

REPUBLIC OF THE PHILIPPINES
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SENATE
OFFICE OF THE SECRETARY

10 JUL -8 P4:20

SENATE

Senate Bill No. 1056

RECEIVED BY: 

Introduced by Senator Manny Villar

EXPLANATORY NOTE

The increasing share of debt service payments in the yearly national government budget is at the expense of a decreasing allotment for social services and infrastructure that could propel real economic growth. Instead of attending significantly to education and health sectors, the Philippine government has to use up 40% of its expected revenues this 2008 for debt servicing.

The Bureau of the Treasury has reported that the National government's outstanding debt as of June 2008 stood at P3.964 trillion, up by 0.9% from the May 2008 level. Of this amount, forty-two percent (42%) or P1.661 trillion is owed to foreign creditors while fifty-eight percent (58%) or P2.303 trillion is attributed to domestic creditors.

Since 1986, upon the assumption into power of a people's government, there is a continuing clamor to review the debts we incurred. The calls fell on deaf ears and the odious debt doctrine merely became a slogan mouthed, amongst street parliamentarians, but undiscussed in the real halls of government.

In 1998, a British bank, the Standard Chartered Bank, warned of Argentine-like conditions already present in the Philippines as far as its debt dilemma is concerned. Calls on government started once more - from the extreme debt repudiation to a less hostile debt restructuring.

This bill seeks to act once and for all on the calls for debt relief in the country. A Council for Debt Relief is proposed to be established and operational within a specific time period to review all loan agreements entered into by past and present Philippine governments with the end-view of enabling the invoking of relevant clauses and provisions that would allow debt relief to the country. It is the goal of this Bill that after the period of operation of the Council, the debt service burden of the country would finally be eased.

The prompt and immediate passage of this bill deserves utmost attention.


MANNY VILLAR

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AN ACT
TO PROMOTE ACCOUNTABILITY AND TRANSPARENCY ON FOREIGN
LOANS OBTAINED BY THE COUNTRY CREATING FOR THE PURPOSE A
COUNCIL FOR DEBT RELIEF TO REVIEW AND ASSESS BILATERAL AND
MULTILATERAL LOAN AGREEMENTS, TREATIES AND CONTRACTUAL
OBLIGATIONS ENTERED INTO BY THE PHILIPPINE GOVERNMENT

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

Section 1. Title. - This shall be known as the "Debt Relief Act of 2010."

Section 2. Purpose. - The purpose of this Act is to ease debt burden of the country by invoking rights and privileges possible under international loan agreements and treaties for the cancellation of odious public sector debts and/or restructuring of public sector debts.

Section 3. Scope. - This Act covers the creation of a Debt Relief Council that shall review and negotiate for the invoking of certain rights and privileges under bilateral and multilateral loan agreements and treaties that would result in the cancellation of odious debts and/or restructuring of the debts of the Philippines.

Section 4. Definitions. -As used in this Act, the following shall mean:

- a) **Debt cancellation** is a bilateral agreement between a creditor and a debtor to cancel or to forgive part or all of a liability outstanding, the debt, incurred by the debtor to the creditor. It will no longer exist after the cancellation.
- b.) **Debt relief** is the reduction of principal or interest payments on developing country loans.
- c.) **Debt repudiation** is a unilateral cancellation of a liability by a debtor
- d.) **Odious debts** as defined in the 1927 Doctrine of Odious Debts and as advanced by International Standards, are (1) debt incurred without the consent of the people of the state, (2) debt which cannot have benefited the public in that state, and (3) debt whereby the lender must have been aware of the two preceding conditions.

Section 5. *Composition of the Council.* - The Council shall be headed by the National Economic and Development Authority (NEDA) Secretary-General and composed of six (6) more members with the following qualifications:

- International finance expert (1) - nominated by the international finance community in the country, with proven track record in international loan negotiations and study;
- Development economist (1) - nominated by the local social sciences academe, with proven track record in debt studies and fiscal management;
- Banking sector representative (1) - nominated by the Bankers Association of the Philippines, with proven track record in international loan regulations and policies;
- Corporate lawyer (1) - nominated by the Integrated Bar of the Philippines, with proven track record in contract review and due diligence practice; and
- Government representatives (2) - nominees from the Department of Finance and the Bangko Sentral ng Pilipinas.

Section 6. *Term of Office.* - The Council shall have a term of three (3) years in which to achieve their mandate.

Section 7. *Assignment of Funds.* - The Council shall hold office within the premises of the National Economic and Development Authority offices. Operating funds on the first year shall be allotted for the Council from the Special Provisions Fund under the Office of the President. Appropriations shall be made for the Council in the General Appropriations Act (GAA) for the succeeding two years of operations.

Section 8. *Implementing Rules and Regulations.* - The NEDA is tasked to formulate the implementing rules and regulations within thirty (3) days of signing of this Act, and to convene the Council within sixty (60) days of the signing of this Act.

Section 9. *Repealing Clause.* - All laws, decrees, rules and regulations or portion thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 10. *Effectivity Clause.* - This Act shall take effect on the fifteenth day following the publication in at least one (1) national paper of general circulation.

Approved,