

## NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

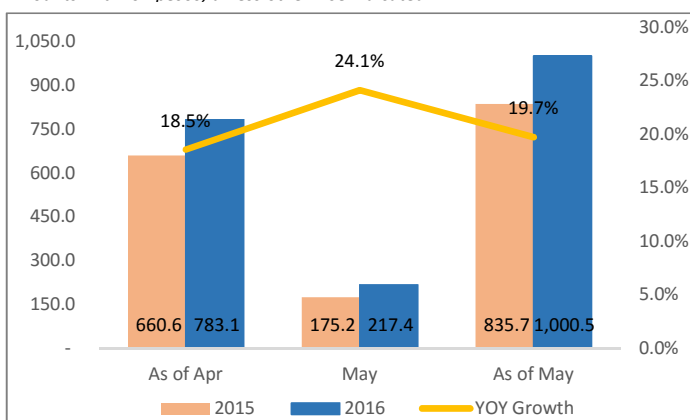
### AS OF MAY 2016

Government spending for the month of May 2016 was recorded at P217.4 billion, some P42.2 billion or 24.1 percent higher than the previous year. The growth is the highest so far this year and also the fourth consecutive time that disbursements increased by at least 20.0 percent since the 21.9 percent hike posted in February. As a result, disbursements rose to P1.0 trillion as of May this year, up by P164.8 billion or 19.7 percent when compared to the same period in 2015.

Spending continued to accelerate this May on account of higher NCA<sup>1</sup> disbursements used primarily to pay for government social and infrastructure programs, and personnel services benefits of state workers. Cash disbursements reached P189.8 billion this May, growing by almost 29.0 percent or some P42.4 billion additional outlays from the previous year's level (*see Table 1*). This represents 96.1 percent of all the NCAs effective for the month, a significant improvement from the 88.5 percent rate recorded in May 2015. Cumulative NCA disbursements tallied at P786.8 billion as of May this year, up by P171.2 billion or 27.8 percent from 2015. This accounts for 91.5 percent of all NCAs issued from January up to May this year, 5.1 percentage points better than the rate for the same period in 2015, indicating that the implementing agencies have been improving in the utilization of the cash allocations issued to them.

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

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 April				May				As of May			
	2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)		2015	2016	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	468.3	597.0	128.7	27.5	147.4	189.8	42.4	28.8	615.7	786.8	171.2	27.8
% of Eff. NCA	85.8%	90.1%			88.5%	96.1%			86.4%	91.5%		
Non-NCA	192.3	186.1	(6.2)	(3.2)	27.8	27.6	(0.2)	(0.8)	220.1	213.7	(6.4)	(2.9)
<b>TOTAL</b>	<b>660.6</b>	<b>783.1</b>	<b>122.5</b>	<b>18.5</b>	<b>175.2</b>	<b>217.4</b>	<b>42.2</b>	<b>24.1</b>	<b>835.7</b>	<b>1,000.5</b>	<b>164.8</b>	<b>19.7</b>

#### Memo Item

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

As of April		May		As of May	
2015	545.9	2015	166.6	2015	712.4
2016	662.4	2016	197.6	2016	860.0

#### Allotment Releases

As of May 2015	2,255.9	86.6% of the P2,606.0 billion obligation program
As of May 2016	2,557.0	85.2% of the P3,002.0 billion obligation program

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

<sup>1</sup>Disbursements through the use of Notice of Cash Allocations or NCAs. NCA is a disbursement authority issued by the DBM to government servicing banks covering the cash requirements of agencies as payments for completed or fulfilled obligations or commitments

Non-NCA disbursements, on the other hand, slightly declined to P27.6 billion this May, down by P200 million or 0.8 percent from the previous year. This decreasing trend in Non-NCA disbursements continued up to May this year to closed at P213.7 billion, P6.4 billion or 2.9 percent lower than the levels recorded for the same period in 2015. The reduction in Non-NCA disbursements stemmed from lower debt servicing costs and requests for tax subsidies.

### Allotment Releases

As of May 31, 2016, allotment releases totaled to P2,557.0 billion equivalent to 85.2 percent of the P3,001.8 billion obligation program for the year. This is higher by 13.3 percent than the P2,255.9 billion releases for the same period in 2015 but slightly lower than the 86.6 percent ratio of released allotments to total obligation program also in 2015. Some P1,501.3 billion of the total allotment releases from January to May this year pertains to department-specific budgets directly released to agencies. This represents nearly 93.0 percent of implementing agencies' total programmed budget for the year allowing them to immediately obligate their programs and projects once the fund becomes available.

For the month of May, some P51.1 billion releases were made on top of those comprehensively released at the start of the year. This is largely comprised of allotments from the Miscellaneous and Personnel Benefits Fund intended for compensation adjustments and mid-year bonus of government employees (P30.9 billion); Administration of Personnel Benefits of various agencies mainly for payment of retirement benefits and requirements for creation and filling up of positions (P3.1 billion); and implementation of social programs of the DSWD (P2.6 billion).

### Year-on-Year Performance

#### For the Month of May

Disbursements for the month of May reached P217.4 billion, growing by 24.1 percent from the level posted for the same month in 2015 – the fastest annual growth recorded for the month in the last twelve years. All major expense items contributed to higher spending this May, including subsidy and assistance to LGUs. The growth was partly tempered however by the contraction in interest payments, tax expenditures and net lending.

**Table 2. National Government Disbursements, January to May, 2015-2016**

*Amounts in billion pesos, unless otherwise indicated*

Expenditure Class	May		January to May		Increase/(Decrease)			
	2015	2016	2015	2016	May		January to May	
					Amt	%	Amt	%
CURRENT OPERATING EXP.	140.3	174.9	675.5	758.4	34.6	24.6	82.9	12.3
Personnel Services	59.4	75.7	248.2	280.1	16.3	27.4	31.9	12.8
MOOE	28.5	43.6	142.5	176.1	15.1	53.1	33.6	23.6
Subsidy	4.5	7.5	9.0	20.5	2.9	64.5	11.5	127.7
Allotment to LGUs	26.0	28.6	130.0	142.8	2.6	9.9	12.8	9.9
IP	20.6	18.7	136.9	136.0	(2.0)	(9.5)	(0.9)	(0.6)
TEF	1.3	1.0	8.9	2.9	(0.3)	(26.4)	(6.1)	(67.9)
CAPITAL OUTLAYS	34.5	42.3	157.2	238.2	7.8	22.7	81.0	51.5
Infra and Other CO	23.9	35.2	115.8	182.4	11.3	47.1	66.6	57.6
Equity	-	0.0	0.3	8.4	0.0	-	8.1	2,772.9
Capital Transfers to LGUs	10.6	7.1	41.1	47.4	(3.4)	(32.5)	6.3	15.2
NET LENDING	0.3	0.2	3.0	3.9	(0.2)	(55.6)	0.9	29.2
<b>TOTAL</b>	<b>175.2</b>	<b>217.4</b>	<b>835.7</b>	<b>1,000.5</b>	<b>42.2</b>	<b>24.1</b>	<b>164.8</b>	<b>19.7</b>

- Personnel services increased by more than a quarter this May to reach P75.7 billion mainly on account of the grant of mid-year bonus to government employees for 2016. The compensation adjustment<sup>2</sup> for 2016 implemented under EO 201, s2016 provided for the grant of mid-year bonus this year, equivalent to one-month of the basic salary of qualified employees on top of their regular year-end bonus and cash gift which will be released in December later this year. The grant of mid-year bonus actually started last year as a performance-based incentive and an interim measure to increase employee benefits while a study on pay hike is being completed. In previous years, however, government employees were only entitled to a year-end bonus equivalent to one month basic salary and cash gift of P5,000.00. The grant of the year-end bonus was done in two equal installments in May and November of the year.
- Maintenance and Other Operating Expenditures rose by P15.1 billion or 53.1 percent to end at P43.6 billion in view of the continued implementation of poverty alleviation programs of the DSWD (*Pantawid Pamilyang Pilipino Program* and Supplemental Feeding Program) and training and capacity building programs of the TESDA (Training for Work Scholarship Program or TWSP and Special Training for Employment Program or STEP). Disbursements for the purchase of various military supplies and equipment of the DND-Philippine Army also contributed to higher maintenance expenditures.
- Capital spending grew by 11.3 billion or 47.1 percent to reach P35.2 billion this May largely from DPWH payments for completed road infrastructure programs and projects, including Right-of-Way acquisitions, and convergence programs implemented with DepEd (Basic Educational Facilities), DOT (Access Roads to Tourist Destinations) and DOH (Health Facilities Enhancement Program). Capital expenditures have likewise increased from some P1.8 billion disbursements made by the DND under its AFP Modernization program meant to modernize and upgrade its defense assets and facilities such as radar systems and naval fleet; and around P1.3 billion<sup>3</sup> capital outlays of the SUCs which includes some P1.2 billion payments for the design and construction of the National Institute for Health Building of UP Manila and acquisition of hospital and medical equipment of the UP-PGH.

Aside from these three (3) major expense items, subsidy grew by 64.5 percent or P2.9 billion and allotment to LGUs by 9.9 percent or P2.6 billion from their 2015 levels. Among the major expenditures that contributed to higher budgetary support to GOCCs this May include the P4.3 billion subsidy to NFA for *Palay* procurement under its Food Security Program; P1.5 billion power subsidy to PEZA; and P1.3 billion subsidy to PCA for projects supporting the coconut industry such as coconut planting and fertilization, plantation development, enterprise development and pest control. Meanwhile, the increased share of LGUs from the proceed of national taxes was a result of higher tax collections of the BIR.

However, contraction was recorded for interest payments, Tax Expenditure Fund (TEF), net lending and Capital Transfers to LGUs. Reduction in interest payments was a result of the bond swaps conducted by the BTr to retire more expensive loans in favor of cheaper and longer maturing instruments. The drop in TEF and net lending was caused by minimal availments from government agencies or corporations likely from lower importation requirements in the case of the TEF, and lack of maturing obligations which would warrant net lending assistance. On the other hand, Capital Transfers to LGUs were lower this month due to the absence of

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<sup>2</sup> In our previous assessment reports, we referred to this as the *Salary Standardization Law of 2015* or SSL 2015. The more appropriate term however is compensation adjustment consistent with its legal basis which is Executive Order No. 201 s2016.

<sup>3</sup> Based on NCA releases for the month of May 2016 to cover the cash requirements of various Due and Demandable Accounts Payable of SUCs

releases from the Special Shares of LGUs in the Proceeds of National Taxes pending the request for release and certification by revenue collecting agencies.

#### *For the Period January to May 2016*

Disbursements as of end May 2016 grew by nearly 20.0 percent reaching P1.0 trillion compared to P835.7 billion for the same period in 2015. This is slightly better than the 18.5 percent growth recorded as of the previous month and a significant improvement from the 6.2 percent growth posted for the same period in 2015.

Most expenditure items registered an increase from their disbursement levels for the comparable period in 2015 except for interest payments and TEF which saw a continued decline. The three major expense items, namely: support to GOCCs in the form of subsidy and equity, assistance to LGUs and net lending combined for a 24.9 percent growth equivalent to some P171.7 billion but was trimmed down by a drop in interest payments and TEF for a total contraction of P6.9 billion.

Personnel Services expenditures were higher by P31.9 billion or 12.8 percent to reach P280.1 billion as of May this year mainly on account of the increased remuneration benefits of government employees under the first tranche implementation of the compensation adjustment for 2016. Maintenance Expenditures remained strong at P176.1 billion, up by P33.6 billion or 23.6 percent with the expansion of poverty alleviation, education and health programs as well as various employment training and capacity building programs of the government. Capital spending surged by 57.6 percent to P182.4 billion, mostly from various infrastructure works conducted by the DPWH nationwide; acquisition of defense equipment and facilities of the DND under the AFP Modernization Program; HFEP of the DOH, including other capital outlay projects implemented by various agencies. On the other hand, combined support to GOCCs expanded largely due to the equity infusion to two state banks – DBP (P5.0 billion) and LBP (P3.0 billion) earlier this year, as well as the subsidy to major GOCCs like the NIA (P6.5 billion) and NFA (P4.3 billion).

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

Some P444.8 billion or 14.8 percent of the P3,001.8 billion obligation program remains unreleased as of May 31, 2016. This is mostly made up of the P288.5 billion balance in Special Purpose Funds which includes the P103.1 billion subsidy to GOCCs; P35.0 billion special shares of LGUs in the proceeds of national taxes; P67.4 billion PGF; and P44.0 billion MPBF. The remaining balance for the department-specific budget, on the other hand, amounts to P118.6 billion and is comprised largely of the P25.3 billion for the creation and filling up of positions of the DepEd; P20.3 billion for the AFP Modernization Program; and the P19.3 billion Basic Educational Facilities convergence program to be implemented by the DPWH.

Based on preliminary numbers, disbursements for the month of June could be lower from the previous year, largely on account of the one-off Performance Enhancement Incentive (PEI) released in June 2015. The impact of the PEI release in June 2015 amounted to some P27.6 billion in personnel services expense. This is about 78.6 percent of the total P35.1 billion additional disbursements recorded for the said month in 2015.<sup>4</sup> The PEI is equivalent to one month basic salary granted to government employees who were able to meet at least 90 percent of at least two of their performance commitments. This year, the PEI was converted to the mid-year bonus by virtue of EO 201, s2016, and was released earlier this May. Disbursements are seen to normalize in the succeeding months as line agencies continue with the implementation of their programs and projects.

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<sup>4</sup> See our Assessment Report for the month of June 2015, available at [http://www.dbm.gov.ph/?page\\_id=12932](http://www.dbm.gov.ph/?page_id=12932)