



Republic of the Philippines
CONGRESS OF THE PHILIPPINES
SENATE
Pasay City

SUBJECT : THE SPOT REPORT ON THE 21 OCTOBER 2004, 2:00 P.M. PUBLIC HEARING OF THE COMMITTEE ON FINANCE ON DEBT CAP BILLS AT THE LAUREL ROOM

AGENDA : SBN 490 (Osmeña), 510 (Villar), 1118 (Drilon) "Debt Cap" Bills

Senators Present : **Villar, Osmeña III, and Enrile**

Resource Persons: Juanita Amatong, Secretary, Eric Recto, Usec., and Roberto Tan, Asec., DOF; Laura Pascua, Usec., DBM, and Ms. Nieves Osorio, Acting Treasurer, Btr.; Freedom from Debt Coalition Rep. Ana Nemenzo

DISCUSSION

Usec. Eric Recto calculated the total public sector debt to be P5.95 trillion as of FY 2003. This amount is expected to reach P6.1 trillion by the end of FY 2004. Usec. Recto reported that RA 4860 establishes a foreign debt ceiling of \$10 billion.

Sec. Amatong and Usec. Pascua expressed their support to the debt cap bills because the measures would help improve investor confidence as well as bring down the level of the national debt. However, Sec. Amatong appeared apprehensive on the matter of seeking Congressional approval whenever the debt ceiling is to be exceeded.

Senators Villar and Osmeña III pressed for categorical answers. The Senators present gave the DBM/DOF officials several weeks to finalize their proposals for a suitable debt cap to halt the borrowing spree. For her part, Usec. Osoro stated that her Bureau has no objections to the legislative proposals provided that the aforementioned bills would allow some flexibility in addressing extreme financial emergency situations.

Senator Villar instructed the resource persons to conduct a study on how the other countries were able to resolve their foreign debt difficulties.

Freedom from Debt Coalition representative Ana Maria Nemenzo welcomed the legislative proposals under consideration. She suggested that Congress initiate an investigation to examine the unprecedented levels of borrowing the government has entered into. Ms. Nemenzo, however, requested for additional time to study the ratios mentioned in the bills. She felt that the mandatory debt service payments violates the 1987 Constitution which dictates

that the educational sector should be given the highest allocation in the budget. Ms. Nemenzo lamented the lack of policy direction and genuine concern on this critical matter. Secretary Amatong sneered at Ms. Nemenzo's remarks. According to the DOF Secretary, Ms. Nemenzo's tirade betrays the latter's ignorance to the efforts initiated by the DOF in managing the external debt problems of the country.

Senator Osmeña divulged that amidst the fiscal crisis, the Arroyo government recently entered into a One Hundred Million Dollar Loan Agreement with China to undertake the PNR construction in Northern Luzon. This tantamounts to \$1 M per kilometer of railroad tracks.

Senator Osmeña III called for the immediate enactment of the Debt Cap Bills to wipe away the band aid and totally idiotic solutions being peddled by the Arroyo Administration.

Respectfully submitted

Arturo Mojica Jr.