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**Working Paper**

## Analysis of the President's Budget for 2004: Looking for the Complete (Fiscal) Picture

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Philippine Institute for Development Studies  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## Analysis of the President's Budget for 2004: Looking for the Complete (Fiscal) Picture

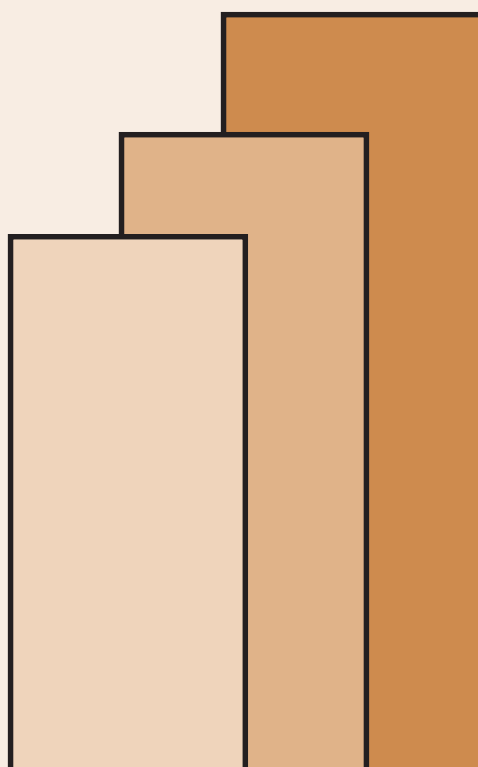
*Rosario G. Manasan*

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## **Abstract**

The President's Budget for 2004 is the administration's last prior to the forthcoming presidential elections in May 2004. Thus, it is but timely to assess not only the proposed 2004 budget itself but also the present administration's fiscal performance in the last three years.

The evaluation of the President's Budget for 2001-2004 that is presented in this paper is composed of three parts: (i) an evaluation of the overall fiscal outlook as projected in the President's Budget in terms of its sustainability; (ii) an examination of its revenue program; and (iii) the congruence of the expenditure program with policy pronouncements and budgetary intent as articulated in the Medium-Term Development Plan (MTPDP).

This study shows that the national government has made some progress (albeit small) in arresting the undeterred slide in tax collection efficiency in 1998-2002. The national government's fiscal performance in January-September 2003 suggests that it is likely that the fiscal deficit target of P202 billion in 2003 will not be exceeded even if it retires part of its huge stock of account payables.

Also, it appears that the fiscal deficit target for 2004 can be met provided that (1) the new tax measures proposed therein are all legislated, (2) additional improvements in BIR tax administration are effected, and (3) the legal impediments to the recovery of the Marcos Swiss bank deposit are ironed out. Thus, this paper projects that the national government's fiscal position will improve from 5.3% in 2002 to 4.7% in 2003 and 4.3% in 2004. However, it should be emphasized that the turnaround in the fiscal position of the national government is fragile anchored as it is on: (1) P12 billion of additional revenues from new tax measures that have not yet been enacted by Congress,<sup>1</sup> (2) continued success in tax administration reform giving rise to additional revenues of P8.8 billion, and (3) the timely transfer of some P14.8 billion of Marcos' ill-gotten wealth to government coffers.

Notwithstanding the precarious nature of the gains on the revenue side, structural problems on the expenditure side (e.g., undeterred rise in interest payments and government wage bill) continue to restrict the allocation decisions of the national government as nonmandatory expenditures decline persistently in 2004. Thus, total national government expenditures net of debt service and transfers to LGUs are cut from 10.6% of GDP in 2002 to 10.2% in 2003 and 9.6% in 2004. Meanwhile, total national government expenditures net of personal services expenditures, interest payments, and transfers to LGUs will go down from 3.9% of GDP in 2002 to 3.8% in 2003 and 3.5% in 2004.

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<sup>1</sup> This includes P7 billion from the proposed indexation of sin taxes and P5 billion from the restructuring of the documentary stamp tax.

The biggest winners in terms of programmed obligations are agrarian reform (P5.2 billion), public administration (P4.7 billion), social welfare and social security (P4.6 billion), education (P4.0 billion), national defense (P2.7 billion) and housing/ community development (P1 billion). Consequently, most sectors have to contend with lower nominal budgets in 2004 (relative to 2003). Moreover, even with the increase in the proposed budgets of some of the better off sectors (e.g., education), the President's Budget for 2004 does not provide the resources necessary to attain the progress that is envisioned towards the attainment of the Millennium Development Goals.

Finally, this paper highlights why it is critical to always have a comprehensive picture of the public sector. It documents how the positive fiscal outlook for the national government in 2003-2004 masks the rapid deterioration in the fiscal position of the non-financial public sector mainly because of the huge losses registered by a number of GOCCs. While the nonfinancial public sector in the aggregate is projected to have a small primary surplus in 2004 after posting primary deficits in 2002-2003, its consolidated fiscal position is deemed to be unsustainable in 2003-2004. The solutions to this problem are not easy: increasing tariffs, privatization and regulatory reform.

*Keywords:* fiscal deficit, fiscal sustainability, tax effort, nonfinancial public sector

# **ANALYSIS OF THE PRESIDENT'S BUDGET FOR 2004: LOOKING FOR THE COMPLETE (FISCAL) PICTURE**

*Rosario G. Manasan*

## **1. INTRODUCTION**

The President's Budget proposes an obligation program amounting to P864.7 billion for 2004. When measured relative to GDP, aggregate national government expenditures for 2004 continue on the downward trend that has been evident since 2001. Thus, the programmed obligations for 2004 is set at 18.4% of GDP, lower than the 18.8% level registered in 2003 and the 19.3% of GDP average in 1986-1998 and 20.1% of GDP average in 1999-2000. Moreover, interest payments remain to be the fastest growing major expenditure item in the budget in 2004 given the huge fiscal gaps posted in 1998-2002. As a result, the share of interest payments in the budget expands to 31.4% in 2004 from 28.4% in 2003 and an average of 23.2% in 1986-1998. Meanwhile, total expenditure net of debt service declines to 12.6% in 2004 from 13.5% of GDP in 2003 and average of 14.8% in 1986-1998 and 16.2% in 1999-2000. Thus, the 2004 President's budget provides the government with little flexibility in terms of defining its own spending priorities much less in terms of influencing economic growth.

The President's Budget for 2004 is the administration's last prior to the forthcoming presidential elections in May 2004. With this in mind, it is but timely to assess not only the proposed 2004 budget itself but also the present administration's fiscal performance in the last three years. How do the government's actions and the outcomes associated with these actions match its rhetoric?

In the conduct of such an assessment, fiscal policy may be viewed as operating at three levels: (1) at the aggregate level, where the concern is with total expenditure and taxation, the overall fiscal balance and the consequences of the associated deficit/surpluses; (2) at the sectoral level, where there is a strategic focus on the broad structure of spending across major programs and revenue across major tax bases; and (3) at the program level, where the emphasis is on the microeconomic efficiency of individual spending and tax programs (Heller and Petrie 2000).

At the aggregate level, the size of the government budget has wide-ranging (and at times, conflicting) implications on growth, inflation and the balance of payments. The challenge is to secure the level of spending that is consistent with macroeconomic stability, i.e., low inflation and a small current account deficit. Here the focus is on the link between the budget and the macroeconomic aggregates and fiscal sustainability. In other words, the issue cannot be divorced from the question of whether the government's level of spending given its revenue stream is consistent with economic growth, inflation, foreign exchange rate, interest rates and money supply.

At the sectoral and program level, the focus is more on the composition of government expenditure and taxes and their impact on promoting growth, domestic saving, and productive investment. The challenge is to restructure government expenditure so as to allocate scarce resources efficiently and equitably. In this sense, it is well to remember that

budgeting is not only an allocative process in which different programs compete for limited public resources, it is also a redistributive process in which some sectors gain while others lose (Schick 2000).

To a large extent, the debate here is influenced in no small measure by current perceptions and appreciation of the appropriate role of government. While the cost-effectiveness criterion may be used (and may be easy to implement) in comparing expenditure programs with identical objectives, evaluating programs with different objectives (e.g., investments in human capital versus investments in physical capital) is not straightforward and the answers become more subjective.<sup>1</sup> In this context, it is always helpful to remember that budgeting is a complex exercise that is an amalgam of politics, policies and processes (Schick 2000).

Given this perspective, the evaluation of the President's Budget for 2001-2004 that is presented in this paper is composed of three parts: (i) an evaluation of the overall fiscal outlook as projected in the President's Budget in terms of its sustainability; (ii) an examination of its revenue program; and (iii) the congruence of the expenditure program with policy pronouncements and budgetary intent as articulated in the Medium-Term Development Plan (MTPDP).

The analysis in **Section 2** underscores why it is critical to always have a comprehensive picture of the public sector. It documents how the fiscal numbers show signs of a fragile turnaround in the fiscal position of the national government in 2003-2004 largely because of improvements on revenue effort.

However, there is no room for complacency as a comprehensive look at the public sector presents a less rosy outlook. Because of huge GOCC losses, the fiscal deficit of nonfinancial public sector has been rising steeply and its debt expanding persistently since 2000. Moreover, while the non-financial public sector in the aggregate is projected to have a small primary surplus in 2004 after posting primary deficits in 2002-2003, its consolidated fiscal position is deemed to be unsustainable in 2003-2004. The solutions to the problem are not easy: increasing tariffs, privatization and regulatory reform.

Meanwhile, the analysis in **Section 3** suggests the gains in the fiscal position of the national government in 2003-2004 arise largely because of a nascent improvement in the tax and revenue performance of the national government. This development is encouraging given the relentless deterioration of the national government's revenue effort since 1998. While some improvement in BIR's tax effort is evident in 2003 because of a number of procedural/ systems reforms in tax administration that have been initiated by the incumbent Commissioner, the institutionalization of these new systems in the bureau remains to be a challenge. Also, there is an urgent need for Congress to enact a law that would permit the indexation of the excise taxes on sin products. Without this, the BIR would need to run (in terms of tax administration improvements) in order to stay in place (in terms of the tax effort).

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<sup>1</sup> Both economic theory and empirical analysis provide some guidelines on the choice of expenditure categories that are beneficial to growth and equity (e.g., infrastructure investment, human capital expenditures especially with respect to basic education and basic health) or of budgetary procedures and practices that promote more efficient allocation of resources (e.g., performance based budgeting, sound financial management). However, the determination of which programs are more strategic and which should get priority in resource allocation remains largely a political decision.

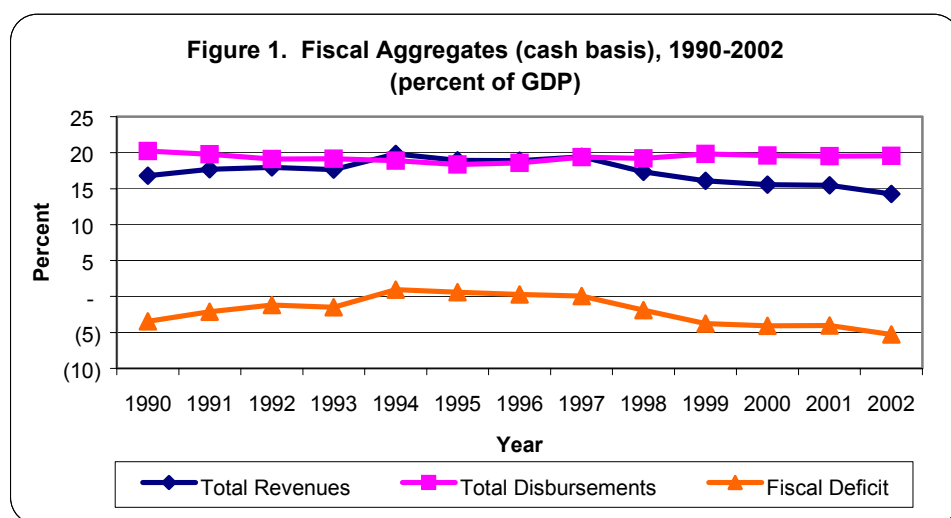
On the other hand, **Section 4** shows that, notwithstanding the tentative nature of the gains on the revenue side, structural problems on the expenditure side (e.g., undeterred rise in interest payments and government wage bill) will continue to limit the expenditure choices available to the national government as nonmandatory expenditures contract some more in 2004. Nonetheless, the obligation program net of debt service and IRA for 2004 is programmed to be P10 billion (or 2.3%) higher than the previous year's level, paving the way for some winners: agrarian reform (P5.2 billion), public administration (P4.7 billion), social welfare and social security (P4.6 billion), education (P4.0 billion), national defense (P2.7 billion) and housing/ community development (P1 billion). However, most sectors have to contend with lower nominal budgets in 2004 (relative to 2003). Moreover, the 2004 budget does not provide enough resources for the proposed pace in the attainment of the Millennium Development Goals.

## 2. OVERALL FISCAL POSITION IN PERSPECTIVE

This section reviews the movements in the overall fiscal position of the national government from a longer term perspective in order to provide the context against which to assess the overall fiscal program in 2003 and 2004. It also compares the fiscal outcomes in 2001-2003 relative to the MTPDP's rhetoric.

Contrary to the focus of the debate during budget deliberations, what are important are outcomes, not assumptions and projections. The following discussion underscores how outturns have deviated significantly from projections, even adjusted ones, over the course of the 2001-2004 MTPDP.

The Philippines had a fairly long period of fiscal consolidation during most of the 1990's when the national government fiscal position improved from a deficit of 3.5% of GDP in 1990 to surpluses of less than 1% of GDP in 1994-1997 (**Figure 1**). However, following the onset of Asian financial crisis, fiscal trends deteriorated quickly and the national government posted a fiscal deficit equal to 1.9% of GDP in 1998. Moreover, the deficit surged persistently to reach 4.1% of GDP in 2000.

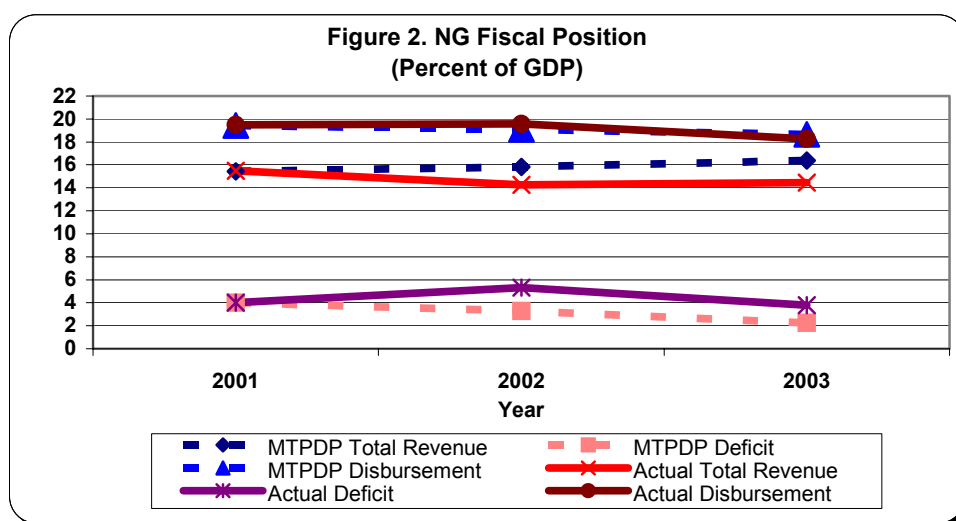


This came about as the national government's revenue effort declined persistently from 19.4% of GDP in 1997 to 15.6% in 2000. In contrast, total national government expenditures have remained stable at around 19.5% of GDP in 1997-2000 notwithstanding mounting interest payments (which rose from 3.2% to 4.3% of GDP).

In more recent years, fiscal sustainability has been a major policy concern of the present administration. Thus, the 2001-2004 Medium Term Philippine Development Plan<sup>2</sup> calls for the reduction over the medium term of the budget deficit to 4.0% of GDP in 2001, to 3.3% of GDP in 2002, and 2.3% of GDP in 2003 and so on in order to keep the debt burden to a manageable level. Specifically, it presents a fiscal consolidation program that is aimed at turning the fiscal position of the national government around and achieving a balanced budget in 2006. The reduction in the deficit was supposed to be attained through a combination of tax reform and expenditure management.

*Comparing outturns and targets.* **Figure 2** shows how the outturns (i.e., actual numbers) for the fiscal aggregates have deviated from the well laid-out plans outlined in the MTPDP. Moreover, despite the upward adjustment in the fiscal deficit target several times over, the national government exceeded the revised targets in 2001 and 2002 (**Table 1**).

Thus, in contrast to the MTPDP targets, the actual fiscal deficit grew from 4.0% of GDP in 2001 to 5.3% of GDP in 2002.<sup>3</sup> Consequently, outstanding debt inclusive of contingent liabilities of the national government surged from 80.0% of GDP in 2000 to 86% of GDP in 2002, making the government's debt ratio one of the highest in the region.



<sup>2</sup> This document was formulated in 2001. The original targets which were expressed relative to GNP were converted to percentages of GDP because more recent DBM targets are expressed in these terms.

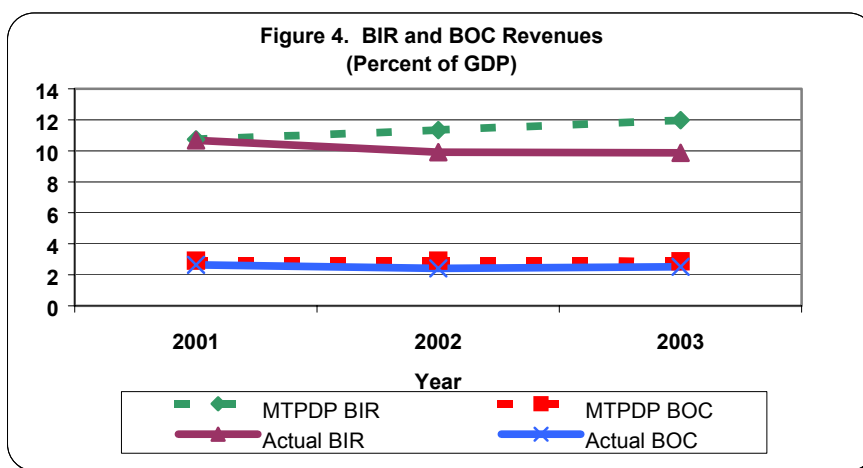
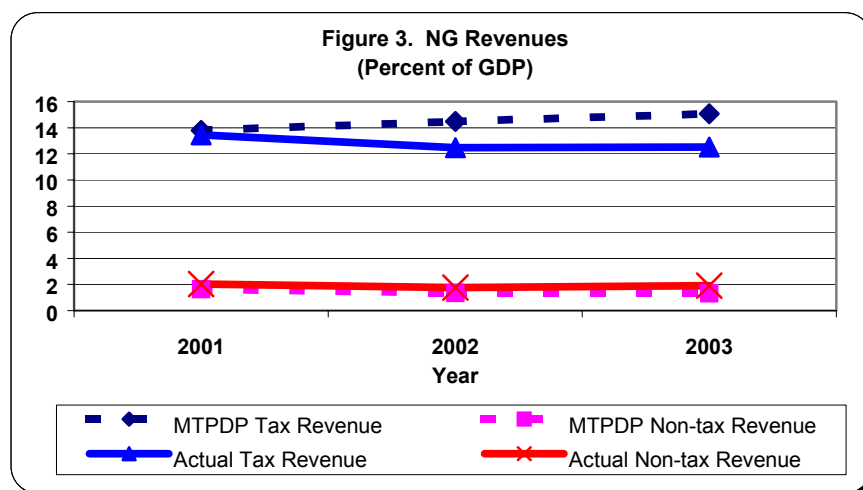
<sup>3</sup> The Development Budget Coordinating Committee (DBCC) has continuously been revising the fiscal targets. However, even the revised fiscal targets (as per BESF) have not been met in 2002 (**Table 1**).



**Table1**  
**Comparing Fiscal Targets and Outturns, 2001-2002**  
(in billion pesos)

<b>Particulars</b>	<b>Actual 2000</b>	<b>Orig. BESF Program 2001</b>	<b>Rev. BESF Program 2001</b>	<b>Actual 2001</b>	<b>Orig. BESF Program 2002</b>	<b>Rev. BESF Program 2002</b>	<b>Actual 2002</b>
<b>Revenues</b>	514.8	607.2	558.2	563.7	624.4	596.1	566.9
<i>Tax Revenues</i>	460.0	549.3	498.9	489.9	571.3	528.4	496.4
BIR	360.8	441.6	388.1	388.7	447.6	422.5	394.6
BOC	95.0	100.5	105.1	96.2	115.1	99.6	96.3
Other Offices	4.2	7.2	5.7	4.9	8.6	6.3	5.6
<i>Non-Tax Revenues</i>	54.7	57.9	59.3	73.9	53.1	67.7	70.6
Fees and Charges	18.3	23.5	23.2	24.3	25.6	27.8	21.9
BTr Income	30.4	15.2	24.9	46.4	22.2	36.3	47.0
Privatization	4.6	19.0	10.0	1.2	5.0	3.2	0.6
Others	1.4	0.2	1.2	2.0	0.3	0.5	1.1
<b>Disbursements</b>	649.0	692.2	703.2	710.8	754.3	726.1	778.7
<i>Current Operating Expenditures</i>	585.4	602.0	626.4	647.7	673.9	657.0	679.2
Personal Services	182.7	244.1	234.6	201.8	251.3	247.4	266.0
MOOE	149.3	71.3	79.6	143.6	80.8	71.7	83.4
Subsidy	97.0	7.1	6.5	10.2	5.0	5.7	5.6
Allotments to LGUs	99.8	134.6	124.1	118.2	132.5	140.3	138.5
Interest Payments	140.9	144.9	181.6	174.8	204.3	191.9	185.8
Tax Expenditures	3.6	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital Outlays</i>	63.6	90.2	76.8	63.0	80.4	69.1	99.4
Infra/Other Capital Outlays	60.4	84.3	67.0	58.6	67.8	57.8	93.3
Equity	0.5	0.5	0.9	0.5	0.9	0.8	1.5
CARP	0.0	4.5	2.0	0.0	5.6	3.0	2.0
Net Lending	2.6	0.9	7.0	3.9	6.1	7.5	2.6
<b>SURPLUS/(Deficit)</b>	134.2	-85.0	-145.0	-147.0	-129.9	-130.0	-211.7
(Percent to GDP)	(4.1)	(2.3)	(4.0)	(4.0)	(3.3)	(3.3)	(5.3)

*Where lies the problem?* Clearly, the problem lies on the revenue side. Almost all of the deviation between the target and the actual fiscal deficit is attributable to shortfalls in revenue rather than to excesses on the expenditure side (**Figure 2**). In turn, the shortfall in national government revenue is largely traceable to deviations in tax revenues (**Figure 3**), particularly deviations in BIR revenues (**Figure 4**). The decline in tax effort in 1997-2001 has been traced to problems in tax structure (e.g., nonindexation of excise tax) and the further weakening of tax administration (PIDS Policy Note No. 2002-14).



*Emerging fiscal picture for 2003.* The revenue outturn for January-September 2003 suggests that the fiscal deficit for the entire year of 2003 may be reduced to as low as P163 billion (or 3.8% of GDP) if the government sticks to its original expenditure program (**Table 2**). This compares favorably with revised DBCC fiscal deficit target of P202 billion (or 4.7% of GDP) but exceeds the original DBCC target of P142 billion (or 3.3% of GDP).

It should be emphasized, however, that it is not likely that this lower fiscal deficit number will actually materialize. Once the national government realizes higher revenues than expected, it will likely retire part of its huge stock of accounts payables (P154 billion as of December 2002) even as it keeps to its revised fiscal deficit target of P202 billion.

**Table 2** also shows that the better than expected fiscal position in 2003 occurs largely because BOC revenues, BTR income and fees/ charges have all exceeded their target levels. Moreover, the positive developments on the revenue side are further reinforced by the lower than projected outlays for interest payments for the said year.

**Table 2**  
**Fiscal Outlook, 2003-2004**  
**(in billion pesos)**

<b>Particulars</b>	<b>Actual 2002</b>	<b>Orig. BESF Program 2003</b>	<b>Revised DBCC Proj. 2003</b>	<b>Author's Projections 2003</b>	<b>Difference b/ 2003</b>	<b>BESF Program 2004</b>	<b>Author's Projections High revenue 2004</b>	<b>Author's Projections Low revenue 2004</b>	<b>Difference c/ High revenue 2004</b>	<b>Difference c/ Low revenue 2004</b>
<b>Revenues</b>	566.9	640.7	584.1	620.0	-35.9	671.2	694.3	670.2	-23.1	1.0
<i>Tax Revenues</i>	496.4	579.9	530.6	537.7	-7.1	601.4	604.0	580.0	-2.6	21.4
BIR	394.6	465.6	424.0	423.8	0.2	488.6	477.4	457.9	11.3	30.7
BOC	96.3	106.8	100.1	108.2	-8.1	105.2	120.6	116.0	-15.4	-10.8
Other Offices	5.6	7.5	6.6	5.7	0.9	7.5	6.0	6.0	1.5	1.5
<i>Non-Tax Revenues</i>	70.6	60.7	53.5	82.3	-28.9	69.8	90.3	90.3	-20.5	-20.5
Fees and Charges	21.9	29.3	21.0	28.3	-7.3	23.2	27.8	27.8	-4.6	-4.6
BTr Income	47.0	28.3	30.9	52.4	-21.5	30.5	46.4	46.4	-15.8	-15.8
Privatization	0.6	2.0	1.0	0.5	0.5	1.0	1.0	1.0	0.0	0.0
Others	1.1	1.2	0.4	1.2	-0.8	15.0	15.0	15.0	0.0	0.0
<b>Disbursements</b>	778.7	782.8	786.1	783.2	2.8	869.0	872.7	872.7	-3.7	-3.7
<i>Current Operating Expenditures</i>	679.2	717.1	726.4	723.5	2.8	791.7	795.4	795.4	-3.7	-3.7
Personal Services	266.0	262.6	265.7	265.7	0.0	279.0	279.0	279.0	0.0	0.0
MOOE	83.4	83.1	77.0	77.0	0.0	86.9	86.9	86.9	0.0	0.0
Subsidy	5.6	4.0	6.5	6.5	0.0	7.9	7.9	7.9	0.0	0.0
Allotments to LGUs	138.5	144.1	146.4	146.4	0.0	146.3	146.3	146.3	0.0	0.0
Interest Payments	185.8	223.2	230.7	227.9	2.8	271.5	275.2	275.2	-3.7	-3.7
Tax Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital Outlays</i>	99.4	65.6	59.7	59.7	0.0	77.4	77.4	77.4	0.0	0.0
Infra/Other Capital Outlays	93.3	56.5	49.7	49.7	0.0	66.3	66.3	66.3	0.0	0.0
Equity	1.5	0.7	1.6	1.6	0.0	1.3	1.3	1.3	0.0	0.0
CARP	2.0	2.9	2.9	2.9	0.0	4.3	4.3	4.3	0.0	0.0
Net Lending	2.6	5.5	5.5	5.5	0.0	5.5	5.5	5.5	0.0	0.0
<b>SURPLUS/(Deficit)</b>	-211.7	-142.1	-202.0	-163.2	-38.8	-197.8	-178.4	-202.5	-19.4	4.7
(Percent to GDP)	(5.32)	(3.31)	(4.71)	(3.81)	(0.90)	(4.26)	(3.85)	(4.36)	(0.42)	0.10

a/ Based on actual data for Jan-September 2003

b/ Difference = revised BESF target less author's projection

c/ Difference = BESF target less author's projection

BIR revenue is expected to fall short of the revised DBCC target of P424 billion (or 9.9% of GDP) in 2003 by some P250 million. However, the national government appears to have made some progress, albeit small, in arresting the undeterred deterioration of BIR's tax collection efficiency in 1998-2002. In more concrete terms, the decline in the BIR tax-to-GDP ratio is smaller than what would have been expected because of structural problems with tax policy.<sup>4</sup> Nonetheless, projected BIR collection of P423.8 billion in 2003 is still below the level that would have been expected had the BIR been successful in fully recouping the slide in tax effort due to the higher evasion in 2002.<sup>5</sup>

*Fiscal Outlook for 2004.* The President's Budget for 2004 sets the fiscal deficit target of the national government in 2004 at P198 billion (or 4.3% of GDP). In comparison, this paper projects the fiscal deficit in 2004 to range from a high of P202 billion under the low revenue scenario to a low of P178 billion under the high revenue scenario (**Table 2**). In other words, the actual fiscal deficit is forecasted to either be P19 billion lower the BESF target or to overshoot the target by P5 billion.

Again, it should be pointed out that if more revenues are actually generated than projected, the national government will most likely simply pay its arrears and keep to the original fiscal deficit target. Nonetheless, this study foresees a continuous turnaround in the fiscal situation of the national government as the fiscal deficit improves from 5.3% of GDP in 2002 to 4.7% in 2003 and 3.8% - 4.4% in 2004.

But this turnaround is fragile. It is anchored on (1) the timely transfer of some P14.8 billion of Marcos' ill-gotten wealth to government coffers – a one-off inflow, (2) the continued success in tax administration reform giving rise to additional revenues of P9 – P18 billion, and (3) P12 billion of additional revenues from new tax measures that have not yet been enacted by Congress.<sup>6</sup>

The deviation between the official targets for the fiscal aggregates and this paper's projections are attributable to: (1) differences in the macroeconomic assumptions and (2) differences in revenue effort assumptions. While the BESF projects GDP to grow by 4.9% in real terms in 2004 and the inflation rate to hit 4.0%, this paper assumes a 4.5% growth in real GDP and a 3.5% inflation rate (**Table 3**).<sup>7</sup> Given these, the resulting nominal GDP growth rate used in this paper is one percentage point lower than that of the BESF. In turn, this gives rise to a P5 billion difference in their tax revenue projections and a P0.6 billion difference in their nontax revenue projections.

On the other hand, this study makes use of two revenue scenarios that are delineated by varying assumptions on revenue effort. The low revenue scenario assumes a BOC tax effort of 2.5% of GDP (higher than the BESF's 2.3%) and a BIR tax effort of 9.9% of GDP (lower than the BESF's 10.5%). It should be emphasized that the low revenue assumption for BIR that is used in this paper is premised on two of the proposed tax measures not being enacted

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<sup>4</sup> PIDS Policy Note 2002-14 suggests that the BIR tax-to-GDP ratio is expected to decline by about a quarter of a percentage point of GDP per year due to nonindexation of excise taxes.

<sup>5</sup> PIDS Policy Note 2002-14 also indicates that BIR revenues in 2002 could have been 0.5 percentage point of GDP higher than the actual collection if tax evasion had not increased in that year. More on this in **Section 3**.

<sup>6</sup> This includes P7 billion from the proposed indexation of sin taxes and P5 billion from the restructuring of the documentary stamp tax.

<sup>7</sup> This paper's projections of the macroeconomic aggregates are based on PIDS macro model (Yap 2003).

by Congress on time and only partial improvement in BIR's tax collection efficiency<sup>8</sup>. Altogether the overall tax effort assumed in this paper is lower than that of BESF.

**Table 3**  
**Key Macroeconomic Assumptions for 2004**

	<b>BESF</b>	<b>Author's Projection</b>
Real GDP Growth Rate	4.9%	4.5%
Inflation Rate	4.0%	3.5%
Average Foreign Exchange Rate	P53.5/\$1	P56.0/\$1

In contrast, the high revenue scenario assumes a BOC tax effort of 2.6% of GDP and a BIR tax effort of 10.3% of GDP (premised on the legislation of the proposed new tax measures and the full recovery of BIR's tax collection efficiency to the 2001 level<sup>9</sup>). Again, the overall tax effort implied by these assumptions is higher than that of the BESF.

In both scenarios, BTr income and fees/ charges are assumed to equal 1% and 0.6% of GDP, respectively. These figures are higher than those found in the BESF (0.7% and 0.5% of GDP, respectively). The assumptions underlying the revenue projections are discussed further in **Section 3**.

Note that the tax effort assumption under the low revenue scenario (relative to BESF) results in an additional P17 billion reduction in tax revenues relative to the BESF's over and above that which is due to the difference in GDP growth assumption. On the other hand, the tax effort assumption under the high revenue scenario results in P8 billion in incremental tax revenues. Under both scenarios, the higher nonrevenue effort assumptions lead to an additional P21.1 billion in non-tax revenues.

Thus, the BESF's BIR revenue target (P489 billion) appears to be overly optimistic as this study projects BIR tax revenues to range from a low of P458 billion to a high of P477 billion in 2004. On the other hand, BESF's BOC revenue target (P105 billion) appears to be too easy as actual BOC revenue is forecasted to range from a low of P116 billion to a high of P121 billion). Meanwhile, this study projects that the BESF's BTr income and fees/charges targets to be exceeded by P16 billion and P5 billion, respectively.

*Fiscal sustainability.* Persistently large fiscal deficits is worrisome because as government debt accumulates over time, interest payments rise and tend to result in even larger deficits and even higher stock of public debt. Moreover, high levels of public debt are necessarily associated with high levels of debt service that tend to have a negative impact on investment and economic growth. This is so because higher debt service following the expansion of

<sup>8</sup> Specifically, it is assumed that the improvement in BIR's tax collection efficiency in 2004 will generate revenues equal to P8.8 billion, an amount that is slightly higher than that realized in 2003.

<sup>9</sup> Specifically, it is assumed that BIR's tax collection efficiency will mobilize P17.6 billion so as to allow it to equal its level in 2001.

public debt tends to lead investors to expect higher (and most probably more distortionary) tax rates or higher interest rates. These, in turn, weaken investor confidence and, thus, investment. Alternatively, government will be forced to reduce spending even when expansionary fiscal policy is needed to stabilize the economy. The worst case scenario is one where, failing these adjustments, government is forced to default on its debt.

Conceptually, sustainability or solvency requires that government is able to generate enough primary fiscal surpluses (i.e., revenues less noninterest expenditures) in the future to cover its initial stock of debt. However, this criterion is deemed to be neither demanding nor practical as it would allow government to run large primary deficits for an extended period of time provided it commits to run large primary surpluses thereafter. However, this is not likely to happen as massive fiscal adjustments in the future will be costly and politically difficult (IMF 2003).

Thus, empirically, debt sustainability analysis has focused on the question of whether government is able to stabilize its debt-to-output ratio. Based on standard analysis of the dynamics of public debt accumulation (**Box 1**), the issue is reduced to calculating the primary deficit that would maintain its debt-to-GDP ratio at its current level (known as the sustainable primary deficit) and, from this, the primary gap indicator (which is the difference between the debt stabilizing primary deficit and the actual primary deficit).<sup>10</sup> This indicator (given by equation 9 in **Box 1**) takes on a negative value if the actual primary deficit is larger than the sustainable primary deficit. In such a situation, the debt-to-GDP ratio will rise. Conversely, this indicator takes on a positive value if the actual primary deficit is smaller than the sustainable primary deficit, thus leading to a decline in the debt ratio. In other words, fiscal policy is sustainable if the debt-servicing requirement of government does not exceed its primary surplus.

The analysis in **Box 1** highlights the importance of generating primary surpluses if the debt ratio is to be stabilized. The primary fiscal balance measures how the current actions of the government improve or worsen its indebtedness and, as such, is important in assessing the sustainability of the fiscal deficit. In particular, it shows that if the real interest rate exceeds the growth rate, the debt ratio can be maintained at its current level only if the government has a primary surplus. On the other hand, if the government runs a primary deficit, the debt ratio can be kept constant only if the growth rate of the economy exceeds the real interest rate.

Some improvement in the primary fiscal balance of the national government is evident in 2003 and 2004. **Table 4** shows that after posting a primary deficit of P26 billion (or 0.7% of GDP) in 2002, the national government is expected to have primary surpluses in 2003 (P29 billion or 0.7% of GDP) and 2004 (P74 billion or 1.6% of GDP). Moreover, the projected primary surpluses in 2003-2004 are greater than the estimated sustainable primary surpluses in these years, indicating that overall fiscal policy will be sustainable.

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<sup>10</sup> Focusing on another policy handle, Blanchard (1990) also proposes a tax gap indicator which is based on the sustainable tax-to-GDP ratio (i.e., the tax ratio that is needed to stabilize the debt ratio).

### Box 1. Dynamics of Debt Accumulation

Abstracting from external debt and money creation, public debt at the end of the period  $t$  can be written as:

$$D_t = D_{t-1} + PDEF_t + i D_{t-1} \quad (1)$$

or

$$D_t = D_{t-1} + PDEF_t + [(1+n)(1+\pi) - 1] D_{t-1} \quad (2)$$

or

$$D_t = (1+n)(1+\pi) D_{t-1} + PDEF_t \quad (3)$$

where  $D_t$  is the total stock of public debt in year  $t$ ;  
 $PDEF_t$  is the primary deficit in year  $t$ ;  
 $i D_{t-1}$  is interest payments on public debt;  
 $n$  is the real interest rate on government debt, and  
 $\pi$  is the inflation rate.

Dividing equation 1 by GDP and rearranging terms, we get:

$$d_t = [(1+n)/(1+g)] d_{t-1} + pdef_t \quad (4)$$

Subtracting  $d_{t-1}$  from both sides, the change in the ratio of public debt to GDP is derived as:

$$d_t - d_{t-1} = [(n-g)/(1+g)] d_{t-1} + pdef_t \quad (5)$$

Or, in continuous time,

$$\Delta(d) = (n-g) d_t + pdef_t \quad (6)$$

Equation 6 tells us that if the growth rate is less than the real interest rate, rising interest payments will cause the debt ratio to rise. In other words, the debt ratio can be maintained while running a primary deficit only if the growth rate of the economy exceeds the real interest rate. On the other hand, if the real interest rate exceeds the growth rate, stabilizing the debt ratio necessitates that the government runs a primary surplus.

It is possible to sustain an expansion of public debt when the growth rate exceeds the real interest rate for an extended period. However, it is difficult to do this indefinitely. Thus, at some point, interest rates will rise and growth will decline with increasing debt (Chalk and Hemming 2000).

Mathematically, if the debt ratio is to be stable,  $\Delta(d_t)$  should be zero. Thus, the sustainable primary deficit can be written as:

$$\text{sus } pdef_t = -(n-g) d_t \quad (7)$$

and the primary gap indicator as:

$$PGI = \text{sus } pdef - \text{act } pdef \quad (8)$$

The analysis above can be extended to account for both domestic and foreign debt. Following Anand and van Wijnbergen (1989) and Catsambas and Pigato (1989), the alternate expression for the sustainable primary deficit with both domestic and foreign debt is given as follows:

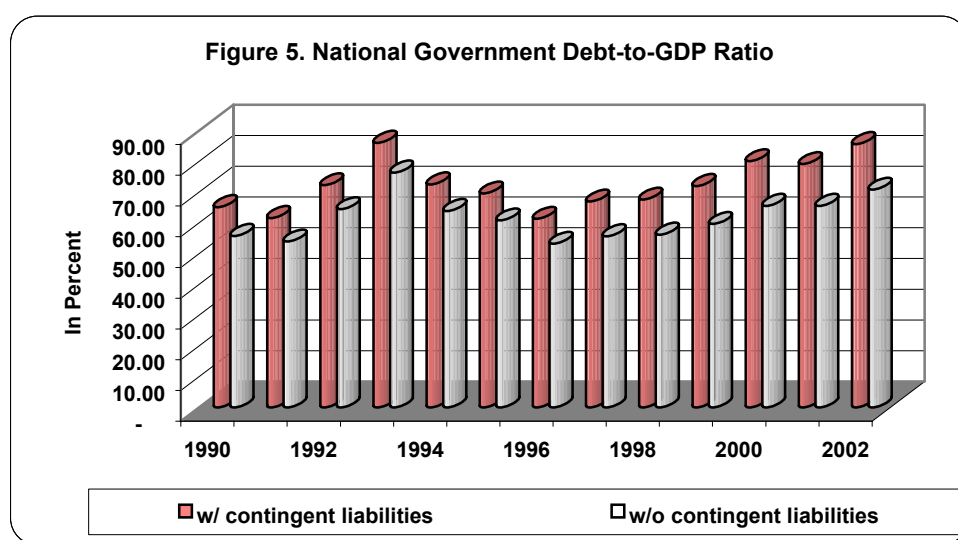
$$\text{sus } pdef = -(r-g) d - (i^* + \Delta(E)/E - \pi - \gamma) d^* \quad (9)$$

where  $r$  is the real domestic interest rate;  
 $d$  is the ratio of national government domestic debt to GDP;  
 $d^*$  is the ratio of national government foreign debt to GDP;  
 $i^*$  is the nominal foreign interest rate;  
 $\Delta(E)/E$  is the proportional rate of change in the exchange rate;  
 $\pi$  is the domestic inflation rate.

**Table 4. Sustainable Primary Deficit for National Government  
1995-2004**

Year	Actual Primary Deficit to % GDP BESF	Sustainable Primary Deficit % GDP	Sustainable Primary Deficit Less Actual % GDP
1995	-4.39	0.00	4.39
1996	-3.81	2.31	6.12
1997	-3.28	-2.14	1.13
1998	-1.87	-10.89	-9.02
1999	0.18	1.82	1.64
2000	-0.20	-3.63	-3.43
2001	-0.76	-4.76	-3.99
2002	0.65	0.43	-0.22
2003	-0.67	-0.62	0.05
2004	-1.61	-0.95	0.66

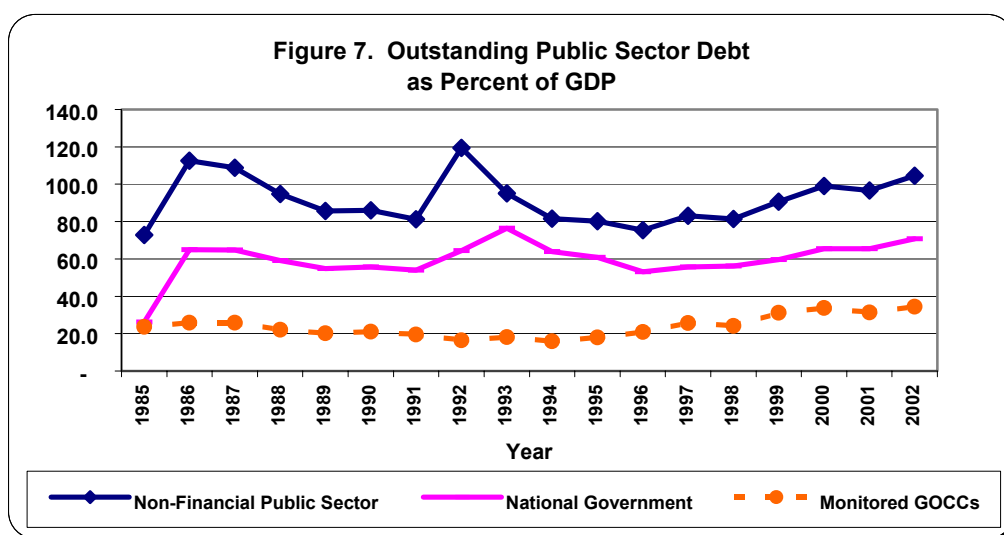
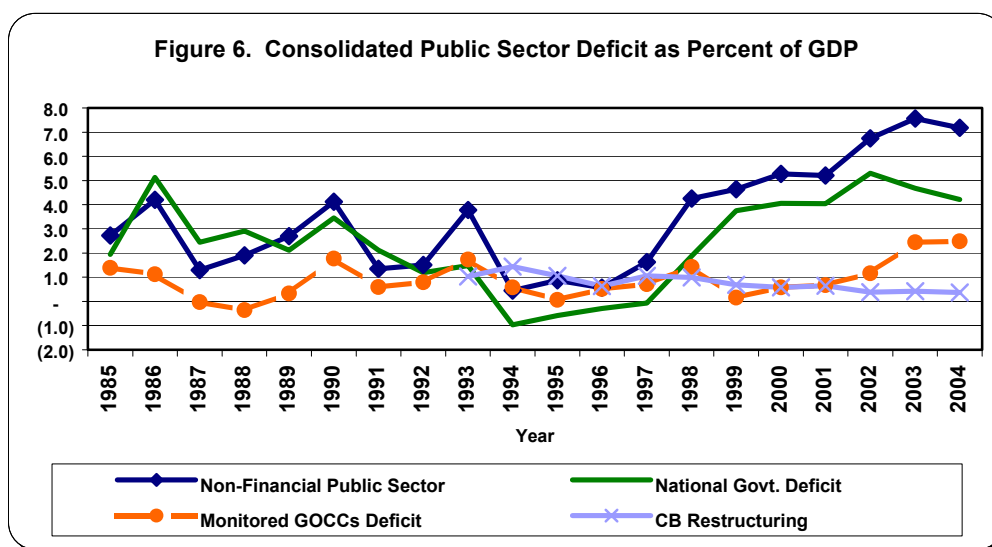
However, it may not be enough for the national government to stabilize its debt-to-GDP ratio given that this number is already at a high level. To wit, outstanding debt of the national government rose incessantly from 56% of GDP in 1997 to 71% in 2002. If contingent liabilities are included, NG debt went up from 67% to 86% of GDP during the said period (**Figure 5**). These figures may be considered high by international standards, exceeding the 60% benchmark used by European Union members in the Maastricht Treaty. Moreover, interest payments of the national government continue to eat up an ever increasing portion of the budget, rising from 16% in 1997 to 31 percent in 2004 (**Annex Table 6**). Relative to GDP, interest payments account also expanded from 3.2% in 1997 to 5.8% in 2004 (**Annex Table 5**).





*Consolidated Public Sector.* While some small improvement appears to be in the horizon with respect to the overall fiscal performance of the national government, there is no room for complacency. A more comprehensive look at the public sector provides a less optimistic picture.

The fiscal deficit of non-financial public sector has been rising rather steeply since 1996, from 0.6% of GDP in 1996 to 6.7% in 2002. The fiscal position of the non-financial public sector is projected to worsen some more to 7.6% of GDP in 2003 and 7.2% of GDP in 2004 (**Figure 6**). Consequently, outstanding debt of the non-financial public sector expanded persistently from 75.4% of GDP in 1996 to 104.6% of GDP in 2002 (**Figure 7**)



From 1996-1999, this trend was largely on account of the national government. From 2000-2004, however, government owned and/or controlled corporations (GOCCs) are the primary culprit in the deteriorating fiscal position of the nonfinancial public sector even as the deficit of the CB-BOL has started to taper off (**Figure 6**).

Following the government corporate sector reform that was started in the mid-1980s, the fiscal deficit of the 14 GOCCs was less 1% of GDP for most of the 1990s. However, serious

problems have re-emerged starting in 1998 when the fiscal deficit of the 14 GOCCs surged to 1.4% of GDP from the 0.7% level in the previous year. Although the aggregate fiscal position of these GOCCs has been kept in check in 1999, it has consistently weakened in more recent years with the 2002 deficit reaching 1.2% of GDP. Moreover, the combined deficit of the GOCC sector is projected to rise to 2.4% of GDP in 2003 and 2.5% of GDP in 2004 (**Table 5**).

**Table 5. Monitored GOCC Deficit, 1997-2004 (billion pesos)**

<b>Level (P billion)</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Total</b>	<b>17.2</b>	<b>38.0</b>	<b>4.6</b>	<b>19.2</b>	<b>24.5</b>	<b>46.4</b>	<b>105.3</b>	<b>116.8</b>
% of GDP	0.7	1.4	0.2	0.6	0.7	1.2	2.4	2.5
of which:								
NPC	14.2	16.2	1.0	3.6	8.2	21.7	81.4	91.3
NFA	1.4	11.9	0.8	2.2	2.3	8.1	13.1	4.8
NIA	-0.1	-0.1	0.0	0.1	-0.1	2.1	2.5	2.9
LRTA	0.0	3.8	1.5	2.6	3.0	5.8	0.0	7.3
MWSS	-0.5	0.4	0.2	0.0	3.0	2.6	3.2	4.5
HGC				0.4	0.2	6.2	1.2	1.8
<b>% Distribution</b>								
NPC	82.6	42.6	21.7	18.8	33.5	46.8	77.3	78.2
NFA	8.1	31.3	17.4	11.5	9.4	17.5	12.4	4.1
NIA	-0.6	-0.3	0.0	0.5	-0.4	4.5	2.4	2.5
LRTA	0.0	10.0	32.6	13.5	12.2	12.5	0.0	6.3
MWSS	-2.9	1.1	4.3	0.0	12.2	5.6	3.0	3.9
HGC	0.0	0.0	0.0	2.1	0.8	13.4	1.1	1.5

Moreover, the non-financial public sector posts primary deficits in 2002-2003 after ably generating primary surpluses in 1995-2001 (**Table 6**). While a small primary surplus is projected in 2004, the consolidated fiscal position of the nonfinancial public sector is deemed to be unsustainable in 2003-2004.

The problems ailing these GOCCs are common to many of them. Although generally viewed as entities that are akin to private enterprises in the sense that they produce private goods (as opposed to pure public goods), government ownership has been justified on the basis of some market failure like the presence of natural monopolies (e.g., power generation and transmission). Also, many of the GOCCs are assigned special developmental roles like the provision of public infrastructure services that the private sector may be reluctant to supply given their large investment costs and the associated uncertain and long gestation periods.

However, many of these GOCCs suffer from poor cost recovery due to inadequate tariff adjustments. Political interference in tariff setting, often in response to populist clamor, prevents them from increasing their prices in response to rising costs (e.g., NPC). In the case of other GOCCs, government's subvention policy itself dictates that the prices they charge would be lower than what the cost recovery principle calls for (e.g., NIA since the time of the Estrada administration; MWSS does not charge for raw water but finances development of water source). Meanwhile, the large fiscal deficits of still other GOCCs are linked with the contingent liabilities they have earlier contracted (e.g., NPC, LRTA, HGC). In addition,

because of the poor incentive structure in the public sector, some of these GOCCs are afflicted with a poor record in collecting fees while others are overstaffed. By and large, many of them are saddled with a large debt stock which further aggravates their already weak fiscal positions.

**Table 6. Sustainable Primary Deficit for Non-Financial Public Sector 1995-2004**

<b>Year</b>	<b>Actual Primary Deficit to % GDP</b>	<b>Sustainable Primary Deficit % GDP</b>	<b>Sustainable Primary Deficit Less Actual % GDP</b>
1995	-5.43	0.00	5.43
1996	-5.13	3.12	8.24
1997	-3.85	-3.03	0.82
1998	-1.58	-15.49	-13.91
1999	-0.70	2.49	3.19
2000	-0.50	-5.11	-4.61
2001	-1.14	-6.32	-5.19
2002	0.62	0.72	0.10
2003	0.94	-0.73	-1.67
2004	-0.03	-1.35	-1.32

Of the 14 monitored GOCCs, the most notable in terms of their contribution to the deficit are: the National Power Corporation (NPC), the National Food Authority (NFA), the Light Rail Transit Authority (LRTA), the Metropolitan Waterworks and Sewerage System (MWSS), the National Irrigation Administration (NIA) and the Home Guaranty Corporation (HGC). In 2000-2002, the NPC accounted for some 37% of the total GOCC deficit, the NFA 14%, the LRTA 13%, the HGC 8% and the MWSS 6%. In 2003-2004, however, the bulk (77%-78%) of the deficit is attributable to the NPC (**Table 5**).

#### National Power Corporation

The financial woes of the NPC result mainly from the high cost of power purchased from the independent power producers (IPPs),<sup>11</sup> the limited rate increases allowed by the Energy Regulatory Commission over the years,<sup>12</sup> and the huge stock of debt (much of which is dollar-denominated) that was initially used to finance investment as well as its accumulated losses. In response to this problem, the Electric Power Industry Reform Act (EPIRA) was passed in 2001 anchored on the privatization of the power generation, transmission, and distribution services, the promotion of market-based prices, and the installation of a fair and transparent regulatory framework.

<sup>11</sup> The power purchase contracts negotiated in the early 1990s with many IPPs included a take or pay feature that effectively resulted in government shouldering not only exchange rate risk, sovereign risk, and retail tariff risk but also market demand risk and fuel cost risk.

<sup>12</sup> In 2002, when the NPC was allowed by the ERC to charge a purchased power adjustment (PPA) to recoup its losses from the stranded costs, the President of the Republic herself moved to abolish the said incremental charge.

More specifically, the reforms involved the unbundling of power generation from electricity transmission and distribution,<sup>13</sup> the consequent unbundling of costs,<sup>14</sup> the divestment of government ownership in the power generation business, the award of the transmission operation and maintenance concession to the private sector, the creation of an independent Energy Regulatory Commission to set tariffs, standards and procedures, and the creation of a wholesale electricity spot market (WESM). To date, the reform is stalled due to Congressional inaction on the Franchise bill, delays in the approval and implementation of tariffs based on long run avoidable costs, and the holdup in the operationalization of the WESM.

### National Food Authority

The National Food Authority (NFA) was formally established in 1981 but it had its roots in the National Grains Authority (created in 1972). Prior to 1987, the NFA was administratively attached to the Office of the President (OP). In 1987, it transferred to the Department of Agriculture (DA) only to be moved back to the OP in 1998 when the Estrada administration assumed power.

The NFA is mandated to stabilize palay and rice prices, to set a floor price for palay to protect farmers' income, to set a ceiling price for rice to protect consumers' welfare, and to maintain a buffer stock. The floor and ceiling prices are defended by NFA's procurement and disbursement of rice stocks at the officially determined prices and through its monopoly on rice import/export. NFA rice (which is typically cheaper than non-NFA rice in the market) is sold to consumers by registered retailers even as the NFA also operates an extensive network of warehouses for its buying and selling operations.

In addition, the NFA implemented starting in 1998 the Rice Subsidy Program in 3 municipalities in each of 4 provinces (Antique, Iloilo, Sorsogon, and Surigao del Norte). The program was designed to provide rice at a subsidy of P2.50 per kilo to poor families living below the food poverty threshold. Also, the NFA launched the Enhanced Retail Access for the Poor (ERAP) sari-sari stores which are meant to sell basic commodities (like sugar, coffee, milk, cooking oil, sardines and noodles) at prices below the market price.

Numerous studies (e.g., Clarete et al. 1998; Roumasset 1999) have assessed the efficacy of the NFA in meeting its mandate. They indicate that the NFA has not been able to prevent high consumer prices or low producer prices. The retail price of rice in the market has been consistently higher than official NFA release price in 1995-1999. At the same time, farm gate prices of palay are typically above the official NFA support price in the same period – making the latter irrelevant to farmers. Roumasset (1999) attributes the divergence between official and actual market prices to the fact that the NFA is a relatively small player in the total rice market of the country.

On the one hand, NFA procurement of palay as a percentage of total palay production was less than 1% on the average in 1995-1998. This suggests that less than 1% of the estimated 3 million farmers could have actually benefited from the implicit subsidy to palay farmers.

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<sup>13</sup> Cross-ownership of the transmission company is absolutely prohibited but cross-ownership between generation and distribution is allowed.

<sup>14</sup> This implies the removal of the system of cross subsidies with the establishment of a universal charge.

On the other hand, NFA's rice releases as a percentage of the country's total rice consumption was only 10.7% on the average in 1995-1998. This suggests that on the average only about 11% of the country's 14 million households could have actually benefited from the NFA rice subsidy.<sup>15</sup> However, during the height of the crisis in 1998, NFA rice releases expanded to 22.2% of total rice consumption as the NFA increased imports of rice to about 2 million tons.

Because the NFA is engaged in an activity that inherently entails some losses, the government supports the NFA by providing it with budgetary support in terms of both equity infusions and operational subsidies. In addition, the national government guarantees all NFA debt. Thus, the cost to the taxpayers of NFA operations does not only include budget support but also the increase in NFA debt since the latter represents an increase in future government obligations.

The NFA transfers income to consumers by subsidizing the consumption of rice. However, it should be emphasized that the NFA's intervention is a general consumer subsidy and, as such, benefits even the nonpoor. In this regard, the regional distribution of NFA rice has been found not to be sensitive to poverty incidence (Balisacan et al. 2000). For instance, the share of NFA rice in total rice consumption in ARMM, CAR and Western Visayas was 14.6%, 16.3% and 6.7%, respectively, in 1998 (well below the national average of 22.2%). In comparison, the incidence of poverty in said regions was 57.3%, 42.5% and 39.9%, respectively (higher than the national average of 31.2%). On the other hand, NFA rice accounted for 28.3% and 27.4% of total rice consumption in Central Luzon and Southern Tagalog (including NCR), respectively, when poverty incidence in these regions is the lowest around the country at 15.4% and 15.8%, respectively. Also, simulations done by Balisacan et al. (2000) indicate that subsidizing the price of rice, sugar and cooking oil does benefit the poor but the bulk of the incremental benefit accrue to the nonpoor. This occurs because the share of the nonpoor in the total consumption of these commodities is substantially larger than that of the poor.

In 1998, the net cost to the NFA of delivering one peso of income transfer to the consumer was estimated to be P1.30. If one assumes that only 50 per cent of those who benefit from the program are poor (i.e., 50% leakage), then the cost-benefit ratio of the NFA rice subsidy would be equal to 2.5. Given this perspective, Balisacan et al. (2000) suggests that the provision of food subsidies to the poorer segments of society can be done more effectively through food stamps in urban area and food-for-work programs in rural area.

### **3. REVENUE PROGRAM**

The fiscal trends in 2003 and 2004 show signs of a nascent turnaround in the revenue performance of the national government. This is a very encouraging development considering the persistent worsening of the national government's revenue effort since 1998 (**Table 7**).

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<sup>15</sup> Roumasset argues that NFA's attempts to lower consumer prices by requiring NFA licensed traders (who are allowed to buy NFA rice at P13 per kilo to retail their NFA rice at P14 per kilo) only result in lower quality rice being marketed at the official price. Thus, rice labeled NFA rice at the retail level is typically inferior in quality to the rice that is imported by the NFA. Consequently, rice importers and traders capture the rents obtained when high quality NFA rice is sold to licensed traders below its market value.

Although nontax revenues have fallen somewhat between 1997-2002 when measured relative to GDP, the decline in tax effort has been more pronounced. The overall tax effort plunged from 17.0% of GDP in 1997 to 12.5% in 2002 (**Table 7**). On the one hand, BIR tax effort went down by 3 percentage points of GDP from 13.0% of GDP in 1997 to 9.9% in 2002. On the other hand, BOC tax effort slipped by 1.5 percentage points of GDP from 3.9% in 1997 to 2.4% in 2002.

In analyzing the reasons for the deterioration of the tax effort, Manasan (2002) shows that almost all of the reduction in BOC tax effort in 1999-2001 is attributable to the cutback in tariff rates because of the trade liberalization program. On the other hand, about 46% of the decline in BIR tax effort may be traced to a weaker tax administration (or increased tax evasion) and another 46% to changes in tax policy (i.e., reduction in effective income tax rates under CTRP, and the use of un-indexed specific rates for the excise tax). It is notable that the contraction in BIR tax effort resulting from the change in tax policy is not a one-off change but has been growing over time. In particular, BIR tax effort was found to decrease by about a quarter of a percentage point of GDP yearly on the average during this period.

*BIR tax effort.* Extrapolating from the results of this study, it appears that BIR tax effort went down by about a half a percentage point of GDP due to the further weakening of the tax administration system in 2002. Put another way, BIR tax effort would have dipped to 10.4% (= 10.6% less 0.2%) of GDP in 2002 (compared to the actual level of 9.9% of GDP) if the only reason for its decline is the change in tax policy under the CTRP and if the bureau's tax collection efficiency has been maintained at the level that was prevailing in 2001 (**Table 7**).<sup>16</sup>

Given this background, one can argue that the revenue performance of the BIR has improved somewhat in 2003. In particular, the projected BIR tax effort of 9.9% of GDP in 2003 is higher than what it would have been had the BIR's collection efficiency not improved from its 2002 level ( $9.7\% = 9.9\% - 0.2\%$ ). However, it is lower than what it would have been had the BIR's collection efficiency improved by an amount that would allow it to attain its 2001 level ( $10.2\% = 10.6\% - 2 * 0.2\%$ ).

Under the high revenue scenario for 2004, this paper, thus, projects BIR tax effort to be such as to reflect full restoration of the bureau's collection efficiency to its 2001 level ( $10.0\% = 10.6\% - 3 * 0.2\%$ ) even without the benefit of additional revenues from new tax measures. In contrast, under the low revenue scenario for 2004, BIR's tax effort is set at 9.8% of GDP, indicating further improvement in its collection efficiency but not as much as to allow it to go back to its 2001 level.

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<sup>16</sup> Thus, the reduction in BIR tax effort (equivalent to 0.2 percentage point of GDP) implied in this hypothetical move from 10.6% of GDP in 2001 to 10.4% in 2002 may be attributed to the change in tax policy alone.

**Table 7. National Government Revenue Effort  
(Percent of GDP)**

	1996	1997	1998	1999	2000	2001	2002	2003 Projections			2004 Projections a/		
								based on Jan. - Sept. Act. Coll.	based on 2001 Coll. Eff.	based on 2002 Coll. Eff.	High Revenue	Low Revenue	BESF
<b>TOTAL REVENUE</b>	18.9	19.44	17.35	16.07	15.56	15.49	14.25	14.45					
<b>Tax Revenue</b>	16.94	16.98	15.63	14.5	13.91	13.46	12.48	12.53					
of which:													
BIR	12.01	12.97	12.65	11.47	10.91	10.68	9.92	9.88	10.22	9.69	9.99	9.84	10.15
BOC	4.81	3.91	2.85	2.91	2.87	2.64	2.42	2.52	2.64	2.42	2.60	2.50	2.25
<b>Non-tax Revenue</b>	1.96	2.46	1.72	1.57	1.65	2.03	1.77	1.92					
of which:													
Fees/Charges	0.54	0.54	0.79	0.54	0.55	0.67	0.55	0.66	0.67	0.55	0.60	0.60	0.50
BTr Income	1.13	1.46	0.85	0.88	0.92	1.28	1.18	1.22	1.20	1.20	1.00	1.00	0.66

a/ before new tax measures

The improvement of BIR's tax effort in 2003 results primarily from a number of procedural/systems reforms in tax administration that have been initiated by the incumbent Commissioner. These consist of the implementation of the (1) Third Party Information Matching System including the VAT Reconciliation of Listings for Enforcement (RELIEF) which helps the BIR identify patterns and discrepancies in taxpayers' records, particularly the under-declaration of their sales, (2) Text-BIR Campaign which encourages end-consumers to demand official receipts for goods purchased, (3) taxpayer benchmarking, (4) tax mapping of business establishments, (5) e-filing and e-payment, and (6) no-contact audit. Thus, the challenge now lies in the institutionalization of these new systems in the bureau so as to ensure the continued improvement in its collection efficiency.

At the same time, the President's Budget for 2004 lists four new tax measures (1) the restructuring of the excise tax on automobiles<sup>17</sup> for additional revenues of P1.4 billion, (2) indexation of excise tax on sin products for additional revenues of P7 billion, (3) rationalization of documentary stamp tax (DST), and (4) the creation of the National Revenue Authority (NRA).

To date, only the first of these new tax measures has been enacted by Congress. The remaining three are still being debated in Congress. Going into an election year, it is not quite so clear whether the President and members of Congress would be inclined to expend political capital in passing what could be unpopular pieces of legislation. In fact, recent newspaper reports indicate that the House of Representatives has shelved the bill amending the excise tax on sin products (Business World December 3, 2003).

The DOF proposes that the current tax brackets and tax rates being applied to sin products be indexed using a cumulative inflation rate of 36% (the actual rate for 1997 to 2001) to partially restore the real value of the unit rates to their January 2001 levels. Under this proposal, a uniform tax rate will also be imposed on all kinds of distilled spirits regardless of raw materials used. Meanwhile, the DOF also proposes to impose a uniform DST rate of 0.5% on primary issues of all debt instruments and to exempt the secondary trading of debt instruments from the DST. On the other hand, the NRA bill aims to transform the BIR into a more autonomous agency so as to allow it to have the appropriate incentive structure for better performance.

Manasan (2003) points out that the creation of an autonomous revenue authority gives rise to risks as well as opportunities. The experience of other countries with semi-autonomous revenue authorities (RAs) suggests that not all semi-autonomous revenue authorities are created equal. Some RAs perform better than other.

Semi-autonomous revenue authorities have been found to have uneven impact not only in combating corruption but also in improving taxpayer services. Also, the record of these semi-autonomous RAs in improving tax effort is mixed.

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<sup>17</sup> The new law replaces the excise tax structure on automobiles which was based on engine displacement, type of fuel used and seating capacity with one that is based on the value of the automobiles.



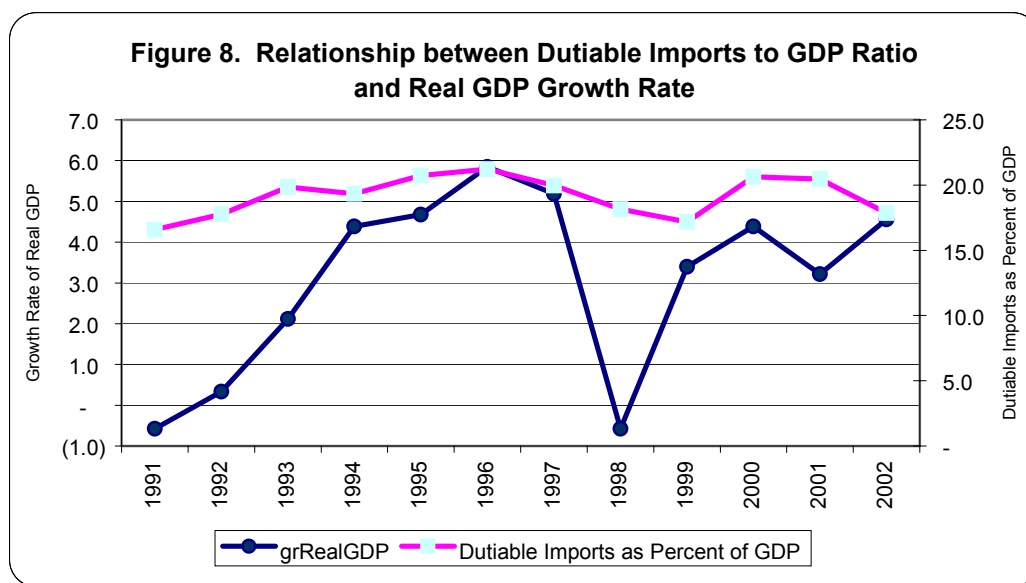
The more successful RAs appear to be those that have a higher degree of autonomy. International experience in semi-autonomous RA reform clearly shows that should Philippine authorities decide to adopt the semi-autonomous RA model, then it is imperative that it should be done right - second best will not be good enough.

*BOC tax effort.* Noting that tariff rates have been frozen at their 2001 levels in 2002 and 2003, the sharp diminution in BOC tax effort in 2002 can only be attributed to either a change in economic structure or to a weakening of the tax collection machinery. Closer scrutiny of import data tends to support the relative importance of the problems in tax administration. On the one hand, the share of non-dutiable imports in total imports rose from 52% in 2001 to 54% in 2002 even as the import-to-GDP ratio dipped from 43% to 39% (**Table 8**). On the other hand, one observes an out-of-trend relationship between dutiable imports and GDP growth rate in 2002 indicative of problems with tax administration in that year (**Figure 8**).<sup>18</sup> Also, the trend in the ratio of imports to GDP that is obtained from Balance of Payments (BOP) data appears to be inconsistent with that derived from the BOC data.

**Table 8. Import Structure, 1996 - 2002**

<b>Value of Imports Processed as Percent of GDP</b>							
<b>Percent to GDP</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
TOTAL IMPORTS	38.54	34.60	44.69	39.84	47.96	42.62	39.11
Dutiable	21.23	19.97	18.16	17.18	20.64	20.47	17.85
Non-Dutiable	17.31	14.63	26.53	22.66	27.31	22.15	21.26
<b>Percent Distribution of Value of Imports Processed</b>							
<b>Percent Distribution</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
TOTAL IMPORTS	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Dutiable	55.09	57.72	40.63	43.12	43.05	48.03	45.65
Non-Dutiable	44.91	42.28	59.37	56.88	56.95	51.97	54.35
BOC Tax-to-GDP Ratio	4.81	3.91	2.85	2.91	2.87	2.64	2.42

<sup>18</sup> The relationship between the ratio of dutiable imports to GDP and the growth rate of real GDP is positive in all years between 1991-2002 with the exception of 1999 and 2002.



Given this perspective, a small improvement in the BOC's tax effort is evident in 2003. In specific terms, the projected BOC tax effort of 2.5% of GDP in 2003 is higher than 2002 level (2.4%) but lower than its 2001 level (2.6%).

Under the high revenue scenario for 2004, this study projects BOC tax effort to recover fully to its 2001 level. In contrast, under the low revenue scenario for 2004, BOC tax effort is set at 2.5% of GDP, indicating no further improvement in its collection efficiency relative to its 2003 level. The improvement of the BOC tax effort in 2003 is attributed to the bureau's renewed anti-smuggling effort, particularly the stricter implementation of customs bonded warehouse system.

*Nontax revenues.* **Table 1** and **Table 2** shows that the BESF has consistently underestimated BTr income in 2001-2003. This practice appears to have been carried over into 2004 when the BESF projects the BTr income to be equal to 0.7% of GDP when the said ratio has been 1.1% on the average in 1996-2002 (**Table 7**). In contrast, this study projects BTr income to be equal to 1.0% of GDP for 2004.

In like manner, the BESF also appears to have set too low a target for fees/income for 2004 (0.5% of GDP) compared to the 0.6% of GDP average in 1996-2002. Thus, the author's projection is higher than the BESF target of 0.5% of GDP for the same year.

Lastly, the BESF's revenue goal for 2004 includes P14.8 billion of additional resources from the recovery of the Marcos Swiss deposits. These monies are earmarked by law towards the implementation of the Comprehensive Agrarian Reform Law (CARL). To the extent that the CARL has been funded out of the General Appropriations Act in recent years when inflows from the government's privatization program have practically been reduced come to a trickle, the recovery of the Marcos deposits frees up resources for other programs and makes the 2004 expenditure program slightly less constrained than ones before it. It should be emphasized, however, that this is one-off inflow and further highlights the vulnerability of the fiscal turnaround that is projected in that year.

#### 4. THE EXPENDITURE PROGRAM

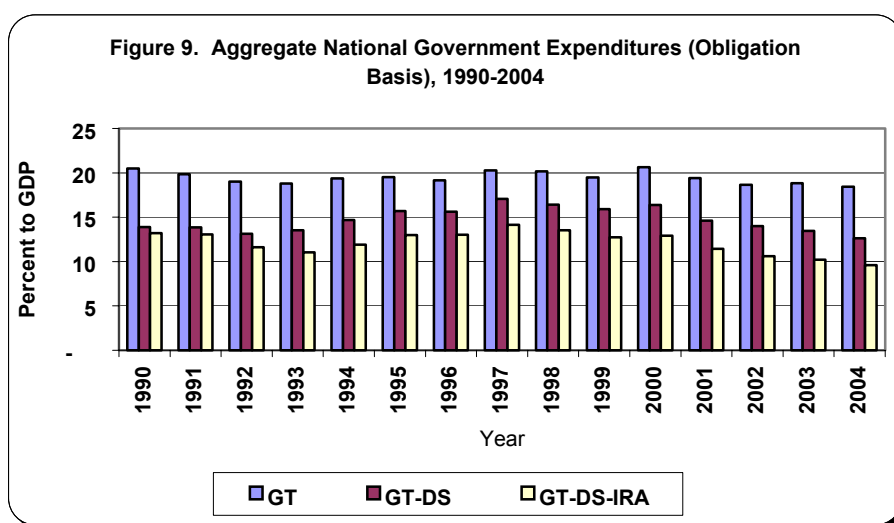
The budget is the principal means by which government establishes its priorities and defines its programs. Thus, it has been said that the government is what it spends (Schick 2001). However, there is never enough money to satisfy all competing claims on the budget, no matter how big the budget is.

National government expenditures became increasingly constrained since the downward spiral of government revenues in 1998. Consequently, the government has been similarly restricted in pursuing its programs and priorities. Nonetheless, some reallocation of government resources has been evident even within the context of such fiscal restraint.

The President's Budget Message for 2004 does not spell out what the administration's spending priorities for the year are. However, the 2001-2004 Medium Term Development Plan (MTPDP) and the Budget Message for 2002 and 2003 suggest that food, employment, education, health, peace and order, and housing top the present government's expenditure program.

*Aggregate national government spending.* The President's Budget proposes an obligation program amounting to P864.7 billion for 2004. The 6.6% increase in total national government expenditure is higher than the 4.0% inflation rate that is projected for the year (**Annex Table 1**).

However, when measured relative to GDP, aggregate national government expenditures for 2004 continues on the downward trend that has been evident since 2001. Thus, the programmed obligations for 2004 is set at 18.4% of GDP, lower than the 18.8% level registered in 2003 and the 19.3% of GDP average in 1986-1998 and 20.1% of GDP average in 1999-2000 (**Figure 9**). At the same time, interest payments remain to be the fastest growing major expenditure item in the budget in 2004 given the huge fiscal gaps posted in 1998-2002 (**Annex Table 4**). As a result, interest payments will account for an increasing share of the budget, 31.4% in 2004 from 28.4% in 2003 and an average of 23.2% in 1986-1998 (**Annex Table 6**). And, total expenditures net of debt service will actually decline to 12.6% in 2004 from 13.5% of GDP in 2003 and average of 14.8% in 1986-1998 and 16.2% in 1999-2000 (**Figure 9**).



Source: Annex Table 2

Although the IRA did not increase as fast as in previous years, it persists to have a substantial share in the national government budget. Specifically, its budget share rose from an average of 4.3% in 1986-1992 to 14.0% in 1993-1998, to 17.4% in 2003 and to 16.6% in 2004 (**Annex Table 3**). Hence, the amount of resources left for non-mandatory expenditures (i.e., resources over which the national government may exercise some scope for allocation) is cut down to 9.6% of GDP in 2004 from 10.2% in 2003. Furthermore, the 2004 level is more than 3 percentage points lower than the 12.8% average in 1986-2000 (**Annex Table 2**).

In this sense, the 2004 budget presents the policy makers with fewer genuine options in funding its own strategic priorities compared with the much smaller budgets of earlier years precisely because it is held hostage by previous commitments. Thus, the present budget gives the national government very little flexibility not only in terms of being able to influence economic growth by adjusting the overall level of government expenditures but also in reallocating resources across sectors (**Figure 9**).

In addition, personal services accounts for a substantial chunk of the national government expenditures – 33.1% of the budget in 2004. For the most part, expenditures on personal services also form part of mandatory expenditure commitments of the government. If expenditures on personal services are treated in this manner, non-mandatory expenditures of the national government are trimmed down some more to 3.5% of GDP in 2004 from 3.8% in 2003 and an average of 6.6% in 1986-1998 and 5.7% in 1999-2000.<sup>19</sup> Given this background, the crunch on other MOOE and capital outlays should come as no surprise. Other MOOE has continuously been cut from an average of 2.4% of GDP in 1986-1998 to 2.2% in 1999-2000 and to 1.5% in 2004 while capital expenditure was trimmed from 3.4% in 1986-1998 to 2.7% in 1999-2000 and to 1.5% in 2004 (**Annex Table 5**). Government capital spending is not only lowest in the Philippines in 1995-2000 compared to other countries in the region, it has also been cut relentlessly during the period.

*Allocation across sectors.* The President's Budget Message for Fiscal Year 2004 does not mention the specific spending priorities of the administration for the year, focusing as it does on the wide-ranging fiscal reforms that it has either put in place or are initiating like (1) procurement reform, (2) improvements in tax and customs administration, (3) performance-based budgeting, (4) elimination of red tape, (5) optimization of the use of ODA and (6) greater fiscal responsibility.<sup>20</sup> However, the Arroyo administration's expenditure priorities are well articulated in the 2001-2004 Medium Term Development Plan (MTPDP). These include: (1) the meaningful implementation of the Agriculture and Fisheries Modernization ACT (AFMA) in order to create jobs and raise incomes in rural areas; (2) the full implementation of the Comprehensive Agrarian Reform Law (CARL) so as to achieve the desired social equity in agriculture, (3) the provision of basic human services, particularly basic education, health, shelter, water and electricity, (4) social protection of the poorest and most vulnerable, and (5) the promotion of national security and peace and order. These priorities have been echoed and re-echoed in the President's Budget Message for fiscal years

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<sup>19</sup> Because of this, it is clear that the government has no choice but to reduce expenditures on personal services through civil service reform if it wants to gain some degree of flexibility in resource allocation. However, even in this area, it is severely limited by the fact that a big chunk of expenditures on personal services is on account of inherited commitments, namely pension benefits to military personnel.

<sup>20</sup> The last item refers to the passage of legislation that will ensure that any revenue-reducing measure (or any expenditure increasing measure) shall have a corresponding expenditure reduction measure (or revenue increasing measure) to offset the impact on the deficit.

2002 and 2003 which re-affirm that food, employment, education, health, peace and order, and housing are the core needs that the budget will seek to address. What has been the record of the administration in meeting these expenditure priorities to date? To what extent does the proposed expenditure program for 2004 contribute to the achievement of these aforementioned objectives?

Comparing outturns and MTPDP targets of sectoral budget shares, 2002-2003.

Comparing the outturns for the sectoral budget shares with the targets set out in the MTPDP (**Table 9**), one finds that a reallocation of budgetary resources away from the economic services sector and, to a lesser extent, the social services sector in favor of national defense and general administration. For instance, the average share of all the economic services sectors combined in the total budget net of transfers to LGUs and interest payments in 2002-2003 (26.1%) is about 2 percentage points lower than the MTPDP target (28.4%). Similarly, the budget share of the social services sector in the aggregate in 2002-2003 (41.8%) is slightly lower than the corresponding MTPDP target (42.0%). In contrast, the actual budget share of national defense and general administration in 2002-2003 (9.2% and 9.5%, respectively) are higher than the corresponding MTPDP targets (9.0% and 8.3%, respectively).

**Table 9. Sectoral Allocation of the Budget 2000-2003**  
**Net of Transfers to LGUs, Net Lending and Interest Payments**  
**(Share to Total Budget)**

	MTPDP				ACTUAL			
	2000	2001	2002	2003	2000	2001	2002	2003
<b>Economic Services</b>	<b>30.79</b>	<b>26.39</b>	<b>26.42</b>	<b>30.35</b>	<b>30.29</b>	<b>28.77</b>	<b>25.36</b>	<b>25.11</b>
Agriculture, Agrarian Reform and Natural Resources	9.09	8.27	9.82	11.94	8.72	9.50	9.58	9.26
Trade and Industry	1.11	0.72	0.69	0.66	1.10	0.70	0.86	0.71
Tourism	0.38	0.26	0.27	0.29	0.35	0.21	0.25	0.29
Power and Energy	0.28	0.33	0.28	0.26	0.87	1.14	0.31	0.51
Water Resources and Flood Control	1.09	1.06	1.55	1.25	0.12	0.10	0.01	0.01
Communications and Transportation	17.79	13.64	12.17	15.16	18.66	16.79	13.97	14.06
Other Economic Services	1.05	2.11	1.64	0.79	0.47	0.33	0.37	0.26
<b>Social Services</b>	<b>39.36</b>	<b>43.14</b>	<b>40.98</b>	<b>43.04</b>	<b>40.12</b>	<b>39.57</b>	<b>43.17</b>	<b>43.35</b>
Education	27.51	31.20	29.74	31.25	27.13	28.62	29.54	30.14
Health	3.45	3.50	3.33	3.60	3.41	3.13	3.28	3.20
Social Security, Welfare & Employment	6.45	7.80	7.40	6.62	7.64	7.39	9.89	9.63
Housing and Community Development	1.95	0.64	0.51	1.57	1.94	0.42	0.46	0.39
<b>Defense</b>	<b>8.53</b>	<b>8.42</b>	<b>10.58</b>	<b>7.35</b>	<b>8.47</b>	<b>8.61</b>	<b>9.36</b>	<b>9.34</b>
<b>General Public Services</b>	<b>21.32</b>	<b>22.06</b>	<b>22.02</b>	<b>19.28</b>	<b>21.11</b>	<b>23.05</b>	<b>22.11</b>	<b>22.21</b>
Public Order and Safety	11.11	12.25	12.97	11.80	11.04	12.13	12.55	12.88
General Administration	10.21	9.81	9.05	7.48	10.07	10.93	9.55	9.33
<b>TOTAL EXPENDITURES</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Amongst the economic services sectors, the agriculture, agrarian reform, and environment/natural resources group and the infrastructure group (composed of the transportation, communication and flood control sub-sectors) are the most adversely affected by this shift in budgetary resources. Thus, despite the policy pronouncements ostensibly supporting the

AFMA and agrarian reform, the actual budget share of the agri/agra/ENR group in 2002-2003 is about 2 percentage points lower than what is promised in the MTPDP. In like manner, the share of the infrastructure group is about half a percentage point lower than the MTPDP target in 2002-2003. This continuing decline in government infrastructure spending is not consistent with the long-term growth objective of the MTPDP. Numerous studies have established empirically the positive link between infrastructure investment and economic growth.

Although the budget share of the social services sector in the aggregate is generally consistent with the MTPDP target in 2002-2003, the national government has had difficulty meeting its promise to protect basic social services. Thus, it is notable that the budget shares of the education, health and housing/community development sub-sectors all fell below their corresponding MTPDP targets. This occurred as the actual budget share of the social security and social welfare subsector exceeded the MTPDP targets largely on account of the huge increases in the pension and retirement gratuity of military and PNP personnel.

The proposed expenditure program for 2004 further reinforces the aforementioned trends. Thus, the higher priority given to national defense, general administration, and social security/welfare at the expense of the agri/agra/ENR group, the infrastructure group, and education/housing/health subsectors in 2002-2003 is maintained in 2004 (**Table 9**).

#### Comparing sectoral budget shares, 2003 -2004

The proposed expenditure program for 2004 is P53 billion higher than the program for 2003. Of this amount, P41 billion goes to interest payments and P2 billion to IRA. As a result, total expenditures net of debt service and the IRA in 2004 will go up by only P10 billion (or 2.3%) compared to the 2003 level. This amount is not even enough to compensate for the projected increase in prices and the projected rate of population growth (**Table 10**).

Consequently, the budgets of many government agencies will suffer a cutback in nominal terms for the second year in a row. The most severely affected amongst the major sectors is the economic services sector. The combined budget of the departments/ agencies under this sector will be reduced by P6.9 billion (or 6.2%) in 2004 (**Table 10**). Thus, the share of the economic services sector in total expenditures of the national government budget will shrink to 12.1% in 2004 from 13.7% in 2003.

The budgets of all of the subsectors under the economic services sector will decline in 2004 with the exception of the agrarian reform subsector and the tourism subsector. The allocation to the agrarian reform subsector is protected because of the recovery of the Marcos Swiss deposits earlier this year and will increase by P5.2 billion (or 53% over the 2003 level). Likewise, the tourism subsector is also relatively favored. It is the only subsector within the economic services sector whose allocation went up in both 2003 and 2004. Specifically, expenditures in the said subsector are programmed to go up by P56 million (or 4%) in 2004, after increasing by P100 million (or 9%) in 2003.

In contrast, despite the Budget Message's rhetoric that the government "will continue to give priority to infrastructure development," programmed expenditures for the transportation/communication/water resources/flood control subsector in 2004 amounting to P58.1 billion is P6.3 billion (or 10%) less than the 2003 level. In particular, the budget of the DPWH is reduced by P5.0 billion, mostly from locally funded projects.

**Table 10. National Government Expenditures, Obligation Basis, by Sectoral Classification, 2002-2004**

	<b>2003 Adjusted (P million)</b>	<b>2004 Proposed (P million)</b>	<b>Difference (P million) 2003-2004</b>	<b>Percent Change 2003-2004</b>	<b>% Distribution</b>	
					<b>2003</b>	<b>2004</b>
GRAND TOTAL	811,462	864,764	53,302	6.6	100.0	100.0
Total Economic Services	111,125	104,236	-6,889	-6.2	13.7	12.1
		0	0	0.0	0.0	0.0
Agriculture	20,742	16,852	-3,890	-18.8	2.6	1.9
Agrarian Reform	9,636	14,796	5,160	53.6	1.2	1.7
Natural Resources	7,308	7,071	-237	-3.2	0.9	0.8
Industry	2,797	2,750	-48	-1.7	0.3	0.3
Trade	398	270	-128	-32.2	0.0	0.0
Tourism	1,288	1,344	56	4.4	0.2	0.2
Power & Energy	3,370	2,012	-1,358	-40.3	0.4	0.2
Water Resources Devt.	54	31	-23	-43.2	0.0	0.0
Transp. & Comm.	64,353	58,053	-6,300	-9.8	7.9	6.7
Other Econ. Services	1,178	1,057	-121	-10.3	0.1	0.1
Total Social Services	180,670	190,220	9,550	5.3	22.3	22.0
Education	130,358	134,370	4,013	3.1	16.1	15.5
Health	13,518	13,374	-144	-1.1	1.7	1.5
Soc. Security, Welfare, & Employment	35,105	39,738	4,633	13.2	4.3	4.6
Housing & Com. Devt.	1,689	2,738	1,048	62.0	0.2	0.3
National Defense	40,423	43,130	2,707	6.7	5.0	5.0
Total Public Services	94,755	99,407	4,652	4.9	11.7	11.5
Public Administration	41,141	45,799	4,657	11.3	5.1	5.3
Peace and Order	53,614	53,609	-5	0.0	6.6	6.2
Others	153,792	156,239	2,447	1.6	19.0	18.1
Debt Service (Interests)	230,697	271,531	40,834	17.7	28.4	31.4
MEMO ITEM:						
IRA	141,000	143,437	2,437	1.7	17.4	16.6
PDAF	8,327	3,525	-4,802	-57.7	1.0	0.4
Grand Total - Debt Service	580,765	593,233	12,468	2.1	71.6	68.6
Grand Total-Debt Service-IRA	439,765	449,795	10,030	2.3	54.2	52.0
Defense and Peace & Order	94,037	96,739	2,702	2.9	11.6	11.2
Infrastructure	67,777	60,096	-7,681	-11.3	8.4	6.9

Similarly, the budget for the agriculture subsector is cut by P3.9 billion (or 19%) although the Budget Message asserts that the allocation for the Agriculture and Fisheries Modernization Act is meant “to uplift the quality of life of the poorest sector in our society – the farmers and the fisherfolk.” The reduction is mostly on account of expenditures on irrigation. However, budget analysts report that this is largely because of the slow utilization of funds by the DA. On the other hand, programmed obligations for the power/energy subsector will go down by P1.4 billion (or 40%). This is due to the fact that the 2003 budget included P1.1 billion in net lending to the National Electrification Administration.

In line with the MTPDP's promise, national government expenditures on national defense is expected to rise by P2.7 billion (or 6.7%) in 2004 relative to the 2003 level, making national defense the biggest gainer in the 2004 President's Budget in relative terms. Of this amount, some P2.2 billion will be used for the implementation of salary adjustments in the Armed Forces of the Philippines (AFP) and close to P1 billion is set aside for the hiring of additional personnel in the Philippine Army. On the other hand, while the combined budget of the various agencies under the peace/order subsector will not post any increase in 2004, reallocation as to use will allow the salary upgrading of Bureau of Fire Protection and the Bureau of Jail Management and Penology as well as additional outlays for the subsistence allowance for prisoners in the local jails and the Bureau of Corrections. On the whole, these new expenditure items will be funded out of a reduction in the capital outlays of the concerned agencies (**Annex Table 7**).

At the same time, the budget for public administration subsector will increase by P4.7 billion in 2004. Some P2.4 billion of this amount will go to the Commission on Election to finance the conduct of next year's national and local elections. One billion pesos is set aside for the e-Government Fund (ostensibly to fund interagency IT systems) while the allocation for the International Commitment Fund will increase by another P1 billion (largely on account of the World Bank and the Asian Development Bank).

It is also notable that the allocation for the Priority Development Assistance Fund (PDAF), the major source pork, is cut by P4.8 billion in the 2004 President's Budget. Also, the budget for "other local infrastructure projects" which is widely perceived to be an important source of pork barrel funds also declined by some P6 billion. This has prompted some Congressmen to work for the re-enactment of the 2003 GAA in 2004 instead of a new appropriation act (**Box 2**).

On the other hand, amongst the major sectors, the biggest gainer in the 2004 President's Budget in nominal peso terms is the social services sector. The combined budgets of all the departments/agencies under the social services sector will rise by P9.6 billion (or 5%) in 2004. Thus, the social services sector will continue to receive the biggest slice of the 2004 budget outside of debt service. However, its budget share in 2004 (22.0%) is slightly lower than that in 2003 (22.2%).

The national government expenditure for all of the social services subsectors will increase in 2004 with the exception of that of the health subsector. The budget of the health subsector is scheduled to decline by P140 million (or 1% of its 2003 level) in 2004 after being cut by some 6% in 2003. In 2004 as in 2003, the allocation for many of the public health programs (like vaccine preventable disease control, family health and primary health care, health operations of centers for health development, including TB control, disease prevention and control, and health promotion) will be more adversely affected by this adjustment. In contrast, not only do the direct allocations for DOH hospitals increase, the provision for the hospitals' use of their own income also rises in 2003.



## **Box 2. Re-enacted Budget: What Does It Mean?**

In the United States, Congress is duty-bound at all times to legislate an appropriations act on time. When it fails to do this, federal agencies and programs literally shut down. In the Philippines, in contrast, Congress is not subject to the same kind of pressure. Government agencies simply operate on the basis of the previous year's budget when the passage of the general appropriations act is delayed.

For instance, because of the Estrada impeachment, Congress failed to pass a General Appropriations Act for 2001 before the end of December 2000. When it assumed power, the Arroyo administration then decided not to press Congress to enact a GAA but opted instead to operate on a re-enacted 2000 budget.

This time around, some members of the House of Representatives have for various reasons announced that they will push not for the passage of a new GAA for 2004 but rather for the re-enactment of the 2003 budget. What are the implications of such a move?

*Amongst the departments/agencies, which are the gainers and which are the losers?*

In general, the departments/ agencies which would have received additional funding for the operation of new programs or for the expansion of existing ones under the proposed President's Budget for 2004 would clearly lose if government is forced to work on the basis of a re-enacted 2003 budget next year. Thus, the biggest losers are: the Pension and Gratuity Fund (which will lose P4.5 billion intended for the retirement gratuity and terminal leave benefits of national government personnel), the Department of Education (which will lose a total of P3.9 billion meant for the hiring of new teachers, the construction of additional classrooms, the expansion of the GASTPE and the increase in school level MOOE), the LGUs (which will lose P2.6 billion from their IRA share and share in the proceeds of national wealth), the e-Government Fund (which will lose P1 billion), the National Housing Authority (which will lose 540 million), the National Home Mortgage and Finance Corporation (which will lose P500 million), the ARMM (which will lose P308 million), the Office of the President (which will lose P328 million), and the Bureau of Jail Management and Penology and Bureau of Corrections (which will lose P292 million combined). Without the P5 billion supplemental budget that has already been approved in the House last November 21, 2003, the Armed Forces (i.e., the Philippine Army, the Philippine Navy and Philippine Air Force combined) also stands to lose P2.5 billion and the Commission on Election P2.4 billion.<sup>21</sup> At the same time, the total available appropriations for the DAR will increase by P4.5 billion with a re-enacted budget.

On the other hand, with a re-enacted budget, the biggest winners are the DPWH,<sup>22</sup> the Priority Development Assistance Fund and the DAR. Total available appropriations for these agencies and program will increase by P11.7 billion, P4.8 billion and P4.5 billion, respectively. Under a re-enacted budget. In addition, numerous departments and agencies whose budgets were similarly cut under the proposed President's Budget stands to gain from a re-enacted budget in 2004. This includes: the DA (which will gain P465 million), the Bureau of Fisheries and Aquatic Resources (which will gain P754 million), and the DENR

<sup>21</sup> In fact, the budget increment given to COMELEC under the supplemental budget is even P844 million bigger than what is proposed under the 2004 President's Budget.

<sup>22</sup> In the case of the DPWH, most of the increase will be on account of so-called projects with a zip code, i.e., pork barrel projects.

(which will gain P235 million).

*Will it increase or decrease the aggregate obligation program?*

On the whole, should the national government operate on the basis of the re-enacted 2003 GAA and the P5 billion supplemental budget in 2004, the national government expenditure program will be larger than what is originally proposed under the President's Budget by P9 billion. Other things being equal, this development will further strain the national government's ability to meet its fiscal deficit target in 2004.

*In continuous battle between the executive branch and the legislative branch for the power of the purse, which side gets the upper hand (i.e., exercise greater discretion)?*

At first glance, a re-enacted budget in 2004 would clearly benefit Congressmen and Senators since it will cause funding for pork barrel projects to increase by some P11 billion relative to what would have been available under the President's Budget. From this perspective then, a re-enacted budget will be compatible with incumbent politicians need to bring home the bacon, particularly during an election year.

However, because the expenditure program implied by a re-enacted budget is underfunded, it would be easy for fiscal authorities to justify the sequestration or impoundment of appropriations by calling on the need for fiscal discipline. Necessarily, this would give the executive branch the upper hand during budget execution phase. At the end of the day, the budget department would have the discretion in deciding how to implement the budget cuts. The selective rationing of allotment authority and/or cash allocation tends to politicize the prioritization process as different stakeholders jockey for favors in the release of spending authorization and/or cash allocations (Schiavo-Campo and Tommasi 1999). The timing of the release of the allotment authority and the cash allocation matters as well and has been used in the past to impose discipline on members of the incumbent political coalition.

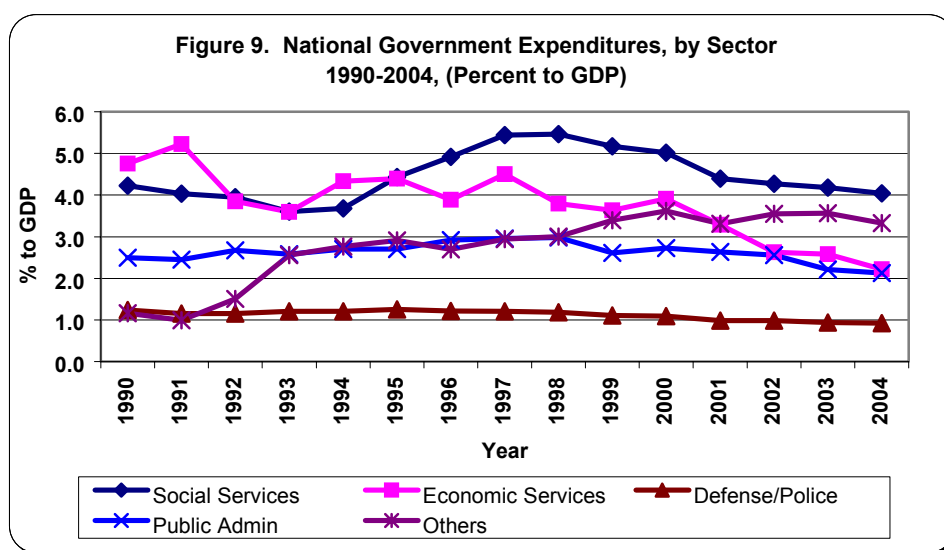
Even if the budget department decides to impose across-the-board budget cuts, it still gets to exercise a lot of discretion in terms of identifying which projects would continue to be funded under a re-enacted project. This is especially true in the case of nonrecurring activities and capital projects.

Programmed expenditures for the entire education subsector will rise by P4 billion (or 3%). All of this will go to basic education. The budget of the Department of Education (DepEd) itself will rise by P3 billion. Of this amount, P1 billion will fund 10,000 new teacher items, P1.2 billion will expand the Government Assistance to Students and Teachers in Private Education (GASTPE) and P800 million will be used to increase the maintenance expenses of schools. The higher MOOE for schools will arrest the continuing shortage in the supply of recurrent inputs needed by the schools while the augmentation of the GASTPE will enable the department to make better use of available resources in the private sector and doubling the number of beneficiaries under the program. Meanwhile, the allocation for the Basic Education Facilities Fund will go up from P2 billion in 2003 to P3 billion in 2004, thus, accelerating the construction of much needed school buildings. In contrast, the budgets of state universities and colleges (SUCs) in the aggregate as well as that of the TESDA are trimmed down by a small amount in 2004.

The social welfare/ social security subsector will also receive a big chunk of the total increment in the allocation for the social services sector in 2004: P4.6 billion (or 13% over

the 2003 level). Almost all of this amount is attributable to the increase in the allocation for the retirement gratuity and terminal leave benefits of national government and GOCC personnel, including military and PNP personnel.<sup>23</sup> Nonetheless, the budgets of the Department of Social Welfare and Development (DSWD) and the Department of Labor and Employment (DOLE) will increase by P83 million and P49 million, respectively, in 2004. On the other hand, the higher allocation for the housing subsector (additional P1 billion in 2004) is programmed for resettlement activities and the implementation of the Community Mortgage Program, both of which are targeted at the most vulnerable communities.

Despite these positive developments, the downward slide in national government spending on the social services sector (when measured relative to GDP) remains unabated, from 5.5% of GDP in 1998 to 4.2% in 2003 and 4.0% in 2004 (Figure 9). Also, real per capita government spending on the social services sector continues to drop (from a high of P2,487 (in 2000 prices) in 1997 to P2,016 in 2003 and P1,999 in 2004), thereby increasing the likelihood of a deterioration in the amount of services delivered (Table 11).



**Table 11. Real Per Capita National Government Expenditures on Social Services, 1996-2004  
(2000 Prices)**

	1996	1997	1998	1999	2000	2001	2002	2003 Prel	2004 Pres
Total Social Services	2,188	2,487	2,417	2,323	2,302	2,035	2,022	2,016	1,999
Education	1,534	1,789	1,761	1,675	1,608	1,516	1,505	1,455	1,412
Health	230	266	221	223	202	166	171	151	141
Soc. Security, Welfare, & Employment	317	392	387	364	376	331	327	392	418
Housing & Com. Devt.	107	39	48	61	115	22	19	19	29

<sup>23</sup> Given the moribund nature of the RSBS (which was originally created to service the pension benefits of the military), the national government continues to provide budgetary support for this purpose under the Pension and Gratuity Fund. In 2004, P24.9 billion (up P0.5 billion from 2003 level) is set aside for the pension of military and PNP personnel, payments which are indexed to the current compensation of personnel in the active service.

At the same time, following the methodology in Manasan (2002),<sup>24</sup> **Table 12** compares the amount of financing that is needed if the critical inputs to basic education (teachers, textbooks, classrooms and other MOOE) are to be fully funded, on the one hand, with the likely amount of budgetary resources that will be available, on the other hand. It shows a financing gap of 0.5% of GNP (or P25.5 billion) in 2004. Note that the financial requirement for basic education in the earlier years of the period under study are higher because it is in those years when government has to address the cumulative deficiencies in the previous years. It should be emphasized that that these estimates assumes that the resource gaps identified in each year will be covered in said years by mobilizing other sources of financing. If such funding does not materialize, said resource gaps have to be carried forward to subsequent years.

Given this perspective, a comparison of the financing gap indicated in **Table 12** with actual LGU spending on basic education in 1996-2001 (**Table 13**) suggests that LGUs may indeed help fill in said gap. However, current levels of LGU spending on basic education would not be sufficient to fully cover the financing gap of the central government.

In like manner, **Table 14** compares the financing requirement for meeting programmatic goals for basic health services with the likely amount of budgetary resources that will be available from the central government budget. It shows a financing gap of 0.1% of GNP (or P5.7 billion) in 2004.

It should be stressed that the estimate of the resource requirement needed for the MDG on health that is presented in **Table 14** refers solely to the resources that are expected from the central government based on the *de facto* delineation of expenditure responsibilities across different levels of government<sup>25</sup> while the estimate of available resources refers only to central government resources. Meanwhile, closer scrutiny of the actual LGU spending in recent years suggests that provinces and municipalities in the aggregate have simply maintained in 1996-2001 the pre-devolution spending level of the central government and LGUs combined on the operation of devolved health facilities (**Table 15**). Given this, it is not likely that LGUs will be able to fill in the central government financing gap in the health sector except to a very limited extent.<sup>26</sup>

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<sup>24</sup> On the one hand, the budget requirement for any given year is derived by multiplying the unit cost of the various inputs with the target population (in this case, projected number of students) and the target coverage rate (in this case, target participation rate and target completion rate). The coverage rate/ target population used in these estimates are those that would be consistent with the achievement of the Millennium Development Goals. On the other hand, amount of budgetary resources that would most likely be made available is estimated based on the projected sectoral budget shares that are given in the MTPDP and the projected aggregate central government expenditure level (given projected central government revenues and target fiscal deficit).

<sup>25</sup> As discussed in **Section 4** below, when the devolution program was implemented in 1993-1994, the DOH budget was reduced by an amount equal to the actual allocations for the operation of devolved facilities like provincial/district hospitals, rural health units and barangay health stations (including outlays for personal services and MOOE) in the 1992 DOH budget since LGUs were expected to fund these expenditures from the increase in their IRA share henceforth. However, allocations for many public health programs (like the expanded program of immunization, communicable disease control, women's health and children's health and procurement of drugs and medicines) were retained in the DOH budget despite the fact that these programs pertain to functions that are officially devolved to LGUs.

<sup>26</sup> Note that total health spending of city governments in the aggregate in 1996-2001 exceeded the pre-devolution spending level.

**Table 12. Resources Available and Resource Gap in Basic Education  
(High Cost Assumption)**

<b>Year</b>	<b>Available Resources w/ MTPDP</b>	<b>Resource Requirement w/ MTPDP</b>	<b>Gap w/ MTPDP</b>
<b>Levels In Million Pesos</b>			
2002	105,923	124,146	18,223
2003	106,452	127,668	21,216
2004	110,517	135,999	25,482
2005	126,269	146,179	19,910
2006	152,255	155,493	3,237
2007	174,487	165,561	(8,926)
2008	189,960	176,304	(13,656)
2009	235,197	187,766	(47,431)
2010	265,576	199,996	(65,580)
2011	295,672	213,051	(82,621)
2012	329,157	226,986	(102,171)
2013	366,411	241,864	(124,547)
2014	407,856	257,750	(150,106)
2015	453,963	274,714	(179,249)
2002-2006	601,417	689,485	88,068
2002-2015	3,319,695	2,633,476	(686,219)
<b>Percent to GNP</b>			
2002	2.51	2.94	0.43
2003	2.29	2.74	0.46
2004	2.15	2.64	0.50
2005	2.21	2.56	0.35
2006	2.40	2.45	0.05
2007	2.47	2.35	(0.13)
2008	2.42	2.25	(0.17)
2009	2.70	2.15	(0.54)
2010	2.74	2.06	(0.68)
2011	2.74	1.98	(0.77)
2012	2.74	1.89	(0.85)
2013	2.75	1.81	(0.93)
2014	2.75	1.74	(1.01)
2015	2.75	1.67	(1.09)
2002-2006	2.31	2.64	0.34
2002-2015	2.62	2.08	(0.54)

**Table 13. Composition of LGU Expenditures on Basic Education Services  
(in million pesos)**

<b>Level</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<i>Basic Education</i>	4517	6266	6938	6809	7658	8634
Personal services	1,394	1,668	2,006	2,139	2,332	2,640
MOOE	1,791	2,048	2,523	2,250	2,892	3,319
Capital outlay	1,332	2,550	2,409	2,420	2,433	2,674

**Table 14. Resources Available and Resource Gap in Basic Health (high cost assumption)**

<b>Year</b>	<b>Available Resources MTPDP Assumption</b>	<b>Resource Requirement MTPDP Assumption</b>	<b>Gap MTPDP Assumption</b>
<b>Levels In Million Pesos</b>			
2002	2,570	9,113	6,543
2003	1,998	8,002	6,004
2004	1,978	7,647	5,669
2005	4,748	8,291	3,543
2006	6,109	9,061	2,953
2007	8,271	9,787	1,516
2008	10,482	10,371	-111
2009	13,080	10,945	-2,135
2010	15,629	11,791	-3,838
2011	18,096	11,404	-6,692
2012	20,884	12,042	-8,842
2013	24,030	12,636	-11,395
2014	27,579	13,070	-14,509
2015	31,579	13,645	-17,934
2002-2007	25,674	51,901	26,228
<b>Percent to GNP</b>			
2002	0.06	0.22	0.16
2003	0.04	0.17	0.13
2004	0.04	0.15	0.11
2005	0.08	0.15	0.06
2006	0.10	0.14	0.05
2007	0.12	0.14	0.02
2008	0.13	0.13	0.00
2009	0.15	0.13	-0.02
2010	0.16	0.12	-0.04
2011	0.17	0.11	-0.06
2012	0.17	0.10	-0.07
2013	0.18	0.09	-0.09
2014	0.19	0.09	-0.10
2015	0.19	0.08	-0.11
2002-2007	0.08	0.16	0.08

**Table 15. LGU Health Expenditures as Percent of GNP**

<b>Actual LGU Expd</b>	<b>All LGUs</b>	<b>Provinces</b>	<b>Municipalities</b>	<b>Cities</b>
1996	0.41	0.19	0.12	0.10
1997	0.46	0.21	0.14	0.11
1998	0.46	0.20	0.14	0.12
1999	0.45	0.20	0.13	0.12
2000	0.45	0.20	0.13	0.12
2001	0.43	0.18	0.12	0.12
Pre-devolution expd of NG and LGUs combined	0.38	0.20	0.13	0.06

## 5. CONCLUSION

This study shows that the national government has made some progress (albeit small) in arresting the undeterred slide in tax collection efficiency in 1998-2002. The national government's fiscal performance in January-September 2003 suggests that it is likely that the fiscal deficit target of P202 billion in 2003 will not be exceeded even if it retires part of its huge stock of account payables.

Also, it appears that the fiscal deficit target for 2004 can be met provided that (1) the new tax measures proposed therein are all legislated, (2) additional improvements in BIR tax administration are effected, and (3) the legal impediments to the recovery of the Marcos Swiss bank deposit are ironed out. Thus, this paper projects that the national government's fiscal position will improve from 5.3% in 2002 to 4.7% in 2003 and 4.3% in 2004. However, it should be emphasized that the turnaround in the fiscal position of the national government is fragile anchored as it is on: (1) P12 billion of additional revenues from new tax measures that have not yet been enacted by Congress,<sup>27</sup> (2) continued success in tax administration reform giving rise to additional revenues of P8.8 billion, and (3) the timely transfer of some P14.8 billion of Marcos' ill-gotten wealth to government coffers.

Notwithstanding the precarious nature of the gains on the revenue side, structural problems on the expenditure side (e.g., undeterred rise in interest payments and government wage bill) continue to restrict the allocation decisions of the national government as nonmandatory expenditures decline persistently in 2004. Thus, total national government expenditures net of debt service and transfers to LGUs are cut from 10.6% of GDP in 2002 to 10.2% in 2003 and 9.6% in 2004. Meanwhile, total national government expenditures net of personal services expenditures, interest payments, and transfers to LGUs will go down from 3.9% of GDP in 2002 to 3.8% in 2003 and 3.5% in 2004.

The biggest winners in terms of programmed obligations are agrarian reform (P5.2 billion), public administration (P4.7 billion), social welfare and social security (P4.6 billion), education (P4.0 billion), national defense (P2.7 billion) and housing/community development (P1 billion). Consequently, most sectors have to contend with lower nominal budgets in 2004 (relative to 2003). Moreover, even with the increase in the proposed budgets of some of the better off sectors (e.g., education), the President's Budget for 2004 does not provide the resources necessary to attain the progress that is envisioned towards the attainment of the Millennium Development Goals.

Finally, this paper highlights why it is critical to always have a comprehensive picture of the public sector. It documents how the positive fiscal outlook for the national government in 2003-2004 masks the rapid deterioration in the fiscal position of the nonfinancial public sector mainly because of the huge losses registered by a number of GOCCs. While the non-financial public sector in the aggregate is projected to have a small primary surplus in 2004 after posting primary deficits in 2002-2003, its consolidated fiscal position is deemed to be unsustainable in 2003-2004. The solutions to this problem are not easy: increasing tariffs, privatization and regulatory reform.

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<sup>27</sup> This includes P7 billion from the proposed indexation of sin taxes and P5 billion from the restructuring of the documentary stamp tax.

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**Annex Table 1**  
**GROWTH RATE OF THE NATIONAL GOVERNMENT EXPENDITURES, BY SECTORAL CLASSIFICATION, 1975-2004**  
(In Percent)

	Average						1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
GRAND TOTAL	15.66	18.07	13.09	15.74	8.29	5.16	18.18	9.28	7.99	17.59	3.61	4.94	9.36	6.57
Total Economic Services	13.84	7.15	11.70	9.23	8.59	-3.42	29.49	-7.54	7.06	19.59	-7.44	-12.87	6.44	-6.20
Agriculture	10.81	11.71	10.34	11.07	6.16	-6.51	57.37	-29.56	28.98	-7.24	6.79	-15.59	11.39	-18.75
Agrarian Reform	1.05	29.16	25.99	27.69	11.43	11.13	-1.36	-3.80	-7.67	49.85	-5.90	-0.28	-0.41	53.55
Natural Resources	10.45	19.41	11.54	15.71	0.12	-2.38	67.77	-32.60	-2.37	2.79	23.68	4.75	-10.39	-3.25
Industry	14.51	9.08	10.96	9.95	17.51	2.36	6.35	-34.96	-0.97	63.88	-45.47	82.22	-38.71	-1.71
Trade	24.13	-21.82	9.80	-8.55	-32.99	-9.58	7.04	-42.25	-78.25	38.32	303.03	12.66	-12.44	-32.23
Tourism	7.61	19.41	24.18	21.59	7.73	11.16	31.80	23.74	-28.30	74.40	-41.94	34.20	9.01	4.37
Power & Energy	-3.02	24.70	-3.46	10.80	19.25	-19.31	111.95	-17.65	186.46	-40.80	28.03	-109.75	-828.44	-40.30
Water Resources Devt.	35.48	5.18	-7.87	-1.06	-3.82	-48.16	15.06	-50.61	17.65	-24.37	-17.36	-90.27	30.72	-43.21
Transp. & Comm.	8.94	15.89	12.34	14.24	8.84	-4.54	21.95	10.22	-2.58	32.35	-12.30	-12.61	5.32	-9.79
Other Econ. Services	32.70	-30.93	3.51	-16.75	21.22	-6.51	7.01	-41.53	80.01	-1.05	-31.31	-23.37	11.10	-10.27
Total Social Services	15.58	21.06	18.21	19.74	4.45	4.42	23.58	10.36	5.65	7.85	-3.59	6.16	6.08	5.30
Education	16.01	21.48	18.83	20.25	3.00	3.04	26.84	11.75	4.50	4.56	2.80	6.07	3.11	3.08
Health	15.03	20.26	5.03	12.98	3.03	0.62	25.87	-5.64	10.91	-1.39	-10.51	9.86	-9.19	-1.11
Soc. Security, Welfare & Employment	7.37	37.04	27.28	32.45	5.20	11.18	34.23	12.07	3.56	12.42	-4.11	5.73	27.67	13.20
Housing & Com. Devt.	22.36	-16.43	46.65	8.33	42.10	11.91	-59.84	38.22	40.34	104.45	-78.95	-8.95	6.30	62.05
National Defense	7.54	11.35	12.51	11.88	4.66	4.41	10.79	7.87	4.59	9.86	-0.99	8.88	3.57	6.70
Total Public Services	16.67	23.80	14.04	19.20	4.36	0.99	13.25	10.53	-1.97	15.85	6.44	6.10	-6.48	4.88
Public Administration	15.29	18.99	11.79	15.61	0.83	0.16	9.04	9.37	-11.66	16.04	5.78	0.29	-8.75	11.18
Peace and Order	24.23	35.56	16.99	26.65	8.10	1.73	18.49	11.87	8.88	15.68	7.03	11.34	-4.64	-0.01
Others	18.76	25.52	25.67	25.59	14.41	6.68	21.95	11.93	26.51	18.38	0.69	16.93	9.04	1.59
Debt Service (Interests)	36.21	27.34	3.85	15.90	12.18	11.63	1.89	27.99	6.51	32.56	24.09	6.31	24.12	17.70
MEMO ITEM:														
IRA	18.61	29.19	24.86	27.18	14.10	5.49	25.54	8.29	23.85	19.92	1.36	16.05	4.89	1.73
Grand Total - Debt Service	13.76	15.25	16.24	15.71	7.36	2.75	21.85	5.76	8.33	14.23	-1.72	4.49	4.42	2.15
Grand Total - Debt Service - IRA	13.55	14.13	14.86	14.47	5.81	1.95	21.11	5.23	5.02	12.80	-2.54	1.27	4.27	2.28
Infrastructure	8.35	15.97	11.07	13.68	9.13	-5.42	24.14	7.79	4.00	24.96	-10.55	-19.19	11.69	-11.33
Defense & Peace & Order	9.25	18.74	14.79	16.90	6.53	2.88	14.77	10.01	6.92	13.08	3.55	10.32	-1.28	2.87

**Annex Table 2**  
**NATIONAL GOVERNMENT EXPENDITURES AS PROPORTION OF GDP, BY SECTORAL CLASSIFICATION, 1975-2004**  
(In Percent)

	Average						1997	1998	1999	2000	2001	2002	2003	2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
GRAND TOTAL	14.85	18.74	19.63	19.32	20.09	18.80	20.27	20.17	19.50	20.63	19.43	18.66	18.82	18.42
Total Economic Services	6.28	4.53	4.09	4.25	3.78	2.64	4.51	3.79	3.64	3.91	3.29	2.62	2.58	2.22
Agriculture	0.89	0.79	0.72	0.75	0.68	0.47	1.01	0.65	0.75	0.62	0.61	0.47	0.48	0.36
Agrarian Reform	0.12	0.35	0.31	0.33	0.27	0.26	0.32	0.28	0.23	0.31	0.27	0.24	0.22	0.32
Natural Resources	0.24	0.28	0.27	0.28	0.20	0.18	0.38	0.24	0.21	0.19	0.21	0.21	0.17	0.15
Industry	0.25	0.16	0.17	0.17	0.12	0.08	0.18	0.11	0.09	0.14	0.07	0.11	0.06	0.06
Trade	0.12	0.04	0.03	0.03	0.00	0.01	0.02	0.01	0.00	0.00	0.01	0.01	0.01	0.01
Tourism	0.04	0.02	0.04	0.03	0.04	0.03	0.04	0.05	0.03	0.05	0.02	0.03	0.03	0.03
Power & Energy	0.76	0.34	0.19	0.24	0.16	0.06	0.11	0.08	0.21	0.11	0.13	-0.01	0.08	0.04
Water Resources Devt.	0.14	0.08	0.05	0.06	0.02	0.00	0.05	0.02	0.02	0.02	0.01	0.00	0.00	0.00
Transp. & Comm.	2.67	2.07	2.22	2.17	2.23	1.52	2.31	2.32	2.02	2.41	1.92	1.54	1.49	1.24
Other Econ. Services	1.06	0.40	0.08	0.19	0.06	0.03	0.08	0.04	0.07	0.06	0.04	0.03	0.03	0.02
Total Social Services	2.97	3.88	4.74	4.43	5.09	4.22	5.44	5.46	5.17	5.02	4.40	4.27	4.18	4.04
Education	1.86	2.76	3.42	3.19	3.61	3.07	3.91	3.98	3.72	3.50	3.27	3.18	3.02	2.86
Health	0.60	0.70	0.50	0.57	0.47	0.33	0.58	0.50	0.50	0.44	0.36	0.36	0.30	0.27
Soc. Security, Welfare & Employment	0.16	0.29	0.68	0.55	0.82	0.77	0.86	0.87	0.81	0.82	0.71	0.69	0.81	0.85
Housing & Com. Devt.	0.35	0.13	0.13	0.13	0.20	0.05	0.09	0.11	0.14	0.25	0.05	0.04	0.04	0.06
National Defense	1.85	1.34	1.21	1.25	1.11	0.96	1.20	1.18	1.11	1.09	0.98	0.98	0.94	0.92
Total Public Services	1.59	2.28	2.84	2.64	2.66	2.36	2.96	2.98	2.62	2.73	2.64	2.56	2.21	2.13
Public Administration	1.19	1.28	1.57	1.47	1.27	1.07	1.58	1.57	1.25	1.30	1.25	1.15	0.97	0.99
Peace and Order	0.40	1.00	1.26	1.17	1.39	1.28	1.38	1.41	1.37	1.43	1.39	1.41	1.24	1.14
Others	0.77	1.19	2.84	2.26	3.52	3.44	2.94	3.00	3.40	3.62	3.31	3.55	3.57	3.33
Debt Service (Interests)	1.39	5.53	3.92	4.48	3.93	5.19	3.21	3.74	3.57	4.26	4.80	4.67	5.35	5.78
MEMO ITEM:														
IRA	0.61	0.81	2.76	2.07	3.33	3.22	2.93	2.89	3.20	3.45	3.18	3.38	3.27	3.05
Grand Total - Debt Service	13.46	13.21	15.71	14.83	16.16	13.61	17.05	16.42	15.93	16.37	14.62	13.98	13.47	12.63
Grand Total - Debt Service - IRA	12.85	12.40	12.96	12.76	12.83	10.39	14.12	13.53	12.72	12.92	11.44	10.60	10.20	9.58
Infrastructure	3.56	2.48	2.46	2.47	2.40	1.59	2.47	2.42	2.26	2.54	2.06	1.53	1.57	1.28
Defense & Peace & Order	2.25	2.33	2.47	2.42	2.50	2.24	2.58	2.59	2.48	2.52	2.37	2.39	2.18	2.06

**Annex Table 3**  
**PERCENT DISTRIBUTION OF NATIONAL GOVERNMENT EXPENDITURES, BY SECTORAL CLASSIFICATION, 1975-2004**

	Average						1997	1998	1999	2000	2001	2002	2003	2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
GRAND TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total Economic Services	42.27	24.16	20.85	21.98	18.82	14.06	22.23	18.81	18.65	18.97	16.95	14.07	13.69	12.05
Agriculture	5.98	4.24	3.68	3.87	3.40	2.50	4.98	3.21	3.84	3.03	3.12	2.51	2.56	1.95
Agrarian Reform	0.83	1.86	1.60	1.69	1.36	1.40	1.58	1.39	1.19	1.51	1.37	1.30	1.19	1.71
Natural Resources	1.62	1.51	1.39	1.43	0.98	0.97	1.89	1.17	1.06	0.92	1.10	1.10	0.90	0.82
Industry	1.66	0.84	0.88	0.86	0.59	0.40	0.89	0.53	0.48	0.67	0.35	0.62	0.34	0.32
Trade	0.79	0.22	0.15	0.17	0.01	0.05	0.12	0.06	0.01	0.01	0.06	0.06	0.05	0.03
Tourism	0.28	0.13	0.18	0.16	0.19	0.15	0.20	0.23	0.15	0.22	0.12	0.16	0.16	0.16
Power & Energy	5.11	1.79	0.99	1.26	0.79	0.31	0.54	0.41	1.08	0.54	0.67	-0.06	0.42	0.23
Water Resources Devt.	0.92	0.43	0.24	0.30	0.09	0.02	0.24	0.11	0.12	0.08	0.06	0.01	0.01	0.00
Transp. & Comm.	17.98	11.03	11.33	11.22	11.08	8.11	11.41	11.51	10.38	11.68	9.89	8.23	7.93	6.71
Other Econ. Services	7.12	2.12	0.42	1.00	0.32	0.15	0.39	0.21	0.35	0.30	0.20	0.14	0.15	0.12
Total Social Services	19.97	20.71	24.12	22.96	25.32	22.42	26.83	27.10	26.51	24.31	22.63	22.89	22.20	21.94
Education	12.51	14.72	17.41	16.49	17.96	16.33	19.31	19.74	19.11	16.99	16.86	17.04	16.06	15.54
Health	4.02	3.73	2.56	2.96	2.33	1.74	2.87	2.48	2.55	2.14	1.85	1.93	1.60	1.49
Soc. Security, Welfare & Employment	1.06	1.55	3.49	2.82	4.06	4.11	4.23	4.33	4.16	3.97	3.68	3.71	4.33	4.60
Housing & Com. Devt.	2.39	0.71	0.67	0.68	0.98	0.25	0.43	0.54	0.70	1.22	0.25	0.21	0.21	0.32
National Defense	12.46	7.13	6.16	6.49	5.54	5.08	5.94	5.86	5.68	5.31	5.07	5.26	4.98	4.99
Total Public Services	10.72	12.17	14.45	13.67	13.25	12.53	14.61	14.78	13.41	13.22	13.58	13.73	11.74	11.55
Public Administration	8.01	6.84	8.01	7.61	6.34	5.70	7.80	7.81	6.39	6.30	6.43	6.15	5.13	5.35
Peace and Order	2.71	5.33	6.44	6.06	6.91	6.83	6.81	6.97	7.03	6.91	7.14	7.58	6.61	6.20
Others	5.21	6.34	14.46	11.69	17.50	18.29	14.53	14.88	17.43	17.55	17.06	19.01	18.95	18.07
Debt Service (Interests)	9.38	29.49	19.97	23.21	19.57	27.61	15.85	18.57	18.31	20.65	24.73	25.05	28.43	31.40
MEMO ITEM:														
IRA	4.09	4.34	14.04	10.73	16.60	17.11	14.45	14.32	16.42	16.75	16.38	18.12	17.38	16.59
Grand Total - Debt Service	90.62	70.51	80.03	76.79	80.43	72.39	84.15	81.43	81.69	79.35	75.27	74.95	71.57	68.60
Grand Total - Debt Service - IRA	86.54	66.17	65.99	66.05	63.83	55.28	69.70	67.12	65.27	62.61	58.89	56.84	54.19	52.01
Infrastructure	24.01	13.24	12.55	12.79	11.97	8.44	12.19	12.02	11.58	12.30	10.62	8.18	8.35	6.95
Defense & Peace & Order	15.17	12.46	12.60	12.55	12.44	11.91	12.75	12.83	12.71	12.22	12.21	12.84	11.59	11.19

**Annex Table 4**  
**GROWTH RATE OF THE NATIONAL GOVERNMENT EXPENDITURES, BY ECONOMIC CLASSIFICATION CLASSIFICATION, 1975-2004**  
(In Percent)

	Average						1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
TOTAL	15.66	18.07	13.09	15.74	12.69	6.10	18.18	9.28	7.99	17.59	3.61	4.94	9.36	6.57
I. Current Operating Expenditures	16.65	22.30	13.30	18.06	13.62	7.60	17.10	8.46	12.96	18.25	5.97	6.42	9.32	8.72
A. Personal Services	16.71	20.40	17.63	19.11	7.01	5.04	29.35	14.81	4.83	9.24	5.28	8.25	2.95	3.77
B. MOOE	16.61	23.46	10.49	17.29	18.70	9.18	9.08	3.54	19.96	25.03	6.42	5.22	13.58	11.72
a. Interests	36.21	27.34	3.85	15.90	18.88	17.81	1.88	27.99	6.51	32.69	24.09	6.26	24.05	17.76
b. Transfers	12.06	26.05	23.33	24.79	23.46	3.96	15.90	-13.51	47.89	23.15	-3.39	10.87	4.18	4.66
1. to local government	19.82	28.08	24.61	26.47	22.16	5.49	20.41	-14.74	53.25	20.84	2.40	15.10	3.20	1.81
2. to all government corporations	10.64	17.55	22.12	19.64	29.75	(27.14)	-6.97	-6.42	25.40	34.25	-37.24	-16.22	-56.50	23.20
3. to others	(2.46)	24.09	11.32	18.03	30.77	19.05	13.62	-10.88	24.98	36.82	-15.52	-20.19	127.29	31.07
c. Loan Repayment & Sinking Fund Contrib. (less Loan Amortization)			(2.38)				-85.17	487.41	-99.95	-100.00				
d. Other MOE	10.33	15.67	10.30	13.16	10.45	(1.48)	9.36	-2.24	5.54	15.58	-8.40	-9.26	5.28	7.67
II. Capital Outlay	13.96	5.57	11.88	8.44	7.04	(5.94)	23.83	13.34	-15.58	13.40	-12.02	-6.84	9.74	-12.97
A. Land, Land Improvements & Structure Outlays (w/ Buildings & Structures from 1975-77)	(0.08)	22.08	18.26	20.30	9.51	(6.54)	26.59	56.66	-26.24	25.97	-5.53	-14.65	15.31	-17.95
B. Buildings & Structures		18.48	6.78	12.93	(4.67)	(9.77)	7.06	-28.26	-19.11	12.34	-42.52	2.71	-2.52	15.20
C. Equipment (Others & Livestock & Eqpt. Outlay starting 1992)	13.97	13.61	2.46	8.32	(2.15)	(0.06)	42.44	-43.17	51.44	-36.78	-28.75	98.10	-21.83	-9.60
D. Investment Outlay	9.84	(8.31)	8.79	(0.78)	(16.84)	(20.46)	33.62	-21.67	-54.33	51.42	-81.49	207.50	28.87	-45.43
a. to local government		37.50	(20.90)	6.53	320.93		12640.57	-86.49	-100.00		-75.78	23.75	-100.00	
b. to all government corporations	10.69	(9.04)	(4.36)	(6.91)	16.74	(18.34)	-19.72	-38.46	-19.76	69.87	-97.09	1899.27	-18.98	-5.78
c. to others	(19.69)	30.03	69.29	46.87	(70.32)	(28.13)	630.60	2.34	-80.83	-54.04	99.32	-66.07	578.76	-94.19
E. Loans Outlay	94.04	(16.84)	(13.73)	(15.42)	87.51	5.85	18.53	-62.45	321.08	-16.50	38.22	-35.44	21.95	15.33
a. to local government		63.86	14.42	38.83	68.31		54.52	-45.65	133.94	21.09	1.21	-94.46	-100.00	
b. to all government corporations	205.16	(22.02)	(25.19)	(23.50)	227.40	7.42	3.38	-79.06	1278.93	-22.27	50.61	-29.47	25.35	0.00
c. to others	22.99	36.98	(5.86)	15.21	(41.59)	31.53	33.18	-47.42	-74.73	34.98	-59.16	-25.14	-100.00	

**Annex Table 5**  
**NATIONAL GOVERNMENT EXPENDITURES AS PROPORTION OF GDP, BY ECONOMIC CLASSIFICATION CLASSIFICATION, 1975-2004**  
(In Percent)

	Average						1997	1998	1999	2000	2001	2002	2003	2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
TOTAL	14.85	18.74	19.63	19.32	20.09	18.80	20.27	20.17	19.50	20.63	19.43	18.66	18.82	18.42
I. Current Operating Expenditures	9.67	15.08	16.32	15.88	17.41	16.98	16.87	16.66	16.85	17.92	17.26	16.81	16.96	16.93
A. Personal Services	4.02	5.48	6.53	6.16	7.17	6.49	7.37	7.71	7.23	7.11	6.80	6.74	6.40	6.10
B. MOOE	5.66	9.59	9.79	9.72	10.24	10.49	9.49	8.95	9.61	10.81	10.46	10.07	10.55	10.83
a. Interests	1.45	5.53	3.92	4.49	3.93	5.19	3.21	3.74	3.57	4.26	4.81	4.68	5.35	5.79
b. Transfers	1.23	1.56	3.50	2.82	4.15	3.74	3.76	2.96	3.92	4.35	3.82	3.87	3.72	3.58
1. to local government	0.66	0.86	2.80	2.12	3.44	3.31	3.09	2.40	3.29	3.57	3.33	3.50	3.34	3.12
2. to all government corporations	0.23	0.35	0.48	0.43	0.48	0.17	0.45	0.39	0.43	0.52	0.30	0.23	0.09	0.10
3. to others	0.34	0.35	0.22	0.27	0.23	0.25	0.22	0.18	0.20	0.25	0.19	0.14	0.29	0.35
c. Loan Repayment & Sinking Fund Contrib. (less Loan Amortization)	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d. Other MOE	2.91	2.50	2.37	2.42	2.16	1.56	2.52	2.24	2.12	2.20	1.83	1.52	1.48	1.46
II. Capital Outlay	5.18	3.66	3.32	3.44	2.68	1.82	3.40	3.51	2.65	2.71	2.16	1.84	1.87	1.49
A. Land, Land Improvements & Structure Outlays (w/ Buildings & Structures from 1975-77)	1.58	1.36	1.84	1.67	1.81	1.32	1.80	2.56	1.69	1.92	1.65	1.29	1.37	1.03
B. Buildings & Structures	0.60	0.78	0.66	0.70	0.34	0.17	0.72	0.47	0.34	0.35	0.18	0.17	0.15	0.16
C. Equipment (Others & Livestock & Eqpt. Outlay starting 1992)	0.27	0.32	0.37	0.36	0.27	0.17	0.49	0.26	0.35	0.20	0.13	0.23	0.17	0.14
D. Investment Outlay	1.93	0.46	0.30	0.36	0.08	0.03	0.23	0.16	0.07	0.09	0.02	0.04	0.05	0.03
a. to local government	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
b. to all government corporations	1.84	0.43	0.26	0.32	0.06	0.02	0.13	0.07	0.05	0.08	0.00	0.04	0.03	0.02
c. to others	0.09	0.02	0.04	0.04	0.01	0.01	0.10	0.09	0.02	0.01	0.01	0.00	0.02	0.00
E. Loans Outlay	0.79	0.75	0.14	0.36	0.18	0.14	0.16	0.05	0.20	0.15	0.19	0.11	0.13	0.14
a. to local government	0.00	0.02	0.01	0.01	0.02	0.00	0.02	0.01	0.02	0.02	0.02	0.00	0.00	0.00
b. to all government corporations	0.74	0.62	0.09	0.28	0.15	0.13	0.08	0.01	0.18	0.12	0.17	0.11	0.13	0.12
c. to others	0.05	0.11	0.04	0.06	0.01	0.01	0.06	0.03	0.01	0.01	0.00	0.00	0.00	0.02

**Annex Table 6**  
**PERCENT DISTRIBUTION OF NATIONAL GOVERNMENT EXPENDITURES, BY ECONOMIC CLASSIFICATION CLASSIFICATION, 1975-2004**  
(In Percent)

	Average						1997	1998	1999	2000	2001	2002	2003	2004
	75-85	86-92	93-98	86-98	99-2000	2001-2004								
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Current Operating Expenditures	65.13	80.46	83.74	82.62	86.66	90.32	83.23	82.60	86.40	86.89	88.86	90.11	90.08	91.90
A. Personal Services	27.05	29.25	33.25	31.89	35.68	34.50	36.38	38.22	37.10	34.47	35.03	36.13	34.01	33.12
B. MOOE	38.09	51.21	50.49	50.74	50.98	55.82	46.84	44.38	49.30	52.42	53.84	53.98	56.07	58.78
a. Interests	9.78	29.52	19.97	23.23	19.58	27.62	15.85	18.57	18.31	20.67	24.75	25.06	28.43	31.42
b. Transfers	8.27	8.32	18.46	15.00	20.64	19.89	18.57	14.69	20.12	21.08	19.65	20.76	19.78	19.42
1. to local government	4.46	4.58	14.91	11.39	17.11	17.62	15.23	11.88	16.86	17.33	17.13	18.78	17.73	16.93
2. to all government corporations	1.53	1.87	2.43	2.24	2.39	0.92	2.23	1.91	2.22	2.53	1.53	1.22	0.49	0.56
3. to others	2.29	1.87	1.12	1.37	1.14	1.34	1.11	0.90	1.04	1.22	0.99	0.75	1.57	1.93
c. Loan Repayment & Sinking Fund Contrib. (less Loan Amortization)	0.46	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d. Other MOE	19.58	13.36	12.06	12.50	10.76	8.31	12.42	11.11	10.86	10.68	9.44	8.16	7.86	7.94
II. Capital Outlay	34.87	19.54	16.26	17.38	13.34	9.68	16.77	17.40	13.60	13.11	11.14	9.89	9.92	8.10
A. Land, Land Improvements & Structure Outlays (w/ Buildings & Structures from 1975-77)	10.66	7.24	8.73	8.22	9.02	7.00	8.87	12.72	8.68	9.30	8.48	6.90	7.28	5.60
B. Buildings & Structures	4.02	4.15	3.34	3.62	1.71	0.88	3.57	2.34	1.75	1.67	0.93	0.91	0.81	0.88
C. Equipment (Others & Livestock & Eqpt. Outlay starting 1992)	1.85	1.71	1.91	1.84	1.33	0.88	2.44	1.27	1.78	0.95	0.66	1.24	0.89	0.75
D. Investment Outlay	12.99	2.44	1.55	1.85	0.39	0.18	1.12	0.81	0.34	0.44	0.08	0.23	0.27	0.14
a. to local government	0.00	0.01	0.00	0.01	0.02	0.00	0.02	0.00	0.00	0.03	0.01	0.01	0.00	0.00
b. to all government corporations	12.40	2.30	1.32	1.65	0.32	0.13	0.62	0.35	0.26	0.38	0.01	0.20	0.15	0.13
c. to others	0.58	0.13	0.23	0.19	0.05	0.05	0.48	0.45	0.08	0.03	0.06	0.02	0.12	0.01
E. Loans Outlay	5.35	4.00	0.73	1.84	0.88	0.75	0.78	0.27	1.04	0.74	0.99	0.61	0.68	0.73
a. to local government	0.01	0.09	0.06	0.07	0.09	0.02	0.08	0.04	0.09	0.09	0.09	0.00	0.00	0.00
b. to all government corporations	5.01	3.32	0.46	1.44	0.75	0.69	0.37	0.07	0.92	0.61	0.88	0.59	0.68	0.64
c. to others	0.33	0.58	0.21	0.33	0.04	0.03	0.32	0.15	0.04	0.04	0.02	0.01	0.00	0.10

Annex Table 7  
NATIONAL GOVERNMENT EXPENDITURES, OBLIGATION BASIS, BY SECTORAL CLASSIFICATION AND BY OBJECT, 2003-2004 (IN MILLION PESOS)

	2003				2004				Difference 2003-2004				% Change 2003-2004			
	Personal Services	MOE	Capital Outlay	Grand TOTAL	Personal Services	MOE	Capital Outlay	Grand TOTAL	Personal Services	MOE	Capital Outlay	Grand TOTAL	Personal Services	MOE	Capital Outlay	Grand TOTAL
<b>GRAND TOTAL</b>	276,011	454,954	80,497	811,462	286,420	508,285	70,058	864,764	10,409	53,332	(10,439)	53,302	3.77	11.72	(12.97)	6.57
<b>Total Public Administration</b>	71,212	20,336	3,206	94,755	73,442	22,723	3,242	99,407	2,230	2,387	35	4,652	3.13	11.74	1.09	4.91
Public Administration	24,718	14,250	2,173	41,141	26,561	16,349	2,888	45,799	1,843	2,099	715	4,657	7.46	14.73	32.92	11.32
Peace & Order	46,494	6,086	1,033	53,614	46,881	6,375	353	53,609	387	288	(680)	(5)	0.83	4.74	(65.82)	(0.01)
National Defense	31,228	9,037	158	40,423	33,937	9,153	40	43,130	2,708	117	(118)	2,707	8.67	1.29	(74.67)	6.70
<b>Total Social Services</b>	153,084	20,944	6,641	180,670	158,609	23,820	7,790	190,220	5,525	2,876	1,149	9,550	3.61	13.73	17.30	5.29
Education	114,086	11,447	4,825	130,358	115,039	13,122	6,209	134,370	953	1,675	1,384	4,013	0.84	14.64	28.69	3.08
Health	6,811	5,972	735	13,518	6,838	5,984	551	13,374	27	12	(184)	(144)	0.40	0.20	(24.99)	(1.07)
Social Services, Labor Welfare & Employment	32,045	2,979	81	35,105	36,587	3,121	30	39,738	4,541	143	(51)	4,633	14.17	4.80	(63.18)	13.20
Housing & Community Development	142	546	1,001	1,689	145	1,592	1,000	2,738	3	1,046	(1)	1,048	2.45	191.43	(0.11)	62.05
<b>Total Economic Services</b>	20,439	26,041	64,645	111,125	20,409	33,448	50,379	104,236	(30)	7,407	(14,266)	(6,889)	(0.15)	28.45	(22.07)	(6.20)
Agrarian Reform	3,887	2,940	2,808	9,636	3,721	8,378	2,697	14,796	(166)	5,438	(111)	5,160	(4.27)	184.92	(3.97)	53.55
Agriculture	2,745	8,051	9,946	20,742	2,653	7,943	6,256	16,852	(92)	(108)	(3,690)	(3,890)	(3.35)	(1.34)	(37.10)	(18.75)
Natural Resource	4,152	1,820	1,336	7,308	4,176	1,473	1,421	7,071	24	(347)	85	(237)	0.58	(19.05)	6.37	(3.25)
Industry	1,222	1,368	208	2,797	1,246	1,392	112	2,750	24	24	(96)	(48)	2.00	1.73	(46.28)	(1.71)
Trade	119	156	123	398	118	150	2	270	(1)	(7)	(121)	(128)	(0.53)	(4.27)	(98.46)	(32.23)
Tourism	357	924	8	1,288	346	989	9	1,344	(10)	66	1	56	(2.87)	7.11	11.59	4.37
Power	315	1,884	1,171	3,370	310	1,697	5	2,012	(5)	(187)	(1,166)	(1,358)	(1.58)	(9.92)	(99.57)	(40.30)
Water	26	20	9	54	27	4	0	31	1	(16)	(9)	(23)	5.19	(81.10)	(100.00)	(43.21)
Transportation	7,119	8,223	49,010	64,353	7,312	10,875	39,866	58,053	193	2,652	(9,144)	(6,300)	2.71	32.25	(18.66)	(9.79)
Other Economic Services	498	655	25	1,178	499	547	11	1,057	0	(107)	(14)	(121)	0.09	(16.38)	(56.32)	(10.27)
Debt Service	0	230,697	0	230,697	0	271,531	0	271,531	0	40,834	0	40,834		17.70		17.70
Others	47	147,899	5,847	153,792	23	147,609	8,608	156,239	(24)	(290)	2,761	2,447	(50.94)	(0.20)	47.23	1.59
MEMO ITEM:									0	0	0	0				
Grand Total - Debt Service - IRA	276,011	83,257	80,497	439,765	286,420	93,317	70,058	449,795	10,409	10,060	(10,439)	10,030	3.77	12.08	(12.97)	2.28
IRA	0	141,000	0	141,000	0	143,437	0	143,437	0	2,437	0	2,437		1.73		1.73