Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



THIRTEENTH CONGRESS
First Regular Session

HOUSE OF REPRESENTATIVES

H. B. No. 1721

Introduced by **Honorable Eulogio "Amang" R. Magsaysay**

EXPLANATORY NOTE

The Constitution states: "Foreign loans may only be incurred in accordance with law and the regulations of the monetary authority...." (Section 21, Article XII). Further, the Constitution provides, "The President may contract or guarantee foreign loans on behalf of the Republic of the Philippines with the prior concurrence of the Monetary Board subject to such limitations as maybe provided by law...." (Section 20, Article VII).

However, over the years, these provisions have been overused and abused to support the country's financial requirements. Instead of intensifying efforts to increase revenue collections, government has consistently depended on domestic and foreign loans to support its programs. Loans, which are against the interest of the Filipino people, have even been allegedly contracted and kick back money pocketed by unscrupulous government officials. Last year, Transparency International ranked the Philippines as the third most corrupt nation in Southeast Asia. As a result of the over-dependence on and abuse of foreign borrowings, the ballooning public debt of the national government is now at an all-time high of US$1.2 Trillion.

Furthermore, the Philippine government religiously abides by the policy on automatic appropriation for debt and debt guarantee items forced upon us by international financial institutions. At least 40% of our country's annual appropriations that should be appropriated for the implementation of vital projects such as education, health, food security and infrastructure, to name a few, instead goes to debt servicing.

Good governance necessitates a healthy and prudent fiscal management--- the judicious use of the country's resources and setting its priorities right. It calls for government to live within its means.

The country should primarily rely on the efficient collection of revenues and stump out graft and corruption rather than being perennially dependent on foreign borrowings. A first step toward this direction is imposing debt cap or debt ceiling, which this bill aims to establish. This bill also sets the parameters by which foreign loans can be contracted by the President and penalizes government officials who violate the provisions thereof.

The immediate passage of this bill is earnestly sought.



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AN ACT
PROVIDING FOR A CEILING ON ALL PUBLIC DEBTS OF THE REPUBLIC OF THE PHILIPPINES AND FOR OTHER PURPOSES

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

SECTION 1. *Title* - This act shall be known as the "Public Debt Ceiling Act".

SECTION 2. *Definition of Terms* -

a) Public Debt - All debts incurred by the National Government as well as by government-owned and controlled corporations (GOCCs), which include foreign borrowings, assumed liabilities (foreign and domestic), bonds, treasury bills and like instruments.
b) Emergency Loan – Loan, which is incurred to meet an existing emergency, which directly affects the public interest. The existence of an emergency shall be determined by the President upon the advice of the Secretary of Finance.
c) Government-Owned-and-Controlled Corporations (GOCCs) - are those directly chartered under special laws.
d) Vital Undertakings – refer to economic and social infrastructure and programs.

SECTION 3. *Purpose of Contracting and Guaranteeing Foreign Loans* - Foreign loans shall be contracted or guaranteed solely to finance vital undertakings in line with the national development program.

SECTION 4. *Who may Contract or Guarantee* - Only the President, with the prior concurrence of the Monetary Board, may contract or guarantee both foreign and domestic debts on behalf of the Republic of the Philippines.

SECTION 5. *Debt Ceiling* - A ceiling is hereby imposed on the total public debt of the Philippines to the amount of US$1.2Trillion, which may not exceed at anytime except with the concurrence of two-thirds of all members of Congress voting separately.

SECTION 6. *Exclusions to the Ceilings* – The President of the Philippines, upon the Recommendation of the Monetary Board, whenever required pursuant to a general rescheduling, restructuring or re-financing of the external debt of the Philippines by Foreign creditors, may exclude specific categories of external debt from the limits of US$1.2Trillion provided two-thirds of all members of Congress, voting separately, concurs with said exclusion.

SECTION 7. *Bilateral Agreements* - Bilateral Agreements involving official assistance such as loans, credits and indebtedness, which the President is authorized to enter into and conclude under Republic Act No. 4860, as amended, shall not be valid and effective unless concurred in by at least two-thirds of all the Members of Congress, voting separately.

SECTION 8. *Reportorial Requirements* - The Bangko Sentral ng Pilipinas shall, within thirty (30) days from the end of every quarter of the Calendar Year, submit to the Congress a complete report of its decisions on applications for loans to be contracted or guaranteed by the Government or government-owned-and-controlled corporations which would have the effect of increasing the public debt.

Information as to the terms and conditions of public loans or guarantees shall be made available for inspection subject to reasonable rules and regulations prescribed by the Bangko Sentral ng Pilipinas.

SECTION 9. *Implementing Rules and Regulations* - The Monetary Board of the *Bangko Sentral ng Pilipinas* shall, within ninety days from the promulgation of this Act, issue the necessary implementing rules and regulations for its effective implementation.

SECTION 10. *Penalties.* – Any violation of the provision of this Act shall, in addition to other penalties imposed by law, subject the public officials or persons

SECTION 13. *Effectivity* - This Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

Approved.