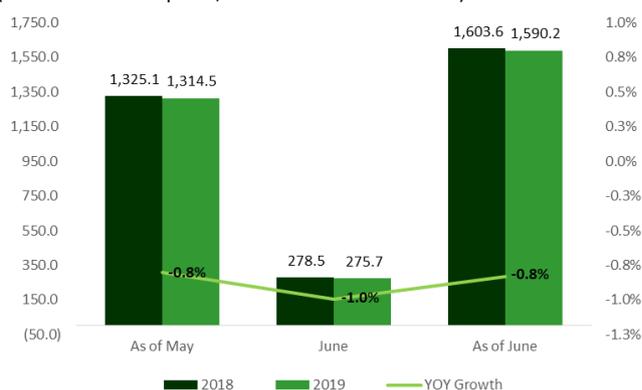


NATIONAL GOVERNMENT DISBURSEMENT PERFORMANCE AS OF JUNE 2019

National Government spending reached P1,590.2 billion as of June 2019, slightly down by 0.8 percent or P13.4 billion year-on-year, mainly due to the lower disbursement outturn for capital outlays and subsidy. Meanwhile, disbursements for the month of June stood at P275.7 billion, lower by 1.0 percent or P2.8 billion, largely as a result of the delayed implementation of various infrastructure projects following the late approval of the FY 2019 GAA and the election ban.

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



NCA disbursements amounted to P236.3 billion in June 2019, decreasing by P8.2 billion or 3.4 percent year-on-year. Year-to-date, NCA disbursements reached P1,281.6 billion, down by P34.8 billion or 2.6 percent. On the other hand, Non-NCA disbursements grew by P5.4 billion or 16.0 percent year-on-year to reach P39.4 billion for the month of June. For the first half of the year, Non-NCA disbursements went up by P21.4 billion or 7.5 percent and ended up at P308.6 billion mainly due to higher interest payments and net lending.

Table 1. Comparison of NCA and Non-NCA Disbursements, 2018-2019

(Amount in billion pesos, unless otherwise indicated)

| Particulars | As of May | | | | June | | | | As of June | | | |
|--|----------------|----------------|---|--------------|--------------|---------------|--------------|--------------|----------------|----------------|---------------|--------------|
| | 2018 | 2019 | Inc/(Dec) | | 2018 | 2019 | Inc/(Dec) | | 2018 | 2019 | Inc/(Dec) | |
| | | | Amt | % | | | Amt | % | | | Amt | % |
| NCA | 1,071.9 | 1,045.3 | (26.6) | (2.5) | 244.5 | 236.3 | (8.2) | (3.4) | 1,316.4 | 1,281.6 | (34.8) | (2.6) |
| <i>% of Eff. NCA</i> | <i>93.6%</i> | <i>92.3%</i> | | | <i>94.5%</i> | <i>115.0%</i> | | | <i>93.8%</i> | <i>95.8%</i> | | |
| Non-NCA | 253.2 | 269.1 | 16.0 | 6.3 | 34.0 | 39.4 | 5.4 | 16.0 | 287.2 | 308.6 | 21.4 | 7.5 |
| TOTAL | 1,325.1 | 1,314.5 | (10.6) | (0.8) | 278.5 | 275.7 | (2.8) | (1.0) | 1,603.6 | 1,590.2 | (13.4) | (0.8) |
| Memo Item | | | | | | | | | | | | |
| Effective NCAs issued net of Trust Liabilities, Gross of Working Fund | | | | | | | | | | | | |
| | As of May | | | | June | | | | As of June | | | |
| | 2018 | 1,144.6 | | | 2018 | 258.8 | | | 2018 | 1,403.4 | | |
| | 2019 | 1,132.7 | | | 2019 | 205.4 | | | 2019 | 1,338.1 | | |
| Allotment Releases | | | | | | | | | | | | |
| As of June 2018 | | 3,413.9 | 90.6% of the P3,767.0 billion obligation program | | | | | | | | | |
| As of June 2019 | | 3,130.7 | 85.5% of the P3,661.6 billion obligation program ¹ | | | | | | | | | |
| ¹ Includes releases from Automatic Appropriations, other releases chargeable against Continuing Appropriations and Unprogrammed Appropriations, and Actual Obligations from the FY 2018 GAA, as reenacted | | | | | | | | | | | | |

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

Allotment Releases

As of end-June 2019, total allotment releases amounted to P3,130.7 billion, representing 85.5 percent of the P3,661.6 billion obligation program for the year. For the month of June 2019 alone, allotment releases totaled to P114.9 billion, which is composed largely of the following big-ticket releases: i) programs and projects of the NIA - P25.0 billion; ii) pension adjustment of military and uniformed personnel (MUP) under the Department of National Defense (DND) - P21.7 billion; and iii) second semester pension requirements of the Philippine National Police (PNP) - P16.3 billion.

Year-on-Year Performance, by Expense Class

For the Month of June 2019

Disbursements for the month of June 2019 reached P275.7 billion, marginally decreasing by P2.8 billion or 1.0 percent from the previous year's level. While total disbursements in June were lower year-on-year, spending for the following items posted positive growth rates to temper the decline in other expenditures:

- Personnel services reached P88.0 billion, P13.3 billion or 17.7 percent higher than the previous year's level. The significant increase is attributed to the impact of the 4th tranche implementation of the salary increase of civilian employees pursuant to E.O. No. 201, s.2016 as amended by E.O. No. 76, s.2019; and the second year implementation of the base pay increase for active MUP, and the payment for the pension adjustment of retired MUP as authorized under Joint Resolution No. 1, s.2018.
- Maintenance and other operating expenditures also surpassed the previous year's disbursements by P9.3 billion or 20.3 percent as the payout of cash grants to the beneficiaries of the Pantawid Pamilyang Pilipino Program (4Ps) which was supposed to be scheduled in May was taken up in June. The payment of prior year accounts payables for the Government Assistance to Students and Teachers in Private Education (GASTPE) of the Department of Education (DepEd) and the Universal Access to Quality Tertiary Education (UAQTE) Program of the Commission on Higher Education (CHED) also contributed to the increase in MOOE spending for the month of June.
- Other items that posted higher year-on-year growth rate include: i) Allotment to LGUs which increased by P3.4 billion or 9.9 percent on account of the higher share of LGUs in the proceeds of national taxes; ii) Tax Expenditure Fund (TEF) which grew by P1.7 billion from only P0.7 billion last year owing to the tax subsidy on income tax, carrier tax, and VAT on rental fee payments related to the operations of the Metro Rail Transit Line 3 (MRT 3); and iii) Interest payments which expanded by P5.0 billion or 20.9 percent from last year due to discounts for treasury bills and coupon payment for the 5-year retail treasury bonds issued this year.

The increments recorded in the said expense items, however, were offset by lower disbursements for infrastructure and other capital outlays, and subsidy:

- Infrastructure and other capital outlays amounted to P43.5 billion, down by P28.4 billion or 39.5 percent mainly attributed to the late passage of the FY 2019 Budget and the election ban. For instance, the DPWH reported the non-obligation of their infrastructure projects during the four months that the government operated under a reenacted budget. This resulted to the delay in the awarding of contracts for new programs and projects. The agency also reported that some projects cannot be readily implemented due to modifications or changes in project title, project costing, location/stationing when the FY 2019 GAA was approved. This required additional validation work on the part of the agency prior to implementation.
- Subsidy is lower by P7.7 billion or 52.3 percent on account of minimal releases to government corporations. In particular, the release of cash grants for the Unconditional Cash Transfer (UCT) Program through the Land Bank of the Philippines (LBP) as conduit was delayed mainly due to the election ban. The payout of cash grants is included in the prohibited activities from March 29, 2019 to May 12, 2019 pursuant to COMELEC Resolution No. 10429.

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

| Expenditure Class | June | | | |
|---------------------------|--------------|--------------|---------------------|--------------|
| | 2018 | 2019 | Increase/(Decrease) | |
| | | | Amt | % |
| CURRENT OPERATING EXP. | 194.8 | 219.8 | 24.9 | 12.8 |
| Personnel Services | 74.8 | 88.0 | 13.3 | 17.7 |
| MOOE | 45.5 | 54.8 | 9.3 | 20.3 |
| Subsidy | 14.8 | 7.0 | (7.7) | (52.3) |
| Allotment to LGUs | 34.9 | 38.4 | 3.4 | 9.9 |
| IP | 24.1 | 29.1 | 5.0 | 20.9 |
| TEF | 0.7 | 2.4 | 1.7 | 222.0 |
| CAPITAL OUTLAYS | 83.5 | 55.8 | (27.7) | (33.2) |
| Infra and Other CO | 71.9 | 43.5 | (28.4) | (39.5) |
| Equity | 0.5 | 0.4 | (0.1) | (24.0) |
| Capital Transfers to LGUs | 11.1 | 11.9 | 0.9 | 7.7 |
| NET LENDING | 0.2 | 0.2 | (0.0) | (2.3) |
| TOTAL | 278.5 | 275.7 | (2.8) | (1.0) |

For the Period January to June 2019

NG spending for the first semester amounted to P1,590.2 billion, down by P13.4 billion or merely 0.8 percent from the same period last year. PS expenditures climbed to P503.3 billion from P460.5 billion a year ago due to the impact of higher salary and benefits for government employees, including the MUP. Allotment to LGUs also increased by P19.6 billion or 9.3 percent on account of higher share of LGUs from internal revenue collections.

The growth recorded in the said expense items, however, were weighed down by significant decline in infrastructure and other capital outlays, and subsidy. Infrastructure and other capital outlays totaled P311.4 billion, lower by P41.3 billion or 11.7 percent year-on-year as a result of the reenacted budget, and election ban on the implementation of public works. Meanwhile, subsidy is down by P41.0 billion or 60.6 percent mainly due to minimal releases to government corporations, especially the LBP for the UCT Program as conduit, and the Philippine Health Insurance Corporation (PHIC) for the National Health Insurance Program (NHIP).

Table 3. NG Disbursements for the Period January to June, 2018 and 2019

(Amount in billion pesos, unless otherwise indicated)

| Expenditure Class | January to June | | | | | | |
|---------------------------|-----------------|-----------------------|----------------|----------------|--------------|---------------------|--------------|
| | 2018 Actual | 2019 | | Variance | | Increase/(Decrease) | |
| | | Program ^{1/} | Actual | Amt | % | Amt | % |
| CURRENT OPERATING EXP. | 1,154.7 | 1,233.8 | 1,193.9 | (39.8) | (3.2) | 39.3 | 3.4 |
| Personnel Services | 460.5 | 511.7 | 503.3 | (8.4) | (1.6) | 42.8 | 9.3 |
| MOOE | 242.1 | 250.8 | 242.1 | (8.8) | (3.5) | (0.1) | (0.0) |
| Subsidy | 67.7 | 49.4 | 26.7 | (22.7) | (45.9) | (41.0) | (60.6) |
| Allotment to LGUs | 210.6 | 233.8 | 230.2 | (3.6) | (1.6) | 19.6 | 9.3 |
| IP | 165.5 | 180.3 | 180.1 | (0.3) | (0.1) | 14.6 | 8.8 |
| TEF | 8.2 | 7.7 | 11.6 | 3.9 | 51.3 | 3.4 | 41.0 |
| CAPITAL OUTLAYS | 447.5 | 478.7 | 377.5 | (101.2) | (21.1) | (70.1) | (15.7) |
| Infra and Other CO | 352.7 | 392.9 | 311.4 | (81.5) | (20.8) | (41.3) | (11.7) |
| Equity | 2.6 | 0.5 | 0.6 | 0.1 | 22.8 | (2.0) | (77.7) |
| Capital Transfers to LGUs | 92.3 | 85.3 | 65.5 | (19.8) | (23.2) | (26.8) | (29.0) |
| NET LENDING | 1.4 | 3.5 | 18.8 | 15.3 | 432.9 | 17.4 | 1,273.1 |
| TOTAL | 1,603.6 | 1,716.0 | 1,590.2 | (125.8) | (7.3) | (13.4) | (0.8) |

^{1/} Preliminary and subject to updating. The quarterly targets are initially based on the seasonality of disbursements pending the availability of the revised DBM-evaluated MDP (FY 2019 GAA level).

Actual vs Program Disbursements

When compared to the preliminary disbursement program for the first semester¹, spending fell below the P1,716 billion target for the first half of 2019 by P125.8 billion or 7.3 percent. The lower-than-programmed disbursements resulted mainly from the late passage of the FY 2019 Budget, and some unintended delays due to the election ban.

- Personnel services disbursements slid below the programmed level for the period by P8.4 billion or 1.6 percent due to minimal releases from the Miscellaneous Personnel Benefits Fund (Fund) for creation and filling of positions given the election ban.

¹ Preliminary and subject to updating. The quarterly targets are initially based on the seasonality of disbursements pending the availability of the revised DBM-evaluated MDP (FY 2019 GAA level).

- Subsidy to government corporations only amounted to P26.7 billion, lower by P22.7 or 45.9 percent of the program. This is primarily due to the delays in the release of cash grants under the UCT Program. In the first semester of 2018, more than P24 billion was released for the UCT Program. For this year, however, request for release of the cash grants was only made in the latter part of June in view of the late budget approval and election ban. Nonetheless, the allotment and corresponding cash allocation of P18.5 billion representing payouts for the period January to June 2019 were already released in July 5, 2019 to facilitate the payment of cash grants consistent with the payout schedule of the LBP and DSWD.
- Allotment to LGUs and capital transfers to LGUs reached a combined amount of P295.7 billion, P23.4 billion or 7.4 percent below the program as a result of lower releases from the Local Government Support Fund (LGSF), specifically under the Assistance to Cities, Assistance to Municipalities, and the Conditional Matching Grant Program since the implementation of infrastructure projects was temporarily halted during the election ban. Disbursements from the LGSF is expected to pick up in the following months as a number of releases are being processed by the DBM.
- Infrastructure and other capital outlays totaled to P311.4 billion, lower by P81.5 billion or 20.8 percent when compared to the program mainly because of the late approval of the FY 2019 Budget. As earlier discussed, new capital outlay projects were not implemented during the period when the government operated under a reenacted budget. Even with the approval of the FY 2019 GAA in mid-April, implementation timelines and work programs of agencies have already been affected resulting in delays and slippages. Since line agencies are still obligating and starting to implement new infrastructure projects towards the end of the second quarter, partial completion and deliveries, and corresponding progress billings are expected this second semester.

The DBM is updating the quarterly disbursement program for the year which was initially based on the seasonality of disbursements pending the availability of revised DBM-evaluated MDP (FY 2019 GAA level). With the approval of the FY 2019 GAA in mid-April, line agencies were asked to submit their respective revised MDPs reflecting actual disbursements for the first four months of the year and second semester requirements. This should also consider their updated work program, taking into account the delays in program/project implementation due to the late approval of the budget and the election ban, as well as corresponding catch up measures. It is expected that the quarterly program will result in a more backloaded distribution, with bulk of disbursements are now heavily concentrated in the second semester. For instance, the DPWH anticipates that their spending will pick up in the third quarter and peak in the fourth, barring any other significant delays such as weather disturbances and other implementation bottlenecks.

Outlook for the Rest of the Year

For the remaining half of the year, the program balance amounts to P531.0 billion or 14.0 percent of the P3,661.6 billion program for 2019. This consists mainly of some P266.7 billion in agency-specific budget and some P272.8 billion allocation from Special Purpose Funds. Some of the big-ticket program balances under the regular budget of agencies include the requirements for the UAQTE program of the CHED, and the infrastructure projects of DPWH and the Department of Transportation (DOTr) which are considered “for later release” items. These require submission of special budget request by the concerned agencies, as well as documentary requirements such as: i) list of validated claims for right-of-way and contractual obligations; ii) project profile for new locally-funded projects (LFPs) and foreign-assisted projects; and iii) approved loan agreements for FAPs. In the case of the UAQTE, requirements for the Academic Year 2019-2020 are programmed by the CHED in the second semester consistent with the academic calendar of SUCs. Meanwhile, unreleased allotments from the SPFs are made up mostly of program balances from subsidy to government corporations, ALGUs, MPBF and PGF.

The DBM is closely coordinating and working with the agencies to accelerate budget execution and catch up with this year’s spending target. The Department is also monitoring the status of agency disbursements, particularly the big departments which are expected to drive spending for the rest of the year.
