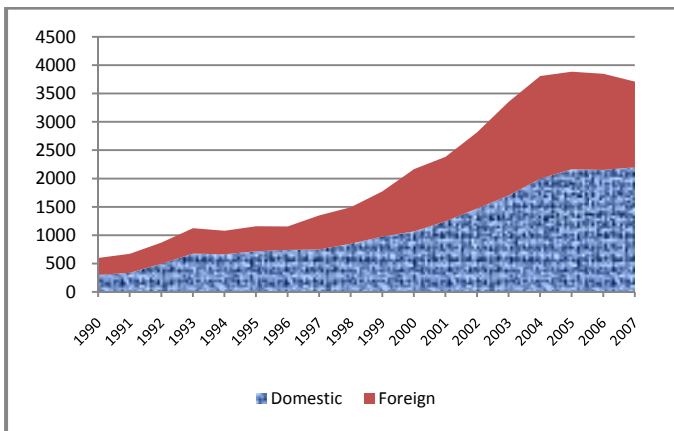


NG BORROWINGS AND DEBT

NG Debt. The National Government (NG) debt has been growing at an average of 13% or almost P200.0 billion every year for the last 17 years. From only P600.2 billion in 1990, NG liabilities breached the trillion mark in 1998 (P1.1 trillion). NG debt then increased to P2.2 trillion in 2000 until it reached P3.9 trillion in 2005 before declining to P3.7 trillion by end of 2007. Note that these figures do not include contingent debts or guarantees on other undertakings of the government. Including contingent liabilities, total outstanding debt of the national government as of 2007 would amount to P4.2 trillion.

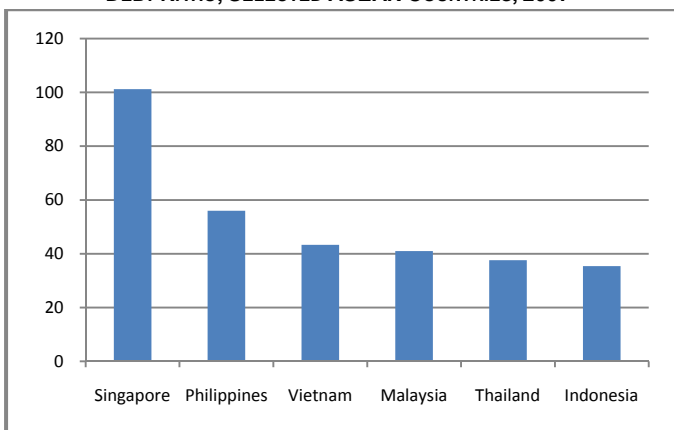
**FIGURE 1
NG OUTSTANDING DEBT
(IN BILLION PESOS)**



Source: Bureau of the Treasury (BTr)

Debt Ratios. As of 2007, domestic debt accounts for 59% (P2.2 trillion) of the total outstanding debt while foreign debt comprises 41% (P1.5 trillion). As a ratio to GDP, NG debt has been declining from 80% in 2004 to 56% in 2007. Compared to its ASEAN neighbors, however, the Philippine debt-to-GDP ratio is still relatively high.

**FIGURE 2
DEBT RATIO, SELECTED ASEAN COUNTRIES, 2007**



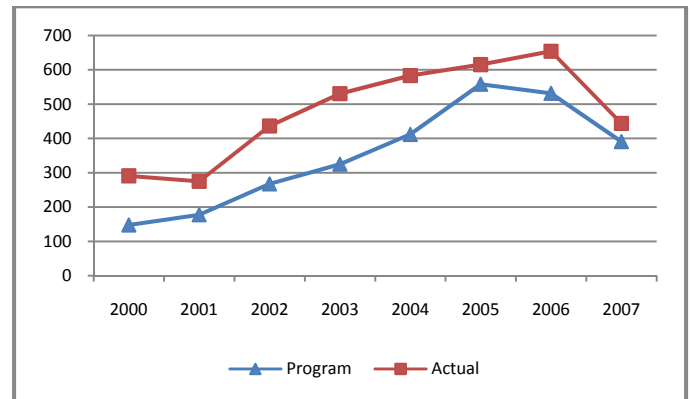
Source: CIA World Factbook for ASEAN, DOF for Philippines

Facts in figures

Congressional Planning and Budget Department
House of Representatives
April 2008 (No. 6)

NG Borrowings. For the period 2000-2007, NG borrowed more than its program by an average of P138.0 billion (40%). Deviation from program borrowing may be traced to shortfall in tax collections, financing requirement of the Old Central Bank (CB-BOL) and budgetary support to government corporations (GOCCs).

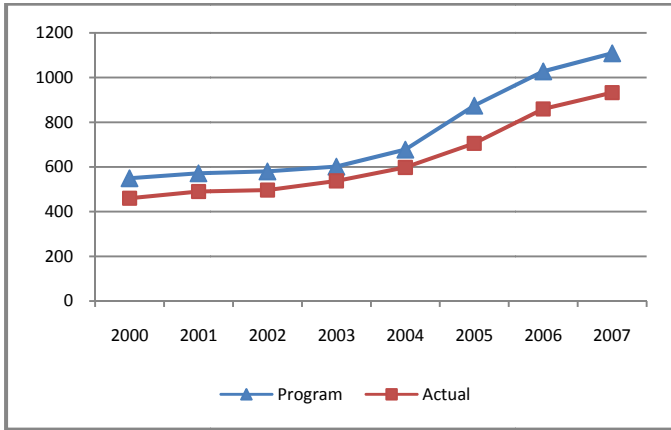
**FIGURE 3
ACTUAL VS. PROGRAM BORROWINGS
(IN BILLION PESOS)**



Source: BESF various years

Shortfall in Tax Collections without corresponding expenditure cuts and/or boost in non-tax revenues generally result in cash deficits. From 2000-2006, actual collections fell below program by P734.6 billion or P105.0 billion annually. Tax shortfall for 2007 is at P176.0 billion. On the other hand, tax-to-GDP ratio or tax effort declined from 13.7% in 2000 to 13.0% in 2005. It improved to 14.3% in 2006 primarily due to VAT reforms (i.e. increase in VAT rate from 10% to 12%, lifting of VAT exemptions on oil products and electricity, and increase in corporate tax rate) but declined again to 14.0% in 2007. In nominal terms, GDP grew by 10.3% (2006-2007) while tax revenues grew only by 8.5%.

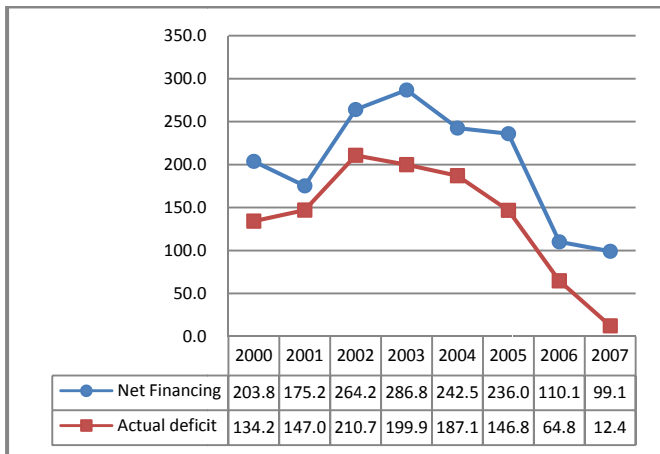
FIGURE 4
NATIONAL GOVERNMENT TAX REVENUES
(IN BILLION PESOS)



Source: BTr

Although the NG deficit has been declining over time—from P210.7 billion in 2002 to only P12.4 billion in 2007, the national government had been borrowing more than the budget gap. In 2007, NG borrowed a total of P445.4 billion to pay off P346.3 billion worth of maturing debts or a net financing of P99.1 billion. Loan proceeds of P86.7 billion were used to build up cash accounts with BSP, LBP and DBP. Actual deficit for the same year was only P12.4 billion.

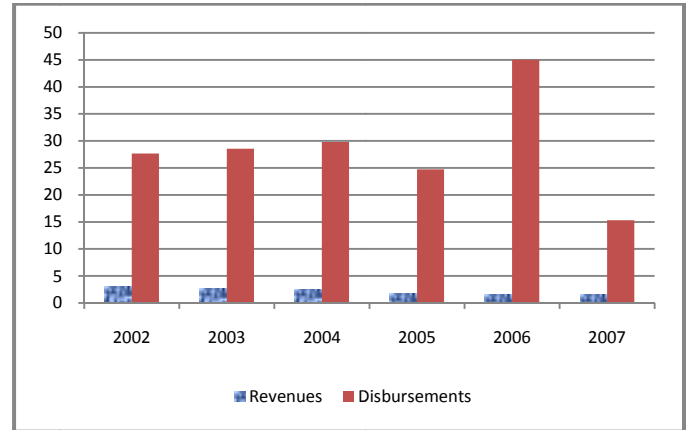
FIGURE 5
NET FINANCING AND CASH DEFICITS
(IN BILLION PESOS)



Source: BTR, BESF various years

CB-Restructuring. As part of the Central Bank restructuring in 1996, some of its assets and liabilities were transferred to NG for disposal. However, income derived from the sale of such assets was usually not enough to pay off CB liabilities, thus obliging the NG to shoulder the deficiency. From 2000-2007, CB-BOL revenues were only at P13.5 billion against disbursements of P171.0 billion.

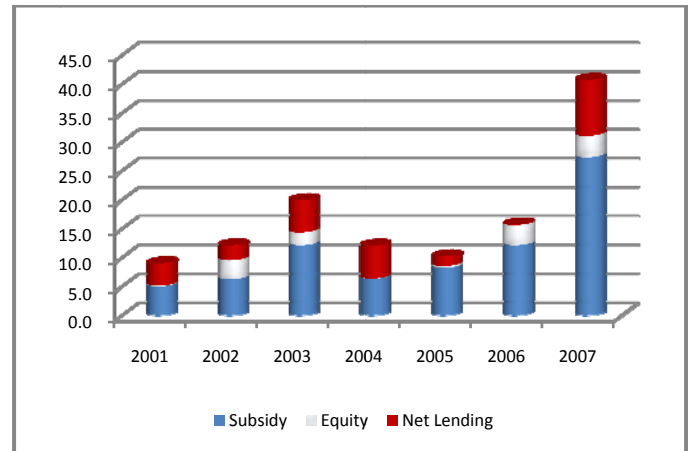
FIGURE 6
CB-BOL OPERATIONS
(IN BILLION PESOS)



Source: BESF various years

Budgetary Support to GOCCs. Budgetary support may be in the form of equity, subsidy or net lending. Equity refers to NG share in GOCC capital stock. Subsidies are in turn given to augment the deficiencies in corporate income. Out of the P27.3 billion subsidies granted in 2007, P5.7 billion went to Land Bank, P4.7 billion to NHA, P2.7 billion to NEA, P2.2 billion to NFA, P2.1 billion to PHILHEALTH and P1.1 billion to PNR.

FIGURE 7
BUDGETARY SUPPORT TO GOCCS
(IN BILLION PESOS)



Source: BESF various years

Net lending are advances for the servicing of NG-guaranteed debts, net of repayments on such advances. Out of P334.8 billion advances as of December 2007, almost 80% belongs to CB-BOL (P265.1 billion). Other GOCCs with huge advances are NIA (P20.0 billion), NEA (P13.4 billion), PNR (P8.9 billion), LRTA (P8.5 billion), NPC (P6.0 billion), NDC (P1.5 billion) and NFA (1.0 billion).