SENATE OFFICE OF THE SECRETARY

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Introduced by Senators Aquilino "Nene" Pimentel Jr. and M. A. Madrigal

P.S. Res. No.

## **A RESOLUTION**

VEHEMENTLY OPPOSING THE MOVE TO REDUCE BY AN ESTIMATED TWENTY BILLION PESOS (P20B) THE INTERNAL REVENUE ALLOTMENT (IRA) OF THE LOCAL GOVERNMENT UNITS (LGUs)

WHEREAS, the planned reduction of P20B from the Internal Revenue Allotment (IRA) for the Local Government Units (LGUs) for the FY 2005, which is equivalent to 14.18 percent reduction of the current IRA, could likely pave the way for the possible breakdown in the delivery of basic services to local government communities;

WHEREAS, the planned reduction is part of the current administration's so-called cost-saving measures in view of its own admission of a possible "economic collapse" in the country;

WHEREAS, Article X, Section 7 of the 1987 Constitution provides that "local governments shall be entitled to an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas, in the manner provided by law, including sharing the same with the inhabitants by way of direct benefits;"

WHEREAS, such Constitutional mandate is now enshrined in an enabling law which is Republic Act No. 7160, otherwise known as the Local Government Code, which provides that "local government units shall have a share in the national internal revenue taxes" and shall receive 40% of the tax base collected by the national government and which shall be automatically released to them starting on the third year of the law's implementation;

WHEREAS, Section 17 of the aforesaid law likewise provides that LGUs are also mandated to "discharge the functions and responsibilities of the national agencies and offices devolved to them." And they "shall likewise exercise such other powers and discharge such other functions and responsibilities as are necessary, appropriate, or incidental to efficient and effective provision of the basic services and facilities" down to the barangay level;

WHEREAS, the national government recently declared that the country is in a state of financial crisis and that there is an urgent need to tighten the rein of government finances, considering the huge deficits and ballooning public debt that are the principal factors that could hasten the country's economy collapse;

WHEREAS, this declaration of a possible economic collapse is indeed being bolstered by the findings of a separate study entitled: "The Deepening Crisis: The Real Score on Deficits and the Public Debt," released to the public by professors/economists from the University of the Philippines School of Economics in Diliman;

WHEREAS, the same study points to two major causes of the current economic crisis, namely: the failure of the tax structure and bureaucracy, and the inefficiency and lack of accountability on the part of public corporations. Significantly, no explanation on the causes of the crisis could be heaped on the LGUs and on the manner by which they utilize their IRA;

WHEREAS, this is not the first time that the national government interfered in the reduction of the LGUs' IRA. In 1999, 2000 and 2001 the executive branch allocated only P5 billion for the IRA in the form of a special fund which could be accessed by the LGUs only through projects that satisfied the standards set by Malacanang;

WHEREAS, the interference of the executive branch in the fund allocation for the LGUs runs counter to the Constitutional precept on local autonomy, a precept which is now operationalized by the LGUs' absorption of additional responsibilities in the form of some devolved executive functions on health, agriculture, and social services;

WHEREAS, a cut on the current IRA of the LGUs would exacerbate the already critical status of local government program implementation, even just on the basic responsibilities as payment of salaries and other emoluments of devolved employees, not to mention the deprivation of the provinces, cities, municipalities and barangays of the much needed infrastructure, hospitals, and classrooms;

Resolved by the Senate, as it is hereby resolved, to vehemently oppose the move to reduce by an estimated twenty billion pesos (P20B) the internal revenue allotment (IRA) of the local government units (LGUs).

Adopted,

AQUILINO Q. PIMENTEL JR.

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