

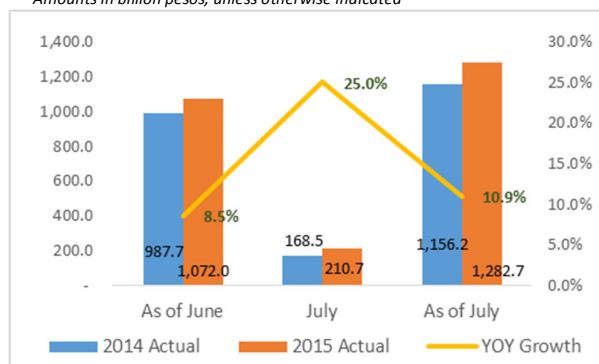
NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCEⁱ

AS OF JULY 2015

National Government disbursements reached P210.7 billion for the month of July, increasing by 25 percent or some P42.2 billion. This increase is the highest this year, up from the 8.5 percent cumulative increase as of the second semester. This strong spending performance starting from the previous quarter resulted to cumulative disbursements of P1,282.7 billion for the January-July period, making it 10.9 percent or P126.4 billion higher than the level reported for the same period last year.

Figure 1.0 NG Disbursements, As of July

Amounts in billion pesos, unless otherwise indicated

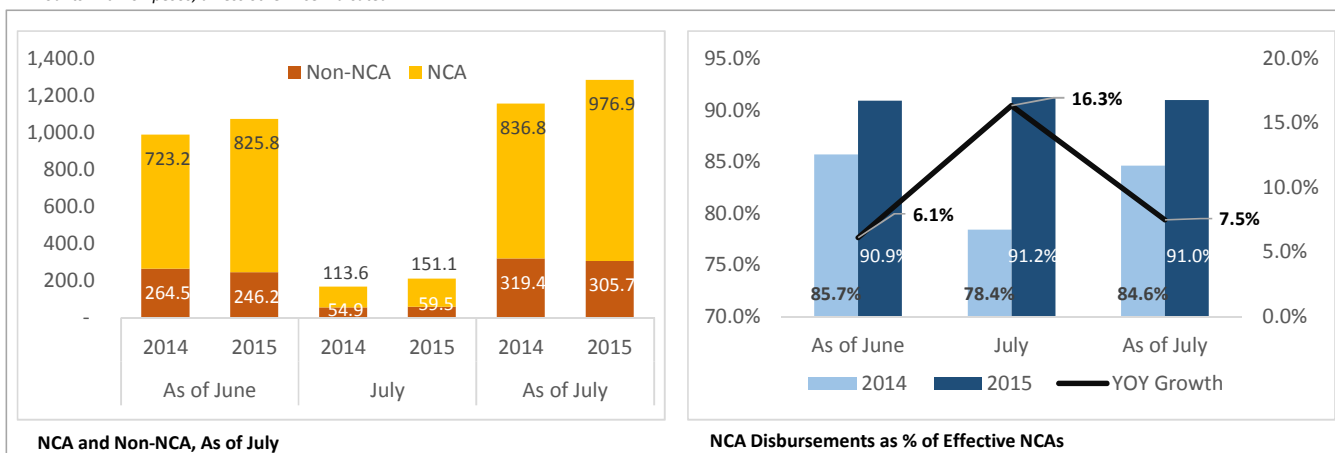


As shown in Figure 2.0 below, NCA disbursements continued to speed up this July at P151.1 billion, or about 72 percent of disbursements for the month. Compared to the P113.6 billion NCA spending in the same period last year, this is higher by 33 percent due to the faster utilization of funds by big spending departments such as the DSWD (from 26.1 percent in 2014 to 138.3 percent this 2015), the DPWH (from 59.3 percent vs 86.1 percent) and the DND (90.4 percent vs 99.6 percent). Furthermore, there had been a significant improvement in the overall NCA utilization for the month, from 78.4 percent in 2014 to 91.2 percent, up by 16.3 percent. This sharp increase in NCA expenditures has resulted to a steadier cash disbursement performance to date amounting P976.9 billion.

Meanwhile, non-cash disbursements, particularly interest payments and net lending, continued to decline – P305.7 billion as of July 2015 against P319.4 billion in 2014, as the government continually improved its debt management strategy.

Figure 2.0 Comparison of NCA and Non-NCA Disbursements, 2014 - 2015

Amounts in billion pesos, unless otherwise indicated



Allotment Releases

For this month, the DBM had released some P54.8 billion out of the PP274.6 billion remaining program balance as of June 30, 2015. The cumulative release as of July, amounting to P2,386.2 billion, is around 15 percent higher than the releases made in the same period last year. Among the significant releases that were made this month include requirements for pensions chargeable against PGF (P16.7 billion); for irrigation projects of the BSGC-NIA (P8.9 billion); and for school building under the Basic Education Facilities of the DepEd, which was released to DPWH (P9.0 billion), among others.

Year-on-Year Performance

For the Month of July 2015

The sustained acceleration of infrastructure spending and expanded social services continued to boost NG disbursements. Significant increase was noted in the following productive component of expenditures:

- Infrastructure and Other CO surged by around 93 percent year-on-year or by almost P19 billion in July in line with the increased budgetary provision this year for public infrastructure investments. The hike in infrastructure spending is largely credited to some P9.3 billion payments made by the DND-PAF for its FA-50 aircraft acquisition project under the AFP Modernization Program. Similarly, infrastructure activities such as road widening and upgrading projects being fast-tracked by the DPWH and local infrastructure development programs in the ARMM propped up the disbursement level. The release of the remaining capitalized portion of the National Greening Program (NGP) of the DENR starting this July has also contributed to the faster pace of CO spending this month. It may be recalled that the NGP is subject to a special provision where funds will only be released following the agency's submission of accomplishment report of the 2014 target planting activities, including geotagged photo of locations for both the previous year's planting activities and the identified sites for this year.
- Meanwhile, maintenance expenditures, which consist mainly of the government's social protection programs, increased by more than two-thirds (70.1 percent) this month when compared to the 2014 level as beneficiaries of various DSWD programs - Assistance to Victims of Disasters and Natural Calamities, Emergency Shelter Assistance (ESA) and CCT - have started to receive their payments or benefits this July. As previously discussed in the June report, some P11 billion worth of check payments of the DSWD remained outstanding as of the first semester. These payments, which represent releases to the said programs, were credited by the banks towards the end of June but were only encashed this July in accordance with the two-month billing cycle of the DSWD. The two-month pay arrangement gives the banks ample time to verify the account information of the enrollees before payment of their cash assistance. As of July, outstanding checks of the agency per bank reports were reduced from P11 billion to P4.8 billion, translating to around P7 billion worth of encashment for the month. In addition, the increase in MOOE was also triggered by the payment of scholarship assistance or benefits to DOST-SEI scholars whose classes started this July following the adjustment in the academic calendars of some colleges and universities. Likewise, the additional disbursements relative to the locally-funded projects of the DILG supporting LGUs in conflict-ridden areas with development projects (PAMANA), and in areas with high poverty incidence and magnitude (e.g. BUB) contributed to the increased maintenance expenditures.

Table 1.0 NG Disbursements, For the Month of July
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	July		Increase/(Decrease)	
	2014	2015	Amt	%
Personnel Services	42.8	46.5	3.8	8.8
Maintenance Expenditures	21.5	36.6	15.1	70.1
Infrastructure and Other CO	19.9	38.3	18.5	92.9
Allotment to LGUs	28.5	33.2	4.6	16.3
Support to GOCCs	6.8	2.3	(4.5)	(66.1)
Interest Payments	48.2	53.1	4.9	10.1
Tax Expenditures	0.3	0.3	0.1	27.0
Net Lending	0.5	0.3	(0.2)	(44.8)
TOTAL DISBURSEMENTS	168.5	210.7	42.2	25.0

For the Period January – July 2015

Disbursement performance as of July continued to build on the strong spending momentum demonstrated particularly in the last few months, with the 9.2 percent and 17.5 percent year-on-year growth in the months of May and June, respectively. The cumulative expenditure growth performance as of July (10.9 percent) is around 2.4 percentage points better than the first semester disbursements and when compared to last year's performance, public infrastructure spending (20.6 percent) and maintenance expenditures (24.1 percent) continued to accelerate in support of the various economic development and poverty alleviation programs. The other expense items that also spurred government spending for the first seven months of 2015 are the following:

- Personnel services rose to P371.3 billion or by 10.6 percent as of July mainly on account of the payment for the mid-year bonus and Productivity Enhancement Incentives (PEI) granted to government employees. The government had also started the release of the Performance-Based Bonus to agencies which have successfully met their performance targets in 2014. The PBB and PEI, which are both performance-based rewards, were instituted by the Aquino Administration to encourage result-orientation and continuous improvement among government offices and employees. On top of these benefits, the government filled up key positions in DepEd, DILG, DPWH and DOH earlier this year to augment teacher, police, engineer and medical positions in the bureaucracy.

Table 2.0 NG Disbursements, As of July
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	As of July		Increase/(Decrease)	
	2014	2015	Amt	%
Personnel Services	335.5	371.3	35.7	10.6
Maintenance Expenditures	174.0	215.9	42.0	24.1
Infrastructure and Other CO	156.5	188.7	32.2	20.6
Allotment to LGUs	204.3	238.5	34.2	16.7
Support to GOCCs	56.8	46.6	(10.2)	(18.0)
Interest Payments	208.0	209.2	1.2	0.6
Tax Expenditures	14.2	9.5	(4.7)	(33.1)
Net Lending	6.9	2.9	(4.0)	(57.9)
TOTAL DISBURSEMENTS	1,156.2	1,282.7	126.5	10.9

- Allotment to LGUs was recorded at P238.5 billion as of this month, an increase of P34.2 billion or 16.7 percent than the P204.3 billion for the same period in 2014. This is mainly on account of the higher revenue collections and broader tax base of the BIR and larger mandated LGU shares in the proceeds of the national taxes such as those from the Utilization and Development of National Wealth and from Tobacco Excise Taxes, among others.

The expansion in disbursements however was partially offset by the lower support to GOCCs (i.e., subsidy and equity contributions), and other financial assistance (e.g. tax subsidies and net lending) as of July this year.

- Subsidy and equity support to GOCCs were down by P10.2 billion or 18.0 percent from the 2014 level of P56.8 billion. Subsidy and equity support were programmed for release for the period January to July but were not availed of by the GOCCs as they are still using their available cash to cover payments for the obligations incurred. Subsidies are therefore expected to be requested in the succeeding months of 2015. Similarly, the release to PHIC to date to cover the requirements of the insurance premiums of indigent families was lower by P2.7 billion. The difference, which will cover the cost of the new enrollees to the program, will be released in the following months pending the results of its ongoing membership data cleaning.

Outlook for the Rest of the Year

The program balance for the remaining five (5) months of the year amounts to P219.5 billion, which is just 8.4 percent of the total program. Spending outturns therefore would largely depend on the progress of agencies to obligate and consequently, disburse the releases made earlier this year. The acceleration in disbursements in the recent months however is a good indication that agencies are gradually meeting up their planned spending commitments. Based on discussions with some agencies during FDU meetings held starting August this year, catch up plans are already in placed pointing to a good sign that disbursements will further improve

towards the end of the year. For instance, the DepEd reports that bulk of their CO projects are scheduled to be awarded until the end of the third quarter, while payments are expected to be made starting the fourth quarter. Likewise, the DOH is trying to catch up with their utilization towards the remaining two quarters as the validation of HFEP execution in the previous years are being completed by the agency. The DND also projects that their CO disbursements will increase starting the third quarter as the agency rolls out its capital outlay projects, chunk of which comes from the AFP Modernization Program. The DBM and the office of the Cabinet Secretary nonetheless will continue to closely engage the line agencies in ensuring the implementation of program/project as indicated in their catch-up plans.

ⁱ Approved for posting on the DBM website on October 7, 2015

Data and information are based on the reports of and further coordination with the Bureau of the Treasury, DOF-Corporate Affairs Group, Budget Preparation and Execution Group, Budget Technical Bureau and Regional Offices of the DBM, and Departments/Agencies