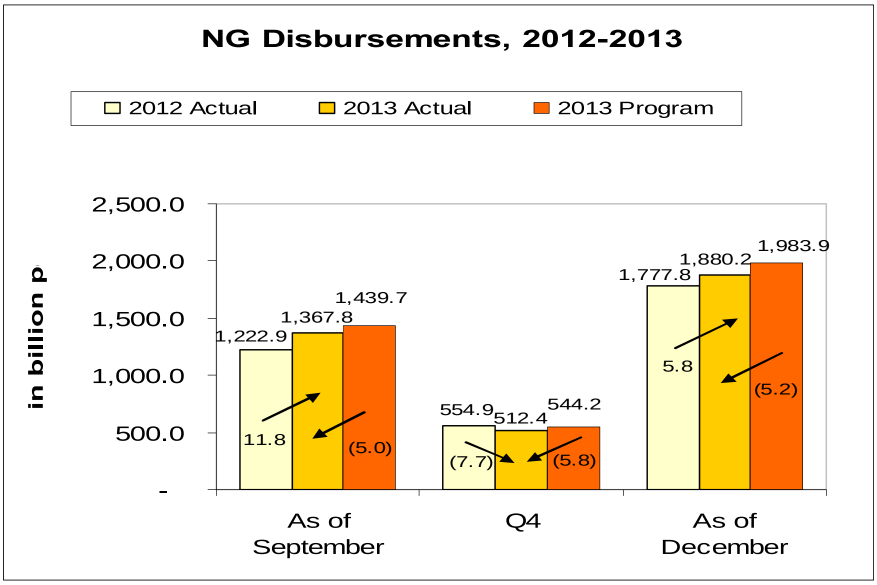
ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF DECEMBER 2013

Total disbursements of the national government by December, 2013 reached P1,880.2 billion, recording a P102.4 billion or 5.8 percent expansion from the 2012 outturn of P1,777.8 billion. The disbursement performance was buoyed by the 20.5 percent combined growth of maintenance expenditures and capital outlays, and by the 57.4 percent growth in subsidies to GOCCs, principally to cover the implementation of recovery and rehabilitation programs for calamity-affected areas. The increase in spending for 2013 could have been larger at 9.2 percent if the P55.5 billion one-off expense item for the Debt Management Program extended by the national government to the Power Sector Assets and Liabilities Management Corporation (PSALM) in the 4th Quarter of 2012 are netted out from the 2012 accounts.



Spending remained within the disbursement program set for the year by 5.2 percent as disbursements in almost all accounts were below-program, except for funding support to GOCCs in the form of subsidies, equity infusion and net lending. This underspending can be mainly attributed to the large magnitude of delayed agency spending as indicated by the large book balances[1] of departments/ agencies such as DPWH, DepEd, DA, DILG and DOH by the end of the year. Moreover, there was a considerable accumulation of outstanding checks in the amount of P52.9 billion, mostly issued by DND (P11.1 billion), DSWD (P7.1 billion), DILG (P6.2 billion), DPWH (P5.5 billion), and DepEd (P5.1 billion). These outstanding checks formed part of the December underspending, but will eventually be recorded disbursed once presented by the creditors to the banks.

Table 1 shows that despite the slight deceleration of the NCA utilization rate from 92.9 percent in 2012 to 91.3 percent in 2013, NCA disbursements still grew by P108.7 billion or 8.3 percent year-on-year. . Based on consolidated bank reports, increased disbursements were largely evident in DA, DepEd, DILG, DND, DPWH, DSWD and COMELEC. On the other hand, non-NCA disbursements slightly contracted in 2013 with lower requirements for tax subsidies and net lending.

[1] In simple terms, agency book balance represents the amount of NCAs credited less the checks issued by the agencies for a particular month (i.e., unutilized/lapsed NCAs).

Table 1
Comparison of NCA and Non-NCA Disbursements, Program vs. Actual, 2012-2013
in billion pesos, unless otherwise indicated

Particulars	Q1-Q3	Q4							January - December						
	2013	2012	2013				2012 vs. 2013		2012	2013				2012 vs. 2013	
	Actual	Actual	Prog.	Actual	Deviation		Inc./(Dec.)		Actual	Prog.	Actual	Deviation		Inc./(Dec.)	
					Amount	%	Amount	%				Amount	%	Amount	%
NCA	1,009.8	449.8	441.6	411.9	(29.7)	(6.7)	(37.9)	(8.4)	1,313.1	1,513.6	1,421.7	(91.9)	(6.1)	108.7	8.3
% of Eff. NCA	*91.3*	*95.0*		*91.1*					*92.9*		*91.3*				
Non-NCA	358.0	105.0	102.5	100.4	(2.1)	(2.0)	(4.6)	(4.4)	464.7	470.3	458.4	(11.9)	(2.5)	(6.3)	(1.3)
Total	1,367.8	554.9	544.2	512.4	(31.8)	(5.8)	(42.5)	(7.7)	1,777.8	1,983.9	1,880.2	(103.7)	(5.2)	102.4	5.8

Source of basic data: Bureau of the Treasury (BTr)

Memo Items:

Effective NCAs Issued net of Trust Liabilities, gross of Working Fund:

Q4		As of December	
2012	473.7	2012	1,413.8
2013	452.0	2013	1,557.9
Q1-Q3, 2013	1,105.9		

Allotment Releases

As of Dec. 2012 1,873.0 representing 103% of the 2012 obligation program of P1,816.0 billion (including Debt Mngt. Program of P55.5 billion)

As of Dec. 2013 2,001.2 representing 99.% of the 2013 obligation program of P2,020.5 billion (including Supplemental Budget)

Source: Budget Technical Service (BTS)

Fourth Quarter (Q4) Disbursement Performance

The Q4 spending level of P512.4 billion was the highest among the actual quarterly disbursements the year, which averaged at P455.9 billion from the 1st to 3rd quarters. This was due to the significant releases for the relief, rehabilitation and recovery efforts in response to the devastation and destruction in areas massively hit by Typhoon Yolanda, and other natural and man-made calamities. Almost all expenditure items increased, except for Interest Payments, Tax Expenditure Fund, Equity and Debt Management support to GOCCs. Overall, Q4 disbursements managed to grow by 2.6 percent, after netting out the non-recurring Debt Management Program in 2012.

Full-year Allotment Releases[2]

For 2013, the DBM released a total of P2,001.2 billion or 99 percent of the P2,020.5 billion obligation program (including the Supplemental Budget). Specifically, the DBM issued allotments for 98.6 percent of the department-specific budgets in the FY 2013 General Appropriations Act (GAA), 92.1 percent of Special Purpose Funds (SPFs), and 95.7 percent of Automatic Appropriations, (which was mostly for interest payments (IP) and the Internal Revenue Allotment (IRA) of LGUs). The allotment releases remained within the original program level notwithstanding the enactment of the 2013 Supplemental Appropriations under RA No. 10634 in the amount of P14.6 billion.

Among the significant obligational authorities issued by the DBM for key programs and activities are as follows: 1) DPWH's national arterial and secondary roads and bridges - P71.3 billion; 2) DSWD's Pantawid Pamilyang Pilipino Program (4Ps) - P44.3 billion; 3) DA's restoration/rehabilitation/ construction of irrigation projects nationwide - P26.8 billion; 4) Comprehensive Agrarian Reform Program - P13.0 billion; 5) DPWH's flood control and drainage projects - P12.4 billion; 6) DA's development of the crops sector - P12.1 billion; 7) DOH's Health Facilities Enhancement Program - P10.8 billion; and 8) DepEd's Basic Educational Facilities Fund - P10.2 billion.

[2] Based on the report on the Year-End Status Report of the FY 2013 Budget

In 2013, some P43.6 billion was released to fund relief, rehabilitation and humanitarian programs in areas hit by natural and man-made calamities. The purposes of these releases are as follows: 1) Typhoon Yolanda - P18.3 billion; 2) Quick Response Fund - P9.9 billion; 3) Typhoon Pablo - P8.5 billion; 4) Zamboanga siege - P2.6 billion; 5) Sabah incident - P0.5 billion; 6) flashfloods - P0.4 billion; and 7) other calamities - P3.4 billion. For the immediate requirements for those affected by Typhoon Yolanda, one-third of the released amount was for rehabilitation and construction of public infrastructures (P6.2 billion), followed by releases for critical agricultural inputs (P4.1 billion) and for housing and resettlement (P2.2 billion).

Year-on-Year Performance

The major sources of year-on-year growth in disbursements are as follows:

- Spending for PS increased by P39.1 billion or 7.2 percent mainly due to higher claims for retirement gratuity and terminal leave benefits (P42.4 billion in 2013 vs. P25.7 billion in 2012), grant of the 2012 Performance-Based Bonus (PBB) to government employees of departments/ agencies that met the conditionalities of the incentive program (P9.9 billion), payment of the Total Administrative Disability Pension of 16,980 living World War II veterans based on a validated list of beneficiaries (P2.9 billion), and remuneration for government personnel involved in the conduct of the FY 2013 national and local elections.

Table 2: Disbursements by Expense Class, 2012 vs. 2013
in billion pesos, unless otherwise indicated

Particulars	January-December		Increase/Decrease	
	2012	2013	Amount	%
Current Oper. Exp.	1,391.0	1,519.2	128.2	9.2
PS	542.6	581.7	39.1	7.2
MOOE	236.7	282.9	46.1	19.5
Subsidy	42.1	66.3	24.2	57.4
Allotment to LGUs	218.6	241.8	23.2	10.6
IP	312.8	323.4	10.6	3.4
TEF	38.1	23.0	(15.1)	(39.6)
Capital Outlays	359.3	344.3	(15.0)	(4.2)
Infra & Other CO	215.2	261.8	46.6	21.6
Equity	21.3	11.5	(9.9)	(46.2)
Cap. Transfers to LGUs	67.2	71.0	3.8	5.7
CARP-LO	-	-	-	
Debt Mngt. Program	55.5	-	(55.5)	(100.0)
Net Lending	27.4	16.6	(10.8)	(39.4)
TOTAL	1,777.8	1,880.2	102.4	5.8

- Maintenance spending grew by 19.5 percent to reach P282.9 billion as of end-2013 mainly due to expansion of government social and economic programs such as the Pantawid Pamilyang Pilipino Program (or the Conditional Cash Transfer Program), the Self-Employment Assistance - Kaunlaran (SEA-K) Program, the national banner programs of the Department of Agriculture, the rationalization of MOOE for public elementary and high schools, the provision of potable and safe water supply to water-less barangays, among others, on top of the spending requirements for the national and local elections. This was also shored up by calamity-related expenditures for areas affected by man-made and natural calamities, including releases to humanitarian programs to assist displaced families from Sabah and those affected by the Zamboanga siege.

- Infrastructure and other capital outlays expanded by 21.6 percent to end at P261.8 billion notwithstanding the impact of the natural and man-made calamities. The increase was primarily driven by the settlement of due and demandable accounts for the DPWH infrastructure program last year including the larger requirements for the implementation of major flood control and drainage projects. The significant increase in budgetary releases was also recorded for the infrastructure program of ARMM, the health facilities enhancement program of the DOH, and the modernization program of the Armed Forces of the Philippines. All this help buoyed infrastructure spending in 2013.

- In terms of growth rates, the largest year-on-year increase was recorded by subsidies to GOCCs of 57.4 percent. This is primarily due to the releases to the NEA for the Sitio Electrification Program, Barangay Line Enhancement Program, and rehabilitation of distribution facilities of electric cooperatives affected by Typhoon Yolanda; to the NHA for the 2011-2012 Housing and Resettlement Programs and AFP/PNP Housing Project, and for the emergency housing assistance for families affected by Typhoon Yolanda and the Zamboanga stand-off; to the PCA for coconut tree disposal and utilization, as well as for coconut fertilization as critical actions needed in Typhoon Yolanda-affected areas; to the CAAP for the repair/rehabilitation of airports affected by calamities; and to the TRANSCO for the restoration of transmission lines in areas affected by Typhoon Yolanda.

- Year-on-year increase in Interest Payments (IP) of 3.4 percent was largely driven by the larger interests on domestic borrowings, due to the issuances of longer-term retail treasury bonds and fixed-rate treasury bonds. In terms of its percentage share in total disbursements, IP in 2013 was lower at 17.2 percent compared to the 2012 share of 18.2 percent.

However, gains from increased spending in the earlier mentioned accounts was tempered by the reduction in items such as net lending due to the P12.3 billion repayments made by PSALM in January 2013 of the P12.9 billion in advances made in 2012; lower tax subsidies and equity contributions extended to GOCCs; and the one-off Debt Management Program in 2012 which allowed GOCCs access to lower cost of borrowings and better maturity structure.

Performance vs. Programmed Levels

There were two predominant events in 2013 that affected the spending performance of the national government for the year. First is the occurrence of more intense calamities, like Typhoon Yolanda that destroyed most parts of the Eastern Visayas region, the 7.2 magnitude earthquake that hit the Central Visayas, and the Zamboanga stand-off, which disrupted normal government operations, causing delay in the processing of payments for the affected regions with the refocusing/ rechanneling of efforts to immediate relief and rehabilitation. The other is the impact of the PDAF and DAP issues, which resulted in the overly cautious processing of payments.

Table 3: Disbursements by Expense Class, Program vs. Actual
in billion pesos, unless otherwise indicated

Particulars	January-December		Deviation	
	Program	Actual	Amount	%
Current Oper. Exp.	1,588.4	1,519.2	(69.1)	(4.4)
PS	624.4	581.7	(42.7)	(6.8)
MOOE	317.9	282.9	(35.1)	(11.0)
Subsidy	45.0	66.3	21.3	47.3
Allotment to LGUs	241.8	241.8	-	-
IP	332.2	323.4	(8.8)	(2.6)
TEF	26.9	23.0	(3.9)	(14.5)
Capital Outlays	381.0	344.3	(36.7)	(9.6)
Infra & Other CO	303.4	261.8	(41.6)	(13.7)
Equity	1.3	11.5	10.2	772.9
Cap. Transfers to LGUs	76.3	71.0	(5.3)	(6.9)
CARP-LO	-	-	-	
Debt Mngt. Program	-	-	-	
Net Lending	14.5	16.6	2.1	14.7
TOTAL	1,983.9	1,880.2	(103.7)	(5.2)

As a result, actual spending against program fell short by P103.7 billion or 5.2 percent. All expenditures stayed within the program, except those for support to GOCCs in the form of subsidy, equity and net lending. The shortfall in the disbursement target is on account of the following:

- The lower-than-programmed spending for Personal Services (PS) in the amount of P42.7 billion (6.8 percent) is due primarily to the unreleased balance under the

Miscellaneous and Personnel Benefits Fund (MPBF) intended for unfilled positions, creation of new positions and other lump-sum PS items.

- The combined spending for Maintenance and Infrastructure and other capital outlays were down by P76.7 billion or 12.3 percent from the program of P621.4 billion. Aside from the calamities and political developments mentioned above that adversely affect the performance of national government agencies, major departments have experienced a slow down in the implementation of programs and projects caused by delays in the procurement process, right-of-way (ROW) acquisition issues, incomplete submission of documentary requirements, lapses in coordination with partner entities, particularly with LGUs and modification of projects and/or calibration of targets with the changes in the assumptions used during the planning phase.

  The slowdown is particularly evident in the almost P147.1 billion total bank balances largely accounted for by departments such as DPWH (P47.4 billion), DepEd (P14.4 billion), DND (P13.1 billion), DA (P11.1 billion), DILG (10.4 billion), DSWD(8.5 billion), and DOH (P6.8 billion) and DENR (P4.5 billion). Of this amount, P52.9 billion represents outstanding checks, or checks already issued by the departments and agencies which have not been encashed yet by creditors. In addition, there were still unreleased balances under the following departments and SPFs, among others, as of December 31, 2013: DOE (P2.6 billion) for Market Transformation thru introduction of Energy Efficient Electric Vehicles Project; DPWH (P2.7 billion) mainly for payment of Right-of-Way and contractual obligations; Calamity Fund (P3.8 billion) and PDAF (P14.6 billion).

- Savings from interest payments amounting to P8.8 billion was generated due to the combined effects of lower volume of domestic borrowings particularly treasury bills and fixed rate treasury bonds, as well as lower-than-programmed interest rates.

- Capital transfers to LGUs were down by P5.3 billion or 6.9 percent due to the delays on the submission of the documentary requirements prior to the release.

On the other hand, subsidies to GOCCs exceeded program by P21.3 billion or 47.3 percent in view of the releases in Q4 (enumerated in the previous section) to allay the conditions of the areas and citizens affected by the natural and man-made calamities. Equity infusion also finished above program with the P10 billion released to BSP to close the gap in required NG capitalization.

Outlook for 2014

The steady acceleration of the disbursement performance in 2013 has been crucial in catalyzing and sustaining domestic economic activity. It has contributed significantly to the 7.2 percent GDP growth posted for the year, higher than the growth assumption of 6.0-7.0 percent.

The 2014 budget (RA 10633), particularly the infrastructure outlay program supports various road and bridges constructions and upgrades, as well as the development of airports and other navigational facilities to create more opportunities for growth and development by providing access to market of products and services and providing link to tourism areas. Moreover, the government continues to work out and coordinate rehabilitation efforts and plans that need to be executed over the medium-term. In 2014, a total of P135.4 billion is available for disaster and calamity response to be sourced from the following: 1) 2013 supplemental appropriations under RA No. 10634 - P14.6 billion, 2) National Disaster and Risk Management Fund (formerly Calamity Fund) - P13.0 billion; 3) Quick Response Fund under the budget of implementing agencies coordinating recovery and relief efforts - P4.8 billion; 4) Rehabilitation and Reconstruction Program for the Typhoon Yolanda-hit areas (P20 billion under new appropriations; and P80 billion as stand-by appropriations) - P100.0 billion; and 5) disaster relief and mitigation under the Unprogrammed Fund - P3.0 billion.

The government also envisages to sustain the speeding up of disbursements and to do better in terms of efficiency and increased absorptive capacity by instituting additional reform measures. Starting 2014, the GAA already serves as the Budget Release Document. This means that the budget of departments/agencies as appropriated are considered released as allotments when the GAA takes effect. The mechanism will effectively fast track the implementation of agency programs/projects as it eliminates the duplicative process of requesting, processing and releasing budgetary allotments. In addition, to further enhance the ability of departments/ agencies to fully utilize their NCAs, the national government sustains the policy of comprehensively releasing NCAs to cover their budgetary requirements, and extends the validity of NCAs released to the last working day of the third month of that quarter, from previous years' monthly NCA lapsing. Likewise, to facilitate settlement of accounts payable due to creditors/payees of departments/agencies and minimize the volume of outstanding checks, the government will implement an expanded modified direct payment scheme which shall course all payments to external creditors through the banking system.