

4. Public Finance of the Central Government

For 2003, central government expenditure expanded mainly due to the implementation of the Public Works Expansion Program and the Expansion of Employment through Public Services Plan in an aim to boost effective demand after the economy suffered in the wake of the US-Iraq War and the widespread SARS epidemic. As a result, the central government deficit widened to NT\$300.5 billion.

Mild Increase in Central Government Revenues

Central government revenues increased by 1.05 percent to NT\$1,318.4 billion, mainly as a result of the rise in dividends from the Executive Yuan's Development Fund and public enterprises.

Tax revenues and surpluses of public enterprises and public utilities still constituted the two major revenue pools for the central government, and accounted for 62.85 percent and 24.78 percent of total revenues, respectively, in 2003. The gradual recovery of the economy staged

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year*										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003**	
Total Revenue	900.5	937.4	996.8	1,025.2	1,251.5	1,228.6	2,030.8	1,417.2	1,304.7	1,318.4	
(Ratio to GDP : %)	(14.55)	(13.93)	(13.59)	(12.85)	(14.42)	(13.44)	(14.11)	(14.91)	(13.38)	(13.39)	
Current Revenue	866.4	913.3	962.8	1,003.0	1,200.8	1,147.1	1,958.1	1,347.3	1,238.0	1,259.6	
Capital Revenue	34.1	24.1	34.0	22.2	50.7	81.5	72.7	69.9	66.7	58.8	
Total Expenditure	972.8	965.7	1,004.9	1,051.4	1,083.1	1,164.0	2,230.1	1,559.7	1,551.9	1,618.9	
(Ratio to GDP : %)	(15.72)	(14.35)	(13.70)	(13.18)	(12.48)	(12.74)	(15.50)	(16.41)	(15.92)	(16.44)	
Current Expenditure	704.1	738.8	808.3	876.5	897.0	915.8	1,795.5	1,236.7	1,183.3	1,231.0	
Capital Expenditure	268.7	226.9	196.6	174.9	186.1	248.2	434.6	323.0	368.6	387.9	
Surplus/Deficit	-72.3	-28.3	-8.1	-26.2	168.4	64.6	-199.3	-142.5	-247.2	-300.5	
(Ratio to GDP : %)	(-1.17)	(-0.42)	(-0.11)	(-0.33)	1.94	0.71	(-1.38)	(-1.50)	(-2.54)	(-3.05)	
(Ratio to Total Expenditure : %)	(-7.43)	(-2.93)	(-0.81)	(-2.49)	(15.55)	(5.55)	(-8.94)	(-9.14)	(-15.93)	(-18.56)	
Debt Repayment	51.4	31.0	80.2	100.4	103.9	118.0	193.4	122.2	55.5	46.5	
Financing:	123.7	75.1	95.8	126.6	49.9	56.6	466.1	275.8	302.8	347.0	
Issuance of Government Bonds	108.2	75.1	95.8	117.3	49.9	56.6	466.1	275.8	244.5	301.6	
& Borrowing from Banks	15.5	—	—	9.3	—	—	—	—	58.3	45.4	
Surplus of Previous Fiscal Years	—	—	—	—	—	—	—	—	—	—	
Memorandum:											
Debt Dependency Ratio*** (%)	11.12	7.78	9.53	11.16	4.61	4.86	20.90	17.68	15.75	18.63	

Notes: * Effective 2001, the calendar year is adopted as the fiscal year. As a transition, 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 2003 are preliminary estimates.

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

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

in the second half of 2002 led to a 4.64 percent increase in income tax revenues and a 1.04 percent increase in total tax revenues over the preceding year. The surpluses of public enterprises and public utilities substantially increased by 30.37 percent due to the addition of the dividends from the Executive Yuan's Development Fund and public enterprises. Revenues from fees, fines, and indemnities sharply declined 41.52 percent due to the higher base in the previous year resulting from the huge licensing fees of NT\$48.9 billion for 3G telecommunications services.

Rise in Central Government Expenditure

Central government expenditure increased by 4.23 percent to NT\$1,618.9 billion in 2003. Among the components, current expenditure expanded 4.03 percent to NT\$1,231.0 billion, mainly owing to the increase in government subsidies to education, medical care, social welfare, and civil servant's insurance programs of local governments as well as the implementation of the Expansion of Employment through Public Services Plan. Capital expenditure grew by 5.24 percent to NT\$387.9 billion in 2003 as the government increased its spending, according to the Public Works Expansion Program, with the aim of promoting sustained economic recovery. Among different expenditure categories, spending on community development & environmental protection posted the highest growth, with the reading rising to 22.65 percent in 2003. Second

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

	Fiscal Year*									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003**
Total Revenue	900.5	937.4	996.8	1,025.2	1,251.5	1,228.6	2,030.8	1,417.2	1,304.7	1,318.4
Taxes	615.6	705.7	706.1	749.1	858.8	772.9	1,280.7	841.5	820.1	828.6
Surpluses of Public Enterprises and Public Utilities	155.3	113.9	151.6	149.5	239.9	284.1	442.4	335.8	250.6	326.7
Fees, Fines and Indemnities	21.2	25.0	31.9	32.7	34.9	29.1	103.0	72.5	123.3	72.1
Revenues from Government-owned Monopolies	42.1	39.9	36.4	37.8	37.4	35.9	77.3	57.5	0.4	—
Proceeds from Sales of Properties and Recalled Capital	41.7	31.4	40.7	31.1	60.5	91.9	88.4	80.9	73.9	64.2
Others	24.6	21.5	30.1	25.0	20.2	14.7	39.0	29.0	36.4	26.8
Total Expenditure	972.8	965.7	1,004.9	1,051.4	1,083.1	1,164.0	2,230.1	1,559.7	1,551.9	1,618.9
General Administration	94.4	93.1	104.8	108.0	112.7	134.6	234.9	167.0	162.3	167.7
National Defense	242.5	234.1	244.1	253.4	257.1	263.2	343.3	237.7	225.2	227.7
Education, Science and Culture	158.6	156.6	166.6	174.9	184.8	202.7	367.6	257.2	267.0	300.2
Economic Development	172.0	137.1	124.2	113.8	126.5	172.5	356.4	277.1	291.2	295.6
Social Welfare	91.0	134.2	143.7	150.0	150.2	157.6	411.0	293.3	262.2	284.7
Community Development & Environmental Protection	29.2	24.8	19.8	15.3	15.8	19.2	39.6	22.3	23.4	28.7
Pensions & Survivors' Benefits	93.4	95.6	108.6	139.5	139.8	129.3	195.4	122.0	124.3	125.4
Interest payments	55.3	56.7	61.2	58.9	63.5	80.3	249.6	151.2	152.2	144.6
Others	36.4	33.2	31.9	37.6	32.7	4.6	32.3	31.9	44.1	44.3

Notes:* Effective 2001, the calendar year is adopted as the fiscal year. As a transition, 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 2003 are preliminary estimates.

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

Public Debt of the Central Government

Unit: NT\$ Billion

End of Fiscal Year*	Outstanding Debt			Outstanding Debt /GDP (%)
	Government Bonds	Borrowing from Banks**		
1994	921.6	781.3	140.3	14.88
1995	1,108.0	944.3	163.7	16.46
1996	1,229.5	1,028.0	201.5	16.77
1997	1,386.8	1,144.3	242.5	17.38
1998	1,386.0	1,093.1	292.9	15.96
1999	1,335.9	1,040.0	295.9	14.62
2000	2,478.3	1,377.9	1,100.4	25.65
2001	2,807.4	1,718.1	1,089.3	29.53
2002	2,897.6	1,970.2	927.4	29.72
2003***	3,175.4	2,384.0	791.4	32.25

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

** Including foreign debt.

***The figures for the year 2003 are preliminary estimates.

Source: Ministry of Finance.

was spending on education, science and culture, which grew by 12.43 percent over the previous year, followed by spending on social welfare with an increase of 8.58 percent. In terms of shares of expenditure categories, central government's spending on education, science and culture commanded the largest share of total government spending with a reading of 18.54 percent. Spending on economic development accounted for the second largest share of 18.26 percent, followed by expenditure on social welfare and national defense with shares of 17.59 percent and 14.07 percent, respectively.

In 2003, the ratio of central government expenditure to GDP rose from the previous year's 15.92 percent to 16.44 percent. As government expenditure expanded faster than government revenue, the fiscal deficit increased to NT\$ 300.5 billion, and the ratio of fiscal deficit to total expenditure climbed to 18.56 percent from the previous year's 15.93 percent.

Increase in Debt Financing

As the fiscal deficit continued to broaden, the demand for debt financing increased. For 2003, the total amount of fiscal deficit and debt repayment climbed to NT\$347.0 billion from the preceding year's NT\$302.8 billion. Of this amount, NT\$301.6 billion was raised through issuing government bonds and borrowing from banks, and the remaining amount was appropriated from surpluses of previous years.

Continued Increase in Debt Obligations

For 2003, the total debt financing by the central government increased from the previous year's NT\$244.5 billion to NT\$301.6 billion, causing the debt dependency ratio to rise to 18.63 percent from the previous year's 15.75 percent. The outstanding debt of the central government reached NT\$3,175.4 billion at the end of 2003, equal to 32.25 percent of the annual GDP.