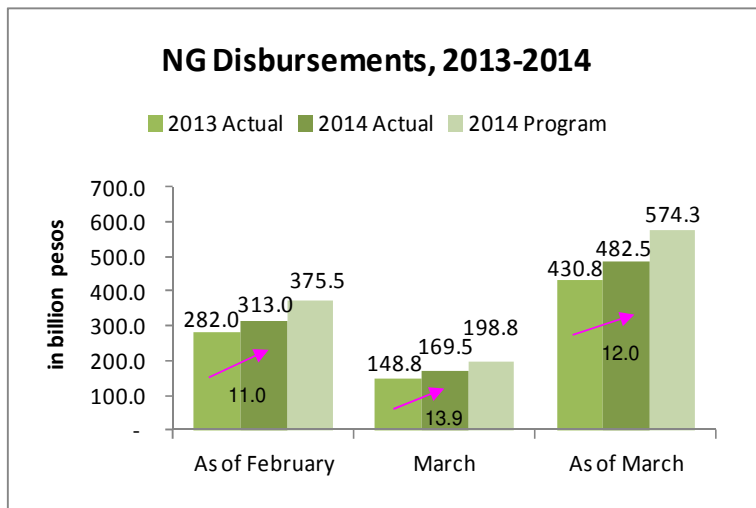


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE FOR MARCH 2014

Total national government disbursements for the first quarter of the year registered at P482.5 billion, P51.7 billion or 12.0 percent higher than the P430.8 billion spent last year. The 12.0 percent cumulative growth rate is still at a faster pace than the 8.7 percent average growth for the same period over the last nine years. More critical expenditures such as maintenance and capital outlays further scaled up this year, collectively growing by 16.1 percent from P128.6 billion in 2013 to the current year's P149.3 billion.



Notwithstanding this significant expansion, the government spent 16.0 percent less than expected and disbursements stayed within program for the first quarter. This has been primarily caused by delays in the release of budgetary support to GOCCs and adjustments in payment mechanism (i.e., shift from use of MDS checks to the Advice to Debit Account or ADA system; and change from monthly to quarterly lapsing of NCAs). Thus, the disbursement performance for the first quarter was unexpectedly weighed down by the rise in lapsed or unused NCAs in the amount of P35.6 billion, which is 55.6 percent higher than last year's P22.9 billion and the building up of outstanding checks¹ from P29.0 billion in 2013 to P32.3 billion this year (or an increase of 11.4 percent).

Table 1
Comparison of Actual Disbursements vs. NCA, 2013-2014
in billion pesos, unless otherwise indicated

Particulars	As of February				March				As of March							
	2013		2014		2013		2014		2013		2014				2013 vs. 2014	
	Actual		Actual		Actual		Actual		Actual		Program		Actual		Inc./(Dec.)	
NCA	173.7	179.1	5.4	3.1	115.5	127.5	12.0	10.4	289.2	413.3	306.6	(106.7)	(25.8)	17.4	6.0	
% of Effective NCA	79.1	76.1			93.9	93.0			84.4		82.5					
Non-NCA	108.3	134.0	25.7	23.7	33.3	41.9	8.7	26.1	141.6	161.0	175.9	14.9	9.3	34.4	24.3	
Total	282.0	313.0	31.0	11.0	148.8	169.5	20.7	13.9	430.8	574.3	482.5	(91.8)	(16.0)	51.7	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 Mar. 2013	342.6	As of Mar. 2014	372.4
As of Feb. 2013	219.5	As of Feb. 2014	235.2
March 2013	123.1	March 2014	137.2

Allotment Releases

As of March 2013	1,417.0	71% of the P2.006 trillion obligation program
As of March 2014	1,552.2	69% of the P2.265 trillion obligation program

Source: Budget Technical Service (BTS)

Nevertheless, first quarter disbursements ended with a strong finish in March, as disbursements grew by 13.9 percent from the P148.8 billion total in March 2013 to P169.5 billion this year. This can be attributed to the increase in non-NCA items, particularly interest payments (IP) and net lending, and for higher year-over-year spending for NCA items such as

¹ These are checks that have been issued by the departments/agencies but have not been presented by the creditors to the banks.

Personnel Services (PS), maintenance and other operating expenditures (MOOE), and transfers to LGUs.

Table 1 shows that the cumulative utilization² of NCAs amounted to P306.6 billion, 6.0 percent higher than last year's P289.2 billion. For the first quarter, among the departments which registered large increases in disbursements based on checks negotiated through the government-servicing banks are as follows: DA (from P6.4 billion to P9.6 billion), DepEd (from P49.2 billion to P55.6 billion); DND (from P28.7 billion to P35.9 billion), DOH (from P5.1 billion to P6.3 billion) and DOTC (from P2.8 billion to P4.5 billion).

Allotment Releases

With the GAA-as-a-release document, allotments issued from January to March 2014 were 9.5 percent higher this year at P1,552.2 billion³, representing 69 percent of the total obligation program. Releases from agency-specific budgets increased by 12.4 percent as of March 2014, in view of the larger full-year requirements for the following programs year-on-year: 1) Pantawid Pamilyang Pilipino Program or 4Ps of the DSWD - from P44.3 billion to P62.6 billion; 2) Basic Education Facilities of the DepEd and DPWH - from P24.3 billion to P44.6 billion; 3) Flood Control and Management Services of the DPWH - from P12.4 billion to P30.0 billion; and 4) Infrastructure Development Program and various Foreign-Assisted Projects under the DOTC - from P10.6 billion to P38.1 billion.

For the month of March, the major allotment releases were for the following purposes: 1) 4Ps - P54.6 billion; 2) AFP Modernization Program - P4.8 billion; 3) payment of pension, retirement and terminal leave benefits chargeable against Pension and Gratuity Fund (PGF) - P3.4 billion; 4) creation of new positions chargeable against the Miscellaneous Personnel Benefits Fund (MPBF) - P2.1 billion; 5) road maintenance projects from the Motor Vehicle Users Charge Fund - P1.6 billion; and the 6) operating requirements of the Government Integrated Financial Management Information System (GIFMIS) - P600 million.

Year-on-Year Performance

Spending performance in March further shored up this year's disbursements with the following releases:

- PS grew by 11.2 percent in March with releases for the payment of retirement and terminal leave benefits (P3.4 billion in March 2014 vs. P1.8 billion in March 2013), and the hiring of 3,000 police officers of the DILG-PNP. This brought the cumulative growth rate of PS for the first quarter to 6.3 percent.
- Maintenance and other operating expenditures (MOOE) grew by 21.2 percent in March, on account of additional releases for assistance to farmers as part of post-disaster aid in the Reconstruction Assistance on Yolanda (RAY) Plan, for road maintenance projects of the DPWH, and for the payment of transaction fees by the DOF-BTr to banks collecting internal revenue taxes, in line with the implementation of the Treasury Single Account (TSA). Hence, maintenance spending stood at P72.2 billion as of March, a tad higher than last year's P70.3 billion, largely reflecting the offsetting impact of the non-recurring expenses for the national and local elections last year and the increased budgets for social protection and poverty reduction programs of the DSWD.
- Infrastructure and other capital outlays continued to gain momentum in March, growing by 9.9 percent and resulting to a cumulative growth rate of 32.3 percent. Further releases in March were for the rehabilitation of fishing communities in Yolanda-hit areas including

² Actual checks negotiated, inclusive of Advice to Debit Account (ADA) credited

³ This amount includes first quarter actual disbursements for interest payments.

construction and rehabilitation of BFAR facilities in affected regions and provision of motorized and non-motorized *bancas*, and for the restoration and/or rehabilitation of irrigation systems nationwide under DA-NIA. Year-on-year expansion is also evident in DPWH and DND with carryover disbursements for reconstruction and rehabilitation of calamity-stricken areas and for the implementation of the AFP Modernization Program, respectively.

- IP grew by 20.4 percent in March, representing the increase in interest expenses for domestic borrowings, on account of the lag time in recording of interest on bonds issuances last year⁴, as well as the higher borrowing costs in 2014 due to the tapering of the US Federal Reserve's bond buying program. For the quarter however, interest payments showed a 4.8

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

Particulars	1st Quarter		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	364.8	383.4	18.5	5.1
PS	130.1	138.4	8.3	6.3
MOOE	70.3	72.2	1.9	2.7
Subsidy	4.2	1.2	(2.9)	(70.6)
Allotment to LGUs	60.5	68.3	7.8	13.0
IP	98.3	103.1	4.8	4.9
TEF	1.4	0.1	(1.3)	(95.6)
Capital Outlays	74.1	94.3	20.2	27.2
Infra & Other CO	58.2	77.0	18.8	32.3
Equity	0.2	0.1	(0.1)	(39.0)
Cap. Transfers to LGUs	15.7	17.1	1.4	9.1
CARP-LO	-	-	-	-
Net Lending	(8.1)	4.9	13.0	160.5
TOTAL	430.8	482.5	51.7	12.0

percent growth so that as a result, the share of interest payments in total disbursements for the first quarter this year declined to 21.4 percent compared to 22.8 percent last year.

- Total transfers to LGUs increased by P3.2 billion or 12.7 percent for the month of March as a result of higher Internal Revenue Allotment (IRA) this year based on the mandated shares in the Local Government Code. During the first quarter, transfers to LGUs grew by P9.3 billion or by 12.2 percent.
- A P13.0 billion increase was recorded in net lending for the quarter due to the non-recurring P12.3 billion repayments made by PSALM in the first quarter of 2013.

Year-on-year contraction in budgetary support to GOCCs offset the increases in the above accounts. Subsidies to GOCCs were lower this year mainly on account of the one-off payment of almost P1 billion by NKTi for the transfer of the unutilized portion of the NKTi lot from NHA in 2013.

Performance vs. Programmed Levels

In comparison with the consolidated disbursements programs submitted by departments/agencies, first quarter spending fell short of expectations by 16.0 percent. It may be recalled that the last time underspending was this high was in the first quarter of 2011 when spending-below-program was at 19.0 percent, as the Aquino Administration plugged loopholes and introduced reforms in budgeting and program/project identification and implementation. Once again, the government sees this outturn so far this year as birth pangs of the series of reforms recently implemented - the GAA-as-a-release document, use of the

⁴ According to DOF-BTr, in 2013, there was some P4.3 billion of interest on a bond that pay coupon every March 31, that had to be taken up in April 2013 as the actual payment date of March 31 fell on a Sunday.

Unified Accounts Code Structure, checkless (or ADA) payment scheme, and shift from monthly to quarterly lapsing of NCAs.

As a result, spending outturn on all accounts was recorded below program, details as follows:

- Spending for PS was lower than program by P12.8 billion or 8.5 percent, due to lower-than-expected claims for retirement gratuity and terminal leave benefits under the PGF, and unreleased appropriations from the MPBF programmed in the first quarter for the grant of the 2013 Performance - Based Bonus to employees of departments/agencies who met the eligibility criteria.

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.	448.1	383.4	(64.7)	(14.4)
PS	151.2	138.4	(12.8)	(8.5)
MOOE	100.1	72.2	(27.9)	(27.9)
Subsidy	21.1	1.2	(19.9)	(94.2)
Allotment to LGUs	68.3	68.3	-	-
IP	105.3	103.1	(2.2)	(2.1)
TEF	2.0	0.1	(1.9)	(97.0)
Capital Outlays	121.1	94.3	(26.8)	(22.1)
Infra & Other CO	102.7	77.0	(25.6)	(25.0)
Equity	0.3	0.1	(0.2)	(58.0)
Cap. Transfers to LGUs	17.1	17.1	0.0	0.0
CARP-LO	1.0	-	(1.0)	(100.0)
Net Lending	5.2	4.9	(0.3)	(4.9)
TOTAL	574.3	482.5	(91.8)	(16.0)

- Majority of the 27.9 percent underspending in MOOE may be accounted for by the low NCA utilization rates of MOOE-heavy departments such as DAR and DENR, both disbursed⁵ less than half of the NCAs issued to them. For these two departments, more than P5.0 billion either represents outstanding checks or lapsed NCAs at the end of the quarter.

Moreover, the NCA utilization of the DSWD was at almost 60 percent as of March, with P10.2 billion undisbursed. For the same period last year, DSWD's utilization rate was at 95.5 percent. According to the DSWD, this performance in disbursements can be partly attributed to the following reasons, among others: 1) ongoing validation of child-beneficiaries of the Expanded CCT (high school extension) program which may go on until enrollment for the School Year 2014 ends; 2) low registration rates for the additional household beneficiaries in 2014 due to the encountered problems in locating the potential beneficiaries in the indicated addresses during the field validation; and the 3) social preparation⁶ for the majority of the beneficiaries under the Modified CCT (assistance to families with special needs) is still underway. However, the DSWD has formulated catch-up measures and strengthened coordination among their implementing units to keep up with their programmed utilization.

- Likewise, capital spending fell short of program by 25.0 percent, largely on account of underutilization of NCAs by the DPWH, disbursing only 59.5 percent of the P45.0 billion cash allocation issued by the DBM. Of the remaining 40.5 percent or P18.2 billion, P2.8 billion registered as outstanding checks as of end-March while P15.4 billion lapsed. Not so far off is the disbursement performance of the DA, as it recorded P2.8 billion of outstanding checks and P2.1 billion of lapsed NCAs.

⁵ Disbursements in this report refer to negotiated checks or actual payments debited to the account of creditors

⁶ Social preparation includes identification, validation, and registration of beneficiaries.

The budgetary allocation for the DENR's National Greening Program also remained unreleased as of the first quarter pending the submission by the DENR of geo-tagged photos of the FYs 2012 and 2013 planted sites, and FY 2014 identified sites for planting activities with time stamps, hence, the non-release contributed to the lower-than-programmed spending for both MOOE and CO.

Moreover, the DOH has reported that their underutilization of NCAs specifically for CO was largely on account of the delays in the procurement process, which albeit starting early in September 2013, was somehow slowed down by the disasters in the latter part of last year as activities of hospitals and regional offices were focused in assisting the affected areas.

- Releases to GOCCs to support their operational requirements was minimal during the first quarter of the year at only P1.2 billion. Hence, subsidy was at its lowest since 2006, and was lower than program by almost P20 billion. This was attributed to the late submission of the 2014 Corporate Operating Budget (COB) of the NHA, for which P12.2 billion was programmed for release in February - March. Similarly, the lack of supporting documents, which also include the 2014 COB, prompted the non-release to the following GOCCs: 1) NFA - P2 billion; 2) SHFC - P1.3 billion; 3) PCFC - P900 million; 4) PCA - P840 million; and 5) NPC - P622 million. These items will be reprogrammed for release in the following months.

Outlook for the Rest of the Year

Table 4: Status of 2014 Allotment Releases

in billion pesos, unless otherwise indicated

Particulars	Program	Releases as of March*	Balance	
			Amount	%
Original Program	2,264.6	1,552.2	712.4	31.5

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

Source of basic data: BTS

As a result of the GAA as a release document regime, of the P2,264.6 billion total obligation program for the year, only P712.4 billion remains to be released for the rest of the year. This consists of P311.6 billion worth of automatically-appropriated items such as interest payments, net lending and tax expenditures, and P400.8

billion program balance under agency-specific budgets and Special Purpose Funds (SPFs), which require submission of special budget requests and documentary requirements prior to release. These unreleased appropriations include the following expenditure items: 1) pension and retirement benefits under the PGF - P94.4 billion; 2) other personnel benefits funded from the MPBF - P46.6 billion; 3) subsidies to GOCCs - P45.0 billion; 4) Basic Educational Facilities under the DPWH Budget - P39.0 billion; 5) premium subsidy for indigents under the National Health Insurance Program - P35.3 billion; and the 6) Rehabilitation and Reconstruction Fund - P20.0 billion; among others.

The disbursement performance as of March has been characterized with spending below expectations despite the notable expansion year-on-year. In part, the agency-submitted disbursement programs which were used as bases for the aggregate cash program, proved to be more frontloaded than the actual cash requirements for the implementation of their programs and projects. The government will not take this underperformance lightly, hence the DBM will work closely with the implementing agencies through the Account Management Teams (AMTs) to look into the bottlenecks and devise ways to fast-track program/project implementation, thereby facilitate disbursements.