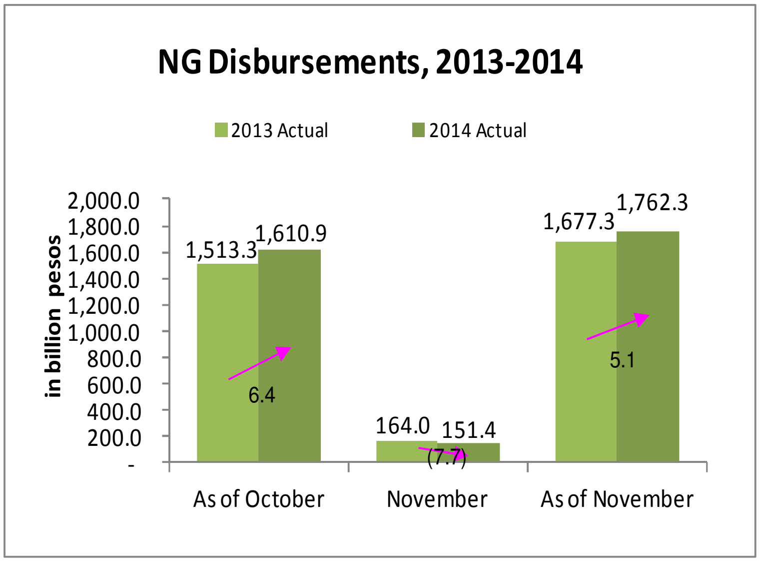
ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF NOVEMBER 2014



National government disbursements amounted to P1.762 trillion as of end-November, higher than the 2013 level of P1.677 trillion by P84.9 billion or 5.1 percent. Net of interest payments, the cumulative growth in spending is much higher by 1.4 percentage points to 6.5 percent. The main drivers of spending remain to be subsidies to GOCCs; transfers to LGUs; and higher maintenance and capital spending which grew at a combined rate of 7.1 percent.

However, in terms of year-on-year growth, this cumulative disbursement outturn was slightly worse than the performance as of end-October due to the contraction in spending recorded for the month of November in the amount of P12.6 billion or 7.7 percent. However, Table 1 shows that out of the P12.6 billion reduction in spending for the month of November, around 82 percent or P10.3 billion can actually be attributed to the decline in non-NCA items such as interest payments, tax subsidies and net lending, which is a favorable development and indication of the progress being made in containing these costs.

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

Particulars	As of October				November				As of November			
	2013	2014	Inc./Dec. Amount	Inc./Dec. %	2013	2014	Inc./Dec. Amount	Inc./Dec. %	2013	2014	Inc./Dec. Amount	Inc./Dec. %
NCA	1,126.7	1,205.1	78.4	7.0	126.6	124.3	(2.3)	(1.8)	1,253.3	1,329.4	76.1	6.1
% of Effective NCA	*92.3*	*87.2*			*87.4*	*78.6*			*91.8*	*86.3*		
Non-NCA	386.7	405.8	19.1	4.9	37.4	27.1	(10.3)	(27.5)	424.1	432.9	8.8	2.1
Total	1,513.3	1,610.9	97.5	6.4	164.0	151.4	(12.6)	(7.7)	1,677.3	1,762.3	84.9	5.1

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

Memo Items:

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

As of November 2013	1,365.6	As of November 2014	1,539.8
Jan-Oct. 2013	1,220.8	Jan-Oct. 2014	1,381.7
November 2013	144.8	November 2014	158.0

Allotment Releases

As of Nov. 30, 2013	1,912.4	95% of the P2.006 trillion obligation program
As of Nov. 30, 2014	2,154.3	95% of the P2.264 trillion obligation program

Source: Budget Technical Service (BTS)

The remainder, or about P2.3 billion (1.8 percent), was on account of the lower NCA utilization this year which was partly due to the P13.2 billion or 9.1 percent increase in NCA releases for the month of November. Still, based on the year-on-year comparison of disbursements (negotiated checks per bank reports), some departments recorded contractions for the month of November like DA (P1.9 billion), DND (P1.9 billion), and DSWD (P1.4 billion).

Allotment Releases

As of end-November, total allotments of P2.154 trillion had been made available to departments/agencies for obligation, or about 95 percent of the P2.265 trillion obligation program for the year. This was higher by P241.9 billion or 12.6 percent than the allotments released for the same period last year in the amount of P1.912 trillion, mainly attributed to the large combined increase in Maintenance and Other Operating Expenditures (MOOE) and Capital Outlays (CO) of 31.3 percent, and the sizeable growth in releases under Special Purpose Funds (SPFs) by 18.7 percent. Among the departments which registered significant expansion in allotments are the DPWH (by P75.0 billion or 49.6 percent) for higher capital outlay requirements; DOTC (by P24.0 billion or 112.1 percent) for the implementation of transport infrastructure projects; and DSWD (by P24.7 billion or 42.4 percent) for the increased requirements for major social programs.

Allotments released in November amounted to P11.4 billion, which cover the following big-ticket items: 1) payment of pension, terminal leave and other separation benefits chargeable against Pension and Gratuity Fund (PGF) - P4.4 billion; 2) requirements for filling-up of unfilled positions, creation of new positions, 2013 PBB, and other PS deficiencies of agencies under the Miscellaneous Personnel Benefits Fund (MPBF) - P4.3 billion; 3) various projects in relation to damages caused by *Typhoon Pablo* chargeable against the 2013 Supplemental Budget - P2.7 billion; 4) budgetary support to GOCCs - P1.8 billion; 5) tax expenditure subsidies/customs duties and taxes - P0.9 billion; and 6) repair, rehabilitation and improvement of various roads chargeable against the Motor Vehicle User's Charge (MVUC) - P0.7 billion.

Year-on-Year Performance

Notwithstanding the 12.6 percent increase in allotment releases as of end-November, disbursements grew by only 5.1 percent. Nearly all expenditure classes registered declines in November from year-ago levels, although the reduction was much larger in the non-NCA accounts, particularly net lending and tax subsidies -- a favorable development.

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

Particulars	As of November		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	1,371.4	1,442.5	71.1	5.2
PS	538.0	541.5	3.5	0.7
MOOE	254.2	274.4	20.1	7.9
Subsidy	39.1	66.3	27.2	69.7
Allotment to LGUs	221.7	250.5	28.8	13.0
IP	296.7	292.3	(4.4)	(1.5)
TEF	21.8	17.6	(4.2)	(19.3)
Capital Outlays	289.9	306.6	16.7	5.8
Infra & Other CO	223.3	237.3	14.0	6.3
Equity	0.7	1.5	0.8	124.3
Cap. Transfers to LGUs	65.9	67.8	1.9	2.9
CARP-LO	-	-	-	
Net Lending	16.0	13.2	(2.8)	(17.6)
TOTAL	1,677.3	1,762.3	84.9	5.1

- The largest spending deceleration in November was due to the P9.0 billion drop in net lending to GOCCs. This was on account of the non-recurring advances made to the Home Guaranty Corp. (HGC) in November 2013 in the amount of P12.0 billion to settle its maturing obligations guaranteed by the government. Meanwhile, in November 2014, net lending only registered at P3.8 billion, mostly for the National Development Company (NDC). Along with the net effect of advances and repayments of GOCCs in the 11-month period, net lending decreased by P2.8 billion or 17.6 percent as of end-November.

- Tax expenditures payable by national government agencies and GOCCs shrunk in November by P1.6 billion or 70.0 percent due to the non-availment of the Philippine

Deposit Insurance Corp. (PDIC) given that its entitlement to tax subsidy expired in June 2014 in accordance with its charter (R.A. No. 9576)[1]. Tax subsidies also declined by P4.2 billion or 19.3 percent in cumulative terms due to lower requirements of the Power Sector Assets and Liabilities Management Corp. (PSALM) to cover deficiency VAT for the sale of its power generation assets; and those of the National Food Authority (NFA), which has not submitted approved billings on its importations from the BOC.

- The contraction in November for both MOOE and CO by P2.8 billion (or 11.8 percent) and P0.6 billion (or 3.7 percent), respectively, were due to the slower utilization rate of NCAs from 87.4 percent in November 2013 to 78.6 percent in November 2014, which was partly offset by the 9.1 percent year-on-year increase in NCAs issued for the same period (from P144.8 billion to P158.0 billion). However, cumulative spending in MOOE and CO still managed to grow by 7.9 percent and 6.3 percent, respectively.

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 November*	Balance	
			Amount	%
Original Program	2,264.6	2,154.3	110.3	4.9

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

Source of basic data: BTS

Of the P2.265 trillion obligation budget, only P110.3 billion or 4.9 percent remains unreleased, consisting mostly of appropriations under SPFs and items in the Negative List under agency-specific budgets, due to the non-submission of special budget requests and documentary requirements by agencies. Among the items with considerable unreleased appropriations are as follows: 1) Basic Educational Facilities under the DPWH Budget - P21.5 billion; 2) other personnel benefits funded from the MPBF - P20.1 billion; 3) pension and retirement benefits under the PGF - P17.4 billion; 4) Rehabilitation and Reconstruction Program - P15.1 billion; 5) special shares of LGUs from the proceeds of national taxes - P11.4 billion; 6) subsidy to various GOCCs - P7.0 billion; 7) DAR's Comprehensive Agrarian Reform Program-Landowners' Compensation - P5.0 billion; and 8) DA's farm-to-market road projects - P4.5 billion.

In December 2014, the Congress has authorized the use of supplemental appropriations in the amount of P22.5 billion under R.A. No. 10652, to fund urgent and important projects which are not in the FY 2014 GAA and cannot be funded by savings or through the Unprogrammed Fund. Notably, it covers valid obligations incurred by the national government on completed or commenced projects under the Priority Development Assistance Fund (or PDAF) as well as approved projects supported by the Disbursement Acceleration Program (or DAP). The implementation of programs and projects under this Supplemental Budget, which are urgent in nature, is expected to further bolster spending in the coming months.

As it is in the past four years, and based on very preliminary data, we can expect an improvement in the disbursement performance in the last month of 2014. This was indicated by the recoupment in spending on PS, aided by releases for employees' bonuses and productivity incentive benefits; accelerated disbursements for infrastructure partly tempering the setbacks in the past months; and catching-up on subsidies to GOCCs particularly for the housing sector.

[1] From then on, the PDIC is exempt from tax obligations such as income tax, final withholding tax, value-added tax on assessments collected from member banks, and local taxes.