

REPUBLIC ACT NO. 4860

AN ACT AUTHORIZING THE PRESIDENT OF THE PHILIPPINES TO OBTAIN SUCH FOREIGN LOANS AND CREDITS, OR TO INCUR SUCH FOREIGN INDEBTEDNESS, AS MAY BE NECESSARY TO FINANCE APPROVED ECONOMIC DEVELOPMENT PURPOSES OR PROJECTS, AND TO GUARANTEE, IN BEHALF OF THE REPUBLIC OF THE PHILIPPINES, FOREIGN LOANS OBTAINED OR BONDS ISSUED BY CORPORATIONS OWNED OR CONTROLLED BY THE GOVERNMENT OF THE PHILIPPINES FOR ECONOMIC DEVELOPMENT PURPOSES INCLUDING THOSE INCURRED FOR PURPOSES OF RE-LENDING TO THE PRIVATE SECTOR, APPROPRIATING THE NECESSARY FUNDS THEREFOR, AND FOR OTHER PURPOSES

Section 1. The President of the Philippines is hereby authorized in behalf of the Republic of the Philippines to contract such loans, credits and indebtedness with foreign governments, agencies or instrumentalities of such foreign governments, foreign financial institutions, or other international organizations, with whom, or belonging to countries with which, the Philippines has diplomatic relations, as may be necessary and upon such terms and conditions as may be agreed upon, to enable the Government of the Republic of the Philippines to finance, either directly or through any government office, agency or instrumentality or any government-owned or controlled corporation, industrial, agricultural or other economic development purposes or projects authorized by law: *Provided*, That at least seventy-five per cent shall be spent for purposes or projects which are revenue-producing and self-liquidating, such as electrification, irrigation, river control and drainage, telecommunication, housing, construction and improvement of highways and bridges, airports, ports and harbors, school buildings, waterworks and artesian wells, air navigation facilities, development of fishing industry, and others: *Provided*, That such foreign loans shall be used to meet the foreign exchange requirements or liabilities incurred in connection with said development projects to cover the cost of equipment, related technical services and supplies, where the same are not obtainable within the Philippines at competitive prices as well as part of the pesos costs, other than working capital and operational expenses not exceeding twenty per cent of the loan: *Provided, further*, That in the case of roads, bridges, irrigation, portworks, river control, airports, and power, the amount shall not exceed seventy per cent of the loan.

The authority of the President of the Philippines as herein provided shall include the power to issue, for the purposes hereinbefore stated, bonds for sale in the international markets the income from which shall be fully tax-exempt in the Philippines.

Section 2. The total amount of loans, credit and indebtedness, excluding interests, which the President of the Philippines is authorized to incur under this Act shall not exceed one billion United States dollars or its equivalent in other foreign currencies at

the exchange rate prevailing at the time the loans, credits and indebtedness are incurred: *Provided, however,* That the total loans, credits and indebtedness incurred under this Act shall not exceed two hundred fifty million in the fiscal year of the approval of this Act, and two hundred fifty million every fiscal year thereafter, all in United States dollars or its equivalent in other currencies.

All loans, credits and indebtedness under the preceding section shall be incurred only for particular projects in accordance with the approved economic program of the Government and after the plans of such projects shall have been prepared by the offices or agencies concerned, recommended by the National Economic Council and the Monetary Board of the Central Bank of the Philippines, and approved by the President of the Philippines.

Section 3. The President of the Philippines is, likewise, hereby authorized, in behalf of the Republic of the Philippines, to guarantee, upon such terms and conditions as may be agreed upon, foreign loans extended directly to, or bonds for sale in international markets issued by, corporations owned or controlled by the Government of the Philippines for industrial, agricultural or other economic development purposes or projects authorized by law, such as those mentioned in Section one of this Act, including the rehabilitation and modernization of the Philippine National Railways, the cash capital requirements of the Land Bank, electrification, irrigation, river control and drainage, telecommunication, housing, construction and/or improvement of highways, airports, ports and harbors, school buildings, waterworks and artesian wells, air navigation, development of the fishing industry, iron and nickel exploitation and development, and others: *Provided,* That at least seventy-five per cent shall be spent for purposes or projects which are revenue-producing and self-liquidating. The loans and/or bonded indebtedness of government-owned or controlled corporations which may be guaranteed by the President under this Act shall include those incurred by government-owned or controlled financial institutions for the purpose of re-lending to the private sector and the total amount thereof shall not be more than five hundred million United States dollars or its equivalent in other foreign currencies at the exchange rate prevailing at the time the guarantee is made: *Provided,* That the government-owned or controlled financial institutions shall relend the proceeds of such loans and/or or bonded indebtedness to Filipinos or to Filipino-owned or controlled corporations and partnerships, at least sixty-six and two-thirds per centum of the outstanding and paid-up capital of which is held by Filipino at the time the loan is incurred, such proportion to be maintained until such time as the loan is fully paid: *Provided, however,* That during anytime that any amount of the loan remains outstanding, failure to meet with the capital ownership requirement shall make the entire loan immediately due and demandable, together with all penalties and interests, plus an additional special penalty of two per centum on the total amount due.

Section 4. The implementation of this Act shall be subject to, and governed by, the provisions of Executive Order No. 236, dated February 13, 1957, prescribing procedures for the planning of development finances, the issuance of government securities, and the disbursement of proceeds, and creating the Fiscal Policy Council and the Technical Committee on Development Finance, as amended by Executive Order No. 26, dated May 26, 1966, not inconsistent with this Act, which are hereby adopted by reference and made an integral part of this Act.

Section 5. It shall be the duty of the President, within thirty days after the opening of every regular session, to report to the Congress the amount of loans, credits and indebtedness contracted, as well as the guarantees extended, and the purposes and projects for which the loans, credits and indebtedness were incurred, and the guarantees extended, as well as such loans which may be reloaned to Filipino-owned or controlled corporations and similar purposes.

Section 6. The Congress shall appropriate the necessary amount out of any funds in the National Treasury not otherwise appropriated, to cover the payment of the principal and interest on such loans, credits or indebtedness as and when they shall become due.

Section 7. This Act shall take effect upon its approval.

Approved: August 8, 1966