

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

5 SEP -6 P2:17

SENATE
S.B. No. 2113

RECEIVED BY:

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The Philippines is caught in a debt trap. We are trapped in the national effort to pay interest on our foreign debts. The first step we must take in order to get out of this self-imposed trap is to repeal the automatic appropriations law.

Executive Order No. 292, otherwise known as the Revised Administrative Code of 1987, in its Section 26 of Book 6, institutionalizes automatic appropriations for debt servicing.

Effectively, this measure gives highest priority to debt service over all government spending such as education, health agrarian reform, poverty reduction, disaster relief, social safety nets, rural infrastructure, etc.


For example, 33% of the 2005 national budget went to debt servicing. In the budget proposed by Malacañang for 2006, debt servicing is again given the highest priority. Out of a total budget of P1.05 trillion, Malacañang is proposing P721 billion for debt payments consisting of P381 billion in principal amortization and P340 billion in interest payments. This amounts to approximately P931 million per day for the interest alone. Such appropriations should, at the very least, be based on the country's economic growth levels or our capacity to pay. Furthermore, it should not unduly deprive other government priority programs of scarce resources.

Because of this mandatory appropriation for debt servicing, Congress is forced to work with whatever is left of the budget. It effectively deprives Congress of exercising its constitutionally granted power of the purse by undermining its authority to determine how to allocate the national revenues.

Furthermore, automatically approving payment for debts incurred or guaranteed by the national government without auditing or reviewing the loan agreements and the nature of these debts lends a cloak of legitimacy to odious debts. These behest loans become an obligation that each Filipino must suffer for.

The current state of economic affairs dictates that government take a firm, innovative, responsible and pragmatic approach to dealing with the external debt problem.

The foreign debt service burden should be subordinate to the national development goals of alleviation of poverty, generation of more and productive employment, enhancement of social justice and equity, and promotion of sustainable economic growth. Economic growth, equity and social justice should have prior claims over and above the interests of foreign creditors.


MIRIAM DEFENSOR SANTIAGO
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AN ACT
REPEALING THE AUTOMATIC APPROPRIATION FOR DEBT SERVICE,
AMENDING FOR THE PURPOSE SECTION 26, CHAPTER 4, BOOK VI
OF EXECUTIVE ORDER NO. 292 OTHERWISE KNOWN AS
THE REVISED ADMINISTRATIVE CODE OF 1987

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

SECTION 1. Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise known as the Revised Administrative Code of 1987, is hereby amended to read as follows:

BOOK VI
NATIONAL GOVERNMENT BUDGETING
Chapter 4 – BUDGET AUTHORIZATION

Section 26. Automatic Appropriation. – All expenditures for (1) personal retirement premiums, government service insurance, and other similar fixed expenditures, [(2) principal and interest on public debt, (3) 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.

x x x

SECTION 2. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provision of this Act is hereby repealed, modified or amended accordingly.

SECTION 3. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation. The publication shall not be later than seven (7) days after approval hereof.

Approved,