

MEDIA RELEASE
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2010 budget assumptions untenable; revisions necessary - Social Watch Philippines

Soon after her SONA speech, President Gloria Macapagal Arroyo will submit to Congress her proposed 2010 budget. Social Watch Philippines (SWP) warned that 2010 targets on revenues, expenditures and deficit are unrealistic and that formulating next year's budget with these assumptions will push the country to fiscal crisis.

The Fiscal Year 2010 Budget Call, which was issued by the Department of Budget and Management (DBM) last May to guide all agencies in the formulation of their budget, projects next year's deficit to reach P173.3 billion. This is based on the assumption that government revenues will reach P1.403 trillion while disbursements will amount to P1.576 trillion.

"The signs that there will be serious setbacks in meeting the fiscal targets for 2010 are already apparent this year. The DBCC already increased, yet again, the deficit target for 2009 to P250 billion but revenue collections are still below target, with P18 billion shortfall for the first quarter. Financing this deficit through more borrowings will siphon not only this year's budget but also the budget for next year," Leonor Magtolis Briones, Lead Convenor of SWP, explained.

The Development Budget Coordination Committee (DBCC) revised its growth forecast for 2009 from 6.5% to 7.3% to a lower range of 0.8% to 1.8%. The deficit target was also revised several times from the original zero deficit in the 2009 Budget Call, to P250 billion as of June this year.

Briones also explained that SWP, through the Alternative Budget Initiative (ABI), raised the dangers of using unsound assumptions in the 2009 budget. Prior to the adoption of last year's General Appropriations Act, ABI called for adjustments in the budget citing that the P1.39 billion expected revenue is likely overstated, that the expected P302.65 billion interest payment for debt is likely understated and that the expected P40 billion budget deficit is likely understated.

"Mrs. Arroyo should refrain from proposing to Congress a 2010 budget that is not viable. Making legislators believe that there are viable sources to fund a budget bloated by questionable, unnecessary and redundant items will push the country further to unmanageable deficits and eventually drain funds that should otherwise be used to critical social development to the benefit of the poor," Briones said.

Last week, DBM Secretary Rolando Andaya, Jr. said he was "disappointed and alarmed" by the collection shortfall of the Bureaus of Customs and Internal Revenue. He also said that it is "understandable" that the collecting agencies are missing their targets due to the economic slowdown.

“While the economic slowdown certainly contributes to the poor revenue performance, we believe that inefficiencies in tax administration, such as tax evasion and misplaced fiscal incentives, still have yet to be decisively addressed by the authorities and it is severely hurting us now,” Briones pointed out.

Social Watch Philippines is part of the international Social Watch network which monitors and advocates financing for development and the Millennium Development Goals (MDGs). SWP spearheaded the Alternative Budget Initiative (ABI), a network of 60 non-government organizations advocating and monitoring government’s budget for education, agriculture, environment, health and campaigning for budget reforms.