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Abstract
This article discusses the budget procedures and policies in the Association of Southeast Asian Nation (ASEAN) countries. Fiscal systems of ASEAN countries; Social spending services of ASEAN countries; Revenue systems of ASEAN countries.

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Budget Procedures and Policies in the ASEAN Countries

Though all five countries in the Association of Southeast Asian Nations (ASEAN) are classified as middle-income developing economies, they are at quite different levels of development. Singapore's GNP per capita stood at US $5,260 in 1981, which was the second highest among developing countries; Indonesia's was US $490, which was only slightly above the lower boundary for middle-income countries; Thailand's and the Philippines' were US $770 and US $790, respectively, and Malaysia's was US $1,880.

Except in Singapore, the agricultural sector accounted for between 20 and 30 percent of GDP in 1981 and employed between 37 percent, in the case of Malaysia, and 70 percent, in the case of Thailand, of the labor force. The contribution of the manufacturing sector to GDP increased in each of these countries during the past decade, though the rate of increase in employment in this sector was only marginally above the rate of increase in its output in some cases. The Singapore economy now shares many common characteristics with those of industrialized countries; the structure and characteristics of the other Southeast Asian countries have changed significantly over the past two or three decades, but these countries still remain highly dependent on their rural sectors and are a long way from being industrialized.

The ASEAN countries had growth rates among the highest in the world during the 1970s: Singapore's GDP grew at an average annual rate of 8.5 percent during the decade; Indonesia's, Malaysia's and Thailand's each grew at over 7 percent per year; and Philippines' at slightly over 6 percent. But those high growth rates did little to reduce income inequalities in most of these countries. Data showing the pattern of the distribution of income is generally sparse; such as is available suggests that the share of the bottom 40 percent in GNP declined in Indonesia, the Philippines, and Thailand during the 1970s. Nevertheless, reducing inequalities among groups and regions has been and

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remains an avowed objective of the government of each of the Southeast Asian countries.

The high rates of growth of GDP in these countries in the 1970s were associated with high growth rates for exports and, in most of them, with substantial and increasing inflows of external financial resources, from both official and private sources. The less propitious world economic conditions of the past few years have to some extent eroded the foundations on which the ASEAN countries' excellent growth performance in the 1970s was based. The markets for their primary product exports have shrunk because of the depressed conditions in the industrialized countries—their major markets for these exports—while protectionism has been inhibiting further growth in their exports of manufactures. The growth rates of GDP in these countries have declined in the last two years, though, except in the case of the Philippines, they remain among the highest in the world.

Slower growth in the Southeast Asian countries has affected their capacity to mobilize the domestic savings needed to finance the implementation of their development plans and programs. Some of these countries have, therefore, had to cut back on the development programs planned for the next few years. Unless such cutbacks are to be a permanent feature, these countries will have to step up the mobilization of domestic savings, for future flows of external financial resources are, to say the least, questionable. The investment required for development in these countries will have to be financed to a larger extent than before through domestic savings generated both in the private and public sectors.

Two major problems that the governments of the ASEAN countries now face in an intensified form are: how to reduce inequalities, both between sections of their populations and between regions, and how to step up the mobilization of domestic savings to provide more of the funds needed to finance development programs. These have been major objectives of these governments in recent years, but it is now recognized that efforts in both directions are more vital for long-term economic development than before and, therefore, need to be improved.

What we would like to do in this article is to indicate problem areas in the budget systems and policies of the Southeast Asian governments which may impede development efforts. But before doing so, we would like to present some broad indications of the size and scope of public expenditure and revenue in the ASEAN countries and discuss briefly some aspects of their systems of budgetary control.

GOVERNMENT EXPENDITURE

All of the ASEAN countries have more than one tier of government. Indonesia has four levels below the central government: provinces (of which there are 27), *kabupatens* (regencies and rural areas which govern smaller towns) or *kotamadyas* (municipalities which govern larger towns); *kecamatans* (subdistricts) and *desas* (villages). Kecamatans are administrative agencies; the other three are "autonomous" to the extent that they have power to make laws (subject to the approval of the next higher level of gov-

TABLE 1
Percentage Rate of Increase in Central Government Current Expenditure, 1973–1981

	Indonesia	Malaysia	Philippines	Singapore	Thailand
1973	25	9	30	17	19
1974	63	29	69	13	16
1975	42	13	46	22	21
1976	31	19	4	14	21
1977	22	27	16	11	16
1978	32	9	17	17	18
1979	28	25	11	7	20
1980	48	31	35	16	32
1981	43	10	—	17	14
Average	37	19	28	15	20
Inflation Rate*	18	7	14	6	11

*Consumer Price Index, Compound Rate 1973–1981.

Source: Asian Development Bank, *Key Indicators of Developing Member Countries,* April 1982.

ernment), have their own budgets, and levy taxes and charges, the proceeds of which supplement grants and subventions from the central government budget. Malaysia is a federation of 13 states. All taxes and revenues are, however, collected under federal legislation; those raised by the federation are paid into the Federal Consolidated Fund; those raised and collected by the states are paid into the respective state consolidated funds. In addition to its national government, the Philippines has local governments at three levels: provinces, cities, and municipalities, all of which receive grants from the national government in addition to any taxes and levies they impose and collect. Thailand has a strong national government with local governments mostly limited to municipalities. All major taxes are collected by the national government; local authorities collect property taxes and some minor licensing fees, and these revenues are supplemented by grants from the national government. Outside of the incorporated municipalities and townships, the national government is fully responsible for all government activities.

Though each of the ASEAN countries has more than one level of government, their fiscal systems are highly centralized; central government expenditures and revenues account for 85 percent and more of total government expenditures and revenues in each country. Consolidated data on a national basis covering the revenues and expenditures of the subnational levels of government are sparse and such as are available are not broken down into functional categories. For this reason, attention will be directed here to the changes in central government expenditure, indicating, where necessary, expenditures made through the medium of subnational governments. Furthermore, because of data limitations, this analysis will deal mainly with changes which have occurred during the past ten years or so.

Government expenditure in each of the ASEAN countries increased significantly, in both nominal and real terms, over the period 1973–1981 (see Table 1), though the aver-

TABLE 2
Total Government Expenditure as Percentage of GDP, 1972–1980

	1972	1974	1976	1978	1980
ASEAN Countries					
Indonesia	11.9	10.9	17.6	19.2	18.5
Malaysia	30.2	27.0	29.1	32.4	40.2
Philippines	—	—	—	—	22.1
Singapore	19.4	20.1	24.3	25.3	23.3
Thailand	17.4	12.9	17.1	16.7	17.4
OECD Countries					
Seven Largest	33.1	34.8	37.2	37.3	38.3
Smaller European Countries	35.3	37.2	41.9	44.4	46.6
Total	33.3	35.0	37.7	38.1	39.3
Selected Asian Developing Countries					
Republic of Korea	20.3	18.0	18.9	16.4	21.6
Pakistan	21.5	21.3	24.9	22.4	24.7

Sources: Asian Development Bank, *Key Indicators for Developing Member Countries,* April 1982; Organization for Economic Cooperation and Development, *Economic Outlook,* July 1982.

age annual rate of increase varied among these countries, ranging from 15 percent in Singapore to 37 percent in Indonesia. When allowance is made for the different rates of inflation, it can be seen that the highest rate of increase in government expenditure in real terms was in Indonesia.

The ratio of total government expenditure to GDP showed an upward trend in each ASEAN country except Thailand, though the slopes of these trends were different, the sharpest being in Indonesia and Malaysia. While the ratio of current expenditure to GDP increased in Indonesia, Malaysia, and Singapore, the ratio of development (in Indonesia) and of capital expenditure (in the cases of Malaysia and Singapore) increased to a greater degree.[1] (Data for development expenditure in the Philippines cover only 1978 and 1979; see Table 2.)

The ratios of total government expenditure to GDP for the ASEAN countries were generally far below those for industrialized countries, though—except for Thailand and Singapore—these ratios have increased far more rapidly in recent years. The ASEAN ratios were, however, broadly comparable to those of other developing Asian countries. Part of the difference in the ratios for different countries and for groups of countries can be attributed to the different methods of accounting for the expenditure of statutory authorities and public corporations.

The increase in the ratios of government expenditure to GDP in Indonesia, Malaysia, and Singapore partly reflects an expansion of the public sector in these countries. Various theories seeking to explain the expansion of governmental activities have been put forward over the years; most have been derived from the experience of the developed countries.[2] One which dates back to the late 19th century is Wagner's "law of expanding state activity." He argued that "pressure for social progress" inevitably leads to a growth in the public sector, but the "historical determinism" implicit in this view has

TABLE 3
Percentage Change in Functional Composition of Government Expenditure in ASEAN Countries

	Malaysia		Philippines		Singapore		Thailand	
	1960-1970	**1970-80**	**1960-70**	**1970-80**	**1960-70**	**1970-1980**	**1960-70**	**1970-1980**
Social Services	31.3	34.7	36.1	21.3	—	34.4	26.7	31.4
Education	22.1	22.4	25.5	12.9	—	16.6	16.8	19.5
Health	8.1	6.7	5.4	3.9	—	8.0	3.0	3.8
Economic Services	11.4	15.6	31.2	38.6	—	11.6	25.9	23.1
Defense	21.5	17.0	13.2	15.4	—	29.1	16.4	18.4
General Services	10.6	16.6	10.3	13.8	—	11.8	15.9	11.4
Others	25.2	16.1	9.2	10.9	—	13.1	15.1	15.7

Sources: Government Finance Statistics Yearbook, 1981 and *International Financial Statistics Yearbook,* 1980 and 1981; World Bank and Asian Development Bank country reports and country sources.

been rejected by several scholars. Wildavsky, for example, has suggested that there is an inverse relationship between economic growth and the expansion of the public sector by arguing that when economic growth is rapid, any increased demand for public goods and services can be met by using a constant share of the larger GDP. Others have cited political and institutional factors to explain the growth of the public sector, while another school of thought postulates a direct relation between the degree of "openness" of an economy and the size of its public sector, by suggesting that "the vulnerability of the open economy can be lessened by an assertion of the role of the state."

These various theories highlight the range of factors which can influence the size of the public sector and its rate of expansion and, hence, the growth in public expenditure. But, of course, the relative significance of the various factors varies from country to country. It is not possible to highlight any one of them as the predominant influence on the growth of public expenditure in the ASEAN countries in the recent past, particularly since these countries are, as pointed out above, at different stages of development and have different administrative and political systems, social structures, national aspirations, and economic structures.

That different factors have influenced the recent growth of public expenditure in these countries is shown by the ways in which the composition of expenditure has changed. For example, the proportion of total expenditure used to support economic services increased between the 1960s and the 1970s in Malaysia and the Philippines but decreased in Thailand; the proportion of the budget devoted to defense spending increased in the Philippines and Thailand but decreased in Malaysia (see Table 3). There were marked differences in the patterns of change in the functional composition of government expenditure in the ASEAN countries over the past two decades; the same is the case in relation to the changes which have occurred during the last ten years.

Detailed data showing total government expenditure during the 1970s broken down into functional classifications are available for only Malaysia and Singapore. Data by broad classifications of domestically financed expenditure are available for Thailand, but the data available for Indonesia and the Philippines cover only the period 1975–

TABLE 4
Changes in the Functional Composition of Government Expenditure

Function	Indonesia* (1975–1979)	Malaysia (1970–1981)	Philippines† (1975–1979)	Singapore (1975–1981)	Thailand‡ (1970–1981)
General Public Services	++		+	+	
Defense	+				+
Education	+		+		
Health	++		+	+	+
Social Security and Welfare					
Housing and Community Amenities		+			
Economic Services	+	+		+	
Agriculture	+				
Industry	++	++		++	
Electricity, Gas, Water		++			
Transport, Communications				++	
Other Economic Services	+		+		
Other		+	++		++

* Development expenditure only.
† Current expenditure only.
‡ Excludes expenditure financed by external loans and grants.

Key:
+ An increase in the percentage of total expenditure.
++ Functions with largest increases.

Source: Asian Development Bank sources.

1979 and only part of total expenditure—development expenditure in the case of Indonesia, and current expenditure for the Philippines.[3] These data give only a broad indication of the changes in the functional composition of government expenditure in the ASEAN countries in recent years. Table 4 shows that expenditure on economic services accounted for an increased proportion of government expenditure in Indonesia, Malaysia, and Singapore, while expenditure under the "other" heading—which includes payment of interest—absorbed an increased proportion of expenditure in the Philippines and Thailand. The pertinent point is, however, that the overall composition changed in different ways in the different ASEAN countries, even though there are some features common to two or three of these countries.

Growth in the expenditure on social services is largely responsible for the rise in the ratio of total expenditure to GDP in Malaysia, Singapore, and Thailand, and this increase seems to have reflected a growing concern on the part of their governments to bring about a more equitable distribution of income.[4] The Malaysia government has regarded expenditure on education and health as a means of reducing inequality,[5] and the same seems to have been the case in Thailand. The provision of social services has long been a top priority in Singapore, although compared to other countries with roughly similar levels of income, Singapore has spent a lower proportion of its budget on the provision of social services. Its success in combining high growth rates with significant improvements in the physical quality of life can partly be attributed to the efficiency with which its various social services have been administered.[6]

In contrast, spending on social services has ranked second as a proportion of total expenditure in Indonesia and the Philippines in recent years. In the Philippines there has been a marked shift from expenditure on social services to expenditure on economic services.

The only feature common to all the ASEAN countries is that defense spending represents a relatively high proportion of total expenditure. This ranged from about 16 percent in Malaysia to slightly over 24 percent for Singapore in 1979; the percentages for all the ASEAN countries were above the average for middle-income developing countries. These defense expenditures limit the amount that the ASEAN governments can spend in other areas.

GOVERNMENT REVENUE

Except for the Philippines, the revenue systems of ASEAN countries yielded sufficient current revenue to more than cover current expenditure in each of the last ten years; in the case of the Philippines, current revenue exceeded current expenditure in only three of these years: 1973, 1974, and 1979. However, revenues covered only part of total expenditure over the past decade in Indonesia, Malaysia, the Philippines, and Thailand, and in two of these years (1974 and 1981) in Singapore. Except for Singapore the ASEAN countries consistently had an overall budget deficit; Singapore had such a deficit in only two of the past ten years.

The ratio of current revenue to GDP increased significantly, except in the case of

TABLE 5
Composition of Central Government Revenues
(in percent)

	Indonesia		Malaysia		Philippines		Singapore		Thailand	
	1974/75	1981/82	1970	1980	1975	1981	1970/71	1980/81	1976	1981
Taxes on income and profits*	68.5	81.9	27.8	40.6	18.9	18.3	20.7	35.0	15.6	20.1
Taxes on property	1.6	0.8	—	—	0.2	1.5	9.1	9.4	—	—
Taxes on goods and services†	12.9	8.8	10.4	12.0	21.5	38.5	19.4	19.5	41.4	41.2
Taxes on international trade	12.3	5.5	34.0	33.2	39.8	27.3	13.8	7.4	24.9	22.1
Other taxes	0.9	0.2	10.9	6.1	1.3	4.2	7.2	3.5	8.2	6.9
Total tax revenue	96.2	97.2	83.1	91.9	81.7	89.8	70.2	74.8	90.1	90.3
Nontax revenue	3.8	2.8	16.9	8.1	18.3	10.2	29.8	25.2	9.9	9.7
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Includes personal income tax and corporation taxes.
† Includes excise and sales taxes.

Sources: Bank Indonesia, *Indonesian Financial Statistics,* April 1982, pp. 90–91.
Bank Wegara Malaysia, *Quarterly Economic Bulletin,* September 1981, p. 57.
National Economic Development Authority, *1982 Philippine Statistical Yearbook,* p. 575.
Singapore Department of Statistics, *Monthly Digest of Statistics,* September 1982, p. 97.
Bank of Thailand, *Quarterly Bulletin,* March 1982, pp. 28–29.

Thailand. The most marked proportionate increase was in Indonesia, where the proceeds of corporation taxes on foreign oil companies increased nearly ninefold between 1974 and 1981, accounting for 55 percent of current revenue in 1974 and for nearly 71 percent in 1981. The increase in Malaysia was associated with a marked increase in the proportion of revenue derived from taxes, particularly income taxes, and with the introduction of sales taxes in 1974 (see Table 5). Tax revenue increased as a proportion of total revenue between 1975 and 1981 in the Philippines; a prominent feature was the increase in revenue derived from income taxes. Income taxes also provided an increased proportion of Singapore's revenue. The ratio of current revenue to GDP showed almost no change in Thailand; the same was the case for the pattern of its revenue sources.

The composition of the sources of government revenue varies among the ASEAN countries. Indonesia derives a very high proportion of its tax revenues from oil-related revenues, principally a tax on foreign oil companies—from the proceeds of which it pays subsidies on domestic prices of oil products. Singapore and Malaysia derive a far higher proportion of their revenue from direct taxes—taxes on income and profits—than the Philippines and Thailand, which occupy the two lowest rankings for the ratio of current revenue to GDP.

If we disregard Indonesia's oil-related revenues, its tax efforts place it at the bottom of the group with the Philippines and Thailand filling the third and fourth places. These countries depend heavily on indirect taxes, particularly taxes on goods and services and taxes on international trade. Taxes on property account for negligible proportions of their tax revenues, while taxes on income and profits are widely evaded and poorly administered. These countries' heavy dependence on indirect taxes, which are generally regressive in nature, is largely because such taxes are easier to collect. Indonesia, the Philippines, and Thailand all levy a sales tax on goods, collected at the manufacturing level, and on a wide range of services. Malaysia, in contrast, levies sales taxes on a narrow range of goods and on a few minor services, while Singapore has no sales taxes on goods but levies an excess duty on some goods and a tax on hotel accommodations and meals.

Income taxes have been regarded for many years by the Singapore government as a means of securing a more equitable distribution of income. Import duties contributed the single largest share of revenue before the mid-1960s, but trade liberalization measures led to a decline in this share, and taxes on income have become the most important single source of taxation revenue. The same is now the case in Malaysia, where there has been an expansion of the income tax base brought about by improved tax administration and rising incomes.

The slowdown in world trade and the reduction in the growth of world demand for oil in the last two years have created particular revenue problems for Indonesia, the Philippines, and Thailand. These countries' tax structures inhibit their potential to increase revenue so as to maintain the momentum of their development efforts; at the same time, these structures are incommensurate with any significant redistribution of income.

While Indonesia, Malaysia, and Thailand have raised sufficient revenue to cover their current expenditures, in the last two years they have had to depend on borrowing to finance a large proportion of their development expenditure, while the Philippines has had to borrow to cover deficits in both its current account and its development expenditure in seven of the last ten years. These countries have depended on foreign borrowings to cover the deficit in their development account to different degrees: Indonesia virtually completely, Thailand and Malaysia to a minor but increasing degree. All now face the fact that foreign borrowings are becoming more costly and more difficult, yet increased recourse to the domestic market can have an inflationary impact. They, therefore, have to curtail current expenditures in order to create the public savings needed to finance development.

The growth in overall budget deficits over the last ten years in the ASEAN countries other than Singapore has resulted from increases in the level of expenditure. In the Indonesian case, the oil revenue boon has meant that efforts to increase non-oil revenues have been reduced and that development projects have been subjected to less careful evaluation. It now faces the problem of obtaining more revenue from non-oil sources and of restraining the growth of public expenditure. In the Philippines and Thailand also the tax structure should be revised to make it more productive and expenditure should be constrained.

Because of its high income elasticity, the Malaysia tax system has met current expenditure needs, but the growth in development expenditure has been increasingly financed by borrowings, particularly foreign borrowings. Singapore has had by far the most impressive budgetary performance among the ASEAN countries. As pointed out above, Singapore has had overall budgetary surpluses in all but two years in the past decade, and the deficits in those years were minor.

A high proportion of the current expenditure in the ASEAN countries is for the provision of education, health services, and housing, which are essential and complement the physical capital formation needed to promote development. Much government expenditure in the ASEAN countries has, however, subsidized consumption or financed prestige projects of various types. Moreover, the efficiency with which government expenditure is controlled and monitored has left something to be desired.

This has been recognized by the governments of these various countries which have introduced various measures to improve budgetary procedures and controls. One which has been adopted with varying degrees of success is the Planning Programming Budgeting System (PPBS).

Singapore began to introduce this system in 1972 with a functional and economic classification of expenditures. In 1978, in conformity with PPBS practice, expenditure and manpower requirements were arranged in terms of programs, and the development expenditure for each program was set out in terms of projects designed to achieve specific objectives. It is too early to assess the results and effectiveness of this system.

PPBS has been only partly introduced into the Malaysian system. It was begun in 1966, but it took another three years to institute detailed and concrete action. Under PPBS "agencies of government submit their annual budget estimates on the basis of the agency's strategies, objectives, programs, and activities and these are in turn sorted and listed in order of priorities."[7] A considerable degree of coordination has been achieved in the formulation of the annual development budget and the annual operating budget. Moreover, agencies have gained clearer understanding of their policies, objectives, and activities. The budget documents have become more meaningful because they are clearer and more understandable to parliamentarians and the public. Although PPBS has been practiced in Malaysia for the last decade or so, it has encountered some serious obstacles which have impeded improvements in the public decision process. They include: many financial decisions which are of a political nature that interfere with the implementation of program budgeting; the lack of data from which to develop measures of the benefits of outputs and costs of inputs; a serious scarcity of analytical personnel at all levels of government; and defective information systems existing in the linkages between the operational areas and central agencies.[8]

The Philippines was the first ASEAN country to introduce performance budgeting. A Republic Act approved in June 1954 required that the whole budgetary concept of the government be based on functions, activities, and projects in terms of expected results.[9] Despite two decades of implementing the new system, there is no evidence to suggest that such innovations have led to a more effective use of the budget as an instrument for rational policy decisions. The lack of sustained effort by the legislature, particularly during the 1960s, relegated the performance budget into a mere paper exercise. The application of functional and program classifications did improve the presentation of the budget but without regard to the requirements of quantitative analysis. Also, there was excessive preoccupation with activity costs and detailed work measurements, which produced a maze of data not clearly understood and appreciated. To this extent, the process of shifting from a traditional budgetary system became difficult as innovations became nothing more than auxiliary or supplementary exercises.

The difficulties encountered by the Philippines in implementing PPBS have been similar to those in Malaysia. However, the Philippines experienced the following additional problems: the negative attitude or lack of understanding by agency personnel of the various processes and reports involved in the budgetary innovations; the weak linkage between the capital and current budget; the lack of a clear relationship between an agency's funding requests and its demonstrated performance; the lack of up-to-date documents and manuals on systems and procedures.[10]

Notwithstanding such obstacles to reform, the Philippines' budget has undergone some marked improvements in budget format which have resulted in better quality and quantity of descriptive material for budget review. The presentation of both program and key budgetary inclusion structures has made the budget more understandable to the public. While the former breaks down the budget into programs, projects, and activities which are determined and approved beforehand by central agencies, the latter is basically a representation of the current year's expenditure policy thrusts, amenable to changing needs.

For the past two decades, budgeting in Thailand has followed an incremental, line-item pattern—the largest determining factor of the size of this year's budget is last year's budget.[11] In other words, what the government is already spending is usually accepted as necessary without much examination. Substantial budget savings could undoubtedly be attained if every spending agency undertook a fresh review for its annual appropriation request.

In line with the objectives of its Fifth National Development Plan (1982–1985), however, Thailand is ready for modest budget reform, beginning with program budgeting. Budget preparation under the long-term plan will have two phases. The first phase will focus on the arrangement of programs in agriculture and will arrive at a final approximation to the annual budget.[12] The second phase will tackle the programming of other sectors, starting in 1984.

Historically, planning and budgeting in Indonesia have been undertaken separately. With the introduction of Repelita I (1969–1974), serious efforts were made to coordinate these functions of the government and the rudiments of a program budgeting approach were applied to the development budget for capital expenditure.[13] By 1975 a financial crisis in the State Oil Company (the Pertamina) brought into prominence the lack of effective controls. These are to be introduced in fiscal year 1983. But efforts to curb public expenditure growth in Indonesia have not been entirely successful because a real revenue constraint was relaxed due to the oil bonanza. Except for the development budget, which is divided into a number of sectors, programs, and projects in conformity with functional and program classification principles, the government's presentation of current budgetary accounts is still of the line-item type.

On the whole, none of the ASEAN countries has completely replaced the conventional line-item budget by PPBS despite the efforts to introduce reforms. At best, achievements have been generally limited to improvements in budget documents and classification changes in the budget structure. Therefore, the ASEAN countries still suffer the defects of incremental budgeting by failing to realize substantial budget savings from a more efficient use of government expenditures. Among the several reasons for this tardy and painstaking process are: the slow development in the field of public expenditure analysis, the resistance on the part of existing spending agencies which fear that the new system would jeopardize their programs, the lack of technical expertise, the weak linkage between planning and budgeting at the lower operational levels, and the failure to provide funds for the collection of follow-up data and other appraisal information.

SOME CONCLUDING REMARKS

The experience of the ASEAN countries bears out the fact that in spite of their efforts to introduce budget reforms, the integration of such innovations into traditional line-item budgetary systems has been a slow process. Since the decline in government savings has been due more to the increase in real levels of government expenditure than to stagnating or declining revenue, one wonders whether measures to restrain the growth of government expenditure or to improve its efficiency can become an integral part of the budgetary process. Among the five ASEAN countries only Singapore has adopted PPBS, and it is too early to make any full assessment.

Except for Singapore and Malaysia, the ASEAN countries do not have tax structures that can produce the funds needed to finance an increasing portion of their development expenditures and to bring about greater equity because a large proportion of tax revenue is collected from regressive indirect taxes. In the Philippines and Thailand, in particular, public expenditure programs cannot fully compensate for the regressivity of indirect taxes and for increasing income inequalities. The Malaysia experience shows that expenditure can have favorable distributional effects, for in that country outlays on agriculture and rural development programs have been explicitly designed to enhance productivity, employment, and income levels of small landholders in rural areas.

While there are still many potential sources of tax revenue which the governments can tap in some of the ASEAN countries, their tax systems are unnecessarily complex and cumbersome and relatively inelastic with respect to the pace of inflation. Simpler tax systems would, in themselves, help improve collection and compliance. Beyond this, governments need the political will and capacity to override powerful vested interests and to arrest the erosion of the tax base through evasion and corruption. A clear case in point is the very inadequate level of taxation of urban real estate, one of the most conspicuous and socially divisive forms of luxury consumption.

Some ASEAN countries could well study the extensive use made of nontax revenues and user charges for public services in Singapore, since the scope for increasing their tax revenue is quite limited. Foremost, however, is the elimination of administered prices held below costs, bureaucratic control, and overmanning under political pressure so as to stop a serious drain on government financial resources. From the viewpoint of equity, charging realistic tariff rates is not necessarily regressive when user charges are levied on services essentially provided to higher income groups, rather than on the whole populace.

NOTES

1. Different systems of classification and nomenclature are used in the different ASEAN countries. For example, Indonesia uses current and development expenditure; Singapore and Malaysia have current and capital expenditures. Capital/development expenditures include some items of a current nature.
2. See D.C. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," *The American Political Science Review*, December 1978, pp. 1243–1261.
3. These data are to be published by the Asian Development Bank in the forthcoming issue of *Key Indicators for Developing Member Countries*.
4. See R.A. Musgrave, *Fiscal Systems* (New Haven: Yale University Press, 1969), p. 96.
5. D.R. Snodgrass, *Inequality and Economic Development in Malaysia*, (Kuala Lumpur: Oxford University Press, 1980), pp. 236–239.
6. See A. Tyabji and M. Asher, "Government Expenditure Policies in the 1980s," in M. Asher and S. Osborne (eds.), *Issues in Public Finance in Singapore*, (Singapore: Singapore University Press, 1980), pp. 201–205.
7. Y.B. Dato' Badruddin bin Abdul Samad, "Issues and Realities of Budgeting—Malaysian Experience," in *Modern Budgeting and Accounting Procedures in Public Finance*, Summary Report of the German Foundation for International Development in cooperation with the Ministry of Finance, Malaysia, January 1981, pp. 65–69.
8. Ibid.

9. A Premchand, ''Restructuring Budgetary Systems in Developing Countries: Relevance of PPBS Systems,'' *IMF Departmental Memoranda*, Series DM/77/86, p. 46.
10. Corazon Pe Benito Claudio, *Budgeting Systems, Procedures and Practices*, occasional budget paper no. 8 (Manila: Ministry of Budget, 1979), pp. 93–100.
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12. Government of Thailand, *The Fifth National Economic and Social Development Plan (1982–1986)* (Bangkok: National Economic and Social Development Board, 1981), pp. 576–583.
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