

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

SENATE
OFFICE OF THE SECRETARY

10 JUL 28 1957

SENATE

S. B. No. 2184

RECEIVED BY: 

Introduced by **Senator TEOFISTO "TG" GUINGONA III**

EXPLANATORY NOTE

The Philippine national budget usually provides for standby appropriation under "unprogrammed funds" that will supposedly give the government some allowance to undertake pro-active measures in urgent situations involving priority projects and/or programs. In view thereof, it was justified by the Department of Budget and Management that providing for unprogrammed funds in the General Appropriations Act (GAA) is necessary since the budget is prepared as long as 18 months ahead of time and that the conditions at the time of preparation may be vastly different from those at the time of implementation.

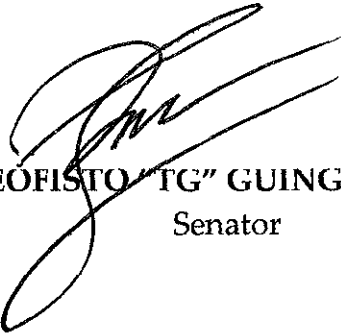
But however good the intentions may be in providing for unprogrammed funds in the GAA, the fact remains that unprogrammed funds is always susceptible to abuse of discretion. Thus, it was said that while many of the opposition lawmakers have not received their Priority Development Assistance Fund, allegedly due to lack of funds, unprogrammed funds, which really has no specific purpose and which is supposed to be implemented only in cases when there are extra revenues collected within the budget year are known to have been released.

The provision of unprogrammed funds in the GAA is also being utilized as a short-cut strategy of the Executive Department to avoid the appropriations procedure as provided for by law and to ultimately circumvent the basic principle that the power of the purse lies with Congress. With the standby authority to spend given to it in the form of the unprogrammed funds, the Executive Department will no longer be bothered by the procedure of submitting a supplemental budget in case it decides to spent additional funds over and above the approved appropriations. All it has to do is to rely on the unprogrammed funds provided for in the GAA. Considering the huge amount involved and the absence of concrete provisions and administration of funds, this practice sets an unstable budget system prone to fraud, wastage and abuse.

Lastly, utilization of unprogrammed funds as budget strategy, when remained unchecked will ultimately lead to a horrendous budget deficit. We could see from the 2007 budget that a total of Php 114 Billion has been appropriated for unprogrammed funds. This is twice the amount of deficit that was expected by the Department of Finance for the same year due to slackening of the economy and the passage of the law giving tax relief to minimum wage earners.

A sound budget management system should follow certain principles of public expenditure management which is a good mixture of fiscal discipline, allocative efficiency and effective use of resources. The idiom "live within your means" is not being followed when we give a "blank check" (with no sufficient back-up fund) or a "credit card" (with no capacity to pay) to the executive.

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



TEOFISTO "TG" GUINGONA III
Senator

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

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

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

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

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

12 **SEC. 4. *Prohibition.*** – The Executive Department, through the Department of
13 Budget and Management, and any members of legislature shall be prohibited from
14 appropriating for "Unprogrammed Funds". Any amount realized from higher-than-

1 expected revenue collection and additional foreign project loan proceeds during the
2 fiscal year shall only be spent upon submission of a supplemental budget to Congress.

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

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

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

Approved,