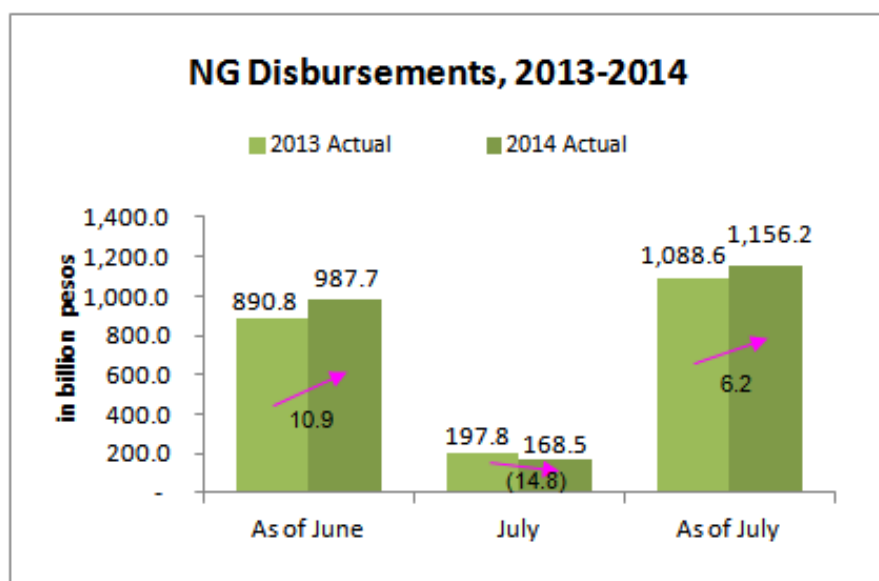


## ASSESSMENT OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF JULY 2014

National government disbursements reached P1.156 trillion for the first seven months of the year, recording a P67.6 billion or 6.2 percent increase from last year's P1.089 trillion. The growth in spending was a noticeable 4.7 percentage points lower when compared to the first semester growth of 10.9 percent. This deceleration was accounted for by the



14.8 percent or P29.4 billion contraction in disbursements for the month of July, failing to sustain the large 44.1 percent expansion in June. The July contraction is mostly attributed to the lower-than-expected payments this month for the grant of the 2013 Performance - Based Bonus (PBB) and delayed implementation of infrastructure projects, specifically farm-to-market roads, irrigation projects and basic educational facilities, among others, partly due to the uncertainties resulting from the Supreme Court decision on the Disbursement Acceleration Program which was issued 1 July, 2014. Moreover, the premium for the National Health Insurance Program (NHIP), which was released in July last year, was released early in June 2014 upon receipt of the billing statement and other supporting documents from the PHIC.

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

Particulars	As of June				July				As of July			
	2013	2014	Inc./Dec.		2013	2014	Inc./Dec.		2013	2014	Inc./Dec.	
			Amount	%			Amount	%			Amount	%
NCA	658.6	723.2	64.7	9.8	134.8	113.6	(21.2)	(15.7)	793.3	836.8	43.5	5.5
% of Effective NCA	87.8	85.7			105.0	83.0			90.4	85.3		
Non-NCA	232.2	264.5	32.3	13.9	63.1	54.9	(8.2)	(13.0)	295.2	319.4	24.1	8.2
Total	890.8	987.7	97.0	10.9	197.8	168.5	(29.4)	(14.8)	1,088.6	1,156.2	67.6	6.2

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

**Memo Items:**

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

As of July 2013	878.0	As of July 2014	980.5
Jan-Jun 2013	749.7	Jan-Jun 2014	843.6
July 2013	128.4	July 2014	136.8

*Allotment Releases*

As of July 31, 2013	1,807.0	90% of the P2.006 trillion obligation program
As of July 31, 2014	2,030.7	90% of the P2.264 trillion obligation program

Source: Budget Technical Service (BTS)

As shown in Table 1, the year-on-year decline in July disbursements can also be traced to the significant slowdown in the utilization by departments/agencies of the NCA authorities issued by the DBM. While the NCA issuances for the month increased from P128.4 billion in July 2013 to P136.8 billion in July this year, or by 6.5 percent, the NCA utilization rate declined from 105.0 percent last year to 83.0 this year. Consequently, the cumulative NCA utilization rate as of July on the average, figured only at 85.3 percent, lower compared to the 90.4 percent average utilization rate as of July 2013. Should the average utilization rate have been maintained at the same level last year, or even just 100 percent, NCA disbursements could

have been at least 1.5 percent higher this year, and could not have contracted by a considerable pace. Among the departments which registered slower absorption of NCAs as of July are as follows: DSWD (from 89.1 percent to 60.7 percent), DAR (from 86.0 percent to 59.2 percent), OP (from 77.6 percent to 52.0 percent), DFA (from 83.8 percent to 60.3 percent), NEDA (from 91.8 percent to 69.0 percent), and DOH (from 91.9 percent to 71.4 percent).

## Allotment Releases

As of July this year, 90 percent or P2.031 trillion of the P2.265 trillion 2014 obligation budget has already been released to spending departments/agencies, majority through the GAA-as-a-release document (GAARD). The amount of releases is higher by P223.7 billion or 12.4 percent than last year's releases during the same period of P1.807 trillion. The increase can be mainly attributed to the larger infrastructure program of DPWH and DOTC, the higher allocation for the Internal Revenue Allotment of LGUs, increase in the premium subsidy for the NHIP, and rise in requirement for interest payments.

Among the big-ticket releases for the month of July are as follows: 1) payment of pension, retirement and terminal leave benefits chargeable against Pension and Gratuity Fund (PGF) - P19.4 billion; 2) DA-NIA locally-funded and foreign-assisted irrigation projects - P10.4 billion; 3) subsidy to the NHA for the AFP/PNP/BFP/BJMP/BOC Housing Program - P5.5 billion; 4) budgetary support to NFA - P4.3 billion; 5) 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) - P4.1 billion; and 6) initial implementation in FY 2014 of the KALAHI-CIDSS NCDDP under DSWD - P1.9 billion.

## Year-on-Year Performance

Still, the national government managed to register a cumulative growth rate of 6.2 percent for disbursements year-on-year, largely induced by the cumulative increase in transfers to LGUs and GOCCs. This is notwithstanding the downturn in July disbursements by 14.8 percent, which can be largely attributed to the following expenditure items:

- Spending for Personnel Services (PS) decreased by as much as 10 percent in July, mainly on account of the delays in the grant of the 2013 PBB of the major departments such as DA, DepEd, DOH, DENR, DILG, DND, DSWD, DOTC, DOLE, DOST and DAR. From January to July last year, about P7.2 billion was released for the 2012 PBB of these big departments (around 93 percent of this was released in July

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

Particulars	As of July		Increase/Decrease	
	2013	2014	Amount	%
Current Oper. Exp.	893.8	947.2	53.4	6.0
PS	330.3	335.5	5.2	1.6
MOOE	165.0	174.0	9.0	5.5
Subsidy	32.0	56.2	24.2	75.7
Allotment to LGUs	141.1	159.4	18.3	13.0
IP	210.6	208.0	(2.7)	(1.3)
TEF	14.8	14.2	(0.7)	(4.5)
Capital Outlays	195.7	202.1	6.4	3.3
Infra & Other CO	150.9	156.5	5.6	3.7
Equity	0.5	0.6	0.1	29.8
Cap. Transfers to LGUs	44.3	44.9	0.6	1.4
CARP-LO	-	-	-	-
Net Lending	(0.9)	6.9	7.8	867.1
<b>TOTAL</b>	<b>1,088.6</b>	<b>1,156.2</b>	<b>67.6</b>	<b>6.2</b>

2013 alone), while for this year, only P235 million has been released for the 2013 PBB as of July 2014. According to the A.O. 25 Inter-Agency Task Force Secretariat, albeit that the percentage of departments/agencies that are eligible for the 2013 PBB increased from 77 percent to 88 percent year-on-year, the slower-than-expected disbursements arose from

the non-submission and/or delayed submission by departments/agencies of the documentary requirements for the release of the grant, e.g., Report of Rating and Ranking of Delivery Units and Individuals. As a result, the cumulative growth in PS spending was almost halved from 3.5 percent as of June to 1.6 percent as of July.

- More than 40 percent of the aggregate decline in disbursements for the month of July was contributed by the P12.1 billion decrease in government subsidies to GOCCs. This was mainly due to the timing of releases to the PHIC for the NHIP, for which the 2013 premium subsidy allocation of P11.9 billion was released in July 2013, whereas this year's funding allocation of P35.3 billion was released earlier in June 2014. Although the growth in subsidies to GOCCs is still high at 75.7 percent in cumulative terms, the performance in July significantly tempered the almost three-fold annual increase in subsidies to GOCCs as of June.
- Interest Payments (IP) for the month of July also decreased year-on-year by 10 percent due to lower volume of maturities/redemptions of fixed rate treasury/benchmark bonds, according to the Treasury. Hence, the percentage share of IP to total disbursements was tapered from 19.4 percent as of July 2013 to 18.0 percent as of July 2014.
- Infrastructure and other capital outlays weakened in July by P7.7 billion or 27.9 percent due to lower disbursements by DA and DPWH. For one, allotments for major infrastructure projects of the DA, particularly for farm-to-market roads and irrigation projects, have only started to be released in July due to need to satisfy network plan requirements in the 2014 General Appropriations Act , and would still take time to be contracted out, completed and paid. For projects to be implemented by the DPWH, the fund allocation for the Basic Educational Facilities from DepEd (P30.0 billion) remains unreleased due to late submission of the list and location of school buildings and water and sanitation facilities by the DepEd. The delay was also caused by the need to make more calamity-resilient school building designs, which will also entail an adjustment in the cost.

## 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 July*	Balance	
			Amount	%
Original Program	2,264.6	2,030.7	233.9	10.3

\* 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 P233.9 billion or 10.3 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 substantial balances are as follows: 1) pension and retirement benefits under the PGF - P48.8 billion; 2) other personnel benefits funded from the MPBF - P34.5 billion; 3) Basic Educational Facilities under the DPWH Budget - P30.0 billion; 4) subsidies to GOCCs - P16.6 billion; 5) Rehabilitation and Reconstruction Fund - P15.2 billion; 6) special shares of LGUs from the proceeds of national taxes - P12.2 billion; 7) National Disaster Risk Reduction Management Fund - P12.2 billion; 8) DAR's Comprehensive Agrarian Reform Program - P11.1 billion; 9) farm-to-market road projects of the DA - P10.7 billion; and 10) DENR's National Greening Program - P6.5 billion.

It appears that the shift from the monthly lapsing to the quarterly lapsing policy for NCAs afforded the departments/agencies greater flexibility/leeway in managing their cash resources

within the quarter, as revealed by the trend of disbursements which shot up in the last month of each quarter, as in March and June this year, while recording minimal growth, or even contraction, during the first two months of the quarter. The government sees this as temporary, part of getting used to the policy and will eventually result to the departments/agencies' enhanced ability to anticipate and realistically program their monthly cash requirements.

Meanwhile, the DBM has recommended some remedial measures to the President to address the delays in the submission of the documentary requirements and to fast-track the bidding and disbursement process. Agencies were also advised to prepare and submit the revised spending schedule/plan for the remainder of the year, which will reflect their catch-up strategies.. A motion for reconsideration has been expeditiously submitted to the Supreme Court (SC) to remedy the most contentious and harmful portions of the decision on the DAP which adversely impacts on the project implementation capacity of the bureaucracy, and provisions have likewise been incorporated in the 2015 National Expenditure Program to address the issues raised in the SC decision. It is hoped that these will pave the way for an early resolution of the DAP issues and the setting in place of budgeting and spending processes which are more transparent and accountable.