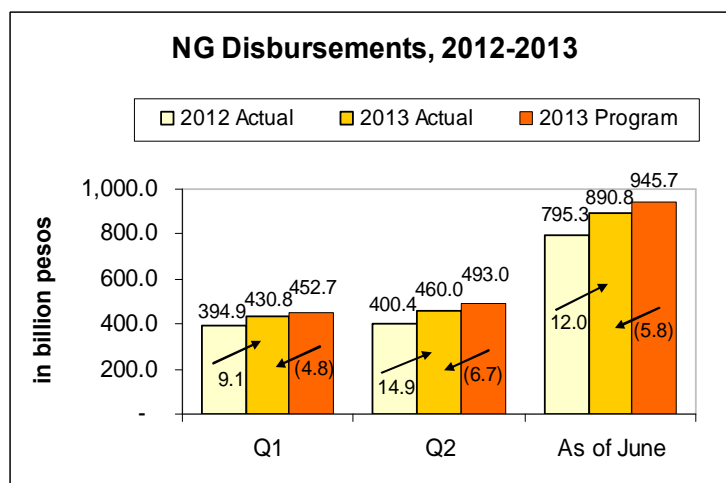


## ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF JUNE 2013



National government disbursements reached P890.8 billion in the first semester (S1), a P95.4 billion or 12.0 percent expansion from the comparable 2012 level of P795.3 billion. This performance reflects the sustained momentum in spending this year particularly evident in the 14.9 percent growth in expenditures for the second quarter (Q2), which is almost 6 percentage points higher compared to the first quarter (Q1) growth of 9.1 percent. As mentioned in previous reports, this performance is even more relevant given that it is anchored on

the upswing in maintenance and infrastructure spending, which recorded a combined growth rate of 33.1 percent.

The year-on-year increase in Q2 disbursements is considered highest at least in the last seven years, except for Q2 2009, when spending grew at 21.6 percent during that time when pump-priming activities were implemented as part of the government's economic resiliency plan. This sizable growth was buoyed by the improved absorption of cash authorities issued from 88.5 percent during the same period last year to 103.8 percent this year. It is even better than the utilization rate of 84.5 percent registered in Q1. Among the departments that exhibited faster absorption of Notices of Cash Allocation (NCAs) this year are DAR (from 73 percent to 96 percent), DA (from 86 percent to 92 percent), DOH (from 77 percent to 95 percent), and DOE (from 63 percent to 93 percent).

Meanwhile, cumulative spending remained within the P945.7 billion program for the period by 5.8 percent, or equivalent to P54.9 billion, with lower-than-programmed disbursements for both cash and non-cash items such as interest payments (IP). However, this is a substantial improvement from last year's pace which recorded below-programmed spending by P89.9 billion or 10.2 percent as of June 2012.

**Table 1**  
**Comparison of NCA and Non-NCA Disbursements, Program vs. Actual, 2012-2013**

in billion pesos, unless otherwise indicated

Particulars	Q1	Q2							As of June								
	2013	2012	2013				2012 vs. 2013			2012	2013				2012 vs. 2013		
					Deviation		Inc./(Dec.)					Deviation		Inc./(Dec.)			
	Actual	Actual	Prog.	Actual	Amount	%	Amount	%	Actual	Prog.	Actual	Amount	%	Amount	%		
NCA	289.2	315.5	403.7	369.3	(34.4)	(8.5)	53.8	17.1	560.1	705.1	658.6	(46.6)	(6.6)	98.4	17.6		
% of Eff. NCA	84.5	88.5		103.8					89.2		87.9						
Non-NCA	141.6	84.9	89.3	90.6	1.3	1.5	5.7	6.7	235.2	240.6	232.2	(8.4)	(3.5)	(3.0)	(1.3)		
Total	430.8	400.4	493.0	460.0	(33.1)	(6.7)	59.5	14.9	795.3	945.7	890.8	(54.9)	(5.8)	95.4	12.0		

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

Memo Items:

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

As of June		2nd Quarter	
2012	628.0	2012	356.7
2013	748.8	2013	355.9

*Allocation Releases*

As of June 2012	1,382.3	representing 76% of the 2012 obligation program of P1,816.0 billion
As of June 2013	1,769.4	representing 88% of the 2013 obligation program of P2,005.9 billion

Source: Budget Technical Service (BTS)

In terms of allotment releases<sup>1</sup>, the DBM has issued almost 96 percent of the total budget of the departments and agencies; 44 percent of Special Purpose Funds (SPFs); and 91 percent of Automatic Appropriations with bulk for IP and Internal Revenue Allotment (IRA) amounting to P636.2 billion combined. In nominal amounts, the P1,769.4 billion allotment released for the first semester is 28 percent higher than the actual releases for the first semester last year. By allotment class, the biggest increase in terms of released allotments was recorded under Capital Outlays (CO), which grew by 40 percent this year with P227.3 billion in allotments issued, as against P162.3 billion for the same period last year. Among the departments with substantial allotment releases in the first semester for infrastructure projects are DPWH (from P94.0 billion in 2012 to P134.0 billion this year), DOTC (from P8.8 billion in 2012 to P16.1 billion in 2013), DA (from P28.2 billion in 2012 to P35.9 billion in 2013), and DOH (from P5.4 billion in 2012 to P11.1 billion in 2013).

Significant releases for the month of June include: 1) requirements for pension, retirement benefits and monetization of leave credits (P14.3 billion); 2) DepEd's Basic Educational Facilities (P3.4 billion); 3) DSWD's Pantawid Pamilyang Pilipino Program, or 4Ps (P3.0 billion); 4) special shares of LGUs in the proceeds of national taxes (P2.7 billion); and 5) equity modernization of 25 regional hospitals under the DOH's Public-Private Partnership Framework (P2.1 billion).

## Performance vs. Programmed Levels

**Table 2: Disbursements by Expense Class, Program vs. Actual**  
in billion pesos, unless otherwise indicated

Particulars	1st Semester		Deviation	
	Program	Actual	Amount	%
Current Oper. Exp.	761.8	730.5	(31.3)	(4.1)
PS	293.1	282.9	(10.2)	(3.5)
MOOE	149.3	145.0	(4.3)	(2.9)
Subsidy	23.2	11.1	(12.1)	(52.2)
Allotment to LGUs	120.9	120.9	-	-
IP	164.3	157.1	(7.1)	(4.4)
TEF	11.0	13.5	2.5	22.6
Capital Outlays	177.9	163.7	(14.2)	(8.0)
Infra & Other CO	139.3	125.5	(13.8)	(9.9)
Equity	0.8	0.3	(0.5)	(60.9)
Cap. Transfers to LGUs	37.8	37.9	0.1	0.3
CARP-LO	-	-	-	-
Net Lending	6.0	(3.4)	(9.4)	(157.5)
TOTAL	945.7	890.8	(54.9)	(5.8)

The S1 disbursements represent about 45 percent of the total program for the year. Compared to programmed spending in the first half, only tax subsidies had a significantly higher outturn than program among all the expense items, and this is largely due to the releases of P8.1 billion to cover basic VAT liabilities of the Power Sector Assets and Liabilities Management (PSALM) Corporation to the Bureau of Internal Revenue (BIR) for FYs 2010 and 2011 arising from collections/revenues from IPP administrators (IPPA), IPPA generation payments, interest income

from asset sale receivables, fees from privatization and other income. However, this has been offset by the following expenditure categories that have stayed within program:

- Personnel Services (PS) was lower-than-program by P10.2 billion or 3.5 percent primarily due to the unreleased appropriations for lump-sum compensation items and other personnel benefits, release of which are subject to submission of documentary requirements.
- Minimal spending-below-program was incurred under Maintenance and Other Operating Expenditures (MOOE) with the underutilization of NCAs issued for departments such as DENR (80 percent) and DOT (66 percent), as well as the non-realization of cash requirements programmed under the Calamity Fund in the first half.
- Despite the considerable proportion of the CO budget released to implementing agencies in the first half of the year, the government missed its disbursement targets for CO as of June by P13.8 billion or almost 10 percent, mostly attributed to the lower-than-programmed disbursements<sup>2</sup> of DA, DPWH, DOH and DOTC. For the DOTC, the Statement of Allotment, Obligations and Balances (SAOB)<sup>3</sup> reflected that out of the P44.8 billion allotments released in S1 to fund various transport

<sup>1</sup> Based on the report on the Status of the FY 2013 Budget as of June 30, 2013

<sup>2</sup> Based on AMT Report on AMT-Guided Departments as of June 30, 2013, comparing actual disbursements based on negotiated checks and working fund against the DBCC program

<sup>3</sup> Based on AMT Report on Financial Performance of AMT-Guided Departments as of June 30, 2013

infrastructure projects and acquisition of equipment, the DOTC was only able to obligate P7.2 billion or 16.1 percent as of June 2013, as their projects are still under various stages of procurement. On the other hand, the variance or savings from bidding of almost P8 billion as reported by some DPWH Regional Offices and Project Management Offices (PMOs)<sup>4</sup> have also contributed to the overall lower-than-programmed spending.

However, having disbursed 41.4 percent of the full-year program for infrastructure and other CO, is a notable improvement from the comparable ratios of 33.5 percent and 35.2 percent in 2011 and 2012, respectively. This generally carries the impact of starting the procurement process relatively early this year, and efforts done by the AMTs to facilitate budget execution.

- Savings in IP registered at P7.1 billion or 4.4 percent mostly from lower-than-programmed debt servicing requirements for domestic borrowings, due to the combined effects of lower volume, particularly for treasury bills and fixed rate treasury bonds, and lower interest rates. The average 364-day T-bill rate as of June at 0.7 percent was lower than the 2.0 percent program assumption.
- Transfers to GOCCs remained lower than program by P12.1 billion or 52.2 percent with the reprogramming of releases of subsidies for the National Electrification Administration (NEA) in the amount of P5.4 billion and National Food Authority (NFA) in the amount of P4.0 billion, pending submission of documentary requirements, specifically the specific requirements stipulated under the pertinent Special Provision (SP) in the GAA in the case of NEA, and the Corporate Operating Budget (COB) in the case of NFA.
- Net lending was also below-program by P9.4 billion on account of the huge P12.3 billion repayment to the NG by the Power Sector Assets and Liabilities Management (PSALM) Corporation under the Debt Management Program for the availments made in 2012. This underspending was partially abated by the advances made for the accelerated amortization of the China-EXIM Loan of the North Luzon Railways Corporation, and for the payment of short-term obligations of the National Food Authority.

## Year-on-Year Performance

Crucial to the achievement of the country's economic growth targets, disbursements consistently surpassed last year's outturn by P95.4 billion or 12.0 percent. Expansion occurred in almost all expense items except for subsidies and equity contributions to GOCCs, and tax subsidies mostly for GOCCs too, which amount to P6.1 billion in total. Net lending also dropped by P15.1 billion or 129.6 percent largely due to the combined impact of PSALM's availment of advances last year, and the P12.3 billion repayment by PSALM to the national government in January this year.

**Table 3: Disbursements by Expense Class, 2012 vs. 2013**  
in billion pesos, unless otherwise indicated

Particulars	1st Semester		Increase/Decrease	
	2012	2013	Amount	%
Current Oper. Exp.	659.5	730.5	70.9	10.8
PS	255.3	282.9	27.6	10.8
MOOE	114.9	145.0	30.1	26.2
Subsidy	12.8	11.1	(1.7)	(13.2)
Allotment to LGUs	109.3	120.9	11.6	10.6
IP	150.0	157.1	7.1	4.8
TEF	17.3	13.5	(3.8)	(22.0)
Capital Outlays	124.1	163.7	39.6	31.9
Infra & Other CO	88.3	125.5	37.2	42.2
Equity	0.9	0.3	(0.6)	(63.1)
Cap. Transfers to LGUs	35.0	37.9	2.9	8.4
CARP-LO	-	-	-	-
Net Lending	11.6	(3.4)	(15.1)	(129.6)
TOTAL	795.3	890.8	95.4	12.0

Significant expenditures that outpaced last year's disbursement performance are as follows:

- PS increased by P27.6 billion or 10.8 percent to P282.9 billion mainly on account of the last tranche of the salary increase for government employees under the Salary Standardization Law III (SSL 3), higher retirement and terminal leave claims, provision of allowances, per diem and honoraria for government personnel involved in the conduct of the national elections in May, and

<sup>4</sup> Presentation on the DPWH Financial Status Update by Dir. Aristeo Reyes of the Comptrollership and Financial Management Service (CFMS)

the impact of newly-created teaching, police and firefighter positions. The rate of increase in PS is expected to wind down in the coming months netting out the salary adjustments from SSL 3 from July onwards.

- MOOE likewise grew by 26.2 percent to P145.0 billion, on account of election-related expenditures by COMELEC and the expanded allocation for the 4Ps of the DSWD. The DSWD has released this year the grants for the November-December 2012 payout period, as well as frontloaded the release of the current year cash grants prior to the election ban in March. Other social protection programs of the DSWD for which fast absorption of funds was recorded are the Supplemental Feeding Program (88.8 percent of the P3.0 billion authorized allotment was obligated in S1), and the Self-Employment Assistance – Kaunlaran Program (52.8 percent of the P1.8 billion allotment was obligated as of June).
- As a catalyst for a sustainable path of economic growth, capital outlays rose considerably by 42.4 percent to P125.5 billion. This performance gave further boost to the year-on-year improvement in total spending, with releases for DPWH current and prior years' accounts payable in the amount of P71.8 billion<sup>5</sup>, for the San Roque Multi-Purpose Project payable to NPC/PSALM, and for the larger infrastructure program in ARMM, among others.
- While freeing up more fiscal space year-on-year with its share in disbursements falling from 18.9 percent in 2012 to 17.6 percent this year, IP nevertheless increased by P7.1 billion or 4.8 percent from the 2012 level to service government's domestic borrowings, particularly on fixed rate treasury/benchmark bonds and retail treasury bonds issued in the second half of 2012 and in the first quarter of 2013.

## Outlook for the Rest of the Year

**Table 4: Status of 2013 Allotment Releases**

in billion pesos, unless otherwise indicated

Particulars	Program	Releases as of June*	Balance	
			Amount	%
Original Program	2,005.9	1,769.4	236.5	11.8

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

Almost 88 percent of the P2,005.9 billion obligation program for the year has been released in the first semester, leaving a balance equivalent to P236.5 billion to be released for the rest of the year. With the comprehensive release of appropriations for interest payments, the program balance for automatically appropriated items such as interest

payments, tax subsidies, net lending and tax refunds, shrank from P254.9 billion as of May to P58.7 billion as of June. Some P177.9 billion remains under the department-specific appropriations and special purpose funds, releases for which are subject to submission of documentary requirements and clearances. This amount covers large unreleased allocations for miscellaneous personnel benefits (P62.3 billion), transfers to GOCCs (P32.1 billion), pension, retirement and terminal leave benefits (P31.0 billion), PDAF (P14.9 billion), various locally-funded projects of the DPWH including requirements for Basic Educational Facilities from DepEd (P11.4 billion), special shares of LGUs from the proceeds of national taxes (P8.7 billion), Calamity Fund (P6.9 billion), AFP Modernization Program (P5.0 billion), PPP Support Fund under the DOTC budget (P3.8 billion), farm-to-market road projects of the DA (balance of P2.7 billion), and the Market Transformation through Energy Efficient Electric Vehicles Project of the DOE (P2.6 billion), which are subject to special budget requests.

In terms of the disbursement program, although 55 percent or P1.093 trillion is yet to be spent in the second half, the S1 expenditure numbers show encouraging signs in terms of how it advanced compared to the performance over the past two years. The government expects that disbursements in the second semester will catch-up especially since departments/agencies become wary of the one-year validity of appropriations. They could either use the funds on time or lose it. Hence, it is all the more important for departments/agencies to carefully plan ahead and ensure that project implementation proceeds as planned, so that payments can also be made as scheduled. Moreover, intensive capacity building will be undertaken by the government to strengthen the cash

<sup>5</sup> Based on the Consolidated Report of Disbursements, submitted monthly by DPWH to DBM from January to June 2013.

programming skills of our finance and budget officers, for them to be able to make sound projections on their cash requirements. The Account Management Teams (AMTs), which were set up in 2012 to monitor the disbursement performance of big and problematic departments will play a very crucial role in this endeavor. Moreover, we also see the need for the DBM-AMT members to immerse into specific agency operations to better understand the process and to guide the departments in terms of cash programming and accomplishment of accountability reports.

Furthermore, we have also seen a rise in outstanding checks (O/Cs) this year, reaching about P48 billion as of June this year, compared to only P24.5 billion in S1 2012. These are checks that have already been issued by the departments/agencies, but are not yet presented to the banks by the creditors for encashment, hence are not considered disbursements yet. Some P6.2 billion worth of O/Cs were issued by DPWH (in addition to P24.7 billion in lapsed NCAs as of June), P3.8 billion by DND, P3.6 billion by DepEd, P2.9 billion by DILG, P2.8 billion by DENR, and the list goes on. To address the ballooning O/Cs, the government will adopt the Advice to Debit Account (ADA) system which will facilitate disbursements through direct crediting of payments to the creditors' bank accounts, and will enable the government to veer away from using MDS checks, which take relatively longer to translate into actual disbursements.