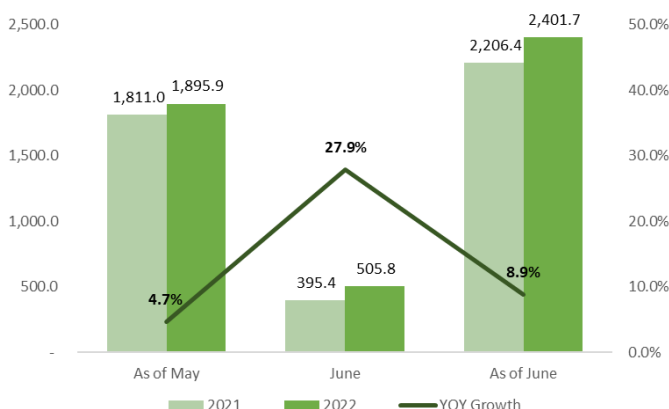


NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF JUNE 2022

National Government (NG) disbursements for the month of June 2022 jumped to P505.8 billion, increasing by P110.4 billion or 27.9 percent year-on-year as growth was recorded in most expenditure items. The highest increase was in infrastructure and other capital outlays, soaring by P49.0 billion or 51.9 percent as the election ban on certain spending and public works¹ ended. This resulted in a robust spending performance for the first six months of the year, reaching P2,401.7 billion, P195.3 billion or 8.9 percent larger than a year ago.

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



However, disbursements for the first semester of 2022 were below the P2,477.1 billion program for the period by P75.4 billion or 3.0 percent, largely attributed to lower-than-expected infrastructure expenditures during the period when the election ban was in effect, as well as the timing of release of the Special Shares of LGUs in the Proceeds of National Taxes (*see the actual vs program discussions*).

In terms of the use of disbursement authorities, NCA expenditures in June 2022 climbed to P447.5 billion, up by P101.6 billion or 29.4 percent from the same period last year. Likewise, Non-NCA disbursements rose by P8.7 billion or 17.6 percent to reach P58.3 billion. Year-to-date, NCA disbursements totalled to P1,972.3 billion, up by P161.6 billion or 8.9 percent from the comparable period last year. Meanwhile, Non-NCA disbursements amounted to P429.4 billion, up by P33.7 billion or 8.5 percent year-on-year mostly due to higher interest payments.

Table 1. Comparison of NCA and Non-NCA Disbursements, 2021-2022

(Amount in billion pesos, unless otherwise indicated)

Particulars	As of May				June				As of June			
	2021	2022	Inc/(Dec)		2021	2022	Inc/(Dec)		2021	2022	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	1,464.9	1,524.8	60.0	4.1	345.8	447.5	101.6	29.4	1,810.7	1,972.3	161.6	8.9
% of Eff. NCA	89.8%	91.6%			107.7%	113.1%			92.8%	95.7%		
Non-NCA	346.1	371.1	25.0	7.2	49.6	58.3	8.7	17.6	395.8	429.4	33.7	8.5
TOTAL	1,811.0	1,895.9	84.9	4.7	395.4	505.8	110.4	27.9	2,206.4	2,401.7	195.3	8.9
Memo Item												
Effective NCAs issued net of Trust Liabilities, Gross of Working Fund												
As of May				June				As of June				
	2021	1,630.5			2021	321.2			2021	1,951.7		
	2022	1,665.1			2022	395.6			2022	2,060.6		
Allotment Releases												
As of June 2021		3,832.9	85.1% of the P4,506.0 billion obligation program									
As of June 2022		4,679.7	93.2% of the P5,023.6 billion obligation program									

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

¹ 45-day election ban on certain public expenditures pursuant to Section 261 (v) and (w) of the Omnibus Election Code (B.P. Blg. 881) in connection with the conduct of the 2022 National and Local Elections (NLE).

Allotment Releases

As of end-June 2022, total allotment releases were registered at P4,679.7 billion, equivalent to 93.2 percent of the P5,023.6 billion obligation program for the year. For the month of June 2022 alone, allotment releases amounted to P277.1 billion, composed largely of the following big-ticket items:

DEPARTMENT	PURPOSE	AMOUNT
DOF-BTR	FY 2022 Interest Payments	P128.4 billion
	Subsidy for the Coconut Farmers and Industry Trust Fund pursuant to R.A. No. 11524	P10.0 billion
DOTr	North-South Commuter Railway (NSCR) System and Metro Manila Subway Project (MMSP) Phase I	P30.3 billion
CHED	Implementation of the Universal Access to Tertiary Education Act (UAQTEA), including the <i>Tulong Dunong</i> Program (TDP)	P17.5 billion
DND	3 rd Quarter Pension	P14.0 billion
	Revised AFP Modernization Program (RAFPMP)	P10.3 billion
PNP	3 rd Quarter Pension	P10.8 billion
DSWD	Targeted Cash Transfer (TCT)	P6.2 billion
DAR	Support to Parcelization of Lands for Individual Titling (SPLIT) Project	P2.2 billion
DA	Rice Competitiveness Enhancement Fund - PhilMech	P2.1 billion

Year-on-Year Performance, by Expense Class

For the Month of June 2022

Disbursements for the month of June 2022 increased to P505.8 billion, P110.4 billion or 27.9 percent more than the previous year's level, driven by the upturn in the following expenditure items:

- Infrastructure and other capital outlays reached P143.4 billion, higher by P49.0 billion or 51.9 percent than last year's P94.4 billion. This was credited to the substantial disbursements of the DPWH for its completed infrastructure projects after the lifting of the election ban in May, capital outlay projects under the Revised AFP Modernization Program (RAFPMP) of the Department of National Defense (DND), and payables of the Department of Transportation (DOTr) for the Government of the Philippines (GOP) component of its foreign-assisted projects (FAPs), such as the North-South Commuter Railway Project and the Metro Manila Subway Project.
- Maintenance and other operating expenses (MOOE) grew to P94.2 billion, up by P18.8 billion or 25.0 percent year-on-year owing mainly to the implementation of the social programs of the Department of Social Welfare and Development (DSWD), such as the Protective Services for Individuals and Families in Difficult Circumstances, the *Pantawid Pamilyang Pilipino* Program (4Ps), and the Social Pension for Indigent Senior Citizens. The disbursements for the Free Higher

Table 2. NG Disbursements for the Month of June, 2022

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	June			
	2021	2022	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	281.5	338.5	57.0	20.3
Personnel Services	110.3	123.4	13.1	11.9
MOOE	75.3	94.2	18.8	25.0
Subsidy	8.3	12.3	4.0	47.8
Allotment to LGUs	54.5	69.8	15.3	28.1
IP	29.9	36.8	6.8	22.8
TEF	3.1	2.1	(1.0)	(33.4)
CAPITAL OUTLAYS	113.6	163.2	49.5	43.6
Infra and Other CO	94.4	143.4	49.0	51.9
Equity	0.6	0.1	(0.4)	(74.1)
Capital Transfers to LGUs	18.7	19.6	1.0	5.2
NET LENDING	0.3	4.1	3.8	1,289.8
TOTAL	395.4	505.8	110.4	27.9

Education Program² for the Second Semester of Academic Year (AY) 2021-2022 and for the First Semester of AY 2022-2023, also contributed to the increase in MOOE.

- Combined allotment and capital transfers to LGUs amounted to P89.5 billion, increasing by P16.3 billion or 22.3 percent year-on-year. This resulted mainly from the higher National Tax Allotment (NTA) of LGUs (formerly Internal Revenue Allotment or IRA) with the start of the implementation of the Supreme Court decision on the *Mandanas-Garcia* petitions this year. It may be recalled that the Ruling declared the phrase “internal revenue” as unconstitutional, and ordered the Department of Budget and Management (DBM), the Department of Finance (DOF), the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), and the Bureau of the Treasury (BTr) to include all collections of national taxes in the computation of the base of the just share of the LGUs according to the ratio provided in the Local Government Code (LGC) starting FY 2022.³ The releases for the Local Government Support Fund, particularly the Financial Assistance to LGUs and Support for Capital Outlays and Social Programs (LGSF-FA), also resulted in the higher transfers to LGUs in June 2022.
- Personnel services (PS) expenditures rose to P123.4 billion, P13.1 billion or 11.9 percent more than a year ago. The increase was credited to the implementation of the third tranche of the Salary Standardization Law (SSL) V, second quarter pension requirements of DND, and the increase in filled positions in DND and Department of Health (DOH).
- Interest payments increased by P6.8 billion or 22.8 percent to reach P36.8 billion due to the coupon payments for the December 2021 and March 2022 Retail Treasury Bonds issuances.
- Subsidy support to government corporations amounted to P12.3 billion, up by P4.0 billion or 47.8 percent year-on-year on account of the housing programs and projects of the National Housing Authority (NHA), such as the Armed Forces of the Philippines/Philippine National Police (AFP/PNP) Housing Program, Resettlement Program, and Emergency Housing Assistance Program.
- Net lending expanded to P4.1 billion, resulting from the actual NG Advances to the National Food Authority (NFA) in June 2022 for the payment of its maturing short-term loans. This compares to the NG Advances in June 2021 which were only for the maturing long-term loan and interest of P138.0 million.

For the Period January to June 2022

As of the first semester of 2022, NG spending was posted at P2,401.7 billion, up by P195.3 billion or 8.9 percent from the previous year’s first semester level. The strong disbursement performance for the period was credited to the substantial growth in combined allotment and capital transfers to LGUs, personnel services expenses, infrastructure and other capital outlays, interest payments, and maintenance spending:

- Combined allotment and capital transfers to LGUs (up by P82.8 billion or 18.5 percent y-o-y) resulting from the higher NTA shares of LGUs, and the releases for the annual block grant to the BARMM and the LGSF;

² A program under the Universal Access to Quality Tertiary Education Act (R.A. No. 10931) which provides all Filipino undergraduates enrolled in SUCs and CHED recognized-LUCs free tuition, miscellaneous, and other school fees, subject to conditions specified by the law

³ Department of Budget and Management (August 30, 2022). National Tax Allotment. <https://www.dbm.gov.ph/index.php/programs-projects/national-tax-allotment-nta>

- PS expenditures (up by P72.5 billion or 12.2 percent y-o-y) with the implementation of the third tranche of salary adjustment under the Salary Standardization Law (SSL) V, releases for pension and retirement claims in various agencies, filling up of positions in various agencies, and the grant of the One COVID-19 Allowance to public and private health care workers (HCWs) and non-HCWs in health facilities involved in COVID-19 response;
- Infrastructure and other capital outlays (up by P51.2 billion or 12.0 percent y-o-y) with the payments made for completed and partially completed infrastructure projects of the DPWH, the settlement of accounts payables of the Department of Agriculture (DA) for the procurement of farm equipment and machineries under the Rice Competitiveness Enhancement Fund (RCEF) and the Department of Education (DepEd) for its Basic Education Facilities (BEF), and the implementation of capital outlay projects under RAFPMP of the DND;
- Interest payments (up by P48.7 billion or 23.3 percent y-o-y) owing to the coupon payment and discount from reissuances of Fixed Rate Treasury Bonds, coupon payment from FY 2021-2022 Retail Treasury Bonds issuances and for Global bonds, new loan availments from the International Bank for Reconstruction and Development (IBRD), and foreign exchange fluctuations; and
- MOOE (up by P21.0 billion or 5.6 percent y-o-y) on account of the expenditures by the Commission on Elections (COMELEC) for the conduct of the 2022 National and Local Elections (NLE) and preparatory activities for the Barangay and Sangguniang Kabataan Elections (BSKE), the Service Contracting Program and the Fuel Subsidy Program of the DOTr, the Government Assistance to Students and Teachers in Private Education (GASTPE) Program of the DepEd and the Universal Access to Quality Tertiary Education (UAQTE) Program of the Commission on Higher Education (CHED).

Table 3. NG Disbursements for the Period January to June, 2021 and 2022

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	January to June						
	2021	2022		Variance		Increase/(Decrease)	
	Actual	Program ^{1/}	Actual	Amt	%	Amt	%
CURRENT OPERATING EXP.	1,615.5	1,784.9	1,794.7	9.9	0.6	179.3	11.1
Personnel Services	593.8	656.5	666.4	9.9	1.5	72.5	12.2
MOOE	372.3	399.5	393.2	(6.2)	(1.6)	21.0	5.6
Subsidy	88.3	52.5	44.7	(7.8)	(14.9)	(43.6)	(49.4)
Allotment to LGUs	337.0	413.8	414.5	0.7	0.2	77.6	23.0
IP	208.5	253.1	257.2	4.1	1.6	48.7	23.3
TEF	15.6	9.4	18.7	9.3	99.3	3.1	20.0
CAPITAL OUTLAYS	584.2	680.6	595.4	(85.2)	(12.5)	11.2	1.9
Infra and Other CO	426.7	529.3	477.9	(51.4)	(9.7)	51.2	12.0
Equity	46.0	10.9	0.7	(10.2)	(93.6)	(45.3)	(98.5)
Capital Transfers to LGUs	111.5	140.3	116.8	(23.5)	(16.8)	5.3	4.7
NET LENDING	6.8	11.7	11.6	(0.1)	(0.7)	4.8	70.3
TOTAL	2,206.4	2,477.1	2,401.7	(75.4)	(3.0)	195.3	8.9
Memo Item							
Infra Disbursements ^{2/}	535.9	641.1	600.1	(41.0)	(6.4)	64.3	12.0

^{1/} FY 2022 Quarterly Fiscal Program approved by the DBCC during its meeting held on May 24, 2022.

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

Equity and subsidy, on the other hand, contracted from last year's first semester outturn. Equity was lower by P45.3 billion or 98.5 percent due to the completion of the one-time release of capital infusions to Government Financial Institutions (GFIs) in February 2021 for their credit assistance and lending programs under the *Bayanihan* II. Meanwhile, subsidy declined by P43.6 billion or 49.4 percent due to the timing of releases to the Philippine Health Insurance Corporation (PHIC) as the bulk of the subsidy for 2022 is expected to be credited during the second half of the year

Actual vs Program Disbursements

Spending for the first six months of 2022, however, fell below the P2,477.1 billion program by P75.4 billion or 3.0 percent. This is, however, narrower when compared to the gap recorded during the same period of a similar Presidential election year in 2016 (P164.4 billion or 11.9 percent⁴) as the government then transitioned from the Aquino III to the Duterte Administration. The variance between the actual disbursements vis-à-vis the program during the first semester of this year was accounted for by the following items:

- Infrastructure and other capital outlays were lower than the P529.3 billion program by P51.4 billion or 9.7 percent mainly attributed to the election ban on certain government spending and public works from March 25, 2022 to May 8, 2022 in relation to the conduct of the May 2022 NLE as earlier discussed. Per the Omnibus Election Code, the release, disbursement, or expenditure of public funds, as well as the construction of public works and delivery of materials for public works during the period of forty-five days preceding a regular election are prohibited. Some activities, such as the maintenance of existing and/or complete public works, works whose contracts are awarded prior the election ban, and emergency restoration works due to calamities are exempted. Furthermore, other priority programs/projects of implementing agencies can be exempted as authorized by the COMELEC after due notice and hearing. However, specific listing of programs/projects must be covered by the COMELEC Certificate of Exemption.
- Capital transfers to LGUs were below the P140.3 billion program by P23.5 billion or 16.8 percent largely due to the timing of the release of Special Shares of LGUs in the Proceeds of National Taxes. The amount was originally programmed in June but the release was already made in July following the transition to the new Administration.
- Equity was below the P10.9 billion program by P10.2 billion or 93.6 percent. This was largely due to the P10.0 billion equity infusion to the *Bangko Sentral ng Pilipinas* (BSP) which is yet to be credited pending the opening of a Modified Disbursement Scheme (MDS) account for the purpose.
- Subsidy support to government corporations was below the P52.5 billion program by P7.8 billion or 14.9 percent. This was largely attributed to subsidies which are yet to be released pending the submission of a Special Budget Request (SBR), and other documentary requirements such as financial and physical accomplishment reports, and progress billings, among others by the concerned GOCC.
- Maintenance spending was also lower than the P399.5 billion program by P6.2 billion or 1.6 percent. This was also largely attributed to the restrictions in the implementation of programs following the COMELEC election ban, as well as programs/projects with pending processing of payment claims either due to awaiting delivery and completion, or ongoing submission of documentary requirements.

⁴ Against the original first semester program of P1,385.7 billion.

Meanwhile, personnel services expenses and tax expenditures surpassed the program for the period by P9.9 billion and P9.3 billion, respectively. Personnel services were greater than the program due to faster fill-up rates and creation of positions in various departments, and releases for the FY 2020 performance-based bonus (PBB) of qualified departments and their respective employees. Tax expenditures, on the other hand, were above the program due to higher-than-programmed documentary stamp taxes for government-issued debt instruments.

Interest payments also exceeded the P253.1 billion program by P4.1 billion or 1.6 percent due to higher borrowings of Retail Treasury Bonds than programmed in December 2021 and March 2022, and the coupon payment for reissued series of Fixed Rate Treasury Bonds.

Outlook for the Rest of the Year

For the remaining half of 2022, the balance of the P5,023.6 billion obligation program amounts to P343.9 billion⁵ or 6.8 percent. This consists mainly of some P105.6 billion in agency-specific budget and P167.0 billion allocation from Special Purpose Funds (SPFs).

The bulk of the program balances under the regular budget of agencies include the requirements for the UAQTE program; the various railway, aviation, and maritime infrastructure projects of the DOTr; and the creation and filling of positions of DND, DILG, and DepEd. These are considered as “for later release” items which require the submission of special budget requests by the concerned agencies and compliance to documentary requirements. Unreleased allotments from the SPFs, on the other hand, are largely composed of program balances from Budgetary Support to Government Corporations, Allocation to LGUs, Pension and Gratuity Fund, and National Disaster Risk Reduction and Management Fund.

In terms of disbursements, the Development Budget Coordination Committee (DBCC) during its 182nd meeting dated July 8, 2022 kept the full year spending target at P4,954.6 billion, which was earlier set and approved by the previous economic managers under the Duterte Administration. The full year spending program is equivalent to 22.9 percent of GDP. In maintaining the disbursement program, the DBCC noted that the P75.4 billion (3.0 percent) underspending recorded during the first semester may be easily recovered during the remaining six months of the year under the Marcos Administration, and that the spending commitment will support the attainment of the 6.5 to 7.5 percent growth target for the year.

Although based on historical trends, spending is expected to slow down in the second semester of an election year during the transition, the government is upbeat that the strong spending momentum will be sustained by the current Administration. In general, newly appointed heads of implementing agencies need time to review the operations of their respective offices and evaluate their programs and projects vis-à-vis the expenditure priorities and directions of the new Administration. Nonetheless, based also on spending behavior of line departments, disbursements tend to accelerate towards the latter months of the year in anticipation of the lapsing of cash allocations and agency-closing of books.

Taking this into consideration, the DBM is closely coordinating and working with the line agencies to meet this year’s spending target. The status of agency disbursements is being monitored by the DBM, particularly for the big departments which experienced implementation delays due to the election ban, and which could drive spending for the rest of the year with their catch-up plans.

⁵ Gross of the releases made for the FY 2021 Continuing Appropriations, Unprogrammed Appropriations, and other Automatic Appropriations accommodated within the current year’s expenditure program per National Budget Circular No. 587.