



Republic of the Philippines

# SENATE

Pasay City

**SUBJECT : REPORT ON THE PUBLIC HEARING CONDUCTED BY THE COMMITTEE ON FINANCE, HELD ON OCTOBER 1, 2004, FRIDAY, 10:00 A.M., AT THE SENATE, GSIS BUILDING, PASAY CITY, ON THE BRIEFING BY THE DEVELOPMENT BUDGET COORDINATING COUNCIL (DBCC) ON THE PROPOSED 2005 BUDGET**

## **I PRELIMINARY**

The Committee on Finance, chaired by Senator Manuel B. Villar, Jr. held a briefing on the proposed 2005 budget.

Resource Persons: Secretary Emilia T. Boncodin, Department of Budget and Management (DBM); Ms. Mina Figueroa, Treasurer, Bureau of Treasury; Mr. Armando Suratos, Bangko Sentral ng Pilipinas; Mr. Guillermo Parayno, Commissioner, Bureau of Internal Revenue; Mr. Jose Mario Buñag, Deputy Commissioner, Bureau of Internal Revenue; Ms. Myrna S. Chua, Department of Budget and Management (DBM); Ms. Gisela Lopez, Department of Budget and Management (DBM).

Also present were Senators Biazon, Osmeña III and Enrile.

## **II HIGHLIGHTS**

Ms. Emilia Boncodin, the Secretary of the Department of Budget and Management, in continuation of its presentation of the national budget, stated among others the following:

- The proposed 2005 budget is considered conservative since it is a core budget and represents only expenditures that are funded out of existing revenues and the targeted deficit financing.
- The country's estimated revenue is 758 billion pesos while the programmed disbursement from the current year's account as well as accounts payable is 943 billion pesos.
- The deficit is expected to reach P184.5 billion or 6.7 percent lower than this year's target. This deficit target is equivalent to 3.6 percent of GDP.
- The proposed budget for 2005 is P907.6 billion. This reflects an increase of only 5.3 percent in nominal terms or .8 percent in real terms. If interest payments are excluded, it will be growing by only 2.7 percent in nominal terms and in fact will be a negative 1.8 in real terms.

- By expenditure level, the Government will be spending 88.5 percent of the budget for current operating expenditures of which 32 percent of the total is allotted for personal services.
- The biggest items in the 2005 budget includes: 1.) personal services at 32 percent; 2.) interest payments 33 percent; 3.) allotment to local government units which essentially covers the Internal Revenue Allotment at 13 percent.
- The total increase is P46 billion and the biggest component is earmarked for interest payments. The 30 billion of the P46 billion is attributed to the increase in domestic and foreign interest payments. The Second biggest allotment is to LGUs at P8.5. The two items already amounts to P38.7 billion and the remaining P8 billion is going to be distributed to other expenditure items.
- The National Government is proposing to build 3,000 school buildings at an aggregate cost of P3.2 billion.
- DBM is proposing certain special provisions to encourage agencies to raise or generate additional revenues.
- The streamlining of the bureaucracy program shall be institutionalized.
- The provisions of the Local Government Code shall be fully implemented.
- It is expected that at the end of 2004, the accounts payable will be P90 billion. At the end of 2005, it will be P64 billion. There is a decline in the trend of outstanding accounts payable in the balance sheet.

Senator Osmeña III inquired whether the P758 billion pesos estimated revenue for the year 2005 is inclusive of the collections from the new taxes.

Secretary Boncodin explained that the P758 billion is just based on the natural growth except for the administrative increases in non-tax measures like fees and charges.

Senator Enrile expressed concerns on the plan to increase the charges and fees as these might impose a heavy burden on the professionals like the nurses, doctors, engineers, architects, etc.

Further, Senator Enrile expressed strong objection on the plan of the Department of Budget and Management (DBM) to delegate its power to increase charges and fees to the respective administrative bodies. If Congress approves these kind of provision, it will in effect be surrendering its sole prerogative to impose and raise revenues, according to the Senator.

Senator Villar emphasized the need for the Committee on Finance to review all loans to be incurred by the government. The Committee has not been doing this in the past and that is probably one reason why this debt has ballooned to its present level.

Further, the Chair cautioned the DOF officials regarding the plan to borrow \$300 million dollars to finance the early retirement plan of 30,000 government employees. He expressed his fears that it might end up like what happened in NAPOCOR where the employees after getting their fat bonuses got reemployed in the same agency.

Senator Biazon sees the need to pass a law that would prevent rehiring of retired employees.

Senator Enrile stressed the need to review all the government trust funds and the necessity to bring them back to the general fund so that government can control the expenditures of the money of the people.

Senator Villar observed that the single biggest impact on the national budget comes from a change in interest rate both local and foreign debt. A one percent increase in the interest rate would translate to about 25 billion pesos in the debt services.

Submitted by:

**ATTY. JESUS T. YU, JR.**