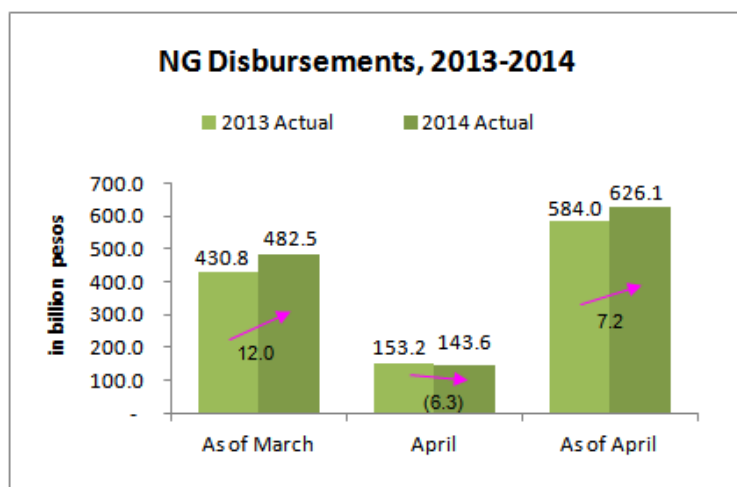


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF APRIL 2014



National government spending as of April was recorded at P626.1 billion, P42.1 billion or 7.2 percent higher than the P584.0 billion spent last year. Compared to the 12.0 percent growth rate in the first quarter, this performance is reflective of a slowdown in disbursements during the month of April, primarily accounted for by the contraction in interest payments. Nevertheless, infrastructure spending achieved a double-digit

cumulative growth rate of 24.5 percent as of April with carryover disbursements from 2013 releases for reconstruction and rehabilitation of calamity-stricken areas.

Table 1 shows that April spending fell by P9.6 billion or 6.3 percent year-on-year given the downturn in non-NCA items, particularly interest payments which dropped by P10.3 billion or 43.4 percent in April. Likewise, NCA disbursements decreased from year-ago level, albeit only by 0.3 percent. This is partly attributed to the rate of NCA utilization¹ being slower by 12.4 percentage points from 94.0 percent in April 2013 to 81.6 percent in April 2014 despite the higher NCA issuances this year (NCAs issued increased by 14.8 percent from P120.8 billion in April 2013 to P138.7 billion in April 2014). NCA disbursements for April 2014 would have gone up to more than P130 billion and the cumulative expansion in total disbursements could have been at least 10 percent, if the 94 percent NCA utilization rate last year was maintained.

Table 1
Comparison of Actual Disbursements vs. NCA, 2013-2014

in billion pesos, unless otherwise indicated

| Particulars | As of March | | | | April | | | | As of April | | | |
|--------------------|-------------|-------|-----------|------|-------|-------|-----------|--------|-------------|-------|-----------|------|
| | 2013 | 2014 | Inc./Dec. | | 2013 | 2014 | Inc./Dec. | | 2013 | 2014 | Inc./Dec. | |
| | | | Amount | % | | | Amount | % | | | Amount | % |
| NCA | 289.2 | 306.6 | 17.4 | 6.0 | 113.5 | 113.1 | (0.4) | (0.3) | 402.8 | 419.8 | 17.0 | 4.2 |
| % of Effective NCA | 84.4 | 81.8 | | | 94.0 | 81.6 | | | 86.9 | 81.7 | | |
| Non-NCA | 141.6 | 175.9 | 34.4 | 24.3 | 39.7 | 30.5 | (9.2) | (23.3) | 181.2 | 206.4 | 25.1 | 13.9 |
| Total | 430.8 | 482.5 | 51.7 | 12.0 | 153.2 | 143.6 | (9.6) | (6.3) | 584.0 | 626.1 | 42.1 | 7.2 |

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

Memo Items:

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

| | | | |
|------------------|-------|------------------|-------|
| As of April 2013 | 463.4 | As of April 2014 | 513.7 |
| Jan.-Mar. 2013 | 342.6 | Jan.-Mar. 2014 | 375.0 |
| April 2013 | 120.8 | April 2014 | 138.7 |

Allotment Releases

| | | |
|---------------------|---------|---|
| As of Apr. 30, 2013 | 1,471.7 | 73% of the P2.006 trillion obligation program |
| As of Apr. 30, 2014 | 1,833.4 | 81% of the P2.264 trillion obligation program |

Source: Budget Technical Service (BTS)

In cumulative terms, non-NCA disbursements grew by P25.1 billion or 13.9 percent while NCA disbursements increased by P17.0 billion or 4.2 percent. The cumulative NCA utilization rate was at 81.7 percent, lower than last year's 86.9 percent. Among the departments which registered slower absorption of NCAs as of April are as follows: DAR (from 79.7 percent to

¹ Actual checks negotiated, inclusive of Advice to Debit Account (ADA) credited, over NCAs issued by DBM

55.9 percent), DA (from 69.0 percent to 63.3 percent), DepEd (from 93.2 percent to 88.2 percent), DENR (from 74.3 percent to 54.9 percent); DOF (from 62.1 percent to 39.2 percent), DFA (from 82.6 percent to 65.6 percent), DOH (from 86.2 percent to 73.7 percent), DILG (from 89.3 percent to 76.3 percent), DPWH (from 62.9 percent to 58.0 percent), DOLE (from 82.7 percent to 69.2 percent), DSWD (from 91.1 percent to 70.6 percent), DOTC (from 84.0 percent to 74.8 percent), and ARMM (from 93.6 percent to 80.1 percent).

Allotment Releases

As of April 30, 2014, a total of P1.833 trillion allotments or equivalent to 81 percent of the total P2.265 billion obligation program were already released. This level of releases for the period is higher by P361.7 billion or 24.5 percent than P1.471 trillion posted in 2013. For the month of April, the major allotment releases were for the following purposes: 1) interest payments - P352.7 billion; 2) payment of pension, retirement and terminal leave benefits chargeable against Pension and Gratuity Fund (PGF) - P18.1 billion; 3) creation of new positions and filling up of unfilled positions chargeable against the Miscellaneous Personnel Benefits Fund (MPBF) - P4.0 billion; 4) customs duties and taxes - P1.4 billion; and 5) DOLE's emergency employment program and livelihood assistance to Yolanda-affected regions - P884 million.

Year-on-Year Performance

Notwithstanding the deceleration in April spending, the following expenditure items managed to register cumulative growth as of April:

- Slightly advancing in April due to higher claims for retirement gratuity and terminal leave benefits, Personnel Services (PS) increased by P8.8 billion or 5.0 percent to P186.5 billion as of April this year. This is mainly accounted for by payment of salaries for new teaching positions in the DepEd, new police recruits in the DILG-PNP, and releases for the incentives of employees who have availed of the rationalization program.

Table 2: Disbursements by Expense Class, 2013 vs. 2014
in billion pesos, unless otherwise indicated

| Particulars | As of April | | Increase/Decrease | |
|------------------------|--------------|--------------|-------------------|------------|
| | 2013 | 2014 | Amount | % |
| Current Oper. Exp. | 495.3 | 503.8 | 8.5 | 1.7 |
| PS | 177.7 | 186.5 | 8.8 | 5.0 |
| MCOE | 97.9 | 97.6 | (0.3) | (0.3) |
| Subsidy | 5.2 | 1.5 | (3.8) | (71.7) |
| Allotment to LGUs | 80.6 | 91.1 | 10.5 | 13.0 |
| IP | 122.0 | 116.5 | (5.5) | (4.5) |
| TEF | 11.8 | 10.5 | (1.2) | (10.4) |
| Capital Outlays | 96.2 | 116.7 | 20.5 | 21.3 |
| Infra & Other CO | 75.2 | 93.7 | 18.4 | 24.5 |
| Equity | 0.2 | 0.3 | 0.0 | 16.0 |
| Cap. Transfers to LGUs | 20.8 | 22.8 | 2.0 | 9.7 |
| CARP-LO | - | - | - | - |
| Net Lending | (7.5) | 5.6 | 13.1 | 174.9 |
| TOTAL | 584.0 | 626.1 | 42.1 | 7.2 |

- Infrastructure and other capital outlays grew by P18.4 billion or 24.5 percent to P93.7 billion as of April due to the cash requirements of the DND-AFP Modernization Program, and the DA and DILG's post-disaster rehabilitation/reconstruction/repair of public infrastructures damaged by Typhoon Yolanda, among others. Notwithstanding this increase year-on-year, disbursements for infrastructure projects could have been much higher if spending by CO-heavy departments turned out as expected. For the first quarter, the DPWH and DOTC were among the departments with low disbursement levels. The DPWH identified the following major reasons for such performance: a) clustering and/or de-clustering of projects to ensure that projects will be implemented by competent contractors with appropriate equipment which resulted in a delay in the bidding process; b) unsettled right-of-way problems; and c) delay in the approval of plans and programs for big-ticket projects. There was a continuing assessment of the capacity of Regional

Offices (ROs) and District Engineering Offices (DEOs) to prepare and approve plans amounting to P50-100 million which at present, is referred to the Central Office for approval. For the DOTC, the reasons for the low disbursement rate include, among others: a) the transition in the preparation of project's detailed engineering design from Project Management Service to Project Development Service; b) delays in the bidding and award of contract due to the required confirmation and approvals from lending agencies, and the TRO from the court in the case of the LTO IT Project; c) prolonged procurement process due to numerous requests for reconsideration of non-eligible bidders; and d) prioritization of the preparation of Programs of Work (POW)/technical specifications for the Yolanda projects. Nevertheless, DOTC reported that it has already identified a unit to focus on project design which will hasten project implementation starting July 2014.

- Allotment and capital transfers to LGUs increased further in April by P3.2 billion or by 12.7 percent with higher Internal Revenue Allotment (IRA) shares this year. Total transfers to LGUs as of April rose to P113.9 billion from P101.4 billion or by 12.3 percent.
- Net lending grew in cumulative terms by P13.1 billion from negative P7.5 billion in 2013 to P5.6 billion as of April 2014 without any significant increase in repayments by GOCCs for the month of April. A non-recurring P12.3 billion repayment was made by PSALM in January 2013.

Meanwhile, the narrowing of disbursements year-on-year on the following accounts partially offset the expansion noted earlier:

- As mentioned earlier, IP considerably declined in April by P10.3 billion or by 43.4 percent due to the timing and recording of interest payments on bond issuances. For domestic borrowings, interests on fixed rate treasury/benchmark bonds were taken up in April 2013, while recorded/paid in March of this year. On the other hand, for foreign borrowings, interests on global bonds were not taken up/recorded in April as the debit advice was only received in May. As of April 2014, however, IP slightly decreased by P5.5 billion or 4.5 percent against last year's P122.0 billion. Hence, the share of interest payments in total disbursements as of April stood at 18.6 percent, lower by more than 2 percentage points than the 20.9 percent share recorded for the same period last year.
- Maintenance and other operating expenditures (MOOE) fell slightly by P0.3 billion or 0.3 percent as of April sans the impact of preparatory activities for the FY 2013 National Elections. The cumulative disbursements of COMELEC (based on negotiated checks from bank reports) were significantly lower by P4.6 billion or by nearly 75 percent this year at P1.6 billion from last year's P6.2 billion. The negative effect of this on maintenance spending was partly tempered by new releases this year for roadside maintenance of the DPWH, assistance to informal settler families (ISF) in dangerous areas by the DILG, and assistance to farmers in Yolanda-affected areas by the DA, among others. Spending by DSWD had been slower than expected due to reasons previously reported. The DSWD has recorded a rate of obligation² of 13.7 percent in the first quarter compared to 21.6 percent last year.
- Subsidies to GOCCs were lower this year at P1.5 billion, equivalent to 71.7 percent decrease, as the cash requirements for housing and resettlement programs of the NHA (prior and current years), for the premium subsidy for the National Health Insurance Program of indigent and near-poor families, and for the palay procurement of the NFA, remain unreleased as of April. These transfers, which amount to about P50 billion were expected to be made during the period, but were delayed due to non-submission of special budget requests and complete documentary requirements.

² Obligations incurred over available allotments. Being first quarter levels, the average rate of obligation should at least have been 25%.

Outlook for the Rest of the Year

Table 3: Status of 2014 Allotment Releases
in billion pesos, unless otherwise indicated

| Particulars | Program | Releases as of April* | Balance | |
|------------------|---------|-----------------------|---------|------|
| | | | Amount | % |
| Original Program | 2,264.6 | 1,833.4 | 431.2 | 19.0 |

* Inclusive of releases charged against 2013 Continuing Appropriations, 2013 Supplemental Budget, and Automatic Appropriations

Source of basic data: BTS

With the release for the full year requirement for the automatically-appropriated interest payments and the allotment releases for the month of April, the balance of the P2.265 trillion appropriations was reduced from P712.4 billion as of March to P431.2 billion as of April. Majority (or 87.3 percent) of this program balance represents unreleased appropriations under

agency-specific budgets and Special Purpose Funds (SPFs), which require submission of special budget requests and documentary requirements prior to release. Among the items with substantial balances are as follows: 1) pension and retirement benefits under the PGF - P76.3 billion; 2) other personnel benefits funded from the MPBF - P42.6 billion; 3) subsidies to GOCCs - P44.9 billion; 4) premium subsidy for indigents under the National Health Insurance Program - P35.3 billion; 5) Basic Educational Facilities under the DPWH Budget - P39.0 billion; 6) Rehabilitation and Reconstruction Fund - P20.0 billion; 7) special shares of LGUs from the proceeds of national taxes - P16.6 billion; 8) National Disaster Risk Reduction Management Fund - P13.0 billion; 9) DENR's National Greening Program - P11.5 billion; 10) farm-to-market road projects of the DA - P11.4 billion; and 11) DAR's Comprehensive Agrarian Reform Program - P11.1 billion.

The government had expected that budget execution and program/project implementation will be fast-tracked and disbursements will be more frontloaded than previous years with the implementation of the GAA-as-a-release document and the other expenditure management reforms, particularly in terms of improving the payment system. However, the spending performance of the departments/agencies in the first quarter, more so the contraction in April disbursements, showed that a more thorough look needs to be done on the other factors that are holding back spending and the issues encountered by departments/agencies, mostly attributed to planning and procurement processes.

On the procurement side, the government will explore ways to facilitate the bidding process, by decentralizing Bids and Awards Committees (BACs), encouraging participation of smaller contractors by lowering the value of projects, and enhancing the capacity of agencies in project design, detailed engineering and the preparation of functional requirements and technical specifications, among others. Likewise, the government will take a more proactive approach on GOCCs to hasten the submission of documentary requirements to facilitate the release of needed subsidies.