

NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF JUNE 2016

National government disbursements stood at P220.8 billion for the month of June 2016, down by P15.5 billion or 6.5 percent from 2015. The contraction recorded for the month is expected in view of the one-off personnel services expenditures and difference in timing or programming of government subsidies this year. This resulted to a 10.9 percent growth in second quarter disbursements to reach P629.8 billion, slower than the 12.4 percent growth posted for the same period in 2015. Nonetheless, first semester spending grew

by 13.9 percent to P1,221.3 billion, faster than the 8.5 percent growth for the comparable period in 2015 due to strong Q1 results and performance for the first two months of the second quarter.

NCA disbursements outgrew non-cash expenditures, expanding by 12.3 percent to P550.3 billion in Q2, and by a wider margin of 18.6 percent to reach P979.6 billion as of the first semester. In contrast, Non-NCA disbursements slightly increased by 2.3 percent to P241.7 billion in Q1 but contracted by 1.8 percent to P217.4 billion as of the first semester to continue with its decreasing trend since the previous year. Increased expenditures for government operations which include programs and projects of implementing agencies remains to be the major factor in driving cash disbursements, while savings in interest payments resulted to a decline in Non-NCA expenditures.

Relative to the total NCA issuances effective for the period, NCA disbursements were also faster this year at 98.0 percent of all effective NCAs in Q2 and 94.5 percent as of the first semester – better than the 94.5 percent and 90.9 percent recorded in Q2 and first semester of 2015, respectively.

Figure 1. NG Disbursements as of June

Amounts in billion pesos, unless otherwise indicated

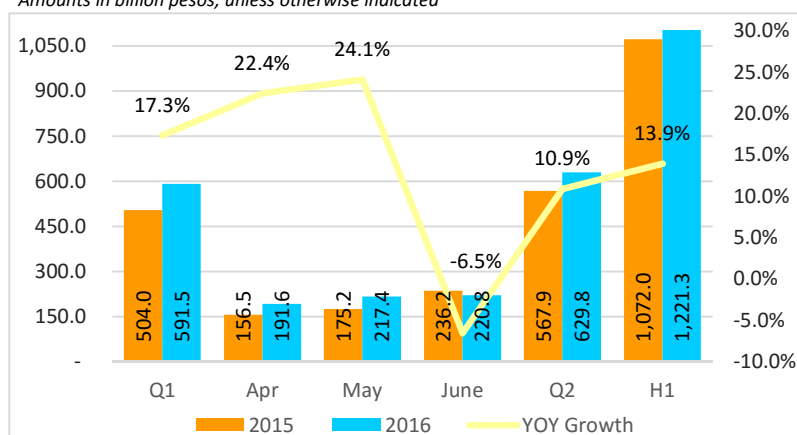


Table 1. Comparison of NCA and Non-NCA Disbursements, 2015-2016

Amounts in billion pesos, unless otherwise indicated

Particulars	Q1		Q2			First Semester						
	2016	2015	2016	Inc/(Dec)		2015	2016		Variance		Inc/(Dec)	
				Amt	%		Program	Actual	Amt	%	Amt	%
NCA	429.3	490.2	550.3	60.1	12.3	825.8	1,087.1	979.6	(107.5)	(9.9)	153.8	18.6
% of Eff. NCA	90.4%	94.5%	98.0%			90.9%		94.5%				
Non-NCA	162.2	77.7	79.5	1.8	2.3	246.2	298.6	241.7	(56.9)	(19.1)	(4.5)	(1.8)
TOTAL	591.5	567.9	629.8	61.9	10.9	1,072.0	1,385.7	1,221.3	(164.4)	(11.9)	149.3	13.9

Memo Item

Effective NCAs issued net of Trust Liabilities, Gross of Working Fund

	Q1	Q2	First Semester
2015	389.2	518.9	908.1
2016	474.6	561.5	1,036.1

Allotment Releases

As of June 2015	2,331.1	89.5%	of the P2,606.0 billion obligation program
As of June 2016	2,618.7	87.2%	of the P3,001.8 billion obligation program

Sources: Bureau of the Treasury and DBM-Budget Technical Bureau

Allotment Releases

Releases as of June 2016¹ have already reached P2,618.7 billion or 87.2 percent of the P3,001.8 billion program for the year, resulting to a balance of P383.1 billion for the second semester. Compared to the previous year, however, the release when taken as a proportion of the total expenditure program for the year was slightly lower than the 89.5 percent ratio recorded for the same period in 2015. The decline is mainly on account of lower releases from continuing appropriations which are accommodated within this year's expenditure program. In 2015, releases for continuing appropriations as of the first semester amounted to P61.5 billion compared to only P27.7 billion for the same period this year. It is worthy to note, however, that continuing appropriations in 2015 came from two funding sources – RA 10633 or the 2014 GAA and RA 10652 or the 2014 supplemental appropriations. This year, the funding source for continuing appropriations is just the RA 10651 or the 2015 GAA.

For the month of June, some P61.8 billion worth of allotments was made available to line agencies on top of those comprehensively released at the start of the year. This is largely made up of the P20.4 billion subsidy to GOCCs, P8.5 billion Basic Educational Facilities implemented by the DepEd with the DPWH, P7.1 billion pension requirements, including other separation benefits, and the P3.9 billion DND-Revised AFP Modernization Program.

Year on Year Performance

For the Month of June

Infrastructure and other capital spending propelled the disbursements for the month with P46.6 billion outlays, up by some P12.0 billion 34.5 percent from the levels in June 2015. The upswing stemmed from disbursements of the DPWH for completed infrastructure works and payments for Right of Way Acquisition. This is also resulted from capital expenditures of the DepEd for the repair and rehabilitation of school facilities nationwide, aircraft acquisition of the DND under the Revised AFP Modernization Program, as well as the implementation of the National Greening Program of the DENR where planting of seedlings usually takes place at the start of the rainy season.

Table 2. NG Disbursements for the month of June
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	June		Increase/(Decrease)	
	2015	2016		
			Amt	%
CURRENT OPERATING EXP.	193.6	164.1	(29.5)	(15.2)
Personnel Services	76.6	58.9	(17.6)	(23.0)
MOOE	36.8	40.5	3.7	10.1
Subsidy	34.9	16.1	(18.9)	(54.1)
Allotment to LGUs	26.0	28.6	2.6	9.9
IP	19.2	17.7	(1.5)	(8.0)
TEF	0.2	2.5	2.3	1,145.7
CAPITAL OUTLAYS	42.9	56.4	13.5	31.4
Infra and Other CO	34.6	46.6	12.0	34.5
Equity	0.0	0.1	0.0	140.0
Capital Transfers to LGUs	8.3	9.8	1.5	18.0
NET LENDING	(0.3)	0.2	0.6	(165.3)
TOTAL	236.2	220.8	(15.5)	(6.5)

Similarly, the expansion of maintenance expenditures led to higher disbursements this June. MOOE widened by P3.7 billion or 10.1 percent to reach P40.5 billion, largely from DepEd disbursements for school operations and the implementation of Senior High School (SHS) Program as classes started early this June. The SHS program pertains to the last two years of the K-12 program where high school students enroll into core subjects and subjects under a track of their choice. The tracks consist of applied and specialized programs which are clustered into four disciplines, namely: Academic, Technical-Vocational-Livelihood, Sports, and Arts and Design. The program provides High School students the necessary skills and key competencies that will prepare them better in whatever path they will choose after graduation. Maintenance spending also includes payment for the petroleum, oil, lubricants and other maintenance requirements of the DND-AFP.

¹Status of Allotment Releases published in the DBM website. Available at http://www.dbm.gov.ph/?page_id=16204.

The other expenditure items which grew this June were Allotment and Capital Transfers to LGUs (P2.6 billion, 9.9 percent, and P1.5 billion, 18.0 percent) resulting from increased tax collections of the BIR; tax expenditures (P2.3 billion, 1,145.7 percent) largely from the P1.8 billion tax subsidy to PSALM for its tax obligations from the sale and privatization of NPC assets; and equity (P35 million, 140 percent) due to investment outlays for ECOZONE development of the Aurora Pacific Economic Zone and Freeport Authority (APEZFA) and Zamboanga City Special Economic Zone Authority (ZCSEZA).

The growth, however, was tempered by the reduction in Personnel services spending and Subsidy to Government Corporations. Personnel services were lower by P17.6 billion or 23.0 percent mostly from the one-off Performance Enhancement Incentive (PEI) given in June 2015. The PEI is a performance-based incentive equivalent to about half of one month basic salary given to qualified government employees whose offices have at least met 90 percent of at least two of their committed outputs or outcomes and complied with good governance conditions on transparency and streamlining of operations. The objective is to incentivize merit, excellence and teamwork in the bureaucracy. In May earlier this year, a mid-year bonus equivalent to one month basic salary was granted to state workers under the first tranche implementation of the compensation adjustment² for 2016. Releases for creation of new positions and Retirement and Gratuity claims were lower this June by P1.0 billion and P2.5 billion, respectively, which contributed to the decline in Personnel Services expenditures.

On the other hand, subsidies this June amounted to P16.1 billion, bulk of this pertains to the disbursements for the social housing programs of NHA (P10.6 billion) and SHFC (P1.4 billion), as well as payments for completed irrigation projects of the NIA (P1.6 billion). However, these big-ticket disbursements were offset by the absence of releases to the PHIC this year for a net decrease in subsidy of P18.9 billion or 54.1 percent. In 2015, some P32.6 billion subsidy of health insurance premiums of indigents and senior citizens enrolled under the National Health Insurance Program was released in June. This year, the requirement is programmed for disbursements in July in consideration of the length of time needed for the processing and release of subsidy that includes data cleansing/extraction, review and evaluation conducted by the PHIC before being endorsed by the DOH to the DBM for payment.

For the Second Quarter

Disbursements for the second quarter reached P629.8 billion, growing by almost P62.0 billion or 10.9 percent on account of the strong spending performance for the months of April and May this year which increased by P35.1 billion or 22.4 percent and P42.2 billion or 24.1 percent, respectively. Spending for the current quarter, however, was weakened by the 6.5 percent contraction recorded in June, that growth was slightly lower than the 12.4 percent recorded for the same period in 2015.

Among the expenditure items which grew significantly this quarter were infrastructure and other capital outlays and MOOE. Infrastructure spending rose by almost 52.0 percent to P124.2 billion from the P81.8 billion for the same period in 2015 mostly from the

Table 3. NG Disbursements for the Second Quarter
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	Second Quarter		Increase/(Decrease)	
	2015	2016	Amt	%
CURRENT OPERATING EXP.	455.7	480.4	24.7	5.4
Personnel Services	186.4	192.0	5.6	3.0
MOOE	93.2	118.7	25.5	27.3
Subsidy	40.3	28.4	(11.9)	(29.6)
Allotment to LGUs	78.0	85.7	7.7	9.9
IP	55.5	51.1	(4.4)	(8.0)
TEF	2.4	4.6	2.2	92.6
CAPITAL OUTLAYS	111.8	148.8	37.0	33.1
Infra and Other CO	81.8	124.2	42.4	51.8
Equity	0.2	0.3	0.1	61.4
Capital Transfers to LGUs	29.8	24.3	(5.5)	(18.4)
NET LENDING	0.4	0.6	0.1	33.1
TOTAL	567.9	629.8	61.9	10.9

² In our previous assessment reports, we referred to this as the *Salary Standardization Law of 2015* or SSL 2015. The more appropriate term however is compensation adjustment consistent with its legal basis which is Executive Order No. 201 s2016.

implementation of infrastructure programs of the DPWH and acquisition of defense and military equipment of the DND under the AFP Modernization program. Maintenance expenditures were higher by P25.5 billion or 27.3 percent from the P93.2 billion for the same quarter in 2015 as various government social programs such as the CCT, banner health programs, K-12 program, and livelihood and capacity development programs aimed at reducing poverty and providing better opportunities have been scaled up this year.

Meanwhile, personnel services expenditures slightly increased by P5.6 billion or 3.0 percent from the P186.4 billion for the comparable period in 2015. The uptick was a result of the salary increase under the EO 201 s2016 or compensation adjustment implemented this year but was weighed down by lower pension claims and releases for the creation and filling up of positions when compared with the previous year.

For the First Semester

Government spending as of end June 2016 grew by 13.9 percent to P1,221.3 billion, higher than the 8.5 percent recorded for the same period in 2015, despite the slower growth posted in Q2 at 10.9 percent from the 17.3 percent in Q1 this year.

The disbursements for the first semester was buoyed by huge infrastructure and other capital expenditures which grew by P78.6 billion or more than 50.0 percent of the P150.4 billion for the same period in 2015. This is on account of the completed infrastructure projects of the DPWH for road repair, rehabilitation and upgrading, including convergence programs implemented with the DepEd (school building), DOH (health facilities) and DOT (access roads to tourist destinations). The purchase of military aircraft, vessel and equipment by the DND under the AFP Modernization Program, as well as various capital outlays in SUCs also contributed to higher infrastructure expenditures for the first six months of the year.

Maintenance spending expanded by some P37.3 billion or nearly 21.0 percent from the 2015 level due to the implementation of social programs, including COMELEC expenses for preparatory works and the conduct of the National and Local Elections itself in May earlier this year.

On the one hand, personnel services expenditures rose to a mere 4.4 percent as of the first semester this year compared to 10.9 percent for the same period in 2015. While the average increase of salaries under the first tranche of compensation adjustment this 2016 is estimated at 11.0 percent across all positions in the government, its supposed impact on disbursements was partly trimmed down by a combination of lower releases for creation and filling up of positions and claims for retirement gratuity benefits this year, as well as the base effect from the one-off PEI in June last year.

Likewise, allotment and capital transfers to LGUs increased P15.4 billion (9.9 percent) and P7.8 billion (15.7 percent), respectively from higher tax base and the release of special shares of LGUs in the proceeds of national taxes in March earlier this year. Equity to GOCCs also expanded as of end-June 2016 by P8.1 billion largely due to the P3.0 billion and P8.0 billion investment outlays to Land Bank and Development Bank of the Philippines, respectively.

Table 4. NG Disbursements for the First Semester
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	First Semester		Increase/(Decrease)	
	2015	2016	Amt	%
	CURRENT OPERATING EXP.	869.2	922.5	53.4
Personnel Services	324.7	339.0	14.2	4.4
MOOE	179.3	216.6	37.3	20.8
Subsidy	44.0	36.6	(7.4)	(16.8)
Allotment to LGUs	155.9	171.3	15.4	9.9
IP	156.1	153.7	(2.4)	(1.5)
TEF	9.1	5.3	(3.8)	(41.4)
CAPITAL OUTLAYS	200.1	294.6	94.5	47.2
Infra and Other CO	150.4	229.0	78.6	52.3
Equity	0.3	8.4	8.1	2,565.3
Capital Transfers to LGUs	49.4	57.2	7.8	15.7
NET LENDING	2.7	4.1	1.4	53.9
TOTAL	1,072.0	1,221.3	149.3	13.9

Subsidy, tax subsidy and interest payments were lower this first semester this year from the levels recorded for the same period in 2015 combining for a P13.6 billion reduction to offset the growth recorded for the expense items discussed earlier. As mentioned, subsidy releases to GOCCs were lower for the first six months of the year on account of the delay of the subsidy of health insurance premiums under the PHIC. The year-on-year decline in tax expenditures and interest payments on the other hand was a result of lower availments of GOCCs, and savings from bond exchange transactions, respectively; both highly favorable developments.

Program vs Actual Performance

Disbursements fell short by P164.4 billion or 11.9 percent vis-à-vis the first semester program this year. The three major expenditure classes – Personnel Services, Maintenance and Other Operating Expenditures and Infrastructure and Other Capital Outlays combined for some P109.1 billion to account for 66.4 percent of the total underspending for the period.

Personnel services were lower by P57.0 billion from the P396.0 billion program on account of lower access by agencies from the MPBF and the PGF. Moreover, payment of the salaries of some DepEd personnel was also delayed pending submission of supporting documents like approved appointment from the Civil Service Commission, GSIS BP numbers. The DepEd also reported that some divisions have incorrectly computed their provision for half of the cash gift and year-end bonus in June instead in November later this year³. Furthermore, releases for the Performance Based Bonus for 2015 were minimal as the process of validating whether line agencies have met their performance targets is still ongoing. Similarly, claims for the retirement and gratuity benefits were lower than expected.

Maintenance and infrastructure spending were behind targets by some P20.2 billion (8.5 percent of program) and P31.9 billion (12.2 percent), respectively, mainly due to low obligation of implementing agencies arising from procurement difficulties and the election ban.

For instance under MOOE, some P2.7 billion worth of allotments⁴ intended for the Free-WiFi Connectivity Project of the DOST-ICTO remained unobligated as the bidding process is still ongoing. This is also the case for the mapping programs of the DENR-NAMRIA such as Hydrographic Survey and Nautical Charting and Topographic Base Mapping. The agency reported having difficulties in bidding out the programs because the prospective bidders were not able to comply with technical specifications required. Similarly, the procurement for a number of LGU-implemented projects under the BUB and PAMANA programs of the DILG were delayed by the election ban.⁵ Moreover, the timely release and or transfer of funds to LGUs have been affected by the delayed submission of documentary requirements by the concerned LGUs. The same is also experienced by the DepEd where transfer of school MOOE to school divisions were delayed by the non-submission of liquidation reports and other supporting documents.

Low obligations, meanwhile, were recorded for the Student Financial Assistance Programs (STUFAPs) and K-12 Transition Program of the CHED. Based on the report⁶ provided by the Commission, the STUFAPs were

Table 5. NG Disbursements for the First Semester 2016, Program vs Actual
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	First Semester		Variance	
	Program	Actual	Amt	%
CURRENT OPERATING EXP.	1,048.5	922.5	(126.0)	(12.0)
Personnel Services	396.0	339.0	(57.0)	(14.4)
MOOE	236.8	216.6	(20.2)	(8.5)
Subsidy	38.6	36.6	(2.0)	(5.1)
Allotment to LGUs	171.3	171.3	-	-
IP	194.3	153.7	(40.6)	(20.9)
TEF	11.5	5.3	(6.2)	(53.7)
CAPITAL OUTLAYS	328.5	294.6	(33.9)	(10.3)
Infra and Other CO	260.8	229.0	(31.9)	(12.2)
Equity	10.1	8.4	(1.6)	(16.3)
Capital Transfers to LGUs	57.6	57.2	(0.4)	(0.7)
NET LENDING	8.6	4.1	(4.5)	(52.6)
TOTAL	1,385.7	1,221.3	(164.4)	(11.9)

³ Per DepEd report received on September 2, 2016.

⁴ Status as of the first quarter of 2016 only. Awaiting submission of the agency's FAR for the second quarter.

⁵ Per DILG report received on August 26, 2016.

⁶ Report submitted via e-mail on August 12, 2016.

marred by the late and or non-submission of documentary requirements needed for payments to proceed, while the K-12 Transition Program was affected by the shift in academic calendar of some educational institutions which contributed to the delays in the finalization of scholarship contracts. The Commission is already following up with their stakeholders to submit the required documents in order to fast track payments. Further, the Commission is streamlining the process of consolidating the documentary requirements through the use of an online system. They have also partnered with the Development Bank of the Philippines to facilitate the disbursements of allowances and other scholarship privileges to their scholars. Low obligation was also seen in the Land Tenure Services of the DAR which has been allocated with some P2.1 billion in the 2016 GAA. According to the agency, land acquisition up to land distribution takes about 196 working days under normal circumstances to be completed. The process however was delayed by various factors which include the election ban, pending court cases and protests, peace and order concerns, boundary conflicts and political pressures, and delayed issuance of certifications from CENRO and LRA, among others. The implementation of the agency's locally funded projects is also ongoing. For instance, the procurement and mobilization of consultancy services for the *Mindanao Sustainable Agrarian and Agriculture Development Project* only started late last year. The payment for the completed review of feasibility studies of around 99 rural infrastructure subprojects is currently for approval pending the submission of additional documentations required by the finance office. The same is also the case for the *Italian Assistance to the Agrarian Reform Communities Development Support Program* where various PMOs had difficulty in complying with the submission of required additional documents, the need for clearance (i.e., No Objection Declaration for infrastructure projects costing more than 100,000 euros) from donors, among others. The agency is nonetheless coordinating with their respective units concerned to address their compliance with the documents required.

Under Capital Outlays, examples of delayed obligations include some P1.5 billion worth of transport infrastructure projects of the DOTC where the procurement process is still ongoing⁷. Around P1.2 billion of this is intended for airport construction, rehabilitation and upgrading. Low obligations were also recorded in the Bureau of Customs for the construction of the Port of Cebu Building. The BOC reported that the construction of the building was delayed by the late issuance of the MOA and then by the change of location or property where the building will be constructed. Nonetheless, the agency has already secured the documents to proceed with the pre-bidding stage.

The lower-than-programmed disbursements were also affected by payment issues such as delayed billings by contractors, incomplete or non-submission of documents to support payments, as well as the large volume of unclaimed checks amounting to some P30.8 billion⁸ for the period. For the DOTC, some P4.1 billion worth of foreign-assisted projects has not been disbursed pending contractors/consultants' submission of billings.⁹ The big-ticket items under these projects include the LRT Line 2 Extension project and the New Communications, Navigation and Surveillance/Air Traffic Management Systems Development Project where some P1.1 billion and P2.1 billion, respectively, remained undisbursed per DOTC report as of June 30, 2016. The agency is already coordinating with its Project Management Offices to follow up the billing statements with their consultants and contractors. This has also been the case in some DepEd school divisions where payments for school repair and rehabilitation were hampered by the delayed submission of progress billings and supporting documents of contractors.

For the DENR, meanwhile, seedling productions for the National Greening Program were affected by the El Niño phenomenon. The agency reported that payments have not been made since the seedlings failed to meet the required standards. *The DBM is still waiting for the reports of the DOH, DA, DOF-BIR to explain the reasons behind their large underspending for the period.*

⁷ Based on DOTC report to DBM, received on August 8, 2016.

⁸ Per Bank Reports as of June 2016. Consolidated report available at the DBM website - http://www.dbm.gov.ph/wp-content/uploads/e-Fund_Rel_eases/NCA-Disbursement/2016/June/Utilization_byAgencyWEBSITE%20-%20As%20of%20June%202016.pdf

⁹ Based on DOTC report to DBM, received on August 8, 2016.

Savings in interest payments, and lower tax subsidies and net lending assistance also contributed to the underspending as of the first semester of 2016. Interest payments were down by P40.6 billion than the programmed levels in view of savings generated by the bond exchange transactions and lower actual domestic borrowings. The said amount represents a quarter of the total underspending for the period. On the other hand, lower grant of tax subsidies and net lending assistance due to a more prudent stance of the government in granting these transfers combined for a P10.7 billion underspending as of June this year.

Outlook for the Rest of the Year

The government may find it difficult to catch up with the full year disbursement program of P2,995.4 billion approved by the DBCC in February earlier this year as a result of the P164.4 billion spending delays recorded as of the end of the first semester. Moreover, as has been observed in the previous presidential election year in 2010, when a new administration took over, disbursements during the second semester are lower when compared to the first semester. This seasonality is expected since newly appointed heads of implementing agencies usually need time to study the operations of their respective offices and evaluate their programs and projects. Hence, the government is revising its full year disbursement program to P2,645.6 billion, lower by P349.8 billion or 11.7 percent of the original full year program approved for 2016.

The DBM is closely coordinating with line agencies to monitor the status of the implementation of their respective programs and projects. The revised IRR of the procurement law has been released to streamline bidding processes and requirements. This will be supported by training and capacity building of stakeholders to ensure common understanding and smoothen the operationalization of the revised IRR. Similarly, through the adoption of ISO assessment of front line processes and the repeal of old and redundant regulations, the government is looking into various procedures, including documentary requirements involved in transacting with line agencies in order to curb corruption and cut short processing time. This should help hasten various activities in government such as procurement, hiring, processing and release of permits, billings and payments, among others.