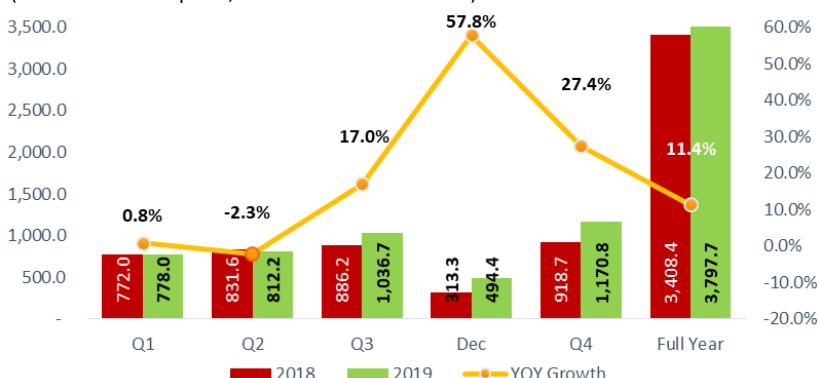


NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE

AS OF DECEMBER 2019

National Government (NG) spending as of end-December 2019 amounted to P3,797.7 billion, posting an annual growth of 11.4 percent. The growth was supported by the faster pace of disbursements in the latter part of the year at 17.0 percent in Q3, improving to 27.4 percent in Q4. This is a significant recovery from the 0.8 percent and -2.3 percent growth rates recorded in the first two quarters mainly attributed to the delay in the approval of the 2019 budget, and election ban.

Figure 1. National Government Disbursements for the Period Indicated
(Amounts in billion pesos, unless otherwise indicated)



Disbursements for the month of December 2019 reached P494.4 billion, substantially increasing by 57.8 percent as agencies caught up with spending in the last month of the year. Spending for the month was mainly driven by higher infrastructure spending, subsidy contribution to government corporations, and personnel services expenditures (*see year-on-year performance discussion*).

In terms of disbursement authorities, growth of NCA disbursements continued to outperform that of Non-NCAs, increasing by 63.8 percent in December 2019 on account of huge infrastructure spending and social services. This compares to the 21.2 percent expansion in Non-NCA expenditures owing to the constructive receipts of cash (CRC) or direct payments made by donors/multilateral institutions for the implementation of foreign-assisted infrastructure projects of the NG. Year-to-date, NCA disbursements settled at P3,225.1 billion, up by 12.5 percent year-on-year, and equivalent to 95.8 percent of the total NCAs credited for the year. Meanwhile, Non-NCA disbursements totalled to P572.6 billion, 5.8 percent higher from a year ago.

Table 1. Comparison of NCA and Non-NCA Disbursements, 2018-2019
(Amount in billion pesos, unless otherwise indicated)

Particulars	As of November				December				As of December			
	2018	2019	Inc/(Dec)		2018	2019	Inc/(Dec)		2018	2019	Inc/(Dec)	
			Amt	%			Amt	%			Amt	%
NCA	2,598.0	2,784.0	186.1	7.2	269.3	441.1	171.8	63.8	2,867.2	3,225.1	357.9	12.5
% of Eff. NCA	94.4%	91.2%			108.8%	139.8%			95.6%	95.8%		
Non-NCA	497.2	519.3	22.1	4.4	44.0	53.3	9.3	21.2	541.2	572.6	31.4	5.8
TOTAL	3,095.2	3,303.3	208.2	6.7	313.3	494.4	181.1	57.8	3,408.4	3,797.7	389.3	11.4
Memo Item												
Effective NCAs issued net of Trust Liabilities, Gross of Working Fund												
As of November				December				As of December				
		2018	2,751.4			2018	247.4			2018	2,998.8	
		2019	3,051.7			2019	315.5			2019	3,367.2	

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

Year-on-Year Performance, by Expense Class

For the Month of December 2019

Disbursements for the month of December soared to P494.4 billion, surpassing the previous year's level by P181.1 billion or 57.8 percent. The substantial increase is brought primarily by the triple-digit growth in infrastructure and other capital expenditures which accounted for nearly 57 percent of the total growth of spending for the period.

Infrastructure and other capital outlays surged by P102.3 billion or 135.4 percent to reach P177.9 billion, mainly from strong disbursement performance of the Department of Public Works and Highways (DPWH). In December, DPWH's

NCA disbursements grew by nearly P80 billion or 86.4% year-on-year¹ resulting from the completion and partial completion of a number of national infrastructure projects such as roads and bridges (e.g., Bayombong-Solano By-Pass Road, Tagum City Flyover) including right-of-way acquisitions, bridges, and flood mitigation structures and drainages (e.g., Agno River Basin Flood Control Project, Flood Risk Management Project for Cagayan River). The outlay also includes the P9.9 billion constructive receipts of cash for works undertaken for the following foreign-assisted projects (FAPs): 1) road improvement and institutional development project of the DPWH; 2) the North-South Commuter Railway Project (NSCRP) of the Department of Transportation (DOTr), along with the Metro Manila Subway Project (MMSP) and the LRT extension/rehabilitation and restoration project; and 3) the Jalaur River Multipurpose Project – Stage II of the National Irrigation Administration (NIA).

Personnel services expenditures reached P139.2 billion in December, up by P36.7 billion or 35.8 percent from a year ago on account of the implementation of salary increase of both civilian and military and uniformed personnel (MUP), pension differential of MUPs, grant of the Service Recognition Incentive (SRI), and payment of salaries and benefits of Human Resource for Health (HRH) personnel of the Department of Health (DOH) deployed to unserved and underserved areas.

Similarly, maintenance expenditures grew by P9.1 billion or 16.4 percent to P64.6 billion largely due to the purchase for pneumococcal conjugate vaccines of the DOH, implementation of various social programs in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), and the Assistance to Individuals in Crisis Situation of the Department of Social Welfare and Development (DSWD) which provides integrated services (e.g. medical, burial, food, transportation, and education assistance; or outright cash assistance) to individuals in difficult circumstances.

Meanwhile, budgetary support to GOCCs stood at P25.4 billion, increasing by P23.2 billion from last year, and is largely attributed to the following subsidy releases: 1) Bases Conversion and Development Authority (BCDA) - P10.2 billion for the construction of sports facilities in the New Clark City (NCC), airport to NCC access road, and payment of right-of-way acquisition for the Subic-Clark Railway Project; 2) National Housing Authority (NHA) - P3.7 billion as payment for completed housing projects; 3) National Irrigation Administration (NIA) - P1.8 billion for completed irrigation projects; and 4) Philippine Health Insurance Corporation (PHIC) - P7.2 billion for the health premiums of senior citizens and other indigent beneficiaries of the National Health Insurance Program (NHIP).

Table 2. NG Disbursements for the Month of December, 2018 and 2019
(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	December			
	2018	2019	Increase/(Decrease)	
			Amt	%
CURRENT OPERATING EXP.	230.3	300.4	70.1	30.4
Personnel Services	102.5	139.2	36.7	35.8
MOOE	55.5	64.6	9.1	16.4
Subsidy	2.2	25.4	23.2	1,064.7
Allotment to LGUs	34.9	39.4	4.5	13.0
IP	29.2	29.1	(0.1)	(0.3)
TEF	6.1	2.7	(3.4)	(55.9)
CAPITAL OUTLAYS	84.5	193.8	109.2	129.2
Infra and Other CO	75.6	177.9	102.3	135.4
Equity	0.0	1.6	1.5	6,598.8
Capital Transfers to LGUs	8.9	14.3	5.4	60.4
NET LENDING	(1.6)	0.2	1.8	(111.0)
TOTAL	313.3	494.4	181.1	57.8

¹ Based on negotiated checks per consolidated reports of government servicing banks as of December 31, 2019.

Table 3. NG Disbursements for the Fourth Quarter, 2018 and 2019

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	Fourth Quarter						
	2018 Actual	2019		Variance		Increase/(Decrease)	
		Program ^{1/}	Actual	Amt	%	Amt	%
CURRENT OPERATING EXP.	659.7	771.7	785.3	13.6	1.8	125.7	19.0
Personnel Services	302.8	328.1	369.1	41.1	12.5	66.3	21.9
MOOE	154.8	170.4	181.5	11.1	6.5	26.7	17.2
Subsidy	11.8	67.7	44.5	(23.2)	(34.3)	32.6	276.2
Allotment to LGUs	104.7	119.2	117.9	(1.3)	(1.1)	13.2	12.6
IP	77.9	81.8	67.1	(14.7)	(17.9)	(10.8)	(13.8)
TEF	7.6	4.6	5.2	0.7	15.2	(2.4)	(31.0)
CAPITAL OUTLAYS	261.0	308.7	384.3	75.7	24.5	123.4	47.3
Infra and Other CO	232.9	264.9	341.0	76.1	28.7	108.1	46.4
Equity	0.1	1.4	1.6	0.2	16.7	1.5	1,087.6
Capital Transfers to LGUs	28.0	42.4	41.7	(0.7)	(1.7)	13.7	49.1
NET LENDING	(2.0)	4.8	1.2	(3.6)	(75.9)	3.1	(158.7)
TOTAL	918.7	1,085.2	1,170.8	85.6	7.9	252.1	27.4

1/ FY 2019 Quarterly Fiscal Program Approved by the DBCC on September 20, 2019

The strong spending performance in December propelled the fourth quarter disbursements to grow by P252.1 billion or 27.4 percent year-on-year and reach P1,170.8 billion. This is higher than the 17 percent growth posted in the third quarter, and accounts for almost 31 percent of the full year disbursements. The main growth driver for the period is infrastructure and other capital outlays, which accelerated to P341.0 billion (up by P108.1 billion or 46.4 percent y-o-y) compared to the P178.1 billion in Q1; P133.2 billion in Q2; and P229.3 billion in Q3. This is reflective of the government's continued efforts in catching-up with its spending plan to recover from the backlogs in the first two quarters amidst the late budget approval and the election ban.

Disbursements for the fourth quarter also surpassed the P1,085.2 billion program by P85.6 billion or 7.9 percent, largely due to the sizeable spending on infrastructure and other CO, personnel services and MOOE:

- Infrastructure and other CO exceeded the program by P76.1 billion or 28.7 percent owing to the acceleration of the implementation of DPWH's infrastructure projects;
- Personnel services surpassed the program by P41.1 billion or 12.5 percent due the grant of the SRI and payment of pension differentials of the MUP;
- Maintenance expenditures topped the program by P11.1 billion or 6.5 percent largely due to the release of the fuel subsidy for jeepney operators under the Pantawid Pasada Program, implementation of the Protective Services Program of the DSWD, and the subsidy for mass transport (MRT 3 and PNR South Long Haul) of the DOTr, which were all charged from the unprogrammed appropriations.

Table 4. NG Disbursements for the Period January to December, 2018 and 2019

(Amount in billion pesos, unless otherwise indicated)

Expenditure Class	January to December						
	2018 Actual	2019		Variance		Increase/(Decrease)	
		Program ^{1/}	Actual	Amt	%	Amt	%
CURRENT OPERATING EXP.	2,440.5	2,710.5	2,740.9	30.4	1.1	300.4	12.3
Personnel Services	987.2	1,095.9	1,115.0	19.1	1.7	127.8	12.9
MOOE	525.6	572.4	572.9	0.5	0.1	47.3	9.0
Subsidy	136.7	158.7	201.5	42.9	27.0	64.9	47.5
Allotment to LGUs	420.2	469.5	463.2	(6.2)	(1.3)	43.1	10.3
IP	349.2	399.6	360.9	(38.7)	(9.7)	11.7	3.3
TEF	21.6	14.5	27.3	12.8	88.4	5.7	26.5
CAPITAL OUTLAYS	963.1	1,032.1	1,039.8	7.6	0.7	76.7	8.0
Infra and Other CO	803.6	859.4	881.7	22.3	2.6	78.0	9.7
Equity	4.0	2.4	3.3	1.0	40.4	(0.7)	(16.7)
Capital Transfers to LGUs	155.5	170.4	154.7	(15.6)	(9.2)	(0.7)	(0.5)
NET LENDING	4.9	27.0	17.1	(9.9)	(36.8)	12.2	250.0
TOTAL	3,408.4	3,769.7	3,797.7	28.1	0.7	389.3	11.4

^{1/} FY 2019 Quarterly Fiscal Program Approved by the DBCC on September 20, 2019

NG disbursements for the full year 2019 ended up at P3,797.7 billion, increasing by P389.3 billion or 11.4 percent year-on-year and surpassing the P3,769.7 billion program by P28.1 billion or 0.7 percent. The strong spending performance in 2019, despite the delay in the budget approval, is driven by the substantial expenditures for personnel services, infrastructure and other outlays, MOOE, and subsidy to government corporations.

Personnel services totalled to P1,115.0 billion, growing by P127.8 billion or 12.9 percent due to the impact of the fourth tranche implementation of salary increase of civilian personnel as authorized under EO No. 201, s.2016, higher base pay and pension requirements of MUPs pursuant to JR No. 1, s.2018, payment of claims for retirement gratuity and terminal leave benefits, and creation and filling up of positions in various agencies. As previously discussed, PS expenditures for the period are also slightly higher than program by P19.1 billion or 1.7 percent on account of the grant of the SRI and payment of pension differential of the MUP.

Infrastructure and other capital outlays skyrocketed to P881.7 billion, outperforming the previous year's level by P78.0 billion or 9.7 percent owing to the completed or partially completed segments of the big-ticket projects of the DPWH (e.g., Central Luzon Link Expressway Phase 1, Cavite-Laguna Expressway, Tarlac-Pangasinan-La Union Expressway, Flood Risk Management Project for the Cagayan River), the DOTr (Metro Manila Subway Project, North-South Commuter Railway Project, rehabilitation of the MRT 3), the DND (AFP Modernization Program) and other agencies.

Notwithstanding the contraction recorded in the first two quarters due to the delayed budget approval and the election ban, infrastructure spending ended with a positive growth rate as a result of the implementation of catch-up measures such as the 24/7 work schedule for construction of major infrastructure projects; and streamlining of process to expedite right-of-way acquisitions and facilitate payments. These initiatives, likewise, helped the government beat the P859.4 billion program for infrastructure and other CO by P22.3 billion or 2.6 percent.

When the infrastructure component of subsidy and equity to GOCCs, as well as the transfers to LGUs intended for infrastructure projects are taken into account, the total infrastructure disbursements for 2019 reached P1,049.5 billion, up by 18.4 percent year-on-year and equivalent to 5.6 percent of GDP. This compares to the 5.2 percent of GDP target in 2019.

Meanwhile, subsidy to government corporations expanded by P64.9 billion or 47.5 percent to reach P201.5 billion. This is also P42.9 billion higher when compared to the P158.7 billion program for the period. The solid performance is largely credited to the following:

- Faster fund absorption of the PHIC for the National Health Insurance Program, the NIA for payment of prior years' accounts payable for completed irrigation projects, and the NHA for its resettlement programs for informal settler families and rehabilitation of the Most Affected Area in Marawi;
- Higher requirements for the implementation of the Unconditional Cash Transfer Program through the Landbank as a conduit of the DSWD; and
- Substantial releases to the Philippine Crop Insurance Corporation for the payment of crop insurance premium of subsistence farmers and fisherfolks listed under the Registry System for Basic Sectors in Agriculture; the NFA for the implementation of its Rice Buffer Stocking Program; and the BCDA for its construction projects in the New Clark City.

Maintenance expenditures are recorded at P572.9 billion, up by P47.3 billion or 9.0 percent from 2018 on account of the payment of prior year's accounts payables of the Department of Education (DepEd) for the Government Assistance to Students and Teachers in Private Education (GASTPE) and the Commission on Elections (COMELEC) for goods and services related to the preparatory activities for the May 2019 local and national elections; implementation of the Universal Access to Quality Tertiary Education of the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA), and higher cash grants² for the beneficiaries of the Conditional Cash Transfer Program of the DSWD.

Combined allotment and transfers to LGUs amounted to P618.0 billion, an increase of P42.3 billion or 7.4 percent year-on-year. This is attributed to the higher shares of LGUs from the internal revenue collections of the NG and releases from the Local Government Support Fund (LGSF). In particular, the latter include the Assistance to Cities for the construction, repair and improvement of public open spaces, and Other Financial Assistance to LGUs intended for the indigent individuals and families, purchase of multipurpose vehicles, and construction and rehabilitation of local roads. However, it fell short of the P639.8 billion program due to lower releases for special shares in the proceeds of national taxes which are subject to requests from beneficiary LGUs and certification by concerned collecting agencies.

Other expenditure items were also higher compared to the previous year:

- Interest payments reached P360.9 billion, up by 3.3 percent or P11.7 billion over last year, albeit still 9.7 percent below program, generating some P38.7 billion in savings. This is brought largely by the combined impact of bond maturities, discounts, reissuances of fixed-rate treasury bonds at a premium, and exchange rate fluctuations.

² The provision for the CCT is higher compared to previous year in view of the increase in cash grants for children enrolled in senior high school (from P500 to P700) and nutrition cash grant per household (from P500 to P750).

- Net lending significantly increased to P17.1 billion from P4.9 billion last year, largely on account of the NG advances to the National Food Authority (NFA) for the payment of its outstanding obligations. This is part of the Authority's debt reduction plan with the expected winding down of its operations under R.A. 11203 or the Rice Liberalization Act. However, net lending was below the program by P9.9 billion or 36.8 percent mainly due to repayments made by the Light Rail Transit Authority (LRTA), National Electrification Administration (NEA) and the National Development Company (NDC), and Home Guarantee Corporation (HGC).
- Tax expenditures amounted to P27.3 billion, P5.7 billion more than the level last year and also P12.8 billion higher when compared to the P14.5 billion program for the period. Among the significant tax subsidies for the period include payment of custom duties of the National Food Authority (NFA) on rice importation, payment of DOTr for income tax on the profits from the MRT-3 operations, availment of tax subsidy by the Philippine Deposit Insurance Corporation (PDIC) to cover additional value-added tax on assessment fees paid by banks.

Full Year 2019 Deficit

Full year fiscal deficit for 2019 was recorded at P660.2 billion, equivalent to 3.55 percent of GDP. This is higher than the 3.25 percent target and 3.20 percent outturn for 2018. As already noted, the fiscal gap widened by 18.3 percent or P102.0 billion and exceeded the target by 6.5 percent or P40.2 billion behind heavier public spending towards the last quarter of the year as line departments, particularly infrastructure agencies, catch up with their spending commitment to boost economic growth. This was manifested by the expansion of public construction by 11.0 percent in Q3, before picking up further in Q4 by 33.8 percent.³ This compares to the 27.2 percent contraction in Q2 and 8.6 percent negative growth in Q1.⁴ Meanwhile, Government Final Consumption Expenditure increased by 9.6 percent and 18.7 percent in Q3 and Q4 of 2019, respectively, from 7.4 percent and 6.9 percent in the first two quarters.⁵ Public spending helped the economy grow by 6.0 percent in Q3⁶ and 6.9 percent in Q4, from the 5.55 percent average in the first semester, which buoyed GDP growth to 5.9 percent for the full year of 2019, just below the 6.0 percent low end target for the year.

Outlook for FY 2020

The FY 2020 National Budget was approved by both Houses of Congress on December 11, 2019, and signed into law by the President on January 6, 2020. This amounts to P4.100 trillion, 12.0 percent higher when compared to the P3.662 trillion FY 2019 National Budget, and equivalent to 19.6 percent of GDP⁷. The Budget will sustain the funding for priority expenditures namely, infrastructure outlays (P682.3 billion)⁸ and human capital development programs⁹ under the social services sector (P1.495 trillion) in a bid to accelerate country-wide development, increase the country's competitiveness and productivity, and bolster economic growth.

³ Philippine Statistics Authority, National Accounts of the Philippines 2019.

⁴ Ibid.

⁵ Ibid.

⁶ Revised Q3 2019 GDP Growth. National Income Accounts. Philippine Statistics Authority, January 2020.

⁷ Computed using nominal GDP of 20,971,350 million, consistent with the assumptions and targets approved during the 177th DBCC on December 11, 2019.

⁸ Composed of the FY 2020 allotments for the DPWH (P581.7 billion) and the DOTr (P100.6 billion).

⁹ Such programs include the Universal Access for Quality Tertiary Education (P39.0 billion), the Basic Education Facilities Program (P36.0 billion), the Universal Health Care Program (P172.4 billion), the Pantawid Pamilyang Pilipino Program (P108.8 billion), and the Unconditional Cash Transfer Program (P36.5 billion).

The government will continue to accelerate public spending this year, particularly infrastructure outlays and social sector banner programs, to help buttress the 6.5 to 7.5 percent growth target amidst the downside risks from the eruption of the Taal Volcano, the coronavirus disease (COVID-19) outbreak, and weak global demand. Nonetheless, the government will remain prudent with public expenditures to ensure long-term fiscal sustainability.

As such, to facilitate the implementation of programs, activities, and projects (PAPs), the DBM issued the guidelines on the release of funds for FY 2020 (National Budget Circular No. 578) on January 6, 2020. The allotment release program was set at P4.100 trillion, which includes the FY 2020 GAA, continuing appropriations, and the unprogrammed fund. The GAA as the Allotment Order policy will continue to be enforced, comprehensively releasing the allotments of detailed expenditure items in the budget of agencies. With the policy, some P1.826 trillion, equivalent to 76.7 percent of the P2.382 trillion agency specific budget has been released as of January 6, 2020. However, this excludes those expenditure items which require additional documentary requirements and/or compliance to certain conditions and approvals such as lump-sum appropriations and SPFs, Congress-introduced increases and new budgetary items, and Special Budgets (e.g., SAGF). These shall be released through the issuance of General or Special Allotment Release Order (GARO/SARO).

To ensure a more efficient budget execution and enable the government to manage cash requirements better, the following measures will also be undertaken:

- Closer monitoring of revenue performance and release of cash allocations;
- Tighter review of monthly disbursement program (MDP) to ensure that only actual payables for delivered goods/services are included; and
- Maximization of available cash allocations under the one fund concept, wherein all revenues and other receipts of the government must enter the General Fund and their utilization and disbursement subject to the budgeting process.
