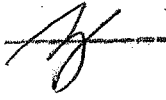


13th Congress of the Republic)
of the Philippines)
First Regular Session)

'04 JUN 30 P10:52

SENATE

RECEIVED BY: 

S. No. 1128

Introduced by Senator Aquilino Q. Pimentel, Jr.

EXPLANATORY NOTE

Debt service has greatly drained our national coffers.

In the meantime, we need all available resources to accelerate development and economic growth. And the social services, education, health, social welfare, shelter and other basic needs must be allocated their rightful share in order to improve the quality of life of our people.

Debt services must, therefore, be limited to an amount commensurate with our capacity to pay; what our economy can afford without sacrificing in any manner the larger concern - the raising of our people's standard of life and living, the alleviation of poverty, generation of more productive employment, promotion of Equity and Social justice and attainment of sustainable economic growth.

This bill proposes the following:

1. Amend Section 2 of R.A. No. 4860 by providing for a concise, clear, fixed and verifiable and transparent definition of "debt service burden" and "foreign exchange receipts." The fact that the previous administration circumvented this law by playing around with the various definitions of debt service burden should serve as a lesson. This suggested amendment would prevent any future manipulation of the law.
2. Amend Section 2 of R.A. No. 4860 by providing "that during the critical economic recovery period 1987 - 1992 inclusive, the external debt service shall not exceed ten per centum of merchandise trade or commodity export receipts."
3. Repeal Section 7 of the P.D. No. 1961, as amended by P.D. No. 1977, which exempts from the 20% ceiling specific categories of external debt contracted or obtained in connection with general rescheduling, refinancing or restructuring of foreign currency loans, credits and indebtedness.
4. Amend Section 5 of R.A. No. 4860 by incorporating a new paragraph requiring the Monetary Board of the Central Bank to publish in

newspapers of general circulation the details of all foreign loans incurred within 30 days after they are incurred. This shall be in addition to, and not in lieu of, the current provision in Section 20, Article 7 of the 1987 Constitution which requires the President to submit to Congress a report on all foreign loans incurred after the opening of every regular session. At present, Section 5 of R.A. 4860 only requires the submission by the President to the Congress of a report on the amounts of foreign loans contracted, within 30 days after the opening of every regular session.

The latter is also in line with the government's thrust on transparency and full public accountability.


AQUILINO Q. PIMENTEL, JR.

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13th Congress of the Republic)
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AN ACT
AMENDING CERTAIN SECTIONS OF REPUBLIC ACT
NUMBERED FORTY-EIGHT HUNDRED SIXTY, AS AMENDED,
AND PRESIDENTIAL DECREE NUMBERED NINETEEN
HUNDRED SIXTY ONE, AS AMENDED, RELATING TO
FOREIGN BORROWING

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

SEC. 1. Section 2 of Republic Act No. 4860, as amended, is hereby
amended by adding another paragraph after paragraph 2 thereof to read as
follows:

"The Central Bank of the Philippines shall promulgate and
enforce such measures as shall be necessary to reduce the external
debt service requirement to an annual level not exceeding
TWENTY per centum of the foreign exchange receipts of the
immediately preceding year [provided that whenever necessary in
connection with a general rescheduling, restructuring or
refinancing of the external debt of the Philippines by foreign
creditors, the President of the Philippines, upon recommendation
of the Monetary Board of the Central Bank of the Philippines, may

exclude specific categories of external debt from such ceiling.] provided that during the critical economic recovery period 1987 - 1992 inclusive, the external debt service shall not exceed ten per centum of merchandise trade or commodity export receipts.

"FOR PURPOSES OF DETERMINING THE DEBT SERVICE CEILING PROVIDED FOR IN THE PRECEDING PARAGRAPH, THE TERMS "DEBT SERVICE BURDEN" AND "FOREIGN EXCHANGE RECEIPTS" ARE HEREBY DEFINED AS FOLLOWS:

(a) DEBT SERVICE BURDEN - SHALL INCLUDE THE PRINCIPAL AND INTEREST PAYMENTS ON SHORT, MEDIUM AND LONG-TERM MONETARY AND NON-MONETARY CREDITS; INTEREST PAYMENTS ON SHORT-TERM LIABILITIES; INTERNATIONAL MONETARY FUND CREDITS; AND PAYMENTS UNDER SUCH RESCHEDULING AND NEW MONEY AGREEMENTS THAT THE GOVERNMENT HAVE ENTERED OR WILL ENTER INTO WITH FOREIGN CREDITORS.

(b) FOREIGN EXCHANGE RECEIPTS - SHALL INCLUDE CURRENT ACCOUNT RECEIPTS AS RECORDED IN THE BALANCE OF PAYMENTS, DURING THE IMMEDIATELY PRECEDING YEAR."

SEC. 2. Section 5 of the same Act is hereby amended by adding a second paragraph therein to read as follows:

"THE MONETARY BOARD OF THE CENTRAL BANK OF THE PHILIPPINES SHALL PUBLISH IN NEWSPAPERS OF

GENERAL CIRCULATION THE SOURCE, AMOUNT, PURPOSE, TERMS AND CONDITIONS OF ALL FOREIGN LOANS AND CREDITS SECURED AND GUARANTEES EXTENDED WITHIN THIRTY DAYS AFTER THE APPROVAL OF THE PERTINENT LOAN OR GUARANTEE AGREEMENTS."

SEC. 3. Section 7 of Presidential Decree No. 1961, as amended by P.D. No. 1977, which authorizes the President of the Philippines, upon recommendation of the Central Bank of the Philippines, to exclude specific categories of external debt contracted under the provisions of said Decree, is hereby repealed.

SEC. 4. All Acts or parts of Acts, Presidential Decrees or parts thereof and Executive Orders, rules and regulations which are inconsistent with the provisions of this Act, are hereby repealed or amended accordingly.

SEC. 5. This Act shall take effect upon its approval.

Approved,