

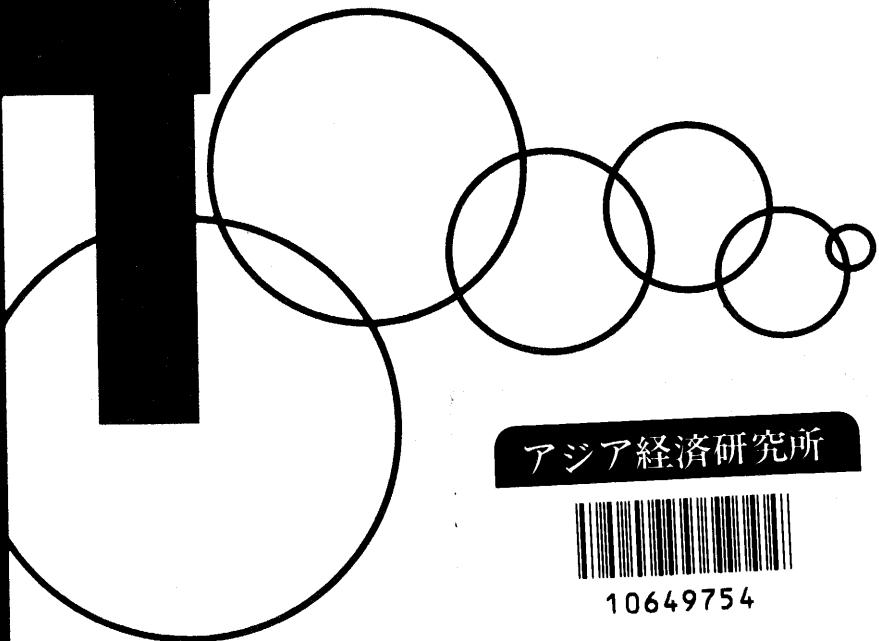


ASEDP No. 26

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



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
Chapter I. A Macro Study on the Accumulation Behavior of the Philippines: 1970-1992	
by Joseph Y. Lim	1
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
Chapter II. Determinants of Savings and Investment in the Philippines	
by Honorina Tanhueco	33
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

Chapter III. Resource Mobilization and Industrial Organization
by Emmanuel S. de Dios **55**

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

**Chapter IV. The Banking System in the Philippine Setting: Past Experience
and Implications**
by Hideyoshi Sakai **83**

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

**Chapter V. Investment and the Allocation of Resources Under Macroeconomic
Instability**
by Raul V. Fabella **127**

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

73780

1994.5.2.0

73780

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