

FIFTEENTH CONGRES OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )




Senate  
Office of the Secretary

'11 JAN 31 P2:14

SENATE

S. BILL NO. **2659**

RECEIVED BY: 

---

Introduced by Sen. Ralph G. Recto

---

### EXPLANATORY NOTE

The country's total outstanding debt as of October 2010 is P4.6 trillion, of which P2.6 trillion is domestic and P2.0 trillion is foreign. The total outstanding debt is increasing because the government has not kept the commitment to meet revenue targets and manage our fiscal position.

The government's huge budget deficit results in a seemingly relentless borrowing to cover expenditures for needed infrastructure and services. If left uncontrolled, the public debt can balloon to a magnitude that can wreak havoc on the fiscal balance. This can have a negative impact on the economy as a whole and with grave consequence on the quality of life of the people.

The bill proposes to put a cap on the indebtedness of the government at 60% of the Gross Domestic Product (GDP). The debt ceiling may be breached only when there are extraneous events beyond the control of the government subject to Presidential certification, and approval of Congress.

Historically, our fiscal managers have never met the original program targets set forth in the national budget. Every year, they propose to Congress a formula on how they would finance the proposed expenditure program for the incoming year. But at the end of the year, the actual revenue collections fall short of the numbers in the Budget of Expenditures and Sources of Financing (BESF).

This proposed measure also puts a cap on the borrowings of the national government by mandating the Chief Executive to go back to Congress and seek authority to borrow more in the event that the national government fiscal deficit target submitted by the President is breached before the end of the fiscal year. It is essential that Congress should be closely guided by a borrowing program developed by the President to restore fiscal discipline before the country falls into another debt trap.

Hence, this bill proposes to compel our economic managers to be more accurate and prudent in their targets on the revenue and expenditure program. Likewise, this will allow Congress to assert its power of the purse.


Moreover, the debt cap will compel the government to exercise prudence in spending and strengthen its fiscal management. Setting limits to borrowings will provide opportunities for better prioritization of programs and projects as it has to spend within available resources.

It is hoped that this measure will be seriously considered for immediate approval.

  
RALPH G. RECTO

'11 JAN 31 P2:14

SENATE  
S. BILL NO. **2659**

RECEIVED BY: 

---

Introduced by Sen. Ralph G. Recto

---

AN ACT  
SETTING A CEILING TO THE INDEBTEDNESS OF THE REPUBLIC OF THE  
PHILIPPINES TO ENSURE MACRO-ECONOMIC STABILITY AND SUSTAINABLE  
GROWTH AND FOR OTHER PURPOSE

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

1       **SECTION 1.** This Act shall be known as the "*Government Indebtedness Cap Act of 2011*".

2  
3       **SEC. 2.** The national government and any of its agencies, offices, GOCCs shall limit its  
4 total indebtedness which carry the sovereign guaranty of the Republic of the Philippines to an  
5 amount not exceeding 60% of the latest Gross Domestic Product (GDP).

6  
7       **SEC. 3.** The debt ceiling provided herein may be temporarily breached when there are  
8 extraneous factors beyond its control including occurrence of catastrophic emergencies of  
9 national proportion, as may be declared by the President and upon consultation with both Houses  
10 of Congress. The presidential certification must specify the urgency and necessity of such  
11 breach, the period of time within which the government should offset the breach, as well as  
12 measures to cushion the effects of said breach to the national economy.

13  
14       **SEC. 4.** In the event that the national government fiscal deficit target as indicated in the  
15 Budget of Expenditures and Sources of Financing (BESF) submitted by the President of the  
16 Republic of the Philippines to Congress, pursuant to Section 22, Article VII of the 1987  
17 Constitution, is breached, the Government of the Philippines shall in no case borrow from  
18 foreign and/or domestic sources without the prior approval of the House of Representatives and  
19 concurrence by the Senate.

20  
21       **SEC. 5.** The debt cap provided for in this Act shall not preclude the adoption of another  
22 debt policy option or a combination of debt options that will reduce the country's outstanding  
23 debt stock.

24  
25       **SEC. 6.** The Secretary of Finance shall, within ten (10) days from the end of every  
26 quarter of the calendar year, submit to Congress a written report on the country's fiscal position  
27 and the modes of financing the government has undertaken during the period.

28  
29       **SEC. 7.** All laws, decrees and orders or parts thereof inconsistent with the provisions of  
30 this Act are hereby repealed or modified accordingly.

31  
32       **SEC. 8.** This act shall take effect fifteen (15) days after its publication in the Official  
33 Gazette or in two (2) newspapers of national circulation.

*Approved,*