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GOVERNMENT EXPENDITURES AND AGRICULTURAL
POLICIES IN THE PHILIPPINES, 1955-80¹

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INTRODUCTION

Numerous studies have been undertaken in the past on the problems and issues relating to the role of the agricultural sector in the economic development process. The concern and interest in this area are especially manifest in less developed economies where agriculture accounts for a major portion of the national product and employment. The common scenario depicted in the studies is the dominance of the agricultural sector during the early stages of development and its secular decline and consequent increasing role of the industrial sectors towards the later periods when the economy begins to "take-off."

Central to this issue of structural transformation is describing how it takes place.² Specifically, the relevant questions asked involve determining who pays for and who benefits from this explicit goal of long-run development. Some studies have shown that the agricultural sector has contributed largely in terms of capital

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²For a review article, see Johnston (1970).

flowing out of the sector into non-agricultural activities, at least in the early stages.³ There are a number of ways by which this capital may be transferred, e.g. savings, taxation, pricing policies, and the protection system. Except for voluntary savings, all these involve government intervention in the market and, as is common with these types of policies, some sectors or groups gain while others lose.

A significant portion of net capital flows out of agriculture consists of public flows which are defined to be the difference between government receipts from and expenditures on agriculture.⁴ The balance is accounted for by private sector flows, i.e., savings minus investments in agriculture. This paper is concerned with the expenditure side of net public flows, i.e., with the estimation of government expenditures on agriculture for the period 1955-1980. These expenditures, however, refer only to those of government agencies whose functions/activities concern the development of the agricultural sector.⁵ More specifically, attention is focused on the types of

³See, for instance, Lee (1971), Mundiak (1979), and Paauw (1968). The author is also presently undertaking a study on intersectoral capital flows in the Philippines.

⁴It is estimated that government expenditures constitute about 16 percent and 25 percent of total resource flows into agriculture during the 1950's to 1960's, and in the 1970's respectively (see de Leon, 1982).

⁵Examples of this type of expenditures are pricing and marketing, research and extension, irrigation, agrarian reform, and forestry management (see below). In the methodology, these are referred to as direct government expenditures on agriculture. Thus, agriculture's share in expenditures for education, health, etc. are not included in this study.

policy instruments (government programs) that have been adopted and their relative importance in terms of the amount of government expenditures allocated to each over the years.

It is not our objective to evaluate the economic efficiency of these set of policies. What is done here is merely to indicate the area and direction of government intentions insofar as its spending behavior is concerned and to suggest the factors that may have contributed to such. Government expenditures of course, influence the economy through their effects on consumption, production, income distribution, and foreign trade, among others. These effects are only indicated in a general way in the discussion below.

This study owes much to earlier research done by Ms. Celia C. Capule.⁶ The methodology is partly adopted from her work, specifically in the area of disaggregating national government expenditures into the various policy instruments. The scope of the present study, however, is wider in terms of the time period and government expenditures covered. Capule's list of agencies involved in agriculture excludes the bureaus/units under the Ministry of Natural Resources. Thus, the fishery and forestry sub-sectors are not included in her analysis. Her assistance in terms of data sources and clarification of issues related to the Philippine budget structure has been invaluable in the preparation of this paper.

⁶Capule (undated).

METHODOLOGY

The study is confined only to the financial (accounting) costs of government programs. Thus, no effort is made here to estimate their economic values.⁷ In the annual budget, expenditures are classified by agency, function, and object of expenditure. The easiest way of determining the agricultural portion of the total budget is to take the amount allocated for "agriculture and natural resources" which is a sub-category of "economic development" under the functional classification system. This approach, however, is inadequate because the amount will tend to be understated. Other categories may include some expenditure items related to agriculture (e.g., irrigation which is classified under "infrastructure") which would be excluded under this framework. Conceptually also, all other expenditures of a general nature (e.g., education, health, justice, national defense, roads, and the various special funds) need to be allocated between agriculture and non-agriculture since the former benefits from them. For the purpose of this study however, only the "direct" government expenditures on agriculture as defined below are estimated.

⁷The issue here is whether or not a peso worth of a government service is equal to the same value in terms of social (economic) benefits to the recipient.

Thus, the methodology adopted here involves classifying national government expenditures into two major categories. The first, which shall be referred to as direct government expenditures, are those that can be identified clearly as being allocated either to agriculture or non-agriculture. For agriculture, this includes the budgetary outlays of the Ministry of Agriculture, the Ministry of Natural Resources, and the Ministry of Agrarian Reform, among others.⁸ Except for relatively minor items such as expenditures for adjudication of agrarian cases, these expenditures are incurred for economic development purposes.

The second category of government expenditures consists of all the rest whose benefits accrue to both the agricultural and non-agricultural sectors or the population as a whole. These include the expenditures mentioned above (e.g., education, health, etc.). To determine agriculture's share in this second type, an indirect method is used, i.e., by applying a set of allocators.⁹ This is not

⁸Other government agencies whose budgets are partly allocated for agricultural development and included under this category are the Ministry of Trade, the Ministry of Local Government and Community Development, Office of the President, the Judiciary, the National Science and Development Board, and the Ministry of Public Works, Transportation and Communication (irrigation).

⁹An allocator is defined as a ratio based on some macro indicator, e.g., agriculture's share in total employment.

undertaken here as the analysis is confined only to economic policies defined by expenditure programs included under the first category.¹⁰ In addition, local government expenditures are excluded. The latter comprise about 20 percent of the total government budget during the pre-1972 period but have declined to less than 10 percent thereafter. On the other hand, direct government expenditures on agriculture account for about 16 percent of total national government expenditures between 1955 and 1970. This has risen to over 35 percent by the late 1970's.¹¹

The direct (national) government expenditures on agriculture are classified into the various types of policy instruments (programs). The classification is presented in Table 1 below including a description of the broad expenditure components and the government agencies falling under each policy. The main policy groupings include pricing and marketing, investment, social development, and environmental management and conservation. This classification method is determined essentially by the available expenditure breakdown of agency budgets at the program and sub-program levels. The use of national budget data in the analysis has several limitations which are discussed in the next section.

¹⁰In de Leon (1982), these "indirect" government expenditures on agriculture are estimated for purposes of calculating the net capital outflows from agriculture.

¹¹See de Leon (1982).

Table 1. Classification of national government expenditures on agriculture by policy instrument.

Policy Instrument	Expenditure Components ^a	Agencies Covered ^b
1) Pricing & Marketing		
1.1 price support	Stabilization of price of palay, rice and corn; nationalization of rice and corn industry; administration of sugar and other quota products	National Food Authority (National Grains Authority, Rice and Corn Administration), Rice and Corn Board, Sugar Quota Administration
1.2 input subsidies	Procurement and distribution of agricultural inputs (e.g., fertilizer and certified seeds)	Ministry of Agriculture (Department of Agriculture, Department of Agriculture and Natural Resources)*, Bureau of Plant Industry
1.3 credit subsidy	Agricultural guarantee and loan fund	Ministry of Agriculture (Department of Agriculture, Department of Agriculture and Natural Resources)*
2) Investment		
2.1 research	Commodity research and statistics	Ministry of Agriculture (Department of Agriculture, Department of Agriculture and Natural Resources)*, Bureau of Plant Industry, Bureau of Animal Industry, Bureau of Fisheries and Aquatic Resources (Bureau of Forestry)

Table 1. Continued...

Policy Instrument	Expenditure Components ^a	Agencies Covered ^b
2.2 extension	Crop protection; plant propagation and distribution; development and promotion; demonstration and training; soil analysis, survey, and classification; dissemination of agricultural information	Bureau of Soils, Bureau of Agricultural Economics, Bureau of Forestry Development (Bureau of Forestry) Forestry Research Institute, Forest Products Research and Industry Development Commission Ministry of Agriculture (Department of Agriculture, Department of Agriculture and Natural Resources)*, Bureau of Plant Industry, Bureau of Animal Industry, Bureau of Fisheries and Aquatic Resources (Bureau of Fisheries), Bureau of Soils, Bureau of Agricultural Extension, Bureau of Fiber Development and Inspection Service (Bureau of Fiber Inspection Service)
2.3 irrigation	Operation, maintenance, repair, and construction of irrigation systems	Ministry of Public Works (Ministry of Public Works, Transportation and Communication, Department of Public Works, Transportation and Communication, Department of Public Works and Communication) - Irrigation Service Unit, Bureau

Table 1. Continued...

Policy Instrument	Expenditure Components ^a	Agencies Covered ^b
		of Public Works-Irrigation Section, Bureau of Lands-Irrigation Unit, National Irrigation Administration
3) Social Development		
3.1 agrarian reform	Land acquisition, disposition, management, administration of land reform program; adjudication of agrarian cases	Ministry of Agriculture, (Department of Agriculture, Department of Agriculture and Natural Resources)*, Land Tenure Administration, Land Authority, Agricultural Tenancy Commission, Ministry of Agrarian Reform (Department of Agrarian Reform), Court of Agrarian Relation, Office of the Agrarian Counsel
3.2 community development	Field operations and training services; grants-in-aid and self-help projects; cooperatives development program	Office of the Presidential Assistant on Community Development, Ministry of Local Government and Community Development (Department of Local Government and Community Development)* Bureau of Community Development, Bureau of Cooperatives Development

Table 1. Continued.

Policy Instrument	Expenditure Components ^a	Agencies Covered ^b
4) Environmental Management and Conservation		
4.1 forestry management and development	Forest protection and management; maintenance of parks and conservation of wildlife	Bureau of Forestry Development (Bureau of Forestry) Parks and Wildlife Office
4.2 land management	Land surveys; administration and disposition of lands	Bureau of Lands

^aThe expenditure components listed above are meant to be illustrative and not necessarily comprehensive.

^bAgency names refer to the present nomenclature. Those in parenthesis are names used in previous years while the asterisk denotes the office of the Minister (Secretary) as distinguished from the line bureaus under a ministry (department).

The estimates of government expenditures for each policy includes both current operating expenditures (COE) and capital outlays (CO). The former is defined as "expenditures for the purchase of goods and services for current consumption or within the calendar year..." while the latter are those "...of a longer life expectancy, extending beyond the calendar year and which add to the assets of the government..."¹² Now, ideally, what is measured should be the value of the flow of government services to agriculture in a given year. Since these are not purchased, they are then valued at cost, i.e., at the amount of government expenditures. But some government expenditures are capital outlays, both fixed and working (including the capitalization of an agency). These yield future services, as well as current.

The value of these future services this year is the future benefit discounted at some rate to the present. The future benefit should be the present capital expenditure raised at some interest rate to a future value. If the discount rate and the interest rate are the same, the present capital expenditure correctly indicates the present value of the future benefit. So, in general, this year's capital expenditures, along with current expenditures, can be used to indicate the value of benefits from government services to be attributed to this year.

¹²Philippines (Rep.), Ministry of the Budget (1981). The acquisition of furniture and equipment usually used in the conduct of normal government operations are classified as current operating expenditures.

DATA SOURCES AND LIMITATIONS

All data used in the study are taken from the national budget published by the Budget Commission (now the Ministry of the Budget). They cover the period from 1955 to 1980. It was difficult to obtain information for earlier years since the national budget previous to 1955 was presented in an entirely different format, i.e., the expenditures were classified into "ordinary" and "extraordinary" and described in terms of the usual accounting terminology (e.g., salaries and wages, sundry expenses, fixed equipment, etc.). It was only in 1955 that the concept of a "capital investment" was introduced and all expenditures began to be classified into current operating expenditures and capital outlays. In addition, they were presented on a program basis -- programs being defined by the major functions of the agency.

Actually, an alternative source of data is the General Auditing Office (now the Commission on Audit). Commission on Audit (COA) publishes annual reports of the audited expenditures of all agencies of the government. There is, however, no available breakdown of expenditure items by programs since accounting terms are used to classify them. Thus, budgetary data are employed in the study.¹³

¹³ Prior to 1975, the fiscal year ran from July 1 to June 30 of the succeeding year. In 1975, the government shifted to the calendar year, i.e., from January 1 to December 31. For analysis, the fiscal year data are converted to calendar year basis by averaging two fiscal years, e.g., (FY 1955 + FY 1956) ÷ 2 = CY 1955. The implicit price index of GNP is used to deflate all data using 1972 as base year.

These data are given on an "obligational" basis. An obligation is defined as a "commitment arising from an act of an administrative officer which binds the government to the immediate or eventual payment of a definite sum of money".¹⁴ Strictly, then, obligations are not the same as expenditures. The budget, however, presents previous "actual" obligations as well as "estimated" obligations for the incoming fiscal/calendar year. The actual obligations approximate closely the COA data on expenditures and these are used in the analysis.¹⁵

In the classification of (direct) government expenditures on agriculture, two main expenditure items which cannot be allocated solely to any one policy are listed separately in an agency budget, viz., general administration and construction of permanent improvements. What is done is to distribute them among the various major program expenditures on the basis of the share of each program in the total agency budget net of these two expenditure items.

Several important limitations or data gaps which have bearing on the estimates should be cited. First, government expenditures which come from national budgetary allocations may only form part of

¹⁴Philippines (Rep.), Ministry of the Budget (1981).

¹⁵A comparison of the budget data with those of COA shows the former being greater by less than one percent in most years. It should be noted, however, that only estimates have been available for 1979 and 1980.

the total public contribution for a particular policy. This is the case of pricing and marketing policies. For instance, government expenditures for price support which are defined to include mostly the budgetary allocations of the National Food Authority (formerly, the National Grains Authority) constitute only a very small fraction of its total finances. NFA, by virtue of its corporate status, contract its own financing. Thus, NFA operations are largely financed out of borrowings from government banks such as the Philippine National Bank and the Land Bank of the Philippines.¹⁶

In the case of government expenditures (COE) for input subsidies (fertilizer and pesticides) the funds come the budgetary allocations of the Fertilizer and Pesticide Authority (formerly, the Fertilizer Industry Authority). In addition, FPA also receives allocations from a special fund called the Social Pricing and Development Adjustment Fund for its subsidy program. Only the current operating expenditures (COE) are included in the data.¹⁷

¹⁶Data on NFA borrowings are not available at this time due to their confidential nature. An interview with NFA staff reveals that budgetary allocations constitute only about 2 percent of the total financial requirements of NFA operations at present.

¹⁷The special fund includes also allocations for other government subsidy programs and a breakdown has not been available. However, data on fertilizer subsidies have been obtained from FPA and these are presented in a separate table (see Table 9).

For the government credit subsidy program, the expenditure data refer only to the administrative costs of the Agricultural Guarantee and Loan Fund (AGLF) lending operations. It does not include other programs such as those undertaken by the Agricultural Credit Administration and other government financial institutions. Also, as in the cost of the price support program, whatever losses or gains resulting from operations should be included but these are not captured by the data. Thus, the estimates of government expenditures for pricing and marketing policies are greatly understated.¹⁸

The second limitation concerns the data on government expenditures for research. It includes only the research budget of line agencies under the Ministry of Agriculture and the Ministry of Natural Resources and the Philippine Council for Agricultural Resources Research. The data, therefore, are understated by the amount spent for agricultural research by state colleges and universities and other independent research organizations supported by the national government. A third source of underestimation of the data is the non-inclusion of budgetary expenditures of development authorities such as the Laguna Lake Development Authority, the Bicol Development Authority, and the Southern Philippines Development Administration.¹⁹ Their operations

¹⁸A more detailed study which focuses purposely on these type of policies need to be undertaken.

¹⁹In de Leon (1982) however, agriculture's share of these expenditures are estimated indirectly by using the employment allocator.

affect both the agricultural and non-agricultural sectors. Furthermore, it has been difficult to classify the expenditures into the various policy groupings.

It should be noted further that some government programs/projects are financed by borrowings from foreign institutions (e.g., the World Bank, the Asian Development Bank, the U.S. Agency for International Development, etc.). The local counterpart costs of these programs/projects are appropriated in the national budget. In addition, the national government assists the contracting agency, usually a government corporation such as the National Irrigation Administration, in the repayment of the loans in the form of equity contributions to the corporation. However, amounts paid by government corporations to amortize outstanding obligations and loans contracted directly by government banks for relending purposes are not incorporated in the national budget.²⁰ This constitutes the fourth limitation of the data. The underestimation affects mostly the data on expenditures for credit subsidy.

The fifth gap results from the changing administrative structure/procedures over the period. Thus, for example, no expenditures appear in the early years under the pricing and marketing policy group. This does not necessarily mean that no amount was allocated

²⁰As noted earlier, government corporations, by law, can raise their own funds outside the government in addition to any support that may be appropriated in the national budget.

or spent for this purpose. It may mean that no specific agency had been created and the relevant expenditures have been included in some account of an existing agency but the aggregation level of the data is unable to show this.

Thus, in the analysis below, these limitations of the data should be borne in mind. In general, all these result in a downward bias in the estimates either in terms of individual policies or the total direct government expenditures on agriculture.

HISTORICAL TRENDS OF GOVERNMENT EXPENDITURES

The public sector expanded steadily over the years as evidenced by the rise in national government expenditures from ₱2,298.2 million (at 1972 prices) in 1955 to ₱13,857.5 million in 1980 (see Table 2). This represents an average annual growth of 7.5 percent in real terms with the highest growth registered during the 1970-1975 period (see Table 3). Much of the increase was in the form of massive investments in infrastructure facilities, e.g., irrigation, roads, and power generation. There have been several reasons for this, apart from the desire to improve the social and economic well-being of an increasing population. Among these were the various international crises occurring in the 1970's including the grain shortage in 1973, the sudden upswing of oil prices in 1974 and beyond, and the consequent recession in many of the developed countries -- all of which adversely affected the economy. Domestically, national disasters (e.g., typhoons, floods, tungro infestation) and peace and order problems in the south also contributed to the burgeoning of government expenditures.

Table 2. National government expenditures, 1955-1980 (in million pesos at constant 1972 prices).

Year	Amount	Percent of GNP
1955	2,298.2	9.7
1956	2,556.7	10.0
1957	2,581.3	9.6
1958	2,439.1	8.7
1959	2,511.3	8.4
1960	2,826.8	9.4
1961	2,985.1	9.3
1962	3,241.5	9.5
1963	3,589.9	9.9
1964	3,642.3	9.7
1965	3,636.1	9.2
1966	3,706.2	9.0
1967	4,116.8	9.5
1968	4,706.7	10.3
1969	5,271.6	11.0
1970	5,078.2	10.1
1971	5,331.2	10.1
1972	6,360.5	11.5
1973	8,530.1	14.0
1974	10,356.7	16.0
1975	11,427.1	16.7
1976	12,236.7	16.8
1977	11,435.2	14.8
1978	13,142.6	16.0
1979 ^e	13,749.3	15.7
1980 ^e	13,857.5	14.9

e - Estimate

Source: Philippine (Rep.), Budget Commission (now Ministry of the Budget), various years.

Table 3. Average annual rates of growth of real national government expenditures and gross national product, 1955-1980 (in percent).

Period	National Government Expenditures	Gross National Product
1955-1960	4.2	4.9
1960-1965	5.2	5.6
1965-1970	6.9	4.8
1970-1975	17.6	6.5
1975-1980	3.9	6.2
1955-1980	7.5	5.6

Sources of basic data: Table 2 and Philippines (Rep.), NEDA (1980 and 1981) for the GNP data.

On the supply side, the growth of government receipts, both from domestic and foreign sources, may be cited as significant factors in explaining the rapid growth of government expenditures.²¹ Table 4 shows how the receipts increased from 1959 to 1981.²² Growth in revenues from taxation was due mainly to fiscal reforms including a general improvement in the tax collection activity of the government. Kintanar (1976) cites the following major areas: (1) tax amnesties, (2) revision of the Tariff and Customs Code, (3) taxes on exports, (4) real property taxes, and (5) local taxation.

Government borrowings from both domestic and foreign sources also increased significantly, especially in the later years.²³ The dramatic rise in foreign borrowings may be attributed to the greater accessibility to funds afforded by international financial institutions like the World Bank and the Asian Development Bank, and foreign countries such as the United States and Japan. It should be noted that a significant portion of these consists actually of loans extended by foreign private commercial banks.

²¹This may be the case only during the first half of the 1970's as the growth rate of government expenditures declined substantially toward the end of the decade despite continued rise in government receipts.

²²As stated in footnote b of the table, there may be a small discrepancy between the 1959, 1964 and 1969 data and those for 1971-1981 due to some difference in the nature of the data. They give, however, a general indication of the growth of government receipts over the period.

²³Data for earlier years were not immediately available but Table 4 presents adequate support to the observation.

Table 4. National government revenues and borrowings, selected years (in million pesos at constant 1972 prices)

Year ^a	Revenues ^b		Gross Borrowings	
	Tax	Non-tax	Domestic ^c	Foreign
1959	1,761	n.a.	n.a.	n.a.
1964	2,748	n.a.	n.a.	n.a.
1969	5,240	n.a.	n.a.	n.a.
1971	5,477	467	425	53
1972	5,718	1,066	1,177	50
1973	7,146	1,294	1,838	79
1974	7,812	1,584	1,300	187
1975	8,250	1,861	859	234
1976	8,520	1,535	938	98
1977	9,989	1,504	1,352	395
1978	9,452	1,677	1,198	1,166
1979	10,255	1,585	531	1,479
1980	10,513	1,856	915	1,018

n.a. - Data not readily available.

^aThe basic data for years prior to 1975 are given in fiscal year terms and are converted to calendar years by averaging two succeeding years before deflating them by the GNP implicit price index (1972=100). In the case of 1959, 1964, and 1969, however, this has been possible so that the fiscal year data are deflated directly as done for 1975-1981 which are in calendar years.

^bThe data for 1959, 1964, and 1969 are COA-audited figures while those for 1971-1981 are based on cash disbursements. There may be some small discrepancy between the two data sets.

^cNet of roll over.

Sources of basic data: Philippines (Rep.), NEDA (1980) for the 1959, 1964, and 1969 revenue data and NEDA-EPRS table compiled from budget documents and the Bureau of the Treasury for the rest.

The trends in government expenditures can also be seen in terms of the ratio of national government expenditures to GNP. This ratio increased from about 9 percent in the latter half of the 1950's to over 16 percent in the 1970's (see Table 2). Most of the events mentioned earlier were not existing or, at least, not severe during the 1950's and the 1960's. Thus, the growth of government expenditures during this period largely followed that of GNP.

The slowdown of government spending as evidenced by a much lower growth rate during the 1975-1980 period indicates an apparent stabilization of fiscal operations. This is borne out also by the percent share of government expenditures in GNP which hovered between 15-17 percent.

Government expenditures on agriculture increased significantly over the period, from ₱122 million in 1955 to ₱1,242 million in 1980 (see Table 5). This represents an average annual growth of 9.7 percent in real terms which is higher than that of total government outlay (Table 4 and 6). One observes also the dramatic rise during the early years of martial law when government took greater control of the economy -- an apparent move to justify, in part, the necessity of the new order. It is to be noted, however, that government spending for agricultural development appears to be declining in recent years (1979 and 1980), a trend consistent with that of total government expenditures but at a much faster rate.

Table 5. Selected indicators of trends and relative importance of national government expenditures on agriculture, 1955-1980.

Year	Gov't. expenditures on agriculture (₱ million 1972 prices)	PUBLIC EXPENDITURES ON AGRIC. AS PERCENT OF		
		Net value added in agriculture	Gov't. econ. development expenditures	Total government expenditures
1955	122	1.5	15.0	5.3
1956	176	2.1	18.4	6.9
1957	205	2.4	22.8	7.9
1958	167	1.9	21.0	6.8
1959	166	1.8	19.8	6.6
1960	179	1.9	18.2	6.3
1961	182	1.8	19.0	6.1
1962	206	2.0	19.3	6.4
1963	355	3.2	30.0	9.9
1964	306	2.8	27.1	8.4
1965	265	2.2	26.1	7.3
1966	264	2.2	26.0	7.1
1967	296	2.4	23.5	7.2
1968	416	3.1	27.6	8.8
1969	435	3.2	25.8	8.3
1970	361	2.6	23.5	7.1
1971	452	3.1	26.7	8.5
1972	567	3.8	20.7	8.9
1973	767	4.9	18.0	9.0
1974	1,081	6.8	20.4	10.4
1975	1,308	7.7	24.4	11.4
1976	1,081	5.7	19.8	8.3
1977	1,110	6.0	28.2	9.7
1978	1,646	8.5	32.4	12.5
1979 ^e	1,394	6.6	26.2	10.1
1980 ^e	1,242	5.6	17.7	9.0

e - Estimate.

Source of basic data: Philippine (Rep.), Budget Commission (now Ministry of the Budget), various years.

Table 6. Average annual rates of growth of national government expenditures, net value added in agriculture, and government economic development expenditures, 1955-1980 (in percent).

Period	Nat'l. Gov't. Expenditures on Agriculture	Net Value Added in Agriculture	Gov't. Econ. Development Expenditures
1955-1960	8.0	2.9	3.9
1960-1965	8.2	4.8	0.7
1965-1970	6.4	3.5	8.6
1970-1975	29.4	3.8	28.4
1975-1980	-1.0	5.4	5.5
1955-1980	9.7	4.1	9.0

Sources of basic data: Table 5, Philippines (Rep.), NEDA (1980 and 1981) for net value added in agriculture, and Philippines (Rep.), Budget Commission (now Ministry of the Budget), various years for government economic development expenditures.

Between 1955 and 1980, the ratio of government expenditures on agriculture to agricultural value added increased from 1.5 percent to 5.6 percent -- a growth much higher than that of the share of total government expenditures in GNP (see Tables 3 and 5). This was due more to the decline in the share of agriculture in the national product rather than to any dramatic shift in government sectoral priorities.

The share of agriculture in total government expenditures went up from 5.3 percent in 1955 to 9.0 percent in 1980. It should be noted however, that due to some deficiency in the data for the earlier years, the increase may not be as large as what the figures suggest.²⁴ The share of agriculture in government economic development expenditures also exhibited a similar trend although the variability is higher than that of the agriculture-to-total expenditures ratio.²⁵

²⁴For instance, expenditures for price support from 1955 to 1962 and for community development for 1955-1965 were not available (see Table 7 below). This data limitation is further discussed in the next section.

²⁵Except for a few minor expenditure items (e.g., adjudication of agrarian cases), government expenditures on agriculture are incurred for economic development purposes (see Table 1). The higher variability may be attributed more to the behavior over time of the share of economic development expenditures in the total government outlay.

From all indications, it seems clear that government expenditure policy became an important tool employed by the national government in achieving its development objectives in the post-martial law period. The evidence also suggests that, in the early years of martial law, agriculture's share of government resources increased. Since 1974 however, (except in 1978), the sector's share has been declining despite official pronouncements as to the high priority given to agricultural and rural development.

GOVERNMENT EXPENDITURES AND AGRICULTURAL POLICIES

A disaggregation of government expenditures on agriculture into various policy instruments (programs) provides a basis for inferring priorities within the sector that have been adopted by the government over the period. Each of these policies are discussed in detail below. The analysis is based on the data presented in Table 7 and Table 8 where the peso amounts are expressed in 1972 prices. As mentioned earlier and explained in the footnotes to the tables, there are some data gaps. Except with regard to price and marketing policies, these should not affect significantly the general patterns indicated therein.

Government expenditure policies have been aimed to achieve two broad objectives, increased productivity and a more equitable distribution of income. Policies falling under the first objective include irrigation, research, and extension. Social development

Table 8. Percentage distribution of national government expenditures on agriculture by type of policy instruments, 1955-1980.^a

Year	Pricing and Marketing			Irrigation	Research and Extension			Social Development		Env'l. Mgt. & Conserv'n.				
	Price Support ^b	Input Subsidies	Credit Subsidy ^c		Total ^d	Research ^e	Extension	Total	Agrarian Reform	Community Dev't. ^f	Total	Forestry Mgt. & Dev.	Land Mgt.	Total
1955	-	-	-	-	35.2	7.4	23.0	30.4	2.5	-	2.5	9.8	22.1	31.9
1956	-	-	-	-	48.9	5.7	18.8	24.5	2.8	-	2.8	8.0	15.9	23.9
1957	-	-	-	-	44.9	4.9	17.1	22.0	9.8	-	9.8	7.8	15.6	23.4
1958	-	7.7	-	8.2	27.5	5.5	20.9	26.4	11.5	-	11.5	9.3	17.0	26.3
1959	-	16.9	-	17.5	12.0	7.2	28.9	36.1	5.0	-	6.0	10.8	17.5	28.3
1960	-	12.3	-	13.4	13.4	7.3	29.0	36.3	8.4	-	8.4	11.2	17.3	28.5
1961	-	7.7	-	8.8	14.8	8.2	30.2	38.4	7.7	-	7.7	12.6	17.6	30.2
1962	29.0	4.9	-	33.9	12.6	5.9	22.0	27.9	4.5	-	4.5	9.8	11.2	21.0
1963	40.3	3.4	-	43.7	9.0	4.8	19.7	24.5	5.4	-	5.4	8.5	9.0	17.5
1964	31.7	2.9	-	34.6	5.9	5.6	24.8	30.4	9.5	-	9.5	9.8	9.8	19.6
1965	15.5	4.9	-	20.4	7.9	6.8	30.2	37.0	12.5	-	12.5	11.7	10.6	22.3
1966	9.1	3.8	-	12.9	9.5	6.4	29.2	35.6	11.0	8.0	19.0	13.3	9.8	23.1
1967	3.4	2.0	0.7	11.1	13.5	5.7	24.3	30.0	10.5	8.8	19.3	16.9	9.1	26.0
1968	5.8	0.7	2.4	8.9	8.4	5.0	17.5	22.5	8.4	26.7	35.1	17.8	7.2	25.0
1969	6.2	0.5	2.8	9.5	5.7	5.1	17.2	22.3	8.7	27.1	35.8	20.0	6.7	26.7
1970	5.5	0.6	1.7	7.8	10.8	5.3	18.3	23.6	10.5	21.6	32.1	19.1	6.6	25.7
1971	3.1	0.7	1.8	5.6	26.5	4.2	15.7	19.9	10.0	17.3	27.3	12.8	8.0	20.8
1972	2.3	0.7	2.3	5.3	33.0	4.2	18.3	22.5	11.8	8.3	20.1	11.3	7.8	19.1
1973	5.0	1.2	2.7	8.9	22.3	5.7	25.8	31.5	14.0	10.8	24.8	7.3	5.2	12.5
1974	4.2	1.7	1.8	7.7	38.0	5.1	18.7	23.8	11.8	9.5	21.3	4.9	4.3	9.2
1975	2.9	1.7	-	4.6	48.5	4.3	13.4	17.7	10.3	7.5	17.8	7.3	4.1	11.4
1976	3.2	1.3	-	4.5	37.5	6.3	16.4	22.7	9.3	9.0	18.3	11.6	5.3	16.9
1977	3.5	0.4	-	3.9	34.3	6.9	15.3	22.2	9.3	17.9	27.2	8.5	3.9	12.4
1978	1.8	0.4	-	2.2	52.5	6.2	15.1	21.3	6.7	6.8	13.5	7.2	3.4	10.6
1979	2.2	0.4	-	2.6	40.5	7.7	16.1	23.8	10.3	8.8	19.1	9.7	4.4	14.1
1980	1.7	0.5	-	2.2	33.6	7.4	21.0	28.4	10.5	10.1	20.6	10.6	4.6	15.2

Table 7. Distribution of national government expenditures on agriculture by type of policy instruments, 1955-1980^a
(in million pesos at constant 1972 prices)

Year	Pricing and Marketing				Irrigation	Research and Extension			Social Development		Env'l. Mgt. & Conserv'n.			
	Price Support	Input Subsidies	Credit Subsidy ^c	Total ^d		Research ^e	Extension	Total	Agrarian Reform	Community Dev't. ^f	Total	Forestry Mgt. & Dev.	Land Mgt.	Total
1955	-	-	-	-	43	9	28	37	3	-	3	12	27	39
1956	-	-	-	-	86	10	33	43	5	-	5	14	28	42
1957	-	-	-	-	92	10	35	45	20	-	20	16	32	48
1958	-	14	-	15	50	10	38	48	21	-	21	17	31	48
1959	-	28	-	29	20	12	48	60	10	-	10	18	29	47
1960	-	22	-	24	24	13	52	65	15	-	15	20	31	51
1961	-	14	-	16	27	15	55	70	14	-	14	23	32	55
1962	83	14	-	97	36	17	63	80	13	-	13	28	32	60
1963	143	12	-	155	32	17	70	87	19	-	19	30	32	62
1964	97	9	-	106	18	17	76	93	29	-	29	30	30	60
1965	41	13	-	54	21	18	80	98	33	-	33	31	28	59
1966	24	10	-	34	25	17	77	94	29	21	50	35	26	61
1967	25	6	2	33	40	17	72	89	31	26	57	50	27	77
1968	24	3	10	37	35	21	73	94	35	111	146	74	30	104
1969	27	2	12	41	25	22	75	97	38	118	156	87	29	116
1970	20	2	6	28	39	19	66	85	38	78	116	69	24	93
1971	14	3	8	25	120	19	71	90	45	78	123	58	36	94
1972	13	4	13	30	187	24	104	128	67	47	114	64	44	108
1973	38	9	21	68	171	44	198	242	107	83	190	56	40	96
1974	45	18	20	83	411	55	202	257	128	103	231	53	46	99
1975	38	22	-	60	635	56	175	231	135	98	233	95	54	149
1976	33	13	-	46	382	64	167	231	95	92	187	118	54	172
1977	39	4	-	43	381	77	170	247	103	199	302	94	43	137
1978	29	6	-	35	864	102	249	351	110	112	222	118	56	174
1979	30	5	-	35	565	108	224	332	143	122	265	135	62	197
1980	21	6	-	27	417	92	261	353	130	126	256	132	57	189

Footnotes to Table 7 and Table 8

^aFrom 1975, under a new format, the national budget presents support to government corporations under a separate chapter. This is included in our data for the 1975-1980 period. The 1979 and 1980 figures are estimates.

^bIt has not been possible to obtain the complete figures for 1955-1961 based on the level of disaggregation of our data. It should be noted, however, that during this period the National Rice and Corn Corporation (NARIC) was already engaged in price stabilization activities, mainly in the form of rice procurement and distribution. Our working table shows expenditures for the administration of sugar and other quota products. These were relatively small for 1955-1961 and had been omitted here although they are included in the totals for the whole period. Note also that a major part of the total outlays for price support is accounted for by expenditures of the Rice and Corn Administration, later the National Grains Authority (1963-1980).

^cAs explained in the text, the data under this policy refer only to expenditures related to the administration of the Agricultural Guarantee and Loan Fund (AGLF) and are available only for 1967-1974.

^dThe 1958-1961 totals include the omitted expenditures of the Sugar Quota Administration (see footnote b above).

^eExcludes research expenditures of state colleges and universities.

^fA large part of expenditures on community development were allocated for the construction and maintenance of rural roads and bridges.

Source of data: Same as Table 2.

programs such as agrarian reform and rural community development are implemented to attain the second objective. Price and marketing policies and those that involve environmental management may be viewed as programs directed toward enhancing both objectives with the latter focusing on an improved income distribution between the present and future generations.

Price and Marketing Policies

This group of policies, which includes expenditures for price support, input subsidies, and credit subsidy, consists essentially of government intervention in the markets for rice, corn, sugar, fertilizer, and certified seeds. The expenditures for price support prior to 1963 do not show up in the data as explained in footnote b of Tables 7 and 8. The figures also include only the government outlays appropriated in the national budget for price stabilization.

The chronic balance of payments deficits in the 1950's and early 1960's led to the lifting of exchange controls and eventual devaluation of the peso. One consequence of this was to encourage production of commercial crops for export at the expense of the food sector.²⁶ The problem of insufficiency of rice supply relative to the country's requirements was aggravated and imports rose significantly during the early 1960's.²⁷ The latter was one of the programs adopted

²⁶ See Treadgold and Hooley (1967).

²⁷ The Philippines had always been a rice importer except for a few years until the recent breakthrough in the palay production program which enabled the country to export.

to stabilize producer and consumer prices of the commodity. On the production side, the price support policy became pivotal in defending the floor price of palay. Thus, during this period, expenditures of the national government for this program were significant.²⁸

In the 1970's, budgetary allocations for the price support program appear to have declined with its share in government expenditures on agriculture averaging only about 3 percent. However, as pointed out earlier, NEA has other sources of funds mostly coming from loans with government financial institutions. While no data are available at this time to document the extent of NFA borrowings, it is believed that this has been growing over recent years.²⁹

Government expenditures for input subsidies, mainly on fertilizer and certified seeds, were less compared to those for price support. These generally declined in the 1960's but rose steeply in the mid-1970's only to ebb again in the latter half of the decade. However, as noted also above, the data shown in Table 7 is incomplete. Subsidies paid out to fertilizer manufacturers by

²⁸The Rice and Corn Administration (RCA) was created around this time absorbing the functions of the National Rice and Corn Corporation (NARIC). In 1972, RCA was supplanted by the National Grains Authority (NGA) which is, at present, known as the National Food Authority (NFA). For a historical perspective, see Philippines (Rep.), NEDA (1975) and Mears et al. (1974).

²⁹Newspaper reports, for instance, indicate that the Central Bank has granted a ₱2.5 billion credit line to NFA although its request for an additional ₱500 million was turned down. Apparently, these huge borrowings were necessitated by NFA's losses from rice and corn procurement (see Business Day, August 13, 1982).

the Fertilizer and Pesticide Authority (FPA) are not included since these are lumped, together with other forms of subsidy, under a special fund -- the Social Pricing and Development Adjustment Fund.³⁰ Table 9 indicates the extent and growth of these direct subsidies. Thus, taking this into account, government expenditures for input subsidies seem not to have decreased substantially in the 1970's.

These two policies of price support and input subsidies are both aimed at food self-sufficiency and price stabilization. Their effectiveness, however, depends much on government support and, consequently, on the administrative capabilities of the responsible government agencies. For example, it has been observed that the procurement and warehousing activities of NFA have been rather limited. During crop years 1955-56 to 1976-77, the government's palay procurement program covered only about an average of 2.4 percent of domestic palay production.³¹ Thus, the influence of the program on price stabilization has been limited. On the other hand, the fertilizer subsidy has spawned, among others, the growing inefficiency of domestic fertilizer plants.³²

³⁰The Fertilizer Industry Authority (FIA) was created in 1973 to regulate, control, and develop the fertilizer industry. In 1977, the Fertilizer and Pesticide Authority (FPA) took over the functions of FIA and extended its jurisdiction to the pesticide industry.

³¹See Te (1978).

³²For a recent analysis of fertilizer policies in the Philippines, see David and Balisacan (1982).

Table 9. Annual budgetary appropriations of the Fertilizer and Pesticide Authority, 1974-1981 (in million pesos at constant 1972 prices)

Year ^a	CURRENT OPERATING EXPENDITURES ^b	SUBSIDIES ^c
1973-74	1.2	-
1974-75	1.3 ^d	10.4
1975	0.8 ^d	75.4
1976	1.0 ^d	178.4
1977	1.4	37.4
1978	1.5	41.7
1979	1.9	5.9
1980	1.7	33.3
1981	1.6	71.7

^aThe two periods, 1973-74 and 1974-75, are fiscal years while 1975 covers only July to December. The rest are all in calendar years.

^bRefers to amounts received by FPA under the Appropriations Act for its current operations. They differ, therefore, from the data shown in Table 7 which are based on obligations as defined in the national budget, and include also expenditures of the Ministry of Agriculture for procurement and distribution of agricultural inputs.

^cThese are actual subsidy payments to fertilizer manufacturers coming from the Social Pricing and Development Adjustment Fund.

^dIncludes reimbursement and emergency cost of living allowances and 10 percent increase in salaries.

Source of basic data: Fertilizer and Pesticide Authority.

The third government program under this group of pricing and marketing policies consists of expenditures for the administration of subsidized credit extended to the agricultural sector. The data cover only those relating to the Agricultural Guarantee and Loan Fund (AGLF). A more complete picture should include the budgetary allocations to government financial institutions engaged in similar activities. Table 10 presents the extent of national government support to two of these institutions, the Agricultural Credit Administration and the Land Bank of the Philippines.³³ This support consists of corporate equity investments to fund some of the corporation's major capital projects or to reimburse the national government for advances made to service maturing corporate obligations which are guaranteed by the national government.³⁴

The AGLF was established in 1966 under the administration of the Central Bank and channeled through rural banks in the form of special time deposits.³⁵ It became operational only in 1967 and its main purpose was to afford small farmers greater access to

³³ Support to government corporations has been presented separately in the national budget only beginning 1975. Previous to 1963, ACA was known as the Agricultural Credit and Cooperative Financing Administration (ACCF). Aside from extending credit to small farmers, ACA's lending policies focused on areas not catered to by rural banks with main emphasis on farmers' cooperatives. Presently, it is attached to the Ministry of Agrarian Reform (MAR) for policy coordination. However, there are moves now to merge ACA with the Land Bank of the Philippines. The LBP in 1963 was then only a unit attached to ACA (R.A.3844). It was revitalized into a full commercial bank in 1973 under P.D. 251.

³⁴ Philippines (Rep.), Ministry of the Budget (1981).

³⁵ World Bank (1976).

Table 10. National government support to the Agricultural Credit Administration and the Land Bank of the Philippines, 1975-1980 (in million pesos at constant 1972 prices).

Year	ACA	LBP
1975	27.7	39.0
1976	6.9	52.8
1977	2.5	27.5
1978	2.3	46.2
1979	7.2	42.2
1980	-	31.0

Source: Philippine (Rep.), Budget Commission (now Ministry of the Budget), various years.

institutional credit. The impact of the fund, however, was minimal as it accounted for only about 2 percent of the volume of agricultural loans.³⁶ Over the period 1967-1974 when government allocated funds for its administration, the AGLF was responsible for an average of only 1.5 percent of government expenditures on agriculture. Of course government outlays for credit subsidy appear to remain significant when support to government financial institutions like ACA and LBP are considered. In addition, it should be noted that these corporations raise funds from other sources and the costs of these funds have to be taken into account.

Irrigation Investment

Irrigation plays a key role in increasing rice yields, particularly in the context of the new high yielding varieties (HYV's) introduced in the mid-1960's. During the 1950's, agricultural output increased at an average annual rate of 4.1 percent of which more than 80 percent was due to area expansion. In the 1960's, the picture changed drastically. About half of the gain in output was now accounted for by the increase in yield per hectare.³⁷ This development was mainly attributed to an acceleration of investments in irrigation as borne out by the data. Kikuchi and Hayami (1978) have observed that irrigation investment is responsive to fluctuations

³⁶ Ibid.

³⁷ See Crisostomo and Barker (1973).

in the world price of rice, i.e., expenditures for irrigation rose with upward price movements.³⁸ They hypothesized that this positive relation represents the government's response in the form of encouraging domestic production and checking the rising cost of rice imports during periods of high rice prices.

Accounting for some time lag, the data on government expenditures on irrigation generally appear to support the above hypothesis. Doubts about the long run efficiency of such government responses have been expressed.³⁹ It is suggested that had the government based its investment decision on the long term need of irrigation facilities as a critical condition for food self-sufficiency and price stability, the recurrent "rice crisis" and consequent need for crash programs that claim a significant portion of development funds could have been avoided.

It may be observed that, even accounting for the data gaps affecting government expenditures for pricing and marketing policies, there has been a shift of government resources toward irrigation. Apart from price responsiveness the advent of the new rice technology, two other factors influencing this trend may be mentioned. First, studies at IRRI indicate that, in terms of the social benefit-cost ratio, irrigation development is generally more efficient than price

³⁸This finding is based on data on hectarage for which new NIA irrigation systems were initiated and completed.

³⁹See, for instance, Hayami and Kikuchi (1978).

support and it becomes inferior to a fertilizer subsidy only if a high discount rate is used for a large-scale, high cost project.⁴⁰ Second, policy thrusts of international financial institutions such as the World Bank may have influenced the government's own choice of policy inasmuch as government expenditures for the rehabilitation or construction of irrigation systems in the country are financed substantially out of loans extended by these institutions.⁴¹

Research and Extension

The attainment of higher productivity in agriculture through research and extension becomes an increasingly important objective as the pressure on land grows. The data on government expenditures for these two programs show a fairly stable growth over the period, rising from ₱37 million in 1955 to ₱353 million in 1980 (in 1972 prices). This represents an average annual growth of 9.4 percent which is about the same as that of government expenditures on agriculture. It should be noted, however, that somewhat higher growth rates, in general, were registered in the 1970's which is consistent with the trends in the other government expenditures. As a proportion of total expenditures on agriculture, the share of research and

⁴⁰See Barker, Bennagen, and Hayami (1978), Barker and Hayami (1976) and Hayami, Barker, and Bennagen (1977).

⁴¹In Philippines (Rep.), NEDA (1975), irrigation accounts for 42 percent of total agricultural loans extended primarily by the World Bank for the FY 1951-1974 period.

extension remained at about 25 percent during 1965-1980. Extension's share had generally gone down, except during the peak of Masagana 99 in 1973-1974, while that of research has slightly increased.⁴²

Expenditures for research, on the whole, have been much less than the outlay for extension, averaging only one-third of the latter.⁴³ This supports a similar observation by Boyce and Evenson (1975) which they attribute to the view that extension can be substituted for research in improving productivity in agriculture. Another reason given is the cheaper cost of manpower for extension relative to research. From a political viewpoint, the much shorter gestation period of extension programs coupled with the increasing pressure for immediate gains might have contributed to this state of affairs.

Social Development

Expenditures for social development include those incurred for agrarian reform and rural community development programs. Agrarian reform constitutes, the most sensitive area of government policy

⁴²Reference is made to the 1965-1980 period only because the percentage distribution prior to 1965 (see Table 8) is somewhat overstated due to missing data for community development (1955-1964) and price support (1955-1961).

⁴³As pointed out earlier, the data on expenditures for research includes only the research budget of line agencies/offices under the control or supervision of the Ministry of Agriculture and Ministry of Natural Resources. It excludes, therefore, the outlays for agricultural research of state colleges and universities and other research agencies supported by the national government. This applies to the extension data also but the data gap here is not as great as most extension programs are undertaken by government line agencies.

in agriculture. It has always had political overtones as evidenced by the long history of peasant unrest in the country and government programs aimed at freeing the tenant farmer from exploitation caused by the system of share tenancy.⁴⁴ The series of legislative acts in the past however, had little impact on improving the economic and social conditions of the farmer due to the lack of administrative and financial support and strong political opposition (World Bank, 1976). Our data, for instance, show that, prior to 1972, government expenditures for agrarian reform have been rather minimal accounting for only about 9 percent of total expenditures on agriculture.⁴⁵

In 1972, Presidential Decree No. 27 was issued declaring the entire country a land reform area. The decree which superseded the Agricultural Land Reform Code of 1963 (R.A. 3844) initially covered rice and corn lands and was implemented through three major programs, viz.: (1) Operation Land Transfer administered by the Department of Agrarian Reform; (2) the organization of Samahang Nayon, a pre-cooperative association, under the Department of Local Government

⁴⁴For a historical overview and analysis, see for example, World Bank (1976), ILO (1974), and Philippines (Rep.), NEDA, (1975). Reference to past studies on the subject can be found in these publications.

⁴⁵It should be noted that the data refer only to the budget of the Department (now Ministry) of Agrarian Reform. As explained in the next paragraph, agrarian reform activities include related programs of the government.

and Community Development; and (3) credit and financial guarantee support jointly administered by the Central Bank and the Agrarian Reform Fund Commission (ILO, 1974).

With this development, expenditures for agrarian reform activities appeared to have increased significantly from a meager ₱3 million in 1955 to ₱130 million in 1980, or an average annual growth of 16.3 percent in real terms.⁴⁶ The government support would appear greater if we took into account the budgetary outlays for cooperatives development and the financial and technical assistance extended by the Land Bank and other government financial institutions.

Expenditures for rural community development have also been significant since the Office of the Presidential Assistant on Community Development was established in 1966.⁴⁷ In 1972, a new Department of Local Government and Community Development took over with expanded functions and programs. Budgetary outlays for this purpose were used to finance grants-in-aid, self-help projects and the cooperatives development program. Thus, from ₱21 million in 1966, government expenditures under this program rose to ₱126 million in 1980, or an average annual growth of 13.7 percent in real terms.

⁴⁶ Prior to 1963, the emphasis of land reform programs was on expropriation and land resettlement. The Code shifted the focus to a two-stage conversion of sharecroppers into leaseholders and leaseholders into owner-operators.

⁴⁷ In the earlier years, no single distinct agency was involved in community development. Thus, we have not been able to pick out the relevant expenditure data for this period.

Relative to the other agricultural programs, this represented a substantial share of about 11 percent of total expenditures on agriculture for the period. It should be noted that a significant portion of community development expenditures were allocated for the construction of feeder roads under the rural roads program.

Environmental Management and Conservation

The forests have always been an important resource of, and contributor to, the national economy with the forestry sector accounting for about 14 percent of gross value added in agriculture before the 1970's.⁴⁸ This share however, has declined to about 5 percent in 1980, due partly to the general worldwide economic slowdown beginning in the mid-1970's, and also partly due to the growing manifestations of the adverse effects on the environment of indiscriminate logging, which became prevalent in the 1950's and 1960's.⁴⁹ To stall this high rate of forest depletion and preserve the ecological balance, the government has adopted policies to regulate land use and provide incentives for reforestation and afforestation programs. In addition, in order to increase the value added from forest resources given the land balance ratio, a log

⁴⁸The percent share has been computed from data found in Philippines (Rep.), NEDA (1980).

⁴⁹It has been suggested also that the decline in the relative share of forestry in agriculture's GVA is due under-reporting (see for instance, Tumaneng 1982).

export ban was imposed in 1974. This, however, has essentially remained as an export quota up to the present.

Expenditures for forestry management and development which include the budgetary outlays of the Bureau of Forest Development and the Parks and Wildlife Office in the earlier years increased from ₱12 million in 1955 to ₱132 million in 1980, or an average annual growth of 10 percent in real terms. The expenditures were mostly incurred for administrative, including regulatory, services for forest protection and management, and reforestation and afforestation activities. The latter assumed an important role in the mid-1970's when the government embarked on a massive replanting program.⁵⁰ The percentage share in total government expenditures on agriculture however, has remained relatively stable at about 10 percent.

Land management refers to land surveys and management and the administration and disposition of lands undertaken by the Bureau of Lands. The bureau is concerned essentially with the portion of the land area that has been classified as alienable and disposable. Expenditures for land management were higher relative to those for forestry management in the early period. Its share of total agricultural expenditures, however, has been declining steadily, as the government shifted its priorities toward other agricultural programs.

⁵⁰This activity is a major function of the Program for Forest Eco-system Management (PROFEM) which was initiated in 1974.

CONCLUDING NOTES

This paper should be viewed as an attempt at describing the historical changes in the level and distribution of government expenditures by policy (program) from 1955 to 1980. Data gaps in some areas, particularly, government expenditures for pricing and marketing policies, need to be filled to improve the analysis further. Despite these, however, some general observations have been made.

First, government expenditures, as a whole, increased significantly, outpacing the growth of GNP. This suggests that size of the government sector expanded considerably relative to the other sectors of the economy, especially at the onset of the martial law years. It should be noted, however, that the growth of government spending tended to stabilize toward the end of the last decade. Second, this pattern of dramatic increases in total government expenditures appeared to have been carried forward to the portion allocated for agriculture. In fact, government expenditures on agriculture grew at a faster rate during the period, except for the last five years (1975-1980) when a negative growth was registered (see Table 3 and Table 6). The latter observation indicates that, despite government declarations, agriculture seems recently to be receiving relatively lesser budgetary support.

Third, government priorities within agriculture have changed apparently overtime. In particular, greater emphasis on irrigation investment has been placed in recent years. It is to be noted, however, that while budgetary outlays for pricing and marketing programs have declined, expenditures for these policies from other fund sources such as borrowings may have remained very substantial. The shares of research and extension in government expenditures on agriculture have remained relatively stable. Expenditures for social development programs, on the other hand, have increased significantly, particularly, during the post-1972 period. These outlays consisted mainly of support for the land transfer activities of the Ministry of Agrarian Reform and the rural roads and cooperatives programs of the Ministry of Local Government and Community Development. In the case of environmental management and conservation, government expenditures have generally risen as a result of the country-wide replanting program.

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