

**[ REPUBLIC ACT NO. 6142, November 09, 1970 ]**

**AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT  
NUMBERED FOUR THOUSAND EIGHT HUNDRED SIXTY**

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

SECTION 1. Section one of Republic Act Numbered Four thousand eight hundred sixty is hereby amended to read as follows:

"SEC. 1. The President of the Philippines is hereby authorized, in behalf of the Republic of the Philippines, to contract such loans, credits or indebtedness as may be necessary and upon such terms as may be agreed upon, not inconsistent with this Act, with governments of foreign countries with whom the Philippines has diplomatic or trade relations or which are members of the United Nations, their agencies, instrumentalities or financial institutions or with reputable international organizations to enable the Government of the Republic of the Philippines to:

"(A) Undertake, through any government office, agency or instrumentality, industrial, agricultural or other economic development projects, which are authorized by law and as are enumerated in Annex "A", including Lists 1, 2, 3 and 4 hereof, which are all made integral parts of this Act: *Provided*, that at least seventy-five per cent of the face value of the loans, credits or indebtedness obtained under this paragraph shall be spent for projects which are revenue-producing. Such foreign loans, credits or indebtedness shall be used to meet the direct and indirect foreign exchange requirements and up to twenty *per centum* of the peso costs to cover the costs of equipment, machineries, and supplies, construction, installation and related technical service of any such project; except that in long-term loans for projects on low-cost housing, urban renewal, and new-town development, the limitation to twenty *per centum* of the peso costs shall not apply: *Provided, however*, that said twenty *per centum* of the peso costs shall not be utilized for the importation or purchase abroad of any equipment, machinery or supply if the same is obtainable in the Philippines: *Provided, finally*, that whenever necessary, part of the proceeds of such loans, credits or indebtedness shall be used for environmental management and control;

"(B) Lend the proceeds of such loans, credits or indebtedness to government-owned or controlled corporations to finance development projects which are authorized by law and as are enumerated in Annex "A" hereof: *Provided*, that the proceeds of said loans, credits or indebtedness shall, likewise, be used to meet the direct and indirect foreign exchange requirements and up to twenty *per centum* of the peso costs to cover the costs of equipment, machineries, supplies, construction, installation and related technical services of such projects;

"(C) Lend the proceeds of such loans, credits or indebtedness to the Development Bank of the Philippines which shall administer said proceeds in accordance with the agreement with the foreign creditor for relending to cooperatives, private corporations or associations, whose capital stock, if not fully subscribed, is open to subscription by the general public to meet the direct and indirect foreign exchange requirements as well as up to twenty *per centum* of the peso costs for such industrial, agricultural and other economic development projects, subject to the provisions of the charter, rules and regulations of said bank and to the terms and conditions agreed upon by the government and the institution providing financing for the projects: *Provided*, That the Development Bank of the Philippines shall pay the Republic of the Philippines, at least for the principal, interest and other charges on such loans, credits or indebtedness turned over to it: *Provided, further*, That

1. Sixty *per centum* of the total proceeds for relending shall be for industrial projects which are approved by and registered with the Board of Investment under the Investment Incentives Act or the Export Incentives Act;
2. Forty *per centum* of the total proceeds for relending must be allocated to agricultural projects which are recommended by the Department of Agriculture and Natural Resources and approved by the National Economic Council and which satisfy any or all of the following criteria:
  - a. New and/or export oriented;
  - b. Import-substitute-oriented;
  - c. Necessary to increase agricultural production; or
  - d. Necessary to improve the quality and marketability of agricultural products.

"The proceeds of the loans, credits of indebtedness under this paragraph shall not be re-loaned to any cooperative, private corporation or association, the account of which with the Development Bank of the Philippines or with any government financial institution, is in arrears for three or more installments for causes other than *force majeure* or those

beyond its control, nor shall said proceeds or portions thereof be used for any purpose other than that for which the loan, credit or indebtedness has been granted. The failure of any debtor to meet three amortization payments of its loan when due, for causes other than *force majeure* or those beyond its control, will render the entire obligation or any balance thereof due and demandable, and the debtor shall pay a special penalty of two *per centum* of the total amount due.

"The authority of the President of the Philippines, as hereby provided, shall include the power to issue, for the purposes stated, bonds, debentures, securities or other evidences of indebtedness for sale in the international markets the income from which shall be fully tax exempt in the Philippines."

SECTION 2. Section two of the same Act is hereby amended to read as follows:

"SEC. 2. The total amount of loans, credits or indebtedness excluding interest and other normal banking charges which shall not be excess of those imposed or charged by the International Bank for Reconstruction and Development, the Asian Development Bank or other official international financial institutions, which the President is authorized to incur under Section one of 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 or indebtedness are incurred at terms of payment of not less than ten years: *Provided*, That seventy-five *per centum* of such total authorized amount shall be incurred for projects of the public sector contemplated under paragraphs "A" and "B" of Section one and enumerated in Annex "A" (including Lists 1, 2, 3 and 4), and twenty-five *per centum* thereof shall be utilized for projects of the private sector contemplated under paragraph "C" of Section one: *Provided*, That no single cooperative, private corporation or association shall be allowed to borrow more than fifteen *per centum* of the total proceeds of such loans, credits, indebtedness accruing to the Development Bank of the Philippines. The total of such loans, credits, or indebtedness availed of in any fiscal year shall not exceed two hundred fifty million United States dollars or its equivalent in other currencies: *Provided*, that all such loans, credits or indebtedness under paragraphs "A" and "B" of the preceding section shall be incurred only after the plans for such projects shall have been prepared by the offices, agencies or instrumentalities concerned, utilizing so far as practicable their technical services or the services of qualified domestic firms for such projects, 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: *Provided, further*, that the total foreign exchange requirements in any fiscal year subsequent to the approval of this Act for the servicing of the total external debt, public and private, including those for the loans, credits or indebtedness and other obligations that may be incurred under this Act in the fiscal year subsequent to the approval of this Act shall not exceed twenty per centum of the average of the foreign exchange receipts of the immediately preceding three years,

as certified by the Central Bank: *Provided, still further*, that the existing debt service ratios in excess of this ceiling shall not be considered violative of this Act: *Provided, furthermore*, that such ratios shall not be increased beyond their existing levels: *Provided, finally*, that contracts for loans, credits or indebtedness under paragraphs "A" and "B" of Section one shall not be entered into unless the Commissioner of the Budget certifies (1) that for the fiscal year in question, funds are appropriated and programmed to meet the servicing of the external debt of the public sector, including the loan, credit or indebtedness proposed to be contracted, and (2) that the counterpart peso funding requirements of the projects for which such loans, credits or indebtedness are being contracted, have been programmed and shall be available as and when needed for the completion of the said project."

SECTION 3. Section three of the same Act is hereby amended to read as follows:

"SEC. 3. The President of the Philippines is further authorized, in behalf of the Republic of the Philippines, to guarantee such loans, credits or indebtedness as may be necessary and upon such terms and conditions, not inconsistent with this Act, as may be agreed upon with the governments of foreign countries with which the Philippines has diplomatic or trade relations or which are members of the United Nations, their agencies, instrumentalities or financial institutions or with reputable non-governmental national or international institutions, loans, credits or indebtedness extended directly to, or bonds, debentures, securities or other evidences of indebtedness for sale in international markets issued by:

"(A) Corporations owned or controlled by the government of the Philippines: *Provided*, that the proceeds of such loans, credits or indebtedness or the proceeds of bonds, debentures, securities or other evidences of indebtedness floated or issued, shall be used to undertake industrial, agricultural, or other economic development projects which are authorized by law and/or by their respective charters and which are in accordance with the list of such projects as are enumerated in Annex "A" (including Lists 1, 2, 3, and 4).

"(B) Government-owned or controlled financial institutions for relending to single cooperatives or private corporations or associations, whose capital stocks, if not fully subscribed, is open to subscription by the general public for projects authorized by the charters of such financial institutions or by law, subject to the same terms, conditions and criteria prescribed in paragraph "C" of Section one of this Act.

Seventy-five *per centum* of the total amount authorized to be guaranteed under this section shall be incurred for projects under paragraph "B" hereof; and that of the total amount of guarantees no single cooperative,

private corporation or association except development finance corporations using funds supplied by International Bank for Reconstruction and Development, the Asian Development and other similar international financial institutions shall be allowed to borrow more than fifteen *per centum* of the total amount of loans, credits or indebtedness guaranteed hereunder: *Provided, further*, that the total foreign exchange requirement for servicing the loans, credits or indebtedness guaranteed under this Act shall be included in the certification required of the Central Bank under Section two hereof.

"The total amount of loans, credits or indebtedness incurred, and the proceeds of bonds, securities or other evidences of indebtedness floated or issued, which may be guaranteed by the President under this section 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 excluding interest and other normal banking charges imposed or charged by the International Bank for Reconstruction and Development or other similar international financial institutions: *Provided*, that whenever necessary part of the proceeds of such loans, credits, or indebtedness shall be used for environmental management control: *Provided, further*, that no portion of the proceeds of such loans, credits or indebtedness or of bonds, debentures, securities or other evidences of indebtedness sold in international markets, shall be channelled to, or utilized by or for subsidiaries of such financial institutions, which have not been created by an Act of Congress: *Provided, finally*, that all loans made shall, within three days after the same have been approved pending final confirmation by the governing board of the financial institution concerned, be published in two newspapers of general circulation in the Philippines, indicating therein among others, the name and address of the borrower, including the names and addresses of the officers and members of the cooperative, corporation or association, the amount of loan, credit or indebtedness contracted and the project to be financed."

SECTION 4. A new section to be known as Section three-A is hereby inserted into the same Act to read as follows:

"SEC. 3-A. Only cooperatives organized under existing laws, private corporations or associations organized under the laws of the Philippines, at least seventy *per centum* of the outstanding and paid-up capital of which is owned and held by citizens of the Philippines, such proportion to be maintained until such time as the loan is fully paid and whose capital structure is open to public participation are qualified to borrow from government financial institutions the proceeds of loans, credits or indebtedness incurred under authority of this Act.

"Failure of the private borrower to maintain the capital ownership requirement stipulated herein, throughout the period that any part of a loan remains outstanding, shall render the entire loan immediately due and demandable, together with all interest and penalties, plus an