

ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF JULY 2013

For the first seven months of the year, the national government spent P1,088.6 billion, nearly 55 percent of the total disbursement program for the year. This outturn topped last year's performance for the same period by P130.7 billion or 13.6 percent. The improvement in spending outcome is largely attributed to the much earlier release of allotments this year, as well as to the advanced conduct of pre-procurement activities, which facilitated the implementation of programs and projects. In July, the government registered its highest monthly spending for the year in the amount of P197.8 billion, larger than the P148.5 billion average monthly spending for the first semester. Disbursements in July also increased by P35.3 billion or 21.7 percent from the 2012 level, better than the 12.0 percent average year-on-year growth rate as of June.

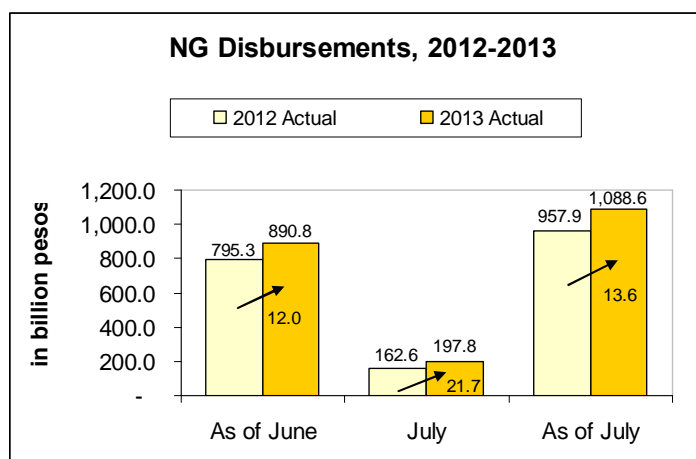


Table 1 shows that the ramped-up spending in July, which recorded the highest growth rate in NCA disbursements this year at 32.6 percent or P33.1 billion, prompted the almost 20 percent cumulative growth in NCA disbursements as of July. There was also a slight improvement in utilization rate from 90.2 percent last year to 90.7 percent this year as some departments including DAR, DOH, DPWH, and DSWD utilized the cash authorities faster this year. For the seven-month period, Maintenance and Other Operating Expenditures (MOOE) and Capital Outlays (CO) grew faster at a combined rate of 31.5 percent compared to the 13.6 percent aggregate growth in disbursements.

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

| Particulars | As of June | | | | July | | | | As of July | | | |
|--------------------|------------|-------|--------------|-------|-------|-------|--------------|------|------------|---------|--------------|-------|
| | 2012 | 2013 | Inc./ (Dec.) | | 2012 | 2013 | Inc./ (Dec.) | | 2012 | 2013 | Inc./ (Dec.) | |
| | | | Amount | % | | | Amount | % | | | Amount | % |
| NCA | 560.1 | 658.6 | 98.4 | 17.6 | 101.7 | 134.8 | 33.1 | 32.6 | 661.8 | 793.3 | 131.5 | 19.9 |
| % of Effective NCA | 89.2 | 87.9 | | | 96.3 | 107.2 | | | 90.2 | 90.7 | | |
| Non-NCA | 235.2 | 232.2 | (3.0) | (1.3) | 60.9 | 63.1 | 2.2 | 3.5 | 296.1 | 295.2 | (0.8) | (0.3) |
| Total | 795.3 | 890.8 | 95.4 | 12.0 | 162.6 | 197.8 | 35.3 | 21.7 | 957.9 | 1,088.6 | 130.7 | 13.6 |

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

Memo Items:

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

| | | | |
|-----------------|-------|-----------------|-------|
| As of July 2012 | 733.5 | As of July 2013 | 874.6 |
| As of June 2012 | 628.0 | As of June 2013 | 748.9 |
| July 2012 | 105.5 | July 2013 | 125.7 |

Allotment Releases

| | | |
|-----------------|---------|---|
| As of July 2012 | 1,466.9 | 81% of the P1.816 trillion obligation program |
| As of July 2013 | 1,807.0 | 90% of the P2.006 trillion obligation program |

Of the P2,005.9 billion obligation program for 2013, the DBM has released allotments to operating units equivalent to P1,807.0 billion, or 90 percent of the program¹. This corresponds to 96.0 percent of department-specific budgets, 53.8 percent of Special Purpose Funds (SPFs), and 91.5 percent of Automatic Appropriations for items such as interest payments (IP) and Internal Revenue Allotment (IRA). Budget execution has indeed been frontloaded this year with growth in allotment releases

¹ Based on the report on the Status of the FY 2013 Budget as of July 31, 2013

recorded at 23.2 percent as of July from P1,466.9 billion in 2012, higher than growth in the obligation program of 10.5 percent.

For the month of July, the DBM has released obligation authorities for the following big-ticket items: 1) implementation of the 2013 Resettlement Program, Emergency Housing Assistance for Calamity Victims Program, AFP/PNP/BFP/BJMP/BuCor Housing Program of NHA - P9.1 billion; 2) 2012 Performance-Based Bonus - P6.7 billion; 3) requirements for terminal leave and retirement gratuity - P3.2 billion; 4) creation of new positions for DepEd - P3.1 billion; 5) Health Facilities Enhancement Program for implementation by the DPWH - P2.8 billion; 6) special shares of LGUs in the proceeds of national taxes - P2.0 billion; and 7) and PNP Modernization Program - P1.9 billion.

Year-on-Year Performance

The cumulative expansion in disbursements finished slightly higher than the 11.6 percent growth expected for the whole fiscal year. A considerable expansion is noted under subsidies to GOCCs, more than doubling the 2012 level. This is basically the impact of the much earlier release to the PHIC of almost P12 billion, as part of the 2013 allocation for premium subsidy under the National Health Insurance Program. It may be recalled that the corresponding 2012 allocation was only released in December of last year upon the issuance of the DBM-DOH-PHIC Joint Circular No. 2012-0424 that governs the implementation of the program. Other items with higher outturn this year are as follows:

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

| Particulars | January-July | | Increase/Decrease | |
|------------------------|--------------|---------|-------------------|---------|
| | 2012 | 2013 | Amount | % |
| Current Oper. Exp. | 795.5 | 893.8 | 98.3 | 12.4 |
| PS | 298.3 | 330.3 | 32.0 | 10.7 |
| MOOE | 134.2 | 165.0 | 30.7 | 22.9 |
| Subsidy | 14.0 | 32.0 | 18.0 | 128.3 |
| Allotment to LGUs | 127.5 | 141.1 | 13.5 | 10.6 |
| IP | 201.3 | 210.6 | 9.3 | 4.6 |
| TEF | 20.1 | 14.8 | (5.3) | (26.3) |
| Capital Outlays | 148.5 | 195.7 | 47.2 | 31.8 |
| Infra & Other CO | 106.0 | 150.9 | 44.9 | 42.4 |
| Equity | 0.9 | 0.5 | (0.4) | (45.6) |
| Cap. Transfers to LGUs | 41.6 | 44.3 | 2.7 | 6.5 |
| Net Lending | 13.9 | (0.9) | (14.8) | (106.5) |
| TOTAL | 957.9 | 1,088.6 | 130.7 | 13.6 |

- Personnel Services (PS) continue to rise to P330.3 billion with the release for the 2012 Performance-Based Bonus (PBB) granted to agencies and civil servants who perform well in line with their mandated outcomes and commitments with the President. This is on top of the increase accounted for by salary adjustments due to Salary Standardization Law III, higher manpower complement particularly in the DepEd, and larger claims for retirement benefits.
- MOOE remain to outpace last year's performance by P30.7 billion or 22.9 percent with spending for the rationalization of MOOE for public elementary and high schools, DSWD's Self Employment Assistance - Kaunlaran (SEA-K) Program, DILG's portable and safe water supply to water-less barangays, and CHED's Philippines-California Advanced Research Initiative (PCARI), a research and scholarship project which aims to mobilize knowledge for greater productivity and economic growth in two key technology areas: Information and Communications Technology, and Health and Biotechnology. These releases are in addition to programs and projects funded in the earlier months as stated in previous reports. With the allocation this year for the social protection programs of the DSWD, the noted improvement in its disbursement performance, from having spent almost 98 percent of the NCAs credited as of July this year compared to 90 percent last year, also significantly contributed to the increase in maintenance spending year-on-year.
- Cumulative spending on infrastructure and other capital outlays also surpassed the 2012 level by almost 45 percent. Settlement of progress billings for infrastructure projects implemented by the DPWH remain to account for the largest chunk in CO disbursements. Based on DPWH reports, they were able to disburse P82.5 billion², nearly 63 percent of total CO disbursements for the current year.

² Based on DPWH submissions of Monthly Report of Disbursements from January to July 2013

- IP rose to P210.6 billion, 4.6 percent higher than the comparable 2012 level, mainly on account of IP for domestic borrowings which grew by 9 percent year-on-year due to issuance of retail treasury bonds in October 2012. However, the cumulative share of IP in total disbursements contracted to 19.4 percent, compared to 21.0 percent as of July 2012.

However, a significant decline in net lending was recorded for the period on account of repayments made by PSALM to the national government in the amount of P12.3 billion, a reversal from the P8.4 billion in advances to PSALM as of July 2012.

Likewise, tax subsidies to departments/agencies and GOCCs also fell by P5.3 billion or 26.3 percent largely due to the lower requirement of PSALM for the settlement of its basic VAT liabilities to the BIR for FYs 2010 and 2011 in the amount of P8.1 billion, compared to P13.1 billion of basic VAT liabilities paid by PSALM to BIR from January to July 2012.

Outlook for the Rest of the Year

Table 3: Status of 2013 Allotment Releases
in billion pesos, unless otherwise indicated

| Particulars | Program | Releases as of July* | Balance | |
|------------------|---------|----------------------|---------|-----|
| | | | Amount | % |
| Original Program | 2,005.9 | 1,807.0 | 198.9 | 9.9 |

* Inclusive of releases charged against R.A. 10155 - 2012 Continuing Appropriations and Automatic Appropriations

A program balance of almost 10 percent or equivalent to only P198.9 billion remains to be released from the program for the rest of the year. Some P54.5 billion is earmarked for items that are automatically appropriated, while the P144.4 billion remains for items under the department-specific appropriations and special purpose funds, for which submission of certain

documentary requirements is required. These unreleased balances include subsidies to GOCCs (P21.4 billion), the Priority Development Assistance Fund (P14.6 billion), pension benefits (P12.5 billion), retirement and terminal leave benefits (P12.0 billion), DPWH's locally-funded projects including requirements for Basic Educational Facilities for DepEd (P7.3 billion), the Calamity Fund (P6.3 billion), and the AFP Modernization Program (P5.0 billion), among others.

Again, government spending has shown to be a significant growth driver with the rise in government final consumption expenditure reported at 15.3 percent, contributing to the overall GDP growth of 7.6 percent in the first semester³. Once more, the start of the second half of the year has been remarkable relative to the country's spending as July disbursements surged to its highest monthly spending level. To meet the spending target for the year, national government disbursements for the last five months of the year would have to grow by 9.2 percent to P895.3 billion from the August to December 2012 level of P819.9 billion. This remains a workable number given that the average growth for the period over the last eight years was about 10 percent and the government's continued effort to implement measures to facilitate budget execution and program/project implementation.

³ NSCB release of the First Semester, 2013 National Accounts of the Philippines on August 29, 2013 - <http://www.nscb.gov.ph/sna/>