

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

H. B. No. **4647**

Introduced by **HON. LORENZO R. TAÑADA III**

AN ACT
DEFINING "UNPROGRAMMED FUNDS" AND PROHIBITING LEGISLATORS
FROM APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

EXPLANATORY NOTE

As the national government continues to strengthen its campaign for accountability, it utilizes the logic of a sound budget management system which follows the principles of public expenditure management – a combination of fiscal discipline, allocative efficiency, and effective use of resources. With this in mind, strict adherence to such fiscal policies is deemed necessary to optimize the use of public funds and safeguard it from abuse and/or misuse.

The government also provides for standby appropriation under "Unprogrammed Funds" which gives legislators some funds to undertake pro-active measures in urgent situations involving priority projects and/or programs but only in cases where extra revenues are collected within the fiscal year. This has been justified by the Department of Budget and Management, citing that providing for such funds in the General Appropriations Act (GAA) is necessary since the national budget takes quite a long period to prepare. Similarly, the disparity between the conditions at the time of preparation and at the time of implementation is also taken into consideration.

However, despite the good intentions and seeming practicality of such funds, they are more often than not susceptible to abuse and/or misuse. A prime example would be the release of unprogrammed funds to legislators in the opposition who have not received their Priority Development Assistance Fund allegedly due to "lack of funds." The Executive Department is also guilty of misusing said funds when they are deployed as short-cut strategies to avoid the appropriations procedure as provided for by law, ultimately circumventing the basic principle that the power of the purse lies in the hands of Congress. When this mishandling is committed, the Executive Department has no need of submitting a supplemental budget when it decides to spend additional funds over and above the approved appropriations. Consequently, with the absence of concrete provisions and administration of funds this, practice creates instability in the budget system and makes it prone to fraud, wastage and abuses as there is a huge amount involved.

Similarly, when the use of unprogrammed funds as part of the budget strategy remains unchecked, a huge budget deficit will surface as evidenced by the 2007 budget where a total of P114 Billion was placed under unprogrammed funds. The government was not able to recover from the deficit as the economy fell and tax relief was given to minimum wage earners that same year.

If the government is all for maintaining a stable economy that banks on a secure budgetary system, its money should no longer be appropriated under unprogrammed funds as to avoid abuse and/or misuse which will consequently result to budget deficits that the government can no longer afford to fall into. Additionally, in the case of higher-than-expected revenue collection and additional foreign project loan proceeds during the fiscal year, said amount should only be spent upon submission of a supplemental budget to Congress.

In view of the foregoing, the immediate enactment of this measure is earnestly sought.


LORENZO "ERIN" R. TAÑADA III
Representative
4th District of Quezon

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

SECTION 1. *Short Title.* – This Act shall be known as the “Unprogrammed Funds Prohibition Act of 2010”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to formulate and implement a national budget that is within the framework of accountability, transparency, stability, performance and participation and is an instrument of national development, reflective of national objectives, strategies and plans.

SEC. 3. *Definition of Unprogrammed Funds.* – For purposes of this Act, “Unprogrammed Funds” shall refer to standby appropriations that legislators have been including in the General Appropriations Act (GAA) that are not supported by a specific source of financing at the time the GAA is approved.

SEC. 4. *Prohibition.* – The Executive Department, through the Department of Budget and Management, and any member of the Legislature shall be prohibited from appropriating for “Unprogrammed Funds”. Any amount realized from higher-than-expected revenue collection and additional foreign project loan proceeds during the fiscal year shall only be spent upon submission of a supplemental budget to Congress.

SEC. 5. *Separability.* – If, for any reason, any section or provision of this Act is held unconstitutional or invalid, no other section or provision shall be affected.

SEC. 6. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations, issuances or any part thereof inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,