

HOUSE OF REPRESENTATIVES

House Bill No. 4770



Introduced by REP. BEN P. EVARDONE
Long District, Eastern Samar

EXPLANATORY NOTE

In economics, steady economic growth attracts foreign investors while a slowdown turns them away. The entry of foreign investments, especially FDIs, results in sustainable economic growth and improved quality of life. Balamban, Cebu is one such story.¹

Strong public spending contributes to economic growth. No less than the Supreme Court recognized this in the recent case of *Araullo et. al. vs. Benigno Simeon C. Aquino et. al., GR No. 209287, July 1, 2014*, even as it declared unconstitutional certain acts under the Executive policy named "Disbursement Acceleration Program" (DAP).

Indeed, during the DAP's implementation, public expenditure growth (14.1%) outpaced revenue growth (12.9%), so that by the second half of 2012, economic growth was beyond 7%.²

All these happened primarily on account of the government's accelerated spending policy while 'leakages', mostly in public works projects, were plugged.

The Executive had abandoned DAP. This author, however, believes that accelerated spending must be pursued until the country's poverty incidence, exacerbated by typhoon Yolanda³, is significantly reduced. Furthermore, there is need to "catch up" with our neighbors as we enter into the ASEAN Economic Community integration in 2015.⁴ Indeed, the challenge to achieve inclusive growth through job generation, poverty reduction and global competitiveness remains.⁵ Economist Cielito Habito, in a column, aptly observed:

"Evidence of significant slowdown in government spending already shows in the numbers. From January to May, total government revenue grew 12.2% over the same period last year, and yet total expenditures rose by only 4.7%. The result has been an unusual budget surplus of P8.5 billion—not at all good news for a government that has a great deal of catching up to do in infrastructure and other vital public investments. Indeed textbook macroeconomics teaches that **deficit spending** is a potent way to stimulate overall economic activity. The ongoing 'cleansing' of government spending –ridding it of dubious transactions that line corrupt pockets,

¹Gerardo Sicat, <http://www.econ.upd.edu.ph/perse/?p=3953>

²Cielito Habito, <http://opinion.inquirer.net/76369/no-pain-no-gain-legacy-of-aquinomics#xzz36wSjn0IX>

³Gerardo Sicat, <http://www.econ.upd.edu.ph/perse/?p=3928>

⁴Ernesto Pernia, Op-ed Commentary, Philippine Daily Inquirer, April 9, 2014, published link in <http://www.econ.upd.edu.ph/perse/?p=3772>

⁵G. Sicat, <http://www.econ.upd.edu.ph/perse/?p=2768>

and now of expenditures not authorized under constitutional limitations—has to come at the cost of slowing down economic growth.”⁶

In public governance, cost-efficient and timely delivery of public service has been the mantra for ages. Perhaps, the only laudable resource-saving is one that results from improved and efficient fiscal administration. Belt-tightening measures to control budget deficit, for example, are frowned upon as they affect the quality of public service, and at times, cost lives.

The author believes that the present legal rules on savings and augmentation should be reexamined and improved because: *First*, moneys collected, especially from taxation, are meant to be spent, not saved. This is self-explanatory. *Second*, savings from public funds do not earn interest; Government loans do. *Third*, slow implementation of programs and projects encourages inefficiency and thus a great disservice to the taxpaying nation. *Fourth*, year-end augmentation from savings may have already ‘killed the hen that laid the golden eggs’.

This bill seeks improvement of certain rules on savings and augmentation embodied in the current and prior years’ General Appropriations Acts and related laws to allow quarterly augmentation, realignment or utilization of savings, or at any time once savings is clearly determined even prior to the end of the fiscal year. Thus:

Section 1 refers to the concept of savings, taken from the General Provision of the General Appropriations Acts (GAAs) of recent years. Section 2 enumerates the instances when savings may accrue; Section 2(B [ii]), (C), and (D) are taken from GAAs. Under this provision, savings may arise before (Sec. 2[A]), during (Sec. 2[B]), and after (Sec. 2[C]) implementation of a program, activity or project within the current year of appropriation.

Furthermore, this bill clarifies Section 38, Chapter 5, Book VI of EO No. 292, the Administrative Code of the Philippines, such that whenever the President suspends or stops further expenditure of funds, as public interest requires, the funds allotted to agencies or departments outside of the Executive may be declared as savings by the respective Heads of Departments or Agencies, and used in accordance with this proposed measure. This, in effect, reinforces the fiscal autonomy of such Departments and Agencies. (Sec. 2, last paragraph).

However, savings which has arisen or declared as such pursuant to Section 2 of this proposed bill must be used within six (6) months from the time it has arisen or been declared as such. Otherwise, the same reverts to the National Treasury.

Also, in Section 4 (f), the author adopts by reference Section 49, Chapter 5, Book VI of EO No. 292, including the purposes enumerated therein, especially those considered fast-moving programs, activities and projects, as among the priority purposes in the use of savings, for the observance of the President and other Heads of offices.

Section 5 allows Heads of Departments mentioned in this bill to resort to realignment on a quarterly basis pursuant to existing laws, and/or for purposes mentioned in Section 4 of this bill.

Section 7 requires the President and other Department Heads to make a quarterly report on the status, utilization and disposition of their respective quarterly savings.

On this score, the immediate passage of this bill is earnestly sought.


BEN P. EVARDONE

⁶ Cielito Habito,
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<http://opinion.inquirer.net/76369/no-pain-no-gain-legacy-of->

HOUSE OF REPRESENTATIVES

House Bill No. 4770

Introduced by REP. BEN P. EVARDONE
Lone District, Eastern Samar

AN ACT

MANDATING THE PRESIDENT OF THE PHILIPPINES, SENATE PRESIDENT, SPEAKER OF THE HOUSE OF REPRESENTATIVES, CHIEF JUSTICE OF THE SUPREME COURT, ALL HEADS OF THE CONSTITUTIONAL COMMISSIONS ENJOYING FISCAL AUTONOMY, AND OMBUDSMAN TO ACCELERATE DISBURSEMENT OF FUNDS WITHIN THEIR RESPECTIVE OFFICES, AUTHORIZING AUGMENTATION FROM SAVINGS AND REALIGNMENT THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. CONCEPT OF SAVINGS.—Savings shall refer to available balances or portions thereof of any programmed appropriation in an Appropriations Act free from any obligation or encumbrance arising or declared as such at any time within the current year of appropriation in accordance with this Act. .

SECTION 2. WHEN SAVINGS ARISE.—(A) Prior to implementation of a program, activity or project for which appropriation is authorized, savings shall arise when: (i) the law upon which such program, activity, or project is based is repealed or otherwise finally declared unconstitutional; or (ii) the implementation of such program, activity or project is clearly rendered useless or unnecessary by natural or man-made events beyond the control of the implementing agency.

(B) Savings shall arise in the course of implementation of a program, activity or project for which appropriation is authorized when: (i) any of the instances mentioned in Section 2 (A) hereof occur; or (ii) in case of final discontinuance or abandonment of such program, activity or project in accordance with existing laws, rules and regulations not in conflict with this Act.

1 (C) Savings shall arise after completion of a program, activity or project for which
2 appropriation is authorized, including programs, activities or projects implemented by phase or in a
3 staggered manner.

4
5 (D) Savings shall arise from appropriation balances: (i) arising from unpaid compensation and
6 related costs pertaining to vacant positions and leaves of absences without pay; or (ii) realized from
7 the implementation of measures resulting in improved systems and efficiencies and thus enabled
8 agencies to meet and deliver the required or planned targets, programs and services approved in an
9 appropriations Act or special appropriations provision at a lesser cost.

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11 The President of the Philippines, Senate President, Speaker of the House of Representatives,
12 Chief Justice of the Supreme Court, all Heads of Constitutional Commissions enjoying fiscal
13 autonomy, and the Ombudsman shall have the authority to declare savings within their respective
14 offices: (i) upon the President's resort to Section 38, Chapter 5, Book VI of Executive Order
15 Numbered 292, insofar as the funds affected thereby; (ii) on programs, activities, or projects, the
16 implementation of which is restrained by final order of the court; PROVIDED that, in case of
17 programs, activities or projects implemented on a daily, weekly or monthly basis, restrained
18 temporarily or indefinitely by order of the court, savings shall arise during such period until lifted; and
19 (iii) upon programs, activities or projects which fail to meet their respective quarterly expenditure
20 target based on criteria set in the general appropriations act for the current year.

21
22 **SECTION 3. USE OF SAVINGS.** — To ensure and accelerate the delivery of public
23 service, the President of the Philippines, Senate President, Speaker of the House of Representatives,
24 the Chief Justice of the Supreme Court, the Heads of Constitutional Commissions enjoying fiscal
25 autonomy and the Ombudsman are hereby authorized to use their respective savings on a quarterly
26 basis or at any time within six months from the time it arises or declared as such within the current
27 year of appropriation: (i) to augment actual deficiencies in any item of their respective appropriations
28 in accordance with the provisions of the appropriations act for the current year; and/or (ii) in
29 accordance with Section 4 hereof.

30
31 For purposes of this Act, augmentation implies the existence of a program, activity or project
32 with an appropriation, which upon implementation or subsequent evaluation of needed resources, is
33 determined to be deficient.

34
35 In no case shall a non-existent program, activity or project be funded by augmentation from
36 savings or by the use of appropriations otherwise authorized in an Appropriations Act, unless such

1 new program, activity or project is implemented pursuant to a new law or policy with authorized
2 appropriation mandating immediate implementation.

3
4 The use of savings in offices, agencies and instrumentalities within the Executive Department
5 shall be subject to the approval of the President.

6
7 **SECTION 4. PRIORITY IN THE USE OF SAVINGS.**— In the use of savings under
8 Section 3 hereof, priority shall be given to the utilization of the amounts set aside for:

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10 (a) Payment of compensation, bonus, cash gift, retirement, gratuity, terminal leave benefits,
11 old-age pension of veterans, and other personnel benefits authorized by law;
12 (b) Payment of those expenditure items authorized in an agency special provision and in
13 other sections of the General Provisions of the current General Appropriations Act;
14 (c) Payment of obligations incurred in the implementation of new legislative enactments with
15 authorized appropriations taking effect within the current year;
16 (d) Payment of obligations incurred to address a public contingency arising in the current
17 year;
18 (e) Covering a deficit in the appropriations for the offices under the respective Heads of
19 Offices referred to in this Act;
20 (f) The implementation of programs, activities or projects pursuant to Section 49 Chapter 5,
21 Book VI of Executive Order No. 292, especially those deemed fast-moving under existing
22 laws, rules and regulations.

23
24 PROVIDED, that no cross border fund augmentation, realignment, transfer and utilization
25 shall be allowed; provided further, that any available balance or portion thereof in the General
26 Appropriations Act, other than the savings referred to herein, which remain unutilized at the end of
27 the current fiscal year shall revert to the National Treasury; provided finally, that savings shall revert
28 to the National Treasury when the same remains unutilized within six (6) consecutive months from
29 the time it has arisen or declared as such pursuant to Section 2 hereof.

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31 **SECTION 5. REALIGNMENT.** — Existing laws, rules and regulations authorizing
32 realignment of funds may be utilized by the President of the Philippines, Senate President, Speaker of
33 the House of Representatives, Chief Justice of the Supreme Court, all Heads of Constitutional
34 Commissions enjoying fiscal autonomy, and the Ombudsman insofar as their respective
35 appropriations are concerned: Provided, realignment may be made for purposes mentioned in Section
36 4 hereof; provided further, that such laws, rules and regulations are not in conflict with the provisions
37 of this Act; provided finally, that such realignment may be done on a quarterly basis.

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2 **SECTION 6. IMPLEMENTING RULES AND REGULATIONS.** — The President of the
3 Philippines, Senate President, Speaker of the House of Representatives, Chief Justice of the Supreme
4 Court, all Heads of Constitutional Commissions, and the Ombudsman shall, within 60 days from the
5 effectivity of this Act, promulgate the necessary rules and regulations to implement this Act, in
6 consultation with the Department of Budget and Management, Department of Finance and the
7 National Treasurer.

8
9 **SECTION 7. REPORTORIAL REQUIREMENT.** — The President of the Philippines,
10 Senate President, Speaker of the House of Representatives, Chief Justice of the Supreme Court, all
11 Heads of Constitutional Commissions, and the Ombudsman shall submit a detailed quarterly report to
12 the Congress of the Philippines, through the Committee on Appropriations of the House of
13 Representatives and the Senate Finance Committee, on the quarterly status, utilization and disposition
14 of their respective savings during the current year of appropriation.

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16 **SECTION 8.** Whenever any provision of this Act is declared unconstitutional, other
17 provisions not affected thereby shall remain valid.

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19 **SECTION 9.** All laws, decrees, executive orders, proclamations, rules and regulations, or
20 parts thereof inconsistent herewith are hereby repealed or modified accordingly.

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22 **SECTION 10.** This Act shall take effect fifteen (15) days after its publication in the Official
23 Gazette or in at least two (2) national newspapers of general circulation whichever comes earlier.

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25 *Approved*