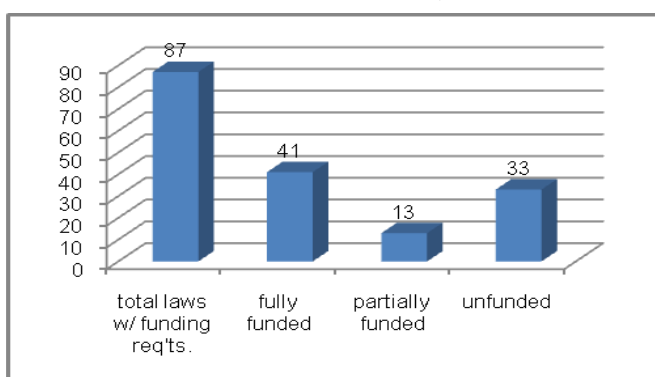


UNFUNDED LAWS

Between 1991 to 2007, Congress approved a total of 87 laws that require budgetary support. Per inventory of the Department of Budget and Management (as of September 2007), the number of unfunded/partially-funded laws increased from 25 in 2005 to 46 two years after.

The problem of unfunded laws can be primarily attributed to limited government resources resulting from the perennial shortage in tax collection. Add to this is the passage of laws without clear indication of the funding source for the implementation of the mandated programs.

FIGURE 1
INVENTORY OF UNFUNDED LAWS, 1991-2007



Source: Inventory of Unfunded Laws (as of 28 Sept 2007), DBM

Out of 87 laws passed by Congress (1991-2007), only 41 or less than 50% were fully-funded. Meanwhile, 13 received partial releases but 33 were not funded at all. Table 1 shows that total estimated funding deficiency amounts to P101.2 billion. This amount could be much higher since the funding requirements of some laws cannot be easily determined (non-quantifiable or NQ).

By sector, economic-related laws have the biggest funding deficiency of P43.7 billion. Total budgetary allocation which includes the proposed funding under the 2008 National Expenditure Program (NEP) amounts to P137.8 billion, which is 24% short of the determined budgetary requirement for the sector.

On the other hand, total funding deficiency for social services-related laws was estimated at P31.5 billion. This amount represents arrearages for the payment of pensions of veterans (as of 31 December 2006) and for the enrollment of indigents to the National Health Insurance Program (NHIP).

Facts in Figures

Congressional Planning and Budget Department
House of Representatives
January 2008 (No. 3)

Table 1 also shows that the social sector has the highest budgetary allocation (1992-2008) amounting to P1,412.6 billion. Of this amount, P1,365.4 billion has been allocated for the payment of pensions (old age and death) and other benefits of veterans.

The funding deficiency of P25 billion under the defense sector is due to the creation of the AFP Modernization Trust Fund which by law should be appropriated at most P50 billion for the first five years. Republic Act 7898 or the AFP Modernization Act was enacted in 1995 but the allocation of funds started only in 2002.

General Public Services has an estimated funding deficiency of P880 million primarily to finance the creation of additional courts all over the country. Out of the P3.5 billion budget requirement, P2.6 billion is intended to finance the implementation of the Automated Election System. The full amount is provided in the proposed 2008 budget of the COMELEC.

TABLE 1
UNFUNDED LAWS BY SECTOR
(IN BILLION PESOS)

SECTOR	Budgetary Req't.	Budgetary Allocation			Funding Deficiency
		Actual Releases '92-'06	GAA 2007	NEP 2008	
Economic	181.48	93.11	20.96	23.67	43.74
NQ	-	-	-	0.09	-
Social	33.48	24.35	2.71	6.40	0.01
NQ	-	1,339.16	18.76	21.24	31.54
Defense	50.00	15.00	5.00	5.00	25.00
NQ	-	6.94	-	-	-
General Public	3.48	-	-	2.60	0.88
NQ	-	0.004	-	0.02	-
TOTAL		1,478.58	47.44	59.02	101.16

Source of basic data: DBM

TABLE 2
FUNDING DEFICIENCIES FOR ECONOMIC-RELATED LAWS
(IN MILLION PESOS)

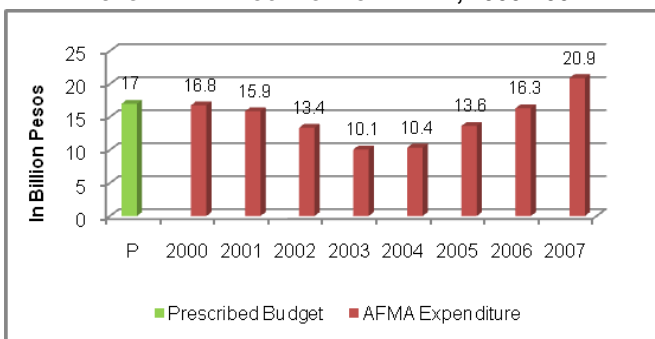
SECTOR	Budgetary Req't.	Budgetary Allocation*	Funding Deficiency	
			Amount	%
Agri./Agra	176,680.00	137,584.56	39,095.44	22.1
Energy	92.67	21.24	71.43	77.1
NQ	-	89.87	-	-
Infrastructure	206.60	38.50	168.10	81.4
Others	4,502.71	100.00	4,402.71	97.8
TOTAL	181,481.98	137,834.17	43,737.68	24.1

*Includes actual releases ('92-'06), allocations per 2007 GAA and 2008 NEP
Source of basic data: DBM

The Agriculture and Agrarian sub-sector (Agri-Agra) has a funding deficiency of P39.1 billion or 22.1% of the total P176.7 billion budgetary requirement. The Agriculture and Fisheries Modernization Act (AFMA) and the law extending the AFMA until 2015 (RA 9281) account for 92% of the total unfunded balance (as of 2008).

Inadequate funding for agricultural and fisheries modernization has serious negative implications on the country's development objectives of ensuring food security, global competitiveness, and increasing farm incomes to alleviate poverty in the countryside. Under AFMA, a total of at least P173 billion should have been appropriated by 2008—i.e., an initial budget of P20 billion in 1999 and P17 billion annually thereafter.

FIGURE 2
BUDGETARY ALLOCATION FOR AFMA, 2000-2007



Source: AFMA and BESF

Figure 2 shows that AFMA funding started only in 2000. This means that the P20 billion for the first year of its implementation did not materialize. Moreover, the yearly allocation for AFMA has been consistently short of the prescribed P17 billion. On the average (2000-2006), the budget shortfall is at 18.9%. On a yearly basis, the biggest funding deficiencies of P6.9 billion (2003) and P6.6 billion (2004) represent about 40% of the prescribed funding. However, P20.9 billion was allocated for AFMA in 2007 apparently in the effort to augment previous shortfalls for the agricultural modernization program.

Table 2 also shows a funding deficiency of P168 million under the infrastructure sub-sector. This amount is intended for the establishment of the San Antonio Airport in Northern Samar primarily to enhance tourism in the area. Meanwhile, the energy sub-sector has a P71.4 million funding balance for the implementation of the Biofuels Program. This is net of the operational requirements of the National Biofuels Board which was allocated P89.9 million under the Department of Energy's proposed 2008 budget. Full funding for the implementation of the Biofuels Act is imperative to achieve energy independence through the discovery of alternative sources of fuel. This is also important in mitigating the heavy impact of the escalating price of oil.

Laws establishing the Intellectual Property Office (RA 8293) and the People's Development Trust Fund (RA 8425) have a combined funding deficiency worth P4.4 billion. The bulk of the needed fund is intended for the capacity-building activities of microfinance institutions in the country.

TABLE 3
FUNDING DEFICIENCIES FOR SOCIAL SERVICES-RELATED LAWS
(IN MILLION PESOS)

SECTOR	Budgetary Req't.	Budgetary Allocation*	Funding Deficiency
Vets Pension & Benefits	-	1,365,397.02	27,505.00
Housing	33,480.00	33,466.53	13.47
Health	-	13,058.63	4,025.53
Education	-	714.47	-
TOTAL		1,412,636.65	31,544.00

*Includes actual releases ('92-'06), allocations per 2007 GAA and 2008 NEP
Source of basic data: DBM

Despite a P1.4 trillion budgetary allocation for veterans' pensions and benefits, total arrearages as of 31 December 2006 still amount to P27.5 billion. About P22.9 billion is due to the Total Administrative Disability Pension which remains unfunded since the passage of Republic Act 7696 in 1994. Meanwhile, the P4 billion funding deficiency for health is due to unpaid billings for NG's premium counterpart for indigents enrolled under the NHIP. Three laws passed in 2007 which increased the bed capacity of hospitals in Metro Manila still have an undetermined budgetary requirement and have not received any funding support.

The P13.5 million funding balance for Housing is part of the budget required to augment the capital stock and paid-up capital of government housing agencies under the Comprehensive Integrated Shelter Financing Act. Meanwhile, the P714.5 million for Education is provided in the 2008 NEP to support the conversion of state colleges to universities, and for the establishment of National High Schools.