

5. Public Finance of the Central Government

For the year 2010, central government revenue shrank by 3.6 percent and expenditure decreased by 3.5 percent, the first decline during the last four years. Overall, central government finances in 2010 posted a deficit of NT\$158.8 billion, lower than NT\$161.8 billion in 2009.

Decline in Central Government Revenue

In 2010, central government revenue decreased by NT\$56.6 billion to NT\$1,497.1 billion. Tax revenue grew by NT\$30.8 billion, while the revenue from surpluses of public enterprises and public utilities decreased by NT\$53.6 billion.

A closer look at the components shows that the two major sources of central government revenue in 2010 continued to be tax revenue and surpluses of public enterprises and public utilities, contributing to 72.3 percent and 17.7 percent, respectively, of the total revenue. The increase in tax revenue was attributable to strengthened efforts in tax collection as well as domestic economic recovery. The surpluses of public enterprises and public utilities, on the other hand, declined 16.8 percent over the previous year due to the losses of some public enterprises.

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year*									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010**
Total Revenue	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.1
(Ratio to GDP : %)	14.3	12.5	12.3	12.0	12.5	12.6	12.7	13.0	12.5	11.0
Total Expenditure	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,715.5	1,655.9
(Ratio to GDP : %)	15.7	14.9	15.1	13.8	13.3	12.5	12.0	12.8	13.7	12.2
Surplus/Deficit	-142.5	-247.2	-297.2	-196.6	-102.5	16.6	83.4	23.2	-161.8	-158.8
(Ratio to GDP : %)	-1.4	-2.4	-2.8	-1.7	-0.9	0.1	0.6	0.2	-1.3	-1.2
Debt Repayment	122.2	55.5	46.5	56.1	64.1	65.0	6.0	65.0	65.0	66.0
Financing:	275.8	302.7	343.7	253.5	167.3	63.9	0	45.5	227.0	224.8
Debt Financing	275.8	244.4	300.8	253.5	167.3	63.9	0	0.0	164.5	224.2
Surplus of Previous Fiscal Years	0	58.3	42.9	0	0	0	0	45.5	62.5	0.6
Memorandum:										
Tax Dependency Ratio***(%)	57.6	52.9	51.2	58.6	68.1	71.5	77.9	76.8	61.3	65.4
Debt Dependency Ratio****(%)	17.7	15.7	18.6	16.2	10.7	4.2	0	0	9.6	13.5

Notes: * Effective 2001, the calendar year is adopted as the fiscal year.

** The figures for the year 2010 are preliminary estimates.

*** Tax dependency ratio is defined as the ratio of annual tax revenue to total government expenditure.

**** Debt dependency ratio is defined as the ratio of annual issuance of government bonds and borrowing from banks to total government expenditure.

Sources: 1.DGBAS, Executive Yuan.

2.Department of Statistics, Ministry of Finance.

As tax revenue increased and government expenditure declined in 2010, the ratio of tax revenue to government expenditure, denoted by the tax dependency ratio, increased to 65.4 percent from 61.3 percent in 2009.

First Decline in Central Government Expenditure in Four Years

As a result of the effective control of government expenditure, central government expenditure in 2010 amounted to NT\$1,655.9 billion, a decrease of NT\$59.6 billion from the previous year, the first drop in the past four years. The decline was mainly accounted for by reductions in spending on economic development and national defense of NT\$48.7 billion and NT\$14.4 billion, respectively.

In terms of share in total government expenditure, education, science and culture, and social welfare were the top two categories, accounting for 20.7 percent and 19.8 percent, respectively, followed by national defense with 16.7 percent. The share of economic development in total expenditure fell to 11.8 percent from the previous year's 14.3 percent.

In addition to the general budget expenditures, the central government also set aside a total of NT\$264.6 billion as a special budget in the course of 2010 for plans to reenergize the economy through programs and measures including expansionary public spending schemes and Typhoon Morakot disaster relief and reconstruction efforts.

In sum, the ratio of central government expenditure to GDP dropped from 13.7 percent in the

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total Revenue	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.1
Taxes	841.5	820.1	828.5	916.6	1,067.8	1,094.3	1,208.7	1,242.9	1,051.6	1,082.4
Surpluses of Public Enterprises and Public Utilities	335.8	250.7	326.5	282.2	243.4	289.1	271.5	253.4	318.7	265.1
Fees, Fines and Indemnities	72.5	123.3	77.8	76.1	79.0	79.0	81.1	83.1	78.1	81.5
Revenues from Government-owned Monopolies	57.5	0.3	0	0	0	0	0	0	0	0
Proceeds from Sales of Properties and Recalled Capital	80.9	73.9	65.7	70.3	52.6	58.5	51.3	40.0	53.7	46.7
Others	29.0	36.4	22.4	23.0	21.7	25.5	22.9	21.4	51.6	21.4
Total Expenditure	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,715.5	1,655.9
General Administration	167.0	162.3	167.3	164.1	165.5	167.3	168.2	173.0	168.9	170.2
National Defense	237.7	225.2	227.7	248.9	248.5	237.1	256.7	282.4	291.2	276.8
Education, Science and Culture	257.2	267.0	300.2	302.1	301.5	303.1	308.7	310.4	326.5	342.7
Economic Development	277.1	291.2	295.5	248.9	247.0	197.0	193.3	201.3	244.5	195.8
Social Welfare	293.3	262.2	284.4	279.8	285.7	303.3	305.1	298.4	320.6	327.6
Community Development & Environmental Protection	22.3	23.4	28.7	24.8	25.2	20.4	19.4	13.5	21.4	9.0
Retirement & Compassionate Aid	122.0	124.3	125.4	123.1	130.5	134.7	134.6	133.8	133.4	134.5
Interest Payments	151.2	152.2	144.6	127.1	117.9	125.2	124.0	117.4	116.8	109.8
General Subsidies and Other Expenditure	31.9	44.1	44.3	46.0	45.2	41.7	42.1	87.5	92.2	89.5

Note: *The figures for the year 2010 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, Ministry of Finance.

previous year to 12.2 percent, while the ratio of budget deficit to GDP was 1.2 percent.

Slight Decrease in Debt Financing

The NT\$158.8 billion fiscal deficit and the NT\$66.0 billion debt principal repayment combined to represent a need for the central government to finance NT\$224.8 billion for 2010. Of this amount, NT\$224.2 billion was raised through issuing government bonds and borrowing from banks, while the remaining NT\$0.6 billion was financed with surpluses from previous fiscal years. The debt dependency ratio, i.e. the ratio of annual government bond issuance and borrowing from banks to total government expenditure jumped from 9.6 percent to 13.5 percent in 2010.

Considerable Increase in Debt Obligations

The central government was faced with a need to finance not only the general budget but also the special budget, both relying on government bond issuance and borrowing from banks. Total outstanding debt of the central government increased significantly by NT\$424.9 billion over the previous year-end, amounting to NT\$4,557.0 billion at the end of 2010. Furthermore, the ratio of outstanding central government debt to GDP rose from the previous year's 33.1 percent to 33.5 percent.

Public Debt of the Central Government

Unit: NT\$ Billion

	End of Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Outstanding Debt	2,759.1	2,849.3	3,124.7	3,362.2	3,550.0	3,623.0	3,719.7	3,780.6	4,132.1	4,557.0
(Ratio to GDP : %)	27.8	27.4	29.2	29.6	30.2	29.6	28.8	30.0	33.1	33.5

Note: * The figures for the year 2010 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Ministry of Finance.