

FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

8 MAY -7 1920

SENATE

S. NO. 2254

RECEIVED BY: [Signature]

Introduced by Senator Antonio "Sonny" F. Trillanes IV

**EXPLANATORY NOTE**

Section 21, Article XII of the 1987 Constitution states that foreign loans may only be incurred in accordance with law and the regulations of the monetary authority. The Constitution further provides in Section 20, Article VII that 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.

The limitations on foreign borrowings are critical in view of the automatic appropriations for debt service in the national budget. This means that once a debt is incurred, servicing such debt takes priority over other competing applications of the government's financial resources, including infrastructure, education, public services, and other social development programs.

To ensure that the social and economic benefits from foreign loans incurred justify their precedence over other social and economic programs, this bill provides, *inter alia*: (1) A debt ceiling equivalent to five percent (5%) of the country's GNP; (2) the concurrence of Congress if the debt ceiling is to be exceeded; (3) Foreign loans shall be contracted or guaranteed solely to finance economic and social infrastructure programs in line with the national development program; and (4) Bilateral Agreements involving official assistance such as grants and commodity credit arrangements or indebtedness shall not be valid unless concurred by the Senate.

In view of the foregoing, immediate approval of this bill is earnestly sought.


  
ANTONIO "SONNY" F. TRILLANES IV  
Senator

FOURTEENTH CONGRESS OF THE )  
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8 MAY -7 11:02

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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 Representative of the Philippines in Congress Assembled:*

1       **SECTION 1. Title.** This Act shall be known as the "*Public Debt Ceiling Act of 2008.*"

2

3       **SEC. 2. Definition of Terms. –**

4       a) Public Debt refers to all debts incurred by the National Government as well as  
5       GOCCs which include foreign borrowings, assumed liabilities (foreign and  
6       domestic), bonds, treasury bills and like instruments.

7       b) Emergency Loan is a loan incurred to meet an existing emergency which directly  
8       affects the public interest. The existence of an emergency loan shall be determined by  
9       the President upon the advice of the Secretary of Finance.

10      c) Government-Owned and Controlled Corporations or GOCCs are those directly  
11      chartered under special laws.

12      d) Vital Undertakings are economic and social infrastructure and programs.

13

14      **SEC. 3. Purpose of Contracting and Guaranteeing Foreign Laws. –** Foreign loans shall  
15      be contracted or guaranteed solely to finance vital under takings in line with the national  
16      development program.

1           **SEC. 4. *Who may Contract or Guarantee.*** – Only the President with the prior  
2 concurrence of Monetary Board may contract or guarantee both foreign and domestic debts on  
3 behalf of the Republic of the Philippines.

4  
5           **SEC. 5. *Debt Ceiling.*** – A ceiling is hereby imposed on the total public debt of the  
6 Philippines to the amount equivalent of five percent (5%) of the previous year's Gross National  
7 Product (GNP) which may not be exceeded at anytime except with the concurrence of Congress.

8  
9           **SEC. 6. *Exclusions to the Ceilings.*** – The President of the Philippines, upon  
10 recommendation of the Monetary Board, whenever required pursuant to a general rescheduling,  
11 restructuring, or re-financing of the external debt of the Philippines by foreign creditors, may  
12 exclude specific categories of external debt from the limits set by Section 2 of this Act.

13  
14           **SEC. 7. *Bilateral Agreements.*** – Bilateral Agreements involving official assistance such  
15 as grants and commodity credit arrangements or indebtedness which the President is authorized  
16 to enter into and conclude under Republic Act No. 4860, as amended, shall not be valid and  
17 effective unless concurred in by at least two-thirds of all the Members of the Senate.

18  
19           **SEC. 8. *Reportorial Requirement.*** – The *Bangko Sentral ng Pilipinas* shall, within thirty  
20 (30) days from the end of every quarter of the calendar year, submit to the Congress a complete  
21 report of its decisions on applications for loans to be contracted or guaranteed by the  
22 Government or government-owned and controlled corporations which would have the effect of  
23 increasing the foreign debt.

24           Information as to the terms and conditions of foreign loans obtained or guaranteed by the  
25 Government shall be made available for inspection subject to reasonable rules and regulation  
26 prescribed by the *Bangko Sentral ng Pilipinas*.

27

1           **SEC. 9. *Implementing Rules and Regulations.*** – The Monetary Board of the *Bangko*  
2 *Sentral ng Pilipinas* shall formulate and implement the necessary guidelines pursuant to this Act.

3  
4           **SEC. 10. *Penalties.*** – Any violation of the provisions of this Act shall, in addition to  
5 other penalties imposed by law, subject the public officials or persons responsible for such  
6 violation to an imprisonment of not less than twelve (12) years or a fine of not less than Five  
7 Hundred Thousand Pesos (P500,000.00).

8  
9           **SEC. 11. *Repealing Clause.*** – The following laws, decrees, and executive order  
10 henceforth shall be repealed:

- 11           1) Presidential Decree No. 1961- An Act authorizing the President of the Philippines on  
12           behalf of the Republic of the Philippines, and authorizing the Central Bank of the  
13           Philippines, to enter into Foreign Currency Loan, Deposit and Guarantee Agreements  
14           and Arrangements in support of the National Economic Recovery Program, and for  
15           other purposes;
- 16           2) Presidential Decree No. 1977- Amending Presidential Decree No. 1961.
- 17           3) Presidential Decree No. 1685- Amending Presidential Decree Numbered Thirteen  
18           Hundred Nine Authorizing the Central Bank of the Philippines to engage in special  
19           borrowing and lending operations;
- 20           4) Presidential Decree No. 1938- Further amending Presidential Decree Numbered  
21           Thirteen Hundred Nine, as amended by Presidential Decree Numbered Sixteen  
22           Hundred and Eighty Five authorizing the Central Bank of the Philippines to engage in  
23           special borrowing and lending operations; all laws, decrees, orders, rules and  
24           regulations, or parts thereof inconsistent with this Act are hereby repealed or  
25           amended accordingly.
- 26           5) Executive Order No. 218- Extending the applicability of Presidential Decree No.  
27           1962 as amended, to the 1987-1992 Philippine Financing Package and the Foreign

1 Currency Loans, Credits and Indebtedness Made, Guaranteed and Insured by Foreign  
2 Governments and their agencies maturing on or after January 1, 1987 through  
3 December 31, 1992, subject to limitations; and

4 6) Republic Act No. 254- An Act Authoring the Secretary of Finance to Borrow to meet  
5 Public Expenditures Authorized by Law, and for Other Purposes, as amended.

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

8  
9 **SEC. 12. *Separability Clause.*** – If any provision of this Act or the application thereof is  
10 held invalid or unconstitutional, the validity of other provisions shall continue to be in full force  
11 and effect.

12  
13 **SEC. 13. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following its  
14 complete publication in at least two (2) national newspapers of general circulation.

Approved,