

COMMITTEE REPORT NO. 43

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CONSTITUTIONAL CONVENTION

Manila

COMMITTEE REPORT No. 43

Submitted by the Committee on Civil Service on October 1, 1934

The President

Constitutional Convention

Manila

Mr. President;

Your Committee on Civil Service, after holding six meetings, begs leave to submit the following Constitutional provisions and the explanations for their adoption.

Sources. The Committee in arriving at the report considered these available sources of help and information: (1) The various available constitutional precepts submitted by the members of the Constitutional Convention, which by their number and nature reflect the overwhelming sentiment in the Convention in favor of the inclusion of Constitutional provisions for a strong and independent civil service system. Among these are the following:

Delegate

Aruego C.P. No. 42

"

Ganzon C.P. No. 280

"

Sanvictores C.P. No. 260

"

Dikit Cruz C.P. No. 316

"

Sotto C.P. No. 366

"

Canonoy C.P. No. 370

"

Vinzons C.P. No. 229

"

Abaya C.P. No. 411

"

Ventura C.P. No. 113

"

Cruz C.P. No. 381

"

Galang C.P. No. 455

"

Zialcita C.P. No. 407

"

Maramara C.P. No. 499

"

Melendres C.P. No. 736

"

Bueno C.P. No. 581

"

Ribo ... C.P. No. 676

"

Maramara C.P. No. 593

"

Ortega C.P. No. 627

"

Sanvictores C.P. No. 542

"

Maramara C.P. No. 550

"

Maramara C.P. No. 518

"

Lapas C.P. No. 528

"

Maramara C.P. No. 520

"

Maramara C.P. No. 746

"

Maramara C.P. No. 893

"

Castillejos C.P. No. 866

"

Aldeguer and Espeleta C.P. No. 823

"

Aldeguer and Espeleta C.P. No. 820

"

"Maramara C.P. No. 811

"

Maramara C.P. No. 856

"

Maramara C.P. No. 807

"

Maramara C.P. No. 808

"

Maramara C.P. No. 809

"

Maramara C.P. No. 810

"

Gumban C.P. No. 991

"

Artadi and Fernandez C.P. No. 977

"

Ybañez C.P. No. 994

"

Maramara C.P. No. 978

"

Esliza C.P. No. 963

"

Esliza C.P. No. 964

"

Esliza C.P. No. 966

"

Aldeguer C.P. No. 1093

"

Confesor C.P. No. 1096

"

Castillejos ... C.P. No. 1233

"

Jumawan ... C.P. No. 1256

"

Cabarroguis C.P. No. 1280

"

Baltao C.P. No. 1276

"

Jumawan C.P. No. 1257

(2) Valuable aid was given to the Committee by the testimonies of the Director of Civil Service, the President of the Civil Service Employees Association, and the Chief of Supply Division of the Department of Finance. (3) The conclusions arrived at were the result of the deliberations of the Committee members. (4) The books and publications relating to the civil service in the Philippines, the United States and Great Britain, chiefly, The Philippine Islands by W. Cameron Forbes, Vols. I and 2, Principles of Public Personnel Administration by Arthur W. Procter. The Federal Service by Lewis Mayer; The Merit System in Government by the National Municipal League; The Fundamental Reform by Charles Reeth; and the annual reports of the Director of Civil Service. (5) The provisions of some modern constitutions like those of Spain and Germany and of the States of Ohio and Colorado.

History of the Merit System. The functions of a modern government is as complex and varied as those of large private corporations. They include the organization of a police system, the handling of the mails, collection of taxes, inspection of building operations, markets and sanitary conditions, the operation of public utilities, the construction and maintenance of roads, water systems and sewers, and numerous other functions connected with the daily life of citizens. In carrying out such complex and diversified business, a large army of civil servants is required. The success or failure of a modern government must depend to a large extent on the efficiency of the civil service.

The adoption of the merit system in government service secures efficiency in social justice. It eliminates the political factor in the selection of civil employees which is the first essential to an efficient personnel system. It insures equality of opportunity to all deserving applicants desirous of public office as a career in the public service. It advocates a new concept of the public office as a career open to all, not the exclusive patrimony of any party or faction to be doled out as a reward for party service.

The merit system was adopted only after the nations of the world took cognizance of civil service merits. Political patronage in the government service was sanctioned in 1789 by the constitutional right of the President of the United States to act alone in the matter of removals. From the time of Andrew Jackson, the principle of "To the victors belong the spoils" dominated the Federal Government. The system undermined moral values and destroyed administrative efficiency.

The movement for reform started in 1853 and gained an impetus when a disappointed office-seeker shot President Garfield. The first Civil Service Reform Bill in the United States was approved in 1883. The history of the British Civil Service resembled that of the United States. Before 1883, it was deeply immersed in corruption. In that year, Sir Robert Peel started the movement for its reform. An Order in Council in 1870 finally abolished official patronage. Since then Great Britain has enjoyed the greatest efficiency among her public servants.

Since the establishment of the American regime in the Philippines, we have had the benefits of the merit system. The Schurman Commission advocated in its report that the "greatest care should be taken in the selection of officials for administration. They should be men of the highest character and fitness, and partisan politics should be entirely separated from the government." The fifth act passed by the Philippine Commission erected a Board of Civil Service. It instituted a system here that was far more radical and thorough than that in the United States. The Governors General after William Taft adopted the policy of appointing Filipinos in the Government regardless of their party affiliation. As a result "the personnel of the civil service gradually became one of which the people of the United States could feel justly proud"

Necessity for Constitutional provisions. The inclusion in the Constitution of provisions regarding the merit system is a necessity of modern times. As its establishment secures good movement, the citizens have a right to expect its guarantee as a permanent institution. This tendency was demonstrated by the adoption in 1922 of an amendment to the Constitution of Ohio in favor of the merit system. Colorado passed a law in 1907, but not content with it, the state adopted a strong constitutional amendment in 1920. The Constitution of the German Reich insured the existence of the merit system in Articles 128 to 131 under the caption, "Fundamental Rights and Duties of the Germans."

"All citizens of the state without distinction are eligible for public office, as provided by law and in accordance with their qualifications and abilities." (Art. 128.)

The Constitution of Spain in 1931 provided for the merit system in Articles 4 and 41.

"All Spaniards, without distinction of sex, are eligible to public offices according to their merit and fitness." (Art. 4, par. 1.)

In the Constitution for the Commonwealth that we are about to draft, the Committee believes that the absence of provisions relating to the merit system will be a backward step in our progressive government. At no other time is the guarantee of independence and efficiency of civil employees more necessary than during the Commonwealth of the Republic. Inefficiency in government service is the source of mass discontent. The stability of the State depends upon the efficiency of the civil service.

Outline of Committee's Plan. The recommendations of the Committee may be outlined as follows: (1) provisions

for the creation of a Commission or Board of Civil Service (2) extension of a Commission or Board of Civil Service to all branches and subdivisions of the government; (3) basis for appointment and promotions; (4) regulations regarding emoluments, privileges and pensions including the prohibition of double or additional compensation; (5) prohibition of government employees from having peculiar interest in any government contract or transaction; (6) causes for separations, suspensions, etc., including the provisions that political or religious belief shall not be made the cause for disciplinary action.

Commissioner or Board of Civil Service. The responsibility for a centralized civil service located in an individual or a body is essential in the operation of the system. The beneficial effects will be minimized if the location of such a responsibility will not be fixed in the Constitution. The existence and tenure of office will not be assured. The Committee advocates a "Commissioner" or "board" to have direction and control of the civil service. The organization of the office, therefore, is flexible. A Civil Service Commission has been defined as an agency created for the purpose of enforcing civil service legislation. It may be established by legislative act or by constitutional or charter provision. Its inclusion in the Constitution, however, is considered as additional safeguard like the one recognized by the State of Colorado.

Extent of the Service. The extension of the merit system to the greatest number of civil employees possible, while a needed reform, is not without opposition. In the United States, the movement is gaining ground to place all public employment under it. In the Philippines, there is a tendency to demoralize the civil service by making temporary appointments and numerous exceptions from the examination requirements. The extension to all branches and subdivisions of the government is deemed necessary by the Commission to check this proclivity. The Committee believes that the merit system should apply to the great bulk of employment in the Legislative, Executive and Judicial branches and to all insular, provincial and municipal positions as far as practicable.

Appointments and Promotions. The system of selection is the mainstay of the merit system. If politics dominates in the initial recruitment of employees, no civil service system will be successful. The evil resulting from the selection of administrative personnel on political grounds instead of on merit are patent. The selection of personnel by politics brought up the permanent subordinate personnel; it also fostered political activity among the responsible heads of the service. However, capable workers will be attracted and a high degree of efficiency attained if opportunity for advancement and promotion is offered. There should be a plan for periodical salary increases and appointments to positions of higher rank involving new duties and increased compensation.

The method of recruitment and the basis of promotion should be merit on fitness to be determined by competitive examination. In case of promotion, efficiency and adaptability to work and length of service rendered must also be considered.

Exception in the application of the merit system is made of positions which are "primarily personal and confidential in nature" and those which are "policy determining in character". The former refers to a small class of government employees where the confidential duty is essential. The latter refers to officers whose duty places them directly responsible to the people. They include the great mass of government positions involving clerical and commercial work, manual labor, and public safety on scientific and professional work.

Emoluments, privileges and pensions. The rate of compensation offered to public employees should be uniform. "Equal pay for equal work" is the principle of fair dealing and effective management in the government service today. What is substantially the same kind of work is frequently rewarded with different and widely varying rates of pay in several departments. Inequality of pay for similar work makes impossible a businesslike administration of the public service and it has had a decidedly destructive effect on the morale and working efficiency of the public employees themselves. To remedy this, the great variety of work must be analyzed, grouped into

fundamental classes, each of which is made the subject of similar treatment in regard to pay and other conditions of unemployment.

A system that provides for the retirement of employees with adequate benefits or pensions is an essential part of the constructive program. An adequate pension system is a big help in the recruiting and retention of a desirable type of employees. The pension system in this country has been adopted for certain employments by different enactments, and there is an absence of uniformity. It results in the unjust treatment of some employees and subsequent loss to the government.

The provision prohibiting double compensation has long been recognized in Sec. 259 of the Administrative Code. The continued policy, however, of appointing officials to government boards or other offices has evaded the law. Double compensation produces unemployment because it excludes other persons from the service. It results in disproportionate inequalities in compensation, a subordinate official sometimes receiving a higher salary than his superior.

Separations, Suspensions and Transfers. The merit system will be ineffective if no safeguards are placed around the separation and removal of public employees. The Committee report requires that removal shall be made only for "cause and in the manner provided by law." This means that there should be bona fide reasons and action may be taken only after the employee shall have been given a fair hearing. This affords public employees reasonable security of tenure.

The German Constitution on the same subject provides:

"Officials are appointed for life, save as may be otherwise provided by law officials may not be provisionally removed from office or provisionally or permanently retired, or transferred to another post with a lower salary, save in accordance with and in the manner determined by law. (Arts. 128, 129.)"

Disciplinary action based on the political or religious beliefs of an officer is not permitted under the Committee's recommendation. The reason is that employees are often harassed on account of their differences of beliefs with superior officers. This guarantee will insure freedom of political belief, but the committee never intended to sanction civil employees to take an active part in politics. This is against the fundamental principle of the civil service system.

The proviso is based on a mere sweeping article in the constitution of Spain: "No se podr  molestar ni perseguir a ningun funcionario publico por sus opiniones politicas, sociales o religiosas," (Art. 41, par. 2)

Pecuniary interest in Government Contracts. The established attitude of the government toward this principle was made clearly as far as in 1910. The Governor-General, in a report to Secretary of War Dickenson, wrote that "the government frowned upon any officer of the government having an interest in any business with which his bureau or office has financial dealings." A reiteration of the policy in a more comprehensive manner will go a long way to accruing honesty among the public officials and end government graft.

For the above considerations, the committee recommends to the Convention the adoption of its report.

Respectfully yours,

(Sgd.) LUIS MORALES
Chairman

M E M B E R S

Hon.

G. E. Abordo

Hon.

Jose Ganzon

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Domingo Dikit

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Castor P. Cruz

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Domingo Zavalla

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Leon Cabarroguis

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Pio Ancheta

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Paulino Gullas

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Mariano Ezpleta

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Manuel Fernandez

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Antonio Mansueto

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Wenceslao Vinzons

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Delfin Joven

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Juanito Maramara

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Pablo Lorenzo

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Francisco Ventura

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Maximo Bueno

“

Antonio Villarama

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Artemio Abaya

“

Manuel Abella

“

Atilano Cinco

“

Hilario Moncado

REPORT OF THE COMMITTEE ON CIVIL SERVICE

ART.—. AN INDEPENDENT CIVIL SERVICE UNDER THE DIRECTION AND CONTROL OF A COMMISSIONER OR BOARD OF CIVIL SERVICE, TO EMBRACE ALL THE BRANCHES AND SUBDIVISIONS OF THE GOVERNMENT, SHALL BE PROVIDED FOR BY LAW.

APPOINTMENTS AND PROMOTIONS TO ALL POSITIONS EXCEPT THOSE WHICH ARE POLICY-DETERMINING OR PRIMARILY PERSONAL AND CONFIDENTIAL IN NATURE, SHALL BE MADE ONLY ACCORDING TO MERIT AND FITNESS TO BE DETERMINED BY COMPETITIVE EXAMINATION.

EMOLUMENTS AND PRIVILEGES OF PUBLIC OFFICERS AND EMPLOYEES SHALL BE UNIFORM; PENSION TO OFFICERS AND EMPLOYEES WHICH MAY HEREAFTER BE GRANTED SHALL BE GENERAL AND UNIFORM.

ADDITIONAL OR DOUBLE COMPENSATION TO ANY SUCH PUBLIC OFFICERS OR EMPLOYEES SHALL BE PROHIBITED.

NO OFFICER OR EMPLOYEE SHALL HAVE ANY PECUNIARY INTEREST DIRECTLY OR INDIRECTLY IN ANY CONTRACT OR TRANSACTION WITH THIS GOVERNMENT.

SEPARATIONS, SUSPENSIONS, DEMOTIONS AND TRANSFERS SHALL BE MADE ONLY FOR CAUSE AND IN THE MANNER PRESCRIBED BY LAW, POLITICAL OR RELIGIOUS BELIEF OF AN OFFICER OR EMPLOYEE SHALL NOT BE THE CAUSE FOR DISCIPLINARY ACTION.

INFORME DE Comité No. 44

Sometido por el Comité sobre Hacienda y Cuentas Publicas
el 10 de Octubre de 1934

Sr. Presidente:

El Comité sobre Hacienda tiene el honor de someter los adjuntos preceptos constitucionales qué ha adoptado y aprobado después de un estudio muy cuidadoso.

La mayor parte de dichos preceptos traen su propia explicacion y no hay necesidad de más comentarios. Sin embargo, hemos creído conveniente manifestar en este informe qué es sentir de este Comité qué la disposicion del artículo 10 no prohíbe qué se contraten los servicios de un sacerdote, por ejemplo, como capellan en cualquiera institucion publica: como lo es la Oficina de Prisiones, etc. Está explicacion solamente se refiere a la actitud del Comité en cuanto a la materia de qué se trata, si surge alguna cuestión de la misma.

Muy respetuosamente,

(Fdo.) V. SINGSON ENCARNACIÓN
Presidente, Comité sobre Hacienda

Al Honorable Presidente
de la Convencion Constitucional,
Manila.

HACIENDA PUBLICA

Artículo 1. Las contribuciones y derechos de cualquiera naturaleza se impondran y recaudaran como manda la ley. Se podra delegar a los gobiernos locales la facultad de imponer y recaudar contribuciones dentro de sus respectivas jurisdicciones.

Artículo 2. Todas las contribuciones seran uniformes dentro de toda la jurisdiccion del gobierno qué las imponga, con sujecion, sin embargo, a las clasificaciones qué prescriban los respectivos ramos legislativos de los gobiernos central y locales. No impondra ninguna contribucion o derecho sobre los articulos qué se lleven de una subdivision politica a otra dentro de las Islas Filipinas.

Artículo 3. La participacion de los gobiernos locales en todas las contribuciones recaudadas para el gobierno central en las cuales los gobiernos locales tienen participation por virtud de la ley, sera sobre la base de la recaudacion total de cada año.

Artículo 4. El Presidente estara facultado para rechazar mediante su veto cualquiera fuente separada. de contribucion comprendida en cualquier proyecto de ley de rentas o arancel, y la partida rechazada no tendra efecto, excepto en la forma qué se dispone con respecto a los proyectos de ley, a cuya aprobacion el Presidente ha interpuesto su veto.

Artículo 5. El gobierno central o cualquier gobierno local podra emitir bonos u otras obligaciones de conformidad con la ley. El gobierno central no hard uso de su credito en cuantia qué exceda en cualquier tiempo el diez por ciento del valor amillarado total de todos los bienes raices sujetos al pago de contribuciones dentro de las Islas Filipinas. Sin embargo, dicho limite podra excederse mediante el voto de las dos terceras partes de los miembros de cada Camara de la Legislatura y en el caso de veto presidencial, por las dos terceras partes de los miembros de cada Camara.

Artículo 6. No se extraera ninguna cantidad de la Tesoreria sino por virtud de consignation mediante ley.

Artículo 7. Dentro de la epoca dispuesta por ley, el Presidente sometera a la Legislatura un budget de los ingresos y gastos ordinaries calculados del Gobierno Central para el ano siguiente, el cual servira de base al proyecto de ley de preapuestos generales. En dicho proyecto, la Legislatura no aumentara ninguna partida comprendida en el budget ni insertari partidas nuevas, exception hecha de las partidas relativas a la Legislatura y el Tribunal

Supremo.

Artículo 8. Sí al terminar cualquier año económico no se hubiesen hecho los presupuestos necesarios para el sostenimiento del gobierno durante el año civil siguiente, se consideraran como consignados de nuevo para los diferentes fines y propósitos, en cuanto eso sea factible; y mientras la Legislatura no disponga otra cosa, el Tesorero, mediante orden del Presidente, hará los pagos necesarios para dichos fines.

Artículo 9. El Presidente estará facultado para interponer su veto a cualquiera partida o partidas de cualquier proyecto de ley que consigne fondos, pero dicho veto no afectará la partida o partidas a que no hubiese puesto objeción. Si una disposición de algún proyecto de ley de presupuestos afecta a una partida o varias partidas de dicho proyecto, el Presidente no podrá interponer su veto a dicha disposición sin interponerlo al mismo tiempo a la partida o las partidas a que la misma se refiere. La partida o las partidas de un proyecto de ley que consigna fondos a que se hubiese puesto objeción, no entrarán en vigor, salvo en la forma dispuesta con respecto a proyectos de ley a que el Presidente hubiese interpuesto su veto. Si la cantidad total consignada por los diferentes proyectos de ley de presupuestos especiales rechazados por veto presidencial y aprobados de nuevo por la Legislatura excediere del veinticinco por ciento de la cantidad total de la ley corriente de presupuestos de gastos generales del Gobierno Central, el Presidente podrá suspender el efecto de cualquiera de dichos proyectos o cualquiera partida de los mismos.

Artículo 10. No se considerará, aplicará ni será jamás, directa o indirectamente, empleada ninguna cantidad de fondos o propiedades públicas para el uso, beneficio o sostenimiento de ninguna secta, iglesia, institución sectaria o sistema de religión, o para el uso, beneficio, o sostenimiento de cualquier sacerdote, ministro o dignatario de los mismos.

Artículo 11. La Legislatura podrá delegar al Presidente, mediante ley, para ser ejercidas por él con el consejo y consentimiento de una junta creada por ley, las siguientes facultades relativas a asuntos económicos y financieros:

(a) Para concluir tratados comerciales, fijar derechos de importación, derechos de muelle, derechos de aduana por la entrada de barcos extranjeros, cuotas de importación y exportación.

(b) Mediante el voto de las dos terceras partes de los miembros de cada Cámara, fijar y regular la producción, los precios, el crédito y los sueldos con el fin de coordinar la actividad económica privada en interés del público.

Auditor General

Artículo 12. Por la presente se establece una oficina de revisión de cuentas independiente bajo la dirección y control de un Auditor General, quien ocupará el cargo por un ejercicio de diez años. No podrá ser nombrado de nuevo para el mismo cargo. El Auditor General será nombrado por el Presidente de la Cámara de Representantes, con el consejo y consentimiento del Senado.

Artículo 13. Serán facultades generales del Auditor General: examinar, revisar y liquidar todas las cuentas correspondientes a rentas, ingresos de cualquiera procedencia y todos los gastos y aplicaciones de fondos o propiedades pertenecientes al Gobierno de las Islas Filipinas o cualquiera de sus ramos, poseídos por los mismos en calidad de fideicomiso, idear métodos de llevar las cuentas generales de los mismos, examinar e inspeccionar los libros, archivos y documentación relacionados con dichas cuentas, y favor del Gobierno de las Islas Filipinas o cualquiera de sus ramos. Podrá, asimismo, ejercer las demás funciones que se prescriban por ley.

Artículo 14. El Auditor General someterá al Jefe Ejecutivo y a la Legislatura, al fin de cada año económico, un informe anual de las operaciones y condiciones financieras del Gobierno, y todos los demás informes que se le

pidan.

Artículo 15. Ite las resoluciones del Auditor General cualquiera parte agraviada podra apelar al Presidente cuya decision causara estado. Cuando la parte agraviada sea alguna persona o entidad privada, podra apelar directamente ante el Tribunal Supremo. En caso de demora innecesaria por parte del Auditor General en la resolucion del asunto, se seguira el procedimiento qué se prescribe, por ley.

Artículo 16. El Auditor General podra ser destituido en cualquier tiempo mediante resolucion acordada por las dos terceras partes de los miembros decada Camara, des pues del correspondiente aviso y juicio conveniente, por ineficiencia o incapacidad permanente, abandono del deber, mala conducta en el desempeño del cargo, o conducta criminal, o qué demuestre perversidad moral, y por ningun otro cargo y en ningnna otra forma qué no sea impeachment.

DISPOSICIONES TRANSITORIAS SOBRE HACIENDA PUBLICA

Artículo 1. Mientras no se haya retirado definitiva y completamente la soberania de los Estados Unidos en las Islas Filipinas, regiran las disposiciones aignientes no obstante las dispositions en contrario en otras partes de la presente Constitution.

(1) Se podra apelar de las decisiones del Auditor General al Presidente de los Estados Unidos.

(2) La deuda publica de las Islas Filipinas y sus dependencias no excedera de los limites establetidos actualmente o qué se establezcan en lo sucesivo por el Congreso de los Estados Unidos; y, no se contraeran emprestitos en paises extranjeros sin la aprobacion del Presidente de los Estados Unidos.

(3) El nuevo gobierno asumira y pagara las deudas, responsabilidades y obligaciones del actual Gobierno de las Islas Filipinas, sus provincias, municipios y dependencias, qué scan validas y subsistan en la fecha de la adopcion de la Constitution.

(4) Las leyes relativos a la circulacion monetaria, acuflacion de moneda, importaciones, exportaciones o inmigraciones no tendran efecto mientras no scan aprobadas por el Presidente de los Estados Unidos.

(5) Estáran exentos de tributacion los bienes pertenecientes a los Estados Unidos; los cementerios, iglesias, y casas parroquiales o conventos anejos a las mismas, asi como todos los terrenos, edificios y mejoras dedicados exclusivamente a fines religiosos, beneficos o de educacion.

(6) Sí el Gobierno de las Islas Filipinas dejase de satisfacer cualquiera de sus deudas contraidas mediante la emision de bonos o de otra manera, o los intereses correspondientes a dichas deudas a su vencimiento, o dejase de cumplir cualquiera de sus contratos, el Presidente de los Estados Unidos podra ordenar al Alto Comisionado qué tome posesión de las aduanas y de la administration de las mismas, y administrarlas y aplicar la parte de los ingresos obtenidos de las mismas qué sea necesaria para artisfacer dichas deudas vencidas o para el cumplimiento de dichos contratos.

(7) El Gobierno de las Islas Filipinas ingresara todos los fondos procedentes de los impuestos de exportation mencionados en el Artículo 6. (e) de la ley T.M. en un fondo de amortization, y dicho fondo, ademas de otras cantidades disponibles para dicho fin, se aplicara solo al pago del capital o intereses de la deuda contraida mediante la emision de bonos de las Islas Filipinas, sus provincias, municipios y dependencias, hasta qué dicha deuda quede satisfecha completamente.

Artículo 2. Con efecto desde la proclama del Presidente reconociendo la independencia de las Islas Filipinas—

(a) El Gobierno libre e independiente de las Islas Filipinas asumirá las deudas y responsabilidades de las Islas Filipinas, de las provincias, ciudades, municipios y dependencias, que sean válidas y subsistan en la fecha de la retirada definitiva y completa de la soberanía de los Estados Unidos; y cuando se hayan emitido bonos bajo la autoridad de una ley del Congreso de los Estados Unidos, por las Islas Filipinas o cualquier provincia, ciudad o municipio de las mismas, el Gobierno de dichas Islas adoptará medidas adecuadas para disponer los fondos necesarios para el pago de los intereses y del capital; y dichas obligaciones constituirán un derecho preferente sobre las contribuciones recaudadas en las Islas Filipinas.

(b) El Gobierno de las Islas Filipinas, al hacerse independiente de los Estados Unidos, asumirá todas las obligaciones continuas asumidas por los Estados Unidos por virtud del Tratado de Paz con España cediendo las Islas Filipinas a los Estados Unidos.

Los Estados Unidos no estarán obligados a pagar los intereses o el capital de los bonos y demás obligaciones de las Islas Filipinas, o de los gobiernos provinciales y municipales de dichas Islas que se emitan en lo sucesivo durante la continuación de la soberanía de los Estados Unidos en las Islas Filipinas: Entendiéndose, que dichos bonos y obligaciones que se emitan en lo sucesivo no estarán exentos de contribuciones en los Estados Unidos ni por autorización de dichos Estados.

(d) Como garantía adicional, el Gobierno de las Islas Filipinas insertará entre otras disposiciones las que se contienen en los párrafos (a) y (b) que preceden.

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