

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

SENATE
Jt. Res. No. 1

Introduced by Senator Biazon

JOINT RESOLUTION

CREATING A CONGRESSIONAL COMMISSION TO REVIEW AND ASSESS THE DEBT POLICIES, STRATEGIES AND PROGRAMS OF THE PHILIPPINES, CONDUCT A PUBLIC AUDIT OF ALL LOANS ACQUIRED, INCLUDING ASSUMED AND CONTINGENT LIABILITIES, VALIDATE THE UTILIZATION OF LOAN PROCEEDS, AND THE PAYMENTS MADE THEREON, AND RECOMMEND POLICIES AND STRATEGIES TO REDUCE DEBT SERVICE AS WELL AS INSTITUTIONAL AND INFRASTRUCTURAL MEASURES TO ENSURE SOUND FISCAL AND MONETARY STATUS OF THE NATIONAL GOVERNMENT PRINCIPALLY THROUGH EFFECTIVE DEBT MANAGEMENT

Whereas, The country's total consolidated public sector debt has always reached astounding levels exceeding the country's Gross Domestic Product (GDP). In 2001, consolidated public sector debt amounted to P4.41 trillion or 120% of GDP. In 2002, it rose to P5.16 trillion or 128% of GDP;

Whereas, The increase in the consolidated public sector debt is staggering, growing by P750 billion from 2001 to 2002. As of September 2003, it was P5.39 trillion or an increase of P230 billion from end-December 2002 figures;

Whereas, The outstanding debt stock of the National Government (NG) has been increasing to unparalleled levels, from P700 billion in 1997 to P2.8 trillion in 2002 and to P3.0 trillion in 2003. In 2004, the outstanding debt stock is projected to hit P3.2 trillion;

Whereas, The National Government continues to absorb liabilities from government owned and controlled corporations, local government units and even private companies, which further increase the debt stock. The National Government debt including P708.5 billion worth of contingent liabilities amounts to P4.06 trillion or 92.4% of Gross National Product (GNP);

Whereas, The National Government has been paying enormous amounts to service these debts, shelling out P185.9 billion in 2002 in interest payments and P172.1 billion in principal payments for a total debt service payment of P358 billion. For 2003, government allocated P425.6 billion for both principal and interest payments. For 2004, the proposed total amount for debt service is P542.2 billion;

Whereas, The total proposed debt service payment for 2005 amounts to P645.841 billion, P344.149 billion of which is allocated for payment of maturing principal obligations, which amount is off-budget, and P301.692 billion or 33.2% of the P901.569 billion proposed budget for 2005 is for interest servicing;

Whereas, In addition to the huge interest payments, the proposed 2005 budget will be further reduced by the allocation for Internal Revenue Allotment (IRA) to Local Government Units (LGU) in the amount of P151.623 billion or 16.7% of the budget and P289.250 billion or 31.9% for the salaries of government personnel;

Whereas, After netting out interest payments, IRA and personnel services, the remaining unencumbered portion is P165.004 billion which represents a paltry 18.2% for basic services, infrastructure and regular programs of the national government. Every centavo that is diverted to debt service payments diminishes government spending for health, education, agrarian reform, poverty reduction, disaster relief, social safety nets, rural infrastructure support and environmental protection;

Whereas, The remaining unencumbered and fresh portion of the proposed national budget of P165.004 billion amounts to only P1,964.33 per Filipino, given a population of 84 million, while the P5.39 trillion consolidated public sector debt burdens every Filipino man, woman and child P64,166 each;

Whereas, The inordinate size of debt service payments chiefly accounts for the government's budget deficit. In 2002 and 2003, the National Government deficit was P211 billion and P202 billion respectively. Even assuming the optimistic GDP growth rate and total revenue projections for 2004 are realized, the National Government budget deficit for 2004 will still be almost P200 billion and the consolidated public sector deficit will continue to exceed P200 billion. A reduction in debt service payments will reduce the budget deficit. If the reduction is significant, instead of enduring a budget deficit the government may even enjoy a budget surplus;

Whereas, The economy urgently needs to break the vicious circle it has inflicted on itself: the re-channeling to debt service payments of funds otherwise available for the government's economic, particularly public capital formation, program impairs the country's capacity for economic growth and consequently its debt servicing capability, thereby requiring the re-channeling of even more funds, for interest payments, which are urgently needed for basic services;

Whereas, The debt issue does not solely affect the fiscal status of government, but impacts significantly as well on other spheres of the economy, such as employment, the country's money supply, the rate of inflation and interest, international reserves, and the exchange rate, and should therefore concern not only the country's economic managers but also every Filipino;

Whereas, Congress as the highest policy making body of the land is principally responsible for enacting measures that would ensure internal and external balance for the national economy;

Whereas, In view of the foregoing, there is an urgent need to constitute a Congressional Commission on Debt. Now, therefore, be it:

Resolved by the Senate and the House of Representatives of the Philippines in Congress assembled, That a Congressional Commission to review and assess the Philippines debt policies, strategies and programs be created specifically:

SECTION 1. *Short Title.* - This Resolution may be cited as "The Congressional Commission on Debt".

SEC. 2. *Name and Domicile.* - The Congressional Commission on Debt shall be constituted within thirty (30) days after the adoption of this Resolution. It shall have its main office in Metropolitan Manila.

SEC. 3. *Purpose and Objectives.* - The Commission shall, among other things, critically review and assess debt policies, strategies and programs to attain the following objectives:

- a) Full examination and prioritization of the government's goals and objectives with respect to public debt, including assumed and contingent liabilities;
- b) Reassessment of the rationale and effects of automatic appropriation for debt service;
- c) Encouragement of the active involvement of the private sector in the formulation and implementation of debt management strategies, policies and programs.
- d) Adoption of both traditional and innovative strategies on debt service reduction and the liquidation of the debt stock.

SEC. 4. *Duties and Functions.* - The Commission shall have the following duties and functions:

- a) Set the guidelines and overall framework for the review, assessment and public audit to be undertaken;
- b) Approve the budget for the programs of the Commission and all disbursements therefrom, including compensation of all personnel;
- c) Submit periodic reports to the President and Congress;
- d) Submit a final report of its findings and recommendations along with a program of implementation to the President and Congress at the end of its term;
- e) Recommend the adoption of legislation and executive measures pursuant to its findings;
- f) Review and prioritize legislation pending before both Houses pursuant to the findings contained in the report of the Commission;
- g) Perform such other duties and functions as may be necessary to attain its objectives.

SEC. 5. *Powers and Authority.* - The Commission shall have the following powers and authority:

- a) Adopt its operational guidelines and internal rules of procedure, and cite for contempt for violations thereof;
- b) Require from any department, bureau, office, agency, or instrumentality of the government such assistance as may be needed including technical information, preparation and production of reports and the submission of recommendations and plans as it may require;
- c) Conduct hearings and a public audit of all loans and receive testimonies, reports and technical advice;
- d) Invite or summon by *subpoena* any public official, private citizen or any other person to testify before it or require any person by *subpoena duces tecum* to produce before it such records, reports, documents or other materials as it may require;
- e) Organize its staff and technical panel, to be headed by an Executive Director, and hire and appoint such employees and personnel

whether temporary, contractual or on consultancy, and determine their compensation subject to applicable civil service laws, rules and regulations with a view to ensuring a competent and efficient secretariat: *Provided*, That concerned non-government organizations shall be accorded preferential and regular representation to guarantee their active involvement and participation in all activities of the Commission;

- f) Pass upon recommendations of the secretariat; and
- g) Generally, to exercise the powers necessary to attain the purposes for which it is created.

SEC. 6. *Composition and Appointment.* - The Commission shall be composed of the Chairperson of the Senate Committee on Finance and the Chairperson of the House Committee on Appropriations, six (6) members of the Senate and six (6) members of the House of Representatives to be designated by the Senate President and the Speaker of the House of Representatives, respectively: *Provided*, That two (2) of the six (6) members coming from each House shall represent the minority as recommended of each House.

SEC. 7. *Officers and Standing Committees.* - The Chairperson of the Senate Committee on Finance and the Chairperson of the House Committee on Appropriations shall automatically be the Co-Chairpersons of the Commission.

The Commission may establish standing committees from among its members and avail itself of the services and expertise of resource persons who shall come from but shall not be limited to the following sectors and organizations: government sector, non-government organizations, private business groups, entrepreneurs, academic and research institutions, and media.

SEC. 8. *Compensation.* - The members of the Commission shall not receive additional compensation, allowances or emoluments for services rendered thereto except traveling and other necessary expenses to attain its goals and objectives.

SEC. 9. *Tenure.* - The Commission shall accomplish its mandate within twelve (12) months from its constitution and organization.

SEC 10. *Penal Provisions.* - Any person who willfully and deliberately refuses without just cause to extend the support and assistance required by the Commission in pursuit of its objectives shall, upon conviction, be punished by imprisonment of not less than one (1) year but not more than six (6) years or a fine of not less that fifty thousand pesos (P50,000) but not more than five hundred thousand pesos (P500,000) or both at the discretion of the Court.

If the offender is a corporation or a juridical entity, the penalty shall be imposed upon the President, Treasurer, Secretary or any person or officer responsible for the violation. If the offender is an alien, he/she shall, after service of sentence, be deported immediately without further proceedings in the Bureau of Immigration. If the offender is a public officer or employee, the Court shall, in addition to the penalties hereinabove provided, order his/her dismissal from the government service.

SEC 11. *Appropriations.* The initial sum of ten (10-M) million pesos is hereby allocated to be charged against the current appropriation for the

President's contingent fund and the savings of the Department of Finance as provided for by the reenacted General Appropriations Act for fiscal year 2003. Any need for supplemental appropriation shall be taken from other appropriate funding sources.

SEC. 12. *Separability*. In case any provision of this Joint Resolution or any portion hereof is declared unconstitutional by a competent court, other provisions shall not be affected thereby.

SEC. 13. *Publication*. This Joint Resolution shall be published in at least two (2) newspapers of general circulation.

SEC. 14. *Effectivity*. This Joint Resolution shall take effect upon its adoption.

Adopted,



RODOLFO G. BIAZON
Senator