

## HIGHLIGHTS OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE<sup>1</sup>

### AS OF SEPTEMBER 2016

National government spending as of September 2016 stood at P1,860.4 billion, almost P230.0 billion or P14.1 percent higher than the level for the comparable period in 2015. For the month of September alone, disbursements reached P241.3 billion, up by P55.0 billion or nearly 30.0 percent from the previous year to signal the recovery and gradual acceleration of spending from the slower 4.9 percent and 9.5 percent growth posted for the months of July and August, respectively.

#### National Government Disbursements, January to September 2016

In Billion Pesos

Expenditure Class	September		January to September		Increase/(Decrease)			
	2015	2016	2015	2016	September		January to September	
					Amt	%	Amt	%
<b>Current Operating Exp.</b>	<b>149.5</b>	<b>182.9</b>	<b>1,312.9</b>	<b>1,417.0</b>	<b>33.4</b>	<b>22.3</b>	<b>104.0</b>	<b>7.9</b>
Personnel Services	55.1	61.0	471.2	493.3	5.9	10.7	22.1	4.7
MOOE	37.0	56.8	285.8	327.4	19.8	53.6	41.6	14.6
Subsidy	0.7	3.1	55.8	82.4	2.4	327.8	26.6	47.6
Allotment to LGUs	26.0	28.6	233.9	257.1	2.6	10.0	23.2	9.9
Interest Payments	30.1	32.6	255.8	249.8	2.5	8.3	(6.0)	(2.3)
Tax Expenditures	0.5	0.7	10.5	7.0	0.2	36.4	(3.4)	(32.7)
<b>Capital Outlays</b>	<b>35.4</b>	<b>57.7</b>	<b>313.1</b>	<b>439.7</b>	<b>22.3</b>	<b>63.0</b>	<b>126.6</b>	<b>40.4</b>
Infrastructure/Other CO	28.8	50.5	243.0	352.2	21.6	75.0	109.2	44.9
Equity	-	0.0	0.3	8.5	0.0	-	8.2	2,428.9
Capital Transfers to LGUs	6.5	7.2	69.8	79.1	0.6	9.6	9.3	13.3
<b>Net Lending</b>	<b>1.4</b>	<b>0.7</b>	<b>4.5</b>	<b>3.7</b>	<b>(0.7)</b>	<b>(47.2)</b>	<b>(0.8)</b>	<b>(17.3)</b>
<b>TOTAL</b>	<b>186.3</b>	<b>241.3</b>	<b>1,630.5</b>	<b>1,860.4</b>	<b>55.0</b>	<b>29.5</b>	<b>229.9</b>	<b>14.1</b>

#### Year-on-Year Performance

For the month of September, disbursements rallied behind strong infrastructure and other capital spending, and higher maintenance expenditures. Infrastructure and other capital outlays surged by 75.0 percent to reach P50.5 billion owing to the public works implemented by the DPWH for the preservation and maintenance of existing road assets; capital outlay projects of the DepEd such as construction of school buildings and repair or rehabilitation of school facilities; equipment outlays and upgrading of health facilities in DOH hospitals; and acquisition of military equipment under the AFP Modernization Program of the DND. Maintenance spending expanded by almost P20.0 billion or 54.0 percent due to the implementation of social programs of the government (e.g., *Pantawid Pamilyang Pilipino Program* of the DSWD). Personnel services, meanwhile, increased by 10.7 percent to reach P61.0 billion mainly on account of the compensation adjustment this year and the creation of positions in various departments like the DepEd and DILG. Spending for the month has likewise increased due to the P20.5 billion payment of just compensation to PIATCO Inc. for the expropriation of the NAIA Terminal 3 following the Supreme Court's final ruling earlier this year. It shall be noted that even when the said payment is excluded, disbursements for the month have still grown significantly by about P35.0 billion or 18.8 percent.

As spending continued to gain speed this month, cumulative disbursements have increased to P1,860.4 billion as of end September 2016, compared with the P1,630.5 billion for the same period in 2015. The 14.1 year-on-year growth posted for the period is also faster than the 12.0 percent recorded in the previous year. Disbursements for the first three quarters of 2016 was boosted by the huge infrastructure and other capital expenditures, which grew by 45.0 percent equivalent to some P109.2 billion additional outlays.

<sup>1</sup> The DBM is still awaiting submissions of accountability reports for Q3 2016 from agencies as an input to our assessment report. The complete report will be published as soon as it becomes available.

## Program vs Actual Performance – Third Quarter 2016

Disbursements for the third quarter posted a 14.4 percent annual growth buoyed by strong September performance. Despite this, however, the government missed its spending target by around P60.0 billion or 3.1 percent of the revised program for the period. This spending gap is lower when compared with the underspending for the same period in 2015 at P276.4 billion (14.5 percent), and even with the first and second quarters this year at P89.2 billion (13.1 percent) and P75.2 billion (10.7 percent), respectively. It is important to note, however, that the 2016 full year program was revised downward from the original P2,995.4 billion target to P2,645.6 billion outlook. The revision takes into account the first semester disbursement performance, historical spending trends and seasonality of expenditures after a Presidential election year.

### National Government Disbursements, Program vs Actual Performance, Third Quarter 2016

In Billion Pesos

Expenditure Class	Third Quarter			Variance		Increase/(Decrease)	
	2015 Actual	2016		Amt	%	Amt	%
		Program	Actual				
<b>Current Operating Exp.</b>	<b>443.7</b>	<b>505.0</b>	<b>494.4</b>	<b>(10.6)</b>	<b>(2.1)</b>	<b>50.7</b>	<b>11.4</b>
Personnel Services	146.5	172.4	154.3	(18.1)	(10.5)	7.8	5.3
Maintenance Expenditures	106.5	132.5	110.8	(21.7)	(16.4)	4.3	4.1
Subsidy	11.8	5.6	45.8	40.2	723.3	33.9	286.4
Allotment to LGUs	78.0	85.8	85.8	0.0	0.0	7.8	10.0
Interest Payments	99.6	107.5	96.1	(11.5)	(10.7)	(3.6)	(3.6)
Tax Expenditure Fund	1.3	1.2	1.7	0.5	38.7	0.4	27.8
<b>Capital Outlays</b>	<b>113.0</b>	<b>188.2</b>	<b>145.1</b>	<b>(43.1)</b>	<b>(22.9)</b>	<b>32.1</b>	<b>28.4</b>
Infrastructure/Other CO	92.6	159.4	123.2	(36.2)	(22.7)	30.6	33.0
Equity	0.0	0.0	0.0	0.0	474.0	0.0	152.6
Capital Transfers to LGUs	20.3	28.8	21.9	(6.9)	(24.0)	1.5	7.6
<b>Net Lending</b>	<b>1.8</b>	<b>5.5</b>	<b>(0.4)</b>	<b>(5.9)</b>	<b>(106.8)</b>	<b>(101.0)</b>	<b>(120.5)</b>
<b>TOTAL</b>	<b>558.5</b>	<b>698.7</b>	<b>639.2</b>	<b>(59.6)</b>	<b>(8.5)</b>	<b>(18.1)</b>	<b>14.4</b>

The slowdown in agency disbursements during the early months of the third quarter contributed to the underspending for the period. This is already expected, however, given the transition to a new administration. As discussed in our July and August disbursement reports, spending was lower than target as newly appointed heads of line agencies reviewed the operation and implementation of their programs and projects. The appointment of new heads also meant different approving authorities and signatories, which caused some temporary delays in program/project implementation.

Other factors or reasons for underspending reported by line agencies are summarized below (*partial report, awaiting submissions of other agencies*):

- Late or non-submission of billing statements from creditors or contractors. For instance, around P14.7 billion MOOE of the DepEd, bulk of which is intended for the Government Assistance to Students and Teachers in Private Education (GASTPE), remains unreleased pending billings from the Fund for Assistance to Private Education (FAPE) administered by the Private Education Assistance Committee (PEAC). The DepEd contracted out the PEAC to manage the said educational assistance program.
- Procurement difficulties. For example, about P6.1 billion capital outlays of the DepEd for the provision of learning resources was not disbursed due to failed bidding. The amount is allotted for educational materials such as computers and Science and Technology equipment.
- Ongoing implementation of programs/project. Most of the projects implemented by line agencies are currently ongoing after experiencing procurement difficulties and implementation bottlenecks late last year and earlier this year. For instance, under the *Mindanao Sustainable Agrarian and Agriculture*

*Development Project* (MINSAAD) of the DAR, the review and validation of rural infrastructure and agriculture, agroforestry and agribusiness developments sub-projects is currently ongoing since the consultancy services were only procured in November 2015 and after two failed biddings. Procurement and subsequent implementation of the approved sub-projects will commence as soon as the required documents for the downloading or release of funds have been submitted. Meanwhile, the procurement of the phase II of the consulting services is ongoing and expected to be awarded before the end of this year. In the case of the *Italian Assistance to the Agrarian Reform Communities Development Support Program* (IARCDSP), delays have been encountered in the implementation of rural infrastructure sub-projects given the procurement policy of the Italian Government where a “No Objection Declaration” is required for sub-projects worth more than €100,000 before procurement can proceed. Nonetheless, the DAR is closely coordinating with the Italian Embassy to address this concern.

Meanwhile, P17.3 billion of the total P59.6 billion underspending in Q3 came from savings generated from Interest Payments (P11.5 billion) due to bond exchange transactions made by the BTr under its debt liability management program; and from minimal availments of GOCCs for Net Lending assistance (P5.9 billion).

### **Outlook for the Rest of the Year**

Based on preliminary numbers, spending for the month of October this year is likely lower than that of the previous year. This is partly on account of one-off items such as the Automated Election System of the COMELEC and expenditures made by the government for the preparatory works and hosting of the APEC Summit in November 2015. However, spending trends show that disbursements tend to accelerate during the latter part of the year as creditors send their billings before the closing of books, and as line agencies fast track the implementation of their programs and projects towards the end of the year. This could hopefully surpass, or if not, sustain the 14.1 percent growth in disbursements recorded as of September 2016.