



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Twentieth Congress
First Regular Session

HOUSE BILL NO. **8059**

Introduced by Representative Arnan C. Panaligan

AN ACT AUTHORIZING THE PRESIDENT OF THE PHILIPPINES TO CONTRACT LOANS, CREDIT AND INDEBTEDNESS WITH ANY LOCAL OR FOREIGN SOURCE TO FUND THE ARMED FORCES OF THE PHILIPPINES MODERNIZATION PROGRAM AND THE SELF-RELIANT DEFENSE POSTURE PROGRAM AND FOR OTHER PURPOSES

EXPLANATORY NOTE

This bill authorizes the President of the Republic of the Philippines to contract such loans, credits or indebtedness including supplier's credit and deferred payment arrangements upon such terms and conditions as maybe agreed upon with any local or foreign source or lender to fund the Armed Forces of the Philippines Modernization Program as provided in Republic Act No. 10349, the Revised Armed Forces of the Philippines Modernization Act and Republic Act No. 12024, the Self Reliant Defense Posture Program in addition to the annual appropriation for the said programs provided for in the General Appropriations Act in an amount not exceeding One Billion United States Dollars (\$1,000,000,000.00). This bill amends or repeals Section 3 of Presidential Decree No. 415 wherein the previous ceiling was set at Three Hundred Million United States Dollars or its equivalent in other foreign currencies. This Presidential Decree was promulgated on March 19, 1974.

On February 23, 1995, Republic Act No. 7898 was approved that sought to modernize the Armed Forces of the Philippines. This was later amended by Republic Act No. 10349, the Revised Armed Forces of the Philippines Modernization Act that was approved on December 11, 2012. Said law divided the AFP Modernization Program into three (3) horizons, Horizon 1 from 2013 to 2017, Horizon 2 from 2018 to 2022 and Horizon 3 from 2023 to 2027.

However, funding in the annual General Appropriations Act for the three horizons of the AFP Modernization Program has been woefully inadequate. As a result, the acquisition of major defense armaments and equipment has been done in a slow and uncertain manner. While a number of major defense equipment have been acquired in recent years, the same are still not enough to build a truly credible deterrent capability for the Armed Forces of the Philippines. For Horizons 1 and 2, only Ph 194.25 Billion was appropriated in the General Appropriations Act from 2014 to 2022 out of the required Ph 533.43 billion. For Horizon 3, the amount of Ph 45 Billion for 2023, Ph 40 Billion for 2024, Ph 35 billion for 2025 and Ph 40 billion for 2026 were appropriated in the GAA covering the aforementioned years.

Thus, solely relying on the annual budgetary appropriations to fund the requirements for the building of a strong, capable and modern Armed Forces with a credible deterrent capability is inadequate. The fiscal space of the National Government is too narrow and the AFP Modernization Program has to compete with other equally vital government projects in the field of education, health care, housing, agriculture and infrastructure. However, the imperative need for national security cannot wait for the improvement of the government's fiscal position. In an uncertain and volatile geo-political situation, the very existence of the nation is at stake. In such a perilous time, a strong and capable Armed Forces of the Philippines stands as a bulwark of the nation's survival.

For this reason, the President of the Philippines must be given the legal mandate to obtain other means of financing to acquire the needed armaments and defense equipment for the Armed Forces of the Philippines. This is the rationale for this House Bill that seeks to increase the ceiling for loan contracted by the President of the Philippines from Three Hundred Million United States Dollars as provided for in Section 3 of Presidential Decree No. 415 to One Billion United States Dollars for the acquisition or procurement of a single defense project. While this amount may not still be enough to fulfill the gargantuan funding requirements of the AFP modernization program, it will go a long way in significantly advancing the acquisition of major defense items and thus boosting the capability of the AFP.

Although the General Appropriations Act for 2026 authorizes the Secretary of Finance, in consultation with the Department of National Defense to negotiate, contract and enter into foreign and domestic financing arrangements, subject to the approval of the President, the same authorization states that it is subject to the limitations provided by law. In this case, Presidential Decree No. 415 limits the ceiling to US\$ 300 million which is not enough to procure a squadron of multi-role fighter fleet or a fully equipped missile frigate.

In view of this, the approval of this bill is earnestly requested.


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

SECTION 1. - Any provision of law to the contrary notwithstanding, the President of the Philippines is hereby authorized in behalf of the Republic of the Philippines, to contract such loans, credits or indebtedness including supplier's credit and deferred payment arrangements upon such terms and conditions as maybe agreed upon with any local or foreign source or lender not exceeding One Billion United States Dollars (\$1,000,000,000.00) for any single defense project under Republic Act No. 10349, the Revised Armed Forces of the Philippines Modernization Act and Republic Act No. 12024, the Self Reliant Defense Posture Program and National Defense Industry Development Act or its equivalent in other foreign currencies at the exchange rate prevailing at the time of the contracting of the loans, credits, or indebtedness, suppliers credits and deferred payment arrangements and at terms of payment of not less than ten years and to enter into and conclude bilateral agreements involving other forms of official assistance such as grants and commodity credit arrangement or indebtedness as may be necessary with Government of foreign countries with whom the Philippines has diplomatic or trade relations or defense cooperation agreements or with reputable international organizations or non-governmental national or international lending institutions or firms extending supplier's credit or deferred payment arrangements.

SECTION 2. – In case of foreign loans, the prior approval of the Monetary Board shall be required as provided for in Article VII, Section 20 of the 1987 Constitution.

SECTION 3. – The Congress shall continue to fund the Armed Forces of the Philippines Modernization Program in the annual General Appropriations Act notwithstanding the availment of loans to augment or supplement the funding available for the upgrading of the capability of the Armed Forces of the Philippines.

SECTION 4. - No foreign loans shall be contracted with the Government, financial institution, instrumentality or entity of a country wherein the Philippines has a territorial issue or which the foreign and defense policy of the said country is not consistent with the strategic interests of the Republic of the Philippines.

SECTION 5. – If any part of this Act is declared invalid, the parts not affected shall remain in force and effect.

SECTION 6. – All laws, rules and regulations which are inconsistent with this Act are hereby amended, modified or repealed accordingly.

SECTION 7. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,