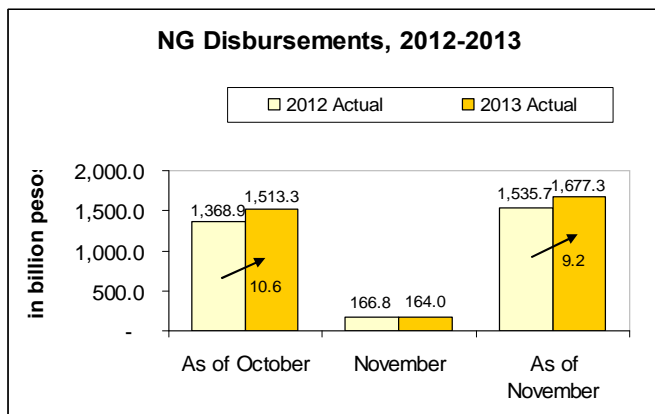


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF NOVEMBER 2013

In the past months, the country has experienced calamities, both natural and man-made, happening one after another, the Zamboanga siege in September, the 7.2 -magnitude quake that massively hit Bohol and other nearby provinces in October, and more recently, Typhoon Yolanda setting off a storm surge that swept most towns in Eastern Visayas. To a large extent, the overwhelming impact of these disasters has disrupted normal government operations with the massive aid and relief efforts needed to be carried out by various departments/agencies.

Under such torment, national government disbursements managed to close at P1.677 trillion as of November, expanding from the comparable level in 2012 by P141.7 billion or 9.2 percent. However, this is slightly inferior compared to the 10.6 percent growth in disbursements as of October due to the 1.7 percent year-on-year contraction in spending recorded in the month of November. Net of interest payments (IP), disbursements as of November grew at a higher rate of 10.2 percent.



November Performance

Table 1 shows that the lower spending in November 2013 compared to the same month in 2012 was greatly affected by the decline in NCA utilization rate, or the pace at which NCAs issued by the DBM were actually disbursed by departments/agencies, to 88.2 percent from 106.2 percent in November 2012. This is the lowest since the January - February 2013 utilization performance which averaged about 81.4 percent. While it could be the slow start of the agencies which can explain the low utilization rates in the first couple of months of 2013, this kind of performance in November is unusual, especially since it is seasonally a high disbursement month given the grant of year-end benefits to government personnel. It is probable that the issues on the Priority Development Assistance Fund (PDAF) and the Disbursement Acceleration Plan (DAP), and the impact of the super typhoon unexpectedly slowed down the processing of payments.

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

Particulars	As of October				November				As of November			
	2012	2013	Inc./ (Dec.)		2012	2013	Inc./ (Dec.)		2012	2013	Inc./ (Dec.)	
			Amount	%			Amount	%			Amount	%
NCA	974.8	1,126.7	151.9	15.6	143.0	126.6	(16.4)	(11.5)	1,117.8	1,253.3	135.5	12.1
% of Effective NCA	92.8	92.4			106.2	88.2			94.3	91.9		
Non-NCA	394.1	386.7	(7.4)	(1.9)	23.7	37.4	13.7	57.5	417.8	424.1	6.2	1.5
Total	1,368.9	1,513.3	144.5	10.6	166.8	164.0	(2.8)	(1.7)	1,535.7	1,677.3	141.7	9.2

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

Memo Items:

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

As of Nov. 2012	1,184.8	As of Nov. 2013	1,363.1
As of Oct. 2012	1,050.1	As of Oct. 2013	1,219.6
Nov. 2012	134.7	Nov. 2013	143.5

Allotment Releases

As of Nov. 2012	1,724.3	95% of the P1.816 trillion obligation program
As of Nov. 2013	1,912.4	95% of the P2.006 trillion obligation program

It was noted that even if the P143.5 billion worth of NCAs issued in November were fully utilized, it will still be a minimal increase from the NCA disbursements in November 2012 of P143.0 billion. This implies that even the magnitude of NCAs issued in November 2013 was not enough to produce growth from last year. This will be discussed in more detail in the next sections.

Allotment Releases

As of November, the DBM has released allotments in the amount of P1.912 trillion¹ or 95.3 percent of the P2.006 trillion obligation program for 2013. These allotments cover 96.8 percent of department-specific budgets and 71.8 percent of Special Purpose Funds (SPFs), both under the 2013 General Appropriations Act (GAA), as well as 95.2 percent of items that are automatically appropriated. With releases as of November accounting for 95.3 percent of program in 2013, obligational authorities were made available to departments/agencies a bit faster compared to the 95.0 percent in 2012. Allotment releases also grew by P188.1 billion or 10.9 percent in 2013 from the 2012 level of P1.724 trillion.

Notable releases for the month of November are as follows: 1) funding support for the NHA Housing Program for Informal Settler Families - P9.8 billion; 2) Mindanao Modular Generator Sets Program charged against the Malampaya Fund - P4.5 billion; 3) pension, terminal leave/retirement gratuity and other benefits or retiring government employees - P4.2 billion; 4) DSWD's Quick Response Fund for disaster relief and assistance to the victims of Typhoon Yolanda - P2.5 billion; and 5) customs, duties and taxes - P2.4 billion.

Year-on-Year Disbursement Performance

The weak performance in November has offset the relatively good disbursement performance as of October. Notwithstanding the year-on-year contractions that have been recorded for most of the expenditures items in November, cumulative disbursements still increased by 9.2 percent on account of the following expenditure items:

- Even with a little tapering in retirement gratuity and terminal leave (RG/TL) claims in November, Personnel Services (PS) increased by P41.9 billion or 8.5 percent as of November. This is still mainly on account of salary adjustments, higher cumulative RG/TL, grant of the 2012 Performance-Based Bonus, and payment of Total Administrative Disability (TAD) pension of World War II veterans.
- Maintenance spending (MOOE) narrowed considerably in November, bringing about a decline in cumulative growth in disbursements from 20.7 percent as of October to 12.4 percent as of November. Compared to the same month in 2012, utilization rates² for the following departments in November 2013 were lower: 1) DAR (from 89.0 percent in November 2012 to 64.4 percent in November 2013); 2) DOH (from 118.9 percent to 78.7 percent); and 3) DSWD (from 72.2 percent to 46.1 percent). Based on the coordination with the Accounting Division of the DSWD, the seemingly lower utilization this year was due to the delay in the issuance of funding checks for CCT beneficiaries to the 4th week of the month, with a large portion turning out as check floats³ which are carried over to the following month. Prior to the issuance of these funding checks, the

Table 2: Disbursements by Expense Class, 2012 vs. 2013

in billion pesos, unless otherwise indicated

Particulars	January-November		Increase/Decrease	
	2012	2013	Amount	%
Current Oper. Exp.	1,258.3	1,371.4	113.1	9.0
PS	496.1	538.0	41.9	8.5
MOOE	226.2	254.2	28.0	12.4
Subsidy	26.2	39.1	12.9	49.2
Allotment to LGUs	200.4	221.7	21.3	10.6
IP	282.3	296.7	14.4	5.1
TEF	27.1	21.8	(5.4)	(19.8)
Capital Outlays	248.6	289.9	41.3	16.6
Infra & Other CO	185.4	223.3	37.9	20.5
Equity	1.2	0.7	(0.5)	(43.2)
Cap. Transfers to LGUs	62.0	65.9	3.9	6.3
CARP-LO	-	-	-	-
Net Lending	28.8	16.0	(12.7)	(44.3)
TOTAL	1,535.7	1,677.3	141.7	9.2

¹ Based on the report on the Status of the FY 2013 Budget as of November 30, 2013

² Ratio of Negotiated Checks and NCAs credited as reported by the MDS-GSBs, i.e., LBP, DBP and PVB

³ Checks issued to creditors but are not yet presented/encashed in MDS-GSBs

entire process of monitoring compliance, updating beneficiaries and generating the payroll, was done for a more effective and efficient implementation of the program.

- Likewise, infrastructure spending (CO) also decelerated in November with the cumulative growth as of November registering still at double-digit 20.5 percent from 25.7 percent as of October. A slight slowdown in the utilization of NCAs by DPWH was also recorded from 71.2 percent in November 2012 to 63.1 percent in November 2013.

For both MOOE and CO, it may be noted that the last quarter disbursement performance for 2011 and 2012 was shaped by the spending pick-up due to the DAP, as well as the impact of the releases for priority projects of legislators funded under the PDAF. Both are now both absent in the November 2013 outturn.

- Subsidies to GOCCs also declined in November due to reprogramming of releases for the price stabilization program of the NFA. The allocation balance of P2.0 billion from the 2013 GAA is said to be released instead in December. Nevertheless, among the expenditure accounts, GOCC subsidy still has the largest cumulative year-on-year percentage growth at 49.2 percent. This increase was mostly provided to critical GOCCs such as NHA and PHIC for their social empowerment programs.

On the other hand, an enormous expansion of P12.0 billion was recorded in net lending in November with the NG advances made to the HGC to settle its maturing bond obligations guaranteed by the national government.

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 November*	Balance	
			Amount	%
Original Program	2,005.9	1,912.4	93.5	4.7

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

The program balance of P93.5 billion, which is 4.7 percent of the P2.006 trillion obligation program for 2013, was made available for release in the last month of the year. This consists of P21.3 billion (or 22.8 percent of total) for automatically appropriated items, and P72.2 billion (or 77.2 percent) for expenditure items under department-specific budgets and SPFs, for which special budget

requests and submission of documentary requirements are required. Some of these unreleased appropriations include budgetary support to GOCCs (P8.8 billion), tax refunds (P16.2 billion), and other personnel benefits including the Productivity Enhancement Incentive or PEI (P15.4 billion). The PEI however, was scheduled for release in December.

Moving forward, Joint Resolution No. 1 signed on December 26, 2013, specifies that the remaining funds under the 2013 GAA may be continued to be used until December 31, 2014. The resolution amends General Provision No. 63 (Availability of Appropriations) of the 2013 GAA and extends for another fiscal year the validity of appropriations under the Calamity Fund and Quick Response Funds, including those sourced from savings realigned in 2013, as well as unobligated allotments and unreleased appropriations for MOOE and CO under the 2013 GAA. This action will effectively provide additional sources of funds for the much-needed relief, rehabilitation and reconstruction works in calamity-stricken areas.

Likewise, RA No. 10634 or the Act providing supplemental appropriations in the amount of P14.6 billion was signed by the President on December 26, 2013. This will augment the 2013 Calamity Fund by P11.2 billion and the 2013 Quick Response Fund of the DSWD by P3.4 billion. These funds will be used for *"relief and rehabilitation services, and the repair, rehabilitation and reconstruction of permanent structures, including capital expenditures for disaster operations and rehabilitation activities in areas affected by disasters and calamities, both natural and man-made."*

These fund sources will support the needed investments embodied in the Reconstruction Assistance on Yolanda (RAY) plan, which estimated the required additional spending of P360.9 billion for 2013 to 2017 by the NG, LGU and private sector. These funding requirements will impact heavily on the disbursements in the last month of 2013, in 2014 and subsequent years. Nevertheless, the government will maintain a prudent fiscal stance and will manage resources well to keep within the fiscal consolidation target of 2.0 percent deficit-to-GDP until 2016.