



# 2005 FISCAL PERFORMANCE and 2006 FISCAL PROGRAM

Philippines Development Forum

Makati Shangri-La  
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Department of Finance



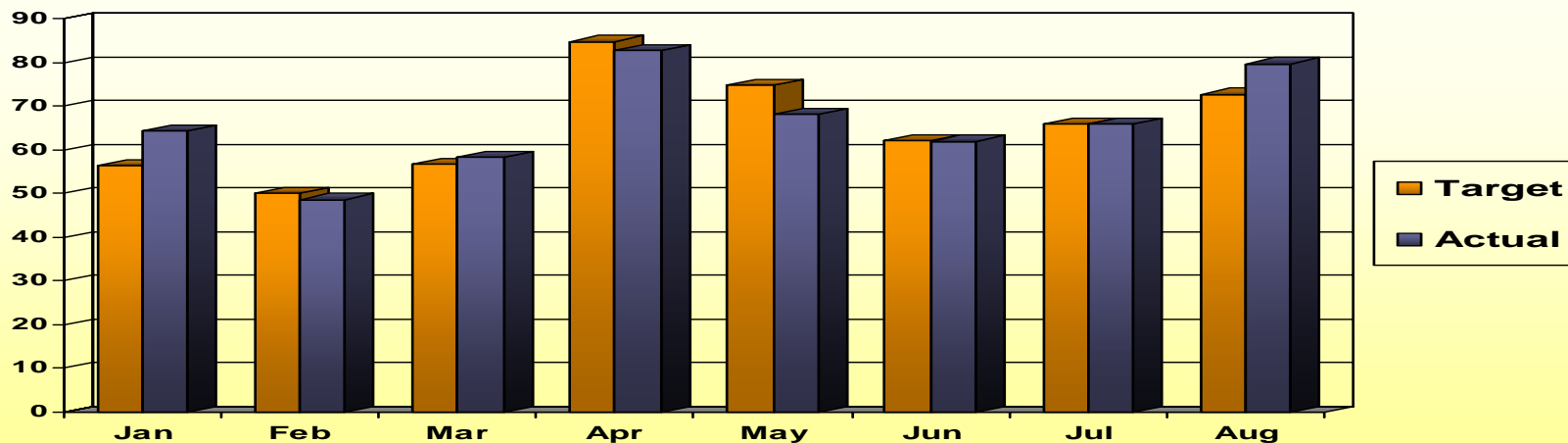
# General Outline

- **NG Fiscal Performance (Jan-Sept 05)**
- **NG Fiscal Targets CY 2006**
- **NG Financing Program**
- **Public Sector Debt**
- **Legislative Priorities**





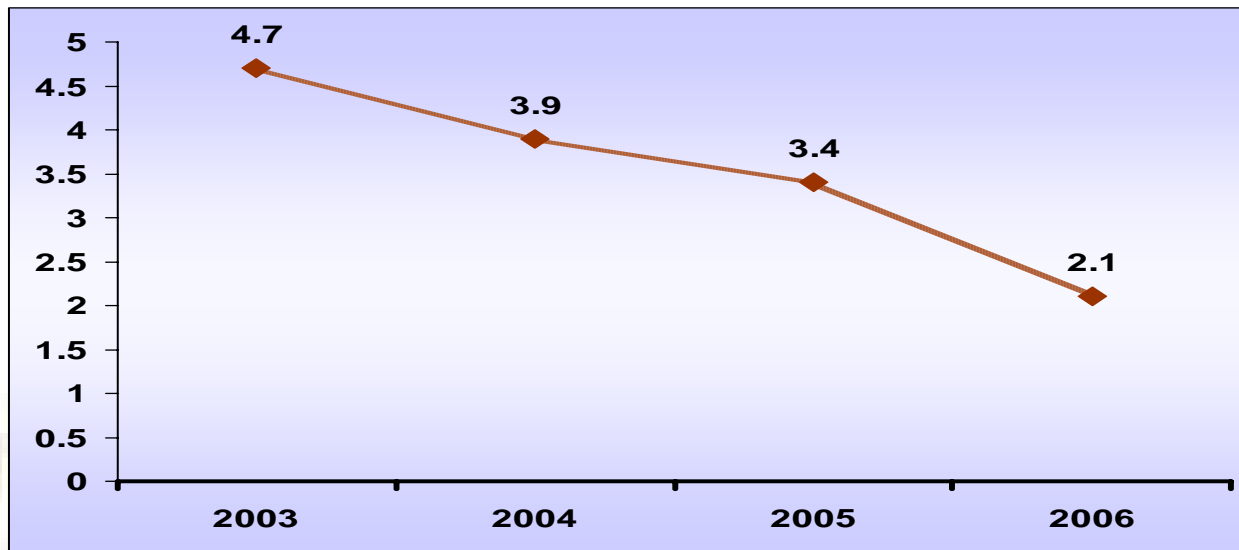
# NG Revenues Exceed Target by P9.1B



(In Billion Pesos)	Jan - Sept 2005		VARIANCE vs. Prog
	Prog	Actual	
<b>Revenues</b>	<b><u>580.4</u></b>	<b><u>589.5</u></b>	<b><u>9.1</u></b>
BIR	402.3	393.0	(9.3)
BOC	112.2	103.1	(9.1)
BTr Income	28.1	54.0	25.9
Other Offices	37.7	39.5	1.7
<b>Expenditures</b>	<b><u>726.3</u></b>	<b><u>698.0</u></b>	<b><u>(28.3)</u></b>
<b>Surplus/(Deficit)</b>	<b><u>(145.9)</u></b>	<b><u>(108.5)</u></b>	<b><u>37.4</u></b>



# NG Deficit to drop to 2.1% of GDP



(In Billion Pesos)	2005 BESF	2006 BESF	Growth Rate
<b>Revenues</b>	<b><u>783.2</u></b>	<b><u>968.6</u></b>	<b><u>23.7%</u></b>
<b>Tax Revenues</b>	<b>706.2</b>	<b>874.3</b>	<b>23.8%</b>
BIR	546.9	675.4	23.5%
BOC	151.2	190.5	26.0%
Other Offices	8.1	8.4	3.4%
<b>Non-Tax Revenues</b>	<b>77.0</b>	<b>94.3</b>	<b>22.6%</b>
BTr Income	36.6	51.9	41.9%
Privatization	0.5	0.5	0.0%
Others	39.9	42.0	5.2%
<b>Expenditures</b>	<b><u>963.2</u></b>	<b><u>1,093.5</u></b>	<b><u>13.5%</u></b>
<b>Surplus/(Deficit)</b>	<b><u>(180.0)</u></b>	<b><u>(124.9)</u></b>	<b><u>-30.6%</u></b>
<b>% to GDP</b>	<b>-3.4%</b>	<b>-2.1%</b>	

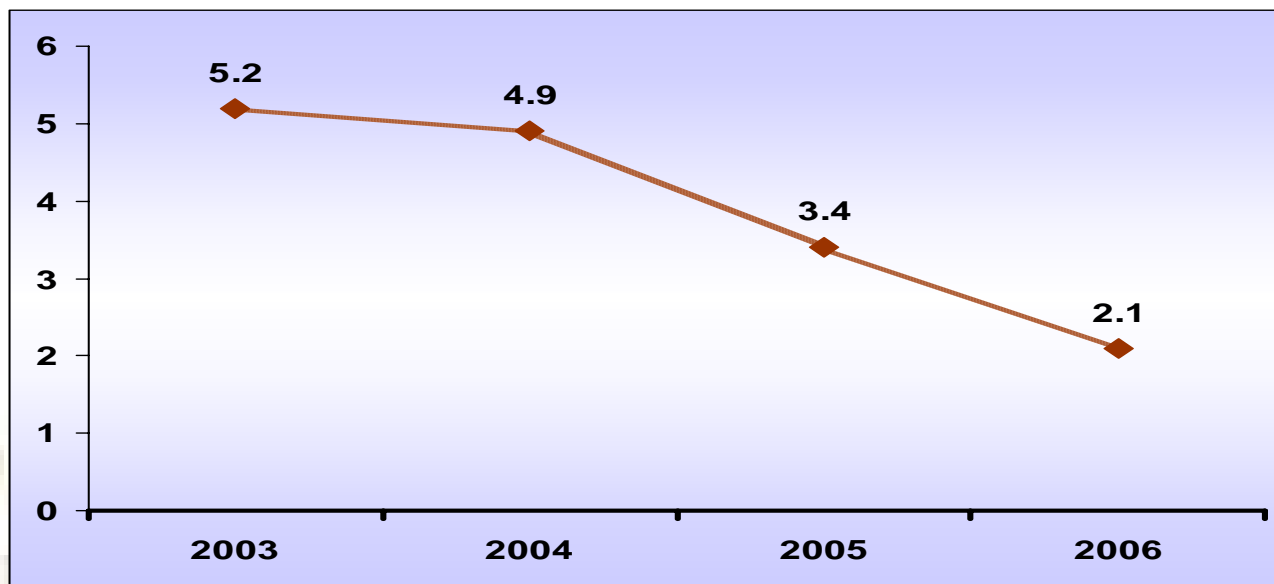


# CPSD S1 2005 lower by P51 B

(In Billion Pesos)	J A N - J U N			VARIANCE vs. Prog
	2004 <u>Actual</u>	2005		
		<u>Prog</u>	<u>Prelim</u>	
<b>Total Surplus/(Deficit)</b>	<b><u>(94.2)</u></b>	<b><u>(92.6)</u></b>	<b><u>(41.6)</u></b>	<b><u>51.0</u></b>
<b>% of GDP</b>	<b>-4.2%</b>	<b>-3.7%</b>	<b>-1.5%</b>	
<b>NG</b>	<b>(80.1)</b>	<b>(98.5)</b>	<b>(67.5)</b>	<b>31.0</b>
<b>CB Restructuring</b>	<b>(8.4)</b>	<b>(10.5)</b>	<b>(8.2)</b>	<b>2.4</b>
<b>14 MNFGCs</b>	<b>(32.6)</b>	<b>(19.0)</b>	<b>(9.6)</b>	<b>9.4</b>
<b>SSIs</b>	<b>10.7</b>	<b>11.4</b>	<b>23.6</b>	<b>12.2</b>
<b>BSP</b>	<b>(0.1)</b>	<b>0.7</b>	<b>6.2</b>	<b>5.5</b>
<b>GFI</b>	<b>1.8</b>	<b>5.5</b>	<b>2.5</b>	<b>(3.0)</b>
<b>LGUs</b>	<b>14.6</b>	<b>10.8</b>	<b>10.8</b>	<b>0.0</b>
<b>Adjustments</b>	<b>(0.3)</b>	<b>7.0</b>	<b>0.5</b>	<b>(6.5)</b>



# CPSD to drop to 2.1% of GDP



(In Billion Pesos)	2004 Actual	2005 Program	2006 Program
<b>Total Surplus / (Deficit)</b>	<b><u>(236.7)</u></b>	<b><u>(180.3)</u></b>	<b><u>(128.1)</u></b>
<b>% of GDP</b>	<b>-4.9%</b>	<b>-3.4%</b>	<b>-2.1%</b>
National Government	(187.1)	(180.0)	(124.9)
CB Restructuring	(17.5)	(18.4)	(19.2)
14 MNFGCs	(90.7)	(42.5)	(47.8)
SSIs (SSS,GSIS,PHIC)	24.4	26.0	36.7
BSP	3.3	1.0	1.0
GFIs (DBP,LBP,Philexim)	5.2	5.8	8.1
LGUs	15.5	18.0	7.2
Adjustments	10.3	9.8	10.8



# 2005 Financing

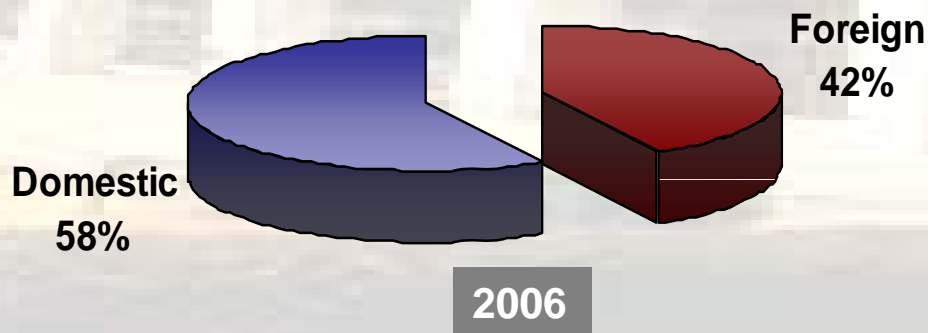
(In Billion Pesos)	Jan-Sept 2005		Variance
	Program	Actual	
<b>Net Financing</b>	<b><u>153.5</u></b>	<b><u>257.7</u></b>	<b><u>104.2</u></b>
<b>External (Net)</b>	<b><u>120.2</u></b>	<b><u>111.7</u></b>	<b><u>(8.5)</u></b>
External (Gross)	203.4	204.1	(0.7)
Less: Amortization	83.2	92.4	9.2
<b>Domestic (Net)</b>	<b><u>33.3</u></b>	<b><u>146.0</u></b>	<b><u>112.7</u></b>
Domestic (Gross)	216.6	336.1	119.5
Less: Amortization	183.3	190.2	6.9
<b>Change in Cash</b>	<b><u>(10.7)</u></b>	<b><u>108.3</u></b>	<b><u>119.0</u></b>
Budgetary	7.5	149.1	141.6
Non-Budgetary	(18.2)	(40.8)	(22.6)
<b>Financing Mix</b>			
Foreign	48%	37%	
Domestic	52%	63%	





# 2006 Financing requirements drop by 31%

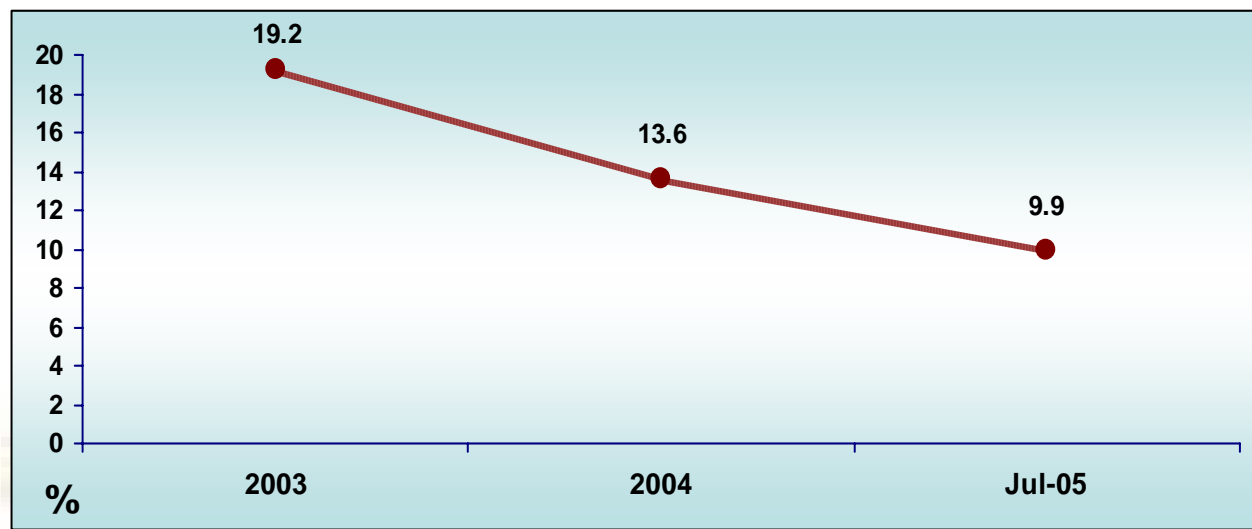
(In Billion Pesos)	2005	2006
	Program	
<b>Net Financing</b>	<b><u>215.7</u></b>	<b><u>150.0</u></b>
<b>External (Net)</b>	<b><u>98.4</u></b>	<b><u>102.3</u></b>
External (Gross)	227.7	221.4
Less: Amortization	129.3	119.1
<b>Domestic (Net)</b>	<b><u>117.3</u></b>	<b><u>47.6</u></b>
Domestic (Gross)	348.7	310.2
Less: Amortization	231.4	262.6
<b>Change in Cash</b>	<b><u>11.0</u></b>	<b><u>1.4</u></b>
Budgetary	35.7	25.1
Non-Budgetary	-24.7	-23.7



NG will borrow 58% from domestic and 42% from foreign sources to finance its deficit in 2006



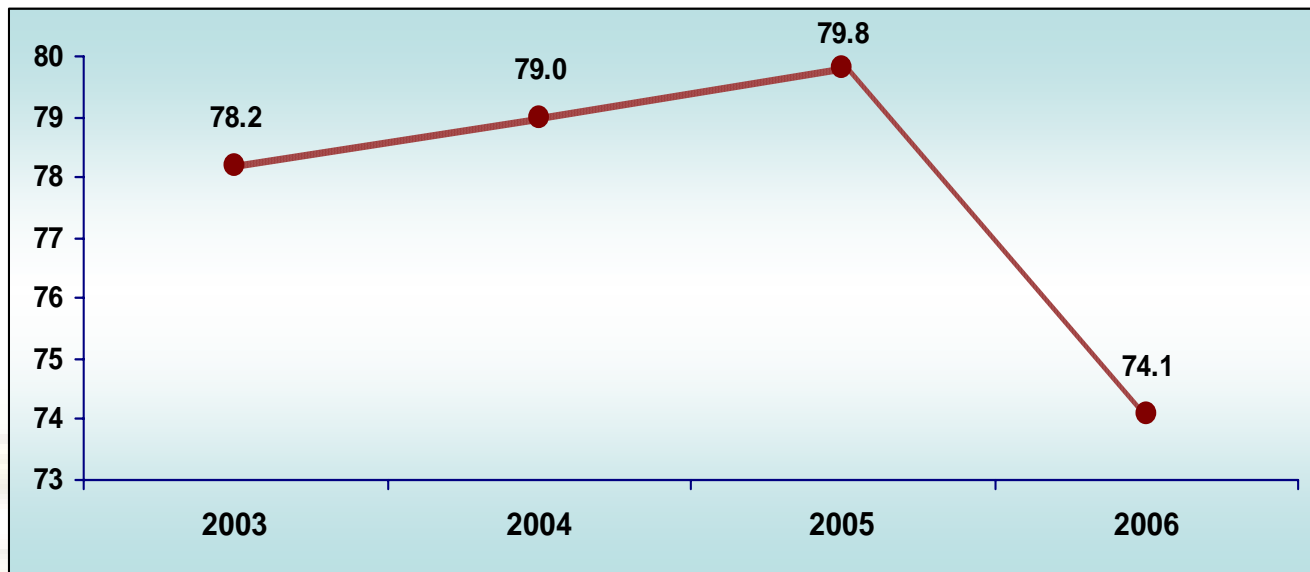
# Debt growth slowed down...



<u>(In billion pesos)</u>	As of end period	
	2004	July 2005
<b>NG Outstanding Debt</b>	<b><u>3,812.0</u></b>	<b><u>3,931.9</u></b>
Domestic	2,001.2	2,080.8
Foreign	1,810.7	1,851.1
<b>NG Contingent Debt</b>	<b><u>833.7</u></b>	<b><u>606.0</u></b>
Domestic	33.1	39.0
Foreign	800.6	567.1



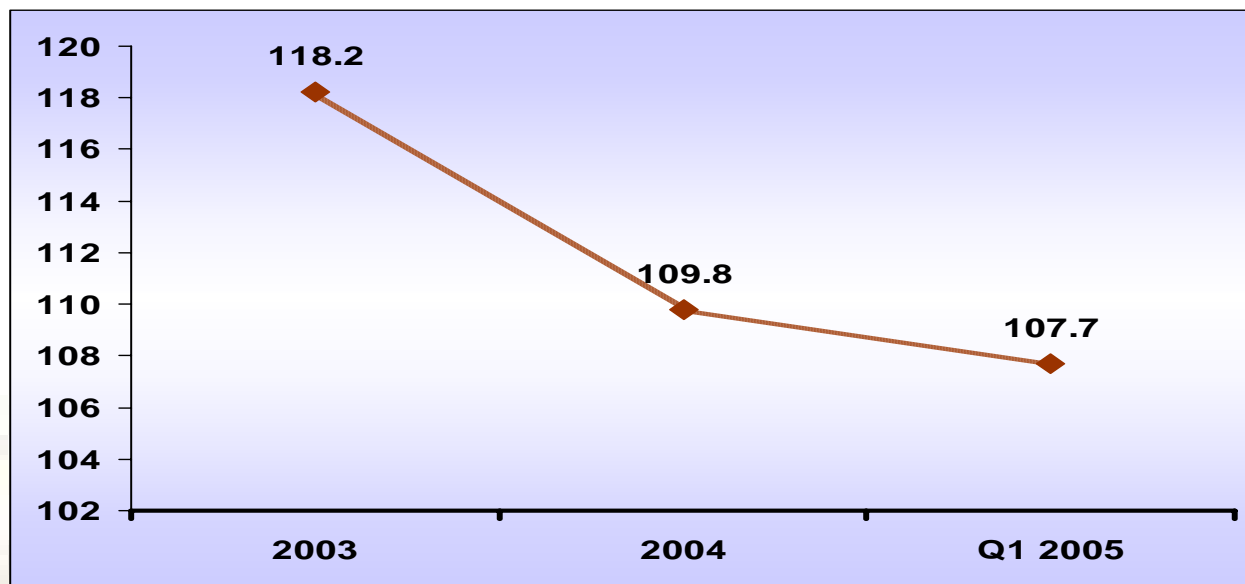
# NG Debt to drop to 74.1% of GDP



(In Billion Pesos)	2004 Actual	2005 Program	2006 Program
<b>Debt Outstanding</b> % of GDP a/	<b>3,812.0</b> 79.0%	<b>4,247.7</b> 79.8%	<b>4,444.2</b> 74.1%
<b>Debt Service</b> % of GDP b/	<b>601.7</b> 12.5%	<b>674.1</b> 12.7%	<b>721.7</b> 12.0%
<b>Interest Expense</b> % of GDP c/	<b>260.9</b> 5.4%	<b>313.4</b> 5.9%	<b>340.0</b> 5.7%
<b>% of Expenditures d/</b>	<b>29.4%</b>	<b>32.5%</b>	<b>31.1%</b>
<b>Principal Payments</b> % of GDP e/	<b>340.8</b> 7.1%	<b>360.7</b> 6.8%	<b>381.7</b> 6.4%
<b>GDP Nominal</b>	<b>4,826.3</b>	<b>5,323.1</b>	<b>5,999.1</b>
<b>Expenditures</b>	<b>886.8</b>	<b>963.2</b>	<b>1,093.5</b>



# Outstanding Public Sector Debt declined to 107.7% of GDP



As of end period (In billion pesos)	2004	Q1 2005
<b>Total Public Sector</b>	<b><u>5,297.6</u></b>	<b><u>5,330.6</u></b>
<b>% of GDP</b>	<b>109.8%</b>	<b>107.7%</b>
<b>Non-Financial Public Sector</b>	<b>4,637.2</b>	<b>4,494.7</b>
o.w. NG	3,812.0	3,869.0
o.w. 14 MNFGCs	1,554.4	1,492.8
<b>Intrasector-debt holdings</b>	<b>834.0</b>	<b>969.5</b>
<b>Financial Public Sector</b>	<b>1,331.5</b>	<b>1,427.5</b>
BSP	927.3	1,016.5
GFIs (LBP,DBP,Philexim)	404.1	411.0
<b>Other intra-public sector debt holdings</b>	<b>671.1</b>	<b>591.6</b>



# Legislative priorities in 2006

## Fiscal

- Rationalize Fiscal Incentives
- Simplified Net Income Tax System (SNITS)



# Legislative priorities in 2006

## Capital Market

- Extension of Special Purpose Vehicle Act (SPAV)
- Instituting the Pre-Need Code
- Establishing a Credit Information System
- Amendment to the Cooperative Code and Reorganizing the Cooperative Development Authority



# Medium-term legislative priorities – Fiscal

- Advocate Fiscal Responsibility Bill
- Remove Automatic Guarantee provisions in GOCC Charters
- Strengthen anti-smuggling provisions of the TCCP




# Medium-term legislative priorities – Capital Market

- Amendments to the Securities Regulation Code
- Proposed Corporate Recovery Act
- Revised Investment Company Act



# Where we are headed...

- ✓ **Balanced NG and Public Sector Fiscal Position by the end of 2008 with E-VAT and reform initiatives**
- ✓ **50% NG debt ratio in 2010**
- ✓ **7% GDP growth in 2010**



*“An idealist believes the short run doesn't count. A cynic believes the long run doesn't matter. A realist believes that what is done or left undone in the short run determines the long run.”*

*Sidney J. Harris*

*(1917-1986)*





# Thank You



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