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SENATE

P. S. Res. No. 113

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Introduced by Senator Ralph G. Recto

RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE CONTINGENT LIABILITIES ARISING FROM PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS, WITH THE END IN VIEW OF INSTITUTIONALIZING FISCAL DISCIPLINE AND STRENGTHENING GOVERNMENT MECHANISMS TO ENFORCE TRANSPARENCY AND ACCOUNTABILITY OVER THE UTILIZATION AND REPORTING OF PUBLIC FUNDS

1 WHEREAS, the Constitution mandates the Philippine government to promote a
2 just and dynamic social order that will ensure the prosperity and independence of the
3 nation and free the people from poverty;

4 WHEREAS, the Constitution also recognizes the indispensable role of the private
5 sector in governance, particularly in providing adequate social services, promoting full
6 employment, raising the standard of living, and improving the quality of life for all
7 Filipinos;

8 WHEREAS, the Philippine Development Plan 2017-2022 seeks to "lay a stronger
9 foundation for inclusive growth, a high-trust society, and a globally-competitive
10 economy," thus enabling the Filipinos to attain "*matatag, maginhawa at panatag na*
11 *buhay*;"

12 WHEREAS, the Duterte Administration incorporated the acceleration of annual
13 infrastructure spending as one of the "zero to ten-point socioeconomic agenda" to
14 achieve the Philippine development targets in the medium term;

15 WHEREAS, this infrastructure initiative, labelled "Build, Build, Build Program,"
16 was seen to spur economic development and usher in the "Golden Age of
17 Infrastructure" of the country in the medium term;

1 WHEREAS, the National Economic Development Authority (NEDA) Board
2 approved the adoption of 75 high-impact "Infrastructure Flagship Projects" that
3 "represent the major capital undertakings that the government will implement within
4 the medium term;"

5 WHEREAS, nine (9) of the 75 Infrastructure Flagship Projects with total
6 estimated project cost of One Hundred Two Billion, Seven Hundred Eighty Million, One
7 Hundred Thousand Pesos (P102,780,100,000.00) will be financed or implemented
8 through Public-Private Partnership (PPP) modality;

9 WHEREAS, the government has historically relied on the private sector to
10 finance, construct, operate, maintain, and rehabilitate major infrastructure in high
11 priority areas, and encouraged private sector investment in public infrastructure by
12 covering risks associated with development projects through government guarantees;

13 WHEREAS, despite the noble intents of the "Build, Build, Build Program," fiscal
14 and operational realities of program and project implementation may expose the
15 Philippine Government to a number of risks;

16 WHEREAS, studies conducted by the University of the Philippines School of
17 Economics revealed that the government's practice of estimating, monitoring and
18 accounting for government exposure and risk assumption severely understates the
19 level of exposure and risk arising from unfettered provision of guarantees;

20 WHEREAS, a study made by the Philippine Institute for Development Studies
21 warned that while government guarantees on development projects could encourage
22 private sector participation, unmanaged conferment of government guarantees may
23 result in a 'state of fiscal shock' where the government is overburdened by the
24 obligations arising from such guarantees;

25 WHEREAS, the Development Budget Coordinating Committee observed that
26 contingent liabilities expose the government to unforeseen and substantial obligations
27 that put strain on government's fiscal resources and impair its capacity to respond to
28 fiscal and economic predicaments;

29 WHEREAS, uncontrolled government debts and deficits endanger the goals of
30 growth and employment by raising borrowing costs for public and private sectors alike,
31 putting a brake on all forms of investment;

1 WHEREAS, the potential adverse impact of PPP project guarantees and public
2 borrowings on the welfare of Filipinos compels exacting deliberations on its merits,
3 nature, benefits and costs;

4 WHEREAS, the 1987 Constitution mandates the State to adopt and implement
5 a full public disclosure policy on all of its transactions involving public interest, and to
6 uphold the citizen's right to information on matters of public concern;

7 WHEREAS, the Commission on Audit has previously recommended the
8 disclosure of relevant information pertaining to the contingent liabilities including the
9 fiscal risks associated with guarantees on PPP projects and on issuances of
10 government-owned and -controlled corporations and government financial
11 institutions;

12 WHEREAS, the PPP contingent liability stock for Fiscal Year 2019 is estimated
13 to be about Two Hundred Twenty-Six Billion Pesos (P226,000,000,000.00) or about
14 1.30% of the Philippine Gross Domestic Product in FY 2018;

15 WHEREAS, prudent fiscal management warrants the establishment of stronger
16 legal and institutional framework not only for mitigating fiscal risks arising from public-
17 private projects and public borrowings, but also in apprising the public about the
18 obligations and risks involved in public-private partnership in public service delivery:
19 Now, therefore, be it

20 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the appropriate
21 Senate Committee to conduct an inquiry, in aid of legislation, on the contingent
22 liabilities arising from Public-Private Partnership (PPP) projects, with the end in view
23 of institutionalizing fiscal discipline and strengthening government mechanisms to
24 enforce transparency and accountability over the utilization and reporting of public
25 funds.

Adopted,

mck


RALPH G. RECTO