

NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF MARCH 2016

National government spending stood at P591.5 billion as of the first quarter this year, up by P87.4 billion or 17.3 percent from the level in 2015. This is a significant improvement from the modest 4.5 percent growth posted in the year ago period.

Spending for the month of January alone increased by 7.3 percent, reversing the 5.4 percent contraction recorded for the same month in 2015. Disbursements for the months of February and March meanwhile grew by 22.0 percent and 23.2, respectively - the fastest for the said months in the last six years.

Collective efforts to implement measures in boosting government spending continued to pay off as evidenced by the sustained improvement in year-on-year disbursement performance. Annual growth for the first three months of 2016 shows a more consistent upward trajectory when compared to the same period in the previous years since 2012 (see *Figure 2*).

The spike in disbursements was fueled by actual cash expenditures (rather than non-cash outlays) which increased by almost P94.0 billion or 28.0 percent to reach P429.3 billion as of Q1 2016, way better than the 9.4 percent growth recorded for the comparable period last year (see *Table 1* on page 2). This actual cash outlay is equivalent to nearly 91.0 percent of all cash disbursement authorities effective for the period owing to higher subsidies to government corporations and transfers to Local Government Units; and greater spending in maintenance expenditures and capital outlays of big departments such as the DepEd, DOH, DPWH and DILG.

Figure 1. NG Disbursements as of March

Amounts in billion pesos, unless otherwise indicated

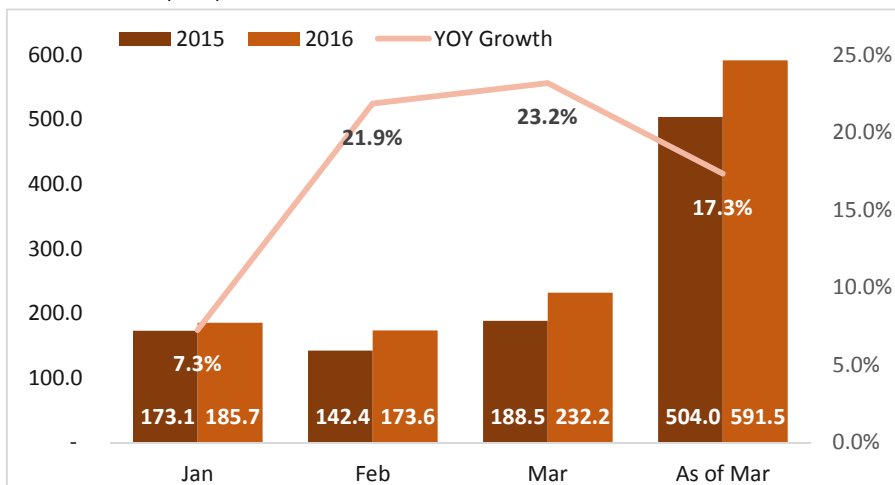
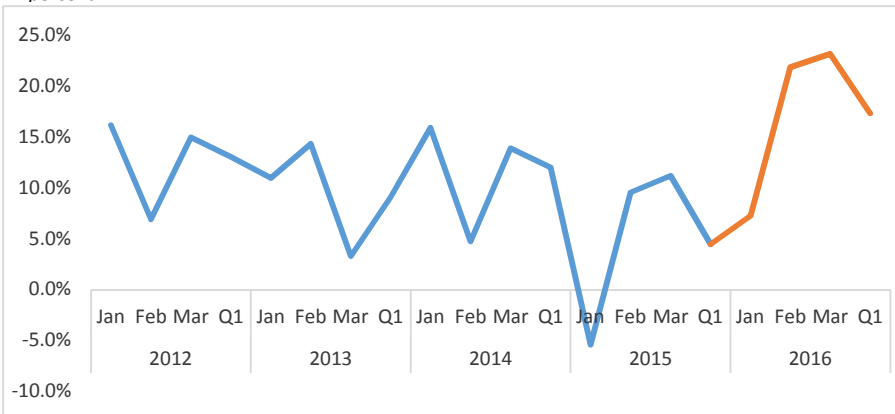


Figure 2. Q1 Year-On-Year Growth Trends, 2012 - 2016

In percent



On the other hand, non-cash expenditures continued to decline by 3.7 percent to P162.2 billion in view of lower tax subsidies during the first quarter, as well as the impact of lower volume of check floats or those checks issued in 2015 that were only encashed this year.

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

In billion pesos, unless otherwise indicated

Particulars	As of February				March				As of March			
	2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	194.1	243.0	48.8	25.2	141.4	186.3	44.9	31.7	335.6	429.3	93.7	27.9
<i>% of Eff. NCA</i>	<i>78.6%</i>	<i>79.3%</i>			<i>99.4%</i>	<i>110.9%</i>			<i>86.2%</i>	<i>90.5%</i>		
Non-NCA	121.4	116.3	(5.1)	(4.2)	47.1	45.9	(1.2)	(2.5)	168.5	162.2	(6.3)	(3.7)
TOTAL	315.6	359.3	43.7	13.9	188.5	232.2	43.7	23.2	504.0	591.5	87.4	17.3
Memo Items:												
Effective NCAs issued net of Trust Liabilities, Gross of Working Fund												
	As of February				March				As of March			
	2015	246.9			2015	142.3			2015	389.2		
	2016	306.2			2016	167.9			2016	474.2		
Allotment Releases												
As of March 2015	2,128.4	81.7% of the P2.606 trillion obligation program										
As of March 2016	2,473.4	82.4% of the P3.002 trillion obligation program										
Sources: Bureau of the Treasury and DBM-Budget Technical Bureau												

Allotment Releases

As of March 31, 2016¹, the DBM has made available to the departments/agencies allotments in the amount of P2,470.0, or 82.4 percent of the total obligation program of P3,001.8 billion. This is largely composed of the P1,588.9 billion releases from New Appropriations or the GAA and P866.6 billion² from Automatic Appropriations, representing 76.7 percent and 93.1 percent of program levels, respectively. Releases to the departments or line agencies for the period already reached 91.8 percent of program appropriations as a result of the comprehensive release of allotments at the start of the year. This policy considers the GAA as a release document enabling the agencies to conduct early procurement in order to fast track the implementation of their programs and projects.

Year-on-Year Performance

Disbursements were off to a good start for the first quarter of 2016, growing by a two-digit margin of 17.3 percent from the previous year to reach almost P592.0 billion. This is the highest annual growth recorded for Q1 in the last twelve (12) years. The closest to this figure were the 15.9 percent and 16.4 percent year-on-year growth recorded in 2006 and 2009, respectively.

For the first three months therefore, in terms of expenditure class, infrastructure spending grew the fastest among the three (3) major expense items, increasing by 53.0 percent year-on-year, equivalent to some P36.3 billion worth of additional outlays. Among the particular programs or projects that helped boost capital expenditures include

¹Report available at the DBM website (http://www.dbm.gov.ph/?page_id=15395)

²Adjusted to include the P3.5 billion releases for Net Lending for the period January 1 to March 31, 2016

completed works of the DPWH from its regular maintenance, repair and rehabilitation operations of road networks nationwide, transport infrastructure projects of the DOTC, implementation of local infrastructure development projects in the ARMM, and the Health Facilities Enhancement Program of the DOH. This also includes projects under the AFP Modernization Program such as purchase of ammunitions and acquisition of C130 aircraft; and construction of police stations and procurement of various equipment under the Capability Enhancement Program of the PNP.

Aside from capital outlays, the following items have exhibited growth in disbursement performance:

- Personnel services increased by almost 6.2 percent to P147.0 billion as of March 2016 largely on account of the implementation of the first tranche of the Salary Standardization Law 2015 (SSL 2015) by virtue of EO 201 dated February 19, 2016. The EO was retroactive to January 1, 2016 and adjustments in employees' payroll took effect in March this year. SSL 2015 aims to bring the compensation of all government employees to at least 70 percent of their private sector counterparts and to leverage the benefits package in

order to increase their take-home pay. The growth in personnel services spending is also attributed to the releases for pension and retirement gratuity benefits in the DILG and DND, as well as the creation of positions in the DOH.

- Maintenance expenditures expanded by 13.7 percent or some P11.8 billion increase in disbursements mainly due to the implementation of social programs such as the basic education (i.e., school operations) of the DepED; the purchase of medicines and immunization vaccines of the DOH, and the *Sagana at Ligtas na Tubig sa Lahat* (SALINTUBIG) program and other locally funded projects of the DILG starting January this year. The SALINTUBIG program aims to provide potable water supply to remote and impoverished areas without access to safe drinking water.
- Combined support to GOCCs surged by more than threefold as a result of the subsidies to regular operations of select government corporations and equity infusion to the LBP and DBP. Among the significant releases to GOCCs include the P1.4 billion releases to the PHIC in January to cover the prior year's requirement of health insurance premiums of indigents; the P1.5 billion power subsidy to SBMA and the P543 million support for hospital services of the Philippine Children's Medical Center in February; P1.0 billion releases to the NEA this March as payment of completed Sitio Electrification Projects and rehabilitation of power lines in areas damaged by Typhoon Glenda; and some P2.1 billion disbursements to NIA for its irrigation projects for the first three months of the year. Equity support meanwhile reached P8.2 billion mostly coming from the releases to the LBP (P3.0 billion) and DBP (5.0 billion) this January and

Table 2. NG Disbursements as of the First Quarter
Amounts in billion pesos, unless otherwise indicated

Expenditure Class	First Quarter			
	2015	2016	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	413.5	442.1	28.7	6.9
Personnel Services	138.4	147.0	8.6	6.2
MOOE	86.1	97.9	11.8	13.7
Subsidy	3.7	8.2	4.6	123.3
Allotment to LGUs	78.0	85.7	7.7	9.9
IP	100.6	102.6	2.0	2.0
TEF	6.7	0.7	(6.0)	(89.2)
CAPITAL OUTLAYS	88.3	145.8	57.5	65.1
Infra and Other CO	68.5	104.8	36.2	52.8
Equity	0.1	8.2	8.0	5,497.9
Capital Transfers to LGUs	19.7	32.9	13.2	67.4
NET LENDING	2.2	3.5	1.3	58.0
TOTAL	504.0	591.5	87.4	17.3

March this year, respectively, as part of the Basel III requirements and in preparation for their expected merger per EO No. 198 dated February 4, 2016.

- Assistance to LGUs (i.e., Allotment and Capital Transfers combined) grew by P20.9 billion or 21.4 percent resulting from higher tax collections of the BIR. The increase is also credited to the release of the share of provinces from the Tobacco Excise Tax appropriated last year. The amount was not released in 2015 pending certification of collecting agencies.
- Net lending increased by almost 60 percent or some P1.3 billion to reach P3.5 billion as of the first quarter this year, mainly due to the P2.3 billion national government assistance to the NFA to advance payment of its obligations in connection with its rice importation program.

In terms of program however, disbursements were lower by some P89.2 billion or 13.1 percent of the P680.7 billion target for the first quarter of 2016. Most of programs/projects are being obligated by line agencies during the first few months of the year but these are expected to be fully obligated in the succeeding months which will allow spending to catch up with the program. *Details of actual performance vis-à-vis program will be published as a supplemental report once the submission of agency reports and the analysis of the same have been completed.*

Outlook for the Rest of the Year

Of the P3,001.8 billion obligation program for 2016, a balance of P528.4 billion or 17.6 percent is still available for release later this year based on data as of end March 2016. This is mostly comprised of the P132.6 billion allotments from regular budget of agencies and P349.6 billion allotments from Special Purpose Funds. The release of the said funds is subject to the submission of special budget request and fulfillment of conditions or additional requirements as stipulated in the pertinent special provision/s of line agencies in the 2016 GAA.

Disbursements for the succeeding months are expected to gradually increase. For instance, higher personnel services spending is anticipated in May due to the release of mid-year bonus equivalent to one month's basic salary. This would be higher than the previous year's levels as a result of the salary increase this year. Likewise, capital expenditures are likely to continue on its upward trajectory as suggested by spending trends during the second quarter owing to the DPWH taking advantage of the summer season for its construction activities, and programming of the DND relative to the implementation of projects under the AFPMP.