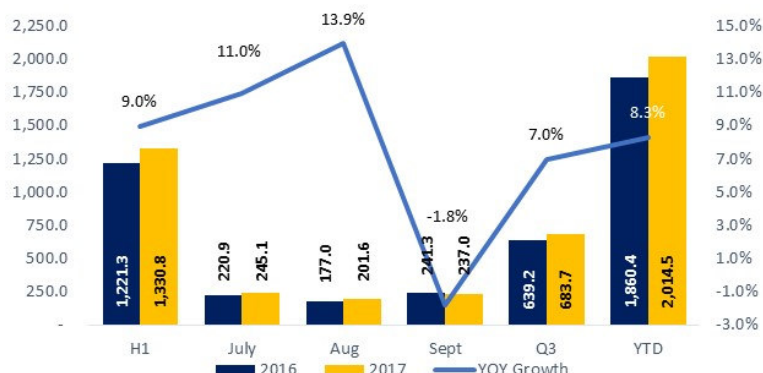


NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF SEPTEMBER 2017

National Government disbursements for the month of September 2017 amounted to P237.0 billion, lower by 1.8 percent when compared with the same period in the previous year. The decline is largely on account of the one-time payment of P20.5 billion just compensation to PIATCO Inc. in connection with the expropriation of the NAIA Terminal 3. The said amount, which was paid in September last year, consisted of the P7.0 billion principal and P13.4 billion payment for interests and taxes. The NG also recorded sizable savings due to lower Interest Payments and Net Lending in September. Excluding the PIATCO payment, Interest Payments and Net Lending, disbursements for the month of September posted a significant growth of 14.6 percent year-on-year.

Figure 1. National Government Disbursements as of September
Amounts in billion pesos, unless otherwise indicated



Disbursements for the third quarter this year thus reached P683.7 billion, up by nearly P45.0 billion or 7.0 percent from the level for the comparable period in 2016. Year-to-date spending meanwhile ended at P2,014.5 billion, P154.1 billion or 8.3 percent more than the disbursements for the same period a year ago. The growth of spending for the cumulative period is slightly lower when compared to the 9.0 percent increase recorded for the first semester, and the 13.6 percent expansion in Q2 mainly on account of the one-off expenditures and savings from Interest Payments and Net Lending. Net of these items, disbursements as of end-September 2017 accelerated faster by 11.6 percent year-on-year. The details are discussed in the succeeding sections.

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

In billion pesos, unless otherwise indicated

Particulars	As of August				September				As of September			
	2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)		2016	2017	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	1,299.7	1,435.4	135.7	10.4	200.2	205.4	5.2	2.6	1,499.9	1,640.8	140.8	9.4
% of Eff. NCA	91.9%	90.0%			109.7%	119.1%			93.9%	92.9%		
Non-NCA	319.4	342.2	22.8	7.1	41.1	31.6	(9.5)	(23.1)	360.5	373.8	13.3	3.7
TOTAL	1,619.2	1,777.6	158.4	9.8	241.3	237.0	(4.3)	(1.8)	1,860.4	2,014.5	154.1	8.3

Memo Item

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

As of August			September			As of September		
	2016	1,414.7		2016	182.4		2016	1,597.1
	2017	1,594.4		2017	172.4		2017	1,766.9

Allotment Releases

As of September 2016	2,752.8	91.7% of the P3,001.8 billion obligation program
As of September 2017	2,958.5	88.3% of the P3,350.0 billion obligation program

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

In terms of composition (see Table 1), disbursements for the month of September 2017 were driven by cash disbursements¹ which amounted to P205.4 billion. Although the growth was just 2.6 percent year-on-year (given the one-off PIATCO expense in 2016), cash disbursements were 19.1 percent more than the P172.4

¹Expenditures which are disbursed through the use of Notice of Cash Allocations (NCAs) under a payment scheme between the government through the Bureau of the Treasury (BTr) and the government servicing banks.

billion NCA issuances effective for the month as unutilized cash allocations in July and August were partly disbursed in September. Non-NCA disbursements, on the other hand, contracted by P9.5 billion or 23.1 percent owing to the lower Interest Payments and Net Lending.

For the cumulative period, cash disbursements grew by 9.4 percent – more than twice the 3.7 percent growth in Non-NCA expenditures – to reach P1,640.8 billion. Non-NCA expenditures meanwhile stood at P373.8 billion. The faster growth of cash disbursements is indicative of the quality of government spending since these expenditures consist mainly of the operations component of the national budget intended for the implementation of programs and projects.

Allotment Releases

For the period from January to September 2017, allotment releases amounted to P2,958.5 billion or 88.3 percent of the P3,350.0 billion obligation program for the year. This is composed largely of the P1,770.8 billion agency-specific budget and P237.8 billion Special Purpose Funds under the FY 2017 GAA (RA 10924), as well as the P888.8 billion automatic appropriations comprised mostly of the Internal Revenue Allotment (P486.9 billion) and Interest Payments (P334.9 billion). Some P35.2 billion was released for the month of September, made up largely of the requirements of the following programs: Basic Education Facilities Program (construction of school buildings/facilities) for implementation by the DPWH (P10.5 billion); pension and other retirement benefits (P9.6 billion); *Philippine Ports and Coast Guard Capability Development Project* of the DOTr (P4.1 billion); creation/filling of positions and other PS benefits in the DepEd (P2.7 billion); and capital outlay projects under the Revised AFP Modernization Program of the DND-AFP (P1.1 billion).

Details of Disbursements by Expense Class

For the Month of September

NG spending in September 2017 amounted to P237.0 billion. Although disbursements for the month were lower by P4.3 billion or 1.8 percent, positive annual growth rates were recorded for the following expenditures:

- Personnel Services (P67.1 billion) increased by 9.9 percent year-on-year on account of the higher base pay of civilian government employees and allowances of the military and uniformed personnel, as well as filling/creation of positions in the DepEd.
- Allotment and Capital Transfers to LGUs (P41.5 billion combined) grew by 14.0 percent from the previous year owing to higher shares of LGUs in internal revenue collections and releases from the *Local Government Support Fund* for the implementation of various local social programs and infrastructure projects.
- Infrastructure and Other Capital Outlays (P53.6 billion) rose by 6.2 percent year-on-year due to public infrastructure projects of the DPWH (e.g., road repair and rehabilitation, and flood control and dike improvement projects in Central Luzon) and construction of fire stations by the DILG-BPF. Net of the P7.0 billion one-time principal payment to PIATCO Inc., Infrastructure and Other Capital Expenditures grew by a faster rate of 23.3 percent.

Table 2. National Government Disbursements for the Month of September
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	September			
	2016*	2017	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	182.2	178.5	(3.7)	(2.0)
Personnel Services	61.0	67.1	6.0	9.9
MOOE	56.2	49.3	(6.9)	(12.2)
Subsidy	3.1	2.5	(0.7)	(21.3)
Allotment to LGUs	28.6	32.5	3.9	13.5
IP	32.6	26.4	(6.2)	(19.0)
TEF	0.7	0.8	0.1	17.3
CAPITAL OUTLAYS	58.3	62.6	4.3	7.4
Infra and Other CO	50.5	53.6	3.1	6.2
Equity	0.0	0.0	(0.0)	(90.2)
Capital Transfers to LGUs	7.8	9.0	1.2	15.6
NET LENDING	0.7	(4.1)	(4.9)	(658.2)
TOTAL	241.3	237.0	(4.3)	(1.8)

*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.

Meanwhile, disbursements for the following expenditure items were lower year-on-year which tempered the growth of spending for the month:

- Maintenance expenditures (P49.3 billion) declined by P6.9 billion or 12.2 percent with the base effect of the interest and taxes paid under the PIATCO case. The reduction, however, was partly offset by higher disbursements of the DepEd for school operations, the DSWD for the Conditional Cash Transfer (CCT) program, the CHED for scholarship programs, and the OPAPP for the *Payapa at Masaganang Pamayanan* (PAMANA) projects.
- Interest Payments (P26.4 billion) fell by P6.2 billion or 19.0 percent largely due to the reduction of the matured bonds and the deferment of the schedule of bond interest payments to October.
- Net Lending (-P4.1 billion) contracted by P4.9 billion or 658.2 percent owing to the P5.0 billion repayment of the PSALM for the advances it requested from the NG in the previous year. This offset the net lending releases to the LRTA (P783 million), the MWSS (P73 million) and other GOCCs (P12 million) in September this year.

Table 3. National Government Disbursements for the Period Indicated

Amounts in billion pesos, unless otherwise indicated

Expenditure Class	Third Quarter		January to September		Increase/(Decrease)			
	2016*	2017	2016*	2017	Third Quarter		January to September	
					Amt	%	Amt	%
CURRENT OPERATING EXP.	492.0	514.9	1,402.4	1,515.8	23.0	4.7	113.4	8.1
Personnel Services	154.3	175.8	493.3	559.1	21.5	13.9	65.8	13.3
MOOE	108.3	117.2	312.8	325.4	8.9	8.2	12.6	4.0
Subsidy	45.8	25.4	82.4	83.6	(20.4)	(44.5)	1.2	1.5
Allotment to LGUs	85.8	97.5	257.1	292.3	11.7	13.6	35.2	13.7
IP	96.1	97.4	249.8	249.0	1.3	1.4	(0.8)	(0.3)
TEF	1.7	1.7	7.0	6.4	(0.0)	(2.1)	(0.6)	(9.2)
CAPITAL OUTLAYS	147.6	172.9	454.3	504.2	25.4	17.2	49.9	11.0
Infra and Other CO	123.2	142.1	352.2	391.2	18.9	15.4	39.1	11.1
Equity	0.0	0.0	8.5	3.3	(0.0)	(14.6)	(5.2)	(61.4)
Capital Transfers to LGUs	24.4	30.8	93.6	109.7	6.4	26.4	16.0	17.1
NET LENDING	(0.4)	(4.1)	3.7	(5.5)	(3.8)	1,001.6	(9.2)	(246.9)
TOTAL	639.2	683.7	1,860.4	2,014.5	44.6	7.0	154.1	8.3

*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 Third Quarter 2017

Disbursements for the third quarter reached P683.7 billion, P44.6 billion or 7.0 percent higher year-on-year. Net of Interest Payments and Net Lending, growth of spending for Q3 is even higher at 8.6 percent.

Infrastructure and Other Capital Outlays surged by P18.9 billion or 15.4 percent to reach P142.1 billion in Q3. The expansion, which is mainly credited to the faster implementation of public works by the DPWH, improved from the growth recorded in Q1 (12.2 percent) and Q2 (5.9 percent) earlier this year. This is however lower when compared to the 33.0 percent annual growth recorded in Q3 2016 due to the base effects from one-off expenditures and timing of capital outlay projects of the DND-AFP and the DepEd.

Maintenance expenditures (P117.2 billion) have likewise increased in Q3 by P8.9 billion or 8.2 percent owing to the disbursements for education and health services as well as social protection programs of the DepEd, DOH and DSWD, respectively. It must be noted that the growth of maintenance spending in this period rebounded from the 2.2 percent contraction recorded in Q1 and the 5.1 percent increase posted in Q2 this year.

For the Period January to September 2017

Year-to-date, NG spending stood at P2,014.5 billion, P154.1 billion or 8.3 percent more than the level for the same period in 2016. The growth of disbursements was supported by higher PS expense (P559.1 billion, 13.3 percent year-on-year), huge investments in Infrastructure and Other Capital Outlays (P391.2 billion, 11.1 percent year-on-year), and substantial transfers to LGUs through the IRA and additional development assistance under the *Local Government Support Fund* or LGSF (combined: P402.0 billion, 14.6 percent year-on-year). Exclusive of the PIATCO payment, both Maintenance expenditures, and Infrastructure and Other Capital Outlays posted much higher annual growth rates of 8.7 percent (vs. 4.0 percent) and 13.3 percent (vs. 11.1 percent), respectively.

Program vs Actual Performance

For the Third Quarter 2017

Although the growth of NG disbursements was sustained in Q3 this year, spending fell short of the P801.1 billion program for the period by P117.4 billion or 14.7 percent due to some delays affecting the timing and processing of payments, postponement of the *Sangguniang Kabataan and Barangay Elections*, and savings from Interest Payments and Net Lending.

- Personnel Services were short of the P235.4 billion program by P59.6 billion or 25.3 percent mainly on account of the lower claims for the 2016 Performance-Based Bonus (PBB) and requirements for the creation/filling of positions under the Miscellaneous Personnel Benefits Fund (MPBF). Releases for PBB were only minimal as the submission of performance reports and validation of the AO 25 Taskforce² are still ongoing for most agencies. For creation/filling of positions, agencies usually encountered difficulties with the selection of qualified candidates, the length of time it takes to complete the whole hiring process, submission of documentary requirements by applicants and other administrative procedures. Likewise, releases for pension and retirement benefits under the Pension and Gratuity Fund (PGF) were minimal since processing of the said claims is either still ongoing or delayed by the late or incomplete submission of documentary requirements by retirees.

A portion of the balances in the MPBF and PGF pertains to the requirements of the proposed compensation adjustment of the Military and Uniformed Personnel supposedly this 2017. However, pending the enactment of a law authorizing the same, the amounts were not released.

- Subsidy was lower by P29.6 billion or 53.8 percent of the P55.0 billion program largely due to the unreleased P20.1 billion premium subsidy for the beneficiaries of the *National Health Insurance Program* of the PHIC which was programmed in September 2017³. Some delays were noted in the processing of the

Table 4. National Government Disbursements for Q3 2017, Program vs Actual
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	Q3 2017		Variance	
	Program	Actual		
			Amt	%
CURRENT OPERATING EXP.	623.2	514.9	(108.2)	(17.4)
Personnel Services	235.4	175.8	(59.6)	(25.3)
MOOE	126.8	117.2	(9.6)	(7.6)
Subsidy	55.0	25.4	(29.6)	(53.8)
Allotment to LGUs	98.0	97.5	(0.5)	(0.5)
IP	105.4	97.4	(8.0)	(7.6)
TEF	2.5	1.7	(0.8)	(33.8)
CAPITAL OUTLAYS	175.6	172.9	(2.7)	(1.5)
Infra and Other CO	137.8	142.1	4.3	3.1
Equity	0.7	0.0	(0.7)	(94.2)
Capital Transfers to LGUs	37.1	30.8	(6.3)	(17.1)
NET LENDING	2.3	(4.1)	(6.5)	(276.4)
TOTAL	801.1	683.7	(117.4)	(14.7)

² Administrative Order No. 25 s.2011 created the Inter-Agency Taskforce for the Performance Monitoring, Information and Reporting Systems.

³ Per MDP submission of agency.

request since a new targeting system, the *Listahanan 2* of the DSWD, was used to determine the beneficiaries of the program. As such, the new listing needed to undergo a series of validation with the database of the Philhealth before the names of beneficiaries could be generated and payments could be made. About P7.0 billion is expected to be released starting October while the remaining requirements are anticipated to be released in the succeeding months. Lower releases to NHA (housing programs) and NIA (irrigation projects) due to late submission of progress billings and other documentary requirements also contributed to the underspending in subsidy. Processing for some of NIA's requests is ongoing where at least around P2.0 billion subsidy is expected to be released in October.

- Maintenance expenditures were below the P126.8 billion program by P9.6 billion or 7.6 percent mainly on account of the following: 1) Suspension of poll preparatory activities by the COMELEC in view of the postponement of the *Sangguniang Kabataan and Barangay* Elections; 2) Partial billings from partner schools for the *Government Assistance to Students and Teachers in Private Education* (GASTPE) program of the DepEd; and 3) Partial billings for completed ASEAN activities although payments are expected to pick up in Q4 since the main event is scheduled in November 2017.
- Interest Payments were lower by P8.0 billion or 7.6 percent of the P105.4 billion program due to the savings generated from bond exchange transactions and from bonds which already reached their maturity; and Net Lending by P6.5 billion or 276.4 percent of the P2.3 billion program owing mainly to the repayment made by PSALM and minimal availment from GOCCs.
- Capital Transfers to LGUs were short of the P37.1 billion program by P6.3 billion or 17.1 percent due to the frontloading of releases under the LGSF during the second quarter this year.

For the Period January to September 2017

For the first three quarters of the year, spending fell below the P2,137.9 billion program by P123.3 billion or 5.8 percent. It should be pointed out, however, that P45.4 billion or nearly 37.0 percent of the underspending for the period resulted from savings in Interest Payments (P19.9 billion) and minimal availments of NGAs and GOCCs for tax subsidy (P5.1 billion) and Net Lending assistance (P20.3 billion).

On the other hand, the year-to-date Infrastructure and Other Capital Spending (P391.2 billion) exceeded the program levels by P16.8 billion or 4.5 percent of the P374.4 billion requirement for the period due to the high volume of progress billings from the contractors of the DPWH as a result of accelerated project implementation. This partially offset the underspending recorded in the other expense items.

Table 5. NG Disbursements for the Period January to September 2017, Program vs Actual
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	Jan to Sept 2017		Variance	
	Program	Actual	Amt	%
CURRENT OPERATING EXP.	1,636.3	1,515.8	(120.4)	(7.4)
Personnel Services	637.1	559.1	(78.0)	(12.2)
MOOE	342.7	325.4	(17.3)	(5.0)
Subsidy	81.7	83.6	1.9	2.3
Allotment to LGUs	294.3	292.3	(2.0)	(0.7)
IP	268.9	249.0	(19.9)	(7.4)
TEF	11.5	6.4	(5.1)	(44.5)
CAPITAL OUTLAYS	486.7	504.2	17.4	3.6
Infra and Other CO	374.4	391.2	16.8	4.5
Equity	3.0	3.3	0.3	8.4
Capital Transfers to LGUs	109.3	109.7	0.4	0.4
NET LENDING	14.9	(5.5)	(20.3)	(136.7)
TOTAL	2,137.9	2,014.5	(123.3)	(5.8)

Outlook for the Rest of the Year

As of end-September 2017, some P391.5 billion or 11.7 percent of the P3,350.0 billion program for the year remain available to implementing agencies. Of this amount, some P198.0 billion refer to agency-specific budgets while the remaining bulk consists mostly of allocations under the Special Purpose Fund (SPFs) such as MPBF (P74.3 billion), PGF (55.1 billion), budgetary support to GOCCs (P50.8 billion), and Special Shares of LGUs in the Proceeds of National Taxes (P29.7 billion). Preliminary data show that out of this program balances,

around P50.0 billion has been released as of the end of the third week of October 2017. Releases could still increase as line agencies speed up the utilization of their funds in view of the one-year validity of the FY 2017 appropriations.

Disbursements for the remaining months of the year remain upbeat as spending usually picks up in Q4 based on historical trend and spending behavior of line agencies. The potential sources of growth are: 1) Infrastructure and Other Capital Outlays due to the substantial requirements of the DPWH to cover payments for its completed road infrastructure projects, and capital outlay projects of the DND and DILG; 2) Personnel Services in view of the release of the year-end bonus and cash gift in November, pension and retirement benefits, as well as the PBB for some agencies whose validation are currently ongoing; and 3) Maintenance expenditures from the operating expenses of DepEd schools nationwide and social protection services of the DSWD.

On the other hand, disbursements from less productive expenditures are expected to be lower with the likely savings from Interest Payments, Tax Expenditures and Net Lending.