

## NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF JULY 2016

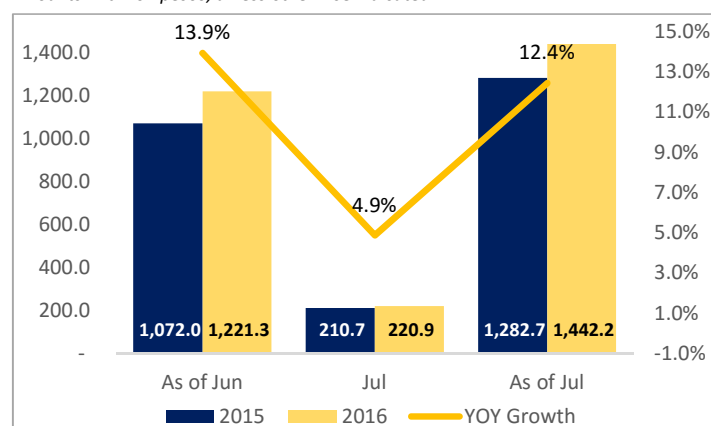
National government spending reached P1,442.2 billion as of July 2016, 12.4 percent higher than the P1,282.7 billion recorded for the same period in 2015. For the month of July, disbursements stood at P220.9 billion, up by P10.2 billion or 4.9 percent from the previous year. The growth is slower than the 25.0 percent posted for the same month in 2015, largely as a result of the contraction recorded in Non-NCA expenditures.

Non-cash disbursements amounted to P47.7 billion (see *Table 1 below*), down by P11.9 billion or close to 20.0 percent from the P59.5 billion in 2015 due to lower interest payments, tax subsidies, and net lending assistance to government corporations. The decline in non-cash disbursements, however, was partly offset by the increase in NCA or cash disbursements which grew by 14.6 percent to P173.2 billion in July. Despite the growth in NCA expenditures, NCA utilization rate or the ratio of negotiated checks to all effective NCA issuances this July was lower at 84.9 percent compared with 90.8 percent for the same month in the previous year. As already expected, there was a slight slowdown in disbursements while newly appointed heads get acquainted with agency operations and try to review specific programs/projects relative to the priorities of the new administration. Moreover, the change of leadership in line agencies meant new signatories for various agency transactions. Hence, processing of payments have been affected.

Nonetheless, cumulative NCA disbursements still increased to P1,152.8 billion as of end July, P175.9 billion or by 18.0 percent higher than the 2015 levels. This is just 0.6 ppt shy of the 18.6 percent annual growth recorded as of the first semester this year. On the other hand, Non-NCA expenditures declined by 5.4 percent to reach P289.4 billion as of July this year. The reduction widened by 3.6 ppt from the 1.8 percent contraction as of June this year as the government continued to benefit from lower interest payments as a result of the debt liability management measures implemented by the BTr.

**Figure 1. NG Disbursements as of July**

Amounts in billion pesos, unless otherwise indicated



**Table 1. Comparison of NCA and Non-NCA Disbursements, 2015-2016**

Amounts in billion pesos, unless otherwise indicated

Particulars	As of June				July				As of July			
	2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	825.8	979.6	153.8	18.6	151.1	173.2	22.1	14.6	976.9	1,152.8	175.9	18.0
% of Eff. NCA	90.9%	94.5%			90.8%	84.9%			90.9%	93.0%		
Non-NCA	246.2	241.7	(4.5)	(1.8)	59.5	47.7	(11.9)	(19.9)	305.7	289.4	(16.4)	(5.4)
<b>TOTAL</b>	<b>1,072.0</b>	<b>1,221.3</b>	<b>149.3</b>	<b>13.9</b>	<b>210.7</b>	<b>220.9</b>	<b>10.2</b>	<b>4.9</b>	<b>1,282.7</b>	<b>1,442.2</b>	<b>159.5</b>	<b>12.4</b>

### Memo Item

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

As of June		July		As of July	
2015	908.1	2015	166.5	2015	1,074.6
2016	1,036.2	2016	204.1	2016	1,240.2

### Allotment Releases

As of July 2015	2,386.5	91.6% of the P2,606.0 billion obligation program
As of July 2016	2,675.0	89.1% of the P3,002.0 billion obligation program

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

Total allotment releases as of end July 2016 already amounted to P2,675.0 billion or 89.1 percent of the P3,001.8 obligation program for the year. Of this amount, 57.0 percent or P1,524.7 billion refers to department-specific budget under the new appropriations which are intended for the operations and implementation of programs and projects of line agencies. The said release represents 94.2 percent of the program P1,618.9 billion regular budget agencies appropriated under the 2016 GAA.

## July Performance

For the month of July, disbursements grew mainly on account of the P35.3 billion subsidies to government corporations, increasing by P32.9 billion or fifteen times the P2.3 billion support for the same month in 2015. This is largely composed of the P33.8 billion requirements for the health insurance premiums of the indigents and senior citizens enrolled in the National Health Insurance Program of the PHIC. In 2015, the requirements were released in June. For this year, however, the amount was released in July after the completion of the data cleansing/extraction to verify the beneficiaries, as well as the endorsement by the DOH to proceed with the payment to PHIC.

**Table 2. National Government Disbursements, January to July**  
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	July		January to July		Increase/(Decrease)			
	2015	2016	2015	2016	July		January to July	
					Amt	%	Amt	%
CURRENT OPERATING EXP.	164.9	175.0	1,034.1	1,097.6	10.1	6.1	63.5	6.1
Personnel Services	46.5	42.6	371.3	381.6	(3.9)	(8.4)	10.3	2.8
MOOE	36.6	28.4	215.9	245.0	(8.2)	(22.5)	29.1	13.5
Subsidy	2.3	35.3	46.3	71.9	32.9	1,421.1	25.6	55.2
Allotment to LGUs	26.0	28.6	181.9	199.9	2.6	10.0	18.0	9.9
IP	53.1	40.0	209.2	193.7	(13.1)	(24.6)	(15.5)	(7.4)
TEF	0.3	0.1	9.5	5.5	(0.2)	(68.9)	(4.0)	(42.4)
CAPITAL OUTLAYS	45.5	45.9	245.7	340.5	0.4	0.8	94.9	38.6
Infra and Other CO	38.3	38.7	188.7	267.7	0.4	1.0	79.0	41.8
Equity	-	-	0.3	8.4	-	-	8.1	2,565.3
Capital Transfers to LGUs	7.2	7.2	56.6	64.3	(0.0)	(0.2)	7.7	13.7
NET LENDING	0.3	0.0	2.9	4.1	(0.2)	(88.0)	1.2	40.9
<b>TOTAL</b>	<b>210.7</b>	<b>220.9</b>	<b>1,282.7</b>	<b>1,442.2</b>	<b>10.2</b>	<b>4.9</b>	<b>159.5</b>	<b>12.4</b>

The increase in disbursements, however, was tempered by the contraction in interest payments (P13.1 billion), maintenance expenditures (P8.2 billion), and personnel services (P3.9 billion) for a combined impact of P25.2 billion.

- Interest payments amounted to P40.0 billion, almost 25.0 percent lower than the P53.1 billion payments in 2015 due to lower interest rates, bond exchange transactions and maturities of high coupon debts.
- Maintenance spending was down by 22.5 percent to P28.4 billion from the P36.6 billion in 2015 largely as a result of low obligations for some social programs of the DSWD. According to the agency, preparatory works are usually done during the first semester so that the implementation of the programs comes in full swing in the second semester. It is expected that the disbursements will pick-up in the succeeding months. Moreover, it may be recalled that in 2015, some P7.0 billion accumulated outstanding checks for the first semester of that year were claimed by payees in July that resulted to

higher disbursements for the agency. The said amount pertains to the releases for the assistance to victims of disasters and natural calamities, emergency shelter assistance and the CCT. For this year, only P2.2 billion out of the P5.1 billion outstanding checks as of the first semester were encashed in July per bank reports. In addition, disbursements of the DILG for its banner programs such as BUB and PAMANA were also lower this month since their implementation was delayed by the election ban earlier this year.

- Personnel services reached P42.6 billion for July compared to P46.5 billion for the same month in 2015. The reduction in personnel services spending was a result of lower releases in Miscellaneous Personnel Benefits Fund (MPBF), and Pension and Gratuity Fund (PGF). Releases in MPBF were lower by P2.9 billion despite the salary adjustments under the EO 201 s2016. In the previous year, releases under the MPBF for the month of July include payments of PEI for some agencies which were not able to received their incentive in June of the same year in view of the validation process of their compliance with their performance commitments. Also in July 2015, the government had already started to release the PBB of some agencies, notably the DND. For this year, however, the release of the performance bonus is expected to peak from August to September. Similarly, releases under the PGF are lower by P1.6 billion as the processing of claims for retirement and terminal leave benefits is still ongoing.

The growth in infrastructure and other capital expenditures, meanwhile, was only minimal at 1.0 percent to P38.7 billion from the P38.3 billion recorded in the previous year. Although, disbursements of the DPWH increased by P5.9 billion<sup>1</sup> from its completed road infrastructure activities and convergence programs implemented with the DepEd (school building), DOH (health facilities), and DOT (roads to tourist destinations), it was offset by the lower disbursements in the DND and the ARMM. Capital expenditures of the DND were down for the month due to the one-off payment under the AFP modernization program for the FA-50 aircraft acquisition project in July 2015. For the second semester this year, the projects under the AFP modernization program are still in various stages of procurement, while some are still for evaluation relative to the priorities of the new administration. In the case of the ARMM, the implementation of a number of their local infrastructure projects are still ongoing after experiencing delays in procurement due to the election ban. The impact of this, however, was tempered by the increase in other capital expenditures of agencies which include the repair and rehabilitation of school facilities by the DepEd and some capital outlays of the SUCs.

#### *January to July 2016, Year-on-Year Performance*

Cumulative disbursements, thus, reached P1,442.2 billion as of July this year, increasing by 12.4 percent or some P159.5 billion worth of additional outlays. This is slightly faster than the 10.9 percent year-on-year growth recorded for the same period in 2015. The higher spending for the period was largely driven by infrastructure and other capital outlays which grew by 42.0 percent as of July 2016, vis-à-vis the 20.6 percent growth for the comparable period in 2015. The increase is credited to the implementation of road infrastructure programs of the DPWH, HFEP of the DOH, DND modernization program and other capital outlay projects of the DepEd and SUCs. While disbursements could have been higher if not for lower interest payments, it is still worthy to note the effective and efficient debt management strategy of the government which has afforded some P15.5 billion savings in borrowing costs as of July this year.

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

The program balance for the remaining five months of the year amounts to P326.8 billion per status of allotment release report as of end July 2016. The said amount represents just 10.9 percent of the total P3,001.8 billion obligation program and pertains to allocations under the Special Purpose Funds. Among the large items under this fund include the remaining subsidies to government corporations, the special shares of

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<sup>1</sup> Increase in negotiated checks per bank reports

LGUs in the proceeds of the national taxes, and the allocations under the NDRRMF, MPBF and PGF. The same would be released once tapped or needed by agencies by submitting a special budget requests upon fulfillment of certain conditions and compliance with additional documentary requirements.

The government is optimistic that the slowdown in disbursements recorded for this month is temporary and expected as a result of the transition to a new administration. Underspending remains a key challenge but as agency heads devote more time in the operations of their respective offices, they will soon have a better grasp of their programs and projects which could, in the succeeding months, accelerate disbursements. Nonetheless, the government is committed to deliver with its spending commitments hence new expenditures measures would be undertaken. In the coming months, the implementation of major infrastructure projects in Metro Manila and major cities will go on a 24-hour, 7-days a week basis. The monitoring of these projects will also be strengthened with the effective use of modern technology. To resolve procurement difficulties, the IRR of the government procurement law has been revised to simplify and streamline various bidding processes and procedures. The revised IRR has been published last August 29, 2016 and would be effective after 60 days from the date of its official publication. Finally, the government is also capacitating the cabinet secretaries and other senior officials so that their respective planning, budgeting, projecting implementation and monitoring activities will be strengthened. This way, the agency heads can be held more accountable for the performance of their respective agencies.