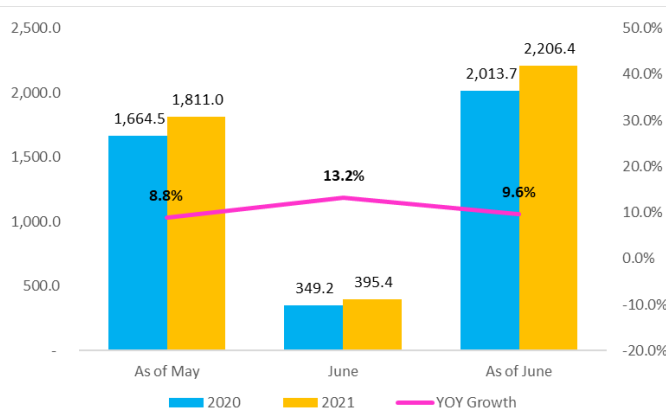


NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF JUNE 2021

National Government spending for the month of June 2021 reached P395.4 billion, increasing by P46.2 billion or 13.2 percent year-on-year on the back of higher infrastructure and other capital outlays, maintenance spending, and personnel services (PS) expenditures. This led to a strong first semester disbursement performance, reaching P2,206.4 billion, up by P192.7 billion or 9.6 percent from a year ago, despite the high base effect of the COVID-19 emergency expenditures for the same period last year.

Figure 1. National Government Disbursements for the Period Indicated
Amounts in billion pesos, unless otherwise indicated



However, disbursements for the first six months of the year were below the P2,439.8 billion program for the period by P233.4 billion or 9.6 percent mainly due to the timing of subsidy releases pending submission of Special Budget Requests (SBRs) by the concerned Government-Owned or -Controlled Corporations (GOCCs); ongoing processing of claims/payments, and awaiting delivery of supplies in various agencies; savings in interest payments; and outstanding checks. The latter which amounted to P75.9 billion as of end-June 2021¹ are actual payments which are yet to be encashed by the contractors, suppliers, and/or program recipients of implementing agencies. Of this amount, P73.1 billion was recorded in line departments, which may largely be attributed to PS and maintenance expenditures.

In terms of the use of disbursement authorities, NCA expenditures in June 2021 grew by P33.7 billion or 10.8 percent from last year to reach P345.8 billion. Similarly, Non-NCA disbursements increased by P12.5 billion or 33.7 percent and ended up at P49.6 billion. Year-to-date, NCA disbursements amounted to P1,810.7 billion, up by P112.1 billion or 6.6 percent year-on-year. Meanwhile, Non-NCA disbursements reached P395.8 billion, up by P80.6 billion or 25.6 percent from the comparable period last year mostly due to higher interest payments, tax subsidies, and the constructive receipts of cash payments² for the procurement of COVID-19 vaccines and implementation of other foreign-assisted projects (FAPs).

Table 1. Comparison of NCA and Non-NCA Disbursements, 2020-2021
(Amount in billion pesos, unless otherwise indicated)

Particulars	As of May				June				As of June			
	2020	2021	Inc/(Dec)		2020	2021	Inc/(Dec)		2020	2021	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	1,386.5	1,464.9	78.4	5.7	312.1	345.8	33.7	10.8	1,698.6	1,810.7	112.1	6.6
% of Eff. NCA	86.3%	89.9%			122.9%	109.5%			91.3%	93.0%		
Non-NCA	278.0	346.1	68.1	24.5	37.1	49.6	12.5	33.7	315.1	395.8	80.6	25.6
TOTAL	1,664.5	1,811.0	146.5	8.8	349.2	395.4	46.2	13.2	2,013.7	2,206.4	192.7	9.6
Memo Item												
Effective NCAs issued net of Trust Liabilities, Gross of Working Fund												
As of May June As of June												
2020 1,605.9 2020 254.0 2020 1,859.8												
2021 1,630.3 2021 315.8 2021 1,946.1												
Allotment Releases												
As of June 2020 3,783.4 92.3% of the P4,100.0 billion obligation program												
As of June 2021 3,832.9 85.1% of the P4,506.0 billion obligation program												

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

¹ Based on consolidated bank reports. Available at: <https://dbm.gov.ph/index.php/programs-projects/status-of-nca-utilization/285-dbm-releases/2021-status-of-nca-utilization/1901-2021-status-of-nca-utilization-as-of-june-30-2021>

² Direct payments made to suppliers by development partners for the implementation of Foreign-Assisted Projects.

Allotment Releases

As of end-June 2021, allotment releases totaled P3,832.9 billion, equivalent to 85.1 percent of the P4,506.0 billion obligation program for the year. For the month of June 2021 alone, allotment releases amounted to P95.7 billion, composed largely of the following big-ticket items:

- i) Free Higher Education (FHE) Program of the Commission on Higher Education (CHED) for the 2nd semester Academic Year (AY) 2020-2021 and 1st semester AY 2021-2022 – P18.8 billion;
- ii) third quarter pension requirements for the Military and Uniformed Personnel (MUP) of the Department of National Defense (DND) – P14.1 billion;
- iii) special risk allowance for the health workers of the Department of Health (DOH) – P9.0 billion;
- iv) supplemental budget for Emergency Repatriation Fund (ERF) & Workers Auxiliary Support Program of the Overseas Workers Welfare Administration (OWWA) – P5.2 billion;
- v) locally-funded airport projects of the Department of Transportation (DOTr) – P4.9 billion; and
- vi) *Kapit-Bisig Laban sa Kahirapan* - Comprehensive and Integrated Delivery of Social Services - National Community-Driven Development Program (KC-NCDDP) of the Department of Social Welfare and Development (DSWD) – P3.4 billion.

Year-on-Year Performance, by Expense Class

For the Month of June 2021

Disbursements for the month of June 2021 reached P395.4 billion, increasing by P46.2 billion or 13.2 percent from the previous year's level, resulting from the growth recorded in the following expenditure items:

- Infrastructure and other capital outlays expanded to P94.4 billion, P31.6 billion or 50.4 percent larger than last year's P62.8 billion. This is mainly attributed to the road infrastructure program of the Department of Public Works and Highways (DPWH), payables of the DND for projects under the Revised AFP Modernization Program (RAFPMP), computerization program of the Department of Education (DepEd) under the *Bayanihan* II, and direct payments made by development partners for various foreign-assisted projects of the Department of Transportation (DOTr) such as the MRT 3 Rehabilitation Project and the Metro Manila Subway Project Phase I.
- Maintenance spending rose to P75.3 billion, up by P16.9 billion or 28.9 percent year-on-year. This is largely on account of the implementation of the Emergency Repatriation Program of the OWWA due to the COVID-19 pandemic; the release of internet allowance for teachers of the DepEd; payables for the Smart Campuses Program of the CHED under the *Bayanihan* II; and expenditures relative to the preparatory activities of the COMELEC for the 2022 National Elections.
- PS expenditures climbed to P110.3 billion, P15.4 billion or 16.2 percent higher than a year ago. The increase is mainly credited to the impact of implementation of the second tranche of the

Table 2. NG Disbursements for the Month of June, 2021

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	June			
	2020	2021	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	271.4	281.5	10.1	3.7
Personnel Services	94.9	110.3	15.4	16.2
MOOE	58.5	75.3	16.9	28.9
Subsidy	42.0	8.3	(33.7)	(80.1)
Allotment to LGUs	47.8	54.5	6.8	14.2
IP	27.6	29.9	2.4	8.6
TEF	0.7	3.1	2.4	356.4
CAPITAL OUTLAYS	77.5	113.6	36.1	46.6
Infra and Other CO	62.8	94.4	31.6	50.4
Equity	0.1	0.6	0.5	621.5
Capital Transfers to LGUs	14.7	18.7	4.0	27.3
NET LENDING	0.3	0.3	(0.0)	(5.1)
TOTAL	349.2	395.4	46.2	13.2

salary increase of civilian personnel in the National Government; the grant of the 2019 performance-based bonus (PBB) to the DepEd, DOH, and other agencies; and the increase in filled positions in the DOH.

- Combined allotment and capital transfers to LGUs amounted to P73.2 billion, increasing by P10.8 billion or 17.2 percent year-on-year as a result of the higher IRA of LGUs, the annual block grant to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), and the releases for the Local Government Support Fund (LGSF), particularly for the Support to the Barangay Development Program (SBDP).

The expansion recorded in the said expense items, however, was partly tempered by the lower subsidy, which declined to P8.3 billion from P42.0 billion a year ago mainly due to the timing of releases to the Philippine Health Insurance Corporation (PHIC) in June last year amounting to P26.2 billion. This year, releases to the PHIC which were mostly made in April and May totaled P45.5 billion.

For the Period January to June 2021

Table 3. NG Disbursements for the Period January to June, 2020 and 2021

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	January to June						
	2020 Actual	2021		Variance		Increase/(Decrease)	
		Program ^{1/}	Actual	Amt	%	Amt	%
CURRENT OPERATING EXP.	1,622.2	1,841.9	1,615.5	(226.4)	(12.3)	(6.7)	(0.4)
Personnel Services	559.3	618.6	593.8	(24.7)	(4.0)	34.6	6.2
MOOE	413.0	435.6	372.3	(63.3)	(14.5)	(40.8)	(9.9)
Subsidy	128.7	178.2	88.3	(89.9)	(50.5)	(40.4)	(31.4)
Allotment to LGUs	327.1	342.9	337.0	(5.9)	(1.7)	9.9	3.0
IP	187.7	257.9	208.5	(49.4)	(19.1)	20.9	11.1
TEF	6.5	8.8	15.6	6.9	78.4	9.2	142.1
CAPITAL OUTLAYS	380.6	585.6	584.2	(1.4)	(0.2)	203.5	53.5
Infra and Other CO	297.9	419.6	426.6	7.0	1.7	128.7	43.2
Equity	0.6	56.0	46.0	(10.0)	(17.9)	45.4	8,213.9
Capital Transfers to LGUs	82.2	110.0	111.5	1.5	1.4	29.4	35.8
NET LENDING	10.9	12.3	6.8	(5.5)	(44.6)	(4.1)	(37.7)
TOTAL	2,013.7	2,439.8	2,206.4	(233.4)	(9.6)	192.7	9.6
Memo Item							
Infra Disbursements ^{2/}	381.9	568.0	535.9	(32.1)	(5.6)	154.1	40.3

^{1/} FY 2021 Quarterly Fiscal Program approved by the DBCC during its meeting held on May 18, 2021.

^{2/} Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.

Year-to-date, NG spending amounted to P2,206.4 billion, up by P192.7 billion or 9.6 percent from the same period last year. This is largely on account of higher infrastructure and other capital outlays which grew by P128.7 billion or 43.2 percent to reach P426.6 billion. The said increase accounts for two-thirds of the total P192.7 billion expansion of disbursements for the first six months of the year. This is mainly credited to the accelerated implementation of various infrastructure projects of the DPWH nationwide such as construction, repair and rehabilitation of access, by-pass, and diversion roads, bridges, and flood mitigation structures and drainage systems. In contrast to the previous year, construction activities were

hampered by the imposition of strict community quarantine measures for most parts of the country during the second quarter to stem the transmission of the COVID-19 virus.

When the infrastructure components of support to GOCCs and transfers to LGUs are accounted for, the overall infrastructure disbursements for the period totaled P535.9 billion, reflecting P154.1 billion or 40.3 percent increase year-on-year.

The other major sources of spending growth for the period include:

- i) Higher equity (P46.0 billion; 8,213.9 percent y-o-y) owing to the release of the capital infusions to Government Financial Institutions (GFIs) for various credit/lending assistance programs under the *Bayanihan II*;
- ii) Combined allotment and capital transfers to LGUs (P448.5 billion; 9.6 percent y-o-y) due to the higher IRA of LGUs, and releases for the annual block grant to the BARMM. These also included releases from the LGSF-SBDP for the construction of farm-to-market roads, water and sanitation systems, construction/rehabilitation of health centers and evacuation centers, and assistance to indigent individuals or families (e.g. medical, burial, food, transportation, cash for work);
- iii) PS expenditures (P593.8 billion; 6.2 percent y-o-y) resulting from the implementation of the second tranche of salary adjustment under the Salary Standardization Law (SSL) V, the release of the mid-year bonus in May, payment of the PBB, pension and retirement claims in various agencies; and
- iv) Interest payments (P208.5 billion; 11.1 percent y-o-y) in view of the coupon payments for bonds issued for the current and the previous year, and discount from reissuances of Fixed Rate Treasury Bonds.

On the other hand, MOOE and subsidies to GOCCs decreased from last year's outturn. Maintenance spending amounted to P372.3 billion, lower by P40.8 billion or 9.9 percent owing largely to the completion of the Social Amelioration Program (SAP) of the DSWD in the previous year. The decline was partly offset by the implementation of other ongoing regular social assistance programs and continuing COVID-19-related response of the government.

Meanwhile, subsidy was down by P40.4 billion from a year ago mostly due to the one-time P51.0 billion Small Business Wage Subsidy (SBWS) Program implemented through the Social Security System (SSS) in April and May last year.

Actual vs Program Disbursements

However, spending for the first semester of 2021 was lower when compared to the P2,439.8 billion program by P233.4 billion or 9.6 percent, mainly on account of the following:

- Subsidy fell below the P178.2 billion program by P89.9 billion. As earlier discussed, this is mainly due to the timing of releases pending submission of SBRs by the GOCCs such as the PHIC, National Irrigation Administration (NIA), Bases Conversion and Development Authority (BCDA), National Housing Authority (NHA), and National Electrification Administration (NEA). The delays in the request from the said GOCCs may be attributed to compliance to documentary requirements, and late submission of progress billings from contractors.
- Maintenance spending was short of the P435.6 billion program by P63.3 billion or 14.5 percent. This is largely attributed to the outstanding checks recorded in various departments (e.g., DepEd, DOH, DSWD, and CHED), ongoing processing of claims/payments (e.g., CHED for the UAQTE Program), and awaiting delivery of procured goods/supplies in various implementing agencies such as the DA and DOH.

- Interest payments were below the P257.9 billion program by P49.4 billion or 19.1 percent resulting from premium and lower rates of Fixed Rate Treasury Bonds, rejection of bids, and lower actual interest and foreign exchange rates.
- PS expenditures were also lower than the P618.6 program by P24.7 billion or 4.0 percent mainly on account of the outstanding checks in PS-heavy departments/agencies such as the DepEd and PNP, and program balances from the Miscellaneous and Personnel Benefits Fund (MPBF) and Pension and Gratuity Fund (PGF).
- Equity was below the programmed level for the period by P10.0 billion or 17.9 percent, pertaining to the full requirement of the Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill which will only be released once the measure becomes effective.
- Net lending was lower than the P12.3 billion program largely due to the repayments made by the Philippine Guarantee Corporation (PHILGUARANTEE) amounting to P4.0 billion, and the timing of availment of NG advances by other GOCCs.

Notably, infrastructure and other capital outlays slightly exceeded the P419.6 billion program by P7.0 billion or 1.7 percent with the settlement of accounts payables and faster implementation of infrastructure activities of the DPWH amid the looser community quarantine restrictions. However, the overall infrastructure disbursements for the period were lower by P32.1 billion or 5.6 percent of the program, largely due to the pending requests of subsidies from the BCDA, NEA, NHA, and NIA.

On the other hand, tax expenditures surpassed the P8.8 billion program by P6.9 billion owing largely to the documentary stamp taxes for government-issued debt instruments during the first semester.

Outlook for the Rest of the Year

For the second half of 2021, the balance from the P4,506.0 billion obligation program amounts to P673.1 billion³ or 14.9 percent. This consists mainly of P261.1 billion in agency-specific budget and P197.7 billion allocation from Special Purpose Funds (SPFs).

Part of the big-ticket program balances under the regular budget of agencies includes the requirements for the Universal Access to Quality Tertiary Education (UAQTE) program of the CHED, and the local infrastructure projects (LIPs) of the DPWH. These are “for later release” items which require the submission of special budget requests by the concerned agencies and compliance to documentary requirements. In the case of the CHED, the submission of financial and physical plans, disbursement program, list of participating Higher Education Institutions, estimated number of grantees and the corresponding requirement are mandated under the existing guidelines of the program. With respect to the LIPs, the implementation is also subject to the conditions stipulated in Special Provision 9 of the DPWH budget under the FY 2021 GAA, which include among others, the compliance of the project with set standards, designs, or specifications for local roads and bridges, water supply systems, and classrooms, school/academic buildings. Meanwhile, the unreleased allotments from the SPFs are largely composed of program balances from subsidy to government corporations, ALGUs, MPBF, and PGF.

³ Gross of the releases made for the FY 2020 Continuing Appropriations, Unprogrammed Appropriations, and other Automatic Appropriations accommodated within the current year’s expenditure program per National Budget Circular No. 583.

Spending is expected to recover during the second half of the year since the slower disbursements recorded during the first semester were mainly due to the pending request of subsidy releases, and outstanding checks. Some requests for the release of subsidies submitted by GOCCs this July, including the P30.0 billion requirement of the PHIC, are currently being evaluated by the DBM and expected to be released once the conditions or requirements for release are met or complied with. Meanwhile, the huge volume of outstanding checks accumulated during the period will soon be negotiated since the government-issued checks are only valid for three months from the date these were issued.

Disbursements will also be supported by the implementation of agency catch-up plans, particularly for those agencies which experienced implementation delays. Pursuant to Section 3.17.2 of the National Budget Circular No. 583 or the Guidelines on the Release of Funds for FY 2021, implementing agencies are required to submit catch-up plans in case of underperformance vis-à-vis the FY 2021 program. These will guide the implementation of their ongoing programs and projects for the rest of the year. The DBM is closely coordinating with the concerned departments/agencies for the submission and implementation of their catch-up plans.
