

NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF MARCH 2019

National Government disbursements for the first quarter of 2019 reached P778.0 billion, slightly higher by 0.8 percent or P6.0 billion from the level for the same period in 2018. For the month of March, disbursements amounted to P287.3 billion, down by 8.2 percent year-on-year. The contraction is attributed largely to minimal budgetary support to Government-Owned and-Controlled Corporations (GOCCs) alongside the delayed passage of the 2019 General Appropriations Act (GAA).

In terms of composition of disbursement authorities, disbursements through the use of Notice of Cash Allocations (NCAs) in March 2019 declined to P239.4 billion from the previous year's level of P271.5 billion, mainly due to lower subsidy to GOCCs (*details are discussed under the year-on-year performance*). This weighed down on the growth of NCA disbursements for the first three months of the year, which only grew by 0.8 percent or P4.6 billion from the same period last year to reach P590.5 billion.

On the other hand, Non-NCA disbursements in March 2019 increased by 15.4 percent or P6.4 billion to reach P47.9 billion, owing largely to higher interest payments paid during the month. As of end-March 2019, Non-NCA disbursements reached P187.4 billion, slightly higher by 0.8 percent or 1.4 billion year-on-year as higher interest payments and net lending were partly offset by lower encashment of check floats.

Figure 1. National Government Disbursements for the Period Indicated

Amounts in billion pesos, unless otherwise indicated

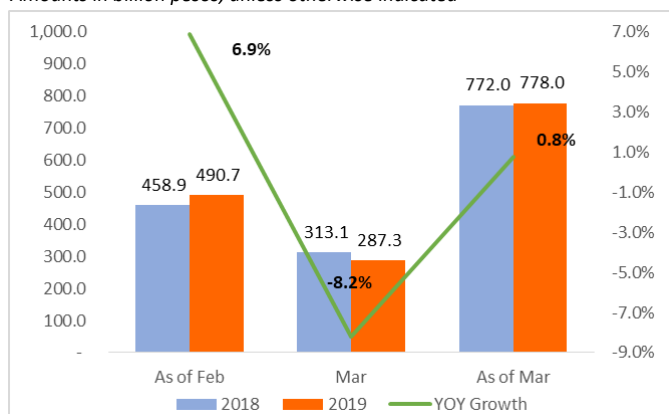


Table 1. Comparison of NCA and Non-NCA Disbursements, 2018-2019

In billion pesos, unless otherwise indicated

| Particulars | As of February | | | | March | | | | As of March | | | |
|---|----------------|--------------|-----------|-------|---------------|---------------|-----------|-------------|--------------|--------------|-----------|-----|
| | 2018 | 2019 | Inc/(Dec) | | 2018 | 2019 | Inc/(Dec) | | 2018 | 2019 | Inc/(Dec) | |
| | | | Amt | % | | | Amt | % | | | Amt | % |
| NCA | 314.4 | 351.1 | 36.7 | 11.7 | 271.5 | 239.4 | (32.1) | (11.8) | 585.9 | 590.5 | 4.6 | 0.8 |
| <i>% of Eff. NCA</i> | <i>83.5%</i> | <i>80.2%</i> | | | <i>105.1%</i> | <i>129.1%</i> | | | <i>92.3%</i> | <i>94.8%</i> | | |
| Non-NCA | 144.5 | 139.5 | (5.0) | (3.4) | 41.5 | 47.9 | 6.4 | 15.4 | 186.0 | 187.4 | 1.4 | 0.8 |
| TOTAL | 458.9 | 490.7 | 31.8 | 6.9 | 313.1 | 287.3 | (25.7) | (8.2) | 772.0 | 778.0 | 6.0 | 0.8 |
| Memo Item | | | | | | | | | | | | |
| Effective NCAs issued net of Trust Liabilities, Gross of Working Fund | | | | | | | | | | | | |
| As of February | | | | March | | | | As of March | | | | |
| | | 2018 | 376.5 | | 2018 | 258.4 | | 2018 | 634.9 | | | |
| | | 2019 | 437.6 | | 2019 | 185.5 | | 2019 | 623.0 | | | |
| Allotment Releases | | | | | | | | | | | | |
| As of March 2018 | | 3,165.3 | | | | | | | | | | |
| As of March 2019 | | 500.9 | | | | | | | | | | |
| Sources: Bureau of the Treasury and DBM-Budget Technical Bureau | | | | | | | | | | | | |

Allotment Releases

As of March 2019, total allotment releases amounted to P500.9 billion. This is lower compared to the P3,165.3 billion allotment releases for the same period in 2018 as the government was operating under the 2018 GAA, as reenacted. The said amount only covers the operating requirements of agencies, such as personnel benefits, maintenance expenditures, and requirements of ongoing and continuing capital outlay (CO) projects subject to the provisions of DBM Circular Letter No. 2019-1 dated January 3, 2019.

Year-on-Year Performance, by Expense Class

For the Month of March 2019

Disbursements for the month of March this year reached P287.3 billion, lower by 8.2 percent year-on-year mainly due to limitations in release of funds under the reenacted budget¹, among other items:

- Personnel Services (PS) amounted to P82.8 billion, down by 4.1 percent or P3.5 billion mainly from the base effects of creation of new positions in the Department of Education (DepEd) in the previous year, as well as the transfer of funds for the honoraria of poll watchers in connection with the Sangguniang

Kabataan and Barangay elections last year. For this year, creation/filling-up of positions and the implementation of the fourth tranche of the Compensation Adjustment were delayed given the reenacted budget. However, the decline was moderated by the payment for regular pension and pension differential of military and uniformed personnel under the Department of National Defense (DND) and the Department of the Interior and Local Government (DILG).

- Subsidy reached P5.7 billion compared to P35.2 billion for the same period in 2018. Subsidy was lower year-on-year due to the timing of releases to GOCCs pending the enactment of the FY 2019 GAA. In March last year, some P15.1 billion and P3.4 billion were released to the Philippine Health Insurance Commission (PHIC) and the National Irrigation Administration (NIA) representing the requirements of health insurance premiums of senior citizens enrolled in the *National Health Insurance Program* and irrigation projects, respectively. Similarly, some P12.3 billion was released last year to the Land Bank of the Philippines (LBP) for the implementation of the Unconditional Cash Transfer (UCT) Program. However, for this year, bulk of releases are expected to be made starting this second quarter following the passage of the FY 2019 Budget.
- Infrastructure and other capital expenditures totaled to P59.7 billion, lower by 5.7 percent or P3.6 billion from the level a year ago. Despite the growth in the Department of Public Works and Highways' (DPWH) disbursements for payment of prior years' accounts payables for completed roads, bridges and school buildings (P11.7 billion or 42.7 percent year-on-year), a significant decline in capital expenditures was recorded in some agencies such as the DILG and DepEd. The said agencies were unable to implement new CO projects such as the construction of police stations, purchase of equipment under the Capability Enhancement Program of DILG, and repair and rehabilitation of school buildings due to limitations in release of funds under the reenacted budget.

The timing of the recording of Constructive Cash Receipts (CRC) or those goods and services directly paid to the supplier for foreign-assisted projects (FAPs) of the Department of Transportation-Philippine Coast Guard (DOTr-PCG) and other agencies also contributed to the lower infrastructure spending. In March of the previous year, some P2.0 billion was directly paid by the Japan International Cooperation Agency (JICA) in connection with the DOTr-PCG's

Table 2. NG Disbursements for the Month of March, 2018-2019

Amount in billion pesos, unless otherwise indicated

| Expenditure Class | March | | | |
|---------------------------|--------------|--------------|---------------------|--------------|
| | 2018 | 2019 | Increase/(Decrease) | |
| | | | Amt | % |
| CURRENT OPERATING EXP. | 236.6 | 213.1 | (23.6) | (10.0) |
| Personnel Services | 86.3 | 82.8 | (3.5) | (4.1) |
| MOOE | 50.1 | 48.2 | (1.9) | (3.7) |
| Subsidy | 35.2 | 5.7 | (29.5) | (83.7) |
| Allotment to LGUs | 34.9 | 38.4 | 3.5 | 9.9 |
| IP | 27.5 | 36.6 | 9.0 | 32.7 |
| TEF | 2.6 | 1.4 | (1.2) | (44.9) |
| CAPITAL OUTLAYS | 75.6 | 73.6 | (2.0) | (2.7) |
| Infra and Other CO | 63.4 | 59.7 | (3.6) | (5.7) |
| Equity | 2.0 | 0.0 | (2.0) | (98.9) |
| Capital Transfers to LGUs | 10.2 | 13.8 | 3.6 | 34.7 |
| NET LENDING | 0.8 | 0.7 | (0.1) | (14.6) |
| TOTAL | 313.1 | 287.3 | (25.7) | (8.2) |

¹ Pursuant to Circular Letter No. 2019-1 dated January 3, 2019, which authorizes agencies to obligate the amount corresponding to their actual requirements under the regular budget for the first quarter of FY 2019 but not to exceed 25.0 percent of regular programs and ongoing foreign-assisted/locally-funded projects funded under the FY 2018 GAA.

Maritime Safety and Capability Improvement Project. However, for this year, payments are expected in the latter quarters depending on the schedule of delivery of goods or services.

The decreases recorded in the said expense items, however, were tempered by higher Allotment to Local Government Units (LGUs), Interest Payments, and Capital Transfers to LGUs which were not affected by the reenactment of the GAA, being automatic appropriations:

- Allotment to LGUs amounted to P38.4 billion, 9.9 percent or P3.5 billion more than the previous year's level as a result of higher shares from the proceeds of internal revenue collections, and releases for financial assistance to LGUs under the Local Government Support Fund (LGSF).
- Interest Payments rose by 32.7 percent or P9.0 billion year-on-year to reach P36.6 billion due to coupon payments for 2018 bond issuances.
- Capital Transfers to LGUs grew by 34.7 percent or P3.6 billion year-on-year to reach P13.8 billion due to the release of the shares of LGUs in the tobacco excise taxes.

For the Period January to March 2019

National Government spending as of end-March 2019 reached P778.0 billion, 0.8 percent or P6.0 billion more than the level from the comparable months in 2018. In spite of the reenacted budget, Infrastructure and Other Capital Outlays for the first quarter of the year grew by 13.4 percent or P21.0 billion year-on-year to reach P178.1 billion largely due to payment of prior years' accounts payables for completed infrastructure projects.

PS expenditures for the same period amounted to P218.2 billion, up by 5.6 percent or P11.5 billion from the previous year's level on account of the salaries of new personnel in the DepEd and the DND who were hired towards the latter part of 2018, the release of the 2017 Performance-Based Bonus (PBB) for DepEd and other agencies, and the regular pension and pension differential payments for the uniformed personnel of DND and DILG.

Meanwhile, subsidy to GOCCs declined by 79.5 percent to P9.3 billion, owing largely to the timing of and ongoing processing of budgetary support releases.

Maintenance and other operating expenditures (MOOE) were down to P107.5 billion, 3.1 percent or P3.4 billion lower compared to the same period in 2018 mainly on account of the temporary delays in the implementation of programs/projects pending the enactment of the 2019 GAA, as well as the one-off payment made by the Department of Information and Communications Technology (DICT) last year for the procurement of the free WiFi Project. The decrease was partly tempered by the disbursements for prior year accounts payables of the Commission on Higher Education (CHED), namely, the Universal Access to Quality Tertiary Education (UAQTE) and other scholarship programs.

Capital Transfer to LGUs amounted to P34.4 billion, lower by 21.5 percent or P9.4 billion due to minimal releases from special shares of LGUs in the proceeds of national taxes. However, releases are expected to increase in the succeeding months following the submission of requests from LGUs.

Table 3. NG Disbursements for the Period January to March, 2018-2019

Amount in billion pesos, unless otherwise indicated

| Expenditure Class | January to March | | | |
|---------------------------|------------------|--------------|---------------------|------------|
| | 2018 | 2019 | Increase/(Decrease) | |
| | | | Amt | % |
| CURRENT OPERATING EXP. | 569.2 | 561.9 | (7.4) | (1.3) |
| Personnel Services | 206.6 | 218.2 | 11.5 | 5.6 |
| MOOE | 111.0 | 107.5 | (3.4) | (3.1) |
| Subsidy | 45.3 | 9.3 | (36.0) | (79.5) |
| Allotment to LGUs | 104.8 | 115.1 | 10.3 | 9.9 |
| IP | 97.2 | 107.8 | 10.6 | 10.9 |
| TEF | 4.4 | 4.0 | (0.4) | (9.0) |
| CAPITAL OUTLAYS | 203.0 | 212.6 | 9.6 | 4.7 |
| Infra and Other CO | 157.1 | 178.1 | 21.0 | 13.4 |
| Equity | 2.0 | 0.0 | (2.0) | (97.9) |
| Capital Transfers to LGUs | 43.8 | 34.4 | (9.4) | (21.5) |
| NET LENDING | (0.2) | 3.5 | 3.8 | (1,570.5) |
| TOTAL | 772.0 | 778.0 | 6.0 | 0.8 |

Outlook for the Rest of the Year

With the signing of the 2019 Budget by the President last April 15, 2019, government spending is expected to normalize with the coming months, especially after the election ban.

Although the President vetoed some P95.4 billion allocations of the DPWH, the total P3,661.6 billion budget for 2019 is still higher by 10.1 percent (P335.7 billion) when compared to the cash-based equivalent of the FY 2018 Budget of P3,326.4 billion.²

Moreover, preliminary analysis of the impact of the direct veto suggests that the effect can be minimal since the vetoed items pertain to local infrastructure projects introduced after the bicameral approval of the FY 2019 General Appropriations Bills and do not affect the NG's flagship infrastructure projects. While in general it could still result to lower disbursements, the reduction may partly be offset by payables from prior years' infrastructure projects (e.g. repair and rehabilitation of school facilities/buildings of the DepEd, Health Facilities Enhancement Program (HFEP) of the Department of Health (DOH), various capital projects of the DPWH), changes in the appropriations of non-DPWH projects, and potential payables from continuing appropriations and unobligated allotments due to the extension of the validity of the 2018 appropriations for MOOE and CO.

In addition, PS expenditures are expected to increase starting April this year, following the issuance of Executive Order (EO) No. 76 s.2019 by the President last March 15, 2019. The said EO amended EO No. 201 s.2016 to identify the funding source for the implementation of the fourth tranche of the Compensation Adjustment pending the enactment of the 2019 Budget. Subsequently, National Budget Circular No. 575 dated March 25, 2019 was issued to prescribe the guidelines for the implementation of the 4th tranche Compensation Adjustment for civilian personnel in the National Government. It also provides for the charging of the requirements of the compensation adjustment against any available appropriations under the 2018 Budget, as reenacted, pursuant to EO No. 76.

² Pertains to the cash-based equivalent of P3,767.0 billion obligation budget for 2018. Derived using the monthly disbursement program submissions of agencies, net of prior years' obligations.