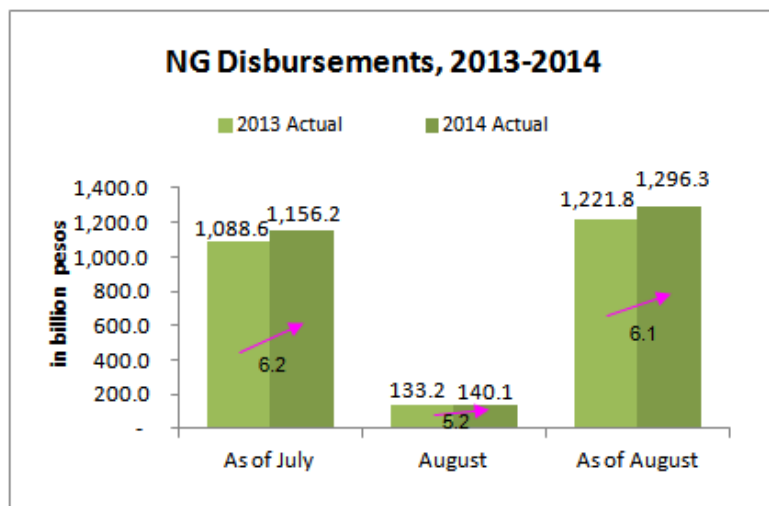


ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF AUGUST 2014



Total national government spending amounted to P1.296 trillion for the period January to August 2014, a P74.5 billion or 6.1 percent expansion from the P1.222 trillion comparable level last year. This expansion in cumulative terms was mainly due to the impact of the boost in subsidies to GOCCs with the P35.3 billion subsidy for health insurance premium of 14.7 million poorest families to be covered under PhilHealth;

higher Internal Revenue Allotment (IRA) of LGUs due to larger tax base, and increased disbursements for Maintenance and Other Operating Expenditures (MOOE) and net lending.

The disbursement performance for the month of August, which registered a 5.2 percent year-on-year increase, reflects a slight rebound from the 14.8 percent spending contraction in July. For said month, all expenditure items grew modestly in terms of nominal amounts, except for PS and net lending, which both recorded contractions year-on-year.

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

in billion pesos, unless otherwise indicated

Particulars	As of July				August				As of August			
	2013	2014	Inc./Dec.		2013	2014	Inc./Dec.		2013	2014	Inc./Dec.	
			Amount	%			Amount	%			Amount	%
NCA	793.3	836.8	43.5	5.5	108.2	113.9	5.7	5.3	901.6	950.7	49.2	5.5
% of Effective NCA	90.4	84.9			99.8	94.9			91.4	86.0		
Non-NCA	295.2	319.4	24.1	8.2	25.0	26.2	1.2	4.7	320.3	345.6	25.3	7.9
Total	1,088.6	1,156.2	67.6	6.2	133.2	140.1	6.9	5.2	1,221.8	1,296.3	74.5	6.1

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

Memo Items:

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

As of August 2013	986.4	As of August 2014	1,105.5
Jan-Jul 2013	878.0	Jan-Jul 2014	985.5
August 2013	108.4	August 2014	120.0

Allotment Releases

As of Aug. 31, 2013	1,820.6	91% of the P2.006 trillion obligation program
As of Aug. 31, 2014	2,050.3	91% of the P2.264 trillion obligation program

Source: Budget Technical Service (BTS)

Table 1 shows that the utilization by departments/agencies of the NCA authorities issued by the DBM significantly improved in August by 10 percentage points from the 84.9 percent average utilization rate as of July to 94.9 percent. Although this was still slower than the spending pace last year, NCA disbursements increased by 5.3 percent and the overall NCA utilization rate improved to 86.0 percent as of August. Cumulative NCA issuances this year was larger at P1.105 trillion than last year's P986.4 billion, or an increase of about 12 percent. Among the departments which registered slower absorption of NCAs as of August are as

follows: OP (from 81 percent to 55 percent), DAR (from 92 percent to 61 percent), DFA (from 100 percent to 65 percent), DPWH (from 77 percent to 69 percent), DA (from 90 percent to 69 percent), and DOH (from 95 percent to 70 percent).

Allotment Releases

With the implementation of the GAA-as-a-release document (GAARD) this year, total allotments made available to departments/agencies for obligation as of August amounted to P2.050 trillion, about 91 percent of the P2.265 trillion obligation program for the year. This was higher by P229.7 billion or 12.6 percent than the allotments released for the same period last year in the amount of P1.821 trillion. Among the departments which recorded significant increases in allotments are the DPWH (P54.6 billion or 31.1 percent growth) and the DOTC (P22.1 billion or 83.3 percent growth) for the implementation of infrastructure development projects; the DSWD (P29.0 billion or 49.7 percent growth) for major social programs; and the DepEd (P13.9 billion or 5.3 percent growth) and DILG (P8.2 billion or 6.4 percent) to cover mostly Personnel Services (PS) requirements of newly-filled positions, and other locally-funded projects.

For the month of August, SAROs issued totaled to P19.4 billion, bulk of which are for the following: 1) payment of pension, retirement and terminal leave benefits chargeable against Pension and Gratuity Fund (PGF) - P3.9 billion; 2) subsidy to the NHA for the Housing Program for Informal Settler Families residing in danger areas in Metro Manila - P3.8 billion; 3) 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) - P2.9 billion; 4) DAR's operating requirements for the Comprehensive Agrarian Reform Program - P2.3 billion; and 5) DPWH's Tulay ng Pangulo Para sa Kaunlarang Pang-Agraryo - P2.1 billion.

Year-on-Year Performance

The 6.1 percent growth is the net effect of changes in the following expenditure items:

- PS spending decreased by 4.9 percent in August, largely attributed to the unreleased balances for the grant of the 2013 Performance-Based Bonus (PBB) of major departments such as DA, DepEd, DOH, DENR, DILG, DND, DSWD, DOTC, DOLE, DOST and DAR. From January to August last year, about P8.4 billion was released for the 2012 PBB of

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

Particulars	As of August		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	<u>1,002.1</u>	<u>1,061.6</u>	<u>59.5</u>	<u>5.9</u>
PS	377.4	380.3	2.9	0.8
MOOE	185.3	196.4	11.1	6.0
Subsidy	33.8	59.2	25.5	75.5
Allotment to LGUs	161.2	182.2	20.9	13.0
IP	228.9	228.6	(0.3)	(0.1)
TEF	15.5	14.9	(0.6)	(3.7)
Capital Outlays	<u>219.8</u>	<u>227.5</u>	<u>7.6</u>	<u>3.5</u>
Infra & Other CO	169.6	176.2	6.6	3.9
Equity	0.5	0.7	0.2	36.3
Cap. Transfers to LGUs	49.8	50.6	0.9	1.7
Net Lending	(0.1)	7.3	7.3	10,460.0
TOTAL	<u>1,221.8</u>	<u>1,296.3</u>	<u>74.5</u>	<u>6.1</u>

these big departments where around 94 percent of this was released in July and August, while for this year, only P0.5 billion has been released for the 2013 PBB as of August 2014. Apart from the non-entitlement or disqualification of some departments/agencies due to failure to meet their targets, much of the delay was brought about by the non- or late submission of proper documentary requirements by some departments/agencies. On

this account, and minus the impact of remuneration for personnel involved in last year's national elections, the cumulative growth in PS spending is now at 0.8 percent, very small compared to the 6.3 percent and 3.5 percent growth in the first quarter and first semester, respectively.

- Disbursements for MOOE grew in August by 10.3 percent with big-ticket releases for the initial implementation of the National Community-Driven Development Project of the DSWD, and for the fund requirements for the country's hosting of the Asia Pacific Economic Cooperation Conference in 2015 charged against the International Commitments Fund. This resulted in cumulative increase in maintenance spending by P11.1 billion or 6.0 percent. Other expenditures this year were for the social protection programs of the DSWD, operating requirements for the DAR's Comprehensive Agrarian Reform Program, and provision of assistance to victims in areas affected by Typhoon Yolanda.
- Subsidies to GOCCs expanded further in August by 71.7 percent with releases in the amount of P1.4 billion for the cash requirements of NHA to pay due and demandable accounts obtained from the implementation of the FY 2012 Resettlement Program, and P1.1 billion for the FY 2014 Sitio Electrification Program of NEA. In cumulative terms, subsidies given by the national government to GOCCs both to support their operations and to implement government programs and projects, still recorded the highest year-on-year growth among the expenditure items with an increase of P25.5 billion or 75.5 percent as of August.
- Interest Payments (IP) for the month of August increased year-on-year by P2.4 billion or 13.0 percent, of which P1.6 billion is accounted for by the domestic bond exchanges issued in August 2014 according to the Bureau of the Treasury. As a result, the cumulative contraction in IP as noted in previous report was now down to only 0.1 percent. However, the percentage share of IP to total disbursements narrowed down by more than 1 percentage point to 17.6 percent as of August 2014 from 18.7 percent as of August 2013.
- Infrastructure and other capital spending slightly grew in the month of August by 5.4 percent with releases for settlement of due and demandable accounts payable by DPWH and DOTC. This was in addition to the beefed-up DND Revised AFP Modernization Program and rehabilitation requirements for areas affected by the back-to-back natural calamities that hit the country late last year.

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 August*	Balance	
			Amount	%
Original Program	2,264.6	2,050.3	214.3	9.5

* *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 P214.3 billion or 9.5 percent remains unreleased, consisting mostly of appropriations under Special Purpose Funds (SPFs) and items in the Negative List under agency-specific budgets, which require submission of special budget requests and documentary

requirements prior to release. Among the items with significant appropriations balances are as follows: 1) pension and retirement benefits under the PGF - P44.9 billion; 2) other personnel benefits funded from the MPBF - P31.6 billion; 3) Basic Educational Facilities under the DPWH

Budget - P30.0 billion; 4) Rehabilitation and Reconstruction Program - P15.2 billion; 5) special shares of LGUs from the proceeds of national taxes - P12.2 billion; 6) National Disaster Risk Reduction Management Fund - P12.2 billion; 7) subsidy to various GOCCs - P11.8 billion; 8) DA's farm-to-market road projects - P10.7 billion; 9) DAR's Comprehensive Agrarian Reform Program - P8.8 billion; and 10) DENR's National Greening Program - P6.5 billion.

As noted in previous reports, it has been observed that disbursements are likely to improve towards the end of the quarter. This behavior may be attributed to the quarterly lapsing policy for NCAs as departments/agencies speed up their utilization of NCAs in the last month of the quarter. Based on preliminary data for September and the disbursement projections for the fourth quarter, the government is expecting significant improvements in the pace and level of spending by departments/agencies in the remaining months of the year.