

## NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF APRIL 2017

National Government spending as of April 2017 stood at P798.4 billion, up by P15.4 billion or 2.0 percent. Disbursements for the month of April meanwhile reached P183.1 billion, down by 4.5 percent from the level for the same period in the previous year. Spending for the month was lower year-on-year primarily due to combined effects of election-related and one-off big-ticket capital expenditures. Based on historical trends, spending grows faster during the first two quarters of a presidential election year since implementation and completion of various priority programs and projects of the outgoing administration are accelerated ahead of the transition. Growth then subsides during the first six months of the new administration as it begins to shape its expenditure policies and continues up to the early part of the following year as the effect of election spending wanes down.

**Figure 1. National Government Disbursements as of April**

Amounts in billion pesos, unless otherwise indicated



This contributed to the lower NCA or cash disbursements for the month amounting to P158.9 billion, P8.9 billion or 5.3 percent below the level for the same month in 2016 (see Table 1). This only represents 73.1 percent of the P217.3 billion worth of NCAs effective for April 2017, less than the 89.3 percent rate in the previous year. The longer holidays<sup>1</sup> during the month have affected the processing of payments and hence the disbursements of funds since work and bank operations are suspended during these days. On the average, the daily disbursements of the national government for the month amounted to around P6.0 billion.<sup>2</sup> This would have translated to another P18.0 billion disbursements for the month and could have compensated for the effect of the election-related expenditures and other one-off items.

**Table 1. Comparison of NCA and Non-NCA Disbursements, 2016-2017**

In billion pesos, unless otherwise indicated

Particulars	January to March				April				January to April			
	2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	429.3	446.8	17.5	4.1	167.7	158.9	(8.9)	(5.3)	597.0	605.6	8.6	1.4
% of Eff. NCA	90.4%	89.2%			89.3%	73.1%			90.1%	84.3%		
Non-NCA	162.2	168.6	6.4	4.0	23.9	24.2	0.3	1.4	186.1	192.8	6.8	3.6
<b>TOTAL</b>	<b>591.5</b>	<b>615.4</b>	<b>23.9</b>	<b>4.0</b>	<b>191.6</b>	<b>183.1</b>	<b>(8.5)</b>	<b>(4.5)</b>	<b>783.1</b>	<b>798.4</b>	<b>15.4</b>	<b>2.0</b>

### Memo Item

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

	January to March	April	January to April
2016	474.6	187.8	662.4
2017	500.7	217.3	718.1

### Allotment Releases

As of April 2016	2,508.5	83.6%	of the P3,001.8 billion obligation program
As of April 2017	2,718.3	81.1%	of the P3,350.0 billion obligation program

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

<sup>1</sup> Maundy Thursday, Good Friday (April 13 and 14) and ASEAN Summit (April 28). In the previous year, the commemoration of the holy week happened in March.

<sup>2</sup> Estimated based on the BTR's Modified Disbursement Scheme Negotiated Checks Report for the month of April 2017. For this purpose, daily average pertains to the total MDS negotiated checks of P158.5 billion less transfers to LGUs of P49.7 billion divided 18 days.

## Allotment Releases

As of end-April 2017, 81.1 percent or P2,718.3 billion of the P3,350.0 obligation program for the year was already made available to the line agencies. This is mostly comprised of their regular or agency-specific budget amounting P1,676.6 billion equivalent to 85.2 percent of their programmed budget for the year, as well as the P872.3 billion automatic appropriations which include the *Internal Revenue Allotment* (P486.9 billion) and *Interest Payments* (P334.9 billion). Also, of the total allotment releases, P149.0 billion pertains to the releases from special purpose funds such as the *Budgetary Support to Government Corporations* (P50.2 billion), *Pension and Gratuity Fund* (P41.4 billion) and *Miscellaneous and Personnel Benefits Fund* (P11.9 billion).

## Year-on-Year Performance

**Figure 1. National Government Disbursements for the Period Indicated**

*Amounts in billion pesos, unless otherwise indicated*

Expenditure Class	April		January to April		Increase/(Decrease)			
	2016	2017	2016	2017	April		January to April	
					Amt	%	Amt	%
<b>Current Operating Exp.</b>	<b>141.3</b>	<b>132.3</b>	<b>583.5</b>	<b>607.2</b>	<b>(9.1)</b>	<b>(6.4)</b>	<b>23.7</b>	<b>4.1</b>
Personnel Services	57.4	58.0	204.4	226.6	0.6	1.0	22.2	10.8
MOOE	34.6	25.1	132.5	114.4	(9.5)	(27.5)	(18.1)	(13.7)
Subsidy	4.8	2.2	13.1	21.8	(2.7)	(55.4)	8.7	66.9
Allotment to LGUs	28.6	32.5	114.2	130.3	3.9	13.7	16.0	14.0
Interest Payments	14.8	13.5	117.4	111.3	(1.3)	(8.7)	(6.1)	(5.2)
Tax Expenditures	1.2	1.1	1.9	2.8	(0.1)	(8.8)	0.9	48.2
<b>Capital Outlays</b>	<b>50.1</b>	<b>50.7</b>	<b>195.9</b>	<b>192.9</b>	<b>0.7</b>	<b>1.3</b>	<b>(3.0)</b>	<b>(1.5)</b>
Infrastructure/Other CO	42.5	33.5	147.2	151.0	(9.0)	(21.2)	3.8	2.6
Equity	0.2	0.0	8.4	0.0	(0.2)	(75.9)	(8.3)	(99.4)
Capital Transfers to LGUs	7.4	17.2	40.2	41.8	9.8	133.6	1.6	3.9
<b>Net Lending</b>	<b>0.2</b>	<b>0.1</b>	<b>3.7</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>(46.5)</b>	<b>(5.3)</b>	<b>(143.6)</b>
<b>TOTAL</b>	<b>191.6</b>	<b>183.1</b>	<b>783.1</b>	<b>798.4</b>	<b>(8.5)</b>	<b>(4.5)</b>	<b>15.4</b>	<b>2.0</b>

*For the Month of April 2017*

Disbursements for the month were lower year-on-year on account of the following items:

- Maintenance spending amounted to P25.1 billion, down by P9.5 billion or 27.5 percent from the previous year mainly due to the absence of election-related expenditures of the COMELEC (e.g., supplies and materials, and training and traveling expenses)<sup>3</sup> and the still ongoing procurement activities for some of the banner programs of the government. Also as mentioned earlier, processing of payments and disbursements were affected by the three (3) holiday break this month.
- Infrastructure and other capital expenditures reached P33.5 billion, fell by P9.0 billion or 21.2 percent from the level recorded in April last year. This is largely on account of the absence of big-ticket capital expenditures in the DND-AFPMP such as the purchase of FA-50 aircraft and anti-submarine helicopters which contributed to around P3.7 billion disbursements<sup>4</sup> for the same month in the 2016. For this year, similar AFPMP projects are programmed in the second semester as the approval and

<sup>3</sup> In our *April 2016 Assessment of Disbursement Report*, the per diem and honoraria of poll workers were mentioned as part of the maintenance expenditures of the COMELEC for the 2016 National and Local Elections. These items, however, are classified as personnel services expenditures. Maintenance expenditures, on the other hand, include supplies and materials, and training and traveling expenses.

<sup>4</sup> Estimated based on the amount of released NCA.

procurement of the same are still ongoing. Likewise, disbursements of the DPWH were lower year-on-year. As explained earlier, the acceleration of implementation and completion of capital outlay projects prior the conduct of elections resulted to high disbursements in the DPWH in April 2016. For this year, however, implementation of projects under its road network services which include road widening, repair and rehabilitation, and flood control projects, among others are still underway.

The contraction recorded in the major expense items was in part trimmed down by the growth in Allotment and Capital Transfers to LGUs :

- Allotment to LGUs, which represents 80.0 percent of the Internal Revenue Allotment (IRA), increased by P3.9 billion or 13.7 percent as a result of higher revenue collection of the BIR. Capital Transfers to LGUs, which include the remaining 20 percent of the IRA earmarked for capital development projects pursuant to RA 7160, special shares of the LGUs in the proceeds of the national taxes and the Local Government Support Fund (LGSF) intended for capital outlay expenditures, grew by P9.8 billion or more than 100 percent largely due to the release of some P8.2 billion *Assistance to Disadvantaged Municipalities* (ADM). The ADM, one of the expenditure items<sup>5</sup> identified under the LGSF, is an additional financial assistance of the National Government on top of the IRA of the LGUs. This will fund the implementation of capital outlay projects (e.g., construction of water systems, evacuation facility, local access roads, small water impounding projects, and sanitation and health facilities) in low-income LGUs which have successfully met the requirements of the *Seal of Good Financial Housekeeping* of the DILG and have a working PFM system in place.

On the other hand, personnel services reached P58.0 billion, up by more than half a billion or 1.0 percent. The impact of the higher salaries of government employees and allowances of the uniformed and military personnel of the DILG-PNP and DND-AFP was offset mainly due to the low PS requirements of the COMELEC sans the payment of per diem and honoraria of poll workers for the 2016 National and Local Elections, and payment take up of the DepEd for the salary differential of some school divisions for the months of January to March 2016 which was only released in April last year. Moreover, releases for the creation and filling of positions in April this year were down to P2.6 billion from P5.6 billion for the same month in 2016.

#### *For the Period January to April 2017*

Cumulative disbursements as of end-April 2017 reached P798.4 billion, P15.4 billion or 2.0 percent higher than the level recorded for the same period in 2016. The major drivers of growth during the period are: i) personnel services expenditures (P226.6 billion, 10.8 percent year-on-year growth) due the higher pay of government employees and allowances of the uniformed and military personnel; ii) Allotment to LGUs (130.3 billion, 14.0 percent year-on-year) on account of higher shares of LGUs in the proceeds of national taxes; and iii) subsidy (P21.8 billion, 67 percent year-on-year) largely due to irrigation projects of NIA and the subsidy for rice and corn program of the NFA. On the other hand, the growth of infrastructure and other capital expenditures remained positive, albeit at a slower rate or 2.6 percent, despite the 21.2 percent contraction recorded in April this year.

The expansion in these items, however, was weighed down by the decline in maintenance spending (P18.1 billion or 13.7 percent contraction) and equity (P8.3 billion or 99.4 percent) mainly as a result of one-off expenditures (i.e., election-related expenses of the COMELEC for MOOE and capitalization requirements of the DBP and LBP for equity). It is worthy to note though that around P11.4 billion reduction in the disbursements came from the less-productive component of the budget – Interest Payments (P6.1 billion or

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<sup>5</sup> Other items are the *Financial Subsidy to LGUs* and *Conditional Matching Grant to Provinces for Road Repair, Rehabilitation and Improvement*.

5.2 percent) and Net Lending (P5.3 billion or 143.6 percent) on account of bond maturities and repayments from GOCCs, respectively.

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

The remaining program balance for the rest of the year amounts P631.7 billion or less than a quintile of the P3,350.0 billion obligation for 2017. This is composed of the P292.2 billion agency-specific budget and the P314.2 billion allocations from the Special Purpose Fund (SPFs). Both are classified under the *For Later Release* portion of the budget and can only be released upon the request of implementing agency duly supported by the submission of additional documentation (e.g., network plans, details of beneficiary, geo-tagged locations) and compliance to certain conditions (e.g., approval of oversight/regulatory agencies) stipulated in the special provisions of the appropriations law.

The growth of disbursements is expected to normalize in the coming months after the moderate outturns early this year partly because of the effect of election spending. The spending trend this 2017 is similar to that of 2015 where growth is low during the first four months but gradually picks up towards the latter part of the second quarter, then maintains a two-digit growth up to the end of the year. As earlier discussed, the programming of big-ticket expenditures in the second semester (e.g., capital outlay projects of the DILG and DND-AFPMP and school MOOE of the DepEd for the opening of classes this June) , as well as the grant of mid-year bonus this May and the payments for completed ASEAN activities could lead to higher spending growth in the coming months.