

# GMA to Obama: I'm out by June 30, 2010

## GMA submits P1.5-trillion final budget

President Arroyo continues to be coy about her political plans for 2010, but she has categorically told US President Barack Obama that she is stepping down as scheduled on June 30, 2010.

"Yes, we have elections in 2010. I will leave office on June 30. But I will be working until the last minute on issues that matter," President Arroyo told Obama at their White House meeting last month, according to a highly reliable government source.

This developed as Malacañang submitted to Congress yesterday what was described as President Arroyo's "final" budget proposal, amounting to P1.5 trillion for 2010.

The source said the White House meeting, which lasted 45 minutes, started with welcome remarks by Obama, in which he dwelled at length on the "important elections coming up in 2010 in the Philippines."

"You are Asia's oldest democracy. It's important that your election process proceeds in a way that will solidify the democratic process and be a model of transparency and democracy in the region,"

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Obama told President Arroyo, according to his source, who asked not to be named since there are spokesmen designated to talk about the visit.

Malacandag did not mention to the media this aspect of the meeting, instead the Palace touted Obama's supposed designation of the Philippines as its coordinator with the Association of Southeast Asian Nations (ASEAN).

In fact it was President Arroyo, the source clarified, who had mentioned to Obama that ASEAN had picked the Philippines as the grouping's coordinator for the United States.

ASEAN designates country coordinators for each of its dialogue partners. The role is rotated among ASEAN members every three years. The Philippines takes over from Singapore as US coordinator in 2010.

The Philippines will also be chairing the ASEAN review conference next year on the Non-Proliferation Treaty, which was repeatedly mentioned by Obama during the White House meeting, according to the source.

President Arroyo flew to Washington shortly after delivering her final State of the Nation Address at the joint session of Congress, in which she gave no congressional statement that she would be stepping down or that she would ensure the holding of the general elections in May 2010.

During the press briefing at the end of the White House meeting, the two presidents did not mention Obama's opening remarks on the elections.

Given one chance to ask a question, a Filipino journalist asked the two presidents their impressions of each other. An American journalist asked about US issues.

US Ambassador Kristie Kenney, who was at the meeting, later told **THE STAR** that Obama was glad that Filipinos would elect new leaders in 2010 in an

exercise that "would solidify the democratic process."

This was confirmed by the official note-taker of the Philippine delegation to the meeting, Ambassador to the US Willy Gaa.

President Arroyo has avoided stating categorically in the Philippines that she intends to hand over power as scheduled at noon of June 30, 2010.

She has been a frequent visitor to her eldest son's district in Pampanga, fueling speculation that she plans to seek his congressional seat next year in preparation for a shift to a parliamentary system, wherein she could become prime minister.

This plan would require amending the Constitution, which her allies in the House of Representatives appear to have abandoned.

## Legacy budget sent to Congress

President Arroyo sent to Congress yesterday her administration's proposed "legacy" budget of P1.54 trillion that she hopes will "ramp up social spending and pass on good fiscal numbers to her successor" next year.

"This is the final budget of my administration. One that will see the fruition of what this government had started eight and half years ago - reform the economy, invest on agriculture, put food on every table, create jobs, and make education accessible to all," the President said in her budget message.

She said the budget looks beyond 2010, "so that future generations can build on what this administration is leaving as legacy."

Budget Secretary Rolando Andaya Jr. described the proposed national expenditure program as having a "bias for public services delivery."

"We would like to exit on a high note and turn over to the next government the tools to sustain fiscal consolidation," An-

daya told leaders of the House of Representatives after submitting the proposed budget.

He stressed the budget program represents "fiscal discipline" on the part of the Arroyo administration.

"We could have decided to increase the spending level and let the next administration worry about a bigger budget deficit," he said.

He said the 2010 budget is P115 billion or eight percent higher than this year's P1.426 trillion.

"We could have nudged up the ceiling a little bit but we don't want to be accused of jacking up borrowings in our last months in office," the budget chief said.

## 'Manageable' deficit

Expenditures next year are pegged at 18.8 percent of the forecast Gross Domestic Product, he said.

"Even if the revenue effort, or percentage of economic activity that is captured by taxes and government charges, will hit 18 percent next, revenues will still be able to cover one percent, resulting in a deficit of P23.4 billion," he said.

"But at 2.8 percent of the GDP, that deficit level is still manageable and below the ratio our neighbors are posting, and below the 3.2 percent we're incurring this year," he said.

Other assumptions in the budget program are inflation rate of between 3.5 and 5.5 percent and Dubai crude oil price range of \$60 to \$80 per barrel. He said P479.9 billion or almost a third of the P1.541-trillion proposed national budget for 2010 is earmarked for social services.

Some P25 billion will go to education and manpower, including the Department of Education's share of P172.8 billion, and P101 billion for social security and welfare, from which P10 billion will be directly transferred in cash to 700,000 poor families.

Economic services, which cover agriculture and environ-

ment, are set to receive P356 billion, Andaya said. Defense and general public services have proposed shares of P73.6 billion and P275.1 billion, or 4.8 percent and 17.9 percent of the budget, respectively.

The Bureau of Internal Revenue is expected to increase tax collections to P875 billion from its goal of P798 billion this year while the Bureau of Customs hopes to rake in P309.5 billion.

The budget also assumes a population of 94.01 million from 92.23 million this year.

"Population increase creates budgetary pressures such as the need to hire more policemen and build additional schools and health facilities," Andaya said.

He said "pay, pension and premium contributions" of government personnel or what are collectively known as "social services" will reach P494 billion next year from P423 billion this year.

The 15.2 percent hike in payroll is largely due to the enactment of the Salary Standardization Law III in June. This will require P68.4 billion in its second year of implementation in 2010, he said.

The government will create 14,729 new DepEd positions at an initial year's cost of P2.1 billion and put on the streets 10,000 policemen at a cost of P1.4 billion.

The largest expense class in the budget, the "Maintenance and Other Operating Expenses (MOOE)" will be allocated P864 billion or P100 billion higher than this year's level.

Debt service accounts for the biggest chunk of the MOOE at P240.8 billion, of which P221.3 billion will be used to settle domestic obligations and P19.5 billion for foreign debts, according to Andaya.

He said there will be no increase in the debt-to-GDP ratio even if there will be a hike in the programmed interest payments next year.

"From a high external debt-to-GDP ratio of 38.3 percent in 2003, the downward trajectory

has been sustained, that it has gone down to 24.1 percent by end of 2008, and that's the neighborhood where it will remain," he said.

Total capital outlays (CO), including portions of the Internal Revenue Allotment that local governments convert for capital spending and other "pilot-projects," will reach P235 billion next year, he said.

He said infrastructure makes up the bulk of the CO, of which at least P72 billion will be funneled to roads and bridges; P5.8 billion to new school buildings; P2.6 billion to various farm infrastructures; and P1.5 billion to developing clean water facilities for poor communities.

"The amount for infrastructure has been calibrated to largely complete SONA (State of the Nation Address) commitments of the President," Andaya said.

The next administration will have more infrastructure room in choosing what projects to pursue. It is up to them to decide where to lay the bricks," he said.

The DepEd tops the list of recipients with P172.8 billion, followed by the Department of Public Works and Highways with P105.2 billion, and the Department of the Interior and Local Government with P65.4 billion.

For the Department of National Defense, the proposed budget is P62.7 billion; Department of Agriculture, P37.8 billion; Department of Health, P28.5 billion; Department of Agrarian Reform, P17.9 billion; Department of Social Welfare and Development (DSWD), P16.5 billion; the Judiciary, P13.0 billion; and the Department of Foreign Affairs, P12.5 billion.

"From an agency with low funding, DSWD barged into the top 10 circle beginning last year when the conditional cash transfer program of the government debuted," Andaya said.

For next year, the number of beneficiaries of the program, dubbed as the Pantawid Pam-

aliyng Pilipino, will increase to one million, he said.

Andaya said he hopes the lawmakers will act on the budget proposal "with dispatch."

"This is because the early passage of the 2010 national expenditure program is a critical step in achieving the goals of social protection and economic recovery," he said.

"These twin objectives will be achieved by investments that will irreversibly sustain the economic rebound, complete infrastructure projects pledged in previous SONAs, develop human capital and well-being, and spur farm productivity," Andaya said.

"As the 2010 budget carries new activities that must be supported by new appropriations, it is imperative that this instrument of growth and equity bears the concurrence of Congress," he pointed out.

Andaya said there is also the P10.6-billion budget needed by the Commission on Elections for the May 2010 general elections. Legislators should consider.

## Speaker's promise

Speaker Prospero Nograles vowed to work for the approval of the budget program before the end of the year.

"I can tell you that there will be no reneacted budget during my watch," he told reporters after receiving the budget program from Andaya.

He said the House appropriations committee will begin hearings on the proposal next week.

Earlier, former economic planning secretary Ralph Recto said he would be the successor would face a serious fiscal problem as he or she would inherit a government deep in debt and in deficit to the tune of more than P200 billion.

The country has incurred unprecedented deficits under Mrs. Arroyo, which her administration has tried to plug with local and foreign borrowings that have pushed the nation's debt from P2 trillion in 2001 to P4.3 trillion this year.

- Paolo Romero, Jess Diaz