

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. ~~1000~~ 1008

Introduced by Reps. TEODORO A. CASIÑO and REP. NERI JAVIER COLMENARES

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.

The effective repeal of automatic appropriation for debt service 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 passage 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 and more recently, the Arroyo regime-will no longer hold the country hostage, and legitimate loans will cease to be a Trojan horse for onerous and fraudulent debts. Badly needed social services can begin to be prioritized in the budget.

Since 1986, cumulative debt servicing has eaten up a third of the annual national government budget. 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 a pittance, and vital medicines and treatments, especially for the poor, have become inaccessible.

The need to repeal the law on automatic appropriation for debt servicing has become more urgent as the public debt has become an albatross for the nation. This is bloated by revenue losses from reckless trade liberalization and overly generous fiscal incentives for foreign investors, by guaranteeing private profits through government 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, soared to around 80 percent in 2002 and has remained in crisis proportion since then. The government's increasing dependence on borrowing means that the debt service burden is getting heavier and heavier.

The increasing share of debt servicing in the national budget has exacerbated the government's worsening neglect of social services since 1997. In the 1.3 trillion 2010 budget, 276 billion or 21 percent was allotted for interest payment. This is on top of the automatic appropriation for principal payment worth 405 billion. Contrast this to the 78 billion paid out in 1997, a jump from 17 percent to 21 percent.

On the other hand, education, health and social welfare budgets that were already grossly insufficient 13 years ago have drastically shrunk in real, if not absolute, terms. Their combined share in total expenditures fell from 23 percent in 1997 to just around 17 percent in 2010. The 2010 national budget's debt service allocation of P276 billion is four (4) percent greater than the combined budgets for education, health and social welfare at P231 billion.

The uncritical servicing of these debt obligations has not only undermined the public social services which the majority poor Filipino peasants, fisherfolk, workers, and urban poor depend on. It has entailed 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 and unquestioned 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 for repayment funds.

But there's only so much blood that can 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.

Approved,


REP. TEODORO A. CASIÑO
Bayan Muna Party-list


REP. NERI JAVIER COLMENARES
Bayan Muna Party-list

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HOUSE BILL NO. 1008

Introduced by Reps. TEODORO A. CASIÑO and REP. NERI JAVIER COLMENARES

AN ACT
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 EN 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 en 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,