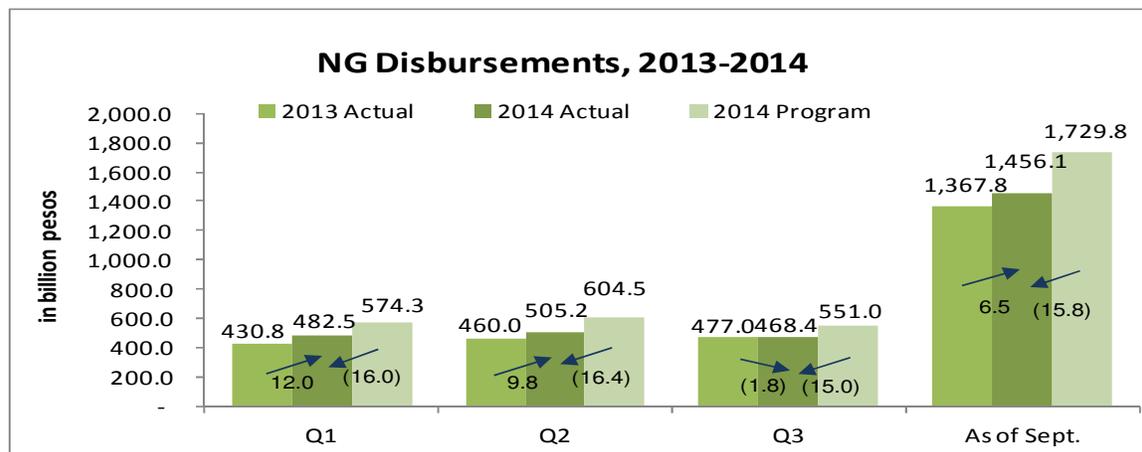


## ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF SEPTEMBER 2014

The national government spent a total of P1.456 trillion for the first three quarters of the year, higher by P88.3 billion or 6.5 percent than the actual comparable figure of P1.368 trillion in 2013. Although this growth approximates the average increase from 2010 to 2013, there was an apparent slowdown in the spending performance for the third quarter compared to the increase recorded in the first two quarters of the year (Q1 at 12.0 percent and Q2 at 9.8 percent). Relative to targets, national government disbursements remained within the P1.730 trillion program as of September and registered an underspending of P273.8 billion or 15.8 percent of the three-quarter disbursement program. This performance is within the vicinity of the January - September 2011 disbursement outturn where the national government registered an underspending of P205.1 billion or 16.1 percent.



As noted earlier, in contrast to the more than 10 percent average growth in spending for the first two quarters, Q3 disbursements recorded a contraction of 1.8 percent primarily pulled by the lower year-on-year spending for non-cash items like interest payments, tax expenditures and net lending, with only a slight increase in NCA disbursements for the period. From the table below, it can be seen that while there was a slight improvement in NCA utilization rate from 81.7 percent and 88.9 percent in Q1 and Q2, respectively, to 89.9 percent in Q3, it remains lower than last year's pace of NCA utilization which was at 98.6 percent. This implies that even if there were more NCAs issued in Q3 this year in the amount of P391.2 billion compared to last year's P356.2 billion, with the significantly weaker absorption by departments/agencies of these funds, it resulted to practically nil increase in NCA disbursements for Q3 (only 0.1 percent).

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

Particulars	Q1		Q2		Q3					As of September							
	2014		2014		2013		2014			2013		2014				2013 vs. 2014	
	Actual	Actual	Actual	Prog.	Actual	Deviation Amount	Deviation %	Inc./Dec. Amount	Inc./Dec. %	Actual	Prog.	Actual	Deviation Amount	Deviation %	Inc./Dec. Amount	Inc./Dec. %	
NCA	306.6	416.6	351.2	412.7	351.7	(61.0)	(14.8)	0.4	0.1	1,009.8	1,323.5	1,074.9	(248.6)	(18.8)	65.1	6.4	
% of Eff. NCA	81.7	88.9	98.6		89.9					91.3		87.0					
Non-NCA	175.9	88.6	125.8	138.3	116.7	(21.6)	(15.6)	(9.1)	(7.2)	358.0	406.4	381.2	(25.2)	(6.2)	23.2	6.5	
Total	482.5	505.2	477.0	551.0	468.4	(82.6)	(15.0)	(8.7)	(1.8)	1,367.8	1,729.8	1,456.1	(273.8)	(15.8)	88.3	6.5	

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

**Memo Items:**

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

As of September		3rd Quarter	
2013	1,105.9	2013	356.2
2014	1,235.0	2014	391.2

1st Quarter, 2014 375.2  
2nd Quarter, 2014 468.6

*Allotment Releases*

As of Sept. 2013	1,840.4 billion or 92% of the P2.006 trillion obligation program
As of Sept. 2014	2,087.3 billion or 92% of the P2.264 trillion obligation program

Source: Budget Technical Service (BTS)

## Allotment Releases

Of the P2.265 trillion obligation program, a total of P2.087 trillion in obligational authorities were made available to departments/agencies as of September, equivalent to 92 percent of the program. These allotments were higher by 13.4 percent than the amount recorded for the same period last year. This growth is mostly attributed to the 17.9 percent increase in the allotments released under department-specific budgets (which account for more than half the allotments for the period), specifically from the 24.5 percent and 40.4 percent increase in allotments issued for Maintenance and Other Operating Expenditures (MOOE) and Capital Outlays (CO), respectively.

Among the big departments which reported significant growth in allotment releases are as follows:

**Table 2: Top Departments in Terms of Increase in Allotment Releases**  
in billion pesos, unless otherwise indicated

Dept.	Allotment Release		Increase		Items that Account for the Increase
	2013	2014	Amount	Percent	
DPWH	150.5	224.3	73.8	49.1	Higher capital outlay requirements, e.g., farm-to-market roads, basic educational facilities, etc.
DSWD	55.7	82.9	27.2	48.8	Increased requirements of major programs, e.g., Pantawid Pamilyang Pilipino Program or 4Ps, Supplemental Feeding Program, Quick Response Fund, etc.
DOTC	21.4	45.5	24.0	112.1	Higher releases on Infrastructure Development Program, e.g., Airport and Navigational Facilities, Integrated Transport System, Acquisition of Rolling Stocks for the MRT3 Capacity Extension Project, LRT Line 1 Cavite Extension Project, etc.
DepEd	226.9	237.8	10.9	4.8	Increase in PS requirements, Computerization Program and other locally-funded projects
DOH	38.4	46.2	7.8	20.3	Increased requirements for the operation of special hospitals, medical centers and activities for Disease Prevention Control; and Dangerous Drug Abuse Treatment and Rehabilitation Centers
DND	75.4	82.1	6.6	8.8	Early release of the requirements for the AFP Modernization Program

Furthermore, for the month of September alone, the DBM has issued allotments in the amount of P35.8 billion, which includes the following releases for: 1) requirements for Basic Educational Facilities under DPWH - P7.7 billion; 2) additional Personnel Services (PS) and MOOE requirements of DENR – P5.9 billion; 3) requirements under the Comprehensive Agrarian Reform Program of the DAR (balance of PS and MOOE requirements for rationalized personnel)– P3.8 billion; 4) requirements for pension, terminal leave and other separation benefits - P2.8 billion; 5) repair, rehabilitation and improvement of various roads under the DPWH charged against the Motor Vehicle User's Charge (MVUC) – P2.7 billion; 6) DA's farm-to-market roads to be implemented by DPWH – P2.6 billion; and 7) customs duties and taxes – P1.2 billion.

## Year-on-Year Performance

For the period January - September, 2014

Cumulatively, disbursements for this year registered an increase of P88.3 billion or 6.5 percent from the January to September 2013 level of P1.368 trillion. Net of interest payments, the year-on-year expansion is higher at 8.0 percent from the 2013 figure as of September. A

**Table 3: Disbursements by Expense Class, 2013 vs. 2014**  
in billion pesos, unless otherwise indicated

Particulars	As of September		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	1,127.6	1,194.7	67.1	5.9
PS	424.3	429.3	4.9	1.2
MOOE	211.0	225.0	14.0	6.6
Subsidy	35.4	62.2	26.8	75.7
Allotment to LGUs	181.4	204.9	23.5	13.0
IP	258.1	257.4	(0.7)	(0.3)
TEF	17.4	15.9	(1.5)	(8.7)
Capital Outlays	238.0	253.0	15.0	6.3
Infra & Other CO	182.6	195.4	12.9	7.0
Equity	0.6	1.2	0.7	111.9
Cap. Transfers to LGUs	54.8	56.3	1.5	2.8
CARP-LO Comp.	-	-	-	-
Net Lending	2.2	8.4	6.2	282.8
<b>TOTAL</b>	<b>1,367.8</b>	<b>1,456.1</b>	<b>88.3</b>	<b>6.5</b>

major contributing factor for this growth in disbursements was the release of subsidies to GOCCs in the amount of P62.2 billion, or an increase of P26.8 billion or 75.7 percent from the year-ago level. Of this amount, P35.3 billion was intended for the health insurance premium of 14.7 million poorest families to be covered under the National Health Insurance Program (NHIP) of the PHIC. Other items that drove spending as of

September were the higher Internal Revenue Allotment (IRA) of LGUs due to a larger tax base, and the increased disbursements of the DND, DepEd and DILG. Likewise, in terms of percentage, the highest year-on-year growth was recorded under net lending, which rose by nearly three-fold this year with the non-recurring P12.3 billion repayment made by PSALM in Q1 of 2013.

For the 3rd Quarter, 2014

On the other hand, national government spending declined in Q3 this year by about P8.7 billion or 1.8 percent, due largely to the lower year-on-year disbursements in the following items:

- Spending for PS decreased by almost P5.0 billion or 3.5 percent to P136.5 billion from last year's comparable level of P141.5 billion mainly on account of the delays in the grant of the 2013 Performance-Based Bonus (PBB) specifically for big departments such as the DepEd, DENR, DPWH, DOST, DTI and NEDA, as well as the non-entitlement of some departments/

**Table 4: Disbursements by Expense Class, 2013 vs. 2014**  
in billion pesos, unless otherwise indicated

Particulars	3rd Quarter		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	395.0	389.7	(5.3)	(1.4)
PS	141.5	136.5	(5.0)	(3.5)
MOOE	66.0	72.5	6.5	9.9
Subsidy	22.2	12.7	(9.5)	(42.9)
Allotment to LGUs	60.5	68.3	7.8	13.0
IP	101.0	97.7	(3.3)	(3.3)
TEF	4.0	2.0	(1.9)	(48.8)
Capital Outlays	76.4	76.7	0.4	0.5
Infra & Other CO	59.2	58.8	(0.4)	(0.7)
Equity	0.2	0.8	0.6	222.2
Cap. Transfers to LGUs	16.9	17.1	0.2	1.4
CARP-LO Comp.	-	-	-	-
Net Lending	5.6	2.0	(3.7)	(65.3)
<b>TOTAL</b>	<b>477.0</b>	<b>468.4</b>	<b>(8.7)</b>	<b>(1.8)</b>

agencies like the DAR and DA to receive the said grant. Release of the 2013 PBB is contingent upon the attainment of performance targets and submission of reportorial requirements, subject to review and evaluation of the A.O. 25 Inter-Agency Task Force.

As of September last year, about P9.2 billion was released for the 2012 PBB of national government agencies, where around 94 percent of this was released in Q3, while for this year, only P2.1 billion has been released for the 2013 PBB as of September 2014.

- The decline in subsidies to GOCCs in the amount of P9.5 billion or 42.9 percent was apparently due only to the difference in the timing of releases for the premium subsidy of indigents covered by the NHIP which was released in July last year in the amount of P11.9 billion, while the release for the same program was made earlier this year in June in the amount of P35.3 billion. However, as earlier mentioned, cumulatively, subsidies increased by P26.8 billion or by 75.7 percent year-on-year. This was accounted for mainly by the P23.4 billion boost in NHIP allocation and the release of the full amount of subsidy for NFA (P4.3 billion) compared to only P2.0 billion last year.
- Interest payments also decreased year-on-year by P3.3 billion or 3.3 percent due to lower volume of maturities and discounts on fixed rate treasury bonds offered in the regular auction last year, according to the Treasury. Hence, in cumulative terms, the percentage share of IP to total disbursements tapered by 1.2 percentage points from 18.9 percent as of September 2013 to 17.7 percent as of September 2014.

The expansion in transfers to LGUs and MOOE was not enough to offset the contractions recorded for the period. In particular, Q3 maintenance spending increased by almost 10 percent given the cash requirements for the KALAHI-CIDSS National Community-Driven Development Project of the DSWD, which aims to restore social services and rebuild communities devastated by Typhoon Yolanda, and is funded by the World Bank and the Asian Development Bank.

### Performance vs. Programmed Levels

The year-on-year disbursement performance, being below par than the growth rates recorded since 2012, was negatively affected by the lower-than-expected spending under the following expenditure items:

- Spending for PS was below program due to unreleased appropriations under lump-sum items such as Miscellaneous Personnel Benefits Fund (MPBF) and Pension and Gratuity Fund (PGF), for which program balances as of September amounted to P26.8 billion and P42.1 billion, respectively. It is noted, however, that releases under these items usually pick up at the end of the last quarter with influx of

**Table 5: Disbursements by Expense Class, Program vs. Actual**  
in billion pesos, unless otherwise indicated

Particulars	As of September		Deviation	
	Program	Actual	Amount	%
Current Oper. Exp.	1,368.1	1,194.7	(173.4)	(12.7)
PS	478.9	429.3	(49.7)	(10.4)
MOOE	287.8	225.0	(62.8)	(21.8)
Subsidy	93.0	62.2	(30.8)	(33.1)
Allotment to LGUs	204.9	204.9	-	-
IP	276.4	257.4	(19.0)	(6.9)
TEF	27.1	15.9	(11.2)	(41.2)
Capital Outlays	347.7	253.0	(94.7)	(27.2)
Infra & Other CO	278.6	195.4	(83.1)	(29.8)
Equity	2.9	1.2	(1.7)	(57.6)
Cap. Transfers to LGUs	63.1	56.3	(6.8)	(10.7)
CARP-LO Comp.	3.2	-	(3.2)	(100.0)
Net Lending	14.1	8.4	(5.6)	(40.1)
<b>TOTAL</b>	<b>1,729.8</b>	<b>1,456.1</b>	<b>(273.8)</b>	<b>(15.8)</b>

requests from departments/agencies to fund PS deficiencies, and as this balance still includes the allocation for the Productivity Enhancement Incentive (PEI) which is scheduled for release in December (about P7 billion). In addition, the PS requirements due to rationalization of DAR and the DENR - National Greening Program have only been partially released, and about P1 billion remains unreleased without special budget requests. It is expected that recoupment in PS spending would come from the fast-tracking of submission of requirements and thereby releases for the grant of the 2013 PBB at least for the major departments before the year ends.

- Lower-than-programmed spending for MOOE was largely accounted for by the low MOOE obligation rates<sup>1</sup> of OP (18.6 percent), DAR (15.3 percent), DSWD (49.6 percent) and NEDA (13.5 percent), as well as the low NCA utilization rates<sup>2</sup> of MOOE-heavy departments such as DSWD (66.7 percent), DOH (68.9 percent), DAR (47.4 percent), and DENR (67.7 percent).

The DSWD attributed their low disbursement of funds as of September on the following key programs/projects, among others: 1) postponement of the roll-out/payment of the Expanded CCT due to the low turnout of registration of children 15 to 18 years old led to the significant underutilization of the FY 2014 Budget, equivalent to unutilized funds of P7.4 billion; 2) insufficient number of staff and satellite offices to cater to the sudden increase in the demand for Assistance to Individuals in Crisis Situations, which resulted to underutilization of funds in the amount of P2.1 billion; and 3) delay in the implementation of skills training under the Sustainable Livelihood Program as most of the regional offices of TESDA (since this is done in partnership with TESDA) have limited capacity to implement the trainings, hence DSWD resorted to tap TESDA accredited institutions as service providers which prolonged the procurement process, resulting to undisbursed funds of P1.2 billion.

Likewise, the DOH reported that contributing to the low disbursement performance are the delays in the procurement of family planning commodities in the amount of P1.5 billion due to the Supreme Court requirement for an FDA certification that said commodities are not abortifacient, and in the obligation of the P3.2 billion financial assistance/subsidy to indigent patients due to the several revisions made on the implementing guidelines, as well as the low liquidation of funds of LGUs and hospitals.

The unreleased appropriations under MOOE for the following departments and SPFs also contributed to the lower-than-programmed spending as of September: 1) DENR's National Greening Program - P1.2 billion; 2) e-Government Fund - P1.2 billion; 3) National Disaster Risk Reduction and Management Fund - P5.0 billion; and 4) Rehabilitation and Reconstruction Program - P2.7 billion.

- Infrastructure and other CO fell below expectations by an enormous amount of P83.1 billion or 29.8 percent. A large chunk of this underspending may be attributed to the lower-than-programmed spending of the DPWH by some P36.1 billion. The DPWH attributed this lower-than-expected performance to the delayed pre-construction activities; non-collection by some contractors of their 15 percent mobilization cost and/or preference of contractors to claim only upon completion of the project rather than issue progress billings; right-of-way problems; failure of biddings, among others. We also see the impact of the PDAF and DAP issues to result in the overly cautious processing of payments. For instance, there is some P2.3 billion in DPWH funds that remain unutilized as these concern requests for realignments and use of savings, which cannot be acted upon pending the resolution on the motion filed in the Supreme Court following the ruling on DAP.

Likewise, the DOTC cited the following reasons for their P8.9 billion underperformance: delay in the preparation of Feasibility Studies (FS) for projects due to lack of relevant data necessary to analyze and complete the project framework; lack of organic technical personnel to handle different phases of project implementation, including project design; delays in obtaining necessary government approvals for big-ticket projects (waiting period of 6 months or more); prolonged procurement process due to numerous inquiries and motions for reconsideration; and projected billings not submitted by contractors on time.

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<sup>1</sup> Compared to the 75% benchmark ratio of obligations to allotments received as of September 2014 under MOOE (assuming equal pace of obligations throughout the year). This can be validated from the consolidated report of SAOBs in the DBM website.

<sup>2</sup> Ratio of negotiated checks over NCAs credited based on the reports from MDS-Government Servicing Banks

Meanwhile, according to the DepEd, the delay in the implementation of their CO projects was attributed to the re-design and cost adjustments of school building and classroom projects making them more disaster-resilient; ongoing site validation; and completion of previous year's targets. Hence, out of the P30.0 billion appropriation for the construction of classrooms, only P7.7 billion in allotments was released as of September, while P22.3 billion is still for release.

Similarly, the DOH attributed the low utilization of funds for the Health Facilities Enhancement Program (HFEP) to the delayed procurement process which resulted to the non-payment of mobilization fees as projected. Also, the programmed cash requirements for equipment in the amount of P4.4 billion did not materialize as some of these equipment are still for bidding and/or for delivery.

Other contributing factors to the underspending in CO are the appropriations for the following big-ticket CO items, balances of which remain unreleased as of September without the submission of the documentary requirements prior to release: 1) Farm-to-Market Road (FMR) projects of the DA - P8.1 billion; 2) Basic Educational Facilities of the DepEd for implementation by the DPWH - P22.3 billion; 3) repair, rehabilitation and renovation of classrooms of the DepEd - P2.9 billion; 4) PPP Strategic Support Fund of the DPWH - P3.3 billion; and 5) calamity-related lump sum funds - P19.8 billion.

- Subsidies to GOCCs fell considerably below program by P30.8 billion or 33.1 percent, mainly on account of lower-than-expected requirements by NHA, NEA, NPC and SHFC. The main reason is the lack of Special Budget Requests (SBRs) and non-submission of documentary requirements, which are requisites for the release of NG support. Based on our records, about P30 billion was programmed for NHA to cover both prior years' unfunded allotment and current year's allocation for various housing and settlement programs, but only P6.3 billion was requested and released as of September.
- Savings from tax expenditures arose primarily from the unreleased P11.8 billion allocation supposedly payable to the Bureau of Customs (BOC) to cover the duties of NFA importations. Per verification with the Fiscal Incentives Review Board, there was no request yet from NFA for tax subsidy.
- Underspending of P3.2 billion as of September was from the 2014 allocation for the landowners' compensation under the Comprehensive Agrarian Reform Program (CARP), which remains unreleased without the request from DAR and submission of list of landowners.

## Outlook for the Rest of the Year

**Table 6: Status of 2014 Allotment Releases**  
in billion pesos, unless otherwise indicated

Particulars	Program	Releases as of Sept.*	Balance	
			Amount	%
Original Program	2,264.6	2,087.3	177.3	7.8

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

Source of basic data: BTS

About P177.3 billion or 7.8 percent of the P2.265 trillion obligation program remains available for release in the remaining months of the year. Most of the program balance (or 86.6 percent) pertain to unreleased funds under department-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: 1) pension and retirement benefits under the PGF - P42.1 billion; 2) other personnel benefits funded from the MPBF - P26.9 billion; 3) Basic Educational Facilities under the DPWH Budget - P22.3 billion; 4) Rehabilitation and Reconstruction Program - P15.2 billion; 5) National Disaster Risk Reduction and Management Fund - P12.3 billion; 6) special shares of LGUs from the proceeds of national taxes - P11.5

billion; 7) budgetary support to GOCCs – P10.0 billion; and 8) DA's farm-to-market roads – P8.1 billion, among others.

The DBM and the concerned departments have started implementing some specific measures to address the implementation bottlenecks and ultimately arrest the continuing underperformance. These measures include the issuance of supplementary guidelines to clarify/simplify the payment scheme, creation of additional positions and/or assignment of full-time BAC technical secretariat instead of part-time assignment; adoption of decentralized procurement process, close coordination with partner LGUs including conduct of financial management trainings and workshops, requiring contractors to mobilize round-the-clock infrastructure works, among others.