

## Title page, Content, etc.

権利	Copyrights 日本貿易振興機構 (ジェトロ) アジア 経済研究所 / Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) <a href="http://www.ide.go.jp">http://www.ide.go.jp</a>
journal or publication title	Resources Mobilization and Resource use in the Philippines
year	1994
URL	<a href="http://hdl.handle.net/2344/00018602">http://hdl.handle.net/2344/00018602</a>



ASEDP No. 26

# RESOURCE MOBILIZATION AND RESOURCE USE IN THE PHILIPPINES

Edited by

Raul V. Fabella  
Hideyoshi Sakai



アジア経済研究所



10649754

INSTITUTE OF DEVELOPING ECONOMIES

TOKYO 1994



ASEDP No. 26

# **RESOURCE MOBILIZATION AND RESOURCE USE IN THE PHILIPPINES**

**Edited by**

**Raul V. Fabella  
Hideyoshi Sakai**

**INSTITUTE OF DEVELOPING ECONOMIES**

**TOKYO 1994**

## AUTHORS

Joseph Y. Lim  
Associate Professor  
School of Economics  
University of the Philippines  
Diliman, Quezon City

Honorina B. Tanhueco  
Officer-in-Charge  
National Policy Planning Staff  
National Economic and Development Authority  
Pasig, Metro Manila

Emmanuel S. de Dios  
Associate Professor  
School of Economics  
University of the Philippines  
Diliman, Quezon City

Hideyoshi Sakai  
Overseas Senior Research Officer  
Institute of Developing Economies  
Tokyo, Japan

Raul V. Fabella  
Professor and Director for Research  
School of Economics  
University of the Philippines  
Diliman, Quezon City

Benjamin E. Diokno  
Professor and Secretary  
School of Economics  
University of the Philippines  
Diliman, Quezon City

Cayetano W. Paderanga, Jr.  
Professor  
School of Economics  
University of the Philippines  
Diliman, Quezon City  
and  
Member, Monetary Board  
Bangko Sentral ng Pilipinas

## TABLE OF CONTENTS

Authors.....	iii
Preface .....	iv
<b>Chapter I. A Macro Study on the Accumulation Behavior of the Philippines: 1970-1992 by Joseph Y. Lim .....</b>	<b>1</b>
1. Introduction .....	1
2. A Short Macro Summary .....	2
3. Accumulation Behavior of the Philippine Economy .....	4
4. Investment Behavior of Institutions .....	4
5. Sources of Finance for Gross Accumulation .....	9
5-1. Net Savings of Households and Unincorporated Enterprises .....	10
5-2. Net Savings of Private Corporations .....	10
5-3. Net Savings of General Government .....	10
6. Current Account Deficits and Foreign Savings .....	11
7. Grave Problem on Capital Accumulation .....	11
8. Income and Outlay Account of Households and Unincorporated Enterprises .....	16
8-1. Receipt Items .....	12
8-2. Disbursement Items .....	17
9. Income and Outlay Account for Private Corporations .....	17
10. Income and Outlay Account for Government Corporations .....	20
11. Income and Outlay Account for General Government .....	23
11-1. Receipts .....	23
11-2. Disbursements .....	23
12. Consolidated Account for External Transactions .....	23
12-1. Imports .....	26
12-2. Exports .....	26
12-3. Compensation of Employees from Rest of the World .....	29
12-4. Interest Payment on Foreign Debt .....	29
12-5. Current Account Deficits and Stagnation in the Early Nineties .....	29
13. Summary and Conclusions .....	30
References .....	32
<b>Chapter II. Determinants of Savings and Investment in the Philippines by Honorina Tanhueco .....</b>	<b>33</b>
1. Savings of Households and Unincorporated Enterprises .....	33
2. Determinants of Savings and Investment .....	39
2-1. Gross National Savings .....	39
2-1-1. Savings Levels .....	41
2-1-2. Savings Rates .....	45
2-2. Gross Domestic Investment .....	49

3. Conclusion and Policy Implications .....	51
References .....	53
<b>Chapter III. Resource Mobilization and Industrial Organization</b>	
<b>by Emmanuel S. de Dios .....</b>	<b>55</b>
1. Introduction .....	55
2. Equities Versus Loans .....	56
3. The Role of Commercial Banks .....	61
4. Groups .....	64
5. Groups and Market Failures .....	68
6. Rivalry and Asset Specificity .....	69
7. Investment Choices and Group Organisation .....	73
8. Growth .....	75
9. Policy Implications .....	77
References .....	80
<b>Chapter IV. The Banking System in the Philippine Setting: Past Experience</b>	
<b>and Implications</b>	
<b>by Hideyoshi Sakai .....</b>	<b>83</b>
1. Introduction .....	83
2. Overview of the Philippine Banking System .....	84
2-1. Transition in the Philippine Banking System .....	84
2-2. Financial Depression and Disintermediation in the Philippines .....	88
3. Juxtaposition of DOSRI Loans with Interlocking Directorships	
in the Philippines .....	94
3-1. DOSRI Loans .....	94
3-2. Interlocking Directorships and Officerships .....	96
4. Examining the Structure and Policy Reforms in the	
Philippine Banking System .....	99
5. Background and Recent Institutional Reforms in the Philippine	
Banking System .....	105
5-1. The Central Monetary Authority .....	106
5-2. Urban Commercial Banks .....	110
5-3. Thrift Banks .....	111
5-4. Rural Banks .....	113
5-5. Specialized Government Banks .....	117
6. Summary and Conclusion .....	121
References .....	123
<b>Chapter V. Investment and the Allocation of Resources Under Macroeconomic</b>	
<b>Instability</b>	
<b>by Raul V. Fabella .....</b>	<b>127</b>
1. Introduction .....	127

2. Macroeconomic Instability .....	130
Stabilization and Investment.....	131
3. Determinants of Private Investment in the Philippines.....	132
4. Data .....	133
Data Sources.....	133
5. The Empirical Results .....	134
5-1. Behavior of Aggregate Investment .....	134
5-2. Output Growth .....	137
5-2-1. Sectoral Growth by Period .....	137
5-2-2. Relative Sectoral Output Growth: A Comparison .....	139
5-3. Returns on Equity .....	139
5-4. Shares in Initial Paid-Up Capital .....	141
6. Sources of Macroeconomic Instability .....	142
6-1. The Mechanics of Boom and Bust .....	142
6-2. Breaking Out the Boom-and-Bust Cycle .....	145
References .....	146

## **Chapter VI. Taxes and Public Sector Resource Mobilization in the Philippines**

**by Benjamin E. Diokno .....** 147

1. Introduction .....	147
2. Public Finances in Recent Philippine History.....	147
3. A Review of the Philippine Tax System.....	155
3-1. Pre-reform Period, 1981-85 .....	155
3-2. Major Features of the 1986 Tax Reform Package .....	156
4. Assessment of the 1986 Tax Reform Program .....	158
5. Recent Tax Measures .....	159
6. Lessons from the Tax Reform Process .....	161
7. Conclusions and Implications for Policy.....	163
References .....	164

## **Chapter VII. The Theory and Practice of Investment Programming in the Philippines**

**by Cayetano W. Paderanga, Jr. ....** 167

1. The Theory .....	167
1-1. Project or Program Appraisal and Cost-Benefit Analysis .....	167
1-2. The Programming Process .....	168
1-2-1. Importance of Screening and Allocating: A Single Process .....	168
1-2-2. Stages of the Investment Programming Process .....	169
1-3. The Objective of Investment Programming .....	170
1-4. Multiple Goals and Funds Programming .....	171
1-4-1. Multiple Criteria .....	171
1-4-2. Multiple Decision Making Layers.....	173
1-4-3. Multiple Regions .....	173
2. The Institutions .....	173

2-1. The National Economic and Development Authority .....	174
2-1-1. Planning, Programming and Budgeting .....	174
2-1-2. The NEDA Board and Secretariat .....	175
2-1-3. The Secretariat's Role .....	175
2-1-4. The Investment Programming Process .....	176
2-1-5. Program Implementation and Monitoring .....	177
2-1-6. ODA Programming and Coordination .....	178
2-2. Other Agencies .....	179
2-2-1. Department of Budget and Management (DBM) .....	179
2-2-2. Implementing Agencies .....	180
2-2-3. Local Governments .....	180
2-2-4. Office of the President .....	181
2-2-5. The Role of Congress .....	181
2-3. Fund Sources .....	182
2-3-1. Source Preferences .....	182
2-3-2. Source Suppliers .....	183
2-4. The Private Sector .....	183
2-4-1. Connections with Source Country Suppliers .....	184
2-4-2. Access to Official Development Assistance .....	184
3. Allocative Implications of Philippine Programming Institutions .....	184
3-1. Multiple Layers and Uneven Application of Allocation Criteria .....	184
3-2. Imposing Geographic Balance .....	185
3-3. Timing and Budget Constraints .....	187
3-4. Constraints Imposed by Fund Sources .....	188
4. Recommendations .....	188
4-1. Direct Suggestions .....	188
4-1-1. Unification and Integration of Investment Allocation Procedure .....	188
4-1-2. Streamlining of the Allocation Process .....	189
4-1-3. Joint Priority-Setting and Program Formulation Between Aid Programs and the Philippine Government .....	189
4-2. Indirect Suggestions .....	189
4-2-1. Public Resource Mobilization and Forecast Accuracy .....	190
4-2-2. Enhance Local Resource Mobilization .....	190
References .....	190
Synchronized Planning-Programming-Budgeting System .....	192



Faint, illegible text at the top of the page, possibly bleed-through from the reverse side.

Second section of faint, illegible text, appearing as ghosting from the back of the document.

PSYCHOLOGICAL  
1934. 5. 20  
UNIVERSITY OF CHICAGO

Final section of faint, illegible text at the bottom of the page, likely bleed-through from the reverse side.

ISBN 4-258-20026-3-C'3033