

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



THIRTEENTH CONGRESS

First Regular Session

House Bill No. 2390

Introduced by REP. BENJAMIN DC. ABALOS, JR.

EXPLANATORY NOTE

The debt problem remains to mark a black spot against the country's economic development and the alleviation of the lives of our basic masses.

Philippine indebtedness continues to deepen over the years as the total outstanding debt, public and private, foreign and domestic continues to grow. From 1990 to the year 2000, Philippine debt grew at the rate of 63.71%. As per figures of the Bangko Sentral ng Pilipinas (BSP) and Bureau of Treasury as of 31 March 2002, total Philippine debt amounts to US\$ 94.9 billion or Php 4.9 trillion, which includes foreign debt of both public and private sectors amounting to Php 3.1 trillion and domestic debt amounting to Php 1.8 trillion.

The total public debt (considered as the total government exposure on borrowings) as of 3rd Quarter of 2003 amounts to Php 5.39 trillion which includes foreign and domestic loans.

As of February 2004, the national government debt alone amounts to Php 3.407 trillion, of which Php 1.651 trillion stands for our foreign debt while Php1.755 trillion accounts for our domestic debt. National government debt includes assumed liabilities of the Philippine National Bank (PNB), Development Bank of the Philippines (DBP), National Power Corporation/Bataan Nuclear Power Plant and the National Development Company. As of this year, the total outstanding assumed liabilities by the national government amounts to P11.3 billion.

Public borrowings reached unprecedented levels in the last four years. The 1998 borrowings was a big 88% jump from the 1996 levels of borrowings. Heavy borrowings continued from 1998 until last year. The new borrowings in 2002 are considered the highest ever, at P436.3 billion---a 448% jump from 1996,

Our huge debt is not a sole obligation of the government, but in effect, a burden shouldered by the Filipino people gravely affected by the shifting of budgetary priorities and expenditures from the much needed social services---shelter, food, health and education---to the payment of interest and principal amortization for our enormous debt.

The national government debt service is a continuing burden to the Filipino people, which remains to have the biggest slice of our national budget. Interest payment and its percent share of the total government budget increased dramatically since 1998. In 2002, payments on interests amounted to P204 billion, which is 26% of the total spending of the government for that year, and is equivalent to 96% of the national government's budget deficit for the year.

For this year, the national government debt service for interest payment and principal amortization amounts to P542.2 billion which covers foreign and domestic debts. Of this figure, total debt service for assumed liabilities by the national government amounts to P10.4 billion for interest payment and principal amortization.

Our Constitution mandates that the *power of the purse* shall exclusively belong to the Congress, Section 24 provides that *"all appropriation, revenue or tariff bills, bills authorizing increase of the public debt shall originate exclusively in the House of Representatives, but the Senate may propose or concur with amendments."*

The present provision on automatic appropriation for debt service has continually encouraged creditors to lend and our government to borrow without due regard for the consequences of over-borrowing.

This proposed measure seeks to strengthen the power of Congress over the purse by deleting the provision on automatic appropriation for debt service on public debt provided under Section 26(2), Chapter 4, Book VI of Executive Order No. 292 otherwise known as the Revised Administrative Code of 1987.

The Filipino people had long desired that highest priority be given for basic services and economic welfare in allocating precious public resources.

In the interest of the Filipino people, immediate passage of this bill is earnestly sought.


BENJAMIN DC. ABALOS, JR.

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AN ACT
REPEALING THE AUTOMATIC APPROPRIATION FOR DEBT SERVICE,
AMENDING FOR THE PURPOSE EXECUTIVE ORDER NO. 292 OTHERWISE
KNOWN AS THE REVISED ADMINISTRATIVE CODE OF 1987, AND FOR
OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

Sec. 1. Section 26(2), Chapter 4, Book VI of Executive Order No. 292 otherwise known as the Revised Administrative Code of 1987 is hereby amended to be read as follows:

BOOK VI

NATIONAL GOVERNMENT BUDGETTING

Chapter 4- BUDGET AUTHORIZATION

SEC. 26. Automatic Appropriation. – All expenditures for (1) personal retirement premiums, government service insurance, and other similar fixed expenditures, [(2) principal and interest on public debt,] (3) national government guarantees of obligations which are drawn upon, are automatically appropriated: provided, that no obligations shall be incurred or payments made from funds thus automatically appropriated except as issued in the form of regular budgetary allotments.

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Sec. 2. This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation. The publication shall not be later than seven (7) days after approval hereof.

Approved,