

NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF JULY 2017

National Government disbursements recorded an 11.0 percent annual growth in July 2017 to post at P245.1 billion. Spending rebounded from the moderate 4.9 percent growth recorded for the same month in 2016 when the government was transitioning to a new administration. This brings the total spending for the year to P1,576.0 billion, P133.8 billion or 9.3 percent more than the comparable level of the previous year.

Spending was driven by both cash (NCA expenditures) and non-cash disbursements (Non-NCA expenditures), both increasing by two-digit growth rates of 10.2 percent and 13.6 percent, respectively. NCA disbursements accelerated to P191.0 billion in July 2017 on account of higher and faster level of government operations. This is in contrast to the performance in July of the previous year, where both PS and MOOE contracted, while infrastructure and other capital expenditures grew almost flat because of the transition period. The rate of use of disbursement authorities improved in July this year to 86.2 percent of the total NCA issuances effective for the month vis-à-vis the 84.8 percent of July 2016. The growth of Non-NCA expenditures, on the other hand, was primarily due to the higher interest payments in July this year, owing to the change in the timing of payments and new bond issuances.

As of end-July 2017, cash disbursements stood at P1,268.1 billion, up by P115.3 billion or 10.0 percent while non-NCA expenditures reached P307.8 billion, higher by P18.5 billion or 6.4 percent from the levels for the comparable period in 2016. Details of the year-on-year performance are discussed in the succeeding sections.

Figure 1. National Government Disbursements as of July

Amounts in billion pesos, unless otherwise indicated

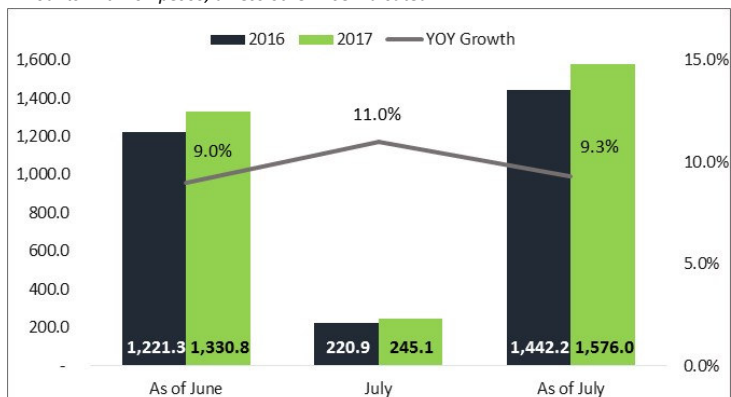


Table 1. Comparison of NCA and Non-NCA Disbursements, 2016-2017

In billion pesos, unless otherwise indicated

Particulars	January to June				July				January to July			
	2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	979.6	1,077.1	97.5	10.0	173.2	191.0	17.8	10.2	1,152.8	1,268.1	115.3	10.0
% of Eff. NCA	94.5%	91.7%			84.8%	86.2%			92.9%	90.8%		
Non-NCA	241.7	253.7	12.0	5.0	47.7	54.1	6.5	13.6	289.4	307.8	18.5	6.4
TOTAL	1,221.3	1,330.8	109.6	9.0	220.9	245.1	24.2	11.0	1,442.2	1,576.0	133.8	9.3

Memo Item

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

	January to June	July	January to July
2016	1,036.2	204.4	1,240.6
2017	1,175.0	221.6	1,396.6

Allotment Releases

As of July 2016	2,675.0	89.1%	of the P3,001.8 billion obligation program
As of July 2017	2,897.1	86.5%	of the P3,350.0 billion obligation program

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

Allotment releases from January to July 2017 amounted to P2,897.1 billion equivalent to 86.5 percent of the P3,350.0 obligation program for the year. This is largely composed of the P1,742.8 billion agency-specific budgets and P220.8 billion Special Purpose Funds under the 2017 new general appropriations (RA 10924), and P886.3 billion automatic appropriations which are mostly made up of the Internal Revenue Allotment (P486.9 billion) and Interest Payments (P334.9 billion).

For the month of July, some P73.3 billion allotments were released to cover, among others, the following expenditures or programs: i. subsidies to government corporations (P22.7 billion); ii. requirements for pension and other retirement benefits (P10.6 billion); iii. Provision for Higher Education Support Program under the CHED's budget for the tuition support for SUCs (P8.0 billion); iv. various infrastructure projects of the DPWH (P7.3 billion); and v. purchase of equipment and other infrastructure outlays under the Health Facilities Enhancement Program of the DOH (P5.2 billion)

Year-on-Year Performance

Table 2. National Government Disbursements for the Period Indicated

Amounts in billion pesos, unless otherwise indicated

Expenditure Class	July		January to July		Increase/(Decrease)			
	2016*	2017	2016*	2017	July		January to July	
					Amt	%	Amt	%
Current Operating Exp.	173.8	186.5	1,084.2	1,187.4	12.7	7.3	103.2	9.5
Personnel Services	42.6	53.6	381.6	437.0	11.0	25.8	55.4	14.5
MOOE	27.2	38.3	231.7	246.6	11.2	41.1	14.9	6.4
Subsidy	35.3	16.9	71.9	75.1	(18.4)	(52.2)	3.2	4.5
Allotment to LGUs	28.6	32.5	199.9	227.3	3.9	13.5	27.3	13.7
Interest Payments	40.0	44.6	193.7	196.2	4.6	11.5	2.5	1.3
Tax Expenditures	0.1	0.6	5.5	5.3	0.5	446.2	(0.1)	(2.7)
Capital Outlays	47.1	58.7	353.8	389.9	11.5	24.5	36.1	10.2
Infrastructure/Other CO	38.7	48.4	267.7	297.5	9.7	25.0	29.8	11.1
Equity	-	0.0	8.4	3.3	0.0	-	(5.2)	(61.4)
Capital Transfers to LGUs	8.4	10.2	77.7	89.1	1.8	21.9	11.5	14.8
Net Lending	0.0	0.0	4.1	(1.3)	(0.0)	(90.6)	(5.4)	(132.1)
TOTAL	220.9	245.1	1,442.2	1,576.0	24.2	11.0	133.8	9.3

*The *Local Government Support Fund* was reclassified under the Allotment to LGUs and Capital Transfers to LGUs. This was previously treated as part of NG MOOE.

For the Month of July 2017

Disbursements for the month of July rallied behind the strong two-digit growth of all three major expenditure classes to reach P245.1 billion and grow by 11.0 percent year-on-year. This compensated for the decline in subsidy which weighed down on the growth of July spending. Excluding subsidy, disbursements accelerated faster by almost 23.0 percent.

- PS expenditures amounted to P53.6 billion, up by P11.0 billion or 25.8 percent year-on-year. The rise in PS expense is credited to the combined impact of higher base pay of government employees under the second tranche implementation of EO 201 s. 2016 as well as the improved fill-up rates of DepEd and DILG positions resulting to the increased number of teaching and police personnel, respectively. The release of terminal leave benefits and monetization of leave credits in some agencies also contributed to the growth of PS disbursements.
- MOOE reached P38.3 billion, P11.2 billion or 41.1 percent more than the level in July 2016. The huge expansion in maintenance expenditures is attributed to the implementation of social services programs such as the Assistance to Victims of Disasters and Calamities, Conditional Cash Transfers and Supplemental Feeding Program of the DSWD; procurement of drugs, medicines and vaccines, and medical assistance programs of the DOH; and the operating requirements of DepEd schools nationwide. Maintenance spending for the month also includes the P1.0 billion payment of insurance premium to the GSIS in connection with the disaster-risk insurance coverage of government facilities against natural calamities.
- Infrastructure and Other Capital Outlays stood at P48.4 billion, P9.7 billion or 25.0 percent higher year-on-year. The growth in capital expenditures resulted from the implementation of flood control, road improvement and road widening projects of the DPWH; acquisition of naval and air defense assets of the DND under the AFP modernization program; purchase of equipments and other infrastructure outlays under

the Health Facilities Enhancement Program of the DOH; and payments for transport infrastructure projects of the DOTr such as the right-of-way acquisition for the Southwest Integrated Transport System (ITS) project and completed civil works for the LRT-2 East Extension project.

- Interest payments reached P44.6 billion, growing by P4.6 billion or 11.5 percent due to timing of payments or payments taken up in July this year but previously paid in August 2016, re-issuance of 5-year fixed rate treasury bonds, and the issuance of new retail treasury bonds. The increase, however, was tempered by some foreign debt instruments which had matured.

On the other hand, government subsidies amounted to P16.9 billion, composed largely of the P15.1 billion premium subsidy for indigents covered under the *National Health Insurance Program* of the PHIC. This is, however, lower when compared to the P35.3 billion budgetary support in July of the previous year mainly due to the change in the timing of payments. In July 2016, P33.8 billion was released to the PHIC for the health insurance premiums. For this year however, some P9.3 billion was already released in June while the remaining requirements are expected to be released in the succeeding months once the validation of beneficiaries against the updated National Household Targeting System (NHTS) list has been completed.

For the Period January to July 2017

Cumulative disbursements from January to July 2017 thus ended at P1,576.0 billion, up by P133.8 billion or 9.3 percent year-on-year. The major growth drivers for the period were:

- Personnel services (P437.0 billion) which grew by P55.4 billion or 14.5 percent on account of the higher salaries and benefits of government employees pursuant to EO 201, creation and filling of positions in various agencies, as well as the release of pension and retirement benefits of employees in some agencies.
- Transfers to LGUs (P316.4 billion combined Allotment and Capital Transfers) which expanded by P38.8 billion or 14.0 percent in view of the higher shares of LGUs from internal revenue collections and the substantial releases from the *Local Government Support Fund*.
- Infrastructure and other capital expenditures (P297.5 billion) which increased by P29.8 billion or 11.1 percent owing to the implementation of road infrastructure programs of the DPWH, modernization of defense facilities and assets of the DND and other capital outlay projects in DOTr, SUCs, DOH and other agencies.

It is also worthy to note that the pace of maintenance expenditures is gradually accelerating as indicated by the 6.4 percent growth as of July this year. This is a significant improvement from the 1.8 percent increase recorded in the first semester, which indicates that spending agencies are catching up on their implementation delays and bottlenecks encountered at the start of the year.

Outlook for the Rest of the Year

As of July 31, 2017, the remaining program balance still available for release for the rest of the year amounted to P452.9 billion or 13.5 percent of the P3,350.0 obligation program. This is comprised largely of some P226.0 billion agency-specific budget and some P242.4 billion Special Purpose Funds. The line agencies still have around five more months to expend these allotments which could further increase disbursement levels.

The growth of disbursements in July this year, which is double the growth for the same month in 2016, is a positive indication that the government has gotten past the adjustment stage or transition period. This gives us optimism that the growth of government spending will be sustained until the end of the year. This expectation is supported by the spending behavior of line agencies. Seasonally, disbursements pick up during the third month of a quarter in view of the timing and processing of payments, as well as the tendency of agencies to speed up the utilization of their cash allocations before they lapse at the last working day of the third month of the quarter. Also, based on historical trend, disbursements are usually higher in the fourth quarter as the implementation of government programs and projects is accelerated or completed before the year ends and ahead of the closing of books.