
Philippine
Center for
Economic
Development

Annual Report

2010

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Part I. Introduction

A. Executive Summary

The Philippine Center for Economic Development (PCED) was created in 1974 by Presidential Decree 453 to support the University of the Philippines School of Economics (UPSE) in its teaching, research, and training functions. PCED, a government-owned and controlled corporation, was envisioned to provide the needed support to UPSE so that policy relevant research is produced and disseminated, capacity in economic analysis can be developed in government, and a venue for the exchange of ideas can be provided.

The PCED building complex is located in Guerrero St. at UP Diliman, Quezon City and houses UPSE. The complex includes 11 classrooms, 30 faculty rooms, 5 meeting and seminar rooms, 7 school administration offices, a faculty lounge, a computer laboratory, a three-storey library building, and an auditorium.

In 2010, PCED provided a substantial amount of support to UPSE in the form of faculty research grants, publications funds, student fellowships, and provision of facilities for teaching, training, workshops, seminars, and policy forums. PCED's total expenditure in 2010, amounting to P7.655 million, was about one-third of UPSE's total expenditures in academic year 2010/11.

This magnitude of PCED support continues to be crucial in helping the School maintain its leading role in economics education and research.

B. Brief History and Program Goals

PCED was created on 15 March 1974 by Presidential Decree (PD) No. 453 with the primary responsibility of giving "...financial and moral support to the research, teaching, training, and other programs of the School of Economics University of the Philippines." In addition, PCED was tasked to "formulate a program for financing the academic and other programs of the School, including the endowment of faculty chairs."

In effect, PCED was created to support the following functions of UPSE:

- (a) to conduct and engage in research work and studies oriented towards national policy and the needs of national development in the field of economics, particularly in the areas of:
 - (1) monetary and fiscal policy;
 - (2) tariff and trade policy;
 - (3) industrial and agricultural policy;
 - (4) regional economic development;
 - (5) long-, medium-, and short-term economic planning;
 - (6) manpower and employment;
 - (7) economic studies on education, health, and social development in general;
and
 - (8) statistical programs and policy;

- (b) to undertake training programs designed to provide government and the nation as a whole with planners, analysts and economic statisticians, or in general, with technicians skilled and knowledgeable in the problems of economic development;

- (c) to serve as the medium for bringing together experts and specialists in other disciplines to conduct studies and investigations and engage in the interchange of ideas so as to bring their knowledge and experience to bear on common

problems with a view to evolving fresh ideas and approaches that could be effectively applied to economic development;

(d) to engage in the publication of the results of research.

PCED is managed by a Board of Trustees, composed of 9 members as follows:

Chairman

The Director-General of the National Economic and Development Authority
CAYETANO W. PADERANGA, JR.

Members

The Executive Secretary
PAQUITO N. OCHOA, JR.

The Secretary of Trade and Industry
GREGORY L. DOMINGO

The Secretary of Finance
CESAR V. PURISIMA

The Secretary of Budget and Management
FLORENCIO B. ABAD

The Governor of the Bangko Sentral ng Pilipinas
AMANDO M. TETANGCO, JR.

The President of the University of the Philippines
ALFREDO E. PASCUAL

The Dean of the U.P. School of Economics
ARSENIO M. BALISACAN

Part II. Program Accomplishments in 2010

C. Research

In 2010, a total of 20 faculty and staff research grants were supported by PCED. Of these, six were newly granted in 2010 and 14 were completed in 2010. A complete list of PCED research contracts is provided in Table 1. The total outlay for these research grants amounted to P5.892 million.

Table 1. 2010 PCED Research Grants for UPSE Faculty and Staff

Name	Title	Status in 2010
Economics Faculty		
A. M. Balisacan	"Constructing Multidimensional Poverty Measures: Issues, Applications, and Implications for Anti-Poverty Strategy in the Philippines"	New 11/10
Ma.S. G. Bautista	"Exchange Rate Pass-Through Under Inflation Targeting: Has There Been a Change?"	Completed 9/08-1/10
D.B. Canlas	"Growth and Accumulation of Public Capital"	New 8/10
D.B. Canlas	"Earnings Inequality: A View of the Philippine Labor market"	Completed 8/08-8/10
E. S. de Dios	"A new-institutional view of <i>Das Adam-Smith-Problem</i> "	New 8/10
D. A. Desierto	"The Market for Illegal Goods in the Presence of Corruption"	Completed 4/10-4/11
D. A. Desierto	"Layered Evolutionary Games: The Formation of Institutions"	Completed 6/07-4/10
B.E. Diokno	"Economic and Institutional Analysis of the 2008 Budget"	Completed 9/07-2/10
B. E. Diokno	"Post-Crisis Fiscal Policy for the Philippines: Risks, Constraints, and Options"	New 3/10
R. V. Fabella	"Multi-Level Choice Theory: Accounting for Anomalies"	Completed 2/10-12/10
R.V. Fabella	"Public Goods Under Provision in Weak Governance States"	Completed 11/08-1/10
S.S. Navarro	"An Inter-country Analysis of Kidnapping for 2003-2004"	Completed 10/08-4/10
R. E. Reside, Jr.	"Structural Determinants of Remittances in the Philippines"	Completed 5/09-3/10
R. E. Reside, Jr.	"Asian Exits from Crisis Stimuli"	New 5/10
S.L. A. Quimbo	"Household power balance, health-seeking behavior, and health outcomes"	New 12/10
Economics Library Staff		
R.G. Rosali	"Philippine Economic Bibliography, 2006-2007"	Completed 5/09-11/10
F. de la Rosa	"A Bibliography of Theses and Dissertations, 2008-2009"	Completed 5/09-11/10
Ma.R. Luz	"A Guide to the Selections in the International Library of Critical Writings in Economics"	Completed 5/09-11/10
A.C. Tingson	"A Guide to the Electronic Resources at the UPSE Library"	Completed 5/09-11/10
C. M. Bondoc	"A Compilation of Reading Lists and Course Outlines in the UP School of Economics, 2000-2008"	Completed 5/09-11/10

PCED supports the publication of the *Philippine Review of Economics* (PRE), the principal professional economics journal of the Philippines. The PRE is jointly published by UPSE and the Philippine Economic Society twice a year and is circulated internationally. In 2010, one issue of the PRE was released.

Finally, the UPSE Discussion Paper Series, some of which have proven invaluable in important policy debates, are also funded by PCED. A total of 12 discussion papers were published in 2010 (Table 2).

Table 2. 2010 UPSE DISCUSSION PAPERS

<u>Number</u>	<u>Author/Title</u>
1001	Capuno, Joseph J. "Spatial development and the law of one price: Evidence of convergence of land values," January 2010.
1002	de Dios, Emmanuel S. & Grace T. Ong. "Gatekeeper versus Auctioneer: A Non-Tatonnement Result," March 2010.
1003	Reside, Renato Jr. E. & Amado M. Mendoza, Jr. "Determinants of Outcomes of Public-Private Partnerships (PPP) in Infrastructure in Asia," March 2010.
1004	Ducanes, Geoffrey M. "The Case of the Missing Remittances in the FIES: Could it be causing us to mismeasure welfare changes?" March 2010.
1005	Sicat, Gerardo P. "Firm Characteristics as Determinants of Views on the Minimum Wage Policy," April 2010
1006	Hasan, Rana & Karl Robert L. Jandoc. "Trade Liberalization and Wage Inequality in the Philippines," May 2010.
1007	Sicat, Gerardo P. "Spotlighting on High Economic Growth, Employment of the Poor, and Poverty Reduction: A Three-Pronged Strategy," July 2010
1008	Balisacan, Arsenio M., Sharon Piza, Dennis Mapa, Carlos Abad Santos & Donna Odra. "The Philippine Economy and Poverty During the Global Economic Crisis," August 2010
1009	Balisacan, Arsenio M. "MDG 1 in the Philippines: Setting the Score Right and Achieving the Targets," October 2010
1010	Capuno, Joseph J. "Leadership and Innovation under Decentralization: A Case Study of Selected Local Government in the Philippines," November 2010
1011	Capuno, Joseph J. & Aleli D. Kraft. "Household choices, circumstances and equity of access to basic health and education services in the Philippines," November 2010
1012	Fabella, Raul V. "Multi-Level Choice Theory," December 2010

D. Financial Assistance to Students

In the second semester of academic year 2009/10, PCED supported 10 teaching fellows (also graduate students in UPSE). Each received a monthly stipend of P5,000-P5,500 and a book allowance of P2,000.

Table 3 shows the list of teaching fellows supported by PCED.

Table 3. UPSE Teaching Fellows Supported by PCED
(Second Semester 2009/10)

Name	Degree Program	Year Level
Romana Mary Margaret Domingo	PhD	2
Loresel M. Abainza	MA	2
Rhea Molato	PhD	2
Rolan Jon G. Bulao	MA	2
Jhiedon L. Florentino	PhD	5
Dorothea M. Ramizo	MA	2
Aubughn Labiano	PhD	5
Rodger Valientes	MA	2

E. Support for seminars and policy forums

PCED is the venue for UPSE's Friday Seminar Series, which brings together experts from various disciplines, faculty, students, and policymakers to engage in the exchange of ideas and experiences. In 2010, a total of 14 seminars were organized. Table 4 shows the list of the 2010 UPSE Friday Seminars.

Table 4. 2010 UPSE-PCED Friday Seminars

<u>Date</u>	<u>Speaker</u>	<u>Topic</u>
13 January	Agustin L. Arcenas Assistant Professor, UPSE	"Coastal Management by LGUs"
15 January	Gerardo P. Sicat Professor Emeritus, UPSE	"Labor Policies and Philippine Companies: Analysis of Survey Opinions"
29 January	Raul V. Fabella Professor, UPSE	"Multi Level Choice Theory"
26 February	Benjamin E. Diokno Professor, UPSE	"Of Sound Budget Rules and Poor Outcomes"

<u>Date</u>	<u>Speaker</u>	<u>Topic</u>
5 March	Joseph J. Capuno Associate Professor, UPSE	"Spatial development and the law of one price: evidence of convergence of land values"
19 March	Ma. Joy V. Abrenica Associate Professor, UPSE	"Collusion in the Electricity market"
25 March	Tina S. Clemente Ph.D. Candidate, UPSE	"Chinese Economic Success during the Hispanic period in the Philippines: A Principal-Agent Model"
25 June	Hal Hill Professor, Australian National University	"The Best of Times and the Worst of Times: Southeast Asia and Crises"
6 July	Rodolfo M. Nayga, Jr. Professor, University of Arkansas	"Does the US National School Lunch Program Improve Children's Dietary Outcomes?"
16 July	Cristino R. Arroyo III Adjunct Associate Professor, Johns Hopkins University	"Foreign Exchange Reserve Accumulation in the Philippines: An Exploratory analysis"
13 August	Evangeline P. Javier Regional Director for Human Development, Latin America and Caribbean Region, World Bank	"Conditional Cash Transfers (CCT's) Overview of Latin America and the Caribbean Experience"
20 August	Agham C. Cuevas Ph.D. Candidate	"An analysis of the effects of transaction costs on farm-households' market participation in the Philippine rice sector"
10 November	Lino Briguglio Professor of Economics, University of Malta	"The Economics of Competition Law"
10 December	Tarcisio C. Castañeda AusAID Consultant	"The Concept and Practice of Targeting Social Protection Programs"

In addition, PCED supported a number of UPSE public forums (in the form of rental fee waivers) in 2010, including the following:

- o Book launch of *Diagnosing the Philippine Economy - Toward Inclusive Growth* on 22 January at the UPSE Auditorium. The book, published by the Asian Development Bank (ADB) and edited by Dante Canlas of the UP School of Economics and Muhammad Ehsan Khan and Juzhong Zuang of ADB,, provides an in-depth diagnostic study of various aspects of the Philippine economy and examines the critical constraints to growth and poverty

reduction in the medium term; it discusses policy options to help address these constraints.

- Launch of the University-wide environment campaign, ICU or *Isko Cleans UP*, held on 09 February. This was followed by a talk of world-renowned environmental lawyer and Magsaysay Awardee, Atty. Antonio Oposa, at the UPSE parking lot and auditorium.
- Visit of the World Trade Organization (WTO) mission to the Philippines on 26-27 July. UPSE was included in the short-list bidding to host the Regional Training Program Course for the Asia-Pacific region.
- Joint forum on *How Can Reforms Succeed?: Promoting Growth and Building Good Institutions*, organized with the Philippine Economic Society and held on 28 July at the UPSE Auditorium. Professors John V.C. Nye and Garrett Jones of George Mason University presented their research on the topic.
- Forum on the *Philippine Economic Outlook and Growth in Developing Asia*, co-organized with the ADB, held on 29 September at the UPSE Auditorium. The forum was an important part of the 2010-2011 *Asian Development Outlook*. Mr. Joseph Ernest Zveglich, Assistant Chief Economist, Mr. Norio Usui, Senior Country Economist, Philippine Country Office and Prof. Maria Socorro Bautista, Senior Economic Advisor, all of the ADB, served as panelists.

F. Library acquisitions

The UPSE library houses one of the largest collections of economics books and journals in the country. In 2010, PCED supported library acquisitions including journal and newspaper subscriptions amounting to about P 0.7 million.

G. Maintenance and upgrade of PCED property

An important component of PCED's support to UPSE comes in the form of property maintenance as the School is housed in the PCED building complex located at Guerrero St. in UP Diliman. The complex includes 11 classrooms, 30 faculty rooms, 5 meeting and seminar rooms, 7 school administration offices, a faculty lounge, a computer laboratory, a three-storey library building, and an auditorium.

Table 5 summarizes the maintenance activities undertaken by PCED in 2010.

Table 5. 2010 Expenditure on Maintenance and Upgrade of PCED Property (in pesos)

Type of Maintenance/Upgrade	Amount
Upgrade of Staff Equipment	26,420.00
Upgrade of Library Equipment	109,185.00
Upgrade of Faculty Room/Research Rooms	228,089.00
Upgrade of Lecture/Classroom/Conference Rooms	49,980.00
Upgrade and Maintenance of Facilities/Grounds	332,000.00
Total Expenditure on Maintenance and Upgrade of Property	745,674.00

Part III. Resources

H. Personnel

As of 2010, there were 16 items in the PCED plantilla. Of these, only four were permanent positions while 12 were part-time positions. There is one vacant position (Research Division Chief) while another position is due to be vacated on July 2011 (compulsory retirement).

On 7 September 2010, Dr. Stella Luz A. Quimbo was appointed as Special Projects Division Chief.

There were no other significant movements/promotions in PCED during 2010.

Table 6 shows the PCED plantilla.

Table 6. PCED Plantilla (as of December 2010)

POSITION TITLE	SALARY GRADE	STEP	NAME OF INCUMBENT	STATUS
<i>Executive Director</i>	29		Balisacan, Arsenio M.	PT
Adm. Asst. III	9		Alvarez, Rowena V.	PT
<i>Research Division</i>				
Division Chief III	24		VACANT	
Adm. Asst. II	8	8	Gordulan, Juliet R.	P
Adm. Asst. II	8			
<i>Special Projects Division</i>				
Division Chief III	24		Quimbo, Stella A.	PT
<i>Finance & Adm. Division</i>				
Division Chief III	24		Mendoza, Ma. Nimfa F.	PT
Accountant III	19		Savella, Milagros O.	PT

POSITION TITLE	SALARY GRADE	STEP	NAME OF INCUMBENT	STATUS
Adm. Asst. III	9		Abaloyan, Ruth V.	PT
Adm. Asst. II	8		Lambino, Gloria D.	PT
Adm. Asst. II	8	8	Raquipiso, Perlita N.	P
Adm. Officer III	14		De Ramos, Evelyn H.	PT
Adm. Aide IV	4	7	Barcelo, Roberto T.	P
Adm. Aide IV	4		Visca, Jimson S.	PT
Adm. Aide III	3		Ravina, Lilia E.	PT
Adm. Aide III	3	8	Calaguas, Alberto M.	P

I. Fiscal Resources and General Allocation

The regular sources of funds for the PCED work plan are investment earnings and rental income. Investment earnings are generated from a P17 million Endowment Fund created by PD 453. Annually, the Board of Trustees reviews the financial performance of PCED and approves the proposed budget for the following year.

For fiscal year 2010, the Board approved a budget amounting to P 42,618,000. This was a significant departure from average annual budgetary amounts in the last 10 years, and can be explained by a P 29.75 million transfer from the National Government for infrastructure support (P 20 million) and research support (P 9.75 million).

Audited total expenditures for 2010 amounted to P 7,655,200. The P 29.75 million transfer from the National Government was re-programmed for use in 2011.

Total expenditures in 2010 can be broken down as follows: P 1.529 million for personnel services (PS), P 5.557 million for maintenance and other operating expenditures (MOOE), and P 0.5691 million for capital outlay (CO).

Table 7 shows the authorized and audited expenditures in 2010, broken down into PS, MOOE, and CO.

Table 7. 2010 Authorized and Audited Expenditures of PCED

Expenditure Item	Authorized Expenditures	Audited Expenditures
Personnel Services	1,955,000	1,529,100
Maintenance and Other Operating Expenditures*	15,663,000	5,557,000
Capital Outlay and Equipment**	25,000,000	569,100
TOTAL	42,618,000	7,655,200

*includes a P9,750,000 Research Support from the National Government

**includes a P20,000,000 Infrastructure Support from the National Government

By the end of 2010, PCED's total assets were valued at P 131,756,554. Tables 8 and 9 show PCED's Balance Sheet and Income Statement, respectively.

Table 8. PCED Balance Sheet

December 31, 2010

(with corresponding figures for 2009, in pesos)

	2010	2009 (As restated)
ASSETS		
CURRENT ASSETS		
Cash	16,685,659	2,935,170
Financial Assets	33,961,488	26,518,046
Receivables - Net	3,157,694	2,825,875
Prepaid Expenses	354,684	443,733
Inventories	366,183	325,234
Total Current Assets	54,525,708	33,048,058
NON-CURRENT FINANCIAL ASSETS	70,349,715	62,300,428
PROPERTY, PLANT AND EQUIPMENT - NET	6,876,131	8,076,127
OTHER ASSETS	5,000	5,000
TOTAL ASSETS	131,756,554	103,429,613
LIABILITIES		
Accounts Payable	182,635	1,172,924
Trust Liabilities	57,610	33,198
TOTAL LIABILITIES	240,245	1,206,122

**(cont.)
EQUITY**

Donated Capital	14,890,129	14,890,129
Capital - Miscellaneous	23,677,893	23,677,893
Retained Earnings	92,948,287	63,655,469
<hr/>		
TOTAL EQUITY	131,516,309	102,223,491
<hr/>		
TOTAL LIABILITIES AND EQUITY	131,756,554	103,429,613
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Table 9. PCED Income Statement
 For the year ended December 31, 2010
 (with corresponding figures for 2009, in pesos)

	2010	2009 (As restated)
INCOME		
Income from Investments	5,121,774	5,613,994
Rent Income	3,342,247	3,490,680
Interest Income	157,713	56,713
Dividend Income	2,100	-
Miscellaneous Income	14,400	8,400
TOTAL INCOME	8,638,234	9,169,787
EXPENSES		
Personnel Services		
Salaries and Wages	601,787	619,222
Other Personnel Benefits	567,816	577,816
Life & Retirement/PhilHealth/HDMF/ECC	84,590	88,647
Other Bonus and Allowances	84,000	74,500
Year-end Bonus and Cash Gift	68,960	73,360
Additional Compensation	-	63,000
Personnel Economic Relief Allowance	96,000	45,000
Clothing/Uniform Allowance	16,000	20,000
Terminal Leave Benefits	-	14,392
Productivity Incentive Allowance	10,000	12,500
	1,529,153	1,588,437
Maintenance and Other Operating Expenses		
Donations	4,112,938	3,212,045
Depreciation Expense	1,769,065	1,788,715
Repairs and Maintenance	576,767	1,567,222
Office and Other Supplies Expense	570,146	296,727
Auditing Services	5,387	126,192
Representation Expense	42,743	51,901
Subscriptions Expense	13,350	17,650
Insurance Expense	21,615	10,310
Taxes, Duties and Licenses	6,616	4,907
Travelling Expenses - Local	10,622	4,417
Gasoline, Oil and Lubricant Expenses	16,422	3,720
Other Professional Services	150,000	2,260
Miscellaneous Expenses	30,390	23,980
	7,326,061	7,110,046
TOTAL EXPENSES	8,855,214	8,698,483
NET (LOSS)/INCOME BEFORE SUBSIDY	(216,980)	471,304
SUBSIDY FROM THE NATIONAL GOVERNMENT	29,750,000	-
NET INCOME AFTER SUBSIDY	29,533,020	471,304

Part IV. Conclusion

In 2010, PCED continued to provide substantial support to UPSE, in the form of faculty research grants, publications funds, student fellowships, provision of facilities for teaching, training, workshops, seminars, and policy forums. PCED's total expenditure in 2010, amounting to P 7.655 million, was about one-third of UPSE's total expenditures in academic year 2010/11.

This magnitude of PCED support continues to be crucial in helping the School maintain its leading role in economics education and research.

PART I - AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

Philippine Center for Economic Development
UP Diliman, Quezon City

We have audited the accompanying financial statements of the Philippine Center for Economic Development (PCED), which comprise the balance sheet as of December 31, 2010, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

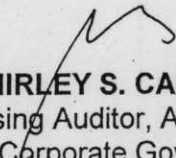
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Philippine Center for Economic Development as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


SHIRLEY S. CADIANG

Supervising Auditor, Audit Group G
Cluster C, Corporate Government Sector

February 28, 2011

PHILIPPINE CENTER FOR ECONOMIC DEVELOPMENT
BALANCE SHEET
December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009 (As restated)
ASSETS			
CURRENT ASSETS			
Cash	3	16,685,659	2,935,170
Financial Assets	2.2 and 4	33,961,488	26,518,046
Receivables - Net	2.3 and 5	3,157,694	2,825,875
Prepaid Expenses	6	354,684	443,733
Inventories	2.4 and 7	366,183	325,234
Total Current Assets		54,525,708	33,048,058
NON-CURRENT FINANCIAL ASSETS	2.2 and 4	70,349,715	62,300,428
PROPERTY, PLANT AND EQUIPMENT- NET	2.5 and 8	6,876,131	8,076,127
OTHER ASSETS	9	5,000	5,000
TOTAL ASSETS		131,756,554	103,429,613
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts Payable	10	182,635	1,172,924
Trust Liabilities	11	57,610	33,198
TOTAL LIABILITIES		240,245	1,206,122
EQUITY			
Donated Capital	12	14,890,129	14,890,129
Capital - Miscellaneous	13	23,677,893	23,677,893
Retained Earnings	14	92,948,287	63,655,469
TOTAL EQUITY		131,516,309	102,223,491
TOTAL LIABILITIES AND EQUITY		131,756,554	103,429,613

The notes on pages 7 to 12 form part of these financial statements.

PHILIPPINE CENTER FOR ECONOMIC DEVELOPMENT
STATEMENT OF INCOME
For the Year Ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Note	2010	2009 (As restated)
INCOME			
Income from Investments		5,121,774	5,613,994
Rent Income		3,342,247	3,490,680
Interest Income		157,713	56,713
Dividend Income		2,100	-
Miscellaneous Income		14,400	8,400
TOTAL INCOME		8,638,234	9,169,787
EXPENSES			
Personal Services			
Salaries and Wages		601,787	619,222
Other Personnel Benefits		567,816	577,816
Life & Retirement/PhilHealth/HDMF/ECC Contributions		84,590	88,647
Other Bonus and Allowances		84,000	74,500
Year-end Bonus and Cash Gift		68,960	73,360
Additional Compensation		-	63,000
Personnel Economic Relief Allowance		96,000	45,000
Clothing/Uniform Allowance		16,000	20,000
Terminal Leave Benefits		-	14,392
Productivity Incentive Allowance		10,000	12,500
		1,529,153	1,588,437
Maintenance and Other Operating Expenses			
Donations		4,112,938	3,212,045
Depreciation Expense		1,769,065	1,788,715
Repairs and Maintenance		576,767	1,567,222
Office and Other Supplies Expense		570,146	296,727
Auditing Services		5,387	126,192
Representation Expense		42,743	51,901
Subscriptions Expense		13,350	17,650
Insurance Expense		21,615	10,310
Taxes, Duties and Licenses		6,616	4,907
Traveling Expenses - Local		10,622	4,417
Gasoline, Oil and Lubricant Expenses		16,422	3,720
Other Professional Services		150,000	2,260
Miscellaneous Expenses		30,390	23,980
		7,326,061	7,110,046
TOTAL EXPENSES		8,855,214	8,698,483
NET (LOSS)/INCOME BEFORE SUBSIDY		(216,980)	471,304
SUBSIDY FROM THE NATIONAL GOVERNMENT	15	29,750,000	-
NET INCOME AFTER SUBSIDY		29,533,020	471,304

The notes on pages 7 to 12 form part of these financial statements.

PHILIPPINE CENTER FOR ECONOMIC DEVELOPMENT
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2010
 (With corresponding figures for 2009)
 (In Philippine Peso)

	Notes	2010	2009 (As restated)
Donated Capital	12	14,890,129	14,890,129
Miscellaneous Capital	13	23,677,893	23,677,893
Retained Earnings	14		
Beginning balance		63,655,469	64,029,473
Add: Net Income for the Period		29,533,020	471,304
Less: Dividends Paid to National Government		240,202	845,308
Ending Balance		92,948,287	63,655,469
EQUITY		131,516,309	102,223,491

The notes on pages 7 to 12 form part of these financial statements.

PHILIPPINE CENTER FOR ECONOMIC DEVELOPMENT
CASH FLOW STATEMENT
For the Year Ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Subsidy from the National Government		29,750,000	-
Interest Income		5,703,713	6,064,113
Collection of Rent Income		3,042,213	3,180,840
Collection of Refund of Research Grant		30,468	-
Collection of Miscellaneous Income		14,400	8,400
Collection of Dividend Income		2,100	-
Collection of Refund of Anniversary Bonus		-	50,000
Cancellation of Dollar Demand Draft		-	20,843
Payment of Operating Expenses		(5,585,595)	(5,312,698)
Payment of Payables		(1,018,345)	(63,308)
Payment of Prepaid Expenses		(781,780)	(709,581)
Purchase of Supplies and Materials		(694,802)	(672,682)
Remittance of 50% Net Income to Bureau of the Treasury		(240,202)	(845,308)
Payment of Accrued Interest Receivable		(93,007)	-
Payment of Contractors' Mobilization Fee		(3,287)	(96,523)
NET CASH PROVIDED BY OPERATING ACTIVITIES		30,125,876	1,624,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of Investments		(15,841,318)	(3,857,276)
Purchase of Equipment		(534,069)	(262,200)
NET CASH USED IN INVESTING ACTIVITIES		(16,375,387)	(4,119,476)
NET INCREASE/(DECREASE) IN CASH		13,750,489	(2,495,380)
CASH, BEGINNING		2,935,170	5,430,550
CASH, ENDING	3	16,685,659	2,935,170

The notes on pages 7 to 12 form part of these financial statements.

PHILIPPINE CENTER FOR ECONOMIC DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION

The Philippine Center for Economic Development (PCED) was created by virtue of Presidential Decree No. 453 on May 13, 1974. The function of the Center is to give financial and moral support to the research, teaching, training and other programs of the School of Economics of the University of the Philippines (UPSE). To provide a source for the funding of programs and projects of the Center, PD 453 established an Endowment Fund which shall be self-sustaining and shall consist of contributions, donations, bequests, grants and loans from domestic and/or foreign sources, government subsidy appropriations and other income accruing from the operations of the Center.

The Center's Board of Trustees and corporate officers are as follows:

Board of Trustees –

Hon. Cayetano W. Paderanga Director-General National Economic Development Authority	- Chairman
Hon. Paquito N. Ochoa, Jr. Executive Secretary	- Member
Hon. Gregory L. Domingo Secretary, Department of Trade and Industry	- Member
Hon. Cesar V. Purisima Secretary, Department of Finance	- Member
Hon. Florencio B. Abad Secretary, Department of Budget and Management	- Member
Hon. Amando M. Tetangco Governor, Bangko Sentral ng Pilipinas	- Member
Hon. Emerlinda R. Roman President, University of the Philippines	- Member
Hon. Arsenio M. Balisacan Dean, UP School of Economics	- Member

Corporate Officers –

Dr. Arsenio M. Balisacan	-	Executive Director
Dr. Stella Luz A. Quimbo	-	Director, Special Projects Division
Dr. Ma. Nimfa F. Mendoza	-	Director, Finance and Administrative Division

The Center holds office at the University of the Philippines – School of Economics, Diliman Campus, Quezon City, and has a manpower complement of four regular permanent employees.

2. SIGNIFICANT ACCOUNTING POLICIES

- 2.1 The statements of PCED have been prepared in accordance with generally accepted accounting principles in the Philippines.
- 2.2 Financial assets earlier classified as investments are reclassified as Held-to-maturity investments. The Center's management has the intention and ability to hold to maturity its financial assets with determinable payments and fixed maturity. Those held-to-maturity investments with maturities of one (1) year or less from balance sheet date are included in the current assets, and those with maturities greater than 12 months after the balance sheet date are classified as non-current assets. These investments are recorded at premium or discount, which is amortized over the life of the bonds.
- 2.3 Allowance for doubtful accounts is maintained at a level adequate to provide for potential uncollectibility of receivables. A review of the receivables, designed to identify accounts to be provided with allowance, is made on a regular basis.
- 2.4 Inventories are valued at cost using the Moving Average Method.
- 2.5 Property, Plant and Equipment (PPE) is comprised mainly of office space and equipment and carried at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate the cost of the asset net of residual value of 10% of cost over its estimated useful life as prescribed by COA Circular 2003-007 which provides the policies and guidelines on the computation of depreciation of government property and on their useful lives ranging from five to ten years. Depreciation starts on the second month after purchase.

Major repairs/renovations are depreciated over the remaining useful life of the related asset while regular maintenance, repair and minor replacements are charged against Maintenance and Other Operating Expenses (MOOE) as these are incurred.

2.6 Payable accounts are recognized and recorded in the books of accounts only upon delivery of the goods/inventory/other assets and rendition of services to the agency.

3. CASH

This account consists of the following:

	2010	2009
Cash In Bank - C/A	1,509,368	1,869,807
Cash In Bank - T/D	15,156,291	1,035,613
Petty Cash Fund	20,000	20,000
Cash - Collecting Officer		9,750
Total	16,685,659	2,935,170

4. FINANCIAL ASSETS

This account consists of placements in Treasury Bills and Bonds classified as follows:

	2010		2009	
	Current	Non-Current	Current	Non-Current
Treasury Bills	30,558,666	-	-	-
Treasury Bonds	3,402,822	70,286,215	26,518,046	62,236,928
PLDT Stocks	-	63,500	-	63,500
Total	33,961,488	70,349,715	26,518,046	62,300,428

5. RECEIVABLES – NET

This account is composed of:

	2010	2009 (as restated)
Interest Receivable	2,294,743	2,096,639
Rent Receivable (net of P12,720 allowance for doubtful accounts)	857,280	592,245
Advances to Officers and Employees	2,383	10,000
Due from Officers and Employees	-	30,468
Other Receivables	3,288	96,523
Total	3,157,694	2,825,875

Interest receivable represents accrued interest on GOCC series Treasury Bills and Bonds.

Advances to officers and employees represent cash advance for supplies and materials.

Other receivables pertain to the 10% mobilization fee paid to contractors for the rehabilitation and renovation of buildings and facilities.

6. PREPAID EXPENSES

This account consists of:

	2010	2009
Prepaid Subscriptions	249,782	436,428
Prepaid Taxes – Bureau of the Treasury	87,532	-
Prepaid Insurance	17,349	6,770
Stamps	21	535
Total	354,684	443,733

7. INVENTORIES

This account consists of:

	2010	2009
Office Supplies	364,294	323,012
Accountable Forms	1,889	2,222
Total	366,183	325,234

8. PROPERTY, PLANT AND EQUIPMENT - NET

	Land Improvements, Buildings and Structures	Office Equipment, Furniture and Fixtures, Artworks	Communication /IT Equipment and Software	Motor Vehicles	Total
Cost					
January 1, 2010	23,384,674	2,249,502	1,462,582	1,762,500	28,859,258
Additions	188,650	135,344	245,075	-	569,069
Disposals	-	-	-	-	-
December 31, 2010	23,573,324	2,384,846	1,707,657	1,762,500	29,428,327

Accumulated Depreciation					
January 1, 2010	17,266,467	1,491,055	1,132,600	893,009	20,783,131
Additions	1,322,375	115,247	128,783	202,660	1,769,065
Disposals	-	-	-	-	-
December 31, 2010	18,588,842	1,606,302	1,261,383	1,095,669	22,552,196
Net Book Value					
December 31, 2010	4,984,482	778,544	446,274	666,831	6,876,131
December 31, 2009	6,118,207	758,447	329,982	869,491	8,076,127

9. OTHER ASSETS

This account represents the deposit with the Philippine Long Distance Telephone Company.

10. ACCOUNTS PAYABLE

This pertains to amount due to contractors for supplies, materials and labor relative to the ongoing renovation and rehabilitation of buildings and facilities. It also includes cost of photocopying services for the month of December which remained unpaid as of year-end.

11. TRUST LIABILITIES

This account consists of the following:

	2010	2009
Due to BIR	56,564	32,153
Due to GSIS	1,046	1,045
	57,610	33,198

Due to BIR represents taxes withheld for the month of December on purchases of goods and services which are subsequently remitted in January of the following year.

12. DONATED CAPITAL

This account represents the following: (a) donation by the Japanese Government for the construction of Building II with an auditorium (PCED-UP Library) and equipment, (b) grants from the Population Council Foundation for Special Projects, and (c) equipment donated by ESIA/WID Project.

13. CAPITAL - MISCELLANEOUS

This represents the subsidy from the National Government of P17 million for Endowment Fund, P6,477,893 for Building I and the donation for the Leonides S. Virata Professorial Chair of P200,000.

14. RETAINED EARNINGS

In consonance with Philippine Accounting Standard No. 8, Accounting Policies, Changes in Accounting Estimates and Errors, the retained earnings of calendar year 2009 was restated as follows:

<u>Balance, January 1, 2009 as previously stated</u>	<u>63,999,005</u>
<u>Refund of 15% payment for research contract</u>	<u>30,468</u>
<u>Balance, January 1, 2009, as restated</u>	<u>64,029,473</u>
Add Income for CY 2009	
Income before adjustments	480,404
Adjustments to income:	
Adjustments made on bill of HPDP for rental of rooms due to cancellation of reservation and discounts granted	(9,100)
Adjusted net income for CY 2009	471,304
<u>Less 50% Dividend paid to National Government</u>	<u>845,308</u>
<u>Balance, December 31, 2009, as restated</u>	<u>63,655,469</u>

15. SUBSIDY FROM NATIONAL GOVERNMENT

For the calendar year 2010, the Center received P29,750,000 from the National Government for implementation of its various plans and programs as well as for maintenance and other operating expenses.

PART II

- A. COMMENTS AND OBSERVATIONS**

- B. STATUS OF IMPLEMENTATION OF PRIOR
YEAR'S AUDIT RECOMMENDATIONS**

A. COMMENTS AND OBSERVATIONS

There were no significant findings noted in audit; hence, an unqualified audit opinion was issued on the fairness of presentation of the financial statements.

With regard to the Center's mandate to support the UP School of Economics (UPSE) through **teaching** (*Bachelor's Degree and Graduate Program*), **training** (*for government officials completing the requirements in the Master in Development Economics*), **research** projects of faculty members, and **public affairs and extension** (*seminars and professional chair lectures*), the following were accomplished in CY 2010 (with comparative figures for CY 2009):

Activity	2010			2009		
	Target	Actual	%	Target	Actual	%
1) Teaching						
a) Bachelor's Degree Program	140	149	106	140	150	107
b) Graduate Program	35	17	49	35	11	31
2) research projects	12	8	67	12	3	25
3) public affairs and extension	25	18	72	25	12	48

Management attributed the non-attainment of 100 per cent of its target in the graduate program to the lack of interest on the part of the targeted participants in view of the inability to attend the programs on official time. In addition, the cycle in which the teaching program would be completed by the participants also poses a constraint since it covers a period of more than one year.

Gender and Development

The Center appropriated P300,000 of its budget to support a research project on gender and macroeconomics as part of its Gender and Development (GAD) Plan for the year. However, despite compliance with the previous recommendation to coordinate with the School of Economics in disseminating information on the availability of funds for research proposals tackling on gender and economics, there were no research proposals submitted on the said subject. The Center, however, gave financial support to a Gender Sensitivity Training undertaken by the UPSE for which the Center spent P5,395. Likewise, it maintained its targeted gender ratio of at least 50:50 for its full-time staff.

We, therefore, reiterated our recommendation that the Center coordinate with the National Council on the Role of Filipino Women (NCRFW) regarding activities that could be undertaken by the Center concerning GAD.

B. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Management was not able to implement our prior year's recommendation to coordinate with the National Council on the Role of Filipino Women (NCRFW) regarding activities that may be undertaken by the Center concerning GAD. Hence, our observation on said matter is reiterated in the current report.