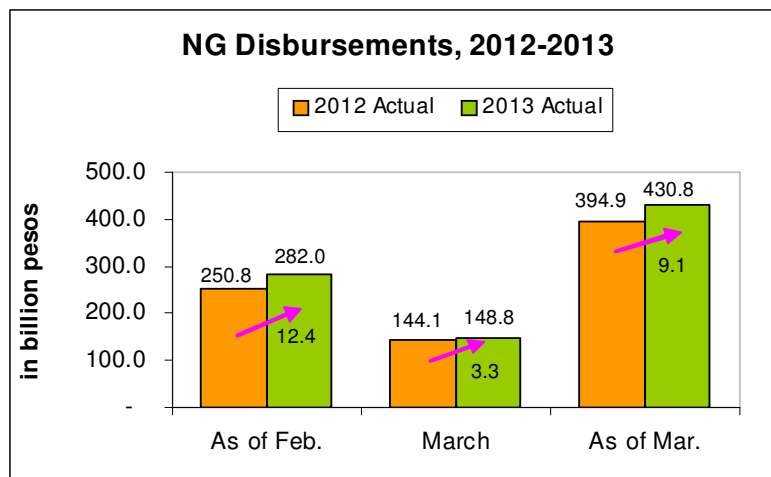


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE FOR MARCH 2013

For the first quarter of the year (Q1), the national government posted disbursements of P430.8 billion, P35.9 billion or 9.1 percent higher than the Q1 spending last year of P394.9 billion. Notwithstanding slowing down a bit from the 12.4 percent year-on-year growth as of February, the Q1 expansion is slightly higher than the average growth during the same period over the last eight years (8.6 percent) and still comparable with the 9.4 percent average growth rate during the recent election years, 2007 and 2010. Also sustained, and even surpassed, is the average growth in productive expenditures such as Maintenance and Other Operating Expenditures (MOOE) and Infrastructure and Other Capital Outlays (CO) during the 2007 and 2010 election years of 25.1 percent, by this year's 35.3 percent. This implies continued fast-tracking of implementation of priority programs and projects early on this year.



This trend in disbursements has been made possible by faster execution of the approved budget for the year, as well as carry-over releases from the 2012 Continuing Appropriations in view of the lapsing of appropriations at the end of the year. In the first three months of the year, the DBM had already released allotments in the amount of P1.417 trillion, accounting for 71 percent of the total obligation program of P2.006 trillion, and including almost 95 percent of the programmed appropriations for departments/agencies under the 2013 GAA. This reflects a growth of 15.8 percent from previous year's Q1 allotment releases of P1.224 trillion, which was equivalent to 67 percent of the 2012 obligation program of P1.816 trillion. Moreover, the same trend is followed by the comprehensively release of departments/agencies' specific budgets through the Agency Budget Matrices (ABMs), which also grew by 15 percent based on the consolidated report of the Budget Technical Service (BTS).

In addition to the significant releases made during the first two months indicated in the previous reports, the BTS also highlighted the following big-ticket releases in the month of March: 1) P6.0 B to cover the revalidation of lapsed prior years' allotments released to the Armed Forces of the Philippines (AFP) chargeable against the special account maintained for the AFP Modernization Program; 2) P4.6 billion for the implementation of various programs and projects under the Priority Development Assistance Fund (PDAF); 3) P4.3 billion for the requirements for programs and projects funded under the Disbursement Acceleration Program in 2012; 4) P3.0 billion for road maintenance projects funded through the Motor Vehicle Users' Charge (MVUC); 5) P1.8 billion for payment of terminal leave and retirement gratuity benefits of retired employees; 6) P1.8 billion for infrastructure projects; 7) P1.6 billion for the rehabilitation/upgrading of 12 selected pumping stations in Metro Manila as part of the priority flood control projects of the Metro Manila Development Authority (MMDA); 8) P0.8 billion for customs duties and taxes; 9) P0.8 billion for creation of new positions and to fund other Personal Services (PS) deficiencies under the Miscellaneous Personnel Benefits Fund (MPBF); 10) P0.8 for farm-to-market road projects of the Department of Agriculture (DA); and 11) P0.8 billion for the first quarter budgetary support to the Philippine Coconut Authority (PCA).

Following this faster pace of allotment releases, the issuance of cash disbursement authorities also accelerated based on BTS report on effective Notices of Cash Allocation (NCAs) issued in Q1. It grew by 25.9 percent to P341.8 billion this year from P271.4 billion in 2012. As shown in Table 1 below, this year-on-year increment in disbursement authorities issued translated to growth in actual utilization of NCAs by 18.2 percent. The discrepancy between the growth in NCAs issued and NCAs utilized is accounted for by

the apparent slowdown in the utilization rate of NCAs by departments/agencies from 90.2 percent last year to 84.6 percent this year. Hence, the year-on-year increase in disbursements would have been greater had the departments/agencies took advantage and maximized the flexibility given to them by the DBM through the issuance of six-month comprehensive NCAs based on their Monthly Cash Programs (MCPs)¹.

Table 1
Comparison of Actual Disbursements vs. NCA, 2012-2013

in billion pesos, unless otherwise indicated

Particulars	As of February				March				As of March						
	2012 Actual	2013 Actual	2012 vs. 2013		2012 Actual	2013 Actual	2012 vs. 2013		2012 Actual	2013				2012 vs. 2013	
			Inc./(Dec.)				Inc./(Dec.)			Program	Actual	Deviation		Inc./(Dec.)	
			Amount	%			Amount	%				Amount	%	Amount	%
NCA	143.3	173.7	30.4	21.3	101.4	115.5	14.2	14.0	244.6	301.5	289.2	(12.2)	(4.1)	44.6	18.2
% of Effective NCA	86.2	81.4			96.4	90.0			90.2		84.6				
Non-NCA	107.6	108.3	0.7	0.7	42.7	33.3	(9.4)	(22.0)	150.2	151.2	141.6	(9.7)	(6.4)	(8.7)	(5.8)
Total	250.8	282.0	31.2	12.4	144.1	148.8	4.8	3.3	394.9	452.7	430.8	(21.9)	(4.8)	35.9	9.1

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

Memo Items:

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

As of Mar. 2012 271.4 As of Mar. 2013 341.8

As of Feb. 2012 166.2 As of Feb. 2013 213.5

March 2012 105.2 March 2013 128.4

Allotment Releases

As of March 2012 1,223.8 67% of the P1.816 trillion obligation program

As of March 2013 1,417.0 71% of the P2.006 trillion obligation program

Source: Budget Technical Service (BTS)

Year-on-Year Performance

The P35.9 billion or 9.1 percent expansion in Q1 disbursements is largely due to the following:

- PS inched up by P14.3 billion or 12.4 percent to P130.1 billion on account of the annualized requirements of the 4th tranche of the Salary Standardization Law III (SSL 3), and for funding those positions (e.g., teaching and non-teaching positions in the Department of Education (DepEd), and police, jail, fire officers in the Department of Interior and Local Government (DILG), which were created in 2012. In addition, retirement gratuity and terminal leave benefits increased this year by P2.2 billion partly due to perceived rise in government retirees after the full implementation of the SSL 3.

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

in billion pesos, unless otherwise indicated

Particulars	1st Quarter		Increase/Decrease	
	2012	2013	Amount	%
Current Oper. Exp.	339.1	364.9	25.8	7.6
PS	115.8	130.1	14.3	12.4
MOOE	56.2	70.4	14.1	25.1
Subsidy	5.6	4.2	(1.4)	(24.8)
Allotment to LGUs	54.7	60.5	5.8	10.6
IP	98.5	98.3	(0.2)	(0.2)
TEF	8.2	1.4	(6.9)	(83.5)
Capital Outlays	52.6	74.0	21.4	40.6
Infra & Other CO	38.7	58.1	19.4	50.1
Equity	-	0.2	0.2	
Cap. Transfers to LGUs	13.9	15.7	1.7	12.5
CARP-LO	-	-	-	
Net Lending	3.2	(8.1)	(11.3)	(356.7)
TOTAL	394.9	430.8	35.9	9.1

- MOOE rose by 14.1 billion or 25.1 percent to P70.4 billion, from the 2012 level of P56.2 billion. This amount reflects the P14.6 billion cash grants under the Conditional Cash Transfer (CCT) program of the Department of Social Welfare and Development (DSWD) for the November-December 2012 and January-February 2013 pay-out periods for Set 1-5 beneficiaries, and the initial payment for Set 6 beneficiaries. Spending for MOOE also includes releases for existing programs and projects that were expanded this year such as the provision of potable and safe water supply to water-less barangays

¹ In aid of budget programming and execution, departments/agencies submit to the DBM their estimates of monthly cash requirements based on their financial plans and prospective commitments to be paid for the year.

nationwide under the budget of the DILG, implementation of the Doctors to the Barrios and Rural Health Practice Program by the Department of Health (DOH), National Programs of the DA, rationalized MOOE for public elementary and high schools under the DepEd, and the conduct of Census of Agriculture and Fisheries by the National Statistics Office (NSO), among others.

- However, the growth in spending was primarily driven by the P19.4 billion or 50.1 percent expansion in CO with the increase in both current and prior years' payables due to contractors of infrastructure projects and suppliers of equipments. For Q1, based on the data of actual NCAs utilized from government-servicing banks, the DPWH disbursed around P34 billion to its creditors to pay for goods and services, compared to last year's P19.3 billion.
- Transfers to LGUs expanded by P7.5 billion or 11.0 percent in view of increased allocation for Internal Revenue Allotment (IRA) this year referenced against the 2010 internal revenue tax collections.

Notably, the year-on-year reduction on the following accounts pulled down the strong performance in disbursements this year:

- Tax subsidies substantially declined by P6.9 billion or 83.5 percent with the netting out of the P6.5 billion release last year for the Power Sector Assets and Liabilities Management Corporation (PSALM) to cover payment of deficiency value-added tax (VAT) obligations for 2008 due from sale of Masinloc, Ambuklao/Binga and Pantabangan assets and other income.
- Net lending also fell by P11.3 billion or more than 350 percent due to the P12.3 billion repayment made by PSALM to the national government pursuant to a relending agreement under the Debt Management Program.

Performance vs. Programmed Levels

Despite the improvement in spending performance from last year's, Q1 disbursements fell short of the P452.7 billion program by P21.9 billion or 4.8 percent, mostly accounted for by the following expense items:

- Half of the underspending was due to savings in IP in the amount of P11.0 billion, or 10.0 percent of the P109.3 billion program. Based on the comparative analysis of the BTr, the bulk of the savings was due to IP on domestic borrowings as the flotation of fixed rate treasury bonds was below program. In addition, the combined effects of lower volume of treasury bills and interest rates compared to program (i.e., 0.7 actual interest rate vs. 2.0 percent program for the 364-day T-bill rate) also contributed to the lower-than-programmed IP for the period.

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

Particulars	1st Quarter		Deviation	
	Program	Actual	Amount	%
Current Oper. Exp.	382.0	364.9	(17.0)	(4.5)
PS	131.6	130.1	(1.5)	(1.1)
MOOE	66.2	70.4	4.2	6.4
Subsidy	11.1	4.2	(6.9)	(61.9)
Allotment to LGUs	60.5	60.5	-	-
IP	109.3	98.3	(11.0)	(10.0)
TEF	3.3	1.4	(2.0)	(59.2)
Capital Outlays	70.9	74.0	3.1	4.4
Infra & Other CO	55.0	58.1	3.1	5.7
Equity	0.8	0.2	(0.6)	(71.7)
Cap. Transfers to LGUs	15.1	15.7	0.5	3.6
CARP-LO	-	-	-	-
Net Lending	(0.2)	(8.1)	(7.9)	4,434.1
TOTAL	452.7	430.8	(21.9)	(4.8)

- The outturn for net lending was more than 40 times lower than program, registering an underspending of nearly P8 billion in nominal terms. According to the DOF-Corporate Affairs Group, it projected advances in the amount of P8 billion for the National Food Authority (NFA) in Q1 to pay for their maturing short-term loans. However, the NFA has not availed of BTr funds, preferring to use its existing credit lines with banks. Nevertheless, the DOF-CAG anticipates the availment by NFA of advances toward the latter part of the year.

- An almost P7 billion gap against programmed disbursements was recorded under subsidies to GOCCs. Some P3.8 billion was allocated in Q1 for the Sitio Electrification Project of the National Electrification Administration (NEA) has remained unreleased pending the submission of documentary requirements such as certifications from barangay chairperson on the profile per *sitio* pursuant to Special Provision No. 12, Budgetary Support to Government Corporations, 2013 GAA. Likewise, the P4 billion subsidy for the NFA programmed in Q1 for the procurement of *palay* has not been released awaiting the submission by the NFA of their budgetary request with complete documentary requirements.

Outlook for the Rest of the Year

Of the P2.006 trillion obligation program for 2013 (inclusive of Automatic Appropriations), P1.417 trillion of allotments has already been released in the first quarter. Of which, P915.1 billion was for the regular operating requirements and implementation of programs and projects of departments/agencies, P302.3 billion for the full-year IRA for LGUs, P98.3 billion for interest payments, P28.0 billion for the requirements of Retirement and Life Insurance Premium (RLIP) of government personnel, P24.1 billion for retirement

benefits, P9.2 billion for congressional allocations under PDAF, and P6.4 billion for budgetary support to GOCCs, among others. Hence, a program balance of P588.9 billion remains. More than half of this amount (or 54 percent) corresponds to the P318.0 billion of automatic appropriations consisting mostly of interest payments, net lending, MVUC, and tax subsidies to NGAs and GOCCs to cover payment of customs duties and tax obligations with BOC and BIR. On the other

hand, the balance under department-specific budgets and special purpose funds amount to P270.9 billion (or 46 percent of the overall program balance) and is composed of P74.6 billion for pension, retirement and terminal leave benefits under the Retirement Benefits Fund (formerly Pension and Gratuity Fund), P67.4 billion under the MPBF, P49.9 billion for implementation of programs and projects under the department-specific budgets, P15.7 billion for special shares of LGUs in the proceeds of national taxes, and P15.5 billion for programs/projects under PDAF, which are all subject to special budget requests with documentary requirements and clearances.

The strong disbursement performance in the first quarter is expected to be sustained in the coming months. Given the one-year validity of 2013 appropriations, the DBM has made certain that allotments for regular program and implementation-ready projects under department-specific budgets have all been released, and thus been made available to agencies for obligation early on in the year. The agencies' spending performance against their MCPs also show encouraging signs. They are being monitored, especially for the AMT-guided departments, so that necessary revisions/updates may be considered in the operating fiscal program.

Also, to fully maximize the relatively comfortable cash position of the government, another measure adopted in April was to fully support all list of due and demandable accounts payable (LDDAP) with cash under the Direct Payment Scheme. Hence, DBM operations bureaus and regional offices can immediately issue NCAs to cover the LDDAPs received from agencies, without having to consolidate them first after the cut-off date set and request for a Cash Release Program as done in the previous years. With these efforts, government disbursement requirements will be facilitated for the rest of the year even with the impact of the election ban in Q2.

Table 4: Status of 2013 Allotment Releases
in billion pesos, unless otherwise indicated

Particulars	Program	Releases as of March*	Balance	
			Amount	%
Original Program	2,005.9	1,417.0	588.9	29.4

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

Source of basic data: BTS