

HIGHLIGHTS OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE¹

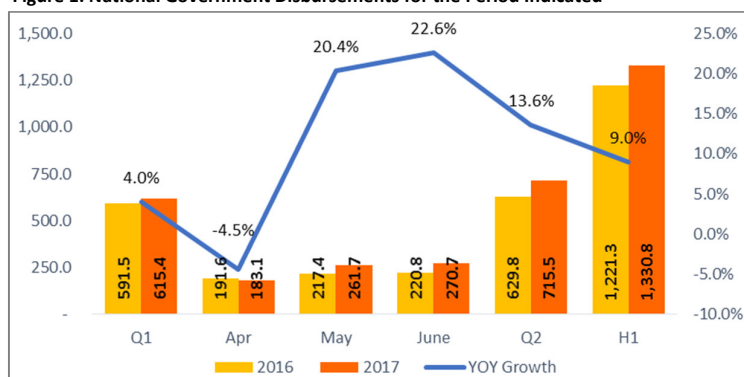
AS OF JUNE 2017

National Government spending recorded a robust 22.6 percent annual growth in June 2017, the highest posted so far this year. Disbursements as of the first semester of 2017 grew by 9.0 percent, outpacing the 6.0 percent annual growth for the first five months of the year. Underspending for the period was down to P5.9 billion or 0.4 percent of the first semester program.

For the Month of June 2017

Disbursements for the month of June this year grew significantly due to the substantial transfers to government corporations and higher personnel services expenditures. The faster utilization of cash allocations by line agencies, which usually happen during the third month of the quarter, also contributed to the sizable spending for the month.

Figure 1. National Government Disbursements for the Period Indicated



- Subsidy to government corporations amounted to P32.3 billion (P16.3 billion higher or 101.3 percent year-on-year). This is largely composed of the P12.0 billion budgetary support to NHA as payment for its completed housing programs for informal settler families and calamity victims; P9.3 billion to PHIC for the health insurance premiums of senior citizens enrolled in the *National Health Insurance Program*; and P5.7 billion to NIA for its completed irrigation projects. Moreover, some P3.6 billion² subsidy was released to the MIAA in June for the payment of Value Added Tax (VAT) or 12.0 percent of the total just compensation to PIATCO Inc. in connection with the expropriation of the NAIA Terminal 3. The P20.5 billion payment made in September last year only represents the full settlement amount and interest charges as ruled by the Supreme Court, but excludes the VAT charges which shall be withheld by the MIAA and remitted to the BIR. Meanwhile, equity reached P3.2 billion mainly for the capital investment to the Land Bank of the Philippines.
- Personnel services expenditures reached P67.1 billion (P8.2 billion higher or 13.9 percent year-on-year) to cover the pension requirements, retirement and terminal leave benefits of employees mostly in the DILG, DND, as well as the requirements for the creation and filling of positions in the DepEd, SUCs, DPWH and other agencies.
- Infrastructure and other capital expenditures remained strong at nearly P52.0 billion (P5.3 billion or 11.4 percent year-on-year) as a result of the implementation of road infrastructure projects of the DPWH, payments for completed irrigation projects implemented by the NIA when it was still attached to the DA-OSEC, and some capital outlay projects of SUCs (e.g., construction or renovation of buildings, purchase of machinery and equipment).

For the Second Quarter 2017

Disbursements for the second quarter this year reached P715.5 billion, P85.7 billion or 13.6 percent higher than the level for the comparable period in 2016. Spending for the period was buttressed by the growth of the following expenditure items:

- Assistance to LGUs combined for some P151.2 billion, increasing by P35.7 billion or 31.0 percent. This is comprised of the Allotment to LGUs (P97.4 billion) which grew by 13.7 percent year-on-year as a result of

¹ The DBM is still awaiting submissions of accountability reports for Q2 2017 from agencies as an input to our assessment report. The complete report will be published as soon as it becomes available.

² Equivalent to 12% of the US\$603.2 million just compensation or US\$ 72.4 million. Exchange rate used is 1US\$: P49.867.

the higher LGU shares from internal revenue collections, and the Capital Transfers to LGUs (P53.8 billion) which rose by 80.4 percent owing to the P28.3 billion releases from the Local Government Support Fund to finance the capital outlay projects under the *Assistance to Disadvantage Municipalities* and *Conditional Matching Grant* programs.

- Personnel services (P214.8 billion; 11.9 percent year-on-year growth) mainly due to the release of mid-year bonus in May earlier this year, as well as the requirements for creation/filling up of positions, pension and retirement gratuity and terminal leave benefits of employees in various agencies during the quarter.
- Subsidy (P38.6 billion; 36.0 percent year-on-year growth) owing to the releases to the PHIC (P9.3 billion premium subsidy) and MIAA (P3.6 billion VAT payment for the NAIA Terminal 3 expropriation case) in June. Higher subsidies were also recorded in NHA and NIA during the quarter due to payment claims for the completed housing programs and irrigation projects, respectively.

Spending during the second quarter exceeded the P690.7 billion program by P24.7 billion or 3.6 percent on account of the following expenses:

- Subsidy (P31.8 billion or 467.9 percent higher compared to program) as a result of the substantial releases to government corporations in June this year. The program for subsidy for the second quarter of 2017 was only assumed at P6.8 billion mainly because of the historically low utilization of GOCCs. However, billings from the contractors of the irrigation projects of the NIA have been more regular while the payment claims from the contractors of the housing programs of the NHA were all processed in June. In previous years, billings from these contractors, as well as their submission of supporting documents have been late. Meanwhile, the P3.6 billion subsidy to MIAA for the payment of VAT for the NAIA Terminal 3 was charged from the unprogrammed appropriations, utilizing the excess revenue collections from GOCC dividends.
- Capital Transfers to LGUs (P19.5 billion or 56.8 percent above than program) mainly due to the releases from the Local Government Support Fund (i.e., *Assistance to Disadvantage Municipalities* and *Conditional Matching Grant*). Some P9.1 billion LGSF allocation programmed in Q1 this year was only released in April while another P9.8 billion, although programmed in the second semester, was already requested by the qualified LGUs. The funds were released to them after complying with the requirements and conditions of the said programs.
- Infrastructure and other capital expenditures (P3.8 billion or 3.0 percent in excess of the program) as the implementation of infrastructure projects of the DPWH has been fast-tracked in May this year to recover from the delays encountered in the earlier months. Furthermore, the submission of progress billings from their contractors has been more regular and frequent due to completed works as a result of the accelerated project implementation.
- Equity (P2.2 billion or 197.6 billion higher than program) wherein the P3.2 billion capitalization requirement of the Land Bank of the Philippines was also charged from the Unprogrammed Fund, making use of the excess GOCC dividends.

These, however, were offset by the underspending recorded in the following items:

- Savings in interest payments (P6.9 billion; 11.3 percent of the program) due to the bond-exchange transactions and debt maturities; tax expenditures (P3.9 billion; 56.5 percent) and net lending (9.6 billion; 95.9 percent) due to lower availments by GOCCs.
- Personnel services (P7.7 billion; 3.5 percent) on account of program balances in the MPBF (e.g. Performance-Based Bonus) and PGF (e.g., retirement and terminal leave benefits) which are yet to be requested by line agencies.
- Maintenance and other operating expenditures (P3.9 billion; 3.2 percent of the program) owing to the delays encountered in the pre-implementation and pre-procurement activities of line agencies.

For the Period January to June 2017

Spending as of the first semester ended up at P1,330.8 billion, almost P110.0 billion or 9.0 percent higher year-on-year. The expansion is mainly credited to the growth of subsidy (59.1 percent), allotment to LGUs (13.9 percent), personal services expenditures (13.1 percent) and infrastructure and other capital outlays (8.8 percent).

As a result of the higher-than-target spending during the second quarter, the gap between the actual and programmed disbursements for first six months of the 2017 was trimmed down to P5.9 billion (0.4 percent of the P1,336.8 billion first semester program) from P30.7 billion in the first quarter this year, and compared to the 164.4 billion in the first semester of 2016. The reduction resulted largely from the subsidy (P32.0 billion) released in June; the higher-than-programmed infrastructure and other capital expenditures (P12.5 billion) for payments of accounts payable of the DPWH due to accelerated and partly completed infrastructure projects, aircraft acquisition under the DND modernization program; and capital transfers to LGUs (P6.3 billion) for capital outlay projects under the LGSF.

However, the underspending in the following expenditures combined for some P57.2 billion to compensate for the overperformance recorded for the period:

- Personnel services (P18.3 billion) mainly due to program balances in MPBF and PGF
- Maintenance expenditures (P7.6 billion) on account of pre-implementation delays and bottlenecks
- Savings in interest payments (P11.9 billion)
- Net lending (P13.9 billion), tax subsidies (P4.3 billion) and other financial subsidy to LGUs (P1.1 billion) as a result of minimal availments by GOCCs/NGAs and LGUs, respectively.