

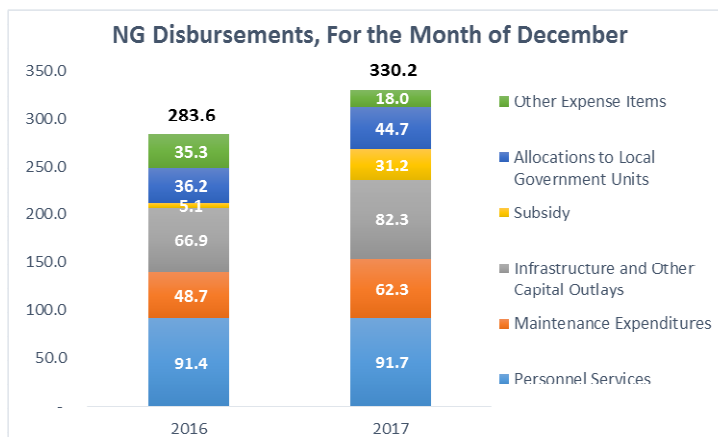
HIGHLIGHTS OF NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE¹ AS OF DECEMBER 2017

Government spending grew by 16.5 percent in December 2017 on account of higher subsidies to government corporations, and strong infrastructure and other capital expenditures. Full-year 2017 disbursements reached P2,823.8 billion, up by nearly 11.0 percent year-on-year.

December Performance

National Government disbursements for the month of December 2017 amounted to P330.2 billion, almost P47.0 billion or 16.5 percent more than the outturn for the same month in 2016.

The significant year-on-year growth resulted from the substantial subsidies to GOCCs amounting to P31.2 billion largely for the implementation of *National Health Insurance Program* of the Philippine Health Insurance Corporation, housing programs of the National Housing Authority, irrigation projects of the National Irrigation Administration, and power subsidy to industries under the Philippine Economic Zone Authority.



Spending in December 2017 was also buoyed by higher Infrastructure and Other Capital Outlays which grew by P15.4 billion or 23.0 percent to reach P82.3 billion. This covers road infrastructure projects such as *construction, improvements of roads and replacement of bridges* in Luzon, Central Visayas and Mindanao; *flood control projects and rehabilitation of dike and river basins* in Pangasinan, Central Luzon (Pampanga and Nueva Ecija), and NCR (Marikina, Valenzuela and Quezon City); and projects from the AFP Modernization program, namely acquisition of munitions and purchase of engineering and ICT equipment.

Similarly, maintenance expenditures increased by P13.6 billion or 28.0 percent to reach P62.3 billion in December of the previous year. The higher maintenance spending stemmed from the implementation of social protection programs of the DSWD, specifically for the relief operations in Marawi and other relief or assistance to individuals in crisis situations. The implementation of scholarship programs of the Commission on Higher Education, and community-development programs such as the *Payapa at Masaganang Pamayanan Program* of the Office of the Presidential Adviser on the Peace Process, and the Performance Challenge Fund of the Department of Interior and Local Government as performance-based grants to qualified LGUs, also contributed to the increased Maintenance and Other Operating Expenditures.

On the other hand, Personnel Services (PS) was nearly flat at P300 million or up by 0.3 percent year-on-year. This is mainly on account of the base effects of higher PS expense in December 2016 which included the release of Performance-Based Bonus (PBB) of the DepEd employees², as well as the release of the 4-month

¹ The DBM is still awaiting complete submissions of accountability reports for Q4 2017 from agencies as an input to our assessment report. The full report will be published as soon as it becomes available.

² The processing of the 2016 PBB of the DepEd and other agencies are currently ongoing following the submission of required documents by the agency, and evaluation of the Inter-Agency Taskforce and the DBM.

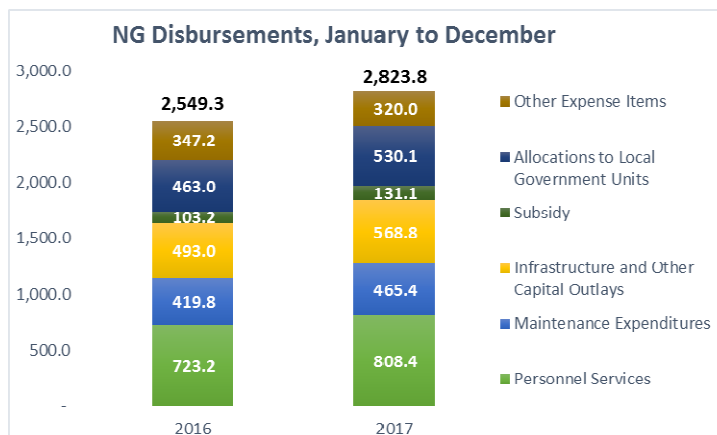
requirement of the increase in *Combat Duty and Combat Incentive Pay* of the Military and Uniformed Personnel of the DILG-PNP and DND³ for the period September to December 2016.

The increase in the above expenditure items, however, was largely tempered by the contraction in Net Lending by P14.8 billion or more than a 100 percent due to the repayments of some P5.0 billion from PSALM.

Year-on-Year Performance

Full-year disbursements thus ended at P2,823.8 billion, increasing by P274.4 billion or 10.8 percent year-on-year. Net of Debt Burden, or combined Interest Payments and Net Lending, spending grew at a much higher rate of 12.9 percent.

All three major expense classes continued to be the major sources of growth for the period:



Personnel Services reached P808.4 billion, P85.2 billion or 11.8 percent more than the level in 2016 due to the creation and filling of positions in the DepEd and SUCs (teaching positions), DOH (medical personnel), and police officer positions in the DILG-PNP; and increase in base pay and benefits of government employees as a result of the second tranche implementation of the Compensation Adjustment of 2016 pursuant to E.O. No. 201, s. 2016.

Infrastructure and Other Capital Outlays increased by 15.4 percent to P568.8 billion from P493.0 billion in 2016 due to the implementation of *road infrastructure projects* (DPWH), projects under the *AFP Modernization Program* (DND), *Capability Enhancement Program* (DILG-PNP), and other capital outlay projects such as *repair and rehabilitation of school facilities* (DepEd/SUCs). Maintenance spending, likewise, expanded by 10.8 percent year-on-year to P465.4 billion on account of the government's implementation of the K-12 program (DepEd), scholarship programs (CHED), banner health programs such as purchase of medicines and vaccines (DOH), and the Conditional Cash Transfer program (DSWD).

Other expense items which contributed significantly to the growth of 2017 spending include: Subsidy contributions to GOCCs (P131.1 billion, 27.0 percent year-on-year) mainly for housing programs, irrigation projects, and health insurance; and the Allocations to LGUs (P530.1 billion, 14.5 percent year-on-year)⁴ due to the higher shares of LGUs from the internal revenue collections and from the developmental transfers from the National Government through the *Local Government Support Fund*⁵.

Meanwhile, lower net lending primarily from repayments of GOCCs, as well as minimal availments of tax subsidies weighed down on total disbursements by nearly P27.0 billion.

³ The increase in the said benefits took effect in September 1, 2016 pursuant to E.O. No. 3, s.2016 but funds were only released in December following the approval of the guidelines as well as the validation of actual roster of qualified personnel in the said agencies.

⁴ Combined Allotment and Capital Transfers to Local Government Units.

⁵ Transfers intended for local infrastructure projects and socio-economic development programs to qualified LGUs.

Actual vs Program Disbursements

Total disbursements fell below the P2,909.0 billion full-year program by P85.2 billion or a mere 2.9 percent. This compares to the underspending recorded in 2016 of P96.3 billion or 3.6 percent. The underspending for the period resulted largely from the following:

1. Savings from Interest Payments (P24.3 billion) due to lower-than-programmed borrowings and effect of bond exchange and maturities; and Net Lending (P21.0 billion) mainly on account of the repayment from PSALM.
2. Program balances from the *Miscellaneous Personnel Benefits Fund* (e.g., low releases for PBB, creation and filling of positions) and the *Pension and Gratuity Fund* (e.g., minimal claims from pension and retirement benefits); and undisbursed PS expenditures of the COMELEC for the payment of per diem and honoraria of poll workers due to the postponement of the 2017 *Sangguniang Kabataan* and *Barangay* Elections.

However, Infrastructure and Other Capital Outlays exceeded the program for the year by P19.4 billion (3.5 percent) due to the acceleration of infrastructure projects in the DPWH. The agency also cited the prompt and regular submission of progress billings from contractors; faster and simplified process of approval of plans and programs; and strict implementation of project planning, monitoring and scheduling as among the factors which resulted to their higher-than-programmed disbursements. Subsidies to GOCCs likewise topped the program by P35.6 billion (37.3 percent) as a result of faster payment claims from contractors of the NIA and NHA for their completed irrigation projects and housing programs, respectively. Both combined for P55.0 billion of excess spending to partially offset the underspending recorded in Interest Payments, Net Lending and Personnel Services.

It is worthy to note that excluding debt burden, i.e., Interest Payments and Net Lending, underspending for 2017 amounted to just P39.9 billion or less than 2.0 percent of the full-year program.