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Development Budget Coordination Committee

Malacañang, Manila

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FY 2023 MID-YEAR REPORT

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This report was crafted together with the Department of Finance, Bureau of the Treasury, Bureau of Internal Revenue, Bureau of Customs, National Economic and Development Authority, the *Bangko Sentral ng Pilipinas*, and the DBM's Budget and Management Bureaus, Local Government and Regional Coordination Bureau, and Systems and Productivity Improvement Bureau. Some data and information were also provided by the concerned implementing departments.

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https://tinyurl.com/2023-MYR-Data-Repository

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List of Acronyms and Abbreviations

2TBA	Two-Tier Budgeting Approach
4Ps	*Pantawid Pamilyang Pilipino* Program
ACEF	Agricultural Competitiveness Enhancement Fund
ACPC	Agricultural Credit Policy Council
ADB	Asian Development Bank
AFP	Armed Forces of the Philippines
AICS	Assistance to Individuals in Crisis Situations
AIIB	Asian Infrastructure Investment Bank
ALGU	Allocation to Local Government Units
AMP	Adjustment Measures Program
ARBs	Agrarian Reform Beneficiaries
AY	Academic Year
BangUN	*Bangsamoro Umpungan sa Nutrisyon*
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BEF	Basic Education Facilities
BESF	Budget of Expenditures and Sources of Financing
BFAR	Bureau of Fisheries and Aquatic Resources
BFP	Bureau of Fire Protection
BIR	Bureau of Internal Revenue
BJMP	Bureau of Jail Management and Penology
BOC	Bureau of Customs
BOP	Balance of Payments
BOT	Build-Operate-Transfer
BP	Budget Preparation
BPF	Budget Priorities Framework
BPO	Business Process Outsourcing
bps	basis points
BSP	*Bangko Sentral ng Pilipinas*
CBS	Cash Budgeting System
CCET	Climate Change Expenditure Tagging
CDC	Child Development Center
CFIDP	Coconut Farmers and Industry Development Plan
CHED	Commission on Higher Education

CLPEP	Child Labor Prevention and Elimination Program
CO	Capital Outlays
CPI	Consumer Price Index
CSOs	Civil Society Organizations
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DepEd	Department of Education
DFA	Department of Foreign Affairs
DICT	Department of Information and Communications Technology
DILG	Department of the Interior and Local Government
DILP	DOLE Integrated Livelihood Program
DMW	Department of Migrant Workers
DND	Department of National Defense
DOE	Department of Energy
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DRRM-H	Disaster Risk Reduction Management-Health
DTC	Digital Transformation Center
DTPs	Devolution Transition Plans
DX	Digital Transformation
EB	Epidemiology Bureau
ECC	Environmental Compliance Certificate
EDG	Economic Development Group
EEC	Energy Efficiency and Conservation
EMB	Environmental Management Bureau
EO	Executive Order
EPP	Extended Payment Period
FAPs	Foreign-Assisted Projects
FDV	Fertilizer Discount Voucher

FHE	Free Higher Education
FMRs	Farm-to-Market Roads
FSI	Fire Safety Inspector
FSIC	Fire Safety Inspection Certificate
FWP	Family Welfare Program
FY	Fiscal Year
GAA	General Appropriations Act
GAAAO	GAA-as-Allotment Order
GDP	Gross Domestic Product
GHQ	General Headquarters
GIP	Government Internship Program
GOCCs	Government-Owned and -Controlled Corporations
HB	House Bill
HEA	Health Emergency Allowance
HEIs	Higher Education Institutions
HFEP	Health Facilities Enhancement Program
HOR	House of Representatives
IAC-IMO	Inter-Agency Committee on Inflation and Market Outlook
IBRD	International Bank for Reconstruction and Development
ICC	Investment Coordination Committee
ICT	Information and Communications Technology
IEC	Information, Education and Communication
IFMIS	Integrated Financial Management Information System
IFPs	Infrastructure Flagship Projects
IMF	International Monetary Fund
IP	Interest Payments
IRR	Implementing Rules and Regulations
ISFs	Informal Settler Families
ITCZ	Intertropical Convergence Zones
JICA	Japan International Cooperation Agency
KALAHI-CIDSS-KKB	*Kapit-Bisig Laban sa Kahirapan* – Comprehensive and Integrated Delivery of Social Services: *Kapangyarihan at Kaunlaran sa Barangay*
KALAHI-CIDSS-NCDDP	*Kapit-Bisig Laban sa Kahirapan* – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project
LAKAS	Leading the Advancement of Knowledge in Agriculture and Sciences
LEDAC	Legislative-Executive Development Advisory Council
LEES	Labor and Employment Education Services

LFPs	Locally-funded Projects
LGC	Local Government Code
LGUs	Local Government Units
LIBOR	London Interbank Offered Rate
LMI	Labor Market Information
LTFRB	Land Transportation Franchising and Regulatory Board
MAIP	Medical Assistance to Indigent Patients
MBRP	Manila Bay Rehabilitation Program
MGB	Mines and Geosciences Bureau
MIF	*Maharlika* Investment Fund
MOA	Memorandum of Agreement
MOOE	Maintenance and Other Operating Expenses
MPA	Marine Protected Areas
MRT	Metro Rail Transit
MSMEs	Micro, Small, and Medium Enterprises
MTFF	Medium-Term Fiscal Framework
MUP	Military and Uniformed Personnel
MVRUT	Motor Vehicles Road Users Tax
NBC	National Budget Circular
NDRRMF	National Disaster Risk Reduction and Management Fund
NEAP	National Educators' Academy of the Philippines
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
NFA	National Food Authority
NG	National Government
NGA	National Government Agency
NGP	National Greening Program
NGRP	National Government Rightsizing Program
NHIP	National Health Insurance Program
NHTS	National Household Targeting System
NIA	National Irrigation Authority
NIASD	National Innovation Agenda and Strategy Document
NIPAS	National Integrated Protected Area System
NNC	National Nutrition Council
NRCDP	Natural Resources Conservation and Development Program

NRP	National Rice Program
NTA	National Tax Allotment
NTESDP	National Technical Education and Skills Development Plan
ODA	Official Development Assistance
OFs	Overseas Filipinos
OFWs	Overseas Filipino Workers
OSEC	Office of the Secretary
OTOP	One Town, One Product
P3	*Pondo sa Pagbabago at Pag-Asenso*
PA	Philippine Army
PAF	Philippine Air Force
PAGCOR	Philippine Amusement and Gaming Corporation
PAMANA	*PAyapa at MAsaganang PamayaNAn*
PAPs	Programs, Activities, and Projects
PBBM Bill	Progressive Budgeting for Better and Modernized Governance Bill
PCARI	Philippine-California Advanced Research Institute
PCHRD	Philippine Council for Health Research and Development
PCIC	Philippine Crop Insurance Corporation
PCMs	Provinces, Cities, and Municipalities
PCT	Process Cycle Time
PDL	Persons Deprived of Liberty
PDP	Philippine Development Plan
PEB	Philippine Economic Briefing
PESOs	Public Employment Service Offices
PFDA	Philippine Fisheries Development Authority
PFM	Public Financial Management
PHIC	Philippine Health Insurance Corporation
PHIVOLCS	Philippine Institute of Volcanology and Seismology
PH-OGP	Philippine Open Government Partnership
PIFITA	Passive Income and Financial Intermediary Taxation
PIT	Personal Income Tax
PN	Philippine Navy
PNAC	Philippine National AIDS Council
PNP	Philippine National Police
POGO	Philippine Offshore Gaming Operations

PPP	Public-Private Partnership
PRRP	Pasig River Rehabilitation Program
PS	Personnel Services
PSHS	Philippine Science High School
PSIFDC	Protective Services for Individuals and Families in Difficult Circumstances
PSP	Protective Services Program
PUV	Public Utility Vehicle
Q1	First Quarter
Q2	Second Quarter
QRF	Quick Response Fund
R&D	Research and Development
RA	Republic Act
RCEF	Rice Competitiveness Enhancement Fund
RESU	Regional Epidemiology and Surveillance Units
RRP	Risk Resiliency Program
RSBSA	Registry System for Basic Sectors in Agriculture
RTESDP	Regional Technical Education and Skills Development Plan
S&T	Science and Technology
S1	First Semester
SBC	Small Business Corporation
SC	Supreme Court
SEI	Science Education Institute
SFAPs	Support to Foreign-Assisted Projects
SFP	Supplementary Feeding Program
SGLG	Seal of Good Local Governance
SIPSP	Support for Infrastructure Projects and Social Programs
SLP	Sustainable Livelihood Program
SNP	Supervised Neighborhood Play
SocPen	Social Pension
SOFR	Secured Overnight Financing Rate
SONA	State of the Nation Address
SPSIC	Sanitary and Phytosanitary Import Clearance
SRP	Suggested Retail Price
SSF	Shared Service Facilities
SSIPs	Small-scale Irrigation Projects

SUCs	State Universities and Colleges
TCT	Targeted Cash Transfer
TESDA	Technical Education and Skills Development Authority
TRIP	Three-Year Rolling Infrastructure Program
TTIs	TESDA Technology Institutions
TUPAD	*Tulong Panghanapbuhay sa Ating* Disadvantaged Workers
TVET	Technical and Vocational Education and Training
TVL	Technical and Vocational Livelihood
TWG	Technical Working Group
UA	Unprogrammed Appropriations
UAQTE	Universal Access to Quality Tertiary Education
UHC	Universal Health Care
VAT	Value Added Tax
WAIR	Weighted Average Interest Rate
WODP	Workers Organizations Development Program

PART 1

Introduction

1. **The Philippines entered 2023 with expectations of sustaining and building up on the strong growth momentum from the previous year, after recording a relatively higher-than-expected real Gross Domestic Product (GDP) growth of 7.6 percent for the full year of 2022.** The remarkable economic resurgence in 2022 was driven by the effective reopening of the economy, revival of businesses, and resumption of face-to-face classes, which were aided by the extensive vaccination of the population. These measures not only helped in accelerating the recovery process but were also crucial in restoring economic confidence. While downside risks to growth continued to hound the economy, the 6.4 percent GDP expansion during the first quarter (Q1) of this year signaled the continuation of a strong growth momentum, which was underpinned by improved consumer sentiment, favorable labor market conditions, and increased household spending in the services and tourism sectors. However, a deeper examination of the country's socioeconomic landscape reveals that uncertainties and risks have become even more pronounced, as evidenced by the moderate growth rate of 4.3 percent in the second quarter (Q2) amid high commodity prices, interest rate hikes, contraction in government spending, and global economic slowdown. Nonetheless, the National Government (NG) is keen on employing measures and strategies to achieve the macroeconomic and fiscal targets for the year. In light of these developments, this *Fiscal Year (FY) 2023 Development Budget Coordination Committee (DBCC) Mid-Year Report* presents a comprehensive analysis of the country's macroeconomic and fiscal performance for the first semester of 2023, including the significant challenges faced by the country. It also tackles the macro-fiscal outlook for the rest of the year, as well as the opportunities and strategies of the Marcos Jr. Administration to achieve its growth targets and swing the momentum back to a high growth trajectory.

2. **The country's economy is resiliently steering through a range of external headwinds, even as it strives to recover fully from the protracted pandemic.** While global economic recovery remains uncertain with projections of slower growth this year and in 2024 both at 3.0 percent[1] from 3.5 percent in 2022, as well as muted growth of the country's exports (2.6 percent in the first semester [S1] of 2023), the decent 5.3 percent real GDP growth in the first half of 2023 demonstrated the capacity of the Philippine economy to adjust to the threats brought about by global externalities. The price hikes in fuel, food and other non-food commodities as a result of global supply chain disruptions due to the Russia-Ukraine conflict were also managed appropriately. In Q1 of 2023, average headline inflation rate soared to 8.3 percent compared to 3.3 percent in Q1 of 2022 and 5.8 percent full year 2022. To temper inflationary pressures and anchor inflation expectations, the *Bangko Sentral ng Pilipinas (BSP)* has imposed a series of policy hikes by 75 cumulative basis points (bps) since the start of the year – effectively raising interest rate to 6.25 percent as of September 21, 2023.[2] This slowed down the rate of price increases to 6.6 percent as of August, from the 7.2 percent average during the first semester of 2023. Moreover, given the direct impact of the rising

[1] International Monetary Fund (July 2023). World Economic Outlook Update. "Near-term resilience, persistent challenges". Retrieved from: https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023.

[2] Bangko Sentral ng Pilipinas. Price Stability – Monetary Policy Decisions. Retrieved from https://www.bsp.gov.ph/SitePages/PriceStability/MonetaryPolicyDecision.aspx.

prices in the purchasing power of Filipinos, the NG has employed targeted interventions to the poor and significantly hit sectors, such as the agriculture and transportation sectors. However, because of the lingering effects of the pandemic, heightened inflation, increased frequency of extreme weather events due to climate change, as well as rising public debt levels, the current Administration is committed to designing the right policy mix to secure recovery and safeguard price stability, build fiscal buffers given the downside risks, and employ measures that will foster long-term growth and sustainability.

3. **Focused towards the attainment of a *Matatag, Maginhawa, at Panatag na Buhay by 2040*, the Marcos Jr. Administration formulated the Philippine Development Plan (PDP) 2023-2028 as the overall blueprint for economic and social transformation.** Rooted in the 8-Point Socioeconomic Agenda, the PDP, which was approved by the President on December 16, 2022, laid out the strategies in addressing the immediate development issues faced by the country, while also building an environment that would enable a prosperous, inclusive, resilient, and sustainable society. Complementing this plan, the Executive department developed the 2022-2028 Medium-Term Fiscal Framework (MTFF), a first multi-year fiscal strategy that extends to six years, similar to the PDP. The MTFF was subsequently adopted by Congress[3], serving as the guiding principles in crafting legislation and policies aimed at achieving short-term macro-fiscal stability, robust economic growth, and long-term fiscal sustainability. Furthermore, it promotes coherence in annual spending and financing plans, ensuring alignment with the priorities of the Marcos Jr. Administration. This strategic alignment paved the way for the swift approval of the FY 2023 National Budget. Notably, the proposed FY 2023 National Budget was submitted to Congress on August 22, 2022, and was signed by the President into law as Republic Act (RA) No. 11936 on December 16, 2022, making it the fastest and earliest enacted General Appropriations Act (GAA) in the Philippine history.

4. **The fast enactment of the FY 2023 National Budget will enable the government to timely execute its plans and ensure prompt delivery of public goods and services.** The FY 2023 National Budget serves as the country's main fiscal stimulus in attaining the Administration's overall goal of poverty reduction and job creation. It provides strategic allocations in a wide spectrum of societal needs, encompassing human capital development, infrastructure development, digitalization, disaster resilience, and innovation, among others. To supplement the FY 2023 National Budget, particularly in financing the government's infrastructure spending, the NG is tapping private sector investments. Through the country's comprehensive Public-Private Partnership (PPP) Framework under the Revised 2022 Implementing Rules and Regulations (IRR) of the Build-Operate-Transfer (BOT) Law[4], the NG harnesses the strengths of both sectors, leveraging on private sector innovation and expertise, while sharing risks and ensuring fiscal sustainability.

5. **The Philippines is also continuously pursuing greater transparency and openness in governance through various engagements with the local government units (LGUs) and civil society organizations (CSOs).** In a bid to sustain and further improve on the gains of various open government initiatives during the last decade, Executive Order (EO) No. 31, s.

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[3] Adopted by the Congress through Concurrent Resolution No. 4 Supporting the 2022-2028 Medium-Term Fiscal Framework of the National Government.
[4] Entitled "Revised Implementing Rules and Regulations of R.A. No 6957, An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector, and for the Other Purposes" as amended by RA No. 7718.

2023[5] was issued by the President, thereby institutionalizing the Philippine Open Government Partnership (PH-OGP) as a multi-stakeholder partnership responsible in overseeing and implementing the country's commitment to the OGP. Recently, the Philippines participated in the 2023 OGP Global Summit in Estonia on September 4, 2023. During this summit, the PH-OGP and the Global Initiative for Fiscal Transparency, in partnership with the Department of Foreign Affairs, hosted a session entitled "Innovation Talks: Fostering Transparency and Accountability through Open Budget Portals". This highlighted the innovative approaches that play a key role in launching Public Financial Management (PFM) processes. The government has also been actively engaging LGUs, including the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), in the budgeting process and various fiscal openness initiatives. By closely working with LGUs in budget decisions, the NG is ensured that resources are aligned with local priorities, citizen participation is mainstreamed, decision-making is well-informed, and access to resources for positive governance is provided. Moreover, transparency initiatives generate valuable data that support data-driven decision-making, thereby optimizing resource allocation and improving conditions for marginalized communities, including those in the BARMM. These efforts demonstrate a firm commitment to inclusive governance and financial responsibility, contributing to a more prosperous and transparent Philippines.

[5] Entitled "Institutionalizing the Philippine Open Government Partnership and For Other Purposes" dated June 20, 2023.

PART 2

The FY 2023 National Government Budget

Key Budget Principles

6. **The FY 2023 National Budget strategically guides the allocation and utilization of public resources to achieve the Administration's overarching objective of economic and social transformation.** With the theme *"Agenda for Prosperity: Economic Transformation Towards Inclusivity and Sustainability"*, the Php 5.268 trillion FY 2023 National Budget continues the laudable programs of the previous Administrations, while also introducing new programs and projects aimed at accelerating economic recovery and post-recovery development. This philosophy centers around the crucial formula of empowering the current generation of Filipinos by (i) providing immediate support in tackling the impact of high inflation and scarring due to the COVID-19 pandemic; (ii) expanding access to essential services, such as education, healthcare, and social protection; and (iii) offering opportunities to uplift the livelihood and well-being of Filipinos. These strategies extend beyond the present, emphasizing the need to enrich the future through responsible resource management, sustainable development practices, and investments in areas that ensure long-term prosperity and equitable progress.

7. **Consistent with the principles of prudent use and management of fiscal resources, the FY 2023 National Budget directs its investments towards programs, activities, and projects (PAPs) with high economic impact as embodied in the 8-Point Socioeconomic Agenda and the PDP 2023-2028.** Among the critical investments areas are (i) food security, (ii) cost reduction in transport and logistics, (iii) lowering energy expenses for families, (iv) sound fiscal management, (v) healthcare enhancement, (vi) safe reopening of face-to-face education, (vii) strengthening of social protection, and (viii) improving bureaucratic efficiency. Specifically, the FY 2023 National Budget was framed based on three immediate causes, namely, (i) enhancing the purchasing power of Filipinos, (ii) mitigating the effects of the COVID-19 pandemic, and (iii) improving bureaucratic efficiency. Through the use of existing budgeting frameworks and tools, such as the: (i) Budget Priorities Framework; (ii) two-tier budgeting approach; (iii) Three-Year Rolling Infrastructure Program; and the (iv) Investment Coordination Committee process, the NG ensures that the PAPs funded under the FY 2023 National Budget are implementation ready and provide maximum benefit to the society and economy.

8. **As part of the NG's continued efforts in improving public spending efficiency, the FY 2023 National Budget extends the transitional arrangement under the Cash Budgeting System[6] (CBS).** Considering the impact of the pandemic on agencies' timely implementation of projects, as well as the transition to the current Administration in 2022, the appropriations under the FY 2023 National Budget are valid for release and obligation until December 31, 2024, except for personnel services (PS) which is only available for release, obligation, and

[6] The CBS was institutionalized through the issuance of EO No. 91 dated September 9, 2019, which mandated the adoption of the CBS beginning FY 2019.

disbursement until December 31, 2023.[7] This arrangement enables line agencies to adjust to the eventual full implementation of the CBS, wherein the annual appropriations will be valid for obligation only until the end of the fiscal year, while disbursements will be limited to the payment for goods and services delivered, and accepted within the current fiscal year or within the Extended Payment Period (EPP)[8].

9. **The principles of participative governance, transparency, and accountability in the allocation and utilization of public funds, are embedded in the FY 2023 National Budget.** To foster public trust and effective governance, and to ensure that budget priorities are aligned with the needs of the people, the stakeholders, including communities, local government units, and civil society organizations were involved in the budgeting process. For instance, the Budget Preparation (BP) Form D, which summarizes and reports the inputs and recommendations made by the CSOs on ongoing and new spending projects and activities of line agencies, was required by the Department of Budget and Management (DBM) to be included in the submission of annual budget proposals of agencies during the crafting of the FY 2023 National Budget.[9]

Key Budget Priorities

10. **The largest share of the FY 2023 National Budget was provided to the Social Services Sector, amounting to Php 2.004 trillion (38.0 percent) to ensure unimpeded delivery of health, education, and social protection programs.** On the other hand, the budget for the Economic Services Sector totaled Php 1.624 trillion (30.8 percent), providing mainly for the various infrastructure projects of the Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), and Department of Agriculture (DA) under the *Build Better More Program*. Meanwhile, General Public Services was allocated with Php 796.0 billion to fund the NG's general administration expenses, public order and safety, and other governance services. Furthermore, Php 611.0 billion was earmarked for debt payments, while Php 232.5 billion was allotted to the Defense Sector for strengthening the country's land, coastal, and air forces.

Table 1. FY 2023 National Budget, by Sector
(In billion pesos, unless otherwise indicated)

Particulars	FY 2023 GAA Level	Percent Distribution
Economic Services	1,624.2	30.8 %
Social Services	2,004.3	38.0 %
Defense	232.5	4.4 %
General Public Services	796.0	15.1 %
Debt Burden	611.0	11.6 %
TOTAL	**5,268.0**	**100.0 %**

[7] While the FY 2019 GAA provided for a transition period in the shift from the obligation-based budgeting to CBS (12 months for the infrastructure capital outlays and six (6) months for maintenance and non-infrastructure capital outlays), this transition period was extended by the Congress by two (2) years in view of the late passage of the FY 2019 GAA in April 2019. The validity of FYs 2020, 2021, and 2022 Budgets was, likewise, extended in view of the pandemic.
[8] The EPP refers to the first three (3)-month period in the following fiscal year when payments, chargeable against the Appropriations Law of the previous fiscal year, can be processed and disbursed for goods and services delivered and accepted by the end of the previous fiscal year.
[9] Pursuant to National Budget Memorandum No. 142 dated January 12, 2022 or the National Budget Call for FY 2023.

The FY 2023 National Budget was carefully crafted to support the following objectives, in accordance with the 8-Point Socioeconomic Agenda of Marcos Jr.'s Administration in the near and medium-term.

Food Security, Safety, and Nutrition

11. **Agriculture remains critically important in the Philippines because of its connection to poverty reduction and food security.** Considering this, a total amount of Php 173.6 billion was provided to the agriculture sector under the FY 2023 National Budget. Among the departments and agencies which received significant amounts were the DA and its attached agencies (Php 157.8 billion), Department of Agrarian Reform (DAR) [Php 11.3 billion], and Philippine Crop Insurance Corporation (PCIC) [Php 4.5 billion] for the execution of PAPs that will strengthen food security, increase domestic food production, improve connectivity from farms and mills to markets, and ensure adequate nutrition for all.

12. **The specific food security programs of the DA will help increase agricultural productivity, temper inflationary pressures on food and agricultural products, and prepare for future food crises.** These consist of the DA's land-based agricultural programs, such as the National Programs for (i) Rice (Php 30.3 billion), (ii) Corn (Php 5.0 billion), (iii) High Value Crops Development (Php 1.8 billion), (iv) Organic Agriculture (Php 900 million), (v) Livestock (Php 4.5 billion), and (vi) Urban and Peri-Urban Agriculture (Php 318.5 million). Alongside the development of the country's land-based agri-industries, the Fisheries Development Program implemented by the Bureau of Fisheries and Aquatic Resources (BFAR) was also allocated with Php 6.2 billion to spur the growth of aquaculture and boost production of local fisheries. Meanwhile, to ensure sufficient stock of rice in emergency situations, the government's share in the buffer stock capacity of the National Food Authority's Buffer Stocking Program was increased from nine (9) days to fifteen (15) days, and allotted with Php 9.0 billion for the procurement of 495 thousand metric tons of *palay* from local farmers.

13. **Agricultural support services, such as the development and repair of irrigation systems, rehabilitation of fish ports, and modernization of the agricultural equipment were also accommodated in the FY 2023 Budget to serve as enabling infrastructures in accelerating agricultural production.** Of the total allocation for DA, Php 10.1 billion was earmarked for the provision of production machineries and post-harvest equipment to qualified farmers' associations/cooperatives and LGUs, while Php 1.1 billion was provided for the implementation of small-scale irrigation projects. Apart from the aforementioned support services, an amount of Php 30.1 billion was allocated to the irrigation programs of the National Irrigation Authority (NIA), while Php 2.5 billion was allotted to the Fisheries Infrastructure Development Program of the Philippine Fisheries Development Authority (PFDA) intended for the restoration, improvement, and operation of four fish ports in major strategic areas (i.e., Navotas, General Santos, Camaligan, Sual, and Eastern Samar). In addition, given the perennial connectivity and logistic problems within agricultural and fisheries areas and from production sites to markets, an amount of Php 14.5 billion was set aside for the construction of farm-to-market roads (FMRs). Furthermore, a total of Php 10.0 billion was automatically appropriated to the Rice Competitiveness Enhancement Fund

(RCEF) to be used for programs and projects to advance the competitiveness of rice farmers and increase their income amid changes in the country's rice trade policies.

14. **Financing and crop insurance programs are extended to farmers and fisherfolks to mitigate the damage and losses to crop and non-crop (e.g., equipment and machineries, etc.,) agricultural assets resulting from natural calamities and disasters, as well as plant diseases and pest infestations.** The Crop Insurance Program of the PCIC was earmarked with Php 4.5 billion for the insurance premiums of 2.3 billion subsistence farmers and fisherfolks for their crops, livestock, and fisheries assets, among others, while the Agricultural Credit Policy Council's (ACPC) Agricultural Credit Program was also provided with Php 2.8 billion for the establishment of a flexible credit facility as an alternative to the rigid and stringent credit facilities usually provided by banks. Moreover, credit and grant facilities are offered to farmers and fisherfolks sourced from the Agricultural Competitiveness Enhancement Fund (Php 1.7 billion) to help in financing their purchase of farm equipment, among others. In conjunction with the said programs, the DAR allocated Php 3.0 billion for the redistribution of government and private agricultural lands to 22.3 thousand landless farmers and farm workers, while Php 1.6 billion was given to the Agrarian Reform Beneficiaries (ARBs) Development and Sustainability Program for the implementation of capacity development interventions to ARBs with the objective of improving their farm productivity and income.

15. **Given the importance of proper nutrition in the overall well-being and development of Filipinos, the NG adopts a whole-of-society approach to (i) address wasting, stunting, and obesity, (ii) expand access to safe and nutritious foods, and (iii) promote healthy lifestyle.** As such, funding support for interventions, such as the Department of Social Welfare and Development's (DSWD) Supplementary Feeding Program (Php 5.2 billion) which provides nutritious foods to 1.8 million undernourished children (2-5 years old), as well as the Department of Education's (DepEd) School-Based Feeding Program (Php 5.7 billion) to feed 1.7 million severely wasted and wasted learners (from Kindergarten up to Grade 6), was included in the FY 2023 National Budget. An amount of Php 181.3 million was also dedicated to the Early Childhood Care and Development in the First 1000 Days Program of the National Nutrition Council (NNC) as sustenance to nutritionally at-risk pregnant women in the fifth (5^{th}) and sixth (6^{th}) income class municipalities. This program seeks to reduce morbidity, mortality, and stunting among children with ages zero (0) to twenty-three (23) months. Meanwhile, to guarantee food safety, Php 2.3 billion was earmarked under the budget of DA for the development of testing laboratories that will perform inspections of animal, fish, and plant commodities in cold examination facilities.

Reduce Transport and Logistics Costs

16. **The *Build Better More* Program of the Marcos Jr. Administration assures the continuity of the country's infrastructure agenda, with particular importance on programs that strengthen industry linkages, expand physical and digital connectivity, improve access to basic services, and develop the country's climate resilience.** For FY 2023, infrastructure outlays amount to Php 1.330 trillion, equivalent to 5.5 percent of GDP. Bulk of this amount was intended for road networks (Php 478.9 billion), flood control programs (Php 283.2 billion), and rail transport projects (Php 40.1 billion). Significant allocations were also given

to social infrastructures, with Php 29.4 billion for school buildings, Php 14.4 billion for health centers, and Php 2.5 billion for housing and community facilities. Similarly, Php 16.7 billion was allotted for water supply systems, Php 30.1 billion for irrigation systems, and Php 1.3 billion for reforestation projects.

17. **The government focuses on reducing transportation and logistics costs by improving the country's mass transport system and building more road networks.** For 2023, Php 106.0 billion was allocated to the DOTr, with some Php 48.8 billion[10] intended for the Rail Transport Program and Php 7.4 billion[11] for the Land Transportation Program. More specifically, major rail transport projects include the North-South Commuter Railway System (Php 25.1 billion) and Metro Manila Subway Project Phase 1 (Php 11.3 billion), which were funded under Official Development Assistance (ODA). The DPWH, likewise, received Php 894.2 billion, supplementing the programs implemented by the DOTr. Bulk of the Department's budget is set aside for its Asset Preservation Program (Php 124.6 billion), Network Development Program (Php 119.2 billion), and Bridge Program (Php 31.2 billion) to ensure the safety and reliability of the country's roads and bridges. Key infrastructure programs and projects in partnership with other national government agencies (NGAs) were also included under the DPWH's Convergence and Special Support Program (Php 388.3 billion), with the purpose of constructing roads/bridges to declared tourism destinations and economic zones, as well as facilities to support social services, among others.

Lower Energy Cost

18. **A fundamental requirement for growth is the availability of affordable and reliable energy; hence, the Department of Energy (DOE) was allocated a total of Php 2.2 billion for 2023.** Among the major programs of the DOE funded under the FY 2023 National Budget are the (i) Renewable Energy Development Program (Php 145.2 million) and the (ii) Energy Efficiency and Conservation Program (Php 252.4 million). To supplement these programs, the National Rural Electrification Program of the National Electrification Administration was provided with Php 1.9 billion allocation.

Improve Health System

19. **The NG continues to strengthen the country's healthcare systems by making substantial allocations for healthcare facilities and health personnel, ensuring that all measures and strategies can adapt to evolving healthcare challenges.** An amount of Php 68.6 billion was provided to support the operations of the Department of Health (DOH)-administered hospitals and healthcare facilities across the nation, with an additional Php 29.1 billion earmarked for the procurement of essential medical supplies, drugs, vaccines, and dental materials distributed to government healthcare facilities. Moreover, Php 26.8 billion was allotted for the Health Facilities Enhancement Program (HFEP) of the DOH for the expansion, construction, and acquisition of hospital equipment, including enhancements to COVID-19 response facilities. In an effort to expand healthcare access of citizens throughout

[10] Includes funding for PS (Php 318.1 million) and MOOE (Php 8.5 billion).
[11] Includes funding for Fuel Subsidy Program (Php 3.0 billion) and Service Contracting of the PUV Program (Php 1.3 billion) under the MOOE items.

the country, Php 16.9 billion was earmarked for the National Health Workforce Support System. This involves the deployment of healthcare professionals to remote and underserved regions, wherein they can provide both preventive and curative healthcare services. In addition, Php 781.9 million was provided for the Local Health Systems Development and Assistance, with a primary focus on developing healthcare systems in the marginalized and disadvantaged communities.

20. **Maintaining the reliability of the country's public health services while employing proactive measures to prevent potential outbreaks, is also at the core of the FY 2023 healthcare budget.** As such, the Public Health Program of the DOH received Php 22.0 billion. Of this amount, Php 5.8 billion was intended for the Prevention and Control of Communicable Diseases Program, Php 2.9 billion to the Prevention and Control of Non-Communicable Diseases Program, and Php 1.1 billion for cancer prevention, detection, treatment, and activities under the Cancer Control Program.[12] The Public Health Management Program (Php 4.8 billion) and Epidemiology and Surveillance Program (Php 1.1 billion) were also prioritized to improve and update the clinical practices and develop health surveillance and other health information systems, respectively. Meanwhile, the Family Health, Immunization, Nutrition, and Responsible Parenting Program was appropriated with Php 7.4 billion to promote responsible parenting and protect the Filipinos from future outbreaks and various health situations. Furthermore, the National Health Research and Development (R&D) Program of the Philippine Council for Health Research and Development (PCHRD) under the Department of Science and Technology (DOST) was provided with Php 746.0 million with the aim of advancing the nation's capacity in health R&D, including the development of affordable, accessible, and high-quality science-and-technology-based healthcare solutions and innovations.

21. **To enhance financial protection and healthcare accessibility for all Filipinos, in accordance with the Universal Health Care (UHC) Law (RA No. 11223), the government allocated funds to various medical and financial assistance programs**. As the country's primary vehicle in providing medical insurance, the National Health Insurance Program (NHIP) of the Philippine Health Insurance Corporation (PHIC) received Php 100.2 billion, while Php 32.6 billion was earmarked for the Medical Assistance to Indigent and Financially-Incapacitated Patients Program under the DOH. The NHIP will help (i) 2.8 million indigents identified through the National Household Targeting System (NHTS), (ii) 8.0 million senior citizens under RA No. 10645[13], (iii) 99.8 thousand financially disadvantaged point-of-service patients, and (iv) 25.5 thousand *PAyapa at MAsaganang PamayaNAn (PAMANA)* beneficiaries. Moreover, recognizing the essential role of healthcare workers in delivering quality healthcare and disease prevention especially during national public health crises, Php 20.0 billion of the DOH's budget was intended for the payment of COVID-19 allowances and compensation to eligible health and non-healthcare workers, pursuant to *Bayanihan I* (RA No. 11469), *Bayanihan II* (RA No. 11494), and RA No. 11712 (Public Health Emergency Benefits and Allowances for Health Care Workers Act).

[12] Pursuant to RA No. 11215 or the National Integrated Cancer Control Act.
[13] Entitled "An Act Providing for the Mandatory PhilHealth Coverage for All Senior Citizens, amending for the Purpose RA No. 7432, as Amended by RA No. 9994, Otherwise Known as the "Expanded Senior Citizens Act Of 2010"

Address Learning Losses

22. **The FY 2023 National Budget demonstrates a profound commitment to education by allocating its largest share to raise the quality of education and enhance service delivery, especially with the resumption of face-to-face classes.** At the forefront of these efforts is the DepEd, which received a substantial budget of Php 721.8 billion in 2023 to ensure inclusive and high-quality primary and secondary education for all Filipinos. Acknowledging the ongoing challenges faced by the education sector, particularly in the inputs to education, the FY 2023 Budget allotted Php 23.4 billion for nationwide construction, maintenance, and repair of educational infrastructure under the Basic Education Facilities Program, Php 2.8 billion for the provision of learning tools and equipment, and Php 998.5 million for textbook procurement. In addition, Php 11.4 billion was earmarked for the Computerization Program to bolster Information and Communications Technology (ICT) literacy and adapt to modern learning spaces. The FY 2023 Budget also includes funding to ensure the availability of qualified personnel in delivering quality instruction to learners, with Php 23.8 billion for the creation and filling of teaching positions and Php 777.5 million for the in-service training and other learning and development interventions for education personnel. Meanwhile, to cater to the diverse learning needs of students, Php 5.4 billion was provided for the Inclusive Education Program. Furthermore, to promote synergy between the public and private education systems, Php 53.2 billion was allocated for the Government Assistance and Subsidies programs. These programs financially support around 2.4 million deserving junior and senior high school students through the Educational Service Contracting Program, Voucher Program for Senior High School Students, and Joint Delivery Voucher Program.

23. **Dedicated to providing equitable opportunities for tertiary education, addressing financial barriers, and expanding educational access for all, the Universal Access to Quality Tertiary Education (UAQTE) Program received Php 47.6 billion.** The amount covers tuition and various fees in State Universities and Colleges (SUCs), Local Universities and Colleges, and state-run Technical Vocational Institutions, with funding divided between the Commission on Higher Education (CHED) - Php 27.1 billion[14], SUCs - Php 18.7 billion, and Technical Education and Skills Development Authority (TESDA) - Php 3.4 billion. As primary institutions responsible in delivering higher education in the Philippines, SUCs were given a total of Php 111.5 billion. Other educational programs of the CHED were, likewise, allotted with necessary funding for 2023. These include (i) provision of scholarships and grants-in-aid to 29,375 student beneficiaries under the Student Financial Assistance Programs (Php 1.5 billion), (ii) assistance to deserving medical students to pursue education and training in exchange for services rendered in public health offices or hospitals through the Medical Scholarship and Return Service Program (Php 500 million), and (iii) tuition fee subsidies to medical students of SUCs (Php 167 million).

24. **The government, likewise, directed its investments in nurturing skill development and enhancing the employability of all learners by funding vocational education programs administered by TESDA.** These include the: (i) Training for Work Scholarship Program (Php 3.8 billion), which aims to cultivate a pool of skilled and certified workers to fill job vacancies

[14] This amount includes Congress-introduced budgetary line items, Tulong Dunong Program (Php 1.1 billion), and Tertiary Education Subsidy (Php 500 million).

in key local sectors, (ii) Special Training for Employment Program (Php 2.8 billion) targeted to promote employment by organizing community-based training in the field of entrepreneurship, self-employment, and service-oriented activities, and (iii) *Tulong Trabaho* Scholarship Program (Php 1.0 billion) designed to address unemployment and job-skill mismatch by providing free trainings, assessments, living allowance, and uniforms, among others.

Strengthen Social Protection

25. **As the economic and social disruptions caused by the COVID-19 pandemic continue to be felt by Filipinos, the government concentrates in strengthening and expanding its social protection measures to safeguard the welfare of the people, especially the marginalized and vulnerable.** For this purpose, the budget of the DSWD totaled Php 199.5 billion, with Php 102.6 billion earmarked for the *Pantawid Pamilyang Pilipino Program* (4Ps) to provide health and education cash grants, and rice subsidies to 4.4 million poor Filipino households, subject to certain conditionalities. In addition, financial support for the Protective Services for Individuals and Families in Difficult Circumstances Program amounted to Php 36.8 billion. One of the components of the program is the Assistance to Individuals in Crisis Situations (AICS), which extends integrated protective services, such as direct financial assistance to augment a family's medical, burial, transportation, and educational expenses, as well as referrals for medical, legal, psychological, and temporary shelter, among others. A Php 500 monthly allowance for the 4.1 million indigent senior citizens was also funded through the Social Pension (SocPen) Program (Php 25.3 billion). Considering the county's vulnerability to disasters, Php 4.1 billion was given to DSWD's Disaster Response and Management Program for the Department's rehabilitation and relief operations in areas affected by natural or human-induced calamities, epidemics, and catastrophes. Some Php 2.7 billion was also allotted to the National Housing Authority for its Housing Assistance Program for Calamity Victims (Php 1.0 billion) and various locally-funded projects (LFPs) [Php 1.7 billion], such as the Resettlement Program for Informal Settler Families (ISFs) Affected by the Supreme Court's Mandamus to Clean-up the Manila Bay Area (Php 1.0 billion), Emergency Housing Assistance Program (Php 250 million), and Housing Program for Indigenous Peoples (Php 100 million).

26. **In response to escalating fuel prices and their ripple effects on local goods and commodities, the government allocated a total of Php 18.6 billion in FY 2023 for inflation-related subsidies to vulnerable households and significantly affected sectors.** Notably, Php 13.3 billion was provided for the Fertilizer Discount Voucher (FDV) Program attributed under the budget of DA-Office of the Secretary (OSEC), benefiting rice farmers in targeted areas who are registered under Registry System for Basic Sectors in Agriculture (RSBSA) with one-time use vouchers. Additional funds for the provision of Php 3,000 cash subsidies for farmers and fisherfolks with machinery or vessels, respectively, were likewise included under the budget of DA-OSEC (Php 510.4 million) and DA-BFAR (Php 489.6 million). Moreover, the DOTr budget includes the Php 2.5 billion Fuel Subsidy Program[15], extending financial assistance to validated public utility vehicle (PUV) drivers in view of the rising fuel prices. The Service Contracting of PUV Program of the DOTr was also given Php 1.3 billion

[15] Additional Php 500 million is funded under the Unprogrammed Appropriations (UA). Release is subject to Bureau of the Treasury certification of excess income/revenues.

to support the affected PUV drivers and operators through net and gross cost contracting. On top of these, allotment releases for the DSWD's Targeted Cash Transfer Program (TCT) amounted to Php 7.7 billion[16] as of May 16, 2023 to provide 7.6 million indigent households with two-month cash transfers worth Php 500 per month to help them cope with the rising prices of fuel and other commodities. As of June 30, 2023, around 2.8 million household beneficiaries have already received cash assistance.

27. **Various livelihood, employment, and training programs are being carried-out by the NG to assist in economic recovery and improve the well-being of its citizens.** To provide employment opportunities, as well as livelihood assistance to unemployed, displaced, and disadvantaged workers, the Department of Labor and Employment (DOLE) earmarked Php 23.0 billion of its total Php 47.1 billion budget for the Livelihood and Emergency Employment Program. This program is comprised of (i) *Tulong Panghanapbuhay sa Ating Disadvantaged Workers (TUPAD)* Program (Php 19.4 billion), (ii) DOLE Integrated Livelihood Program (DILP) [Php 2.6 billion], (iii) Government Internship Program (GIP) [Php 707.7 million], and (iv) Adjustment Measures Program (Php 317.7 million). Php 6.5 billion was also allocated for the DSWD's Sustainable Livelihood Program (SLP) to boost the employment and livelihood opportunities of 191 thousand households through microenterprise development or employment facilitation tracks. Meanwhile, the Emergency Repatriation Program under the Department of Migrant Workers (DMW) was allocated with Php 9.9 billion to finance the training, scholarships, and business ventures of Overseas Filipino Workers (OFWs) who were forcibly repatriated due to conflicts and disasters. In addition, to stimulate the creation of high-quality jobs, build a stronger and more resilient workforce, and prepare the Filipino youth for employment, the DOLE's Youth Employability Program received Php 627.9 million for its skills training and internship programs.

Sound Fiscal Management and Bureaucratic Efficiency

28. **To ensure the efficiency of the bureaucracy in the delivery of public services, the FY 2023 Budget has assigned funding for programs aiming to accelerate the digitalization of government services.** Notably, the Department of Information and Communications Technology (DICT) was allocated with Php 10.9 billion, of which Php 2.5 billion was intended for the establishment of 6,143 and maintenance of 2,353 Free WiFi sites nationwide. Meanwhile, to address the connectivity issues on the country even in remote areas, Php 1.9 billion was set aside to finance the first phase of the National Broadband Plan (NBP), while Php 1.5 billion was provided for the ICT Systems and Infostructure Development Management and Advisory Program to provide reliable internet connectivity and online government services nationwide. The Bureau of Internal Revenue's (BIR) digitalization initiatives under the Digital Transformation (DX) Roadmap were also prioritized under the FY 2023 Budget. Specifically, Php 2.6 billion was earmarked for the ICT programs of the BIR which are meant to automate tax processes. An amount of Php 289.4 million, on the other hand, was allocated for the Philippine Customs Modernization Project of the Bureau of Customs (BOC) to streamline processes and enhance border security. These programs are seen to improve tax administration and increase tax compliance, thereby resulting in

[16] The FY 2023 Releases for TCT were charged against the UA- Support for Infrastructure Projects and Social Programs (SIPSP) – Php 5.7 billion and Contingent Fund – Php 1.9 billion.

increased revenue collections. Meanwhile, Php 2.1 billion was appropriated to further accelerate the implementation and distribution of National IDs under the Philippine Identification System Program.

Environmental Sustainability and Resilience to Disasters

29. **The Administration's commitment of ensuring sustainable growth for future generations is concretized through various environmental protection and conservation initiatives led by the Department of Environment and Natural Resources (DENR).** These encompass vital programs and projects, including the: (i) reforestation and conservation activities under the National Greening Program (Php 2.4 billion), (ii) Manila Bay Rehabilitation Program (Php 1.7 billion), and (iii) Protected Areas Development and Management Program (Php 1.0 billion). Complementing these key efforts, initiatives such as the Clean Air Program (Php 401.8 million), Clean Water Program (Php 319.1 million), and Solid Waste Management Program (Php 332 million) are also being implemented by the Environmental Management Bureau (EMB) to address environmental hazards, enhance sanitation standards, and effectively combat the proliferation of infectious wastes.

30. **Given the country's susceptibility to natural disasters and extreme weather events brought about by climate change, the FY 2023 Budget earmarks a total of Php 464.5 billion for climate-related expenditures.** More specifically, the Risk Resiliency Program[17] (RRP), as the government's primary approach in tackling climate change adaptation and mitigation, as well as disaster risk reduction, was provided with Php 291.3 billion. The RRP covers some of the existing and new PAPs of various departments/agencies related to climate change classified under the Climate Change Expenditure Tagging (CCET), including disaster response and recovery measures, as well as geo-hazard-related adaptation and mitigation PAPs (e.g., PAPs implemented by the Philippine Institute of Volcanology and Seismology [PHIVOLCS]). A significant portion of the allocation for RRP under the FY 2023 Budget was attributed to DPWH's Flood Management Program (Php 185.5 billion) for the construction and rehabilitation of various flood mitigation structures and facilities, while Php 43.1 billion was allotted to the DOTr to improve the resilience of the country's transport infrastructure. In addition, the National Disaster Risk Reduction and Management Fund (NDRRMF) received an allocation of Php 20.5 billion for prevention, mitigation, and preparedness activities, as well as the rehabilitation and recovery of communities affected by natural or human-induced calamities. Furthermore, to provide standby funds for swift response and recovery in areas affected by disasters, calamities, epidemics, or complex emergencies, a total amount of Php 17.2 billion were appropriated as Quick Response Fund (QRF) of identified first-responder agencies, namely DA, DepEd, DOH, DILG-BFP, DILG-PNP, DND – Office of Civil Defense, DPWH, DSWD, and NIA.

[17] The RRP is a convergence program led by the DENR aimed at (i) increasing adaptive capacity of vulnerable communities, (ii) strengthening resilience of country's critical infrastructures (iii) ensuring clean air, adequate supply of clean water, and protect other natural resources, and (iv) enhancing knowledge and access to information and institutional capacities.

MSME Development and Innovation

31. **The government is committed to creating the foundation for a healthy and harmonious business environment that can promote more competitive and innovative industries, particularly among micro, small, and medium enterprises (MSMEs).** As such, the Department of Trade and Industry's (DTI) MSME Development Program was appropriated with Php 786.1 million to support initiatives for the growth of MSMEs. The specific projects subsumed under this program are: (i) Establishment of *Negosyo* Centers (Php 486.8 million), (ii) One Town, One Product (OTOP): Next Generation (Php 97.1 million), and (iii) Shared Service Facilities (SSF) Project (Php 80.4 million). Additional financing options were, likewise, extended to the micro-entrepreneurs through the *Pondo sa Pagbabago at Pag-Asenso (P3)* Program of the Small Business Corporation (SBC), with Php 750.0 million. Moreover, to create a dynamic innovation ecosystem in the country, the DOST, being the leader in the nation's research and innovation efforts, was allocated with Php 24.8 billion. Of this amount, Php 8.0 billion was intended for the Grants-in-Aid Program to strengthen the participation of various science and technology (S&T) sectors, particularly in R&D promotion, technology transfer and utilization, human resource development, and information dissemination, among others. The said program is complemented by the DOST's scholarship programs administered by the Philippine Science High School (PSHS) and the Science Education Institute (SEI). Under the FY 2023 Budget, total funding of Php 7.4 billion was earmarked to support the education of 65.9 thousand scholars.

Public Order and Safety

32. **Key programs designed to maintain public order and safety, ensure territorial integrity, and uphold the country's sovereignty are also supported in the FY 2023 Budget.** The Armed Forces of the Philippines (AFP) was appropriated with Php 167.7 billion, and an additional Php 27.5 billion under the Revised AFP Modernization Program, for the strengthening and development of its land, naval, and air forces in order to safeguard and protect the country from internal and external security threats. Likewise, the Philippine National Police (PNP) and Bureau of Jail Management and Penology (BJMP) were provided with Php 193.6 billion and Php 22.3 billion, respectively, for the implementation of their law enforcement operations. Meanwhile, to promote a swift, fair, and accessible administration of justice in the country, the Judiciary, Department of Justice (DOJ), and the Ombudsman were allocated with Php 54.9 billion, Php 30.1 billion, and Php 4.8 billion, respectively, under the FY 2023 Budget.

Strategic Transition to Full Devolution

33. **The FY 2023 National Budget also highlights the crucial role of the LGUs as partners of the NG in the implementation of development programs, particularly with the increase in the National Tax Allotment (NTA) shares of LGUs.** In line with the implementation of the Supreme Court (SC) Ruling on the *Mandanas-Garcia* cases, the LGUs received higher shares from the national taxes starting FY 2022. For FY 2023, NTA shares of LGUs amounted to Php 820.3 billion, putting them in a better position to be primarily responsible for the delivery of devolved functions and services as mandated under the Local Government Code

(LGC) of 1991 (RA No. 7160) and other pertinent laws. To manage the fiscal impact of the SC Ruling, the NG finds it necessary to ensure the full implementation of the devolution of functions and services provided under the 1991 LGC. The devolution of functions and services is seen to further strengthen local autonomy, ensure fiscal sustainability, and put an end to the long-standing problem of unnecessary duplication of responsibilities between the NG and the LGUs. For this purpose, EO No. 138[18] was issued in 2021 directing the full devolution of certain functions of the Executive Branch and the creation of a Committee on Devolution, among others.

Status of the Devolution Efforts of the National Government

34. **Since the issuance of EO No. 138, the NGAs concerned and LGUs proceeded in the preparation of their Devolution Transition Plans (DTPs).** As of August 31, 2023, the DBM has received eighteen (18) DTP submissions out of the twenty (20) that are expected from the NGAs concerned. Out of said submitted DTPs, three (3) have already been approved by the DBM. On the other hand, almost all of the LGUs have already submitted their respective DTPs, with a completion rate of 99.9 percent.

35. **Pursuant to the directives of President Ferdinand R. Marcos, Jr., oversight agencies (i.e., DBM, DILG, with the NEDA and DOF as leads) are currently conducting a study on the full devolution of functions and services to the LGUs based on their respective absorptive capacities, including possible amendments to EO No. 138.** Specifically, the assignment of responsibilities, programs, and projects between the NG and the LGUs are being reviewed to determine the need to extend the initial full devolution transition period of FY 2022 to FY 2024, and ensure the effective and efficient delivery of public services. The study, which is expected to be completed later this year, will serve as one the bases of oversight agencies to recommend the necessary updated policies governing the full devolution effort.

36. **Cognizant of the varying levels of expertise and capabilities of the LGUs, the provision of continuous capacity development interventions and formulation of long-term capacity development strategy and programs for the LGUs are being pursued.** These will enable LGUs to assume and effectively perform the devolved functions and services, and ensure that they will be able to fund and sustain the delivery of basic public services. Particularly for the DBM, the Department is currently undertaking efforts to align its PFM[19] programs with its mandate under EO No. 138. In line with this, the DBM created a Technical Working Group (TWG) for capacity development interventions towards full devolution. The TWG is slated to commence the conduct of PFM Competency Program training for LGUs in September 2023. The said training program aims to promote good governance, financial accountability, and effective resource management among local government institutions. It will also include a special track on empowering LGUs to transition to full devolution.

[18] Entitled "Full Devolution of Certain Functions of the Executive Branch to Local Government Units, Creation of a Committee on Devolution, and for Other Purposes" dated June 1, 2021.

[19] The PFM encourages the LGUs to generate their own sources of revenues, hence, ensuring availability of resources to meet the people's priority needs. At the same time, the PFM encourages curbing spending on available resources, thus promoting sustainability of development programs and projects.

PART 3

First Semester Macroeconomic and Fiscal Performance

Macroeconomic Environment

Growth Target

37. **For the first semester of 2023, the country's real GDP growth averaged 5.3 percent.** The economy posted a robust expansion in Q1 at 6.4 percent, driven by strong domestic demand. However, this was tempered by the slower growth in Q2 at 4.3 percent. The waning of pent-up demand, the persistence of high inflation, government underspending, and the lagged impact of policy rate hikes have weighed down growth in Q2.

38. **Among major economies in the region that have already released their first semester real GDP growth, the Philippines ranked second**, next only to China (5.5 percent) but faster than Indonesia (5.1 percent), Malaysia (4.2 percent), Vietnam (3.7 percent), and Thailand (2.2 percent).

Table 2. Mid-Year 2023 Economic Performance vis-à-vis Macroeconomic Assumptions

Particulars	FY 2022 Actual	2023	
		Initial Full-Year Projections FY 2023 BESF [a/]	Actual (January to June)
Nominal GDP (in million pesos)			
Low-end	22,024,515	23,478,820	11,486,480
High-end		24,033,071	
Real GDP Growth Rate	7.6	6.5 – 8.0	5.3

[a/] FY 2023 Budget of Expenditures and Sources of Financing (BESF)
Source: Philippine Statistics Authority (PSA) and National Economic and Development Authority (NEDA)

39. **On the production side, both industry (3.0 percent growth in S1 2023) and services (7.2 percent) sectors posted a softer expansion during the period.** In particular, the weaker growth in manufacturing (1.6 percent), construction (6.4 percent), and decline in the mining and quarry sector (-2.9 percent) dampened industry performance, with manufacturers citing weak underlying demand and continued global uncertainties. Similarly, most subsectors under services posted slower growth, except human health & social work activities (8.0 percent), financial and insurance activities (6.9 percent), and accommodation and food service activities (28.0 percent). In contrast, agriculture recorded faster growth in S1 2023 at 1.2 percent owing to relatively favorable weather conditions. For the first semester of 2023, most sectors have already returned to pre-pandemic (2019) output levels, except for accommodation and food services, real estate, transport and storage, other services, and mining and quarrying.

40. **On the expenditure side, domestic demand weakened in S1 2023 due to the waning of pent-up demand, persistent high inflation, government underspending, and to some extent, the lagged impact of policy rate hikes.** Government spending declined by 1.4 percent in S1 2023 due to underspending, base effects from election-related spending in Q2 2022, and lower allocations to LGU (ALGU) owing to a low revenue base.[20] Despite sustained growth in tourism-related spending, household consumption eased to 6.0 percent in the first semester on the back of muted spending on food and non-alcoholic beverages as food inflation reached 9.0 percent during the period. Meanwhile, investments slowed down in S1 2023 due to weaker growth in construction and a significant drawdown in inventories.

Table 3. Decomposition of Real GDP Growth, Expenditure, and Production Side, January to June 2023

Particulars	Growth Rate (percent)		Contribution to Growth (in percentage points)	
	S1 2022	S1 2023	S1 2022	S1 2023
GROSS DOMESTIC PRODUCT	**7.8**	**5.3**	**7.8**	**5.3**
By Expenditure				
1. Household Final Consumption Expenditure	9.3	6.0	6.5	4.3
2. Government Final Consumption Expenditure	7.6	(1.4)	1.3	(0.2)
3. Capital Formation	17.4	5.4	3.9	1.3
A. Fixed Capital	11.8	6.9	2.8	1.7
1. Construction	14.6	6.8	2.1	1.0
Public	15.2	1.8	0.9	0.1
Private	14.2	10.5	1.1	0.9
2. Durable Equipment	9.6	9.3	0.6	0.6
4. Exports	7.6	2.5	2.2	0.7
5. Less: Imports	15.3	2.5	(5.8)	(1.0)
By Origin				
1. Agriculture, Hunting, Forestry and Fishing	0.2	1.2	0.0	0.1
2. Industry	8.0	3.0	2.5	0.9
3. Services	8.8	7.2	5.3	4.3

Source: PSA and NEDA

[20] ALGU is computed as a share in revenues collected three years prior, as mandated in the Local Government Code. The ALGU for 2023 is based on the revenue collection in 2020 which was dampened by muted economic activities during the pandemic.

Macroeconomic Assumptions

41. **Headline inflation settled at 7.2 percent in January–June 2023,[21] above the high end of the 2.5 – 4.5 percent original inflation assumption for 2023.** It peaked at 8.7 percent in January before decelerating to 5.4 percent in June, driven by the easing of price pressures of selected major Consumer Price Index (CPI) categories. Key food items, like fish, fruits, vegetables, meat, and sugar posted slower price increases amid improvements in the domestic supply conditions. Meanwhile, lower electricity rates and LPG prices, as well as slower increases in rents contributed to the moderation in non-food inflation. Moreover, the decline in transport inflation due to the rollbacks in domestic pump prices and the downward impact of base effects contributed to the deceleration in headline inflation.

Table 4. Selected Macroeconomic Indicators, FY 2023

Particulars	2023 (Full-Year) DBCC Assumptions		2023 Actual
	Original (FY 2023 BESF)	Revised (FY 2024 BESF)	
Inflation (%) [a/]	2.5 – 4.5	5.0 – 6.0	7.2 (Jan – Jun)
364-day T-bill rate (%) [b/]	3.0 – 4.5	5.5 – 6.5	5.8 (Jan – Jun)
180-day LIBOR (%)	3.0 – 4.0	n.a.	5.3 (Jan – Jun)
Foreign exchange rate (₱/US$1)	51.00 – 55.00	54.00 – 57.00	55.25 (Jan – Jun)
Dubai crude oil price (US$/barrel)	80.00 – 100.00	70.00 – 90.00	78.72 (Jan – Jun)
Goods exports growth (%) [c/]	6.0	1.0	-10.0 (Jan-Mar)
Goods imports growth (%) [c/]	6.0	2.0	-0.5 (Jan-Mar)

[a/] Based on 2018 CPI series
[b/] Based on primary market rates
[c/] Based on Balance of Payments and International Investment Position Manual, 6th edition (BPM6)
n.a. ~ not available
Note: Actual data are averages for January – June 2023 except for goods exports and imports where the latest available data is for January – March 2023.
Sources: DBM, PSA, BTr, and BSP

42. **Domestic interest rates increased in the first six months of 2023, reflecting expectations of continued monetary policy tightening by the BSP, elevated domestic inflation expectations, as well as the uptrend in foreign interest rates.** The monthly weighted average rate of the 364-day T-bill in the primary market increased from 5.4 percent in January to 6.1 percent in June. This resulted in an average of 5.8 percent for the first half of 2023, which is above the upper end of the original assumption of 3.0 – 4.5 percent for the year.

43. **The 180-day London Interbank Offered Rate (LIBOR)[22] also showed an upward trend, averaging at 5.3 percent in the first half of 2023, which is above the original assumption of 3.0 – 4.0 percent for the year.** Monthly average rate increased from 5.1 percent in January to 5.7 percent in June, reflecting expectations of further monetary policy tightening in advanced economies due to persistently high inflation. Meanwhile, concerns over financial stability in the US, following bank failures in March 2023[23] generated expectations of monetary policy easing by the US Fed. In the second half of 2023, the US

[21] Based on 2018 CPI series.
[22] With the cessation in publication of the London Interbank Offered Rate (LIBOR) on June 30, 2023, the DBCC used the Secured Overnight Financing Rate (SOFR) as replacement starting at the 184th DBCC meeting on April 24, 2023.
[23] Collapse of two banks in the US, namely, Silicon Valley Bank and Signature Bank, was reported on March 10 and 12, 2023, respectively.

Fed raised policy rate by 75 bps, which included a pause in monetary tightening in June.[24] In the same period, both the Bank of England and European Central Bank raised key interest rates by 150 bps.[25]

44. **In the foreign exchange market, the peso-dollar rate was broadly steady averaging Php 55.25/US$1 for the period January–June 2023, slightly above the upper end of the original assumption of Php 51.00 – 55.00/US$1 for the year.** Market expectations of an earlier-than-expected reduction in US Fed policy rate helped support the peso. Meanwhile, higher domestic interest rates, reflecting largely the 75-bp policy rate increase by the BSP in the first half of 2023, helped widen the interest rate differential against the US; and in turn, moderate the depreciation pressures on the peso.

45. **In the global oil market, Dubai crude oil prices eased in January–June 2023 but remained volatile.** The decline in crude oil prices was largely due to prospects of slower global demand, following concerns over the continued monetary policy tightening of major central banks in response to persistent inflationary pressures. Meanwhile, the expected recovery of consumption in China as it lifted its zero-COVID policy tempered the downtrend in global crude oil prices.

46. **On the external sector, exports of goods (based on balance of payments [BOP] concept)[26] was recorded at US$12.8 billion in the first quarter of 2023, lower by 10.0 percent than the US$14.2 billion level in the same period in 2022.** The decline in exports was driven primarily by lesser demand for electronics with total exports of US$6.0 billion, which was 11.9 percent lower than the year-ago level, due to the downturn in the global semiconductor market. This was followed by the contraction in exports of coconut products (largely coconut oil) and mineral products (largely copper metal) by 46.9 percent to US$397 million and 11.4 percent to US$1.7 billion, respectively. The slowdown in export growth emanated from lower global demand, mostly from Hong Kong, the United States, and Singapore.

47. **Imports of goods (based on BOP concept)[27] declined by 0.5 percent to US$29.8 billion in Q1 2023 from US$29.9 billion in Q1 2022.** Imports of raw materials and intermediate goods, particularly semi-processed raw materials, declined by 11.3 percent year-on-year to US$10.1 billion. Meanwhile, consumer goods, and mineral fuels and lubricant posted growth rates of 14.6 percent to US$5.7 billion and 6.3 percent to US$5.3 billion, respectively. The

[24]US Federal Reserve Press Release, February 1, 2023 and June 14, 2023.
URL:www.federalreserve.gov/monetarypolicy/files/monetary20230201a1.pdf;
www.federalreserve.gov/monetarypolicy/files/monetary20230614a1.pdf.

[25] Bank of England, Monetary Policy Summary, February 2023 and June 2023. URL:
www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/february-2023;
www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/june-2023.
European Central Bank Press Release. "Monetary policy decisions," February 2, 2023 and June 15, 2023. URL:
www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230202~08a972ac76.en.html;
www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230615~d34cddb4c6.en.html.

[26] On another measure based on latest available data from the PSA, exports for January to June 2023 contracted by 9.3 percent year-on-year to US$34.9 billion from US$38.5 billion in the same period in 2022. The decline in exports growth was mainly driven by electronic products, which declined by 8.7 percent. Other export segments contributing to the reduction were coconut products (51.6 percent decrease), mineral products (down by 12.2 percent), chemicals (by -24.7 percent), and travel goods/handbags (by -30.0 percent).

[27] Using PSA goods import data for the first semester of 2023, imports declined by 8.0 percent year-on-year to US$62.9 billion, with lower inward shipments of mineral fuels and lubricants, which were down by 16.2 percent. This was followed by raw materials and intermediate goods (by -13.9 percent) and capital goods (by -5.1 percent).

lower shipments from South Korea, Japan, and Hong Kong contributed to lower imports growth.

NG Fiscal Program and Performance

48. **The NG fiscal program for the year was adjusted from the FY 2023 Budget of Expenditures and Sources of Financing (BESF) projection to consider updated revenue projections, revised nominal GDP estimates, and expenditure allocations under the enacted FY 2023 General Appropriations Act (GAA)**. The revised revenue program for 2023 was higher by Php 96.1 billion or 2.6 percent than the FY 2023 BESF projection, owing mainly to the better-than-expected revenue performance in full-year 2022 and the first quarter of 2023. Similarly, the disbursement program for the year was revised upwards from Php 5.086 trillion to Php 5.228 trillion, given higher Current Operating Expenditures (e.g., maintenance and other operating expenses [MOOE], subsidy to Government-Owned and -Controlled Corporations [GOCCs], and interest payments) and Capital Outlays (e.g., infrastructure and other capital outlays, and capital transfers to LGUs). The increase in the programmed disbursements for the said expense items was on account of the larger allocations of NG capital outlays in the approved GAA vis-à-vis the National Expenditure Program (NEP), as well as higher disbursement requirements based on program submissions of line agencies and GOCCs. The larger requirements for interest payment in 2023 was due to elevated foreign interest and exchange rates. Meanwhile, although nominally higher than the previous estimate by Php 46.5 billion, the deficit as percent of GDP for this year was maintained at 6.1 percent.

Table 5. Comparison of FY 2023 Fiscal Program (Full Year), Original vs. Revised
(In billion pesos, unless otherwise indicated)

Particulars	FY 2023		Variance	
	Projection [a/] FY 2023 BESF	Program [b/] FY 2024 BESF	Amount	%
REVENUES	**3,632.9**	**3,729.0**	**96.1**	**2.6**
% of GDP	*15.3*	*15.2*		
Tax Revenues	3,464.1	3,537.9	73.8	2.1
of which:				
Bureau of Internal Revenue	2,670.4	2,639.2	(31.2)	(1.2)
Bureau of Customs	765.6	874.2	108.6	14.2
Non-Tax Revenues	168.3	190.6	22.3	13.2
Privatization	0.5	0.5	-	-
DISBURSEMENTS	**5,085.8**	**5,228.4**	**142.6**	**2.8**
% of GDP	*21.4*	*21.3*		
Current Operating Expenditures	3,873.1	3,932.1	59.1	1.5
Capital Outlays	1,184.1	1,267.6	83.5	7.1
Net Lending	28.7	28.7	-	-
SURPLUS/(DEFICIT)	**(1,452.9)**	**(1,499.4)**	**(46.5)**	**3.2**
% of GDP	*(6.1)*	*(6.1)*		
Nominal GDP	23,755.2	24,522.1		

[a/] Projection approved by the DBCC via an Ad Referendum on August 19, 2022.
[b/] Program approved by the DBCC on April 24, 2023.

Revenue Performance

49. **Revenue collections for January to June 2023 improved by 7.7 percent or Php 132.6 billion year-on-year (YOY), and Php 49.2 billion or 2.7 percent higher than the program.** The main drivers of better collection than the target are as follows:
    (i) higher BOC collections resulting from higher-than-assumed crude oil price[28], improved valuation, and the agency's digitalization efforts; and
    (ii) double-digit increase versus the target in non-tax revenue due to higher-than-programmed Bureau of the Treasury (BTr) income and other non-tax collections.

Table 6. National Government Fiscal Position, January to June 2022 vs. January to June 2023[a,b]
(In billion pesos, unless otherwise indicated)

Particulars	January to June 2022 Actual	January to June 2023			Growth rate (Actual 2023 vs 2022)
		Program[c]	Actual	Variance	
Total revenues	**1,727.5**	**1,810.9**	**1,860.1**	**2.7%**	**7.7%**
Revenue effort	*16.7%*		*16.2%*		
Tax revenues	1,541.3	1,680.8	1,667.6	-0.8%	8.2%
Tax effort	*14.9%*		*14.5%*		
Non-tax revenues	186.1	130.1	192.5	48.0%	3.4%
Privatization	0.07	0.03	0.05	85.7%	-28.8%
Expenditure	**2,401.7**	**2,582.4**	**2,411.9**	**-6.6%**	**0.4%**
Surplus/(Deficit)	**(674.2)**	**(771.5)**	**(551.7)**	**-28.5%**	**-18.2%**
% of GDP	*-6.5%*		*-4.8%*		

[a] Net of tax refunds.
[b] Totals may not add up due to rounding.
[c] Program approved by the DBCC on April 24, 2023.

50. **Tax revenues amounted to Php 1.668 trillion, 8.2 percent or Php 126.3 billion higher than the previous year.** However, these were lower by Php 13.2 billion or 0.8 percent when compared with the program for the period. Furthermore, tax revenues as a percent of GDP stood at 14.5 percent, or 0.4 percentage point lower than the same period in 2022. However, it is important to note that both the Bureau of Internal Revenue (BIR) and the BOC registered a positive YOY growth of 7.7 percent and 9.3 percent, respectively.

51. **In particular, the BIR recorded a cumulative 6-month collection of Php 1.219 trillion, which was Php 86.7 billion higher than the same period in 2022.** However, it fell short of the Php 1.251 trillion mid-year program by Php 32.2 billion or 2.6 percent. This was due to lower-than-programmed tax collections on VAT, excise, and other taxes, such as documentary stamp tax, transfer tax, and miscellaneous taxes.

52. **On the other hand, BOC's collections improved by 9.3 percent or Php 36.7 billion compared to last year, and were 3.0 percent or Php 12.8 billion above the Php 420.7 billion target for the period.** The Bureau's positive performance was attributed to the

[28] Actual January to June 2023 average crude oil price USD 78.72 per barrel vs full year program (184th DBCC on April 24, 2023) of USD77.20 per barrel

continuous monitoring of correct valuation and classification, enhanced digitalization, and various anti-smuggling activities despite the decrease in the volume of non-oil import and lower than last year oil prices in the world market.

53. **Non-tax revenues as of June 2023 improved by 3.4 percent, or an increase of Php 6.4 billion from the 2022 level.** Collections of the BTr for the first semester totaled Php 93.0 billion, below the previous year's actual for the same period by 10.7 percent or Php 11.1 billion due to lower dividend remittances. This revenue performance was, however, almost twice the Php 48.4 billion program. It also exceeded the revised full-year target of Php 58.3 billion by 59.5 percent or Php 34.7 billion on account of higher income from bond sinking fund (BSF) investment, dividend remittances, NG share from Philippine Amusement and Gaming Corporation (PAGCOR) profit, and interest income from NG deposits.

54. **Meanwhile, total remittances from the government's privatization program were lower compared with the same period in 2022.** This was due to fewer privatized NG assets.

Bureau of Internal Revenue Collections

55. **By type of tax, revenue collections from personal income tax (PIT) of Php 348.3 billion posted a 10.5 percent growth in the first half of 2023 from Php 315.3 billion in the same period in 2022.** The double-digit increase was recorded despite the implementation of the second tranche reduction in the income tax rates. This can be attributed to the improved employment conditions with the full reopening of the economy after the lifting of stringent COVID-19 measures.

56. **On the other hand, value-added tax (VAT) collections of Php 198.6 billion in the first six months of 2023 declined by 34.2 billion or 14.7 percent from Php 232.7 billion for the same period in 2022**. This was partly due to the cash flow impact of the shift in the mode of VAT payment from monthly to quarterly. The shift effectively reduced VAT collections for 2023 by two-months' worth of VAT payments. However, the first half decline was lower than the two-months' worth of VAT receipts of at least Php 80.0 billion when based on the 2022 collections.

Table 7. BIR Collections, January to June 2022 and 2023 [a, b]

(In billion pesos, unless otherwise indicated)

Particulars	January to June Collection		Growth Rate
	2022	2023	
Total BIR collections	**1,132.5**	**1,219.2**	**7.7%**
Taxes on net income and profit	598.5	704.0	17.6%
Transfer taxes	5.7	5.6	-1.9%
Taxes on domestic goods and services	383.9	346.9	-9.7%
Value-added tax (VAT)	*232.7*	*198.6*	*-14.7%*
Excise taxes	*151.2*	*148.3*	*-1.9%*
Percentage taxes	49.5	62.1	25.6%
Documentary stamp tax (DST)	84.2	88.9	5.5%
Miscellaneous taxes	10.8	11.8	9.2%

[a/] Actual collections are net of tax refund.
[b/] Totals may not add up due to rounding.
Sources: BIR and BTr

Bureau of Customs Collections

57. **BOC posted a collection growth of 9.3 percent to reach Php 433.4 billion for the first six months of the year.** This was Php 36.7 billion higher compared with the same period in 2022. The improved collection was driven by the continuous monitoring of correct valuation and classification, enhanced digitalization, and various anti-smuggling activities despite the decrease in the volume of non-oil import and lower oil prices in the world market. The elevated oil prices, the peso depreciation, improved valuation, and enhanced Value Reference Information System also contributed to the higher-than-expected collection of the Bureau.

Table 8. BOC Collections, January to June 2022 and 2023 [a, b]

(In billion pesos, unless otherwise indicated)

Particulars	January to June Collection		Growth rate
	2022	2023	
Total BOC collections	**396.7**	**433.4**	**9.3%**
Import duties	*42.3*	*48.9*	*15.6%*
Non-oil	42.3	48.9	15.6%
Oil	0.0	0.0	0.0%
less: Advance payment	0.0	0.0	0.0%
VAT	*249.4*	*263.7*	*5.8%*
Non-oil	183.6	202.5	10.3%
Oil	65.7	61.2	-6.8%
less: VAT refund/Tax credit	2.6	0.9	-67.4%
Excise	*96.2*	*112.2*	*16.6%*
Non-oil	19.8	30.4	53.4%
Oil	76.3	81.7	7.1%
Others	*8.9*	*8.6*	*-3.0%*

[a] Actual collections are net of tax refund.
[b] Totals may not add up due to rounding.
Sources: BOC and BTr

58. **Import duty collections for the first six months amounted to Php 48.9 billion, up by 15.6 percent than the same period in 2022**. The double-digit YOY growth in duties could largely be attributed to the higher value of imports as a result of the elevated prices of commodities and the depreciation of the peso.

59. **Furthermore, BOC's VAT collections amounted to Php 263.7 billion for the first half of 2023.** The outturn was 5.8 percent higher when compared with the same period in 2022. VAT collections on non-oil imports for the first six months accounted for 77 percent of the total VAT collected by BOC, while VAT collections on oil imports accounted for the remaining 23 percent.

60. **On the other hand, excise tax collections of the BOC during the first half of the year amounted to Php 112.2 billion, 16.6 percent higher than the collection for the same period in 2022.** Excise tax on oil products accounted for 73 percent of the total excise tax collections, while non-oil products accounted for 27 percent. The registration of Petron Bataan Refinery to the Authority of the Freeport of Bataan as a locator, which is considered to be outside of the customs territory, significantly contributed to the excise tax collections

of the BOC as all our petroleum products are considered as imports. Finally, other tax collections of the BOC posted a decline of 3.0 percent.

61. **Compared to the program, the BOC exceeded its target for the first semester by Php 16.9 billion or by 4.1 percent.** Excise tax contributed the biggest overperformance at Php 16.3 billion or 17.0 percent. Similarly, import duties, VAT, and other BOC collections all exceeded the target by Php 325 million, Php 205 million, and 91 million, respectively.

Table 9. BOC Collections, Program vs. Actual, January to June 2023 [a, b]

(In billion pesos, unless otherwise indicated)

Particulars	January to June 2023 Collection		Overperformance/ (Underperformance)	Growth rate
	Program	Actual		
Total BOC collections	**416.5**	**433.4**	**16.9**	**4.1%**
Import duties	48.6	*48.9*	*0.3*	0.7%
Non-oil	48.5	48.9	0.3	0.7%
Oil	.003	0.001	-.003	-80.6%
less: Advance payment		0.0		
VAT	263.5	*263.7*	*0.2*	0.1%
Non-oil	195.6	202.5	7.0	3.6%
Oil	68.0	61.2	-6.7	-9.9%
less: VAT refund/Tax credit		0.9		
Excise	95.9	*112.2*	*16.3*	17.0%
Non-oil	22.8	30.4	7.7	33.6%
Oil	73.1	81.7	8.7	11.85%
Others	8.5	*8.6*	*0.091*	1.1%

[a] Actual collections are net of tax refund.
[b] Totals may not add up due to rounding.
Sources: BOC and BTr

Financing and Debt

National Government Financing

62. **The NG raised Php 1.423 trillion in the first six months of 2023 to cover the budget shortfall of Php 551.7 billion and refinancing requirements amounting to Php 625.5 billion.** The actual gross borrowing was 16.5 percent (Php 280.7 billion) below the mid-year program given the lower-than-expected deficit outturn and the government's sufficient cash holdings for the period. However, it is also notable that this figure is already 64 percent of the full-year program. The resulting first semester financing mix stood at 74:26, consistent with the government's strategy that heavily favors domestic sources to mitigate the country's exposure to foreign currency volatility and support the development of the domestic capital market.

Table 10. National Government Financing, FY 2023
For the Period Indicated
(In million pesos, unless otherwise indicated)

Particulars	January to June 2023				Full Year 2023	
	Program	Actual	Diff	%	Original Program [b/]	Revised Program [c/]
NET FINANCING	**1,637,012**	**1,326,628**	**-310,384**	**-19.0%**	**2,082,520**	**2,053,384**
External Borrowing (Net)	318,310	302,393	-15,917	-5.0%	431,037	434,912
External Borrowing (Gross)	384,004	366,441	-17,563	-4.6%	553,500	553,500
Project Loans	34,650	57,775	23,125	66.7%	69,297	54,320
Program Loans	149,354	145,059	-4,295	-2.9%	219,203	279,180
Bonds and Other Inflows	200,000	163,607	-36,393	-18.2%	265,000	220,000
Less: Amortization	65,694	64,048	-1,646	-2.5%	122,464	118,588
Domestic Borrowing (Net)	1,318,702	1,024,235	-294,467	-22.3%	1,651,483	1,618,472
Domestic Borrowings (Gross)	1,319,601	1,056,497	-263,104	-19.9%	1,653,500	1,653,500
Treasury Bills	144,601	86,584	-58,017	-40.1%	54,050	54,050
Treasury Bonds	1,175,000	969,913	-205,087	-17.5%	1,599,450	1,599,450
Less: Net Amortization	899	32,262	31,363	3488.7%	2,017	35,028
Amortization	*604,020*	*561,421*	*-42,599*	*-7.1%*	*897,170*	*822,765*
o/w Serviced by the BSF [a/]	*603,120*	*529,159*	*-73,961*	*-12.3%*	*895,153*	*787,737*
GROSS FINANCING	**1,703,605**	**1,422,938**	**-280,667**	**-16.5%**	**2,207,000**	**2,207,000**
Financing Mix (% of Total)						
External	23%	26%			25%	25%
Domestic	77%	74%			75%	75%

[a/] Actual redemption from Sinking Fund
[b/] Based on FY 2023 BESF Table D.1
[c/] Based on FY 2024 BESF Table D.1
Source: Bureau of the Treasury

63. **As of end-June 2023, total domestic gross borrowing reached Php 1.056 trillion, 19.9 percent lower than the program as the government scaled down the issuances of government securities on account of the lower deficit and higher interest rates.** Treasury bonds accounted for the majority of domestic funding, making up 92 percent of the latter or Php 969.9 billion. Of the total, Php 686.2 billion came from the sale of mid- and long-tenor (7-, 10-, 13-, 20-, and 25-year) fixed-rate Treasury Bonds, while Php 283.8 billion was raised through the offering of Retail Treasury Bonds in February 2023 combined with a bond exchange program amounting to Php 31.67 billion. Net treasury bills amounted to Php 86.6 billion, 40.1 percent lower than the program, with a total gross issuance of Php 325.2 billion and redemption of Php 238.6 billion.

64. **External borrowings of Php 366.4 billion were also 4.6 percent lower than the mid-year target with the government opting to reduce the issuance of global bonds due to the influx of project loans.** Nevertheless, the sale of sovereign bonds to the international market, consisting of triple-tranche 5.5-year, 10.5- year, and 25-year fixed rate Global Bonds worth Php 163.6 billion[29] (US$3.0 billion), made up the largest component of external borrowings at 45 percent.

[29] Issued under the Republic's Sustainable Finance Framework, marking the country's fourth G3 ESG bond offering following the issuances in October, April and March 2022.

65. **Total ODA availment for the period reached Php 202.8 billion**. Excluding the repayment of the principal amount of Php 27.7 billion, this results in a net flow of Php 175.1 billion. On the other hand, net transfer (net of debt service payment) amounted to Php 136.2 billion.

66. **Program loans accounted for 40 percent or Php 145.1 billion of total offshore borrowings and were 2.9 percent below the first semester program.** The Asian Development Bank (ADB) provided the majority, equivalent to 39 percent or Php 56.5 billion of the US$2.6 billion total program loans, followed by the International Bank for Reconstruction and Development (IBRD) at Php 51.8 billion (US$944.0 million). Of the total availment from the ADB, 49 percent or Php 27.5 billion (US$500.0 million) was intended for the *Support to Post-COVID-19 Business and Employment Recovery,* and another 48 percent or Php 27.4 billion (US$500.0 million) for the *Competitive and Inclusive Agriculture Development Program, Subprogram 2.*

67. **With respect to the IBRD, the *Second Financial Sector Reform Program Development Policy Loan* had the highest share at Php 32.6 billion (US$598.5 million) followed by the *4th Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option* worth Php 16.6 billion (US$297.5 million).** The Asian Infrastructure Investment Bank (AIIB) and Agence Francaise de Developpement (AFD) also provided assistance for the *Post COVID-19 Business and Employment Recovery Program* (27.7 billion/US$498.8 million) and *Climate Change Action Program, Subprogram 1* (Php 9.1 billion/US$162.8 million), respectively.

68. **Project loans of Php 57.8 billion made up the remaining 16 percent of total external loans and already surpassed the revised full-year target by 6.36 percent (Php 3.5 billion) as the government tapped ODA loans to fund projects for infrastructure development in line with the 8-point Socioeconomic Agenda.** The bulk, or 46 percent (Php 26.7 billion) of the total project loan, was obtained from the Japan International Cooperation Agency (JICA), followed by ADB at Php 18.7 billion. Forty-one percent (41%) or Php 11.0 billion of the total availment from JICA went to the DOTr for its *North-South Commuter Railway Project*. The DOTr also received Php 10.1 billion or 52 percent of the total availment from ADB for the construction of the *South Commuter Railway Project Tranche I*.

69. **Domestic amortization for the period reached Php 561.4 billion, marking a 7.1 percent deviation from the target.** The variance was attributed to the Php 42.8 billion, which is set to mature this year, but was part of the bond exchange program in September 2022. On the other hand, amortization for external borrowings amounted to Php 64.0 billion or 2.5 percent lower than the program resulting from favorable foreign exchange rates than the assumption for S1 2023.

National Government Debt

70. **For the first half of 2023, the total NG outstanding debt stood at Php 14.148 trillion (US$255.52 billion), representing a Php 1.356 trillion or 10.6 percent increase compared to its level a year ago.** Foreign obligations amounting to Php 4.445 trillion accounted for 31.4 percent, while Php 9.703 trillion or 68.6 percent is domestic obligations.

71. **Debt as a percentage of GDP improved to 61.0 percent as of end-June 2023 from 62.1 percent a year ago, as economic conditions continue to recover from the impact of the health crisis and geopolitical events.** Nevertheless, the debt ratio is projected to settle below the MTFF target of 61.2 percent by end of 2023.

Costs and Risk Indicators

72. **Based on value, the share of local currency debt increased to 68.4 percent as of end-June 2023 from 68.2 percent as of end-December 2022, consistent with the NG's debt management objectives of minimizing foreign exchange risks.** Foreign currency debt consisted of USD, JPY, EUR, and other currencies which comprised 26.1 percent, 3.2 percent, 2.2 percent, and 0.2 percent of the total debt, respectively.

73. **The debt portfolio maintains minimal exposure to interest rate volatility.** As of end-June 2023, the portion of total debt subject to re-fixing is still manageable at 11.46 percent despite rising from 10.84 percent as of end-December 2022.

74. **Issuance of longer tenor debt has allowed the NG to manage the duration of the debt portfolio.** Market support for the issuance of long-tenor debt drove its share to 78.1 percent as of end-June 2023 from 74.7 percent as of end-December 2022.

75. **Monetary tightening to address inflation, both locally and on the external front, particularly in the US, resulted in higher borrowing costs during the period.** The Weighted Average Interest Rate (WAIR) as of end-June 2023 was at 4.94 percent from 4.39 percent as of end-December 2022. Both domestic and external WAIR increased to 5.18 percent and 4.43 percent from 4.86 percent and 3.35 percent, respectively, over the same period.

76. **Interest payments (IPs) for the period January – June 2023 totaled Php 282.5 billion, up by 9.8 percent or Php 25.2 billion year-over-year.** IPs as a percentage of total expenses were pegged at 11.71 percent, up from 10.71 percent the year before. Meanwhile, as a percentage of total revenues, IPs went up 15.18 percent from 14.89 percent over the same period in 2022.

Table 11. National Government Debt

For the Period Indicated

(In million pesos, unless otherwise indicated)

Particulars	Dec 2022	June 2022	June 2023	Y-o-Y		Year-to-Date	
				Difference	Variance	Difference	Variance
Total NG Debt	**13,418.86**	**12,791.83**	**14,147.85**	**1,356.02**	**10.6%**	**728.99**	**5.4%**
(US$)	**240.42**	**232.71**	**255.52**				
External	4,210.47	4,024.72	4,445.02	420.30	10.4%	234.55	5.6%
Domestic	9,208.39	8,767.11	9,702.83	935.72	10.7%	494.44	5.4%
% of Total							
External	31.4%	31.5%	31.4%	-0.04%		0.04%	
Domestic	68.6%	68.5%	68.6%	0.04%		-0.04%	
% of GDP	60.9%	62.1%	61.0%	-1.10%		0.09%	
External	19.1%	19.5%	19.2%	-0.37%		0.05%	
Domestic	41.8%	42.6%	41.8%	-0.73%		0.04%	
Total NG Debt by Instrument	**13,418.86**	**12,791.83**	**14,147.85**	**1,356.02**	**10.6%**	**728.99**	**5.4%**
Loans	1,883.18	1,795.76	2,009.88	214.12	11.9%	126.70	6.7%
Debt Securities	11,535.68	10,996.07	12,137.97	1,141.90	10.4%	602.29	5.2%
Total NG Debt by Currency	**13,418.86**	**12,791.83**	**14,147.85**	**1,356.02**	**10.6%**	**728.99**	**5.4%**
Peso Denominated	9,146.31	8,737.60	9,641.69	904.09	10.3%	495.38	5.4%
Foreign Currency Denominated	4,272.55	4,054.23	4,506.16	451.94	11.1%	233.61	5.5%
by Currency Composition	**100.0%**	**100.0%**	**100.0%**				
PHP	68.2%	68.3%	68.4%	0.04%		0.19%	
USD	25.6%	25.6%	26.1%	0.52%		0.52%	
JPY	3.5%	3.4%	3.2%	-0.22%		-0.39%	
EUR	2.5%	2.6%	2.2%	-0.35%		-0.30%	
OTHER CURR	0.2%	0.2%	0.2%	0.02%		0.00%	
Weighted Ave. Interest Rate	**4.39**	**3.94**	**4.94**	1.00		0.55	
External	3.35	2.79	4.43	1.64		1.08	
Domestic	4.86	4.47	5.18	0.71		0.32	
NG Debt by Maturity	**100.00%**	**100.00%**	**100.00%**				
Short-term	3.06%	4.25%	3.51%	-0.74%		0.45%	
Medium-term	22.27%	28.80%	18.40%	-10.41%		-3.87%	
Long-term	74.67%	66.94%	78.09%	11.15%		3.42%	
Interest Rate Mix	**100.00%**	**100.00%**	**100.00%**				
Fixed	88.82%	88.52%	88.49%	-0.03%		-0.33%	
Floating	10.84%	11.13%	11.46%	0.33%		0.62%	
Interest Free	0.34%	0.34%	0.05%	-0.29%		-0.29%	
Total Interest Payments	**502.86**	**257.22**	**282.46**	**25.24**	**9.8%**	**-220.40**	**-43.8%**
External	119.41	51.53	89.57	38.05	73.8%	-29.83	-25.0%
Domestic	383.45	205.69	192.88	-12.80	-6.2%	-190.57	-49.7%
% of GDP							
Total Interest Payments	2.28%	2.49%	2.46%	-0.03%		0.18%	
External	0.54%	0.50%	0.78%	0.28%		0.24%	
Domestic	1.74%	1.99%	1.68%	-0.31%		-0.06%	
% of NG Expenditures							
Total Interest Payments	9.75%	10.71%	11.71%	1.00%		1.97%	
External	2.31%	2.15%	3.71%	1.57%		1.40%	
Domestic	7.43%	8.56%	8.00%	-0.57%		0.57%	
% of NG Revenues							
Total Interest Payments	14.18%	14.89%	15.18%	0.30%		1.00%	
External	3.37%	2.98%	4.82%	1.83%		1.45%	
Domestic	10.82%	11.91%	10.37%	-1.54%		-0.45%	
Memo Items:							
GDP	22,024.52	20,592.90	23,186.65				
GDP (flow)	22,024.52	10,324.34	11,486.48				
Peso/USD	55.815	54.970	55.368	0.398	0.7%	-0.447	-0.8%
Expenditures	5,159.64	2,401.71	2,411.85				
Revenues	3,545.51	1,727.49	1,860.13				

[a/] Average Maturity measured in years on residual basis

Source: Bureau of the Treasury

Expenditure Performance

77. **The Php 5.268 trillion FY 2023 National Budget serves as the main instrument of the Marcos Jr. Administration to achieve its goal of economic and social transformation.** It was crafted in accordance with the Administration's 8-Point Socioeconomic Agenda for the near-term, guided by the development outcomes under the PDP 2023-2028, and anchored on the fiscal sustainability principles of the 2022-2028 MTFF. The FY 2023 National Budget was 4.9 percent larger than the Php 5.024 trillion budget for 2022 and equivalent to 21.5 percent of GDP. Consistent with the transitional implementation of the CBS, the validity of the appropriations authorized under the FY 2023 National Budget are, as follows:

Table 12. Transitional Implementation of the Cash Budgeting System for FY 2023

<table>
<tr><th>Appropriation Source</th><th>Allotment Class</th><th>Release</th><th>Obligation</th><th>Disbursement</th></tr>
<tr><td rowspan="4">FY 2023 GAA, RA No. 11936 (Programmed Appropriations)</td><td>Personnel Services (PS)</td><td colspan="3">Until December 31, 2023</td></tr>
<tr><td>Maintenance and Other Operating Expenses (MOOE)</td><td colspan="3" rowspan="2">Until December 31, 2024</td></tr>
<tr><td>Capital Outlays (CO)</td></tr>
<tr><td>Special shares in the proceeds of national taxes</td><td>until December 31, 2024</td><td colspan="2">until fully expended</td></tr>
<tr><td>FY 2023 GAA, RA No. 11936 (Unprogrammed Appropriations)</td><td>All UA Purposes</td><td colspan="3">until December 31, 2023</td></tr>
<tr><td rowspan="2">Automatic Appropriations</td><td>Retirement and Life Insurance Premiums (RLIP), Special Accounts in the General Fund (SAGF), Pensions of Former Presidents or their Surviving Spouses, Net Lending, Interest Payments, and Tax Expenditure Fund</td><td colspan="3">until December 31, 2023</td></tr>
<tr><td>National Tax Allotment (NTA) and Annual Block Grant (ABG)</td><td>until December 31, 2023</td><td colspan="2">until fully expended</td></tr>
</table>

*Based on the National Budget Circular No. 590 dated January 3, 2023, or the Guidelines for the Release of Funds for FY 2023.

78. **Total available appropriations as of the first semester of the year amounted to Php 5.671 trillion, higher by Php 402.7 billion when compared to the Php 5.268 trillion budget for 2023.** The difference was owed to the FY 2022 Continuing Appropriations (Php 198.5 billion), as well as releases from the Unprogrammed Appropriations (Php 184.1 billion) and other Automatic Appropriations (Php 1.0 billion). It may be noted that pursuant to Section 68 of the FY 2022 GAA (RA No. 11639), the cash appropriations for MOOE, infrastructure CO and other CO are valid for release, obligation, and disbursement until December 31, 2023.

79. **As of end-June 2023, the NG has released Php 4.998 trillion worth of allotments to various NGAs, GOCCs, and LGUs.** Of this amount, Php 2.565 trillion or 81.2 percent of the Php 3.158 trillion programmed FY 2023 agency-specific budget was released during the first working day of the year by virtue of the GAA-as-Allotment Order (GAAAO) policy. This policy allows the early release of specific agency expenditure items which no longer require further details, additional documentary requirements, or compliance with certain conditions or approvals. Meanwhile, actual obligations for the period reached Php 2.898 trillion,

representing 58.0 percent of the total allotment releases. Specifically, obligations incurred by NGAs amounted to Php 1.958 trillion, accounting for 67.6 percent of the total obligations for the period. *(The expenditure performance of select big-spending departments/agencies is discussed in Part 4 of the Report).*

Table 13. Statement of Appropriations, Allotment, Obligations, Disbursements, and Balances, January to June 2023

(In billion pesos, unless otherwise indicated)

Particulars	January to June 2023					
	Available Appropriations [a/]	Allotment Releases	Actual Obligations	Unobligated Balances	Obligation Rate (%) [b/]	Disbursements [c/]
NATIONAL GOVERNMENT AGENCIES	**3,740.7**	**3,612.7**	**1,957.8**	**1,654.8**	**54.2**	**1,591.9** [d/]
SPECIAL PURPOSE FUNDS	**1,318.0**	**1,090.8**	**645.6**	**445.2**	**59.2**	**525.3**
GOCCs	214.4	180.8	180.8	-	100.0	63.9
ALGUs	953.5	907.2	462.7	444.5	51.0	461.4
Other SPFs/Continuing Appropriations	150.1	2.8	2.1	0.7	74.3	-
AUTOMATIC APPROPRIATIONS	**612.0**	**294.7**	**294.7**	**-**	**100.0**	**294.7**
Net Lending	28.7	12.2	12.2	-	100.0	12.2
Interest Payments	582.3	282.5	282.5	-	100.0	282.5
Other Automatic Appropriations	1.0	-	-	-	-	-
TOTAL	**5,670.7**	**4,998.2**	**2,898.1**	**2,100.1**	**58.0**	**2,411.9**
By Funding Source	5,670.7	4,998.2	2,898.1	2,100.1	58.0	-
Current Year	5,472.2 [e/]	4,820.1	2,825.3	1,994.9	58.6	-
Continuing Appropriations	198.5 [f/]	178.0	72.8	105.2	40.9	-

[a/] Pertains to the FY 2023 GAA, FY 2023 Automatic Appropriations, FY 2022 Continuing 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.
[b/] Percentage of obligations vs allotment releases.
[c/] Based on the Cash Operations Report of the BTr as of June 30, 2023. Include prior years' obligations/accounts payables, and Non-NCA expenditures.
[d/] Includes Php 13.1 billion Tax Expenditure Subsidy.
[e/] Includes Php 184.1 billion from Unprogrammed Appropriations.
[f/] Include Php 164.2 billion Unobligated Allotments in 2022.
Source: Statement of Appropriations, Allotments, Obligations, Disbursements, and Balances of the DBM, and Cash Operations Report of the BTr.

Disbursement Performance

80. **During the first half of 2023, government disbursements totaled Php 2.412 trillion, reflecting a moderate increase of Php 10.1 billion (0.4 percent) compared to the previous year's Php 2.402 trillion.** The growth in spending was credited to the following: (i) subsidy releases to PHIC for the health insurance premiums of senior citizens nationwide; (ii) payments of the DPWH for completed infrastructure projects and mobilization costs for ongoing projects this year, as well as direct payments made to suppliers by development partners for foreign-assisted railway projects of the DOTr; (iii)) PS requirements, particularly due to the implementation of the fourth tranche of the Salary Standardization Law (SSL V); (iv) Health Emergency Allowance (HEA) of healthcare workers, Medical Assistance to Indigent Patients (MAIP), and other programs of the DOH; (v) releases for the Free Higher Education (FHE) Program of SUCs and implementation of the Coconut Farmers and Industry Development Plan (CFIDP); and (vi) interest payments mainly due to higher foreign interest

and foreign exchange fluctuations. The reduction in the combined allotment and capital transfers to LGUs due to lower NTA shares moderated the growth of spending for the period.

Table 14. National Government Disbursements, January to June 2023
(In billion pesos, unless otherwise indicated)

Particulars	January to June						
	2022 Actual	2023				Inc/(Dec)	
		Program a/	Actual	Variance			
				Amount	%	Amount	%
CURRENT OPERATING EXPENDITURES	**1,802.2**	**1,974.3**	**1,785.8**	**(188.5)**	**(9.5)**	**(16.4)**	**(0.9)**
Personnel Services	666.0	701.0	676.6	(24.4)	(3.5)	10.6	1.6
Maintenance & Other Operating Expenses	393.0	460.6	395.0	(65.7)	(14.3)	2.0	0.5
Subsidy	52.7	145.7	63.7	(82.0)	(56.3)	11.0	20.8
Allotment to LGUs	414.5	357.7	354.9	(2.7)	(0.8)	(59.6)	(14.4)
Interest Payments	257.2	302.8	282.5	(20.3)	(6.7)	25.2	9.8
Tax Expenditure	18.7	6.5	13.1	6.6	102.0	(5.6)	(30.0)
CAPITAL OUTLAYS	**588.0**	**593.5**	**613.8**	**20.4**	**3.4**	**25.9**	**4.4**
Infrastructure & Other Capital Outlays	470.5	483.1	507.2	24.1	5.0	36.7	7.8
Equity	0.7	1.1	0.2	(0.9)	(83.6)	(0.5)	(74.2)
Capital Transfers to LGUs	116.8	109.3	106.4	(2.9)	(2.6)	(10.4)	(8.9)
NET LENDING	**11.6**	**14.6**	**12.2**	**(2.4)**	**(16.5)**	**0.6**	**5.4**
TOTAL DISBURSEMENTS	**2,401.7**	**2,582.4**	**2,411.9**	**(170.5)**	**(6.6)**	**10.1**	**0.4**
Memo items:							
Revenues	1,727.5	1,810.9	1,860.1	49.2	2.7	132.6	7.7
Surplus/(Deficit)	(674.2)	(771.5)	(551.7)	219.8	(28.5)	122.5	(18.2)
Infrastructure Disbursements b/	593.2	618.1	608.7	(9.4)	(1.5)	15.5	2.6

a/ Program approved by the DBCC on April 24, 2023.
b/ Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.

81. **NG infrastructure and other capital outlays rose to Php 507.2 billion as of end-June 2023, up by Php 36.7 billion or 7.8 percent from the Php 470.5 billion actual for the same period last year.** This was mainly attributed to the acceleration in the implementation of various infrastructure projects of the DPWH nationwide, and the direct payments made by development partners for the implementation of foreign-assisted rail transport projects of the DOTr. However, the growth of overall infrastructure disbursements, including the infrastructure components of transfers to LGUs and subsidy and equity to GOCCs, was tempered by the lower NTA of LGUs. Nevertheless, it still grew moderately to Php 608.7 billion, up by Php 15.5 billion or 2.6 percent year-on-year. This was equivalent to 5.3 percent of GDP in line with the full year target for 2023.

82. **However, NG disbursements as of end-June 2023 fell below the Php 2,582.4 billion program by Php 170.5 billion or 6.6 percent**. This was largely attributed to the: (i) lower-than-programmed subsidy to government corporations due to the timing of releases to the PHIC and ongoing submission of billing claims and completion of documentation by the contractors of irrigation and housing projects of the NIA and NHA; (ii) substantial outstanding checks recorded, primarily in MOOE-heavy departments (e.g., DSWD, DA, DOLE, DOH); and (iii) ongoing implementation of social protection programs, particularly the registration and validation of the beneficiaries of the 4Ps of the DSWD, and ongoing profiling of the target beneficiaries of the *TUPAD* of the DOLE. Procurement-related difficulties, such

as late delivery of goods and failed biddings, and lower-than-assumed interest payments also contributed to the lower-than-expected disbursement outturn.

National Government Deficit

83. **The deficit for the first half of the year clocked in at Php 551.7 billion, equivalent to 4.8 percent of GDP.** This was lower by Php 122.5 billion (18.2 percent) when compared to the Php 674.2 billion outturn for the same period last year as the government continues to implement its fiscal consolidation strategy. When compared to the Php 771.5 billion program, the actual deficit for the period was lower by Php 219.8 billion or 28.5 percent due to the higher revenue outturn for the period at 7.7 percent versus the 0.4 percent increase in expenditures. Nonetheless, the deficit is expected to widen towards the end of the year as the implementing agencies catch up with their spending commitments.

PART 4

Expenditure Performance of Select Big-Spending Departments/Agencies

The physical and financial performance of big-spending departments/agencies, particularly for their respective major PAPs is discussed in this Section. The data are based on the coordination with the DBM Budget and Management Bureaus and submissions by spending departments/agencies, as may be available.

Department of Agriculture

Financial Performance

84. **The DA continued to obligate more than half of its allotment and improve the disbursement performance despite a 19.6 percent increase in its allotment.** While the DA's obligation rate slightly decreased by 2.8 percentage points, its total obligations increased by 14.0 percent to reach Php 53.0 billion as of June 2023 from the Php 46.5 billion recorded in the same period last year. The lower obligation rate is largely attributed to the procurement issues of the farm mechanization equipment program of the Rice Competitiveness Enhancement Fund (RCEF) implemented by the Philippine Center for Post-Harvest Development and Mechanization (PhilMech). Nevertheless, the department was able to raise its disbursement rate to 47.3 percent, after it dropped to 42.5 percent in FY 2022 from 46.3 percent in FY 2021.

Table 15. Financial Performance, DA, January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DA	75.7	46.5	19.8	61.4%	42.5%	90.5	53.0	25.1	58.6%	47.3%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

85. **The DA–OSEC received the largest allocation among the DA's agencies and posted one of the Department's highest obligation rates but also reported the lowest disbursement rate.** As with the previous year, the DA-OSEC reported a high obligation rate of 66.3 percent or Php 45.9 billion out of its Php 69.2 billion allotment. Though the agency's disbursement rate is the lowest among DA's agencies, it still posted an improved rate of 42.3 percent for FY 2023 from 37.5 percent in FY 2022.

86. **The flagship programs of the DA largely reported improved disbursement rates amid declining obligation rates.** The National Rice Program (NRP), which received the largest share among the DA's major programs, almost doubled its allotment to Php 29.4 billion as compared to only Php 15.9 billion last year. Amid the substantial increase, the NRP's obligation and disbursement rates slightly dipped by 3.5 and 1.4 percentage points, respectively. Nevertheless, the NRP's financial performance is still a marked improvement when compared to the FY 2021 levels of 69.6 percent obligation rate and 23.4 percent disbursement rate. Meanwhile, the National Livestock Program and the National Fisheries Program saw their obligation rates fall by 12.4 and 5.7 percentage points, respectively, but reported higher disbursement rates by 4.1 and 2.9 percentage points.

Table 16. Financial Performance, Select PAPs of DA, January to June 2023
(In billion pesos, unless otherwise indicated)

Programs/ Projects/ Activities	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DA-OSEC										
National Rice Program	15.9	13.4	5.1	84.5%	38.3%	29.4	23.8	8.8	81.0%	36.9%
National Livestock Program	5.2	3.6	0.9	68.7%	24.1%	5.1	2.8	0.8	56.3%	28.2%
National Corn Program	1.6	1.2	0.6	79.0%	49.6%	4.9	4.1	2.2	83.4%	54.5%
National High-Value Crops Development Program	1.6	1.2	0.5	73.9%	42.9%	1.8	1.5	0.6	80.3%	44.1%
National Organic Agriculture	0.6	0.3	0.1	49.6%	42.8%	0.9	0.5	0.2	50.3%	46.6%
DA-ACPC										
Credit Facilities Program	2.5	1.3	1.3	51.8%	100.0%	2.8	1.4	1.4	51.4%	100.0%
DA-BFAR										
National Fisheries Program	3.9	2.2	1.4	56.1%	62.3%	6.2	3.1	2.0	50.4%	65.2%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

Physical Performance

87. **For its Technical and Support Services (TSS) Program, the DA-OSEC met its first semester targets in providing market development services but fell short of its training support services for LGU extension workers and farmers, fisherfolk, and other beneficiaries.** The DA-OSEC exceeded its mid-year targets by 3,588 group beneficiaries[30] for the market development services component as they accommodated requests to conduct *Kadiwa* selling activities alongside their continuous conduct of the *Kadiwa* on Wheels , *Kadiwa ng Pangulo* , and festival trade fairs. Meanwhile, the unmet targets for the conduct of training support services were due to the unavailability of software or resource persons, inclement weather conditions, and postponement due to reprioritization and recalibration of training programs.

88. **Meanwhile, the DA-OSEC was able to exceed most of its set targets for the other programs.** Under the Agricultural Machinery, Equipment, Facilities and Infrastructures Program, a service area of 2,466.70 hectares was generated from the establishment and installation of small-scale irrigation projects (SSIPs), exceeding its 2,198.60 hectares target by 268.10 hectares. Furthermore, it validated 1,107.83 km of Farm-to-Market Roads (FMRs) for construction/rehabilitation, vis-à-vis the target of 1,095.7 km, and monitored all DPWH-constructed FMRs. Meanwhile, the agency was able to issue 43 policies under its Agriculture and Fishery Policy Program and developed 10 agri-fishery standards under its Agriculture and Fishery Regulatory Support Program.

[30] The mid-year target of 1,817 is consistent with the full-year target reflected in the FY 2023 GAA.

Table 17. Physical Performance, DA - OSEC, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
DA-OSEC				
TECHNICAL AND SUPPORT SERVICES PROGRAM				
Output Indicators				
1. Number of Provinces and Chartered Cities provided with production support services and support to construct market-related infrastructure [a/]	-	-	-	-
2. Number of group beneficiaries provided with market development services	642	1,175	637	4,768
3. Number of extension workers trained to support the capacity of LGUs and farmers, fisherfolk, and other beneficiaries provided with training support services				
a. LGU extension workers trained	1,668	4,874	475	5,061
b. Farmers, fisherfolk and other participants	3,149	22,132	1,006	17,113
AGRICULTURAL MACHINERY, EQUIPMENT, FACILITIES AND INFRASTRUCTURES PROGRAM				
Output Indicators				
1. Number of Provinces and Chartered Cities provided with agricultural machineries, equipment, facilities, and small-scale irrigation projects [b/]	-	-		
2. Number of hectares of service area generated from the establishment and installation of small-scale irrigation projects (SSIPs)	46.00	2,152.60	129.00	2,337.70
3. Number of kilometers of Farm-to-Market Roads (FMRs) validated for construction/rehabilitation	1,008.88	86.83	980.38	127.45
4. Percentage of DPWH-constructed FMRs monitored [c/]	-	-	100.00%	100.00%
AGRICULTURE AND FISHERY POLICY PROGRAM				
Output Indicators				
1. Number of policies supported and endorsed for approval	21	21	22	21
AGRICULTURE AND FISHERY REGULATORY SUPPORT PROGRAM				
Output Indicators				
1. Percentage of applications for quarantine and sanitary and phytosanitary (SPS) clearance processed within one (1) day [d/]	-	-	-	-
2. Number of agri-fishery standards developed	-	9	-	10
3. Percentage of new agriculture facilities and products that have been inspected at least once a year [e/]	-	-	-	-

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
LOCALLY-FUNDED AND FOREIGN-ASSISTED PROGRAM				
Output Indicators				
1. Percentage of amount of approved FMR sub-projects to the total amount of FMR allocation [f/]	-	-	-	-

[a/] Physical target of 83 is committed in the 4th Quarter as submitted by the DA.
[b/] Physical target of 86 is committed in the 4th Quarter as submitted by the DA.
[c/] No quarterly targets were set. Instead, a physical target of 100% is committed in the 4th Quarter as submitted by the DA.
[d/] Physical target of 100% is committed in the 4th Quarter as submitted by the DA.
[e/] Ibid.
[f/] Ibid.
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

89. **The Agricultural Credit Policy Council (ACPC) met its targets for loans granted to credit retailers/lenders and capacity-building programs but must catch up with its target for loans granted to end-borrowers.** Through its Agricultural Credit Program, the ACPC was able to grant loans amounting to Php 1.4 billion to credit retailers/lenders, meeting its target for the group. While it was able to lend Php 182.7 million to end-borrowers, it fell short of its target by Php 917.34 million as it encountered difficulties or conflicting priorities with partner lending conduits (PLCs) and partner banks. Nevertheless, it was able to provide 139 farmer and fisherfolk organizations with institutional capacity-building assistance, exceeding its target by 34 organizations.

90. **On the other hand, the Bureau of Fisheries and Aquatic Resources (BFAR) reported a mix of met and unmet first semester targets for its Fisheries Development Program.** In particular, the agency was able to meet its individual targets for aquaculture support/supply by providing 22,570 individual beneficiaries vis-à-vis its 21,772 target. However, it missed its 1,341 fisherfolk group target by reporting an accomplishment of only 1,218 beneficiaries, falling short by 123 beneficiaries. Conversely, the agency was able to meet its fisherfolk group target in the provision of environment-friendly fishing gears/paraphernalia but eluded its individual beneficiary targets. This translated to servicing 40 fisherfolk group beneficiaries against its targeted 29, while 3,550 individual beneficiaries were assisted versus its 3,943-target due to the late delivery of supplies. Meanwhile, the agency was able to exceed its targets for its post-harvest support/supply component by providing for 97 individuals and 119 fisherfolk groups.

91. **Overall, the DA is on track to meet most of its financial and physical targets but should remain cautious and proactive in responding to lagging indicators.** In particular, it should remain vigilant over the PhilMech's rice mechanization efforts in order for its projects to be timely contracted out and implemented[31]. Meanwhile, the DA should come up with and/or implement its catch-up plans for the missed targets to ensure acceptable accomplishments by year-end.

[31] As reported by the PhilMech in its catch-up plan, the agency has pending procurements scheduled for September 2023.

Table 18. Physical Performance, DA-ACPC and BFAR, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
DA-ACPC				
AGRICULTURAL CREDIT PROGRAM				
Output Indicators				
1. Amount of loans (in million pesos) granted to credit retailers/lenders and to end-borrowers				
a. Credit retailers/lenders	412.5	1,000	413	1,000
b. End-borrowers	400	700	18.84	163.82
2. Number of credit program orientations and credit matching seminars and workshops conducted	6	8	7	11
3. Number of farmers and fisherfolk organizations provided with institutional capacity building assistance	35	70	21	118
DA-BFAR				
FISHERIES DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of beneficiaries provided with aquaculture support/supply				
a. Number of individuals	9,939	11,833	9,560	13,010
b. Number of fisherfolk groups	667	674	382	836
2. Number of beneficiaries provided with post-harvest support/supply				
a. Number of individuals	-	53	-	97
b. Number of fisherfolk groups	23	33	29	90
3. Number of beneficiaries provided with environment-friendly fishing gears/paraphernalia				
a. Number of individuals	357	3,586	97	3,453
b. Number of fisherfolk groups	-	29	1	39

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

Department of Environment and Natural Resources

Financial Performance

92. **The mid-year obligation rate of the DENR declined to 49.5 percent compared to 54.0 percent in FY 2022.** This resulted in lower obligations at Php 12.8 billion by the end of June 2023, a decrease of Php 2.0 billion or 13.2 percent from last year's Php 14.8 billion. Of which, Php 9.9 billion or 76.9 percent was disbursed. While the disbursement rate improved by 5.8 percentage points, the resulting total disbursements are still lower than the Php 10.5 billion recorded last year.

Table 19. Financial Performance, DENR, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DENR	27.4	14.8	10.5	54.0%	71.1%	25.9	12.8	9.9	49.5%	76.9%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

93. **The disbursement performance of all agencies under the DENR improved, however, this failed to offset the lower obligation rates recorded by four (4) out of its six (6) agencies.** Of particular note is the DENR-OSEC, which accounts for 75.4 percent of the total allotment, as its obligation rate fell to 50.3 percent from last year's 56.9 percent. Only the Environmental Management Bureau and the Palawan Council for Sustainable Development Staff reported improved performance for both its obligation and disbursement rates.

Table 20. Financial Performance, DENR-OSEC and Attached Agencies, January to June 2023
(In billion pesos, unless otherwise indicated)

Particulars	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
OSEC	20.4	11.6	8.3	56.9%	71.3%	19.5	9.8	7.6	50.3%	77.4%
EMB	3.9	1.3	1.0	33.7%	74.7%	3.3	1.2	1.0	37.2%	78.6%
MGB	1.5	0.8	0.6	52.5%	79.7%	1.4	0.7	0.6	48.9%	88.6%
NAMRIA	1.4	1.0	0.5	69.8%	55.6%	1.4	1.0	0.6	68.0%	60.6%
NWRB	0.1	0.1	0.1	58.5%	77.8%	0.2	0.1	0.1	51.3%	77.9%
PCSDS	0.1	0.1	0.1	45.8%	93.3%	0.1	0.1	0.1	45.8%	98.0%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

94. **The DENR-OSEC's major programs, namely the National Greening Program (NGP), Manila Bay Rehabilitation Program (MBRP), and Pasig River Rehabilitation Program (PRRP), accounted for Php 4.3 billion or 22.1 percent of its Php 19.5 billion allotment.** All three (3) programs reported significantly lower obligation rates, with the PRRP having the biggest decrease of 28.9 percentage points for a dismal obligation rate of only 31.8 percent. The NGP and the MBRP also posted huge reductions in their respective obligation rates. As

a result, despite the higher allotments and improved disbursement rates, the disbursements for the NGP and MBRP declined year-on-year.

Table 21. Financial Performance, DENR-OSEC Major Programs, January to June 2023
(In million pesos, unless otherwise indicated)

Particulars	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
National Greening Program	2,339.3	1,900.7	772.5	81.3%	40.6%	2,435.9	1,647.7	762.7	67.6%	46.3%
Manila Bay Rehabilitation Program	1,798.4	1,438.8	1,205.4	80.0%	83.8%	1,788.1	1,139.4	1,018.3	63.7%	89.4%
Pasig River Rehabilitation Program	104.2	63.3	27.2	60.7%	42.9%	96.7	30.8	19.7	31.8%	64.0%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

Physical Performance

95. **Under the Natural Resources Conservation and Development Program (NRCDP), the DENR-OSEC was only able to establish one (1) Marine Protected Areas Network per quarter against the goal of five (5) each.** In addition, no critical habitat was established for the first and second quarters while only one (1) critical habitat was managed in the second quarter, falling short of the target of seven (7) for each quarter. It is also way behind the full-year target of 16 inland wetlands conserved, as it only has an accomplishment of three (3) for the first semester.

96. **On the other hand, the DENR-OSEC exceeded some of its targets under the NRCDP.** The agency was able to conserve 26 caves, already doubling its full-year target of 13. It was also able to conduct a Water Quality Assessment Monitoring for 44 National Integrated Protected Area System (NIPAS) Marine Protected Areas (MPAs), exceeding the target of 41. In addition, the number of residential free patents that were issued already reached 8,757, which is already 67.4 percent of the full-year target of 13,000.

97. **Nonetheless, given the first semester physical accomplishments of the DENR-OSEC, it may fall short of achieving most of its targets.** Hence, the agency is advised to fast-track the implementation of its programs, which may also improve its financial performance, and realize acceptable accomplishments by the end of the year.

Table 22. Physical Performance, DENR-OSEC, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
NATURAL RESOURCES ENFORCEMENT AND REGULATORY PROGRAM				
Output Indicators				
1. Number of hectares of open-access/untenured lands of the public domain placed under appropriate management arrangement/tenure [a/]	--	--	939.98	2,562.48
2. Percentage of wildlife permits, certifications and/or clearance applications acted upon within 7 working days from date of receipt	80%	80%	100%	89.50%

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
NATURAL RESOURCES CONSERVATION AND DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of terrestrial protected areas/wetlands/caves established/conserved				
Inland Wetlands [b/]	--	--	1	2
Caves [c/]	--	--	14	12
2. Number of critical habitats established and managed	-- 7 managed	-- 7 managed	0 established 0 managed	0 established 1 managed
3. Number of legislated NIPAS MPAS with Water Quality Assessment Monitoring conducted	16	25	25	19
4. Number of established Marine Protected Areas Network (within NIPAS MPA or with at least one NIPAS MPA) strengthened	5	5	1	1
5. Number of residential free patents issued	1,352	3,675	3,241	5,516
6. Area of denuded and degraded forestlands/PAs decreased (in ha. cumulative) [d/]	--	--	0	493
7. Number of hectares planted area maintained and protected	146,094	147,390	124,618	161,159.76
8. Percentage of annual survival rate of seedlings planted [e/]	--	--	--	--
ENVIRONMENT AND NATURAL RESOURCES RESILIENCY PROGRAM				
Output Indicators				
1. Number of priority critical watershed supporting National Irrigation System characterized and vulnerability assessed	2	1	0	3

[a/] No quarterly physical targets based on the DENR-OSEC's Quarterly Physical Report of Operations, as of June 30, 2023. However, a target of 21,000 was set for the full-year 2023.
[b/] Physical target of 16 is committed in the 4th Quarter as submitted by the DENR-OSEC.
[c/] Physical target of 13 is committed in the 4th Quarter as submitted by the DENR-OSEC.
[d/] Physical target of 13,565 is committed in the 4th Quarter as submitted by the DENR-OSEC.
[e/] No quarterly physical target based on the DENR-OSEC's Quarterly Physical Report of Operations, as of June 30, 2023. However, a target of 85.0 percent was set for the full-year 2023.
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

98. **Similar to the previous year, the EMB continued with the impressive performance on its Information, Education and Communication (IEC) Campaign by developing and disseminating a total of 1.62 million materials, which already surpassed its full-year target of 1.05 million by 54.7 percent.** This was largely attributed to the use of online platforms (i.e., EMB website of Central and Regional Offices, and Facebook Page), which greatly broadened the campaign's coverage. Meanwhile, 9,124 or 61.2 percent of the 14,910 year-end target for the number of projects monitored based on Environmental Compliance Certificate (ECC) conditions with reports submitted were already achieved. Likewise, 37,468 sites/facilities or area inspections in compliance with environmental quality standards and guidelines were already conducted, equivalent to 64.4 percent of its full-year target of 58,220.

Table 23. Physical Performance, DENR-EMB, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
ENVIRONMENTAL ASSESSMENT AND PROTECTION PROGRAM				
Output Indicators				
1. Number of projects monitored based on ECC conditions with reports submitted	3,498	4,560	3,595	5,529
2. Information, Education and Communication materials developed and disseminated	261,027	263,775	769,391	855,501
3. Number of environmental research studies conducted for policy purposes [a/]	--	--	--	--
ENVIRONMENTAL REGULATIONS AND POLLUTION CONTROL PROGRAM				
Output Indicators				
1. Percentage of permits, clearances, and certificates issued within the prescribed timeframe [b/]	--	--	--	--
2. Number of sites/facilities or areas that have been inspected with report submitted	13,555	17,891	14,826	22,642
3. Percentage of cases/complaints acted upon within the prescribed timeframe [c/]	--	--	--	--

[a/] Physical target of 1 is committed in the 4th Quarter as submitted by the DENR-EMB.
[b/] Physical target of 80% is committed in the 4th Quarter as submitted by the DENR-EMB.
[c/] Physical target of 96% is committed in the 4th Quarter as submitted by the DENR-EMB.
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

99. **The EMB's physical performance remains commendable, however, it is strongly recommended that its physical targets be revisited and reassessed as it is not reflective of the relatively low obligation rate.** There seems to be a mismatch between the EMB's physical and financial performance, as most of its targets were achieved or exceeded, with some accomplishments already surpassing the full-year target, despite an obligation rate of only 37.2 percent. Hence, the tighter linkage between the strategic and operational planning and budgeting should be pursued.

100. **Meanwhile, the physical performance of the Mines and Geosciences Bureau (MGB) weakened for the first semester as it only achieved four (4) out of seven (7) targets compared to six (6) last year.** The non-attainment of the targeted percentage of the total Philippine area surveyed for geology and mineral potential was caused by the challenging topography, limited accessibility, and the peace and order situation in the remaining target areas. After the MGB's careful consideration of the remaining target locations and coordination with the LGUs involved, the surveys for geology and mineral potential that were originally scheduled for June were moved to August.

101. **The MGB also failed to conduct a vulnerabilities and risk assessment in one (1) city/municipality, resulting to the achievement of only 42 against the mid-year goal of 43. In addition, only one (1) new mineral reservation area was assessed/endorsed for declaration during the first semester, falling below the target of two (2).** In contrast, in terms of the mining permits/contracts monitored, the MGB accomplished 535, which is

already more than 80.0 percent of its full-year target of 628. Hence, to achieve the full-year target, the MGB only has to monitor 93 mining permits/contracts for the second semester.

Table 24. Physical Performance, DENR-MGB, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
MINERAL RESOURCES ENFORCEMENT AND REGULATORY PROGRAM				
Output Indicators				
1. Mining applications (including other mining rights related applications) approved/denied/endorsed within the prescribed period	656	1,088	944	1,505
2. Number of mining permits/contracts monitored	172	241	278	257
MINERAL RESOURCES AND GEOSCIENCES DEVELOPMENT PROGRAM				
Output Indicators				
1. Percentage of total Philippine area surveyed for geology and mineral potential	0.80%	2.10%	0.70%	2.00%
2. Number of new mineral reservation areas assessed/endorsed for declaration	1	1	0	1
GEOLOGICAL RISK REDUCTION AND RESILIENCY PROGRAM				
Output Indicators				
1. Number of cities and municipalities where vulnerabilities and risk assessments were conducted	17	26	20	22
2. Number of LGUs (cities/municipalities) provided with information, education, and communication campaigns on geohazards	2	27	4	29
3. Number of LGUs assessed for groundwater resources and vulnerability	12	17	12	17

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

102. **The MGB is advised to fast track the implementation of its programs given its first semester accomplishments.** This will enable the agency to achieve acceptable accomplishments by the end of the year, with the goal of duplicating the FY 2022 full-year performance wherein it was able to achieve all of its physical targets. This may also improve the MGB's financial performance, specifically in catching up on its obligation rate.

Department of Public Works and Highways

Financial Performance

103. As of the first semester of FY 2023, the DPWH had obligated Php 731.0 billion or 75.3 percent of its Php 971.3 billion allotment. Out of its total obligations, Php 244.2 billion or 33.4 percent was disbursed. Year-on-year, the DPWH increased its obligations by Php 28.9 billion (i.e., 4.1 percent) and disbursements by Php 15.1 billion (i.e., 6.6 percent). In terms of budget utilization rates, the Department showed a slight improvement in its disbursement rate with a modest increase of 0.8 percentage point while the obligation rate decreased by 4.6 percentage points.

Table 25. Financial Performance, DPWH, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DPWH	879.7	702.2	229.1	79.8%	32.6%	971.3	731.0	244.2	75.3%	33.4%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

104. Historically, and based on agency spending behavior, the Department's disbursement performance accelerates in the third quarter and catches up during the fourth quarter. However, the upcoming Barangay and Sangguniang Kabataan Elections may cause a slower acceleration in infrastructure disbursements given the prohibition on the release, disbursement or expenditures of public funds, among others.[32] Nevertheless, the DPWH prepared a catch-up plan of measures to ensure the attainment of its spending targets for the year, the timely completion of its programs, activities, and projects, and the prompt delivery of public goods and services.

Physical Performance

105. The DPWH reported significant variances between its physical targets and accomplishments for the first semester of the year. Of the 16 indicators under its six (6) major programs, only one[33] exceeded an accomplishment rate of 50.0 percent, with majority realizing less than 10.0 percent of its targets, and some with none.

[32] Commission on Elections (COMELEC) Resolution No. 10902 promulgated on March 22, 2023, or the Revised COMELEC Resolution No. 110899 entitled "Calendar of Activities and Period of Certain Prohibited Acts in Connection with the October 30, 2023 Synchronized Barangay and Sangguniang Kabataan Elections (BSKE)"
[33] Length (km) of maintained roads

Table 26. Physical Performance, DPWH, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
ASSET PRESERVATION PROGRAM				
Output Indicators				
1. Length (km) of maintained roads	71.289	240.600	36.990	126.119
2. Length (km) of rehabilitated / reconstructed / upgraded roads	26.763	90.325	0.192	13.893
NETWORK DEVELOPMENT PROGRAM				
Output Indicators				
1. Length (km) of newly constructed roads	4.064	13.717	0.103	1.296
2. Length (km) of widened roads	39.572	133.556	0.066	4.412
BRIDGE PROGRAM				
Output Indicators				
1. Total length (lm) and area (m2) of (new and replacement) constructed bridges	1,565.604	5,283.914	-	-
2. Number of maintained and rehabilitated bridges	24	82	-	-
FLOOD MANAGEMENT PROGRAM				
Output Indicators				
1. Number of constructed flood mitigation structures and drainage systems	103	349	3	22
2. Number of constructed / rehabilitated flood mitigation facilities with major river basins and principal rivers	57	191	-	17
LOCAL PROGRAM				
Output Indicators				
1. Number of projects (national buildings, evacuation centers, etc.)	22	74	-	6
CONVERGENCE AND SPECIAL SUPPORT PROGRAM				
Output Indicators				
1. Length of access roads leading to airports constructed / improved (km)	1.305	4.405	-	0.160
2. Length of access roads leading to seaports constructed / improved (km)	2.205	7.442	-	0.590
3. Length of access roads leading to tourist destinations constructed/improved (km)	24.645	83.177	1.430	10.338
4. Length of access roads leading to Industries (km)	12.465	42.070	0.736	6.890
5. Various Infrastructure in support of National Security, roads (km) and other infrastructures (no. of units)	0.484	1.633	-	-
	14	47	-	3
6. Length of access roads leading to Railway Stations (km)	0.128	0.430	-	-
SUSTAINABLE INFRASTRUCTURE PROJECTS ALLEVIATING GAPS (SIPAG)				
Output Indicators				
1. Number of project (multipurpose buildings, water supply system, access roads/bridges, coastal roads, etc.)	62	210	2	49

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

106. **Despite the DPWH continuously improving and institutionalizing quality of work through the: (i) establishment of a Quality Management System benchmarked with international standards; and (ii) rolling out a monitoring and management tool reflecting real-time the accomplishments of its projects, the Department is still confronted with many project implementation challenges.** Among these are the following[34]:

a. The significant changes in the budget of the Department's core programs and functions introduced during budget legislation have affected the timely delivery of DPWH's core functions and target accomplishments. As a consequence, meeting the projected timelines to achieve the organizational outcomes has become unattainable, if not possible;
b. The rapid increase of price construction materials and equipment rental rates utilized for infrastructure projects caused delays in the implementation of projects; and
c. The urgency to complete projects within set timelines despite the budget cuts and reduced targets resulted in a mismatch between the original contract cost and actual contract cost. The Program of Work/Approved Budget for Contract/Detailed Price Unit Analysis for these projects were recalculated resulting in an extended time for implementation.

107. **Given these, the DPWH is urged to undertake catch-up measures to ensure that the targets will be met by year-end.** The Department is advised to ensure full coordination with other government agencies, including the community and private utilities, to achieve effective and more synchronized planning and implementation of programs and projects. It may also consider the disqualification and/or blacklisting of certain contractors with poor performance and service delivery, and initiate the immediate take-over process of terminated projects to facilitate completion of the projects within the project timeframe. Lastly, strengthening the monitoring of the status/progress of projects administered by different DPWH implementing units will help ascertain that the strategies adopted are responsive to fast-track the implementation of the projects and to avoid further delays.

[34] Based on DPWH submission to DBM on September 25, 2023.

Department of Transportation

Financial Performance

108. **The DOTr's total allotment reached Php 223.8 billion as of June 2023, higher by 81.1 percent when compared to the Php 123.6 billion received last year.** The pronounced increase in the DOTr's allotment was largely due to the drawdown of Php 125.3 billion from the Unprogrammed Appropriations (UA) for its Foreign-Assisted Projects (FAPs). This was more than double the Php 49.9 billion allotment releases from the same fund source in the first semester of FY 2022. However, the DOTr reported lower obligation rate of 41.9 percent and disbursement rate of 27.5 percent, from last year's 72.0 percent and 32.1 percent, respectively. Consequently, the releases from the UA were the most apparent source of the DOTr's financial performance, as only Php 51.9 billion or 41.4 percent was obligated.

Table 27. Financial Performance, DOTr, January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DOTr	123.5	89.0	28.5	72.0%	32.1%	223.8	93.8	25.8	41.9%	27.5%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

109. **As with the previous year, the DOTr's Rail Transport Program received the largest share of the releases from the UA – Support to FAPs (SFAPs).** The Program received Php 124.0 billion to support the implementation of the North-South Commuter Railway System and the Metro Manila Subway Project Phase I. While the entire Php 10.6 billion allotment for the latter has been obligated, only Php 41.0 billion out of Php 113.4 billion was obligated for the former. In addition, the FAPs under the Land Public Transport Program (i.e., Cebu Bus Rapid Transit Project and EDSA Greenways Project) received Php 1.2 billion from the UA, however, only Php 413.0 million has been obligated. Finally, the DOTr's Maritime Safety Enhancement Project received Php 95.0 million under the UA but is yet to obligate any amount as of June 2023.

Physical Performance

110. **The DOTr-OSEC met most of its targets for the first semester but experienced a slowdown in its accomplishments for the Rail Transport Program.** In particular, while the agency achieved all targets under its Metro Rail Transit (MRT) Sub-Program, it fell behind its targets under the Railway Construction, Rehabilitation and Improvement Sub-Program. This was largely attributed to the recent NEDA Board approval of the MRT Line 3 Rehabilitation

Project, which includes the DOTr's requests for changes in scope and project cost, thereby affecting the project's overall progress rate.[35]

111. **The Agency continued to meet all its regulation targets under the Motor Vehicle Regulatory Program and most of its targets under the Land Public Transportation Program.** For the latter, this translated to the timely processing of all motor vehicle registration applications and driver's license and permits upon the submission of complete documentary requirements. The DOTr-OSEC was also able to formulate, develop, implement and disseminate 59 policies as of mid-year against the target of only 16, and already exceeded its full-year target of 30 policies.

Table 28. Physical Performance, DOTr-OSEC, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
RAIL TRANSPORT PROGRAM				
METRO RAIL TRANSIT (MRT) SUB-PROGRAM				
Output Indicators				
1. Compliance with approved timetable (90% efficiency)	90%	90%	99.78%	99.60%
2. Compliance with the peak-hour train availability requirements	90%	90%	99.96%	99.90%
3. Increase in average travel speed (kph)	35 kph	35 kph	37.52 kph	38.01 kph
RAILWAY CONSTRUCTION, REHABILITATION AND IMPROVEMENT SUB-PROGRAM				
Output Indicators				
1. % completion of new railway system projects	33.92%	35.64%	32.71%	33.29%
2. % completion of expansion of existing railway system projects	5.15%	5.22%	3.81%	4.37%
AVIATION INFRASTRUCTURE PROGRAM				
Output Indicators				
1. % increase in passenger traffic	-80.72% (11,976,383)	-53.99% (28,581,660)	-82.44% (10,909,958)	-63.5% (22,934,535)
2. % increase in cargo traffic (tons)	-79.55% (190,874.81)	-58.7% (367,376.30)	-84% (150,060)	-68.74% (285,620)
MARITIME INFRASTRUCTURE PROGRAM				
Output Indicators				
1. No. of social port projects successfully bid out and obligated	N/A	N/A	N/A	N/A
2. No. of tourism port projects successfully bid out and obligated	N/A	N/A	N/A	N/A
MOTOR VEHICLE REGULATORY PROGRAM				
Output Indicators				
1. % of motor vehicle registration applications processed within the reglementary period as determined by the Department and reckoned upon the submission of complete documentary requirements	26.00%	25.00%	100.00%	100.00%

[35] The NEDA Board, during its meeting on February 2, 2023, approved the MRT Line 3 Rehabilitation Project which includes the DOTr's requests for change in scope, increase in project cost, among others.

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
2. % of driver's license and permits issued within the reglementary period as determined by the Department and reckoned upon the submission of complete documentary requirements	23.00%	25.00%	100.00%	100.00%
3. No. of apprehension for which a Temporary Operator's Permit is issued and complaints acted upon	22.00%	23.00%	28.00% 143, 318 apprehensions	142,767 apprehensions
LAND PUBLIC TRANSPORTATION PROGRAM				
Output Indicators				
1. % of Certificate of Public Convenience/franchises applications resolved/decided upon within the reglementary period	24.00%	24.00%	22.76%	22.75%
2. % of holders audited/monitored/penalized for non-compliance with the terms and conditions of the franchise	2.00%	1.00%	3.73%	1.44%
3. No. of policies formulated, developed, implemented, updated and disseminated	8	8	36	23

Source: Budget Accountability Report (BAR) No. 1 (as of June 30, 2023), as submitted by the DOTr on July 27, 2023.
a/ Under the FY 2023 GAA, the full-year target for this indicator is 536,740. However, based on the DOTr's BAR No. 1 (as of June 30, 2023), the quarterly physical targets are in percentage and not in nominal amounts. In addition, the DOTr did not provide the percentage accomplishment in the second quarter.

Department of Information and Communications Technology

Financial Performance

112. **The DICT's financial performance worsened during the first semester of FY 2023.** The Department's obligation rate fell to only 9.2 percent from the 19.4 percent recorded in the same period last year, and is also worse than the FY 2021 level of 10.8 percent. Hence, despite the higher allotment of Php 15.2 billion, its total obligations and disbursements went down by almost 50.0 percent to Php 1.4 billion and Php 1.2 billion, respectively.

Table 29. Financial Performance, DICT, January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DICT	14.4	2.8	2.3	19.4%	81.5%	15.2	1.4	1.2	9.2%	84.6%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

113. **The DICT-OSEC, comprising 91.1 percent of the total allotment, was the main reason behind the Department's poor financial performance.** The agency's obligation and disbursement rates were even lower at 6.4 percent and 81.9 percent, respectively, when compared to the Department's overall level. This was slightly pulled up by the better financial performance of the attached agencies, in particular, the National Telecommunications Commission and the National Privacy Commission.

Table 30. Financial Performance, DICT-OSEC and Attached Agencies, January to June 2023

(In billion pesos, unless otherwise indicated)

Particulars	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
OSEC	13,100.3	2,362.6	1,876.8	18.0%	79.4%	13,809.3	888.8	727.7	6.4%	81.9%
NTC	614.4	224.2	212.0	36.5%	94.6%	620.7	269.3	247.9	43.4%	92.1%
CICC	415.6	81.6	73.8	19.6%	90.5%	467.0	88.0	84.9	18.8%	96.5%
NPC	268.6	120.0	109.5	44.7%	91.3%	257.8	151.1	120.7	58.6%	79.9%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

Physical Performance

114. **Despite the DICT-OSEC's dismal financial performance, the first semester accomplishments for three (3) out of its 12 output indicators already reached the full-year targets.** In particular, the DICT-OSEC was able to achieve the target of the continuous provision of 15 ICT facilities/services. It was also able to exceed its targets for the number of interconnected government agencies, as well as the number of government agencies provided with technical services.

115. **On the contrary, there was no accomplishment recorded for DICT-OSEC's two (2) output indicators.** Specifically, it failed to develop/implement one (1) national ICT plan for the first semester of the year. Nonetheless, as of mid-2023, the agency was able to submit the draft National Cybersecurity Plan 2023-2028 to the Office of the President for approval. Likewise, no Digital Transformation Center (DTC) was established as the finalization of preparatory documents is still ongoing.

Table 31. Physical Performance, DICT-OSEC, January to June 2023

Particulars	Full-Year Target [a/]	January to June 2023	
		Actual Accomplishment	
		1st Quarter	2nd Quarter
ICT GOVERNANCE PROGRAM			
Output Indicators			
1. Number of national ICT plans developed and/or implemented	1 plan developed/implemented	--	--
2. Number of policies and standards developed and/or implemented	4 policies; 40 standards; 60 agencies ISSP endorsed	12 agencies ISSPs endorsed	22 standards; 36 agencies' ISSPs endorsed
3. Number of recommendations and position papers in ICT-related legislative bills and executive issuances	20 recommendations/ position papers	12	5
ICT SYSTEMS AND INFOSTRUCTURE DEVELOPMENT, MANAGEMENT, AND ADVISORY PROGRAM			
INNOVATION AND DEVELOPMENT SUB-PROGRAM			
Output Indicators			
1. Number of developed ICT-enabled tools, applications and systems for public use	Development of 12 systems/modules	3	1
2. Number of interconnected government agencies	Additional 154 agencies interconnected	29	134
3. Number of localities with connectivity	Continuous provision to 81 provinces and 1,346 municipalities and cities	Provision to 71 provinces and 502 localities	Provision to 396 localities (cities and municipalities) across 17 regions, 72 provinces (including Metro Manila
IMPLEMENTATION MANAGEMENT AND OPERATIONS SUB-PROGRAM			
Output Indicators			
1. Number of technical services provided	Continuous provision of 15 ICT facilities/services providing technical services	Continuous provision of 15 ICT facilities/services providing technical services	Continuous provision of 15 ICT facilities/services providing technical services
2. Number of government agencies who availed the technical services	Continuous provision to 2,753 NGAs/LGUs of ICT facilities/services	Provision to 8,940 NGAs/LGUs of ICT facilities/services 1,565 NGAs/LGUs provided with technical assistance	Provision to 3,511 NGAs/LGUs of ICT facilities/services

Particulars	Full-Year Target [a/]	January to June 2023	
		Actual Accomplishment	
		1st Quarter	2nd Quarter
3. Number of operationalized and enhanced infrastructures	Operations of 2 Cable Landing Stations (CLS) and 4 Repeater Stations; and Operations and Maintenance of 6 Government Communications Management System	--	Continuous operation and maintenance of 4 data centers
ICT CAPACITY DEVELOPMENT AND MANAGEMENT PROGRAM			
Output Indicators			
1. Number of capability development activities	704 capability development activities conducted	109	39
2. Number of ICT users trained	22,480 users trained	6,534	3,456
3. Number of ICT-enabled centers established in the communities	3 Digital Transformation Centers established	--	--

[a/] Only full-year targets, with no quarterly breakdown, were set for all output indicators of the DICT-OSEC per its Quarterly Physical Report of Operations, as of June 30, 2023.
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

116. **Given the mismatch between the DICT's financial and physical performance, it is strongly recommended that a tighter linkage between strategic and operational planning and budgeting be pursued.** Likewise, enhanced contingency plans or strategies should be developed and catch-up plans should also be undertaken to recoup the underperformance. This will help fast-track the implementation of the Department's programs and projects, improve the budget utilization rates, and hasten the delivery of services.

Department of Education

Financial Performance

117. **For the first semester of 2023, DepEd received Php 702.0 billion worth of allotment releases to support the Department's *MATATAG: Bansang Makabata, Batang Makabansa* Agenda geared towards resolving basic education challenges.** The said amount was broken down, as follows: PS – Php 539.7 billion (76.9 percent); MOOE – Php 138.5 billion (19.7 percent); and CO – Php 23.7 billion (3.4 percent). Of the said amount, Php 22.4 billion came from the previous year's continuing appropriations.

Table 32. Financial Performance, DepEd, January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DepEd	640.2	300.4	285.1	46.9%	94.9%	702.0	311.3	301.0	44.3%	96.7%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

118. **The DepEd obligated Php 311.3 billion or 44.3 percent of its total allotted budget for the period.** This was lower by 2.6 percentage points from 46.9 percent recorded during the same period in 2022. As mentioned above, the bulk of DepEd's obligation came from its PS requirements amounting to Php 262.8 billion. By the end of the period, Php 390.8 billion remained unobligated.

119. **Further, an amount of Php 301.0 billion, or 96.7 percent of DepEd's total obligated budget was disbursed as of the end of June 2023.** This translates to a 1.8 percentage point improvement from 94.9 percent during the same period in 2022, and an increase of Php 15.9 billion or a 5.6 percent.

Considering that the Department is under the education sector, some of the major programs shall be implemented at the beginning of the school year, (i.e., August 2023). With this, the financial performance both for obligation and disbursement is expected to accelerate in the second semester.

Physical Performance

120. **Commitments under the Basic Education Inputs Program are targeted to be delivered and accomplished by the second semester of the year.** It is noteworthy that DepEd has been conducting various pre-procurement activities and other preparatory activities during the first semester to ensure the timely implementation of these deliverables. For the construction of new classrooms, DepEd is currently conducting pre-procurement activities and other preparatory activities during the first semester, which includes the revision of the Memorandum of Agreement (MOA) with DPWH and the finalization of the guidelines

concerning Basic Education Facilities (BEF) implementation in regions, including the BARMM. There is also a continuous conduct of Regional Coordination Meetings with the DPWH for the ongoing resolution of issues and concerns on project implementation.

Table 33. Physical Performance, DepEd, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
EDUCATION POLICY DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of policies formulated, reviewed, and issued	---a/	---a/	9	2
2. Number of education researches completed	---a/	---a/	0	44
3. Number of proposed policies reviewed	---a/	---a/	20	24
BASIC EDUCATION INPUTS PROGRAM				
Output Indicators				
1. Number of:				
a. New classrooms constructed	---a/	---a/	0	0
b. New classrooms on-going construction	---a/	---a/	0	0
c. Textbooks and institutional/learning materials procured for printing and delivery	---a/	---a/	0	0
2. Number of equipment/tools procured for distribution:				
a. Science and Math	---a/	---a/	0	0
b. Technical and Vocational Livelihood	---a/	---a/	0	0
c. ICT	---a/	---a/	0	0
3. Number of newly-created teaching positions filled up	---b/	---b/	0	0 (Filling-up of 9,650 positions will commence in July 2023, based on provided budget in GAA)
INCLUSIVE EDUCATION PROGRAM				
Output Indicators				
1. Number of schools offering the following programs:				
a. ALIVE - public and private	---a/	---a/	0	0
b. IPED - public	---a/	---a/	0	0
c. SPED - public	---a/	---a/	0	0
2. Number of public schools provided with learning resources	---a/	---a/	0	0
3. Percentage of reported errors in learning resources addressed	---a/	---a/	0	0
SUPPORT TO SCHOOLS AND LEARNERS PROGRAM				
Output Indicators				
1. Number of learners benefiting from the School-Based Feeding Program	---a/	---a/	0	0

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
2. Number of grantees:				
a. Education Service Contracting (ESC)	---[a/]	---[a/]	0	0
b. Senior High School Voucher	---[a/]	---[a/]	0	0
c. Joint Delivery Voucher Program	---[a/]	---[a/]	0	328
EDUCATION HUMAN RESOURCE DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of public school teachers and teaching-related staff trained	---[a/]	---[a/]	147,376	2,785

[a/] Targeted to be delivered or reported in the fourth quarter of 2023
[b/] Targeted to be delivered or reported in the second semester of 2023
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

121. **Similarly, pre-procurement activities are being conducted for the procurement and delivery of textbooks and instructional/learning materials as well as procurement of equipment/tools for Science and Math, Technical and Vocational Livelihood (TVL), and ICT.** It is worth noting that DepEd expects the printing and delivery of 4 million copies of Grades 9 and 10 learning resources within the fourth quarter of 2023.

122. **Moreover, the DepEd is currently undertaking the process of filling up the newly created 9,650 teaching positions, which were recently approved in June 2023.** It is noteworthy to mention that the original 10,000 teaching position (Teacher I SG 11) items were not pursued due to the request for the creation of teaching positions with higher salary grades such as the 123 Special Science Teacher I (SG 13), and 6,123 Teacher II positions (SG 12) resulting in a shortfall of 350 teaching items.

123. **Relatedly, commitments under the Support to Schools and Learners Program are targeted to be accomplished in the second semester of 2023.** The implementation of the School-Based Feeding Program is scheduled in September 2023, and the concerned School Division Offices are currently working on the preparation of procurement documents.

124. **Enrolment for SY 2023-2024 for the Education Service Contracting and Senior High School Voucher Program grantees will be in August 2023 and the corresponding private schools are targeted to be paid within the fourth quarter of the year**. On the other hand, while the Joint Delivery Voucher Program is targeted in the third quarter, the program has already supported 328 learner-beneficiaries by the end of the first semester constituting 0.3 percent of the full-year target of 109,233 learner-beneficiaries.

125. **Lastly, DepEd has already provided training to 150,161 public school teachers and teaching-related staff, or 48.3 percent of the 311,100 full-year target.** The Department conducted training to 147,376 teachers in the first quarter, and 2,785 teaching-related staff in the second quarter. There were no public school teachers trained in the second quarter attributable to the memorandum issued by the National Educators' Academy of the Philippines (NEAP) streamlining the DepEd's systems and processes, as well as strengthening professional development programs for teachers and school leaders. The Department is

currently preparing all documents pertinent to the conduct of activities for the remaining months of FY 2023.

126. **As the DepEd continues to implement its *MATATAG* Agenda that aims to address basic education challenges, the Department is urged to strengthen its procurement process and strategies, and diligently manage the timely implementation of the *MATATAG* initiatives.** Part of this effort involves the systematic evaluation of programs/projects to identify challenges that may impede the implementation. Subsequently, action plans must be developed and executed to ensure timely completion of these projects. Moreover, the DepEd may review, and if needed recalibrate its targets and assumptions considering historical performance, current organizational context, and capacity to keep the Department's performance targets challenging but within attainable range.

Commission on Higher Education

Financial Performance

127. **The CHED was allotted Php 35.2 billion for the first semester including Php 5.3 billion from its continuing appropriations.** This was Php 7.5 billion higher compared to the Php 27.6 billion allotment releases for the same period in 2022.

Table 34. Financial Performance, CHED, January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
CHED	27.6	0.5	0.2	1.8%	48.7%	35.2	10.2	4.6	29.0%	45.0%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

128. **The Commission's obligation rate for the first semester significantly improved compared to the financial performance during the same period last year.** CHED incurred an obligation of Php 10.2 billion or 29.0 percent of allotments, which was almost 20 times the amount of obligations incurred for the same period in 2022. Nonetheless, a hefty amount of Php 25.0 billion remained unobligated. Meanwhile, Php 4.6 billion or 45.0 percent of the obligated budget was disbursed posting a significant increase in nominal terms from the Php 244.2 million disbursements compared to the previous year but slightly decreased by 3.7 percentage points in terms of disbursement rate performance during the same period last year.

Physical Performance

129. **For the first half of 2023, the Commission has already exceeded its full-year target for the number of faculty members given faculty development grants.** Specifically, 1,520 faculty members received faculty development grants, which translated to 660.9 percent accomplishment for the first semester, and 202.7 percent accomplishment when measured against the full-year target of providing 750 faculty development grants. It is noteworthy that the reported accomplishments for the period comprised of the continuing scholars funded both by the FY 2022 Continuing Appropriations, and FY 2023 Current Budget pursuant to National Budget Circular (NBC) No. 590[36], which may account for the recorded overperformance.

130. **Meanwhile, only 14 project proposals from State Universities and Colleges (SUCs) and private Higher Education Institutions (HEIs) were funded.** The accomplishment only represents 25.5 percent of CHED's target of 55 proposals for the period. Relatedly, under CHED's Research and Scholarship Program for Academic Year (AY) 2022-2023, there are three (3) ongoing projects under Philippine-California Advanced Research Institute (PCARI),

[36] Guidelines on the Release of Funds for Fiscal Year (FY) 2023 dated January 3, 2023

and eight (8) ongoing R&D and special projects under Leading the Advancement of Knowledge in Agriculture and Sciences (LAKAS), which is the expansion/successor initiative of the PCARI.

Table 35. Physical Performance, CHED, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
HIGHER EDUCATION DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of scholarships and student grants awarded	---[a/]	---[a/]	0	0
2. Number of faculty members provided with faculty development grants	0	230	0	1,520
3. Number of research, development and innovation project proposals funded	20	35	6	8

[a/] Targeted to be delivered or reported in the fourth quarter of 2023
Source: Budget Accountability Report No. 1 (as of June 30, 2023)

131. **Foregoing considerations on both overperformance (e.g., provision of faculty development grants) and underperformance (e.g., funding of research, development, and innovation project proposals) of commitments under the Higher Education Development Program, the Commission is urged to further strengthen linkage between strategic and operational planning and budget.** The CHED may revisit its planning/targeting strategies for the outcome/output indicators considering historical performance, current organizational context and capacity in order to set more challenging targets within attainable range.

Technical Education and Skills Development Authority

Financial Performance

132. **The TESDA received an allotment of Php 16.2 billion for the first half of 2023.** The Authority obligated Php 5.8 billion or 36.0 percent of its total allotment while disbursement amounted to Php 3.7 billion or 63.3 percent. TESDA's obligation rate was lower by 9.9 percentage points when compared to the spending performance for the same period last year. However, the Authority was able to record an increase in its disbursement performance by 16.8 percentage points for the reporting period.

Table 36. Financial Performance, TESDA, January to June 2023
(In billion pesos, unless otherwise stated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursement	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursement	Oblig (BUR)	Disb (BUR)
TESDA	16.3	7.5	3.5	45.9%	46.5%	16.2	5.8	3.7	36.0%	63.3%

[a/] 2022 SAAODB, as of June 30, 2022
[b/] 2023 SAAODB, as of June 30, 2023

Physical Performance

133. **In the first half of the year, TESDA was able to draft the National Technical Education and Skills Development Plan (NTESDP), with ongoing developments of 16 RTESDPs.** It should be noted that the formulation and development of the said reports are targeted by the second semester of the year. Specifically, the NTESDP 2023-2028 is a medium-term plan that will serve as the technical and vocational education and training (TVET) sector's roadmap focused on digitalization which hubs on the strategies of 'new mindset', 'restyle', 'reskill', and 'digitalization'. Moreover, the Regional Technical Education and Skills Development Plan (RTESDP) is decentralized and anchored to the NTESDP to administer an Area-Based and Demand Driven TVET to guide various stakeholders such as the government, industry, academe, local and international organizations, students, and the public for the development of the middle-level workforce.

Table 37. Physical Performance, TESDA, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT POLICY PROGRAM				
Output Indicator				
1. Number of National, Regional/Provincial TESD plans formulated/updated	N/A	N/A	Development of the NTESDP and RTESDPs ongoing	1 draft NTESDP, 16 ongoing RTESDPs development

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT REGULATORY PROGRAM				
Output Indicators				
1. Percentage of registered accredited TVET programs audited	100%	100%	4.2%	32.7%
2. Percentage of skilled workers issued with certification within 7 days of their application	90%	90%	96.9%	97.2%
3. Number of consultations, orientations and workshops for development of competency standards/training regulations	20	60	32	118
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT PROGRAM				
Output Indicators				
1. Number of graduates from technical education and skills development scholarship programs	71,714	67,916	Ongoing preparation of National Qualification Maps (NQMs)	25,044
2. Number of training institutions/establishments/assessment centers provided with technical assistance	584	2,045	3,518 (2,863 TVIs & 655 Acs)	1,480 (829 TVIs & 651 Acs)
3. Number of TESDA Technology Institutions graduates	37,969	75,958	60,409	89,901

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

134. **Most of the targets under the TESD Regulatory Program were achieved in the first semester of the year.** TESDA was able to provide certifications to 97.2 percent of skilled workers within the prescribed period, exceeding its target of 90.0 percent. The Authority also provided 118 consultations, orientations, and workshops for the development of competency standards/training. However, TESDA was not able to meet its target in auditing registered accredited TVET programs, reflecting accomplishments of 4.2 percent and 32.7 percent for the first and second quarters, respectively.

135. **However, only one (1) target was fully achieved under the Technical Education and Skills Development Program.** TESDA was able to produce 60,409 graduates in the first quarter and 89,901 graduates in the second quarter from TESDA Technology Institutions (TTIs). Meanwhile, TESDA partially met its target for the number of technical assistance provided, recording accomplishments of 3,518 and 1,480 technical assistance for the first and second quarters, respectively. On the other hand, TESDA produced 25,044 graduates from technical education and skills development scholarship programs, which was approximately 37.0 percent of its targeted 67,916 graduates for the quarter.

136. **Despite the low obligation rate for the first half of the year, TESDA was able to achieve and even surpassed some of its physical targets.** Hence, TESDA may have to revisit and reassess some of its physical targets for further adjustments to a more realistic level. In addition, it is suggested that TESDA provide a catch-up plan noting the low physical

accomplishments for its regulatory functions specifically, in auditing TVET programs, and the production of graduates from TESDA scholarship programs. It is also recommended that TESDA undertake measures to address underperformance in order to improve budget utilization rates by the end of the year.

Department of Health

Financial Performance

137. **For the first half of the year, the DOH was provided with a total allotment of Php 241.0 billion to support its mandated function of ensuring access to basic public health services for all Filipinos.** This was Php 1.3 billion or 0.5 percent higher than the allotment of Php 239.7 billion compared to the same period last year. Meanwhile, the total obligation amounted to Php 105.5 billion or 43.8 percent of its total allotment while the disbursement amounted to Php 69.7 billion or 66.1 percent.

Table 38. Financial Performance, DOH, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DOH	239.7	83.4	58.0	34.8%	69.5%	241.0	105.5	69.7	43.8%	66.1%

[a/] 2022 SAAODB (January 1 to June 30, 2022)
[b/] 2023 SAAODB (January 1 to June 30, 2023)

138. **By implementing agency, the DOH-OSEC incurred almost the full share of the total obligation for the period.** DOH-OSEC accounted for Php 105.3 billion or 99.8 percent of the total obligation of the Department, while both the National Nutrition Council and Philippine National AIDS Council (PNAC) shared less than one percent at Php 167.3 million (0.2 percent) and Php 19.3 million (0.02 percent), respectively. In terms of disbursement performance, the NNC registered the highest disbursement rate at 88.9 percent, followed by PNAC with 83.0 percent, and DOH-OSEC with 66.1 percent.

Table 39. Financial Performance, DOH and Attached Agencies, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb BUR	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
OSEC	239.1	83.2	57.8	34.8%	69.5%	240.3	105.3	69.6	43.8%	66.1%
NNC	0.65	0.16	0.14	24.4%	85.6%	0.62	0.17	0.15	27.1%	88.9%
PNAC[c/]	0.04	0.00	0.00	25.3%	78.8%	0.05	0.02	0.02	35.8%	83.0%

[a/] 2022 SAAODB (January 1 to June 30, 2022)
[b/] 2023 SAAODB (January 1 to June 30, 2023)
[c/] PNAC S1 2022 obligation and disbursement are below Php 10 million

139. **In addition, some Php 91.3 billion or 86.8 percent of DOH-OSEC's total obligation was accounted for by the Department's major programs for the first half of the year.** These programs include the following: a) Operation of DOH Regional Hospitals and Other Health Facilities – Php 27.7 billion; b) Medical Assistance to Indigent and Financially-Incapacitated Patients – Php 15.3 billion; c) Public Health Emergency Benefits and Allowances for Health Care and Non-Health Care Workers (formerly Compensation and Other Benefits for COVID-19 Workers in Health Facilities) – Php 14.3 billion; d) Operation of DOH Hospitals in Metro Manila – Php 9.5 billion; e) Health Facilities Enhancement Program – Php 8.9 billion; and f)

National Health Workforce Support System – Php 7.4 billion; g) Prevention and Control of Communicable Diseases – Php 2.6 billion; h) Family Health, Immunization, Nutrition, and Responsible Parenting – Php 2.3 billion; i) Public Health Management – Php 2.1 billion; and j) Prevention and Control of Non-Communicable Diseases – Php 1.1 billion.

In addition, the amount of Php 3.3[37] billion was released to the DOH-OSEC from foreign loans from the World Bank[38], Asian Development Bank[39], and Asian Infrastructure Investment Bank[40] to further scale up the pandemic response and introduce interventions that will seek to reduce the incidence of stunting. Out of this amount, Php 93.2 million, or 2.8 percent was obligated by the department.

Physical Performance

140. **The DOH was able to provide all of its 1,331 targeted partners with technical assistance on local health systems development.** To further strengthen the healthcare system, the DOH continuously provided 100.0 percent or 1,099 identified priority areas with human resources for health from the National Health Workforce Support System.

141. **Likewise, the DOH exceeded its target and provided 2,672 local government units (LGUs) and other health partners with technical assistance on public health programs.** This accomplishment included both planned and requested technical assistance. In addition, 3.6 million out of the 4.0 million, (91.08 percent) target health commodities received from the Central Office were distributed by the DOH to the various health facilities based on the allocation list.

Table 40. Physical Performance, DOH-OSEC, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
HEALTH SYSTEMS STRENGTHENING PROGRAM				
Output Indicators				
1. Percent of partners provided with technical assistance on local health systems development	100%	100%	100%	100%
2. Percent of identified priority areas supplemented with HRH from National Health Workforce Support System (NHWSS)	100%	100%	100%	100%
PUBLIC HEALTH PROGRAM				
Output Indicators				
1. Percent of local government units (LGUs) and other health partners provided with technical assistance on public health programs	100%	100%	104.09%	104.11%

[37] Inclusive of Php3.0 billion allotment released from Unprogrammed Appropriations
[38] World Bank Philippines COVID-19 Emergency Response Project (PCERP) and Philippines Multisectoral Nutrition Program (PMNP)
[39] ADB Health System Enhancement to Address and Limit (HEAL) COVID-19
[40] *Ibid*

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
2. Percent of received health commodities from the Central Office distributed to health facilities based on the allocation list	Varies per Region	Varies per Region	84.27%	91.08%
EPIDEMIOLOGY AND SURVEILLANCE PROGRAM				
Output Indicators				
1. Percent of outbreaks and health events of public health concern requiring investigations are investigated by the Regional Epidemiology and Surveillance Units (RESUs) and/or the Epidemiology Bureau (EB)	90%	90%	100.00%	100.00%
2. Percent of technical assistance, capacity development, and other support provided by EB and/or RESU	90%	90%	99.96%	99.97%
HEALTH EMERGENCY MANAGEMENT PROGRAM				
Output Indicators				
1. Percent of LGUs provided with technical assistance on the institutionalization of Disaster Risk Reduction Management in Health (DRRM-H) System	30%	40%	36.00%	68.00%
HEALTH FACILITIES OPERATION PROGRAM				
Output Indicators				
1. Number of policies, manuals, and plans developed on health facility development issued and disseminated	2	2	7	5
2. Number of blood units collected by Blood Service Facilities	47,369	71,053	60,584	86,649
3. Percent of in-patient, out-patient drug, and aftercare drug abuse cases managed	100%	100%	113.00%	109.00%
SOCIAL HEALTH PROTECTION PROGRAM				
Output Indicator				
1. Percent of patients requesting assistance provided with medical and financial assistance	100%	100%	170.81%	189.27%

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

142. **The DOH also surpassed its targets for the Epidemiology and Surveillance Program.** All 600 outbreaks and health events of public health concern were investigated by the Regional Epidemiology and Surveillance Units (RESU) and/or the Epidemiology Bureau (EB). In addition, 99.97 percent, or 11,507 areas were provided with technical assistance, capacity development, and other support from the EB and/or RESU.

143. **Technical assistance was provided for the institutionalization of the Disaster Risk Reduction Management-Health (DRRM-H) System in LGUs**. For the first half of the year, the DOH provided technical assistance to almost 70.0 percent or 847 out of its full-year target of 1,422 LGUs.

144. **Health protocols in health facilities continued to be updated following the lifting of the COVID-19 public health emergency.** The DOH issued twelve (12) policies, manuals, and plans developed on health facility development. This was higher than the targeted four

(4) issuances for the planned period. The over-accomplishment was due to several unplanned policies that were developed and issued. In addition, the DOH exceeded its target for the number of blood units collected by Blood Service Facilities. The DOH collected 86,649 blood units out of its 71,053 target for Q2. Moreover, 30,084 in-patient, out-patient, and aftercare drug abuse cases were managed by the DOH, reflecting an over accomplishment of 9.0 percent from its target of 27,566 cases managed. The over accomplishment was due to the increase in drug cases managed by the Drug Abuse Treatment and Rehabilitation Centers.

145. **The DOH also provided medical and financial assistance to 709,754 patients seeking medication examination, consultation, treatment, and rehabilitation confined in government hospitals.** This represents an additional 334,754 on top of its targeted 375,000 patients for the first half of the year. The over accomplishment of medical and financial assistance was due to the expansion of the program's beneficiary coverage which is now extended to financially incapacitated patients in addition to indigent individuals. The introduction of additional *Malasakit* Centers also resulted in an increased capacity to assist patients in need of medical and financial aid within hospitals. In addition, the PHIC was able to provide payment of health insurance premiums for 3 million senior citizens under the NHIP for the first half of the year.

146. **Given its performance for the period, DOH needs to review its targets and harmonize the Department's planning and budgeting processes to improve its financial and physical accomplishments.** It is worth noting that the Department only achieved obligation and disbursement rates of 43.8 percent and 66.1 percent, respectively, but it was able to accomplish most of its physical targets for the period. The review of the planning and budget linkage will ensure a more realistic and achievable target setting that would be commensurate with the Department's financial performance.

Department of Social Welfare and Development

Financial Performance

147. **For the first semester of 2023, the DSWD was allotted an amount of Php 232.8 billion to sustain its programs, activities, and projects that protect and promote the welfare of the poor, vulnerable, and disadvantaged Filipinos.** This was Php 4.9 billion or 2.1 percent higher compared to the Department's allotment for the first semester of the previous year. However, the DSWD registered a lower obligation rate compared to the same period last year. The Department obligated Php 79.5 billion or 34.2 percent of its total allotment – 9.5 percentage points lower than the 43.6 percent obligation rate registered in the same period last year. The low obligation rate may be largely attributed to the registration and validation of beneficiaries of the 4Ps, which aims to check if the existing household beneficiaries of 4Ps are still eligible for the program.

Table 41. Financial Performance, DSWD, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DSWD	228.0	99.4	78.2	43.6%	78.7%	232.8	79.5	64.2	34.2%	80.7%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

148. **Out of its total obligations, the bulk was accounted for by the following programs:** (i) 4Ps – Php 26.7 billion; (ii) Protective Services for Individuals and Families in Difficult Circumstances (PSIFDC) – Php 17.2 billion (including the TCT Program); (iii) Social Pension for Indigent Senior Citizens (SocPen) – Php 14.1 billion; (iv) *Kapit-Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project (KALAHI-CIDSS-NCDDP)* – Php 5.3 billion; (v) Quick Response Fund (QRF) – Php 3.1 billion; (vi) Sustainable Livelihood Program – Php 1.7 billion; (vii) Residential and Center-Based Services – Php 1.3 billion; (viii) Supplementary Feeding Program (SFP) – Php 1.3 billion; (ix) Disaster Response and Rehabilitation Program – Php 900.3 million; (x) KALAHI-CIDSS: *Kapangyarihan at Kaunlaran sa Barangay (KALAHI-CIDSS-KKB)* – Php 749.5 million; and (xi) Implementation of the Centenarians Act of 2016 – Php 167.1 million.

149. **Nonetheless, the DSWD disbursed Php 64.2 billion or 80.7 percent of its total obligations for the first semester of the year.** This was slightly higher compared to the disbursement rate of 78.7 percent recorded for the first half of 2022, but lower in absolute terms when compared to the Department's disbursement for the same period amounting to Php 78.2 billion.

Table 42. Financial Performance, DSWD Major Programs, January to June 2023
(In billion pesos, unless otherwise indicated)

Programs/Projects/Activities	January to June 2023				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
4Ps	110.3	26.7	23.2	24.2%	86.9%
PSIFDC (including TCT)	42.5	17.2	14.9	40.4%	86.6%
SocPen	24.6	14.1	12.4	57.1%	87.9%
KALAHI-CIDSS-NCDDP	8.4	5.3	3.5	63.4%	65.5%
QRF	4.4	3.1	1.6	69.8%	51.3%
SLP	6.4	1.7	0.8	25.9%	45.9%
Residential and Center-Based Services	3.5	1.3	0.7	37.4%	53.6%
SFP	5.1	1.3	0.5	25.0%	41.6%
Disaster Response and Rehabilitation Program	2.5	0.9	0.6	35.9%	67.2%
KALAHI-CIDSS-KKB	4.4	0.7	0.4	17.1%	55.8%
Implementation of Centenarians Act	0.3	0.2	0.2	66.5%	94.2%

Source: Financial Accountability Report (FAR) No. 1 (January 1 to June 30, 2023)

Physical Performance

150. **For the first quarter of 2023, the DSWD provided rice subsidies and educational and health allowances to 2,358,838 households who complied with the 4Ps conditionalities.** The low achievement may be attributed to the decreased number of active households upon the adoption of *Listahanan 3* results at the start of the year. In line with this, the registration and validation of replacement households are being accelerated to reach the target of 4,400,000 households in the second semester of the year.

Table 43. Physical Performance, DSWD, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
PROMOTIVE SOCIAL WELFARE PROGRAM				
Output Indicators				
1. Number of *Pantawid* households provided with conditional cash grants	4,400,000	4,400,000	2,358,838	Data not yet available.
2. Number of poor households assisted through the Sustainable Livelihood Program	1,741	54,252	597	4,838
3. Number of households that benefited from completed KC-NCDDP sub-projects	0	250,000	1,137	19,795
PROTECTIVE SOCIAL WELFARE PROGRAM				
SUPPLEMENTARY FEEDING SUB-PROGRAM				
Output Indicators				
1. Number of children in CDCs and SNPs provided with supplementary feeding	1,859,394 (12th cycle); Social Preparation for 13th cycle	1,936,868 (12th cycle); Social Preparation for 13th cycle	1,799,575 (12th cycle)	56,379 (12th cycle)

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
2. Number of children/ lactating mothers served through Bangsamoro *Umpungan sa Nutrisyon* (BangUN) Program	Social Preparation Stages	18,700 children and 3,300 pregnant and lactating mothers	Social Preparation Stages	18,867 children and 3,133 pregnant and lactating women
SOCIAL WELFARE FOR SENIOR CITIZENS SUB-PROGRAM				
Output Indicators				
1. Number of senior citizens who received social pension within the quarter	N/A	4,085,066	3,346,893	3,346,893
2. Number of centenarians provided with cash gift	253	517	786	624
PROTECTIVE PROGRAM FOR INDIVIDUALS AND FAMILIES IN ESPECIALLY DIFFICULT CIRCUMSTANCES SUB-PROGRAM				
Output Indicators				
1. Number of beneficiaries served through Protective Services Program	290,996	353,767	581,483	1,286,070
2. Number of clients served through the Comprehensive Program for Street Children, Street Families and *Badjaus*:				
a. Street Children	Social Preparation Stages	497	Social Preparation Stages	826
b. Street Families	Social Preparation Stages	423	Social Preparation Stages	94
SOCIAL WELFARE FOR DISTRESSED OVERSEAS FILIPINOS AND TRAFFICKED PERSONS SUB-PROGRAM				
Output Indicators				
1. Number of trafficked persons provided with social welfare services	340	443	470	763
2. Number of distressed and undocumented overseas Filipinos provided with social welfare services	1,500	700	2,400	1,429
DISASTER RESPONSE AND MANAGEMENT PROGRAM				
Output Indicators				
1. Number of LGUs/Field Offices with prepositioned goods	100% of LGUs/FOs with prepositioned goods	100% of LGUs/FOs with prepositioned goods	351 LGUs / 16 FOs with prepositioned goods	143 LGUs / 16 FOs with prepositioned goods
2. Number of internally-displaced households provided with disaster response services	As the need arises	As the need arises	336,677	115,394
3. Number of households with damaged houses provided with early recovery services	As the need arises	As the need arises	35,640	114,364

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

151. **Meanwhile, the SLP only served 5,435 out of the target 55,993 households for the first semester of the year.** It must be noted, however, that the pre-implementation and social preparation stages were conducted during the first semester, while the actual program implementation and disbursement of grants will take place in the second semester of the year. Likewise, KALAHI-CIDSS-NCDDP sub-projects benefitted only 20,932 out of the target

250,000 households, primarily because of the retooling of the program and streamlining of processes and procedures. This resulted in interrupting the implementation of the activities and pushed the completion of the sub-projects to a later date. Nevertheless, it is expected that the completion of sub-projects will be implemented during the second half of the year.

152. **A total of 1,855,954 children enrolled in LGU-managed child development centers (CDC) and supervised neighborhood play (SNP) were provided with supplementary feeding during the 12th cycle of the SFP during the first half of the year.** The ongoing implementation of the SFP's 12th cycle is expected to benefit the remaining target of 80,914 children. Furthermore, in preparation for the roll-out of the SFP's 13th cycle in the second half of 2023, the Department has conducted its social preparation stages during the first half of the year. On top of these, another 18,867 children and 3,133 pregnant/lactating women were served with nutrition interventions through the Bangsamoro *Umpungan sa Nutrisyon* (BangUN) Program.

153. **Under its Social Welfare for Senior Citizens Sub-Program, the DSWD provided Php 500.00 monthly social pension to 3,346,893 indigent senior citizens.** The variance of 738,173 from the target of 4,085,066 was attributed to the following: (i) beneficiaries who could not be located; (ii) beneficiaries who were delisted during payout; (iii) potential beneficiaries who are still processing their application/registration to the program; and (iv) beneficiaries from BARMM who are scheduled to start receiving their social pension in August 2023, as the budget allocated for them was only made available in June 2023. In addition to the social pension, the DSWD also provided 1,410 centenarians with cash gifts pursuant to RA No. 10868 or the Centenarians Act of 2016.

154. **Additionally, the Protective Services Program (PSP) served 1,867,563 individuals and families in crisis or difficult situations and vulnerable or disaster-affected communities with food assistance, food packs, transportation, medical and/or burial assistance, and financial assistance for students, among others.** The actual accomplishment greatly exceeded its target for the first semester of the year largely due to the improvement of processing of payout to the beneficiaries, with turnaround times shortened to up to one day, provided that claimants are able to present complete documentary requirements. Another 826 street children and 94 street families were catered through the Comprehensive Program for Street Children, Street Families, and *Badjaus*.

155. **Furthermore, 1,233 trafficked persons and 3,829 distressed and undocumented Overseas Filipinos (OFs) were provided with social welfare services from January to June 2023, surpassing their respective targets of 783 and 2,200 for the period.** Most of the trafficked persons cases were victims of illegal recruitment and other human trafficking violations perpetrated by Philippine Offshore Gaming Operations (POGO), while intensified monitoring of cross-border areas of countries resulted in the high number of distressed and undocumented OFs assisted by the Department.

156. **Finally, under its Disaster Response and Management Program, the DSWD provided disaster response services to 452,071 internally-displaced households and early recovery services to 150,004 households with damaged houses.** Most beneficiaries were affected by various hydrometeorological events, such as low-pressure areas, northeast monsoons, typhoons and super typhoons, and intertropical convergence zones (ITCZ), across

the country. The program also covered households affected by the following: (i) oil spill incidents in Regions IV-A, IV-B, and VI; (ii) earthquake incidents in Regions V, VIII, and XI; and (iii) seismic activities from the Mayon Volcano in Region V. Moreover, the Department has prepositioned relief goods to 16 Field Offices to ensure faster delivery of relief supplies to families that will be affected by calamities.

157. **Despite the higher allotment for the first half of the year, the DSWD recorded lower obligations and obligation rates for the period, which eventually led to lower disbursements.** The Department's financial underperformance is, likewise, reflected in the non-accomplishment of some output indicators for the period, specifically in the 4Ps, SLP, KALAHI-CIDSS-NCDDP, SFP, and SocPen. Hence, the Department needs to undertake catch-up measures for these programs to ensure that the targets will be met by the end of the year.

Department of Labor and Employment

Financial Performance

158. **For the first semester of 2023, DOLE obligated Php 20.3 billion, which was lower by Php 6.9 billion from the obligated budget of Php 27.2 billion during the same period in 2022.** The obligated budget for the period is 39.2 percent of the Department's Php 51.7 billion total allotment. Moreover, the DOLE disbursed Php 17.2 billion, recording a disbursement rate of 84.8 percent, which was also lower than the 90.2 percent disbursement rate during the same period last year.

Table 44. Financial Performance, DOLE[41], January to June 2023

(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DOLE	53.3	27.2	24.6	51.0%	90.2%	51.7	20.3	17.2	39.2%	84.8%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

159. **The DOLE-OSEC and TESDA received 88.5 percent of the Department's total obligated budget amounting to Php 12.1 billion and Php 5.8 billion, respectively.** The Livelihood Emergency Employment Program of the DOLE-OSEC obligated Php 10.1 billion (or 38.7 percent obligation rate) for the following programs: (i) *TUPAD* Program – Php 8.1 billion; (ii) DOLE Integrated Livelihood Program (DILP) – Php1.2 billion; (iii) Government Internship Program (GIP) – Php 801.2 million; and (iv) Adjustment Measures Program (AMP)– Php 8.9 million. Out of the obligated budget for the Livelihood Emergency Employment Program, Php 9.6 billion was disbursed translating to 94.5 percent disbursement performance for the first semester of 2023. Details of the TESDA performance are included in the subsequent section.

Physical Performance

160. **The Department achieved most of its committed targets under the Employment Facilitation Program for the first semester of 2023.** The DOLE-OSEC assisted a total of 36,966 youth beneficiaries and referred 1,387,222 qualified jobseekers for placement through the network of Public Employment Service Offices (PESOs) translating to

[41] For 2022, legislative and executive issuances were issued affecting functional restructuring of agencies under the DOLE. First, Republic Act (RA) No. 11641 (Department of Migrant Workers Act) mandates the merger and consolidation of Philippine Overseas Employment Administration (POEA), National Maritime Polytechnic (NMP), and other concerned offices/agencies to be constituted as the Department of Migrant Workers (DMW) [Section 4 of RA No. 11641] while the Overseas Workers Welfare Administration (OWWA) shall become an attached agency of the DMW [Section 20 of RA No. 11641]. Second, Executive Order (E.O.) No. 5, s. 2022 (Transferring the Attachment of the Technical Education and Skills Development Authority from the Department of Trade and Industry to the Department of Labor and Employment) transfers the TESDA from DTI to DOLE. For the purpose of the FY 2023 Mid-Year Report of the DOLE, POEA, NMP, and OWWA previously under the DOLE in 2022 are no longer reported in 2023 while the TESDA previously under the DTI in 2022 are included in 2023.

accomplishment rates of 98.8 percent and 185.0 percent, respectively. Meanwhile, the Department reached 3,094,019 students, jobseekers, employers, and program partners through the Labor Market Information (LMI) with an accomplishment rate of 134.5 percent surpassing the 2,300,000 target beneficiaries for the period.

Table 45. Physical Performance, DOLE, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
EMPLOYMENT FACILITATION PROGRAM				
Output Indicators				
1. No. of youth-beneficiaries assisted	3,540	33,872	4,345	32,621
2. No. of qualified jobseekers referred for placement	350,000	400,000	654,729	732,493
3. No. of individuals reached through Labor Market Information (LMI)	800,000	1,500,000	1,802,773	1,291,246
EMPLOYMENT PRESERVATION AND REGULATION PROGRAM				
Output Indicators				
1. No. of establishments assessed (LLCS)	7,500	26,250	9,496	11,890
2. No. of beneficiaries/workers served	93,265	193,265	169,287	279,942
3. Disposition rate of cases handled, including requests for assistance	100%	100%	73%	91%
WORKERS PROTECTION AND WELFARE PROGRAM				
Output Indicators				
1. No. of beneficiaries provided with livelihood assistance	15,967	23,951	13,927	45,347
2. No. of beneficiaries served	368,194	547,672	399,954	883,709
3. Percentage of individuals provided services within the prescribed process cycle time (PCT)	100%	100%	semestral reporting	100%

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

161. **The Department achieved at least 63 percent of all the physical targets under the Employment Preservation and Regulation Program for the first semester of the year.** The Department assessed and inspected 21,386 establishments under the Labor Inspection Program in accordance with the General Labor Standards and Occupational Safety and Health Standards, representing a 63.4 percent accomplishment rate. Meanwhile, 449,229 beneficiaries were served through labor and employment education services (LEES) and workers organizations development program (WODP), translating to 156.8 percent accomplishment exceeding the target 286,530 beneficiaries. On the other hand, the Department accomplished 91.0 percent disposition rate of cases, which includes requests for assistance for the period. This reflected an improvement in the second quarter since the first quarter accomplishment was recorded at 73.0 percent.

162. **Finally, the DOLE exceeded all of its targets under the Workers Protection and Welfare Program.** The Department provided livelihood assistance to 59,274 beneficiaries while engaging in livelihood undertakings/enterprises, or enhancing their existing sources of income or livelihood – an accomplishment of 148.5 percent for the period. In addition, DOLE served 1,283,663 beneficiaries through various programs such as the TUPAD Program, GIP, AMP, Child Labor Prevention and Elimination Program (CLPEP), On-Site Services for OFWs, and Family Welfare Program (FWP) – exceeding the target 915,866 beneficiaries at 140.2 percent performance on said commitment. The Department also provided services to 100.0 percent of its clienteles within the prescribed process cycle time (PCT) as of end of the first semester of 2023.

163. **The DOLE is urged to continue implementing the linkage between strategic and operational planning and budgeting in view of overperformance in most of its physical targets for the first semester of 2023.** The DOLE may review, and recalibrate its targets and assumptions considering historical performance, current organizational context and capacity to keep the Department's performance targets challenging but within attainable range.

Department of the Interior and Local Government

Financial Performance

164. The DILG was allotted Php 279.1 billion for the first half of 2023, Php 15.0 billion or 5.1 percent less than the allotment provided for the same period last year. Despite this, the DILG was able to increase its spending this year with obligations amounting to Php 175.1 billion or 62.7 percent of total allotments and disbursements amounting to Php 171.1 billion for a 97.7 percent disbursement rate.

Table 46. Financial Performance, DILG, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DILG	294.1	160.8	149.7	54.7%	93.1%	279.1	175.1	171.1	62.7%	97.7%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

165. By expense class, the majority of the obligations incurred by the DILG from January to June went to PS, amounting to Php 154.9 billion or 88.5 percent of the Department's total obligations. The bulk of the PS obligations pertains to the salaries and other PS benefits of the uniformed personnel of the PNP, Bureau of Fire Protection (BFP), and BJMP. Out of the said amount, the PNP accounted for Php 127.6 billion or 82.3 percent of the Department's total PS obligations. This was followed by the BFP with Php 14.1 billion (9.1 percent), the BJMP with Php 8.0 billion (5.1 percent), and the DILG-OSEC with Php 2.3 billion (1.5 percent). On the other hand, the combined obligations under MOOE and CO of the entire DILG accounted for only Php 20.2 billion or 11.5 percent of the Department's total obligations.

Table 47. Financial Performance, DILG-OSEC and Attached Agencies, January to June 2023
(In billion pesos, unless otherwise indicated)

Agency	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
PNP	229.0	129.2	121.9	56.4%	94.4%	215.0	141.0	139.0	65.5%	98.6%
BFP	32.3	16.6	13.4	51.5%	80.7%	29.3	16.4	14.9	56.0%	91.0%
BJMP	22.0	9.9	9.7	45.3%	97.9%	22.6	11.0	10.7	48.6%	97.3%
DILG-OSEC	7.4	3.3	3.1	45.0%	94.5%	6.9	3.3	3.1	47.3%	96.7%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] SAAODB (January 1 to June 30, 2023)

166. Among the agencies under the DILG, the PNP was given the largest allotment for the first half of the year in the amount of Php 215.0 billion or 77.1 percent of Department's total allotment, of which Php 141.0 billion or 65.5 percent was obligated in the same period. Out of this amount, Php 139.0 billion or 98.6 percent was disbursed. Other agencies with substantial allotments for the period included the BFP with Php 29.3 billion (10.5 percent), BJMP with Php 22.6 billion (8.1 percent), and DILG-OSEC with Php 6.9 billion (2.5 percent). For the financial performance of these agencies, please refer to the table above.

Physical Performance

167. **The substantial budgetary outlay provided for the operational requirements of the PNP enabled the conduct of 15,739,322 foot and mobile patrol operations from January to June 2023 – 42.5 percent higher than its performance for the same period last year.** Furthermore, the PNP was able to respond to all crime incidents in urban areas within 15 minutes after the receipt of the report. The significant increase in patrol operations as well as swift response to emergency calls resulted in the low National Index Crime Rate of 2.6 percent for the semester. On top of these, the PNP had undertaken 192,050 crime investigations, which were instrumental to the arrest of 10,714 most wanted persons and highly valued targets. Meanwhile, 51.4 percent of arrests were made within 30 days upon receipt of the warrant of arrest.

Table 48. Physical Performance, DILG-PNP, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
CRIME PREVENTION AND SUPPRESSION PROGRAM				
Output Indicators				
1. Number of foot and mobile patrol operations conducted	5% increase	5% increase	7,649,776	8,089,546
2. Percentage change in National Index Crime Rate (NICR)	5% reduction	5% reduction	2.57	2.65
3. Percentage of crime incidents responded within 15 minutes (in urban areas)	100%	100%	100%	100%
CRIME INVESTIGATION PROGRAM				
Output Indicators				
1. Number of crime investigations undertaken	130,000	130,000	92,774	99,276
2. Percentage of most wanted persons/high value targets arrested	5% increase	5% increase	120.51% (5,820 / 4,830)	103.61% (4,894 / 4,723)
3. Percentage of arrested persons within 30 days upon the receipt of the Warrant of Arrest	5% monthly arrest	5% monthly arrest	51.61%	51.09%

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

168. **As of June 30, 2023, 99.9 percent of Persons Deprived of Liberty (PDL) were safely incarcerated, with around 119,827 inmates benefitting from the BJMP's various welfare and development services.** These include spiritual, livelihood, educational, psychological, and health care services, as well as guidance and counseling and physical fitness and recreation services. Meanwhile, 37,063 PDLs were released within 24 hours of their release date.

Table 49. Physical Performance, DILG-BJMP, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
INMATES SAFEKEEPING AND DEVELOPMENT PROGRAM				
Output Indicators				
1. Improved safekeeping efficiency	99.98% of the actual number of PDL	99.98% of the actual number of PDL	99.99% of the actual number of PDL	99.99% of the actual number of PDL
2. Percentage of inmate released within 24 hours of their release date	100% of the actual number of PDL to be released	100% of the actual number of PDL to be released	100% or 18,809 of the actual number of PDL to be released	100% or 18,254 of the actual number of PDL to be released
3. Percentage of inmates provided with welfare and development services	80% of the actual number of PDL	80% of the actual number of PDL	87.53% or 119,447 of the actual number of PDL	89.06% or 120,207 of the actual number of PDL

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

169. **For the first semester of the year, the BFP exceeded all of its targets under the Fire Prevention Management Program.** The Bureau was able to inspect 1,540,447 buildings and establishments nationwide, which was 236,988 more than its target of 1,303,459 for the period. Likewise, 1,540,076 or 99.98 percent of these inspections were conducted within the prescribed time frame of three and a half days from the receipt of the Inspection Order (IO) from the Fire Safety Inspector (FSI). Consequently, 1,498,727 out of the 1,499,426 Fire Safety Inspection Certificate (FSIC)-rated buildings and establishments nationwide were recorded as not being the cause of a fire incident.

Table 50. Physical Performance, DILG-BFP, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
FIRE PREVENTION MANAGEMENT PROGRAM				
Output Indicators				
1. Percentage of registered business establishments inspected against the total number of registered business establishments nationwide	88% (852,101 inspected out of 968,297)	88% (451,358 inspected out of 512,907)	101.61% (983,885 inspected out of 968,297)	108.51% (556,562 inspected out of 512,907)
2. Percentage of Fire Safety Inspection Certificate (FSIC)-rated buildings and structures that has not been the cause of fire incident (origin of fire) against the total number of FSIC-rated buildings and establishments nationwide	88%	88%	99.98% or 1,010,816 FSIC-rated buildings out of 1,011,022 has not been the cause of fire incident	99.90% or 487,911 FSIC-rated buildings out of 488,404 has not been the cause of fire incident

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
3. Percentage of buildings and establishments inspected within the prescribed time frame i.e. 3 ½ days from the receipt of Inspection Order (IO) of the Fire Safety Inspector (FSI) against the total number of buildings/establishments inspected nationwide	85%	85%	99.99% (983,814 inspected within the prescribed time frame)	99.95% (556.262 inspected within the prescribed time frame)
FIRE AND EMERGENCY MANAGEMENT PROGRAM				
Output Indicators				
1. Percentage of resolved cases with cause and origin determined within the prescribed time	90%	90%	94.94% (4,185 out of 4,408)	82.50% (3,730 out of 4,521)
2. Percentage of suspected arson cases filed in court against total number of intentional fire incidents investigated	22%	22%	33.33% (30 arson fire cases filed in court out of 90 arson fires)	33.33% (30 arson fire cases filed in court out of 90 arson fires)
3. Percentage of households in disaster/calamity-affected barangays rendered with assistance	10%	10%	98.68% (1,002,541 households affected rendered with assistance out of 1,015,905 households)	99.89% (1,022,310 households affected rendered with assistance out of 1,023,391 households)

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

170. **The BFP also performed well in implementing its Fire and Emergency Management Program for the period.** It filed 60 arson cases in court, which was 33.3 percent of the total 180 arson fires, surpassing its first semester target of 22.0 percent. In addition, the BFP rendered assistance to 2,024,851 households in barangays affected by disasters/calamities, such as typhoons, earthquakes, and volcanic eruptions, among others. However, only 7,915 of the 8,929 fire incidents, or 88.6 percent, were resolved with cause and origin of fire determined within the prescribed timeline.

171. **Furthermore, the DILG-OSEC provided 1,591 provinces, cities, and municipalities (PCMs) with pertinent capacity building and technical assistance services on various governance areas.** The DILG also assessed 1,354 local government units (LGUs) on good local governance, which is 299 less than its target of 1,653 LGUs. However, the assessment of the remaining LGUs is expected to be completed in July 2023, consistent with Section 3.3.1 of DILG Memorandum Circular No. 2023-086, which set the timeline of submissions of assessments from May to the third week of July 2023. On the other hand, there was no provision of recognition and incentives to all Seal of Good Local Governance (SGLG) passers/qualifiers for the semester as these are targeted for the fourth quarter of the year.

172. **Despite its low obligation rate of 62.7 percent, the DILG achieved and even exceeded most of its performance indicators for the first semester of 2023.** Based on the dissonance between its physical and financial performances for the period, it may be prudent for the Department to revisit the linkage between planning and budgeting to avoid underspending while also ensuring more realistic and achievable targets.

Table 51. Physical Performance, DILG-OSEC, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
LOCAL GOVERNMENT EMPOWERMENT PROGRAM				
Output Indicators				
1. Number of LGUs provided with pertinent capacity-building/TA services on various governance areas	1,591 PCMs	1,591 PCMs	1,591 PCMs	1,591 PCMs
LOCAL GOVERNMENT PERFORMANCE OVERSIGHT AND RECOGNITION AND INCENTIVES PROGRAM				
Output Indicators				
1. Number of LGUs provided with recognition/incentives in accordance to set timelines	N/A	N/A	N/A	N/A
2. Number of LGUs assessed on good local governance	N/A	1,653 PCMs	N/A	1,354 PCMs

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

Department of National Defense

Financial Performance

173. **As of the first semester of 2023, the Department of National Defense (DND) was provided a total allotment of Php 283.4 billion.** Out of this amount, Php 159.7 billion or 56.3 percent was obligated, while Php 119.9 billion or 75.1 percent of total obligations was disbursed for the same period.

Table 52. Financial Performance, DND, January to June 2023
(In billion pesos, unless otherwise indicated)

Department	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DND	296.6	169.4	126.4	57.1%	74.6%	283.4	159.7	119.9	56.3%	75.1%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] Financial Accountabiliy Report (FAR) No. 1 (January 1 to June 30, 2023)

174. **Of the total DND allotment, Php 270.0 billion or 95.3 percent was released to the AFP and General Headquarters (GHQ).** These agencies also represented Php 151.3 billion or 94.8 percent of total DND obligations for the first half of the year. Broken down further, the GHQ accounted for 35.2 percent (Php 56.2 billion) of the Department's total obligations, followed by the Philippine Army (PA) with 35.1 percent (Php 56.1 billion), and the Philippine Air Force (PAF) and Philippine Navy (PN) with 13.0 percent (Php 20.7 billion) and 11.5 percent (Php 18.4 billion), respectively.

Table 53. Financial Performance, DND General Headquarters and AFP Main Service Branches, January to June 2023
(In billion pesos, unless otherwise indicated)

Agency	January to June 2022[a/]					January to June 2023[b/]				
	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)	Allotment	Obligation	Disbursements	Oblig (BUR)	Disb (BUR)
DND-GHQ	101.1	75.3	51.3	74.5%	68.1%	82.1	56.2	34.9	68.4%	62.1%
DND-PA	107.5	50.6	43.4	47.1%	85.6%	116.6	56.1	52.6	48.1%	93.8%
DND-PAF	37.4	19.3	11.0	51.8%	57.1%	35.8	20.7	11.5	57.7%	55.5%
DND-PN	35.1	15.5	12.8	44.1%	82.6%	35.5	18.4	13.4	51.8%	72.8%

[a/] SAAODB (January 1 to June 30, 2022)
[b/] Financial Accountabiliy Report (FAR) No. 1 (January 1 to June 30, 2023)

175. **Among these agencies, the PA posted the highest disbursement rate at 93.8 percent.** The PN also registered a respectable disbursement rate of 72.8 percent, while the GHQ and PAF recorded disbursement rates of 62.1 percent and 55.5 percent, respectively. Combined, these agencies accounted for Php 112.0 billion or 93.7 percent of the DND's total disbursements for the period.

Physical Performance

176. **As of June 30, 2023, the PA was able to maintain 222 tactical battalions with 83.0 percent operational readiness and 90.0 percent effective strength.** The variance of 21 from its target of 243 tactical battalions pertains to those in various stages of the organizational development process, wherein 19 of which were already approved by the Commanding General of the Philippine Army and awaiting the DND Secretary's approval. Furthermore, the PA already has programmed activities to increase the tactical battalions' operational readiness to at least 89.0 percent before the end of the year. On the other hand, the PA organized 86 ready reserve battalions with 80.0 percent operational readiness for the same period.

Table 54. Physical Performance, DND-PA, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
LAND FORCES DEFENSE PROGRAM				
Output Indicators				
1. Number of tactical and ready reserve units				
a. Tactical Battalions	243	243	222	222
b. Ready Reserve Battalions	86	86	86	86
2. Percentage of operational readiness of tactical and ready reserve units				
a. Tactical Battalions	89%	89%	79%	83%
b. Ready Reserve Battalions	78%	78%	80%	80%
3. Average percentage of effective strength of tactical battalions that can be mobilized within one hour as directed by higher authorities	90%	90%	90%	90%

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

177. **The PAF was able to maintain 169 supportable aircrafts, consistent with its target for the period.** Moreover, the agency attained a 93.9 percent accomplishment on the one-hour response time to flight-directed missions during the second quarter of the year, surpassing its target of 90.0 percent. The overperformance was attributed to the effectiveness and efficiency of the PAF's response to flight-directed missions. However, the PAF only accomplished 22,417 flying hours out of its target 27,581 flying hours for the first half of the year. The underperformance was due to the limited operational demand of the Unified Commands, ongoing maintenance of some air assets, and the grounded status of aircraft used during flights for Military Pilot Training.

Table 55. Physical Performance, DND-PAF, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
AIR FORCES DEFENSE PROGRAM				
Output Indicators				
1. Number of supportable aircraft maintained	169	169	169	169
2. Percentage of accomplishment of one-hour response to flight-directed mission	90%	90%	89.7%	93.9%
3. Percentage of flying hours flown	25%	50%	23%	40.65%

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

178. **In addition, the PN achieved two out of its three output indicators for the first half of the year.** It deployed and sustained 147 PN units for utilization/employment as of end-June 2023, which are 29 units more than the target of 118 units for the period. The PN was, likewise, able to provide at least 137 Force-Level Support Services Units to the different Unified Commands for the first and second quarters of the year. On the other hand, no repairs were implemented for the period because all programmed projects for PN floating and air assets are still undergoing documentary procedures. Finally, nine (9) PN units are undergoing retraining for deployment while other retraining activities will be conducted in the second half of the year.

Table 56. Physical Performance, DND-PN, January to June 2023

Particulars	January to June 2023			
	Target		Actual Accomplishment	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
NAVAL FORCES DEFENSE PROGRAM				
Output Indicators				
1. Number of PN units deployed and sustained for utilization/employment	118	118	125	147
2. Number of PN units prepared for deployment	35	35	5	9
3. Number of Force-Level Support Services Units sustained	137	137	138	137

Source: Budget Accountability Report No. 1 (as of June 30, 2023)

179. **The DND has shown generally satisfactory physical performance from January to June 2023.** However, some output indicators are lagging behind and need to catch up with their targets for the year. Given that the AFP accounts for more than half of the DND's budget, achieving all of AFP's performance indicators by year-end will also lead to a strong financial performance. To do this, the AFP needs to fast track its documentary procedures and ensure the timely conduct of programmed activities scheduled for the second semester of the year, while also continuing with the good practices already being implemented.

PART 5

Macroeconomic, Growth, and Fiscal Outlook for the Rest of 2023

Macroeconomic Environment

The DBCC continues to monitor and assess the macroeconomic environment in line with the review of the macroeconomic assumptions needed in the formulation of the FY 2024 National Budget. The following assessment provides the outlook for the rest of 2023.

180. **The BSP's latest baseline forecast, as of August 17, 2023 monetary policy meeting, indicates that average inflation is likely to settle above the upper-end of the 3.0 percent ± 1.0 percentage point inflation target for 2023**. Moreover, risks to the inflation outlook are titled heavily to the upside. On the one hand, the potential impact of additional transport charges, higher domestic prices of key food items facing ongoing supply constraints, higher-than-expected minimum wage adjustment in areas outside NCR, the impact of *El Niño* weather conditions on food prices and utility rates, and higher electricity rates are the major upside risks to the inflation outlook. On the other hand, the impact of a weaker-than-expected global recovery is the primary downside risk to the outlook. Thus, the inflation assumption for 2023 was revised to 5.0 – 6.0 percent in the FY 2024 BESF.

181. **Similarly, the DBCC adjusted upward the 364-day T-bill rate assumption for 2023 to 5.5 – 6.5 percent from 3.0 – 4.5 percent.** Domestic interest rates are seen to remain elevated in view of expectations that the BSP's monetary policy tightening cycle may continue, as upside risks to the inflation outlook dominate. Likewise, the trend in domestic interest rates could be influenced by elevated foreign interest rates, as advanced economy central banks continue to fight high inflation.

182. **The 6-month Secured Overnight Financing Rate (SOFR) replaced the 180-day LIBOR in the macroeconomic parameters of the FY 2024 BESF, as the publication of the 180-day LIBOR ceased on June 30, 2023.[42]** The DBCC set the 6-month SOFR assumption at 4.0 – 5.0 percent for 2023, consistent with expectations of elevated foreign interest rates. The market anticipates that the US Fed is unlikely to end its monetary policy tightening cycle in the near term, as it remains committed to addressing high inflation.

183. **The depreciation pressures in 2023 led to the upward revision in the peso-dollar rate assumption for 2023 from Php 51.00–55.00/US$1 to Php 54.00–57.00/U$1.** Market expectations of continued tight US Fed monetary policy stance until end-2023 could pose further depreciation pressure on the peso. Nonetheless, the outlook[43] of a narrower deficit

[42] The 6-month SOFR is a reference rate or a forward-looking interest rate estimate, calculated and published for 6-month tenor.
[43] Based on the 2023-2024 BOP outlook approved by the Monetary Board on June 16, 2023.

in the country's overall BOP in 2023-2024 could help ease depreciation pressures. The peso will also continue to be supported by structural foreign exchange inflows and ample international reserves on the back of sustained recovery in tourism revenues, Business Process Outsourcing (BPO) receipts, and overseas Filipino (OF) remittances, as the domestic and global economic activities continue to normalize.

184. **Global oil market prices are projected to follow a downward trend in line with the backwardation[44] observed in the futures market.** Thus, the DBCC adjusted downward the Dubai crude oil price assumption for 2023 from US$80.00 – 100.00 per barrel to US$70.00 – 90.00 per barrel. The global oil price outlook, however, remains uncertain. The production cuts and further agreements in succeeding OPEC+ policy meetings could affect global oil supply conditions and push crude oil prices higher. At the same time, weaker global growth prospects amid tighter monetary conditions could weigh on global oil demand.

185. **As the near-term global demand outlook and trade prospects remain weak, the emerging growth forecasts for goods exports and imports in 2023 are, likewise, revised downwards to 1.0 percent and 2.0 percent, respectively.** Preliminary BOP data for Q1 2023 indicate a contraction of 10.0 percent in goods exports and 0.5 percent in goods imports. Electronic products accounted for the largest contribution to the fall in exports due to the downturn in the global semiconductor market, followed by coconut oil and mineral products, on account of the decline in commodity prices compared to last year's surge.

186. **Meanwhile, the decline in goods imports is attributed to the pullback in commodity prices along with weaker export and manufacturing activity.** For instance, raw materials and intermediate goods contributed most to the decline, as imports of materials and accessories for the manufacture of electronics fell due to the semiconductor downcycle; and inward shipments of medicinal and pharmaceutical products went down due to reduced imports of vaccines. Capital goods also declined largely due to lower imports of office and electronic data processing machines, and aircraft, ships, and boats. These were, however, partly offset by higher shipments in consumer goods particularly passenger cars and motorcycles.

187. **The trade outlook remains dominated by downside risks. Economies are preparing for the associated effects on growth and demand of the series of policy rate hikes implemented since 2022 to combat inflation pressures.** This results in higher financial market volatility, putting a strain on external demand and trade flows.

188. **In addition, heightened geopolitical tensions continue to pose threats to the country's external sector prospects over the near term.** The prolonged conflict between Ukraine and Russia raised the risk of geopolitical and trade fragmentation as the world economy is further subdivided into blocs. Moreover, the lingering trade tensions between China and the United States continue to add to the uncertainty in the global trade environment.

[44] Backwardation is a situation where the market price for crude oil is higher for immediate delivery than for future delivery.

Growth Outlook

189. **The International Monetary Fund[45] slightly raised its global economic growth projections for 2023 to 3.0 percent from an earlier estimate of 2.8 percent.** The upward revision reflects resilient global economic activity in Q1 2023. Moreover, the adverse risks to the growth outlook have moderated due to the resolution of US debt ceiling tensions and decisive action by authorities to contain banking sector turbulence in the US and Switzerland.

190. **On December 5, 2022, the DBCC lowered the growth target in 2023 from 6.5-8.0 percent to 6.0-7.0 percent,** given external risks such as the slowdown in major advanced economies, geopolitical tensions, persistently high inflation, and aggressive monetary policy tightening in major economies, among others. This growth target was retained during the 9 June 2023 DBCC meeting. Given the 5.3 percent real GDP growth in S1 2023, the economy needs to grow by at least 6.6 percent in the second half of 2023 to meet the government's low-end target of 6.0 percent for the year.

191. **To support economic growth, the government will accelerate the execution of government programs and projects,** including the formulation and implementation of catch-up plans on spending delays and issues during the first semester, and ensure the timely passage of the FY 2024 Budget. **Meanwhile, intensifying supply-side interventions and demand-side management can help sustain the downtrend in inflation,** which can prop up consumer and business sentiment. These include ensuring the strategic importation of key commodities, providing preemptive measures to address *El Niño*, strengthening biosecurity, and enhancing agricultural productivity, among others. The government will also continue to pursue priority measures to ensure food security and reduce transport, logistics, and energy costs to preserve the purchasing power of the peso.

192. **To prepare for the possible impact of *El Niño* in the country, the Inter-Agency Committee on Inflation and Market Outlook (IAC-IMO) proposed the following short-term measures to mitigate food and non-food inflation:**
    - Continuous issuance of sanitary and phytosanitary import clearance (SPSIC) and the approval of a policy on the automatic approval of SPSIC application when concerned agencies fail to act within a prescribed period;
    - For the Sugar Regulatory Administration Board to issue importation guidelines with a more predictable regime that allows industrial users to directly import their sugar requirements and ensure competition;
    - Fast-track accreditation and strengthen monitoring of warehouses and storage facilities;
    - Evaluate the effectiveness of the imposition of suggested retail prices (SRPs) on basic commodities; and
    - Strictly implement the Energy Efficiency and Conservation (EEC) Act.

45 IMF. "World Economic Outlook Update: July 2023" *IMF.org* https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023

193. **The government will continue its infrastructure push through the *Build Better More* Program focusing on physical connectivity, water resources, agriculture, health, digital connectivity, power, and energy.** The newly launched Infrastructure Flagship Projects (IFPs) dashboard provides information on IFPs, promoting greater transparency and accountability in the government. Moreover, further amendments to the BOT Law are expected to encourage private sector participation in PPP projects.

194. **With the continued recovery of the economy, we expect to see further gains in the labor market.** The quality of employment is seen to improve as more businesses recover and digitalize. The demand for digital/technology-savvy workers will expand further in the coming years.

195. **The government will leverage technology to enhance the delivery of public services, improve transparency and accountability, and transform the country's production sectors.** On June 30, 2023, the President approved the National Innovation Agenda and Strategy Document (NIASD) 2023-2032, outlining the country's plan to improve innovation governance and establish a dynamic innovation ecosystem. Moreover, the government recently launched the eGov PH Super App, which provides easy access to government services.

196. **Moving forward, the government will fully implement the strategies in the PDP 2023-2028, guided by the President's 8-point Socioeconomic Agenda.** The goal is to reinvigorate job creation and accelerate poverty reduction by steering the economy back to the high-growth path. This can be done by transforming the economic and social sectors through the following six (6) cross-cutting strategies: 1) digitalization, 2) servicification[46], 3) dynamic innovation ecosystem, 4) enhanced connectivity, 5) greater collaboration between local and national governments, and 6) partnership with the private sector.

[46] Servicification involves pursuing policies that will build ecosystems around manufacturing clusters identified as potential sources of high growth

Fiscal Outlook

Revenue Outlook

197. For 2024 and 2025, total revenues are projected to reach Php 4.273 trillion (16.1 percent of GDP) and Php 4.730 trillion (16.3 percent of GDP), respectively. Tax collections, on the other hand, are revised to Php 4.074 trillion in 2024, and Php 4.564 trillion in 2025. Tax revenues as percent of GDP are projected at 15.3 percent in 2024 and 15.7 in 2025.

198. The revenue projections for the medium term are highly contingent on two (2) factors. First, the implementation of tax administrative measures by the BIR and BOC. Second and more importantly, the legislation of the seven tax measures. More specifically, the seven proposed tax revenue measures under the MTFF are the following:

(i) Package 4 or the Passive Income and Financial Intermediary Taxation (PIFITA) including the imposition of excise tax on pick-ups;
(ii) VAT on non-resident digital service providers;
(iii) Excise taxes on single-use plastics;
(iv) Excise tax on pre-mixed alcoholic beverages;
(v) Excise tax on sweetened beverages and junk foods; and
(vi) Rationalization of the mining fiscal regime.

These measures are expected to be implemented starting 2024. In addition, the motor vehicles road user's tax (MVRUT) is targeted to be implemented starting in 2025. The proposed measures are expected to generate additional revenues of Php 120.5 billion in 2024 and an additional Php 152.2 billion with the implementation of the proposed MVRUT in 2025.

199. The government will also continue to prioritize improving tax administration in the BIR and the BOC. The various digitalization and modernization efforts will ensure that tax compliance is easy, efficient, and accessible. The BIR will prioritize the DX Roadmap. This will allow the agency to maximize the government's revenue potential, simplify taxpayer compliance, and automate compliance checks and audit selection processes. The BOC will continuously engage with the World Bank to improve the agency's systems and enhance trade facilitation. Through the development of ICT, the BOC will be able to promote a streamlined customs process while maximizing the revenue potential and enhancing border security through better detection.

Table 57. Medium-Term Revenue Program, FYs 2023-2025 with Actual Revenue Collection for FYs 2020-2022

(In billion pesos, unless otherwise indicated)

Particulars	Actual [a]			Program [b]	Projections [c]	
	2020	2021	2022	2023	2024	2025
Total revenues	**2,856.0**	**3,005.5**	**3,545.5**	**3,729.0**	**4,272.6**	**4,729.5**
% of GDP	*15.9%*	*15.5%*	*16.1%*	*15.2%*	*16.1%*	*16.3%*
Tax revenues	**2,504.4**	**2,742.7**	**3,220.3**	**3,537.9**	**4,073.6**	**4,563.7**
% of GDP	*14.0%*	*14.1%*	*14.6%*	*14.4%*	*15.3%*	*15.7%*
BIR	1,951.0	2,078.1	2,335.7	2,639.2	3,046.8	3,442.5
BOC	537.7	643.6	862.4	874.2	1,000.2	1,076.4
Other Offices	15.7	21.0	22.2	24.6	26.7	44.8
Non-Tax revenues	**351.1**	**262.5**	**323.5**	**190.6**	**198.5**	**165.3**
Privatization	**0.5**	**0.3**	**1.6**	**0.5**	**0.5**	**0.5**

[a] Net of tax refund.
[b] Program approved by the DBCC on April 24, 2023.
[c] Projections approved by the DBCC via an Ad Referendum on July 12, 2023.

Disbursement Outlook

200. **The government is optimistic that the Php 5.228 trillion (21.3 percent of GDP) disbursement program for FY 2023 will be achieved despite the recorded underspending during the first semester.** Based on historical trends and agency behavior, disbursements start to pick up in the third quarter and go full stream during the fourth quarter.[47] To ramp-up agency spending for the rest of the year, the DBM issued Circular Letter No. 2023-10[48] dated August 9, 2023. This required the agencies to identify their PAPs with historically low disbursement rates and those with anticipated implementation delays, and submit to the DBM their (i) latest available financial and physical accomplishments; (ii) status of major/flagship programs/projects with significant budgetary allocations in FYs 2022 and 2023; and (iii) catch-up plans to address the bottlenecks and reach their respective physical and financial performance targets for the year. The consolidated report will be prepared by the DBM which will serve as one of the bases for the determination of the (i) release of the balance of programmed appropriations and revision of plans/targets, as necessary; (ii) schedule of fund release for FY 2024; and (iii) proposed agency budget levels for FY 2025.

201. **The government's Economic Development Group[49] (EDG) responsible for harmonizing, coordinating, and synergizing efforts to ensure the country's rapid and sustained growth, among others, has also been monitoring and engaging big-spending departments on the status of implementation of their major or key programs/projects.**

[47] For instance, in 2019, when the passage of the national budget for the year was delayed, and underspending was recorded at Php 125.8 billion (7.3 percent of the program for the period) during the first semester of that year, disbursement performance improved and exceeded the program during the second semester to end the full year with Php 28.1 billion (0.7 percent) overperformance. This benefited from the measures undertaken by the two main infrastructure departments – DPWH and DOTr – to recover from the delays in program/project execution during the first two quarters of 2019.
[48] Entitled "Submission of Agency Catch-Up Plans to Facilitate Budget Execution for the Rest of Fiscal Year (FY) 2023"
[49] Per Section 2 of EO No. 28 "Reorganizing and Renaming the Economic Development Cluster as the Economic Development Group, and Creating the Inter-Agency Committee on Inflation and Market Outlook"

Following the series of sectoral dialogues with the President held in August 2023, wherein big spending departments have committed to fast-track implementation of their respective PAPs to reach their spending target for the year, the EDG has conducted technical-level meetings on September 6 and 7, 2023 to discuss the physical and financial performance, as well as issues encountered and catch-up plans of departments/agencies which recorded substantial underspending in the first semester of 2023. This is in preparation for the Cabinet-level EDG meeting in October 2023. The implementation of catch-up plans is expected to help attain both the full year disbursement target of Php 5.228 trillion and the 6.0 to 7.0 percent real GDP growth target for this year. Based on the NEDA estimate, a recovery of the incurred underspending during the first semester would translate to an additional 0.8 percentage point on GDP.[50]

202. **Disbursements from completed and partially-partially completed infrastructure programs/projects, alongside education-related expenditures, social protection, and livelihood programs are expected to shore up disbursements in the second half of 2023.** The remaining balance of the disbursement program for the year amounts to Php 1.913 trillion or 36.6 percent of the full year program as of end-August 2023. While temporary slowdown was recorded in the first semester, (i) payments for various projects of DPWH and DOTr, (ii) government educational assistance, grants, and subsidies (e.g., GASTPE of DepEd, FHE of SUCs, UAQTE of CHED), and (iii) social protection, livelihood and employment programs (e.g., 4Ps of DSWD and TUPAD of DOLE) are expected to drive disbursements for the rest of the year. Moreover, per the consolidated reports of government-servicing banks, outstanding checks recorded as of end-June 2023 totaled Php 124.1 billion. A sizable amount of Php 56.9 billion of outstanding checks was negotiated in July 2023, of which Php 15.1 billion was encashed under the DSWD-OSEC, mostly for the payout of the 4Ps. Moreover, the DOTr-Land Transportation Franchising and Regulatory Board has started the distribution of fuel subsidies to qualified public utility vehicle (PUV) drivers on September 13, 2023. These releases are expected to bolster maintenance expenditures.

203. **The Executive department has submitted the proposed Php 5.768 trillion FY 2024 Budget to Congress on August 2, 2023. This was approved on third and final reading by the House of Representatives on September 27, 2023 and is at the final stages of Committee hearings in the Senate.** The proposed budget represents 21.7 percent of GDP and is 9.5 percent larger when compared to this year's Php 5.268 trillion budget. Founded on the theme *"Agenda for Prosperity: Securing a Future-Proof and Sustainable Economy"*, the proposed budget will continue to reflect the Administration's commitment to pursuing economic and social transformation to address the scarring effects of the pandemic, as well as the impact of inflation. The proposed FY 2024 National Budget was crafted from the Php 5.9 trillion worth of budget proposals submitted by line departments which were evaluated to accommodate the priority programs of the Marcos Jr. Administration. These include infrastructure, agriculture, and human capital development, as well as rolling out of structural reforms aimed at: (i) streamlining and digitizing government processes; (ii) improving institutions on business enterprises; (iii) promoting research and development (R&D) and innovation; (iv) developing climate- and disaster-resilient communities; and (v) supporting the transition to full devolution. As the timely enactment of the budget will be crucial in

[50] NEDA Presentation during the Development Budget Coordination Committee Briefing on the Proposed FY 2024 Budget to the Senate Committee on Finance on August 15, 2023.

sustaining the recovery efforts of the government and reinforcing the country's growth momentum, both the Executive and Legislative branches committed to prioritize the passage of the FY 2024 Budget before the year ends.

204. **For FY 2024, NG disbursements are estimated to reach Php 5.629 trillion (21.2 percent of GDP), and will be sustained at above 20 percent of GDP over the medium-term.** Backed by increased revenue collections through the government's mobilization strategy, NG spending will grow annually by an average of 8.4 percent from 2024 to 2028. Moreover, given the additional fiscal space derived from higher revenue projections from the implementation of new tax revenue measures and digitalization efforts, disbursements are projected to reach Php 7.819 trillion by 2028, equivalent to 20.4 percent of GDP. As the NG implements its fiscal consolidation strategy, NG resources will be directed towards programs and projects with high economic impact and those aligned with the priorities of the Administration.

Table 58. Medium-Term Fiscal Program, FYs 2023-2028

(In billion pesos, unless otherwise indicated)

Particulars	2022	2023	2024	2025	2026	2027	2028
	Actual	Program [a/]	Projections [b/]				
REVENUES	**3,545.5**	**3,729.0**	**4,272.6**	**4,729.5**	**5,294.9**	**5,939.7**	**6,670.3**
% of GDP	*16.1%*	*15.2%*	*16.1%*	*16.3%*	*16.6%*	*17.0%*	*17.4%*
Growth Rate	*18.0%*	*5.2%*	*14.6%*	*10.7%*	*12.0%*	*12.2%*	*12.3%*
DISBURSEMENTS	**5,159.6**	**5,228.4**	**5,629.4**	**5,922.7**	**6,409.4**	**7,056.8**	**7,819.2**
% of GDP	*23.4%*	*21.3%*	*21.2%*	*20.4%*	*20.1%*	*20.2%*	*20.4%*
Growth Rate	*10.4%*	*1.3%*	*7.7%*	*5.2%*	*8.2%*	*10.1%*	*10.8%*
SURPLUS/(DEFICIT)	**(1,614.1)**	**(1,499.4)**	**(1,356.8)**	**(1,193.2)**	**(1,114.5)**	**(1,117.1)**	**(1,148.9)**
% of GDP	*-7.3%*	*-6.1%*	*-5.1%*	*-4.1%*	*-3.5%*	*-3.2%*	*-3.0%*
Infrastructure Disbursements [c/]	1,278.5	1,292.7	1,365.2	1,470.0	1,617.7	1,916.0	2,303.3
% of GDP	*5.8%*	*5.3%*	*5.1%*	*5.1%*	*5.1%*	*5.5%*	*6.0%*
Memo Item:							
Nominal GDP	22,024.5	24,522.1	26,604.7	29,102.1	31,841.9	34,908.6	38,297.9

[a/] Program approved by the DBCC on April 24, 2023.
[b/] Program approved by the DBCC via an Ad Referendum on July 12, 2023.
[c/] Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.

205. **The NG will continue to invest heavily in the country's public infrastructures through the Administration's *Build Better More* Program.** The overall NG infrastructure spending will be maintained between 5.0 and 6.0 percent of GDP within the six-year plan period. From 2024 to 2026, infrastructure disbursements are targeted to reach 5.1 percent of GDP, as the government balances the needs of the infrastructure sector vis-à-vis other non-infrastructure programs. Nonetheless, given the faster revenue growth and softer deficit reduction in 2027 and 2028, infrastructure spending is expected to rise to 5.5 and 6.0 percent of GDP during the last two years of the Administration. In terms of annual growth, it is projected to increase by 10.5 percent on average, more than double the rates for PS (3.9 percent) and MOOE (4.8 percent). Further, it will surpass the deficit starting 2025 and be twice as much the deficit by 2028. These medium-term infrastructure projections will help support the disbursement requirements of the pipeline of infrastructure investments valued at Php 8.714 trillion approved by the NEDA Board as of August 23, 2023. The 5.0 to 6.0 percent of GDP overall infrastructure spending target considered in the medium-term fiscal program only accounts

for the NG-implemented PAPs (including government counterpart PPP funding), as well as the NG transfers to LGUs and government corporations intended for infrastructure activities. It still excludes private sector financing and the funds internally-generated by the LGUs and government corporations.

Deficit and Debt Outlook

206. **NG deficit is expected to widen towards the end of the year as line agencies catch-up with their spending commitments.** Nonetheless, the deficit will continue to follow a downward trajectory over the medium-term, declining to Php 1.357 trillion (5.1 percent of GDP) in 2024 from the Php 1.499 trillion (6.1 percent of GDP) program this year. The deficit-to-GDP ratio will further decrease in the succeeding years in line with the MTFF target of 3.0 percent by 2028. In addition, with the continued improvement in revenue generation and adoption of fiscal consolidation strategy, financing requirements over the medium-term are projected to be lower than the actual financing needs during the height of the pandemic in 2020 and 2021. In terms of sourcing, the government will continue its reliance on local currency funding for its financing requirements. The revised full-year program and borrowing mix was maintained at Php 2.207 trillion and 75:25 in favor of domestic funding, respectively, with slight adjustments to the distribution based on the performance in the first semester.

207. **The NG debt relative to the country's GDP is projected to settle below the internationally-accepted threshold of 60 percent of GDP over the medium-term**. The NG debt-to-GDP ratio is expected to settle below the 61.2 percent MTFF target at the end of this year, and further to 51.2 percent of GDP by 2028. This will be driven by high growth expectation in the medium-term, combined with prudent cash and liability management, revenue mobilization, and improved public spending efficiency.

208. **The NG is committed to implement measures on both revenue and expenditure sides in support of the macroeconomic and fiscal objectives of the MTFF**, **particularly the attainment of: (i) 3.0 percent NG deficit-to-GDP ratio by 2028; and (ii) less than 60.0 percent NG debt-to-GDP ratio by 2025.** On the expenditure side, an improved expenditure prioritization criteria and stronger planning and budgeting linkage will be implemented. The institutionalization of the CBS and other key PFM reforms, such as the adoption of an Integrated Financial Management Information System (IFMIS)[51], are also being advocated through the Progressive Budgeting for Better and Modernized (PBBM) Governance Bill[52]. The Administrative version of the PBBM Governance Bill was endorsed to both chambers of the Congress on May 26, 2023 following a series of briefings and consultation meetings from February to May 2023. The first public hearing for the Bill was also held on July 6, 2023 by the Senate Committee on Finance[53] and was attended by the PFM Committee member-

[51] On June 1, 2023, the President signed the EO No. 29, s. 2023 directing the full adoption of IFMIS in government agencies.

[52] The PBBM bill was identified by the President as one of the priority legislative measures in his State of the Nation Address (SONA), and subsequently included under the Legislative-Executive Development Advisory Council (LEDAC) endorsed measures; and the PDP 2023-2028 Legislative Agenda.

[53] The Hearing aimed to discuss the various bills related to Budget Modernization filed in the 19th Congress, namely: (i) Senate Bill No. 2045 filed by Sen. Imee Marcos; (ii) Administration's Version of the PBBM Governance Bill as endorsed to the Senate Committee on Finance on May 26, 2023; and (iii) Senate Bill No. 1020 filed by Sen. Jinggoy Estrada.

agencies together with the BSP. Relatedly, the President signed EO No. 29, s. 2023 on June 1, 2023 which directed all government agencies, GOCCs, and LGUs to fully adopt the IFMIS to enable greater financial management. These initiatives are seen to ensure seamless government transaction and efficient public service delivery.

209. **The National Government Rightsizing Program[54] (NGRP) is a priority legislative measure to improve public spending and bureaucratic efficiency.** Several bills have been filed in the 19th Congress, including House Bill (HB) No. 7240 which was already approved on third and final reading by the House of Representatives (HOR) on March 14, 2023, and transmitted to the Senate on March 15, 2023. The DBM, likewise, continues to conduct briefings with legislators to shepherd the passage of the NGRP bill, the most recent of which was conducted on June 13, 2023.

210. **The NG is currently working on a comprehensive pension reform plan that will ensure the stability and reliability of the Military and Uniformed Personnel (MUP) pension system.** The proposed reform seeks to establish a dependable and consistent pension system for active MUP members, while securing enough financial resources for active and retired MUP beneficiaries. The government is committed to balancing the welfare of retired MUP members and the government's financial stability through this essential reform. A proposal has been put forward for a pension fund with mandatory contributions from enlisted personnel and the NG. Meanwhile, the House Committee on Ways and Means has deliberated various proposed measures on MUP last August 15, 2023. Based on the agreements made during the deliberation, HB No. 8969, a substitute Bill, was filed by the Ad Hoc Committee on the MUP Pension on August 23, 2023. The said substitute bill was approved by the House of Representatives on third and final reading on September 26, 2023.

211. **Meanwhile, the *Maharlika* Investment Fund (MIF), which was established pursuant to RA No. 11954 (MIF Act of 2023), is expected to provide the NG with an alternative funding source, relieving the country from higher interests imposed by other sources of financing.** With its expected future returns, the MIF is seen to widen the fiscal space, ease the burden on local funds, and reduce reliance on ODA in funding big-ticket projects. The MIF will be managed by the *Maharlika* Investment Corporation, which will have an authorized capital stock of Php 500 billion to be invested in diverse range of assets, including cash, foreign currencies and other tradable commodities, fixed-income instruments, domestic and foreign corporate bonds, real estate, and infrastructure projects. Of the total authorized capital stock, Php 125 billion (1.25 billion common shares) will be initially subscribed by the LBP (Php 50 billion), DBP (Php 25 billion), and NG (Php 50 billion). Following the enactment of the MIF Act, its implementing rules and regulations (IRR) was signed on August 22, 2023[55].

212. **The Economic Team has conducted a series of Philippine Economic Briefings (PEB) in Europe, Washington D.C., Singapore, Japan, Canada, and the Middle East with the aim of encouraging investors to do business in the Philippines and support vital socioeconomic and infrastructure programs of the government.** The briefings serve as a venue to discuss the Philippine economic outlook and investment opportunities to various

[54] The proposed NGRP will determine which among the around two (2) million authorized positions in 187 government agencies and government-owned and -controlled corporations (GOCCs) may be streamlined through merging, restructuring, or abolition.
[55] Date of signing indicated in the Official Gazette of the Republic of the Philippines. Can be accessed at: https://mirror.officialgazette.gov.ph/downloads/2023/08aug/20230822-IRR-RA-11954-FRM.pdf

banks, financial institutions, and other prospective investors as well as trade partners. Bannered during the PEBs were the enactment of the amendments to the (i) Public Service Act[56] (RA No. 11659), which allowed 100 percent foreign ownership of public services in the country such as telecommunications, railways, expressways, airports, and shipping industries, and (ii) Foreign Investments Act[57] (RA No. 11647), which relaxed the restrictions on foreign investments in local enterprises. These initiatives and developments are anticipated to offer more livelihood opportunities to Filipinos, reinvigorate business activities, and create high-quality and high-paying jobs, which are all vital in achieving the goals of this Administration.

[56] Entitled "An Act Amending Commonwealth Act No. 146, Otherwise Known as The Public Service Act, as Amended"
[57] Entitled "An Act Promoting Foreign Investments, Amending Thereby Republic Act No. 7042, Otherwise Known as the Foreign Investments Act Of 1991, as Amended, and or Other Purposes"

Conclusion

213. **The adoption of the 2022-2028 Medium-Term Fiscal Framework and the Philippine Development Plan 2023-2028 ensured coherence in the Administration's strategies to achieve macro-fiscal sustainability and sustained economic growth.** The subsequent adoption of the MTFF by the Congress, as well as the alignment of the FY 2023 National Budget with the MTFF and PDP, resulted in a timely enactment of the Budget. This allowed the NG to implement its programs and projects aimed at tackling the immediate challenges of the country, such as the scarring effects of the COVID-19 pandemic and impact of inflation on the purchasing power of citizens, among others, as early as the start of the year.

214. **Despite the moderated economic expansion in the first half of 2023, the NG is optimistic that the growth target for the year will be met.** Although slightly lower than the MTFF target of 6.5 to 8.0 percent given the external risks, such as the slowdown in major advanced economies, geopolitical tensions, persistently high inflation, and aggressive monetary policy tightening in major economies, among others, the DBCC, during its meeting on June 9, 2023 retained the December 2022 GDP growth target of 6.0 to 7.0 percent. The accelerated execution of the programs and projects of the government, as well as implementation of their catch-up plans to recover the underspending recorded in the first semester will support the attainment of both the full year Php 5.228 trillion spending program and 6.0 to 7.0 percent real GDP growth. As estimated by the NEDA, a recovery of the first semester underspending would translate to an additional 0.8 percentage point on GDP growth.[58] Moreover, the implementation of the supply-side and demand side interventions, such as the strategic importation of key commodities, preemptive measures to address *El Niño,* and enhancing agricultural productivity, among others, will aid in sustaining the downtrend in inflation, which can revamp consumer and business sentiments.

215. **The NG remains committed to its proactive stance in addressing inflationary pressures through the continued implementation of social safety nets and regular monitoring of the inflation situation to design and respond with appropriate policy interventions.** The distribution of subsidies to the poor and significantly-affected sectors, such as the (i) Fuel Subsidy Program (DOTr), (ii) Service Contracting of PUV Program (DOTr), (iii) Fuel Assistance to Farmers and Fisherfolks (DA), (iv) Fertilizer Discount Voucher Program (DA), and (v) TCT Program (DSWD) are being accelerated to help minimize the burden of price hikes in fuel and essential commodities. Moreover, given the upward pressures in the price of rice, EO No. 39[59], s. 2023 was issued on August 31, 2023, temporarily imposing a price cap on regular milled rice at Php 41.00, and well-milled rice at Php 45.00. Consequently, the DSWD is providing a one-time Php 15,000.00 cash assistance to micro rice retailers who have been adversely affected by the

[58] NEDA Presentation during the Development Budget Coordination Committee Briefing on the Proposed FY 2024 Budget to the Senate Committee on Finance on August 15, 2023.
[59] Entitled "Imposition of Mandated Price Ceilings on Rice".

imposition of price cap.[60] The recently created Inter-Agency Committee on Inflation and Market Outlook[61] and its Sub-Committees on Food and Non-Food Inflation is also closely monitoring the inflation situation and is currently in the process of developing a unified dashboard intended to harmonize the various agencies' initiatives in terms of monitoring the prices of key food and non-food items. The said dashboard will serve as an essential tool in the economic managers' assessment of the inflation environment. Meanwhile, on the monetary side, the BSP, during its Monetary Board meeting on September 21, 2023, has paused the series of hikes in its key policy interest rate, maintaining the 6.25 percent rate on the BSP's overnight reverse repurchase facility. Nonetheless, the Bank has signaled possible future tightening actions to further temper inflationary pressures, prevent spillovers in other segments of the economy, protect the Philippine peso, and anchor inflation expectations closer to the government's target band.

216. **The NG will continue to exercise prudence in managing its fiscal position and implement its fiscal consolidation strategy.** With improved tax administration and collection efficiency resulting from the digitalization and modernization efforts of the BIR and BOC, as well as broadening of the revenue base through tax policy reforms, revenue collections are targeted to expand by an average of 12.3 percent annually from 2024 to 2028, reaching Php 6.670 trillion (17.4 percent of GDP) by 2028. Disbursements, on the other hand, are projected to grow by an average of 8.4 percent from 2024 to 2028, and will be sustained at above 20 percent of GDP for the entire plan period. As a result, the deficit trajectory will be on a declining path over the medium-term, falling to Php 1.357 trillion (5.1 percent of GDP) in 2024 from the Php 1.499 trillion (6.1 percent of GDP) program this year. The deficit-to-GDP ratio will further decrease in the succeeding years, in line with the MTFF target of 3.0 percent by 2028. This declining deficit path will contribute in the attainment of the debt-to-GDP ratio target, which is expected to settle below the 61.2 percent MTFF target at the end of this year, and further to 51.2 percent of GDP by 2028, lower than the internationally-accepted 60 percent threshold for emerging economies.

217. **In summary, although the risks posed by the global economic environment are among the major considerations in the determining the country's course to recovery and long-term sustainability, the adaptability and resilience exhibited by the Philippine economy during the first semester signify that it is well-equipped to navigate the complexities of the current economic landscape.** The government's focus on prudent fiscal management, commitment to inclusive growth, investments in human capital and critical infrastructure, advancements in digitalization and technology adoption, and proactive pursuit of innovation and structural reforms are vital in lifting the marginalized from poverty, as well as achieving the upper-middle income class status These are complemented by the efforts of the Economic Team to attract foreign investments and expand opportunities of reinvigorating business activities and creation of high-quality and high-paying jobs. All of these will be critical pillars in supporting the country's aspiration of a more prosperous and sustainable future.

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[60] *See:* News Releases, DSWD-SLP cash aid payouts for micro rice retailers to continue amid election ban, available at https://www.dswd.gov.ph/dswd-slp-cash-aid-payouts-for-micro-rice-retailers-to-continue-amid-election-ban/

[61] EO No. 28, s. 2023 – Reorganizing and Renaming the Economic Development Cluster as the Economic Development Group, and Creating the Inter-Agency Committee on Inflation and Market Outlook

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