

MANILA OUTLINES 1988 BORROWING, BUDGET PLANS.By **Chaitanya Kalbag**

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MANILA, Jan 7 - The Philippine government will issue treasury bills and notes totalling 29.8 billion pesos in 1988 and depend mainly on domestic resources to finance its projected budget deficit of 27.1 billion pesos, Finance Undersecretary Victor Macalincag said.

The government planned to float treasury bills totalling 14.7 billion pesos and treasury notes worth 15.1 billion pesos, he told a news conference.

A total of 57 billion pesos of treasury bills were issued in 1987 against a targeted 77.1 billion pesos, he added.

Macalincag said the government expected foreign borrowings would account for only 64 million pesos of the projected budget deficit.

Borrowings for budgetary support were projected at 9.728 billion pesos, but writeoffs of previous budget-support loans incurred by the government would total 9.664 billion pesos.

"So in effect we are going to finance our deficit from domestic sources," he said.

The government has said 36 pct of its 1988 budget of 172.1 billion pesos will go to servicing the country's 28.48 billion dollar foreign debt.

Macalincag was confident dependence on domestic financing would not crowd out the private sector.

The government issued more treasury bills than it needed to in 1987 to finance the deficit and had deposited the surplus in long-term Central Bank securities.

A Finance Department report released at the press conference said treasury bills outstanding totalled 107.3 billion pesos at year's end, below the targeted 132.5 billion pesos.

Treasury bill auctions were launched in October 1986.

Domestic interest rates had not risen to levels that might deter private sector investment, Macalincag said.

Treasury bill yields rose to record highs at the year's last auction on December 29, ranging between 14.356 pct for 91-day bills to 15.786 pct for 364-day bills.

Central Bank figures show that as of December 25, commercial bank lending rates ranged between 14.9 and 19.1 pct, up from a range of 11.9 to 17.5 pct a year earlier.

But 364-day bills were oversubscribed at the year's last treasury-bill auction, Macalincag said, "and this shows that there is confidence in the private sector."

Macalincag said 1988 budget estimates were based on a projected average inflation rate of six pct and world oil prices averaging 18.72 dollars per barrel. The National Economic and Development Authority has said 1987 inflation is expected to average between 3.5 and four pct.

The estimated 1987 budget deficit was 22.3 billion pesos, well under the programmed 25.8 billion pesos. The 1987 budget totalled 160.4 billion pesos.

Finance Undersecretary Ernest Leung told the same press conference that total 1988 external assistance, including soft loans and grants, was projected at the same levels as in 1987.

The Finance Department report said foreign assistance was estimated to total 938.7 million dollars in 1987, of which 703.7 million dollars was in loans and 235 million in grants.



Leung said about 90 pct of the grants came from the U.S., but this was expected to drop this year because of U.S. budgetary constraints.

Japan accounted for about 60 pct of official loans.

In December alone, after a visit here by Prime Minister Noboru Takeshita, Japan's Overseas Economic Cooperation Fund released loans worth 199.5 million dollars and the Export-Import Bank made 150 million dollars available.

The Finance Department report said 57.8 million dollars in previous loans not fully used were cancelled in 1987 to save on commitment fees. There was a limit on the sourcing of funds from higher-cost sources such as the World Bank.

Leung said official development aid (ODA) loan disbursements during the year had been lower than committed aid of about two billion dollars because most aid was project-tied.

In an apparent reference to growing concern about project bottlenecks, the Finance report said project loans were 36 pct under target but program loans were 53 pct over target.

Leung said the bulk of foreign aid over the past three years had been program-tied to help the country recover from its slump. But the mix would change now, he added.

"The mix of external assistance will be shifting back to projects and diminishing in programs so that in time the disbursement relationship to commitment will be much lower," he said.

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