

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

FIFTEENTH CONGRESS  
First Regular Session

House Bill No. 2184

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

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## 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 may be provided by law..." (Section 20, Article VII).

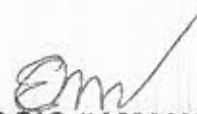
However, over the years, these provisions have been overused and abused to support the country's financial requirements. Instead of intensifying efforts to increase revenue collections, government has consistently depended on domestic and foreign loans to support its programs, an act inconsistent with the Filipino virtues of prudence and frugality. Loans, which are against the interest of the Filipino people, have been allegedly contracted and kick back money pocketed by unscrupulous government officials. This practice aggravates the suffering of the majority of our people and elevates the greed of villains. Such over-dependence on and abuse of foreign borrowings has resulted to the ballooning public debt of the national government over the years. In 2009, total public debt amounted to Php4.4 trillion, a considerable increase from Php4.2 trillion and Php3.7 trillion in 2008 and 2007, respectively.

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. This policy is a direct assault on our sovereignty and injustice to those who have less in life.

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 the government to live within its means. The House of Representatives is burdened by this standard.

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.

  
**EULOGIO "AMANG" R. MAGSAYSAY**

FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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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 the 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) – those directly chartered under special laws.
- d) Vital Undertakings – refer to those economic and social infrastructures 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 Php4.4 Trillion, 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 Ceiling.** – 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 Php4.4. Trillion, 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*, within thirty (30) days from the end of every quarter of the calendar year, submit to Congress a complete report of its decisions on applications for loans to be contracted or guaranteed by the government or by the 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 (90) 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 provisions of this Act, in addition to other penalties imposed by law, subject the public officials or persons responsible for such violation to an imprisonment of not less than twelve (12) years or a fine of not less than Php500,000.00, or both at the discretion of the court.

**SECTION 11. Repealing Clause.** – The following laws, decrees and executive orders shall henceforth be considered repealed:

1. Presidential Decree No. 1961 – An Act Authorizing the President of the Philippines on behalf of the Republic of the Philippines, and Authorizing the Central Bank of the Philippines, To Enter into Foreign Currency Loan, Deposit and Guarantee Agreements and Arrangements in Support of the National Economic Recovery Program, and for Other Purposes;
2. Presidential Decree No. 1977 – Amending Presidential Decree No. 1961;
3. Presidential Decree No. 1685 – Amending Presidential Decree No. 1309 Authorizing the Central Bank of the Philippines to Engage in Special Borrowings and Lending Operations;
4. Presidential Decree No. 1938 – Further Amending Presidential Decree No. 1309, As Amended by Presidential Decree No. 1685, Authorizing the Central Bank of the Philippines to Engage in Special Borrowings and Lending Operations;
5. Executive Order No. 218 – Extending the Applicability of Presidential Decree No. 1961, As Amended, to the 1987-1992 Philippine Financing Package and the Foreign Currency Loans; and
6. Republic Act No. 245 – An Act Authorizing the Secretary of Finance to Borrow to Meet Public Expenditures Authorized by Law, and for other Purposes, As Amended.

All other laws, decrees, orders, proclamations, rules and regulations or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

**SECTION 12. Separability Clause.** – If any provision in this Act or the application thereof is held invalid or unconstitutional, the validity of other provisions shall continue to be in full force and effect.

**SECTION 8. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes earlier.

Approved,