

## NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF MARCH 2017

National government spending for the first quarter of 2017 stood at P615.4 billion, surpassing the level for the same period in 2016 by nearly P24 billion or 4.0 percent. For the month of March, disbursements recovered slightly from the 1.1 percent annual growth recorded in February, increasing by 4.1 percent year-on-year to reach P241.7 billion.

Despite base effects and the seasonality of expenditures in 2016, disbursements for the first quarter of 2017 continued to exhibit growth. Spending during 2016, an election year, was partly driven by expenditures of the COMELEC for the national and local elections, as well as the acceleration of the implementation of some major infrastructure projects by the previous administration. Thus, growth in the following year tends to slow down. The same trend was observed in 2010 – another presidential election year – where MOOE and Infrastructure and Other Capital Outlays grew by 37.0 and 8.2 percent<sup>1</sup>, respectively, during the first quarter. Both, however, contracted by 34.0 percent and 53.1 percent, respectively, during the following year. Total disbursements for Q1 2011 declined by 12.7 percent. In all, spending in Q1 this year thus performed better when compared to the levels recorded in 2011.

Figure 1. National Government Disbursements, as of March 2016-2017

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	As of February				March				As of March			
	2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	243.0	246.2	3.2	1.3	186.3	200.5	14.2	7.6	429.3	446.7	17.4	4.1
% of Eff. NCA	79.3%	73.9%			110.7%	119.8%			90.4%	89.2%		
Non-NCA	116.3	127.4	11.1	9.6	45.9	41.2	(4.7)	(10.2)	162.2	168.6	6.5	4.0
TOTAL	359.3	373.7	14.4	4.0	232.2	241.7	9.5	4.1	591.5	615.4	23.9	4.0

### Memo Item

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

As of February		March		As of March	
2016	306.2	2016	168.4	2016	474.6
2017	333.3	2017	167.4	2017	500.7

### Allotment Releases

As of March 2016	2,473.4	82.4% of the P3,001.8 billion obligation program
As of March 2017	2,676.6	79.9% of the P3,350.0 billion obligation program

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

In terms of the use of disbursement authorities, cash disbursements for March 2017 rebounded to P200.5 billion from only P175.6 billion a month earlier as line agencies improved their NCA utilization as indicated by the 119.8 percent rate of disbursements over the effective NCAs for the month (i.e., P200.5 billion vs. P167.4 billion). For the first quarter of 2017, this rate had improved to 89.2 percent so that cash disbursements reached P446.7 billion during the period. Meanwhile, allotment releases as of end-March this year have already reached P2,676.6 billion or almost 80 percent of the P3,350.0 billion obligation program for 2017.

<sup>1</sup>Expenditures for the automation of 2010 elections contributed to higher growth of MOOE while the frontloading of ongoing infrastructure and completing SONA projections of the Arroyo Administration pushed the expansion in infrastructure and other CO in Q1 2010.

## Year-on-Year Performance

Disbursements for the first three months of the year were propelled by higher personnel services expenditures which grew by P21.6 billion or 14.7 percent to reach P168.6 billion, owing to the creation and filling of positions in key agencies such as the DepEd and DOH, as well as higher salaries of government employees under the second tranche implementation of the compensation adjustment of 2016, and combat pay/incentives of the uniformed and military personnel of the DILG-PNP and DND-AFP pursuant to E.O. No. 3, s.2016.

Spending was also supported by strong infrastructure and other capital expenditures which amounted to P117.5 billion as of March 2017, P12.8 billion or 12.2 percent more than the level for the same period last year. This is mostly on account of the implementation of road infrastructure projects of the DPWH and other capital outlay projects in the DOH and DND-AFP, as well as the contribution to the Asian Infrastructure Investment Bank.

The other sources of growth of disbursements for the period are: i) allotment to LGUs which increased by P12.1 billion or 14.2 percent on account of higher shares of LGUs from the proceeds of internal revenue collections; and ii) subsidy to government corporations which grew by P11.4 billion or more than 100 percent largely due to the requirements of NFA for its rice and corn buying program, and NIA for its irrigation projects.

The expansion, however, was weighed down by the contraction in maintenance expenditures at P2.1 billion or 2.2 percent, equity (P8.2 billion or 100 percent) and capital transfers to LGUs (P14.8 billion or 37.6 percent).

- Maintenance and other operating expenses contracted to P89.3 billion from P91.4 billion a year-ago period as the implementation and/or the procurement of various social programs encountered delays.
- Equity was lower year-on-year with the absence of the P5.0 billion and P3.0 billion equity infusion to the Development Bank of the Philippines and Land Bank of the Philippines, respectively.
- Capital transfers to LGUs meanwhile declined from the previous year as major releases from the special shares of LGUs in the proceeds of national taxes and from the *Local Government Support Fund* remained unreleased.

On a positive note, disbursements for interest payments were also lower at P97.9 billion (down by P4.8 billion or 4.6 percent) and net lending at negative P1.7 billion (down by P5.2 billion or 149.5 percent) mainly on account of the bond maturities and bond exchange transactions, and repayments from GOCCs, respectively.

## Program vs Actual Performance

Against the first quarter program of 2017, underspending narrowed down to P30.7 billion or 4.7 percent of the P646 billion target from the P89.2 billion or 13.1 percent gap recorded for the same period in 2016.

It is worthy to note that P9.3 billion or 30.4 percent of this underspending resulted from the savings in interest payments (P5.1 billion) and net lending (P4.3 billion). Interest payments were below programmed levels by 4.9 percent due to the debt and liability management strategies of the BTr, wherein more expensive loans were retired in favor of cheaper and longer maturing securities. Similarly, net lending was down by more than

**Table 2. National Government Disbursements, First Quarter 2017**  
**Year-on-Year Performance**

*Amounts in billion pesos, unless otherwise indicated*

Expenditure Class	First Quarter			
	2016*	2017	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	435.6	475.0	39.3	9.0
Personnel Services	147.0	168.6	21.6	14.7
MOOE	91.4	89.3	(2.1)	(2.2)
Subsidy	8.2	19.7	11.4	138.5
Allotment to LGUs	85.7	97.8	12.1	14.2
IP	102.6	97.9	(4.8)	(4.6)
TEF	0.7	1.7	1.0	140.7
CAPITAL OUTLAYS	152.4	142.1	(10.2)	(6.7)
Infra and Other CO	104.8	117.5	12.8	12.2
Equity	8.2	-	(8.2)	(100.0)
Capital Transfers to LGUs	39.4	24.6	(14.8)	(37.6)
NET LENDING	3.5	(1.7)	(5.2)	(149.5)
<b>TOTAL</b>	<b>591.5</b>	<b>615.4</b>	<b>23.9</b>	<b>4.0</b>

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

a hundred percent compared to program, as some GOCCs repaid the advances made by the National Government for the settlement of their obligations. The low availment for net lending assistance is indicative of a healthy financial portfolio of GOCCs. The other sources of the lower-than-target performance are the following:

- Capital Transfers to LGUs (P13.2 billion, 34.9 percent) due to large unreleased balances in the Local Government Support Fund intended for capital outlay projects (e.g., *Assistance to Disadvantage to Municipalities, Conditional Matching Grant to Provinces for Road Repair, Rehabilitation and Improvement*) as well as the *Special Shares in the Proceeds of the National Taxes*. The release of the said funds is only made upon the request of LGUs duly supported by the submission of applicable documentary requirements (e.g., financial reports, implementation plans and endorsement or certification from pertinent authorities<sup>2</sup>) as provided in the special provision of the GAA.
- Personnel Services (P10.6 billion, 5.9 percent) mainly on account of lower releases from *Pension and Gratuity Fund* and unutilized cash allocations in the DILG-PNP for pension and creation/filling of positions.
- MOOE (P3.7 billion, 4.0 percent) as pre-implementation and procurement activities for social programs are still ongoing. For instance, low disbursements have been recorded in some agencies such as the Office of the President since payments for some ASEAN activities were already programmed at the earlier part of the year although most activities are to be held in Q2 and Q4. This is also observed in the Office of the Presidential Adviser on the Peace Process (OPAAP) since the pre-implementation of PAMANA programs are still underway following the signing of MOA between OPAPP and implementing agencies.

The underspending recorded in the aforementioned expenditure items, however, was partially offset by the P8.6 billion (7.9 percent) overspending recorded under infrastructure and other capital expenditures. This is largely on account of additional prior year's payables of the DPWH which were not considered in the program for Q1 2017 but became due and demandable during the period.

### Outlook for the Rest of the Year

As of the end of March, 2017, some P673.4 billion or 20.1 percent of the P3,350.0 billion obligation program for 2017 remained unreleased. Of this amount, P303.9 billion pertains to the department-specific or regular agency budgets while some P339.7 billion refers to allocations under the Special Purpose Funds. Releases from the said allotments are expected to increase in the succeeding months once line agencies are able to comply with the conditions and submit the required documentations. While these releases could add up to the disbursements for the following quarters, the growth of spending is expected to be moderate until early Q2 given base effects and other one-off expenditures in the previous election year. Disbursements are projected to pick up towards the latter part of Q2 consistent with the spending program submitted by line agencies.

**Table 2. National Government Disbursements, First Quarter 2017**  
**Program vs Actual Performance**

*Amounts in billion pesos, unless otherwise indicated*

Expenditure Class	First Quarter 2017			
	Program	Actual	Variance	
			Amt	%
CURRENT OPERATING EXP.	495.5	475.0	(20.6)	(4.2)
Personnel Services	179.2	168.6	(10.6)	(5.9)
MOOE	93.0	89.3	(3.7)	(4.0)
Subsidy	19.9	19.7	(0.2)	(1.1)
Allotment to LGUs	98.4	97.8	(0.6)	(0.6)
IP	102.9	97.9	(5.1)	(4.9)
TEF	2.1	1.7	(0.4)	(18.7)
CAPITAL OUTLAYS	148.0	142.1	(5.8)	(3.9)
Infra and Other CO	108.9	117.5	8.6	7.9
Equity	1.2	-	(1.2)	(100.0)
Capital Transfers to LGUs	37.8	24.6	(13.2)	(34.9)
NET LENDING	2.5	(1.7)	(4.3)	(168.9)
<b>TOTAL</b>	<b>646.0</b>	<b>615.4</b>	<b>(30.7)</b>	<b>(4.7)</b>

<sup>2</sup>In the case of the LGSF, endorsement from the DILG is needed to confirm LGU's compliance to certain good governance conditions and PFM standards while for the *Special Shares*, the certification of actual collections by concerned revenue collecting agencies is needed before the fund could be released.