

WHERE DOES YOUR TAX MONEY GO?*

I. INTRODUCTION

Taxes are the lifeblood of the government. Out of the tax proceeds, the government is able to maintain its existence and perform its duty of providing public goods and services to the people. With taxes, the government is able to put up the necessary infrastructure to stimulate economic growth; pursue various programs, projects and activities aimed at achieving the millennium development goals (MDGs) and commitment to significantly reduce if not totally eradicate poverty; and lay the foundation for sustainable development.

All year-round, taxpayers remit huge amounts of money into the government coffers as payments for various taxes, e.g. income tax, value-added tax (VAT), excise tax, documentary stamp tax (DST), estate and donor's tax, import duties, capital gains tax (CGT), travel tax, motor vehicle user's charge (MVUC), real property tax (RPT), business tax, amusement tax, professional tax, community tax and other taxes imposed under the National Internal Revenue Code (NIRC), Tariff and Customs Code of the Philippines (TCCP), Local Government Code (LGC) and under special laws.

Being the major contributors to the resources being used to finance various government expenditures, taxpayers are entitled to know where their tax money goes. Such knowledge is important as it enhances tax compliance or tax payment specially if taxpayers get to know the impact of government expenditures on them and their respective communities. This paper therefore aims to provide information on how the government allocates and spends taxes and analyze the types of services and economic benefits which taxpayers get out of their tax payments.

II. TREND AND COMPOSITION OF TAXES PAID TO THE GOVERNMENT: 2001-2010

Total taxes paid to the government continuously increased from ₱ 518 billion in 2001 to ₱ 1.21 trillion in 2010 except for a slight decline in 2009. Of the total taxes, about 94%, on the average, was paid to the national government (NG) and 6% to local governments (LG). (Table 1)

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The per capita tax in 2001 was ₱6, 593, i.e. ₱6,176 for national taxes and ₱417 for local taxes; but after ten years, the amount nearly doubled to ₱12,885, i.e. ₱12,266 for national taxes and ₱619 for local taxes.

As to be noted, the contribution of local taxes to total government tax revenue was very low compared with national taxes basically due to the failure of most local government units (LGUs) to fully exercise their taxing powers.

Table 1. TOTAL TAXES PAID TO THE GOVERNMENT: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tax Revenues in Billion Pesos										
Total	518	535	580	641	756	915	990	1,112	1,034	1,211
NG	485	496	538	598	706	860	933	1,049	982	1,153
LG	33	39	42	43	50	55	57	63	52	58
Percentage Distribution										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
NG	94%	93%	93%	93%	93%	94%	94%	94%	94%	95%
LG	6%	7%	7%	7%	7%	6%	6%	6%	6%	5%
Per Capita Tax in Pesos										
Total	6,593	6,668	7,082	7,677	8,863	10,516	11,174	12,293	11,216	12,885
NG	6,176	6,188	6,571	7,157	8,276	9,887	10,533	11,599	10,650	12,266
LG	417	480	511	520	587	630	642	694	566	619

Sources of Basic Data: Department of Budget and Management (DBM) and Bureau of Local Government Finance (BLGF).

Table 2 presents the types of taxes being paid to both levels of government. Of the national taxes paid, the bulk came from income tax (45%); followed by VAT (26%); excise tax(10%); and import duties(8%). The rest came from DST, MVUC, estate and donor's tax, CGT, travel tax and other percentage taxes.

The relatively higher share of VAT to total tax revenue in 2006-2010 was due to the increase in the VAT rate from 10% to 12% via Republic Act (RA) No. 9337 while the declining share of excise tax was in view of the reduction of excise tax on certain petroleum products, also pursuant to the same law.

In case of local taxes paid, significant amounts came from RPT and business taxes imposed by various LGUs in the country. In particular, the RPT accounted for about 50% to 52% of the total locally-sourced tax revenue in 2001-2005; but its share since then diminished year by year until it represented only about 46% in 2010. Business taxes, on the other hand, displayed a generally increasing share from 42% in 2001 to 47% in 2010. The rest came from amusement tax, professional tax, community tax and other local taxes.

The declining share of RPT to total tax collection of the LGUs is basically due to the high delinquency rates among property owners in settling their tax obligations coupled with the failure of most LGUs to revise every three years their Schedule of Market Values (SMV) for RPT purposes as mandated under the LGC.

Table 2. TYPES OF TAXES PAID TO THE GOVERNMENT: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NG Tax Revenues (In Billion Pesos)	485.2	496.4	538.0	598.0	705.6	859.9	932.9	1,049.2	982.2	1,093.6
Percentage Distribution										
Income Tax	46.0%	45.6%	45.4%	46.5%	45.8%	43.8%	45.8%	46.0%	44.3%	44.7%
Value Added Tax	21.9%	23.2%	25.1%	23.3%	22.2%	30.2%	29.4%	28.3%	30.8%	30.2%
Excise Tax	13.3%	13.5%	12.8%	12.8%	10.8%	8.0%	7.3%	7.3%	8.0%	8.1%
Import Duties	8.0%	7.4%	7.7%	7.8%	10.1%	8.0%	7.2%	8.4%	7.0%	7.4%
Other Taxes	10.7%	10.3%	9.0%	9.7%	11.0%	9.9%	10.3%	10.0%	9.9%	9.7%
LG Tax Revenues (In Billion Pesos)	32.8	38.5	41.8	43.5	50.1	54.8	56.8	62.8	52.2	67.7
Percentage Distribution										
Real Property Tax	51.4%	50.7%	52.3%	49.6%	51.3%	49.3%	48.2%	47.4%	47.3%	46.3%
Business Tax	42.0%	43.4%	42.0%	44.9%	43.0%	44.9%	46.0%	46.0%	46.5%	47.4%
Other Taxes	6.6%	5.9%	5.7%	5.5%	5.7%	5.8%	5.8%	6.6%	6.1%	6.2%

Sources of Basic Data: Bureau of Internal Revenue (BIR) and Bureau of Local Government Finance (BLGF).

III. TREND AND COMPOSITION OF GOVERNMENT EXPENDITURES: 2001-2010

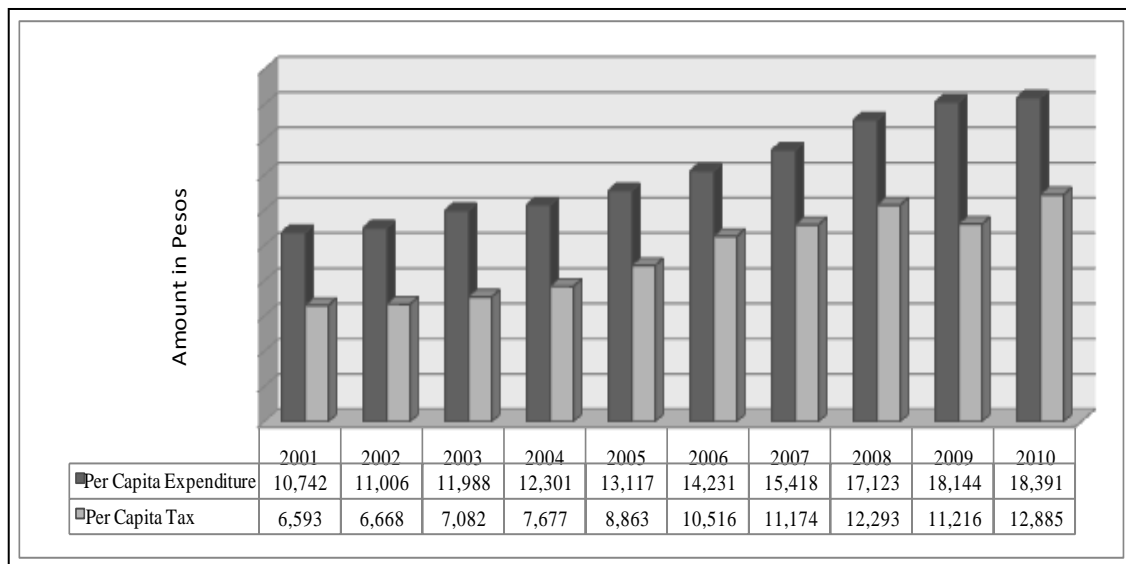
Total government expenditures more than doubled from P844 billion in 2001 to **₱1.7** trillion in 2010. Of the amounts, approximately 85% was spent by the NG and 15% by the LGUs during the period. (Table 3)

The per capita expenditure rose from **₱10,742** in 2001 to **₱18,391** in 2010. Thus, while each person contributed about **₱12,885** in taxes in 2010, the government spent nearly **₱18,391** per person. The difference was accounted for by non-tax revenue and other government income and borrowings. Based on this, it may be concluded that the typical taxpayer was still ahead of his/her tax payments in terms of benefits derived from government spending to the tune of about **₱6,000**. (Figure 1)

Table 3. TOTAL NG AND LG EXPENDITURES: 2001-2010

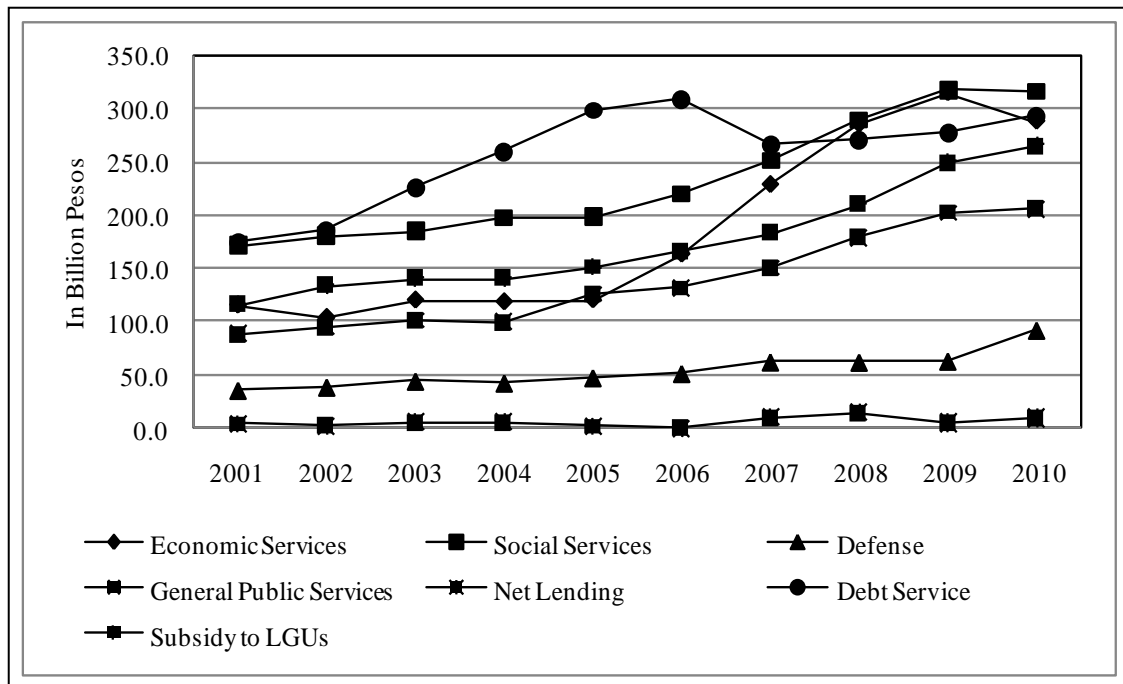
Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenditures										
Total (In Billion Pesos)	844	883	982	1,028	1,118	1,238	1,366	1,549	1,673	1,729
NG	707	742	825	867	948	1,045	1,156	1,315	1,434	1,473
LG	137	141	156	161	171	193	210	234	239	256
Percentage Distribution										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
NG	84%	84%	84%	84%	85%	84%	85%	85%	86%	85%
LG	16%	16%	16%	16%	15%	16%	15%	15%	14%	15%
Per Capita Expenditures										
Total (In Pesos)	10,742	11,006	11,988	12,301	13,117	14,231	15,418	17,123	18,144	18,391
NG	9,000	9,250	10,077	10,376	11,114	12,013	13,046	14,533	15,550	15,668
LG	1,742	1,755	1,911	1,925	2,004	2,218	2,373	2,590	2,594	2,723

Sources of Basic Data: DBM and BLGF.

Figure 1. Per Capita Tax vs. Per Capita Expenditure: 2001-2010

A. NG Expenditures by Sector: 2001 to 2010

The NG expenditures went to the following sectors and mandatory obligations, namely: 1) social services; 2) economic services; 3) general public services; 4) defense; 5) net lending; 6) debt service; and 7) allotment to LGUs. (Table 4 and Figure 2)

Figure 2. NG Expenditures by Sector: 2001-2010

Provision of *social services*, which includes expenses on education, health, social welfare, labor and employment, housing and community development, among others, got a significant share of the total annual NG expenditures. In 2001-2002, its share was over 24% although it dropped to about 21% to 23% in 2003-2010.

Provision of *economic services* which includes expenses on agriculture; environmental protection; natural resources conservation; public works and infrastructure such as roads, bridges, waterworks, drainage and sewerage, flood control and irrigation; telecommunication and transportation facilities; micro-financing services; and tourism facilities, among others was allotted 13% to 20% in 2001-2007; about 22% in 2008-2009 and a 20% share in 2010.

One major mandatory expense went to *debt service* to pay off the interests on the country's accumulated debts. It topped the NG expenditure from 2001 to 2007. In particular, the NG set aside about a quarter of the total budget for debt service in 2001-2002. This provision registered a continuing upward trend until it reached a very high share of more than 30% in 2004 and 2005. The increased spending on debt service sacrificed provisions of social and economic services during the period. Lately, however, the share of debt service slipped to less than 30% in 2006 to 19%-23% in 2007-2010, paving the way for more financing provisions on social and economic services during these years.

The other mandatory expense of the NG is the *internal revenue allotment (IRA)* to LGUs. Over the 10-year period, about 16%-18% of the total NG

expenditure automatically went to LGUs as their share in the collection of internal revenue taxes¹.

General public services which include expenses for public order, safety and justice, e.g. expenses on police force, fire protection units, jail management and trial courts; and for general administration and support services, ate up 12% to 13% of total NG expenditures in 2001-2007. A slightly higher share of 14%, however, was noted in 2008-2010.

On the other hand, the NG expenditure on *defense* which represented expenses for domestic security remained to have a modest share averaging 5% of the total expenditure in 2001- 2007 although a declining share became evident in 2008-2009 but this surged to over 6% in 2010.

Lastly, *net lending* i.e. loans outlay plus advances to government-owned and controlled corporations (GOCCs) minus repayments, although not as significant as the other expense items, became a regular fiscal burden to the NG. In particular, about ₱10 billion in 2007; ₱14 billion in 2008 and ₱9 billion in 2010 were spent for certain GOCCs accumulating funding deficiencies during the period. Had it not been for their operational inefficiencies, the funds could have been allocated to the provision of more basic services or to programs and projects that can improve the country's productive capacity.

B. LG Expenditure by Sector: 2001 -2010

The LGUs likewise play a vital role in terms of service delivery functions as they are NG's frontliners in the different areas of the country, by being responsive to the basic needs of their respective constituents. By utilizing their tax collections, IRA and other sources of income including borrowings, LGUs are able to provide basic services and facilities to the residents in their localities and discharge the functions and responsibilities of certain national agencies and offices devolved to them pursuant to the LGC.

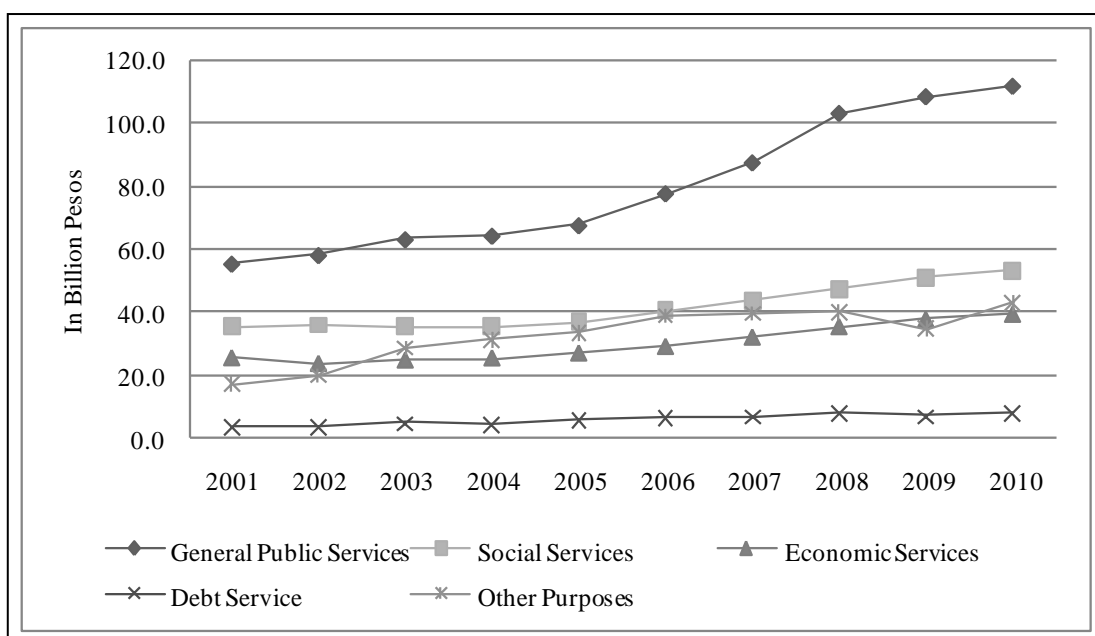
The LG expenditures are categorized into: 1) social services; 2) economic services; 3) general public services; 4) debt service; and 5) other purposes. (Table 5 and Figure 3)

¹ The Local Government Code provides that 40% of the internal revenue collection of the third year preceding the current year shall go to LGUs.

Table 5. LG EXPENDITURES BY SECTOR: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
LG Expenditure in Billion Pesos										
Total	136.9	140.8	156.5	160.8	170.8	192.9	210.1	234.3	239.3	256.0
General Public Services	55.5	58.2	63.2	64.4	67.7	77.9	87.7	103.4	108.8	112.1
Social Services	35.8	36.1	35.6	35.5	37.2	40.8	43.8	47.6	51.3	53.4
Economic Services	25.4	23.6	24.7	25.3	26.9	29.0	32.0	35.3	37.7	39.3
Debt Service	3.3	3.4	4.5	4.4	5.6	6.2	6.8	7.7	6.9	8.0
Other Purposes	16.9	19.6	28.4	31.2	33.5	39.1	39.9	40.2	34.7	43.2
Percentage Distribution										
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
General Public Services	40.5%	41.3%	40.4%	40.0%	39.6%	40.4%	41.7%	44.1%	45.5%	43.8%
Social Services	26.2%	25.7%	22.8%	22.1%	21.8%	21.1%	20.8%	20.3%	21.4%	20.9%
Economic Services	18.6%	16.7%	15.8%	15.8%	15.7%	15.0%	15.2%	15.1%	15.7%	15.4%
Debt Service	2.4%	2.4%	2.9%	2.7%	3.3%	3.2%	3.2%	3.3%	2.9%	3.1%
Other Purposes	12.4%	13.9%	18.2%	19.4%	19.6%	20.3%	19.0%	17.2%	14.5%	16.9%

Source of Basic Data: BLGF.

Figure 3. LG Expenditures by Sector: 2001-2010

Available data show that *general public services* topped the list of LG expenditures, accounting for about 40% to 42% of total LG expenditures in 2001 - 2007; and 44% to 46% in 2008-2010. This category includes expenses for maintaining peace and order in the locality; and for general administration and support services.

This was followed by expenditures on *social services*, representing about 26% of total LG expenditures in 2001-2002 and 23% in 2003. Although the expenditure was increasing in nominal amounts, its share continuously dropped from 22% in 2004 to 20% in 2008 with a slight increase to 21% of total LG expenditures in 2009-2010.

The ratio of expenditure on *economic services* to total LG expenditures likewise displayed a generally downward trend from 19% in 2001 to 15% in 2006; although it slowly climbed to over 15% in 2007- 2010. In as much as most LGUs desire to provide more basic *social and economic services* to their constituents, they could not do so because a big slice of their limited resources is already eaten up by the expenses for *general public services*.

It is also noted that a big chunk of LG expenditure was categorized into a catch all expense item termed as *other purposes*. Its share varied from 12% to 20% of total LG expenditure annually during the period. Per interview with the Bureau of Local Government Finance (BLGF), this expense category includes, among others, LGUs' utilization of 20% of their IRA for development projects pursuant to Joint Memorandum Circular No. 1 series of 2006 issued by the Department of Interior and Local Government (DILG) and the Department of Budget and Management (DBM).

Lastly, *debt service* had the least share of about 3% of LG expenses. Unlike the NG, the LG debt service was low basically due to the debt servicing limitation set forth under Section 324(b) of the LGC wherein the actual debt service of an LGU should not exceed 20% of its regular income.

IV. BASIC SERVICES AND FACILITIES BEING PROVIDED BY THE GOVERNMENT: 2001-2010

Below are some of the basic services and facilities provided by the government and the economic benefits the taxpayers get out of their tax payments.

A. SOCIAL SERVICES

1. Education, Culture and Manpower Development

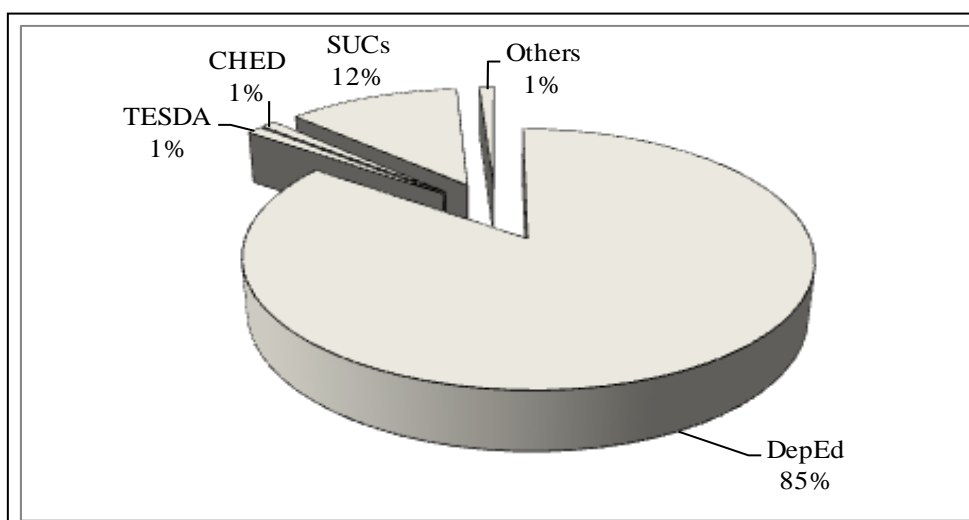
Among the social services, government spending on *education, culture and manpower development* received the highest allocation amounting to ₱127 billion in 2001 to ₱242 billion in 2010. (Table 6)

Table 6. GOVERNMENT EXPENDITURE ON EDUCATION, CULTURE AND MANPOWER DEVELOPMENT: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (₱ Billion)	126.8	134.6	139.7	139.4	143.1	157.5	181.1	200.5	222.2	242.4
NG	117.1	125.4	129.0	128.8	131.2	144.2	167.4	186.6	208.7	225.1
LG	9.7	9.2	10.7	10.6	11.9	13.2	13.7	13.9	13.5	17.3
<i>Per Capita (In Peso)</i>	1,614	1,678	1,706	1,668	1,678	1,810	2,045	2,217	2,408	2,579

Source of Basic Data: DBM and BLGF.

Of the 2010 NG budget for this sub-sector, about 85% went to the Department of Education (DepEd) for the provision of free elementary and secondary education and alternative learning systems; 12% to the various State Universities and Colleges (SUCs); and the remaining 3% to the Commission on Higher Education (CHED) for higher education services, the Technical Education and Skills Development Authority (TESDA) for technical/vocational education and training (TVET) and other offices providing education and manpower development services. (Figure 4)

Figure 4. Percent Distribution of NG Expenditure on Education Services, by Agency: 2010

In particular, the major expenditures on education went to the following:

- Construction of new public schools;
 - 2,163 new public schools constructed in 2001- 2010 or an average of 216 new schools annually;

- Operation and maintenance/repair /rehabilitation of existing public schools, to wit:
 - 38,176 public elementary schools;
 - 7,016 public secondary schools; and
 - 112 SUCs as of school year (SY) 2009-2010;
- Payment of salaries and allowances of public school teachers, to wit;
 - 358,164 public elementary school teachers;
 - 142,994 public secondary school teachers, as of SY 2009-2010;
- Provision of basic educational facilities to enrollees, to wit:
 - 12.8 million enrollees in public elementary schools;
 - 5.4 million enrollees in public secondary schools;
 - 1.1 million enrollees in public universities and colleges;
 - 2 million enrollees in TVET, as of SY 2009-2010;
- Distribution of about 10 million to 36 million textbooks/instructional materials annually free of charge to elementary and secondary school pupils including handicapped pupils;
- Provision of subsidized higher education to about 1.1 million students in public universities and colleges annually:
 - Provision of subsidized TVET to about 2 million enrollees annually;
 - Scholarship grants to poor and deserving students;
 - School health and nutrition programs;
 - Physical fitness and sports development; and
 - Alternative learning systems, among others.

The LGUs through the Local School Boards shared responsibility in providing education services out of their respective Special Education Fund (SEF) although as may be noted their expenditures were very minimal compared to the NG.

The local school board budgets augmented the NG budget for the construction, repair and maintenance of school buildings and other facilities; distribution of textbooks; and holding of sports activities at the division, district, municipal and barangay levels. More affluent LGUs also established and maintained public universities and colleges; provided additional allowances to nationally-funded teachers; established and maintained extension classes and hired additional teachers, where necessary; and offered scholarships and even provided school uniform and supplies to the pupils at the beginning of the school year in some public elementary and secondary schools.

The government's expenditure on public education over the years produced 1.7 million elementary school graduates, 1.12 million high school graduates, 178,478 higher education graduates² in public schools and 1.9 million graduates of technical/vocational education annually. In partnership with the private sector, the functional literacy rate³ improved from 84.1% in 2003 to 86.4% in 2008 based on the latest available figures.

2. Health, Nutrition and Population Control

Government spending on *health, nutrition and population control* increased from ₱ 28.6 billion in 2001 to ₱ 57.9 billion in 2010. As shown in Table 7, the NG continued to share responsibility with the LGUs in the provision of healthcare services in a significant way despite the devolution of the function to the latter.

Of the NG budget on health, the Department of Health (DOH) received the highest allocation to finance nationally-funded hospitals, medical centers and institutes; regional/district hospitals; and dangerous drug abuse treatment and rehabilitation centers. The NG likewise provided subsidy to certain government corporations, e.g. Philippine Health Insurance Corporation, Lung Center of the Philippines, National Kidney and Transplant Institute, Philippine Heart Center; and other specialized hospitals.

The LGUs, on the other hand, financed provincial hospitals, rural health units and barangay health stations and carry out various health care services from their local funds.

Table 7. GOVERNMENT EXPENDITURE ON HEALTH, NUTRITION AND POPULATION CONTROL: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (₱ Billion)	28.6	31	29.4	32.1	31.3	35	38.8	41.5	47.3	57.9
NG	12.9	14.5	12.4	14.5	13.9	16.1	18.2	18.6	23.4	31.0
LG	15.7	16.5	17	17.6	17.4	18.9	20.5	22.9	23.9	26.8
<i>Per Capita (In Peso)</i>	365	386	359	384	367	402	438	459	525	616

Source of Basic Data: DBM and BLGF.

² Includes enrollment in pre-baccalaureate, baccalaureate, post-baccalaureate, master's and doctorate program.

³ Functional literacy rate represents a higher level literacy which includes not only reading and writing skills but also numerical skills.

In particular, the government spent the taxpayers' money on the following:

- Construction of new health facilities;
 - 81 new public hospitals constructed in 2001-2010 or an average of 8 new hospitals annually;
 - 2,500 new health stations/units constructed in 2001-2010 or an average of 250 new barangay health stations/rural health units annually;
- Operation, maintenance/repair or modernization/expansion of existing health facilities, to wit:
 - 721 public hospitals;
 - 2,266 rural health units;
 - 17,018 barangay health stations; and
 - 9 dangerous drug abuse treatment and rehabilitation centers as of 2010;
- Payment of salaries and allowances of public health workers, to wit:
 - 2,838 government doctors;
 - 4,576 government nurses;
 - 1,891 government dentists; and
 - 17,437 government midwives as of 2010;
- Immunization, maternal and child care, communicable and non-communicable disease prevention and control;
- Purchase and maintenance of ambulances;
- Purchase of medicines, medical supplies and equipment to carry out various health services; and
- Subsidy for Philhealth insurance premiums of indigent families, amounting to ₱3.5 billion in 2010, among others.

With the government's effort to improve basic health services, the infant mortality rate improved from 15 per 1,000 live births in 2001 to 13 per 1,000 live births in recent years and maternal mortality rate, from 203 per 100,000 live births in 2001 to 163 per 100,000 live births.

3. Social Security, Social Welfare and Employment

Government expenditures on *social security, social welfare and employment services* continuously increased from ₱ 39.8 billion in 2001 to ₱ 84.5 billion in 2009 although it significantly dropped to ₱ 56.1 billion in 2010. As to be noted, there were remarkable increases in the expenditure in this sub-sector in 2008-2009 because of the higher claims of retirees who must have availed of the incentives under the Government Rationalization Program pursuant to Executive Order No. 366. Thus, the decline in the expenditure in 2010 was mainly because of the extremely high retirees' claims in the past two years. (Table 8)

In 2010, the payment of benefits for the retirees represented 30% of the NG budget for this subsector. On the other hand, about 33% was allocated to the Department of Social Welfare and Development (DSWD) to fund its Conditional Cash Transfer Program, relief operations and other social welfare services which include programs and projects on child and youth welfare; family and community welfare; women's welfare; and welfare of the elderly and persons with disabilities; among others.

On the other hand, about 27% was allocated to the Philippine Veterans Affairs Office (PVAO); 7% to the Department of Labor and Employment (DOLE) and attached agencies for the promotion and maintenance of local employment; employment facilitation through public employment service offices; promotion and maintenance of industrial peace; workers' protection and welfare services; and other labor and employment services; and about 3% to the Public Attorney's Office (PAO).

Table 8. GOVERNMENT EXPENDITURE ON SOCIAL SECURITY, SOCIAL WELFARE AND EMPLOYMENT SERVICES: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (₱ Billion)	39.8	40.5	43.3	48.7	50.4	55.5	57.5	76.1	84.5	56.1
NG	35.4	36.3	39.1	44.8	46.2	50.8	52.2	70.3	75.6	48.7
LG	4.3	4.2	4.2	3.9	4.2	4.6	5.4	5.8	8.9	7.4
<i>Per Capita (In Peso)</i>	506	505	529	583	592	638	649	841	916	598

Source of Basic Data: DBM and BLGF.

In particular, the government spent for the following social welfare services and programs:

- Operation and maintenance/repair of social welfare institutions/facilities being administered by the DSWD, to wit:
 - 30 Child care institutions;

- 12 Youth center facilities;
 - 14 Facilities for disabled/elderly persons and special groups; and
 - 13 Substitute home for women in especially difficult circumstances, among others, as of 2010;
- Expenses for DSWD clients served which include:
 - 2,971,374 families;
 - 43,898 children;
 - 6,479 youth;
 - 15,441 women;
 - 4,384 persons with disabilities (PWDs);
 - 7,970 senior citizens; and
 - 6,785 other needy adults in 2010.
 - Calamity funds/ relief goods amounting to ₱ 125 million to ₱1 billion distributed annually to affected regions/provinces during typhoons, floods, earthquake and other calamities and natural disaster;
 - 1.3 million beneficiaries of the Conditional Cash Transfer, also known as Pantawid Pamilyang Pilipino Program (4Ps) amounting to ₱ 500/month per household (HH) for health and nutrition expenses; and ₱ 300/month per child (maximum of 3 per HH) for educational expenses;
 - Rice subsidy;
 - Supplemental Feeding Program;
 - Food for work for internally displaced persons (IDPs); and
 - Recovery and reintegration program for trafficked persons; among others.

In terms of employment services and workers' protection and welfare services, the government spent for the following:

- OFWs' claim for death benefits, disability, and other health program amounting to ₱ 314 million in 2010;
- Employment facilitation to about half a million to one million applicants annually through public employment service offices/job fairs, etc;
- Handling and disposition of various mediation cases, arbitration cases and illegal recruitment cases annually;

- Promotion of rural employment/women workers employment through self-employment and entrepreneurship development, livelihood programs, etc. among others.

The LGUs implemented together with the DSWD and DOLE social welfare and employment services at the local level through their respective Social Welfare Development Offices and Public Employment Service Offices. They constructed and maintained day care centers and other social welfare facilities in addition to those administered by the DSWD for the needy families, street children, beggars, juvenile delinquents, women, elderly and PWDs. They also provided livelihood and other pro-poor projects; constructed and maintained public libraries, freedom parks and playground; and provided job placement information services to their constituents out of their local funds.

In terms of employment, the job fairs pioneered by the DOLE in coordination with the private sector and the livelihood entrepreneurship development programs of both the NG and the LG have assisted and placed numerous applicants in various working areas annually. These initiatives in conjunction with the private sector resulted to a reduction in the unemployment rate from 8% in 2006 to 6.9% in 2010.

4. Housing and Community Development

Aggregate expenses of the NG and LGUs on housing and community development averaged ₱ 6.7 billion annually from 2001 to 2005; and ₱ 12.5 billion annually from 2006-2010. Programs on this sub-sector were spearheaded by the Housing and Land Use Regulatory Board (HLURB) and the Housing and Urban Development Coordinating Council (HUDCC). Budgetary support was likewise provided to the National Housing Authority (NHA) for its socialized housing and relocation/resettlement programs and projects; and to the Home Guaranty Corporation (HGC); National Home Mortgage Finance Corporation (NHMFC); and the Home Development Mutual Fund (HDMF) for their housing financial assistance programs. (Table 9)

Table 9. GOVERNMENT EXPENDITURE ON HOUSING AND COMMUNITY DEVELOPMENT: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (₱ Billion)	7.8	7.0	6.7	4.9	6.7	10.1	12.1	14.4	13.5	12.8
NG	1.8	0.8	3.0	1.6	3.0	6.1	7.9	9.4	8.4	7.1
LG	6.0	6.2	3.7	3.3	3.7	4.0	4.2	5.0	5.1	5.7
<i>Per Capita (In Peso)</i>	99	87	82	59	79	116	137	159	146	136

Source of Basic Data: DBM and BLGF.

In particular, the government spent for the following key housing programs and projects:

- Construction of low-cost housing units;
- Relocation/ Resettlement programs for:
 - Displaced families from sites earmarked for government infrastructure projects;
 - Families in danger areas such as waterways, esteros and railroad tracks;
 - Informal settlers; and
 - Victims of fire, typhoons, earthquake, volcanic eruptions and other natural calamities.
- Slum upgrading through construction of roads and alleys; provision of water and power supply; and livelihood programs; and
- Housing Financial Assistance Programs, to wit:
 - HDMF Lending Program;
 - Abot-Kaya Pabahay Program;
 - Community Mortgage Program; and
 - Development of Poor Urban Communities Sector Project, among others.

Through the above programs and projects, the concerned shelter agencies assisted considerable number of households, to wit:

- 215,620 households assisted by the NHA in its housing projects, resettlement/relocation and slum upgrading programs from 2004-2009 (latest available figures);
- 73,121 units financed through the Community Mortgage Program of the NHMFC from 2004-2009;
- 294,650 units financed under the Pag-IBIG Mortgage and Development Program of the HDMF from 2004-2009; and
- ₱ 15 billion to ₱ 46 billion housing loans granted annually under the HDMF End-User Financing Program or a total of ₱ 150 billion from 2004-2009, among others.

At the local level, some LGUs also constructed low-cost housing for their residents and complemented the NG in the latter's relocation/resettlement, slum upgrading and housing finance programs.

B. ECONOMIC SERVICES

Table 10 presents the NG expenditures on economic services by subsector. There is however, no breakdown of expenses on economic services by the LGUs. Nonetheless, the NG contributed about 85% of the government expenditures on economic services and only 15%, on the average, by the LGUs during the period under review.

1. Communication, Roads and Transportation Services

Among the economic services, government spending on *communication, roads and transportation* received the highest allocation ranging from ₱ 53.8 billion to ₱ 167.2 billion annually during the period. The annual expenditure moved up and down ranging from ₱ 54 billion to ₱ 67 billion in 2001-2005; then displayed an upward trend until it reached ₱ 167.2 billion in 2009; then declined to ₱ 146.4 billion in 2010.

Table 10. GOVERNMENT EXPENDITURE ON ECONOMIC SERVICES: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (₱ Billion)	141.4	127.8	145.2	144.2	147.7	192.6	260.8	320.6	352.7	329.9
<i>NG Expenditure</i>	116.0	104.2	120.5	118.9	120.8	163.6	228.8	285.3	315.0	288.2
Agri., Agrarian Reform and Natural Resources	38.6	34.8	39.7	34.7	47.0	47.7	69.1	104.6	95.7	100.6
Trade and Industry	2.9	4.1	2.7	3.5	3.3	4.0	6.0	5.4	6.1	5.6
Tourism	0.9	1.2	1.2	1.5	1.4	1.7	2.2	2.1	2.2	1.7
Power and Energy	1.7	1.5	1.1	1.8	1.8	2.6	5.8	2.1	12.9	2.4
Water Res. Dev't and Flood Control	7.2	6.2	7.0	7.6	6.6	11.1	14.1	18.0	22.6	18.5
Communications, Roads & Other Transport	61.7	53.8	67.1	66.8	57.3	93.9	126.3	146.8	167.2	146.4
Others	2.9	2.6	1.7	3.1	3.4	2.5	5.3	6.3	8.3	13.1
<i>LG Expenditure</i>	25.4	23.6	24.7	25.3	26.9	29.0	32.0	35.3	37.7	41.7
<i>Per Capita (In Peso)</i>	1,795.0	1,590.0	1,777.0	1,735.0	1,742.0	2,212.0	2,953.0	3,540.0	3,814.0	3,510.0

Source of Basic Data: DBM and BLGF.

In particular, out of the 2010 NG budget on this sub-sector, about 84% went to the Department of Public Works and Highways (DPWH) for the construction, repair/maintenance/widening of national roads, bridges and construction and maintenance of other infrastructure projects; 14% to the Department of Transportation and Communication (DOTC) and attached

agencies for transportation and communication services and facilities; and the remaining to the North Luzon Railways Corporation (NLRT) and the Philippine National Railways (PNR); among others. The LGUs also allocated budget for the construction/rehabilitation of provincial, city, municipal and barangay roads (and alleys) and bridges from their local funds.

The major government expenditures under this sub-sector include the following:

- Construction of new roads and bridges;
 - 3,300 kms of new national roads constructed from 2003-2010;
 - 574 new bridges constructed with a total of 5,250 linear meters from 2003-2010;
- Maintenance, repair/widening of existing roads and bridges benefitting 6.6 million motor vehicle owners/users, to wit:
 - 31,242 kms of national roads;
 - 31,233 kms of provincial roads;
 - 14,739 kms of city roads; and
 - 330,089 linear meter of bridges, as of 2010.
- Operation and maintenance/repair of airports and seaports benefitting 44 million shipping passengers and 36 million aircraft passengers in 2010, to wit:
 - 85 national airports;
 - 192 national/municipal ports; and
 - 63 roll-on roll-off (RoRo) ports as of 2010; and
- Subsidized fares on mass transit railways, e.g. PNR, MRT, LRT1, LRT2 benefitting 35 million passengers in 2010, among others.

2. Agriculture, Agrarian Reform and Natural Resources

Total NG expenditures on *agriculture, agrarian reform and natural resources* ranged from ₱ 35 billion to ₱ 48 billion annually in 2001-2006; then significantly rose to ₱ 69 billion in 2007; and further ballooned to ₱ 96 billion to ₱ 100 billion annually in 2008-2010.

Of the NG budget in 2010 for this sub-sector, about 35% went to the Department of Agriculture (DA) and attached agencies for the modernization of agriculture and fisheries sector; 10% to the Department of Agrarian Reform (DAR) in support of the Comprehensive Agrarian Reform Program (CARP); and 12% to the Department of Environment and Natural Resources (DENR) and attached agencies for programs and projects on environmental protection;

and development and conservation of natural resources. On the other hand, about 38% of the agriculture budget was poured to the National Food Authority (NFA) to subsidize importation of rice and the remaining, to the Pasig River Rehabilitation Commission and others.

In particular, the government spent on the following basic services on *agriculture and agrarian reform*:

- Construction/repair/improvement/rehabilitation of irrigation systems
 - 1.32 million hectares serviced by national and communal irrigation systems as of 2009 (latest available figure);
- Construction/repair/improvement/rehabilitation of farm-to-market roads (FMR) in designated key production areas;
- Agricultural support services to improve the productivity of the agriculture and fisheries sector, to wit;
 - Seedlings and fingerlings dispersal to farmers and fishermen in the localities;
 - Subsidy for hybrid palay and high-value commercial crops;
 - Livelihood assistance to farmers and fishermen;
 - Conduct of seminars on prevention and control of plant and animal pests and diseases;
 - Transfer of technology on improved crop, livestock, poultry and fish production;
 - Provision of post-harvest facilities; and
 - Financial assistance through loans to cooperatives, among others.
- Land acquisition and distribution under the CARP; and
 - 709,187 agrarian reform beneficiaries (ARBs) fully served as of 2010;
 - 7.56 million hectares covered out of 9.0 million hectares scope/target or 84% accomplishment ratio as of 2010.
- CARP beneficiaries development program
 - 316,610 ARB members already managing their own farm/non-farm enterprises as of 2010, and
 - Credit assistance and training, among others.

In terms of *natural resources and environmental services*, the government spent for the following:

- Forest, coastal and marine resources management;
- Soil conservation and watershed management;
- Protected areas and wildlife management;
- Environmental management and pollution control; and
- Community reforestation or urban greening projects; establishment of tree parks, greenbelts and similar forest development projects;
 - 52,451 hectares reforested by the government in 2009, among others.

The LGUs also implemented programs and projects on agriculture, natural resources and environmental management through their Provincial/City/Municipal Agriculture Offices and Environment and Natural Resources Offices, respectively pursuant to the national policies and subject to the supervision and review of the DA and DENR. They are the enforcers of fishery, forestry, mining, pollution control laws and other laws on the protection of the environment. Solid waste collection and disposal system; and street cleaning are the primary concerns of local units. They also spent for construction/rehabilitation of sanitary landfill or controlled dumpsite and purchase of garbage trucks and material recovery facilities (MRF) and other related equipment, among others.

The government's efforts in the modernization of agriculture and fisheries sector and the implementation of agrarian reform were reflected in the increased agricultural, fish, livestock and poultry production resulting in food security and higher income for the farmers and fishermen.

3. Water Resources Development and Flood Control

The NG expenditure for *water resources development and flood control* ranged from ₱ 6.2 billion to ₱ 22.6 billion annually from 2001 to 2010. In particular, the expenses averaged ₱ 7 billion annually in 2001-2005; jumped to ₱ 11.1 billion in 2006; and continuously increased until it reached ₱ 22.6 billion in 2009. It, however, declined to ₱ 18.5 billion in 2010.

The NG allocation for this sub-sector went almost entirely to the DPWH for its drainage, sewerage and flood control projects. Financial support, though minimal, was likewise extended by the NG to the Local Water Utilities Administration (LWUA) which is in charge of the countryside

water supply development. The NG expenditures under this sub-sector include:

- Flood control projects such as de-clogging of canals or de-silting of rivers;
- Construction/maintenance/repair of seawalls, dikes, drainage and sewerage systems;
- Construction/rehabilitation of local water supply systems, to wit:
 - 851 local water districts serving 17 million rural Filipinos with potable water as of 2010; and
- Provision of financial and technical assistance to local water districts, among others

Some LGUs developed and maintained local water districts and supplied water to their residents at subsidized rates while others provided artesian wells to the different barangays under their jurisdiction.

4. Power and Energy

The annual NG expenditures on *power and energy* ranged from ₱ 1 billion to ₱ 3 billion annually in 2001 to 2010 except for the high expenditure amounting to ₱ 5.8 billion incurred in 2007 and ₱ 12.9 billion in 2009. The high expenditure in 2009 was in view of the NG's huge budgetary support to the National Power Corporation (NPC) amounting to about ₱ 9 billion. The Department of Energy (DOE) is the agency in charge of the plans, programs, projects and activities of the government relative to energy exploration, development, utilization, distribution and conservation.

In particular the government spent for the following:

- Expanded electrification projects to energize the entire country;
 - 41,980 barangays out of 42,025 were energized or a 99.89% electrification level for the entire country completed as of 2010;
- Provision of financial, institutional and technical assistance to electric distribution utilities through funded studies; and
- Exploration and development of various energy source, among others.

5. Trade and Industry

The NG spent about P3.0 billion to P 6.0 billion annually for trade and industry services from 2001 to 2010. The budget is allocated to the Department of Trade and Industry (DTI) and attached agencies; and to selected GOCCs in charge of promoting economic zones as an investment destination such as the Cagayan Economic Zone Authority and the Aurora Special Economic Zone Authority, among others.

The money spent on this sub-sector mainly went to programs relating to the:

- Promotion of domestic trade;
- Promotion and development of small and medium industries;
- Consumer protection and business regulations;
- Promotion and development of product standards; and
- Promotion of international trade relations, among others.

The LGUs, on their part, also provided investment support services to businesses locating in their respective places.

6. Tourism Services

The NG expenditure on tourism services was generally on an uptrend from ₱ 0.9 billion in 2001 to ₱ 2.2 billion in 2009 although it declined to ₱ 1.7 billion in 2010. The NG budget which is basically managed by the Department of Tourism and attached agencies and the LG budget on tourism services went to the following:

- Preservation of existing cultural/historical sites;
- Development of new tourism facilities, e.g. parks, recreation/sports centers and other tourist attractions;
- Operation and maintenance /beautification of existing cultural/historical sites/ tourism facilities; and
- Tourism promotion programs, among others.

The various tourism development and promotion programs of the government also improved the tourism industry's performance as shown by the increasing number of visitor arrivals in the country. From 1.8 billion visitor arrivals in 2001, the number increased to over 3 billion in 2010.

C. DEFENSE

The NG expenditure on *defense* for national security to uphold sovereignty and territorial integrity amounted to ₱ 36 billion in 2001 and more than doubled to ₱ 91.5 billion in 2010 (Table 4). The amounts went to the Armed Forces of the Philippines (AFP), namely; the Philippine Army, Philippine Navy and Philippine Air Force; and to the Department of National Defense (DND), the agency having jurisdiction over the AFP.

In particular, the government spent its resources on the following:

- Acquisition and upgrading of equipment under the AFP Modernization Program amounting to ₱ 5 billion in 2010;
- Salaries and allowances of uniformed personnel of the AFP, to wit;
 - 83,278 uniformed personnel of the Philippine Army;
 - 17,520 uniformed personnel of the Philippine Air Force; and
 - 23,180 uniformed personnel of the Philippine Navy as of 2010;
- Internal security operations;
- Territorial defense;
- Disaster response;
- International defense and security engagements; and
- International humanitarian assistance and peace-keeping operations, among others.

D. PUBLIC ORDER, SAFETY AND JUSTICE

The NG expenditure on *public order, safety and justice* continuously increased from ₱ 44 billion in 2001 to ₱ 107 billion in 2010. This covered expenditures on the following: 1) law enforcement; 2) prosecution; 3) adjudication/courts; 4) correction; and 5) community/public safety. (Table 11)

Table 11. NG EXPENDITURE ON PUBLIC ORDER, SAFETY AND JUSTICE: 2001-2010

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (P Billion)	44	50.2	52.6	53.3	56.2	63.8	72	79.5	93.4	107
<i>Per Capita (In Peso)</i>	558	624	644	642	663	733	815	878	1,010	1,135

Source of Basic Data: DBM.

The national offices in charge of law enforcement include the Philippine National Police (PNP) which got two-thirds of the total budgetary allocation for this sub-sector in 2010; the National Police Commission (NAPOLCOM); and the National Bureau of Investigation (NBI), among others. A large portion of the budget was also allocated to the Supreme Court of the Philippines, Court of Appeals and Lower Courts to hear and settle court cases; to the Bureau of Jail Management and Penology and Bureau of Corrections to carry out institutional rehabilitation programs for prisoners; and to the Bureau of Fire Protection for community/public safety, among others. The LGUs likewise spent for services concerning law enforcement, criminal justice system and for community/public safety at the local level.

In particular, the government paid for the following items:

1. For Law Enforcement

- Police/Investigative services;
 - Crime prevention activities such as patrolling;
 - Crime suppression and investigation;
 - Arresting suspects; and
 - Traffic-related activities; among others.
- Purchase/ maintenance of police patrol cars;
- Salaries and allowances of 132,393 nationally-funded policemen as of 2010; and
- Operation and maintenance/repair of police stations; among others.

2. For Justice System/Correctional System

- Operation and maintenance/repair of prison facilities/jails, to wit;
 - 7 national prisons and penal farms;
 - 80 provincial jails;
 - 138 city jails; and
 - 1,496 municipal jails
- Expenses for about 36,000 inmates in national prisons and penal farms and about 60,000 inmates/detainees in provincial, city and municipal jails in 2010;
- Inmates' welfare development programs which include livelihood and income-generating services; educational/vocational skills training; sports/recreational services; guidance counseling; etc.

- Expenses on about 4 million to 5 million indigent persons with judicial and quasi-judicial cases served by the Public Attorney's Office annually; and
- Operation and maintenance of Katarungang Pambarangay acting upon over 300,000 cases/disputes annually, among others.

3. For Community/Public Safety

- Fire prevention and firefighting services;
- Purchase/maintenance of fire trucks;
- Salaries and allowances of 16,686 firemen as of 2010;
- Operation and maintenance/repair of fire stations;
- Hiring of traffic aides out of the local funds;
- Installation of street lighting system;
- Installation of traffic signs and other road safety devices out of the special local road fund; among others

Available records show that the crime rate in the country has been declining from 106.9 per 100,000 population in 2002 to 73.9 per 100,000 population in 2008 based on the PNP's crime reporting system⁴.

E. OTHER PUBLIC SERVICES

Local authorities are also involved in operating local public enterprises which are considered necessary part of the people's daily life and which contribute to economic growth at the local level. These include the operation of the following:

- Local power and water supply systems;
- Public markets;
- Slaughterhouses;
- Tricycle, jeepney and bus terminals; and
- Other local public enterprises.

⁴ Starting 2009, the PNP implemented a new crime reporting system wherein the crime data in 2009 was set as the baseline for future research, study and comparison. Hence, crime statistics in 2009 onwards cannot be compared with the previous years' data.

V. CONCLUSION

Taxes paid to the government go back to the citizenry, in general, and to the taxpayers, in particular, in the form of essential services and economic benefits. The quality of the service, however, depends to a large extent on how much money is available for allocation to the different expenditure items in the budget; and more importantly, on how the prevailing system of priorities and expenditures, is being implemented by the government.

Ideally, these priorities and expenditures should mirror the general requirements of growth or development and not the specific or peculiar needs of a particular sector. Otherwise, it would be very difficult to justify the use of government's limited financial resources or tax revenues on such priorities/expenditures. It is for this reason that efforts should be made to expand the tax revenue raising initiative of the government. With more tax collections, the government would be able to enlarge the scope of its priorities or expenditures.

Tax collections will, however, increase only if the taxpayers are made aware of the implications of their tax payments on government priorities or expenditures. This awareness hinges, to a great extent, on the visibility of government priorities or expenditures, not only in terms of the amounts spent on them, but more so of the benefits arising therefrom relative to the requirements of growth or development.

In a certain sense, taxpayers' participation in the formulation of this system of priorities or expenditures is likely to enhance its visibility. The trickle down effects of the benefits of such priorities or expenditures will also enhance the latter's visibility.

In all, tax collection can be promoted or enhanced through a well-crafted system of priorities or expenditures that involves taxpayers in the formulation of said system and in seeing to it that the said system is made visible in terms of expense or coverage, content or substance, and benefits.

