

Column for Business Mirror
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May 14, 2012

The Entrepreneur

No more underspending, Please!

ECONOMISTS blamed, and the government acknowledged, that one of the major factors behind the decline in the country's economic growth to 3.7 percent last year compared with 7.6 percent in 2010 was underspending.

Thus, the administration declared that public spending, particularly on infrastructure, would be increased this year, and that concrete steps were taken to flesh out the policy declaration.

As recent as May 10, according to news reports, the Department of Budget and Management released 69.2 percent (P1.26 trillion) of the P1.816-trillion budget for 2012 as of April. However, other reports cited the Bureau of Treasury as having said government spending during the first three months of 2012 reached only P394.88 billion, which was P45.7 billion short of the programmed spending for the period.

This prompted an economist from a foreign bank to describe the situation as spending targets being "chronically missed," suggesting there might be some institutional problems getting spending on the ground.

I am also disappointed with the failure to fully implement the policy on spending because it will affect our prospects for faster growth.

First of all, we know the government wants to increase spending. To be fair, the administration understands that spending is necessary. It's no longer a question of willingness. Neither is it a question of policy because the policy, precisely, is to spend. So, why are we unable to spend?

It's also not a question of resources because revenue collections are strong. In March alone, revenue collections grew P115.431 billion, up by 7.7 percent from P107.152 billion a year ago. During the month, the Bureau of Internal Revenue (BIR) generated P75.203 billion, a 5.1-percent growth over the same period last year while the Bureau of Customs (BOC) collected P25.106 billion.

This brought revenue collections for the first quarter of 2012 to P360.974 billion, up by 12 percent compared with P323.078 billion for the same period last year. The BIR contributed P229.044 billion, the BOC P69.529 billion, Bureau of Treasury P37.760 billion and other offices P24.641 billion.

Again, why are we unable to spend?

In my view, it is high time that we examine closely, with open mind, why we are unable to spend at least as much as we budgeted for. We have to examine why things are not moving and in what spending areas. We have to pinpoint bottlenecks and act quickly to clear them.

I don't think the problem is bureaucracy-wide. There are areas where spending may be suffering delays for one reason or another, and areas where spending is doing well.

In other words, the problem is not on the top management or at the policy level, but on the ground or at least some areas on the ground, which means the agencies implementing the spending program.

The good thing about this is that the underspending, so far, was only for the first quarter. But we are already in the middle of the second quarter. So we have to move fast.

The government has set a target of 5-percent to 6-percent growth in terms of gross domestic product (GDP) for 2012, but the consensus among private economists, including the multilateral entities, is 4.2 percent to 4.8 percent.

Our fundamentals remain strong, with remittances from overseas Filipinos staying above \$1 billion a month, the real-estate boom holding, and the business-process outsourcing industry continuing to attract investors despite anti-outsourcing initiatives in the United States.

In addition, investors' confidence is high, and the private companies are raring to participate in the Public-Private Partnership Program.

Given these developments, public spending will be another major factor that will influence our economic performance this year.

We have time, but not much time. We cannot, and we should not, allow public spending to fall below target. I would even agree to increasing expenditures above the official program, if that's what we need to drive growth faster.

I've said it before, and I say it again: We need to achieve and sustain high GDP growth because it is the key to generating employment and improving the lives of our people.

The government exists for the people, so let it not be afraid to spend for the welfare of all the people!

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