

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



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SENATE

P. S. Res. No. 38

RECEIVED BY:

Introduced by Senator Ralph G. Recto

A RESOLUTION

DIRECTING THE SENATE COMMITTEE ON FINANCE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE CONTINGENT LIABILITIES ARISING FROM PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS, WITH THE END IN VIEW OF INSTITUTIONALIZING FISCAL DISCIPLINE AND STRENGTHENING GOVERNMENT MECHANISMS TO ENFORCE TRANSPARENCY AND ACCOUNTABILITY OVER THE UTILIZATION AND REPORTING OF PUBLIC FUNDS

WHEREAS, the 1987 Constitution mandates the Philippine government to promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty;

WHEREAS, the Constitution also recognizes the indispensable role of the private sector in governance, particularly in providing adequate social services, promoting full employment, raising the standard of living, and improving the quality of life for all Filipinos;

WHEREAS, the 2011-2016 Philippine Development Plan aims to achieve inclusive growth through massive investment in physical infrastructure, among others;

WHEREAS, the government counts on the private sector to finance, construct, operate, maintain, and rehabilitate major infrastructure in high priority areas;

WHEREAS, the Philippine Government encourages private sector investment in public infrastructure by covering risks associated with development projects through government guarantees;

WHEREAS, studies conducted by the University of the Philippines School of Economicsⁱ revealed that the government's practice of estimating, monitoring and accounting for government exposure and risk assumption severely understates the level of exposure and risk arising from unfettered provision of guarantees;

WHEREAS, the Philippine Institute for Development Studiesⁱⁱ warned that while government guarantees on development projects could encourage private sector participation, unmanaged conferment of government guarantees may result in a 'state of fiscal shock' where the government is overburdened by the obligations arising from such guarantees;

WHEREAS, the Development Budget Coordinating Committeeⁱⁱⁱ observed that contingent liabilities expose the government to unforeseen and substantial obligations that put strain on government's fiscal resources and impair its capacity to respond to fiscal and economic predicaments;

WHEREAS, uncontrolled government debts and deficits endanger the goals of growth and employment by raising borrowing costs for public and private sectors alike, putting a brake on all forms of investment^{iv};

WHEREAS, the potential adverse impact of public-private partnership (PPP) project guarantees and public borrowings on the welfare of Filipinos compels exacting deliberations on its merits, nature, benefits and costs;

WHEREAS, the 1987 Constitution mandates the State to adopt and implement a full public disclosure policy on all of its transactions involving public interest, and to uphold the citizen's right to information on matters of public concern;

WHEREAS, the Commission on Audit (COA)^v has previously recommended the disclosure of relevant information pertaining to the contingent liabilities including the fiscal risks associated with guarantees on PPP projects and on issuances of government-owned and -controlled corporations (GOCCs) and government financial institutions (GFIs);

WHEREAS, the COA has identified the non-disclosure of 1.3-trillion peso contingent liabilities arising from government guarantees on public-private partnership projects and liabilities from GOCCs and GFIs in 2015^{vi};

WHEREAS, thirty billion pesos have been appropriated in the 2016 General Appropriations Act under the Unprogrammed Fund to cover commitments made by, and obligations of, the National Government in the concession agreements of PPP projects approved by the National Economic Development Authority (NEDA) Board^{vii};

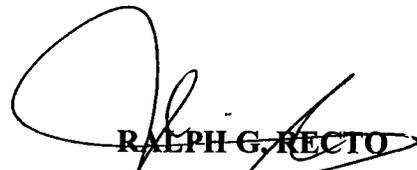
WHEREAS, the PPP contingent liability stock for 2016 is estimated to be about 5.82% of the Philippine Gross Domestic Product (GDP)^{viii};

WHEREAS, prudent fiscal management warrants the establishment of stronger legal and institutional framework not only for mitigating fiscal risks arising from public-private projects and public borrowings, but also in apprising the public about the obligations and risks involved in public-private partnership in public service delivery;

NOW THEREFORE, BE IT RESOLVED, by the Philippine Senate, to direct the Senate Committee on Finance to conduct an inquiry, in aid of legislation, on the contingent liabilities arising from Public-Private Partnership (PPP) projects, with the end in view of institutionalizing fiscal discipline and strengthening government mechanisms to enforce transparency and accountability over the utilization and reporting of public funds.

Adopted,

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RALPH G. RECTO

ⁱ Reside, R. (1999). *Estimating the Philippine Government's Exposure to and Risk from Contingent Liabilities and Infrastructure Projects*. Quezon City: University of the Philippines School of Economics.

ⁱⁱ Llanto, G. (2000). *Managing Government Guarantees and Contingent Liabilities*. Philippine Institute for Development Studies. Makati: Republic of the Philippines.

Philippine Institute for Development Studies. (2005). *Contingent Liabilities: adding up to the fiscal burden*. Makati: Republic of the Philippines.

ⁱⁱⁱ Development Budget Coordinating Committee. (2012). *2012 Fiscal Risks Statement*. Quezon City: Republic of the Philippines.

^{iv} National Economic Development Authority. (2010). *Philippine Development Plan 2011-2016*. Pasig City: Republic of the Philippines.

^v Commission on Audit (2004). *Public Debt Management: Overall Report*. Quezon City: Republic of the Philippines; and Commission on Audit. (2010). *Annual Audit Report on the Public Debt Reporting (A Public Debt Management Audit) For the Year Ended December 2009 and June 30 2010*. Quezon City: Republic of the Philippines.

^{vi} Murcia, A. (2015, June 8). Disclosure Rules in Charter Breached: CoA flags P1.3-T hidden Noy debts. *Daily Tribune*, p. 1.

^{vii} Republic of the Philippines. (2015 December 21) Republic Act 10717: An Act Appropriating Funds for the Operation of the Government of the Republic of the Philippines From January One to December Thirty One, Two Thousand and Sixteen, and for Other Purposes

^{viii} Development Budget Coordinating Committee. (2015). *2015-2016 Fiscal Risks Statement*. Quezon City: Republic of the Philippines.