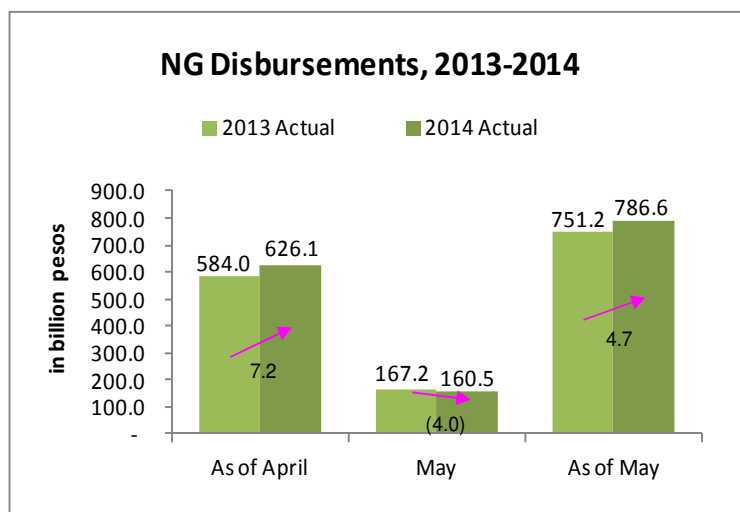


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF MAY 2014



For the first five months of the year, the national government spent a total of P786.6 billion, exceeding last year's outturn of P751.2 billion by P35.4 billion or 4.7 percent. This performance is quite subdued compared to the 12.4 percent growth recorded for the same period last year, and the first quarter expansion this year at the rate of 12.0 percent. This can be attributed to contraction in disbursements for two consecutive months, April and May.

Notwithstanding the 8.0 percent cumulative growth in NCA issuances year-on-year from P619.4 billion as of May 2013 to P668.8 billion as of May 2014, disbursements through the use of NCAs faintly grew by P4.9 billion or less than 1 percent, as shown in Table 1. This can be attributed to the slowdown in NCA utilization rate this year at 82.0 percent as of May 2014 from 87.7 percent as of May 2013. Among the departments which registered slower absorption of NCAs as of May are as follows: DAR (from 83.0 percent to 60.4 percent), DA (from 79.4 percent to 61.2 percent), DOF (from 70.9 percent to 50.3 percent), DFA (from 87.0 percent to 64.6 percent), DOH (from 88.4 percent to 74.8 percent), DILG (from 91.5 percent to 77.1 percent), DOLE (from 85.8 percent to 69.7 percent), DPWH (from 67.1 percent to 61.7 percent), DOST (from 70.7 percent to 54.4 percent), and DSWD (from 82.0 percent to 52.9 percent). The estimated impact of these lower utilization rates for the cited departments is around P38 billion, which means that should these agencies have at least performed at the same rate last year, their disbursements as of May 2014 could have gone higher by P38 billion, and the growth rate could have been at least 9.8 percent.

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

| Particulars | As of April | | | | May | | | | As of May | | | |
|--------------------|-------------|-------|-----------|------|-------|-------|-----------|-------|-----------|-------|-----------|------|
| | 2013 | 2014 | Inc./Dec. | | 2013 | 2014 | Inc./Dec. | | 2013 | 2014 | Inc./Dec. | |
| | | | Amount | % | | | Amount | % | | | Amount | % |
| NCA | 402.8 | 419.8 | 17.0 | 4.2 | 140.6 | 128.5 | (12.1) | (8.6) | 543.4 | 548.2 | 4.9 | 0.9 |
| % of Effective NCA | 86.9 | 81.3 | | | 90.1 | 84.2 | | | 87.7 | 82.0 | | |
| Non-NCA | 181.2 | 206.4 | 25.1 | 13.9 | 26.6 | 32.0 | 5.4 | 20.2 | 207.8 | 238.4 | 30.5 | 14.7 |
| Total | 584.0 | 626.1 | 42.1 | 7.2 | 167.2 | 160.5 | (6.8) | (4.0) | 751.2 | 786.6 | 35.4 | 4.7 |

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

Memo Items:

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

| | | | |
|----------------|-------|----------------|-------|
| As of May 2013 | 619.4 | As of May 2014 | 668.8 |
| Jan-Apr 2013 | 463.4 | Jan-Apr 2014 | 516.1 |
| May 2013 | 156.0 | May 2014 | 152.7 |

Allotment Releases

| | | |
|--------------------|---------|---|
| As of May 31, 2013 | 1,525.6 | 76% of the P2.006 trillion obligation program |
| As of May 31, 2014 | 1,892.2 | 84% of the P2.264 trillion obligation program |

Source: Budget Technical Service (BTS)

Allotment Releases

Of the P2.265 trillion obligation budget, the DBM has released total of P1.892 trillion allotments as of May 2014, which is equivalent to 83.6 percent of the total budget, and higher by P366.6 billion or 24.0 percent than last year's comparable level of P1.526 trillion. For the month of May, the significant releases were for the following purposes: 1) customs duties and taxes - P10.3 billion; 2) Basic Educational Facilities under the DPWH Budget - P7.4 billion; 3) budgetary support to GOCCs - P6.5 billion; 4) payment of pension, retirement and terminal leave benefits chargeable against Pension and Gratuity Fund (PGF) - P4.8 billion; 5) releases to DOH, DILG and DPWH to cover the implementation of various priority projects in areas damaged by typhoons Yolanda, Sendong, among others - P3.7 billion; 6) DepEd's Abot-Alam Program - P2.0 billion; 7) budgetary requirements for the Philippine hosting of the 2015 Asia-Pacific Economic Cooperation (APEC) - P1.9 billion; and 8) Core Shelter Assistance Program for the earthquake-affected families in Bohol - P913 million.

Year-on-Year Performance

With disbursements sliding by 4.0 percent in May, the cumulative spending still managed to improve by 4.7 percent year-on-year, pushed by the increased provision for assistance to LGUs and the following expenditure items:

- Net the amount of remuneration for government employees involved in the national elections last year (i.e., the honoraria of Provincial, City and Municipal Board of Canvassers, the per diems for the Board of Election Inspectors, and the wages for contractual, casual and emergency personnel), PS decreased by P2.7 billion or 4.6 percent in May, retarding the year-on-year growth to 2.6 percent for the first five months of the year.

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

| Particulars | As of May | | Increase/Decrease | |
|------------------------|--------------|--------------|-------------------|------------|
| | 2013 | 2014 | Amount | % |
| Current Oper. Exp. | 616.6 | 636.9 | 20.3 | 3.3 |
| PS | 237.7 | 243.8 | 6.1 | 2.6 |
| MOOE | 120.2 | 122.6 | 2.4 | 2.0 |
| Subsidy | 6.2 | 3.2 | (3.0) | (48.4) |
| Allotment to LGUs | 100.8 | 113.8 | 13.1 | 13.0 |
| IP | 138.7 | 140.1 | 1.4 | 1.0 |
| TEF | 12.9 | 13.3 | 0.4 | 2.9 |
| Capital Outlays | 138.8 | 143.7 | 4.9 | 3.5 |
| Infra & Other CO | 108.4 | 112.3 | 3.9 | 3.6 |
| Equity | 0.3 | 0.4 | 0.0 | 12.2 |
| Cap. Transfers to LGUs | 30.1 | 31.1 | 1.0 | 3.2 |
| CARP-LO | - | - | - | - |
| Net Lending | (4.2) | 6.0 | 10.1 | 242.9 |
| TOTAL | 751.2 | 786.6 | 35.4 | 4.7 |

- Maintenance and other operating expenditures (MOOE) grew, albeit slightly, in May by P2.7 billion or 12.3 percent, with new releases to the DILG for the recovery and rehabilitation of Bohol and Cebu brought about by the 7.2 magnitude earthquake, and for the additional operating requirements of DepEd and DOH. However, year-on-year cumulative growth was minimal at P2.4 billion or 2.0 percent without the expenditures for the conduct of the FY 2013 elections as well as the slowdown in DSWD disbursements this year.
- Infrastructure and other capital outlays weakened in May by P14.5 billion or 43.9 percent due to lower disbursements by DA and DPWH. In the case of DA, last year, allotments equivalent to around 70 percent of the P7 billion allocation for farm-to-market roads (FMRs) were already released as of May, while for this year, none has been released yet for FMRs out of the P12 billion budget. This is because of late submission of network plan and geo-tagged information on the roads as required by the Special Provision in the GAA (partial submission was received only in May). Likewise, settlement of accounts payable

for completed or partially accomplished irrigation projects reached P11.4 billion for the first semester last year to a lower outturn of P2.1 billion as of May this year.

- Sans any notable net lending transactions in May, net lending this year remained significantly higher in cumulative terms by P10.1 billion from negative P4.2 billion in 2013 to P6.0 billion in 2014.

Meanwhile, transfers to GOCCs in the form of subsidies slowed down by P3.0 billion with the reprogramming of releases for NHA this year given the delayed submission of special budget requests and documentary requirements. In 2013, partial releases for the NHA resettlement programs were made as early as February.

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 May* | Balance | |
|------------------|---------|---------------------|---------|------|
| | | | Amount | % |
| Original Program | 2,264.6 | 1,892.2 | 372.4 | 16.4 |

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

Source of basic data: BTS

As of May 2014, P372.4 billion or 16.4 percent of the P2.265 trillion obligation budget remains unreleased, consisting mostly of 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 - P71.5 billion; 2) other personnel benefits funded from the MPBF - P41.6 billion; 3) subsidies to GOCCs - P38.4 billion; 4) premium subsidy for indigents under the National Health Insurance Program - P35.3 billion; 5) Basic Educational Facilities under the DPWH Budget - P31.7 billion; 6) Rehabilitation and Reconstruction Fund - P18.1 billion; 7) special shares of LGUs from the proceeds of national taxes - P14.5 billion; 8) National Disaster Risk Reduction Management Fund - P12.4 billion; 9) farm-to-market road projects of the DA - P12.0 billion; 10) DENR's National Greening Program - P11.5 billion; 11) DAR's Comprehensive Agrarian Reform Program - P11.1 billion; and 12) DA's locally-funded and foreign-assisted irrigation projects - P10.8 billion.

While NG spending declined in the past two months, the government sees this as a temporary setback due to the problems and bottlenecks during various stages of program/project implementation. Since these operational constraints and the chilling effect of the PDAF and DAP issues are now being addressed jointly by oversight and implementing departments, we expect that disbursements will build up in June and succeeding months. There will also be catching-up on subsidies to GOCCs as a number of special budget requests were received recently and are now being evaluated.