

# The Philippine Debt Campaign

At the end of August 2004, president Gloria Macapagal Arroyo finally admitted that the Philippines is going through a fiscal and debt crisis, one that threatens to get much worse and lead to an economic collapse within the next two years.

In truth, the Freedom from Debt Coalition (FDC) had been warning about a fiscal and debt crisis as early as 2002, when the indications had already been very clear:

- The national government had been running a huge deficit since 1999 - almost 20% of the national budget in 1999 to more than 28% in 2002;
- Interest payments on the National Government (NG) debt has gone from 20% of the national government budget in 1999, to more than 25% in 2002.
- The increase in National Government borrowings took a sharp turn starting 1998 and by 2002 had reached unprecedented levels

The debt has in fact been a major problem since the 1980s. Then from 1990 to the year 2000, total Philippine debt grew at the rate of 63.71%. Today total consolidated public sector debt (foreign and domestic) has already exceeded the country's Gross Domestic Product (GDP). For 2001, consolidated Public Sector debts amounted to PhP4.41 trillion or 120% of GDP. In 2002, it became 128% of GDP at PhP5.16 trillion. As of end-2003, it had reached PhP5.9 trillion or more than 130% of GDP, equivalent to about US\$105.35 billion.

The National Government debt comprises more than 50% of the Public Sector debt. The outstanding debt of the National Government (NG) has increased from PhP48.94 billion in 1981 to PhP3.35 trillion in 2003. For the fiscal year 2004, the NG outstanding debt reached more than PhP3.8 trillion.

From 1999 to 2004, a span of six short years, NG debt increased 100%. Outstanding NG debt figures in Philippine pesos for the years 1999 – 2004 are as follows:

1999:	1,775,356,000,000 (trillion)
2000:	2,166,710,000,000 (trillion)
2001:	2,384,917,000,000 (trillion)
2002:	2,815,468,000,000 (trillion)
2003:	3,355,208,000,000 (trillion)
2004:	3,811,954,000,000 (trillion)

Payment on interest is the single biggest item in the national budget. In 2003, it ate up more than 28% share of the budget. The following year, allocations for interest payments took up more than 33% of the budget -- bigger than the allocations for all social services combined.

In 2004, actual payments on interest and principal combined exceeded the total tax collections at 100.6%. This represents 86.2% of national government revenues (tax and non-tax) for the year. In 2005, the projection is 85% of total revenues. This means that only 15% of NG revenues can be spent on everything else.

## The Debt Campaign in its current conjuncture

The Philippine Debt campaign in its current phase has three major components:

### 1. The Comprehensive Audit of the Public Debt and Contingent Liabilities: the Official Congressional Audit and the Citizens Independent Audit

These are two parallel but distinct efforts –

- a. Pushing the Philippine Congress to conduct an official Congressional Debt Audit, and ensuring people's participation in this official audit
- b. Conducting a parallel and independent Citizens Debt Audit

### 2. The repeal of an automatic appropriations policy on debt service

In the past three years of 2002-2004, FDC's debt campaign has geared its legislative efforts towards the repeal of the Automatic Appropriations Law (AAL) for debt service and, more recently, towards the legislative audit of all public sector debts and contingent liabilities. This policy instrument allows the appropriation of funds for debt servicing without the approval of Congress and, as such, is the single biggest stumbling block to any alternative means of managing the debt.

### 3. Non-payment of illegitimate debts and liabilities

Even as the Coalition is involved in the Debt Audit process and the legislative campaign to Repeal the Automatic Appropriations Law, it intensifies efforts to highlight specific cases of illegitimate debt and call on the government to act on these issues immediately. Among the specific actions demanded for government to take are:

- Recission and/or renegotiation of onerous contracts (e.g., deals with the Independent Power Producers) which has led to deep indebtedness of the National Power Corporation (NPC). A large part of NPC's liabilities (at least P200 billion) will be assumed by the National Government.
- Stop payment of the remaining debt from the Bataan Nuclear Power Plant (BNPP) project. The Philippine government has been servicing the debt faithfully for twenty years. Part of the BNPP debt was converted into bonds in the early 1990s. However, more than P35 million dollars are still owed to the original creditors. Before it is still late, the Philippine government must be

challenged to stop payment on this remaining amount. Former government officials and private corporations who were responsible must be finally brought to justice. The circumstances around the conversion of the debt into bonds should also be reviewed.

As shown by the foregoing, the investigation and audit of the Philippine public sector debt and contingent liabilities is a major component of FDC's national campaign on the debt; and is also part of Jubilee South's Global Campaign on Illegitimate Debt and its call for Debt Audits.

FDC's call for an audit is guided by a framework that not only covers the financial aspects of the problem but also comprehensively addresses its social, political and economic dimensions. Operationally, it is a process that will be played out and pursued along two tracks:

- a. Pushing the Philippine Congress to conduct an official Congressional Debt Audit, and ensuring people's participation in this official audit
- b. Conducting a parallel and independent Citizens Debt Audit

The campaign concept and framework is discussed in more detail in the succeeding sections.

## The Freedom from Debt Coalition's Call for a Comprehensive Audit of Public Debt and Contingent Liabilities

The heightened attention and alarm over the country's fiscal and debt situation contributed greatly to the build-up of support for the FDC campaign on the debt, especially the call for the audit of all public debts and contingent liabilities.

### I. Objectives

The aim of the project for a two-track (official and citizens') comprehensive audit of public sector debt and contingent liabilities is to use the Debt Audit as an arena and instrument for:

- Enabling the Congress and the public to have an accurate, comprehensive picture of public debts and contingent liabilities, and promoting critical study, analysis and exchanges on the problem
- Identifying and correcting the flaws and weaknesses in the structures, policies and processes related to borrowings, payments, guarantees and contingent liabilities
- Developing stronger, more comprehensive, coherent and consistent laws and regulations, and

transparent and accountable oversight and regulatory mechanisms on

- public borrowings (foreign and domestic; National Government, Local Government Units and Government Owned and Controlled Corporations, Bangko Sentral ng Pilipinas or the Philippine Central Bank)
  - public guarantees and contingent liabilities
- Developing a more judicious, accountable and transparent payments policy that
- upholds the Philippine national interest and the Filipino people's rights and welfare as paramount
  - upholds national sovereignty over the public resources, restores the full power of the purse to Congress, and ensures democratic processes and transparency in determining debt payments
  - upholds the provision in the Philippine Constitution that states Education should have the highest priority in the National Budget

- results in substantial reduction in the current level of allocations for debt service
  - addresses the issue of debts involving onerous terms and transactions, fraudulent claims and representations, the circumvention of laws and democratic processes, the financing of projects that have damaging effects on the environment, violates human rights and/or results in the massive displacement and dislocation of people and communities
  - takes into account creditor responsibility and accountability
- Providing FDC the arena and set the conditions for “re-telling the debt story” :
- historical development of the problem and political-economic context globally and nationally, processes and major players, impact of indebtedness
  - Promote a critical perspective that goes beyond the question of affordability or sustainability but raises issues of justice and legitimacy
  - relating it to our critique of the neoliberal economic paradigm and globalization)
- Setting the stage and laying the grounds for pushing for FDC’s immediate as well as medium terms demands and alternatives
- Building public and legislative support for the following immediate demands:
- Non-payments of specific illegitimate and onerous debts
  - Cancellation/annulment of onerous agreements and contracts
  - Repeal of Automatic Appropriations Law
  - Allocation of Education Budget to serve as reference point for a ceiling

## II. Nature and Coverage

This audit is conceptualized as comprehensive in both nature and coverage. This means that the process will study the debt in all its dimensions and as they impact on development, and propose recommendations accordingly.

- Will cover:
  - National Government Debt and Contingent Liabilities (NG)
  - Debts of Local Government Units (LGUs)
  - Debts and Long-term Liabilities and Obligations of Government Owned and Controlled Corporations (GOCCs)
- Old Central Bank (BP) and Bangko Sentral (BSP) debts and obligations
- Laws and regulations addressing and relevant to borrowings, debt payments, government guarantees and contingent liabilities
- Structures, processes and procedures and operations involved in borrowings and payments, extension of guarantees
- Charters of GOCCs
- Will look into current outstanding debts – nature of the debt, purpose, compliance with procedures and requirements, terms and conditions, use of the funds, results and impact of debt-financed projects and programs, creditor and borrower accountabilities, other problems and issues arising
- Will examine all assumed and contingent liabilities, and determination of the total amount of assumed and contingent liabilities, the processes observed and implemented in the issuance of guarantees and performance undertakings, and the nature and purpose of the projects and programs that are the recipient of these guarantees
- Will conduct a review of all laws, rules and regulations pertaining to borrowings and debt payments as well as those covering the issuance of sovereign guarantees, contract undertakings or similar instruments
- Will examine outstanding issues regarding debts and liabilities such as:
  - Debts involving onerous terms and transactions, fraudulent claims and representations, the circumvention of laws and democratic processes, the financing of projects that have damaging effects on the environment, violates human rights and/or results in the massive displacement and dislocation of people and communities
  - Behest loans under the Marcos period, with more than 100 cases still being addressed by the PCGG
  - New cases of behest loans in the succeeding administrations
  - Contracts with Independent Power Producers – and impact on debts and liabilities of the National Power Corporation (NPC), the National Government (NG), and Local Governments (new IPP projects)
  - Build Operate Transfer (BOT) and related projects (Build-Operate-Own etc.)

- Public Assumption of Private Debts – Taxpayers paying for debts of private corporations

In August 2005 members of the House of Representatives and leaders of people's organizations, social movements and other groups jointly asserted their position to pursue a thorough study and review of public sector debts.

## The Philippine Congressional (Parliamentary) Audit

FDC, working with its allies in the Congress, successfully campaigned for the passage by the House of Representatives (lower house of the Philippine Congress) of a Joint Resolution aiming in the main to create a Congressional Commission to conduct an audit and investigation of the Public Sector Debt and Contingent Liabilities and Philippine debt policies, strategies and programs. **Upon third and final reading, the House of Representatives approved House Joint Resolution No. 2 in September 2004 (see annex for full text of the Resolution).**

FDC has since been engaged in intensive efforts to lobby the Senate to approve the Joint Resolution, so that the Audit and its results will be vested with the full weight and the strength of a Congressional Mandate.

This was sustained up until June 2005, when the intensifying crisis of the Arroyo administration (which also involves its allies in the Lower House) brought the process of pushing for a debt audit to a standstill. But thus far, several Senators from both the majority and minority have already pledged their commitment to support the Resolution.

A proposed joint resolution penned by two solons outlines the tasks of the Congressional Commission on Debt, once it is constituted:

- 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.

Winning this initial phase of the Philippine Debt Audit Campaign Initiative entailed many months of work, with FDC officers and members individually lobbying with legislators and member-organizations trooping to congress to stage small but dramatic mobilizations that caught the attention of different media and other opinion-makers. A clear indication of the effective combination of these tactics, backed up by sound, well-thought out proposals on addressing the country's debt burden, was the fact that most of the salient points of FDC's proposal for a congressional inquiry and audit of the public sector debt and contingent liabilities was reflected in the House and Senate Joint Resolutions.

### Congress of the Philippines

The **Congress of the Philippines** is the primary legislature of the Philippines. It is a bicameral body consisting of the upper chamber, the Senate, and the lower chamber, the House of Representatives.

The Senate is composed of 24 senators half of which are elected every three years. Each senator therefore serves a total of six years. The senators are elected by the whole electorate and do not represent any geographical district.

The House of Representatives is composed of a maximum of 250 congressmen. There are two types of congressmen: the district and the sectoral representatives. The district congressmen represent a particular geographical district of the country. All provinces in the country are composed of at least one congressional district. Several cities are also their own congressional districts, with some composed of two or more representatives.

Source:

[http://www.youencyclopedia.net/congress\\_of\\_the\\_philippines.html](http://www.youencyclopedia.net/congress_of_the_philippines.html)

## The Independent Citizens Audit

In the meantime, FDC has been making headway in its efforts to push on with the Independent Citizens Audit. Prior to the eruption of scandals that have discredited and continue to rock the Arroyo government, several strategizing meetings organized by FDC had already been held for the launching of this process. In view of the intensifying political crisis, the need for pursuing the citizens audit, independent of the Congress processes has become more urgent.

### General Concept

1. Critical examination of the Philippine public debt based on:
  - a. Data and existing studies by resource persons and organizations
  - b. Studies prepared by working groups and technical teams to be organized by the Citizens Debt Audit
  - c. Testimonies from affected communities, sectors and people's organizations

Mechanics of the study:

- The review and examination process will follow an outline of the themes/topics. The presentations and discussions will be aimed at establishing the over-all picture (data, trends, etc.) and answering general and specific questions addressing the issues and problems related to the themes/topics.
- Studies, data and testimonies will be presented to the Convenors and to the general public in Public Hearings. These sessions will devote sufficient time for questions, clarifications and open discussion.
- The Convenors may also have smaller discussion-meetings with resource persons, witnesses, working groups and technical teams.

2. Preparation and release of reports summarizing the findings of the Citizens Debt Audit and formulation of recommendations and options based on the findings. Thematic reports with corresponding recommendations will be issued periodically as theme of the review is completed. A comprehensive report with recommendations will be issued at the end of the process.

Mechanics of the reports and recommendations:

- The draft report and recommendations for each theme will be prepared by assigned convenors together with the working group(s), resource persons and technical team concerned.
- The draft report will be presented to all the convenors in Public Forums to which the general public may be invited. The findings and recommendations will be openly debated in the Forums
- The Convenors will finalize the report/recommendations and submit it to appropriate government entities, which may be done with people's participation (i.e. with accompanying mobilization). A summary will be presented to the media in press conferences

Close to 40 lawyers, public accountants, educators, medical doctors, civic, trade union and NGO leaders, former government officials, and activist-leaders of social movements, women's movements and environmental movements have agreed to act as convenors of the citizens audit process:

The roles of the convenors include:

- Organizing and presiding over the process;
- Taking the lead in the review, examination and preparations of reports and recommendations;
- Ensuring people's participation in the audit process
- Ensuring that the process is open and transparent manner to the general public
- Finalizing the reports and recommendations

The section below shows the Proposed Flow and Themes/Topics:

## Themes/Topics

1. Overview of the Current Public Debt Situation
2. Overview of the Historical Development of the Philippine Debt Problem Including:
  - Global context
  - Periods of Crisis, Policies implemented, Results
  - History of Renegotiations and Debt Relief Schemes
  - Critical Issues
3. Borrowings – Laws, Policies, Regulations, Trends and Issues
4. Debt Payments - Laws, Policies, Regulations, Trends and Issues
5. National Government Debt – Overview, Trends and Issues
6. NG External Debt - BNPP
7. NG External Debt – Project and Program Loans – outcome and impact of the projects, terms and conditionalities
8. NG External Debt – Loan Conditionalities; Debt as Leverage for Adjustment Programs; Relations with Multilateral Financial Institutions
9. Private Loans and Liabilities Assumed by the National Government; Behest Loans; Brady Securitization Deal
10. Interest Rates – Trends and Issues
11. NG External Debt – Bonds - Trends and Issues
12. Debt of Government-Owned and Controlled Corporations (GOCCs) and Government Financial Institutions including:
  - National Power Corporation
  - Metropolitan Waterworks and Sewerage System and the Local Water Utilities Administration
  - Housing Corporations and Financial Institutions
  - National Food Authority
  - Etc.
13. Build-Operate-Transfer (BOT) Projects– Debts and Liabilities Arising
14. NG Debt – Domestic Debt
15. Old Central Bank liabilities and Bangko Sentral

## Other Topics for Background

1. Debt Relief, Debt Reduction Instruments and Options
2. Lessons and Experiences from Other Countries

Working groups composed of people's organizations, NGOs and individuals will be formed to focus on putting together studies on a particular theme, sub-theme or specific topic for the audit process, to be submitted to the debt audit. They will also work with assigned convenors in the preparations of the report and recommendations, which will eventually be presented and discussed in public forums.

Another major grouping will be composed of individuals – experts, resource persons etc. who will provide consulting services.

Lastly, a secretariat will be organized to attend to events organizing, public information and media;

research and data base-building; administration and finance.

# URGENT CALL FOR AUDIT OF PUBLIC DEBTS

**W**e, members of the House of Representatives and leaders of people's organizations, civil society groups and social movements, jointly declare our commitment to pursue a thorough investigation and audit of all public sector debts.

It is undeniable that our country is going through a severe debt and fiscal crisis. This situation is shaping nearly all economic policies and measures in the immediate agenda of government. The urgency and enormity of the problem requires a comprehensive solution that includes, among others, major changes in government policies, structures and processes regarding borrowings, the extension of public guarantees and contingent liabilities, debt management and servicing.

**T**otal consolidated public sector debt has already exceeded the country's *Gross Domestic Product (GDP)*. For 2001, consolidated Public Sector debts amounted to P4.41 trillion or 120% of GDP. In 2002, it became 128% of GDP at P5.16 trillion. As of the third quarter of 2003, it had reached P5.39 trillion or an increase of P230 billion from end-December 2002 figures.

The outstanding debt of the National Government (NG) has increased from P48.94 billion in 1981 to P2.8 trillion in 2002. For the fiscal year 2003, the NG outstanding debt is estimated to have reached P3.4 trillion. The national government has been paying enormous amounts to service these debts, shelling out P185 billion in interest payments alone, and an additional P172 billion in principal payments. Total NG debt payments for 2002 reached P357 billion. For 2003, the national government allocated PhP 244 billion for principal and PhP 226 billion for interest payment, totaling PhP 470 billion. For 2004, P540 billion has been allocated for interest and principal payments.

During a nine – year period [1995 – 2003], NG debt payments [both for interest and principal] averaged more than a third of the national government's expenditures and, over the last two years, these payments accounted for virtually **half** of government expenditures.

Every peso and centavo that are diverted to debt service payments represent funds taken away from government spending for health, education, agrarian reform, poverty reduction, disaster relief, social safety nets, rural infrastructure support, and environmental protection;

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 the country's money supply, the rate of inflation and interest, international reserves, the exchange rate, and should therefore concern, not only the country's economic managers, but also every Filipino;

**T**he investigation and audit of public debts can begin with a Congressional inquiry and audit in aid of legislation, with the full participation of people's organizations and social movements. A "Citizens Debt Audit" is also being envisioned as a parallel process.

The debt audit shall not be limited to a financial accounting of outstanding debts and debt payments. The debt audit shall encompass the larger questions and issues regarding the debts, including the socio-economic, environmental, legal, political and ethical dimensions.

It is time to go beyond financial statistics. We should ask critical questions including – Who contracted the loans? What were the loans for? What procedures were followed? Were these procedures in compliance principles of transparency, accountability, due diligence, democratic decision-making? How were the loans used? Were the funds actually spent for the intended purposes? What were the terms and conditionalities accompanying these loans? What were the effects of the loan-financed projects and policies on communities and on people's lives? What were the environmental impacts of these loans and projects? What are the accountabilities of creditors? What are the effects of automatic and continuous payments of these debts today on the lives of our people?

The audit should examine past and present government policies, projects, transactions and contracts that have contributed heavily to the accumulation of public debts. Laws and regulations relevant to borrowings, public guarantees and debt payments must also be reviewed.

The audit should include not just the presentations of financial and economic experts, but most especially the testimonies of those who pay for these debts and suffer the most from the consequences of the debt – citizens and taxpayers. It is time to listen to our people's stories. It is time for their cries of justice to be heard.

3 August 2004

THIRTEENTH CONGRESS  
*First Regular Season*

**HOUSE OF REPRESENTATIVES**  
**House Joint Resolution No. 2**

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BY REPRESENTATIVES LAGMAN, ZIALCITA, ESCUDERO, NOGRALES, DEFENSOR (A.) DE GUZMAN, ALBANO, ABAYON, FUENTEBELLA, CASTRO, AMIN, GULLAS, CERILLES, FLOIRENDO, TALINO-SANTOS, GOZOS, BUESER, DADIVAS, GARCIA (V.), CHIPECO, AMANTE, MACAPAGAL ARROYO, REMULLA (J.C.), PUNO, DEFENSOR, (M.), MIRANDA, TANADA, GARCIA (A.), MANDANAS, ABALOS, ABANTE, MARANON, BAUTISTA, MITRA, GONZALES, HIZON, CARMONA, CAYETANO, CRISOLOGO, PLAZA, ZAMORA (R.), AQUINO (A.), ANTONINO-CUSTODIO, VILLANUEVA, SUPLICO, MALAPITAN, SERAPIO, ANGARA, GUINGONA, SANTIAGO, ASISTIO, MAGTUBO, NOEL, PONCE ENRILE, LOPEZ (R.), PARAS, AGUJA, ALMARIO, APOSTOL, AQUINO (B.), AQUINO (R.), BATERINA, BIRON, CABILAO, CARI, CASINO, CASTELO-DAZA, DEL MAR, DIAZ, DILANGALEN, DY (F.), ESPINOSA (E.R.), FALCON, GARIN, GIDAYA, GOLEZ, HONTIVEROS-BARAQUEL, JOSON, MALANYAON, MARCOLETA, MARIANO, MARTINEZ, NICOLAS, OCAMPO, PETILLA, PUENTEVELLA, RAMIRO, REYES (V.), ROSALES, SEACHON-LANETE, SINGSON, SOLIS, SOON-RUIZ, SUSANO, TOMAWIS, VELARDE, VICENCIO, VIRADOR AND MAZA

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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 MANAGAEMENT.

**Whereas**, the country's total consolidated public sector debt has always reached astounding levels exceeding the country' 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 is 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's 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 rechanneling of debt service payment 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 rechanneling 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:

- e) Full examination and prioritization of the government's goals and objectives with respect to public debt, including assumed and contingent liabilities;
- f) Reassessment of the rationale and effects of automatic appropriation for debt service;
- g) Encouragement of the active involvement of the private sector in the formulation and implementation of debt management strategies, policies and program;
- h) 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 disbursement 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. *Power and Authority.* - The Commission shall have the following powers and authority:

- a) Adopt its operational guidelines and internal rules of procedures, 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 nongovernment 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 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 designated by the Minority Leader 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 person who shall come from but shall not be limited to the following sectors and organizations: government sector, nongovernment 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 than fifty thousand pesos (P50,000) but not more than five hundred thousand pesos (500,000) or both at the discretion of the Court.

If the offender is a corporation or a judicial 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 in the reenacted General Appropriations Act for fiscal year 2003. Any need for supplemental appropriation shall be taken from the same and 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.

Approved, 21 September 2004.

**SALIENT POINTS OF SENATE JOINT RESOLUTION NO. 1**  
**counterpart resolution of House Joint Resolution No. 2**  
**(authored by Sen. Rodolfo Biazon, Sen. Francis Pangilinan)**

**Short Title:** The Congressional Commission on Debt

**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.

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

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

**Duties and Functions:** The Commission shall have the following duties and functions:

- h) Set the guidelines and overall framework for the review, assessment and public audit to be undertaken;
- i) Approve the budget for the programs of the Commission and all disbursement therefrom, including compensation of all personnel;
- j) Submit periodic reports to the President and Congress;
- k) 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;
- l) Recommend the adoption of legislation and executive measures pursuant to its findings;
- m) Review and prioritize legislation pending before both Houses pursuant to the findings contained in the report of the Commission;
- n) Perform such other duties and functions as may be necessary to attain its objectives.

**Power and Authority:** The Commission shall have the following powers and authority:

- h) Adopt its operational guidelines and internal rules of procedures, and cite for contempt for violations thereof;
- i) 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;
- j) Conduct hearings and a public audit of all loans and receive testimonies, reports and technical advice;
- k) 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;
- l) 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;
- m) Pass upon recommendations of the secretariat; and
- n) Generally, to exercise the powers necessary to attain the purposes for which it is created.

**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 Speaker of the House of Representatives, respectively: **Two (2)** of the six (6) members coming from each House shall represent the **minority** as recommended of each House.

**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 person who shall come from but shall not be limited to the following sectors and organizations: government sector, nongovernment organizations, private business groups, entrepreneurs, academic, and research institutions, and media.

**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.

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

**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 than fifty thousand pesos (P50,000) but not more than five hundred thousand pesos (500,000) or both at the discretion of the Court.

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**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. Any need for supplemental appropriation shall be taken from other appropriate funding sources.

**Publication:** The Joint Resolution shall be published in at least two (2) newspapers of general circulation.

**Effectivity:** The Joint Resolution shall take effect upon its adoption.