

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Batasan Hills, Quezon City

**NINETEENTH CONGRESS**  
First Regular Session

**HOUSE BILL No. 2220**



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Introduced by  
**ACT Teachers Party-List Rep. FRANCE L. CASTRO,**  
**GABRIELA Women's Party Rep. ARLENE D. BROSAS,**  
and **KABATAAN Party-List Rep. RAOUL DANNIEL A. MANUEL**

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**AN ACT**  
**REPEALING THE AUTOMATIC APPROPRIATION FOR DEBT SERVICE**  
**BY AMENDING SECTION 31 OF PRESIDENTIAL DECREE NO. 1177 AND**  
**SECTION 26, CHAPTER 4, BOOK VI OF EXECUTIVE ORDER NO. 292,**  
**OTHERWISE KNOWN AS THE "ADMINISTRATIVE CODE OF 1987"**  
**WHICH REITERATES IN TOTO SECTION 31 OF PRESIDENTIAL DECREE**  
**NO. 1177**

#### **EXPLANATORY NOTE**

This Bill amends Section 31 of Presidential Decree No. 1177, otherwise known as the "Budget Reform Decree of 1977," issued during the martial law period which provides for automatic appropriation for public debt service. It likewise amends Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise known as the "Administrative Code Of 1987," which reiterates *in toto* Section 31 of PD 1177. These laws provide for a no-questions-asked priority for debt servicing, a policy implemented during martial law and throughout the post-EDSA 1 administrations, thereby limiting the budget available for education as well as other social services.

The effective repeal of automatic appropriation for debt service remedies a long-standing defect in the government's policies on the budget—the indiscriminate payment of all public debts including indefensible loans, regardless of the grave diversion of finances from basic services. It affirms and asserts the obligation of the State under Article II, Section 9 of the 1987 Constitution to "promote a just [social order]...through policies that provide adequate social services."

The Bill's passage will pave the way for a more rational and humane budgetary process. It will bring, annually, hundreds of billions of pesos within greater control of the people, rather than being paid for debt servicing. The excesses of past administrations—from the Marcos dictatorship until the Duterte administration—will no longer hold the country hostage, and only legitimate loans, not onerous and fraudulent debts, will be serviced. The government can begin to prioritize badly needed social services.

Since 1986, cumulative debt servicing has been consuming almost a third of the annual national government budget. Meanwhile, the country's public schools, universities and colleges perennially suffer from decrepit facilities, teachers, textbook and classroom shortages. Government hospitals are being closed, public health services are a pittance, and vital medicines and treatments, especially for the poor, have become inaccessible. Public provision for social goods and services are steadily being crippled, with increasing reliance on the private sector, to the detriment of vulnerable sectors such as the poor, senior citizens, and persons with disabilities.

The need to repeal the law on automatic appropriation for debt servicing has become more urgent as the public debt has become an albatross for the nation. The country's debt is bloated by revenue losses from trade liberalization, overly generous fiscal incentives for foreign investors, and the guarantee of profits as the government assumes contingent liabilities. Debt-to-GDP ratio is still high at 44% in the first quarter of 2019.<sup>1</sup> The government's continued dependence on borrowing means that the debt service burden is getting heavier and heavier.

The large share of debt servicing in the national budget has exacerbated the government's worsening neglect of social services since 1997. Education, health and social welfare budgets remain insufficient while a large share of the people's taxes is allocated for debt payments. For the year 2018, debt servicing amounted for ₱683 Billion, of which ₱354 Billion is for interest payment and ₱359 Billion is for payment for principal amortization of foreign and domestic debts<sup>2</sup>. The amount for debt servicing is higher than the 2018 allotment for education which is ₱552 Billion and health with ₱106 Billion.

Despite the government's huge debt servicing, the government is still borrowing heavily. According to the IBON Foundation, the total outstanding debt of the national government stood at ₱7.9 Trillion as of May 2019, implying a total increase of ₱2 Trillion since the start of the Duterte administration. In nominal terms, this is equivalent to an average monthly increase in debt of ₱56.2 Billion, which is over two and a half

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<sup>1</sup> Padin, Mary Grace. "Debt-to-GDP ratio rises to 44% in Q1." *The Philippine Star*, 24 May 2019. <https://www.philstar.com/business/2019/05/24/1920324/debt-gdp-ratio-rises-44-q1>.

<sup>2</sup> GAA 2018 Vol I-B pp. 1183-1184, <https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018>

times that of the Arroyo administration (₱21.2 Billion) and nearly three times that of the previous Aquino administration (₱19 Billion).<sup>3</sup>

The automatic appropriation for debt service at the expense of basic services is unjust. It preempts the people's prerogative by giving absolute and unquestioned priority to debt servicing and placing so much of the national budget outside normal budget processes. It has caused economic policy to systematically favor narrow private creditor and corporate interests over the needs of the people. It even encourages gross fiscal irresponsibility by making loans depend less on their merits than on the capacity of the government to squeeze the people for repayment funds.

But there's only so much blood that can be drawn from stones. Urgent and appropriate legislation is vital to correct this long-festering problem.

This Bill was first filed by Bayan Muna Representative Satur Ocampo during the 13<sup>th</sup> Congress as House Bill 2496. It was refiled by Bayan Muna Partylist during the 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> Congresses.

In the light of the foregoing, immediate approval of this Bill is earnestly sought.



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**Rep. FRANCE L. CASTRO**  
*ACT Teachers Party-List*



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**Rep. ARLENE D. BROSAS**  
*GABRIELA Women's Party*



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**Rep. RAOUL DANNIEL A. MANUEL**  
*KABATAAN Party-List*

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<sup>3</sup> "Duterte's Midterm: Change for the Worse." IBON Foundation, 22 July 2019.  
<https://www.ibon.org/dutertes-midterm-change-for-the-worse/>.

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

**SECTION 1.** Section 31 of Presidential Decree No. 1177 of July 30, 1977, entitled “*Revising the Budget Process in Order to Institutionalize the Budgetary Innovations of the New Society,*” is hereby amended to read as follows:

“Section 31. Automatic Appropriations. All expenditures for [(a)] personnel retirement premiums, government service insurance, and other similar fixed SOCIAL SERVICE expenditures [(b) principal and interest on public debt, (c) 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.”

**SEC. 2.** Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise known as the “*Administrative Code of 1987,*” which reiterates *in toto* Section 31 of Presidential Decree No. 1177 and similar laws, decrees, executive orders, administrative orders, or circulars are likewise hereby amended.

**SEC. 3. *Effectivity.*** - This Act shall take effect after fifteen (15) days following the completion of its publication in the Official Gazette or in a national newspaper of general circulation.

*Approved,*