippines Medical Center (AFPMC) during the COVID-19 pandemic.

Table 27. Physical Performance, Land Forces Defense Program, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	Actual Accomplishment	Accomplishment Rate
LAND FORCES DEFENSE PROGRAM			
Output Indicators			
1. Number of tactical and ready reserve units			
a. Tactical Battalions	219	208	95.0%
b. Ready Reserve Battalions	84	82	97.6%
2. Percentage of operational readiness of tactical and ready reserve units			
a. Tactical Battalions	81%	79%	97.5%
b. Ready Reserve Battalions	65%	31%	47.7%
3. Average percentage of effective strength of tactical battalions that can be mobilized within one hour as directed by higher authorities	90%	93%	103.3%

Source: FY 2020 DND-AFP-PA Quarterly Physical Report of Operations (BAR 1) as of June 30, 2020

Physical Performance

124. **As of June 30, 2020, the Philippine Army (PA) was able to maintain 208 tactical battalions with 79.0 percent operational readiness and 93.0 percent effective strength.** It also organized 82 ready reserve battalions with 31.0 percent operational readiness. The deficiency in the number of

[38] Based on the Summary Report on Agency Budgets for the Covid-19 Initiatives and Utilization Thereof for the Department of National Defense as of August 15, 2020

tactical battalions is already being addressed by the PA, with three (3) units on the process of full-operationalization and eight (8) units undergoing refilling and operationalization. On the other hand, the shortfall in operational readiness of tactical and ready-reserve battalions is due to the suspension of most training activities in the first semester of 2020, in compliance to the restrictions imposed due to the COVID-19 pandemic.

Table 28. Physical Performance, Air Forces Defense Program, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	**Actual Accomplishment**	**Accomplishment Rate**
AIR FORCES DEFENSE PROGRAM			
Output Indicators			
1. Number of supportable aircraft maintained	154	154	100.0%
2. Percentage of accomplishment of one-hour response to flight-directed mission	90%	98.0%	108.9%
3. Percentage of flying hours flown	100% (or 55% for mid-year 2020)	47.0%	47.0% (or 85.5% for mid-year 2020)

Source: FY 2020 AFP-PAF Quarterly Physical Report of Operations (BAR 1) as of June 30,2020

125. **The Philippine Air Force (PAF) was able to maintain 154 supportable aircrafts, recording a 100.0 percent accomplishment rate.** Moreover, the PAF was able to respond to 98.0 percent of flight-directed mission within one hour, exceeding its target of 90.0 percent and recording an accomplishment rate of 108.9 percent. However, the PAF has not been able to complete all of its flying hours. As of June 30, 2020, it was only able to conduct 47.0 percent of its flying hours, which is 14.5 percent below its mid-year target of 55.0 percent. The variance is mostly attributed to the suspension of training flights due to the challenges brought by the COVID-19 outbreak.

Table 29. Physical Performance, Naval Forces Defense System, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	Actual Accomplishment	Accomplishment Rate
NAVAL FORCES DEFENSE SYSTEM			
Output Indicators			
1. Number of PN units deployed and sustained for utilization /employment	134	141	105.2%
2. Number of PN units prepared for deployment	51	1	2.0%
3. Number of Force-Level Support Services Units sustained	137	124	90.5%

Source: FY 2020 AFP-PN Quarterly Physical Report of Operations (BAR 1) as of June 30, 2020

126. **Meanwhile, the Philippine Navy (PN) deployed and sustained 141 PN units for utilization/employment.** However, the PN was only able to sustain 124 Force-Level Support Services Units. The non-attainment is attributed to the units that are yet to be activated in the second semester of 2020 as well as the support vessels that are currently undergoing repair. As for the number of units being prepared for deployment, the PN also has not reached its target because the retraining of Fleet and Marine Units were rescheduled per GHQ directives.

Department of Public Works and Highways

Table 30. Financial Performance, DPWH, January to June 2020
(In billion pesos)

Department	January to June 2019[1/]					January to June 2020[2/]				
	Allotment	Obligation	Disbursements	BUR		Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb				Oblig	Disb
DPWH	506.9	192.7	16.8	38.0%	8.7%	346.0	234.4	88.7	67.7%	37.8%

[1/] 2019 SAAODB
[2/] 2020 First Semester SAAODB

Financial Performance

127. **As of June 30, 2020, the DPWH received a total allotment of P346.0 billion.** The lower allotment released for the period is attributed to the adjustments

made pursuant to *Bayanihan* to Heal as One Act, which mandated the reallocation/realignment of unreleased/unobligated DPWH funds amounting to P145.2 billion for COVID-19 response.

128. **Out of the total allotment, the DPWH obligated 67.7 percent, equivalent to P234.4 billion.** Despite the COVID-19 pandemic during the first semester, the Department's obligation is higher by P41.7 billion compared to P192.7 billion during the same period in 2019.

129. **Likewise, in terms of disbursement vis-à-vis obligation performance, the DPWH disbursed an amount of P88.7 billion in 2020 (or 37.8 percent of its obligated budget)** noting a significant improvement of 29.1 percentage point improvement from 8.7 percent disbursement-obligation ratio performance during the same period in 2019.

*Physical Performance**

*As of date, the DPWH has yet to submit the required physical accomplishment reports for the period.

Department of Social Welfare and Development

Table 31. Financial Performance, DSWD, January to June 2020
(In billion pesos)

Department	January to June 2020				
	Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb
DSWD	367.8	169.1	131.9	46.0%	78.0%

Source: SAAODB (as of June 2020)

Financial Performance

130. **For the first semester of 2020, the DSWD was supported with huge budgetary outlay to fund COVID-19 measures.** The total allotment released to the DSWD reached P367.8 billion, of which P39.4 billion was from its 2019 unobligated funds.

131. **As of June 2020, the DSWD has obligated an amount of P169.1 billion or only 46.1 percent of its total allotment, leaving P197.5 billion unobligated.**

Among the major programs that contributed to the Department's obligation include the (i) Protective Services for Individuals and Families in Difficult Circumstances (including the Social Amelioration Program) – P110.1 billion; (ii) *Pantawid Pamilyang Pilipino* Program (4Ps) – P41.0 billion; (iii) Social Pension for Indigent Senior Citizens (SocPen) – P10.0 billion; (iv) Supplementary Feeding Program (SFP) – P1.3 billion; (v) Disaster Response and Rehabilitation Program – P1.1 billion; (vi) Sustainable Livelihood Program (SLP) – P0.8 billion; (vii) Implementation of the Centenarians Act of 2016 – P0.06 billion; and (viii) Unconditional Cash Transfer (UCT) – P0.05 billion (administrative cost).

132. **Moreover, P131.9 billion or 78.0 percent of the obligated amount was disbursed in the first semester 2020.** This low obligation and disbursement performance were mainly attributed to the (i) ongoing payout for the second tranche implementation of the SAP-emergency subsidy; and (ii) delayed implementation of the Department's other programs such as the SLP, SFP, and *Kapit-Bisig Laban sa Kahirapan*-Comprehensive and Integrated Delivery of Social Services - National Community Driven Development Program (KALAHI-CIDSS-NCDDP) that were put on hold due to the imposition of an ECQ in most areas of the country during the first semester of FY 2020.

133. **With the recognition that the effective implementation of the social protection programs is crucial in mitigating the impact of the COVID-19 pandemic, the Department was recommended to closely monitor its physical and financial performance and device an alternative method in implementing its social protection programs** which require mass gathering, field works and travels, among others, that are currently being restricted and can be done in a very limited capacity due to the containment efforts of the government against the COVID-19 pandemic. Hence, the Department may also consider revisiting its existing guidelines and policies, including the scheduling of social preparation activities, and resolving issues that hinder the implementation of its programs during the first semester of the year considering the restrictions imposed in the targets areas of implementation while ensuring that minimum health standard protocols are adhered at all times.

Table 32. Physical Performance, DSWD, January to June 2020

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	**Actual Accomplishment**	**Accomplishment Rate**
PROMOTIVE SOCIAL WELFARE PROGRAM			
Output Indicators			
1. Number of *Pantawid* households provided with conditional cash grants:	4,400,000	4,227,773	96.1%
a. Regular CCT	4,164,960	N/A	-
b. Modified CCT	235,040	N/A	-
2. Number of poor households assisted through the Sustainable Livelihood Program	108,145	-	0.0%
3. Number of households that benefited from completed KC-NCDDP sub-projects	337,500	8,143	2.4%
SUPPLEMENTARY FEEDING PROGRAM SUB-PROGRAM			
Output Indicators			
1. Number of children in CDCs and SNPs provided with supplementary feeding	1,881,979	0	0.0%
2. Number of children/lactating mothers served through Bangsamoro *Umpungan sa Nutrisyon* (BangUN) Program	15,000 children; 7,000 pregnant and lactating mothers	15,890 children; 7,002 pregnant and lactating mothers	105.9% 100.0%
SOCIAL WELFARE FOR SENIOR CITIZENS SUB-PROGRAM			
Output Indicators			
1. Number of senior citizens who received social pension within the quarter	3,796,791	2,530,649	66.7%
2. Number of centenarians provided with cash gift	952	424	44.5%
PROTECTIVE PROGRAM FOR INDIVIDUALS AND FAMILIES IN ESPECIALLY DIFFICULT CIRCUMSTANCES SUB-PROGRAM			
Output Indicators			
1. Number of children served through Alternative Family Care Program	1,532	1,077	70.3%
2. Number of beneficiaries served through Protective Services Program	877,444	431,638	49.2%

PARTICULARS	January to June 2020		
	Full Year Target (GAA)	Actual Accomplishment	Accomplishment Rate
3. Number of clients served through the Comprehensive Program for Street Children, Street Families and Badjaus:			
a. Street Children at Risk	3,800	386	10.2%
b. Street Families	1,700	977	57.5%
SOCIAL WELFARE FOR DISTRESSED OVERSEAS FILIPINOS AND TRAFFICKED PERSONS SUB-PROGRAM			
Output Indicators			
1. Number of trafficked persons provided with social welfare services	2,000	732	36.6%
2. Number of distressed and undocumented overseas Filipinos provided with social welfare services	29,253	12,083	41.3%
DISASTER RESPONSE AND MANAGEMENT PROGRAM			
Output Indicators			
1. Number of FOs/LGUs with prepositioned goods	100% (16 Field Offices)	100%	100.0%
2. Number of internally-displaced households provided with disaster response services	As the need arises	235,009	100.0%
3. Number of households with damaged houses provided with early recovery services	As the need arises	3,917	100.0%

Source: Budget Accountability Report (as of June 2020)

Physical Performance

134. **For the first semester of the current year, the DSWD provided educational and health allowances to 4,227,773 households who complied with the 4Ps conditionalities.** The remaining 172,227 households account for households who are non-compliant to the program conditionalities. Continuous household replacement will be done by the Department to reach the 4,400,000 targeted household beneficiaries.

135. **Moreover, the UCT implemented by the DSWD is a social mitigating measure intended to assist poor Filipinos who are affected by the**

moderate and temporary inflation brought by the implementation of the TRAIN Law. Under the program, the poorest 10,000,000[39] households/individuals will each be given P200 per month in 2018, and P300 per month in 2019 to 2020. Report on the actual number of UCT beneficiaries who received cash grants for the first semester of 2020 is yet to be submitted.

136. **For the SLP, there were no households served yet as its implementation was postponed due to the imposition of an ECQ on majority of the target areas as of June 2020.** Upon lifting of the ECQ, validation and completion of documents for identified participants resumed. Coordination efforts continued and guidance was given to the Department to facilitate the obligation of the SLP funds until June 2020, and disburse the same in the third and fourth quarters of the year.

137. **Meanwhile, only 8,143 households benefitted from the completed KALAHI-CIDSS-NCDDP sub-projects** which include roads such as box culvert or drainage as a component road, community centers/multi-purpose buildings, health stations, school buildings, water system and electrification/lighting, among others. This accomplishment represents only 2.4 percent of its 337,500 targeted households, as the remaining sub-projects were delayed due to the implications brought by the COVID-19 pandemic.

138. **With regard to the implementation of the SFP, the Department has not yet started the provision of hot meals to 1,881,979 daycare children enrolled in LGU-managed Community Development Centers (CDC), and Supervised Neighborhood Play (SNP).** The imposition of an ECQ and the suspension of the opening of classes affected the feeding cycle of the program. Regular feeding programs were rescheduled to start in the second semester of 2020.

139. **For the same period, another 15,890 malnourished children studying in madrasahs or Muslim schools in the Autonomous Region in Muslim Mindanao (ARMM) and 7,002 pregnant/lactating mothers were served hot meals through the Bangsamoro *Umpungan sa Nutrisyon* (BangUN) Program.** These are 890 children and 2 mothers more than the targeted 15,890 children and 7,002 pregnant and lactating mothers.

[39] Comprised of 4.4 million *Pantawid Pamilya* Households; 3.0 million Social Pensioners; and 2.6 million *Listahanan* Households in the first to seventh income deciles

140. **Moreover, the Department provided monthly social pension of P500 to each of the 2,530,649 indigent senior citizens aged 60 and above, which is 66.7 percent of its 2020 target of 3,796,791 indigent senior citizens.** The beneficiaries were based on the clean list of Indigent Senior Citizen. Furthermore, 424 centenarians[40] out of the 952 target centenarians were provided with cash gift. The allocation for 66 centenarians in the BARMM amounting to P6.6 million was re-allocated to Capital Outlays for augmentation, as agreed during the meeting with Minister Jajurie and the DBM Secretary on March 11, 2020.

141. **With the increased necessity of social safety net for the vulnerable households given the COVID-19 pandemic, the DSWD was tasked to implement the Social Amelioration Program.** By the end of June 2020, 431,638 beneficiaries were served through the Protective Services Program, almost half of its 877,444 targeted beneficiaries for the year.

142. **Similarly, 1,077 children were served through the Alternative Family Care Program.** This includes children placed under foster care provided with subsidy, and is equivalent to 70.3 percent of its 1,532 target for 2020. Another 977 street families and 386 street children at risk were served through the Comprehensive Program for Street Children, Street Families and Badjaus. Developmental sessions for street children for the second quarter were cancelled since mass gatherings are highly discouraged during the ECQ and General Community Quarantine period.

143. **On the other hand, 732[41] trafficked persons, and 12,083 distressed[42] and undocumented overseas Filipinos were provided with social welfare services from January to June 2020.** The services provided included the provision of basic necessities[43], transportation, medical, financial, psycho-social processing[44], and return and reintegration services. As compared to the full year targets, 36.6 percent and 41.3 percent accomplishments were recorded for the period, respectively.

144. **Lastly, under its Disaster Response and Management Program, the DSWD achieved all of its targets for the first semester of 2020.** Disaster

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[40] A person who has reached the age of 100 years.
[41] The LGUs referred a smaller number of clients/trafficked persons.
[42] Such as victims of sexual and physical abuse, maltreatment, mistreatment, among others.
[43] Temporary shelter, food packs, clothing and toiletries.
[44] Counseling, play therapy for children, emotional healing/value inculcation sessions, critical incident stress debriefing, and pre-marriage/marriage counseling.

response services were provided to 235,009 households or 100.0 percent of the internally-displaced households, while early recovery services were given to 3,917 households or 100.0 percent of households with damaged houses. In addition, the Department has prepositioned relief goods (e.g., family food packs and clothing) in 100.0 percent of the Field Offices (FOs), to ensure faster delivery of relief supplies to families that will be affected by calamities.

Department of Transportation

Table 33. Financial Performance, DOTr, January to June 2020
(In billion pesos)

Department	January to June 2019[1/]					January to June 2020[2/]				
	Allotment	Obligation	Disbursements	BUR		Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb				Oblig	Disb
DOTr	67.6	36.2	12.7	53.6%	35.0%	85.5	20.3	13.1	23.8%	64.4%

[1/] 2019 SAAODB
[2/] 2020 First Semester SAAODB

Financial Performance

145. **As of June 30, 2020, the DOTr received a total allotment of P85.5 billion, which was P17.9 billion higher than the 2019 allotment level of P67.6 billion during the same period.** Meanwhile, the DOTr allotment for the 2019 comparable period is still higher despite the adjustments made pursuant to *Bayanihan* to Heal as One Act where P16.4 billion appropriations of the DOTr were realigned for COVID-19 response.

146. **Out of the total allotment, P20.3 billion was obligated, equivalent to 23.8 percent obligation rate.** The obligated budget rate was lower by P15.9 billion than the P36.2 billion obligation recorded during the same period in 2019, which is equivalent to 29.8 percentage point reduction – from 53.6 percent in 2019 to 23.8 percent in 2020.

147. **Meanwhile, despite the onslaught of the COVID-19 pandemic, the Department managed to slightly improve its disbursement performance to P13.1 billion (equivalent to 64.4 percent of DOTr's total obligated budget), from the P12.7 billion recorded disbursements during the same period in 2019.** This can be attributed to the disbursements made for the

railway sector. The Department is also expecting to further propel its obligation and disbursement performance for the rest of the year due to the expected down payment for various Official Development Assistance (ODA) rail projects. It is noteworthy that the number of rail project contracts significantly increased from nine (9) contracts in 2016 to projected 38 contracts by end of 2020.

*Physical Performance**

*As of date, the DOTr has yet to submit the required physical accomplishment reports for the period.

Technical Education and Skills Development Authority

Table 34. Financial Performance, TESDA, January to June 2020
(In billion pesos)

Department	January to June 2019[1/]					January to June 2020[2/]				
	Allotment	Obligation	Disbursements	BUR		Allotment	Obligation	Disbursements	BUR	
				Oblig	Disb				Oblig	Disb
TESDA	13.1	3.0	2.2	22.8%	75.0%	8.8	2.1	1.8	23.9%	87.3%

[1/] 2019 SAAODB, as of June 30, 2020
[2/] 2020 SAAODB, as of June 30, 2020

Financial Performance

148. **During the first half of FY 2020, the TESDA has a total allotment of P8.8 billion, 32.7 percent (or P4.3 billion) lower compared to the same period last year.** Of this amount, the Authority obligated P2.1 billion, of which P1.8 billion was disbursed. These figures translate to an obligation rate and disbursement rate of 23.9 percent and 87.3 percent, respectively. These represent a better financial performance than last year, with the former improving moderately and the latter significantly.

Table 35. Physical Performance, TESDA, January to June 2020

PARTICULARS	2020			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT POLICY PROGRAM				
Output Indicators				
1. Number of National, Regional/Provincial TESD plans formulated/updated			Consolidation of inputs	Initial accomplishment data/inputs collected
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT REGULATORY PROGRAM				
Output Indicators				
1. Percentage of registered accredited TVET programs audited	10%	20%	3%	4%
2. Percentage of skilled workers issued with certification within 7 days of their application	90%	90%	25%	32%
3. Number of consultations, orientations and workshops for development of competency standards/training regulations	20	60	49	105
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of graduates from technical education and skills development scholarship programs		49,341	Classes suspended due to COVID-19	Classes suspended due to COVID-19
2. Number of training institutions/establishments/ assessment centers provided with technical assistance	292	2,337	230	2,671
3. Number of TESDA Technology Institutions graduates		59,434	35,665	47,691

Source: TESDA's Quarterly Physical Report of Operation, as of June 30, 2020

Physical Performance

149. **TESDA's physical performance in the first semester of FY 2020 can be closely related to the series of quarantines and lockdowns imposed throughout the country in an effort to mitigate the impact of the COVID-19 pandemic.** During the first quarter, all output indicators of its programs fell below their targets, mainly due to the limited mobility of people during that period. However, the TESDA was able to pick up the delivery of their services in the subsequent quarter, particularly those under the Technical Education and Skills Development Program. With the gradual lifting of lockdowns and less stringent quarantine measures, the agency was able to provide training assistance to 2,671 technical vocational institutions (TVIs) and assessment centers (ACs), exceeding its target of 2,337 TVIs and ACs. Moreover, despite the indefinite suspension of classes due to COVID-19, the agency produced a total of 83,356 graduates from its Technology Institutions.

IV. Macroeconomic and Fiscal Outlook for the Rest of 2020

Macroeconomic Outlook

150. **The DBCC continuously monitors and assesses the current macroeconomic environment** in line with the review of the macroeconomic assumptions needed in the formulation of the FY 2021 National Budget. The foregoing assessment considers the outlook for the rest of 2020.

151. **The BSP's latest baseline forecasts (as of 20 August 2020 monetary policy meeting) continue to indicate benign inflation environment over the policy horizon.** The risks to the inflation outlook are tilted to the downside. The potential impact on global and domestic economic growth prospects of a more disruptive COVID-19 pandemic is the primary downside risk to inflation. Meanwhile, adjustments in utility rates are the main upside risks to inflation. Given the benign inflation outlook and downside risks to

inflation, the DBCC revised the inflation assumption from 2.0 – 4.0 percent to 1.75 – 2.75 percent for 2020. Looking ahead, the BSP will continue to monitor domestic and external developments affecting the inflation outlook to ensure that the monetary policy stance remains consistent with maintaining price stability.

152. **Moreover, the DBCC assumes 364-day T-bill rate to average within 2.5 – 3.5 percent, lower than the original assumption of 5.0 – 6.0 percent for 2020.** Going forward, the trend in the 364-day T-bill rate will continue to be influenced by the BSP's policy stance and NG fiscal balance. Monetary policy accommodation by the BSP amid manageable inflation prospects and downside risks to domestic output could help keep yields low. Meanwhile, NG's funding requirements for higher fiscal deficit to support domestic economic recovery from the effect of COVID-19 could put some upward pressure on domestic interest rates. The DBCC agreed to adopt wider fiscal deficit-to-GDP ratio of 9.6 percent for 2020 from 3.4 percent in 2019.

153. **In the near term, global interest rates are seen to remain low** amid continued weaker global growth prospects and monetary policy loosening by the US Federal Reserve. In 2020, the DBCC lowered that 180-day LIBOR assumption from 1.5 – 2.5 percent to 0.8 – 1.5 percent.

154. **Meanwhile, the DBCC narrowed the peso-dollar exchange rate assumption from ₱51.00-55.00/US$1 to ₱50.00-52.00/US$1 for 2020.** The peso could remain broadly stable for the rest of the year as investors are expected to continue focusing on the country's manageable inflation environment, strong and resilient banking system, prudent fiscal position, and high level of international reserve buffer. The peso has been relatively stable even during the onset of the COVID-19 pandemic and stricter community quarantines between March and May 2020.

155. **On the global oil prospects, there remains considerable uncertainty over energy supply and demand dynamics given rising COVID-19 cases in certain countries such as the US.** Nonetheless, prices are likely to remain relatively low for the rest of the year given weakness in global consumption amid the COVID-19 pandemic and excess oil supply. This view, however, does not rule out some room for recovery in oil prices beginning in the second half of the year when production activities gradually resume as lockdown measures are slowly relaxed. For 2020, the DBCC projects Dubai

crude oil prices to average within US$35.00 – 45.00 per barrel, lower than the original assumption of US$60.00 – 75.00 per barrel.

156. **The 2020 growth assumptions for trade-in-goods have been revised thrice since the projection in May 2019.[45] Goods trade is expected to contract as the COVID-19 pandemic and the associated containment efforts have had a negative impact on economic activity in the first half of 2020** and the recovery in the remaining months is seen to be gradual and highly uncertain. Even as most economies have started to re-open, external and domestic demand could continue to be muted as consumer and business confidence remains subdued, hindering faster economic rebound for most countries. In its June 2020 update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) sees a deeper recession in 2020 with global output expected to decline by 4.9 percent from -3.0 percent projected in April 2020. The IMF sees synchronized deep downturn in 2020 for both advanced economies (-8.0 percent), and emerging market and developing economies (-3.0 percent; -5.0 percent if excluding China). Similarly, the ADB, in its June 2020 Asian Development Outlook Supplement, expects developing Asia to grow only by 0.1 percent from the 2.2 percent forecast in April 2020. This could be the region's slowest growth rate in six decades. The global trade is likely to suffer a deep contraction in 2020, reflecting considerably weak demand.[46] By major commodity group, trade is likely to fall more steeply in sectors characterized by complex global value chain linkages, particularly in electronics and automotive products.[47]

157. **For 2020, goods exports are seen to contract by 16.0 percent**, a reversal from the initial projection of 6.0 percent growth in May 2019 (basis of the FY 2020 BESF assumptions), and significantly lower than the 4.0 percent decline projected previously in May 2020. The revision mainly reflected the actual Q1 2020 balance of payments (BOP)-based outturn; January-April 2020 PSA trade figures; sharp COVID-19-induced contraction of the global economy; expected broad-based decline in merchandise trade volumes; easing world prices for industrial commodities; and less sanguine outlook by export

[45] The BSP conducts a semi-annual formulation/review of the balance of payments (BOP) projections over a two-year horizon, which includes trade-in-goods growth assumptions. After the May 2019 projection for 2020 trade-in-goods growth, the BSP released revised projections in November 2019 and May 2020 as part of its regular BOP assessment. In July 2020, the DBCC did another round of review of its macroeconomic assumptions taking into account the emerging figures and recent economic developments and outlook given the COVID-19 pandemic. These latest projections as of July 2020 were considered in the publication of the FY 2021 BESF.

[46] IMF June 2020 WEO Update. 19 June 2020.

[47] WTO (2020). *Trade Statistics and Outlook: Trade set to plunge as COVID-19 pandemic upends global economy.* WTO Press Release/855. 8 April 2020.

industry associations. Nonetheless, goods exports are expected to make a moderate rebound in the second half of the year as economic activity regains momentum following the easing of restrictions but the outlook remains uncertain given the state of demand in many key export markets.

158. **Goods imports are projected to drop further by 18.0 percent year-on-year in 2020**, considerably lower than the previous projections for the year (of 8.0 percent growth during the May 2019 projection exercise and the 5.5 percent contraction expected in May 2020). Goods imports are likely to remain depressed with the impact of weak domestic demand and lower world oil prices year-on-year. Continued social distancing hampering economic activity and global supply chain disruptions weighing on demand for parts and components and capital/investment goods for export-oriented manufacturing industries, could pull down import demand. Similarly, imports of consumer durables, including passenger cars and home appliances, are also seen to decline in 2020 with consumers likely holding off spending for non-essentials. The contraction in goods imports is seen to be more concentrated in Q2 2020 (strict community quarantine period), followed by a modest recovery in the latter half of the year as containment efforts are gradually relaxed and domestic demand slowly picks up.

Growth Target

159. **The DBCC approved a downward adjustment in the GDP growth projections from -3.4 percent to -5.5 percent in 2020.** This is broadly in line with the latest median estimate of -4.5 percent from private and international financial institutions for 2020. Growth is expected to revert to positive trajectory starting 2021 as economic activities fully resume and consumer and business confidence improve. The passage of the remaining economic reform agenda, such as the CREATE Bill, amendments to the Public Service Act, Foreign Investment Act, Retail Trade Liberalization Act, and Agri-Agra Act are likewise expected to fast-track recovery. However, as COVID-19 pandemic is foremost a public health crisis, there can be no true economic recovery unless the health crisis is resolved or contained.

160. **Household spending is seen to continue to contract for the remainder of the year amid subdued consumer sentiment and lower consumption of non-essentials.** Financial assistance, intensified retooling and upskilling programs, alternative livelihood options, vocational counselling, and job matching services are seen to help generate income and employment, which

in turn can spur consumption. Household spending is seen to gradually pick up starting 2021, anchored on the expectation of vaccine availability and accessibility.

161. **Government spending is likely to remain as a growth driver due to the aggressive implementation of COVID-19 response measures**, particularly, assistance to vulnerable households and critically impacted sectors. This will be supported by the passage and prompt implementation of the *Bayanihan* to Recover as One Act.

162. **Investments will continue to be dragged by dampened investor sentiment.** Nevertheless, the recently affirmed 'BBB+' credit rating from S&P Global and the upgrade to 'A-' rating from the Japan Credit Rating Agency will help regain investor confidence in the country. The BSP's recent policy rate cuts will, likewise, provide additional support to the business sector through lower borrowing costs. Furthermore, recovery in investments will be aided by the reprioritization of the *Build, Build, Build* Program towards crucial and shovel-ready projects such as health service facilities, public school facilities, agricultural infrastructure, roads and transportation passenger ports, social housing projects, and digital infrastructure.

163. **Agriculture's positive performance will be reinforced by the effective implementation of the government's *Plant, Plant, Plant* Program.** The program aims to boost productivity and output across all agri-fishery commodities through intensified use of quality seeds, appropriate inputs, and modern technologies. The Expanded Sure Aid and Recovery Project or SURE COVID-19 Program, which provides affordable credit facility for farmers and fishers, is also seen to bolster the performance of the sector.

164. **Industry sector growth is expected to remain subdued** as disruptions in supply chains, physical distancing measures, and other restrictions continue to hamper productivity, while muted demand for manufactured goods will add further downward pressure on output. Nevertheless, the slump in the construction subsector is seen to be softer in the second half of the year as more construction activities are allowed to resume in the second semester.

165. **Services is seen to slightly recover in the second semester as quarantine restrictions begin to ease and more businesses are allowed to operate.** Of

the subsectors, the growth of financial intermediation is likely to remain positive underpinned by the BSP's accommodative monetary policy stance and regulatory relief measures, as well as its support for digital channels to enable continued access to basic financial services. Telecoms and digital payments infrastructure need to be strengthened to ensure business continuity for the timely delivery of services.

166. **On the external front, the International Monetary Fund sees a deep global economic downturn at -4.9 percent in 2020**[48] as uncertainty and fear remain high over COVID-19's evolution. Rising infection leading to multiple waves and subsequent return to lockdowns are seen as the major downside risks to global growth, while discovery of a medical solution such as a vaccine or cure is the main upside risk. A slower and uneven recovery is seen moving forward. To withstand external shocks and alleviate the impact of COVID-19, the government needs to ensure sound macroeconomic fundamentals through a combination of responsive and prudent fiscal program complemented by accommodative monetary policy.

Fiscal Outlook

Table 36. Revised Full Year Fiscal Program, FY 2020
(In billion pesos, unless otherwise indicated)

Particulars	FY 2020		Variance	
	Projection 1/	Revised Projection 2/	Amount	Percent
	May 27, 2020	July 28, 2020		
Revenues	**2,612.6**	**2,519.8**	**(92.8)**	**-3.6%**
% of GDP	*13.6%*	*13.4%*		
Disbursements	**4,225.2**	**4,335.2**	**110.0**	**2.6%**
% of GDP	*21.9%*	*23.0%*		
(Deficit)	**(1,612.6)**	**(1,815.4)**	**(202.8)**	**12.6%**
% of GDP	*-8.4%*	*-9.6%*		
Nominal GDP	*19,261.7*	*18,856.3*		

1/ DBCC Ad Referendum Approval dated May 27, 2020.

2/ As presented in the FY 2021 Budget of Expenditures and Sources of Financing (BESF).

[48] IMF, World Economic Outlook Update, June 2020

167. **The current year's fiscal program was revised further in July 2020 to account for the more pronounced impact of COVID-19 on the economy which is now expected to contract by -4.5 to -6.6 percent from the earlier -2.0 to -3.4 estimated range in May.** Revenues are now projected to reach P2.520 trillion down from the P2.613 trillion estimates in May. The prolonged lockdown has led to distortions in the market as economic activity from the businesses and services sectors has been abruptly curtailed, including a liquor ban and restrictions on the movement of goods, among others. The combination of these factors weakened consumer demand and dampened economic growth, which will translate into a reduced revenue base for the remaining months of 2020 and therefore reduced revenue collection. The reduction also factors in the projected revenue loss from the passage of the CREATE Bill which will cut corporate income taxes to 25 percent from the current 30 percent.

Meanwhile disbursements were increased to P4.335 trillion from the earlier P4.225 trillion to consider the additional P140.0 billion programmed funding requirement of the second stimulus package under the *Bayahinan* to Recover as One Act (RA No. 11494 or *Bayanihan* II). Of the said additional requirement, P30.0 billion will be funded from realignment of savings in interest payments for a net increase of P110.0 billion in the latest disbursement projections. Accordingly, the deficit was raised to P1.815 trillion, equivalent to 9.6 percent of GDP, from the P1.613 trillion level or 8.4 percent of GDP in May.

168. **The total gross financing program for the year was set at P3.004 trillion to support the higher deficit requirements.** The borrowing program will continue to favor domestic sources at 74:26 mix. The larger financing requirement is seen to push the debt-to-GDP ratio to 53.9 percent by the end of the year, up from last year's 39.6 percent. Nonetheless, the increase in government borrowings is necessary for the country's health and recovery measures, as well as public investments in infrastructure and social services. These are expected to generate higher returns by expanding the country's growth potential, and thereby ensuring long-term fiscal sustainability.

169. **RA No. 11494 or the *Bayanihan* to Recover as One Act was signed by the President on September 11, 2020, paving the way for the immediate**

implementation of various recovery measures to strengthen health systems; increase support to agriculture; expand coverage of subsidy programs to the labor/employment, transportation, and tourism sectors; and provide financing programs to MSMEs. Summarized in the table below are the PAPs under the said law, including their corresponding budgetary allocations:

Table 37. List of Recovery Measures under the *Bayanihan* II Law
(In billion pesos)

Particulars	Regular Funds	Standby Funds	Total	Remarks
Health	21.0	10.0	31.0	Includes funding for: a. Hiring of human resources for health, provision of special risk allowance and hazard pay, among others; b. Procurement of PPEs; c. Construction of temporary medical isolation and quarantine facilities, field hospitals, dormitories, among others; and d. Implementation of COVID-19 expanded testing
Cash for Work/ Employment	18.0	0.0	18.0	For the implementation of cash-for-work programs (i.e. TUPAD, CAMP, DOLE-AKAP) and Unemployment/ Separation Assistance; and hiring of contact tracers
Social Assistance	6.0	0.0	6.0	Financing of DSWD programs including AICS and SLP
GFI Capital Infusion	39.5	15.5	55.0	Capital Infusion to PhilGuarantee, LBP, DBP, and SBCorp
Agriculture	24.0	0.0	24.0	Assistance to agriculture sector

Particulars	Regular Funds	Standby Funds	Total	Remarks
Transportation	9.5	0.0	9.5	Includes funding for assistance to critically-impacted businesses; PUV service contracting; and development of bicycle lanes
Tourism	4.1	0.0	4.1	Assistance to tourism sector distributed through the Tourism Road Infrastructure of DPWH, as well as cash-for-work programs and unemployment assistance of DOLE; and funding for the training and subsidies for tourist guides
Education	7.9	0.0	7.9	Includes assistance to SUCs for development of smart campuses; subsidies and allowances to qualified students, and teaching and non-teaching personnel; and funding for the implementation of digital education
TESDA	1.0	0.0	1.0	Additional scholarship
Payment of Interest Rates of Loans	2.0	0.0	2.0	Payment by LBP and DBP of interest rates of loans secured by LGUs
Others	7.0	0.0	7.0	Includes construction and maintenance of isolation facilities; and assistance to LGUs under the Local Government Support Fund
TOTAL	**140.0**	**25.5**	**165.5**	

Medium-Term Outlook

170. **The government prepares for the transition to the post-pandemic, hopefully starting next year, with the submission of the proposed FY 2021 National Budget.** The P4.506 trillion (21.8 percent of GDP) proposed budget next year was submitted by the Executive Branch to the Congress

on August 25, 2020. The FY 2021 National Expenditure Program is anchored on the theme "Reset, Rebound, and Recover: Investing for Resiliency and Sustainability" based on the strategies identified in the FY 2021 Budget Priorities Framework and the *We Recover as One* report of the National Economic and Development Authority, as part of the overarching four-pillar recovery strategy.

171. **The Social and Economic Sectors will corner the bulk of the proposed P4.506 trillion budget next year at 36.9 percent and 29.9 percent, respectively, combining for two thirds of the budget at P3.011 trillion.** The proposed expenditure plan will earmark P1.664 trillion to the Social Services Sector mainly for the enhanced implementation of health, social protection, labor and employment programs, as well as the improved delivery of education through digital technology. Some P1.347 trillion will also be set aside for the Economic Services Sector to help the country recovery swiftly from the pandemic with programs such as road, transportation, and ICT infrastructures, agriculture banner programs, and assistance to the MSMEs and tourism industries. In particular, the proposed budget of the government's flagship *Build, Build, Build* Program in 2021 will amount to P1.107 trillion (5.4 percent of GDP), intended to upgrade the country's infrastructure networks, improve logistics, connect major trading and growth hubs, and expand market access for goods and services. In addition, the infrastructure program is expected to generate some 1.1 million direct and indirect jobs next year.

172. **Over the medium-term, the country's revenue generating capacity is projected to continue to be significantly hit by eroded tax bases** emanating from the community quarantines and travel lockdowns imposed over the entire country starting mid-March.

173. **The post-crisis concept of a new normal that will emerge is likely to boost domestic economic activity to some degree, but only a modest rebound is expected in the subsequent years.** For 2021 and 2022, the government expects to see its total revenues to grow by 7.8 percent and 11.7 percent, respectively. From P2.7 trillion in 2021, the estimated total revenue will rise to P3.0 trillion by 2022 or an increase of P317.3 billion. As a percent of GDP, forecasted revenues will reach 13.2 percent and 13.3 percent in 2021 and 2022, respectively.

174. **With the impact of the CREATE bill, proceeds from new revenue measures are estimated to reach P25.7 billion in 2020, P62.7 billion in 2021, and P82.7 billion in 2022.**

Table 38. Medium-Term Fiscal Program, FYs 2021-2022
(In billion pesos)

Particulars	Actual			Projections[1/]		
	2017	2018	2019	2020	2021	2022
Total Revenues	**2,473.1**	**2,850.3**	**3,137.5**	**2,519.8**	**2,717.4**	**3,034.8**
% of GDP	*14.9%*	*15.6%*	*16.1%*	*13.4%*	*13.2%*	*13.3%*
Tax Revenues	**2,250.7**	**2,565.9**	**2,827.8**	**2,205.2**	**2,541.5**	**2,860.4**
% of GDP	*13.6%*	*14.0%*	*14.5%*	*11.7%*	*12.3%*	*12.5%*
BIR	1,772.3	1,951.9	2,175.5	1,685.7	1,904.2	2,177.8
BOC	458.2	593.1	630.3	506.2	619.5	663.1
Other Offices	20.2	20.9	22.0	13.3	17.8	19.5
Non-Tax Revenues	**221.6**	**268.7**	**308.8**	**314.1**	**175.4**	**173.9**
Privatization	**0.8**	**15.7**	**0.9**	**0.5**	**0.5**	**0.5**
Total Disbursements	**2,823.8**	**3,408.4**	**3,797.7**	**4,335.2**	**4,467.0**	**4,676.8**
% of GDP	*17.1%*	*18.7%*	*19.5%*	*23.0%*	*21.6%*	*20.5%*
Current Operating Exp.	2,113.9	2,440.5	2,740.9	3,475.6	3,281.6	3,616.8
Capital Outlays	714.1	963.1	1,039.8	832.7	1,156.8	1,031.3
Net Lending	(4.2)	4.9	17.1	26.9	28.7	28.7
(Deficit)	**(350.7)**	**(558.1)**	**(660.2)**	**(1,815.4)**	**(1,749.6)**	**(1,642.1)**
% of GDP	*-2.1%*	*-3.1%*	*-3.4%*	*-9.6%*	*-8.5%*	*-7.2%*
Nominal GDP (based on 2018 prices)	16,556.7	18,265.2	19,516.4	18,856.3	20,642.3	22,811.7
Infrastructure program disbursements [2/]	690.8	886.2	1,049.9	785.5	1,121.1	1,018.2
	4.2%	*4.9%*	*5.4%*	*4.2%*	*5.4%*	*4.5%*

1/ Consistent with the medium-term macroeconomic and growth assumptions, and fiscal program approved by the DBCC via Ad Referendum on July 28, 2020.

2/ Pertain to disbursements from NG infrastructure, infrastructure subsidy/equity to GOCCs, and transfers to LGUs intended for infrastructure activities. Include payables from current year's budget and prior years' obligations.

175. **For the next two years, government spending is projected to reach P4,467.0 billion (21.6 percent of GDP) in 2021, and will increase further to P4,676.8 billion (20.5 percent of GDP) in 2022.** This translates to a growth rate of 3.0 percent and 4.7 percent in 2021 and 2022, respectively.

176. **The Administration will continue to prioritize the *Build, Build, Build* Program for the rest of the medium-term which will greatly help spur economic activity and job generation.** Infrastructure disbursements will increase to P1,121.1 billion (5.4 percent of GDP) next year, from P785.5 billion (4.2 percent of GDP) this year. These, however, will slightly decline to P1,018.2 billion (4.5 percent of GDP) in 2022 consistent with the devolution plan of the National Government following the Supreme Court's Ruling on the *Mandanas* Case.

177. **The government will implement a fiscal consolidation strategy in the coming years with the NG deficit gradually declining from 9.6 percent of GDP this year to 8.5 percent in 2021, and further to 7.2 percent in 2022.** Although the higher deficit is expected to raise the country's debt profile from 39.6 percent of GDP in 2019 to just below 60 percent by 2022, this remains lower when compared to the country's record high of 71.6 percent in 2004. The strong fiscal position built in recent years provides the government with some headroom to navigate, especially in these times of crisis, to help the economy grow to the extent that sustainable debt levels will allow.

V. Conclusion

178. **The pandemic severely affected the government's macro-fiscal performance in the first semester of 2020, and is expected to continue affecting growth prospects for the rest of the year and beyond.** The COVID-19 crisis brought about heightened uncertainty, and subdued consumer and business sentiment. It also caused disruptions in value chains, transportation, logistics, and the labor market. It is probable that these issues can linger and have a negative impact over the medium-term. The occurrence of typhoons and the possibility of weak *La Nina* also pose risks to the country's recovery. External risks, likewise, remain, such as weakened global economy, slowdown in trade, and geopolitical tensions between key economies. Remittances and foreign direct investments (FDI) may also be negatively affected. The challenge for the rest of the year is to accelerate government spending and pass key reforms to address the health crisis, and help the economy rebound. It is also crucial that the measures under the *Bayanihan* II, which are expected to drive government

spending further for the remainder of the year, be implemented aggressively and effectively the soonest time possible.

179. **Nevertheless, sound macroeconomic fundamentals, strong economic growth performance, and landmark reforms over the previous years provided the leeway to mitigate the effects of the COVID-19 emergency.** The prudent fiscal management of the government has made the Philippines one of the most robust economies in the region with high investment grade credit ratings, allowing the NG to secure much-needed financing with more favorable terms to fund COVID-19 measures. The Cash Budgeting System has also made headway in improving public financial management, and ensuring the efficient utilization of the budget.

180. **Furthermore, the government is employing several short-term strategies in response to the pandemic.** First is to intensify the implementation of the Prevent, Detect, Isolate, Treat, and Reintegration (PDITR) strategies through the enforcement of minimum health standards, health surveillance, intensified contract tracing protocol, and construction of more isolation and treatment facilities. A strategic stockpiling system of Personal Protective Equipment (PPE) and other essential goods, with strong linkage to domestic manufacturers will also be implemented. Furthermore, the government will extend financial assistance, intensify retooling and upskilling programs, alternate livelihood options, and job matching services. Financial and technical assistance to MSMEs to shift to digital transformation will be provided, as well as improving and investing in digital infrastructure. The continuation of the *Build, Build, Build* Program is also crucial for its multiplier effect as this creates jobs, drives consumption, and stimulates economic activity. Other strategies include supporting the agriculture sector (including urban agriculture), minimizing disruptions in value chains and the logistics sector, and providing support for flexible learning opportunities.

181. **Despite the bleak outlook for 2020, the government is expecting a rebound over the medium-term given the fiscal stimulus and other recovery measures being implemented.** The availability of a safe and effective vaccine against COVID-19 will also play a crucial role to the country's recovery.

182. **The government remains committed in delivering its vision of a *Matatag, Maginhawa, at Panatag na Buhay* to all Filipinos.** The passage of *Bayanihan* II sustains the efforts made and gains achieved during the government's "Response" phase to the pandemic, and transitions the country into the "Recovery" stage. But the actual heavy workload for the government's bounce-back strategy commences with the implementation of the FY 2021 Budget next year. While it is expected that recovery will be gradual and lengthy, the NG remains hopeful that the Philippine economy will not just be more resilient, but also be back on track to achieving an upper-middle income status in the coming years.
