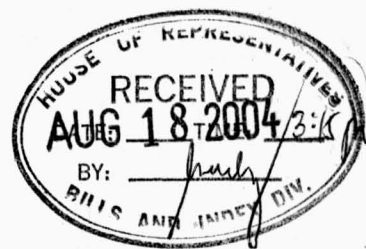


Republic of the Philippines
HOUSE OF REPRESENTATIVES
THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2496



Introduced by Reps. SATUR C. OCAMPO, TEODORO A. CASIÑO, JOEL G. VIRADOR, CRISPIN B. BELTRAN, RAFAEL V. MARIANO, LIZA L. MAZA, LORENZO R. TAÑADA III,

Explanatory Note

This bill amends Section 31 of Presidential Decree No. 1177, otherwise known as the "Budget Reform Decree of 1977," issued during the martial law period which provides for automatic appropriation for public debt service. It likewise amends Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise known as the "Administrative Code Of 1987," which reiterates *in toto* Section 31 of PD 1177.

By effectively repealing the automatic appropriation for debt service, this bill remedies a long-standing defect in the government's budget policy: the indiscriminate payment of all public debts including indefensible loans and regardless of the grave diversion of finances from basic services. It affirms and asserts the obligation of the State under Article II, Section 9 of the 1987 Constitution to "promote a just [social order]...through policies that provide adequate social services."

The bill's enactment into law seeks to pave the way for a more rational and humane budgetary process. It seeks to bring hundreds of billions of pesos annually paid for debt servicing within greater control of the people. The excesses of past administrations, including the Marcos dictatorship, will no longer hold the country captive and legitimate loans will cease to be a Trojan Horse for onerous and fraudulent debts. Badly needed social services can begin to be prioritized.

Cumulative debt servicing has eaten up a third of the national government budget since 1986. Meanwhile, the country's public schools, universities and colleges perennially suffer from decrepit facilities, lack tens of thousands of teachers and classrooms, and are short of millions of desks and textbooks. Government hospitals are being closed, public health services are emaciated, and vital medicines and treatments are lost.

The need to repeal the automatic appropriation for debt servicing has become more urgent as the public debt has swung beyond control. This is bloated by revenue losses from reckless trade liberalization and overly generous fiscal incentives for foreign investors, by guaranteeing private profits through assuming contingent liabilities, and by the perpetual free-fall of the peso. Outstanding public debt was 41 percent of gross domestic product (GDP) in 1996 and soared to 80 percent in 2002. The government's increasing dependence on borrowing means that the debt service burden is getting heavier and heavier.

The 2003 national government budget that exacerbates the government's worsening neglect of social services since 1997 is a case in point. The P223 billion in interest payments in 2003 was almost triple the P78 billion paid out in 1997, and their share in total expenditures jumped from 17 percent to 29 percent. Contingent liabilities for payment increased four-fold from P1.4 billion in 1997 to P5.5 billion in 2003.

Yet, the education, health and housing budgets that were already grossly insufficient in 1997 have drastically shrunk in real, if not absolute, terms. Their combined share in total expenditures fell

from 23 percent in 1997 to just 18 percent in 2003.

Interest and principal payments in 2003 were *three-and-a-half* times the combined budget of the Department of Education (DEPED) and of State Universities and Colleges (SUC) and *thirty* times that of the Department of Health (DOH). The incremental increase in debt service payments of P51 billion was over *fifty* times the increase in education spending, while health and housing spending were even cut back.

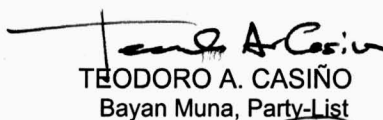
The uncritical servicing of these debt obligations do not only undermine the public social services which the majority poor Filipino peasants, fisherfolk, workers, and urban poor depend on. They also require higher taxes than would otherwise be necessary.

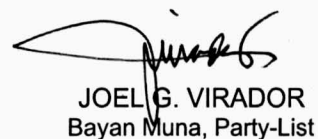
The automatic appropriation for debt service at the expense of basic services is unjust. It preempts the people's prerogative by giving absolute priority to debt servicing and placing so much of the national budget outside normal budget processes. It has caused economic policy to systematically favor narrow private creditor and corporate interests over the needs of the people. It even encourages gross fiscal irresponsibility by making loans depend less on their merits than on the capacity of the government to squeeze the people.

But there's only so much blood to be drawn from stones. Appropriate legislation is vital to correct this long-festering problem.

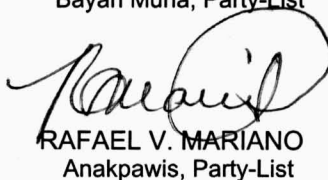
In the light of the foregoing, immediate approval of this bill is earnestly sought.


SATUR C. OCAMPO
Bayan Muna, Party-List

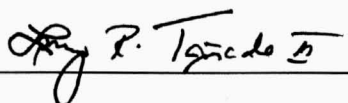

TEODORO A. CASIO
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Hon. 

Hon. _____

District 4th QUEZON PROVINCE

District _____


Hon. EDUARDO C. ZALCID

Hon. _____

District PQue City 1ST Dist.

District _____

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HOUSE BILL NO. 2496 -

Introduced by Reps. SATUR C. OCAMPO, TEODORO A. CASIÑO, JOEL G. VIRADOR, CRISPIN B. BELTRAN, RAFAEL V. MARIANO, LIZA L. MAZA, LORENZO R. TAÑADA III,

AN ACT
EFFECTIVELY REPEALING THE AUTOMATIC APPROPRIATION FOR DEBT SERVICE
BY AMENDING SECTION 31 OF PRESIDENTIAL DECREE NO. 1177 AND SECTION 26,
CHAPTER 4, BOOK VI OF EXECUTIVE ORDER NO. 292, OTHERWISE KNOWN AS THE
"ADMINISTRATIVE CODE OF 1987" WHICH REITERATES *IN TOTO* SECTION 31
OF PRESIDENTIAL DECREE NO. 1177

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

SECTION 1. Section 31 of Presidential Decree No. 1177 of July 30, 1977 entitled "Revising The Budget Process In Order To Institutionalize The Budgetary Innovations Of The New Society" is hereby amended to read as follows:

"Section 31. *Automatic Appropriations.* All expenditures for (a) personnel retirement premiums, government service insurance, and other similar fixed SOCIAL SERVICE expenditures [, (b) principal and interest on public debt, (c) 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."

SECTION 2. Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise known as the "Administrative Code of 1987" which reiterates *in toto* Section 31 of Presidential Decree No. 1177 and similar laws, decrees, executive orders, administrative orders, or circulars are likewise hereby amended.

SECTION 3. This Act shall take effect after fifteen (15) days following the completion of its publication in the *Official Gazette* or in a national newspaper of general circulation.

Approved,