

4. Public Finance of the Central Government

For 2001, the central government expenditure continued to rise and led to a deficit of NT\$ 142.5 billion although the deficit was kept from widening. The deficit was largely caused by mounting expenditure on legal obligations such as subsidies to insurance programs for civil servants, farmers, labors, and the national health insurance program, as well as the full-fledged efforts to accelerate the implementation of public work projects in order to bolster domestic economic activity.

Slight Rise in Government Revenue

Central government revenue grew by 4.71 percent* to NT\$ 1,417.7 billion in 2001, mainly owing to the increases in investment earnings of public enterprises and property revenue.

Broken down by revenue category, tax revenue and surpluses of public enterprises still constituted the two major revenue pools for the central government, which respectively accounted for 59.36 percent and 23.86 percent of total revenue in 2001. Tax revenue slightly decreased by 1.45 percent due to a 40.30 percent drop in securities transaction tax receipts in

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year*									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001**
Total Revenue	705.8	834.2	900.5	937.4	996.8	1,025.2	1,251.5	1,228.6	2,030.8	1,417.7
(percent of GDP ; %)	(13.89)	(14.85)	(14.55)	(13.93)	(13.59)	(12.85)	(14.42)	(13.44)	(14.11)	(14.86)
Current Revenue	683.6	798.8	866.4	913.3	962.8	1,003.0	1,200.8	1,147.1	1,958.1	1,347.9
Capital Revenue	22.2	35.4	34.1	24.1	34.0	22.2	50.7	81.5	72.7	69.8
Total Expenditure	907.6	978.5	972.8	965.7	1,004.9	1,051.4	1,083.1	1,164.0	2,230.1	1,560.2
(percent of GDP ; %)	(17.86)	(17.42)	(15.72)	(14.35)	(13.70)	(13.18)	(12.48)	(12.74)	(15.50)	(16.35)
Current Expenditure	624.6	693.0	704.1	738.8	808.3	876.5	897.0	915.8	1,795.5	1,237.2
Capital Expenditure	283.0	285.5	268.7	226.9	196.6	174.9	186.1	248.2	434.6	323.0
Surplus/Deficit	-201.8	-144.3	-72.3	-28.3	-8.1	-26.2	168.4	64.6	-199.3	-142.5
(percent of GDP ; %)	(-3.97)	(-2.57)	(-1.17)	(-0.42)	(-0.11)	(-0.33)	(-1.94)	(-0.71)	(-1.38)	(-1.49)
(percent of Total Expenditure,%)	(-22.23)	(-14.75)	(-7.43)	(-2.93)	(-0.81)	(-2.49)	(15.55)	(5.55)	(-8.94)	(-9.13)
Debt Repayment	37.6	52.6	51.4	31.0	80.2	100.4	103.9	118.0	193.4	122.2
Financing:	239.5	196.9	123.7	75.1	95.8	126.6	49.9	56.6	466.1	275.8
Issuance of Government Bonds	238.7	162.8	108.2	75.1	95.8	117.3	49.9	56.6	466.1	213.8
Borrowing from Banks	-	-	-	-	-	-	-	-	-	62.0
Surplus of Previous Fiscal Years	0.8	34.1	15.5	-	-	9.3	-	-	-	-
Memorandum:										
Debt Dependency Ratio (%)	26.30	16.64	11.12	7.78	9.53	11.16	4.61	4.86	20.90	17.68

Notes: * Effective 2001, the calendar year is adopted as the fiscal year. The fiscal year 2000 begins on July 1, 1999 and ends on Dec. 31, 2000, while the other fiscal years prior to 2000 run from July 1 of the preceding year to June 30 of the designated year.

** The figures for the year 2001 are preliminary estimates, while the figures for the preceding fiscal years are audited numbers.

Sources: Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
Department of Statistics, Ministry of Finance.

* The annualized growth rates of each revenue and expenditure category for the 18-month period of fiscal year 2000, i.e., from July 1, 1999 to December 31, 2000, were transformed by the rate of 1.5.

line with shrinking equity trading. The surpluses of public enterprises rose by 14.68 percent due to the increase in investment revenue. Property revenue increased by 37.18 percent mainly as a result of the rising volume of stock releases from government's holdings.

Mild Increase in Government Expenditure

Government expenditure amounted to NT\$ 1,560.2 billion in 2001, growing by 4.94 percent over the previous year. Among the figure, current expenditure expanded by 3.36 percent to NT\$ 1,237.2 billion in 2001, mainly owing to the continuous expansion of social welfare expenditures resulting from the disbursement of subsidies to insurance programs for civil servants, farmers, labors, and the national health insurance program. Capital expenditure substantially grew by 11.49 percent to NT\$ 323 billion, reflecting the government's efforts to expand public construction projects.

Broken down by expenditure category, spending on social welfare programs continued to command the largest share of total central government expenditure, with the reading rising from the previous fiscal year's 18.43 percent to 18.81 percent in 2001. It reflected the fact that the government had gradually increased social welfare spending in response to social transformation. Expenditure on economic development posted the second place with the share jumping from 15.98 percent in 2000 to 17.76 percent. The increase was attributed to the

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

	Fiscal Year*									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001**
Total Revenue	705.8	834.2	900.5	937.4	996.8	1,025.2	1,251.5	1,228.6	2,030.8	1,417.7
Taxes	503.8	557.1	615.6	705.7	706.1	749.1	858.8	772.9	1,280.7	841.5
Surpluses of Public Enterprises and Public Utilities	102.8	146.3	155.3	113.9	151.6	149.5	239.9	284.1	442.4	338.2
Fees, Fines and Indemnities	16.6	21.1	21.2	25.0	31.9	32.7	34.9	29.1	103.0	71.9
Revenues from Government-owned Monopolies	38.0	40.4	42.1	39.9	36.4	37.8	37.4	35.9	77.3	58.7
Proceeds from Sales of Properties and Recalled Capital	25.7	48.8	41.7	31.4	40.7	31.1	60.5	91.9	88.4	80.8
Others	18.9	20.5	24.6	21.5	30.1	25.0	20.0	14.7	39.0	26.6
Total Expenditure	907.6	978.5	972.8	965.7	1,004.9	1,051.4	1,083.1	1,164.0	2,230.1	1,560.2
General Administration	106.4	98.6	94.4	93.1	104.8	108.0	112.7	134.6	234.9	167.0
National Defense	239.4	253.5	242.5	234.1	244.1	253.4	257.1	263.2	343.3	237.8
Education, Science and Culture	147.8	156.9	158.6	156.6	166.6	174.9	184.8	202.7	367.6	257.4
Economic Development	175.9	187.1	172.0	137.1	124.2	113.8	126.5	172.5	356.4	277.1
Social Security	84.6	89.8	91.0	134.2	143.7	150.0	150.2	157.6	411.0	293.4
Community Development & Environmental Protection	18.5	26.5	29.2	24.8	19.8	15.3	15.8	19.2	39.6	22.3
Pensions & Survivors' Benefits	84.9	88.5	93.4	95.9	108.6	139.5	139.8	129.3	195.4	122.0
Interest payments	14.9	39.7	55.3	56.7	61.2	58.9	63.5	80.3	249.6	151.3
Others	35.2	37.9	36.4	33.2	31.9	37.6	32.7	4.6	32.3	31.9

Notes: * Effective 2001, the calendar year is adopted as the fiscal year. The fiscal year 2000 begins on July 1, 1999 and ends on Dec. 31, 2000, while the other fiscal years prior to 2000 run from July 1 of the preceding year to June 30 of the designated year.

** The figures for the fiscal year 2001 are preliminary estimates, while the figures for the preceding fiscal years are audited numbers.

Sources: Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
Department of Statistics, Ministry of Finance.

government policies aiming to expand public construction projects.

The scale of public expenditure, as measured by the ratio of government expenditure to GDP, continued its upward trend and rose to 16.35 percent in 2001 from the previous year's 15.5 percent mainly due to the continuous mounting expenditure on social welfare and economic development. The ratio of fiscal deficit to GDP slightly moved up from 8.94 percent in 2000 to 9.13 percent, partly reflecting the economic contraction in 2001.

Falling Demand for Debt Financing

Revenue from debt financing in 2001 substantially dropped to NT\$ 275.8 billion from NT\$ 466.1 billion in the previous year as a result of the smaller amount of debt repayment. Of the total, revenue from issues of government bonds amounted to NT\$ 213.8 billion while that borrowed from financial institutions increased to NT\$ 62.0 billion.

Soft Increase in Debt Obligations

The amount of issues of central government bonds and bank borrowings in 2001 totaled NT\$ 275.8 billion, and caused the overall outstanding debt of the central government to reach NT\$ 2,735.9 billion at the end of year 2001. Due to the new debt incurred and the GDP contracted during the year, the ratio of central government outstanding debt to GDP further rose to 28.67 percent in 2001 from the previous fiscal year's 25.67 percent. The ratio of outstanding debt to the average of annual GNP in the preceding three years (i.e., between 1998 and 2000) stood at 29.12 percent, which was well below the ceiling of 41.4 percent in accordance with the *Public Debt Law*.

Debt dependency, as measured by the ratio of annual debt proceeds to total government expenditure, fell to 17.68 percent as the amount of debt incurred during the year decreased.

Public Debt of the Central Government ⁽¹⁾

Unit: NT\$ Billion

	End of Fiscal Year ⁽²⁾									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ⁽⁴⁾
Public Debt Balance	568.4	800.7	917.1	1,104.1	1,227.1	1,385.6	1,385.2	1,337.1	2,480.5	2,735.9
(percent of 3-year-averaged GNP ⁽³⁾ ; %)	(13.46)	(17.08)	(17.66)	(19.22)	(19.50)	(20.19)	(18.58)	(16.52)	(27.77)	(29.12)
(percent of GDP ; %)	(11.19)	(14.25)	(14.82)	(16.40)	(16.73)	(17.36)	(15.96)	(14.63)	(25.67)	(28.67)
Government Bonds	519.5	705.2	781.9	944.9	1,028.5	1,144.7	1,093.5	1,040.4	1,378.4	1,604.8
(percent of GDP ; %)	(10.23)	(12.55)	(12.63)	(14.04)	(14.02)	(14.34)	(12.60)	(11.38)	(14.26)	(16.82)
Borrowing from Banks	48.9	95.5	135.2	159.2	198.6	240.9	291.7	296.7	1,102.1	1,131.1
(percent of GDP ; %)	(0.96)	(1.70)	(2.19)	(2.36)	(2.71)	(3.02)	(3.36)	(3.25)	(11.41)	(11.85)

Notes: (1) Data include general budget and special budget of the central government.

(2) Effective 2001, the calendar year is adopted as the fiscal year. The fiscal year 2000 begins on July 1, 1999 and ends on Dec. 31, 2000, while the other fiscal years prior to 2000 run from July 1 of the preceding year to June 30 of the designated year.

(3) Effective 2000, the figure is the average GNP of the three preceding calendar years, while those for the other years prior to 2000 are computed with the three preceding fiscal years.

(4) The figures for the fiscal year 2001 are preliminary estimates, while the figures for the preceding fiscal years are audited numbers.

Source: Council for Economic Planning and Development, Executive Yuan.