

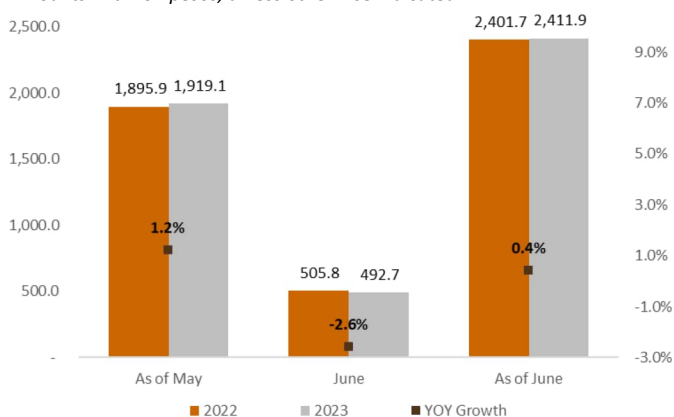
## NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

### AS OF JUNE 2023

National Government (NG) disbursements for the month of June 2023 amounted to P492.7 billion, slightly down by P13.1 billion or 2.6 percent year-on-year. The decline was mainly due to lower infrastructure and other capital outlays, maintenance spending, allotment to Local Government Units (LGUs), and personnel services (PS) expenditures. Spending for the first semester, thus, reached P2,411.9 billion, marginally higher by P10.1 billion or 0.4 percent from the outturn for the same period last year.

Figure 1. National Government Disbursements for the Period Indicated

Amounts in billion pesos, unless otherwise indicated



Meanwhile, when compared to the P2,582.4 billion program for the first half of the year, disbursements were lower by P170.5 billion or 6.6 percent. This was primarily attributed to the substantial outstanding checks recorded as of end-June 2023 (P124.1 billion per consolidated reports of government-servicing banks<sup>1</sup>); ongoing implementation of social protection programs; and billing concerns from suppliers/creditors, such as late submissions of billing statements and compliance with documentary requirements.

Table 1. Comparison of NCA and Non-NCA Disbursements, 2022-2023

(Amount in billion pesos, unless otherwise indicated)

Particulars	As of May				June				As of June			
	2022	2023	Inc/(Dec)		2022	2023	Inc/(Dec)		2022	2023	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	1,524.8	1,557.1	32.3	2.1	447.5	407.6	(39.9)	(8.9)	1,972.3	1,964.7	(7.6)	(0.4)
% of Eff. NCA	91.6%	92.3%			113.1%	105.7%			95.7%	94.8%		
Non-NCA	371.1	362.0	(9.1)	(2.4)	58.3	85.1	26.8	46.0	429.4	447.2	17.7	4.1
<b>TOTAL</b>	<b>1,895.9</b>	<b>1,919.1</b>	<b>23.2</b>	<b>1.2</b>	<b>505.8</b>	<b>492.7</b>	<b>(13.1)</b>	<b>(2.6)</b>	<b>2,401.7</b>	<b>2,411.9</b>	<b>10.1</b>	<b>0.4</b>
<b>Memo Item</b>												
Effective NCAs issued net of Trust Liabilities, Gross of Working Fund												
	As of May				June				As of June			
	2022	1,665.1			2022	395.6			2022	2,060.6		
	2023	1,687.5			2023	385.7			2023	2,073.2		
<b>Allotment Releases</b> <sup>1/</sup>												
As of June 2022		4,679.7 <sup>2/</sup>	93.2%	of the P5,023.6 billion obligation program								
As of June 2023		4,734.7 <sup>2/</sup>	89.9%	of the P5,268.0 billion obligation program								

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

<sup>1/</sup> Based on the Status of Allotment Releases available at <https://www.dbm.gov.ph/index.php/programs-projects/status-of-allotment-releases>.

<sup>2/</sup> Includes other releases coming from the Prior Year's Continuing Appropriations, Unprogrammed Appropriations, and Other Automatic Appropriations.

By type of disbursements, Notice of Cash Allocation (NCA) or cash disbursements in June 2023 fell to P407.6 billion, down by P39.9 billion or 8.9 percent from the same period last year. The decline was mostly due to lower capital outlays, maintenance and other operating expenses (MOOE), and transfers to LGUs. On the other hand, Non-NCA disbursements rose by P26.8 billion or 46.0 percent to reach P85.1 billion, on account of higher interest payments and constructive receipts of cash (CRC) payments.<sup>2</sup> Year-to-date, NCA disbursements amounted to P1,964.7 billion, P7.6 billion or 0.4 percent lower than the comparable period last year, while Non-NCA disbursements reached P447.2 billion, higher by P17.7 billion or 4.1 percent year-on-year.

<sup>1</sup> Status of NCA Utilization as of June 2023, By Agency. Available at <https://www.dbm.gov.ph/index.php/programs-projects/status-of-nca-utilization/408-dbm-releases/2023-status-of-nca-utilization/2837-2023-status-of-nca-utilization-as-of-june-30-2023>

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

## Allotment Releases

As of end-June 2023, allotment releases totaled P4,734.7 billion, equivalent to 89.9 percent of the P5,268.0 billion obligation program for the year. For the month of June 2023 alone, allotment releases amounted to P52.4 billion, composed largely of the following big-ticket items:

DEPARTMENT/GOCC	PURPOSE	AMOUNT (In billion pesos)
Department of National Defense (DND)	3 <sup>rd</sup> Quarter Pension	P14.0
	Revised Armed Forces of the Philippines (AFP) Modernization Program (RAFPMP)	P2.2
	Release of the FY 2021 Performance-Based Bonus (PBB) of the AFP - Philippine Army	P1.5
Department of Education (DepEd)	Implementation of Basic Education Curriculum	P5.0
	PS requirements, mostly for the release of the FY 2021 PBB and filling of teaching positions	P2.2
Bureau of the Treasury (BTr)	Implementation of priority projects of recipient LGUs, chargeable against the Local Government Support Fund (LGSF) - Support to the Barangay Development Program	P5.6
Philippine Deposit Insurance Company (PDIC)	Tax subsidy granted to the PDIC for VAT for the first quarter of FY 2023	P2.1

## Year-on-Year Performance, by Expense Class

### For the Month of June 2023

NG spending in June 2023 dropped to P492.7 billion, down by P13.1 billion or 2.6 percent from the level recorded a year ago, resulting from the contraction in the following expenditure items:

- Infrastructure and other capital outlays slid to P119.4 billion from P142.9 billion in June last year due to the combined effects of high base, timing of releases to the DND for its RAFPMP, and outstanding checks recorded for capital outlay-heavy departments. It may be noted that infrastructure expenditures in June last year grew by P49.0 billion

(51.9 percent) as substantial disbursements were recorded for the Department of Public Works and Highways (DPWH) after the lifting of election ban. Capital expenditures by the DND in June last year were also significant, covering defense modernization projects. In contrast this year, most of the payables related to the RAFPMP are scheduled this second semester.

Meanwhile, sizable outstanding checks were recorded in the DPWH and Department of Transportation (DOTr) as of end-June 2023, amounting to P24.4 billion and P11.6 billion, respectively. These compare to only P18.5 billion and P0.3 billion for the same period in 2022. The huge outstanding checks recorded may be attributed to billing/payment concerns encountered by line agencies, such as late/incomplete submission of documentary requirements to facilitate release of checks/payments, and contractors' non-encashment of checks issued.

**Table 2. NG Disbursements for the Month of June, 2022 and 2023**

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	June			
	2022 <sup>1/</sup>	2023	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	339.0	344.4	5.4	1.6
Personnel Services	123.0	119.6	(3.4)	(2.8)
MOOE	93.9	83.0	(11.0)	(11.7)
Subsidy	13.4	26.1	12.7	94.6
Allotment to LGUs	69.8	59.1	(10.8)	(15.4)
IP	36.8	52.9	16.1	43.9
TEF	2.1	3.8	1.7	83.7
CAPITAL OUTLAYS	162.7	141.9	(20.9)	(12.8)
Infra and Other CO	142.9	119.4	(23.5)	(16.4)
Equity	0.1	0.0	(0.1)	(91.6)
Capital Transfers to LGUs	19.6	22.4	2.8	14.1
NET LENDING	4.1	6.4	2.3	57.1
<b>TOTAL</b>	<b>505.8</b>	<b>492.7</b>	<b>(13.1)</b>	<b>(2.6)</b>

<sup>1/</sup> Adjusted based on the full-year 2022 BTr Cash Operations Report (COR).

- Maintenance spending declined to P83.0 billion, P11.0 billion or 11.7 percent lower when compared to the outturn last year. This was largely on account of the timing of transfer to the Coconut Farmers and Industry Trust Fund for the implementation of the Coconut Farmers and Industry Development Plan. It can be recalled that P10.0 billion transfer to the Fund was made in June last year. For this year, however, the P15.0 billion transfer was taken up in March. One-off expenses by the Commission on Elections (COMELEC) in connection with the conduct of the National and Local Elections (NLE) also contributed to the lower MOOE.
- Allotment to LGUs contracted to P59.1 billion, down by P10.8 billion or 15.4 percent year-on-year due to the lower National Tax Allotment (NTA) of LGUs,<sup>3</sup> Annual Block Grant of the Bangsamoro Autonomous Region in Muslim Mindanao, and the releases for the LGSF - Financial Assistance (FA) to LGUs.
- PS expenditures amounted to P119.6 billion, P3.4 billion or 2.8 percent lower than a year ago sans the pension differential payments to the military and uniformed personnel (MUP) retirees of the DND and the Department of the Interior and Local Government in June 2022.

The decrease in the expense items, however, was partially offset by the growth in interest payments and subsidy. Interest payments went up by P16.1 billion or 43.9 percent to reach P52.9 billion due to higher foreign exchange rates this year, coupon payments, and premiums. Subsidy, on the other hand, increased by P12.7 billion or 94.6 percent on account of the releases to the Philippine Health Insurance Corporation (health insurance premiums of senior citizens), Philippine Crop Insurance Corporation (crop insurance), and Bases Conversion and Development Authority (infrastructure development projects).

#### *For the Period January to June 2023*

NG disbursements for the first semester of 2023 amounted to P2,411.9 billion, slightly higher by P10.1 billion or 0.4 percent year-on-year. The reduction in the combined allotment and capital transfers to LGUs with their lower NTA shares moderated the growth of spending for the period.

Nevertheless, the following expenditure items recorded sizeable increases:

- Infrastructure and other capital outlays grew by P36.7 billion or 7.8 percent owing to the acceleration of implementation of various infrastructure projects of the DPWH nationwide, and the direct payments made by development partners for the implementation of foreign-assisted rail transport projects of the DOTr.

When the infrastructure components of transfers to LGUs and subsidy and equity to GOCCs are accounted for, the overall infrastructure disbursements for the first semester of the year reached P608.7 billion, up by P15.5 billion or 2.6 percent. This was equivalent to 5.3 percent of GDP in line with the full year target for this year. The growth of the total infrastructure spending was weakened by the lower NTA of LGUs.

- Interest payments expanded by P25.2 billion or 9.8 percent mainly on the back of higher interest rates including Secured Overnight Financing Rate for foreign loans.
- Subsidy support to government corporations increased by P11.0 billion or 20.8 percent mostly due to the schedule of releases to the PHIC for the payment of health insurance premiums of

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<sup>3</sup> The tax revenue base, from which the NTA shares of LGUs in 2023 is determined, was the actual tax collections in 2020. Due to the impact of the economic and mobility restrictions at the height of the pandemic, tax revenue collections in 2020 contracted by P323.4 billion or 11.4 percent from the actual outturns in 2019. Hence, resulting in lower NTA shares of LGUs for 2023.

senior citizens. For this year, P15.0 billion was already released to the PHIC for the first semester; whereas in the previous year, releases only started to be credited in July.

- PS expenditures went up by P10.6 billion or 1.6 percent owing to the implementation of the fourth tranche of the Salary Standardization Law V, filling up of newly created positions in various agencies and State Universities and Colleges (SUCs), as well as the payment of Health Emergency Allowance (HEA) to plantilla healthcare workers of the Department of Health (DOH). The expansion of PS expenses, however, was softened by the absence of substantial releases for the payment of pension differential of MUP retirees for the first semester of this year.

**Table 3. NG Disbursements for the Period January to June, 2022 and 2023**

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	January to June						
	2022 Actual <sup>1/</sup>	2023		Variance		Increase/(Decrease)	
		Program <sup>2/</sup>	Actual	Amt	%	Amt	%
CURRENT OPERATING EXP.	1,802.2	1,974.3	1,785.8	(188.5)	(9.5)	(16.4)	(0.9)
Personnel Services	666.0	701.0	676.6	(24.4)	(3.5)	10.6	1.6
MOOE	393.0	460.6	395.0	(65.7)	(14.3)	2.0	0.5
Subsidy	52.7	145.7	63.7	(82.0)	(56.3)	11.0	20.8
Allotment to LGUs	414.5	357.7	354.9	(2.7)	(0.8)	(59.6)	(14.4)
IP	257.2	302.8	282.5	(20.3)	(6.7)	25.2	9.8
TEF	18.7	6.5	13.1	6.6	102.0	(5.6)	(30.0)
CAPITAL OUTLAYS	588.0	593.5	613.8	20.4	3.4	25.9	4.4
Infra and Other CO	470.5	483.1	507.2	24.1	5.0	36.7	7.8
Equity	0.7	1.1	0.2	(0.9)	(83.6)	(0.5)	(74.2)
Capital Transfers to LGUs	116.8	109.3	106.4	(2.9)	(2.6)	(10.4)	(8.9)
NET LENDING	11.6	14.6	12.2	(2.4)	(16.5)	0.6	5.4
<b>TOTAL</b>	<b>2,401.7</b>	<b>2,582.4</b>	<b>2,411.9</b>	<b>(170.5)</b>	<b>(6.6)</b>	<b>10.1</b>	<b>0.4</b>
<b>Memo Item</b>							
Infra Disbursements <sup>3/</sup>	593.2	618.1	608.7	(9.4)	(1.5)	15.5	2.6

<sup>1/</sup> Adjusted based on the full-year 2022 BTr Cash Operations Report (COR).

<sup>2/</sup> FY 2023 Quarterly Fiscal Program approved by the DBCC during its 184th meeting held on April 24, 2023.

<sup>3/</sup> Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.

### *Actual vs Program Disbursements*

When compared to the P2,582.4 billion program for the first semester of 2023, NG disbursements fell short by P170.5 billion or 6.6 percent, mainly on account of the following:

- Subsidy to government corporations was below the P145.7 billion program by P82.0 billion or 56.3 percent due to the timing of releases to the PHIC, and lower releases to the National Irrigation Authority (NIA) and the National Housing Authority (NHA). Subsidy releases are subject to the submission of SBRs and complete documentary requirements by the concerned government corporations. Similarly, the ongoing submission of billing claims and completion of documentation by the contractors of irrigation and housing projects of NIA and NHA, respectively, affected the actual subsidy releases for the period.

- Maintenance spending also registered a shortfall of P65.7 billion or 14.3 percent. Aside from the significant outstanding checks recorded in MOOE-heavy departments, such as the Department of Social Welfare and Development (DSWD), the Department of Agriculture (DA), the Department of Labor and Employment (DOLE), and the DOH, the other reasons/factors cited for the lower-than-programmed disbursements in some departments/agencies are, as follows:
  - a) Ongoing implementation of social protection programs, particularly the registration and validation of beneficiaries of the *Pantawid Pamilyang Pilipino Program (4Ps)* under the DSWD. The process aims to check if the existing household beneficiaries of 4Ps (who were not included in the updated *Listahanan 3*) are still eligible for the Program. The ongoing reassessment of the 4Ps list of beneficiaries is expected to be completed by September 2023;<sup>4</sup>
  - b) Ongoing procurement of health commodities, and delays in the execution and signing of Memorandum of Agreement with the implementing agencies for various Public Health Programs of the DOH;
  - c) Incomplete or non-submission of supporting documents and delays in the submission of billing claims for various programs, such as the National Livestock Program of the DA, Free Higher Education Program of SUCs, and the techvoc scholarship programs of the Technical Education and Skills Development Authority;
  - d) Ongoing profiling and evaluation of target beneficiaries of the *Tulong Panghanapbuhay sa Ating Disadvantaged Workers Program*, and low availment or turnout rate for applicants under the Special Program for Employment of Students and Government Internship Program of the DOLE during the period; and
  - e) Ongoing validation of documentary requirements for the Universal Access to Quality Tertiary Education (UAQTE) under the Commission on Higher Education (CHED)
- PS expenses were lower than the P701.0 billion program by P24.4 billion or 3.5 percent largely on account of unfilled positions in the DepEd, delays in submission of requirements/documents to support payroll payments and promotion of personnel in SUCs, and balances from the Miscellaneous and Personnel Benefits Fund (MPBF).
- Interest payments were below the P302.8 billion program by P20.3 billion or 6.7 percent primarily due to settlement of premia from the reissuance of bonds.
- Combined allotment and capital transfers to LGUs were P5.6 billion or 1.2 percent short of the P467.0 billion program on account of the lower releases to LGUs from the Special Shares in the Proceeds of National Taxes (SSPLNT) and the LGSF-FA. Releases from the SSPLNT are subject to the certification of actual collections and remittance to the BTr, while releases from the LGSF are dependent on the requests received from the LGUs.

On the other hand, the following exceeded their programmed disbursements for the period to partly temper the underspending recorded in the aforementioned expenditure items:

- Infrastructure and other capital outlays surpassed the P483.1 billion program by P24.1 billion or 5.0 percent with faster implementation of construction activities and payments for completed infrastructure projects of the DPWH. These offset the lower-than-expected capital outlay disbursements recorded in the DND and DOTr mainly due to the ongoing implementation and procurement of their respective projects. More specifically, the DOTr cited the ongoing right-of-

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<sup>4</sup> DSWD (16 August 2023), "DSWD chief assures PBBM payout for 4Ps beneficiaries being expedited", available at <https://www.dswd.gov.ph/dswd-chief-assures-pbbm-payout-for-4ps-beneficiaries-being-expedited/>

way and site acquisition and utility relocation which affected the implementation of its various land and rail transport infrastructure projects.

- Tax expenditures were more than double the P6.5 billion program due to the higher-than-expected documentary stamp taxes on government securities issued by the Bureau of the Treasury during the first semester of the year.

### **Outlook for the Rest of the Year**

The balance from the P5,268.0 billion obligation program for the year as of end-June 2023 amounts to P533.3 billion<sup>5</sup> or 10.1 percent. This includes some P113.2 billion in agency-specific budget and P221.6 billion allocation from Special Purpose Funds (SPFs).

The bulk of the program balances under the regular budget of agencies is composed of the requirements for the creation and filling of positions of DILG and DepEd; the requirements for the implementation of the UAQTE Program of SUCs and the CHED for the Academic Year 2023 – 2024 which are programmed in the second semester consistent with the academic calendar of SUCs; and the various infrastructure projects of the DOTr. Meanwhile, unreleased allotments from the SPFs are largely comprised of balances from the Pension and Gratuity Fund, Allocation to LGUs, Budgetary Support to Government Corporations, and MPBF.

### *Impact of Government Spending on Q2 Economic Performance*

For the second quarter of 2023, Government Financial Consumption Expenditure (GFCE) declined by 7.1 percent year-on-year largely on account of the underspending in MOOE. Meanwhile, Public Construction was nearly unchanged year-on-year (0.8 percent). A more robust government spending on MOOE and public construction could have generated more economic activities and induced growth further through secondary multiplier effects.

Nonetheless, the government is optimistic that the full year spending target is achievable for the rest of the year. Based on historical trends and agency spending behavior, disbursements quicken beginning the third quarter and go full steam during the fourth quarter. For instance, in 2019, when the passage of the national budget for the year was delayed and underspending was recorded at P125.8 billion (7.3 percent of the program for the period) during the first semester of that year, disbursement performance improved and exceeded the program during the second semester to end the full year with P28.1 billion (0.7 percent) overperformance. This benefited from the measures undertaken by the two main infrastructure departments – DPWH and DOTr – to recover from the delays in program/project execution during the first two quarters of that year.

In order to facilitate budget execution for the rest of the year, the DBM issued Circular Letter No. 2023-10 dated August 9, 2023. Government agencies were required to conduct data analysis on a periodic basis, covering the identification of agency programs and projects with historical trends of low disbursement rates and those with anticipated delays, among others. The agencies shall then submit to the DBM the i) latest available financial and physical accomplishments; ii) status of major/flagship programs/projects with significant budgetary allocations in FYs 2022 and 2023; and iii) catch-up plans to address the bottlenecks and reach their respective physical and financial performance targets for the year. The consolidated report to be prepared by the DBM shall become the basis for the determination

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<sup>5</sup> Net of the releases for FY 2022 Continuing Appropriations, Unprogrammed Appropriations, and other Automatic Appropriations accommodated within the total obligation program.

of the i) release of the balance of programmed appropriations and revision of plans/targets, as necessary; ii) schedule of fund release for FY 2024; and iii) proposed budget level for FY 2025.

The implementation of catch-up plans is expected to help attain both the P5.228 trillion (21.3 percent of GDP) disbursement program and the 6.0 to 7.0 percent real GDP growth target for this year. Relatedly, the National Economic and Development Authority (NEDA) estimated that should line departments be able to recover the underspending incurred during the first semester, the impact on second semester growth would be plus 0.8 percentage point on GDP.<sup>6</sup>

The government's Economic Development Group<sup>7</sup>, which is responsible for harmonizing, coordinating, and synergizing efforts to ensure the country's rapid and sustained growth, among others, has also been monitoring and engaging big-spending departments as to the status of implementation of their major or key programs/projects.

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<sup>6</sup> NEDA Presentation during the Development Budget Coordination Committee Briefing on the Proposed FY 2024 Budget to the Senate Committee on Finance on August 15, 2023.

<sup>7</sup> Per Section 2 of Executive Order No. 28 "Reorganizing and Renaming the Economic Development Cluster as the Economic Development Group, and Creating the Inter-Agency Committee on Inflation and Market Outlook"