

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3911



Introduced by BAYAN MUNA Representative CARLOS ISAGANI T. ZARATE

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 IN TOTO
SECTION 31 OF PRESIDENTIAL DECREE NO. 1177

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, 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 until the Aquino administration – will no longer hold the country hostage, and legitimate loans will cease to be a Trojan horse for onerous and fraudulent debts. Government can begin to prioritize badly needed social services.

Since 1986, cumulative debt servicing has been consuming almost a third of the annual national government budget. Meanwhile, the country's public schools, universities and colleges perennially suffer from decrepit facilities, teachers, textbooks and classrooms shortages. 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. The country's debt is bloated by revenue losses from trade liberalization, overly generous fiscal incentives for foreign investors, and the guarantee of profits as government assumes contingent liabilities. Debt to GDP ratio is still high at 45.4% in 2014.¹ The government's continued dependence on borrowing means that the debt service burden is getting heavier and heavier.

The large share of debt servicing in the national budget has exacerbated the government's worsening neglect of social services since 1997. Education, health and social welfare budgets remain insufficient while a large share of the people's taxes is allocated for debt payments. For the year 2016, debt servicing amounted for P740.5B, of which P392.797B is for interest payment and P347.703B is for payment for principal amortization of foreign and domestic debts². The amount for debt servicing is higher than the 2016 allotment for education which is P508.5B and health with P135.2B³. Total debt servicing accounted for 25% of total expenditure⁴, or P25 for every P100 of the budget, with the Filipino people pressed to contend with the remaining P75. The amount for debt service could construct about 600,000 classrooms and implement free irrigation for agriculture.⁵

The automatic appropriation for debt service at the expense of basic services is unjust. It pre-empts 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-festered problem.

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

Approved,


Rep. CARLOS ISAGANI T. ZARATE
Bayan Muna Party-list

¹ Debt-to-GDP Ratio, <http://www.gov.ph/2015/07/27/2015-sona-technical-report/>

² GAA 2016 Vol II-B pp. 1248-1249, <http://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2016/VOLUME%20II-B/Annexes.pdf>

³ GAA 2016 BESF Updated Tables, <http://www.dbm.gov.ph/wp-content/uploads/BESF/BESF-UPDATED/A.5.pdf>

⁴ Interest Payments and NG Total Debt Service as a Percentage of Expenditure, <http://www.gov.ph/2015/07/27/2015-sona-technical-report/>

⁵ As stated by Former Anakpawis Rep. Fernando Hicap, August 10, 2015, <http://www.sunstar.com.ph/manila/local-news/2015/08/10/debt-servicing-budget-trumps-education-2016-423820>

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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,