

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

7 SEP 17 2011

SENATE
S. NO. 1591

RECEIVED BY 

Introduced by Senator Antonio F. Trillanes IV

EXPLANATORY NOTE

Democracy answers this question --- *“Who ought to exercise the public power?”* The answer it gives is --- *the exercise of power belongs to the people as a body...¹*

It has been thirty (30) years since Presidential Decree No. 1177, which is more popularly known as the Automatic Appropriations Law for debt servicing, was issued by former President Ferdinand E. Marcos. As the title suggests, under this Law, the National Government is duty bound to automatically appropriate funds for principal and interest payments for public debt servicing.

The rise in the accumulated indebtedness of the National Government over the years has reached alarming proportions. Each year, the Government is allocating enormous amount to service the country’s external debts. In 2005 alone, the Government allotted Php686 Billion or around 94% of the country’s total revenues. It was also in the same year that budget allocation for debt payment overtook the appropriation for public service expenditures by 1.37%.

Given the already impoverished life of most Filipinos, the money which the Government automatically allocates for debt payments should instead be re-channelled to fund basic services like education, health, poverty alleviation and other similar spending devoted to social and public services. It is worthy to consider that local government units (LGUs) play a big role in delivery of such services.

Through the devolution process, it became the LGUs’ burden and responsibility to deliver public services like health care, disaster preparedness and management and other social services to the citizens. With this vital task at hand, Internal Revenue Allotment (IRA), which comprises sixty-four (64) percent of the resources of the country’s LGUs,

¹Ortega y Gasset, Jose. 1937. *Invertebrate Spain*. Translated by Mildred Adams. (New York: W.W. Norton) p. 135

is a major determinant of the quality of public services that actually reach the populace. Albeit playing a vital role in the delivery of public and social services, LGUs are only given a small percentage of the government's overall financial resources.

It is noteworthy that the parties to be principally benefited by this proposed legislation are the LGUs, which shall receive fifty percent (50%) of resources to be "freed" if we are to repeal the automatic appropriation of funds for external debt payments. The remaining resources shall be re-channelled to other basic social services which compete for funding annually in the national budget.

Substantial funding for public and social services is what is needed during these pressing times of economic instability and social fallibility. Much as the government would like to provide for programs that will boost the country's progress and stimulate development, it can only do so much with the very limited resources left after most of our resources are automatically allotted for debt servicing.

Other countries similarly situated like the Philippines have showed us the way. For example, Brazil resisted paying its creditors for eighteen (18) months starting in 1987, resulting to simulated threats from creditor banks but with little real retaliation. Likewise, in the case of Bolivia, it suspended most debt service payments in 1984 and actually gained an auspicious buy-back deal three (3) years after.

This bill, in a sense, simply seeks to follow the lead of these countries by cancelling the automatic allotment of funds for debt servicing under P.D. No. 1177 in order to "free" sufficient funds for the public and social services as well as the poverty alleviation and development programs of the National Government.

This representation firmly believes that if the Government has the political will to repeal the automatic appropriations for the servicing of the foreign debt, the Government will have the necessary resources which go a long way in uplifting the sorry state of the nation and the citizenry and provide very much needed funds for basic public and social services for the people.


In view of the foregoing, early passage of this bill is earnestly requested.


ANTONIO F. TRILLANES IV
Senator

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

7 SEP 17 1974

SENATE
S. NO. 1591

RECEIVED BY: 

Introduced by Senator Antonio F. Trillanes IV

AN ACT

AMENDING SECTION 31 OF PRESIDENTIAL DECREE NO. 1177, ALLOCATING FIFTY PERCENT (50%) OF THE FUNDS "FREED" AS A RESULT OF THE AMENDMENT TO AUGMENT THE INTERNAL REVENUE ALLOTMENTS (IRA) OF LOCAL GOVERNMENT UNITS, PROVIDING FOR THE AUTOMATIC RELEASE OF THE INTERNAL REVENUE ALLOTMENTS OF LOCAL GOVERNMENT UNITS AND FOR OTHER RELATED PURPOSES.

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

1 **SECTION 1. Short Title.** - This Act shall be known as "*Automatic Debt*
2 *Appropriations Cancellation Act of 2007*".

3
4 **SEC. 2. Amendment of Section 31, P.D. No. 1177.** - Any provision of law to
5 the contrary notwithstanding, Section 31 of Presidential Decree No. 1177 is hereby
6 amended to read as follows:

7 "*Section 31. Automatic Appropriations. – All expenditures for (a)*
8 *personnel retirement premiums, government service insurance, and other*
9 *similar fixed expenditures; [(b) principal and interest on public debt,] and*
10 *(b) national government guarantees of obligations which are drawn upon,*
11 *are automatically appropriated: Provided, That no obligations shall be*
12 *incurred or payments made from funds thus automatically appropriated*
13 *except as issued in the form of regular budgetary allotments.*"

14
15 **SEC. 3. Appropriations for Debt Servicing.** - The funding for the payment of
16 the principal and interest for the foreign debts of the country shall undergo the same
17 annual appropriations process like all regular items of the National Budget under the
18 General Appropriations Act. The same shall be recommended annually by the
19 Executive through the Department of Budget and Management (DBM) based on the

1 preferences, priorities and programs of the administration, and shall be subject to the
2 review of both houses of Congress.

3

4 **SEC. 4. Increase in the Funding of Local Government Units.** - Fifty percent
5 (50%) of the resources of the Government "*freed*" as a result of the cancellation of the
6 automatic appropriations for debt servicing under Section 31 of Presidential Decree No.
7 1177 shall be allocated to augment the current funding of local government units
8 (LGUs) by means of increasing their share in Real Estate Taxes collected within their
9 territorial jurisdiction or the so called Internal Revenue Allotment (IRA) due to them.

10

11 **SEC. 5. Automatic Release of IRA.** - The Internal Revenue Allotment (IRA)
12 due to each local government unit (LGU) shall be automatically released within fifteen
13 (15) days from the start of each and every quarter in the form of quarterly budgetary
14 allotments covered by the appropriate release orders. The DBM may not withhold or
15 impound any part or portion of the allotments due to local government units (LGUs) for
16 any reason whatsoever.

17

18 **SEC. 6. Implementing Agency.** - The DBM shall take the appropriate action to
19 see to the implementation of the provisions of this Act, particularly in the preparation of
20 the annual National Budget of the Government as contained in the General
21 Appropriations Act and in the computation of the IRA due and payable to local
22 government units (LGUs).

23

24 **SEC. 7. Separability.** - In case any part, portion or provision of this Act is
25 declared as invalid or unconstitutional, the remaining parts, portions and/or provisions
26 thereof shall remain in full force and effect.

27

28 **SEC. 8. Effectivity.** - This Act shall take effect fifteen (15) days following the
29 completion of its publication in two newspapers of general circulation.

Approved,